SEGRO

Annual Report & Accounts 2022

Enabling extraordinary things

As SEGRO plc has a secondary listing on the regulated market of Euronext in Paris, the official version of the Company's Annual Report and Accounts 2022 has been prepared in the 'European Single Electronic Format' (required to be in XHTML format). This pdf version (in non-XHTML format) is a reproduction of the official version of SEGRO plc's Annual Report and Accounts 2022 and both versions are available on the Company's website.

More information

More information
For more information on SEGRO's activities and performance, please visit our website: www.SEGRO.com

- Estates
- Countries
- Our Purpose
- Responsible SEGRO
- About us
- Investor information
- Careers
- Media

In this report
Throughout this report we use QR codes as a link to interviews with our key executives and case studies from our year.

CEO's Q&A

A million more meals
Investing in our communities and local environments

COO's Q&A

Once a roof, now a road
Championing low-carbon growth

CFO's Q&A

Chair's Q&A

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Overview
An 'at a glance' look at SEGRO: what we do, where we do it, who we do it for and what drives performance.

Strategic Report
A deep dive into our business: the key external factors that impact SEGRO, an overview of our business model, strategy and KPIs, a review of our 2022 performance, and some thoughts on the outlook for 2023 and beyond.

Governance
An overview of our corporate governance structure, policies and practices as well as the key activities undertaken by the Board and its Committees.

Financial Statements

Further Information

The Directors present the Annual Report for the year ended 31 December 2022, which includes the Strategic Report, Governance Report and audited Financial Statements for the year. References to 'SEGRO', the 'Group', the 'Company', 'we' or 'our' are to SEGRO plc and/or its subsidiaries, or any of them as the context may require. Pages 09 to 86 inclusive comprise the Strategic Report; pages 123 to 142 inclusive comprise the Directors' Remuneration Report; and pages 148 to 149 inclusive comprise the Directors' Report. These have been drawn up and presented in accordance with English company law and the liabilities of the Directors, in connection with these sections, and shall be subject to the limitations and restrictions provided by such law.

The Annual Report contains forward-looking statements. For further information see inside back cover.

2022 in numbers

Rent contracted
£98m
2021: £91m

New pre-lets signed
£41m
2021: £49m

Development completions
639,200 sq m
2021: 839,200 sq m

Development completions rated BREEAM 'Very Good' or better (68% rated 'Excellent')
100%
2021: 98%

Net Investment
£1.3bn
2021: £1.5bn

New financing
£3.1bn
2021: £1.3bn

Reduced average embodied carbon intensity of development pipeline
10%
2021: 2%

Increase in solar capacity
24%
2021: 45%

Number of Community Investment Plans launched
10
2021: N/A

Employee engagement
91%
2020: 94%

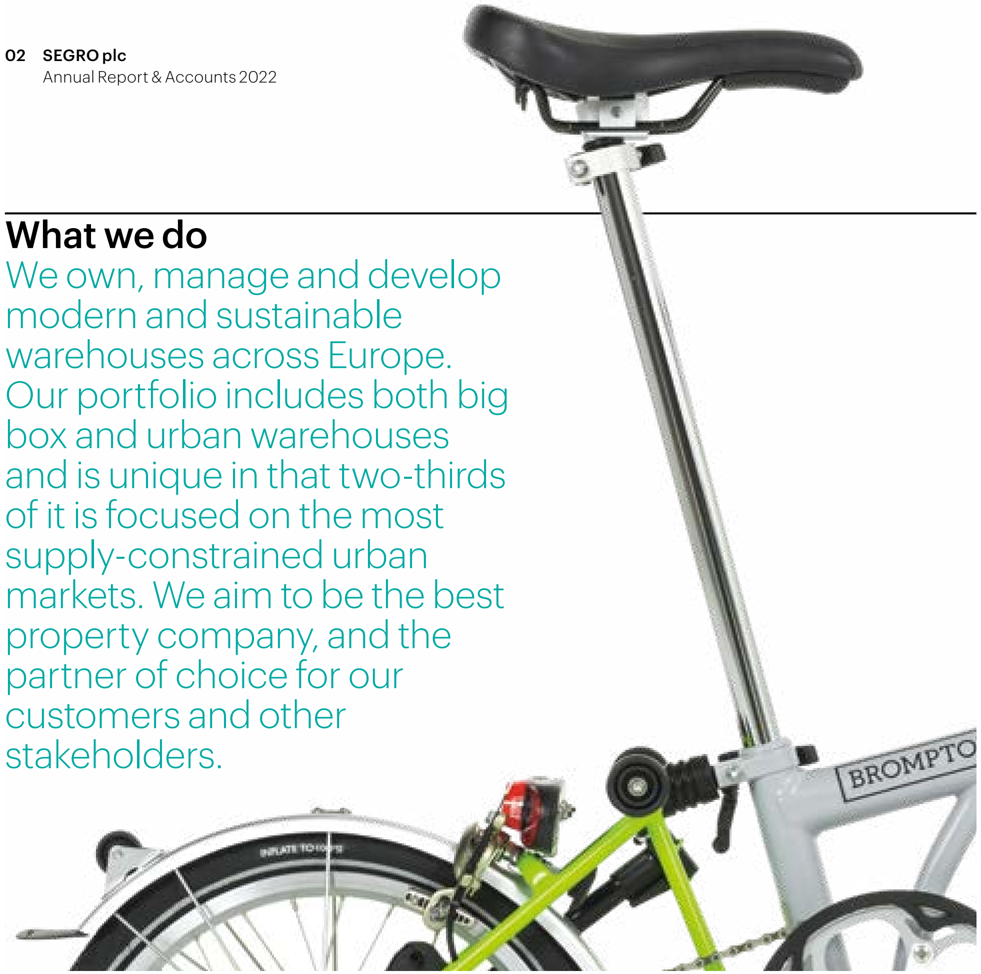
Our Purpose

We create the space that enables extraordinary things to happen.

Our passions include:

1. Creating exceptional buildings and spaces Page 8
2. Enabling our customers to do extraordinary things Page 32
3. Nurturing talent Page 40
4. Investing in our communities and local environments Page 47
5. Championing low-carbon growth Page 56

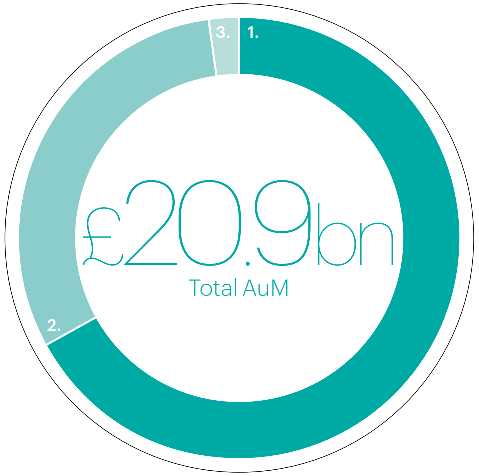
How our governance activities enable extraordinary things



What we do

We own, manage and develop modern and sustainable warehouses across Europe. Our portfolio includes both big box and urban warehouses and is unique in that two-thirds of it is focused on the most supply-constrained urban markets. We aim to be the best property company, and the partner of choice for our customers and other stakeholders.

Asset type by value (SEGRO share)



1.	Urban warehousing	67%
2.	Big box warehousing	31%
3.	Other uses	2%

9.9m sq m
Total floor space[1]

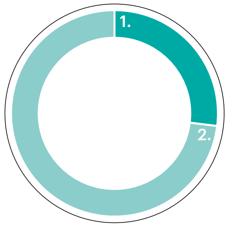
1 includes offices and retail uses such as trade counters, car showrooms and self storage facilities

Big box warehouses

Users of our big box spaces:
- Retailers (online and traditional)
- Third-party logistics and transportation companies
- Manufacturers
- Distributors and wholesalers

£225m
Headline rent (SEGRO share)

Geographical split of big box warehouses by value (SEGRO share)



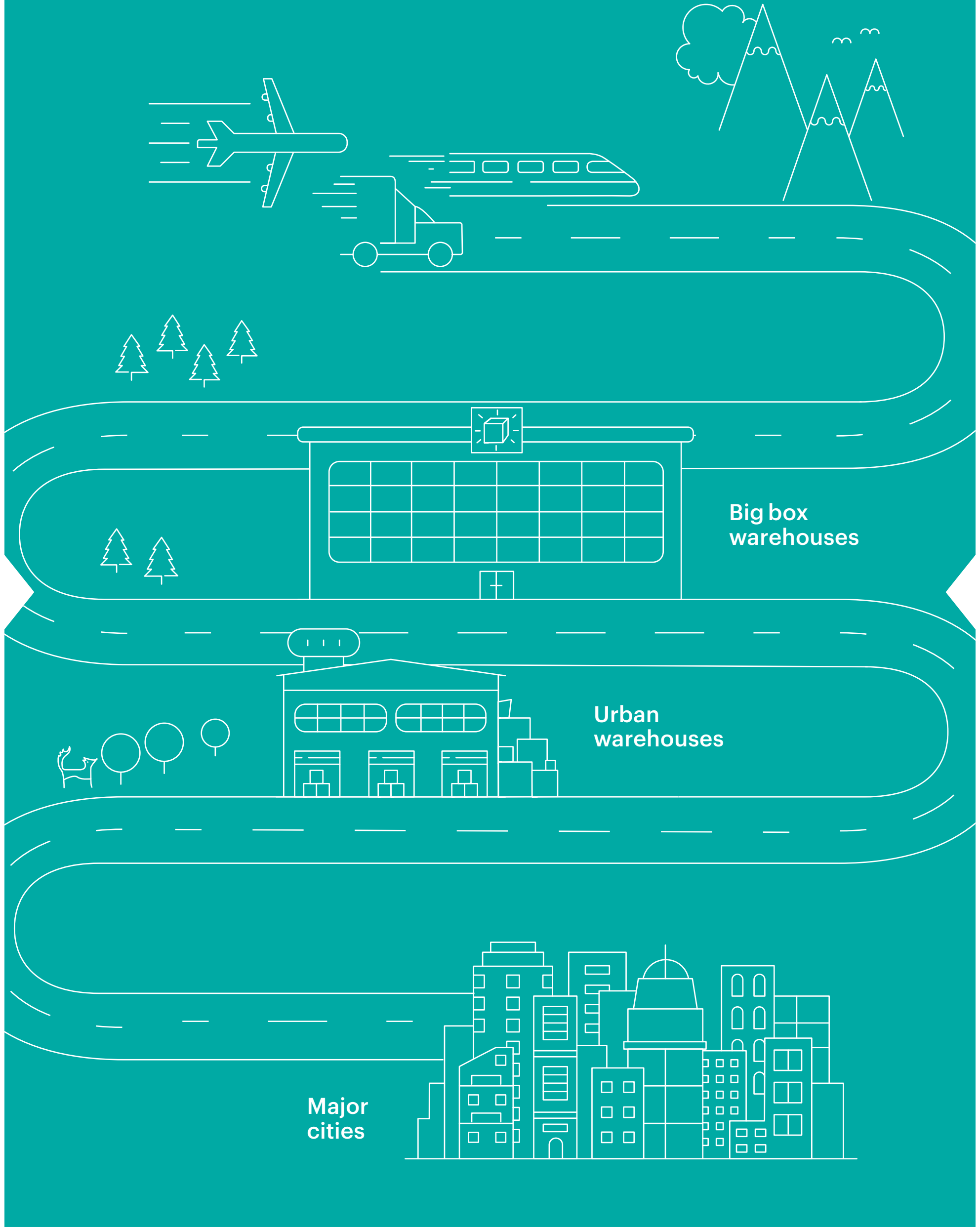
1.	UK	27%
2.	Continental Europe	73%

Big box warehouses are typically used for storage and processing goods for regional, national and international distribution and are much larger, both in terms of footprint and often also height, than urban warehouses. They are often located far from the end customer but are situated on major transport routes (mainly motorways, ports, rail freight terminals and airports) to allow rapid transit.

Big box warehouses account for 31 per cent of our portfolio value. They are located in major logistics hubs and corridors in the UK (South-East and Midlands); France (the logistics 'spine' linking Lille, Paris, Lyon and Marseille); Germany (Düsseldorf, Berlin, Frankfurt and Hamburg), Italy (Milan, Bologna and Rome) and Poland (Warsaw, Łódź, Poznań, and the industrial region of Silesia). 27 per cent of our big box warehouses are in the UK and the remaining 73 per cent are in Continental Europe.

Occupier demand for big box warehouses has remained strong across the UK and Continental Europe during 2022. Typically it is easier for supply to catch up with demand in big box locations due to higher availability of land, however supply has remained low during 2022, leading to above-average rental growth in most of our markets. On a medium to long-term basis we expect market rental growth for our big box warehouses to be two to three per cent per annum.

From transport hubs to major cities

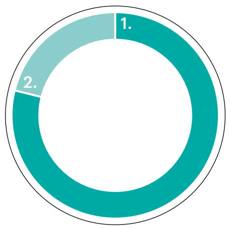


Urban warehouses

Users of our urban spaces:
- Retailers and supermarkets (online and traditional)
- Parcel delivery companies
- Food preparation companies
- Data centre operators
- Air cargo handling companies
- Wholesalers
- Film, TV and digital content producers
- Support services
- Pharmaceuticals and life science companies

£385m
Headline rent (SEGRO share)

Geographical split of urban warehouses by value (SEGRO share)



1.	UK	79%
2.	Continental Europe	21%

Urban warehouses are located in, or close to, population centres and business districts. They are used by a variety of customers who need rapid access to end consumers, as well as labour. Modern urban warehouses have high eaves and plenty of yard space to allow easy and safe vehicle circulation. They are generally situated close to main roads and public transport. Urban warehouses tend to be smaller than big box warehouses and are often clustered in estates, which can comprise terraces of smaller units (typically less than 3,500 sq m), larger detached single-let warehouses (typically larger than 3,500 sq m), or a mixture of both.

Urban warehouses account for 67 per cent of our portfolio value and are located mainly in and on the edges of major cities where land supply is restricted and there is strong demand for warehouse space and from data centre users. Our urban portfolio is concentrated in London and South-East England (79 per cent) and major cities in Continental Europe (21 per cent), including Paris, Düsseldorf, Frankfurt, Berlin and Warsaw.

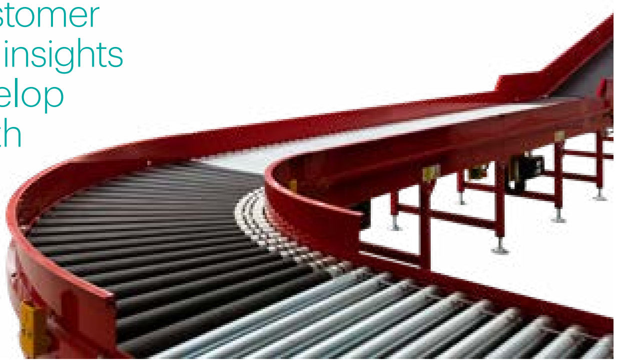
Land supply in these cities is limited (and shrinking) and due to growing populations there are competing pressures from other uses, for example residential development. We believe that the dynamics of this enduring occupier demand and structurally limited supply bodes well for continued strong rental growth in our urban portfolio. We expect market rental growth to be three to six per cent per annum on a medium-term basis.

Where we do it

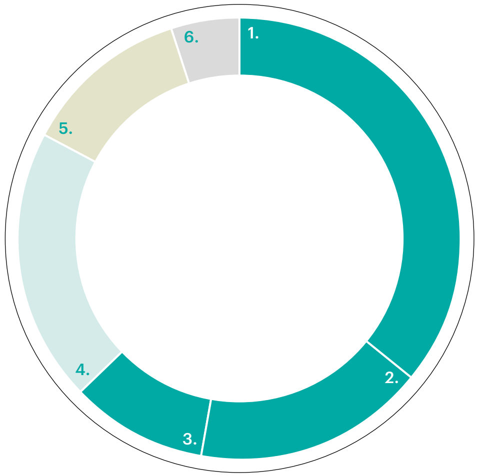
Our portfolio is located in densely populated and supply-constrained cities, as well as key transportation corridors and logistics hubs across eight European countries. Our market-leading operating platform has people on the ground in every country, providing excellent customer service, as well as local insights and helping us to develop close relationships with our local stakeholders.

425
people

21
offices



Geographical split by value (SEGRO share)



1. Greater London	**36%**
Park Royal	15%
London Airports	12%
Rest of London	9%
2. Thames Valley	**17%**
Slough Trading Estate	16%
Rest of Thames Valley	1%
3. National Logistics	**10%**
Midlands	9%
South East	1%
4. Southern Europe	**20%**
France	12%
Italy	6%
Spain	2%
5. Northern Europe	**12%**
Germany	11%
Netherlands	1%
6. Central Europe	**5%**
Poland	4%
Czech Republic	1%

In the right markets

Why we are in these markets
The shape of our portfolio has been driven by a deep understanding of our customers' needs, as well as our in-depth analysis of key regional characteristics, such as population density and infrastructure networks. Our teams on the ground supplement their knowledge with our real-time location scoring data tool, which scores millions of locations across an ever-evolving European market, helping us to identify new opportunities.

Key market indicators:
- Good transportation links
- Proximity to end consumers
- Availability of labour
- Sufficient power and digital connectivity

85%
of our portfolio is located in UK and Northern European logistics hotspots (including the two largest cities in Europe)

Who we do it for

Modern cities need a huge array of goods and services to function. Our warehouses are used by a diverse customer base, spanning a wide range of industries. The spaces that we create are flexible and can be adapted for different uses. Our ability to offer big box and urban warehouses means that we are able to provide space for customers throughout their distribution networks, and in many cases across borders.

25%
of rent with customers who use both our urban and big box space

27%
of rent with customers who we work with across more than one country

Customer type by headline rent (%)
SEGRO share

1. Transport and logistics	22
2. Retail (physical, online and hybrid)	19
3. Food and general manufacturing	15
4. Technology, media and telecoms	11
5. Wholesale retail and distribution	10
6. Post and parcel delivery	9
7. Services and utilities	7
8. Other	7

32% (£203m)
of headline rent from our top 20 customers

7%
of headline rent from our largest customer

Top 20 customers

	Big box	Urban
1. Amazon	■	■
2. Deutsche Post DHL	■	■
3. Royal Mail	■	■
4. Fedex		■
5. Virtus		■
6. Worldwide Flight Services		■
7. GXO	■	■
8. Geodis	■	■
9. La Poste (DPD)	■	■
10. Equinix		■
11. British Airways		■
12. CEVA	■	
13. Iron Mountain		■
14. Netflix		■
15. CyrusOne		■
16. Ocado		■
17. Leroy Merlin	■	■
18. Evri	■	■
19. Tesco Group	■	■
20. Menzies		■

What drives performance

Our purpose-led, responsible approach to doing business helps to drive our performance. We have a strong company culture and values, which influence our day-to-day decision making and behaviour.

Our Purpose
We create the space that enables extraordinary things to happen.

We are both a creator of exceptional buildings and an enabler for our stakeholders; particularly our customers, employees and local communities, to achieve extraordinary things.

Our culture and values
We have a special company culture that permeates through the whole business.

Our culture is underpinned by our Values: these are our core beliefs about how we do business, which guide our decision making, large and small. They are the ways in which we work together to make things happen.

Our Values:
- Say it like it is
- Stand side by side
- If the door is closed...
- Keep one eye on the horizon
- Does it make the boat go faster?

Say it like it is
We always give honest feedback, keep our promises, and keep messaging clear and simple.

Stand side by side
We work together and put the interests of our business ahead of our own. We go out of our way to support each other and share knowledge across the business.

If the door is closed...
If one route is closed to us, we always find another way. We challenge ourselves to think differently and search for new ways to succeed.

Keep one eye on the horizon
We constantly look ahead to ensure we are successful in the future. We do this in part by taking an active interest in our customers and their customers.

Does it make the boat go faster?
We keep things simple and continue to look for improvements to how we work.

Our investment proposition

Focused on the industrial and logistics sector where there are long-term structural trends driving occupier demand from a diverse range of sectors

Biased towards urban warehousing where there are significant barriers to entry due to land supply and increasingly challenging planning regimes

One of the most modern and sustainable pan-European portfolios focused on the most attractive European markets, supported by a market-leading operating platform that drives rental growth and unlocks value

Significant levers for growth with a rare land bank and balance sheet with plenty of firepower – development programme has doubled the rent roll over the past five years and has the potential to do the same again

Experienced management team, following a clear strategy and with an excellent track record of delivering growth in earnings and dividends

Enabling extraordinary things:
Creating exceptional buildings and spaces

For further information please see
Page 8

Space for everyone

The greenest urban industrial park in London.

When we bought the site that is now SEGRO Park Tottenham, we made it a priority to address the concerns that the nearby residents had before we built anything.

The eight-acre site had previously been home to a variety of industrial uses that had caused upset to residents over several years, including: noise pollution, vehicle parking and out-of-hours usage. This culminated in a major fire that destroyed almost all the buildings and caused further concern to the residents.

Through talking with our neighbours, we set out to build the greenest urban industrial park in London. One that ensured no noise or light-glare reached the residents; that ensured that the new buildings and landscaping did not overshadow the adjoining residential premises; and one that provided a 10m landscaped corridor with semi-mature trees and a grassed area with meadow flowers that would also benefit the wellness of our customers' employees.

In doing so, we have achieved some outstanding environmental credentials – BREEAM "Outstanding" and EPC "A+" – as well as achieving a carbon negative rating for our buildings in operation.

Strategic report

In this section:

We describe how our market has been influenced by macro issues such as inflation, and the structural drivers that continue to drive demand for warehouse space.

We also show how our business model creates value for all of our stakeholders, how our strategy drives our performance and how our belief that our responsibility goes beyond the space we own continues to differentiate us.

Quick links

Market overview

Our business performance is driven by both cyclical and structural factors. The investment market remains cyclical but the occupier market is being driven mostly by long-term structural trends, which are resulting in high levels of occupier demand.

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Did you know:
Slough Trading Estate has the second-largest hub of data centres in the world

Our strategy

Our clear strategy has helped us reshape our business and is central to our goal of being the best property company, and the partner of choice for all our stakeholders.

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Our business model

At the heart of how we do business lies a deep understanding of our customers' needs. We rely on different inputs, which combine to give us our competitive advantage and our ability to create superior value for all of our stakeholders.

Our prime portfolio and market-leading operating platform combine to create a strong competitive advantage, and position us to create value through the cycle for all our stakeholders.

David Sleath
CEO

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Responsible SEGRO

Responsible SEGRO is a key part of our strategy. It focuses on three strategic priorities which we have identified as enabling us to make the greatest business, environmental and social contribution: Championing low-carbon growth; Investing in our local communities and environments; and Nurturing talent.

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CEO's Q&A

Scan here to see video.

David Sleath covers the following topics:

- SEGRO's performance in 2022
- Meaningful progress made with Responsible SEGRO during the year
- The strength of the business and how it is positioned to perform through the cycle
- Priorities for 2023

To find out more about SEGRO visit
www.segro.com

Chief Executive's statement

Delivering increased dividends

26.3p

Our strong earnings growth during 2022 and confident outlook for 2023 means that we are recommending a 7.7 per cent increase in final dividend to 18.2 pence per share, resulting in a total distribution of 26.3 pence for 2022 as a whole.

**David Sleath,
Chief Executive**

David Sleath reports on SEGRO's performance over the past year and looks to the future.

Our business delivered strong operational results during 2022, a year where we saw significant geopolitical uncertainty and changes to the macroeconomic environment. This led to an unprecedented disconnect between the occupier and investment markets emerging over the summer months.

Actions taken by central banks to address high levels of inflation by sharply raising interest rates led to significantly reduced liquidity in the property investment markets in the second half of the year, as both buyers and sellers reacted to the increased volatility in capital markets and the higher cost of capital. Valuers increased yields to reflect this higher interest rate environment, leading to falls in property valuations across all markets. In contrast to former property cycles however, occupational demand and rental performance in the industrial and logistics sector has remained strong, supported by long-term structural tailwinds and tight supply.

The expertise and knowledge of our local teams on the ground across Europe meant we could respond quickly to the changing market environment and deliver progress in all our operating metrics throughout the year as well as continued growth in both earnings and dividends.

Looking back on 2022, our main highlights include:

- a record £98 million of new rent contracted, arising from a combination of active asset management of our existing portfolio, our expanded development programme, market rental growth and the benefits of indexation;
- 639,200 sq m of development completions, and a reduction of ten per cent in the average embodied carbon intensity of our development programme;
- the acquisition of key strategic land plots in some of Europe's most supply constrained urban markets such as London, Paris and Berlin;
- progress towards reducing our portfolio's carbon emissions with the introduction of green lease clauses, and a significant increase in our solar capacity;
- the launch of Community Investment Plans in ten key markets, providing tangible economic and social benefits for thousands of people in the communities closest to our assets;
- meaningful changes to promote diversity and inclusion within our workforce and the wider property sector, including, for example, changes to our recruitment process which resulted in a more diverse 2022 graduate intake.

This activity helped us to deliver a 6.5 per cent increase in Adjusted earnings per share (10.7 per cent excluding the SELP performance fee) and we are therefore recommending a 7.7 per cent increase in our final dividend to 18.2 pence per share, resulting in a total distribution of 26.3 pence for 2022 (2021: 24.3 pence).

Reflecting on 2022, three things stand out for me:

- the performance of our high-quality portfolio, and the benefits of the decade-long reshaping of both that and our balance sheet, particularly in the current market environment;
- the continued strength and diversity of occupier demand;
- the tangible progress that we have made with our Responsible SEGRO strategic priorities, and the long-term value that we are creating through our activities.

1 EPRA and Adjusted metrics: The Financial Statements are prepared under IFRS. SEGRO management monitors a number of adjusted performance indicators in assessing and managing the performance of the business which they believe reflect the underlying recurring performance of the property rental business which is the Group's core operating activity. These include those defined by EPRA as part of their mission to establish consistency of calculation across the European listed real estate sector. Page 171 contains more information about the adjustments and the reconciliation of these to IFRS equivalents. SEGRO discloses EPRA alternative metrics on pages 203-208. Adjusted NAV per share is in line with EPRA NTA.

Financial Highlights

Adjusted profit[1] before tax
£386m +8.4%
2021: £356m

IFRS loss[1] before tax
£-1,967m
2021: £4,355m profit before tax

Adjusted[1] earnings per share
31.0p +6.5%
2021: 29.1p

IFRS earnings per share
£-159.7p
2021: 339.0p

Adjusted NAV[1] per share
966p -15.0%
2021: 1,137p

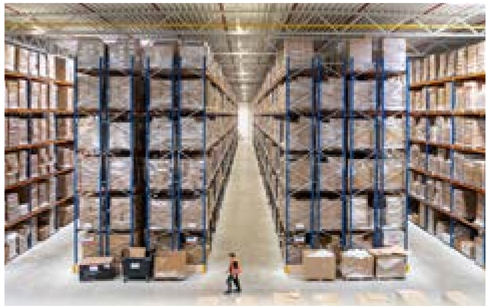
IFRS NAV[1] per share
938p
2021: 1,115p

Portfolio value[2]
£17.9bn -11.0%
2021: £18.4bn

Chief Executive's statement
continued

Our spaces can be adapted to a variety of different uses, which means we are not overly exposed to a particular sector and also that we can capitalise on growth opportunities in non-traditional industrial and logistics occupiers, such as data centres and life sciences.

David Sleath
Chief Executive



Over a decade ago, we launched a strategy centred around an ambition to create a portfolio focused on the most attractive industrial and logistics markets across the UK and Continental Europe, one that would deliver attractive total returns throughout the cycle. An important element of this strategy was the strengthening of our balance sheet to provide resilience, and to ensure we could take advantage of opportunities for further growth even in more challenging market environments.

Since launching that strategy, the industrial and logistics sector has transformed. Long-term structural trends of digitalisation and urbanisation have led to increased occupier demand, driving down vacancy rates to record lows. This shortage of supply led to exceptional levels of rental growth, attracting huge amounts of investment into our sector and increased competition.

We adapted our strategy accordingly, selling non-core assets in secondary locations and buying new assets in our preferred locations. As competition for standing assets increased we moved away from acquiring them on-market, instead investing capital into development, where we believed we could produce better risk-adjusted returns. We also reduced leverage and worked hard to create a diverse, long-duration debt profile.

During 2022, our portfolio was not immune to the sharp rises in interest rates, which increased the cost of capital and consequently, yields on commercial properties. This led to a fall in valuation of 11.0 per cent during the year. At this time, benchmark information is not available for the Continent but in the UK our portfolio has outperformed the MSCI Quarterly All Industrial index which showed a decline in capital values of -17.4 per cent during 2022, versus SEGRO's UK portfolio which decreased by 15.5 per cent. This reflects the positive benefit of the changes made to our portfolio over the past ten years and our continued focus on Disciplined capital allocation.

Importantly, the strength of our balance sheet, has meant that, as long-term investors, we have been able to look through the current volatility, and focus on the areas that we can control: capitalising on the continued strength of occupier demand to drive rental growth; capturing a significant amount of the reversionary potential in our portfolio (which has grown once again due to further market rental growth in both the UK and Continental Europe); and signing pre-lets to build out our well-located land bank.

Consistent throughout 2022 was the strength of the occupier market. Demand from our customers has been, and continues to be, very resilient. Take-up remained very high and well above historical averages. Most notably, we saw increased demand from businesses which are attempting to make their supply-chains more resilient during 2022: holding more inventory locally and therefore requiring more space; moving parts of their operations back to Europe and the impacts of businesses choosing to source materials closer to their end destination.

We have also seen customers placing greater importance on the sustainability of the buildings they occupy. Many of our larger customers have their own net-zero targets and want the space that they occupy to contribute to this. Smaller businesses have been impacted by recent increases in energy prices and are recognising the benefits of choosing more energy efficient buildings and working with a landlord who will help them to understand their energy consumption and can provide solutions to help reduce it.

These structural drivers are resulting in demand from a diverse range of businesses and our teams have been working hard to capitalise on it. In 2022 we leased space to existing customers who value the excellent customer service that they receive from SEGRO, and to new customers who bring even greater diversity into our rent roll.

As part of the day-to-day management of our portfolio, our teams prioritise our three Responsible SEGRO strategic priorities and in 2022 we saw tangible benefits from these initiatives.

There were a number of innovations within our development programme that helped us to reduce our average embodied carbon intensity, such as using recycled roof materials to create asphalt for road surfaces. We have also significantly increased the number of solar panels installed on our warehouses, with one project in the Netherlands adding almost 20 per cent to our total Group capacity, which makes us excited about further similar opportunities across the portfolio.

We have launched ten Community Investment Plans (CIPs) in key markets, and projects are underway across the UK and Continental Europe that focus on employability, supporting local economies and improving local environments, making meaningful changes to the day-to-day lives of people in our local communities. Thousands of people have already benefited from projects linked to these and this is only the beginning.

We have also made great progress with our Nurturing talent ambitions, focusing on the wellbeing of our people (including providing extra support for those most impacted by the cost of living crisis) and actioning recommendations from the National Equality Standards audit to promote diversity and inclusion within our workplace and the wider property sector.

Not only are these initiatives creating additional value for our stakeholders, they are ensuring that our business is fit for the future and that it is truly delivering on its Purpose of creating the space that enables extraordinary things to happen.

2022 might not have been the year that we all expected, but our business has shown its quality and resilience and has continued to deliver value. I am proud of how everyone at SEGRO has come together and worked hard to make this happen.

Outlook

Our long-standing disciplined approach to portfolio management means that SEGRO has one of the best and most modern pan-European industrial warehouse portfolios, through which we can serve our customers' entire regional and local distribution needs. Two-thirds of this portfolio is located in Europe's most attractive urban markets, often in substantial clusters in key sub-markets, where the lack of available land means that supply-demand dynamics are tightest and where long-term growth and returns are therefore likely to be the highest. This is complemented by the remaining one-third of our portfolio, comprising clusters of high-quality logistics warehouses situated at key hubs along major transportation corridors.

Occupier demand for warehouse space across Europe continues to be positive and is derived from a wide variety of customer types. Our space is flexible and can be adapted to suit businesses from many different industries which, when coupled with our relentless focus on customer service through our market-leading operating platform, is reflected in high customer satisfaction and retention rates, as well as our asset management and leasing performance. Our business is therefore both resilient and positioned to support growth sectors and adapt to trends, including e-commerce, the digital sector (data centres), urbanisation and the consequential need for industrial and distribution space close to the end customer from a very broad range of businesses.

Our strategy
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Risk management
Page 64

Responsible SEGRO
Page 33

Supply and availability of modern, sustainable warehouse space in the locations most desired by occupiers remains extremely limited across Europe. Vacancy levels are at historical lows and supply is likely to remain constrained given recent increases in financing and construction costs. We expect this contrast between positive demand and limited supply to drive further growth in rental levels. We already have £130 million of reversionary potential embedded in the portfolio (most of which will be captured through the five-yearly rent review process), as well as indexation provisions in almost half of our leases, both of which underpin future like-for-like rental income growth even before any further growth in market rental levels.

Our sizeable, mostly pre-let current development programme and well-located land bank, provide us with further potential to grow our rent roll profitably and allows us significant optionality due to the short construction periods of our assets. We will continue to be led by customer demand and our Disciplined approach to capital allocation as we make decisions regarding the execution of future projects.

With modest leverage, a long-average debt maturity of 8.6 years, no near-term refinancing requirements and virtually all of our debt at fixed or capped rates, we have significant financial flexibility to continue to invest capital in the development and acquisition opportunities that offer the most attractive risk-adjusted returns.

As we enter 2023, there are early signs of liquidity returning to the investment markets, as investors see value at current levels of pricing. As the path of future interest rates becomes more evident, we believe there is a significant volume of capital ready to be deployed into the industrial and logistics sector due to its attractive fundamentals. We will continue to respond tactically to changes in market conditions, but our long-term strategic focus is to ensure that our properties are of the highest quality and the most sought after, able to generate superior long-term growth, and therefore command a valuation premium.

We will also continue to invest in and de-risk the future of our business via the significant progress we have made with our Responsible SEGRO strategic priorities.

Our prime portfolio and market-leading operating platform combine to create a strong competitive advantage, and position us to create value through the cycle for all of our stakeholders. We therefore remain confident in our ability to deliver attractive returns and continued growth in earnings and dividends into the future.

David Sleath
Chief Executive

Market overview

The performance of real estate businesses are driven by two different markets: the occupier market and the investment market – these markets are interconnected but not always aligned.

The **occupier market** is driven by simple supply and demand dynamics for our warehouses. If there is high demand but limited supply vacancy rates will be low and the shortage of supply will drive rents higher. Supply and demand can be driven by cyclical factors such as the macroeconomic environment, for example global growth and therefore whether businesses are growing, but also structural factors which can drive continued demand even in a weaker macroeconomic environment. The occupier market drives our operational metrics and also our ability to grow rents and therefore deliver growth in earnings and dividends.

The **investment market** on the other hand is driven by the attractiveness of real estate as an asset class versus other potential investments for institutional investors, for example cash, corporate and government bonds and equities. Real estate is typically seen as having a bond-type profile, long-term and relatively low-risk income streams (as leases on commercial property are signed for multiple years). If interest rates increase and government bond yields (the 'risk-free rate') are higher this can lead to investors wanting a higher return from their real estate investments (the yield). If yields increase asset values typically fall (absent any other changes). The investment market therefore has an impact on the value of our assets and the total valuation of our portfolio.

Where these two interconnect is ultimately down to the importance of cashflows in the real estate sector, i.e. the rental income you expect to receive from the buildings. If occupier markets are strong and rental income is growing investors might be prepared to accept a lower return (yield) than they would in an environment where the occupier market is poor and the rental income is potentially riskier. The occupier market therefore generally impacts the investment market but the same is not true in reverse, as shown during 2022 where we have seen continued strength in our occupier markets, driven by structural drivers, but investment markets have been weaker driven by macroeconomic uncertainty and higher interest rates.

The factors that impact our occupier and investment markets are explained further in the following pages.

Performance Review
Page 48

Our strategy
Page 18

Our business model
Page 24

Cyclical drivers

Factors often linked to the economic cycle that influence supply and demand, and therefore impact asset values and rental levels.

Economic outlook

Description
Economic outlook is an important driver of occupier demand for space. A supportive economic outlook encourages businesses to grow and therefore to secure extra space. In a recession, customer insolvencies and commercial property vacancy rates have historically increased.

Global economic growth slowed in 2022 as countries grappled with economic shocks, including the geopolitical situation and continued Covid restrictions in China and other parts of the world. This sent inflation soaring and weakened economic activity. The IMF expects global GDP growth of 2.9 per cent in 2023.

What it means for SEGRO
SEGRO has a diverse customer base covering many different sectors, which means we are not overly exposed to challenges in particular industries. Occupier demand for warehousing is supported by long-term structural trends, resulting in continued elevated levels of take-up in 2022. In the event of a wider-recession, demand for space might soften. However, vacancy rates across our key markets are also at historic lows, so we expect supply-demand dynamics to remain favourable.

Inflation has resulted in higher construction costs across Europe but we have been able to offset these with higher rents to help protect development margins. Going into 2023 this inflation appears to be moderating and contractors have availability which often indicates costs will fall. In terms of our rent roll, inflation has a positive impact as almost half of our rents are index-linked (with most linked to consumer price indices).

LINK TO STRATEGY:
OPERATIONAL EXCELLENCE

LINK TO RISK:
MACROECONOMIC (1) AND MAJOR EVENT (3)

Interest rate environment

Description
Monetary policy across Europe – and globally – has changed significantly during 2022 as central banks increased interest rates in response to high levels of inflation.

The margin between government bond yields (the 'risk free benchmark') and property yields helps to determine the attractiveness of property assets to investors. The speed of the interest rate changes during the second half of 2022 has caused uncertainty in property investment markets, with neither buyers nor sellers wanting to transact until there is more visibility on where interest rates will settle longer-term.

This has had an impact on prime industrial real estate yields, which were between 4.3 and 5.5 per cent at the end of 2022.

What it means for SEGRO
The yield on our portfolio increased during the second half of 2022 and is currently 4.8 per cent.

This yield expansion was partly offset by high levels of rental growth, due to the continued strength of occupier markets. Overall this resulted in a decrease in our portfolio value of 11.0 per cent.

There are encouraging early signs of transactional activity in investment markets as investors see good value at the current level of pricing. As the path of future interest rates becomes clearer, we believe there is significant capital ready to be deployed into the industrial and logistics sector due to its attractive fundamentals.

LINK TO STRATEGY:
EFFICIENT CAPITAL AND CORPORATE STRUCTURE, DISCIPLINED CAPITAL ALLOCATION,
LINK TO RISK:
FINANCING (7), PORTFOLIO STRATEGY (2)

Geopolitical situation

Description
A stable geopolitical situation is important for businesses as it provides certainty and confidence when planning for the future. Today's international business environment is less predictable, more volatile.

During 2022 the Russian invasion of Ukraine created significant uncertainty, impacting supply chains across Europe and causing fear of energy shortages which resulted in soaring inflation. There are a number of other geopolitical situations across the globe that have the potential to cause further disruption.

What it means for SEGRO
The most immediate impact of the Russian invasion of Ukraine was on supply chains. Some materials used in our development programme were sourced from the Ukraine (for example steel) so we had to work closely with our construction partners to find alternatives. These supply chain issues contributed to continued construction cost inflation throughout 2022.

Energy price rises have put additional pressure on some of our customers who have seen their cost bases increase significantly. However, according to research by Savills, rents are small as a proportion of total costs for most occupiers and they are able to save on other costs by leasing energy efficient warehouse space in highly accessible locations. It has also increased interest in renewable energy generated on-site amongst our customer base.

Geopolitical uncertainty is likely to increase the focus of our customers on supply chain resilience (see structural drivers on page 17).

LINK TO STRATEGY:
OPERATIONAL EXCELLENCE

LINK TO RISK:
MAJOR EVENT (3) AND DEVELOPMENT (6)

Competitive supply

Description
The relatively short construction time for warehousing means that the availability of new, speculatively developed buildings can sometimes create excess supply, leading to increased vacancy and weaker rents.

Occupier demand moderated during 2022 but remains significantly above long-term average levels.

Supply increased in response to high levels of take-up, but mainly for pre-let buildings and the response has been limited by tight planning laws and low availability of land. Vacancy rates across Europe therefore remain at historic low levels.

Increased build and finance costs as well as economic uncertainty mean that we expect there to be fewer construction starts in 2023 and that supply should therefore remain in check.

What it means for SEGRO
Rental growth has increased across our portfolio during 2022, particularly in Central Europe where supply has reduced significantly.

We continue to take a cautious approach to speculative development, preferring most of our developments to be derisked through pre-letting.

LINK TO STRATEGY:
OPERATIONAL EXCELLENCE, DISCIPLINED CAPITAL ALLOCATION
LINK TO RISK:
OPERATIONAL DELIVERY (10)

Market overview
continued

Structural drivers

Changes in the way that an industry or market functions can result in longer-term or even permanent change.

Digitalisation of society

Description

Digital technologies are changing the way that we live, work and think. Entire industries are adapting and new ones are emerging as a result of this.

One of the most significant impacts of digitalisation on industrial assets is the rise in e-commerce, with consumers wanting to receive an increasing array of goods and services more flexibly. The pandemic accelerated this need, and although e-commerce penetration rates have stabilised, they are significantly above pre-pandemic trend levels. Most European markets are forecast to reach online sales penetration levels of more than 20 per cent by 2026. Distribution networks will need to be reconfigured to facilitate this growth in a cost effective and sustainable manner

Increased demand for data centres to store and process the huge amounts of data generated by both individuals and businesses is another aspect of digitalisation.

What it means for SEGRO

We are seeing strong occupier demand for our urban warehouses located on the edge of cities catering for 'last-mile' delivery, and also for our big boxes, which are used as centralised fulfilment centres.

We are also experiencing strong demand for data centre space in London and Slough, and have identified new sites across our Continental European portfolio suitable for this use.

LINK TO STRATEGY:
OPERATIONAL EXCELLENCE, DISCIPLINED CAPITAL ALLOCATION
LINK TO RISK:
PORTFOLIO STRATEGY (2)

Supply chain efficiency and resilience

Description

Manufacturers, retailers (both traditional and online) and distributors require efficient, reliable distribution networks and supply chains to compete effectively in meeting customer demands and reducing costs. By investing in modern, well-located warehouse facilities they can better serve their customers and gain access to labour pools to staff their facilities. These businesses frequently need larger buildings in central locations with space and power to support automation, as well as smaller buildings close to the consumer to support the 'last-mile' of the distribution journey.

The disruption to supply chains caused by the pandemic and the Russian invasion of Ukraine has highlighted the importance of supply chain resilience, leading businesses to hold more inventory, source more locally and have multiple suppliers.

Trade routes into Europe are changing with fewer imports from Asia via Eastern Europe and the increased importance of European ports in northern Germany, southern France and Italy.

What it means for SEGRO

There is increased demand for modern, well-located warehousing for supply chain efficiency and future resilience.

Our pan-European portfolio has assets on key transportation routes and in major logistics hubs and is well-placed to benefit from additional demand generated by the transformation of trade routes.

LINK TO STRATEGY:
OPERATIONAL EXCELLENCE, DISCIPLINED CAPITAL ALLOCATION
LINK TO RISK:
PORTFOLIO STRATEGY (2)

Urbanisation

Description

The populations of most major European cities continue to grow, leading to increased housing requirements as well as increased demand for goods and services, and for warehouse space from which to supply them, particularly for 'last-mile' deliveries.

Land previously used for industrial purposes in and around major towns and cities can also be used to construct new residential and other types of properties required to meet the demand of the larger urban population. As a result, land available to meet the need for increased warehouse demand is being eroded, leading to higher land prices and increased rents for well-located urban industrial properties.

What it means for SEGRO

Two-thirds of our portfolio is in urban locations so we are well-positioned to benefit from this trend.

In London, market rental values for our urban warehouses increased by ten per cent in 2022, reflecting the supply-demand imbalance.

The shortage of land in urban areas is also leading us to look at ways to intensify land use, for example by constructing multi-level buildings.

Planning can be more challenging in urban areas, particularly in our Inner City portfolios in London and Paris, due to concerns of local residents.

LINK TO STRATEGY:
OPERATIONAL EXCELLENCE, DISCIPLINED CAPITAL ALLOCATION
LINK TO RISK:
PORTFOLIO STRATEGY (2), DEVELOPMENT (6)

Climate change and the need for efficient, sustainable buildings

Description

The world is facing a climate crisis and governments, business and consumers across the world are making commitments and changing their behaviour to help tackle this massive challenge and limit global temperature rise to less than 1.5 degrees.

As a result of this there is increasing focus on the impact of buildings on the environment. Our customers also want to minimise their carbon footprint and reduce overall occupancy costs. It is therefore important that landlords and developers own and create buildings that are sustainable and use natural resources efficiently.

Major European conurbations are also looking to reduce traffic emissions which means it will be even more important for businesses to be located in the properties that help them reach their customers by low-carbon means.

LINK TO STRATEGY:
OPERATIONAL EXCELLENCE

What it means for SEGRO

We have ambitious targets for reducing our carbon emissions and aim to be net-zero carbon (including the emissions of our customers) by 2030.

We factor a building's sustainability into our investment decisions, not only for potential acquisitions and developments but also for deciding whether to dispose of or refurbish assets. We have also assessed our portfolio under different climate scenarios.

Our urban portfolio is located on the edge of major European cities which makes reaching the city centre possible via electric vehicles and our newer inner city assets also facilitate delivery by means such as cargo bicycles. A number of our urban estates are also located close to canals and waterways which customers are starting to use in innovative ways as part of their distribution networks.

Two of the UK big box parks that we have developed in the Midlands have strategic rail freight interchange terminals which allow our customers to transport goods by rail rather than more carbon-intensive trucks.

Responsible SEGRO
Page 33

LINK TO RISK:
ENVIRONMENTAL SUSTAINABILITY AND CLIMATE CHANGE (5)

Our strategy

Our goal is to be the best property company and the partner of choice for our customers and other stakeholders.

Maximising the returns from our business

Disciplined capital allocation
Using our in-depth knowledge of our customers and the trends impacting their businesses, to pick markets and assets that create the right portfolio shape, actively manage its composition and adapt our capital deployment according to our assessment of the property cycle.

Operational excellence
Leveraging our operating platform to optimise performance through dedicated customer service, expert asset management, development and operational efficiency.

Efficient capital and corporate structure
Underpin the property level returns from our portfolio with a lean overhead structure, the best technology-enabled processes, an efficient capital structure and appropriate financial leverage.

Responsible SEGRO
Embedded in the way that we manage our business day-to-day are our Responsible SEGRO strategic priorities. They influence the way we manage our portfolio, how we create new space, and the investments that we make into our business to make sure that it is fit for the future.

Financial KPIs
Page 20

Non-financial KPIs
Page 22

A clear strategy that creates shared value for all our stakeholders

We have been following a clear and consistent strategy for the past decade. It is key to our success in delivering our Purpose of 'creating the space that enables extraordinary things to happen', which enables us to create significant financial and non-financial value for all our stakeholders.

Financial

Adjusted earnings per share

31.0p +6.5%

2021: 29.1p

Dividend per share

26.3p +8.2%

2021: 24.3p

Non-financial

Customer satisfaction

85%

2021: 90%

Employee engagement

91%

2020: 94%

Portfolio carbon intensity

22.5 $kgCO_2e$ p/sq m

2021: 29.7 $kgCO_2e$

Our goal is to be the best property company and the partner of choice for our customers and other stakeholders. Best can mean many things and it reflects that our stakeholders have different priorities. We need to take their differing, and sometimes conflicting, interests into consideration when making decisions about how we run our business, balancing both short-term and long-term interests. The use of the words of choice reflects that we recognise that our customers, employees and other partners have the option to choose who they work with. By taking both of these things into account, and by striving to continuously improve and adapt to stay ahead of emerging trends, we believe that we will ensure the long-term success of SEGRO.

Our goal reflects our ambition to create a portfolio of high-quality industrial properties in the strongest markets: a portfolio that generates attractive, low risk, income-led returns; provides above-average growth (both in terms of rent and capital values) when market conditions are positive and proves to be resilient in a downturn. We seek to enhance returns through development, while ensuring that the short-term income 'drag' associated with holding land does not outweigh the long-term potential benefits.

Fundamental to our strategy are four key pillars of activity, which combine to deliver the value we seek to create:

- Disciplined capital allocation
- Operational excellence
- Efficient capital and corporate structure
- Responsible SEGRO

These key pillars drive both our day-to-day decision making as well as our long-term strategic thinking, and are supported by our strong company culture and Values. They provide clear guidance and help to align priorities. The actions taken under each pillar also need to be flexed depending on the wider environment and circumstances we are operating in at a given time.

The close relationships we build with our customers help us understand our key markets and influence our daily decisions (for example, how we design our warehouses and how much of our land bank to bring forward at a given time). They also help us anticipate long-term trends so we can make the right strategic decisions to shape our portfolio and ensure the continued success of our business. Relationships with other key stakeholders are also an important source of information.

We take a proactive approach to risk management (for more information on how we manage risk see pages 64 to 74) to ensure that we are positioning our business to respond to potential threats. We also regularly carry out ESG materiality assessments (see page 34) to ensure we understand the wider priorities of our stakeholders, as well as to highlight potential opportunities.

The insights we gain from our day-to-day interactions, combined with our regular risk and ESG materiality assessments, help us to adapt to suit changing market conditions (allowing us to respond quickly if needed) and also to ensure that we are positioning the business for long-term success. This should translate into not only sustainable, attractive returns for all our shareholders, but also significant value for all other stakeholders.

Key performance indicators

We measure our success by tracking Key Performance Indicators (KPIs) that reflect our strategic, operational and financial progress and performance. They drive the internal management of the business, and some are used to determine how management and employees are remunerated.

Financial

All our financial KPIs are based on proportionally consolidated metrics incorporating our share of joint ventures and associates.

Total shareholder return (TSR)

(46)%

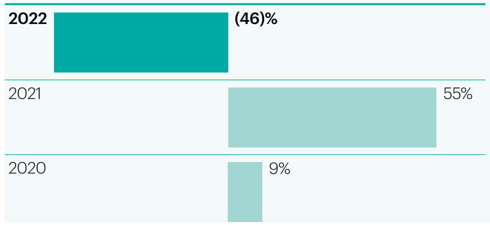
(%)

LINKED TO REMUNERATION

LINK TO STRATEGY:
ALL STRATEGIC PILLARS

Description: TSR measures the change in our share price over the year, assuming that dividends paid are reinvested. This reflects our commitment to delivering enhanced returns for our shareholders through executing our strategy over the medium term. TSR is a key metric used in setting the long-term incentive plan remuneration for both the Executive Directors and senior managers.

Our performance: TSR was -45.8 per cent, compared with -33.3 per cent for the FTSE 350 Real Estate index. This reflects a combination of the 25.0 pence dividend (16.9 pence 2021 final dividend and 8.1 pence 2022 interim dividend) paid during the year, and a reduction in the share price from 1,436.5 pence at 31 December 2021 to 763.6 pence at 31 December 2022.



Total property return (TPR)

(10)%

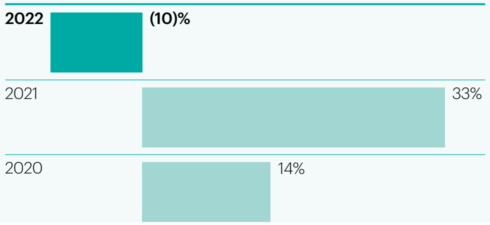
(%)[1]

LINKED TO REMUNERATION

LINK TO STRATEGY:
DISCIPLINED CAPITAL ALLOCATION

Description: TPR is the ungeared combined income and capital return from our portfolio of standing investments held throughout the year. It is an important measure of the success of our strategy in terms of asset selection and management. MSCI Real Estate prepares the calculation, as well as providing benchmark TPR data for similar properties in their wider universe. We aim to outperform the benchmark over the long term. Details on how TPR impacts short- and long-term incentives are provided on pages 126 to 127.

Our performance: The TPR of the Group's standing assets held throughout 2022 was -10.3 per cent (2021: +33.7 per cent). The UK portfolio generated a TPR of -13.0 per cent, performing ahead of the benchmark calculated by MSCI Real Estate UK All Industrial Quarterly of -14.6 per cent. The TPR of our Continental Europe portfolio was -5.4 per cent. Benchmark data for Continental Europe will be received later in the year.



Total accounting return (TAR)

(13)%

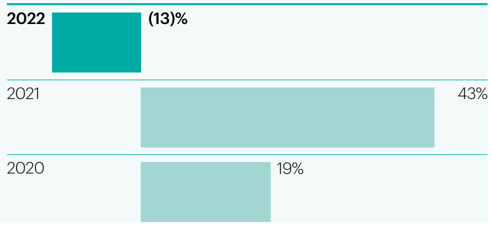
(%)

LINKED TO REMUNERATION

LINK TO STRATEGY:
ALL STRATEGIC PILLARS

Description: TAR is the growth in Adjusted NAV per share plus dividends paid, expressed as a percentage of Adjusted NAV per share at 31 December 2021. It measures the return on capital and is a key metric used in setting the long-term incentive plan remuneration for both the Executive Directors and senior managers.

Our performance: The TAR for the Group was -12.8 per cent (2021: +42.5 per cent). This performance reflects a combination of the 171 pence decrease in Adjusted NAV from 1,137 pence at December 2021 to 966 pence at 31 December 2022 and the 25.0 pence dividend (16.9 pence 2021 final dividend and 8.1 pence 2022 interim dividend) paid during the year.



1. The TPR has been calculated independently by MSCI Real Estate in order to provide a consistent comparison with an appropriate MSCI benchmark. It is calculated as the change in capital value, less any capital expenditure incurred, plus net income, expressed as a percentage of capital employed over the period concerned for standing investments held throughout the year, excluding land.

Adjusted earnings per share (EPS) 31.0p

(PENCE)

LINKED TO REMUNERATION

LINK TO STRATEGY:
ALL STRATEGIC PILLARS

Description: Our Adjusted EPS reflects earnings from our operating business: rental income less operating, administrative and financing costs and tax. It is the primary determinant of the level of the annual dividend. IFRS EPS includes the impact of realised and unrealised changes in the valuation of our assets, which can often mask the underlying operating performance. The reconciliation between Basic EPS and Adjusted EPS can be found in Note 12(i) on page 178.

Our performance: Adjusted EPS increased by 6.5 per cent to 31.0 pence during the year (10.7 per cent excluding the 1.1 pence SELP performance fee reflected in the 2021 comparator), reflecting higher rental income from our standing assets and new income from acquisitions and developments, partially offset by higher financing costs.

Rent roll growth £77m

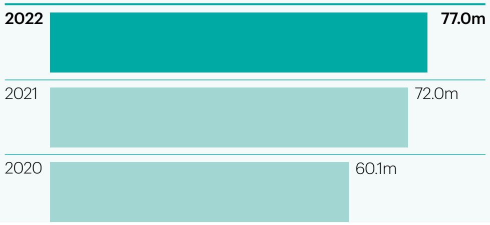
(%)[1]

LINKED TO REMUNERATION

LINK TO STRATEGY:
OPERATIONAL EXCELLENCE

Description: The headline annualised rent contracted during the year less income lost from takebacks. There are two elements: to grow income from our standing assets by reducing vacancy and increasing rents from lease renewals and rent reviews; and to generate new rent by developing buildings, either on a pre-let or speculative basis. Rent from acquisitions is not included.

Our performance: In total, we generated a record £77 million of net new annualised rent during the year (2021: £72 million). The increase was driven by higher rents on review and renewal in the UK, indexation provisions mainly in Continental European leases, and by the increased volume of rent from development completions and pre-let agreements secured during the year.



Loan to value (LTV) 32%

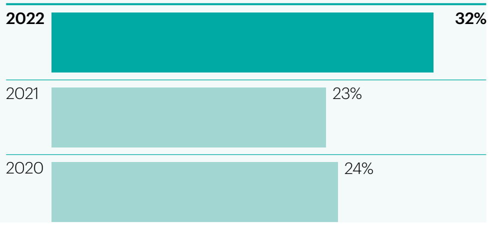
(%)

LINK TO STRATEGY:
DISCIPLINED CAPITAL ALLOCATION
EFFICIENT CAPITAL AND CORPORATE STRUCTURE

Description: The proportion of our property assets funded by borrowings, including joint ventures and associates at share. The timing of investment decisions and disposals, as well as movement in the value of our assets, may cause the LTV to fluctuate. We believe that REITs with lower through-cycle leverage offer a lower risk and less volatile investment proposition for shareholders.

Our performance: Our LTV ratio increased to 32 per cent during 2022. This was due to a combination of the £2.2 billion unrealised fall in the value of our portfolio and £1.3 billion of net investment in our business. We recognise that this is above recent levels, but given where we are in the cycle we are comfortable with this level. We retain significant headroom to covenants as well as liquidity to fund both visible investment and potential opportunities that may arise.

For further information see the Financial Review (page 58).



Our strategy
Page 18

Risk management
Page 64
We recognise that the management of risk has a role to play in the achievement of our strategy and KPIs. Risks can hinder or help us meet our desired level of performance.

Remuneration
Page 126
Where relevant we have linked our KPIs directly to SEGRO's incentive schemes.

Key performance indicators
continued

Non-financial

Our non-financial KPIs help to measure the shared value our business creates to ensure that our business is positioned for long-term success.

Our non-financial KPIs link to our Responsible SEGRO strategic priorities.

Given where we are in our journey towards these goals we anticipate that our non-financial KPIs will evolve as we progress towards our stated ambitions.

Our strategy
Page 18

Risk management
Page 66
We recognise that the management of risk has a role to play in the achievement of our strategy and KPIs. Risks can hinder or help us meet our desired level of performance.

Remuneration
Page 134
Where relevant we have linked our KPIs directly to SEGRO's incentive schemes.

Customer satisfaction 85%

(%)

LINKED TO REMUNERATION

LINK TO STRATEGY:
OPERATIONAL EXCELLENCE

What it is: The percentage of our customers who rate their experience as occupiers of our buildings as 'good' or 'excellent' as opposed to 'poor' or 'average'. Our customers are at the heart of our business and we strive to ensure that we are providing the best level of service possible to maximise customer retention.

Our performance: Satisfaction as an occupier of our buildings was rated as 'good' or 'excellent' by 85 per cent of the 286 customers who participated in the 2022 survey (2021: 90 per cent). The continued high satisfaction rate reflects our focus on communication, being responsive and understanding the needs of our customers and is particularly pleasing given the cost pressures that some of them are under (including recent increases in rents). We intend to target similarly high levels in the future. 98 per cent of our customers said that they would recommend SEGRO to others.

Employee engagement 91%

(%)

LINKED TO REMUNERATION

LINK TO STRATEGY:
RESPONSIBLE SEGRO

What it is: We carry out an employee survey (annually from this year) asking all our people to comment on various aspects of their work at SEGRO. We share the results of this with the Board, Leadership team and all our people.

Our performance: Our 2022 employee engagement score was 91 per cent and 94 per cent of employees said that they are proud to work at SEGRO and care about its future. 94 per cent of employees felt that SEGRO respects individual differences.

Embodied carbon intensity 353

(KGCO$_2$E/M^2)

LINKED TO REMUNERATION

LINK TO STRATEGY:
OPERATIONAL EXCELLENCE
RESPONSIBLE SEGRO

What it is: The largest source of carbon emissions within our control is the embodied carbon in our newly developed buildings. Within our science-based targets, we are committed to reducing the average carbon intensity of all new developments by 20 per cent by 2030 (compared to a 2020 baseline of 400 kgCO_2e/m^2). We calculate this metric based on completed developments over the past two years for which a life cycle assessment has been completed.

Our performance: The average embodied carbon intensity in our development programme was 353 kgCO_2e/m (2021: 391 kgCO_2e/m) reflecting a 12 per cent improvement from the 2020 baseline. We reduced this by trialling low carbon or recycled materials, including concrete, steel and timber across multiple projects.

For more information see page 36.

Corporate and customer carbon emissions 272k

(TONNES CO_2E)

LINKED TO REMUNERATION

LINK TO STRATEGY:
OPERATIONAL EXCELLENCE
RESPONSIBLE SEGRO

What it is: Our corporate and customer carbon emissions cover our own operations under Scope 1 and 2 and our customer emissions under Scope 3. We have visibility of two-thirds of the energy use from our buildings by floorspace. For buildings where we do not receive data we have estimated energy use. Within our science-based targets, we are committed to reducing the absolute corporate and customer carbon emissions of our portfolio by 42 per cent by 2030 (compared to a 2020 baseline of 312,115 tCO_2e), in line with a 1.5 degree scenario.

Our performance: During 2022, we reduced the corporate and customer emissions of our portfolio to 272,218 tCO_2e (2021: 280,575 tCO_2e), reflecting a 13 per cent improvement from the baseline. This reduction was largely due to greater visibility of energy use and also the type of energy (renewable) sourced by our customers.

For more information see page 37.

Visibility of customer energy use 68%

(%)

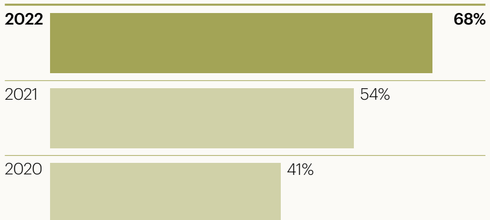
LINKED TO REMUNERATION

LINK TO STRATEGY:
OPERATIONAL EXCELLENCE
RESPONSIBLE SEGRO

What it is: Under the terms of most of our leases we do not have automatic visibility of customer energy usage data. We recognise the importance of having good visibility of this data so we can accurately assess our Scope 3 emissions and help our customers to reduce their own carbon footprint as well as improving their energy efficiency. We are therefore proactively engaging with our customers, requesting access to this data and have introduced green clauses requiring energy use visibility to all new leases.

Our performance: The visibility of our customers' energy use improved to 68 per cent (2021: 54 per cent) of our total property footprint by area.

For more information see page 37.



Number of community investment plans 10

(NUMBER)

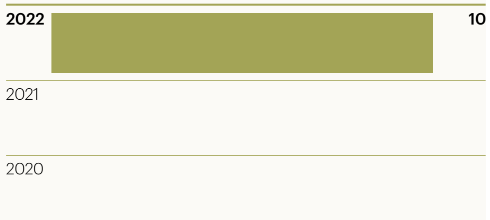
LINKED TO REMUNERATION

LINK TO STRATEGY:
OPERATIONAL EXCELLENCE
RESPONSIBLE SEGRO

What it is: The target for the Investing in our local communities and environments pillar of our Responsible SEGRO framework is to create and implement Community Investment Plans (CIPs) for every key market in our portfolio by 2025. As we are at an early stage of this programme the KPI involves the number of plans created. Once the plans are in place in most markets, this KPI will evolve towards measuring their impact.

Our performance: During 2022, we launched our first ten CIPs, including one in every Business Unit: Heathrow, Park Royal, East London, Slough, East Midlands, Coventry, Northampton, Paris, Łódź, and Düsseldorf.

For more information on the projects within these plans see page 44.



Responsible SEGRO commitments
Page 33

Our business model

A deep understanding of our customers' needs and the markets in which we operate lies at the heart of how we do business. This allows us to create the space that enables extraordinary things to happen.

We create financial and non-financial value, which is either distributed to our key stakeholders or re-invested in our business.

What we need to enable extraordinary things

A deep understanding of our customer needs
We pride ourselves on the strength of our customer relationships and use insights that we gain from them to make better, mutually beneficial business decisions.

Diverse, motivated, talented and engaged people
We employ 425 people with expert skills across all aspects of real estate, corporate functions and newer areas, such as data analytics.

A portfolio of prime sustainable assets
We buy and build warehouse properties located inside or on the edge of major cities, key transportation corridors and logistics hubs.

Land to fuel our development pipeline
Our extensive land bank is a significant competitive advantage and an important source of growth.

Collaborative partnerships with suppliers
We work with suppliers whose aims complement our own.

Future-proofing through innovation
We embrace technology and use it to ensure our business is fit for the future, including ensuring we have efficient, technology-enabled processes and systems.

An efficient capital structure
We forge strong relationships with our shareholders as well as our banks and bondholders who provide equity and debt funding.

Strong community relationships
As a long-term investor, we are committed to contributing to the long-term vitality of the areas in which we operate.

A zero-tolerance approach to poor health and safety is central to all our business activities, and we are committed to the prevention of harm to our people and throughout our supply chain.

Disciplined capital allocation

Market analysis
We take into account long-term trends and our customers' needs when deciding where and what to invest in.

Acquisitions
We buy assets and land in key strategic markets and source opportunities off-market where possible.

Portfolio review
We undertake a detailed analysis of our portfolio every year to ensure we understand the risk-return profile of every asset.

Asset recycling
We dispose of assets where we believe we have optimised returns.

Operational excellence

Development
We build prime, sustainable warehouses in key locations.

Customer relationships
We manage our portfolio internally which helps us to provide an excellent service and develop partnerships with our customers.

Focusing on sustainability
Through the day-to-day management of our portfolio and our development programme, we actively look for ways to reduce carbon emissions and improve biodiversity around our estates.

Active asset management
We actively manage our assets to strike a balance between occupancy and rental growth.

Long-term value creation for all stakeholders

Employees	Customers	Suppliers	Communities	Investors
Employee engagement 91% (2020: 94%)	**Recommendation to others** 98% (2021: 97%)	**Spend** £941m (2021: £962m)	**Contributions to charity** £2.5m (2021: £1.3m)	**Full-year dividend** 26.3p (2021: 24.3p)
Training hours 5,299 (2021: 4,656)	**Retention rate** 76% (2021: 77%)	**Average UK payment time** 15days (2021: 16 days)	**Employee volunteering days** 387 (2021: 234)	**Total shareholder return** (46)% (2021: 55%)

Our business model
continued

What we need to enable extraordinary things:

A deep understanding of our customers' needs

Customers who would recommend SEGRO to others

98%

2021: 97%

Customer retention rate

76%

2021: 77%

Understanding our customers and their evolving needs is crucial to SEGRO's success. Our knowledge of their businesses helps to shape our decisions on where and what to invest in, so it is at the heart of how we actively manage our portfolio.

We look to build and maintain strong and meaningful customer relationships, allowing us to work in partnership – whether that be with small, owner-managed start-ups or global businesses. These close relationships are facilitated day-to-day by our asset and property managers as we manage the majority of our portfolio internally. We supplement the knowledge gained through these relationships with our Customer App, which provides important data and updates. We also organise regular Customer Futures Forums that bring together our customers to discuss important topics and emerging trends, and help us to keep one eye on the horizon.

By understanding their differing priorities and challenges, we are able to offer tailored and creative solutions to each customer's individual real estate requirements. From offering additional, larger or smaller premises to align with their own growth aspirations, or helping them to enter a new market, our service often also involves going beyond simple real estate transactions. For example, we may give our customers advice on managing their warehouse more efficiently to reduce their energy consumption. Many of our customers share an environmental sustainability strategy as a key focus of their business. We also partner with customers on projects that form part of our Community Investment Plans.

Our close relationships with our existing customers also help to create new opportunities. The knowledge and understanding of various industries that we gain provides valuable insights into developing our warehouses so they are future-fit and suitable for evolving needs. We sometimes also leverage these relationships to create opportunities in new geographies, deepening and strengthening our connection. 27 per cent of our headline rent comes from customers with whom we have leases in more than one country and our dedicated cross-border customer account teams help us to ensure that we offer a streamlined approach to these businesses.

By working closely with our customers to understand their needs and issues, we aim to provide a first-class service and real estate solutions long into the future. We also hope that this approach will continue to encourage customer loyalty and help us to generate new business.

What we need to enable extraordinary things:

Diverse, talented, motivated and engaged people

Number of employees

425

2021: 385

Employee engagement

91%

2020: 94%

Although real estate is a physical asset class, the business of acquiring, developing and managing it requires great people. The strength of our operating platform is dependent on the expertise, commitment and motivation of our workforce and this is why Nurturing talent is one of our Responsible SEGRO priorities and is a key element of our strategy.

We have 425 employees working together across Europe, with expertise in all aspects of real estate, and we want to make sure that every one of those employees is able to fulfil their potential. Our employees help us to create a working environment that encourages collaboration, open communication, continuous improvement and innovation.

Our top priority is to make sure that our people can work in a healthy, safe and secure environment, and this extends to their general wellbeing outside of the workplace. We have a comprehensive health and safety programme, and have expanded our wellbeing programme.

We invest significantly in training and development, and offer secondments as well as other project-based opportunities to enhance employees' wider experience.

We believe that to get the best out of our people they need to feel comfortable and free to be themselves, so we work hard to make sure our working environment is inclusive, supportive and free from bias with opportunities for all. The National Equality Standards (NES) audit that we participated in during 2021 commended our robust policies and practices for equal opportunities and inclusion. We acted on their recommendations to make further improvements during 2022, including additional training and improvements in how we collect diversity data and how we recruit.

Our workforce is gender diverse but while we are making progress, we know that there is more to do to ensure gender diversity in our senior teams and to encourage broader diversity. This is a sector-wide challenge, but we hope that through the changes we are making we will start to encourage people from different backgrounds to join our industry and over time this will start to have the impact that we desire.

We believe that the approach we take to rewarding, developing and looking after our people is an investment in the longer-term success of our business as it helps us to ensure that SEGRO is the employer of choice for a diverse range of talented, motivated and engaged people.

What we need to enable extraordinary things:

A portfolio of prime, sustainable assets

Total AUM

£20.9bn

2021: £21.3bn

Our prime, modern portfolio is a result of an ambitious portfolio reshaping programme and we now own what we believe to be one of the highest-quality portfolio of industrial property in Europe.

We continue to review and refine our portfolio, carrying out an annual asset review process looking at the opportunities, risks and potential returns for every single asset. We identify assets (and sometimes markets) where we believe we have maximised the potential or where we believe the risk of holding an asset outweighs the potential benefits. This also forms the basis of our disposal list and ensures that the portfolio remains focused on prime assets in the markets with the strongest rental growth potential.

We also make asset acquisitions when they offer attractive returns, taking advantage of our market knowledge and local networks to source opportunities off-market where possible and therefore achieve better pricing.

The focus of our investment over recent years has been on our development programme, allowing us to add more modern, sustainable space to the portfolio and expanding our pipeline of opportunities. This has allowed us to gain competitive advantage by leveraging the skills, local knowledge and technical expertise of our teams across Europe. It has also helped us to generate superior returns than from buying dry assets with limited growth potential and given us access to opportunities that would not be available on the investment market.

We refurbish and redevelop existing warehouses that have a prime location but need modernising to meet customers' requirements. Increasingly this involves retrofitting sustainability features to improve their energy efficiency.

The constant refinement and modernisation of our portfolio aims to ensure that our assets are the warehouses of choice for our customers, helping us to grow rents and keep vacancy low. Combined, this should mean that in the long term our portfolio will outperform the benchmark and create value.

Our business model
continued

What we need to enable extraordinary things:
Land to fuel our development pipeline

Land acquired in 2022

1.	Land acquired in 2022	£712m
2.	Land acquired in 2021[1]	£829m

Potential development from land bank

3.5m sq m

2021: 3.1m sq m

Our extensive land bank is a significant competitive advantage and an important source of growth, both in terms of the physical assets that it allows us to develop and the rental income that those buildings generate.

We have been building this land bank for a number of years and it is now a rare and valuable asset. At the current rate of development, our land bank should last us three to five years. It is therefore important that we replenish it, so we can meet anticipated future demand from customers.

Sourcing industrial land requires both in-depth knowledge of the markets and good relationships with local planning authorities and communities to ensure that our plans meet their expectations and ambitions for the area. Our Community Investment Plans (CIPs) help to enhance these relationships and show our commitment to the communities around our estates.

Our teams on the ground in each region carry out extensive research, leverage their strong local relationships and think creatively to source opportunities, such as acquiring older warehouses with short-term income and redevelopment potential ('covered land') or where we can repurpose assets intended for alternative uses.

Where possible we acquire land off-market or under option, until it is zoned for industrial usage and we can progress with our development plans. Increasingly, we are looking at ways to create additional space from redevelopment opportunities within our existing portfolio.

1 2021 amount has been restated to reflect £503 million of covered land that was recategorised from asset acquisitions to land during 2022.

What we need to enable extraordinary things:
Collaborative partnerships with our suppliers

Supplier spend

£941m

2021: £962m

Number of suppliers

2,807

2021: 2,286

Our relationships with our suppliers are key to helping us create value. We invest in developing these to ensure that our aims and objectives are aligned and mutually beneficial.

We work with over 2,800 suppliers across the Group, ranging from small local businesses to multinational companies. We want to work with suppliers who share our Values and our approach to matters such as health and safety, compliance, anti-bribery and corruption. Our Supplier Code of Conduct and Modern Slavery and Labour Standards Supplier Code consolidate and set out in full the principles and standards that we expect and outline how we can work side by side to create real change.

We are committed to ensuring that our supply chain is safe, secure and efficient. We follow a strict supplier assurance process so we can be confident that our supply chain is maintained to a high standard. This process requires all suppliers to provide information appropriate to their service, including health and safety policies and evidence of insurance. They must explain how they ensure bribery, corruption and fraud are not happening in their organisation or supply chain, and how they safeguard against modern slavery and human trafficking. This screening exercise is repeated regularly. In addition, each year our legal team meets with a number of suppliers across the Group. There were no concerns or issues arising out of the meetings conducted during 2022.

We have regular service review sessions with professional services suppliers (for example, with our lawyers and agents), while those involved in construction activities have regular visits from our Health and Safety team.

Our relationships with our suppliers are important in us achieving our Responsible SEGRO ambitions. We work closely with our construction partners to reduce the embodied carbon intensity of our development programme. We also expect our suppliers to work with us to support local businesses and economies; this includes proactively sourcing labour, goods and services from the local community and contributing to our Community Investment Plans.

In the spirit of partnership, we treat our suppliers well and ensure that they are paid on time. We are a signatory to the UK Prompt Payment Code (average UK payment time is 15 days). We are also an accredited Living Wage employer, and are working with our suppliers to help ensure everyone working in our supply chain to support us is paid a real Living Wage.

What we need to enable extraordinary things:

Future-proofing through innovation

The world around us is changing at a rapid pace. We are in continuous dialogue with our customers, suppliers and other business partners so that we position ourselves to take advantage of longer-term trends. Technology and digitalisation is becoming a crucial part of how we manage our existing portfolio and how we design, build and plan our assets.

We see the changes resulting from technology and digitalisation as not just a challenge but also an opportunity.

We have long recognised the value of technology and our investment over a number of years has created the strong foundations of our digital strategy. This focuses on: providing our people with the digital skills, tools and processes to be effective; using data and analytics to provide actionable insights and enable better decisions; digital innovations which differentiate our assets and services to customers; and providing secure and scalable digital infrastructures that enable all of our digital services.

To ensure that our portfolio is fit for the future and meets the ever-changing needs of our customers, we are also continually innovating within our development programme. This is also crucial to meeting our net-zero carbon targets as a significant part of our emissions result from our development activity.

Finally, with land in short supply in most of our markets and particularly in urban locations such as London or Paris, we are increasingly innovating to maximise the space that we can create. For example the addition of mezzanine levels over loading bay areas can create additional flexible space; going up rather than out. We are also developing multi-level warehousing, such as our V-Park development in West London, and thinking creatively by re-purposing assets such as underground rail terminals for inner-city logistics.

To help us remain at the forefront of innovation in the real estate sector, we contribute to industry-wide collaboration initiatives, including the British Property Federation's Technology and Innovation Working Group and the LandAid Tech Network, and we are active participants in and supporters of open source technology communities. We also maintain active partnerships with the 'PropTech' firms Fifth Wall and Concrete Ventures.

Our business model
continued

What we need to enable extraordinary things:

An efficient capital structure

New financing in 2022

1.	2022	£3.1bn
2.	2021	£1.3bn

Number of investor meetings in 2022

230

We fund our investment activities through a combination of equity, debt and the proceeds of disposals. The relationships with our shareholders, as well as with our banks and bond holders who provide our equity and debt funding, are therefore crucially important.

As a listed company we have a responsibility to those individuals and institutions who have invested money in our business to deliver long-term and sustainable returns on their investment.

We ensure regular communication with our investors through an extensive programme, mainly managed by a dedicated Investor Relations team. This includes roadshow and other ad hoc meetings, attendance at investor conferences, as well an active programme of asset tours.

The Annual General Meeting also provides us with an excellent opportunity to meet our retail shareholders and answer their questions about the business.

Our website contains comprehensive information about our strategy and performance, regulatory news and press releases, information about our debt and our approach to Environmental, Social and Governance (ESG) issues (including Responsible SEGRO). The Investors section of the site also includes investor tour presentations, analyst financial forecasts (consensus) and webcasts of the Full-Year and Half-Year results presentations.

During 2022, the Executive Directors and the Investor Relations team held meetings with representatives from over 280 institutions (including 14 of our top 20 shareholders – the remaining six are passive institutions) across over 230 meetings to update them on our performance and to provide an opportunity for them to ask questions. We also held a series of one-on-one and group meetings with our lending banks and investors in SEGRO and SELP's bonds during the year.

These investor interactions update our investors on our business and allow us to understand their priorities and any concerns. This feedback is vital to help shape our strategy and our communications and disclosure to make sure that we are meeting their expectations of us.

What we need to enable extraordinary things:

Strong community relationships

Number of community investment plans launched during 2022

10

Number of employee volunteering days

1.	2022	387
2.	2021	238

As a long-term investor, we are committed to contributing to the long-term vitality of the areas in which we operate. One of our three Responsible SEGRO priorities is to Invest in our local communities and environments.

To do this effectively, we work with local stakeholder partners to better understand the needs of a local community so we can contribute positively to its growth and development. We work closely with local authorities in our key markets to ensure we understand their priorities and support these with our own plans. This is also key to our understanding of the challenges around zoning and planning, and forms an important part of our decision on where to invest.

Much of our urban warehouse development programme involves regenerating older industrial sites and brownfield land to attract new businesses investment into local areas, creating diverse and high-quality employment opportunities and driving economic prosperity. We also try to encourage innovation and the growth of small local businesses by offering flexible space with all-inclusive leases in our Enterprise Quarters and providing additional support services to help them to develop their networks, learn from each other and grow together.

We seek to go beyond local planning requirements when designing new development projects, so that we can improve employability opportunities for the local community, upgrading local road networks and infrastructure, and contributing to improvements in local public transport that benefit everyone in the surrounding area. Increasingly, we are creating outdoor spaces close to both our urban and big box parks to improve biodiversity and benefit the local environment and to promote health and wellbeing both for our customers and for local residents.

The impact of our development programme is enhanced when we involve our business partners in this process. We regularly work with our suppliers to help create opportunities for local businesses: for example, we encourage contractors to source services and materials from local suppliers and to use local labour during the construction stages of our projects. Working closely with customers and local authorities can also help to create employment opportunities, and we invest in the provision of training to help local residents access job vacancies created through our new developments.

We continue to support local charities to help improve the lives of vulnerable members of the local community and fund a range of training and education programmes that help these members of society on the pathway into employment.

We support causes close to the hearts of our own people and encourage them to participate in charitable activities, providing their time and skills. A record number of our people took part in our Company-wide 'Day of Giving' during 2022, which allows our employees to volunteer to work with one of the local charities that SEGRO supports corporately.

Our people run, cycle, swim, skydive, walk and 'sleep out' overnight to raise money for a range of great causes, for which SEGRO will match the funds raised.

Investing in and supporting our local communities is something that we have done for over 100 years. The establishment of the £10 million SEGRO Centenary Fund in 2020 provides the funding for many of these projects. Our Community Investment Plans are helping us to think more strategically about how we allocate our charitable contributions and other efforts so that we can maximise the impact of our efforts and the value created.

What we need to enable extraordinary things:

A zero-tolerance approach to poor health and safety

Accident incident rate[1] 2022

0.25

2021: 0.13

1 An industry standard rate calculated by number of employee incidents, divided by number of hours worked, multiplied by 100,000.

Health and safety is central to all our business activities. It is our responsibility to ensure that we provide and promote a healthy, safe and secure environment in which our people and customers can work, extending throughout our supply chain, and in particular on our development projects.

We aim to achieve our high standards through a combination of risk mitigation, training and promoting a widespread awareness and culture of health and safety. We only want to work with businesses that share our approach of zero-tolerance of poor health and safety practices. We require all our suppliers to confirm that they meet our Health and Safety Standards, and we undertake particularly rigorous assessments of those companies working on our development sites. We support our contractors by providing additional guidance, signage and undertake health and safety visits of all our development sites throughout each project.

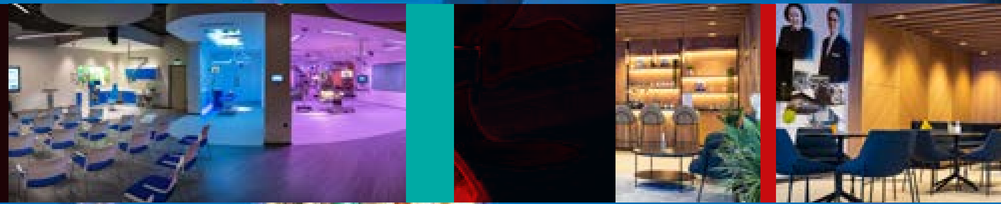
Our health and safety commitment does not end when we complete a project, but extends to the ongoing day-to-day life of our estates. Many of our estates are accessed by both our customers and the public, and we assess and mitigate a variety of risks. By providing training and raising awareness we ensure our customers and communities are well informed and able to make appropriate decisions.

Whenever incidents occur, we fully investigate to understand the causes, involving external consultants where appropriate. Findings and learnings are disseminated across the Group, including to the Board and Executive Committee, to ensure that we (and where appropriate, third-parties) respond and improve our processes where necessary.

For example, following an incident on an estate within our Greater London Business Unit in August 2017 we took steps to improve the safety at the site concerned. We carried out an additional risk assessment, making amendments to procedures where necessary, at other SEGRO owned sites with similar characteristics. Following their investigation the Health & Safety Executive (HSE) brought a prosecution against SEGRO Administration Limited as the managing agent for the site at the time and two occupiers, for health and safety breaches in connection with this incident. We consider appropriate actions were taken to address any deficiencies in the health and safety regime at the site, but will continue to share lessons learnt across the business and wider industry.

We continue to be recognised for our safety performance through the RoSPA (Royal Society for the Prevention of Accidents) Awards, reflecting our Group commitment to, and practical application of, health and safety procedures across all our business operations.

Enabling extraordinary things:
Enabling our customers to do extraordinary things



Creating future expertise

Karl Storz is the world's leading endoscope manufacturers and a long-standing customer of SEGRO.

The primary function of their unit on the Slough Trading Estate is as a sales and distribution centre for their UK business. However, in 2021, they added their Training and Technology Centre within their premises, to enhance their training facilities and showcase their operating theatre solutions. The Centre houses one of the most technologically advanced integrated operating theatres in the UK, boasting the very latest in keyhole surgery imaging systems and innovations in operating theatre design.

Surgical skills training courses are hosted in the facility and complemented by hands-on training techniques using training models and virtual reality training stations. There is also an Out-Patient examination zone and a dedicated Anaesthetic Room for airway management skills training.

The open plan space, meeting areas and technology zones lend themselves to a relaxed environment where the Surgeons, Anaesthetists, Theatre Nurses and technicians of tomorrow can train.

Responsible SEGRO

ESG is taken very seriously at SEGRO. Responsible SEGRO demonstrates how our environmental and social contributions are embedded within our business strategy, and are fundamental to how we enable extraordinary things to happen – whether that is the space that we create for our customers, or enabling our people and the communities and environments close to our warehouses to flourish.

To find out more about SEGRO visit www.segro.com

We are committed to being a force for societal and environmental good and this has been at the heart of how our business operates since it was founded. It has been instrumental in the success of the Company over the past 102 years and will be just as important for the next 100 years. This commitment is led by our Board but lived by SEGRO colleagues every day. It is about doing the right thing and making a positive impact wherever we operate.

We have long-held commitments to leadership in health and safety, stakeholder engagement, corporate governance and being a good corporate citizen.

Our Responsible SEGRO framework helps us to articulate our sustainability goals and address our stakeholders' most material concerns. Within this we have focused in on three enduring strategic priorities, which were determined through engagement with our stakeholders. These priorities cover the areas where we believe we can make the greatest business, environmental and social contribution. They are:

Championing low-carbon growth

Investing in our local communities and environments

Nurturing talent

For each of these areas we have established challenging targets that are linked to six non-financial KPIs and to the annual bonus for all employees.

We report a summary of our progress with these during 2022 in the following section and discuss our priorities for 2023 – more detailed information (along with full datasets) can be found in our 2022 Responsible SEGRO Report and Data Pack.

We intend to set additional, more specific, supporting targets as necessary and expect our actions and approach to evolve over time to reflect our achievement, technological change and the priorities of our stakeholders and wider society.

ESG reporting and ratings

We monitor our performance across various Environmental, Social and Governance (ESG) indices and review trends to ensure our approach and the information we disclose meets the needs of our stakeholders.

There are a number of different frameworks that we use to report on our wider ESG metrics, including:

- Global Reporting Initiative (GRI)
- Sustainability Accounting Standards Board (SASB)
- Task Force on Climate-related Financial Disclosures project (TCFD)
- EPRA sustainable Best Practice Reporting (EPRA sBPR): Gold
- Better Building Partnership – Climate Change Commitment
- Workforce Disclosure Initiative: 80%

There are also various agencies who review and assess our ESG reporting and performance, including:

- MSCI: AAA
- Carbon Disclosure Project (CDP): A-
- Global Real Estate Sustainability Benchmark (GRESB)
  - Standing investments: three-star
  - Development: four-star
  - Public disclosure: A
- Dow Jones Sustainability Index (DJSI): 6th Percentile
- FTSE4GOOD – 3.2 (sub-sector average 2.4)

Responsible SEGRO
continued

Materiality

To help us ensure that our strategic priorities and the targets within them are appropriate and reflect our stakeholders' expectations we believe it is good practice to periodically assess our assumptions. During 2022 we undertook a materiality review, following guidelines by the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB).

This review built on a previous materiality assessment undertaken in 2019, and included a review of benchmarks and standards, peer reporting and aligned with internal risk management processes. The aim was to identify those issues (both risks and opportunities) that are most important to the Company and its primary stakeholders, to ensure that they are considered within our Responsible SEGRO strategic priorities, and to inform the structure of our sustainability reporting. Emerging issues were also identified and considered.

In total, 18 material issues were identified, considered through four lenses – environmental, societal, economic and governance – but with recognition that the issues may well be inter-dependent. We then refined these to eight priority material issues (PMIs). We did this to surface the priority issues which are both important to our stakeholders and where we intend to focus our immediate efforts. We recognise, however, that while developing a ranking is important to be able to demonstrate priority issues for SEGRO and our stakeholders, this does represent their relative importance at a point in time and is based on the views of a small number of informed participants.

Each issue identified has been allocated to the relevant team within SEGRO for further attention and embedding into business processes. All financially material PMIs are governed by the SEGRO business risk process (see page 68).

These issues are outlined in the table to the right and remain aligned with our current Responsible SEGRO priorities. We intend to conduct materiality reviews annually.

Our material issues

P Priority Material Issues
M Material Issues

Championing low carbon growth

- P Driving a pathway to net-zero through effective energy management (including embodied carbon), and by enabling a transition to renewable energy for SEGRO and our customers.
- P Ensuring environmental compliance, today and in anticipation of future regulatory changes, and ongoing certification against relevant standards.
- P Understanding the need and opportunity for climate adaptation, and building resilience to climate change, for SEGRO and our customers.
- P Identifying and executing business and diversification strategies in the renewables sector, that build on our unique positioning and strengths.
- M Understanding our biodiversity impacts and supporting urban greening.
- M Responsible water management.

Nurturing talent

- P Attracting, developing and nurturing talent for rewarding careers.
- P Ensuring the safety and health of our employees, our suppliers and those who use our facilities.
- M Promoting diversity, equity and inclusion, including and beyond succession planning and compliance.

Investing in our local communities and environments

- M Implementing smart technology that makes lives better, and protects the environment.
- M Leading in the development and implementation of ethical building standards.
- M Engaging with and investing in local communities for mutual positive impact.

Operating in the context of sound governance

- P Ensuring sound and ethical business conduct, including through the effective management of our supply chain, and in our customer base (to the extent that this is possible).
- P Ensuring ongoing and increasing ESG disclosure and transparency.
- M Protecting and upholding human rights (including Modern Slavery) within SEGRO and amongst customers and suppliers.
- M Protecting and preserving our reputation, by doing the right thing and anticipating stakeholder concerns.
- M Promoting and preserving a positive and caring culture, which is mindful of economic equality and hardship.
- M Being mindful of cyber security and the ethical use of information and data.

Alignment with the UN SDGs

We have reviewed the United Nations Sustainable Development Goals against our Responsible SEGRO strategic priorities to understand which goals are particularly significant to our business. Elements of our business are aligned with all of the goals but we believe we are able to make the greatest contribution to six of them:

13 CLIMATE ACTION
7 AFFORDABLE AND CLEAN ENERGY

SEGRO is committed to reducing the embodied carbon in its development programme as well as reducing the carbon-intensity of our properties. We want to play our part in tackling climate change and have a target to be net-zero carbon by 2030.

11 SUSTAINABLE CITIES AND COMMUNITIES
10 REDUCED INEQUALITIES

SEGRO has a strong track-record of supporting local communities and employment (including training) is one of the areas that our Community Investment Plans (CIPs) focus on. We want to play our part in reducing inequalities and ensuring more people have the right skills to access meaningful work.

3 GOOD HEALTH AND WELL-BEING
8 DECENT WORK AND ECONOMIC GROWTH

SEGRO is committed to being a good neighbour and to enhancing the spaces beyond our buildings. Our CIPs also include projects to support the local economy and enhance the natural environment. We want to play our part in ensuring that our buildings are part of thriving, sustainable communities.

Championing low-carbon growth

Average embodied carbon intensity

353 $kgCO_2e$ sq m

2021: 391 $kgCO_2e$ sq m

Corporate and customer carbon emissions

272,218 tCO_2e

2021: 280,575 tCO_2e

Visibility of customer energy data

68%

2021: 54%

Key achievements during 2022:
- Launch of our Mandatory Sustainability Policy
- Significant increase in our solar capacity
- Green leases introduced, underpinning the collaborative approach we take with our customers on carbon reduction

Priorities for 2023:
- Understanding the impact that our investment into biodiversity is having on our local communities
- Increasing the automation of the retrieval of our customers' energy data
- Progressing our large scale solar installation strategy

SEGRO recognises that the world faces a climate emergency and we are living in a shrinking window of time when our awareness of climate change can still be matched by our ability to act. We therefore need to shape SEGRO to live up to the challenge of this, whilst still continuing to grow our business and develop the space that is much needed by our customers.

In recognition of this we have joined many of our sector peers in signing a pledge to be net-zero carbon by 2050, and have announced that we will be going further and faster by reaching that aim by 2030. These commitments cover SEGRO's own business activity (including lettings, refurbishments, development and acquisitions) as well as the emissions that our customers make whilst using our buildings.

The SEGRO Carbon Pathway sets out our ambition and approach and can be found in the Responsible SEGRO Report and Data Pack.

It is our responsibility, as a long-term investor, to use the latest technologies and construction techniques to ensure that our buildings are efficient to use and stand the test of time. We want to bring sustainability to the design stage, and – working with our construction partners – we are continuously evaluating and adopting new approaches, technologies and techniques to reduce the carbon footprint of our existing properties and our developments. We take a materiality-based approach to our environmental strategy, focusing on the areas where our footprint is greatest.

The Investment Committee considers the environmental impact of all capital investment decisions to ensure that they are consistent with our environmental targets and ambitions.

We continue to see value in developing policies and reward mechanisms to embed the behaviours we need to be a sustainable business. We believe it is important to equip our business with the best framework to deliver against our stretching emission targets.

During 2022 we launched our ambitious Mandatory Sustainability Policy which sets out six key commitments:

- Embodied carbon: use Building information Modelling (BiM) and life cycle assessments (LCAs) on all developments over 5,000 sq m
- Solar: maximise coverage on all our buildings (subject to planning, power, customer), ensure all new buildings can take 100 per cent solar on the roof, and investigate local grid capacity for solar export
- Energy data: identify where gaps in customer energy data exist and where possible implement SEGRO's green lease to mandate the use of renewable energy and sharing of data
- Building certifications: deliver BREEAM 'Excellent' or equivalent on all new developments over 5,000 sq m, implement refurbishment standards to EPC B or better (or local equivalent)
- Electric vehicle charging: install at least 20 per cent of all parking with electric charging capability
- Biodiversity and wellbeing: at least meet the Biodiversity Net Gain commitments (UK only), implement at least five biodiversity or wellbeing features on all new developments over 5,000 sq m, and at least one for each refurbishment.

Scan the QR code to hear our Director of Sustainability talk about our progress with Championing low-carbon growth.

Responsible SEGRO
continued

Carbon in our developments

P

Embodied carbon intensity reduction goal

-20%

by 2030 from a 2020 baseline

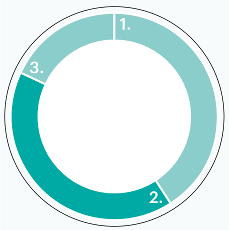
Average embodied carbon intensity reduction versus 2020 baseline

-12%

Development completions rated BREEAM 'Very Good' or better (or local equivalent)

100%

Our emissions



1. Corporate and customer emissions	41%
2. Embodied carbon from developments	41%
3. Other scope 3	18%

Approximately 40 per cent of our carbon emissions relate to the embodied carbon from our development programme. For our existing buildings, we can work to improve their efficiency in operational terms, but it is in our development programme where we can make the greatest impact. In many cases, once we hand a building over to a customer, they control all operational aspects, so it is our responsibility to provide them with an efficient building and the tools to operate it effectively.

Our science-based targets, aligned to the Science Based Target initiative (SBTi) framework, include a goal to reduce the embodied carbon intensity of our development programme by 20 per cent by 2030, compared to a 2020 baseline of 400 kg CO_2e per sq m. We are one of very few property companies who currently have an embodied carbon target.

The average embodied carbon intensity of our developments in 2022 was 353 kg CO_2e per sq m of delivered floor space, representing a 12 per cent reduction from the 2020 baseline.

Our sustainability strategy requires that we drive down the embodied carbon and transport emissions of the construction materials of our capital projects. This is in line with the methodology used by the UK Green Buildings Council in their Whole Life Carbon roadmap.

We carry out Life Cycle Assessments (LCAs) on our larger development projects to track performance against our embodied carbon KPI and to identify opportunities to make further reductions to our buildings' carbon footprint over their full life cycle – from procuring materials through to deconstruction at the end of the building's useful life. We believe this holistic approach to embodied carbon is the most impactful.

However, simply procuring sustainable materials is not enough, this process is starting to affect how we think about the shape of our buildings – considering alternative layouts that are less carbon and material-intensive.

Our new Mandatory Sustainability Policy commits us to carrying out LCAs on all eligible projects greater than 5,000 sq m (roughly 98 per cent of our current development pipeline) and apply lessons learned across the wider development programme as we progress against our target. During the year we have also agreed to share the data from our UK LCA's with the UK Net Zero Carbon Buildings Standard.

We mandate the use of Building information Monitoring (BiM) in our development projects, which greatly improves the accuracy of our embodied carbon data. BiM allows us to assess more accurately the amount of material needed for the construction (reducing waste) and the carbon emissions from the materials.

We will continue to adopt the latest techniques to reduce embodied carbon within our developments, including low-carbon concrete and timber or recycled steel beams which we are already using in several of our current developments. The availability of such materials is not yet consistent across our markets, and they are not always suited to the design of our buildings, but we are determined to work with our partners in identifying low-carbon options.

The sustainability credentials of a building are increasingly important for potential customers deciding on where to locate their businesses. Since the start of 2022 we have been targeting BREEAM 'Excellent' certification (or equivalent) for all our new developments unless local circumstances (such as supply chains) prevent it. All of our development completions in 2022 have, or are expected to be, accredited BREEAM 'Very Good' (or local equivalent) or better and 68 per cent were BREEAM 'Excellent' or above.

Carbon in our standing assets

P

Aim to reduce absolute corporate and customer carbon emissions

-42%

by 2030 from a 2020 baseline

Corporate and customer carbon emissions reduction versus 2020 baseline

-13%

Increased visibility of customer energy use during 2022

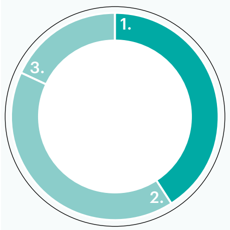
+26%

Corporate and customer carbon intensity

-19%

22.5kgCO_2e per sq m

Our emissions



1. Corporate and customer emissions	41%
2. Embodied carbon from developments	41%
3. Other scope 3	18%

Our corporate emissions are less than one per cent of our total Scope 1, 2 and 3 carbon emissions. In contrast, the emissions generated by the activity of our customers inside our warehouses amounts to approximately 40 per cent.

Responsibility for sourcing energy and monitoring use falls with our customers for the majority of our portfolio due to the nature of traditional warehouse lease structures. However, given the significant contribution of these customer emissions to our Scope 3 we have chosen to include them in our science-based targets. We aim to reduce our absolute corporate and customer emissions by 42 per cent by 2030 (compared to a 2020 baseline of 312,115 tonnes CO_2e). This also captures the organic growth of the business and is explained further in the SEGRO Carbon Pathway.

We made good progress during 2022, with a 3 per cent absolute reduction in corporate and customer emissions to 272,218 tonnes CO_2e (2021: 280,575 tonnes CO_2e). We have also reduced our corporate and customer carbon intensity to 22.5 kg CO_2e per sq m (2021: 27.9 kg CO_2e).

With the inclusion of our customers' emissions in our science-based targets, obtaining good quality energy data and prompting our customers to source renewable energy is paramount. During 2022 we have improved our energy visibility, collecting data on 68 per cent of our total property floor area (up from 54 per cent during 2020). This helps to increase the accuracy of our carbon data and allows us to better identify opportunities to help our customers operate their buildings more efficiently. For the remaining part of the portfolio where we do not yet have the data we apply estimation methodologies.

All of SEGRO controlled electricity (both for our own operations and for those markets where we procure energy on behalf of our customers) is procured in a way which reduces emissions (generally via renewable tariffs) and is zero carbon. This certified renewable energy helps SEGRO and our customers reduce their carbon footprint.

We have chosen to include our customer emissions in our science-based carbon reduction targets, which we believe sets us apart from much of the real estate sector.

Gabriella Zepf
Director – Sustainability

Transitioning away from heating our spaces with fossil fuels to efficient low-carbon electrical heat sources, such as heat pumps, will be a key part of our strategy going forward.

During 2022 we introduced a standardised green lease, asking our customers to share their energy data with us and commit to procuring a zero-carbon electricity tariff where possible. We are moving to automatic meters to facilitate the data collection process. Over 200 customer meters were upgraded during the year. We are introducing the contractual clauses as part of lease negotiations and will be monitoring their adoption going forward.

Another way to reduce customer carbon emissions is to make our buildings more energy efficient. The majority of our portfolio is modern and built to the highest sustainability standards but there are still some older assets where we can make improvements. We do this through an ongoing maintenance and refurbishment programme, normally after a lease expiry .This not only helps with our progress towards our net-zero carbon targets but also makes the space more attractive to a potential customer and we are starting to see it make a difference to rental levels achieved.

Changes that we make include installing LED lighting, solar panels, air source heat pumps and automatic metering. We aim to have our entire portfolio Energy Performance Certificate (EPC) rated at least 'B' or equivalent. At the end of 2022, 58 per cent of the portfolio now had an EPC rating of B or better.

In addition to the installation of solar panels on new developments and existing buildings during refurbishment, we also have a project to retrofit solar onto leased assets. During 2022 we added almost 6 MW of capacity at a single site in the Netherlands, helping to take our total capacity to 44 MW (2021: 35 MW). We have identified a pipeline of other projects, which we anticipate will deliver a significant increase in installed capacity over the next two years.

Responsible SEGRO
continued

Climate change adaptation

Acknowledging that our planet is facing a climate emergency, we must be alert to the fact that our business too will inevitably be affected by certain aspects of a changing climate.

Risks posed by climate change and our governance approach are set out in our Business Risk section. Our Climate-related Financial Disclosure provides a full explanation of our approach and the outcome of our research and engagement with external specialists, who guided us through this year's assessment.

We are moving from a once-a-year approach to assessing certain climate hazards to a more dynamic process which should allow us to investigate specific locations in more detail, informing our asset management and valuation processes in turn.

See our Climate-related Financial Disclosure
Page 79

We believe the triple bottom line of climate, community and biodiversity plays to SEGRO's strengths and allows us to build on our existing Responsible SEGRO framework.

Gabriella Zepf
Director – Sustainability

An ecosystem approach

Biodiversity

We think carefully about the landscape surrounding our existing and new buildings to ensure that they are pleasant environments for people to work in, meet the needs of our local communities and have a positive impact on local biodiversity.

During the year, we have created green spaces within our estates, including woodland areas with public walking trails around our big box parks or small 'pocket parks' and green walls in our urban estates. We plant indigenous trees and have even renatured stream beds. On many of our estates we have introduced beehives and now have 342 of them across our portfolio encouraging pollination of local plants and crops. We have also added bird boxes, bat boxes and other locally appropriate biodiversity features that help contribute to a healthy ecosystem. On land that is awaiting development in Italy we pay local farmers to manage the plots and graze livestock which have yielded risotto rice, buffalo mozzarella and wool whilst also keeping the grass well maintained.

Biodiversity is playing an increasingly broader role as nature-related and climate-related topics are understood to be entirely interrelated. Our reporting will increasingly recognise nature-related risks and opportunities and we intend to develop targets and metrics to ensure we lead on this topic. Our immediate aim is to ensure we meet or exceed the Biodiversity Net Gain planning requirements.

Water

Our use of water is not material. However, water as a topic looked at in conjunction with biodiversity and climate change is clearly critical to our communities and the environment we operate in. We therefore take measures, such as rainwater harvesting, to ensure this precious resource is used responsibly. All SEGRO owned properties are separately metered or sub-metered for water supplies.

Waste

Most of our waste is created as a result of our construction and demolition projects. Our target is to send zero waste to landfill by 2025.

For demolition waste, which makes up the bulk of our total waste, we reuse as much as possible on-site to avoid the carbon emissions related to transportation of waste off-site and the import of new materials from elsewhere. We undertake pre-demolition audits to identify waste materials taking into consideration the quantity and quality of waste to be re-used on site as aggregate. Hazardous waste is dealt with in the appropriate manner, fully in line with relevant regulation. In 2022, almost all (99.9 per cent) of construction, demolition and operational waste controlled by SEGRO was diverted from landfill.

While we operate mostly out of offices owned by our landlords, tertiary waste reporting is undertaken by them.

Nurturing talent

'Your Say' engagement score

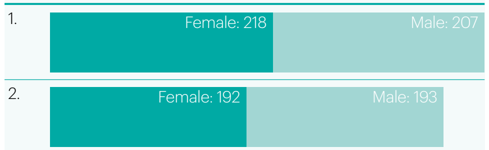
91%

2020: 94%

Key achievements during 2022:
- Top quartile employee engagement
- Increased number of women in senior positions
- Launch of the Management Academy
- More diverse graduate programme
- Launch of the Wellbeing Fund

Priorities for 2023:
- Build a career development framework and focus on succession planning
- Refresh our policies that support diversity and inclusion
- Bring together our people at our first in-person conference since Covid
- Involve our people to help shape future ways of working as our business grows

Number of employees



1.	2022	425
2.	2021	385

Voluntary staff turnover

1.	2022	8.7%
2.	2021	7.0%

We believe that our long-term success as a business will be achieved through building a diverse, engaged and high-performing workforce, ensuring a strong pipeline of future talent and expertise for the business.

Our goal is to have an inclusive and supportive culture, with a motivated workforce of talented people. We aim to create an environment where everyone can thrive and realise their full potential.

During 2022 ,our workforce continued to grow as we added resource and capabilities to support our customers and growing portfolio. We welcomed 81 new employees to SEGRO and, at the end of 2022, had increased our workforce by 9.4 per cent to 425.

Our culture

Our people tell us that they highly value their working environment, which encourages collaboration and care for each other. Our Purpose and Values, which were co-created with input from the entire workforce a number of years ago, have stood the test of time and underpin everything that we do. While we continue to grow, our focus is on ensuring that we retain this unique and positive culture.

During 2022, we have continued to listen to our people. 95 per cent of them responded to our employee survey (Your Say), showing their interest in helping us to shape the Company. Our engagement score was 91 per cent, which is top quartile relative to the benchmark of our employee research provider. We also conducted a series of focus groups and a separate survey to understand how effectively our communications across the Company are working. Our Board employee engagement sessions (see page 99) have also continued during 2022.

We encourage honest and open feedback across SEGRO, but in the event that an employee (or third-party supplier) wishes to raise a concern on a confidential and anonymous basis, we offer a whistle-blowing helpline operated by an independent company.

Enabling extraordinary things: Our Values

Our Values are our core beliefs about how we do business. They guide our decision making, large and small. They are the way in which we work together to make things happen.

Say it like it is
We think straight and talk straight.

If the door is closed…
If one route is closed to us we always find another way.

Stand side by side
We work together as One SEGRO, and we put the interests of the business ahead of our own.

Does it make the boat go faster?
We challenge the way we work to find a better way.

Keep one eye on the horizon
We are focused on today but are constantly looking ahead to ensure we are successful in the future.

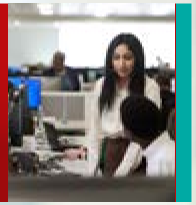
Scan the QR code to hear our Group HR Director talk about our progress with Nurturing talent.

We are proud of the culture at SEGRO, which values the contributions of all our people.

Margaret Murphy
Group Human Resources Director

Responsible SEGRO
continued

Enabling extraordinary things:
Nurturing talent



Fostering a more inclusive culture

2022 was a landmark year for us in terms of delivering on our promise to foster a more inclusive culture and build a more diverse workforce. All of our senior management completed D&I training; we hosted Ashanti and Danielle – our first intake from the #10000BlackInterns programme; Stephen Frost, former Head of D&I for the 2012 London Olympics and Paralympics spoke to the business about the case for Inclusion; and – for the first time ever – we changed our policy so that 50% of our graduate recruits are now selected from a non-property background.

Interview with Harveet Thethy who joined SEGRO in 2022 as a non-cognate graduate:

You studied economics at university, so how did you end up at SEGRO?
Initially when I was searching for graduate jobs, I was mostly on the lookout for consulting roles, but finding a job in real estate was always in the back of my mind. However, when attending career events on campus there were no companies that represented the property sector, which led me to apply to the 'typical' roles that Economics students usually apply for, such as finance and consulting. I then received an email from Sanctuary Graduates who assisted with the recruitment process for SEGRO. I read the job description and I was instantly fascinated and wanted to know more about the company and the industry. After going through all the stages and understanding the job role, I felt that the grad scheme would be a good opportunity for me to learn more about the industrial logistics sector, and how SEGRO develop innovative spaces for their customers. So far, I have been able to apply my Economics knowledge by understanding the current climate, such as the supply and demand imbalance in the sector, and how this has an impact on our rental growth.

Why did you choose real estate and, specifically SEGRO?
I chose to go into real estate as I thought it would be a great way to kickstart my career and get out of my comfort zone by learning about a field that I had limited knowledge on. When researching SEGRO, I found that it was a company that is always striving to nurture talent and invest in young people. Therefore, I knew that the company would provide me with the best learning experience, especially having not come from a property background. The graduate scheme is also very structured, enabling me to rotate in asset management and development. This will allow me to gain the relevant competencies for my APC (Assessment of Professional Competence). Additionally, SEGRO is a leading company in the industrial logistics sector so it's a great way to learn from the professionals and get stuck into different projects. From the few months that I have been at SEGRO, I have already been given lots of responsibility, such as asset managing my own estate. This has been a great way for me to develop my skills and understand the leasing process. The company culture at SEGRO also appealed to me, especially the fact that anyone can get involved in charity and fundraising events, such as the Day of Giving.

Would you recommend a career in real estate to other "non-cogs"?
I would definitely recommend a career in real estate to those that did not study a property related degree, especially at SEGRO. This is due to the endless opportunities and projects that you can get stuck into. I have to say it was daunting at the start but the culture at SEGRO has made me feel comfortable enough to ask any questions if I am unsure about anything. The company is a place to grow and is a constant learning environment, so there will always be something to get involved in and gain practical experience in. I am also studying a Masters in Real Estate alongside my job, which has helped me to apply my knowledge to my day to day tasks. Hence, I don't feel that I am in the dark about anything as the Masters goes through all the basics, building the foundations of how the property sector works. Furthermore, I think real estate is a really interesting sector to get into especially with the current issues we are facing in the economy. So, it is intriguing to see, first-hand, the influx of demand we receive to occupy units, despite the constrain in supply. Therefore, I would recommend a career in real estate to anyone as you are constantly adapting to the market and learning.

Business conduct and ethics

In everything we do at SEGRO, we recognise that we need to behave morally, ethically and lawfully. Our Code of Business Conduct and Ethics (www.segro.com/about/policies) sets out the high ethical standards expected of all our people in their daily work. It also guides how to put those standards into practice so we can act with honesty and integrity. Included within the Code are policies on bribery and corruption (including fraud, tax evasion and money laundering); gifts and hospitality; political and charitable donations; conflicts of interest; insider trading and market abuse; confidentiality and data protection; anti-slavery and human trafficking; and our whistleblowing procedure.

Compliance with the Code of Business Conduct and Ethics is a condition of each employee's employment, and all employees are obliged to make a mandatory annual certification that they continue to understand and adhere to the principles set out within it. We are committed to building employee awareness on ethical business practices, and provide training on subject matters covered to raise awareness and to help all employees understand what behaving ethically means in practice.

Any breaches of the Code of Business Conduct and Ethics are fully investigated and managed by the Head of Legal or Group Human Resources Director as appropriate. There were no material reported incidents of breaches during 2022.

Diversity and inclusion

We have set ourselves the goal of increasing the diversity of our workforce at SEGRO so that we better reflect the diversity of the populations where we operate. During 2022, we continued to put in place measures that will help us improve our position in the coming years.

Last year, SEGRO was accredited the National Equality Standard. This confirmed that we have robust policies and procedures in place with regards to equal opportunities and inclusion. This includes appropriate support, retraining and facilities for employees who are disabled or who become disabled whilst in our employment. During 2022 we have made great progress on the areas that it highlighted where improvements could be made:

Early careers recruitment

Our goal in 2022 was to improve diversity in our graduate recruitment intake. We have expanded our reach to universities via partnership with external diversity specialists, improved our use of social media to increase brand awareness and application numbers, and modified selection methods to reduce potential bias. Thanks to this process, a diverse group of graduates joined in September 2022, with a good mix of gender, ethnicity, education and social background. In addition, we participated in the #10,000BlackInterns programme. We supported a six-week placement to help two students, both from non-property backgrounds, gain an understanding of our industry.

Diversity data collection and monitoring

During 2022 we sought to better understand the demographics of our workforce and conducted a company-wide survey across the geographies where we are legally permitted to gather such data. Insights from the survey will help us build targeted action plans to improve diversity and inclusion.

Diversity training for all employees

In 2022, we concluded a programme of inclusivity training for our senior managers and have mandated diversity and inclusion training for all our people as part of an ongoing programme. We also commenced a speaker series and are establishing an Inclusion Steering Committee, led by a member of the Leadership Team.

Leadership team representation

In addition to these initiatives, we have continued to focus on improving gender and ethnic diversity in our leadership teams. We have made good progress since 2020 in increasing the number of women in senior director and manager level roles.

Across the Group the number of women in senior manager/director roles has increased to 27 per cent (2021: 25 per cent, 2020: 18 per cent) and women in manager roles has increased to 38 per cent (2021: 34 per cent, 2020: 24 per cent).

UK Gender and Ethnicity Pay Gap

We believe that analysing diversity data and being transparent is an important step towards creating meaningful change. We have voluntarily published our UK Gender Pay Gap data since 2017 and our UK Ethnicity Pay Gap data since 2020.

Our Pay Gap data can be found in the tables to the right. During 2022 both our mean Gender Pay and Bonus Gaps improved. Our Ethnicity Pay Gap has increased slightly by 0.4 per cent and our Ethnicity Bonus Pay Gap was 22.6 per cent versus -36.0 per cent in 2021 (the latter being due to the result of specific share schemes vesting).

As part of our salary review process we undertake checks to ensure employees are paid equally for doing equivalent jobs across our business. Our reported Pay Gaps are therefore a direct result of our employee profile – we have more men than women and more white than ethnic minority employees in senior roles – and do not represent pay discrimination.

A core element of our Responsible SEGRO framework is to improve diversity at all levels. This is crucial for ensuring the future success of our business and should also be reflected in our Gender and Ethnicity Pay Gaps reducing over time.

UK Gender and Ethnicity Pay Gap progression tables

Gender Pay Gap (mean)

2018	2019	2020	2021	2022
51.1%	51.6%	50.9%	46.2%	43.3%

Gender Bonus Gap (mean)

2018	2019	2020	2021	2022
66.5%	78.8%	77.3%	74.5%	68.9%

Ethnicity Pay Gap (mean)

2020	2021	2022
26.9%	25.3%	25.7%

Ethnicity Bonus Gap (mean)

2020	2021	2022
58.0%	-36.0%	22.6%

Responsible SEGRO
continued

Health, safety and wellbeing

One of our key priorities as a business is to ensure that our people can work in a healthy, safe and secure environment. As we have adapted to an agile working approach, it has become even more critical that we support our people, wherever they are.

We have a comprehensive health and safety training programme, which starts when an employee joins SEGRO and is refreshed regularly depending on the requirements of their role.

Over the past two years, we have extended our approach and now incorporate different aspects into our Wellbeing strategy, supported by our 29 Wellbeing Ambassadors across the Company.

The launch of our new Wellbeing Fund in 2022 was very well received by colleagues, particularly as it allows them to invest up to £500 or equivalent in something wellbeing related, tailored to their own needs and interests. 92 per cent of employees took up the Wellbeing Fund during 2022 and it will continue in 2023.

We provide, via our intranet, resources with support and information on wellbeing. Our enhanced benefits package also includes access to a 24/7 confidential external helpline offering counselling support.

Mental health
To facilitate a workplace environment that promotes and supports the mental wellbeing of all employees

Social wellbeing
To support continued connectivity, in an environment of increased agile and remote working

Physical wellbeing
To facilitate a workplace environment (in the office, at home or on site) that promotes the benefits of physical activities to contribute to positive wellbeing

Work life balance
To facilitate work life balance, through promotion of SEGRO policies and practices

Skills and training
To provide continued awareness and upskilling across a range of wellbeing topics

Developing our people

We want all our people to have the opportunity to fulfil their potential and this in turn will ensure that we have an experienced and talented workforce.

We have implemented a regular people planning process that helps us identify opportunities for career development. Twice a year, we run a formal promotions process. In 2022, we promoted 42 employees.

We have invested in our graduate programme and offer secondment opportunities across the business. Towards the end of 2022, we kicked off an ongoing programme of secondments to support transformation work for up to six months at a time, helping us to innovate and improve the business for the future whilst developing our people's experiences and careers.

All our people have an interim and full-year performance review, where we discuss training and development opportunities. We offer sponsorship for professional qualifications relevant to an individuals role or ambitions and support ongoing development to help people achieve their objectives.

We have a programme of mandatory training to help our people understand their responsibilities. These include topics such as health and safety, anti-bribery and corruption and cyber security as well as training to support our Nurturing talent goals around diversity and inclusion. During 2022, employees carried out 5,299 hours of training (2021: 4,656 hours).

In 2022, we invested in the development of our leaders with the launch of a new Management Academy, targeted at our middle and junior managers. This training focused on getting the best out of people, including recruitment and performance management. 91 managers participated in this programme during 2022.

Number of promotions
42
21 Female / 21 Male

Training hours
5,299
2021: 4,656

Reward

Every permanent employee is entitled to variable compensation, based on their own and the business' performance against targets and objectives. In 2022, we revised bonus scheme metrics and aligned everyone across SEGRO to Group-wide performance, incorporating metrics linked to our Responsible SEGRO strategic priorities.

SEGRO operates two types of all-employee share schemes, to encourage employees to own shares in the Company. All eligible employees can receive an award of up to £3,600 worth of SEGRO shares each year, depending on the Company achieving certain performance goals (in 2022 this was Adjusted profit before tax). We also offer a Sharesave scheme for all UK employees who can save up to £500 per month across all open schemes. 82 per cent of SEGRO employees were participating in one or more all-employee share schemes at the end of 2022.

In addition to fixed and variable compensation, we also provide a generous benefits package, including health insurance, reflective of market competitive packages in each of our geographies.

In 2022 we provided an additional payment of £1,250 (or equivalent in local currency) to our lower paid colleagues, to support the current cost of living challenges.

See remuneration targets
Pages 134 to 135

Employees participating in share schemes

82%

2021: 79%

Additional payment to lower paid colleagues

£1,250

Responsible SEGRO
continued

Investing in our local communities and environments

Number of Community Investment Plans

10

implemented in 2022

Charitable giving in 2022

£2.5m

2021: £1.3m

Key achievements during 2022:
- Launch of our first ten Community Investment Plans (CIPs)
- Record number of SEGRO employees volunteering
- Signing of the first Community Charter, bringing together local authorities, customers and charities in southern Paris
- First phases of SEGRO mentoring programme in the UK and France.

Priorities for 2023:
- Expanding and enhancing the outcome of our current CIPs and launching more in some of our other markets (including Southern Europe and the UK Midlands)
- Involving more of our customers and suppliers in our CIP projects to maximise their impact.

Scan the QR code to hear our Partnership Development Director talk about our progress with Investing in our local communities and environments.

Enabling the areas around our warehouses to thrive is central to our strategic priority of Investing in our local communities and environments, and this year we launched our first ten Community Investment Plans (CIPs) – seven in the UK and three in Continental Europe. The tailored plans are part of a commitment to create and implement CIPs in all our key markets by 2025.

Our long-term commitment is to help communities that live close to our estates that face health, social, economic and inequality challenges, and to help improve the lives, and prospects, for thousands of people. Each plan will aim to help young and disadvantaged people into sustainable employment, contribute to a thriving economy and enhance the local environment by improving biodiversity and the health and wellbeing of residents.

We are working with a range of charity and public sector partners who have knowledge and insight of the most pressing local challenges our communities face as well as the expertise to ensure we deliver an impactful and outcome-driven programme, which will make a real long-term difference for those that need our help the most.

To make the greatest impact we have put our customers and suppliers at the heart of the CIP programme to enable more members of the community to benefit. We have had a fantastic response in the first year with over 50 customers and suppliers participating in a range of programmes.

Our employees will play a critical role in the delivery and success of the CIPs. To help embed the plans into our business and broaden engagement with partners, customers and suppliers, 52 Community Champions have stepped forward voluntarily to promote and drive forward the programme. We have also created three new roles in Continental Europe, to complement the existing roles in the UK, to lead the success and growth of the CIP programme and maintain high levels of service delivery as well as positive and measurable outcomes.

To encourage greater employee participation, there is no limit to the number of days employees can volunteer in a year. 2022 saw more employees volunteer and commit time than ever before. 271 employees (68 per cent of the workforce) dedicated 387 days by participating in our annual Day of Giving and organised CIP projects. They were accompanied by a further 95 volunteers from our customers and suppliers.

The CIPs are funded by the £10 million Centenary Fund that we established on our 100-year anniversary in 2020. This money will be invested in impactful projects that align to the themes of employment, economy, and environment over a longer period to maximise outcomes.

7,000

young people inspired about the world of work

35

students mentored by SEGRO employees

780

unemployed individuals supported through employability training

62

unemployed people into employment

26

projects delivered that enhanced the environment, biodiversity or health and wellbeing of our local communities

387

employee volunteering days

Community investment plans (CIPs)

Each CIP sets out how SEGRO will invest in its local communities and environments through a range of programmes designed to improve training and employment opportunities for young and unemployed people, enable the economy to thrive and enhance the environment to support biodiversity as well as the health and wellbeing of local people.

The CIP programme provides a framework that enables the teams in our key markets to respond to the needs of the local community with a range of highly impactful community and environmental programmes by:

- creating a strategic coherent and outcome-driven approach across SEGRO;
- empowering the local teams to respond to local needs;
- maximising the impact by putting collaboration with customers and suppliers at the heart of the programme;
- working in partnership with local stakeholders such as charity partners, local government, business groups and the community;
- delivering excellence with the support of our Partnership Development Team.

The first key markets are: Heathrow, Park Royal, East London, Slough, East Midlands, Coventry, Northampton, Paris, Łódź, and Düsseldorf.

Career Ready is delighted to be working with SEGRO to invest in young talent in the East Midland's Gateway Region. Our mission to is provide young people in the area with workplace opportunities and skills, helping them successfully go from education into rewarding employment.

Tokunbo Ajasa-Oluwa
CEO, Career Ready

Employment

Helping local people to benefit from skills, training and job brokerage programmes, especially those that are unemployed or face a barrier to employment. Inspiring young people about the world of work through a range of career talks, work experience and mentoring programmes. For example:

Slough
In partnership with Learning to Work, we used a range of face-to-face and online platforms from assemblies, site visits and competitions, to help bring the world of work to life for over 3,500 young people from 16 secondary schools. Outcomes from the SEGRO Futures Assembly include: 87 per cent of students are more aware of job opportunities in their local area, and 83 per cent of students have a better understanding of work environments.

Paris
We signed our first Community Charter along with eight partners in the territories of Bonneuil-sur-Marne and Sucy-en-Brie to promote economic and social development in these regions to help deliver employability training opportunities for the local community. To support the delivery of the programme, 35 customers have signed up to provide mentoring, training and work experience opportunities. The project will launch in 2023.

West London (Heathrow and Park Royal)
42 unemployed people found employment having successfully participated in our skills and training programme in collaboration with Action West London (AWL). A dedicated Personal Advisor was assigned to support each participant to develop their training plan, which included mentoring, coaching and specialist guidance.

We also launched our first mentoring programme with educational charity, Spark!, supporting young people in West London. 35 employees participated in the programme, each dedicating ten hours of their time to work with a young person to help build confidence. The programme culminated in a graduation ceremony at SEGRO's London headquarters.

Düsseldorf
In December we hosted our first schools programme at SEGRO Park Düsseldorf City, welcoming 120 students. The students benefited from visits to our customers, including DHL, Sonepar, Shop LC GmbH, World Courier and Wine Affinity. These customer visits helped to bring to life career opportunities and showcase a range of exciting sectors to work in.

Alongside these projects that are unique to particular CIPs, we are also continuing to work with our legacy charity partners to deliver vital community programmes that support vulnerable people. We expanded our partnership with LandAid to design and pilot a new training and employability programme to help young homeless people around the UK to move into sustainable employment. The project has been welcomed by both homeless charities and beneficiaries resulting in LandAid announcing it will roll out the programme in 2023. SEGRO will be one of the Founding Partners of the programme.

Responsible SEGRO
continued

Economy

Enabling the growth of the local economy to thrive by helping local businesses to connect to our customers, suppliers, and partner with stakeholders to deliver programmes that help to enhance productivity and innovation. For example:

Slough

We piloted our first construction supply chain programme with our contractor Wates at the Slough Trading Estate during the construction of one of our data centre projects. Designed to promote 'work packages' to local businesses, over £1.5 million was invested into the local economy. Due to the success of this pilot we will be rolling out similar programmes on other development schemes during 2023.

East London

Launched in December 2021, the Future Cube Centre located at SEGRO Park Rainham was created in partnership with the Mayor of London, London Borough of Havering, and the Manufacturing Technology Centre (MTC) is helping small- to medium-sized businesses to grow through a programme of technology, innovation, and productivity improvements.

Environment

Delivering environmental projects that improve the biodiversity of the local area and the health and wellbeing of the community.

Through a combination of funded projects and SEGRO employee volunteering activity, we delivered a total of 26 environmental community projects across the UK and Continental Europe. These projects included a range of activities from planting trees to cleaning rivers, as well as improving communal gardens to create safe and essential play space for young vulnerable children.

In the UK, ten community outdoor spaces were revitalised in partnership with Groundwork, to enhance biodiversity and improve the health and wellbeing of local people. The projects were delivered by unemployed people, helping them to gain practical skills in horticulture and landscaping, with many receiving qualifications such as Horticulture and Land Management, Health and Safety and Carbon Literacy. A total of 60 unemployed people benefited from the programme.

Wider community support

Our buildings have always enabled extraordinary things to happen and they play an important role in supporting our local communities by providing critical space for training vulnerable people, supporting cultural projects and the distribution of food for those living in poverty.

The cost-of-living crisis has highlighted the importance of working with foodbanks and we continue to support charities such as City Harvest, through providing space at reduced rents. Since our partnership began in 2016, the charity has delivered over 33 million meals. Over 24 million of those meals were delivered since the start of the pandemic.

In response to the humanitarian crisis in Ukraine and the displacement of millions of people to neighbouring countries, including Poland, SEGRO along with our joint venture SELP donated €150,000 to two organisations helping to support the refugee effort: The Ocalenie Foundation in Poland and the UN Refugee Agency, UNHCR. Our people in Poland also donated their time to help sort donations and transport them to the border, and organised an additional Day of Giving, during which they made 1,000 sandwiches for refugees arriving in Warsaw.

Enabling extraordinary things:
Investing in our communities and local environments

For more information see
Page 47

A million more meals

Scan here to see video.

In February 2020, our customer City Harvest was providing about 300,000 meals a month for those in need.

As the pandemic escalated, more people were going hungry. City Harvest told us that they desperately needed bigger premises.

In the space of a month, we tore up their old lease and moved them into another of our buildings in West London. Crucially, this new building was a cross-dock and that meant that City Harvest could deal with both more food coming in and going out.

Our ability to move them has resulted in a million more meals each month being distributed from City Harvest's premises to those people that need them the most.

Performance review

Assets under management

£20.9bn

2021: £21.3bn

Portfolio valuation

£17.9bn

2021: £18.4bn

Portfolio valuation change

-11.0%

2021: +28.8%

ERV growth

+10.9%

2021: +13.1%

Portfolio Performance Summary

Valuation declines from market-driven yield expansion were partly offset by gains from strong rental growth, asset management and development.

Warehouse property values continued to rise during the first six months of 2022, but sharp increases in interest rates resulted in market uncertainty and volatility. This led to a higher cost of capital, which was reflected by the valuers through significant yield expansion during the second half of the year.

Occupier demand was strong throughout, and supply remained at historically low levels, driving further market rental growth. Along with asset management and development gains, this helped to offset some of the impact of yield expansion, but not enough to prevent property values falling over the year.

The Group's property portfolio was valued at £17.9 billion at 31 December 2022 (£20.9 billion of assets under management). The portfolio valuation, including completed assets, land and buildings under construction, decreased by 11.0 per cent (adjusting for capital expenditure and asset recycling during the year), offsetting some of the 28.8 per cent growth achieved in 2021. The valuation fell 16.6 per cent in the second half of 2022.

In total, our portfolio generated a total property return (TPR) of -8.1 per cent (2021: 35.6 per cent). The UK delivered a TPR of -10.6 per cent which compared favourably to its MSCI calculated benchmark of -14.4 per cent. The Continental European TPR was -3.7 per cent, however the MSCI calculated benchmark will not be available until later in the year.

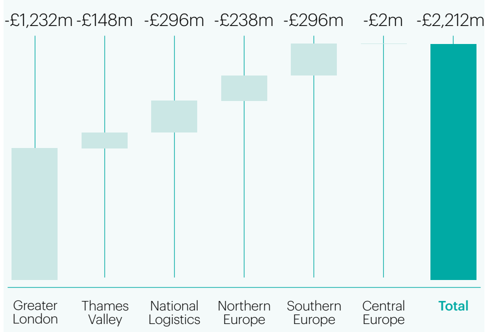
The reduction in valuation of our portfolio primarily comprises a 13.1 per cent decrease in the assets held throughout the year (2H22: -19.6 per cent, 2021: +29.0 per cent), driven by yield expansion in most markets (100 basis points across the whole portfolio), but this was partly offset by a 10.9 per cent increase in our valuer's estimate of the market rental value of our portfolio (2021: 13.1 per cent).

Assets held throughout the year in the UK decreased in value by 15.5 per cent (2H22: -21.4 per cent, 2021: +34.5), outperforming the MSCI Real Estate UK All Industrial Quarterly index which decreased by 17.4 per cent over the same period. The outperformance was due to the prime quality of our portfolio providing resilience on capital values along with the significant embedded reversionary potential. The true equivalent yield applied to our UK portfolio was 4.8 per cent, 110 basis points higher than at 31 December 2021 (3.7 per cent) Rental values improved by 11.5 per cent (2021: 18.8 per cent).

Assets held throughout the year in Continental Europe decreased in value by 8.8 per cent (2H22: -12.4 per cent, 2021: +18.7 per cent) on a constant currency basis, reflecting a combination of yield expansion to 4.8 per cent (31 December 2021: 4.0 per cent) and rental value growth of 9.9 per cent (2021: 4.1 per cent).

More details of our property portfolio can be found in Note 26 to the Financial Statements and in the 2022 Property Analysis Report at www.SEGRO.com/investors.

Unrealised losses on whole portfolio



Valuation: what to expect in 2023

Forecasting yields over any period is notoriously difficult given the multitude of economic and financial drivers (particularly interest rates and credit spreads), most of which are outside our direct control.

Nevertheless, the operating prospects for our portfolio are strong, supported by structural drivers of occupational demand and limited supply, therefore we are optimistic about the potential for further rental value growth, particularly in our urban warehouse portfolio.

These attractive fundamentals mean we anticipate investors will return to the market to invest in industrial and logistics assets once there is more clarity over the interest rate trajectory. We have seen encouraging early signs that this activity is increasing.

We believe that our high-quality portfolio and focus on active asset management will enable us to outperform the wider industrial and logistics markets in the countries in which we operate through the cycle.

2022 was a year of contrasts with very different dynamics in the investment and occupier markets.

Soumen Das
Chief Financial Officer

COO's Q&A

Scan here to see video.

Enabling extraordinary things in 2022
To ensure we are able to consistently deliver the extraordinary we stay close to our customers, helping us to understand their changing requirements.

Andy Gulliford addresses:
- Outlook for rental growth
- Development strategy going forward
- Operational priorities for 2023

To find out more about SEGRO visit
www.segro.com

Performance review
continued

Asset management update

Portfolio passing rent

£587m

2021: £518m

Rent contracted during the year

£98m

2021: £95m

Customer satisfaction

85%

2021: 90%

Corporate and customer carbon emissions

272,218 tonnes CO_2e

2021: 280,575 tonnes CO_2e

Visibility of customer emissions

68%

2021: 54%

On-site renewable energy capacity

44MW

2021: 35 MW

Strong occupier demand and low levels of vacancy across our markets created the perfect conditions for rental growth during 2022.

Andy Gulliford
Chief Operating Officer

What we said we would do

We expected occupier demand to remain strong in all of our markets and expected vacancy rates to remain low. With supply also limited, we expected customer retention to remain high and rental growth to continue.

What we achieved in 2022

Our focus on Operational excellence and commitment to excellent customer service helped us to contract a record level of rent during 2022, reflecting a strong performance in rent reviews and renewals, and continued momentum in pre-lettings. Occupancy remained high, aided by rapid letting of recently completed speculative developed space. We also made great progress in improving our visibility of customer emissions, and significantly increased our solar capacity, which is key to reducing our overall Scope 3 emissions (which are included in our net-zero target).

What to expect in 2023

Occupier demand has moderated from pandemic highs but remains strong versus historical levels. There are additional pressures on customers from the weaker macro economic environment, energy prices (and business rate revaluations in our UK portfolio) but for many of our customers rents are a small part of the cost base and leasing modern, sustainable space in the right locations helps them to reduce other costs. With market rates at record low levels and new supply constrained by the availability of land, particularly in urban markets, we expect rental growth to continue.

Growing rental income from letting existing space and new developments

At 31 December 2022, our portfolio generated passing rent of £587 million, rising to £634 million once rent free periods expire ('headline rent'). During the year, we contracted £98 million of new headline rent. We grew the rent from our existing space significantly as a result of the capture of reversionary potential, and also due to the impact of indexation. Strong occupier demand for new space also helped us sign a high number of pre-let agreements for delivery over the next two years.

Our customer base remains well diversified, reflecting the multitude of uses of warehouse space. Our top 20 customers account for 32 per cent of total headline rent. Amazon remained our largest customer during 2022, accounting for 7 per cent of our total rent roll.

Customers from the transport and logistics sector were the largest takers of our space during 2022, in order to service their e-commerce and increasingly manufacturing related contracts as these businesses focus on building efficiency and resilience into their supply chains and distribution networks. We also signed new leases with data centre operators taking space in response to the growth in cloud computing.

- **£31 million of net new rent from existing assets.** We generated £21 million of headline rent from new leases on existing assets (2021: £26 million) and £28 million from rent reviews, lease renewals and indexation (2021: £9 million). This was offset by rent from space returned of £18 million (2021: £20 million), much of it taken back for refurbishment and including £2 million of rent lost due to insolvency (2021: £2 million).
- **Rental growth from lease reviews and renewals.** These generated an uplift of 23.3 per cent (2021: 13.0 per cent) for the portfolio, compared to previous headline rent. During the year, new rents agreed at review and renewal were 28.0 per cent higher in the UK (2021: 18.7 per cent) as reversion accumulated over the past five years was reflected in new rents agreed, adding £18 million of headline rent. In Continental

Europe, rents agreed on renewal were 1.7 per cent higher (2021: 1.5 per cent higher), as a result of market rental growth continuing to outpace the indexation provisions that have accumulated over recent years.

- **Continued strong demand from customers for pre-let agreements.** We contracted £41 million of headline rent from pre-let agreements and lettings of speculative developments prior to completion (2021: £49 million). This includes the first pre-let at our new UK big box park in Coventry, space for third-party logistics operators, online retailers and manufacturers across Continental Europe, and a multi-storey data centre development in Slough.
- **Rent roll growth increased to £77 million.** An important contributor to increases in earnings and dividends is the growth in our rent roll, primarily through increasing rent from our existing assets and generating new rent through development. Rent roll growth, which reflects net new headline rent from existing space (adjusted for takebacks of space for development), take-up of developments and pre-lets agreed during the period, increased to £77 million in 2022, from £72 million in 2021.

Existing portfolio continues to perform well and delivered another set of strong operating metrics

We monitor a number of asset management indicators to assess the performance of our existing portfolio:

- **High levels of customer satisfaction.** Although the quality and location of our portfolio is important to our customers, we believe the service we provide is crucial to maintaining high customer retention and low vacancy. We carry out a rolling survey of our customers throughout the year to identify and rectify issues promptly. In 2022, we spoke to 286 customers, and 98 per cent said that they would recommend SEGRO to others (2021: 97 per cent) while 85 per cent said they rated their experience with SEGRO as 'Excellent' or 'Good' (2021: 90 per cent).
- **Occupancy has remained high**. The occupancy rate at 31 December 2022 was 96.0 per cent (31 December 2021: 96.8 per cent), with a slight decrease due to taking some existing space back for our redevelopment plans and some speculative completions towards the end of the year. The occupancy rate excluding recently completed speculative developments remains high at 97.3 per cent (2021: 97.3 per cent). The average occupancy rate during the period was 96.4 per cent (2021: 96.2 per cent) which is above our target of 94 to 96 per cent.
- **Customer retention rate of 76 per cent.** Approximately £61 million of headline rent was at risk from a break or lease expiry during the period, of which we retained 75 per cent in existing space, with a further 1 per cent retained but in new premises. We value the long-term relationships that we build with our customers and always try to work with them to meet their changing requirements. However, with vacancy at such low levels we also take the opportunity to create space for reletting, and to capture market rental growth. We have actively taken space back during 2022 to enable redevelopment.
- **Lease terms continue to offer attractive income security.** The level of incentives agreed for new leases (excluding those on developments completed in the period) represented 6.1 per cent of the headline rent (2021: 6.3 per cent). We maintained the portfolio's weighted average lease length, with 7.0 years to first break and 8.3 years to expiry (31 December 2021: 7.2 years to first break, 8.5 years to expiry). Lease terms are longer in the UK (8.1 years to break) than in Continental Europe (5.6 years to break), reflecting the market convention of shorter leases in countries such as France and Poland.

A reduction in our corporate and customer carbon emissions and increased visibility of the energy usage of our customers

Alongside the day-to-day management of our portfolio, our teams also worked hard during 2022 on our Responsible SEGRO commitment to Champion low-carbon growth and be a net-zero carbon business by 2030.

We made good progress towards our science-based target to reduce the absolute corporate and customer carbon emissions from our portfolio by 42 per cent by 2030 (compared to a 2020 baseline), in line with the 1.5 degree scenario. During 2022, we reduced carbon emissions by 3 per cent, taking our reduction from 2020 to 13 per cent.

All energy for our own operations, and where we procure energy on behalf of our customers, has been on renewable tariffs since 2021. During 2022, we focused our efforts on the customer emissions that we do not directly control. An important step in this is gaining better visibility of this usage, so that we do not have to rely on estimates. We now have visibility of 68 per cent of our portfolio (2021: 54 per cent).

This improved visibility allows us to better identify opportunities to help our customers operate their buildings more efficiently, saving them both carbon emissions and money. During 2022, we introduced the inclusion of green clauses on all new leases across our portfolio. These clauses require our customers to provide us with visibility of their energy use and, where feasible, procure it via a renewable tariff.

We continue to improve the carbon footprint of our portfolio through the ongoing maintenance and refurbishment of our warehouses. At the end of 2022, 58 per cent of the portfolio had an EPC rating of B or better and we expect that proportion to increase through refurbishment and development.

We also made great progress with our ambition to expand the solar capacity of our portfolio. During 2022 we increased our total capacity by 9 MW taking it to 44 MW (2021: 35 MW). This included the retrofitting of solar onto an existing asset in the Netherlands which added almost 6 MW of capacity. We continue to add solar capacity through our development programme, installing panels on every asset where feasible.

We made good progress in reducing our corporate and customer carbon emissions during the year and also with our solar strategy, which will be a key to reducing this further over coming years.

Andy Gulliford
Chief Operating Officer

Performance review
continued

Development update

Development completions

639,200 sq m

2021: 839,200 sq m

Development capex

£787m

2021: £639[1]m

Current pipeline potential rent

£67m

2021: £62m

Current pipeline yield on cost

6.5%

2021: 7.0%

Potential rent from future pipeline

£305m

2021: £169m

Embodied carbon

353 $kgCO_2e$/sq m

2021: 391 $kgCO_2e$/sq m

1 2021 development capex has been restated to exclude capitalised interest.

What we said we would do

We expected to continue developing at an increased pace during 2022 and anticipated investing around £700 million in development capex, including infrastructure.

What we achieved in 2022

2022 has been another strong of year of development for SEGRO. We completed 639,200 sq m of space, capable of delivering £46 million of new headline rent. We spent £787 million on development capex (including £149 million on infrastructure).

We reduced the embodied carbon in our development programme by 10 per cent.

What to expect in 2023

We have 749,000 sq m of development projects under way, capable of generating £67 million of new headline rent, of which 73 per cent has been secured.

We expect to invest in excess of £600 million in development capex, including £100 million of infrastructure expenditure.

Development activity

During 2022, we invested £1.5 billion in our development pipeline, which comprised £787 million (2021: £639 million) in development spend, of which £149 million was for infrastructure, and a further £712 million to replenish our land bank to secure future development-led growth opportunities.

Development projects completed

We completed 639,200 sq m of new space during the year. These projects were 59 per cent pre-let prior to the start of construction and were 80 per cent let as at 31 December 2022, generating £37 million of headline rent, with a potential further £9 million to come when the remainder of the space is let. This translates into a yield on total development cost (including land, construction and finance costs) of 7.4 per cent when fully let.

We completed 475,000 sq m of big box warehouse space, including units at our UK big box parks in the East Midlands, Derby and Kettering. Also within this was 381,000 sq m of big box warehouses across all of our major European markets, let to third-party logistics operators, online retailers, food retailers and manufacturers.

We completed some great projects during 2022, including a London estate that has been awarded, what we believe to be, the highest BREEAM rating for a property of its kind.

Andy Gulliford
Chief Operating Officer

We completed 153,400 sq m of urban warehouses, the majority built on a speculative basis, of which almost 66 per cent is already let. In the UK, this includes our new estates SEGRO Park Hayes and SEGRO Park Tottenham, as well as a further data centre in Slough. On the Continent, we completed further phases of urban warehouse parks in the key markets of Frankfurt, Munich and Paris.

The remaining 10,800 sq m of space was for high value or other uses, for example additional car parking for customers.

Construction cost inflation, caused mainly by supply chain issues and labour shortages, was at its highest during the first half of 2022 but stabilised in the second half of the year. We are seeing evidence of increased contractor availability which may be an early sign of construction costs softening.

Reducing embodied carbon in our development programme

This is critical to helping us achieve net-zero carbon by 2030. In 2022, we reduced this by 10 per cent to 353 $kgCO_2e$/sq m.

We continued to use best available data, including the use of Building Information Modelling (BiM) for our life cycle assessments, which helps us to assess how best to reduce the carbon footprint of our development programme.

As a result, wherever possible, we use timber instead of steel on projects across Continental Europe and low-carbon concrete alternatives. We also work with our supply chain partners to find innovative solutions, such as using recycled parts of an old roof to create asphalt for use as a road surface in the Netherlands. During the significant infrastructure works at our Northampton, UK big box logistics park a concrete plant was located onsite to reduce transport emissions and we used over one million recycled milk bottles for the site's drainage system, achieving a 90 per cent carbon saving.

The introduction of our Mandatory Sustainability policy during 2022 also supports our ambitions in this area. It covers all development projects larger than 5,000 sq m (98 per cent of our current development pipeline) and sets out a range of mandatory measures to future-proof our operations and ensure that our net-zero ambitions can be met, including guidelines for embodied carbon, solar installations, electric vehicle charging, energy data, building certifications as well as biodiversity and wellbeing requirements.

All of our development completions in 2022 have been, or are expected to be, accredited BREEAM 'Very Good' (or local equivalent) or higher and 68 per cent were rated 'Excellent' or above. See page 35 for our mandatory sustainability policy.

Current development pipeline

At 31 December 2022, we had development projects approved, contracted or under construction totalling 749,000 sq m, representing £328 million of future capital expenditure to complete and £67 million of annualised gross rental income when fully let. 73 per cent of this rent has already been secured and these projects should yield 6.5 per cent on total development cost when fully occupied.

- In the UK, we have 207,600 sq m of space approved or under construction. Within this are our first multi-level warehouse scheme in West London, two new data centres on the Slough Trading Estate and big box warehouses at our logistics parks in Coventry, Derby and East Midlands.
- In Continental Europe, we have 484,800 sq m of space approved or under construction. This includes pre-let big box warehouses for a variety of different occupiers, from retailers to manufacturers, across all our European markets. We are also developing further phases of our successful urban warehouse parks in Berlin, Cologne and Paris.
- In addition to the projects we are developing ourselves, we also have 56,600 sq m of space under construction as part of forward-funded agreements with local developers in South London and Paris.

We continue to focus our speculative developments on urban warehouse projects, particularly in cities such as London, Paris and Berlin, where modern space is in short supply and occupier demand is strong.

Within our Continental European current development programme, approximately £15 million of potential gross rental income is associated with big box warehouses developed outside our SELP joint venture. Under the terms of the joint venture, SELP has the option, but not the obligation, to acquire these assets shortly after completion. Assuming SELP exercises its option, we would retain a 50 per cent share of the rent after disposal. In 2022, SEGRO sold £218 million of completed assets to SELP, representing a net disposal of £109 million.

We have factored current construction and financing costs into the development returns for our current and future development projects. We continue to expect to be able to develop at a 150-200 basis point margin over standing asset yields which means that development remains highly profitable.

Further details of our completed projects and current development pipeline are available in the 2022 Property Analysis Report, at www.SEGRO.com/investors.

Future development pipeline

Near-term development pipeline

Within the future development pipeline are a number of pre-let projects close to being approved, awaiting either final conditions to be met or planning approval to be granted. We expect to commence these projects within the next six to 12 months.

These projects total 166,600 sq m of space, equating to approximately £179 million of capital expenditure and £19 million of rent.

Land bank

Our land bank identified for future development (including the near-term projects detailed above) totalled 756 hectares as at 31 December 2022, valued at £1.8 billion, roughly 10 per cent of our total portfolio value. This includes £656 million of land acquired for future re-development but which is currently income producing reducing the holding costs until development can start (equating to £21 million of annualised rent, excluded from passing rent), known as 'covered' land.

The land bank includes £712 million of land acquired during 2022, including land associated with developments already underway or expected to start in the short term. We acquired land in most of our major markets, with the largest acquisitions in supply-constrained urban markets including London, Paris, Berlin and Düsseldorf.

We estimate our land bank can support 3.5 million sq m of development over the next five to seven years. The estimated capital expenditure associated with the future pipeline is approximately £2.8 billion. It could generate £305 million of gross rental income, representing a yield on total development cost (including land and notional finance costs) of around 6-7 per cent. These figures are indicative, based on our current expectations, and are dependent on our ability to secure pre-let agreements, planning permissions, construction contracts and on our outlook for occupier conditions in local markets.

Conditional land acquisitions and land held under option agreements

Land acquisitions (contracted but subject to further conditions) and land held under option agreements are not included in the figures above, but represent significant further development opportunities. These include sites for big box warehouses in the UK Midlands as well as in Germany, Italy and Poland. They also include urban warehouse sites in East and West London.

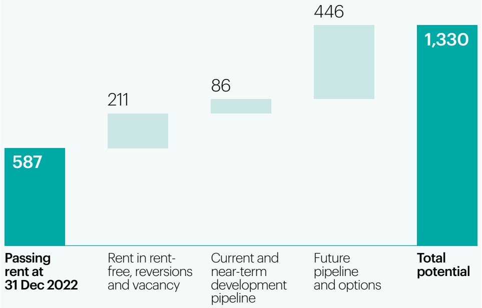
The options are held on the balance sheet at a value of £30 million (including joint ventures and associates at share). Those we expect to exercise over the next two to three years are for land capable of supporting almost 1.7 million sq m of space and generating almost £160 million of headline rent, for a blended yield of approximately 6 per cent.

Impact of our development pipeline on our rental income

Our development pipeline added a potential £46 million of headline rent to our income in 2022, which has a meaningful impact on our earnings and dividend growth.

The chart below outlines how we can grow our rent roll over the next four to five years through active asset management of our existing assets and executing our current, near-term and future pipeline, as well as through our land options. It does not reflect the impact of future rental growth, acquisitions or disposals.

Annualised rent potential
as at 31 December 2021 (£m)



Performance review
continued

Investment update

£1.3bn
of investment for growth

Acquisitions of assets[1]
£155m
2021: £494m

Acquisitions of land[1]
£712m
2021: £829m

Development capex[2]
£787m
2021: £639m

Disposals of land and assets (including sales to SELP)
£367m
2021: £515m

1 2021 asset and land acquisition comparators have been restated to reflect £503 million of assets that were recategorised as covered land
2 2021 comparator has been restated to exclude £10 million of capitalised interest

What we said we would do
We expected demand for warehouse assets to remain strong and intended to follow our Disciplined approach to capital allocation, trimming the portfolio and selling assets where we believed we had maximised our returns in order to release funds for opportunities offering a better risk-return profile.

We intended to continue the focus of our investment activity on development, while taking advantage of opportunities to acquire income-producing assets offering attractive risk-adjusted returns if they arose.

What we achieved in 2022
We continued to focus our investment on our development programme, with asset acquisitions focused on older assets with redevelopment potential, as well as successful land acquisitions in some of our most supply-constrained urban markets.

Net investment during the year was £1.3 billion and this included development capital expenditure of £787 million, £155 million of assets and £712 million of land. This was partly offset by £367 million of disposals.

What to expect in 2023
We will continue our disciplined approach to capital allocation, focusing the majority of our investment on the development pipeline (through development capex, land acquisitions and acquiring assets with future redevelopment potential), and making strategic asset acquisitions when the opportunity arises.

When normality returns in investment markets we will return to recycling 1-2 per cent of the portfolio per year.

Acquisitions focused on adding to our development programme
The majority of our asset acquisitions took place in the first half of 2022 and focused on older assets with redevelopment potential.

We acquired assets totalling £155 million, reflecting a blended topped-up initial yield of 2.7 per cent. This included:

- urban warehouse estates in Park Royal and Slough (one of which was part of an asset swap) that neighbour our existing assets and unlock potential development opportunities;
- two well-located older urban warehouse estates near to Essen and Frankfurt in Germany, both of which we intend to redevelop in the medium-term;
- a big box warehouse close to Paris developed by a customer to a high specification and sold to us off-market.

In addition, we acquired £712 million of land to create future development opportunities; £261 million of this was covered land (see page 53 for further information),

We continue to take a disciplined approach to capital allocation and focused the majority of our investment on the development programme during 2022.

Andy Gulliford
Chief Operating Officer

Asset recycling to crystallise profits on developments
Asset and land disposals combined totalled £367 million. Most of these disposals completed in the first six months of the year, taking advantage of strong investment markets to crystallise profits on assets where we believed we had maximised returns, and to reinvest the proceeds into our development programme.

We disposed of £247 million of assets, reflecting a blended topped-up initial yield of 4.4 per cent. They included:

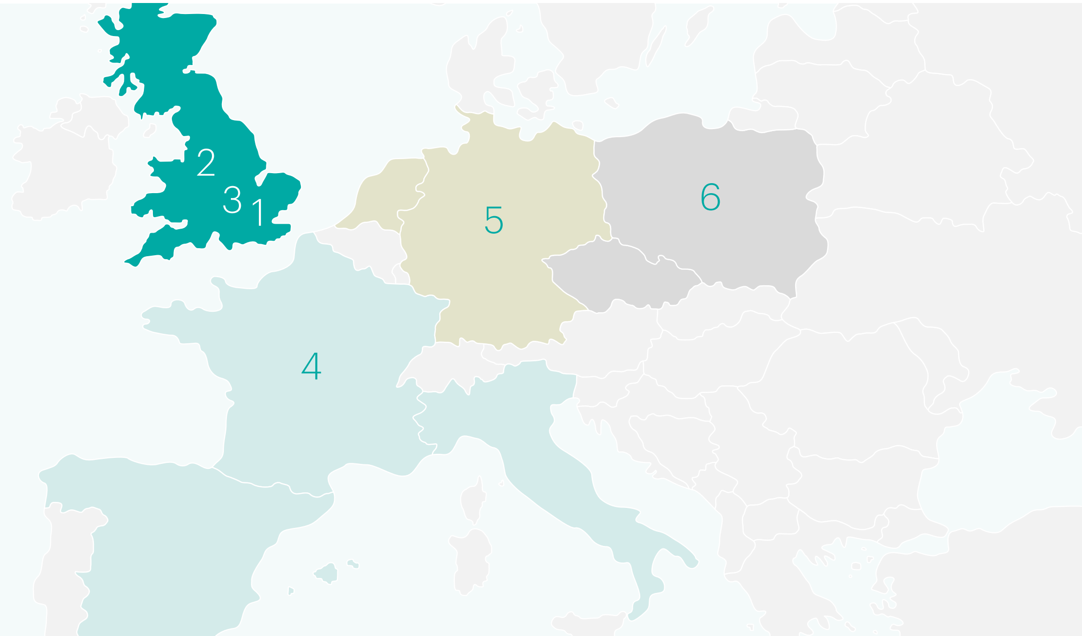
- a stand-alone warehouse on the edge of the Slough Trading Estate as part of an asset swap;
- freehold sales of small units in East London;
- big box warehouses in Italy, including an older stand-alone warehouse on the outskirts of Milan and a state-of-the-art facility for an online retailer;
- stand-alone older warehouses in Spain and the Netherlands;
- a big box unit that we developed for a customer in the UK Midlands.

In addition to the above disposals we sold a portfolio of Continental European big box warehouses developed by SEGRO to SELP and some development land, for which we received £109 million net proceeds from an effective sale of a 50 per cent interest.

Finally, we disposed of £11 million of land, primarily comprising plots in non-core markets and residual land that was unsuitable for industrial development.

Regional updates and 2022 key highlights

Occupier demand remains strong across all of our markets and vacancy remains at historical lows, supporting high levels of market rental growth during 2022.



1 Greater London

- Significant capture of reversion
- Completion of two 'ultra-green' London urban estates
- Expansion of our Inner London portfolio

Headline rent (at share)

£210m

Occupancy

93.6%

3 Thames Valley

- Existing customers taking more space to expand their businesses
- Continued signing of pre-lets to data centre operators
- Running a local schools challenge

Headline rent (at share)

£102m

Occupancy

97.4%

5 Northern Europe

- Strong ERV growth
- Acquisition of two transformative land sites in Berlin and Düsseldorf
- 6 MW of solar capacity added through a retrofit in the Netherlands

Headline rent (at share)

£81m

Occupancy

96.8%

2 National Logistics

- Continued momentum in delivery of developments
- First pre-let signed in Coventry
- First building completed at SmartParc Derby

Headline rent (at share)

£53m

Occupancy

98.8%

4 Southern Europe

- Setting record rents and seeing strong growth across the board
- High levels of development
- Signing of Community Charter in Paris

Headline rent (at share)

£143m

Occupancy

97.2%

6 Central Europe

- Record ERV growth
- Large pre-lets to both new and existing customers
- 100% customer satisfaction with our property management

Headline rent (at share)

£45m

Occupancy

97.1%

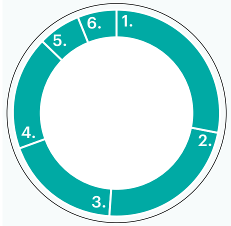
SELP

SEGRO European Logistics Partnership (SELP)
SELP is our Continental European big box joint venture with PSP Investments, one of Canada's largest pension investment managers. SELP started in 2013 with €1 billion of assets. At the end of 2022, it had a portfolio worth just under €7 billion. SELP generates €313 million of headline rent with an occupancy rate of 99 per cent.

Our partnership is a vital element of our strategy to build scale in Continental European big box warehousing in a capital-efficient manner. By sharing the capital investment with PSP Investments, we have been able to grow the portfolio further and faster than we could have done on our own. Both partners benefit from the attractive yield on the portfolio, the development potential from the land and from the economies of scale we can extract from this high-quality, modern collection of big box warehouses.

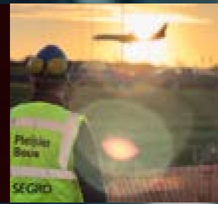
As a result, SEGRO now has in excess of €1 billion assets under management in each of Germany, France, Italy and Poland, and we are building scale in the smaller markets of Spain, Czech Republic and the Netherlands. The appetite for investing in big box warehousing in strategic locations in Continental Europe remains strong and we look forward to successful collaboration in the future.

Assets under management (€ bn)



1. Germany	€1,921m
2. Poland/Czech Republic	€1,562m
3. France	€1,250m
4. Italy	€1,204m
5. Spain	€453m
6. Netherlands	€409m

Enabling extraordinary things: Championing low-carbon growth



Once a roof, now a road

Scan here to see video.

In 2022, we decided to develop the next phase of SEGRO Park Amsterdam Airport. As part of this, we needed new roads around the estate. Roads are made of asphalt which are traditionally high in bitumen and other polluting content. We challenged this and told prospective suppliers that we would only consider working with a company that would significantly reduce carbon from the process.

As a result, we appointed Dura Vermeer to deliver this part of the infrastructure. Their solution was to deliver circular asphalt with 0% virgin materials, including the recycling of demolished roofs to make the new roads at our site.

Because of our Responsible SEGRO net-zero carbon commitment, one procurement decision led to 12,000 sq m of asphalt with no primary raw materials at all.

CFO's Q&A

Scan here to see video.

Ensuring we have what it takes to make extraordinary things happen

The strength of our balance sheet means we can continue to enable the extraordinary despite wider macroeconomic uncertainty

Soumen Das addresses the following topics:

- Outlook for property yields and valuations
- Capital investment priorities
- Implications of higher interest and near-term financing requirements

To find out more about SEGRO visit www.segro.com

Financial review

Adjusted profit before tax

£386m

2021: £356m

IFRS loss before tax

£1,967m

2021: profit before tax £4,355m

New financing during the year

£3.1bn

2021: £1.3bn

Loan to value ratio

32%

2021: 23%

An active year of financing and strong financial results.

Soumen Das
Chief Financial Officer

Progress against our strategy

What we said we would do
We intend to keep our LTV at around 30 per cent.

What we achieved in 2022
The impact of increased borrowings (due to £1.3 billion net investment) during the year and the reduction in asset values meant that LTV has increased from 23 per cent to 32 per cent at 31 December 2022.

What to expect in 2023
We aim to maintain our mid-cycle LTV at around 30 per cent, although the evolution of the property cycle will inevitably mean that there are periods of time when our LTV is higher or lower than this. We believe this approach ensures significant headroom compared against our tightest gearing covenants should property values decline further, as well as providing the flexibility to take advantage of investment opportunities which may arise. We have cash and available facilities of £2.2 billion (including our share of joint ventures and associates) on which we can draw to fund our investment plans.

Our strategy
Page 18

Financing

During 2022, despite significant capital market volatility, we were able to arrange £3.1 billion of short-and long-term debt from existing relationship banks and investors, new banking partners and the capital markets to finance SEGRO's and SELP's obligations. In response to the heightened market volatility, we established European Medium Term Note (EMTN) programmes for both SEGRO and SELP to enhance the agility of our financing activity and we also increased the level of fixed and capped rate debt.

Financing during the year

- **Short-term debt:** SEGRO has increased its revolving credit facilities to €1.8 billion (31 December 2021: €1.2 billion) of which €1.2 billion matures in 2027 and €600 million in 2025. SELP also increased its facilities to €600 million (31 December 2021: €500 million), which mature in 2026. During the year, SEGRO also had access to €1.75 billion of short-term acquisition facilities which have now been fully repaid.
- **Medium-term debt**: SEGRO diversified its sources of funding by arranging €408 million and £300 million of term loans, maturing between 2025 and 2027, from relationship and new banking partners. While the loans were undrawn at year end, we drew €293 million in January 2023.
- **Long-term debt:** SEGRO raised €1,375 million and £350 million of new funds through the US Private Placement, euro and sterling bond markets at a weighted average coupon of 2.7 per cent and a weighted average duration of 10.4 years. In August, SELP issued €750 million of five-year unsecured green bonds with an annual coupon of 3.75 per cent, using part of the proceeds to repurchase the €500 million of bonds maturing in 2023, extending the debt maturity and removing the 2023 refinancing requirement.

Financial position at 31 December 2022

As at 31 December 2022, the gross borrowings of SEGRO Group and its share of gross borrowings in joint ventures and associates totalled £5,887 million (31 December 2021: £4,268 million), of which £7 million (31 December 2021: £8 million) are secured by way of legal charges over specific assets. The remainder of gross borrowings are unsecured. Cash and cash equivalent balances were £194 million (31 December 2021: £107 million). The average debt maturity was 8.6 years (31 December 2021: 8.6 years) and average cost of debt (excluding non-cash interest and commitment fees) was 2.5 per cent (31 December 2021: 1.5 per cent).

SEGRO has an unsecured rating of 'A' for Fitch Ratings as at 31 December 2022.

Financial position and funding

	31 December 2022		31 December 2021[3]	
	SEGRO Group	SEGRO Group, JVs and associates at share	SEGRO Group	SEGRO Group, JVs and associates at share
Net borrowings (£m)[3]	**4,722**	**5,693**	3,321	4,161
Available cash and undrawn facilities (£m)[3]	**1,920**	**2,208**	933	1,145
Balance sheet gearing (%)[3]	**41**	**N/A**	24	N/A
Loan to value ratio (%)	**32**	**32**	22	23
Weighted average cost of debt[1] (%)	**2.6**	**2.5**	1.5	1.5
Interest cover[2] (times)	**4.3**	**4.5**	7.0	6.9
Average duration of debt (years)	**9.4**	**8.6**	9.6	8.6

1 Based on gross debt, excluding commitment fees and non-cash interest.
2 Net rental income/Adjusted net finance costs (before capitalisation).
3 SEGRO Group Cash and cash equivalents have been restated as at 31 December 2021. See Note 1 to the Financial Statements for further details. Net borrowings, Available cash and undrawn facilities and Balance sheet gearing as at 31 December 2021 have been restated in the table above to reflect this change.

Funds available to SEGRO Group (including its share of joint venture and associates funds) at 31 December 2022 totalled £2,208 million (31 December 2021: £1,145 million), comprising £194 million cash and short-term investments and £2,014 million of undrawn credit facilities of which £150 million was uncommitted. Cash and cash equivalent balances, together with the Group's interest rate and foreign exchange derivatives portfolio, are spread amongst a strong group of banks, all of which have a credit rating of A- or better.

The closest debt maturity is SEGRO's £82 million sterling bond in February 2024.

Monitoring and mitigating financial risk
As explained in the Risks section of this Annual Report, the Group monitors a number of financial metrics to assess the level of financial risk being taken and to mitigate that risk.

Treasury policies and governance
The Group Treasury function operates within a formal policy covering all aspects of treasury activity, including funding, counterparty exposure and management of interest rate, currency and liquidity risks. Group Treasury reports on compliance with these policies on a quarterly basis and policies are reviewed regularly by the Board.

Gearing and financial covenants
We consider the key leverage metric for SEGRO to be proportionally consolidated ('look-through') loan to value ratio (LTV) which incorporates assets and net debt on SEGRO's balance sheet and SEGRO's share of assets and net debt on the balance sheets of its joint ventures and associates. The LTV at 31 December 2022 on this basis was 32 per cent (31 December 2021: 23 per cent), the increase primarily driven by the reduction in asset values and a higher debt balance.

SEGRO's borrowings contain gearing covenants based on Group net debt and net asset value, excluding debt in joint ventures and associates. The gearing ratio of the Group at 31 December 2022, as defined within the principal debt funding arrangements of the Group, was 41 per cent (31 December 2021: 24 per cent). This is significantly lower than the Group's tightest financial gearing covenant within these debt facilities of 160 per cent. Property valuations would need to fall by around 48 per cent from their 31 December 2022 values to reach the gearing covenant threshold of 160 per cent. A 48 per cent fall in property values would equate to an LTV ratio of approximately 62 per cent.

The Group's other key financial covenant within its principal debt funding arrangements is interest cover, requiring that net interest before capitalisation be covered at least 1.25 times by net property rental income: the ratio for 2022 was four times, comfortably ahead of the covenant minimum. Net property rental income would need to fall by around 71 per cent from 2022 levels, or the average rate of interest would need to rise by 8 per cent, to reach the interest cover covenant threshold. On a proportionally consolidated basis, including joint ventures and associates, the interest cover ratio was also four times.

We mitigate the risk of over-gearing the Company and breaching debt covenants by carefully monitoring the impact of investment decisions on our LTV and by stress testing our balance sheet to potential changes in property values.

Our intention for the foreseeable future is to maintain our mid-cycle LTV at around 30 per cent, although the evolution of the property cycle will inevitably mean that there are periods of time when our LTV is higher or lower than this. However, this level of LTV through the cycle provides the flexibility to take advantage of investment opportunities arising and ensures significant headroom compared against our tightest gearing covenant should property values decline.

Interest rate risk
The Group's interest rate risk policy is designed to ensure that we limit our exposure to volatility in interest rates. The policy states that between 50 and 100 per cent of net borrowings (including the Group's share of borrowings in joint ventures and associates) should be at fixed or capped rates, including the impact of derivative financial instruments.

At 31 December 2022, including the impact of derivative instruments, 95 per cent (31 December 2021: 65 per cent) of the net borrowings of the Group (including the Group's share of borrowings within joint ventures and associates) were either at fixed rates or are protected from rising interest rates with caps. The pure fixed level of debt is 83 per cent at 31 December 2022 (31 December 2021: 46 per cent), rising to 91 per cent including floating rate debt which is now subject to an active cap. The remaining nine per cent of debt is at floating rates, with five per cent subject to caps should three-month EURIBOR rise above a maximum 2.72 per cent.

During the year, in line with our risk management processes and due to the higher levels of market volatility, the Group closed out £928 million notional value of historical interest rate swaps (which transformed fixed rate interest payments into floating rate payments). Had these transactions not occurred, the proportion of fixed and capped rate debt would have been 16 per cent lower.

As a result of the fixed rate cover in place, if short-term interest rates had been 200 basis points higher throughout 2022, the adjusted net finance cost of the Group would have been approximately £27 million higher (2021: £34 million higher) representing around seven per cent (2021: ten per cent) of Adjusted profit after tax.

The Group elects not to hedge account its interest rate derivatives portfolio. Therefore, movements in its fair value are taken to the income statement but, in accordance with EPRA Best Practices Recommendations Guidelines, these gains and losses are eliminated from Adjusted profit after tax.

Foreign currency translation risk
The Group has minimal transactional foreign currency exposure, but does have a potentially significant currency translation exposure arising on the conversion of its foreign currency denominated assets (mainly euro) and euro denominated earnings into sterling in the Group consolidated accounts.

The Group seeks to limit its exposure to volatility in foreign exchange rates by hedging its foreign currency gross assets using either borrowings or derivative instruments. The Group targets a hedging range of between the last reported LTV ratio (32 per cent at 31 December 2022) and 100 per cent. At 31 December 2022, the Group was 76 per cent hedged by gross foreign currency denominated liabilities (31 December 2021: 62 per cent).

Including the impact of forward foreign exchange and currency swap contracts used to hedge foreign currency denominated net assets, if the value of the other currencies in which the Group operates at 31 December 2022 weakened by 10 per cent against sterling (to €1.24, in the case of euros), net assets would have decreased by approximately £137 million and there would have been a reduction in gearing of approximately 2.4 per cent and in the LTV of 1.3 per cent.

The average exchange rate used to translate euro denominated earnings generated during 2022 into sterling within the consolidated income statement of the Group was €1.17: £1. Based on the hedging position at 31 December 2022, and assuming that this position had applied throughout 2022, if the euro had been 10 per cent weaker than the average exchange rate (€1.29: £1), Adjusted profit after tax for the year would have been approximately £11 million (2.9 per cent) lower than reported. If it had been 10 per cent stronger, Adjusted profit after tax for the year would have been approximately £13 million (3.5 per cent) higher than reported.

Financial review
continued

Going concern

As noted in the Financial Position and Financing sections above, the Group has significant available liquidity to meet its capital commitments, a long-dated debt maturity profile and substantial headroom against financial covenants.

During the year:

- The Group extended the term of its €1.2 billion of bank facilities to 2027 and added a further €1.0 billion and £0.3 billion of bank facilities with maturity dates between 2025 and 2027.
- The Group executed its second Eurobond, raising €1.15 billion with a six times oversubscription rate.
- The Group raised €225 million of funding from existing US Private Placement investors.
- Cash and available committed facilities at 31 December 2022 were £1.7 billion.
- The Group continuously monitors its liquidity position compared to committed and expected capital and operating expenses on a rolling forward 18-month basis. The quantum of committed capital expenditure at any point in time is typically low due to the short timeframe to construct warehouse buildings.
- The Group also regularly stress-tests its financial covenants. As noted above, at 31 December 2022, property values would need to fall by around 48 per cent before breaching the gearing covenant. In terms of interest cover, net rental income would need to fall by 71 per cent or the average interest rate would need to reach eight per cent before breaching the interest cover covenant. All would be significantly in excess of the Group's experience during the financial crisis, and the Covid pandemic.

Having made enquiries and having considered the principal risks facing the Group, including liquidity and solvency risks, and material uncertainties, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future (a period of at least 12 months from the date of approval of the financial statements). Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Income statement review

Presentation of financial information

The Group Financial Statements are prepared under IFRS where the Group's interests in joint ventures and associates are shown as a single line item on the income statement and balance sheet and subsidiaries are consolidated at 100 per cent.

The Adjusted profit measure reflects the underlying financial performance of the Group's property rental business, which is our core operating activity. It is based on EPRA earnings as set out in the Best Practices Recommendations Guidelines of the European Public Real Estate Association (EPRA) which are widely used alternate metrics to their IFRS equivalents within the European real estate sector (further details can be found at www.epra.com). In calculating Adjusted profit, the Directors may also exclude additional items considered to be non-recurring, unusual, or significant by virtue of size and nature. In the current and prior years there have been no such adjustments and therefore Adjusted profit and EPRA earnings are the same.

A detailed reconciliation between Adjusted profit after tax and IFRS loss after tax is provided in Note 2 to the Financial Statements. This is not on a proportionally-consolidated basis.

Reconciliations between SEGRO Adjusted metrics and EPRA metrics are provided in the Supplementary Notes to the Financial Statements, which also include EPRA metrics as well as SEGRO's Adjusted income statement and balance sheet presented on a proportionally consolidated basis.

SEGRO monitors these alternative metrics, as well as the EPRA metrics for vacancy rate, net asset value, capital expenditure, loan to value and total cost ratio, as they provide a transparent and consistent basis to enable comparison between European property companies.

Look-through metrics provided for like-for-like net rental income include joint ventures and associates at share in order that our full operations are captured, therefore providing more meaningful analysis.

Adjusted profit (note 2)

		2022 £m	2021[1] £m
	Gross rental income	**488**	398
	Property operating expenses	**(76)**	(57)
1	Net rental income[1]	**412**	341
2	Joint venture fee income	**30**	52
	Management and development fee income	**5**	5
	Net solar energy income	**1**	1
	Administrative expenses	**(59)**	(59)
3	Share of joint ventures and associates' adjusted profit[2]	**71**	56
	Adjusted operating profit before interest and tax	**460**	396
4	Net finance costs	**(74)**	(40)
	Adjusted profit before tax	**386**	356
6	Tax on adjusted profit	**(11)**	(8)
	Non-controlling interests share of Adjusted profit	**(1)**	-
5	**Adjusted profit after tax**	**374**	348

1 The composition of gross and net rental income has changed in 2022 to provide a better measure of the underlying rental income from the property portfolio. There is no impact on Adjusted operating profit before interest and tax from this change and the prior year comparatives in the table above have been re-presented to reflect this change. See Note 2 to the Financial Statements for further details.
2 Comprises net property rental income less administrative expenses, net finance costs and taxation.

Net rental income

1

£71m higher

Net rental income increased by £71 million to £412 million (or by £83 million to £522 million including joint ventures and associates at share before joint venture fees), reflecting the positive net impact of like-for-like rental growth, development completions and investment activity during the year, offset by the impact of disposals.

On a like-for-like basis[1], before other items (primarily corporate centre and other costs not specifically allocated to a geographic Business Unit), net rental income increased by £28 million, or 6.7 per cent, compared to 2021.

This is due to strong rental performance across our portfolio. UK: 7.7 per cent increase, in particular in Greater London and Thames Valley; and Continental Europe: 4.9 per cent increase, in particular in Germany and France.

1 The like-for-like net rental growth metric is based on properties held throughout both 2022 and 2021 on a proportionally consolidated basis. This provides details of underlying net rental income growth excluding the distortive impact of acquisitions, disposals and development completions. Where an asset has been sold into a joint venture (sales to SELP, for example) the 50 per cent share owned throughout the year is included in like-for-like calculation, with the balance shown as disposals. Further details are given in Table 11 of the Supplementary Notes.

Income from joint ventures and associates

2 3

£7m lower

Joint venture fee income decreased by £22 million to £30 million in 2022. This decrease is primarily due to the recognition of a performance fee of £26 million in respect of the SELP joint venture in the prior year (as detailed further in Note 7(i)). Joint venture management fee income increased by £4 million to £30 million in 2022, primarily from the SELP joint venture.

SEGRO's share of joint ventures and associates' Adjusted profit after tax increased by £15 million from £56 million in 2021 to £71 million in 2022. This includes a performance fee expense (at share) in the prior year of £13 million. Excluding performance fee expense, the Adjusted joint ventures and associates profit after tax increased by £2 million compared to 2021 as net rental income in the SELP joint venture has continued to grow.

Net finance costs

4

£34m higher

Net finance costs were £34 million higher than 2021 at £74 million. Average interest rates during the year were 2.6 per cent compared to 1.5 per cent in the prior year. This has been partially offset by a £13 million increase in capitalised interest compared to the prior year. Furthermore, gross debt levels were higher in 2022 compared to the prior year.

Taxation

6

2.8% (effective rate)

The tax charge on Adjusted profit of £11 million (2021: £8 million) reflects an effective tax rate of 2.8 per cent (2021: 2.2 per cent).

The Group's effective tax rate reflects the fact that around three-quarters of its wholly-owned assets are located in the UK and qualify for REIT status. This status means that income from rental profits and gains on disposals of assets in the UK are exempt from corporation tax, provided SEGRO meets a number of conditions including, but not limited to, distributing 90 per cent of UK taxable profits.

Adjusted profit/ Earnings per share

5

£26m higher/31.0 pps

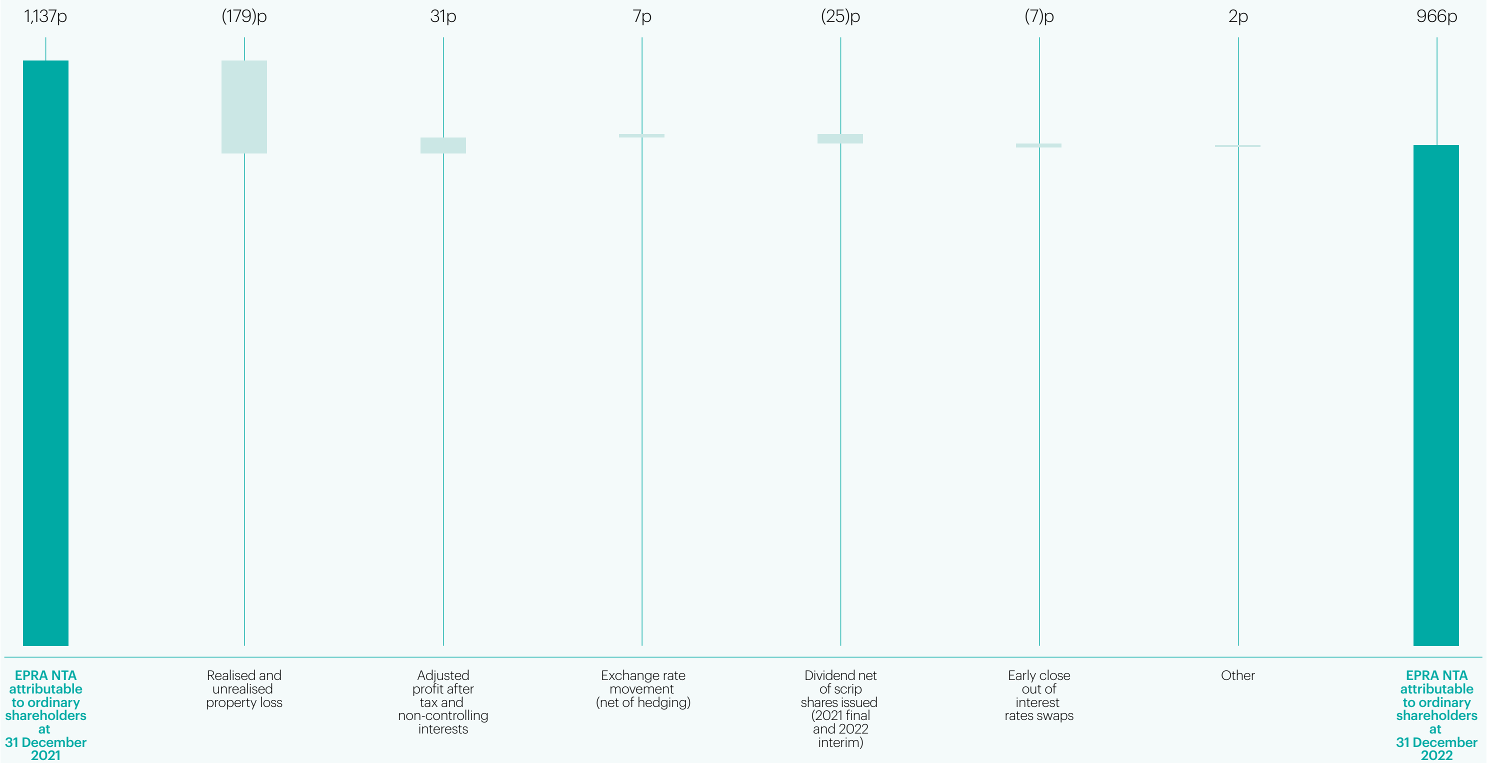
Adjusted profit after tax increased by £26 million to £374 million (2021: £348 million) as a result of the above movements primarily growth in rental income offset by increased finance costs and the recognition of a performance fee in the prior year.

Adjusted profit is detailed further in Note 2 to the Financial Statements.

Adjusted earnings per share are 31.0 pence compared to 29.1 pence in 2021 (28.0 pence excluding the impact of the performance fee) due to the increase in Adjusted profit slightly offset by the 8.9 million increase in the average number of shares in issue compared to the prior year.

Financial review
continued

Adjusted net asset value



IFRS loss

IFRS loss before tax in 2022 was £1,967 million (2021: £4,355 million profit), equating to basic post-tax IFRS loss per share of 159.7 pence compared with profit per share of 339.0 pence for 2021. A reconciliation between Adjusted profit before tax and IFRS (loss)/profit before tax is provided in Note 2 to the Financial Statements.

The principal drivers of IFRS loss is realised and unrealised property losses and gains. Total loss on properties is £2,175 million (2021: £4,173 million gain). This includes a £1,970 million deficit from valuation of wholly-owned investment properties (2021: £3,617 million surplus) and £236 million deficit from joint ventures and associates at share (2021: £487 million surplus). These valuation losses, driven by yield expansion in most markets partially offset by increases in ERV, are discussed in more detail in the Performance Review on page 48. Other property movements include profit on sale of wholly-owned investment properties of £9 million and £nil for investment properties held by joint ventures and associates at share (2021: wholly-owned £53 million and £10 million joint ventures and associates at share). In respect of trading properties, there was a reversal of provision for impairment of £15 million (2021: increase in provision for impairment of £1 million) and a gain on sale of trading properties of £7 million (2021: £7 million).

IFRS earnings were also impacted by a net fair value loss on interest rate swaps and other derivatives of £199 million (2021: loss of £82 million) primarily as a result of adverse movements on interest rate expectations.

In addition, SEGRO recognised a tax credit in respect of adjustments of £48 million (2021: £280 million charge) primarily in relation to property valuation movements. The 2021 charge includes significant balances in respect of a £145 million withholding tax in France and a SIIC entry charge of £38 million compared to the equivalent 2022 charges which are £4 million and £nil respectively. These items are detailed further in Note 10.

Balance sheet

At 31 December 2022, IFRS net assets attributable to ordinary shareholders were £11,373 million (31 December 2021: £13,436 million), reflecting 938 pence per share (31 December 2021: 1,115 pence) on a diluted basis.

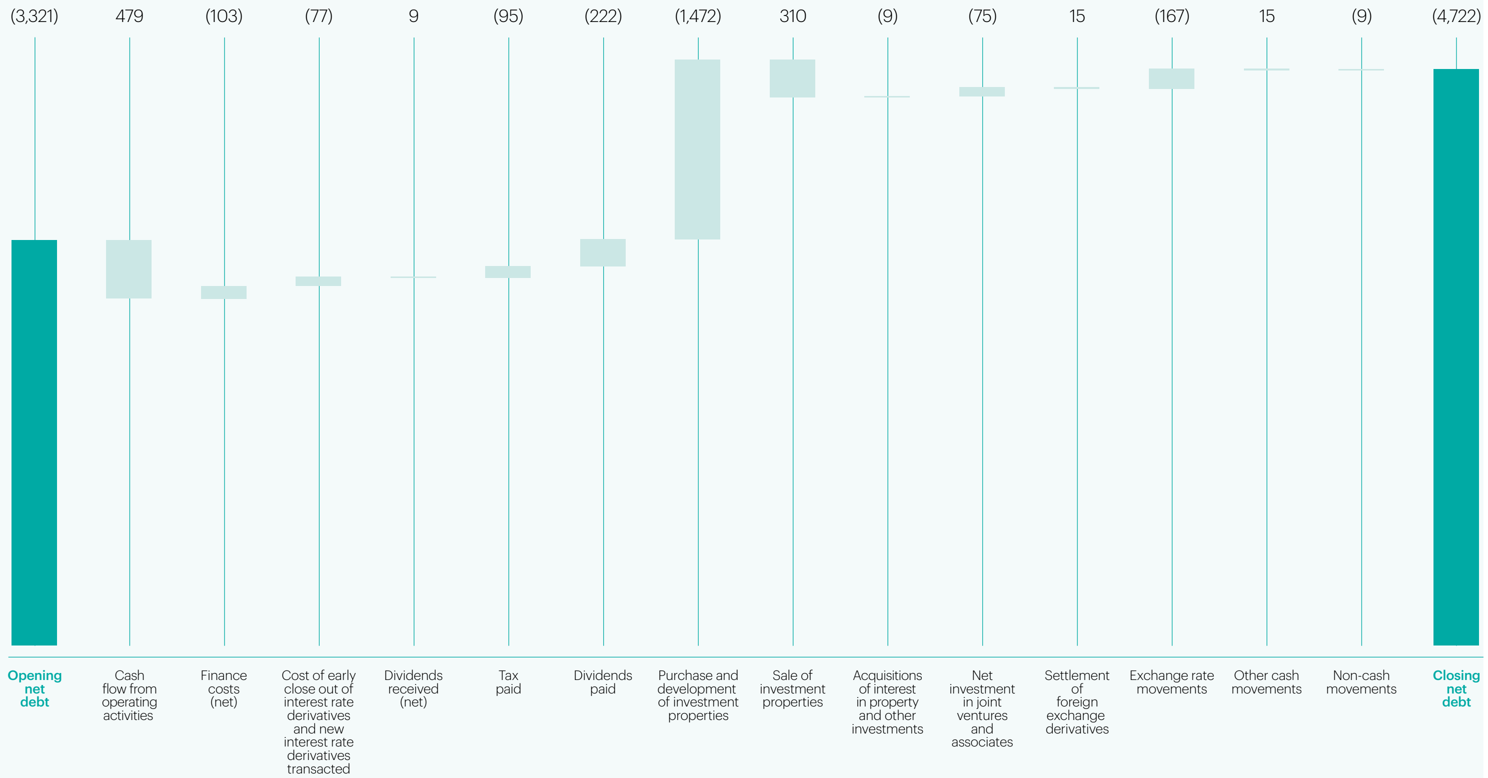
Adjusted NAV per share at 31 December 2022 was 966 pence (31 December 2021: 1,137 pence). The 15 per cent decrease primarily reflects property valuation losses in the year as explained above. The chart highlights the other main factors behind the decrease. A reconciliation between IFRS and Adjusted NAV is available in Note 12 to the Financial Statements.

Cash flow and net debt reconciliation

Cash flows from operating activities of £479 million are £116 million higher than the prior year. This is primarily due to increased rental income received during the year, the impact of trading properties, following disposals in the year, and other working capital movements. As well as finance cost outflows of £103 million in servicing the debt facilities, a further £77 million was spent in closing out and reprofiling interest rate derivatives. Interest rate risk management is detailed further in the Financial Review on page 59. In addition there were tax payments of £95 million primarily in Italy and France.

The Group made net investments of £1,246 million in investment and development properties (including other investments and net investments and loans to joint ventures and associates) during the year on a cash flow basis (2021: £1,266 million). This is principally driven by expenditure of £1,472 million (2021: £1,706 million) to purchase and develop investment properties (mainly to add to the Group's land bank) to deliver further growth in line with our strategy.

Cash flow bridge (£m)



Disposals of investment properties decreased by £181 million to £310 million compared to the prior year (2021: £491 million). Disposal proceeds include £218 million in respect of disposals to the SELP joint venture.

Other significant cash flows include dividends paid of £222 million (2021: £180 million) where cash flows are lower than the total dividend due to the level of scrip uptake; an inflow from settlement of foreign exchange derivatives of £15 million (2021: £40 million).

Overall, net debt has increased in the year from £3,321 million to £4,722 million.

Capital expenditure

Table 10 in the Supplementary Notes sets out analysis of the capital expenditure during the year. This includes acquisition and development spend, on an accruals basis, in respect of the Group's wholly-owned investment and trading property portfolios, as well as the equivalent amounts for joint ventures and associates, at share.

Total spend for the year was £1,898 million, a decrease of £268 million compared to 2021. More detail on developments and acquisitions can be found in the Development and Investment Updates on pages 52 to 55.

Development capital expenditure was £787 million in the year (2021: £639 million) across all our Business Units, particularly Southern Europe and National Logistics, reflecting our development-led growth strategy. Capitalised interest of £24 million (2021: £10 million) has been recognised in the year.

Spend on existing completed properties, totalled £62 million (2021: £45 million), of which £13 million (2021: £5 million) was for incremental lettable space. The balance mainly comprises refurbishment and fit-out costs, which equates to less than one per cent of total spend.

Dividend increase reflects the strong operational results and confidence for the future

Under the UK REIT rules, we are required to pay out 90 per cent of UK-sourced, tax-exempt rental profits as a 'Property Income Distribution' (PID). Since we also receive income from our properties in Continental Europe, our total dividend should normally exceed this minimum level and we target a payout ratio of 85 to 95 per cent of Adjusted profit after tax. We aim to deliver a progressive and sustainable dividend which grows in line with our profitability in order to achieve our goal of being a leading income-focused REIT.

The Board has concluded that it is appropriate to recommend an increase in the final dividend per share by 1.3 pence to 18.2 pence (2021: 16.9 pence) which will be paid as an ordinary dividend. The Board's recommendation is subject to approval by shareholders at the Annual General Meeting, in which event the final dividend will be paid on 4 May 2023 to shareholders on the register at the close of business on 17 March 2023.

In considering the final dividend, the Board took into account:

- the policy of targeting a payout ratio of between 85 and 95 per cent of Adjusted profit after tax;
- the desire to ensure that the dividend is sustainable and progressive throughout the cycle; and
- the results for 2022 and the outlook for earnings.

The total dividend for the year will, therefore, be 26.3 pence, a rise of 8 per cent versus 2021 (24.3 pence) and represents distribution of 85 per cent of Adjusted profit after tax.

The Board has decided to retain a scrip dividend option for the 2022 final dividend, allowing shareholders to choose whether to receive the dividend in cash or new shares. In 2021, 41 per cent of the 2021 final dividend and 3 per cent of the 2022 interim dividend were paid in new shares, equating to £79 million of cash retained on the balance sheet.

Managing risk

Soumen Das
Chief Financial Officer

Dynamic risk management is a cornerstone of our business and enables us to remain agile and to deliver on our strategy.

Soumen Das
Chief Financial Officer

Effective risk management

Risk management is pivotal to how we deliver our strategy in a disciplined and sustainable way, over the long term. Whilst operating in an ever-changing geopolitical and macroeconomic environment, our business continues to show resilience thanks to our risk process, which is embedded throughout to enable appropriate and responsive decision making.

Annual risk management update

2022 saw a volatile geopolitical environment and a significant deterioration in macroeconomic conditions. Inflationary pressures have led to high construction costs whilst central bank actions to combat inflation through higher interest rates have detrimentally impacted the valuation of our assets. In addition, our customers have seen sharp increases to energy prices as well as concerns over access to energy supply. Despite this, our business has demonstrated resilience over the past year, and remains well positioned to benefit from the structural trends affecting our markets, which remain strong.

The Group's Board and key committees have overseen the response to these challenges and the wider economic implications throughout the year. Consequentially, they have taken actions to mitigate the impact on both our operations and the wellbeing of our employees. We review our investment plans regularly and continue to manage our balance sheet proactively in order to help mitigate the impacts of future volatility.

The Group Risk Committee is made up of members of senior management and has met three times during the year. The members of the Committee have detailed knowledge of, and expertise in operational, financial and corporate aspects of our business, ensuring we are well-positioned to undertake our responsibility of overseeing the work of the risk management function on behalf of the Executive Committee.

Details of particular areas of interest to the Risk Committee are detailed below:

People and talent

As we continue to grow as a business and in order to support our strategic priorities, the Group's ability to attract, motivate, retain and develop the right people and talent is essential. Nurturing talent is one of our Responsible SEGRO priorities and is a key part of our strategy. Consequently, People and Talent is now highlighted as a separate principal risk; previously this risk was captured within the Operational Delivery principal risk. This risk is considered at the highest level with the Board and Executive Committee review talent, succession planning and key person risk, at least annually.

During the year, the shift in the property cycle has been reflected in the competitive market for talent. Our focus continues to be to ensure an appropriate organisational structure to support our strategic priorities, particularly in light of our future growth plans. Furthermore, our new Group HR Director has invested in the Human Resources team which has given fresh impetus to the function. This has included creating a new people planning process to enable proactive resourcing and development of teams by managers and enhanced succession planning.

Emerging risks

We continue to identify and monitor emerging risks through our risk processes. Emerging risks are those which may be evolving rapidly, the impact or probability may not yet be fully understood, and the mitigations may need to be adapted regularly. This process is supplemented by formal horizon scans with the Executive Committee.

Environmental sustainability is an increasingly important risk for the business which, in the short to medium-term, includes the transitional changes (for example, legislation and financial) and is detailed in Principal Risks below. The long-term impact of climate change on our business is by its nature less well-known and this is an emerging risk which we continue to monitor and consider. Failure to identify and mitigate risks at this stage (for example, physical changes including the increased likelihood of heat stress) could result in a reduction in the attractiveness of our assets to current and prospective customers, reputational damage, higher obsolescence and an overall reduction in value of our portfolio in the future.

Some other emerging risks are: disruptive technological advances and their impact on our assets; access to and the use of energy and water in our portfolio; potential changes in public sentiment and consequential impacts on subsectors such as air travel and data centres; and the impact of deurbanization and mobility on the location of our portfolio.

Looking ahead

It is likely that risks associated with the volatile macroeconomic climate will continue for some time. Property investment is inherently cyclical, so we will continue to focus on the successful execution of our strategy to create value through the cycle whilst managing the shorter-term risks which arise from time to time due to the cycle. We remain vigilant to the rapidly changing environment and the Group's risk management process enables us to be flexible and responsive in order to continue to operate successfully.

Soumen Das
Chief Financial Officer

Our risk appetite

The Group's ability to effectively manage risk throughout the organisation is central to the ongoing success of the business. Risk management ensures a structured approach to the decision-making process that looks to reduce uncertainty over expected outcomes and to bring controllable risks within our appetite, thereby balancing uncertainty against the objective of creating and protecting value for our stakeholders, now and in the future.

The Group's risk appetite is reviewed annually and approved by the Board in order to guide the business. As well as qualitative descriptions, the risk appetite defines tolerances and targets for key metrics. Our risk appetite is dynamic, varying over time and during the course of the property cycle. It is applicable throughout the organisation including joint ventures and associates.

We have put risk appetite at the heart of our risk management processes. It is integral both to our consideration of strategy and to our medium-term planning process. Risk appetite also defines specific tolerances and targets for key metrics and the criteria for assessing the potential impact of risks and our mitigation of them.

In overview, the Group maintains a low appetite for risk, appropriate to our strategic objectives of delivering long-term sustainable value.

Property risk

We recognise that, in seeking outperformance from our portfolio, the Group must accept a balanced level of property risk – with diversity in geographic locations and asset types and an appropriate mixture of stabilised income-producing and opportunity assets – in order to enhance opportunities for superior returns. This is balanced against the backdrop of the geopolitical and macroeconomic environment and its impact on the property cycle.

Our portfolio should deliver attractive, low risk income returns with strong rental and capital growth when market conditions are positive and show relative resilience in a downturn. We aim to enhance these returns through development, which requires necessary levels of land holdings to support the pipeline. We seek to balance the risk of holding too much land which might be a drag to earnings, by acquiring land in appropriate locations with the required planning or zoning. Additionally we closely monitor the churn and duration of our land holdings. We also seek to mitigate the risks – including letting, construction and contractor covenant risks – that are inherent in development. Also mindful of our environmental responsibilities, we seek to develop buildings which meet and exceed minimum regulatory requirements and achieve high environmental certification standards, to be attractive to occupiers both now and in the future.

We have a low appetite for risks to income from customers and in order to achieve this we maintain a diverse occupier base with strong covenants and avoid over-exposure to individual occupiers in specialist properties. We encourage customers to share energy usage data, operate in a low-carbon way and to use certified green energy in our buildings.

Financial risk

The Group maintains a low appetite for financial risk in general, with a very low appetite for risks to solvency and gearing covenant breaches.

As an income-focused REIT we have a low appetite for risks which threaten a stable progression in earnings and dividends over the long-term.

We also seek long-term growth in net asset value notwithstanding the impact of fluctuations from external factors which influence the property cycle. Our appetite for risks to net asset value from the factors within our control is low, albeit acknowledging that our appetite for moderate leverage across the cycle amplifies the impact of market-driven asset valuation movements on net asset value.

Corporate risk

We have a very low appetite for risks to our good reputation with our customers and wider stakeholders, including investors, regulators, employees, business partners, suppliers, lenders and the communities in which we operate.

Our responsibilities to these stakeholders include compliance with all relevant laws; accurate and timely reporting of financial and other regulatory information; safeguarding the health and safety of employees, suppliers, customers and other users of our assets; our impact on the environment; assessing the impact of new and evolving technologies; compliance with codes of conduct and ethics; ensuring business continuity; and making a positive contribution to the communities in which we operate.

Risk Management

Our integrated and robust approach to risk management

The Board has overall responsibility for ensuring that risk is effectively and consistently managed across the Group. The Audit Committee monitors the effectiveness of the Group's risk management process on behalf of the Board. Further information on compliance with the risk management provisions of the UK Corporate Governance Code can be found on page 122.

The risk management process is designed to identify, evaluate and respond to the significant risks (including emerging risks) that the Group faces. The process aims to understand, document and mitigate, rather than eliminate, the risk of failure to achieve business objectives, and therefore can only provide reasonable and not absolute assurance.

The identification and review of emerging risks are integrated into our risk review process. Emerging risks are those risks or a combination of risks which are often rapidly evolving and for which the impact and probability of occurrence have not yet been fully understood and consequently necessary mitigations have not yet fully evolved. All risk owners and managers within the business are challenged to consider emerging risks and this is supplemented through formal twice-yearly horizon scans with the Executive Committee.

The Board has performed a robust assessment of the principal and emerging risks facing the Group. It formally reviewed the principal and emerging risks twice during the year and also completed its annual review and approval of the Group's risk appetite, and the Group's risk management policy. The Audit Committee reviews the process over how the Group Risk Register has been compiled, twice a year.

The Board recognises that it has limited control over many of the external risks it faces, such as global events as well as the macroeconomic, geopolitical, and regulatory environment, but it assesses the potential impact of such risks on the business and consequential decision making as part of its review. Internal risks are monitored by the Board to ensure that appropriately designed controls are in place and operate in order to manage them.

The most significant risks and mitigating controls are detailed in the Group Risk Register. Risks are assessed in both inherent (assuming that no controls are in place) and residual (with mitigating controls operating normally) states. As part of the assessment, risk impact is directly measured against risk appetite so that it is clear whether each risk is comfortably within appetite, tolerable, intolerable or below appetite. We also formally assess the velocity of the most significant risks to determine how quickly they might become intolerable.

A Key Risk Indicator (KRI) dashboard is produced and monitored regularly to show actual and forecast performance against risk appetite metrics, allowing informed decision making. KRIs are considered regularly by the relevant monitoring committees in their decision making as well as being integral to the Group's Medium-Term Plan.

Mitigations for each risk are documented and monitored in the Group Risk Register. The Register is used as a key input to determine priorities for the Group's internal audit assurance programme. Furthermore, management's annual self-assessment of control effectiveness is driven by the Register.

Our robust risk management process is embedded throughout our business.

Soumen Das
Chief Financial Officer

Our framework for risk governance

The Group adopts the 'three lines of defence' model of risk management.

The first line of defence is provided by the function that has primary responsibility to own and manages the risk associated with day-to-day operational activities which may include operational management, the individual risk manager and executive risk owner.

The second line of defence is provided by the function that oversees the risk or who specialises in compliance or risk management. This would typically be a monitoring committee such as the Executive Committee, the Investment Committee or the Technology Committee, and the risk management function overseen by the Group Risk Committee provides the second line of defence.

The third line of defence is provided by functions which provide objective and independent assurance over whether the first and second lines of defence are operating effectively, usually, Internal Audit.

Risks are considered within each area of the business to ensure that risk management is fully embedded within the Group's operations, culture and decision-making processes.

Accountabilities for the Group's risk management are outlined in the diagram.

Our framework for risk governance

Board

- Overall responsibility for ensuring that risk is effectively managed across the Group.
- Determines the Group's risk appetite and policy.
- Conducts robust assessment of current and emerging risks.

Audit Committee

Monitors effectiveness of the Group's risk management process and internal control systems.

Stage 1

Executive Risk Owners

- Own risks in area for which they are responsible.
- Assign accountability for mitigating individual risks to risk managers.
- Ensure that risks are identified, assessed and adequately controlled and mitigated.
- Review and identify existing and emerging risks with the risk management function at least twice per year.

Risk Managers

- Responsible for ensuring the risk is within appetite.
- Drive design and implementation of controls.
- Review, identify and assess existing and emerging risks with the risk management function at least twice per year.

Stage 2

Executive Committee

- Oversees execution of risk management across the business.
- Formally considers risks, including emerging risks, twice a year.
- Directly oversees strategic risks.
- Delegates accountability for risk management and monitors performance of risk controls.
- Assigns Executive Risk Owners to each risk.

Monitoring Committees

- Regularly identify and monitor the significant risks and corresponding controls within their function.
- Risk management team regularly attends these committees.

Group Risk Committee

- Coordinates the risk management process on behalf of the Executive Committee.
- Develops risk policy and appetite.
- Oversees the work of the Risk Management function, which in turn:
  - Manages, maintains and reports on the Risk Register.
  - Assesses and documents risks and controls.
  - Provides quality assurance and challenge to risk owners and managers.

Stage 3

Internal Audit

- Agrees internal audit programme in conjunction with the Group Risk Register.
- Conducts internal audit programme and reports to Audit Committee.
- Continues to monitor issues as they arise and is agile in its response to such issues and amends the programme accordingly.

Principal risks

Principal risks and uncertainties

The principal risks have the potential to affect SEGRO's business materially. Risks are classified as 'principal' based on their potential to intolerably exceed our appetite (considering both inherent and residual impact) and cause material harm to the Group.

Some risks that may be unknown at present, as well as other risks that are currently regarded as immaterial and therefore not detailed here, could turn out to be material in the future. The current principal risks that the Group is aware that it is facing are summarised in the diagram and described on the following pages.

The descriptions indicate the potential areas of impact on the Group's strategy; the time-horizon and probability of the risk; the principal activities that are in place to mitigate and manage such risks; the committees that provide second line of defence oversight; changes in the level of risk during the course of the year; and link to further relevant information in this report.

A summary of the Group's principal risks including an update for changes during the period and activity during the year, is provided below. The principal risks remain the same as reported in the Annual Report for 2021 except for the new People and Talent risk (discussed above). Furthermore the scope of the Political and Regulatory and Operational Delivery and Compliance risks have been rebalanced. Compliance is now included in the former which is now renamed Legal, Political and Regulatory and the latter now excludes compliance and people aspects and is renamed Operational Delivery. Management believes this better reflects the revised scope of the risks. The impact and probability of each risk has not changed significantly since they were reported in the 2021 Annual Report and the residual risk for each (after factoring in mitigations) remains within appetite.

Furthermore, the macroeconomic impacts on market cycle, portfolio strategy and execution and legal, political and regulatory risks have increased during the year for reasons described in more detail below, whilst the others have remained in line with the prior year.

Risk heatmap

1. Macroeconomic impact on market cycle

The property market is cyclical in nature and there is a continuous risk that the Group could either misread or fail to react appropriately to the changing property market, cost of finance or wider macroeconomic/geopolitical conditions. This could result in an incorrect strategy or the ability to deliver a strategy being inhibited and consequential impact on property performance and shareholder value.

Mitigations
The Executive Committee, Investment Committee and ultimately the Board monitor the property market cycle on a continual basis and adapt the Group's investment/divestment stance in anticipation of changing market conditions.

Multiple, diverse investment and occupier market intelligence is regularly reviewed and considered, both from internal 'on the ground' sources and from independent external sources.

Upside and downside scenarios are incorporated into Investment Committee papers to assess the impact of differing market conditions and inform our portfolio strategy (see separate principal risk).

Current year activity
The heightened geopolitical risks and the uncertain macroeconomic outlook, which created uncertainty over interest rates and inflation, has led to increased volatility in the capital markets and reduced liquidity in the property investment market.

In response, we have increased the regularity of our economic outlook assessments and reassessed their consequences on our portfolio strategy (see separate principal risk). We are therefore prepared for these pressures if they persisted across the countries we operate in for some time.

LINK TO STRATEGY:
DISCIPLINED CAPITAL ALLOCATION

OVERSEEN BY:
EXECUTIVE COMMITTEE, INVESTMENT COMMITTEE

CHANGE IN 2022:
Decreased | No change | Increased

FURTHER INFORMATION:
The market outlook is detailed in the Chief Executive's statement on page 13.

2. Portfolio strategy and execution

The Group's Total Property and/or Shareholder Returns could underperform in absolute or relative terms as a result of an inappropriate portfolio strategy. This could result from:

- Unexpected macroeconomic factors (as detailed in the Annual Risk Management Update earlier);
- Incorrect or ineffective capital allocation decisions;
- Poor or incorrect market or asset level assumptions including disruptions, for example from changing occupier and customer needs, technological developments and innovation;
- Inaccurate modelling or forecasting;
- Increased market competition for our assets or target customers; and/or
- Lack of appropriate procedures and inadequate due diligence resulting in lengthy, onerous or costly transactions and missed opportunities.

Mitigations
The Group's portfolio strategy is subject to regular review by the Board in order to consider the desired shape of the portfolio so as to meet the Group's overall strategy and to determine our response to changing opportunities and market conditions.

The Group's approach to capital allocation is informed by comprehensive asset plans and independent external assessments of market conditions and forecasts. Major capital investment and disposal decisions are subject to Board approval in line with portfolio strategy. Locally based property investment and operational teams provide market intelligence and use their networks to source attractive opportunities.

Regular portfolio analysis enables the portfolio to be correctly positioned in terms of location and asset type and to retain the right mix of core and opportunity assets. The annual asset planning exercise provides a bottom-up assessment of the performance and potential for all assets to determine where to invest capital in existing assets and to identify assets for disposal.

Policies are in place to govern the evaluation, due diligence process, approval, execution and subsequent review of investment activity. Investment hurdle rates are regularly reappraised taking into account estimates of our weighted average cost of capital.

Current year activity
The Group's approach to portfolio management and capital allocation remains disciplined and responsive to opportunities that arise, as detailed in the Investment and Development updates sections. Our portfolio has been positioned to be resilient through the cycle as we face the impacts of the macroeconomic uncertainty discussed above. Our investment criteria and hurdle rates have also been reassessed to reflect the prevailing conditions impacting our capital allocation and investment decisions.

LINK TO STRATEGY:
DISCIPLINED CAPITAL ALLOCATION

OVERSEEN BY:
EXECUTIVE COMMITTEE; INVESTMENT COMMITTEE

CHANGE IN 2022:
Decreased | No change | Increased

FURTHER INFORMATION:
The market outlook is detailed in the Chief Executive's statement on page 13.

Principal risks
continued

3. Major event/business disruption

Unexpected global, regional or national events result in severe adverse disruption to SEGRO, such as sustained asset value or revenue impairment, solvency or covenant stress, liquidity or business continuity challenges. A global event or business disruptor may include, but is not limited to a global financial crisis, health pandemic, power/water shortages, civil unrest, act of terrorism, cyber- attack or other IT disruption. Events may be singular or cumulative, and lead to acute/ systemic issues in the business and/or operating environment.

Mitigations
The Group positions itself to withstand a global event and business disruption through its financing strategy (see separate principal risk); portfolio strategy (see separate principal risk) including holding a diverse set of property assets, staying close to customers to understand their changing needs, property insurance, strong customer base; organisational resilience of the workforce; and detailed business continuity and disaster recovery plans. Going concern and viability is assessed through a detailed bottom-up medium-term planning process including a business stress test and downside scenarios.

We use third parties to supplement internal expertise when testing our resilience to a cyber-attack and other business disruption alongside regular training for all employees.

Current year activity
Whilst the direct impacts of the pandemic have largely abated, the heightened geopolitical uncertainty (including the ongoing conflict in Ukraine) and consequential global macroeconomic volatility has exacerbated increased inflation, financing costs and concerns over the ability to access energy. This is unlikely to return to previous levels in the short-term, causing a degree of uncertainty to the Group's operations and stakeholders. The Group maintains a robust financing and portfolio strategy in order to be well positioned and flexible in response to major events/business disruption. The Board and other committees remain vigilant and responsive in managing the mitigation of risks as they evolve. Working groups are set up as required to collate and align the Group's response in an agile fashion as issues such as energy availability have arisen, often at short notice. These groups report directly to the Executive Committee.

LINK TO STRATEGY:
OPERATIONAL EXCELLENCE AND DISCIPLINED CAPITAL ALLOCATION

CHANGE IN 2022:
Decreased | No change | Increased

OVERSEEN BY:
EXECUTIVE COMMITTEE, TECHNOLOGY COMMITTEE

FURTHER INFORMATION:
The market outlook is detailed in the Chief Executive's statement on page 13.

4. Health and safety

A health and safety incident may occur which involves harm to an individual or loss of life. This may be due to the failure of management processes, failure of a building or other physical asset, or negligence of a third-party. Furthermore, the Group may breach relevant legislation and fail to provide suitable employee support. This may consequentially result in litigation, fines, serious reputational damage and a negative impact on employees. This risk is heightened by the continued scale of the Group's development activity.

Mitigations
The Group operates an active health and safety management system, with a particular focus on the quality of and compliance with good health and safety practice of all our suppliers.

A published health and safety policy is supported by site inspections of existing assets (and potential new assets), as part of proactive management, and development project inspections in line with SEGRO's Health and Safety Construction Standard.

SEGRO has a zero-tolerance approach to poor health and safety and continues to work closely with our suppliers and health and safety consultants to increase understanding and implementation of SEGRO's requirements.

The Health and Safety Committee develops and manages the implementation of Health and Safety policies, reviews the outcomes of the Health and Safety Working Group as well as any other health and safety matters. The Health and Safety Working Group is responsible for the implementation of, and compliance with the Health and Safety Policy and Safety Management System. It undertakes continuous monitoring of health and safety practices, including incidents, inspections and training tracked across the Group. Legal guidance and further support is provided through local health and safety consultants and lawyers who provide regulatory assurance support to the Group alongside our internal expertise.

Current year activity
The health and safety of the workforce remains a key priority in locations we operate in, including when working away from the office. We continue to closely monitor our development sites with in-person inspections in order to ensure a safe and compliant working environment and detailed further on page 42. This risk is expected to remain a key focus going forward.

LINK TO STRATEGY:
OPERATIONAL EXCELLENCE

CHANGE IN 2022:
Decreased | No change | Increased

OVERSEEN BY:
EXECUTIVE COMMITTEE, OPERATIONS COMMITTEE

FURTHER INFORMATION:
Approach to health and safety on page 31.

5. Environmental sustainability and climate change

Failure to anticipate and respond to the impact of both physical and transitional risks from climate change on our business is both a principal and emerging risk. The likelihood of increased severity and unpredictability of acute weather-related events, and the rise of chronic climate stressors may result in more frequent and/or prolonged damage to our buildings causing disruption and increased costs to SEGRO and our customers. Non-compliance with changing laws, regulations, policies, taxation and obligations cause loss of value to the Group. Not keeping pace with social attitudes and customer behaviours and preferences whereby SEGRO may need to alter the design and build and/or energy provision of their assets could additionally cause reputational damage and reduce the attractiveness and value of our assets.

Climate-related risks, their time horizon and their management and mitigation are detailed further on pages 80-84.

Mitigations

The Responsible SEGRO framework sets out our corporate responsibility strategy, as well as medium and long-term commitments. The Responsible SEGRO Driving Group is responsible for overseeing the delivery of the strategy and regularly reports to the Executive Committee and Board on implementation of strategy and progress against our stated sustainability targets. Our dedicated Sustainability team is in place to support the operations teams in managing our day-to-day response to environmental risks including the Technical Implementation Group (who are responsible for developments). Each significant investment appraisal includes environmental considerations such as measures taken to increase energy efficiency and reduce carbon emissions. A climate resilience study has been undertaken to assess the medium and long-term physical risks to our portfolio as detailed further on page 80. Group and local teams regularly keep up to date with new laws and regulations as they become relevant through regular training and use of a panel of expert advisors.

Current year activity

Our 'Responsible SEGRO' framework continues to prioritise our commitment to net-zero carbon by 2030 underpinned by our Mandatory Sustainability policy for reducing our emissions. This risk is expected to continue to have increased prominence going forward. See pages 79-80 for details of further actions during 2022.

LINK TO STRATEGY:
OPERATIONAL EXCELLENCE AND DISCIPLINED CAPITAL ALLOCATION

OVERSEEN BY:
EXECUTIVE COMMITTEE; OPERATIONS COMMITTEE

CHANGE IN 2022:
Decreased | No change | Increased

FURTHER INFORMATION:
Responsible SEGRO, Carbon Climate Related disclosures on pages 78-86.

Principal risks
continued

6. Development plan execution

The Group has an extensive current programme and future pipeline of developments. The Group could suffer significant financial losses from:

- Cost over-runs on larger, more complex projects, for example, due to contractor default or poor performance and management;
- Increased construction costs (for example from labour market changes or supply chain pressures) leading to reduced or uneconomic development yields;
- Above-appetite exposure to non-income producing land, infrastructure and speculatively developed buildings arising from a sharp deterioration in occupier demand and/or inappropriate land acquisition due diligence (including energy accessibility); and
- Market competition reducing access to suitable land bank and/or increasing acquisition costs.

Mitigations
Our appetite for exposure to non-income producing assets (including land, infrastructure and speculative developments) is monitored closely, for example, when acquisition decisions are being made by the Investment Committee.

We retain a high level of optionality in our future development programme including at the point of land acquisition, commitment to infrastructure and commitment to building. Pricing of land acquisitions and the consequential impact on returns are considered by the Investment Committee when assessing appraisals.

The development programme remains weighted towards pre-let opportunities.

The risk of cost overruns or supply chain issues is, at least in part, mitigated by using our experienced development teams and a panel of trusted advisors and contractors and typically using fixed price contracts. We work collaboratively with our contractors and remain in constant dialogue to identify possible issues and possible solutions ahead of time.

The risk of contractor default is mitigated by using a diversified selection of companies which have been through a rigorous onboarding process and closely monitoring their financial strength. Our short development lead-times enable a quick response to changing market conditions.

Our Partnership Development team engages with stakeholders as part of SEGRO's social responsibilities and also support planning processes.

Current year activity
During the period pressures in the construction supply chain for certain materials and labour were experienced and we continue to work proactively alongside our contractors to mitigate any undue delay and cost increases as far as is possible. More generally, as market conditions have evolved, as detailed in the Portfolio Strategy Execution risk above, we have reassessed our investment criteria in response. Going forward, with an expected continuing volatile economic environment, similar pressures are likely to continue as we balance the needs of our contractors and customers.

LINK TO STRATEGY:
OPERATIONAL EXCELLENCE AND DISCIPLINED CAPITAL ALLOCATION

OVERSEEN BY:
EXECUTIVE COMMITTEE; INVESTMENT COMMITTEE; OPERATIONS COMMITTEE

CHANGE IN 2022:
Decreased | No change | Increased

FURTHER INFORMATION:
Development update on pages 52-53.

7. Financing strategy

The Group could suffer an acute liquidity or solvency crisis, financial loss or financial distress as a result of a failure in the design or execution of its financing strategy.

Such an event may be caused by a number of factors including a failure to obtain debt or equity funding (for example, due to market disruption or rating downgrade); having an inappropriate debt structure (including leverage level, debt maturity, interest rate or currency exposure); poor forecasting; defaulting on loan agreements as a result of a breach of financial or other covenants; or counterparty default.

Mitigations
The Group's financing strategy is aligned with our long-term business strategy, the Medium-Term Plan and our risk appetite. Our Treasury policy defines key policy parameters and controls to support execution of the strategy.

The Group regularly reviews its changing financing requirements in light of opportunities and market conditions and maintains a good long-term relationship with a wide range of sources of finance.

Funding requirements and liquidity are closely monitored and there is substantial headroom on all our financial covenants.

Current year activity
The Group has demonstrated strong access to financial markets as seen by our funding activity (as detailed in the Financial Review), despite the uncertain economic backdrop and volatile capital markets. The Group (including its largest joint venture SELP) now has a meaningful presence in the Euro bond market as well as in the sterling bond and US Private Placement markets leaving us well positioned financially to fund activity in line with our strategy priorities. The Group continues to use fixed rate debt and relevant derivatives to mitigate against the risk of interest rates increasing both now and going forward.

LINK TO STRATEGY:
DISCIPLINED CAPITAL ALLOCATION

OVERSEEN BY:
EXECUTIVE COMMITTEE

CHANGE IN 2022:
Decreased | No change | Increased

FURTHER INFORMATION:
Financial Review on pages 58-59.

8. Legal, political and regulatory

The Group could fail to anticipate legal, political, tax or other regulatory changes, leading to a significant unforeseen financial or reputational impact.

In general, legal, regulatory and tax matters present medium- to long-term risks with a medium likelihood of causing significant harm to the Group.

Political risks could impact business confidence and conditions in the short and longer terms.

Mitigations
Legal and regulatory risks are reviewed regularly by internal specialists as well as the Executive Committee. Corporate heads of function regularly consult with external advisers, attend industry and specialist briefings, and sit on key industry bodies such as EPRA and the British Property Federation, as well as maintaining relationships with their peers.

We continue to closely monitor the taxation regulations with our advisors to ensure changes which may impact the Group or our customers are identified and addressed, in a timely fashion. The Group's tax compliance is managed by an experienced internal tax team. REIT and SIIC tax regime compliance is demonstrated at least bi-annually. Compliance with joint venture and associates shareholder agreements is managed by experienced property operations, finance and legal employees. Where necessary, comprehensive governance and compliance arrangements are in place, including specific management operating manuals.

Current year activity
The legal and regulatory environment remains dynamic. In response to the conflict in Ukraine, a series of new sanctions were introduced, including by the UK, EU and US. An internal working group was created which met regularly to monitor both the impact of the crisis on the Group and its employees, as well as to ensure that the business continues to comply with relevant sanctions laws as well as considering the legal consequences of any energy shortages. The working group took advice from its external lawyers on these matters.

In addition, we continue to monitor the divergence of UK and EU laws, including in respect of sanctions and potential privacy laws. We remain vigilant for other future changes in the legal, regulatory and political environment.

As governments continue to assess the economic impact of the pandemic, the likelihood of changes to taxation regulations increases. We have enhanced the skills and expertise of our tax team as they work closely with local internal teams and external advisors across each of our jurisdictions.

LINK TO STRATEGY:
OPERATIONAL EXCELLENCE

OVERSEEN BY:
EXECUTIVE COMMITTEE

CHANGE IN 2022:
Decreased | No change | Increased

FURTHER INFORMATION:
Our Governance Framework on page 105.

Risk management
continued

9. People and talent

The performance of the business could be impaired due to SEGRO:

- Not having the appropriate culture, organisational structure and skilled people to deliver its strategy and its strategic priorities;
- Failing to attract, motivate, retain and develop diverse talent as part of our Nurturing talent ambition; and
- Failing to prepare adequate succession plans.

Mitigations
We review talent, succession planning and key person risk at least annually with the Executive Committee and the Board. We review compensation in our largest countries annually with a third party to ensure that we have appropriate salary ranges in place. We have a variety of incentive tools that can be applied flexibly during the year to retain at risk, talented employees. We have created a people planning process with senior leaders so that we can proactively plan for resourcing and development needs.

Our ambition is to build a more sustainable business, a key feature of which is to become more inclusive and diverse, as set out in our Responsible SEGRO framework. We continue to use a programme of work which is being guided by the National Equality Standard framework and are evolving and embedding our Agile Working policy.

Current year activity
During the year, the market for talent has changed as the property cycle has shifted. The competition for talent, which was until recently very intense, has eased off as economic conditions have become more uncertain. Our focus will continue to ensure we have the right resources and skills in place in an appropriate organisational structure and platforms to support our strategic priorities, particularly in light of our future growth plans.

Our new Group HR Director has expanded the team which supports this function. We review talent, succession planning and key person risk at least annually at senior level. During the year we have created a people planning process with senior leaders so that we can proactively plan for resourcing and development needs.

SEGRO has continued to Invest in local communities and environments as part of Responsible SEGRO Framework including delivery of the Community Investment Plans (CIPs) and employment projects (for example Pathways to Property) which is managed by the Partnership Development team. We are continuing to promote our Agile Working as a part of our employment offer.

LINK TO STRATEGY:
OPERATIONAL EXCELLENCE AND EFFICIENT CAPITAL AND CORPORATE STRUCTURE

OVERSEEN BY:
EXECUTIVE COMMITTEE

CHANGE IN 2022:
NEW

FURTHER INFORMATION:
Nurturing talent section on pages 39-41.

10. Operational delivery

The Group's ability to protect its reputation, revenues and shareholder value could be damaged by operational failures such as: major customer default, supply chain failure or the structural failure of one of our assets.

This risk previously included details now in the separate People and Talent risk (discussed in the previous principal risk).

Mitigations
The Group maintains a strong focus on Operational Excellence. The Executive, Operations, and Technology Committees regularly monitor the range of risks to property management, organisational effectiveness and customer management.

We ensure our tenant base is broad and, as far as possible, has a strong covenant which we closely monitor. We undertake an annual strategic customer survey which shapes our customer engagement plans.

We maintain adequate insurances across the Group.

Specialist employees, under the oversight of our Technology Committee, continue to ensure the resilience and security of our technology using controls, training, testing and audits. We maintain suitable processes and controls in respect of business continuity and IT disaster recovery.

Current year activity
During the period we continue to have enhanced engagement with our customers in light of the volatile economic conditions and have continued to consider customer concentration risks.

We work closely with our supply chain and have undertaken a review of key suppliers to ensure suitable alternatives are in place should one fail. Critical suppliers include those contractors and, by association their sub-contractors (detailed more fully in the Development Plan and Execution risk) and IT suppliers. Furthermore, we continue to ensure our suppliers are paid promptly.

LINK TO STRATEGY:
OPERATIONAL EXCELLENCE

OVERSEEN BY:
EXECUTIVE COMMITTEE; TECHNOLOGY COMMITTEE; OPERATIONS COMMITTEE

CHANGE IN 2022:
Decreased | No change | Increased

FURTHER INFORMATION:
Our Business Model on pages 24-30, Technology section on page 29 and Asset Management Update on pages 50-51.

Viability Statement

Confirmation of viability

The Directors have considered the Group's prospects, including reference to the Group's principal risks, to form the basis of our assessment of short-term and longer-term viability. The process for conducting the assessment is the responsibility of the Chief Financial Officer and is overseen by the Audit Committee.

The Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and has adequate resources to meet its liabilities as they fall due over the next five years.

The assessment of viability is split into short-term and longer-term time horizons.

Short-term assessment

The short-term assessment included consideration of our going concern assessment and a review of key controls around liquidity management.

Management regularly review the Group's liquidity position and operating results. In addition, key treasury metrics including financial covenants are reviewed by the Executive Committee on a quarterly basis.

Longer-term assessment

The period assessed for the longer term is the same five-year time horizon as covered by the Group's annual rolling five-year strategic financial plan. This is considered to be the optimum balance between our need to plan for the long term and the progressively unreliable nature of forecasting in later years, particularly given the historically cyclical nature of the property industry.

The strategic financial plan comprises a five-year Medium-Term Plan (MTP) and an Asset Plan, within the context of macroeconomic and property market outlooks provided by external advisers and SEGRO expertise.

The central corporate team and each of the Business Units provide a forecast for revenue and costs for the business for the MTP and for total returns from each asset for the Asset Plan. They also provide forecasts on potential development activity from the existing land bank and their expectations of acquisitions and disposals.

This process generates a five-year forecast for capital expenditure and associated funding requirements, net income, net asset values and cash flows. The Directors confirm that they have no reason to expect a step-change in the Group's viability immediately following the five-year period assessed.

In addition to the robust ongoing assessment and management of the risks facing the Group, as already set out in this section, the Group has stress tested the MTP. The stress tests consider the risks that could either individually, or in aggregate, threaten the viability of the Group, represented by the breach of key financial ratios and covenants. The risks are based on an individual event or combination of events occurring, using historic data (for example the acute property valuation decline in 2007–2009) and forward-looking probability analysis where available.

The following scenarios were applied cumulatively to the MTP in 2022:

- **Zero market rental (ERV) growth throughout the period:** the main impacts are lower asset values and adjusted NAV throughout the period, with earnings growth reduced in later years due to fewer completions.
- **A scenario where, in addition to the previous scenario, occupier demand for new space slows, manifested in reduced take-up of standing assets and development levels:** the main impacts are reduced earnings growth throughout the period (primarily from fewer development completions), while gearing levels benefit from lower capital expenditure.
- **A scenario where, in addition to the two previous scenarios, capital value decline, manifested through a 100bp increase in yields:** the main impacts are lower asset values throughout the period, causing leverage to rise.

None of the scenarios caused financial covenants to be breached during the period, with gearing remaining comfortably below 160 per cent and interest cover well above 1.25 times.

In addition to the scenarios above, we undertook reverse stress testing based on the MTP and the business position at the end of 2022.

- Property valuations would need to fall by around 48 per cent from their 31 December 2022 values to reach the gearing covenant threshold of 160 per cent.
- Net property rental income would need to fall by around 71 per cent from 2022 levels to reach the interest cover covenant threshold of 1.25 times.
- A rise of at least five percentage points in the Group's average interest rates towards the middle of the MTP period would have to occur to cause an interest cover covenant breach, assuming current levels of fixed rate interest and protection from interest rate caps.

Outside the MTP, the following viability risks were also considered:

- **A 10 per cent movement in foreign exchange rates:** due to long-term hedging arrangements in place, foreign exchange movements are not considered a material risk to the Group's viability.
- **An inability to refinance maturing debt:** the nearest material refinancing requirement is in 2025 (SELP) and 2026 (SEGRO), so the risk to the Group's viability is towards the middle and end of the period. We tend to refinance long-term debt around 12 months in advance of maturities and, should relationship bank lending, equity and bond markets be unavailable, options to raise liquidity include reductions in capital expenditure and increased asset disposals.
- **A sustained interruption to the Group's business continuity:** a qualitative assessment of SEGRO's ability to operate with compromised workspace and IT structure is carried out each year, with regular live scenario tests undertaken by key members of staff with the help of external advisers to ensure responses are rehearsed and mitigations are in place. No material threat to SEGRO's viability was identified.
- **Climate-related threats to the portfolio:** working with the Savills Sustainability team, we conducted a climate resilience study to assess the acute and chronic physical risks to our portfolio spanning a period from current day to 2100. Heat and drought stress present as the most significant emerging chronic risks but assets at risk represent only between 2 and 3 per cent of the portfolio rental value. Therefore, we do not consider such risks to be a threat to the viability of the Group. Further information can be found on pages 80 and 81.

The scenarios set out are hypothetical and severe for the purpose of creating outcomes which have the ability to threaten the viability of the Group. We also note that, in the event of a severe threat to liquidity, various options are available to the Group to maintain viability. These options include reduction of any non-committed capital expenditure and acquisitions, selling assets, or reducing cash dividends (including the use of scrip dividends).

We are optimistic about the longer-term prospects of our business based on our prime, sustainable portfolio, high levels of occupancy let to a diverse range of customers on long average lease lengths, backed by strong balance sheet with long debt maturity and no near-term refinancing requirements. These are supported by the long-term trends in the warehouse and industrial real estate sector of greater e-commerce penetration of retail sales, supply chain reconfiguration and increasing urbanisation across Europe (see Market Drivers on pages 16 and 17 for more information).

Section 172 statement

Companies Act 2006 (s172)

Each of the Directors is mindful of their duties under s172 to run the Company for the benefit of its shareholders, and in doing so, to take into account the long-term impact of any decisions on stakeholder relationships and the impact of the Company's activities on the environment whilst maintaining its reputation for high standards of business conduct at all times.

The Company cannot operate in a vacuum. We can only succeed if we conduct ourselves in a responsible manner and have positive relationships with all of our stakeholders.

Who are our stakeholders and how are they relevant to our strategy?
The Board has identified the Company's key stakeholders as those who we have an impact on – employees, suppliers, communities – and those who have an impact on us – customers and investors.

Without any of these key stakeholders, we simply would not have a business:

- our people deliver our strategy, nothing would happen without their hard work and dedication;
- our suppliers provide us with everything we need to offer buildings and services to our customers and to keep the Company running efficiently;
- our relationship with our local communities means that we are good neighbours and support each other. We need the support of local communities to gain approvals for our developments. We deliver long-term economic and social benefits in the communities where we operate;
- our investors rely on us to invest their money wisely, to grow the business and deliver good returns; and
- our customers are at the heart of our business purpose. The space we provide enables them to deliver an extraordinary range of goods and services to their customers.

Underpinning these stakeholder relationships is a culture which promotes high standards of business ethics, is focused on a long-term sustainable strategy and which recognises our responsibilities to the environment.

How does the Board engage with stakeholders?
There are many engagement mechanisms with these stakeholders within the business, as well as at Board level. The Directors engage directly with as many stakeholders as they can but given the number of stakeholders, who are spread across multiple geographies, engagement often takes place at the operational level.

We explain how the business engages with our stakeholders throughout the Annual Report, the page references are included on this page, while in the Governance section on pages 97 to 103 we explain the Board's involvement.

Where else you can read about stakeholder engagement and our approach to s172

Employees	Chief Executive's statement Our business model Nurturing talent Governance Remuneration	11-13 27-31 39 98-99 136
Customers	Who we create space for Our business model Governance	5 26 100
Suppliers	Our business model Governance	28 102
Investors	Our business model Governance	30 102-103
Environment	Responsible SEGRO	33-38
High standards of conduct	Health and safety Business conduct and ethics Governance	31 41 103
Community	Our business model Responsible SEGRO Governance	30 44-46 101
Long-term	Our strategy Our business model Risk management Viability statement Governance – Strategy Day	18-19 24-25 64-67 75 94

Non-financial information and sustainability statement

This table signposts related non-financial information in this report and further reading on our website.

Reporting requirement	Policies	Website (www.SEGRO.com)	Reference in 2022 Annual Report	
1. Environmental matters		Responsible SEGRO	Championing low-carbon growth	35-38
2. Employees	Code of Business Conduct and Ethics	About – Policies	Suppliers Governance	28 103
	Human Rights Policy	About – Policies		
	Our Purpose & Values	Our Purpose – Our Values	What drives performance Nurturing talent Governance	6 39 95
	Diversity & Inclusion Policy	About – Policies		
	Group Health & Safety Policy	About – Policies	Health and Safety	31
3. Human rights	Human Rights Policy Modern Slavery and Human Trafficking Statement	About – Policies About – Slavery and Human Trafficking	Suppliers Directors Report	28 148
	Anti-Slavery and Human Trafficking Policy	About – Slavery and Human Trafficking		
	Modern Slavery and Labour Standards Supplier Code	About – Slavery and Human Trafficking		
4. Social	Modern Slavery and Labour Standards Supplier Code	About – Slavery and Human Trafficking	Suppliers Directors' Report	28 148
	Human Rights Policy	About – Policies		
	Group Health & Safety Policy	About – Policies	Health and Safety	31
	Supplier Code of Conduct	About – Policies	Suppliers	28
5. Anti-corruption and anti-bribery	Code of Business Conduct and Ethics	About – Policies	Nurturing talent Governance	41 103
6. Business model		About – Our Business	Our business model	34
7. Principal risks and uncertainties			Effective Risk Management	64-74
8. Non-financial key performance indicators		Investors – Investment Case – Non Financial Key Performance Indicators	Key Performance Indicators	22-23

Streamlined energy and carbon reporting

We are proud of the part that our buildings play in supporting our customers to achieve efficiencies and carbon reductions throughout their supply chain, and this is reflected in SEGRO's comprehensive approach to carbon management. SEGRO's Scope 1 and 2 emissions (our 'corporate' emissions) account for less than 1 per cent of our total (Scopes 1 to 3) carbon emissions. Customer energy use in our buildings accounts for 41 per cent of total emissions and the carbon emissions related to the construction of new buildings (known as 'embodied carbon') represent a further 41 per cent. This is why SEGRO's two key carbon reduction metrics are our corporate and customer emissions and our embodied carbon intensity, and why our performance on these two metrics is incorporated into the annual bonus of all SEGRO employees.

We have made good progress on both measures. We have delivered a 3 per cent absolute reduction in our corporate and customer emissions in 2022, despite growing the portfolio area by almost 4 per cent, which means we are a full year ahead of plan on our progress towards our science-based target. This reflects our regional teams' efforts to support and work with our customers to deliver carbon reductions. More of our customers are sharing their energy data with us than ever before, meaning we have actual data covering 68 per cent of our floor area (2021: 54 per cent) improving the accuracy of our emissions figures.

We are also ahead of our target to reduce the embodied carbon intensity of our developments, which has improved by 10 per cent this year to 353 $kgCO_2e$ per sq m of new development (2021: 391 $kgCO_2e$). Our development teams and contractors have applied innovative approaches to materials and design to reduce the carbon intensity of our buildings across their full life cycle. We estimate that this reduction in intensity has avoided over 30,000 tonnes of embodied carbon emissions from our 2022 developments when compared with the carbon intensity of our 2021 projects.

Streamlined energy and carbon reporting (SECR)

The SECR legislation only covers our corporate energy use which accounts for less than 1 per cent of SEGRO's total emissions. For our full Scopes 1 to 3 carbon footprint, and all of the metrics we are tracking on our path to net-zero carbon – please see our Responsible SEGRO Report and Data Pack.

In line with best practice, we report both a 'market-based' and 'location-based' figure for emissions from electricity consumption. The market-based approach accounts for SEGRO's investment into low-carbon energy tariffs, whereas the 'location-based' approach uses national grid averages (see the notes to the table below for more on location/market). We are pleased that our continuing expansion of renewable electricity tariffs across our portfolio has resulted in a 23 per cent reduction in our market-based carbon intensity to 2.3 $kgCO_2e$ per sq m of SEGRO-responsible floor area, as can be seen in the table below.

SLR Consulting provide limited independent assurance to ASAE3000.

For more details of the independent assurance see
segro.com/responsible-segro/reports-downloads

Global SECR-relevant GHG emissions in metric tonnes CO_2e

Emissions from:	2021	2021 – UK	2021 – EU	2022	2022 – UK	2022 – EU
Scope 1 emissions – combustion of fuels	1,278	187	1,091	2,329	402	1,927
Scope 2 emissions – purchased energy (location-based)*	2,859	517	2,342	4,835	986	3,849
Scope 2 emissions – purchased energy (market-based)**	2,942	345	2,597	1,662	862	800
Scope 3 – Business Travel	84	67	18	42	40	2
Total SECR carbon emissions (location-based) tCO_2e	4,221	771	3,450	7,206	1,428	5,778
Responsible floor area sq m	1,445,334			1,759,566		
Carbon intensity ($kgCO_2e$/sq m) – location-based	2.9			4.1		
Carbon intensity ($kgCO_2e$/sq m) – market-based	3.0			2.3		
Total Energy Use (kWh)	18,316,350			22,185,460		

* The location-based approach to calculating Scope 2 emissions (emissions from electricity consumption) uses national grid average emissions factors which reflect the make-up of a country's electricity supply between fossil fuels and renewables. SECR legislation requires that a location-based figure be reported.

** The market-based approach to calculating Scope 2 emissions reflects the carbon intensity of the electricity tariffs SEGRO procure.

Reporting Methodology

The SECR figures above have been prepared in accordance with the GHG Protocol to discharge our regulatory obligation to report greenhouse gas emissions pursuant to section 7 of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Companies (Directors' Report), and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018; the latter commonly referred to as Streamlined Energy and Carbon Reporting.

We report our data using an operational control approach to define our organisational boundary and have reported emissions following both the location-based and market-based approach, using the IEA residual emission factors for any energy tariffs that are not low-carbon. We have chosen 'responsible floor area' as our intensity metric, which is all floor area with Scope 1 and 2 emissions in the reporting year. The business travel figures above cover 'grey fleet' only, which is expensed mileage for employee-owned vehicles.

'Total energy use' covers electricity, fuels (including transport fuels) and district heating converted to kWh units. Our Responsible SEGRO Report and Data Pack, and a detailed description of our methodology, can be found at segro.com/responsible-segro/reports-downloads. The 2022 greenhouse gas emissions and energy use data above are for the period 1 October 2021 to 30 September 2022 (2021: 1 October 2020 to 30 September 2021).

Climate-related financial disclosures

As a leading owner, manager and developer of industrial and warehouse assets in Europe, our sustainability and financial strength is reliant upon an effective and rigorous risk management framework. Our properties span the UK and Continental Europe and are therefore exposed to a variety of effects from a changing climate. We believe that these climate-related risks, if unmitigated, present a threat to society as well as to our business operations and financial strength over the coming decades.

We have made good progress on our strategy to reduce the carbon intensity of our business, particularly reducing the embodied carbon intensity of our development activities and increasing our solar energy generation capacity. We have made progress, albeit slower than hoped, on increasing the visibility of our Scope 3 customer emissions: in most leases, we have little or no legal right to be informed about such emissions, so progress in this area relies on adopting our "green" lease on new lettings or persuading our customers to share their energy data.

There have been no material changes to the nature of the business over the past twelve months which would require a review to our baseline metrics or future targets.

We believe this disclosure is consistent with the recommendations and recommended disclosures of the Task Force on Climate-related Financial Disclosures (TCFD), including the "Guidance for All Sectors". It sets out how SEGRO incorporates climate-related risks and opportunities into governance, strategy, risk management, metrics and targets, and how we are responding to stakeholder expectations, national regulations and sector-wide best practice. This is an area of constant evolution and we intend to continue addressing the known weaknesses in our data and improving the disclosure of our activity and performance.

Governance

Governance plays a key contributing role to the effective delivery of strategy and SEGRO has a clear governance structure with a single Board comprising an independent Chair, six independent Non-Executive Directors and three Executive Directors (as at 31 December 2022).

Board oversight of climate-related risks and opportunities

The Board is responsible for setting the strategic direction of the Company to ensure its long-term success which includes the delivery and integration of Responsible SEGRO and its targets. Specifically, the Board has oversight of climate-related performance, risks and opportunities and takes into consideration all elements of Responsible SEGRO, including climate-related risks and opportunities, when reviewing and guiding on annual budget and long-term planning matters as well as major strategic and investment decisions.

The Board has access to advice relating to climate-related risks and opportunities from internal and external bodies including the in-house Sustainability Team, CBRE which values the portfolio, Longevity Partners as environmental and energy consultants and SLR Consulting as providers of partial assurance of Group environmental data, among others.

The Chief Executive has overall responsibility for the Responsible SEGRO strategy. The Chief Operating Officer is responsible for climate-related risks and opportunities as they may relate to the portfolio.

The table below outlines the ways in which Board and Management Committees provide oversight for SEGRO's climate change-related strategy and targets. More information on the remit and activities of these committees can be found on pages 104-108.

Governance: action during 2022

- The Board received updates on Responsible SEGRO actions from members of the Responsible SEGRO Driving Group (RSDG), including progress on reducing carbon emissions, in addition to updates on specific projects;
- The Board received training from senior representatives of CBRE's Sustainability and Valuation teams focused on the changing nature of environmental regulations and disclosure requirements and the potential impacts sustainability requirements could have on asset values;
- The Board received regular updates on plans to retrofit solar photovoltaic panels on existing buildings.
- The Remuneration Committee approved the initial targets relating to the Responsible SEGRO annual bonus metrics for Executive Directors and all employees, of which half are related to reducing carbon emissions throughout the business;
- The Operations Committee considered, and the Executive Committee approved, the introduction of a new Mandatory Sustainability Policy (see Responsible SEGRO Report at www.segro.com/Responsible-SEGRO for more detail on the Policy).

Strategy

As a long-term property owner, we need to ensure that our buildings are fit for purpose for the future. One of the ways we do this is to build relatively generic buildings, suited to more than one customer. This ensures a longer lifespan for the building as well as reducing the risk of vacancy and future refurbishment costs.

The Responsible SEGRO Framework sets out how we integrate environmental and social considerations into our corporate strategy through three strategic priorities. The first strategic priority sets out our approach to reducing carbon emissions from our business activities, committing SEGRO to being net-zero carbon by 2030. This commitment includes Scope 1 and 2 emissions and the most material elements of Scope 3 emissions including Capital Goods (embodied carbon from completed developments) and Downstream Leased Assets (largely corporate emissions and those from customers occupying our buildings). In 2022, these accounted for 81 per cent of our overall emissions.

Strategy: action during 2022

SEGRO completed a number of projects to mitigate climate-related transition risks:

- We introduced mandatory "green" clauses within all new leases. These require customers to share their energy data with us and, where possible and financially viable, to use certified renewable electricity tariffs to supply their unit. Buildings for which SEGRO has responsibility for energy supply automatically adopt such tariffs;
- We introduced a new Sustainability Policy (see page 35 for details) applicable to developments and refurbishments approved from April 2022 onwards which establishes minimum requirements including for developments to be rated BREEAM 'Excellent' or better and receive an Energy Performance Certificate (EPC) rating of B-grade or better. This policy is an integral element of the strategy to improve SEGRO's sustainability performance, focusing particularly on the metrics presented in the Metrics and Targets section (pages 85 and 86);
- We invested in SEGRO's Group Sustainability Team, hiring a new Director of Sustainability and a new Sustainability Manager to drive the decarbonisation strategy element of Responsible SEGRO. The Sustainability Team reports to the Managing Director of Group Operations who, in turn, reports to the Chief Operating Officer, the Board member responsible for climate-related risks and opportunities as they pertain to our portfolio;

Climate-related financial disclosures
continued

- We enhanced our analysis of climate change risk, working with the Savills Sustainability team in conjunction with data from global reinsurer Munich Re to improve our visibility in this important area. In 2023, we intend to integrate this new, more detailed dataset and analysis within our annual asset planning exercise and the investment process.

Identification of climate-related risks and opportunities over the short, medium and long term and their impact on SEGRO's business, strategy and financial planning

Materiality analysis of physical risk

During the year, working with Savills Sustainability in conjunction with climate change physical risk and scenario data from global reinsurer Munich Re, we have carried out a new climate change physical risk study to assess the acute and chronic physical risks to our portfolio by geography, by Representative Concentration Policy (RCP) scenario and across four time horizons:

- Current: provides a baseline for acute and chronic physical risks to the portfolio;
- 2030: primarily acute risks which may need to be addressed immediately, such as River Flood;
- 2050: comfortably within the lifespan of a typical building (60 years) and allows us to assess whether an existing property requires action to mitigate or adapt to the (primarily chronic) risks;
- 2100: assessment of chronic risks to a location informing long-term investment decision making.

For this study, the physical risk from hazards under RCP 2.6 (less than 2°C warming by 2100), 4.5 (3°C warming by 2100) and RCP 8.5 (4-5°C warming by 2100) were modelled on 197 estates, covering 99 per cent of our floor area (at 100 per cent) and rental value (based on SEGRO wholly-owned properties and its share of properties in joint ventures and associates).

Governance of climate-related risks and opportunities

The Board
Oversight of climate-related strategy and performance

Audit Committee
Oversight of climate-related disclosure within the Annual Report

Nomination Committee
Considers Sustainability- and climate change-related experience of new and existing Board members

Remuneration Committee
Sets, monitors and approves compensation and targets related to Sustainability performance, including reducing Group carbon emissions

Executive Committee
Setting climate change-related strategy and targets

Operations Committee
Implementation of climate-related process and policy

Investment Committee
Ensuring capital expenditure is consistent with climate-related targets

Risk Committee
Monitoring climate change-related risks and emerging risks

Responsible SEGRO Driving Group
Monitoring of delivery of Responsible SEGRO strategy

Technical Implementation Group
Focus on development policy and improvement

Operational Implementation Group
Focus on policy and improvement of existing assets

The level of exposure risk was judged based on the likelihood of the specific physical hazards as modelled under a range of scenarios and time periods. More detailed information on the analysis can be found on our website at www.SEGRO.com/Responsible-SEGRO.

The SEGRO portfolio has some High and Very High exposure risk to River Flood and Precipitation Stress under the current baseline and three future scenarios. However, changes between the current baseline and future time periods under the three scenarios are relatively limited. The lack of incidents and insurance claims related to such events across the portfolio suggests a resilience to current baseline hazards.

Heat and Drought Stress present as the most significant emerging chronic climate-related hazards across all three RCP scenarios, although assets exposed represent only between 2 and 3 per cent of rental value. In terms of change from current baselines, both of these hazards show potentially significant percentage increases indicating that asset adaptive measures likely to become more important in this area. The absolute exposure risk to Drought Stress and Heat Stress is primarily concentrated in SEGRO's Southern European portfolio, specifically our assets in Italy, Spain and southern France.

Climate change physical exposure risk at asset level based on RCP 8.5 and RCP 2.6 by 2050

Hazard	Metric	Scenario (RCP, Year)	Floorspace (at 100%)	ERV (at share)	Markets most affected
River Flood	1 in 100-year return period >0	8.5, 2050 (Undefended)	5%	5%	Asset-specific, including London Airports, inland port assets (Hamburg, Gennevilliers), Netherlands
Precipitation Stress	'High' and 'Very High' Risk	8.5, 2050	5%	2%	Northern Italy assets
		2.6, 2050	5%	2%	Northern Italy assets
Drought Stress	'High' and 'Very High' Risk	8.5, 2050	2%	2%	Primarily assets in Spain with modest exposure in Northern Italy
		2.6, 2050	1%	0%	Primarily assets in Spain
Heat Stress	'High' and 'Very High' Risk	8.5, 2050	7%	3%	Southern France, Northern Italy and Spain
		2.6, 2050	5%	2%	Southern France, Northern Italy and Spain

The table above shows the modelled climate change physical exposure risk metrics and outcomes based on percentage of floor area and rental value at risk based on the worst-case scenario (RCP 8.5, 2050) and the best-case scenario (RCP 2.6, 2050). Note that River Flood as a hazard was not modelled under RCP 2.6.

The assessment report and data above do not consider any asset specific development or refurbishment mitigation cycles. As part of our sustainable development objectives, assessments are carried out prior to development and adaptation measures, including but not limited to those listed below, are carried out accordingly.

Materiality analysis of transition risk

We work with our stakeholders (primarily our customers, suppliers and investors) and advisers (primarily our valuers and environmental consultants) to monitor, assess and prioritise emerging climate change transition risks. We judge materiality with reference to two main risks: the environmental and reputational risk of failing to meet our carbon emission reduction targets and the financial risk of building redundancy or being unable legally to lease our buildings.

Risk	Adaptation Techniques
Drought Stress and Heat Stress (see R1 below)	– Rainwater harvesting systems for internal building use and landscaping – Water efficient fixtures in line with BREEAM – Thermal modelling undertaken and orientation/window positioning of the building reviewed – Onsite renewable energy generation installed to manage additional cooling requirements – External planting to provide shade, brise soleil, louvres, window tinting
River Flood and Precipitation Stress (see R2 below)	– Flood risk assessment to be carried out on development or retrospectively – Sustainable urban drainage systems – Retention schemes – ponds/basins

We believe that there are three main climate change transition risks with the potential to impact the Group financially:

- **Environmental legislation:** legislation surrounding the sustainability performance of commercial and non-commercial real estate is likely to tighten in future as governments pursue their commitments under the Paris Agreement. We expect this to take the form of regulations but also increasingly some form of carbon tax to encourage the use of lower carbon materials and processes. The primary financial risk relates to our ability to rent out our buildings if they fall below emerging environmental legislation. This drives our determination to improve the energy performance of our portfolio both in new development and through refurbishment, measured primarily by increasing the floorspace rated B or better by Energy Performance Certificates.
- **Customer behaviours and preferences:** our customers, particularly our largest, international customers, increasingly expect their premises to display high levels of energy efficiency. Energy efficiency not only reduces the operating costs of the building but also helps them with their own environmental and carbon reduction targets. The primary financial risk relates to the appeal of our buildings to customers if they are below acceptable levels of energy efficiency and wider environmental sustainability. We are addressing this risk through improving the EPC ratings of our portfolio, increasing the amount of on-site renewable energy generation, and improving the sustainability credentials of our developments.
- **Access to capital:** investors are increasingly discriminating between investment opportunities based on sustainability credentials. The primary financial risk relates to reduced availability and higher cost of capital for companies which do not show strong performance and/or progress in this area. Under our Green Finance Framework, we have issued €2.9 billion of Green 'Use of Proceeds' bonds in SEGRO and SELP since 2021.

Applying the analysis to strategic planning

In terms of decision making, we consider climate-related issues within the following time horizons:

- Short term: up to 12 months, in line with the budget setting carried out annually in the autumn;
- Medium term: up to 5 years, in line with the Medium-Term Planning carried out annually in the autumn;
- Long term: up to 10 years, in line with capital investment appraisal cash flows. We assume a 60-year life span for our newly-developed properties.

We are working on a financial impact assessment of the physical climate-related risks and opportunities. Given the relatively small element of the portfolio exposed to the physical risks, and the fact that our Southern European portfolio contains some of our newest buildings, we believe the overall financial risk to be immaterial and longer term. However, as part of our active asset management and based on the scenario analysis work above, we expect to improve our visibility of the asset-level risks and opportunities and their associated financial implications. We recognise that this is an area for improvement within our climate-related financial disclosure.

Climate-related financial disclosures
continued

Climate-related risks

	Risk	Risk Horizon	Corporate Strategy	Financial Planning
R1	**Chronic physical risk** Rising temperatures (including extreme heat events)	**Medium-term risks:** – Higher operating costs for customers and SEGRO from increased cooling demand – Greater investment in cooling measures inside and outside buildings – Reduced wellbeing and productivity of workforce	Mitigations integrated into developments and refurbishments in properties in high-risk geographies, including water conservation through recycling of rain water and measures to reflect heat and improve shading externally.	Measures incorporated into financial appraisals of developments and refurbishments.
R2	**Acute physical risk** Flood and precipitation	**Short-term risks:** – Increased insurance, maintenance and repair costs from growing flood risk – Increased investment in drainage solutions and flood defences – Negative impact on asset valuations	All new investments (both acquisitions and developments) incorporate flood risk assessments. Measures taken to mitigate flood risk include rainwater recycling and landscaping to minimise run-off, and balancing pools to cater for run-off from hard-standing areas.	Measures incorporated into financial appraisals of acquisitions, refurbishments and developments. Valuers review assets for short-term physical risks as part of twice-yearly appraisals.
R3	**Policy & legal transition risk** Environmental legislation	**Medium-term risks:** In the UK, the MEES (Minimum Energy Efficiency Standard) regulations require buildings to achieve a certain standard of energy performance for them to be leased. At a high level, by 2030, properties will need to achieve a minimum Energy Performance Certificate rating of 'B' before they can be leased. Similar legislation is emerging across a number of our other markets. The aim of our corporate strategy is to be compliant with such legislation well in advance of the deadlines.	Properties which are un-rated or have an EPC below B are expected to be upgraded when they become vacant (approximately 60 per cent of such buildings in the UK are expected to be vacated by 2030).	Capex associated with refurbishment, including improving energy efficiency, is factored into short-term budgets and the five-year Medium-Term Plan. The estimated cost to upgrade the UK estate to EPC rating 'B' or better is approximately £82 million by 2030, much of which will be absorbed within normal course refurbishment capex. The figure has increased primarily due to higher material and labour costs of refurbishment, partly offset by work carried out during 2022 to improve low-grade EPC premises to at least B-grade.
R4	**Market transition risk** Customer behaviours	**Short- and medium-term risks:** Customers expect to operate their properties efficiently. There is growing evidence of rental discount associated with buildings which display poor sustainability credentials.	New developments and refurbishments incorporate sustainability technologies suited to their use and location, including (but not limited to) solar panels (for customer use), electric vehicle charging facilities, low-carbon heating and initiatives to promote local biodiversity and worker wellbeing.	Capex associated with refurbishment, including improving energy efficiency, is factored into short-term budgets and the five-year Medium-Term Plan.
R5	**Reputation transition risk** Access to capital	The Sustainable Finance Disclosure Regulation (SFDR) imposes mandatory ESG disclosure obligations for asset managers and other financial markets participants.	We have established a Green Finance Framework which complies with International Capital Market Association and the Loan Market Association principles. The Framework sets out the investment criteria for deploying and allocating the proceeds of green finance instruments, including in energy efficient and low-carbon buildings.	When a decision is made to raise capital, consideration is given to whether the issue should fall under the Green Finance Framework (e.g. a Green Bond).

Climate-related opportunities

	Opportunity	Risk Horizon	Corporate Strategy	Financial Planning
O1	**Energy & fuel** Onsite renewable energy generation	**Short- and medium-term opportunity:** revenue and zero-emission energy potential from installing PV panels on building roofs.	PV panels are installed on roofs where feasible and all new developments are constructed with roofs to support PV panels if a full array is not installed during construction. Energy saving from solar PV is an important element in creating net-zero carbon buildings on a full life basis.	The costs of solar panels are incorporated in new development and refurbishment capex. We estimate at least an average 4 per cent yield on cost for solar across our portfolio, with higher yields in Southern European countries. Revenues and cost savings, which are currently a small proportion of overall revenues, are split between being incorporated into rents and separately identified.
O2	**Adaptation & mitigation** Landscaping	**Medium- and long-term opportunity:** nature-based carbon capture and storage.	We are reviewing more strategic use of estate landscaping to plant additional trees and shrubs to act as long-term carbon capture while also improving the local environment for the benefit of our customers and communities.	The cost of landscaping is incorporated within development and refurbishment capex and is immaterial compared to overall spend.
O3	**Market & transition** Customer behaviour	**Short- and medium-term opportunity:** installation of electric vehicle (EV) charging infrastructure.	All new developments require installation of EV chargers in at least 20 per cent of parking spaces.	The cost of EV chargers sufficient to comply with the SEGRO Sustainability Policy is factored into all development and refurbishment appraisals.

Climate-related financial disclosures
continued

Risk management
Climate-related risks are identified and assessed using our risk management framework set out on page 64. Principal risks are defined as those which could intolerably exceed our risk appetite, considering both inherent and residual impact, and cause material harm to the Group.

Engagement with stakeholders
We engage with our stakeholders throughout the year on many different topics, although the subjects of climate change and the need to reduce corporate and customer GHG emissions have featured more prominently over the past year. More detail on our stakeholder engagement, including on climate-related matters, can be found on pages 97 to 102.

Identifying and assessing climate-related risks
Although climate change presents opportunities as well as risks for SEGRO, Climate Change is identified as a Principal Risk within Environmental Sustainability and Climate Change on the Risk Register. Climate-related risks are also considered within other principal risks including Political and Regulatory, Development plan execution and Major event/Business disruption.

For each risk, our Risk Register tracks:

- Description of the risk and the potential effects;
- Identifies the Executive Director with overall ownership and the Risk Manager responsible for monitoring and managing the risk;
- An annual probability and potential impact, to enable prioritisation;
- Mitigations in place as well as the owner of each mitigating action.

At the current time and based on asset-level scenario analysis, no material capital expenditure has been identified beyond normal course development and refurbishment costs associated with mitigating assets in high-risk locations against climate change-related risks. Such risks, and related capital expenditure, are considered as part of the annual asset planning process associated with the five-year Medium-Term Plan.

Managing and mitigating climate-related risks
Our process for recognising, monitoring and mitigating Principal Risks, including climate-related risks, is set out on page 64 of the Annual Report. The Board has overall responsibility for ensuring that risk is effectively and consistently managed across the Group.

The Audit Committee monitors the effectiveness of the Group's risk management process on behalf of the Board. In every year, the Audit Committee twice reviews the process of how the Group Risk Register has been compiled and the Board twice reviews the principal and emerging risks. The Board also reviews and approves the Group's risk appetite at least once every year.

In its Responsible SEGRO Framework, SEGRO has committed itself to becoming net-zero carbon by 2030, with minimum science-based targets for reducing Scope 1, 2 and 3 emissions (including corporate and customer emissions) to ensure compliance with a less than 1.5°C increase in global temperatures by 2050. A key risk surrounding these targets is that we cannot be certain to achieve them given the lack of visibility and control relating to customers' energy use in our buildings and the embodied carbon emissions in developments.

The Metrics and Targets section below provides details on how we monitor these risks and our progress over the past year.

Risk management: action during 2022
We have established the Mandatory Sustainability Policy and set internal targets associated with not only reducing emissions but also working with our customers and supply chain to achieve greater visibility of those emissions. These targets are integrated within a Responsible SEGRO element of the bonus metrics throughout the organisation.

- Materiality: we have refreshed our materiality assessment to ensure that our strategy is focusing on areas most relevant to our stakeholders;
- Customer engagement: We continually engage with our customers and have undertaken pilot studies of motion-sensor technology in a number of buildings to provide data on how to improve energy efficiency. In 2021, we worked with our customers on a pilot project to retrofit solar panels to a number of existing buildings to provide them with on-site renewable energy; in 2022, we commenced 15 projects and completed the first, installing 5.6 MW of solar capacity to a warehouse in the Netherlands representing an investment of £3.9 million;
- Supplier engagement: Our development contractors are a crucial element of our supply chain. As set out in our Supplier Code of Conduct, we work with our contractors to support our target to be net-zero carbon by 2030, in particular by finding and utilising innovative, low carbon materials and techniques to reduce the embodied carbon within our developments, and to embed sustainability in our developments from the design phase, taking a full life cycle approach;
- Supplier engagement: We have provided additional information to our valuers, CBRE, to ensure that the energy efficiency of our buildings is fully taken into account in the biannual valuation process. In addition to the climate change analysis, this should allow us to identify better areas of risk within our portfolio and opportunities to mitigate or eliminate the risk;
- Investor engagement: We launched further Green Bonds during the year in SEGRO and SELP, as part of which we conducted roadshows with investors. We have also reported the allocation of the proceeds of the Green Bonds launched in 2021;
- Employee engagement: Every employee update is based around the three pillars of Responsible SEGRO, including the elements relating to environmental sustainability, incorporating case studies and progress reports on how we are reducing our carbon emissions.

Metrics and targets
To enable our stakeholders to consider and compare our reporting, we contribute to a number of externally-recognised initiatives including GRESB, CDP, DJSI Sustainability Index and the FTSE4Good Index. We also disclose metrics in line with externally-recognised frameworks including Sustainability Accounting Standards Board (SASB), Global Reporting Initiative (GRI) and the EPRA Best Practices Recommendations on Sustainability Reporting.

In order to ensure that we also report on those issues that we can have a direct impact upon, we use our materiality assessment to identify the key metrics that are material to the business. Below are the climate-related metrics and targets which we monitor. Those in **bold** are incorporated into the Responsible SEGRO elements of the annual bonus of all employees.

There are no metrics specifically mapped to Risk 2 (flood) or Opportunity 2 (biodiversity), although Risks 1 and 2 are addressed in the Scenario analysis on pages 80 to 81. We are monitoring and addressing the asset-level risks and opportunities but there is not yet a meaningful, measurable metric for these areas.

Financial	Climate-Related	Metric	2022	2021	Narrative	Associated risk or opportunity
Assets	Policy and Legal	Corporate and customer carbon intensity of the portfolio (based on the CO_2e emissions of the portfolio for which we have visibility of the data), in $kgCO_2e$ per square metre of AUM	22.5kg	27.9kg	Reflects higher visibility of our corporate and customer emissions as well as the improving energy efficiency of our buildings and increased on-site renewable energy capacity.	R3, R4, O1
		EPCs rated B or better (based on floorspace AUM)	58%	55%	Increase due to completions of energy efficient developments and refurbishment offset by disposals of recently developed buildings.	R3, R4
		EPCs rated below E (based on floorspace AUM)	2%	1%	New acquisitions are often un-rated or of low quality.	R3
		Portfolio with high environmental certification (BREEAM Very Good or better (or equivalent)) based on floorspace AUM	46%	42%	Increase due to completions of high-quality developments, offset by disposals of recently developed buildings.	R4, R5, O1
Assets	Risk Adaptation and Mitigation	Portfolio with high environmental certification (BREEAM Very Good or better (or equivalent) and/or EPC certificate of B or better (percentage of value at share) ('Green portfolio')	£8.2 billion (55%)	£8.3 billion (50%)	Comprising wholly-owned assets of £6.2 billion (2021: £6.3 billion) and assets held in joint ventures of £2.0 billion at share (2021: £2.0 billion).	R5
Liabilities	Risk Adaptation and Mitigation	Green Finance Instruments as a percentage of Green Portfolio (including joint venture assets and debt at share)	24%	8%	Green Finance Instruments should not exceed the total value of the Green Portfolio. SEGRO issued €1.15 billion and SELP issued €750 million of Green Bonds under the Green Finance Framework during the year.	R5
Expenditures	GHG Emissions	**Visibility of customer emissions** Percentage of portfolio space (sq m of AUM) for which we have energy data **2023 interim target:** 73% (minimum)	68%	54%	Many customers are not obliged to disclose energy use data to us. Without it, however, we cannot accurately measure our corporate and customer emissions (approximately 40 per cent of our total Scope 1-3 emissions). Downstream Leased Assets GHG emissions. The increase during 2022 reflects negotiation with customers across our portfolio.	R1, R3, R4
		Corporate and customer emissions (Scope 1, 2 and 3 – Downstream Leased Assets) Tonnes CO_2-equivalent emissions (science-based target) **2020 baseline:** 312,115 tonnes **2030 target:** 181,027 tonnes (-42% vs baseline) **2023 interim target:** 272,789 tonnes (-13% vs baseline) (minimum)	272,218	280,575	Incorporates Scope 1, 2 (market-based) and 3 (Downstream Leased Assets) emissions from the portfolio. This reduction was largely due to having greater visibility of the energy use and of the type of energy (renewable) sourced by our customers.	R3, R4, R5, O1, O3

Climate-related financial disclosures
continued

Financial	Climate-Related	Metric	2022	2021	Narrative	Associated risk or opportunity
		Embodied carbon intensity (based on Scope 3 Capital Goods) $kgCO_2e$ per sq m of completed space (science-based target) **2020 baseline:** 400 $kgCO_2e$ per sq m **2030 target:** 320 $kgCO_2e$ per sq m (-20% vs baseline) **2023 interim target:** 376 $kgCO_2e$ per sq m (-6% vs baseline)	353	391	Based on completed developments for which we have Life Cycle Assessments (LCAs). To accommodate delayed receipt of LCAs we have adopted a two-year rolling average to assess embodied carbon intensity. This figure incorporates the results from 826,000 sq m of space completed in 2021 and 2022. As we transition more of our LCAs to more accurate Building Information Modelling (BIM) assessments, our embodied carbon intensity may rise as BIM provides more detailed analysis of materials and processes used in construction.	R3, R4
		Internal carbon price (£ per tonne)	£100	£100	A carbon price is applied to capex relating to environmental improvements, particularly when considering the returns from retrofitting solar PV to existing assets.	R3, R4, O1
Revenues	Energy/Fuel	Onsite solar power capacity (based on AUM)	44 MW	35 MW	9 MW capacity added during the calendar year (2021: 9 MW) as part of new development completions and retrofitting PV panels to existing buildings.	R3, R4, O1
		Percentage of visible customer energy use from certified renewable sources	49%	53%	Based on the portfolio for which we have visibility. Where we have not been provided with the source of energy, we assume a non-renewable tariff. This figure will fluctuate as we increase the visibility of our customers' energy use. We are working with our customers to improve this metric through increased use of certified renewable energy tariffs and renewable energy generated on-site.	R3, O1
		Revenue from sale of on-site renewable energy to customers or to national grids (£m)	£2m	£2m	Revenue from SEGRO-owned PV panels. This metric reflects cases where SEGRO sells the energy to the occupier or feeds surplus energy into the national grid and includes local or national subsidies. In other cases, PV-generated energy is provided to customers as part of their rent. This revenue is not recorded here as it is not possible to disaggregate it from underlying rent.	O1

Governance Report

In this section:
We provide an overview of our corporate governance structure, policies and practices as well as the key activities undertaken by the Board and its Committees in ensuring effective leadership, oversight and application of best practice principles at SEGRO.

2018 UK Corporate Governance Code (the Code)
The Code is the key governance guidance to which we referred during the financial year to 31 December 2022, and can be found at www.frc.org.uk.

The Board considers that, throughout the year, it has applied the Principles and complied with the Provisions of the Code in all respects except for Provision 38 which requires that pension contribution rates for Executive Directors, or payments in lieu, are aligned with those available to the workforce. As outlined in the Directors' Remuneration Report on page 126 full compliance with this Provision was achieved from 31 December 2022.

Further details on how we comply with the Code are outlined in this Governance Report.

How our governance activities enable extraordinary things

Board leadership and Company purpose

Our Board is responsible for leading the business in the way which we believe is most likely to lead to long-term sustainable success. This includes effective engagement with our stakeholders and particularly our colleagues.

Division of responsibilities

Our Board ensures we have the right combination of Executive and Non-Executive Directors without any individual or group of individuals dominating the decision making.

Composition, succession and evaluation

Our Nomination Committee ensures that we have a balanced Board with the appropriate skills and experience to govern the business, and an effective succession plan.

Audit, risk and internal control

Our Audit Committee monitors the integrity of the Financial Statements and oversees the risk management process and internal control environment.

Remuneration

Our Remuneration Committee determines the Remuneration Policy which aims to incentivise strong performance whilst avoiding excessive risk taking. The Committee oversees the Policy implementation and is mindful of the pay framework across the business.

New Chair
Read about Andy Harrison's induction as Chair of the Board.

Page 115

Chair's Q&A

Scan here to see video.

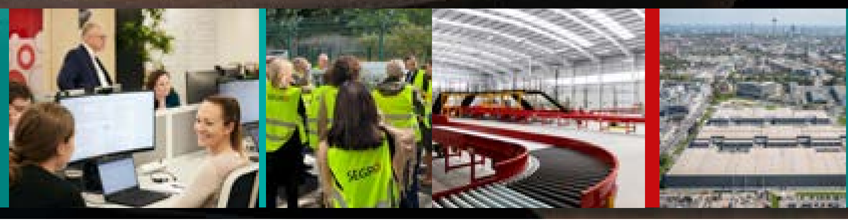
Making governance part of performance

To ensure we are able to consistently deliver the extraordinary, we have a strong governance framework which sets us up for long-term success.

Andy Harrison covers the following topics:

- First impressions on joining the business
- SEGRO's strong culture
- Adapting to a different macroeconomic environment in 2022
- Priorities for 2023

To find out more about SEGRO visit www.segro.com



Chair’s introduction to governance

We have a clear strategy, we have an outstanding portfolio of assets, and I have met many really good people who are passionate about the business.

Andy Harrison
Chair

Dear shareholder,

I am pleased to present my first Governance Report for SEGRO, since I joined the Board last April and became Chair in July 2022.

Throughout my induction programme I have been immensely impressed with the quality of SEGRO; the quality of our people, our culture, our Leadership team and the unique portfolio which has been built over so many decades.

Governance and the delivery of strategy

2022 was another busy year for the Company with the rapidly changing macroeconomic environment and market trends at the forefront of our Board discussions.

We had to remain attuned to a number of external factors, not least the volatility in the investment markets which saw property valuations impacted by higher inflation and interest rates with the resulting increase in the cost of capital. The Board has discussed the consequent effects on our business and stakeholders and adjusted our decision making to protect our short- and long-term interests.

During our annual Strategy Day, which you can read about on page 94, we took time away from the day-to-day to hear thoughts from external experts to add further perspectives to our decision making.

SEGRO’s well-proven strategy, which was designed with the long-term success of the business in mind, alongside our strong governance framework and resilient portfolio of high-quality, sustainable assets in prime locations stood us in good stead as we navigated the year and, despite external uncertainties, delivered a strong set of operational results.

Our stakeholders

As always, the Board is mindful of the interests of our stakeholders. You can find our section 172 statement on page 76 of the Strategic Report and, on pages 97 to 103 of the Governance Report, we explain how the Board has continued to engage with our five key stakeholder groups and how this engagement has impacted our decision making.

Environmental, Social and Governance (ESG)

We also recognise the importance that our stakeholders place on ESG, and our commitment to be a force for good in society and for the environment is fundamental to our Purpose and strategy. This commitment is led by our Board and lived by our SEGRO colleagues every day.

Our Responsible SEGRO framework sits at the core of our strategy and underpins everything we do. We receive regular updates from around the business on the tangible progress against our Responsible SEGRO ambitions and were pleased to note the headway made during 2022.

In December, we invited CBRE to share their knowledge on climate change and sustainability with the aim of ensuring that we remain fully informed on the changing nature of environmental regulations and disclosure requirements, and understand the potential impacts sustainability requirements could have on asset values.

Annual General Meeting (AGM)

The 2022 AGM was held in person for the first time since 2019 and we were delighted to be able to welcome shareholders back to the meeting. This year’s AGM will take place on Thursday 20 April 2023 and further information can be found on page 103 and in the Notice of Meeting. We hope that we can count on shareholders’ support for the proposed resolutions.

Our strategy
Page 18

Responsible SEGRO
Page 33

Chair's introduction to governance
continued

Board changes and succession planning
A number of new appointments, including my own, were reported in last year's Annual Report. The Nomination Committee's forward-thinking approach to succession planning has ensured that we have the right mix of skills, experience and diversity on the Board. No further Board appointments were made in 2022.

Gerald Corbett retired from the Board in June after six years' service as Chair. I would like to thank him on behalf of the Board for his valuable contribution to the Company during his tenure and for his help in facilitating a smooth transition of responsibilities.

We have proposed that all Directors stand for re-election at our Annual General Meeting in April 2023.

Further details can be found in the Nomination Committee Report on pages 111 to 115.

Internal Board Evaluation
As you will read on pages 109 and 110, we undertook an Internal Board Evaluation during the year.

It was particularly valuable for me, in my first year as Chair, to hear the reflections and feedback from my Board colleagues. I'm pleased to report that the review concluded that the Board and its Committees continue to operate effectively.

Our people
One of the things which has stood out to me during my first few months in the business is the high quality of people and the passion they have for the business. This combined with the strong, supportive culture at SEGRO is essential for continuing to deliver success in the long term.

On behalf of my fellow Board members, I would like to take this opportunity to recognise the hard work and commitment of our employees during the year and thank them for their efforts.

I would also like to congratulate Non-Executive Director Linda Yueh who was awarded a CBE in the New Year's Honours List for services to Economics, following David Sleath's OBE in 2022 for services to Charity and Business.

Finally, please join me in thanking our Directors for their insightful and valuable contributions during the year.

Andy Harrison
Chair

Nomination Committee Report
Page 111

One of the things which has stood out to me during my first few months in the business is the high quality of people and the passion they have for the business.

Andy Harrison
Chair

Board of Directors

1. Andy Harrison
Chair

2. David Sleath OBE
Chief Executive

3. Soumen Das
Chief Financial Officer

4. Andy Gulliford
Chief Operating Officer

5. Mary Barnard
Independent Non-Executive Director

6. Sue Clayton
Independent Non-Executive Director

7. Carol Fairweather
Independent Non-Executive Director

8. Simon Fraser
Independent Non-Executive Director

9. Martin Moore
Senior Independent Non-Executive Director

10. Linda Yueh CBE
Independent Non-Executive Director

Board of Directors
continued

Our Board is made up of talented individuals, with a depth of commercial experience from a range of industries.

Board leadership and Company purpose
Page 94

Andy Harrison
Chair
N

Appointed: 1 April 2022 (Chair: 30 June 2022)

Skills, experience and contribution
Andy is an experienced chair having held the position at Dunelm Group plc for over seven years. He is also a former CEO who has led multiple large consumer facing organisations with strong service offerings. His leadership, business understanding and insights have proven to be invaluable additions to the boardroom.

Previous appointments
Chair, Dunelm Group plc | Chief Executive, Whitbread plc | Chief Executive, easyJet plc | Chief Executive, RAC plc | Non-Executive Director and Audit Committee Chair, EMAP plc

David Sleath OBE
Chief Executive

Appointed: 1 January 2006
(Chief Executive from 28 April 2011; Finance Director from 1 January 2006 to 28 April 2011)

Skills, experience and contribution
David has considerable board level experience of listed companies and has extensive knowledge of the real estate, manufacturing and distribution sectors and the Company. His financial and general management experience has helped lead the successful design and implementation of the Company's strategy over the past 12 years.

David is a Fellow of the Institute of Chartered Accountants in England and Wales.

Current appointments
Senior Independent Director, RS Group plc (formerly Electrocomponents plc) | Board member, European Public Real Estate Association

Previous appointments
Senior Independent Director, Bunzl plc | Finance Director, Wagon plc | Partner, Arthur Andersen | President and board member of the British Property Federation

Soumen Das
Chief Financial Officer

Appointed: 16 January 2017

Skills, experience and contribution
Soumen combines leadership of the finance functions with a wider contribution to the business through strategy, investment and innovation. He brings his extensive board-level experience and deep knowledge of capital markets to the Group, having been Chief Financial Officer of listed companies for over 11 years and with a background as a corporate financier.

Current appointments
Non-Executive Director, NEXT plc | Co-Chair of the Parker Review (into ethnic diversity of UK boards)

Previous appointments
Managing Director and Chief Financial Officer, Capital & Counties Properties plc (Capco) | Partner, Mountgrange Investment Management LLP | Executive Director, UBS

Andy Gulliford
Chief Operating Officer

Appointed: 1 May 2013

Skills, experience and contribution
Andy has worked in a variety of real estate roles and brings extensive knowledge of the Company and the real estate sector in both the UK and Continental Europe. He joined SEGRO in 2004 and has been influential in the successful delivery of a record number of development completions for the Company as well as for its strong operational performance.

Andy is a member of the Royal Institution of Chartered Surveyors (MRICS).

Current appointments
Director, LandAid Charitable Trust Limited

Previous appointments
European Director, Jones Lang LaSalle | Director of Corporate Acquisitions; Business Development Director; Managing Director for Continental Europe, SEGRO

Mary Barnard
Independent Non-Executive Director
A N R

Appointed: 1 March 2019

Skills, experience and contribution
Mary has extensive commercial and general management experience and a deep understanding of customer needs and trends through her various international roles across Europe and North America. She has a strong knowledge of the operation of the retail market and supply chain.

Current appointments
Chief Commercial Officer, Mondelēz International Inc

Previous appointments
President, European Chocolate Category, Mondelēz International Inc | Senior Vice President and General Manager, Pepsi-Lipton Partnership | Non-Executive Director, Poundland Group plc | President CAOBISCO | Chair, Cadbury Foundation | EXCO member, Food & Drink Federation and Institute of Grocery Distribution

Sue Clayton
Independent Non-Executive Director
A N R

Appointed: 1 June 2018

Skills, experience and contribution
Sue brings a wealth of property market knowledge to the Board, with over 30 years of experience in property investment markets, having worked in the UK commercial property market for her whole career. She is active in promoting diversity in the Real Estate Industry including through her role as the former Chair of Women's Network at CBRE and as co-founder of Real Estate Balance.

Sue is a Fellow of the Royal Institution of Chartered Surveyors (FRICS).

Current appointments
Senior Independent Director, Helical plc | Member of the Committee of Management, Hermes Property Unit Trust | Chair, Barwood 2017 Property Fund | Trustee, Reading Real Estate Foundation

Previous appointments
Head of National Investment; Managing Director of Capital Markets, CBRE | Board member, CBRE UK Management and Executive Boards, CBRE Group Inc

Audit Committee member	A
Nomination Committee member	N
Remuneration Committee member	R
Chair of Committee	○

Carol Fairweather
A N R
Independent Non-Executive Director

Appointed: 1 January 2018

Skills, experience and contribution
Carol has recent and relevant finance experience and brings commercial knowledge to the Board. Her prior experience as Chief Financial Officer of the retailer Burberry Group is valuable to the Company in her understanding of retail and digital commerce trends.

Carol is a Fellow of the Institute of Chartered Accountants in England and Wales.

Current appointments
Non-Executive Director, Smurfit Kappa Group plc | Trustee, Somerset House Trust

Previous appointments
Chief Financial Officer, Burberry Group | Director of Finance, News International Ltd | UK Regional Controller, Shandwick plc

Simon Fraser
A N R
Independent Non-Executive Director

Appointed: 1 May 2021

Skills, experience and contribution
Simon has extensive knowledge of working on remuneration committees, having previously chaired the remuneration committees at Derwent London and Lancashire Holdings. He is a former investment banker with a wealth of financial experience, having spent the majority of his career with Bank of America Merrill Lynch where he was appointed Managing Director and Co-Head of the Corporate Broking division in 2004.

Current appointments
Non-Executive Director, Legal & General Investment Management (Holdings) Ltd | Non-Executive Director, Lancashire Holdings Ltd | Non-Executive Director, Lancashire Syndicates Limited

Previous appointments
Senior Independent Director, Lancashire Holdings Ltd | Senior Independent Director, Derwent London plc | Managing Director/Division Co-Head, Corporate Broking, Merrill Lynch/Bank of America

Martin Moore
A N R
Senior Independent Non-Executive Director

Appointed: 1 July 2014

Skills, experience and contribution
With over 40 years' experience of real estate and the property sector, Martin brings industry knowledge and breadth of practice to the Board.

He is a member of the Royal Institution of Chartered Surveyors (MRICS).

Previous appointments
Chairman, BMO Commercial Property Trust | Senior Adviser, Kohlberg Kravis Roberts & Co LLP | Chief Executive and Chair, M&G Real Estate | Adviser and Commissioner, The Crown Estate | Board member and President, British Property Federation | Board member and Chair, Investment Property Forum | Commissioner, Historic England | Non-Executive Director, M&G Asia Property Fund | Chairman, Secure Income REIT plc

Linda Yueh CBE
A N R
Independent Non-Executive Director

Appointed: 1 May 2021

Skills, experience and contribution
Linda brings a broad range of skills to the Board, including robust commercial experience and a strong background in economics, as a Fellow in Economics at St Edmund Hall, Oxford University and Adjunct Professor of Economics at London Business School.

Current appointments
Non-Executive Director, Standard Chartered plc | Non-Executive Director, Rentokil Initial plc | Chair, Baillie Gifford's The Schiehallion Fund Ltd | Adviser, UK Board of Trade

Previous appointments
Senior Independent Director, Fidelity China Special Situations plc | Non-Executive Director, Baillie Gifford's Scottish Mortgage plc | Non-Executive Director, JP Morgan Asian Growth and Income plc | Chief Business Correspondent, BBC News | Economics Editor, Bloomberg News | Corporate Lawyer, Paul Weiss Rifkind Wharton & Garrison LLP | Visitng Professor, London School of Economics and Political Science | Member, Independent Review Panel on Ring-fencing and Proprietary Trading of the UK Government

Julia Foo
Company Secretary

Appointed: 7 June 2021

Skills, experience and contribution
Julia provides advice and support on corporate governance best practice, listing and compliance requirements to the Board and its Committees. She has over 20 years of wide-ranging experience in the industry, and leads the Company Secretariat team responsible for SEGRO's listed and subsidiary compliance and governance across the Group.

Julia is a Fellow of the Chartered Governance Institute (FCG).

Previous appointments
Deputy Company Secretary, J Sainsbury plc | Deputy Company Secretary, Currys plc (previously Dixons Carphone plc) | Deputy Company Secretary, Halma plc

Attendance at scheduled Board and Committee meetings

	Board	Audit Committee	Nomination Committee	Remuneration Committee	AGM
Mary Barnard	7/7	3/3	1/1	3/3	1/1
Sue Clayton	7/7	3/3	1/1	3/3	1/1
Gerald Corbett[1]	4/4	–	–	–	1/1
Soumen Das	7/7	–	–	–	1/1
Carol Fairweather	7/7	3/3	1/1	3/3	1/1
Simon Fraser[3]	7/7	2/3	1/1	3/3	1/1
Andy Gulliford	7/7	–	–	–	1/1
Andy Harrison[2]	5/5	–	1/1	–	1/1
Martin Moore	7/7	3/3	1/1	3/3	1/1
David Sleath	7/7	–	–	–	1/1
Linda Yueh	7/7	3/3	1/1	3/3	1/1
Total number of scheduled meetings in 2022	7	3	1	3	1

All the Board and Committee members attended each scheduled meeting they were eligible to attend, with one exception as set out below.

1 Gerald Corbett retired from the Board on 30 June 2022.
2 Andy Harrison joined the Board on 1 April 2022 and succeeded Gerald Corbett as Chair of the Board and Nomination Committee on his retirement.
3 Simon Fraser was unable to attend one meeting of the Audit Committee due to a prior commitment.

Board leadership and Company Purpose

An effective and entrepreneurial Board
The Board is responsible for creating and delivering shareholder value by setting the strategic direction of the Group. The Executive team has day-to-day responsibility for implementing this strategy and it is the Board's role to hold management to account for ensuring that it is delivered. The work of the Board should and does complement, enhance and support the work of the Executive team.

Information about our strategy is on pages 18 and 19. You can read more about the annual Strategy Day in the case study on the right.

Our Board is made up of talented individuals, with a depth of commercial experience from a range of industries. This diversity of thought helps create an effective and entrepreneurial Board as each member has a fresh perspective to bring to discussions. See pages 92 and 93 for more information about the Directors and the contribution they each bring to the Board.

During the year, Gerald Corbett retired after six years as Chair. Andy Harrison joined the Board as an Independent Non-Executive Director on 1 April 2022 and took on the role of Chair on 30 June 2022 when Gerald stepped down.

Further information on the recruitment process for Andy can be found on page 129 of the 2021 Annual Report and Accounts and details of his induction to the Company and the Board is in this year's Nomination Committee report on page 115.

Andy is a valuable addition to the Board, bringing with him considerable experience of leading large, consumer-facing organisations, strong plc experience and proven business understanding, as well as a balanced and experienced view to the decision-making process. His areas of expertise complement the skill set of the existing Directors.

Case study:
Strategy Day

The Board values the opportunity each year to dedicate time to reflect on our strategy, and the wider business and macroeconomic environment. In November 2022, we spent a day and a half offsite doing just this.

Whilst a full pack of papers was provided covering a wide range of topics to ensure Directors were fully briefed, the focus of the Strategy Day was on a small number of key items. As well as hearing from guest speakers from around the business, external guests were invited to share their areas of expertise. This enabled the Board to step back from the usual agenda items and ensured that each strategic topic received a more detailed focus.

During 2022 the macroeconomic environment changed quickly which meant that we as a Board had to remain alert and regularly consider the Company's approach to adapt to the more uncertain environment and more volatile capital markets, whilst also ensuring that we spent sufficient time to consider how to position the Company for continued longer-term success.

The first part of the offsite was dedicated to our data centre strategy: with a presentation on strategy and the future priorities from the Managing Director, Thames Valley and Director, Data Centres; and an overview of the data centre market from an industry expert. Following the presentations, we took the time to visit a data centre run by one of our largest customers to see first-hand how their business works. See page 107.

The afternoon was spent considering the macroeconomic outlook within the jurisdictions in which we operate. The Board welcomed a number of external speakers who provided views on the outlook for the UK and European economies as well as the occupier market. Their insights contributed to the Board's discussions on the assumptions, strategic choices and outputs underlying the Group's Medium Term Plan. We also considered the annual portfolio review, views of the property cycle and the markets we operate in, as well as the investment strategy in the near term and in future years.

On the second day, upon reflection of the discussions from day one, we further considered the key strategic priorities for the business. We concluded that there was continued strong momentum from an operational perspective and that our strategy remains appropriate. Whilst being mindful of the pace of change in the wider macroeconomic environment and the need to remain vigilant and nimble in the execution of that strategy, there was wide consensus amongst Directors on our planned approach for 2023.

Promoting long-term sustainable success
SEGRO's principal duty is to deliver lasting, sustainable success and generate value for shareholders and other investors, whilst being mindful of our impact on stakeholders and wider society.

Despite the volatility in investment markets during the year, occupier markets remained strong with demand being driven by long-term structural trends and vacancy remaining at record lows. This resulted in further market rental growth, which, when combined with our customer focus and the active asset management of our portfolio of high-quality, sustainable assets, allowed us to deliver another strong year of operational performance.

We contracted a record level of new headline rent during the year through a combination of growing rents on the existing portfolio through the capture of reversion and as a result of a strong leasing performance. This combined with the completion of an additional 639,200 sq m of space, capable of delivering £46 million of new headline rent, enabled us to drive growth in earnings and resulted in us recommending an increase in dividend returns for our shareholders.

The Board was also pleased to hear about the progress that has been made against our Responsible SEGRO targets during the year, as detailed further on pages 33 to 46.

Looking ahead, the combination of new rental income from the development programme, and the benefits of active asset management of our existing portfolio, should enable us to drive sustainable growth in both earnings and dividends. The Chief Executive's Statement on pages 11 to 13, along with the Financial Review on pages 58 to 63, sets out in much more detail our strategy and the reasons for why we are confident in the long-term prospects for our business.

Investing for the long term
Much of the Board's decision making is focused around ensuring that the Company is sustainable in the long term.

- Each year, the Board considers our Medium Term Plan, which assesses the opportunities and risks for the Company over the following five years, and forms the basis of our viability statement.
- Once a year, the Board takes time to consider the long-term strategy of the business, incorporating presentations and discussions on longer-term opportunities and threats to the business.
- Throughout the year, the Board has overall responsibility for the Company's approach to risks and ensures they are effectively and consistently managed. It reviews the measures in place to mitigate the near- and longer-term risks (including emerging risks) to the business.

Real estate is inherently a long-term industry, and the Board therefore takes this into consideration in all its decision making. The Board approved the current strategy in 2011, which included the repositioning of the portfolio and strengthening of the balance sheet. In the Chief Executive's statement on page 12 you can read more about how we have adapted our strategy to respond to the changing market environment.

Every business has clearly articulated values. What's different about SEGRO is that they are very personal to the business and I've seen them lived by every person I have met.

Andy Harrison
Chair

Enabling extraordinary things:
How the Board lives our Purpose and Values

Culture is the character and personality of a business. It is what makes us unique and is the sum of our Purpose and Values, behaviours and traditions. It guides our relationships not just with our employees but with our other stakeholders as well. Our culture is unique and permeates throughout the whole business. It sets the tone for good governance.

Our Purpose is our compelling, memorable and differentiating statement that energises us as a team, beyond money or profit.

Our Values are our core beliefs about how we do business, which guide our decision making, large and small.

We are proud of our Purpose – to create the space that enables extraordinary things to happen – and our five Values. Seven years on from their launch, they are well embedded in the business and form the basis of our workforce policies. They help to unify employees and describe the core beliefs about how SEGRO does business, acting as a universal language across our business and the countries in which we operate.

It is essential that the Directors lead by example and live the Values. The Executive Directors are obviously more visible leaders around the business and help to set the tone.

Our Purpose
Page 1

Our Values
Page 39

When the Directors are together, they live the Values in the boardroom as follows:

Say it like it is
The Directors are honest and transparent in dealings with each other and those who interact with them both in and out of the boardroom. The Chair encourages constructive debate and challenge during meetings.

Stand side by side
The Non-Executive Directors bring to the Board their knowledge and experience from other businesses. The Directors are supportive and take collective responsibility for decisions.

Keep one eye on the horizon
The Directors look to the long term in their decision making. They want to understand future trends and how the Company can use them for the benefit of all of our stakeholders.

If the door is closed...
The Non-Executive Directors support the Executive Directors to find solutions to more complex issues and provide assistance where more difficult judgement calls and decisions need to be made.

Does it make the boat go faster?
The Directors look at different ways of working to create effective relationships and discuss regularly where they can best add value.

Within the boardroom, the consistent feedback from the recent evaluations is that all the Directors feel they can contribute, speak freely and do not feel constrained. The Chair encourages open debate and no one individual dominates. The seasoned relationships of most of the Board members mean they can say it like it is and have their thoughts heard in a challenging yet supportive environment.

How our Values direct our Board's behaviours

Board leadership and company purpose
continued

Enabling extraordinary things:
How the Board manages and monitors our culture

The Board believes that our culture can be defined by:

- a strong desire to create a successful business we can be proud of;
- trust and strong professional integrity – we deliver on promises;
- pragmatism – a 'sleeves up' approach regardless of status;
- thoughtful, detailed and measured decision making;
- respect and transparency; and
- caring about people and taking an interest in their wellbeing.

The Board continues to monitor the culture of the Company through indicators which serve as a temperature check.

They consider:

- Results of the biennial employee engagement survey Your Say
  Your Say response rate
  95%
  Your Say engagement score
  91%
- Feedback from workforce engagement sessions
  See pages 99 and 136.
- Internal audit reports
  See page 121.

- Data on employee turnover
  8.7%
  2021: 7.0%
- Feedback from office and site visits by Executive Directors and the Board as a whole
- Whistleblowing incidents
  No matters of concern raised during the year. See page 103.
- Health and safety incidents
  See page 31.
- Breaches of the Code of Business Conduct and Ethics
  No matters of concern raised during the year. See page 103.
- Results of the Customer Satisfaction survey
  85%
  2021: 90%

Stakeholder engagement from the Board's perspective

We have identified our key stakeholders – those important groups that are an integral part of our business model.

Our s172 statement is on page 76 together with additional information about our key stakeholders and why they are important to us.

When making decisions that impact our key stakeholders the Board considers the factors set out in s172 including:

- the likely consequences of any decision in the long term;
- the impact of our operations on the community and the environment;
- the desirability of maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

On the following pages we set out how the Board has considered the s172 requirements, applied them in its decision making and its engagement with stakeholders during the year.

Stakeholder engagement is an integral part of the Board's decision-making process and all proposals to the Board relating to major decisions must demonstrate that the impact on stakeholders has been considered.

Quick links

Our key stakeholders

The Directors engage directly with as many stakeholders as they can but given the number of stakeholders, who are spread across multiple geographies, engagement often takes place at the operational level.

In this section we explain how the Board has specifically engaged with our stakeholders and how the engagement has influenced their decision making.

Employees ...

... deliver SEGRO's strategy in line with our Purpose, Values and culture.

See pages 98 and 99

Customers ...

... are our occupiers and SEGRO wants to hear about what they want from our assets so the Company can continue to create the space that enables extraordinary things to happen.

See page 100

Communities ...

... are the people who live and work in the areas where the Company's assets are located and include local residents, local government and community groups. They can also be members of any of our other stakeholder groups.

See page 101

Suppliers ...

... include all the advisers, construction firms and everyone involved in SEGRO's supply chain. Our suppliers are key to the creation of the space for occupation by our customers.

See page 102

Investors ...

... provide the capital through equity or debt which finances SEGRO's business and its future growth. Shareholders, both institutional and retail, are the owners of our business. They are also the financial institutions who provide debt and our joint venture and associate partners.

See pages 102 and 103

Stakeholder engagement from the Board's perspective
continued

Employees

How the Board engaged with employees in 2022

Direct engagement

- Held workforce engagement sessions with Non-Executive Directors and a cross-section of employees:
  - During the Board's visits to Düsseldorf and Paris, some of our Non-Executive Directors held engagement sessions with employees from the local offices; and
  - We continued our programme of thematic workforce engagement sessions with a cross-section of employees across the business. This year's sessions focused on Responsible SEGRO and Executive Remuneration.
- The Remuneration Committee reviewed salaries across the Group, approved grants of 2022 employee share plans and 2021 Bonus and LTIP outturns (paid in 2022). See pages 129 to 131.
- The Executive Committee also approved a one-off payment of £1,250 (or equivalent in local currency) to all lower paid employees to provide support during the early stages of the cost of living crisis, followed by a further salary review across the Group.
- Encouraged members of the Leadership team and their direct reports to present at Board meetings, so the Board hears first hand from our experts around the business.

Indirect engagement

- Received updates from the Group HR Director on progress against the Nurturing talent strategic priority of Responsible SEGRO, focusing on four areas:
  - Developing manager capabilities – through the launch of the Group-wide Management Academy;
  - Diversity and inclusion (D&I) – where we carried out a D&I survey (in UK and Northern Europe) to help us understand our current employee make up and support our ambitions to become more diverse;
  - Early careers – with a change to our approach towards graduate recruitment and participation in #10,000 Black Interns programme; and
  - Employee wellbeing – through the launch of the SEGRO Mental Health and Wellbeing Policy and Wellbeing Fund, where all employees were gifted £500 (or equivalent) to spend on a personalised wellbeing purchases, recognising that there is not a one size fits all approach to wellbeing.
- Supported the 'interventionalist' approach to talent and succession planning, focusing on future-proofing the development pipeline.
- Extensive employee communication channels, including regular employee webinars and briefings with Executive Directors with Q&A opportunities.

£500
Wellbeing Fund

£1,250
Payment during the cost of living crisis

How did they influence the Board's decision making in 2022?

- Feedback from the 2021 workforce engagement session on Executive Remuneration was implemented during the year. ESG targets were incorporated into the Bonus structure for the wider workforce and employees' personal performance element was increased, giving them more control over their own variable remuneration.
- Feedback from the 2022 workforce engagement sessions was discussed at the December 2022 Board meeting and you can read about the commitments we have made to address the topics employees said were important to them (opposite page).
- Continued to encourage employee share ownership in the Company through awards of all-employee share schemes and increasing visibility of the total value of employees' share schemes through migration of the discretionary share schemes to the same portal as their all-employee share schemes.
- Succession planning below Board level creates a diverse pipeline of suitably qualified individuals ready to serve as the next generation of leaders.

The diverse group of participants were very engaged and strong advocates of 'Team SEGRO'.

Martin Moore
Senior Independent Director on the Southern European workforce engagement session

Employee engagement

The Board has a tailored approach to its adoption of Provision 5 of the Code on workforce engagement mechanisms. The Group has a non-unionised business with a headcount of 425 people spread across offices in multiple countries. The Board felt that it was important that its approach should mirror the Company's Value to 'say it like it is' for the engagement to be authentic, meaningful and received positively. Against this backdrop, we agreed that alternative arrangements (as permitted by the Code) were more appropriate to our business. This involves a three-stage approach which continues to evolve as we implement it, recognising that it should be appropriate and add value to our business as well as encompass the spirit of the provision, which is to enable the voice of the employee to be heard in the boardroom.

1. Individual meetings with the Directors
There are many formal and informal occasions when the Non-Executive Directors meet with employees, including through the induction of a Non-Executive Director, or where a Non-Executive Director makes an ad hoc asset visit or otherwise meets individuals to discuss a particular topic.

The Committee Chairs have individual meetings with employees in relation to the business of their Committee meetings.

Following the success of our workforce engagement sessions over the past few years, the Board agreed a similar approach for 2022. Our Non-Executive Directors held a total of four workforce engagement sessions in 2022, which you can read about on the right.

2. Presentations at Board and Committee meetings
The Executive Directors encourage their teams to present at Board meetings and join asset tours. This year, the Board received presentations from:

- the Northern European, Southern European and Thames Valley teams, who delivered updates on recent activities in their Business Units;
- the Commercial Finance Director, who provided updates on funding;
- the Managing Director, Group Investment, who discussed the market outlook, the Company's growth strategy and investment stance;
- the SELP Finance Director and Joint Venture Director, SELP, who presented an update on the SELP joint venture; and
- the Group Health and Safety Manager, the Head of Risk and the Head of Tax who all provided regular updates on their areas.

Representatives from the Responsible SEGRO Driving Group also attended several Board meetings during the year to keep the Board well apprised of progress against our Responsible SEGRO ambitions.

3. Informal meetings with the whole Board
During the year, we were also able to resume the informal lunches with employees during the Board's office visits, which had been temporarily put on hold due to the pandemic.

In 2022 the Board travelled to our Düsseldorf and Paris offices for the June and September Board meetings respectively. Whilst there, they met with the local teams who gave a presentation and guided tour of some of our assets, showed the Board our progress on some of our current developments and discussed future plans. The Board enjoyed the opportunity to spend time with many members of the Northern and Southern European teams.

Case Study:
Workforce Engagement

Since 2020, our Non-Executive Directors have held a series of informal meetings with employees from across the business to gain feedback into how they felt about working at SEGRO.

This continues to be a much appreciated exercise for both the Board and our employees. Non-Executive Directors gain valuable insight into life at SEGRO and a first-hand look at the culture within the organisation, and employees value the opportunity to speak candidly and share their views with Board members.

Pairs of Non-Executive Directors host sessions with groups of employees across the business. The Board felt it was important to hear from a range of employees in different roles and grades so that we heard a broad cross-section of views. Leadership team members were not invited to these meetings, so that the Non-Executive Directors hear from the teams directly and encourage a relaxed, two-way dialogue and open and transparent discussions.

This year, in addition to two thematic sessions on Responsible SEGRO, specifically our Nurturing talent programme and Community Investment Plans, and Executive Remuneration (detailed further on page 136), two in-person sessions were held with employees in Northern and Southern Europe during the Board's visits to Germany and France. We felt that this was a good balance between focused conversation on topics that the Board wanted to hear more from employees on and flexibility for employees to raise any other views or concerns they wanted to share.

At the beginning of each session, the Non-Executive Directors spent some time explaining their roles to give a flavour of the sorts of things being discussed in the boardroom. In return, they heard about our people's experiences about working day-to-day in the business.

As well as discussing Responsible SEGRO and Executive Remuneration, the employees shared their views on a wide variety of topics including our culture, Purpose and Values, diversity and inclusion, resourcing and support, and employee benefits.

Non-attributable feedback from the sessions was relayed to the Board for discussion at the December meeting. A summary of takeaways, actions and outcomes from the discussion will be communicated back to employees in due course.

We take meaningful action to address areas of importance raised by our people in these sessions. After hearing what was most important to our employees during the 2022 sessions, we have committed to: reviewing and refreshing our policies that support diversity and inclusion (D&I); improving employee communications around workforce remuneration to aid them in better understanding the total value of their remuneration package and philosophy of how we pay; and enhancing the conversation surrounding D&I, in part by establishing an Inclusion Steering Committee and ensuring we hear employees' feedback and suggestions through the year. You can read more on how the Executive Remuneration session shaped changes to our workforce bonus arrangements on page 136.

As Non-Executive Directors, we value the opportunity to hear first-hand feedback from our colleagues on the topics that matter to them.

Linda Yueh
Independent Non-Executive Director on workforce engagement sessions

Stakeholder engagement from the Board's perspective
continued

Customers

How the Board engaged with customers in 2022

Direct engagement
- Met an existing customer, Deliveroo's Global Property Director, to hear about its business model and future plans.
- Toured a number of assets under development and customer sites in Düsseldorf, Cologne and Paris during their overseas visits, as detailed further on page 110.
- Considered and discussed the monthly Health and Safety Report at each meeting and received an annual presentation on trends that emerged during the year from the Managing Director, Group Operations and the Group Health and Safety Manager.

Indirect engagement
- The Company held a Customer Futures Forum where eight key customers from across the portfolio came together to discuss future energy needs and shared ideas with each other. They also heard from the Managing Director, Group Operations on SEGRO's net-zero ambitions.
- Approved the new mid-term Health and Safety Strategy (Target 2025).
- The Executive Committee received an externally-facilitated briefing on emerging key topics related to health and safety.
- Funded health and safety courses, provided by accredited third-party providers, for some of our UK small business customers to help them to better understand their obligations.
- Continued to support the growth of small local businesses by offering flexible space with all-inclusive leases through our Enterprise Quarters programme.
- Regularly considered KPIs on vacancy and customer retention.
- Discussed the results of the Annual Customer Satisfaction Survey and related actions.

The session brought home to me just how important and mutually beneficial these close customer relationships are.

Martin Moore
Senior Independent Director on the Deliveroo customer engagement session

How did they influence the Board's decision making in 2022?

- Opportunity to meet Deliveroo was valued by the Board, enabling it to hear first hand about what our customers need from SEGRO.
- Customer site visits were greatly appreciated by the Board in furthering its understanding of what our customers value in SEGRO's developments.
- In approving investment decisions, including redevelopment, the Board is mindful of the value customers place on lower-carbon growth and sustainability investments, and regeneration within the wider portfolio.
- The Board maintains oversight of key health and safety developments.

deliveroo

Communities

How the Board engaged with communities in 2022

Direct engagement

- Implemented the Remuneration Policy for Executive Directors, which included strong links between Executive Directors' variable remuneration and ESG targets.
- Noted achievement against these targets in respect of the 2022 bonus outturn (payable in 2023) for both Executive Directors and the wider workforce.
- Executive Directors, along with employees from all areas of the business, participated in the Group-wide Day of Giving.
- Requests for Capital Approval, approved by the Board or Investment Committee in line with the delegations of authority, must include details on how the project will impact local communities and how they will contribute to Community Investment Plans.

Indirect engagement

- Heard from the Partnership Development Director and Managing Director, Group Operations on progress against the community strategic priority of our Responsible SEGRO framework and the ambition to have a Community Investment Plan in each of our key markets by 2025.
- Heard that 52 employees from across the business had volunteered as Community Champions.
- Donated £2.5 million to charity during the year.

How did they influence the Board's decision making in 2022?

- The Remuneration Committee considered the metrics and weighting of the ESG metrics of the annual bonus, including those related to the Community pillar of Responsible SEGRO.
- The Board is mindful of the impact that our investment decisions could have on the local community, and actively considers how these can benefit the local area when considering capital allocation requests. For example, in approving the acquisition and redevelopment of a brownfield site in Marseille, the Board recognised that it would support local job creation and contribute to the long-term growth of the local community.

387
Employee volunteering days

52
Community Champions

Stakeholder engagement from the Board's perspective
continued

Suppliers

How the Board engaged with suppliers in 2022

Direct engagement
- Met with Goldbeck, one of our key construction suppliers in Europe, during the Board visit to Düsseldorf.
- Received presentations from the Company's brokers (UBS and BAML) and the valuers (CBRE).
- Approved the Modern Slavery and Human Trafficking Statement.

Indirect engagement
- The Executive Committee approved the Human Rights Policy.
- Introduced a Supplier Engagement Survey.
- Remained accredited as a Real Living Wage employer and continued to work towards implementation throughout our UK supply chain.
- Launched the Mandatory Sustainability Policy, which sets out a range of mandatory measures to future-proof our operations and assist in achieving our net-zero ambitions.
- Received updates from the Managing Director, Group Operations and Director, Sustainability on progress against the Championing low-carbon growth strategic priority of Responsible SEGRO.
- Received regular updates from the Head of Legal on anti-bribery and corruption policies.

How did they influence the Board's decision making in 2022?

- The supplier engagement session with Goldbeck provided the Board with a good understanding of current challenges faced by some of our suppliers, including inflation, supply of materials and labour. The Board is mindful of the impact of these challenges in its decision making.
- The Board encourages regular engagement with principal suppliers and considers high ethical standards as integral to SEGRO's Code of Business Conduct and Ethics and Modern Slavery policies.

Investors

How the Board engaged with investors in 2022

Direct engagement
- Wrote to the Company's ten largest shareholders to invite them to meet with the Chair following his appointment. Four of the invitees accepted the invitation and met with the Chair where they discussed a number of topics including Board composition, ESG, current market trends and the wider macroeconomic environment.
- Returned to an 'in-person' AGM where the Board also allocated time for an informal meet and greet with shareholders before and after the meeting.
- Heard from the Joint Venture Director, SELP and Finance Director, SELP on the SELP joint venture.
- Raised capital in both SEGRO and SELP:
  - Approved the launch of the Euro Medium Term Note (EMTN) Programme, the issue of €1.15 billion senior unsecured Green Bonds, over two tranches, and the issue of a £350 million 19-year senior unsecured bond;
  - Approved US private placement of €225 million debt issue; and
  - Supported the issue of €750 million unsecured Green Bond in SELP.

Indirect engagement
- Received weekly updates from the Head of Investor Relations.
- Heard from the Head of Investor Relations and our brokers, UBS and BAML, on investor feedback following the results.
- Extensive Investor Relations programme, including results presentations, conferences, meetings with investors and asset tours held both in-person and electronically.
- Organised asset tours for banks and bond holders.
- Continued to build on the Green Finance Framework launched in 2021.

How did they influence the Board's decision making in 2022?

- The Board is cognisant of the views expressed by our shareholders when making decisions.
- The Board recognised that our shareholders value the opportunity to attend the AGM in person and appreciate the time for informal discussions with them before and after the meeting, and therefore returned to an 'in-person' AGM for 2022.
- We understand the importance that investors place on sustainable investments.
- We continue to build on the Green Finance Framework, implemented in 2021, using the proceeds to fund Eligible Green Projects.

£3.1bn
New financing in 2022

Our shareholders

Shareholder split

6,035
shareholders

	% of issued share capital
1. Institutional shareholders: 1,547	99%
2. Individual shareholders: 4,488	1%

230
(2021: 190) meetings

Consultations with shareholders

We write to our larger shareholders and offer them the opportunity to meet privately with the Chair, Senior Independent Director or Committee Chairs.

Following his appointment as Chair in June, Andy Harrison invited our ten largest shareholders to meet with him and share their views. Four invitees accepted the invitation and met with Andy to discuss their thoughts on the Company and the wider market.

The Board will continue to engage with shareholders as well as representative bodies to make sure that there is an ongoing dialogue about our approach to governance, including remuneration, and to ensure all views are fully understood and considered. Any feedback from our shareholders is shared with the Board.

Scrip

SEGRO offers a Scrip Dividend Reinvestment Scheme which enables our shareholders to opt to receive dividends in shares rather than cash with no dealing costs or stamp duty. The scheme was approved by shareholders for a further three years at the 2021 AGM. Full details are available on our website.

Annual General Meeting (AGM)

The Board was delighted to welcome shareholders to the 2022 AGM where, for the first time since 2019, we were able to hold the meeting in person. The Directors would like to extend their thanks to those shareholders who attended the meeting, and asked interesting and informative questions. We understood that some shareholders may still have been hesitant to attend such an event in person, so a recording of the AGM was available on our website for 30 days, to allow those who could not attend the opportunity to view the proceedings.

At the AGM, the Chief Executive gave a presentation on SEGRO's 2021 results and the highlights of the recently announced Q1 2022 Trading Update. It was Gerald Corbett's last AGM as Chair of the Company and he thanked our shareholders and the Board for their support during his tenure.

Shareholders received all communications for the AGM at least 20 working days before the meeting and were invited to ask questions, either in the room or by email ahead of the meeting. The Company proposes separate resolutions on each substantially separate issue, with voting conducted by poll. All the resolutions proposed at the 2022 AGM were passed with 82 per cent of the issued share capital voted (2021: 80 per cent).

Following the meeting, the results of votes lodged for and against each resolution were announced to the London Stock Exchange and added to our website.

The Directors look forward to meeting with shareholders again at the 2023 AGM, details of which are on page 212.

Identifying and managing conflicts of interest

The Board operates a policy to identify and, when appropriate, manage actual or potential conflicts of interest affecting Directors. Prior to taking on any additional external commitments, Directors are required to submit any actual or potential conflicts of interest they may have with the Company to the Chair or Senior Independent Director for approval. Any conflicts of interest are recorded and approved by the Board at each meeting. Directors have a duty to keep the Board updated about any changes to these conflicts.

Effective controls and necessary resources

The Board has a responsibility to ensure that appropriate controls and resources are in place to enable the Company to achieve its long-term goals. We have a Schedule of Matters Reserved for Decision by the Board, which was reviewed and updated during 2022. This includes financial decisions, such as the annual budget and reviewing the Medium Term Plan, major capital expenditure, the approval of the financial statements, the dividend policy and compliance with the Code.

You can read about the Company's approach to risk and risk management on pages 64 to 74, whilst page 122 contains further details about the Audit Committee's role in ensuring that robust processes have been put in place to ensure risks are identified, evaluated and managed. The Board regularly discusses the Company's principal risks, along with new and emerging risks, and considers how they may impact on our long-term goals.

The Board is ever mindful of the need to balance the pursuit of opportunities without taking unacceptable or excessive risk and ensures that the Company has the appropriate resources, in terms of time, people and funding to do so.

Code of Business Conduct and Ethics

The Board takes an active interest in ensuring that appropriate policies and practices are in place, consistent with the Company's Purpose and Values. One such policy is our Code of Business Conduct and Ethics (Code of Ethics) which is core to the way in which our business is run, the work we do, and to our reputation.

The Code of Ethics sets out the high ethical standards expected of all our people in their daily work to enable us to act with honesty and integrity. The Code of Ethics covers various policies on a wide range of activities and any breaches would be thoroughly investigated with appropriate action taken. The Board receives regular reports on compliance with the Code of Ethics and the Company's policy on whistleblowing, which sets out the procedure by which employees and any third parties can use a confidential external service to raise concerns. No matters of concern were raised during 2022.

The Code of Ethics also sets out our approach to human rights of all our stakeholders. Our due diligence to combat slavery and human trafficking is set out in our Modern Slavery Statement which is approved by the Board and is on our website. See page 148.

The Audit Committee receives an anti-bribery and corruption report at each meeting since it is responsible for ensuring that appropriate safeguards are in place for the detection of fraud and prevention of bribery, including overseeing and monitoring the Group's anti-bribery and corruption policies and procedures. Details of how matters of concern can be reported and will be investigated are on page 41. No matters of concern were raised during 2022.

Division of responsibilities

The Chair is responsible for the leadership of the Board and its overall effectiveness in directing the Company and promoting an open environment for challenge and debate.

He is also responsible for encouraging participation by all the Directors, facilitating constructive relations and creating the right atmosphere to promote a culture of open discussion. Along with the other Non-Executives, he is responsible for holding the Executives to account against agreed objectives. Further information about the Directors is on pages 92 and 93, while pages 112 and 113 explains how the Nomination Committee considers the skills and diversity on the Board and Non-Executive Director independence.

The division of responsibilities of the Chair, Chief Executive and Senior Independent Director are clearly established in writing and approved by the Board. Martin Moore, as the Senior Independent Director, provides a sounding board for the Chair and serves as an intermediary for Directors and shareholders should communication through the normal channels fail. Martin also leads the appraisal of the Chair's performance each year (see page 114) and, as disclosed on page 129 of the 2021 Annual Report, chaired the Nomination Committee in its search for a new Chair. For further information on the responsibilities of each Board member, see the governance framework opposite.

The day-to-day running of the Group is delegated by the Board to the Chief Executive who is supported by the Executive Committee.

The Executive Committee supports the Chief Executive in the delivery of strategy and reviews operational and financial performance. The Committee carries out a pre-approval review of items requiring Board authorisation.

It also acts as a primary approval channel for matters delegated by the Board at each of its meetings.

Effective and efficient functioning of the Board
During 2022, there were seven scheduled meetings and two ad hoc Board meetings.

The Board has the flexibility to meet in person, by telephone or by video conference as the need arises or on an ad hoc basis.

Each Director has committed to attending all scheduled Board and Committee meetings, and would not do so only in exceptional circumstances. Similarly, every effort is made by Directors to attend ad hoc meetings. On the rare occasion that a Director cannot attend a meeting they are still provided with the papers in advance of the meeting and are given an opportunity to discuss them with the Chair or Chief Executive.

Further details on Director attendance at scheduled Board and Committee meetings during the year can be found on page 93. This is kept under review to ensure that Directors are fulfilling their commitments to the Company.

Directors receive accurate, timely and clear information on the matters to be considered. Electronic Board packs are available to the Directors a week before a meeting. During the Board evaluation process, the Non-Executive Directors commented positively on the quality of the papers received from the Company and in particular, the Chief Executive's review paper which sets the scene for the Board meetings and signposts the important aspects for consideration. Everyone agreed that the Board meetings were well managed and facilitated open discussion of the appropriate topics and focus areas.

Regular meetings between the Chair, the Chief Executive and the Company Secretary help further ensure that Board meetings contain the appropriate mix of strategy, culture, people, regulatory and financial matters.

The Directors value meeting and hearing from different people in the business who are close to the Company's markets and who can tell the Board what they are seeing and hearing on the ground, as well as from external sources who give a wider perspective on market trends.

During the year, presentations were given by a number of Business Units, as well as updates on funding, investor feedback, portfolio strategy, customer exposure and Responsible SEGRO, see pages 106 to 108. This allows the Directors to gain further insight on market trends and provides the context for them to make strategic decisions about acquisitions, disposals and the development pipeline.

Availability of the Chair, Chief Executive and the Company Secretary
The Chair, the Chief Executive and the Company Secretary are always available for the Directors to discuss any issues concerning Board meetings or other matters. All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring compliance with Board procedures. Directors also have the right to seek independent professional advice at the Company's reasonable expense should they so wish.

Executive Committee
The Executive Committee comprises the Chief Executive, Chief Financial Officer, Chief Operating Officer and Group HR Director. It meets formally each month and during the year there are dedicated sessions to discuss strategy as well as ad hoc meetings to keep the Committee up to date with day-to-day operational issues.

The Committee has its own Terms of Reference which sets out its wide range of responsibilities, including:

- oversight of the Group's risk management process; business continuity plans; anti-bribery and corruption, modern slavery and data privacy policies and processes; and the Group's talent programme and overall training and development plan;
- biannual review of the litigation register, overseeing any actual or potential material litigation; and
- approval of the Group's Health and Safety policies; delegation of authorities; Group's sustainability strategy; insurance strategy; material contracts; and charity policies and community engagement work.

The Executive Committee delegates some of its responsibilities to a number of management Committees, as shown on the opposite page. Each of these Committees has its own Terms of Reference and membership includes at least one member of the Executive Committee and members of the Leadership team.

Leadership team
SEGRO's Leadership team comprises the members of the Executive Committee and their senior direct reports, each of whom has responsibility for the Group's operations in a particular geography, or for one or more of the Group's main functional areas.

The Leadership team serves as a discussion forum and sounding board with which the Executive Directors can share knowledge and ideas, gain a better understanding of the local market outlook as well as share cross-functional and cross-border information. The Leadership team normally meets electronically twice per month, in addition to several longer face-to-face sessions throughout the year, to review areas such as:

- market conditions and competitor activity;
- future trends affecting our customers' businesses and which may impact SEGRO;
- interests of the Group's stakeholders;
- horizon scanning for emerging topics which might impact on our business in the medium to long term;
- the Group's asset plans and Medium Term Plan; and
- development and implementation of the Group's culture and Values including our approach to D&I in the broadest sense.

The Leadership team is consulted and kept informed about Company-wide activities and performance through dedicated conference calls.

Further details on the gender balance of the Leadership team is on page 41.

Our governance framework

Board

The Board retains responsibility for the approval of certain matters which include: Group strategy; the annual budget; the dividend policy; major investments and disposals; and the financial structure. There is an approved Schedule of Matters Reserved for Decision by the Board, which is reviewed periodically. The Board has delegated a number of its responsibilities to the Audit, Nomination and Remuneration Committees. The Terms of Reference of these Committees can be found at www.SEGRO.com.

Chair

Sets agenda, style and tone of Board discussions to promote constructive debate and effective decision making. Ensures the Group's corporate governance is in line with best practice. Ensures effective stakeholder communication and that Directors understand views of major investors. Ensures Directors receive the required information to fulfil their duty to promote SEGRO's success.

Chief Executive

Recommends the Group's strategy to the Board and is responsible for its implementation and for the Group's overall performance.

Manages the business of the Group.

Ensures that the interests of the Group's stakeholders are taken into account with regards to the long-term impact of the Board's decisions.

Executive Directors

Manage the business operations within each Director's area of responsibility in accordance with the Group's strategy.

Senior Independent Non-Executive Director

Acts as a sounding board to the Chair and an intermediary for other Directors. Available to shareholders to convey concerns to the Board, other than through the Chair or the Chief Executive. Leads the Chair's annual appraisal by the Non-Executive Directors, and chairs the Nomination Committee when it considers his succession.

Independent Non-Executive Directors

Bring independent judgement and scrutiny to the decisions taken by the Board.

Monitor the success of management in delivering the agreed strategy within the risk appetite and control framework set by the Board.

Company Secretary

Advises the Board and guides the Company on all matters of good governance.

Ensures timely and appropriate information flows within the Board, its Committees and between the Directors and senior management, as well as compliance with relevant statutory and regulatory requirements.

Audit Committee

Monitors the integrity of the Group's Financial Statements, reviews the relationship with the auditor and the role and effectiveness of the internal audit function. Oversees the risk management process and internal control environment.

Committee report Page 116

Nomination Committee

Ensures that the Board, its Committees and the Leadership team have the appropriate skills, knowledge, diversity and experience to operate effectively and to oversee the delivery of the strategy.

Committee report Page 111

Remuneration Committee

Determines the reward strategy for the Executive Directors to align their interests with those of shareholders and employees.

Committee report Page 123

Executive Committee

Assists the Chief Executive with the development and implementation of Group strategy, the management of the business and the discharge of responsibilities delegated by the Board.

Health and Safety Committee

Develops and manages the implementation of Health and Safety policies, reviews the outcomes of the Health and Safety Working Group as well as any other Health and Safety matters.

Operations Committee

Assists the Chief Operating Officer to manage the operations of the Group and to discharge the responsibilities delegated to him by the Chief Executive.

Risk Committee

Establishes, monitors and reports to the Executive Committee and ultimately the Board and Audit Committee on the Group's approach to risk management.

Investment Committee

Manages the allocation of capital across the Group and oversees all major investment and divestment decisions on behalf of the Executive Committee.

Technology Committee

Manages the Group's Digital and Technology strategy, and ensures that activity within this domain is aligned with this strategy.

Key activities of the Board during 2022

The following pages show how the Board spent its time during 2022:

Enabling extraordinary things:
A focused and active Board – key milestones during 2022

18 February 2022
2021 Full-Year results
The Board approved the 2021 Full-Year Results.

21 April 2022
AGM
SEGRO welcomed shareholders back to our first in-person AGM since 2019 and provided a recorded webcast on the website for those unable to attend.

1 April 2022
Board changes
Andy Harrison was appointed as an Independent Non-Executive Director.

4 May 2022
2021 Final dividend

16.9p

A Final Dividend of 16.9 pence per share was paid to shareholders.

15 June 2022
Düsseldorf, Germany
The Board travelled to Düsseldorf for the June Board meeting, where they toured assets, met with the local management team and a key supplier, and held an employee engagement session with local employees.

30 June 2022
Board changes

Gerald Corbett retired from the Board and Andy Harrison succeeded him as Chair.

28 July 2022
2022 Half-Year results
The Board approved the 2022 Half-Year Results.

23 September 2022
2022 Interim dividend

8.1p

An Interim Dividend of 8.1 pence per share was paid to shareholders.

26 September 2022
Paris, France
The Board travelled to Paris for the September Board meeting, where they met with the local management team, toured assets and held an employee engagement session with local employees.

15 November 2022
Strategy Day
The Board spent a day and a half offsite at the annual Strategy Day. See page 94.

Governance

Matters considered
- Compliance with the requirements of the UK Corporate Governance Code (the Code) and updates on corporate and regulatory changes and reporting requirements.
- Internal Board Evaluation process for 2022, including progress against actions from the 2021 External Evaluation.
- Chair and Non-Executive Directors' fee review.
- Chair's induction.
- Succession planning for Board and Leadership team.
- 2022 Annual General Meeting (AGM).
- Principal risks and risk appetite, risk control and framework.
- Update to Schedule of Matters reserved for the Board and Board Committees' Terms of Reference.
- Update on SEGRO plc Group-wide Dealing Policy and Board refresher training on Market Abuse Regulation.

Outcome
- Ensured compliance with the Code through robust governance procedures.
- Concluded that the Board and its Committees continued to operate effectively.
- Ensured that fees for the Chair and Non-Executive Directors remained appropriate and aligned with the Remuneration Policy.
- Onboarded the new Chair through a comprehensive induction programme allowing him to become effective in his position as quickly as possible.
- Ensured that an effective succession plan was in place for the progressive refreshing of the Board and Leadership team.
- Returned to in-person AGM for the first time since 2019.
- Broadcasted a recording of the AGM via the SEGRO website to allow shareholders who did not wish to attend in person to view the proceedings.
- Approved the Principal Risks and risk appetite of the Company.
- Ensured ongoing compliance with market best practice.
- Ensured that internal policies remained fit for purpose and that PDMRs were well informed of their obligations.

Strategy

Matters considered
- Annual presentation from the Company's brokers (UBS and BAML) on the markets and sector in which the Company operates, and the wider macroeconomic environment and outlook.
- Heathrow strategy update.
- Data centre strategy update.
- Review of key customer exposure.
- Review of investment stance.
- Post investment review of acquisitions and disposals.

Outcome
- Received regular updates from advisers, industry experts and employees to ensure the Board is kept up to date with market trends and implement this knowledge in its decision making.
- Considered the key strategic priorities of the business and ensured they remained appropriate.
- Ensured that the Group's exposure to key customers remained within the agreed tolerance.
- Reviewed regularly the Company's investment stance to ensure it remained appropriate given the changing market circumstances.
- Considered annually the outturns of acquisitions and developments, taking on board any learnings as appropriate.

Data centre visit
As part of the Strategy Day, the Board spent time reviewing our data centre strategy and visited one of our data centre customers on the Slough Trading Estate.

Operational

Matters considered
- SEGRO Ukraine Response.
- Presentations by the Northern European and Central European teams.
- Tours of assets in Düsseldorf, Cologne, Paris and Slough.
- SELP annual update.
- Asset disposal plan for 2022.
- Review of the Annual Health and Safety report and monthly incident reports.
- Approval of acquisitions, disposals and developments over £/€100 million and regular summaries of decisions taken by the Investment Committee.

Outcome
- Considered the underlying macroeconomic issues resulting from the Ukrainian conflict and potential impacts on the business, the communities in which we operate and our employees.
- Kept up to date on the operational aspects of the business by the local teams.
- Had visibility of key customers and engagement through the Business Unit presentations.
- Ensured that the Group's assets remained appropriate.
- Monitored performance against the Company's Zero Tolerance approach to health and safety breaches, and reviewed key findings and learnings from incidents.
- Approved significant transactions over £/€100 million in line with Delegation of Authority, including assets in France and Germany, and reviewed at each Board meeting the approvals granted by the Investment Committee to maintain a comprehensive view of upcoming projects.

Financial

Matters considered
- Results and dividends.
- Funding and liquidity review.
- EMTN programme and new debt issue.
- US Private Placement.
- Presentations from the Company's independent valuers, CBRE.
- 2023 budget and ESG targets.
- Tax strategy.
- Treasury update.

Outcome
- Approved the Half- and Full-Year Financial Statements and Annual Report and Accounts.
- Approved dividend payments throughout 2022.
- Closely monitored liquidity through regular reviews of cash flow position, committed capex and development pipeline.
- Approved the launch of the Euro Medium Term Note (EMTN) Programme and subsequent issue of €1.15 billion senior unsecured Green Bonds and £350 million senior unsecured bond.
- Supported the issue of €750 million unsecured Green Bonds in SELP.
- Approved US Private Placement of €225 million debt issue.
- Reviewed and challenged the valuation process and results of the valuation.
- Kept up to date with future trends and market cycles and implemented this knowledge in its decision making.
- Approved the 2023 budget and ESG targets.
- Approved the Tax Strategy and Treasury Policy.

Key activities of the Board during 2022
continued

Stakeholder engagement

Matters considered
- Responsible SEGRO updates on the three strategic priorities:
  - Championing low-carbon growth;
  - Investing in our local communities and environments; and
  - Nurturing talent.
- Presentation from Partnership Development Director and Managing Director, Group Operations on Community Investment Plans (CIPs).
- Broker presentations on shareholders'/analysts' attitudes to the Company and feedback from Investor Relations following the Full- and Half-Year Results.
- Report on s172 activities.
- Andy Harrison met with four shareholders following his appointment as Chair.
- Meeting with supplier, Goldbeck.
- Meeting with customer, Deliveroo.
- Visit to data centre customer, Virtus.
- Workforce engagement sessions.
- Results of the annual Customer Satisfaction Survey.
- Updated Modern Slavery and Human Trafficking Statement.
- Update on Anti-Bribery and Corruption policies.

Outcome
- Ensured that the Responsible SEGRO priorities were at the forefront of the Board's mind when making decisions during the year.
- Heard about the ways in which the business had delivered positive social impacts across employment, economy and environment in the communities in which we operate.
- Valued the opportunity to meet directly with a number of key stakeholders and gained a greater understanding of their perspective on issues that impacted them.
- Considered the impact of Board decision making on our key stakeholders.
- Gave the Non-Executive Directors the opportunity to engage directly with the workforce and hear their views on key topics.
- Reviewed Customer Satisfaction Survey results to ensure excellent service is provided to maximise customer retention.
- Ensured compliance with the Code of Business Conduct and Ethics and Anti-Bribery and Corruption policies and noted no reports from the externally-managed whistleblowing line.

Sustainability

Matters considered
- Responsible SEGRO updates on Championing low-carbon growth.
- Board training on climate change and sustainability delivered by CBRE.

Outcome
- Monitored progress against the Responsible SEGRO ambitions and target of net-zero carbon emissions by 2030.
- Enhanced Board's knowledge and awareness on ESG and Sustainability matters which better informs Board debate and decision making.
- Considered potential impact of sustainabilit1uirements on asset values.

People and culture

Matters considered
- Responsible SEGRO updates on Nurturing talent.
- Talent, diversity and inclusion.
- Succession planning.
- Board Diversity Policy.
- Workforce engagement sessions.
- New Bonus targets including ESG targets and personal performance elements.

Outcome
- Oversight of, and input into, the people aspects of the business.
- Continued with the Non-Executive Directors' workforce engagement sessions which proved to be valuable and insightful.
- Listened to employee feedback from the 2021 session on Remuneration and revised Bonus targets to include ESG targets and more emphasis on personal performance.

Board visit to asset in Germany.

Internal Board evaluation

Frequency and review type

Year 1: External | **Year 2:** Internal | **Year 3:** Internal

In line with the provisions of the Code, we undertake an externally facilitated evaluation every three years. In the two intervening years, internal reviews of the Board, its Committees and the individual Directors are carried out.

The last externally facilitated evaluation was carried out by Independent Audit in 2021.

This year, we undertook an internal review led by myself as Chair, with the support of our Senior Independent Director, Martin Moore, and Company Secretary, Julia Foo.

There were a number of stages to the evaluation process as set out here:

Overview of 2022 Internal Board evaluation process

Stage 1
I met with Martin and Julia to discuss our initial thoughts about the internal review process. We sought input from David Sleath, as Chief Executive, and agreed that Martin should again lead the review with support from Julia.

The Board felt that the last internal review, which was led by Martin in 2020 and comprised one-to-one interviews with the Board and other key employees, had worked well and a similar approach was followed. Ahead of the interviews, each participant was asked to complete a short questionnaire to help focus the conversation.

Stage 2
We agreed the themes that the review would focus on, some of which included:

- Board dynamics and working together effectively;
- the composition and balance of the Board and its Committees;
- Committee performance;
- the individual participation and contribution of Board members;
- the induction and experience of new Board members, including myself as Chair;
- stakeholder interests;
- people strategy; and
- the balance of time spent between 'value creation' and 'value maintenance' topics.

We felt that this was an appropriate combination of topics which would allow us to seek views on both strategic items as well as day-to-day tasks.

Stage 3
In order to inform and guide the discussions during the interview stage of the evaluation process, all Board members, as well as Julia and our former Group HR Director, were asked to complete a short online questionnaire where they rated and provided feedback on a selection of statements. They were also given the opportunity to raise any other issues that they wished to discuss.

Stage 4
The responses to the online questionnaire were collated and analysed. Martin and Julia met with each of the participants on a one-to-one basis to discuss and gain a deeper understanding of their feedback.

Stage 5
Martin and Julia prepared a draft report, which summarised the outcome of the questionnaires and interviews, on an anonymous basis, which was discussed with me.

Separately, Martin and I met to discuss the Board's feedback on my performance as Chair over the first few months of my appointment, and I met with David to share feedback on his performance as Chief Executive.

Stage 6
The final report was prepared and presented at the December Board meeting where time was allocated for an open discussion on the conclusions of the review and recommendations for the coming year, which are set out overleaf.

Conclusions of the 2022 review
The overall picture from the review was positive with the key outcomes summarised below:

- The Board's culture was overwhelmingly described as positive and collaborative, and participants felt that there was a good balance of skills on the Board and its Committees.
- There were constructive relationships between Board members which permitted the appropriate level of challenge and debate in discussions and decision making, with Directors able to contribute effectively based on their diversity of skill sets and experiences.
- Board meetings were effectively run with a sensible balance between strategic and business as usual items. The quality of papers supported effective discussions, decision making and future planning.
- The enhanced stakeholder engagement programme was valued by the Board which appreciated the benefit of meeting first hand with customers. Feedback on the workforce engagement programme was positive, with the Non-Executive Directors valuing their sessions with employees from across the business and expressing a desire to continue this engagement in the coming year.
- Support from internal and external experts on topical issues was appreciated and further contributed to effective Board debate.
- The Committees operated effectively, discharged their respective duties in the right way and were well-chaired. There was also scope to consider streamlining the membership of the Audit Committee and Remuneration Committee to make more efficient use of Board resources. Following further Board discussions and given the changes which are anticipated to take effect later this year, the Board is satisfied that this action has been addressed, though it will continue to keep committee membership under review as appropriate.

Internal Board evaluation
continued

Actions from the 2022 review

As ever, the evaluation process provided a helpful opportunity for the Directors to stand back and reflect, consider how they work, how to maximise the Board's strengths, and highlight areas for future development.

The following areas will be considered or continued during 2023:

- Succession planning – dedicate additional time on the Board agenda to succession planning discussions, inclusive of reviewing the skills and experience for any longer-term Non-Executive Director appointments as well as wider Leadership team considerations.
- Stakeholder engagement – maintain the programme of regular stakeholder engagement to enable the Board to hear from our key stakeholders and industry experts on areas of interest, allowing deep dive sessions into areas of relevance to enhance Board discussion and thinking.
- Strategy – maintain focus on key strategic agenda items and succinct summaries in Board and Committee papers.

Actions against these objectives will be considered by the Board throughout the year and reported in the 2023 Annual Report.

Andy Harrison
Chair

Review of the conclusions of the 2021 review

In December 2022, the Board also revisited the conclusions of the 2021 external review to ensure that during the year it had satisfied its goal to spend more time considering the topics identified:

What the Board said they would like to do in 2022:	What the Board did in 2022:
Inviting external speakers to share their views on key strategic matters to stimulate out of the box thinking and enhance Board discussion.	A number of employees and key advisers were invited to present on their specialist areas at Board and Committee meetings. This allows the Board to keep up to date with developments and provides the background necessary to enable effective Board discussions and decision making. As detailed on page pages 106 to 108, the Board heard from our valuers, CBRE, brokers, Bank of America and UBS, external auditor, PwC, and internal auditor, KPMG, in 2022. A number of internal and external speakers were also invited to join the Board at the 2022 Strategy Day to provide insight into their areas of expertise and provide additional context for the Board discussions that followed. You can read more about the Strategy Day on page 94.
Maintaining the programme of regular stakeholder engagement.	Whilst visiting the Düsseldorf office in June, the Board made time to meet with key supplier, Goldbeck, to hear about innovation opportunities, including their sustainability approach, initiatives and alignment with our own Responsible SEGRO ambitions. They discussed challenges in the market, such as heightened inflation and increased construction costs, as well as health and safety approaches. At a breakfast deep-dive session, some of the Board also met with the Global Property Director at Deliveroo to hear about their business model and future plans for the business. This provided valuable insight into our customers' needs and concerns. A full report of the Board's engagement with our stakeholders is on pages 97 to 103 of this report and case studies on the Board's engagement with the workforce are on pages 99 and 136.
Rigorously maintaining focus on key strategic agenda items and succinct summaries in Board and Committee papers.	The Chief Executive's report is well received as it provides a summary of business activity and sets out the key topics for each meeting. Presenters are regularly reminded to maintain focus on succinct summaries in their papers to enable even more effective decision making by the Board and its Committees.
Creating more opportunities to visit first-hand the Company's assets and operations in Continental Europe and meet with colleagues, where appropriate, given the pandemic recovery.	The Board is delighted to have been able to resume overseas visits and, during the year, travelled to our offices in both Düsseldorf and Paris to hold Board meetings. As part of the tours the local teams organised visits to a number of sites across our portfolio. In Germany they visited properties in Düsseldorf, a light industrial park in Cologne and SEGRO Logistics Park in Krefeld, and took the opportunity to visit customer facilities, which included a food services supplier, a television production sound stage and an audio equipment supplier. In France, they visited SEGRO Parc des Petits Carreaux, where they were shown examples of the team reinventing the park through refurbishment and landscaping, as well as SEGRO Park Paris les Gobelins, SEGRO Logistics Park Aulnay and SEGRO Logistics Park Garonor, where they also visited one of our manufacturing customer's facilities. There were also many opportunities to meet with local colleagues, either through presentations at the Board meetings themselves, during the asset tours, informally around the office or during the workforce engagement sessions.

Nomination Committee Report

Andy Harrison
Chair of the Nomination Committee

Committee membership
Andy Harrison (Chair from 30 June 2022)[1]
Mary Barnard
Sue Clayton
Carol Fairweather
Simon Fraser
Martin Moore
Linda Yueh

1 Gerald Corbett (Chair until 30 June 2022)

Key responsibilities
Composition of the Board and its Committees
Appointment of new Directors
Induction of new Directors and ongoing training requirements for individual Directors and the Board as a whole
Oversight of the Board Diversity Policy
Succession planning for the Board, Group HR Director and Company Secretary
Oversight of the development pipeline for the Leadership team and talent development programme for the wider workforce

Quick links

Attendance at scheduled Board meetings
See page 93

Dear shareholder,

I am delighted to present my first Nomination Committee (the Committee) Report to shareholders, in which we set out how the Committee has discharged its responsibilities throughout 2022.

During the year, the Committee has fulfilled its role of overseeing the composition of the Board and its Committees, and monitoring the balance of skills, experience, independence and knowledge as well as the diversity of its members in its broadest sense.

It has acted in accordance with its Terms of Reference, which were updated during the year to ensure ongoing alignment to best practice, and can be found at www.SEGRO.com.

As you will have read, I joined the Board in April 2022 and was appointed as Chair of the Board and the Committee when Gerald Corbett stepped down at the end of June. Shareholders can find the full process which was followed for my appointment on page 129 of the 2021 Annual Report and Accounts.

Since joining the Board, I have enjoyed a comprehensive induction process which is detailed on page 115.

Re-appointment of Independent Non-Executive Directors
Typically, a key area of focus for the Committee each year would be the re-appointment of Independent Non-Executive Directors who have reached the end of their three-year term. As reported last year, Mary Barnard reached three years' service in March 2022 and the Committee agreed that her term should be extended.

No further Directors reached the end of their term during the year. Instead, the Committee focused on succession planning, as detailed on page 115, and prepared for the upcoming retirement of the Chief Operating Officer and Senior Independent Director.

Chief Operating Officer
In September 2022 we announced the decision of our Chief Operating Officer, Andy Gulliford, to retire from the business in 2023.

Andy joined SEGRO in 2004 and held a variety of positions before being appointed to the Board in 2013. During his tenure he has played a vital role in SEGRO's success. His extensive knowledge of the Company and the real estate sectors in both the UK and Continental Europe has been invaluable to the Board.

Please join me in thanking Andy for his contribution and hard work over the years and wish him all the best for the future.

Senior Independent Director
Martin Moore joined the Board in July 2014 and took on the role of Senior Independent Director in April 2018. He has brought extensive experience of the property industry to the Board and made insightful contributions to Board discussions.

We are aware of best practice and the Code provision, which states that Non-Executive Directors should not be considered independent after completing nine years' service and, accordingly, with effect from 1 July 2023, Martin will step down as Senior Independent Director and Carol Fairweather, Independent Non-Executive Director and Chair of the Audit Committee will take on the role.

Martin remains a valued member of the Board and its three Committees and his retirement will be announced later in the year.

Nomination Committee Report
continued

Committee effectiveness
As part of the internal Board evaluation undertaken during the year, detailed on pages 109 and 110, the operation of the Board Committees was considered. The review concluded that the Committee continues to operate effectively and provides updates on its activities at each subsequent Board meeting.

Looking ahead
In 2023, the Committee will continue to focus on both succession planning and Board diversity for the longer term.

Andy Harrison
Chair of the Nomination Committee

What the Committee did in 2022

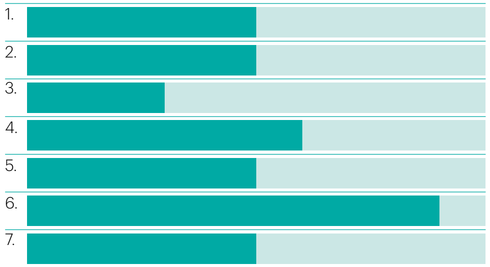
Throughout the year, the Committee has:
- reviewed succession planning for the Directors, the Group HR Director and the Company Secretary;
- overseen succession planning for the Leadership team;
- overseen the talent development plan for the wider workforce;
- reviewed the size and composition of the Board and its Committees, including the independence of the Directors;
- reviewed the effectiveness of the Committee;
- reviewed the skill sets and diversity of the Board members; and
- recommended that all the Directors stand for re-election at the 2023 AGM.

Composition, skills and experience
The Committee comprises the Independent Non-Executive Directors and is chaired by the Chair of the Board.

As at 31 December 2022, the Board is made up of a Non-Executive Chair, three Executive Directors and six Independent Non-Executive Directors, all of whom are equally responsible for the effective stewardship and leadership of the Group.

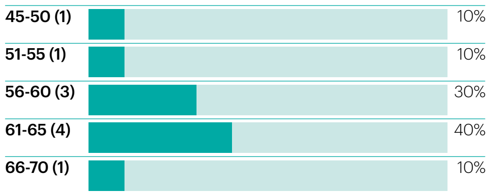
During the year, the Committee reviewed the skills and experience of the Board members, as well as the size of the Board as a whole and determined that it remained appropriate. The Committee reflected on the diversity and skill sets of Board members as part of the Board's medium- and longer-term succession planning.

Skills and experience of Directors



	Number of Directors
1. FTSE Listed Executive	5
2. Real Estate	5
3. Banking/City	3
4. Finance/Accounting/Audit	6
5. Customer experience	5
6. International	9
7. Remuneration	5

Age



Independence

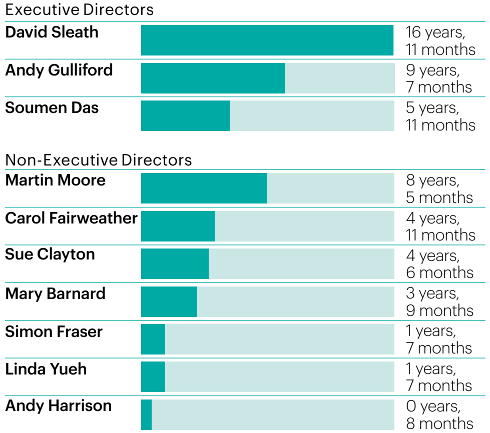
1. Independent Chair (1)	10%
2. Independent Non-Executive Directors (6)	60%
3. Executive Directors (3)	30%

Directors' Independence
The Board is made up of a majority of Independent Non-Executive Directors, which promotes the good governance of the Company by ensuring that the Executives are held to account and are not able to dominate Board decision making.

The Committee considers each of the Non-Executive Directors to be independent in character and judgement in accordance with the criteria set out in the Code. The Chair was considered independent on appointment and the Committee still considers him to be so.

Prior to their appointment, the Directors must disclose any actual or potential conflicts of interests and any future business interests that could result in a conflict must not be undertaken without the prior notification to and authorisation of the Board. The Board considers and approves the conflicts of interest as notified by any Director at each Board meeting.

Tenure



Diversity

The Directors are committed to having a balanced Board which recognises the benefits of diversity in its broadest sense and the value that this brings to the organisation in terms of skills, knowledge and experience.

The composition of the Board exceeds the criteria of both the Hampton-Alexander Review on gender balance and the Parker Review on ethnic diversity. As at 31 December 2022, 40 per cent of the Board were female and 20 per cent were from an ethnic minority background.

When searching for an additional Director, the Committee is mindful of the advantages a diverse Board brings, and ensures that in selecting and briefing executive search firms, the importance of diversity and inclusion are highlighted at the outset. The Committee particularly considers how it describes the skills and experience needed for the roles as this helps attract as wide a pool of candidates as possible. Only executive search firms who have signed up to the Voluntary Code of Conduct for Executive Search Firms will be used in the recruitment of Directors. In the final selection decision, all Board appointments are made on merit and relevant experience, against the criteria identified by the Committee with regard to the benefits of diversity in the widest sense, including gender and ethnicity.

The Board aspires to promote greater diversity across the business which, as you will have read on page 39, forms part of the Nurturing talent strategic priority of our Responsible SEGRO framework. During the year, the Board received an update from the Group HR Director on our progress against these objectives. They also discussed the results of the employee survey on diversity and inclusion.

For further information about the Company's approach to diversity and inclusion, see pages 40 and 41.

Listing Rules and Disclosure Guidance and Transparency Rules

The Committee is mindful of the new Listing Rules and amendments to the Disclosure Guidance and Transparency Rules, which came into effect for accounting periods starting on or after 1 April 2022 and will apply to the Company from the 2023 financial year.

The Committee has demonstrated its support of the FCA's aim to encourage increased transparency around diversity reporting at a Board and senior management level by proactively reporting on the requirements in this year's Report.

As at 31 December 2022, the Board had already met two out of the three criteria set out in the Listing Rules, as 40 per cent of the Board members are women and two members are from an ethnic minority background. From 1 July 2023, the Company will be fully compliant as Carol Fairweather has been appointed Senior Independent Director with effect from this date.

The Company collects the data used for the purposes of making this disclosure from Directors and executive management on a voluntary basis.

Board Diversity Policy

The Committee is responsible for monitoring the effectiveness of the Board Diversity Policy (the Policy), available to view on the Company's website, www.SEGRO.com, which sets out the Company's approach to diversity in respect of the Board of Directors.

The Policy incorporates a broad range of diversity factors as set out in the Disclosure Guidance and Transparency Rules, specifies targets with which the Board aims to comply, and considers how the Policy is applied to the Audit, Nomination and Remuneration Committees as well as the Board as a whole. It was last updated during 2022. The Committee considers that the Policy is appropriate and aligned with best practice and will keep it under periodic review.

All information in charts 1 to 4 below is as at 31 December 2022:

Chart 1: Reporting table on sex/gender representation

Gender	Number of Board Members	% of Board	Number of senior positions on the Board[1]	Number in executive management[2]	% of executive management
Men (including those self-identifying as men)	6	60	4	3	60
Women (including those self-identifying as women)	4	40	0	2	40
Non-binary	0	0	0	0	0
Not specified/prefer not to say	0	0	0	0	0

Chart 2: Reporting table on ethnicity representation

Ethnicity	Number of Board Members	% of Board	Number of senior positions on the Board[1]	Number in executive management[2]	% of executive management
White British or other White (including minority-white groups)	8	80	3	3	60
Mixed/Multiple Ethnic Groups	0	0	0	0	0
Asian/Asian British	2	20	1	2	40
Black/African/Caribbean/Black/British	0	0	0	0	0
Other ethnic group, including Arab	0	0	0	0	0
Not specified/prefer not to say	0	0	0	0	0

Chart 3: Gender balance of senior management direct reports[3]

1.	Male (13)	68%
2.	Female (6)	32%

Chart 4: Gender balance of total workforce

1.	Male (207)	49%
2.	Female (218)	51%

1 Senior positions on the Board include the Chair, Chief Executive, Chief Financial Officer or Senior Independent Director. The Company has announced that Carol Fairweather will be appointed Senior Independent Director with effect from 1 July 2023, at which point we will comply with the requirement to have one female in a senior Board position.

2 The Executive Committee, comprising the three Executive Directors and the Group HR Director, and the Company Secretary are considered to be the Company's executive management as defined by the Listing Rules and senior management as defined by the Code.

3 The senior management's direct reports (who include members of the Leadership team) are the next layer of management below senior management.

Nomination Committee Report
continued

Time commitment
As part of the recruitment process, the significant time commitments of potential Board members should be disclosed to the Committee. On appointment, the Chair and Non-Executive Directors receive a formal letter of appointment clearly setting out their expected time commitment to the Company and any additional future commitments should not be undertaken without prior notification to the Board.

Executive Directors are permitted to hold one external directorship as approved by the Board.

The Committee has considered the additional commitments of all Directors and has concluded that each of them has sufficient time to commit to the Company and are not overboarded. Their individual contributions are, and continue to be, important to the Company's long-term sustainable success.

For transparency we disclose all external appointments held by our Directors in their biographies on pages 92 and 93; however many of these appointments do not require the same time commitment as appointments to publicly listed companies.

Appointments during the year
Andy Harrison was appointed as an Independent Non-Executive Director on 1 April 2022 and succeeded Gerald Corbett as Chair on his retirement on 30 June 2022. In appointing Andy, the Committee followed a thorough and robust search process led by Senior Independent Director, Martin Moore. Full details of the process, which took place in 2021, is on page 129 of the 2021 Annual Report and Accounts.

Director re-election at the AGM
Each year, the Committee considers the skills and performance of each Director and, having concluded that they continue to be effective and demonstrate commitment to their roles, makes a formal recommendation to the Board that they be re-elected. The Committee has concluded that all Directors continue to be effective in their roles and accordingly will submit themselves for re-election by shareholders at the 2023 AGM.

Non-Executive Directors are appointed by the Board for three-year terms. At the conclusion of each term, the Committee undertakes a review of their performance and contribution before making any recommendation to the Board for their reappointment.

Induction programme
On joining the Board new Directors participate in a comprehensive induction programme designed to familiarise them with the Company, its assets, policies and procedures, and to introduce them to employees and key advisers, in order to assist them in becoming effective in their role as quickly as possible.

As part of the induction process, they are provided with detailed information on the Group, its policies and its governance structure by the Company Secretary.

They will also meet with the Executive Directors, the Heads of Function covering all aspects of the business and the Company's valuers, brokers, and the internal and external auditors.

The induction of Andy Harrison as Chair was a key area of focus for the Committee during the year and full details of his tailored induction programme can be found opposite.

Continuing development and training
To ensure the Board continually updates and refreshes its skills and knowledge, ongoing training and development support is provided to the Board during the year. The Board is regularly briefed on business-related matters, governance, investor expectations, legal and regulatory impacts. Both the Audit and Remuneration Committees received updates on relevant accounting and remuneration developments, evolving market trends and changing disclosure requirements from external advisers and management.

Directors may request training on specific issues with some attending external courses (often provided by our professional advisers). From time to time, meetings with specialists in the business are arranged for Directors who may wish to gain a deeper insight into a particular topic. The Directors may raise any training needs with the Chair which helps to ensure that the training programme meets the needs of the Board, Directors and the business. The Directors have access to the advice of the Company Secretary and independent professional advice is available at the Company's expense, if necessary, in fulfilling their duties and responsibilities.

In order to further enhance their knowledge and stay abreast of the enhanced regulation and disclosure requirements on ESG, a subject of importance for many of our stakeholders, the Board participated in a training session on sustainability and climate change delivered by CBRE. The session also focused on how sustainability factors could have an impact on asset values.

Additionally, Board members received an annual refresher training on Market Abuse Regulation from the Company Secretary.

Director effectiveness
The performance and individual contribution of each of the Directors is reviewed annually.

The Senior Independent Director led the appraisal of the Chair, incorporating feedback from the other Board members, and concluded that he was effective in his role.

The Non-Executive Directors agreed that the Chief Executive continued to perform his role with energy and commitment and leads an effective Executive team.

The performance of the other Non-Executive Directors is appraised by the Chair and Senior Independent Director, whilst the Chief Executive gives feedback about the other Executive Directors.

Succession planning

The Committee is responsible for the effective and orderly succession planning for Directors, both Non-Executive and Executive, the Group HR Director and the Company Secretary.

It monitors the tenure of Directors to ensure that it plans sufficiently in advance of retirements from the Board to ensure orderly succession of Non-Executive Directors. All the Directors stand for election or re-election at each AGM.

Along with considering Board succession, the Committee oversees the development of a strong pipeline of diverse and talented individuals below Board level. It reviews regularly the quality of the Leadership team and senior managers as it recognises the importance of creating and developing a suitably talented, diverse pipeline of leaders ready to serve as the next generation of Directors.

The Chief Executive, supported by the Group HR Director, presents to the Committee on Leadership team succession planning and the talent development programme for the wider workforce. For Executive Directors and for roles in the Leadership team, plans are in place for both sudden, unforeseen absences, and for longer-term succession. These form the basis of development plans for our most talented people and will ensure that, looking forward, we have the right people to deliver our strategy.

We encourage regular contact between management and the Board. This may be by way of a Board presentation, a tour of assets or a one-to-one session with Non-Executive Directors to discuss a specific issue.

Andy Harrison's Induction

On joining the Board, all new Directors participate in a comprehensive induction programme which is essential in order to assist them in becoming effective in their role as quickly as possible. SEGRO's induction programme for each incoming Director is built around a series of meetings with the other Executive and Non-Executive Directors, the Executive Committee, the Company Secretary and other members of senior management, as well as site visits to get to know our assets and meetings with relevant external advisors.

Andy Harrison, Chair

In 2022, we welcomed Andy Harrison as our new Chair. He joined the Board as an Independent Non-Executive Director on 1 April and succeeded Gerald Corbett on his retirement on 30 June.

Andy participated in a bespoke induction programme designed to provide him with the necessary background to effectively take on the role of Chair of SEGRO.

Chair

Prior to Gerald's retirement, he worked closely with Andy in order to facilitate a smooth handover and transition of responsibilities. Gerald gave an overview of how the Board operates, its style and culture, as well as key issues facing the Board for the coming year and the work of the Nomination Committee.

Chief Executive

Andy and David met regularly to discuss strategy and key areas of focus for the Company in the coming year. David briefed Andy on the business and provided an overview of our Responsible SEGRO strategy. In addition to these one-to-one sessions, Andy and David travelled together to our Milan and Paris offices, where Andy was introduced to the local teams and visited some of the assets in our portfolio.

Senior Independent Director

As Senior Independent Director, Martin acts as a sounding board for the Chair. As well as meeting to discuss the current priorities of the Board, Martin and Andy worked closely on the Internal Board Evaluation process during Andy's first year.

Non-Executive Directors

Andy met individually with each of the Non-Executive Directors who provided background on their individual areas of expertise and discussed their views on key issues. Committee Chairs Carol Fairweather and Simon Fraser brought Andy up to speed on the Audit and Remuneration Committees respectively.

Chief Financial Officer

Chief Financial Officer, Soumen Das, gave an introduction to the finance teams, investor and analyst feedback, investment market analysis, financial performance and budget, the SELP joint venture and our Digital and Technology function.

Chief Operating Officer

An overview of the operational structure, operational performance, strategy and key areas of focus as well as an overview of the Company's approach to our customers and Health and Safety was provided by Chief Operating Officer, Andy Gulliford.

Executive Committee

Andy received an overview of our legal structure, Code of Ethics and whistleblowing policies from the former General Counsel as well as an introduction to our HR policies, workforce engagement, approach to remuneration and the Nurturing talent element of Responsible SEGRO from the Group HR Director.

Company Secretary

As Company Secretary, Julia outlined the Company's governance framework, the work of the Board and its Committees and their engagement with stakeholders, as well as the outcomes from the previous year's External Board Evaluation, investor feedback from the 2022 AGM and training on our Market Abuse Regulation policies.

Shareholders

Following his appointment as Chair, Andy wrote to ten of our largest shareholders to invite them to meet with him and discuss their views on the Company. Four shareholders accepted the invitation and Andy met with them in the second half of the year.

External Advisers

Many of the Company's external advisers including the Internal and External Auditors, Valuers, Brokers and Remuneration Committee Advisers spent time with Andy to share their market expertise relevant to the Company.

Senior Management

Andy also met with the Managing Directors of each Business Unit, Group Investment and Group Operations, the Commercial Financial Director, Head of Investor Relations, Operations Finance Director, Head of Tax, Group Financial Controller, Director of Digital and Technology, and Director of Marketing and Communications to hear about the key factors in their individual areas.

Site visits

Throughout his first year, Andy spent considerable time visiting our offices and assets to hear from local employees on the ground and meet with some of our customers. As well as visiting our offices in Prague, Milan, Barcelona and Madrid with David, he toured assets in Paris, Düsseldorf and Cologne with the Board and visited a data centre in Slough as part of the Board Strategy Day.

Audit Committee Report

Carol Fairweather
Chair of the Audit Committee

Committee membership
Carol Fairweather (Chair)
Mary Barnard
Sue Clayton
Simon Fraser
Martin Moore
Linda Yueh

Key responsibilities
Oversight of internal and external audit processes and independence of the external auditor
Monitoring the integrity of the financial statements of the Group including reviewing significant judgements
Reviewing internal controls and risk management systems
Advising the Board on the statements made in the Annual Report and Half-Year Report on viability, going concern, risk and controls and whether the statements are, when taken as a whole, fair, balanced and understandable

Quick links

Attendance at scheduled Board meetings
See page 93

Dear shareholder,

As Chair of the Audit Committee (the Committee), I am pleased to present the Committee's report for 2022.

During the year, the Committee has acted in accordance with its Terms of Reference, which were updated during the year, and can be found at www.SEGRO.com.

Over the following pages you will see how the Committee has discharged its responsibilities, as well as other areas which it has focused on.

Composition

The Committee is made up entirely of Independent Non-Executive Directors and each Committee member has considerable commercial knowledge and broad industry expertise.

I satisfy the Code requirement to bring recent and relevant financial experience to the Committee, with different financial expertise and experience provided by both Simon Fraser and Linda Yueh. Martin Moore and Sue Clayton each bring a wealth of property experience and Mary Barnard has extensive commercial and general management experience.

The Board is satisfied that the Committee as a whole has the relevant competence to properly discharge its duties.

Meetings

The Committee met formally three times during the year and provided updates to the Board on its activities at each subsequent meeting.

Outside of the scheduled meetings, we can also use time set aside for Board meetings to discuss any matters that arise in real time.

As usual, our external and internal auditors joined the meetings throughout the year, together with a number of employees from across the business. We continue to find this incredibly valuable as it allows us to see the pool of talent within the Company, and facilitates a greater depth of discussion and debate on some specialist topics.

In 2022, we were joined by the Group Financial Controller and Head of Financial Reporting to consider the accounting judgements and treatments that have been adopted for particular transactions. The Head of Tax provided an update on developments in the current tax landscape, the Group's tax strategy and an overview of significant tax issues or changes that could potentially impact the Group's tax charge. The Head of Technology delivered his annual update to the Committee on developments in cyber security threats, the continued investments by the Company in response, including enhancing team resourcing with the appointment of a dedicated Senior Engineer for Cyber Security, and the current status of cyber security defences. The Head of Legal presented on the Group Legal function and material litigation matters. Further regular updates were also provided to the Committee on the risk management process, internal controls and anti-bribery and corruption.

In addition to scheduled meetings, I speak regularly with the Chief Financial Officer and Group Financial Controller to discuss any topical issues that should be brought to the attention of the Committee.

We are aware of the recommendation from proxy voting agency ISS that audit committees meet at least four times annually. We feel that we currently have the appropriate balance of scheduled Committee meetings and time available for ad hoc discussions to properly meet the needs of the business. However, should the need arise (as demonstrated in 2020 due to the global pandemic) additional, formal meetings will be convened.

Andy Harrison was appointed as Chair of the Board in June 2022 and as part of his induction process, which you can read about on page 115, I met with him to brief him on the activities of the Committee and current topical matters.

What the Committee did in 2022
A comprehensive list of the Committee's activities during the year can be found on the right, some highlights include:

– Tender of the internal auditor
One area of focus was the tender of the internal auditor. KPMG was re-appointed as internal auditor for a minimum three-year term following a robust tender process led by myself and supported by Sue Clayton, Non-Executive Director and member of the Committee, the Chief Financial Officer and Group Financial Controller. You can read about this process in further detail on page 121.

– Climate-related disclosures
We described in last year's report how the Committee had considered the newly introduced Task Force on Climate-related Financial Disclosures (TCFD) requirements. We continued to focus on developments in this area and the Commercial Finance Director and Director of Sustainability attended a Committee meeting to provide an update on sustainability and TCFD disclosures in the 2022 Annual Report and Accounts to confirm ongoing compliance and assurance.

Committee effectiveness
As part of the internal Board evaluation process, the operation of the Committee was considered (see pages 109 and 110) and was deemed to be operating effectively.

Discharge of responsibilities
The quality of debate and challenge amongst the Committee, management and the internal and external audit teams, together with the comprehensive information provided to the Committee has assisted us in appropriately discharging our responsibility.

I would like to thank all those who have contributed to the Committee this year for their efforts.

Looking ahead
In 2023, the Committee will:

- continue to follow the ongoing discussions on audit reform and respond appropriately to any recommendations; and
- welcome Richard Porter as the lead audit partner for the external auditor and work closely with PwC to ensure a smooth transition of responsibilities.

If you have any questions on the Audit Committee or the contents of this Report, do contact me on companysecretariat.mailbox@SEGRO.com.

Carol Fairweather
Chair of the Audit Committee

What the Committee did in 2022

Throughout the year, the Committee has:

- reviewed and monitored the integrity of the Financial Statements including reviewing significant financial reporting judgements and estimates made by management, to ensure that the quality of the Company's financial reporting is maintained, in the Company's Half- and Full-Year Financial Statements;
- assessed the objectivity, independence and competence of the external valuer of the Group's property portfolio and gaining assurance around the valuation process;
- ensured compliance with applicable accounting standards, monitoring developments in accounting regulations as they affect the Group and reviewing the appropriateness of accounting polices and practices in place;
- ensured ongoing compliance with legislative requirements such as TCFD reporting;
- monitored matters relating to tax including REIT status and other significant open matters;
- reviewed the recognition of the performance fees due from SELP, which are highly sensitive to valuation movements creating estimation uncertainty;
- monitored the effectiveness of the Group's risk management systems and considered the adequacy of the process being undertaken to identify risks and mitigate the exposure of the Group to them;
- reviewed cyber security processes and the continued investment in this area to respond to increasing trends in cyber threats;
- engaged with PwC in relation to the selection and transition of lead audit partner in 2023;
- undertook the tender of internal audit services and re-appointed KPMG as internal auditor;
- ensured the process followed to support the making of the going concern and viability statements remained robust and was correctly followed;
- ensured appropriate safeguards are in place for the detection of fraud and prevention of bribery. This extends to responsibility for overseeing and monitoring the Group's Anti-Bribery and Corruption policies and procedures contained in the Company's Code of Business Conduct and Ethics;
- reviewed the adequacy of internal financial controls and broader internal control systems;
- examined the performance of the external and internal auditors, their objectivity, effectiveness and independence, as well as the terms of their engagement and scope of the external and internal audit plans;
- reviewed the Policy for Approval of Non-Audit fees;
- monitored the ratio and level of audit to non-audit fees paid to the external auditor and agreed their remuneration for the year;
- analysed and challenged the results of internal audit reviews and management's plans to resolve any actions arising from them;
- advised the Board on whether the process supporting the preparation of the Annual Report taken as a whole, is appropriate to allow the Board to conclude that the Annual Report is fair, balanced and understandable and provides the information necessary to shareholders to assess the Group's position, performance, business model and strategy; and
- reviewed and updated the Committee's Terms of Reference to ensure that we remained aligned with market best practice.

Audit Committee Report
continued

Financial reporting process

A key area of responsibility for the Committee is the monitoring of the integrity of the Company's Financial Statements and any formal announcements relating to the Company's financial performance, as well as reviewing any significant financial reporting issues and judgements contained therein.

The Group has long-established internal controls and risk management systems in relation to the process for preparing the Financial Statements. Various checks on internal financial controls take place throughout the year, including internal audits which are detailed further on page 121.

Developments in accounting regulations and best practice in financial reporting are monitored by the Company and, where appropriate, reflected in the Financial Statements. Training is also provided to the finance teams and the Committee is kept appropriately informed.

The financial reporting from each Business Unit is reviewed by a local Finance Director prior to being submitted to the Group Finance function.

The results of each Business Unit are subject to further review by the Group Finance function.

The results are then consolidated by Group Finance and are subject to various levels of review including by senior members of the Finance team.

The draft consolidated statements are reviewed by various individuals including those independent of the preparer. The review includes checking consistency internally, with other statements and with internal accounting records.

The Committee and the Board review the draft consolidated Financial Statements. The Committee receives reports from management and the auditor on significant judgements, changes in accounting policies, and other relevant matters relating to the consolidated Financial Statements. The Financial Statements are also subject to external audit.

Viability statement and going concern

The Committee is responsible for ensuring that the process put in place to allow the Board to make the viability statement on page 75 remains robust, in line with market practice and is correctly and properly followed.

The Committee reviewed the process which included extended scenario analysis and is comfortable with the process followed to make the viability statement and has confirmed this to the Board.

The Committee reviewed the recommendation setting out the support for adopting the going concern basis in preparing the financial statements. The Committee confirmed to the Board that the recommendation was appropriate. The Board's statement is set out on page 60.

Viability statement
Page 75

Going concern
Page 60

Fair, balanced and understandable

The Code requires the Board to confirm that they consider, taken as a whole, that the Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

In order to enable the Board to make this confirmation, the Audit Committee has oversight of the process which has been followed, whereby the section owners and independent reviewers confirm that in their opinion and against an agreed list of criteria the Annual Report is fair, balanced and understandable. These criteria include:

- is the whole story presented, with key messages appropriately reflected?;
- does the Report properly provide the necessary information, with a good level of consistency, for stakeholders to assess SEGRO as a business?; and
- is the Report presented in straightforward language, easy to understand and within a clear framework?

The Committee reviewed the process that management had undertaken to make the statement, which included regular meetings of the Annual Report and Accounts Working Group during the drafting process to ensure a consistent approach, and confirmed to the Board that the processes and controls around the preparation of the Annual Report are appropriate, robust and consistent.

The fair, balanced and understandable statement is made on page 150.

Fair, balanced and understandable statement
Page 150

Significant judgements made by the Committee in 2022

Significant matter	The action taken
Valuation of the property portfolio Valuation is central to the business performance and is a significant estimate for the Committee as it is inherently subjective, because the valuer must make assumptions and judgements in reaching its conclusions. This is a recurring risk for the Group as it is key to its IFRS profitability, balance sheet portfolio value, net asset value, total property return, and employee incentives. It also affects investment decisions and the implementation of the Company's Disciplined Capital Allocation policy. It is included on the Risk Register and the process risk map as a potential key business risk.	The Committee ensured that there was a robust process in place to satisfy itself that the valuation of the property portfolio by CBRE, a leading firm in the UK and Continental European property markets, was carried out appropriately and independently. The Chair of the Audit Committee met separately with CBRE in advance of the Committee meetings to review the valuation process in detail and ensure the valuer remained independent, objective and effective. Given the significance of this judgement, as in previous years, the full Board also met twice with CBRE to review, challenge, debate and consider the valuation process; understand any particular issues encountered in the valuation; understand the impact of climate change and sustainability requirements on valuations; and discuss the processes and methodologies used. The auditors also meet with the valuers, and they use the services of their own in-house property valuation expert to test the assumptions made by CBRE. They report to the Audit Committee on their findings. The Committee confirmed that it was satisfied that the valuation was not subject to undue influence and had been carried out fairly and appropriately, and in accordance with the industry valuation standards, and therefore suitable for inclusion in the Financial Statements. For details of the Group's properties and related accounting policies see Note 13 and Note 1 of the Financial Statements. For details of the results of the valuation see Note 13 of the Financial Statements.
Accounting for significant and/or complex acquisitions, disposals and other transactions During the year, the Company made a number of property acquisitions and disposals and carried out other transactions, which were large and/or complex. Certain transactions were considered to be significant because of the level of materiality involved and/or any unusual terms or conditions or judgements, and because of the risks inherent in the accounting process, including when a transaction or revenue should be recognised, and what the appropriate accounting treatment should be. The accounting treatment of acquisitions, disposals and transactions themselves, is a recurring risk for the Group and is considered to be significant, since an inappropriate approach could cause a misstatement of the Group's financial position and/or results. The application of the accounting treatment for each particular transaction is judged on its own particular facts and circumstances.	The Committee considered the accounting treatment of key, complex transactions during 2022 including the accounting treatment applied to acquisitions and disposals of various properties and the issue of debt. Following a review of the accounting treatment for these significant transactions, in particular the point at which each transaction should be recognised, the Committee was satisfied that all relevant matters had been fully and adequately addressed and that the approach adopted by the Company was appropriate in each case, and in accordance with IFRS. For further details of the accounting treatment applied to such significant transactions, see Note 1 and Note 16 of the Financial Statements.
Recognition of performance fee income A performance fee is payable from the SELP joint venture to SEGRO, subject to meeting certain criteria, at the end of the ten-year performance period to October 2023. The calculation to determine the fee is an estimate dependent on a number of factors including the probability and magnitude of future changes in property values over the remaining performance period. Determining whether, and the extent to which, a performance fee should be recognised gives rise to significant estimation uncertainty.	The Committee considered the recognition of the performance fee in to date, by reviewing and challenging management's papers and judgements. The Committee was satisfied that the accounting treatment and related disclosures met the revenue recognition criteria in accordance with IFRS 15. For further details of the accounting treatment, see Note 1 and Note 7 of the Financial Statements.

Audit Committee Report
continued

External auditor

PricewaterhouseCoopers LLP (PwC) has served as the Company's external auditor since the 2016, following a tender in 2015, and the Committee continues to enjoy a constructive working relationship with them.

The Committee Chair has regular discussions with lead partner, John Waters, and his PwC colleagues to discuss matters as they arise throughout the year.

The Committee also regularly meets privately with John to discuss PwC's work and observations on the Company.

No areas of concern were raised during the year.

Oversight
PwC presented their audit plan for the year which the Committee considered and approved. The key areas of risk, which were primarily identified as areas of judgement and complexity, were highlighted by PwC and were consistent with those areas identified by the Committee.

The level of audit materiality was also discussed and agreed.

PwC presented a detailed report of their audit findings at the year end, which were reviewed and discussed. A review of the external auditor's report was also undertaken by the Committee at the half year. As part of this review the Committee probed and challenged the work undertaken and the findings and the key assumptions made, with particular attention to the areas of audit risk identified.

Effectiveness
The Committee assesses the effectiveness of the external audit process on an annual basis, by taking account of the views of management involved in the audit and by reviewing a number of factors including:

- performance in discharging the audit and half-year review;
- independence and objectivity;
- robustness of the audit process, including how the auditor demonstrated professional scepticism and challenged management's assumptions particularly in relation to the valuation of the Group's portfolio, and the recognition of performance fees from the SELP joint venture;
- the quality of service and delivery, including appropriate resources and skills for the complexity of SEGRO's audit; and
- reappointment and remuneration.

The Committee also noted the results of the PwC Audit Quality Review inspection results 2021/22.

Independence
The Company complies with the Competition and Market Authority Order 2014 relating to audit tendering and the provision of non-audit services. There are no contractual obligations which restrict the Committee's choice of external auditor or which put in place a minimum period for their tenure. The external audit was last tendered in 2015 following which the auditor changed in 2016 from Deloitte LLP to PwC.

The Committee has no current plans to re-tender the services of the external auditor before it is required in 2025, as stipulated by current regulation that requires a tender every 10 years. John Waters is in his fourth year as lead audit partner and would be required to rotate after five years. He has notified the Committee of his intention to retire from PwC in 2023 and will be succeeded in his role by Richard Porter.

The Committee believes that the audit quality and process benefits from the continuity, stability and understanding of the business by the PwC team, with an appropriate level of challenge.

Remuneration
The Committee considers the remuneration of the external auditor at least on a semi-annual basis and approves its remuneration. It also keeps under close review the ratio of audit to non-audit fees to ensure that the independence and objectivity of the external auditor are safeguarded.

In 2022, fees for audit services amounted to £1.31 million and the non-audit fees amounted to £0.32 million.

The increase in non-audit fees from 2021 to 2022 is due to the two debt offering consent procedures performed by PwC in 2022 (by comparison, there was one debt offering in 2021) as well as an inflationary increase for the half-year review. It is standard practice for a Company's external auditor to undertake these tasks.

The non-audit fee for 2022 equates to nine per cent of the average audit fees of the last three years.

The chart below sets out the ratio of audit to non-audit fees for each of the past three years.

	2022	2021	2020
Audit fees (£m)	**1.31**	1.14	0.99
Non-audit fees (£m)	**0.32**	0.20	0.10
Ratio of non-audit fees to audit fees (%)	**24**	18	10

The Committee has concluded that PwC remains independent and objective, and that the level of non-audit to audit fees is acceptable for 2022. PwC has provided written confirmation of its independence to the Committee.

We have voluntarily provided details on the fees relating to the audit of the Group's SELP joint venture with PSP Investments, for which PwC is the auditor, in Note 6(ii) to the Financial Statements. The Committee has no oversight or control over these fees as the SELP joint venture operates totally independently and is not controlled by the SEGRO Group or the Committee. The fees are provided solely for information purposes and do not form part of the audit fees nor are they included in the calculation to determine the ratio of audit to non-audit fees on an annual or three-year basis for the SEGRO Group.

Policy for approval of non-audit fees
The Committee considers the Policy for Approval of Non-Audit Fees on an annual basis to ensure that it remains fit for purpose.

The Policy, which is available on our website at www.SEGRO.com, was last updated in February 2023 to reflect the latest updates to the International Code of Ethics for Professional Accounts (including International Independence Standards) issued by the International Ethics Standard Board for Accounts (IESBA). The Committee is satisfied that the Policy is appropriate.

The Policy sets out the very limited circumstances where PwC may be appointed to carry out non-audit services but only with the prior consent of the Committee or the Committee Chair, through delegation of authority from the Committee.

There must be an obvious and compelling reason why they should be appointed and there should be no threat to the independence of PwC.

The impact on non-audit to audit fees must also be considered, and fees incurred for non-audit work must not exceed 70 per cent of the average of the audit fees paid for the last three consecutive years. All non-audit fees are reported to the Committee.

Re-appointment
The Committee was satisfied with the performance of PwC on the basis of the above and recommended to the Board that it propose to shareholders at the 2023 Annual General Meeting that PwC should be reappointed for the 2023 financial year.

Internal auditor

The Committee believes that given the Company's size and structure using a third party to perform the internal audit function continues to be the most appropriate model. This provides independent challenge of management and gives access to a wide range of expertise.

KPMG has performed the role since its appointment in 2007 and reappointments in 2014 and 2022 following a tender (see below).

During their tenure, there have been a number of rotations of lead partners and audit managers to ensure that a fresh perspective is given, and their independence and scrutiny are maintained.

Topics included in the internal audit plan for 2022 were selected based on a review of the Group's principal risks, the timing of the previous audit and advice on market insights from KPMG. Significant areas are subject to internal audit on a cyclical basis.

The proposed internal audit plan for 2022 was considered and approved by the Committee in December 2021.

Internal audits during 2022 included:

- Business continuity and disaster recovery;
- HR processes;
- VAT;
- Leasing;
- Payroll;
- Insurance captive;
- Procurement and suppliers;
- Service charge and recovery;
- Small country audit; and
- Cyber security.

Each internal audit during 2022 confirmed that no significant control issues were identified. However, a number of process and minor control improvement points were identified with follow up actions and timelines which were regularly monitored by the Committee.

Feedback on the performance of KPMG for each internal audit is given by the Company and was largely positive and no areas of particular concern have been brought to the Committee's attention. The lead KPMG partner attends Committee meetings to present its report and the Committee also meets privately with him during the year. No matters of concern were raised in the private meetings.

Internal audit tender
As referenced in last year's Report, the provider of internal audit services was last considered in 2014 and the Committee felt that 2022 was an appropriate time to undertake a tender process with a change in provider, if required, commencing in 2023.

The tender was led by the Committee Chair, assisted by a panel comprised of Non-Executive Director and Committee member Sue Clayton, the Chief Financial Officer and Group Financial Controller.

A list of potential tenderers was assessed against criteria including geographical spread and quality of specialisms. The panel was cognisant that appointment as Internal Auditor would preclude the firm from being appointed as External Auditor, the tender for which is due in 2025.

Following due consideration, the incumbent KPMG and another large accounting firm were invited to present to the selection panel. Their presentations included a proposed internal audit plan for 2023 and they were assessed against the following criteria:

- team experience and capabilities;
- pan-European capabilities;
- specialist expertise in specific areas, such as Treasury and Technology;
- industry knowledge and expertise;
- efficiency of processes; and
- nature and content of reporting.

Following the review of the proposal documents and the presentations, the panel decided to recommend that KPMG be re-appointed as internal auditor for a minimum term of three years, and the Committee supported this recommendation at the December 2022 Audit Committee meeting.

Effectiveness of internal audit
The Committee believes that both the process for determining the internal audit programme, and the programme itself, are appropriate and effective, and as in previous years the programme will be amended during the year if required to react to any new events or information.

The Committee is satisfied that the internal audit function continues to perform effectively.

Valuers

The single most important judgement that the Committee and the Board has to make is the value of the Group's portfolio. The Committee is assisted in reaching this judgement by its external valuer CBRE, which has held this position since 2012. CBRE was reappointed in 2021 for a further four-year term, and the Committee believes that they continue to be effective in their role.

The effectiveness of the Group's valuers is assessed through regular meetings during the year with the Chair of the Audit Committee and supplemented by additional sessions with management, and focused on the following:

- independence and objectivity;
- experience and qualification of the valuation team;
- consistency of approach across each of the countries in which the Group operates; and
- quality of data and materials, including the two presentations to the Board.

As a result, the Committee concluded that the external valuers performed to a high standard, were independent, and that the well-run process delivered a robust set of valuations.

The RICS is currently considering the updated Valuation Standards following further consultation on the Independent Review of Real Estate Investment Valuations report published in December 2021. SEGRO has actively participated in this discussion and awaits the outcome from the RICS.

Internal controls and risk management

Internal controls

The Committee is responsible for reviewing the adequacy and effectiveness of internal control systems, (covering all material controls including financial, operational and compliance controls and risk management systems) on behalf of the Board.

At each meeting, the Committee receives an update on internal controls and regularly reviews the adequacy and effectiveness of the Group's internal control systems through various activities including:

- reviewing the effectiveness of the risk management process;
- reviewing and challenging management's self-assessment of the internal controls framework;
- reviewing the work undertaken by the internal and external auditor, in relation to internal controls; and
- the regular reporting on any control or fraud-related whistleblowing issues.

Outcome

The framework for monitoring and maintaining internal controls is considered appropriate for a Group of SEGRO's size and complexity and is designed to provide reasonable assurance against material misstatement or loss.

On the basis of the Committee's work, it confirms that it has not been advised of, or identified, any failings or weaknesses which it regards to be significant in relation to the Group's internal control systems during the year. It also confirms that the Group's internal control systems have been in place for the year under review and up to the date of approval of this Annual Report and are in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the Financial Reporting Council.

Risk

The Board recognises that effective risk management is key to the long-term sustainable success and future growth of the business and the achievement of the Group's strategic objectives (see pages 64 to 74). It is ever aware of the need to ensure that new and emerging risks, as well as the more established principal risks, are adequately managed and mitigated. Risk management is therefore embedded in the Company's decision making and culture, and robust systems have been put in place to ensure this remains the case.

There is an ongoing process for identifying, evaluating and managing the principal risks faced by the Group, which has been in place during the year, together with the means for identifying those emerging risks which may impact the Group in the future. These emerging risks are discussed throughout the business by the appropriate working groups, conducting both horizon scanning and discussions at a more granular level. The Group Risk Management Committee monitors and reports on the Company's approach to risk management as detailed further on page 64.

The Board assumes responsibility for the effective management of risk across the Group, determined by its risk appetite, as well as ensuring that each business area implements appropriate internal controls.

The Committee reviews regularly the effectiveness of the risk management process on behalf of the Board and is satisfied that it remains robust for the financial year in question and up to the date of this Report.

Directors' Remuneration Report
Letter from the Chair of the Remuneration Committee

Simon Fraser
Chair of the Remuneration Committee

Committee membership
Simon Fraser (Chair)
Mary Barnard
Sue Clayton
Carol Fairweather
Martin Moore
Linda Yueh

Key responsibilities
Determine the remuneration for Executive Directors, the Chair, the Company Secretary and the Group HR Director
Review the remuneration of the Leadership Team
Ensure Executive remuneration is aligned to the Company's Purpose and Values, and the delivery of its long-term strategy
Oversee workforce remuneration and policies
Consider individual remuneration outcomes for the Executive Directors

Quick links

Attendance at scheduled Board meetings
See page 93

Dear shareholder,

On behalf of the Board, I am pleased to present our Remuneration Report for 2022.

I inherited the Remuneration Committee in 2021 which was in good shape. It is well constituted and has members with the necessary and relevant experience. As such, I was able to fully focus on shaping and finalising the 2022 Directors' Remuneration Policy (the Policy).

The role of the Remuneration Committee is to determine the remuneration policies and practices which promote the long-term sustainable success of the Company, which are aligned with the Company's Purpose and Values and its strategy.

In the following pages you will see how the Committee has discharged its responsibilities as well as other key areas of focus in 2022.

Composition
The Committee is made up entirely of Independent Non-Executive Directors. There have been no changes to the composition of the Committee during the year, providing stable oversight of the Company's remuneration.

Area of focus in 2022
The Committee approved Executive Directors' variable remuneration and annual salary increases, approved all-employee awards under the Company's SIP, GSIP and Sharesave schemes and reviewed the remuneration of the wider workforce to ensure it remained aligned with the structure of remuneration for the Executive Directors.

The Committee also decided to amend the individual limit in the Company's Long Term Incentive Plan to align it to the maximum level of award permitted under the Policy submitted to shareholders at the 2022 AGM. This change was supported by nearly 99 per cent of shareholders.

Share price performance
As covered elsewhere within this Annual Report, 2022 was characterised by a high level of volatility in the capital markets, as central banks responded to high inflation with significant rises in interest rates alongside heightened geopolitical uncertainty. This affected the prices of all listed securities, particularly in the real estate sector which is perceived to be sensitive to the cost of funding. As a result, SEGRO's shareholder return in 2022 (including dividends paid) was a disappointing -46 per cent.

However, this should be viewed in the context of our long-term strategy to deliver outperformance through the cycle. SEGRO shares have delivered a compound average total shareholder return of +8 per cent per year over the past five years and +16 per cent per year over the past ten years, outperforming the FTSE 350 REIT index equivalents of -4 per cent and +4 per cent respectively.

Company performance
The capital market volatility also led to an unprecedented disconnect between the performance of the property investment markets and the strength of occupier markets. The increase in the cost of capital led to higher yields on commercial properties causing a fall in property valuations. Our portfolio was not immune, falling by 11 per cent during the year, although the impact of the increased yields was tempered by strong market rental growth reflecting the supply-demand tension in our chosen markets and the prime nature of our portfolio.

Notwithstanding the challenging external factors SEGRO delivered strong operational results during 2022, with occupier markets continuing to be supported by long-term structural drivers. High demand from a diverse range of customers, combined with limited supply, and the active asset management of our portfolio and development programme, resulted in a record level of rent roll growth and contributed to strong growth in earnings.

Directors' Remuneration Report
continued

This year has been a difficult one with macro-economic challenges, uncertain markets and the cost of living challenges which are being experienced by most. This is likely to persist through the next year and the Committee remains open to hearing from our key stakeholders, in order to understand and support their needs along with those of the Group, where possible to ensure that the remuneration framework continues to be fit for purpose and workforce pay continues to align with executive remuneration.

Simon Fraser
Chair of the Remuneration Committee

Our focus on modern, sustainable assets in markets with the highest rental growth prospects, along with the expertise and knowledge of our local teams across Europe, allowed us to respond quickly to the changing market environment and enabled us to deliver progress on our financial and non-financial priorities throughout the year.

Adjusted profit before tax increased by 8.4 per cent to £386 million and adjusted earnings per share increased by 6.5 per cent to 31.0 pence. Adjusted NAV per share has fallen by 15 per cent to 966 pence, reflecting the decline in the value of our portfolio. The balance sheet remains in good shape with loan-to-value ratio of 32 per cent. The Board is recommending a final dividend of 18.2 pence per share, making the full year dividend 26.3 pence per share, an increase of 8.2 per cent.

Further information on these activities can be found in the Chief Executive's statement on pages 11 to 13 and the Strategic Report.

Shareholders can find a summary of the Group's key financial metrics which relate to remuneration in the Remuneration at a glance on page 127.

Remuneration in 2022
Directors' remuneration in 2022 was paid in line with the Company's existing Policy, which was approved by shareholders at the 2022 AGM.

The remuneration framework for both our Executive Directors and the wider workforce is aligned with the strategic direction and performance of SEGRO as well as in the interests of our shareholders, and this is set out in the charts on pages 134 and 135.

As detailed on page 150 of the 2021 Annual Report, the 2022 annual bonus for the majority of the wider workforce includes personal elements which make up a larger percentage of their performance measures, allowing for sufficient opportunity to recognise individual performance.

The profit element of the performance measures was also changed from Business Unit specific to Group wide measures in order to encourage a 'One SEGRO' collaborative approach to working to deliver a great business performance for all stakeholders. This was part of the feedback received from and welcomed by employees.

The Board and Executive team were mindful of the cost of living challenges faced by employees during the year and as such a one off cost of living assistance payment of £1,250 (or the equivalent in local currency) was made to our lower paid employees.

Variable remuneration
Taking into account our strong operational results and our performance versus the financial and non-financial KPIs that were within our control during a year of high macroeconomic uncertainty, the Committee has confirmed the following performance-related payments to the Executive Directors:

- **2022 annual bonus**
  The annual bonus payment will be 95.3 per cent of their maximum award (see page 129).

- **2020 LTIP performance**
  Vesting is calculated by reference to three equally-weighted performance conditions. The awards will pay out 100 per cent (subject to the final TPR and TAR data being available) (see page 130). These awards are subject to a two-year post vesting holding period. The net amount of shares will be released at the end of the holding period in 2025.

  Recognising that the 2020 LTIP targets were set in a pandemic year, the formulaic outcome of the results and the share price at grant have been discussed and assessed by the Committee with a view to any windfall gains that might have occurred. The share price increased approximately 1 per cent from grant until the end of 2022 and reflected the relative TSR as well as TAR and TPR benchmarks. The Committee is satisfied that a windfall gain has not occurred and so no adjustment to the outcomes is considered necessary. The Committee considers this a fair reflection of business performance throughout the three-year performance period.

- **Discretion**
  Shareholders have benefited from strong returns with £100 invested in our shares on 31 December 2012 having returned £351 (including dividends, which have increased every year for the last nine years) by the end of 2022.

  Given the returns for shareholders and the Company's performance during the year, the Committee considered that it was entirely appropriate that the variable components of pay for the Executive Directors pay out in accordance with their respective performance conditions having been met.

  When approving these payments and awards, the Committee considered whether or not they represented a fair reflection of the underlying performance of the business. It was satisfied that the performance conditions were reflective of the business performance and no overriding adjustment would have been appropriate.

- **2022 LTIP award**
  Each of the Executive Directors received an LTIP award in March 2022 with three equally-weighted performance conditions in line with the Policy.

Remuneration in 2023
We will continue to operate Executive Remuneration in line with the Policy.

Salary reviews
The Committee reviews the salaries of Executive Directors and takes into consideration the increases for all other employees as part of the process. This year, we have a tiered approach for employee increases to recognise where our people are remunerated relative to the market and also to support our lower paid colleagues in dealing with the cost of living challenges. Our salary budget is approximately seven per cent higher for 2023 than 2022, excluding the impact of changes in employee numbers. The highest increases are being awarded where salary levels are below mid-market ranges.

Reflecting their performance and that of the business, we have approved salary increases of approximately five per cent to all three Executive Directors to take effect from 1 April 2023 (see page 126).

2023 bonus targets
Targets for the annual bonus are set at the beginning of the year. The measures of the bonus for 2023 will remain as set out in the Policy. The weighting of the annual bonus performance measures Adjusted PBT and rent roll growth comprising 37.5 per cent each and ESG measures are responsible for the remaining 25 per cent. This gives us the opportunity to use the bonus scheme to focus on our new Responsible SEGRO strategy and the activities we need to drive in relation to carbon reduction, community investment, customer service and nurturing talent.

2023 LTIP awards
The Committee anticipates that it will make awards in March 2023 in line with the Policy. The level of award will be determined at the time of grant and the Committee will assess then whether a scale back in the normal LTIP grant level is appropriate based on the share price at the time of grant, compared to recent years' prices, or whether a windfall gain assessment should be considered after the grant.

If the normal level remains appropriate then this is expected to be 300 per cent of salary for the Chief Executive and 250 per cent for the Chief Financial Officer and Chief Operating Officer respectively.

Stakeholder engagement
As detailed last year our stakeholder views are taken seriously by the Committee and the final consultation for the 2022 Remuneration Policy continued in early 2022. In total, holders of approximately 65 per cent of our share capital were consulted.

We sought the views of our own workforce on Executive Remuneration during a dedicated workforce engagement session carried out by our Audit Committee Chair, Carol Fairweather, and myself, details of which can be found in the case study on page 136.

Our biennial all employee 'Your Say' survey results were encouraging with a response rate of 95 per cent and engagement score of 91 per cent. This aligned with and was reflective of what we experienced in the workforce engagement session. For further information on the engagement session see page 136.

Committee effectiveness
As part of the external Board evaluation process, the operation of the Board Committee was considered (see pages 109 and 110).

The Committee continues to operate effectively and provides updates on its activities at each subsequent Board meeting.

Looking ahead
The key areas of focus for the Committee in 2023 will be:

- consideration of the increased inflation and cost of living crisis and its impact on the wider workforce;
- ensuring that the vesting of long-term incentives in 2023 accurately reflect the performance of the Executive Directors and the experience of stakeholders;
- monitoring the progress against and continued appropriateness of the ESG targets; and
- monitoring emerging trends in remuneration and corporate governance as a whole.

Conclusion
If you have any questions about remuneration generally, or the contents of this Report, do contact me at companysecretariat.mailbox@SEGRO.com.

I will be attending the AGM and will be pleased to answer any questions that you may have about the work of the Committee.

Simon Fraser
Chair of the Remuneration Committee

What the Committee did in 2022

Key areas of focus for the Committee were:

- the approval of the Executive Directors' annual salary increases, the approval of the 2021 bonus payments and the outturn of the 2019 LTIP awards, along with the approval of the 2022 bonus and 2022 LTIP targets;
- the approval of the 2022 SIP, GSIP and Sharesave awards and approval of the new targets for the SIP and GSIP schemes in 2022;
- considering the remuneration arrangements on the appointment of the Group HR Director;
- the approval of the updated Terms of Reference for the Committee;
- a review of the Non-Executive Directors shareholding requirements;
- a review of the Chair's fee;
- a review of workforce pay to ensure that it continues to be aligned with the structure of remuneration for the Executive Directors;
- noting the Group-wide all-employee 2022 salary review and the salary increases, bonus and LTIP awards for the Leadership team;
- receiving a remuneration trends update from Korn Ferry on emerging themes and best practice; and
- consultation on the 2022 Policy.

Directors' Remuneration Report
continued

How we intend to apply the Policy in 2023

Salary

From 1 April 2023, all Executive Directors will receive an increase in salary of approximately 5 per cent.

	Base salary with effect from 1 April 2023
David Sleath	£782,500
Soumen Das	£581,900
Andy Gulliford	£512,100

Bonus

The maximum bonus opportunity in 2023 is 150 per cent of salary as at 31 December 2023 and is subject to the following three performance conditions:

- Profit – Adjusted PBT against target (37.5%)
- Rent Roll Growth (RRG) against target (37.5%)
- ESG (25%)

Any payments to be made under this bonus will be payable in 2024. As targets are commercially sensitive, they are not disclosed at this time but will be in next year's Report.

50 per cent of the 2023 bonus will be deferred into shares under the DSBP. The 2023 DSBP will vest in April 2027, on the third anniversary of the payment of the 2023 bonus.

Pension

From 31 December 2022 all Executive Directors received cash in lieu of pension to the value of 12 per cent of their base salaries. This is in line with the UK workforce.

LTIP award

The 2023 LTIP award for Executive Directors will be subject to the following equally-weighted performance conditions:

Total Shareholder Return (TSR)
This benchmark is based on the weighted market capitalisation TSR of the FTSE 350 REIT index, excluding SEGRO.

20 per cent of this element vests if the Company's TSR over the performance period is in line with benchmark TSR, rising on a straight line basis to 100 per cent vesting if the benchmark is exceeded by 6 per cent per annum.

Total Property Return (TPR)
This benchmark is based on the MSCI All Industrial Country benchmarks weighted to reflect the approximate geographical mix of the Group's portfolio.

20 per cent of this element vests if the Company's TPR over the performance period is in line with the MSCI Benchmark, rising on a straight-line basis to 100 per cent if the MSCI Benchmark is exceeded by 1.5 per cent per annum.

Total Accounting Return (TAR)
This benchmark is based on the market capitalisation weighted TAR of other FTSE 350 REITs.

20 per cent of this element vests if the Company's TAR over the performance period is in line with benchmark TAR, rising on a straight-line basis to 100 per cent vesting if the benchmark is exceeded by 2.5 per cent per annum.

These awards will be calculated as a percentage of Executive Directors' salaries as at 31 December 2022 and will be granted during 2023. In line with the Policy, the Chief Executive will receive a maximum LTIP award of 300 per cent of salary and the other Executive Directors will receive a maximum award of 250 per cent of salary.

Dividends will accrue on the gross number of LTIP shares which are released. The Committee will decide whether the payment will be made in cash or shares.

Non-Executive Directors

Fees
Fees for the Chair and Non-Executive Directors are reviewed on an annual basis. The review of the fees paid to the Chair is within the remit of the Committee, whilst the review of Non-Executive Directors' fees is a matter for the Board in the absence of the Non-Executive Directors. As detailed on page 139 of the 2021 Annual Report, the Chair's annual fee on appointment was £350,000.

With effect from 1 January 2023, the Non-Executive Directors' fees were increased by five per cent throughout, and were aligned to the Executive Directors' pay increment. The Chair received a base fee of £367,500 and the Non-Executive Directors received a base fee of £69,700, with an additional £17,400 per annum for the role of the Senior Independent Director. In addition, we have approved a fee increase for the roles of the Chair of the Audit and Remuneration Committees of £20,000 to align with external benchmarking and to reflect the increase, over the last few years, in their responsibilities as well as their time spent.

	Total fees with effect from 1 January 2023
Andy Harrison	£367,500
Mary Barnard	£69,700
Sue Clayton	£69,700
Carol Fairweather[1]	£89,700
Simon Fraser	£89,700
Martin Moore[1]	£87,100
Linda Yueh	£69,700

1 As detailed on page 111, with effect from 1 July 2023, Martin Moore will step down as Senior Independent Director but will remain as a Board member until later in the year, and Carol Fairweather will take on the role of the Senior Independent Director as well as continue to serve as the Chair of the Audit Committee. Their respective fees will be pro-rated and adjusted accordingly, and reported in next year's Annual Report and Accounts.

Remuneration at a glance

Group performance metrics

Adjusted profit before tax
£386m +8.4%
2021: £356m

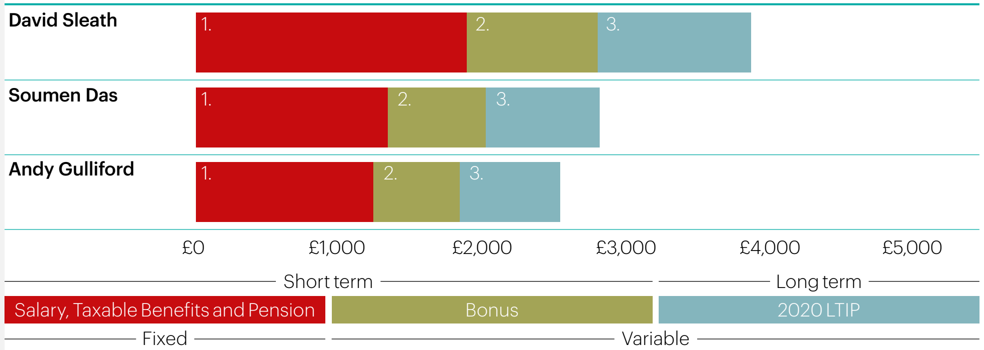
Rent roll growth
£77m
2021: £72m

Total accounting return
(13)%
2021: 42.5%

Total property return
(10)%
2021: 33.7%

Total shareholder return
(46)%
2021: 55%

Breakdown of Executive Directors' total remuneration in 2022



2022 bonus payment

1. Adjusted PBT	91.1%
2. RRG	100%
3. ESG	94.6%

2020 LTIP award payout

1. TAR	100%
2. TPR	100%
3. TSR	100%

Chief Executive

£3,865k
2022 Single Figure

965%
of salary held in SEGRO plc shares by Chief Executive (Policy: 400%)

c.3%
Salary increase received by the Chief Executive in 2022

34:1
CEO Pay Ratio (Median Pay Ratio)

Workforce remuneration

c.3%
The average UK employee salary increase in 2022

£3,600
worth of free shares received by all eligible employees in 2022

100%
of eligible employees received a bonus in 2022

82%
of employees participate in one or more all-employee share scheme

Directors' Remuneration Report
continued

How we applied the Policy in 2022

Executive Directors' single total figure of remuneration (Audited)

Chart 1: Executive Directors' single total figure of remuneration for 2022
In April 2022, the Executive Directors received a salary increase of approximately three per cent in line with the average UK employee increase.

	David Sleath		Soumen Das		Andy Gulliford		Total	
	2022 (£000)	2021 (£000)	**2022 (£000)**	2021 (£000)	**2022 (£000)**	2021 (£000)	**2022 (£000)**	2021 (£000)
Salary	**740**	721	**550**	536	**484**	472	**1,774**	1,729
Taxable benefits	**21**	21	**18**	20	**21**	21	**60**	62
Pension benefits	**148**	144	**110**	107	**97**	94	**355**	345
Total fixed	**909**	886	**678**	663	**602**	587	**2,189**	2,136
Single year variable[1] – Bonus, including DSBP	**1,069**	1,085	**795**	807	**699**	710	**2,563**	2,602
Multiple year variable[1,2] – LTIP	**1,882**	2,674	**1,334**	1,987	**1,231**	1,751	**4,447**	6,412
Other – SIP and Sharesave	**5**	5	**5**	5	**5**	5	**15**	15
Total variable	**2,956**	3,764	**2,134**	2,799	**1,935**	2,466	**7,025**	9,029
Total	**3,865**	4,650	**2,812**	3,462	**2,537**	3,053	**9,214**	11,165

1 The Single year variable and Multiple year variable figures for 2021 have been updated since the 2021 Annual Report as some values were estimated. For further information, see pages 129 and 130 respectively.
2 For further information on the 2022 Multiple year variable figure and share price appreciation on the 2020 LTIP Award, see Chart 6 on page 130.

Salary

Chart 2: Salary

	Base salary as at 1 April 2022
David Sleath	£745,205
Soumen Das	£554,140
Andy Gulliford	£487,705

Taxable benefits (Audited)

Taxable benefits include private medical healthcare, plus a cash allowance in lieu of a company car. Executive Directors are entitled to life assurance which is not a taxable benefit.

Pension benefits (Audited)

Each of the Executive Directors received cash in lieu of pension as detailed in Chart 1.

During the year, each of the Executive Directors received a cash allowance of 20 per cent of base salary. As previously reported, this was reduced to 12 per cent from 31 December 2022 to align with the UK workforce.

There are no contractual arrangements that would guarantee a pension with limited or no abatement on severance or early retirement.

Single year variable – Bonus, including DSBP (Audited)

The bonus is paid 50 per cent in cash with the remainder awarded as shares under the DSBP. Shares will vest in three years subject to continued employment or good leaver status.

2022 Bonus

The 2022 bonus comprised of three components: Adjusted Profit Before Tax (PBT) 37.5 per cent; rent roll growth (RRG) 37.5 per cent; and ESG 25 per cent. The 2022 bonus payment will be 95.3 per cent of the maximum award.

The performance period for Adjusted PBT, RRG and ESG start from 1 January. The Adjusted PBT and RRG outturns were calculated using a consistent exchange rate and also include adjustments for specific items (including acquisitions and disposals made during the year) in accordance with the bonus scheme rules as approved by the Committee and will be paid in April 2023, less a 50 per cent deferral for the DSBP.

The ESG element comprises six equally weighted, Responsible SEGRO measures.

Bonus payments are calculated as a percentage of Executive Directors' salaries as at 31 December of the previous year. As explained on page 124, the Committee assessed the underlying performance of the business and concluded that no discretion should be exercised in respect of the 2022 bonus.

The 2022 DSBP will be awarded in April 2023 and will vest on the third anniversary of the award date. Details of the DSBP awards granted to Executive Directors are set out in Chart 13 on page 138.

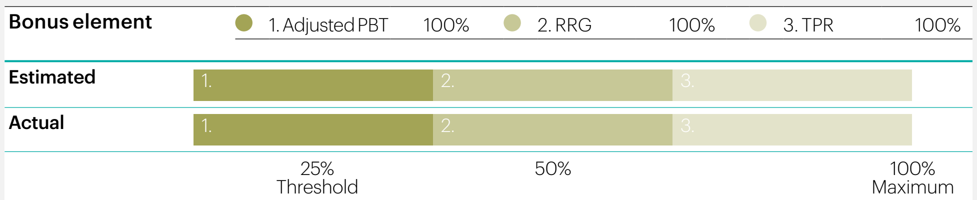
Chart 3: 2022 Bonus

Bonus element	Threshold	Maximum 100% payout	Actual	Weighting	Outcome achieved
Financial Element					
Adjusted PBT Against Target	£372.9m 25% payout	£395.3m	£388.6m	37.5%	**91.1%**
Rent Roll Growth (RRG) Against Target	£47.3m 25% payout	£73.9m	£75.0m	37.5%	**100%**
Non-Financial Element					
ESG				25%	**94.6%**
– Improving visibility of Scope 3 operating carbon emissions in our buildings.	59%	69%	68%		100%
– Reducing corporate and customer carbon emissions.	285,897 tonnes (2022 pathway target)	272,788 tonnes (double the 2022 pathway reduction)	272,218 tonnes		100%
– Reducing embodied carbon emissions.	384kg (2022 pathway target)	376kg (double the 2022 pathway reduction)	353kg		100%
– Creating and actioning Community Investment Plans.	6 completed CIPs (one per Business Unit)	10 completed CIPs (minimum one per Business Unit)	10 completed CIPs		100%
– Providing excellent customer service.	75% customer satisfaction achieved from surveys during the year	90% customer satisfaction achieved on average from surveys during the year	85% satisfaction		75%
– Achieving high levels of employee engagement.	75% payout for achieving top quartile position vs peers in overall employee engagement	100% payout for achieving top quartile position vs peers in overall employee engagement and on inclusivity	Top quartile engagement and inclusivity		100%
Total				**100%**	**95.3%**

Chart 4: Bonus Payment 2021
Updated 2021 Bonus (Estimated in 2021 Annual Report)
As previously reported on page 142 of the 2021 Annual Report, 100 per cent of the Adjusted PBT and 100 per cent of the RRG elements were achieved for the 2021 bonus and it was estimated that 100 per cent of the TPR element would be achieved.

The MSCI TPR Benchmark has since been confirmed at 31.2 per cent, whilst the Company's TPR was 36.8 per cent. The Company's outperformance of the Benchmark by 560 basis points per cent resulted in 100 per cent of the TPR element being achieved and therefore there has been no change in respect of the estimates made in the 2021 Annual Report.

The Adjusted PBT and RRG elements of the 2021 bonus were paid in April 2022. The TPR element was paid in June 2022 and shares were awarded under the DSBP on 27 June 2022.



Directors' Remuneration Report
continued

Multiple year variable – LTIP (Audited)

LTIP awards are subject to a three-year performance period and a compulsory two-year post-vesting holding period for Executive Directors.

LTIP vesting in 2023

The 2020 LTIP Award will vest on 26 March 2023, subject to relative TSR, TPR and TAR over the three-year performance period to 31 December 2022.

The 2020 LTIP Award will pay out 100 per cent (subject to the final TPR and TAR data being available).

Chart 5: 2020 LTIP Award

Performance Conditions	Threshold (25% vesting)	Stretch (100% vesting)	Weighting	**Outcome**
TSR[1]	Benchmark -25.7%	Benchmark +6%pa	33.3%	**100%**
TPR[2]	IPD Benchmark	IPD Benchmark +1.5%pa	33.3%	**100%**
TAR[3]	Benchmark	Benchmark +2.5%pa	33.3%	**100%**
Estimated vesting (% of award)				**100%**

1 The Company's TSR over the performance period was -1.0 per cent and the benchmark TSR was -25.7 per cent. The Company's TSR target is 6 per cent per annum above the benchmark, which equates to TSR of -11.5 per cent for this element to fully vest.
2 The estimated TPR calculation is based on the Company's actual annualised TPR between 2020 and 2022 of 25.6 per cent and an estimated MSCI Benchmark over the same period of 20.2 per cent. On this basis, the Company's three-year TPR to 31 December 2022 has exceeded the estimated MSCI Benchmark by more than 1.5 per cent which would lead to 100 per cent of the TPR element vesting. The benchmark will be available in quarter two 2023 and based on the information available at the time of this Report the Committee has estimated that 100 per cent of this element will vest. Any differences will be disclosed in next year's Report.
3 100 per cent of the TAR element will vest if the benchmark is exceeded by 2.5 per cent per annum. The benchmark will be available in quarter two 2023 and based on the information available at the time of this Report the Committee has estimated that 100 per cent of this element will vest. Any differences will be disclosed in next year's Report.

The Committee has the discretion to adjust awards downwards at vesting if it is not satisfied that the outcome is a fair reflection of underlying performance, or in the event of excessive risk taking or misstatement. As explained on page 124, the Committee assessed the underlying performance of the business and concluded that no such discretion should be exercised in respect of the vesting of the 2020 LTIP.

Once vested, the underlying number of shares under the award will be subject to a further two-year post-performance holding period. The Executive Directors will continue to hold their award over the shares, and will be entitled to the value of any dividend payments during the holding period; during this time they will not be able to sell or transfer the shares under award. The award after vesting is not subject to any further conditionality and the normal leaver provisions would not apply, meaning that if the individual resigned during the holding period they would retain their award and be entitled to receive the underlying shares at the end of the holding period. Only if the individual was summarily dismissed (for gross misconduct) would the award lapse on termination of employment during the holding period.

Chart 6: 2020 LTIP award	Share price on award (pence)	Percentage of salary awarded (%)	Number of shares vesting	Percentage of award vesting (%)	Estimated share price on vesting (pence)[1]	Estimated share price appreciation (pence)	Estimated share price appreciation (%)	Value in Chart 1 attributable to share price appreciation (£)	Dividend (pence per share)[2]	Total dividend on vesting shares (Gross)[3] (£)
David Sleath	786.8	250	219,877	100	783.4	-3.4	-0.43	0	72.7	159,851
Soumen Das	786.8	250	155,815	100	783.4	-3.4	-0.43	0	72.7	113,278
Andy Gulliford	786.8	250	143,788	100	783.4	-3.4	-0.43	0	72.7	104,534

1 The vesting share price has been estimated as the three-month average share price ending on 31 December 2022.
2 The figure in Chart 1 includes a cash value of 72.7 pence per share, equivalent to the dividends that the Executive Directors would have received on the 2020 LTIP shares from the award date.
3 This amount is subject to Income Tax and National Insurance deductions.

Updated LTIP vesting in 2022 (estimated in 2021 Annual Report) (Audited)

The 2021 Directors' Remuneration Report estimated that the TPR element for the 2019 LTIP would vest at 100 per cent.

The Company's actual TPR over the performance period was 21.2 per cent and the MSCI Benchmark was 16.5 per cent. The Company's TPR outperformance of 4 per cent compared with the MSCI Benchmark led to 100 per cent of the TPR element vesting.

Overall, this resulted in a total payout of 100 per cent for the 2019 LTIP as estimated. In the 2021 Annual Report the estimated vesting share price for the 2019 LTIP was 1,337.6 pence, and the figure in Chart 1 has been re-presented to reflect the actual vesting share price of 1,091.94 pence.

2022 LTIP award (Audited)

The 2022 LTIP Award was granted on 5 May 2022 and is subject to the following equally-weighted performance conditions:

Total Shareholder Return (TSR)	Total Property Return (TPR)	Total Accounting Return (TAR)
This benchmark is based on the weighted market capitalisation TSR of the FTSE 350 REIT index, excluding SEGRO.	This benchmark is based on the MSCI All Industrial Country benchmarks weighted to reflect the approximate geographical mix of the Group's portfolio.	This benchmark is based on the market capitalisation weighted TAR of the other FTSE 350 REITs.
20 per cent of this element vests if the Company's TSR over the performance period is in line with benchmark TSR, rising on a straight-line basis to 100 per cent vesting if the benchmark is exceeded by 6 per cent per annum.	20 per cent of this element vests if the Company's TPR over the performance period is in line with the MSCI Benchmark, rising on a straight-line basis to 100 per cent if the MSCI Benchmark is exceeded by 1.5 per cent per annum.	20 per cent of this element vests if the Company's TAR over the performance period is in line with benchmark TAR, rising on a straight-line basis to 100 per cent vesting if the benchmark is exceeded by 2.5 per cent per annum.

The Chief Executive was awarded 300 percent of salary in respect of the 2022 LTIP and all other Executive Directors were awarded 250 per cent. Further details can be found in Chart 14 on page 139.

Malus and Clawback

Malus and clawback provisions apply to the bonus and awards made under the DSBP and LTIP over the time periods detailed below and may apply in the following circumstances:

- fraud or serious misconduct on the part of the participant;
- a serious misstatement in the Company's financial results;
- an error in assessing performance conditions, resulting in an overpayment;
- when Company performance was achieved as a result of excessive risk taking;
- serious reputational damage; or
- corporate failure.

	MALUS	CLAWBACK
Bonus	–	Up to three years from the payment date
DSBP	Until the award(s) vest	–
LTIP	Until the award(s) vest	Up to two years from the vesting date

Directors' Remuneration Report
continued

Other – SIP and Sharesave (Audited)

The 'other' figure in Chart 1 comprises SIP and Sharesave:

Share Incentive Plan (SIP)

This is calculated as the number of shares awarded multiplied by the award price.

During the year, SIP free share awards of £3,600 were made to eligible UK employees and Global Share Incentive Plan (GSIP) awards of £3,600 were made to eligible employees based outside of the UK.

The number of shares awarded was calculated using a share price of 1,115.1 pence, based on the five-day average share price prior to the date of award.

All eligible employees, including the Executive Directors, received 322 shares in respect of the 2022 SIP and GSIP.

Sharesave (SAYE)

This is the discount used to calculate the Option Price, multiplied by the Executive Directors' annual savings.

All eligible UK employees are invited to join the SAYE annually, and can save up to a maximum of £500 a month across all open schemes.

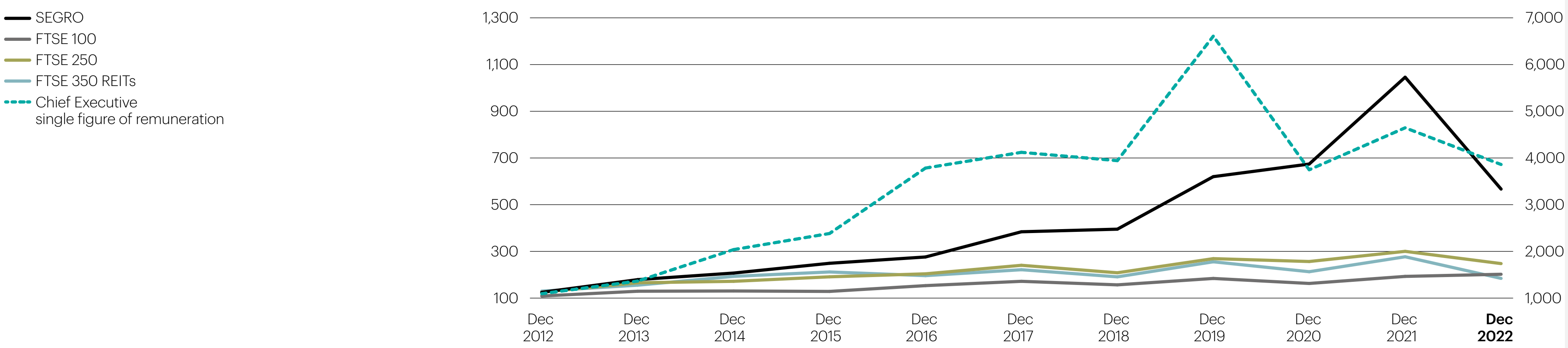
At the end of the three-year savings period they can purchase shares at the Option Price, based on a 20 per cent discount to the share price on award.

The Option Price for the 2022 SAYE was 1,039.2 pence.

Chief Executive

Chart 7 below shows the TSR for the Company over the last 10 financial years compared with the FTSE 350 REIT Index and the FTSE 100 Index. The Committee has determined that these indices provide useful comparators as the Company and its peers are constituents of them.

Chart 7:
Composite 10-year TSR chart and 10-year Chief Executive single total figure of remuneration



Chief Executive single figure of remuneration (£000)	David Sleath	1,370	2,043	2,388	3,788	4,125	3,947	6,611	3,752	4,650[1]	3,865
Short-term incentive payout against maximum opportunity (%)	David Sleath	75.4	66.7	100.0	99.2	100.0	94.3	100.0	91.2	100	95.3
Long-term incentive payout against maximum opportunity (%)	David Sleath	0.0	42.9	42.3	100.0	100.0	100.0	100.0	100.0	100	100

1 This figure has been updated since the 2021 Annual Report as some values were previously estimated. For further information see Chart 1.

CEO pay ratio

The table below shows how CEO pay compares to employees at the lower, median and upper quartiles. The ratios have been calculated in accordance with Option A of the The Companies (Miscellaneous Reporting) Regulations 2018, though the disclosure is made here on a voluntary basis as SEGRO falls below the qualifying threshold of 250 UK employees as determined by the Regulations. We have again opted for Option A as the preferred method of calculation, as it is the most statistically accurate as recommended by the legislation.

**Chart 8:
CEO pay ratio**

	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
Year:				
31 December 2022	**A**	**58:1**	**34:1**	**23:1**
31 December 2021	A	80:1	47:1	27:1
31 December 2020	A	64:1	37:1	23:1
31 December 2019	A	111:1	70:1	40:1
31 December 2018	A	65:1	41:1	24:1

The Chief Executive's single total figure of remuneration for 2022, detailed further in Chart 1, has been used for the purposes of this calculation.

The CEO Pay Ratio has decreased when compared against last year. The reduction can partially be attributed to the lower estimated share price for the 2020 LTIP vesting in 2023.

The salary increase received by the Chief Executive in April 2022 was approximately three per cent, which was in line with the average UK employee increase in the same period.

SEGRO's median CEO Pay Ratio is 34:1, which remains below the 2021 FTSE 100 median of 67:1 (source: High Pay Centre).

**Chart 9:
Relative importance of spend on pay**

	2022 £m	2021 £m	Increase %
Total dividend	**301.0**	269.9	11.5
Total employee expenditure	**56.0**	50.5	10.9

Directors' Remuneration Report
continued

Aligning strategy, performance and remuneration outcomes

Remuneration and strategy

Our goal is to be the 'best' property company and the partner 'of choice' for our customers and other stakeholders. Fundamental to our strategy are four key pillars of activity which should combine to deliver the value that we seek to create. Variable remuneration is aligned with KPIs on pages 20 to 23 that measure performance against our strategy, as set out below:

Our strategy

Performance measures	KPIs	Our Strategic Pillars: Operational excellence	Efficient capital & corporate structure	Disciplined capital allocation	Responsible SEGRO
Bonus					
Adjusted PBT (37.5%)	Adjusted EPS				
Rent Roll Growth (37.5%)	Rent Roll Growth				
ESG (25%)	– Customer satisfaction				
	– Employee engagement				
	– Embodied carbon intensity				
	– Corporate and customer carbon emissions				
	– Visibility of customer energy use				
	– Number of Community Investment Plans				
LTIP					
Relative TSR over 3 years (33.3%)	Total shareholder return				
Relative TAR over 3 years (33.3%)	Total accounting return				
Relative TPR over 3 years (33.3%)	Total property return				
SIP					
PBT v Budget	Adjusted EPS				

All of the above performance measures are integrated directly into both Executive Directors' and employees' remuneration. See page 135 for a comparison of Executive Director and employee remuneration components.

Our strategy
Pages 18 and 19

Our KPIs
Pages 20 to 23

Workforce Remuneration

Chart 10:
Percentage change in Directors' remuneration compared to average employee

	Salary/Fees (% change)			Taxable benefits (% change)			Annual variable pay (% change)		
	2022	2021[2]	2020	**2022**	2021	2020	**2022**	2021	2020
Average per employee[1]	**7.7**	4.2	6.0	**2.4**	12.4	2.0	**0.1**	9.4	-2.0
Executive Directors									
David Sleath	**2.6**	8.7	-2.2	**0.0**	4.8	0.0	**-1.5**	11.3	-6.1
Soumen Das	**2.6**	14.1	-3.4	**-11.3**	-0.2	0.0	**-1.5**	16.8	-6.1
Andy Gulliford	**2.7**	8.8	-2.3	**0.0**	1.8	0.0	**-1.5**	11.4	-6.1
Non-Executive Directors[5]									
Andy Harrison[3]	**–**	–	–	**–**	–	–	**–**	–	–
Mary Barnard	**3.0**	8.0	-0.6	**–**	–	–	**–**	–	–
Sue Clayton	**3.0**	8.0	-0.6	**–**	–	–	**–**	–	–
Carol Fairweather	**3.0**	8.0	-0.6	**–**	–	–	**–**	–	–
Simon Fraser[4]	**3.0**	–	–	**–**	–	–	**–**	–	–
Martin Moore	**3.0**	8.0	-0.6	**–**	–	–	**–**	–	–
Linda Yueh[4]	**3.0**	–	–	**–**	–	–	**–**	–	–

1 The average per employee figure is based on UK employees who have been continually employed for the entirety of 2021 and 2022 and entitled to receive annual variable payment. UK employees represent approximately 55 per cent of the workforce.
2 Between May 2020 and July 2020, all Directors waived 25 per cent of their salaries and fees and the Company matched a donation equivalent to this amount to the SEGRO Centenary Fund. This waiver is reflected in the 2020 numbers and accounts for the appearance of the above average increase in 2021.
3 Andy Harrison joined the Board as Director on 1 April 2022 and was appointed as Chair on 30 June 2022, accordingly there is no comparator for the previous years.
4 Simon Fraser and Linda Yueh were appointed as Independent Non-Executive Directors on 1 May 2021, accordingly there is no comparator for the previous years.
5 Fees for Non-Executive Directors have been annualised. Non-Executive Directors do not receive any taxable benefits and do not participate in the bonus scheme.

All employees	Element of remuneration	**Executive Directors**
Increases approved by the Remuneration Committee	**Salary**	Below overall budgeted employee increases
All employees are eligible for Bonus Targets: ESG, RRG, Profit, Personal Performance	**Bonus**	Maximum 150% Targets: ESG, RRG, Profit
Leadership team 25% Deferred for 3 years	**Deferred Share Bonus Plan**	50% Deferred for 3 years
Leadership team and senior managers 3-year performance period. No holding period Targets: TSR, TPR, TAR	**Long Term Incentive Plan**	Maximum 300% for the Chief Executive and 250% for others 3-year performance period, 2-year holding period Targets: TSR, TPR, TAR
(UK) 12% matched contribution	**Pension benefit**	12% cash
Maximum £3,600 Minimum 3-year hold	**Share Incentive Plan**	Maximum £3,600 Minimum 3-year hold
(UK) £500/month 3-year savings period	**Sharesave**	£500/month 3-year savings period

Case study:
Employee share ownership

- SEGRO is proud to operate two types of all-employees share schemes. This encourages employees to own shares in the Company, aligning their interests with our shareholders.
- **SIP/GSIP**: all eligible employees can receive an award of up to £3,600 worth of SEGRO shares each year. These are held in Trust on their behalf for a minimum of three years, following which they can be released subject to continued employment.
- **Sharesave**: all UK employees are invited to join Sharesave on an annual basis, where they can save up to £500 a month across all open schemes. After three years, they can use their savings to buy SEGRO shares at a 20 per cent discount to the share price when they started saving.

82%

of SEGRO employees participated in one or more all-employee share scheme, as at 31 December 2022.

£3,600

In May 2022, all eligible employees received the maximum award of £3,600 worth of SEGRO shares through the SIP or GSIP.

77%

of UK employees participate in Sharesave, saving on average £345 each month.

5.9m

As at 31 December 2022, there were 5.9 million SEGRO shares under award in employee share schemes, representing 0.5% of our issued share capital.

Stakeholder Engagement

The Committee has three primary stakeholders:

Our shareholders
The Chair is committed to ensuring that there is always an open dialogue with our shareholders. The Committee values shareholder engagement and the Chair is available should shareholders wish to discuss the Company's approach to remuneration or share their views on current practice or emerging issues. In 2022, the Committee continued the consultation with the Company's shareholders on the new Remuneration Policy as detailed further on page 125.

Our directors
After each Committee meeting, the Chair reports to the Board on any significant decisions which will impact on the Company generally or on the principles of remuneration for the Executive Directors.

Our people
The Committee's remit includes considering the remuneration framework for the workforce and monitoring the remuneration arrangements for the Executive Committee and the Company Secretary. It ensures that workforce remuneration is structured to reward everyone fairly and, in a year of strong Company performance, ensure that everyone shares in its success. The reward framework for the workforce is based on the Policy and mirrors the structure which applies to the Executive Directors, as shown on page 135.

The Company offers all-employee share schemes to encourage employee share ownership as described in the case study on the left.

Each year, when considering pay increases, bonus awards and targets for the Executives, the Committee receives a report from the Group HR Director on remuneration for every member of the Leadership team and a more general report on pay across the Group.

To ensure that all employees are kept up to date with Company performance and informed about the impact this has on their variable remuneration, the Executive Directors hold quarterly briefings where they deliver updates and communicate outturns for bonus, SIP/GSIP awards and LTIP vestings to all employees. At these briefings, employees have the opportunity to ask questions on any topic.

Further details on how we engaged with the workforce on Executive Remuneration during the year can be found in the case study below.

Case study:
Workforce engagement on Executive Remuneration

As detailed on page 99, during the year the Non-Executive Directors held a series of workforce engagement sessions with a cross-section of employees from across the business. In November, Remuneration Committee Chair, Simon Fraser, and Audit Committee Chair, Carol Fairweather, hosted a virtual session to discuss Executive Remuneration.

Simon detailed the work of the Committee including that undertaken as part of the consultation process for the 2022 Remuneration Policy before it went for shareholders' vote on 21 April 2022. The one-off cost of living assistance payment was discussed and the Directors acknowledged the uncertain time ahead and the importance of taking into consideration the rising cost of living and its impact on the wider workforce. Employees agreed that the payment was targeted at the right levels. They heard that visibility of the complete remuneration package for employees would be useful to provide a clearer understanding of their total remuneration value. The business has been making step changes towards making remuneration, including share awards, more visible and transparent for the wider workforce which aligns well with the feedback received.

Directors heard that the addition of ESG as a performance metric to the annual bonus was well embedded within the business. The ESG performance metrics were well aligned to our Responsible SEGRO strategic priorities which was part of the DNA and culture of the business. The employees attending the engagement session understood the criteria that made up the ESG performance metrics however it was acknowledged that consistency of communication across the Group could be improved.

Employees highlighted that Responsible SEGRO had enhanced the focus on Diversity and Inclusion (D&I) and that the business was moving in the right direction. The importance of diversity through the recruitment process was also highlighted.

The Directors felt that these sessions remained invaluable in understanding employees' views on Executive Remuneration, and appreciated the insightful, open and honest feedback from the group. The employees valued the opportunity to share their views. Feedback from the session was relayed to the Board and discussed at the December Board meeting. Further details can be found on page 99.

Executive Directors' shareholdings (Audited)

Chart 11:
Executive Directors' overall interest in shares

	Beneficial interests[1] (including SIP shares) as at 01.01.2022	Beneficial interests[1] (including SIP shares) as at 31.12.2022	Subject to deferral under DSBP	Subject to achievement of performance conditions under LTIP	Subject to two year holding period under LTIP	Options outstanding under Sharesave	Total overall interest in shares as at 31.12.2022	Shares which contribute to shareholding guidelines as at 31.12.2022[2]	Value of shares which contribute to shareholding guidelines as at 31.12.2022[3] (£)
David Sleath	702,155	734,939	159,920	597,572	230,680	2,919	1,726,030	941,956	7,192,776
Soumen Das	377,122	401,567	115,174	406,854	171,418	2,919	1,097,932	553,460	4,226,222
Andy Gulliford	694,627	716,203	104,605	370,509	151,036	2,670	1,345,023	851,693	6,503,525

1 Beneficial interests represent shares beneficially held by each Executive Director, including any shares beneficially held by spouses as well as shares held on their behalf by the Trustees of the SIP. Between 31 December 2022 and 16 February 2023, there were no changes in respect of the Executive Directors' shareholdings. The Trustees of the SIP held a non-beneficial interest in 455,342 shares as at 1 January 2022, 476,671 shares as at 31 December 2022 (2021: 455,342) and 465,530 shares as at 16 February 2023. The Trustees of the SEGRO plc Employees' Benefit Trust held 12,120 shares as at 1 January 2022 and 54,640 shares as at 31 December 2022 (2021: 12,120). There was no change in their holding between 31 December 2022 and 16 February 2023. As with other employees, Executive Directors are deemed to have a potential interest in these shares, being beneficiaries under these two Trusts. The Trustees of the SEGRO plc Employees' Benefit Trust have waived the right to receive dividends on these shares.
2 The number of shares which contribute towards the shareholding requirement comprise beneficial interests (including SIP shares), shares subject to deferral under DSBP and shares held under LTIP subject to the holding period, net of income tax and National Insurance, but excludes shares subject to achievement of performance conditions under LTIP and options outstanding under Sharesave.
3 Value of shares calculated using a share price of 763.6 pence, as at 30 December 2022.

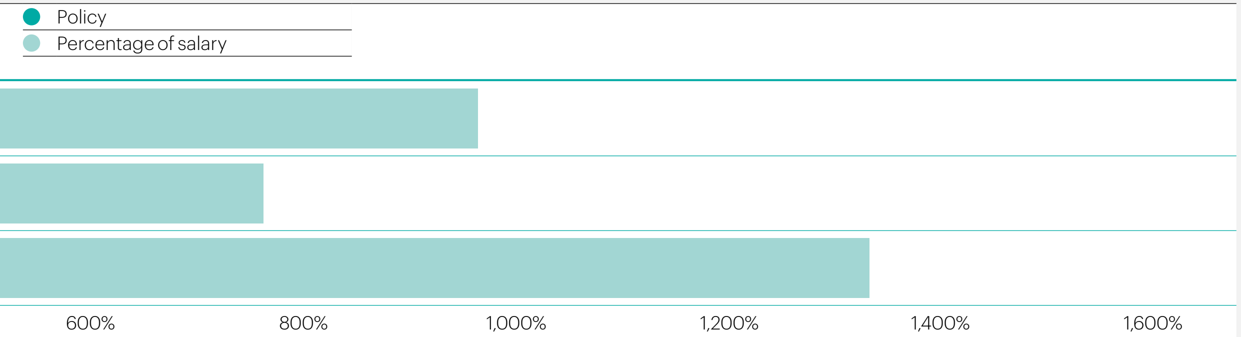
Policy on shareholding guidelines

The Chief Executive is expected to build a shareholding in the Company equivalent to 400 per cent of the value of his base salary, and the other Executive Directors are expected to hold shares equivalent to 250 per cent of their base salaries, which is calculated each year by reference to the share price as at 31 December.

Shares which qualify towards the shareholding guidelines comprise: beneficial holdings; LTIP awards which have vested and are subject to a two-year post-vesting holding period, net of income tax and National Insurance; and unvested shares in the DSBP, net of income tax and National Insurance.

Executive Directors are required to retain half of their LTIP and DSBP shares post vesting until the above guidelines have been met and are then maintained.

Chart 12:
Executive Directors' shareholding and shareholding requirements



Value of shares calculated using a share price of 763.6 pence, as at 31 December 2022.

The shareholding guidelines include a post-cessation requirement for Executive Directors to retain their shareholding, up to the amount required by the shareholding guidelines, for two years after leaving the Company.

Directors' Remuneration Report
continued

Executive Directors' share scheme holdings (Audited)

Chart 13: DSBP Awards outstanding

		Date of Grant	No. of shares under award 01.01.22	No. of shares over which awards were granted during the year[1]	Share price on grant (pence)[2]	Face value of award made in 2022 (£)	No. of shares released during the year	Share price on date of release (pence)	No. of shares under award 31.12.22	End of holding period
David Sleath	2018 DSBP	28.06.19	62,730	–	718.6	–	62,730	1,204. 0	–	28.04.22
	2019 DSBP	28.04.20	63,200	–	821.2	–	–	–	63,200	28.04.23
	2020 DSBP	28.06.21	43,885	–	1,110.5	–	–	–	43,885	28.04.24
	2021 DSBP[3]	27.06.22	–	52,835	1,027.0	542,615	–	–	52,835	28.04.25
Total			**169,815**						**159,920**	
Soumen Das	2018 DSBP	28.06.19	46,615	–	718.6	–	46,615	1,204.0	–	28.04.22
	2019 DSBP	28.04.20	44,786	–	821.2	–	–	–	44,786	28.04.23
	2020 DSBP	28.06.21	31,099	–	1,110.5	–	–	–	31,099	28.04.24
	2021 DSBP[3]	27.06.22	–	39,289	1,027.0	403,498	–	–	39,289	28.04.25
Total			**122,500**						**115,174**	
Andy Gulliford	2018 DSBP	28.06.19	41,072	–	718.6	–	41,072	1,204.0	–	28.04.22
	2019 DSBP	28.04.20	41,329	–	821.2	–	–	–	41,329	28.04.23
	2020 DSBP	28.06.21	28,698		1,110.5	–	–	–	28,698	28.04.24
	2021 DSBP[3]	27.06.22	–	34,578	1,027.0	355,116	–	–	34,578	28.04.25
Total			**111,099**						**104,605**	

1 Awards are granted in the form of a provisional allocation of shares.
2 The share price on grant is based on the share price for the day before the award.
3 Executive Directors were awarded 150 per cent of salary in respect of the 2021 bonus, 50 per cent of which was deferred into shares under the 2021 DSBP.

Executive Directors' share scheme holdings (Audited) continued

Chart 14: LTIP Awards outstanding

		Date of Grant	No. of shares under award 01.01.22	No. of shares over which awards were granted during the year[1]	Share price on grant (pence)[2]	Face value of award made in 2022 (£)	No. of shares vested during the year and subject to two-year holding period	Share price on date of vest (pence)	No. of shares under award 31.12.22	End of performance period over which performance conditions have to be met[3]
David Sleath	2019 LTIP	29.05.19	230,680	–	691.0	–	230,680	1,091.94	–	31.12.21
	2020 LTIP	26.03.20	219,877	–	786.8	–	–	–	219,877	31.12.22
	2021 LTIP	29.03.21	190,986	–	933.0	–	–	–	190,986	31.12.23
	2022 LTIP[4]	05.05.22	–	186,709	1,162.5	2,170,492	–	–	186,709	31.12.24
Total			**641,543**						**597,572**	
Soumen Das	2019 LTIP	29.05.19	171,418	–	691.0	–	171,418	1,091.94	–	31.12.21
	2020 LTIP	26.03.20	155,815	–	786.8	–	–	–	155,815	31.12.22
	2021 LTIP	29.03.21	135,341	–	933.0	–	–	–	135,341	31.12.23
	2022 LTIP[4]	05.05.22	–	115,698	1,162.5	1,344,989	–	–	115,698	31.12.24
Total			**462,574**						**406,854**	
Andy Gulliford	2019 LTIP	29.05.19	151,036	–	691.0	–	151,036	1,091.94	–	31.12.21
	2020 LTIP	26.03.20	143,788	–	786.8	–	–	–	143,788	31.12.22
	2021 LTIP	29.03.21	124,894	–	933.0	–	–	–	124,894	31.12.23
	2022 LTIP[4]	05.05.22	–	101,827	1,162.5	1,183,739	–	–	101,827	31.12.24
Total			**419,718**						**370,509**	

1 Awards are structured as conditional awards over ordinary shares.
2 The share price on grant is based on the share price for the day before the award.
3 Subject to a three-year performance period and a two-year post-vesting holding period.
4 David Sleath was awarded shares to the value of 300 per cent of salary and the other Executive Directors were awarded shares to the value of 250 per cent of salary in respect of the 2022 LTIP. These awards are subject to three equally-weighted performance conditions, TSR, TPR and TAR.

Chart 15: Sharesave Options outstanding

		Date of Grant	No. of shares under option 01.01.22	Options granted during the year	Option price (pence)	Options exercised during the year	Share price on date of exercise (pence)	No. of shares under option 31.12.22[1]	Period in which options can be exercised
David Sleath	2020 Sharesave	22.04.20	2,919	–	616.48	–	–	2,919	01.06.23 – 30.11.23
Total			**2,919**					**2,919**	
Soumen Das	2020 Sharesave	22.04.20	2,919	–	616.48	–	–	2,919	01.06.23 – 30.11.23
Total			**2,919**					**2,919**	
Andy Gulliford	2020 Sharesave	22.04.20	1,459	–	616.48	–	–	1,459	01.06.23 – 30.11.23
	2021 Sharesave	23.04.21	1,211	–	742.72	–	–	1,211	01.06.24 – 30.11.24
Total			**2,670**					**2,670**	

1 There are no shares under option which have matured but have not been exercised.

Directors' Remuneration Report
continued

Executive Directors' share scheme holdings (Audited) continued

Chart 16:
SIP Shares held in trust

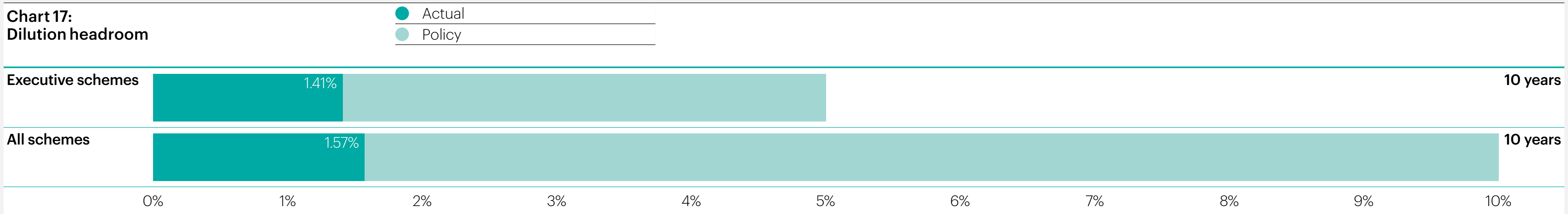
	No. of shares in trust 01.01.22	Shares awarded during the year	No. of shares in trust 31.12.22
David Sleath	9,053	322	9,375
Soumen Das	1,634	322	1,956
Andy Gulliford	9,870	322	10,192

Further information about the share schemes can be found in Note 18 to the Financial Statements on page 190.

Dilution headroom

As the LTIP, SIP and Sharesave schemes are approved by shareholders, they may be satisfied by the issue of new shares in the Company, up to the dilution limits set by the Investment Association (IA). The chart below shows the total number of shares under award or option for both Executive and all-employee schemes in comparison to the IA limits.

Chart 17:
Dilution headroom



Chair and Non-Executive Directors

Non-Executive Directors' single total figure of remuneration (Audited)

In 2022, the Chair's annual fee was £350,000 (2021: £279,125), Non-Executive Directors' annual fee was £66,400 (2021: £64,500), with an additional £16,600 per annum (2021: £16,100 per annum) for chairing the Audit or Remuneration Committees or for filling the role of Senior Independent Director.

The Chair and Non-Executive Directors do not participate in any of the Company's share-based incentive schemes nor do they receive any other benefits or rights under the pension scheme.

Chart 18:
Non-Executive Directors' single total figure of remuneration for 2022 (Audited)

		Total fees 2022 (£000)	Total fees 2021 (£000)
Gerald Corbett[1]	Chair (until 30 June 2022)	**144**	279
Andy Harrison[2]	Chair (from 30 June 2022)	**191**	–
Mary Barnard		**66**	65
Sue Clayton		**66**	65
Carol Fairweather	Chair of the Audit Committee	**83**	81
Simon Fraser	Chair of the Remuneration Committee	**83**	51
Martin Moore	Senior Independent Director	**83**	81
Linda Yueh		**66**	43

1 Gerald Corbett retired from the Board on 30 June 2022 and received no further remuneration from the Company after this date.
2 Andy Harrison was appointed as a Non-Executive Director on 1 April 2022 and was paid £66,400 pro rata. Following his appointment as Chair on 30 June 2022 he was paid £350,000 pro rata.

Non-Executive Directors' shareholding guidelines

The Committee periodically considers the Non-Executive Directors' shareholdings to ensure they remain appropriate and aligned to the interests of shareholders, and where a Non-Executive Director has met the 100 per cent of their annual fees guidance previously, they would be considered to have adhered to the guidelines and are not expected to adjust their holdings with subsequent share price movements.

Chart 19:
Non-Executive Directors' beneficial interests in shares and shareholding requirements

	01.01.2022 Ordinary 10p shares	Beneficial interests 31.12.2022 Ordinary 10p shares	Shareholding requirements met
Gerald Corbett[1]	63,960	63,960	Yes
Andy Harrison[2]	–	116,315	Yes
Mary Barnard	8,543	11,288	Yes
Sue Clayton	7,000	7,000	Yes
Carol Fairweather	12,000	12,000	Yes
Simon Fraser	31,440	31,440	Yes
Martin Moore	17,442	17,442	Yes
Linda Yueh	4,716	4,716	Yes

1 Gerald Corbett retired from the Board with effect from 30 June 2022 and his holdings are reflected as at that date.
2 Andy Harrison was appointed as a Non-Executive Director on 1 April 2022 and appointed Chair on 30 June 2022. For the purpose of this calculation, his fees have been annualised.

There was no change in Directors' holdings between 31 December 2022 and 16 February 2023.

Directors' Remuneration Report
continued

External appointments
Executive Directors are permitted to hold one external directorship, approved by the Board. Fees payable may be retained.

David Sleath is a Non-Executive Director of RS Group plc (previously Electrocomponents plc) and he received a fee of £78,922 for this role in 2022 (2021: £75,858).

Soumen Das was appointed as a Non-Executive Director of NEXT plc and he received a fee of £69,112 in 2022 (2021: £19,780 as he was appointed on 1 September 2021) for this role during the year.

Exit payments and arrangements (Audited)
No exit payments were made to Directors during the year.

Former Directors (Audited)
No payments were made to former Directors during the year.

Remuneration Committee advisers
The Committee has access to sufficient resources to discharge its duties, which include access to independent remuneration advisers, the Company Secretary, the Group HR Director and other advisers as required.

The Committee is responsible for appointing its external advisers and in 2018, following a competitive tender process, Korn Ferry was appointed. During 2022, Korn Ferry provided advice on the Policy, Executive Directors' remuneration, and market and best practice guidance, including the provisions of the Code. Its total fees for advice to the Committee in 2022 were £42,083 (2021: £95,793), calculated on a time-cost basis.

The Committee determined that Korn Ferry provided independent remuneration advice and does not have any connections with the Company or its Directors or provide any other services which may impair its independence. Korn Ferry are a signatory to the Code of Conduct for Remuneration Consultants in the UK.

Shareholder voting

Chart 20: Shareholder voting at the 2022 AGM	Votes for (including discretionary)	For (%)	Votes against	Against (%)	Total votes cast	Votes withheld[1]
To approve the Directors' Remuneration Report for the financial year ended 31 December 2021	959,224,061	97.61	23,518,865	2.39	982,742,926	1,421,984
To approve the Directors' Remuneration Policy contained in the Directors' Remuneration Report for the financial year ended 31 December 2021	971,942,873	98.90	10,798,899	1.10	982,741,772	1,423,138

1 A withheld vote is not a vote in law and is not counted in the calculation of the proportion of votes cast for and against a resolution.

This report was approved by the Board on 16 February 2023 and signed on its behalf by

Simon Fraser
Chair of the Remuneration Committee

Directors' Remuneration Policy – summary

The Remuneration Policy (the Policy) was approved by shareholders at the Annual General Meeting held on 21 April 2022 and became effective from this date. It applies to incentive awards with performance periods beginning on 1 January 2022.

The following is a summary of the Policy. The full Policy, as approved by shareholders, was included in the 2021 Annual Report and Accounts and is available at www.SEGRO.com.

In determining the Policy, the Committee considered the following as set out in Provision 40 of the Code:

Clarity and simplicity	The Committee is of the opinion that the Policy and the remuneration framework for the wider workforce is transparent, simple and easy to understand. We believe that the framework is clearly communicated to and understood by our key stakeholders and our employees. Remuneration for our Executive Directors consists of the following elements as set out in Chart 1: – salary; – pension benefits; – Bonus; – DSBP; – LTIP; – Sharesave; – SIP; and – other benefits. The Committee engaged extensively with key stakeholders, such as shareholders and representatives from the workforce, who confirmed this view.
Risk	The Company's remuneration arrangements discourage both the Executive Directors and the wider workforce from excessive risk taking in the pursuit of achieving objectives. The bonus, DSBP and LTIP include malus and/or clawback provisions that apply when the Committee considers that performance is achieved as a result of excessive risk taking, as well as in other circumstances as set out on page 131 of the Directors' Remuneration Report. Executive Directors are required to hold a percentage of their base salary in shares in the Company (as described further on page 137). Additionally, they are subject to post-cessation requirement to continue holdings shares in the event that they leave the Company. Part of their annual bonus is subject to deferral under the DSBP and a compulsory post-vesting holding period applies for LTIP shares. The Committee has the discretion to override formulaic outturns to ensure incentive payouts reflect underlying business performance, and is aligned to shareholder experience.
Predictability	Potential values of rewards to the Executive Directors under the Policy are clearly stated in Chart 5 on page 161 of the 2021 Annual Report and Accounts, which sets out the minimum, maximum and on target scenarios. This chart also demonstrates the impact of share price appreciation on the 2022 LTIP award. Potential outcomes are regularly reviewed by the Committee.
Proportionality	In order to ensure outcomes do not reward poor performance, a significant portion of our remuneration framework is performance based and requires challenging performance targets and metrics to be achieved.
Alignment to culture	There is strong linkage between the structure of the Company's incentive schemes, its Purpose and Values, and strategy. The Company's Responsible SEGRO ambitions have identified net-zero carbon by 2030 as a key strategic objective, and the inclusion of ESG measures in the new annual bonus structure reinforces its importance. The chart on page 134 illustrates how variable remuneration is aligned with KPIs that measure performance against the Company's strategy.

Directors' Remuneration Policy – summary
continued

Chart 1: Remuneration policy table: Executive Directors

Element	Strategic purpose	Operation	Maximum potential value	Performance metrics
Salary	To attract and motivate high-calibre leaders in a competitive market and to recognise their skills, experience and contribution to Group performance.	The Committee reviews Executive Directors' base salaries each year in the context of total remuneration, taking into account the Directors' responsibilities, experience and performance, pay across the Group and market competitiveness.	The maximum annual salary increase will not normally exceed the average increase which applies across the wider workforce. However, larger increases may be awarded in certain circumstances including, but not limited to: an increase in scope or responsibilities of the role; salary progression for a newly appointed Director; and where the Director's salary has fallen significantly below the market positioning.	Not applicable.
Pension benefits	To provide a market competitive remuneration package.	Retirement benefits are available to all UK employees and employees in certain Continental European jurisdictions dependent on local market practice and geographical differences.	Currently, the Executive Directors receive 20 per cent of salary in lieu of pension, this will reduce to the same level as the UK workforce by 31 December 2022. Future Executive Directors will receive the level received by the majority of the UK workforce (currently a contribution to their pension plan of 12 per cent of salary). The cash allowance for Directors is offered in lieu of membership of the defined contribution Group Personal Pension Plan.	None.
Bonus	To focus on the delivery of annual goals, to strive for superior performance and to achieve specific targets which support strategy, in particular for income generation, ESG ambitions and recurring profit.	Bonuses are awarded annually and paid for performance over the financial year. The bonus is reviewed each financial year to ensure performance measures and targets are appropriate and support the business strategy. Payment is based on the achievement of performance targets. The Committee retains discretion to reduce the amount of the bonus award in the light of underlying performance during the year. The rules of the bonus contain clawback provisions.	The maximum bonus opportunity for Executive Directors is 150 per cent of salary.	The bonus scheme is based on three elements which the Committee may review from time-to-time, to ensure that they continue to reflect the Company's strategic priorities: Adjusted PBT against budget, which supports the objective of delivering a sustainable, progressive dividend; rent roll growth which focuses on driving the future rental income of the business; and ESG metrics comprising target ranges related to (i) reducing our operating carbon emissions, (ii) reducing our embodied carbon in developments and (iii) customer, community and employee objectives. The performance measures will initially be weighted as follows: Adjusted PBT 37.5 per cent; RRG 37.5 per cent; and ESG 25 per cent. Threshold performance will result in vesting of no more than 25 per cent of the relevant portion of the bonus (where the nature of the performance metric allows such an approach).

Chart 1: Remuneration policy table: Executive Directors continued

Element	Strategic purpose	Operation	Maximum potential value	Performance metrics
Deferred Share Bonus Plan ('DSBP')	To encourage retention of senior managers and provide a long-term link between the bonus and share price growth so as to encourage long-term decision making.	50 per cent of any bonus awarded in the year is deferred into shares in the DSBP for three years before vesting. The award does not carry any entitlement to dividends, however the Committee may, at the time of the release of the shares, deliver shares or a cash sum equivalent to the value of the dividends that would have been paid over the three-year holding period. The rules of the DSBP contain malus provisions.	For Executive Directors, 50 per cent of the bonus earned in respect of the previous year's performance.	Vesting of shares is dependent on continued employment or good leaver status.
Long Term Incentive Plan ('LTIP')	To reward the execution of strategy and drive long-term returns for shareholders. The performance measures are selected to align with business strategy. The awards are designed to align the most senior managers' goals with the creation of sustainable growth in shareholder value. The awards will also increase retention of these senior managers.	For LTIP awards, dividends will accrue on the LTIP shares which are released on vesting and will be paid in shares or cash. The Committee has discretion to adjust awards downwards at vesting if it is not satisfied that the outcome is a fair reflection of underlying performance, or in the event of excessive risk taking or misstatement. The rules of the LTIP contain malus and clawback provisions.	Maximum 300 per cent of salary in performance shares for the Chief Executive only, other Executive Directors will continue to receive 250 per cent of salary and the Committee would not increase this without prior consultation with shareholders.	LTIP awards are subject to stretching performance conditions, which are measured over a three-year performance period. A two-year compulsory holding period applies to these LTIP shares after vesting and subject to payment of tax and statutory deductions. Awards to be granted in 2022 will be subject to equally weighted Total Shareholder Return, Total Property Return and Total Accounting Return performance conditions. Subsequent grants may be subject to different performance conditions following consultation with shareholders. Threshold performance will result in vesting of no more than 20 per cent of the relevant portion of the LTIP (where the nature of the performance metric allows such an approach).
Sharesave	To provide a market competitive remuneration package and to encourage employee share ownership across the Group.	Sharesave is a HMRC approved scheme open to all UK employees. Savings can be made over a three-year period to purchase shares in the Company at a price which is set at the beginning of the savings period. This price is usually set at a 20 per cent discount to the market price.	Employees may save up to the HMRC limit across all Sharesave grants.	None.

Directors' Remuneration Policy – summary
continued

Chart 1: Remuneration policy table: Executive Directors continued

Element	Strategic purpose	Operation	Maximum potential value	Performance metrics
Share Incentive Plan ('SIP') and Global Share Incentive Plan ('GSIP')	To provide a market competitive remuneration package and to encourage employee share ownership across the Group.	SIP is a HMRC approved scheme open to all UK employees, subject to service. Eligible employees are awarded shares annually up to the HMRC limits. GSIP is designed on a similar basis to SIP, but is not HMRC approved and is operated for non-UK employees.	The maximum award is subject to the HMRC limit.	Award may be based on achievement of a target and is subject to a three-year holding period.
Other benefits	To provide a market competitive remuneration package.	Other benefits currently include: car allowance; life assurance; disability insurance; private medical insurance; and health screening. The Committee retains the discretion to offer additional benefits as appropriate, for example, assistance with relocation.	–	None.

Additional notes

Remuneration Policy: the policy for the Executive Directors is designed with regard to the pay and benefits for employees across the Group. All employees are eligible for an annual bonus on the same performance measures which are consistent with those of the Executive Directors, save that those below Board level have a fourth target based on their personal performance. The maximum bonus opportunity is fixed according to seniority banding across the Company. The LTIP performance conditions are the same for all participants and the size of awards are determined by seniority.

The Committee retains certain discretions in respect of the operation and administration of the incentive plans under their rules, in addition to the discretions described elsewhere in the Policy.

Subject to consultation with major shareholders, the Committee retains the ability to adjust and/or to set different LTIP and bonus performance measures if events occur (such as a change in strategy, a material acquisition and/or divestment of a Group business, or change in prevailing market conditions) which cause the Committee to determine that the measures are no longer appropriate and that amendment is required so that they achieve their original purpose.

Payments from existing awards: Executive Directors are eligible to receive payment from any award made prior to the approval and implementation of the 2022 Policy. Any outstanding share awards made in accordance with a previous Remuneration Policy will remain in effect and will vest in accordance with the terms under which they were granted.

Chart 2: Remuneration policy table: Chair and Non-Executive Directors

Element	Strategic purpose	Operation	Maximum potential value	Performance metrics
Fees	To attract high-calibre Non-Executive Directors and provide market appropriate fees.	Fees are reviewed annually taking into account relevant market data. Additional fees are payable to reflect the time commitments and additional responsibilities. The fee paid to the Chair is set by the Committee while the fees paid to the Non-Executive Directors are set by the Board. No Director is involved in setting their own remuneration. Non-Executive Directors do not participate in any performance related remuneration and they do not receive any benefits other than reimbursement of business related expenses and any tax that might be charged thereon.	Any increases in the fees of the Chair or the Non-Executive Directors will be based upon changes in roles and responsibilities, and market data.	–

Policy on service contracts

Executive Directors

The Company may terminate the Executive Directors' service contract on up to 12 months' notice, with no liquidating damages provisions.

Non-Executive Directors

The Chair and the Non-Executive Directors have letters of appointment which set out their duties and anticipated time commitment to the Company. They are required to disclose to the Board any changes to their other significant commitments. The Non-Executive Directors are appointed for an initial term of three years. The appointments may be extended for further three-year periods on the recommendation of the Nomination Committee and subject to the Board's agreement. The Non-Executive Directors' letters of appointment contain a three-month notice period and the Chair's contains a six-month notice period. Further details are set out in Chart 3 below.

Chart 3: Dates of appointment and contractual notice period

Name	Date of appointment	Notice period
Andy Harrison[1]	1 April 2022	6 months
David Sleath[2]	1 January 2006	12 months by Company, 6 months by Director
Soumen Das	16 January 2017	12 months by Company, 6 months by Director
Andy Gulliford	1 May 2013	12 months by Company, 6 months by Director
Mary Barnard	1 May 2019	3 months

Name	Date of appointment	Notice period
Sue Clayton	1 June 2018	3 months
Carol Fairweather	1 January 2018	3 months
Simon Fraser	1 May 2021	3 months
Martin Moore	1 July 2014	3 months
Linda Yueh	1 May 2021	3 months

1 Appointed as Non-Executive Director on 1 April 2022 and succeeded Gerald Corbett as Chair on 30 June 2022.
2 Appointed as Chief Executive on 28 April 2011.

Directors' Report

Directors' Report disclosures

Certain Directors' Report disclosures, which have been incorporated into the Directors' Report by reference, can be found on the following pages:

Disclosure	Section	Reference
Culture, Purpose and Values	Strategic Report	Pages 1 and 6
Employee engagement	Strategic Report	Page 27
Diversity and inclusion	Strategic Report	Pages 41
Employment, training and advancement of disabled persons	Strategic Report	Page 41
Approach to investing in and rewarding the workforce	Strategic Report	Page 43
Charitable donations	Strategic Report	Page 44
Review of the Group's business during the year and any future developments	Strategic Report	Pages 48 – 55
Principal risks	Strategic Report	Pages 68 – 74
Section 172 statement	Strategic Report	Page 76
Greenhouse gas emissions	Strategic Report	Page 78
Corporate Governance	Governance Report	Pages 87 – 150
Corporate Governance Statement	Governance Report	Page 87
Details of the Directors who served during the year	Governance Report	Pages 91 – 93
Stakeholder engagement	Governance Report	Pages 97 – 103
Board diversity	Governance Report	Page 113
Financial instruments and certain financial risks	Financial Statements	Pages 183 – 189
Post balance sheet events	Financial Statements	Page 196

Share capital

The Company is listed on the London Stock Exchange and, as of 24 November 2020, has a secondary listing on Euronext, Paris.

The issued share capital for the year is set out on page 190.

There is one class of shares in issue and there are no restrictions on the voting rights attached to these shares or the transfer of securities in the Company, and all shares are fully paid.

The Company made no purchases of its own shares during the year. The Company was granted authority to make market purchases of its own shares at the 2022 AGM. This authority will expire at the conclusion of the 2023 AGM and a resolution will be proposed to seek further authority.

Dividends

Subject to approval by shareholders at the 2023 AGM, a final dividend of 18.2 pence per share will be paid (2021: 16.9 pence) bringing the total dividend for 2022 to 26.3 pence (2021: 24.3 pence). The final dividend will be paid as an ordinary dividend. The Board proposes to offer a scrip dividend option for the 2022 final dividend.

The ex-dividend date for the final dividend will be 16 March 2023, the record date will be 17 March 2023 and the payment date will be 4 May 2023.

Change of control

- **Contracts and joint venture and associates agreements**
  There are a number of contracts and joint venture and associates agreements that could allow the counterparties to terminate or alter those arrangements in the event of a change of control of the Company. These arrangements are commercially confidential and their disclosure could be seriously prejudicial to the Company.
- **Borrowings and other financial instruments**
  The Group has a number of borrowing facilities provided by various lenders. These facilities generally include provisions that may require any outstanding borrowings to be repaid or the amendment or termination of the facilities upon the occurrence of a change of control of the Company.
- **Employee share plans**
  The Company's share plans contain provisions as a result of which options and awards may vest or become exercisable on change of control of the Company, in accordance with the rules of the plans.

Modern Slavery and Human Rights

SEGRO operates a Human Rights Policy which brings together a number of our existing policies that relate to human rights such as our Modern Slavery and Labour Standards Supplier Code, and Anti-Slavery and Human Trafficking Policy. Copies of our policies that relate to human rights can be found on our website www.SEGRO.com.

During 2022, all employees were asked to complete mandatory online training on modern slavery and human trafficking. Modern slavery awareness posters, which contain information on key signs of modern slavery, how and where to access help, and details of our whistleblowing reporting service are displayed on SEGRO construction sites and in all our offices.

The Company publishes an annual Modern Slavery and Human Trafficking Statement in compliance with the UK Modern Slavery Act 2015. The Board approved the latest statement in June 2022 and it can be found on our website www.SEGRO.com/modern-slavery.

Any employee who breaches our Anti-Slavery and Human Trafficking Policy or Human Rights Policy will face disciplinary action, which could result in dismissal for misconduct or gross misconduct. We reserve the right to terminate our relationship with other individuals and organisations working on our behalf if they do not comply with our Modern Slavery and Labour Standards Supplier Code.

Employees and Directors

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs specifically because of a takeover bid, with the exception of provisions of the Company's share schemes as detailed above.

- **Directors' authorities in relation to shares**
  The Directors' authorities in relation to issuing, allotting or buying back shares are governed by the Company's Articles of Association and the resolutions passed by shareholders at a general meeting. These documents do not form part of this Report.

- **Process for appointment/removal of Directors**
  The Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Act 2006 and related legislation with regards to the appointment and removal of Directors. Directors are appointed by the Board and elected by shareholders. Directors may be removed by the Board or shareholders as applicable.

Substantial interests in the share capital of the Company

Information provided to the Company under the Disclosure Guidance and Transparency Rules (DTR 5) is published on a Regulatory Information Service and on the Company's website. As at 31 December 2022, the Company had been notified of the following holdings.

Shareholder	Number of shares	Percentage of Issued Share Capital
BlackRock, Inc.	130,152,859	10.76
APG Asset Management N.V.	65,185,877	5.39
Norges Bank	60,284,703	4.98

No further announcements were made to the Company between 31 December 2022 and 16 February 2023.

Articles of association

Shareholders may amend the Company's Articles of Association by special resolution.

Political donations

No political donations were made by the Company or its subsidiaries during the year.

Directors' indemnities and insurance

The Company maintains directors' and officers' liability insurance which is reviewed annually and is permitted under the Company's Articles of Association and the Companies Act 2006. The Company indemnifies each Director, under a Deed of Indemnity, against any liability incurred in relation to acts or omissions arising in the ordinary course of their duties. The indemnity applies only to the extent permitted by law.

No Company Directors were indemnified during the year.

Overseas branches

The Company has a branch in Paris, France.

Auditor of the Company

A resolution to reappoint PricewaterhouseCoopers LLP as auditor of the Company is to be proposed at the 2023 AGM.

Disclosure of information to the Auditor

Each of the persons who is a Director at the date of approval of this Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all the steps that they ought to have taken as a Director in order to make themself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The Directors' Report has been approved by the Board and signed on its behalf by

Julia Foo
Company Secretary
16 February 2023

Statement of Directors' responsibilities in respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Group and the Company Financial Statements in accordance with UK-adopted international accounting standards.

The Directors have also prepared the Group and the Company Financial Statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Under company law, Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006. The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Governance section of the Annual Report confirm that, to the best of their knowledge:

- the Group and Company Financial Statements, which have been prepared in accordance with UK-adopted international accounting standards and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 aw applies in the European Union, give a true and fair view of the assets, liabilities and financial position of the Group and Company, and of the loss of the Group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

David Sleath
Chief Executive
16 February 2023

Soumen Das
Chief Financial Officer
16 February 2023

Independent auditors' report to the members of SEGRO plc

Report on the audit of the financial statements

Opinion
In our opinion, SEGRO plc's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2022 and of the Group's loss and the Group's and Company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report & Accounts 2022 (the "Annual Report"), which comprise: the Group and Company Balance Sheets as at 31 December 2022; the Group Income Statement and the Group Statement of Comprehensive Income, the Group and Company Cash Flow Statements, and the Group and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union
As explained in note 1 to the financial statements, the Group and Company, in addition to applying UK-adopted international accounting standards, have also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the Group and Company financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("ISAs") and applicable law. Our responsibilities under ISAs (UK) and ISAs are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by either the FRC's Ethical Standard or Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Other than those disclosed in Note 6 to the Financial Statements, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach
Overview
Audit scope
- Audit procedures on Rental Income and Valuation of Investment Properties are performed centrally by the Group audit team in the UK.
- Full scope audit of SEGRO European Logistics Partnership (SELP) Joint Venture by component auditors and full scope audit of SEGRO plc by the Group audit team in the UK.
- In addition, component auditors performed the audit of specific balances and transactions in certain territories.
- Over 90% coverage of Assets, Liabilities, Income and Expenditure of the Group

Key audit matters
- Valuation of investment properties (Group)
- Large and/or complex transactions (Group and Company)
- Estimation of variable performance fee income (Group)

Materiality
- Overall Group materiality: £174 million (2021: £179 million) based on 1% of total assets.
- Overall Company materiality: £108 million (2021: £95 million) based on 1% of total assets.
- Performance materiality: £130 million (2021: £134 million) (Group) and £81 million (2021: £71 million) (Company).

The scope of our audit
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters
Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Independent Auditors' Report
continued

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties (Group) Refer to the Audit Committee Report and the Financial Statements (including notes to the Financial Statements; Note 1, Significant Accounting Policies; Note 13, Properties; and Note 26. Property Valuation Techniques, Sustainability and Climate Change Considerations and Related Quantitative Information). The Group's investment properties were carried at £14,939 million as at 31 December 2022 and a total (realised and unrealised) property loss of £1,946 million was recognised in the Group Income Statement. We focused on this area due to the existence of significant judgement, coupled with the fact that only small differences in individual property valuations when aggregated could result in a material misstatement. The portfolio is held by the Group, and through joint ventures and associates and includes warehouses and light industrial buildings, including data centres and for logistics operations. These are concentrated in the UK, France, Germany and Italy. The remainder of the portfolio is located across other European countries including Poland, Spain, the Netherlands and the Czech Republic. The portfolio includes completed investment properties, properties under construction and land. The valuation of the Group's portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rentals for that particular property. The wider challenges currently facing the real estate sector as a result of rising inflation and interest rates and the impact of climate change further contributed to the subjectivity at 31 December 2022. For development sites, factors include projected costs to complete, time until practical completion and the ability to let if no pre-let agreement is in place. Valuations are carried out by third party valuers CBRE (the 'Valuers'), apart from two assets valued by Knight Frank. The Valuers were engaged by the Directors, and performed their work in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation – Professional Standards. The valuations take into account the property-specific information including the current tenancy agreements and rental income, condition and location of the property, and future rental prospects, as well as prevailing market yields and market transactions. The valuation of investment properties may also impact the carrying value of investment in the subsidiaries within the Financial Statements of the Company.	Given the inherent subjectivity involved in the valuation of investment properties, the need for deep market knowledge when determining the most appropriate assumptions, and the technicalities of the valuation methodology, we engaged our internal valuation experts (qualified chartered surveyors) to assist us in our audit of this matter. **Assessing the Valuers' expertise and objectivity** We assessed the Valuers' qualifications and expertise and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We also considered fees and other contractual arrangements that might exist between the Group and the Valuers. We found no evidence to suggest that the objectivity of the Valuers was compromised. **Testing the valuations** Assumptions and capital movement: Our work covered the valuation of every material property in the Group. We obtained and read the CBRE valuation reports covering every property. We held meetings with management and the Valuers, at which the valuations and the key assumptions therein were discussed. We focused on the largest properties and any outliers (where the assumptions used and/or year on year capital value movement were out of line with externally published market data for the relevant sector). To verify that the valuation approach was suitable for use in determining the carrying value for investment properties in the Financial Statements, we: – Confirmed that the valuation approach was in accordance with RICS standards; – Obtained valuation details of every property held by the Group and set an expected range for yield and capital value movement, determined by reference to published benchmarks and using our experience and knowledge of the market. Compared the investment yields used by the Valuers with the expected range of yields and the year on year capital movement to our expected range; – Assessed the reasonableness of other assumptions that are not readily comparable with published benchmarks, such as Estimated Rental Value; – With the support of our internal valuation experts, we also questioned the external valuers as to the extent to which recent market transactions and expected rental values used in deriving their valuations took into account the impact of climate change and related ESG considerations; and – Verified where there could be alternative use opportunities, that this had been appropriately taken into account. Where assumptions were outside the expected range or otherwise appeared unusual, and/or valuations showed unexpected movements, we undertook further investigations and, when necessary, held further discussions with the Valuers and obtained evidence to support explanations received. The supporting evidence and valuation commentaries provided by the Valuers, enabled us to consider the property specific factors that had or may have had an impact on value, including recent comparable transactions where appropriate. **Information and standing data** We tested the standing data which the Group provided to the Valuers for use in the performance of the valuation. This involved re-performing controls on a sample basis over the input of lease data for leases and testing the accuracy of lease and other property information. For development properties, we also confirmed that the supporting information for construction contracts and budgets was consistent with the Group's records, for example by inspecting construction contracts. For development properties, capitalised expenditure was tested on a sample basis to invoices, and budgeted costs to complete were compared with supporting evidence (for example construction contracts) to support the inputs included within their valuation at the year end. We agreed the amounts per the valuation reports to the accounting records and from there we agreed the related balances through to the Financial Statements. **Overall outcome** We concluded that the assumptions used in the valuations by the Valuers were supportable in light of the evidence obtained and the disclosures within the Financial Statements are sufficient and appropriate.

Key audit matter	How our audit addressed the key audit matter
Large and/or complex transactions (Group and Company) Refer to the Audit Committee Report and the Financial Statements (including notes to the Financial Statements; Note 1, Significant Accounting Policies; and Note 16, Net Borrowings). **Group and Company** During the year, the Group established a European Medium-Term Note (EMTN) programme. Through this programme, in March 2022, the Group issued €650 million of four year and €500 million of eight year green bonds. The Company was the guarantor for the issue and received the proceeds as part of the flow of funds into the Group. Also, in December 2022, the Company raised £350 million of 19-year unsecured notes. These transactions warranted additional audit focus due to the magnitude of the transactions and proceeds generated.	For each large and/or complex transaction identified, we made inquiries with management in order to understand their nature and obtained supporting documentation as necessary to verify the transactions. We assessed the proposed accounting treatment in relation to the Group's accounting policies and relevant accounting standards. **Bond issues** We tested the bond issue by examining: – The subscription agreement and prospectus, including assessing whether there were any conditions which would result in further accounting entries and disclosures being required; – Third party data to confirm the security details such as nominal value, coupon rates and maturity dates; and – Bank statements to agree funds received in the Company. **Overall outcome** No material issues were identified as a result of our testing.
Estimation of variable performance fee income (Group) Refer to the Audit Committee Report and the Financial Statements (including notes to the Financial Statements; Note 1, Significant Accounting Policies; and Note 7, Investments in Joint Ventures, Associates and Subsidiaries). Performance fees are payable from the SELP joint venture to SEGRO. The fee is based on the joint venture's performance over the 10 year performance period and payable subject to meeting certain criteria and hurdle rates at the end of the period. The variable nature of the consideration gives rise to significant estimation uncertainty which is sensitive to movements and assumptions in property valuations over the remaining performance period to October 2023. No performance fee income has been recognised in the year based on management's assessment of the estimated amount that is highly probable will not result in a significant future reversal. In the year ended 31 December 2021, SEGRO recognised a performance fee of £26 million (€29 million) in its Income Statement.	We understood and assessed the key controls in place over the estimation and recognition of performance fee income. We reviewed the audit of the SELP performance fee performed by the SELP component auditors. We engaged with our component auditor team during the audit process to direct the nature, timing and extent of procedures. This covered testing of the key data input into the calculation, testing of the mathematical accuracy of the calculation, an assessment of key assumptions used and performing sensitivity analysis. Our involvement in the component auditors work incorporated a review of their workpapers including those related to planning and the audit procedures on the performance fee calculation. We assessed the accounting treatment in relation to the Group's accounting policies and IFRS 15 Revenue from contracts with customers. We challenged management on the estimation of the performance fee income recorded and the basis of their conclusion of the threshold at which they consider the highly probable criteria to have been met. We debated possible alternative views that the threshold could reasonably be at a higher or lower level resulting in performance fee income being recognised or reversed for the year to 31 December 2022. We have assessed the appropriateness of financial reporting disclosures related to the performance fee, including that no additional amount has been recorded and no amounts reversed based on management's judgement of the not highly probable of significant reversal threshold, the range of the potential fee and the sensitivity of the fee to the potential property value fluctuations, highlighting it as an area of significant estimation uncertainty. **Overall outcome** No material issues were identified as a result of our testing. We consider the disclosures within the Financial Statements, including the range of potential income receivable and sensitivities to property value fluctuations to be appropriate.

Independent Auditors' Report
continued

How we tailored the audit scope
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group's reportable segments are the geographical Business Units: Greater London, Thames Valley, National Logistics, Northern Europe, Southern Europe and Central Europe. In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at reporting components by us, as the Group engagement team, or component auditors operating under our instruction.

The Group operates a common IT environment, processes and controls for rental income and payroll across all its reported segments. The Group's valuation and treasury functions are also based at the corporate centre in the UK. The related balances were therefore largely audited by the Group audit team in the UK. Additional specified procedures were performed by component audit teams for each business unit, such that the total testing programme provided sufficient audit evidence over all financial statement line items.

The SELP Joint Venture was again included as being in scope for a full scope audit. As above, the work on rental income and valuation of investment properties for the Joint Venture was performed by the Group audit team. We determined the level of involvement we needed to have in the component auditor's work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. We issued formal, written instructions to the component auditors setting out the work to be performed by each of them. Although we have not visited our component teams this year throughout the audit process, the Group audit team has had various interactions through the use of video call technology with the audit teams on location in each business unit to oversee the audit process. Senior team members also attended via video conference the clearance meetings for each component. During the clearance meetings, the results of the work performed by all component teams were discussed. The Group engagement team also evaluated the sufficiency of the audit evidence obtained by component teams. Taking into account the components and Joint Ventures subject to a full scope audit, the centralised and other testing performed, coverage over the Group Balance Sheet and Group Income Statement was as follows:

Assets	92% coverage
Liabilities	94% coverage
Income	91% coverage
Expenditure	90% coverage

The audit of the Company Financial Statements was performed entirely by the Group audit team in the UK, leveraging on the work performed on the Group audit where appropriate with additional audit procedures performed on other Company specific balances.

The impact of climate risk on our audit
As part of our audit we enquired with management to understand the process they have adopted to assess the potential impact of climate change risk on the financial statements for the Group and Company and support the disclosures made within Note 26 Property Valuation Techniques, Sustainability and Climate Change Considerations and Related Quantitative Information.

In addition to enquiries with management, we also read additional reporting made by the Group on climate including its Sustainability Policy and Carbon Disclosure Project public submission.

Assisted by our climate experts, we challenged the completeness of management's climate risk assessment by:

- Reading external reporting made by management including the Carbon Disclosure Project Public submission and making management aware of any internal inconsistencies in their climate reporting;
- Challenging the consistency of management's climate impact assessment with board minutes, including whether the time horizons management have used take account of all relevant aspects of climate change such as transition risks;
- Searching and reading the entity's website for details of climate related impacts.

Management has made a commitment to being carbon net-zero by 2030. Using our knowledge of the business and with assistance from our internal climate experts, we evaluated management's risk assessment and resulting disclosures where significant. We considered the valuation of investment properties to have the potential to be materially impacted by climate risk and consequently we focused our audit work in this area. To respond to the audit risks identified in this area, we tailored our audit approach which is detailed in the Valuation of investment properties (Group) key audit matter above.

We also considered the consistency of the disclosures in relation to climate change (including the disclosures in the Task Force on Climate-related Financial Disclosures (TCFD) section) within the Annual Report with the financial statements and the knowledge we obtained from our audit

Our procedures did not identify any material impact in the context of our audit of the financial statements as a whole, or our key audit matters for the year ended 31 December 2022.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Company
Overall materiality	£174 million (2021: £179 million).	£108 million (2021: £95 million).
How we determined it	1% of total assets	1% of total assets
Rationale for benchmark applied	The primary measurement attribute of the Group is the carrying value of property investments. On this basis, we set an overall Group materiality level based on total assets.	The primary measurement attribute of the Company is the carrying value of investments in subsidiaries. On this basis, we set an overall Company materiality level based on total assets.

In addition to overall Group materiality, a specific materiality was also applied to Income Statement line items that impact EPRA Earnings, which is based on profit before tax, adjusted to exclude fair value gain/(losses) on investment property and derivatives. We set a specific materiality level of £19 million (2021: £17 million), equating to 5% of EPRA Earnings. In arriving at this judgement, we considered the fact that EPRA Earnings is a secondary financial indicator of the Group (refer to the Strategic Report where the term is defined in full).

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £80 million and £155 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £130 million (2021: £134 million) for the group financial statements and £81 million (2021: £71 million) for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £8.7 million (Group audit) (2021: £8.9 million) and £5.4 million (Company audit) (2021: £4.7 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Procedures to identify events or conditions that may cast significant doubt on the ability to continue as a going concern and whether or not a material uncertainty related to going concern exists;
- Obtaining the directors' assessment of going concern and assessing the current impact of severe, but plausible, downside scenarios and the basis for the downside stress scenarios that have been applied;
- Evaluation of management's significant assumptions used to assess going concern, including whether or not they are appropriate in the context of changes from prior periods, maintain adequate support, and align with our understanding of the entity and other relevant areas of the entity's business activities;
- Review of potential financial or non-financial debt covenant defaults leading to acceleration of repayment; and
- Assessing the Group and Company's liquidity and whether the entity has adequately disclosed all required going concern events and conditions.

Independent Auditors' Report
continued

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

As not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group and Company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with the Real Estate Investment Trust (REIT) status and SIIC regime, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to journal entries to increase revenue or reduce expenditure, and management bias in accounting estimates and judgemental areas of the Financial Statements such as valuation of investment properties. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with management and internal audit, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud, and review of the reports made by internal audit;
- Understanding management's internal controls designed to prevent and detect irregularities;
- Assessment of matters, if any, reported on the Group's whistleblowing helpline and the results of management's investigation of such matters;
- Reviewing the Group's litigation register in so far as it related to non-compliance with laws and regulations and fraud;
- Reviewing relevant meeting minutes, including those of the Board of Directors and the Audit Committee;
- Designing audit procedures to incorporate unpredictability around the nature, timing and extent of our testing;
- Review of tax compliance with the involvement of our tax specialists in the audit;
- Procedures relating to the valuation of investment properties described in the related key audit matter above; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by users posting a low number of journals in the period.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements in accordance with ISAs (UK) is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Independent Auditors' Report
continued

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group and Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Use of this report
This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment
Following the recommendation of the Audit Committee, we were appointed by the members on 22 April 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is seven years, covering the years ended 31 December 2016 to 31 December 2022.

Other matter

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

John Waters (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
16 February 2023

Group Income Statement
For the year ended 31 December 2022

	Notes	2022 £m	2021 £m
Revenue	4	669	546
Costs	5	(214)	(140)
		455	406
Administrative expenses	6	(59)	(59)
Share of (loss)/profit from joint ventures and associates after tax	7	(144)	461
Realised and unrealised property (loss)/gain	8	(1,946)	3,669
Operating (loss)/profit		(1,694)	4,477
Finance income	9	67	35
Finance costs	9	(340)	(157)
(Loss)/profit before tax		(1,967)	4,355
Tax	10	37	(288)
(Loss)/profit after tax		(1,930)	4,067
Attributable to equity shareholders		(1,927)	4,060
Attributable to non-controlling interests		(3)	7
Earnings per share (pence)			
Basic	12	(159.7)	339.0
Diluted	12	(159.7)	338.1

Group Statement of Comprehensive Income

For the year ended 31 December 2022

	2022 £m	2021 £m
(Loss)/profit for the year	(1,930)	4,067
Items that may be reclassified subsequently to profit or loss		
Foreign exchange movement arising on translation of international operations	179	(184)
Fair value movements on derivatives and borrowings in effective hedge relationships	(98)	74
	81	(110)
Tax on components of other comprehensive income/(expense)	–	–
Other comprehensive income/(expense)	81	(110)
Total comprehensive (expense)/income for the year	(1,849)	3,957
Attributable to equity shareholders	(1,845)	3,949
Attributable to non-controlling interests	(4)	8

Balance Sheets
As at 31 December 2022

	Notes	GROUP 2022 £m	GROUP 2021 (restated)[1] £m	COMPANY 2022 £m	COMPANY 2021 £m
Assets					
Non-current assets					
Intangible assets		12	9	–	–
Investment properties	13	14,939	15,492	–	–
Other interests in property		30	24	–	–
Plant, property and equipment		23	22	–	–
Investments in subsidiaries	7	–	–	10,597	9,378
Investments in joint ventures and associates	7	1,768	1,795	–	–
Other investments		9	5	–	–
Other receivables	14	81	35	–	–
Derivative financial instruments	17	58	50	58	50
		16,920	17,432	10,655	9,428
Current assets					
Trading properties	13	35	45	–	–
Trade and other receivables	14	199	207	25	21
Tax asset		21	–	–	–
Derivative financial instruments	17	11	14	11	14
Cash and cash equivalents	16	162	85	72	12
		428	351	108	47
Total assets		17,348	17,783	10,763	9,475
Liabilities					
Non-current liabilities					
Borrowings	16	4,884	3,406	3,439	2,989
Deferred tax liabilities	10	226	274	–	–
Trade and other payables	15	77	75	2,063	1,498
Derivative financial instruments	17	188	56	188	56
Tax liabilities		10	19	–	–
		5,385	3,830	5,690	4,543
Current liabilities					
Trade and other payables	15	560	463	47	31
Derivative financial instruments	17	14	–	14	–
Tax liabilities		16	54	–	16
		590	517	61	47
Total liabilities		5,975	4,347	5,751	4,590
Net assets		11,373	13,436	5,012	4,885
Equity					
Share capital	18	121	120	121	120
Share premium	19	3,449	3,371	3,449	3,371
Capital redemption reserve	19	114	114	114	114
Own shares held	20	(1)	(1)	(1)	(1)
Other reserves		227	140	225	225

Balance Sheets continued
As at 31 December 2022

		GROUP		COMPANY	
	Notes	**2022 £m**	2021 (restated)[1] £m	**2022 £m**	2021 £m
Retained earnings brought forward		**9,692**	5,897	**1,056**	821
(Loss)/profit for the year attributable to owners of the parent		**(1,927)**	4,060	**351**	506
Other movements		**(302)**	(265)	**(303)**	(271)
Retained earnings		**7,463**	9,692	**1,104**	1,056
Total shareholders' equity		**11,373**	13,436	**5,012**	4,885
Non-controlling interests		**–**	–	**–**	–
Total equity		**11,373**	13,436	**5,012**	4,885
Net assets per ordinary share (pence)					
Basic	12	**941**	1,118		
Diluted	12	**938**	1,115		

1 Group Cash and cash equivalents and Trade and other receivables have been restated as at 31 December 2021 following IFRIC's agenda decision in respect of Demand Deposits with Restrictions on Use arising from a Contract with a Third Party. See Note 1 for further details.

The Financial Statements of SEGRO plc (registered number 167591) on pages 159 to 203 were approved by the Board of Directors and authorised for issue on 16 February 2023 and signed on its behalf by:

DJR Sleath
Director

S Das
Director

Statements of Changes in Equity

For the year ended 31 December 2022

Group	Ordinary share capital £m	Share premium £m	Capital redemption reserve[1] £m	Own shares held £m	Other reserves: Share-based payments reserves[1] £m	Other reserves: Translation, hedging and other reserves[1] £m	Other reserves: Merger reserve[1] £m	Retained earnings £m	Total equity attributable to owners of the parent £m	Non-controlling interests[2] £m	Total equity £m
	Attributable to owners of the parent										
Balance at 1 January 2022	120	3,371	114	(1)	20	(49)	169	9,692	13,436	–	13,436
Loss for the year	–	–	–	–	–	–	–	(1,927)	(1,927)	(3)	(1,930)
Other comprehensive income/(expense)	–	–	–	–	–	82	–	–	82	(1)	81
Total comprehensive income/(expense) for the year	–	–	–	–	–	82	–	(1,927)	(1,845)	(4)	(1,849)
Transactions with owners of the Company											
Own shares acquired	–	–	–	(4)	–	–	–	–	(4)	–	(4)
Equity-settled share-based transactions	–	–	–	4	5	–	–	2	11	–	11
Dividends	1	78	–	–	–	–	–	(301)	(222)	–	(222)
Movement in non-controlling interest[2]	–	–	–	–	–	–	–	(3)	(3)	4	1
Total transaction with owners of the Company	1	78	–	–	5	–	–	(302)	(218)	4	(214)
Balance at 31 December 2022	121	3,449	114	(1)	25	33	169	7,463	11,373	–	11,373

1 See Note 19.
2 Non-controlling interests relate to Vailog S.r.l.

For the year ended 31 December 2021

Group	Ordinary share capital £m	Share premium £m	Capital redemption reserve[1] £m	Own shares held £m	Other reserves: Share-based payments reserves[1] £m	Other reserves: Translation, hedging and other reserves[1] £m	Other reserves: Merger reserve[1] £m	Retained earnings £m	Total equity attributable to owners of the parent £m	Non-controlling interests[2] £m	Total equity £m
	Attributable to owners of the parent										
Balance at 1 January 2021	119	3,277	114	(1)	22	62	169	5,897	9,659	12	9,671
Profit for the year	–	–	–	–	–	–	–	4,060	4,060	7	4,067
Other comprehensive (expense)/income	–	–	–	–	–	(111)	–	–	(111)	1	(110)
Total comprehensive (expense)/ income for the year	–	–	–	–	–	(111)	–	4,060	3,949	8	3,957
Transactions with owners of the Company											
Issue of shares	–	1	–	–	–	–	–	–	1	–	1
Own shares acquired	–	–	–	(3)	–	–	–	–	(3)	–	(3)
Equity-settled share-based transactions	–	–	–	3	(2)	–	–	6	7	–	7
Dividends	1	93	–	–	–	–	–	(270)	(176)	(4)	(180)
Movement in non-controlling interest[2]	–	–	–	–	–	–	–	(1)	(1)	(16)	(17)
Total transaction with owners of the Company	1	94	–	–	(2)	–	–	(265)	(172)	(20)	(192)
Balance at 31 December 2021	120	3,371	114	(1)	20	(49)	169	9,692	13,436	–	13,436

1 See Note 19.
2 Non-controlling interests relate to Vailog S.r.l and Sofibus Patrimoine SA. During 2021 the non-controlling interests held in Sofibus Patrimoine SA were acquired by the Group.

Statements of Changes in Equity continued

For the year ended 31 December 2022

Company	Ordinary share capital £m	Share premium £m	Capital redemption reserve[1] £m	Own shares held £m	Other reserves: Share-based payments reserves £m	Other reserves: Translation, hedging and other reserves £m	Other reserves: Merger reserve[1] £m	Retained earnings £m	Total equity attributable to equity shareholders £m
Balance at 1 January 2022	120	3,371	114	(1)	9	47	169	1,056	4,885
Profit for the year	–	–	–	–	–	–	–	351	351
Other comprehensive income	–	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	–	–	351	351
Transactions with owners of the Company									
Issue of shares	–	–	–	–	–	–	–	–	–
Own shares acquired	–	–	–	(4)	–	–	–	–	(4)
Equity-settled share-based transactions	–	–	–	4	–	–	–	(2)	2
Dividends	1	78	–	–	–	–	–	(301)	(222)
Total transaction with owners of the Company	1	78	–	–	–	–	–	(303)	(224)
Balance at 31 December 2022	121	3,449	114	(1)	9	47	169	1,104	5,012

1 See Note 19.

For the year ended 31 December 2021

Company	Ordinary share capital £m	Share premium £m	Capital redemption reserve[1] £m	Own shares held £m	Other reserves: Share-based payments reserves £m	Other reserves: Translation, hedging and other reserves £m	Other reserves: Merger reserve[1] £m	Retained earnings £m	Total equity attributable to equity shareholders £m
Balance at 1 January 2021	119	3,277	114	(1)	8	47	169	821	4,554
Profit for the year	–	–	–	–	–	–	–	506	506
Other comprehensive income	–	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	–	–	506	506
Transactions with owners of the Company									
Issue of shares	–	1	–	–	–	–	–	–	1
Own shares acquired	–	–	–	(3)	–	–	–	–	(3)
Equity-settled share-based transactions	–	–	–	3	1	–	–	(1)	3
Dividends	1	93	–	–	–	–	–	(270)	(176)
Total transaction with owners of the Company	1	94	–	–	1	–	–	(271)	(175)
Balance at 31 December 2021	120	3,371	114	(1)	9	47	169	1,056	4,885

1 See Note 19.

Cash Flow Statements

For the year ended 31 December 2022

	Notes	GROUP 2022 £m	GROUP 2021 (restated)[1] £m	COMPANY 2022 £m	COMPANY 2021 £m
Cash flows from operating activities					
Cash generated from operations	25(i)	479	363	(16)	(20)
Interest received		28	48	120	118
Dividends received		9	33	706	1,230
Interest paid		(131)	(100)	(127)	(97)
Cost of early close out of interest rate derivatives and new interest rate derivatives transacted		(77)	–	(77)	–
Tax paid		(95)	(17)	(16)	–
Net cash received from operating activities		213	327	590	1,231
Cash flows from investing activities					
Purchase and development of investment properties[2]		(1,472)	(1,706)	–	–
Sale of investment properties		310	491	–	–
Acquisition of other interest in property		(6)	(8)	–	–
Purchase of plant and equipment and intangibles		(9)	(7)	–	–
Acquisition of other investments		(3)	(4)	–	–
Investment in subsidiary undertakings		–	–	(66)	(83)
Loan advances paid to subsidiary undertakings		–	–	(626)	(1,689)
Investment and loans to joint ventures and associates		(112)	(74)	–	–
Divestment from and repayment of loans by joint ventures and associates		37	35	–	–
Net cash received used in investing activities		(1,255)	(1,273)	(692)	(1,772)
Cash flows from financing activities					
Dividends paid[3]		(222)	(180)	(222)	(176)
Proceeds from borrowings		2,752	1,214	1,794	799
Repayment of borrowings		(1,421)	(140)	(1,421)	(128)
Principal element of lease payments		(2)	(2)	–	–
Settlement of foreign exchange derivatives		15	40	15	40
Purchase of non-controlling interest		–	(12)	–	–
Proceeds from issue of ordinary shares		–	1	–	1
Purchase of ordinary shares		(4)	(3)	(4)	(3)
Net cash generated from financing activities		1,118	918	162	533
Net increase/(decrease) in cash and cash equivalents		76	(28)	60	(8)
Cash and cash equivalents at the beginning of the year		85	113	12	20
Effect of foreign exchange rate changes		1	–	–	–
Cash and cash equivalents at the end of the year	16	162	85	72	12

1 Group Cash and cash equivalents and Trade and other receivables have been restated as at 31 December 2021 following IFRIC's agenda decision in respect of Demand Deposits with Restrictions on Use arising from a Contract with a Third Party. See Note 1 for further details.
2 Group cash payment for the purchase and development of investment properties of £1,472 million (2021: £1,706 million) represents total costs for property acquisitions and additions to existing investment properties per Note 13(i) of £1,530 million (2021: £1,878 million) adjusted for the following cash and non-cash movements: deducts interest capitalised of £22 million (2021: £9 million); deducts net movement in capital accruals and prepayments of £23 million (2021: £23 million); deducts non-cash movements of £13 million (2021: £140 million) from asset swaps.
3 Group dividends paid in 2022 of £222 million (2021: £180 million) includes £222 million (2021: £176 million) paid to ordinary shareholders (see Note 11) and £nil (2021: £4 million) paid to non-controlling interest.

Notes to the Financial Statements

For the year ended 31 December 2022

1. Significant Accounting Policies

General information

SEGRO plc (the Company) is a public limited company, limited by shares, incorporated, domiciled and registered in England in the United Kingdom under the Companies Act. The address of the registered office is given on the inside back cover.

The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in the Strategic Report on pages 18 to 19.

These Financial Statements are presented in pounds sterling to the nearest million because that is the currency of the primary economic environment in which the Group operates and is the functional currency of the Company.

Basis of preparation

The Financial Statements have been prepared in accordance with UK-adopted International Accounting Standards (IAS) and the requirements of the Companies Act 2006 as applicable to companies reporting under those standards and International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. UK adopted International Accounting Standards differs in certain respects from International Financial Reporting Standards as adopted by the EU. The differences have no material impact on the Financial Statements for the periods presented, which therefore also comply with International Reporting Standards as adopted by the EU. In addition, the Group has also disclosed additional measures relating to the Best Practice Recommendations Guidelines issued by the European Public Real Estate Association (EPRA) as appropriate, as discussed further in Note 2 and Note 12.

The Financial Statements have been prepared on a going concern basis. As discussed in the Financial Review on page 60, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the Financial Statements. At 31 December 2022 the Group held cash and available committed facilities of £1.7 billion with a long-dated debt maturity profile. This provides significant liquidity to meet the Group's operational requirements and capital commitments for the foreseeable future. The financial covenants have been stress tested and substantial headroom exists against the gearing and interest cover covenants at 31 December 2022 and the covenants are not expected to be breached for a period of at least 12 months from the date of approval of the Financial Statements.

The Directors have taken advantage of the exemption offered by section 408 of the Companies Act 2006 not to present a separate income statement and statement of comprehensive income for the Company. The Financial Statements have been prepared under the historical cost convention as modified by the revaluation of properties and certain financial assets and liabilities including derivatives.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group Financial Statements.

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2022:

- Amendments to IFRS 3, 'Business Combinations'
- Amendments to IAS 16, 'Property, Plant and Equipment'
- Amendments to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets'
- Annual Improvements 2018-2020

The amendments did not have any impact on the amounts recognised in the prior or current period and are not expected to significantly affect future periods.

The Group has assessed the impact of the IFRS Interpretation Committee's recent Agenda Decision in respect of Demand Deposits with Restrictions on Use arising from a Contract with a Third Party (IAS 7). The Group holds tenant deposits in separate designated bank accounts where the use of the monies is restricted and defined in the lease agreements, however the access to these monies by the Group is not restricted. Following the clarification by IFRIC these tenant deposits have been judged to meet the definition of 'cash' under IAS 7. The tenant deposits were previously classified as 'Other receivables' and have been classified as 'Cash and cash equivalents' at 31 December 2022. The Group comparative balances have been restated where applicable to reflect this change in classification which resulted in £40 million of tenant deposits as at 31 December 2021 being reclassified from 'Other receivables' to 'Cash and cash equivalents'.

New standards and amendments not yet adopted

Certain new accounting standards and amendments are effective for annual periods beginning after 1 January 2022, and have not been applied in preparing these Financial Statements:

- Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities
- Amendments to IAS 8, 'Accounting policies, Changes in Accounting Estimates and Errors', definition of accounting estimates
- Amendments to IAS 1, 'Presentation of Financial Statements', disclosure of accounting policies
- Amendments to IAS 12 – Deferred taxes related to assets and liabilities arising from a single transaction

The amendments that are not yet effective are not expected to have a material impact on the Group in the current or future reporting periods and on the foreseeable future transactions.

Basis of consolidation

The consolidated Financial Statements comprise the Financial Statements of the Company and the Subsidiaries ('the Group'), plus the Group's share of the results and net assets of its joint ventures and associates.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The Financial Statements of subsidiaries are included in the consolidated Financial Statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Investments and loans in subsidiaries held by the Company
Investments and loans in subsidiaries held by the Company are stated at cost less any impairment. Impairment of loans is calculated in accordance with IFRS 9 and impairment of investments is calculated in accordance with IAS 36 with further details provided in Note 7(iv).

Joint ventures
A joint venture is a contract under which the Group and other parties undertake an activity or invest in an entity, under joint control. The Group uses equity accounting for such entities, carrying its investment at cost plus the movement in the Group's share of net assets after acquisition, less impairment.

Associates
Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20 per cent and 50 per cent of the voting rights. The Group uses equity accounting for such entities, carrying its investment at cost plus the movement in the Group's share of net assets after acquisition, less impairment.

Where the Group's share of losses in an equity accounted investment equals or exceeds its interest in the entity, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment on the asset transferred.

Business combinations
The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in the Income Statement as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the Income Statement.

The interest of non-controlling interest shareholders in the acquiree is initially measured at their proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IFRS 9, as appropriate, with the corresponding gain or loss being recognised in the Income Statement.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the Income Statement within realised and unrealised property (loss)/gain. The same treatment is applied for acquisitions of a subsidiary achieved in stages that meet the IFRS 3 concentration test to be treated as an asset acquisition.

For acquisitions of a subsidiary that meet the IFRS 3 concentration test to be treated as an asset acquisition, the Group allocates the cost between the individual identifiable assets and liabilities in the Group based on their relative fair values at the date of acquisition. Such transactions do not give rise to goodwill, generally no deferred tax is recognised on initial temporary differences and transaction costs are capitalised. The Group has elected to initially measure the interest of non-controlling interest shareholders in the acquiree at their proportion of the acquisition date net fair value of the assets, liabilities and contingent liabilities recognised.

Foreign currency transactions
Foreign currency transactions are translated to the respective functional currency of Group entities at the foreign exchange rate ruling on the transaction date. Foreign exchange gains and losses resulting from settling these, or from retranslating monetary assets and liabilities held in foreign currencies, are booked in the Income Statement. The exception is for foreign currency loans and derivatives that hedge investments in foreign subsidiaries, where exchange differences are booked in equity until the investment is realised.

Consolidation of foreign entities
Assets and liabilities of foreign entities are translated into sterling at exchange rates ruling at the Balance Sheet date. Their income, expenses and cash flows are translated at the average rate for the period or at spot rate for significant items. Resultant exchange differences are booked in Other Comprehensive Income and recognised in the Group Income Statement when the operation is sold.

The principal exchange rates used to translate foreign currency denominated amounts in 2022 are:

Balance Sheet: £1 = €1.13 (31 December 2021: £1 = €1.19). Income Statement: £1= €1.17 (2021: £1 = €1.16).

Notes to the Financial Statements
continued

Investment properties
These properties include completed properties that are generating rent or are available for rent, and development properties that are under development, available for development or income-producing properties acquired with the explicit intention to take back for redevelopment. Investment properties comprise freehold and leasehold properties and are first measured at cost (including transaction costs), then revalued to market value at each reporting date by professional valuers. Lease liabilities associated with leasehold properties are accounted for under IFRS 16, see the Leases accounting policy. If a valuation obtained for a property held under a lease is net of all payments expected to be made, any related lease liability recognised separately in the Balance Sheet is added back to arrive at the carrying value of the investment property for accounting purposes. Valuation gains and losses in a period are taken to the Income Statement. As the Group uses the fair value model, as per IAS 40 'Investment Property', no depreciation is provided. An asset will be classified as held for sale within investment properties, in line with IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations', where the asset is available for immediate sale in its present condition and the sale is highly probable.

Investment properties are transferred to trading properties when there is a change in use and the property ceases to meet the definition of investment property.

Other interests in property
Other interests in property include the cost and related fees in respect of land options, which are initially capitalised and regularly tested for impairment. The impairment review includes consideration of the resale value of the option and likelihood of achieving planning consent.

Other investments
Other investments are initially measured at cost, and then revalued to fair value. Gains and losses arising from valuation are recognised in the Income Statement within realised and unrealised property (loss)/gain.

Trading properties
These are properties being developed for sale or being held for sale after development is complete, and are shown at the lower of cost and net realisable value. Cost includes direct expenditure and capitalised interest.

Trading properties are transferred to investment properties when there is a change in use usually evidenced by the commencement of an operating lease to another party, together with the intention to hold the property to generate rent, or for capital appreciation, or for both.

Property acquisitions and disposals
Properties are treated as acquired at the point when the Group assumes the control of ownership and as disposed when transferred to the buyer. Generally, this would occur on completion of the contract. Any gain or loss arising on de-recognition of the property, which is calculated as the difference between the net disposal proceeds and the carrying amount of the asset at the commencement of the accounting period plus capital expenditure in the period, is included in profit or loss in the period in which the property is derecognised. Gains or losses on disposal of investment properties are shown in the Income Statement within realised and unrealised property (loss)/gain.

Leases
At inception, the Group assesses whether a contract is or contains a lease. This assessment involves the exercise of judgement about whether the Group obtains substantially all the economic benefits from the use of that asset, and whether the Group has the right to direct the use of the asset.

The Group recognises a right-of-use (ROU) asset and the lease liability at the commencement date of the lease.

Lease liabilities include the present value of payments which generally include fixed payments and variable payments that depend on an index (such as an inflation index). When the lease contains an extension or purchase option that the Group considers reasonably certain to be exercised, the cost of the option is included in the lease payments.

Each lease payment is allocated between the liability and finance cost. The lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined or if not, the incremental borrowing rate is used. The finance cost is charged to profit or loss over the lease period so as to produce a constant rate of interest on the remaining balance of the liability for each period.

Cash payments relating to the principal portion of the lease liabilities are presented as cash flows from financing activities and cash payments for the interest portion are presented as cash flows from operating activities.

The ROU asset is measured at a cost based on the amount of the initial measurement of the lease liability, plus initial direct costs and the cost of obligations to refurbish the asset, less any incentives received.

The ROU asset (other than the ROU assets that relate to land or property that meets the definition of investment property under IAS 40) is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment. ROU assets are included in the heading property, plant and equipment, and the lease liability included in the headings current and non-current trade and other payables on the Balance Sheet.

Where the ROU asset relates to land or property that meets the definition of investment property under IAS 40, after initial recognition the ROU asset is subsequently accounted for as investment property and carried at fair value (see Investment properties accounting policy). Valuation gains and losses in a period are taken to the Income Statement. The ROU assets are included in the heading Investment properties, and the lease liability in the headings current and non-current trade and other payables on the Balance Sheet.

The Group has elected not to recognise ROU assets and liabilities for leases where the total lease term is less than or equal to 12 months, or for low value leases. The payments for such leases are recognised in the Income Statement on a straight-line basis over the lease term.

Revenue
Revenue includes gross rental income, joint venture management and performance fee income, income from service charges and other recoveries from tenants and proceeds from the sale of trading properties.

Rental income
Rental income from properties let as operating leases is recognised on a straight-line basis over the lease term. Lease incentives and initial costs to arrange leases are capitalised, then amortised on a straight-line basis over the lease term ('rent averaging'). Surrender premiums received in the period are included in rental income.

Changes in the scope or the consideration for a lease, that was not part of the original terms and conditions, which might arise as a result of lease concessions, are accounted as a lease modification. Lease modifications are accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Service charges and other recoveries from tenants
These include income in relation to service charges, directly recoverable expenditure and management fees. Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue from services is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided and recognised over time. The Group generally acts as the principal in service charge transactions as it directly controls the delivery of the services at the point they are provided to the tenant. Where the Group acts as a principal, service charge income is presented gross within revenue and service charge expense presented gross within costs.

Joint venture management and performance fees
Joint venture management and performance fees are recognised as income in the period to which they relate. Management fees are recognised in the accounting period in which the services are rendered. Revenue from services is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided and recognised over time. Performance fees are based on the joint venture's performance over the performance period and payable subject to meeting certain criteria and hurdle rates at the end of the period (further details are given in Note 7). Performance fees are recognised during and at the end of the performance period to the extent that it is highly probable there will not be a significant future reversal and the fee can be reliably estimated.

Sale of trading properties
Proceeds from the sale of trading properties are recognised at the point in time at which control of the property has been transferred to the purchaser. Therefore, revenue is recognised at a point in time and generally occurs on completion of the contract.

Property, plant and equipment
Plant and equipment are stated at historic cost less accumulated depreciation. Cost includes purchase price and any directly attributable costs.

Depreciation is recognised so as to write off the cost or valuation of assets (other than investment properties) less their residual values, using the straight-line method, on the following bases:

Plant and equipment	20% per annum
Solar panels	5% per annum

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Property relates to the ROU asset recognised for office leases entered into by the Group. The ROU asset is initially measured based on the present value of lease payments, plus initial direct costs and the cost of obligations to refurbish the asset, less any incentives received. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset.

Financial instruments
Borrowings
Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between the amount initially recognised and the redemption value being recognised in the Income Statement over the period of the borrowings, using the effective interest rate method.

General and specific borrowing costs that are directly attributable to expenditure on properties under development are capitalised. Expenditure includes the purchase cost of a site if it has been purchased with the specific intention to redevelop. Interest is capitalised from the commencement of the development activity until the date of practical completion. The capitalisation of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. The interest capitalised is calculated using the Group's weighted average cost of borrowing for the relevant currency, or, if appropriate, the rate on specific associated borrowings.

Derivative financial instruments
The Group uses derivatives (principally interest rate swaps, currency swaps, forward foreign exchange contracts and interest caps) in managing interest rate risk and currency risk, and does not use them for trading. They are recorded, and subsequently revalued, at fair value, with revaluation gains or losses being immediately taken to the Income Statement (fair value through profit or loss 'FVPL'). The exception is for derivatives qualifying as hedges, when the treatment of the gain/loss depends upon the item being hedged, and may go to other comprehensive income within the Statement of Comprehensive Income (fair value through other comprehensive income 'FVOCI').

Derivatives with a maturity of less than 12 months or that expect to be settled within 12 months of the Balance Sheet date are presented as current assets or liabilities. Other derivatives are presented as non-current assets or liabilities.

Trade and other receivables and payables
Trade and other receivables are booked at fair value and subsequently measured at amortised cost using the effective interest method. Trade and other payables are initially measured at fair value, net of transaction costs and subsequently measured at amortised costs using the effective interest method.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses (ECLs) which uses a lifetime expected loss allowance for all trade receivables. Note 17(vi) details the Group's calculation for measuring ECLs.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

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Share-based payments
The cost of granting share options and other share-based remuneration is measured at their fair value at the grant date. The costs are expensed straight-line over the vesting period in the Income Statement, based on estimates of the shares or options that will eventually vest. Charges are reversed if it appears that non-market-based performance conditions will not be met.

The fair value excludes the effect of non-market-based vesting conditions.

At each Balance Sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the Income Statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity within the share-based payment reserve.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

Shares held by Ocorian Limited and Equiniti Limited to satisfy various Group share schemes are disclosed as own shares held and deducted from contributed equity.

Income tax
Income tax on the profit for the year comprises current and deferred tax. Current tax is the tax payable on the taxable income for the year and any adjustment in respect of previous years. Current tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income.

Deferred tax is provided in full using the Balance Sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the asset is realised or the liability is settled.

No provision is made for temporary differences (i) arising on the initial recognition of assets or liabilities, other than a business combination, that affect neither accounting nor taxable profit and (ii) relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that suitable taxable profits will be available against which deductible temporary differences can be utilised.

Critical accounting judgements and key sources of estimation uncertainty
In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revisions and future periods if the revision affects both current and future periods.

Significant areas of estimation uncertainty
Property valuations
Valuation of property is a central component of the business. In estimating the fair value, the Group engages third party qualified valuers to perform the valuation. Information about the valuation techniques and inputs used in determining the fair value of the property portfolio is disclosed in Note 26 property valuation techniques and related quantitative information.

Performance fee
As detailed further in Note 7, performance fees are payable from the SELP joint venture to SEGRO. The fee is based on the joint venture's performance over the 10 year performance period since inception and payable subject to meeting certain criteria and hurdle rates at the end of the period. Performance fee income is recognised during the performance period to the extent that the fee can be reliably estimated and that it is highly probable there will not be a significant future reversal.

The internal rate of return (IRR) calculation to determine whether the hurdle rates will be met, and if so to what extent, at the end of the performance period in October 2023 is currently an estimation and sensitive to movements and assumptions in property valuations over the remaining performance period. As detailed above, property valuations is an area of significant estimation uncertainty.

Determining whether it is highly probable there will not be a significant future change in the performance fee is dependent on the probability and magnitude of future changes in property values over the remaining performance period. Note 7 provides details of the estimated performance fee due in October 2023 and sensitivity of this estimation to movements in property values from 31 December 2022 to the end of the performance period.

The corresponding performance fee expense recognised by SELP is a significant estimate for the same reasons as detailed above. The SELP performance fee expense is accounted for under the equity method within share of profit from joint ventures and associates after tax.

Significant areas of judgements in applying the Group's accounting policies
Accounting for significant property transactions
Property transactions are complex in nature. Management considers each material transaction separately, with an assessment carried out to determine the most appropriate accounting treatment and judgements applied. The judgements include whether the transaction represents an asset acquisition or business combination and the cut-off for property transactions on recognition of property assets and revenue recognition. In making its judgement over the cut-off for property transactions, management considers whether the control of ownership of the assets acquired or disposed of has transferred to or from the Group (this consideration includes the revenue recognition criteria set out in IFRS 15 for the sale of trading properties).

In making its judgement on whether the acquisition of property through the purchase of a corporate vehicle represents an asset acquisition or business combination, management considers whether the integrated set of assets and activities acquired contain both inputs and processes along with the ability to create outputs. Management also applies the optional 'concentration test' allowed under IFRS 3. When applying the optional test, management considers if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). Where management judge that substantially all of the fair value of the gross assets acquired are concentrated in a single asset (or a group of similar assets) and the 'concentration test' met, the assets acquired would not represent a business and the purchase would be treated as an asset acquisition.

REIT status

The Company has elected for UK REIT and French SIIC status. To continue to benefit from these tax regimes, the Group is required to comply with certain conditions as outlined in Note 10. Management intends that the Group should continue as a UK REIT and a French SIIC for the foreseeable future.

Uncertain tax positions

The Group is subject to periodic challenges by local tax authorities on a range of tax matters during the normal course of business. The tax impact can be uncertain until a conclusion is reached with the relevant tax authority or through a legal process. Management judgement is required in assessing the likelihood of whether a liability, including any associated penalties, will arise and the most significant assessment relates to the recognition of withholding tax in France and is discussed further in Note 10.

2. Adjusted Profit

Adjusted profit is a non-GAAP measure and is the Group's measure of underlying profit, which is used by the Board and senior management to measure and monitor the Group's income performance.

It is based on the Best Practices Recommendations Guidelines of European Public Real Estate Association (EPRA), which calculate profit excluding investment and development property revaluations and gains or losses on disposals. Changes in the fair value of financial instruments and associated close-out costs and their related taxation, as well as other permitted one-off items, are also excluded. Refer to the Supplementary Notes for all EPRA adjustments.

The Directors may also exclude from the EPRA profit measure additional items (gains and losses) which are considered by them to be non-recurring, unusual or significant by virtue of size and nature. No non-EPRA adjustments to underlying profit were made in the current or prior period.

	Notes	2022 £m	2021[3] £m
Gross rental income	4	488	398
Property operating expenses	5	(76)	(57)
Net rental income[3]		412	341
Joint venture fee income	4	30	52
Management and development fee income	4	5	5
Net solar energy income[2]		1	1
Administrative expenses	6	(59)	(59)
Share of joint ventures and associates' Adjusted profit after tax[1]	7	71	56
Adjusted operating profit before interest and tax		460	396
Net finance costs	9	(74)	(40)
Adjusted profit before tax		386	356
Adjustments to reconcile to IFRS:			
Adjustments to the share of (loss)/profit from joint ventures and associates' after tax[1]	7	(215)	405
Realised and unrealised property (loss)/gain	8	(1,946)	3,669
Profit on sale of trading properties	13	7	7
Net fair value loss on interest rate swaps and other derivatives	9	(199)	(82)
Total adjustments		(2,353)	3,999
(Loss)/profit before tax		(1,967)	4,355
Tax			
On Adjusted profit	10	(11)	(8)
In respect of adjustments	10	48	(280)
Total tax adjustments		37	(288)
(Loss)/profit after tax before non-controlling interests		(1,930)	4,067
Non-controlling interests:			
Less: share of adjusted profit attributable to non-controlling interests		(1)	–
share of adjustments attributable to non-controlling interests		4	(7)
(Loss)/profit after tax and non-controlling interests		(1,927)	4,060
Of which:			
Adjusted profit after tax and non-controlling interests		374	348
Total adjustments after tax and non-controlling interests		(2,301)	3,712
(Loss)/profit attributable to equity shareholders		(1,927)	4,060

1 A detailed breakdown of the adjustments to the share of (loss)/profit from joint ventures and associates is included in Note 7.
2 Net solar income of £1 million (2021: £1 million) is calculated as Solar energy income of £2 million (2021: £2 million) shown in Note 4, less Solar energy expenses of £1 million (2021: £1 million) shown in Note 5.
3 The composition of gross and net rental income has changed in 2022 to provide a better measure of the underlying rental income from the property portfolio. Management and development fee income; service charge income and expense; and solar energy income and expense are now presented outside of gross and net rental income. Details of the change is disclosed further in Note 4 and 5. Service charge income is netted against the equal and opposite service charge expense and are not shown as separate line items in the table above. There is no impact on Adjusted operating profit before interest and tax from this change and the prior year comparatives in the table above have been represented to reflect this change.

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3. Segmental Analysis

The Group's reportable segments are the geographical Business Units: Greater London, Thames Valley, National Logistics, Northern Europe (principally Germany), Southern Europe (principally France and Italy) and Central Europe (principally Poland), which are managed and reported to the Board as separate distinct Business Units.

31 December 2022	Gross rental income[5] £m	Net rental income[5] £m	Share of joint ventures and associates' Adjusted profit £m	Adjusted PBIT[2] £m	Total directly owned property assets £m	Investments in joint ventures and associates £m	Capital expenditure[3] £m
Thames Valley	116	109	–	107	3,011	–	80
National Logistics	47	43	–	45	1,721	–	362
Greater London	203	185	–	183	6,401	11	325
Northern Europe	33	23	29	60	1,149	958	345
Southern Europe	82	63	40	114	2,503	1,191	474
Central Europe	7	3	22	31	189	616	7
Other	–	(14)[1]	(20)[1]	(80)[1]	–	(1,008)[4]	9
Total	488	412	71	460	14,974	1,768	1,602

31 December 2021	Gross rental income[5] £m	Net rental income[5] £m	Share of joint ventures and associates' Adjusted profit £m	Adjusted PBIT[2] £m	Total directly owned property assets £m	Investments in joint ventures and associates £m	Capital expenditure[3] £m
Thames Valley	86	80	–	79	3,102	–	454
National Logistics	35	33	–	34	1,717	–	213
Greater London	173	163	–	161	7,325	8	678
Northern Europe	26	18	26	52	928	911	93
Southern Europe	71	56	35	100	2,285	1,178	443
Central Europe	7	4	22	31	180	559	22
Other	–	(13)[1]	(27)[1]	(61)[1]	–	(861)[4]	7
Total	398	341	56	396	15,537	1,795	1,910

1 'Other' category includes the corporate centre, SELP holding companies and costs relating to the operational business which are not specifically allocated to a geographical Business Unit. In 2021 the impact of the SELP performance fee (detailed in Note 7) on Share of joint ventures and associates Adjusted profit (being the performance fee expense recognised by SELP of £13 million) and Adjusted PBIT (being the net profit impact to the Group of £13 million) is shown within Other.
2 A reconciliation of total Adjusted PBIT to the IFRS (loss)/profit before tax is provided in Note 2.
3 Capital expenditure includes additions and acquisitions of investment and trading properties but does not include tenant incentives, letting fees and rental guarantees. Part of the capital expenditure incurred is in response to climate change including the reduction of the carbon footprint of the Group's existing investment properties and developments. The environmental sustainability within the Group's property portfolio is discussed in more detail on pages 35 to 37 and 52. The 'Other' category includes non-property related spend, primarily IT.
4 Includes the bonds held by SELP Finance S.à r.l, a Luxembourg entity.
5 The composition of gross and net rental income has changed in 2022. Management and development fee income, service charge income and expenses, and solar energy income and expenses are now presented outside of gross and net rental income. See Notes 4 and 5 for further details. The prior year comparatives in the table above have been represented to reflect this change.

Revenues from the most significant countries within the Group were: UK £451 million (2021: £374 million), France £77 million (2021: £71 million), Italy £36 million (2021: £35 million), Germany £46 million (2021: £38 million), Netherlands £30 million (2021: £2 million) and Poland £17 million (2021: £15 million).

4. Revenue

	2022 £m	2021[2] £m
Rental income from investment and trading properties	473	382
Rent averaging	14	13
Surrender premia	1	3
Gross rental income[1,2]	**488**	398
Joint venture fee income – management fees*	30	26
– performance fees*[3]	–	26
Joint venture fee income	**30**	52
Management and development fee income*[2]	5	5
Service charge income*[2]	44	42
Solar energy income*[2]	2	2
Proceeds from sale of trading properties*	100	47
Total revenue	**669**	546

* The above income streams reflect revenue recognition under IFRS 15 'Revenue from Contracts with Customers' and total £181 million (2021: £148 million).
1 Net rental income of £412 million (2021: £341 million) is calculated as gross rental income of £488 million (2021: £398 million) less total property operating expenses of £76 million (2021: £57 million) shown in Note 5.
2 The composition of gross rental income within Total Revenue has changed in 2022. Management and development fee, Service charge income and Solar energy income are now presented outside of gross rental income. The prior year comparatives in the table above have been represented to reflect this change. Development fee income (2021: £2 million) and Solar energy income (2021: £2 million) were previously presented within the Rental income from investment and trading properties line in the table above.
3 See Note 7(ii) for further details on the performance fee from SELP.

5. Costs

	2022 £m	2021[4] £m
Vacant property costs	10	5
Letting, marketing, legal and professional fees	17	11
Loss allowance and impairment of receivables[1]	3	–
Other expenses	12	11
Property management expenses	**42**	27
Property administrative expenses[2]	45	39
Costs capitalised[3]	(11)	(9)
Total property operating expenses[4]	**76**	57
Service charge expense[4]	44	42
Solar energy expense[4]	1	1
Trading properties cost of sales	93	40
Total costs	**214**	140

1 See Note 17(vi) Credit risk management for further details on loss allowance and impairment of receivables.
2 Property administrative expenses predominantly relate to the employee staff costs of personnel directly involved in managing the property portfolio.
3 Costs capitalised primarily relate to internal employee staff costs directly involved in developing the property portfolio.
4 The composition of Property management expenses within Total costs has changed in 2022. Service charge expense and Solar energy expense are now presented outside of Property management expenses. The prior year comparatives in the table above have been represented to reflect this change. Solar energy expense was previously presented within the Other expenses line in the table above.

6. Administrative Expenses

6(i) – Total administrative expenses

	2022 £m	2021 £m
Directors' remuneration	8	9
Depreciation and amortisation	4	5
Other administrative expenses	47	45
Total administrative expenses	**59**	**59**

Other administrative expenses include the cost of services of the Group's auditors, as described below.

6(ii) – Fees in relation to services provided by the Group's auditors

	2022 £m	2021 £m
Audit services:		
Parent company	1.1	0.8
Subsidiary undertakings	0.2	0.3
Total audit fees	**1.3**	**1.1**
Audit related assurance services	0.1	0.1
Audit and audit related assurance services	**1.4**	**1.2**
Other fees:		
Other	0.2	0.1
Total other fees	**0.2**	**0.1**
Total fees in relation to audit and other services	**1.6**	**1.3**

As detailed further in the Audit Committee Report on page 120, PwC are the auditors of the SEGRO European Logistics Partnership (SELP), which is a non controlled joint venture of the Group, and were paid audit fees of £0.8 million in respect of the year ended 31 December 2022 (2021: £0.7 million). There were £0.1 million of non-audit fees paid in respect of SELP (2021: £0.1 million). The appointment of the SELP auditors and agreement of their fees is a matter for the SELP Board acting independently from SEGRO. Accordingly, the fees do not form part of the SEGRO Group audit fees detailed in the table above nor are they included in the ratio of audit to non-audit fees detailed on page 120 of the Audit Committee Report.

6(iii) – Staff costs

The table below presents staff costs of the Group (including Directors) which are recognised in both property operating expenses and administrative expenses in the Income Statement.

	2022 £m	2021 £m
Wages and salaries	50	45
Social security costs	6	6
Pension costs	2	2
Share scheme costs	9	13
Total	**67**	**66**
Average number of Group employees	407	372
– Direct property	264	239
– Indirect property and administration	143	133

Disclosures required by the Companies Act 2006 on Directors' remuneration, including salaries, share options, pension contributions and pension entitlement and those specified by the Listing Rules of the Financial Conduct Authority are included on pages 123 to 142 in the Remuneration Report and form part of these Financial Statements.

The Group also has a number of defined contribution pension schemes for which £2 million has been recognised as an expense in the Group Income Statement (2021: £2 million).

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7. Investments in Joint Ventures, Associates and Subsidiaries

7(i) – Profit from joint ventures and associates after tax

The table below presents a summary Income Statement of the Group's largest joint ventures and associates, all of which are accounted for using the equity method as set out in Note 1. SEGRO European Logistics Partnership (SELP) is incorporated in Luxembourg and owns logistics property assets in Continental Europe. The Group holds 50 per cent of the share capital and voting rights in the material joint ventures. During the year SEGRO acquired a 49 per cent share in Reprendre Racines SAS and is accounted for as an associate within the 'Other' column in tables 7(i) and (ii).

	SELP £m	Other £m	At 100% 2022 £m	At 100% 2021[4] £m	At share 2022 £m	At share 2021[4] £m
Revenue[1]	303	–	**303**	270	**152**	135
Gross rental income[4]	237	–	**237**	210	**119**	105
Property operating expenses:						
– underlying property operating expenses	(16)	–	**(16)**	(12)	**(8)**	(6)
– vacant property costs	(1)	–	**(1)**	(2)	**(1)**	(1)
– property management fees[2]	(25)	–	**(25)**	(22)	**(13)**	(11)
– performance fees[3]	–	–	**–**	(26)	**–**	(13)
Net rental income[4]	195	–	**195**	148	**97**	74
Management fee income[4]	3	–	**3**	4	**2**	2
Administrative expenses	(6)	–	**(6)**	(3)	**(3)**	(2)
Finance costs (including adjustments)	(34)	–	**(34)**	(26)	**(17)**	(13)
Adjusted profit before tax	158	–	**158**	123	**79**	61
Tax	(16)	–	**(16)**	(11)	**(8)**	(5)
Adjusted profit after tax	142	–	**142**	112	**71**	56
Adjustments:						
Profit on sale of investment properties	–	–	**–**	19	**–**	10
Valuation (deficit)/surplus on investment properties	(464)	(8)	**(472)**	974	**(236)**	487
Early close out of debt	(3)	–	**(3)**	–	**(2)**	–
Tax in respect of adjustments	46	–	**46**	(183)	**23**	(92)
Total adjustments	(421)	(8)	**(429)**	810	**(215)**	405
(Loss)/profit after tax	(279)	(8)	**(287)**	922	**(144)**	461
Other comprehensive income	–	–	**–**	–	**–**	–
Total comprehensive (expense)/ income for the year	(279)	(8)	**(287)**	922	**(144)**	461

1 Total revenue at 100% of £303 million (2021: £270 million) includes: Gross rental income of £237 million (2021: £210 million); service charge income of £63 million (2021: £56 million) and management fee income of £3 million (2021: £4 million). Service charge income is netted against the equal and opposite service charge expense in calculating Adjusted profit before tax.
2 Property management fees paid to SEGRO.
3 Performance fees recognised by SEGRO. In the condensed set of financial statement for the six months ended 30 June 2022 a performance fee of £42 million was recognised by SEGRO. Due to changes in the estimation of the performance fee, as further discussed in the Fees section below, no fee has been recognised for the year ended 31 December 2022.
4 The composition of gross and net rental income has changed in 2022. Management fee income and service charge income and expense are now presented outside of gross and net rental income. Service charge income is netted against the equal and opposite service charge expense in the table above and are not shown as separate line items. There is no impact on Adjusted operating profit before interest and tax from this change and the prior year comparatives in the table above have been represented to reflect this change.

The Group has not recognised losses totalling £12 million at share (2021: £nil) in relation to its interests in associates, because the Group has no obligation in respect of these losses.

There was no other comprehensive income included in the Group Statement of Comprehensive Income (2021: £nil).

SELP is a SPPICAV in France, and does not pay tax on its French property income or gains on property sales, provided that at least 85 per cent of the French subsidiaries' property income is distributed to their immediate shareholder. In addition, SELP has to meet certain conditions such as ensuring the property rental business of each French subsidiary represents more than 60 per cent of its assets. Any potential or proposed changes to the SPPICAV legislation are monitored.

7(ii) – Summarised Balance Sheet information in respect of the Group's joint ventures and associates

	SELP £m	Other £m	At 100% 2022 £m	At 100% 2021 £m	At share 2022 £m	At share 2021 £m
Investment properties[1]	6,017	27	**6,044**	5,818	**3,022**	2,909
Property, plant and equipment	6	–	**6**	–	**3**	–
Other receivables	3	–	**3**	–	**1**	–
Total non-current assets	6,026	27	**6,053**	5,818	**3,026**	2,909
Other receivables	65	7	**72**	78	**36**	39
Cash and cash equivalents	57	6	**63**	43	**32**	22
Total current assets	122	13	**135**	121	**68**	61
Total assets	6,148	40	**6,188**	5,939	**3,094**	2,970
Borrowings[2]	(2,005)	–	**(2,005)**	(1,723)	**(1,003)**	(862)
Deferred tax	(482)	–	**(482)**	(504)	**(241)**	(252)
Other liabilities	–	(40)	**(40)**	–	**(20)**	–
Total non-current liabilities	(2,487)	(40)	**(2,527)**	(2,227)	**(1,264)**	(1,114)
Other liabilities	(145)	(3)	**(148)**	(122)	**(74)**	(61)
Total current liabilities	(145)	(3)	**(148)**	(122)	**(74)**	(61)
Total liabilities	(2,632)	(43)	**(2,675)**	(2,349)	**(1,338)**	(1,175)
Unrecognised share of losses	–	23	**23**	–	**12**	–
Net assets	3,516	20	**3,536**	3,590	**1,768**	1,795

1 Investment properties held by SELP include assets held for sale of £nil (at 100%) at 31 December 2022 (2021: £97 million).
2 The external borrowings of the joint ventures and associates are non-recourse to the Group. At 31 December 2022, the fair value of £2,005 million (2021: £1,723 million) of borrowings was £1,759 million (2021: £1,766 million). This results in a fair value adjustment increase in EPRA NDV of £246 million (2021: £43 million decrease), at share £123 million (2021: £22 million), see Table 5 of the Supplementary Notes.

Fees
SEGRO provides certain services, including venture advisory and asset management, to the SELP joint venture and receives fees for doing so.

A 10 year performance fee, denominated in euros, is payable from SELP to SEGRO in October 2023 based on SELP's internal rate of return (IRR) subject to certain hurdle rates. The IRR calculation is based on a 10 year performance period from the inception of SELP in October 2013 to October 2023. The IRR calculation to determine whether the hurdle rates will be met when the performance period ends is currently an estimation and sensitive to movements and assumptions in property valuations over the remaining performance period.

In the year ended 31 December 2021, SEGRO recognised a performance fee of £26 million (€29 million) in its Income Statement. An equivalent performance fee expense at share of £13 million was recognised within the share of profit from joint ventures and associates.

In the year ended 31 December 2022, no further performance fee has been recognised by SEGRO, and therefore no equivalent performance fee expense has been recognised within the share of profit from joint ventures and associates and reflected in table 7(i).

This means the cumulative 10 year performance fee recognised by SEGRO to 31 December 2022 totals £26 million (€29 million) (2021: £26 million (€29 million) plus 2022: £nil). The full amount of the cumulative performance fee recognised is subject to future reversal based on performance over the remaining period to October 2023.

Performance fee income is recognised during the performance period to the extent that it is highly probable there will not be a significant future reversal and the fee can be reliably estimated. None of the cumulative £26 million performance fee recognised will be reversed if property values fall by up to 12 per cent between 31 December 2022 and the end of the performance period in October 2023. If property values fall by over 14 per cent, all of the £26 million cumulative performance fee recognised to date would be reversed.

SEGRO management notes the inherent and increased uncertainty caused by the market conditions at the period end and the sensitivities detailed below. The volatility has impacted management's consideration of the point at which it is highly probable that there will not be a significant reversal relative to the estimations undertaken in the prior year and at the half year. Having considered these market conditions, the market outlook and the track record of property market trends, management believes it highly probable that there will not be a significant reversal of the cumulative performance fee recognised to date.

Sensitivity
Based on current estimates of the IRR of SELP from inception in October 2013 to 31 December 2022, an additional performance fee (beyond the cumulative fee of €29 million recognised to 31 December 2022) due to SEGRO in October 2023 could be in the region of €164 million (€82 million at share after accounting for the corresponding performance fee expense recognised in SELP). However, this is dependent on future events, in particular property valuation movements, to the end of the performance period in October 2023. The current estimate of the IRR is based on property values as at 31 December 2022; a 10 per cent decrease in property values from 31 December 2022 would result in a €142 million decrease in the estimated fee and a 10 per cent increase in property values would result in a €142 million increase in the estimated fee. Whilst property valuations have become more volatile since the prior year, using a 10 per cent increase/decrease is still considered appropriate to provide transparency on the relative sensitivity of the estimate.

If property values decreased by 12 per cent from 31 December 2022 no additional performance fee would be due beyond the cumulative amount recognised to 31 December 2022. A further performance fee above the £26 million cumulative amount recognised to 31 December 2022 has not been recognised as management has not concluded that it is highly probable that there will not be a significant reversal.

7(iii) – Investments by the Group

	2022 £m	2021 £m
Cost or valuation at 1 January	**1,795**	1,423
Exchange movement	**92**	(95)
Net investments[1]	**34**	39
Dividends received[2]	**(9)**	(33)
Share of (loss)/profit after tax	**(144)**	461
Cost or valuation at 31 December	**1,768**	1,795

1 Net investments represent the net movement of capital injections, loans and divestments with joint ventures and associates during the period.
2 Dividends received from SELP of £9 million (2021: £32 million) and other joint ventures of £nil (2021: £1 million).

7(iv) – Investments by the Company

	2022 £m	2021 £m
Cost or valuation of subsidiaries at 1 January	**9,378**	8,816
Exchange movement	**5**	(67)
Additions[1]	**1,277**	2,840
Loan movement[1]	**(19)**	(1,501)
Increase in provision for investments in and loans to subsidiaries	**(44)**	(710)
Cost or valuation at 31 December	**10,597**	9,378

1 During 2022, £1,211 million (2021: £2,757 million) of non-current loans were recapitalised and converted into equity. This is reflected within additions and a reduction in loan movement in the table above.

Included in cost or valuation of subsidiaries at 31 December 2022 are investments of £6,126 million (2021: £4,863 million) and non-current loans of £4,471 million (2021: £4,515 million). Loans held with subsidiaries are classified as non-current as there is no intention from the Company to require the loan to be repaid, in whole or in part, within 12 months.

Subsidiary entities are detailed in Note 28.

In measuring expected credit losses (ECLs) of the intercompany loans under IFRS 9 the ability of each subsidiary to repay the loan at the reporting date if demanded by the Company is assessed. For the purpose of the impairment review the manner for recovering the loan is assumed to be through the sale of the investment properties held by the subsidiary. Investment properties are held at fair value at each reporting date and the assumptions and inputs used in determining their fair value are shown in Note 26. Therefore, the net asset value of the subsidiary is considered to be a reasonable approximation of the available assets that could be realised to recover the loan balance and the requirement to recognise expected credit losses. The requirement for impairment of investments under IAS 36 follows the same assessment and the net asset value of the subsidiary is considered to be a reasonable approximation of the recoverable amount.

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8. Realised and Unrealised Property (Loss)/Gain

	2022 £m	2021 £m
Profit on sale of investment properties	9	53
Valuation (deficit)/surplus on investment properties[1]	(1,970)	3,617
Decrease/(increase) in provision for impairment of trading properties	15	(1)
Total realised and unrealised property (loss)/gain	**(1,946)**	**3,669**

1 Includes £1,970 million valuation deficit on investment properties (2021: £3,618 million surplus) less £nil valuation loss on head lease ROU asset (2021: £1 million).

The total valuation deficit on investment and trading properties total £2,191 million (2021: £4,103 million surplus). This comprises £1,970 million deficit from investment properties (2021: £3,617 million surplus), £15 million reversal of impairment from trading properties (2021: £1 million charge), £236 million deficit from joint ventures and associates at share (2021: £487 million surplus).

The total property loss on investment and trading properties totals £2,175 million (2021: £4,173 million gain). This comprises the total valuation deficit above of £2,191 million (2021: £4,103 million surplus) plus £9 million profit on sale of investment property (2021: £53 million), £7 million profit on sale of trading property (2021: £7 million), £nil profit on sale of investment property from joint ventures and associates at share (2021: £10 million).

Details of profit on sale of trading properties are given in Note 13(ii).

9. Net Finance Costs

Finance income	2022 £m	2021 £m
Interest received on bank deposits and related derivatives	21	24
Fair value gain on interest rate swaps and other derivatives	46	11
Total finance income	**67**	**35**

Finance costs	2022 £m	2021 £m
Interest on overdrafts, loans and related derivatives	(104)	(67)
Amortisation of issue costs	(9)	(3)
Interest on lease liabilities	(3)	(3)
Total borrowing costs	**(116)**	**(73)**
Less amounts capitalised on the development of properties	22	9
Net borrowing costs	**(94)**	**(64)**
Fair value loss on interest rate swaps and other derivatives	(245)	(93)
Exchange differences	(1)	–
Total finance costs	**(340)**	**(157)**
Net finance costs	**(273)**	**(122)**

Net finance costs (including adjustments) in Adjusted profit (Note 2) are £74 million (2021: £40 million). This excludes net fair value gains and losses on interest rate swaps and other derivatives of £199 million loss (2021: £82 million loss).

The interest capitalisation rates for 2022 ranged from 1.9 per cent to 4.0 per cent (2021: 1.9 per cent to 2.2 per cent). Interest is capitalised gross of tax relief. Further analysis of exchange differences is given in Note 17 within the forward foreign exchange and currency swap contracts section.

10. Tax
10(i) – Tax on (loss)/profit

	2022 £m	2021 £m
Tax:		
On Adjusted profit	(11)	(8)
In respect of adjustments:		
– French withholding tax	(4)	(145)
– SIIC entry charge	–	(38)
– Other (primarily in respect of property valuation movements)	52	(97)
Total tax in respect of adjustments	**48**	**(280)**
Total tax credit/(charge)	**37**	**(288)**
Current tax		
United Kingdom		
Current tax credit	7	4
Total UK current tax credit	**7**	**4**
Overseas		
Current tax charge	(30)	(40)
French withholding tax	(1)	(16)
SIIC entry charge	–	(38)
Total overseas current tax charge	**(31)**	**(94)**
Total current tax charge	**(24)**	**(90)**
Deferred tax		
Origination and reversal of temporary differences	(13)	(34)
Released in respect of property disposals in the year	25	22
On valuation movements	50	(173)
Total deferred tax in respect of investment properties	**62**	**(185)**
Other deferred tax	(1)	(13)
Total deferred tax credit/(charge)	**61**	**(198)**
Total tax credit/(charge) on (loss)/profit on ordinary activities	**37**	**(288)**

10(ii) – Factors affecting tax credit for the year

The tax credit is lower than (2021: tax charge is higher than) the standard rate of UK corporation tax. The differences are:

	2022 £m	2021 £m
(Loss)/profit on ordinary activities before tax	(1,967)	4,355
Exclude valuation deficit/(surplus) in respect of UK properties not deductible/taxable	1,701	(2,941)
	(266)	1,414
Multiplied by standard rate of UK corporation tax of 19 per cent (2021: 19 per cent)	51	(269)
Effects of:		
REIT & SIIC exemption on income and gains	1	64
Non-taxable/(deductible) items	3	(3)
Joint venture and associates' tax adjustment[1]	(26)	88
Higher tax rates on international earnings	(1)	(36)
French withholding tax	(1)	(100)
Adjustment in respect of assets not recognised	10	(3)
SIIC entry charge	–	(29)
Total tax credit/(charge) on (loss)/profit on ordinary activities	37	(288)

1 The joint venture and associates' tax adjustment is required because the (loss)/profit on ordinary activities before tax includes share of profit from joint ventures and associates' after tax, whereas the total tax balance excludes joint ventures and associates.

10(iii) – REIT and SIIC regimes and other tax judgements

SEGRO is a Real Estate Investment Trust (REIT) and does not pay tax on its UK property income or gains on property sales, provided that at least 90 per cent of the Group's UK property income is distributed as a dividend to shareholders, which becomes taxable in their hands. In addition, the Group has to meet certain conditions such as ensuring its worldwide property rental business represents more than 75 per cent of total profits and assets. Any potential or proposed changes to the REIT legislation are monitored and discussed with HMRC. It is management's intention that the Group will continue as a REIT for the foreseeable future.

SEGRO is also a SIIC in France, and does not pay corporation tax on its French property income or gains on property sales, provided that at least 95 per cent of the relevant Group French subsidiaries' property income is distributed to their immediate shareholder. In addition, the Group has to meet certain conditions such as ensuring the property rental business of each French subsidiary represents more than 80 per cent of its assets. Any potential or proposed changes to the SIIC legislation are monitored. It is management's intention that the Group will continue as a SIIC for the foreseeable future.

In 2021 a formal tax assessment in relation to the applicability of a 25 per cent withholding tax on distributions from the SIIC was received from the French tax authorities and a tax charge was recognised. A legal conclusion has not been reached and communication with the French tax authorities remains ongoing. As a result, a tax charge on adjustments of £4 million has been recognised in the year ended 31 December 2022 (of which £1 million is current tax and £3 million is deferred tax) (2021: total tax charge of £145 million, of which £16 million is current tax and £129 million is deferred tax). As noted below, until a legal conclusion has been reached, it is possible further tax charges may arise in relation to this matter.

In addition, during 2021, the Group elected Sofibus Patrimoine S.A. into the SIIC regime in France. The entire entry cost of £38 million, payable over a 4 year period, was recognised in the Income Statement for the year ended 31 December 2021 and accordingly no cost has been recognised in the year ended 31 December 2022.

The Group operates in a number of jurisdictions and is subject to periodic challenges by local tax authorities on a range of tax matters during the normal course of business. The tax impact can be uncertain until a conclusion is reached with the relevant tax authority or through a legal process. The Group uses in-house expertise when assessing uncertain tax positions and seeks the advice of external professional advisors where appropriate. The Group believes that its provisions for tax liabilities and associated penalties are adequate for all open tax years based on its assessment of many factors, including tax laws and prior experience. The most significant assessment relating to the recognition of withholding tax in France is discussed above.

10(iv) – Deferred tax liabilities

Movement in deferred tax was as follows:

Group – 2022	Balance 1 January £m	Exchange movement £m	Acquisitions/disposals £m	Recognised in income £m	Balance 31 December £m
Valuation surpluses and deficits on properties/accelerated tax allowances	259	12	–	(62)	209
Others	15	1	–	1	17
Total deferred tax liabilities	274	13	–	(61)	226

Group – 2021	Balance 1 January £m	Exchange movement £m	Acquisitions/disposals £m	Recognised in income £m	Balance 31 December £m
Valuation surpluses and deficits on properties/accelerated tax allowances	84	(10)	–	185	259
Others	3	(1)	–	13	15
Total deferred tax liabilities	87	(11)	–	198	274

The Group has recognised revenue tax losses of £99 million (2021: £109 million) available for offset against future profits (reflected in 'Valuation surpluses and deficits on properties/accelerated tax allowances' in the table above). Further unrecognised tax losses of £748 million also exist at 31 December 2022 (2021: £766 million) of which £4 million (2021: £4 million) expires within nine years. The majority of the unrecognised tax loss balance relates to historic capital losses that arose on property disposals and on losses generated from debt close-out costs. The Directors do not consider it probable that there will be sufficient future taxable profit for the relevant losses to be utilised and so no deferred tax asset has been recognised for unused tax losses. To the extent that a further performance fee from SELP (detailed in Note 7 (ii)) becomes due in 2023, this may result in the ability to utilise tax losses which are not currently recognised for deferred tax asset purposes.

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For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation on investment properties, the Directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has recognised deferred taxes on changes in fair value of investment properties for all jurisdictions, with the exception of the UK, where the Group is not subject to any corporate income taxes on the fair value changes of the investment properties on disposal due to its REIT status.

10(v) – Factors that may affect future tax charges

Other than France no deferred tax is recognised on the unremitted earnings of international subsidiaries, joint ventures and associates. In the event of their remittance to the UK, no net UK tax is expected to be payable. As detailed in Note 10(iii) a tax charge for probable withholding tax due on results generated from the French business has been recognised, this includes withholding tax on unremitted earnings.

11. Dividends

	2022 £m	2021 £m
Ordinary dividends paid		
Interim dividend for 2022 @ 8.1 pence per share	98	–
Final dividend for 2021 @ 16.9 pence per share	203	–
Interim dividend for 2021 @ 7.4 pence per share	–	89
Final dividend for 2020 @ 15.2 pence per share	–	181
Total dividends	301	270

The Board recommends a final dividend for 2022 of 18.2 pence which is estimated to result in a distribution of up to £220 million. The total dividend paid and proposed per share in respect of the year ended 31 December 2022 is 26.3 pence (2021: 24.3 pence).

The total dividend in 2022 of £301 million (2021: £270 million) was paid: £222 million as cash (2021: £176 million) and £79 million in scrip dividends (2021: £94 million). For details on scrip dividends see Notes 18 and 19.

12. Earnings and Net Assets Per Share

The earnings per share calculations use the weighted average number of shares in issue during the year and the net assets per share calculations use the number of shares in issue at year end. Earnings per share calculations exclude 0.2 million shares (2021: 0.2 million) being the average number of shares held on trust for employee share schemes and net assets per share calculations exclude 0.2 million shares (2021: 0.2 million) being the actual number of shares held on trust for employee share schemes at year end.

12(i) – Earnings per ordinary share (EPS)

	2022			2021		
	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Basic EPS	(1,927)	1,206.6	(159.7)	4,060	1,197.7	339.0
Dilution adjustments:						
Share and save as you earn schemes	–	–	–	–	3.3	(0.9)
Diluted EPS[2]	(1,927)	1,206.6	(159.7)	4,060	1,201.0	338.1
Basic EPS	(1,927)	1,206.6	(159.7)	4,060	1,197.7	339.0
Adjustments to (loss)/profit before tax[1]	2,353		195.0	(3,999)		(333.9)
Tax in respect of Adjustments	(48)		(4.0)	280		23.4
Non-controlling interest on Adjustments	(4)		(0.3)	7		0.6
Adjusted Basic EPS	374	1,206.6	31.0	348	1,197.7	29.1
Adjusted Diluted EPS	374	1,210.0	30.9	348	1,201.0	29.0

1 Details of adjustments are included in Note 2.
2 In the year ended 31 December 2022, share options are excluded from the weighted average diluted number of shares when calculating IFRS diluted loss per share because they are not dilutive.

12(ii) – Net assets per share (NAV)

The EPRA Net Tangible Assets (NTA) metric is considered to be most consistent with the nature of SEGRO's business as a UK REIT providing long-term progressive and sustainable returns. EPRA NTA acts as the primary measure of net asset value and is also referred to as Adjusted Net Asset Value (or Adjusted NAV).

A reconciliation from IFRS NAV to Adjusted NAV is set out in the table below along with the net asset per share metrics.

Table 5 of the Supplementary Notes provides a reconciliation from IFRS NAV for each of the three EPRA net asset value metrics.

	2022			2021		
	Equity attributable to ordinary shareholders £m	Shares million	Pence per share	Equity attributable to ordinary shareholders £m	Shares million	Pence per share
Basic NAV	11,373	1,209.1	941	13,436	1,202.3	1,118
Dilution adjustments:						
Share and save as you earn schemes	–	3.4	(3)	–	3.2	(3)
Diluted NAV	11,373	1,212.5	938	13,436	1,205.5	1,115
Fair value adjustment in respect of interest rate derivatives – Group	131		11	24		2
Fair value adjustment in respect of trading properties – Group	2		–	1		–
Deferred tax in respect of depreciation and valuation surpluses – Group[1]	104		8	129		11
Deferred tax in respect of depreciation and valuation surpluses – Joint ventures and associates[1]	119		10	123		10
Intangible assets	(12)		(1)	(9)		(1)
Adjusted NAV	11,717	1,212.5	966	13,704	1,205.5	1,137

1 50 per cent of deferred tax in respect of depreciation and valuation surpluses has been excluded in calculating Adjusted NAV in line with option 3 of EPRA Best Practices Recommendations Guidelines.

13. Properties

13(i) – Investment properties

	Completed £m	Development £m	Total £m
At 1 January 2022	13,815	1,461	15,276
Exchange movement	143	42	185
Property acquisitions	117	682	799
Additions to existing investment properties	53	678	731
Disposals	(314)	(1)	(315)
Transfers on completion of development and completed properties taken back for redevelopment	340	(340)	–
Transfer from/(to) trading properties	3	(7)	(4)
Revaluation (deficit)/surplus during the year	(2,044)	74	(1,970)
At 31 December 2022	12,113	2,589	14,702
Add tenant lease incentives, letting fees and rental guarantees	164	–	164
Investment properties excluding head lease ROU assets at 31 December 2022	12,277	2,589	14,866
Add head lease liabilities (ROU assets)[1]	73	–	73
Total investment properties at 31 December 2022	12,350	2,589	14,939

	Completed £m	Development £m	Total £m
At 1 January 2021	9,397	1,062	10,459
Exchange movement	(145)	(25)	(170)
Property acquisitions	983	289	1,272
Additions to existing investment properties	35	571	606
Disposals	(491)	(7)	(498)
Transfers on completion of development and completed properties taken back for redevelopment	926	(926)	–
Transfer to trading properties	–	(11)	(11)
Revaluation surplus during the year	3,110	508	3,618
At 31 December 2021	13,815	1,461	15,276
Add tenant lease incentives, letting fees and rental guarantees	146	–	146
Investment properties excluding head lease ROU assets at 31 December 2021	13,961	1,461	15,422
Add head lease liabilities (ROU assets)[1]	70	–	70
Total investment properties at 31 December 2021	14,031	1,461	15,492

1 At 31 December 2022 investment properties included £73 million (2021: £70 million) for the head lease liabilities recognised under IFRS 16.

Investment properties are stated at fair value as at 31 December 2022 based on external valuations performed by professionally qualified, independent valuers. The Group's wholly-owned, joint venture and associate property portfolio is valued by CBRE Ltd on a half-yearly basis (apart from two assets valued by Knight Frank). The valuations conform to International Valuation Standards and were arrived at by reference to market evidence of the transaction prices paid for similar properties. In estimating the fair value of the properties, the valuers consider the highest and best use of the properties. There has been no change to the valuation technique during the year.

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CBRE Ltd also undertakes some professional and agency work on behalf of the Group. This is carried out by departments separate from the Valuation team in CBRE and overall the total fees earned from the Group are below 5 per cent of CBRE's total income. This work does not therefore lead to a conflict of interest for the properties being valued by CBRE at the period end.

Completed properties include buildings that are occupied or are available for occupation. Development properties include land available for development (land bank), land under development, construction in progress and covered land. To provide additional transparency over the future development pipeline of the Group, the 'covered land' category has been identified in the year. This new category consists of income producing assets acquired with the explicit intention to redevelop them in the short to medium term. Valued on the balance sheet as land plus remaining contracted income. As a result of the new covered land category, £474 million (carrying value as at 31 December 2021) of standing assets acquired in 2021 have been identified as covered land, these assets were classified as Completed property as at 31 December 2021 and during the period transferred to Development property in the table above. The carrying value of covered land held within Development properties as at 31 December 2022 is £656 million (2021: £nil).

The carrying value of investment properties situated on land held under leaseholds is £209 million (excluding head lease ROU assets) (2021: £206 million).

Further details on property valuation techniques, sustainability and climate change considerations and related quantitative information are set out in Note 26.

13(ii) – Trading properties

	2022 £m	2021 £m
At 1 January	45	52
Exchange movement	1	(2)
Property acquisitions	1	8
Additions to existing trading properties	62	17
Disposals[1]	(93)	(40)
Decrease/(increase) in provision for impairment during the year	15	(1)
Transfer from investment properties	4	11
At 31 December	35	45

1 Profit on sale of trading properties of £7 million in the year (2021: £7 million) have been generated from total proceeds of £100 million (2021: £47 million), see Note 4, less costs of £93 million (2021: £40 million), see Note 5.

Trading properties were externally valued, as detailed in Note 13(i), resulting in a decrease in the provision for impairment of £15 million (2021: £1 million increase). Based on the fair value at 31 December 2022, the portfolio has unrecognised surplus of £2 million (2021: £1 million). Further information on valuation techniques and related quantitative information is given in Note 26.

14. Trade and Other Receivables

	Group		Company	
	2022 £m	2021 (restated)[4] £m	2022 £m	2021 £m
Current				
Trade receivables[1]	60	48	–	–
Other receivables[2]	114	143	25	21
Prepayments	17	10	–	–
Amounts due from related parties	8	6	–	–
Total current trade and other receivables	199	207	25	21
Non-current				
Other receivables[3]	40	35	–	–
Amounts due from related parties[5]	41	–	–	–
Total non-current other receivables	81	35	–	–

1 Note 17(vi) details the Group's credit risk management and loss allowances held for trade receivables.
2 Group other current receivables includes VAT recoverable and capital receivables.
3 Group non-current other receivables includes an advance payment for the future acquisition of land of £38 million (2021: £35 million).
4 Group Cash and cash equivalents and Trade and other receivables have been restated as at 31 December 2021 following IFRIC's agenda decision in respect of Demand Deposits with Restrictions on Use arising from a Contract with a Third Party. See Note 1 for further details.
5 Amount due from the associate acquired in the year, see Note 7(i).

15. Trade and Other Payables

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Due within one year				
Trade payables	10	5	–	–
Other payables	123	114	2	2
Non-capital accruals[1]	106	80	45	29
Capital creditors and capital accruals	218	178	–	–
Rent in advance	102	84	–	–
Lease liabilities	1	2	–	–
Total trade and other payables due within one year	560	463	47	31
Due after one year				
Other payables	1	1	–	–
Lease liabilities	76	74	–	–
Loans due to subsidiaries	–	–	2,063	1,498
Total other payables due after one year	77	75	2,063	1,498

1 Includes accrued interest payable on external borrowings for the Group of £36 million (2021: £20 million) and for the Company of £25 million (2021: £20 million).

16. Net Borrowings

16(i) – Net borrowings by type

	Group 2022 £m	Group 2021 (restated)[1] £m	Company 2022 £m	Company 2021 £m
Secured borrowings:				
Euro mortgages	1	2	–	–
Total secured (on land, buildings and other assets)	1	2	–	–
Unsecured borrowings:				
Bonds				
6.75% bonds 2024	82	82	82	82
1.250% bonds 2026	571	–	–	–
2.375% bonds 2029	348	348	348	348
1.875% bonds 2030	436	–	–	–
0.50% bonds 2031	437	415	–	–
5.75% bonds 2035	199	199	199	199
2.875% bonds 2037	396	396	396	396
5.125% bonds 2041	344	–	344	–
	2,813	1,440	1,369	1,025
Private placement notes				
1.77% notes 2027	354	335	354	335
1.82% notes 2028	88	84	88	84
2.00% notes 2029	133	126	133	126
2.27% notes 2032	88	84	88	84
1.35% notes 2032	132	125	132	125
2.37% notes 2033	176	167	176	167
1.45% notes 2035	44	42	44	42
3.87% notes 2037	43	–	43	–
1.83% notes 2040 (Series C)	167	158	167	158
1.83% notes 2040 (Series D)	53	50	53	50
4.14% notes 2042	155	–	155	–
	1,433	1,171	1,433	1,171
Bank loans and overdrafts	637	793	637	793
Total unsecured	4,883	3,404	3,439	2,989
Total borrowings	4,884	3,406	3,439	2,989
Cash and cash equivalents[1]	(162)	(85)	(72)	(12)
Net borrowings	4,722	3,321	3,367	2,977

1 Group Cash and cash equivalents have been restated as at 31 December 2021 following IFRIC's agenda decision in respect of Demand Deposits with Restrictions on Use arising from a Contract with a Third Party. See Note 1 for further details.

The maturity profile of borrowings is as follows:

Maturity profile of borrowings	Group 2022 £m	Group 2021 (restated)[1] £m	Company 2022 £m	Company 2021 £m
In one year or less	–	–	–	–
In more than one year but less than two	83	–	82	–
In more than two years but less than five	1,562	877	991	875
In more than five years but less than ten	1,662	1,308	789	893
In more than ten years	1,577	1,221	1,577	1,221
In more than one year	4,884	3,406	3,439	2,989
Total borrowings	4,884	3,406	3,439	2,989
Cash and cash equivalents[1,2]	(162)	(85)	(72)	(12)
Net borrowings	4,722	3,321	3,367	2,977

1 Group Cash and cash equivalents have been restated as at 31 December 2021 following IFRIC's agenda decision in respect of Demand Deposits with Restrictions on Use arising from a Contract with a Third Party. See Note 1 for further details.
2 Group Cash and cash equivalents also include tenant deposits held in separate designated bank accounts of £50 million (2021: £40 million), the use of the deposits is subject to restrictions as set out in the tenant lease agreement and therefore not available for general use by the Group.

There are no early settlement or call options (greater than three months prior to maturity) on any of the borrowings. Financial covenants relating to the borrowings include maximum limits to the Group's gearing ratio and minimum limits to permitted interest cover. Financial covenants are discussed in more detail in the 'Gearing and financial covenants' section in the Financial Review on page 59.

Bank loans and overdrafts include capitalised finance costs on committed facilities.

In March 2022, the Group established a European Medium-Term Note (EMTN) programme. Upon creation, it issued €650 million of four year and €500 million of eight year unsecured green bonds. The annual coupons were 1.25 per cent and 1.875 per cent respectively. Proceeds of the bond were used to finance or refinance eligible green projects outlined in SEGRO's Green Finance Framework (further details on SEGRO's Green Finance Framework can be found on the Company's website).

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Also in March 2022, the Group entered into an additional €1 billion multicurrency term loan facility. The Group cancelled €600 million of commitments during August 2022 and cancelled the remaining €400 million commitments in December 2022.

In May 2022, SEGRO extended the maturity of its €1.2 billion of revolving credit facilities for a further year to 2027.

In August 2022, the Group entered into an additional syndicated €600 million revolving credit facility with existing lenders, maturing in 2025.

In September 2022, the Group issued €225 million of US Private Placement notes. The transaction consisted of two tranches: €50 million of notes at a fixed coupon of 3.87 per cent maturing in 2037 and €175 million of notes at a fixed coupon of 4.14 per cent maturing in 2042.

In December 2022, the Group entered into two term loan facilities. The first facility has commitments totalling £300 million and €115 million, maturing in 2025. The second facility has total commitments of €293 million, of which €195 million matures in 2025 and the remaining €98 million matures in 2027. Both term loan facilities were undrawn as at 31 December 2022.

Also in December 2022, SEGRO plc issued £350 million of 19-year unsecured notes from its EMTN programme. The annual coupon is 5.125 per cent and proceeds will principally be used for general corporate purposes.

The debt refinancing is discussed in more detail in the Financial Review on page 58.

	Group		Company	
Maturity profile of undrawn borrowing facilities	**2022 £m**	2021 £m	**2022 £m**	2021 £m
In one year or less	**150**	8	**142**	8
In more than one year but less than two	**–**	630	**–**	630
In more than two years but less than five	**1,608**	210	**1,608**	210
Total available undrawn borrowing facilities	**1,758**	848	**1,750**	848

16(ii) – Net borrowings by interest rates

The weighted average interest rate profile of Group and Company net borrowings after derivative instruments is as follows:

2022							
Interest rate profile – Group	**Fixed rate %**	**Fixed period years**	**Fixed debt £m**	**Capped strike %**	**Capped debt £m**	**Variable debt/cash £m**	**Total £m**
Borrowings	**Weighted average after derivative instruments**						
Sterling	**4.00**	**12.4**	**1,469**	**–**	**–**	**(349)**	**1,120**
Euros	**1.67**	**7.6**	**2,259**	**1.93**	**701**	**804**	**3,764**
Total borrowings	**2.58**	**9.5**	**3,728**	**1.93**	**701**	**455**	**4,884**
Cash and cash equivalents							
Sterling						**(146)**	**(146)**
Euros						**(16)**	**(16)**
Total cash and cash equivalents						**(162)**	**(162)**
Net borrowings			**3,728**		**701**	**293**	**4,722**

2021							
Interest rate profile – Group	Fixed rate %	Fixed period years	Fixed debt £m	Capped strike %	Capped debt £m	Variable debt/cash (restated)[1] £m	Total £m
Borrowings	Weighted average after derivative instruments						
Sterling	6.42	10.2	96	2.00	150	371	617
Euros	1.30	8.4	958	1.33	630	1,201	2,789
Total borrowings	1.77	8.6	1,054	1.46	780	1,572	3,406
Cash and cash equivalents							
Sterling						(71)	(71)
Euros						(14)	(14)
Total cash and cash equivalents[1]						(85)	(85)
Net borrowings[1]			1,054		780	1,487	3,321

1 Group Cash and cash equivalents have been restated as at 31 December 2021 following IFRIC's agenda decision in respect of Demand Deposits with Restrictions on Use arising from a Contract with a Third Party. See Note 1 for further details.

Interest rate profile – Company	Fixed rate %	Fixed period years	Fixed debt £m	Capped strike %	Capped debt £m	Variable debt/cash £m	Total £m
				2022			
Borrowings			Weighted average after derivative instruments				
Sterling	4.00	12.4	1,469	–	–	(349)	1,120
Euros	2.45	9.1	814	1.93	701	804	2,319
Total borrowings	3.45	11.2	2,283	1.93	701	455	3,439
Cash and cash equivalents							
Sterling						(72)	(72)
Total cash and cash equivalents						(72)	(72)
Net borrowings			2,283		701	383	3,367

Interest rate profile – Company	Fixed rate %	Fixed period years	Fixed debt £m	Capped strike %	Capped debt £m	Variable debt/cash £m	Total £m
				2021			
Borrowings			Weighted average after derivative instruments				
Sterling	6.42	10.2	96	2.00	150	371	617
Euros	2.41	7.2	542	1.33	630	1,200	2,372
Total borrowings	3.01	7.6	638	1.46	780	1,571	2,989
Cash and cash equivalents							
Sterling						(12)	(12)
Total cash and cash equivalents						(12)	(12)
Net borrowings			638		780	1,559	2,977

17. Financial Instruments and Fair Values

17(i) Derivative instruments

The Group and Company holds the following derivative instruments:

Derivative assets

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Current				
Fair value of interest rate swaps – non-hedge	–	3	–	3
Fair value of forward foreign exchange and currency swap contracts – non-hedge	11	6	11	11
Fair value of forward foreign exchange and currency swap contracts – hedge	–	5	–	–
Total current derivative assets	11	14	11	14
Non-current				
Fair value of interest rate swaps – non-hedge	1	20	1	20
Fair value of interest rate caps – non-hedge	56	9	56	9
Fair value of forward foreign exchange and currency swap contracts – non-hedge	1	21	1	21
Total non-current derivative assets	58	50	58	50

Derivative liabilities

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Current				
Fair value of forward foreign exchange and currency swap contracts – non-hedge	1	–	14	–
Fair value of forward foreign exchange and currency swap contracts – hedge	13	–	–	–
Total current derivative liabilities	14	–	14	–
Non-current				
Fair value of interest rates swaps – non-hedge	188	56	188	56
Total non-current derivative liabilities	188	56	188	56

17(ii) Carrying amount and fair values of financial assets and liabilities

The Group and Company holds the following financial instruments:

	Notes	Group 2022 £m	Group 2021 (restated)[3] £m	Company 2022 £m	Company 2021 £m
Financial assets					
Financial assets at amortised cost					
Loans due from subsidiaries	7	–	–	4,471	4,515
Lease incentives[1]	13	140	124	–	–
Trade receivables	14	60	48	–	–
Other current receivables[2]	14	58	64	25	21
Non-current receivables	14	81	35	–	–
Cash and cash equivalents	16	162	85	72	12
Financial assets at fair value through profit or loss (FVPL)					
Other investments		9	5	–	–
Derivative financial instruments					
Used for hedging at FVOCI	17	–	5	–	–
Non-hedge at FVPL	17	69	59	69	64
		579	425	4,637	4,612
Financial liabilities					
Liabilities at amortised cost					
Trade and other payables[2]	15	534	453	2,110	1,529
Borrowings	16	4,884	3,406	3,439	2,989
Derivative financial instruments					
Used for hedging FVOCI	17	13	–	–	–
Non-hedge at FVPL	17	189	56	202	56
		5,620	3,915	5,751	4,574

1 Represents the carrying value of tenant lease incentives and rental guarantees held in Investment properties at the year end. This amount is included within the 'tenant lease incentives, letting fees and rental guarantees' balance in Note 13(i).
2 Group excludes non-financial assets of £81 million (2021: £95 million) included within total other receivables per Note 14 and non-financial liabilities of £103 million (2021: £85 million) included within total trade and other payables per Note 15.
3 Group Cash and cash equivalents and Trade and other receivables have been restated as at 31 December 2021 following IFRIC's agenda decision in respect of Demand Deposits with Restrictions on Use arising from a Contract with a Third Party. See Note 1 for further details.

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The carrying values of these financial assets and liabilities approximate their fair value, with the exception of unsecured bonds and unsecured US Private Placement notes classified as borrowings. At 31 December 2022, the fair value of £2,813 million of unsecured bonds issued was £2,412 million (2021: £1,440 million compared with £1,610 million fair value). At 31 December 2022, the fair value of £1,433 million of unsecured US Private Placement notes was £1,162 million (2021: £1,171 million compared with £1,261 million fair value). This results in a fair value adjustment increase in EPRA NDV of £672 million (2021: £260 million decrease), see Table 5 of the Supplementary Notes.

The fair values of financial assets and financial liabilities are determined as follows:

- Forward foreign exchange contracts are measured using quoted exchange rates and yield curves derived from quoted interest rates with maturities matching the contracts.

- Interest rate swaps, currency swap contracts and interest rate caps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates and the appropriate exchange rate at the Balance Sheet date.

- The fair value of non-derivative financial assets and financial liabilities traded on active liquid markets is determined with reference to the quoted market prices.

Fair value measurements recognised in the Balance Sheet
The Group and Company financial instruments that are measured subsequent to initial recognition at fair value are listed equity investments, forward exchange and currency swap contracts, interest rate swaps and interest rate caps as detailed above. Investments in equity securities traded in active liquid markets are classified as level 1. All other financial instruments would be classified as level 2 fair value measurements, as defined by IFRS 13, being those derived from inputs other than quoted prices (included within level 1) that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). There were no transfers between categories in the current or prior year.

17(iii) Capital risk management
The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern and as such it aims to maintain a prudent mix between debt and equity financing. Our intention for the foreseeable future is to maintain our mid-cycle LTV (including joint ventures and associates at share) at around 30 per cent. This provides the flexibility to take advantage of investment opportunities arising and ensures significant headroom compared to our tightest gearing covenants should property values decline. The current capital structure of the Group consists of a mix of equity and debt. Equity comprises issued capital, reserves and retained earnings as disclosed in the Statement of Changes in Equity and Notes 18 to 20. Debt primarily comprises long-term debt issues and drawings against short-term committed revolving credit facilities from banks as disclosed in Note 16.

The Group is not subject to externally imposed capital requirements.

17(iv) Foreign currency risk management
The Group's transactional foreign exchange exposures mainly arise as a result of treasury financing and hedging activities. These hedging activities are carried out in SEGRO plc on behalf of the Group and the resulting transactional exposures to euro are not routinely hedged. The Group does not have any significant transactional foreign currency exposures resulting from cross-border flows in the operating business. The Group does however have operations in Continental Europe which transact business denominated mostly in euros, hence there is currency exposure caused by translating the local trading performance and local net assets into sterling for each financial period and at each Balance Sheet date.

The Group's approach to managing Balance Sheet translation exposure is described in the Foreign Currency Translation Risk section in the Financial Review on page 59.

The Group's and Company's Balance Sheet translation exposure to euros (including the impact of derivative financial instruments) is summarised below:

	2022 Total £m	2021 Total £m
Group		
Gross currency assets	**6,159**	5,363
Gross currency liabilities	**(4,655)**	(3,349)
Net exposure	**1,504**	2,014
Company		
Gross currency assets	**2,372**	1,424
Gross currency liabilities	**(4,341)**	(2,944)
Net exposure	**(1,969)**	(1,520)

2022 Group gross currency liabilities include €2,206 million (£1,952 million) designated as net investment hedges.

2021 Group gross currency liabilities include €1,809 million (£1,520 million) designated as net investment hedges.

The remaining gross currency liabilities of the Group shown in the table above that are not designated as net investment hedges are either held directly in a euro functional currency entity or passed down to such an entity from a sterling functional currency company through inter-company funding arrangements.

Foreign currency sensitivity analysis
The Group's main currency exposure is the euro. The sensitivity of the net assets of the Group to a 10 per cent appreciation in the value of sterling against the euro would decrease net assets by £137 million (2021: £183 million). The sensitivity of the Group to a 10 per cent depreciation in the value of sterling against the euro would increase net assets by £167 million (2021: £224 million).

The 10 per cent sensitivity rate is used when reporting foreign currency risk internally to management and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis adjusts the translation of net assets (after taking account of external loans, currency swap contracts and forward foreign exchange contracts) at the period end for a 10 per cent change in the value of sterling against the euro. A 10 per cent appreciation in the value of sterling against the euro would increase the Group's loss for the year ended 31 December 2022 by £24 million (2021: £87 million decrease in the Group's profit). A 10 per cent depreciation in the value of sterling against the euro would decrease the Group's loss for the year ended 31 December 2022 by £30 million (2021: £107 million increase in the Group's profit).

For the Company, the sensitivity of the net assets to a 10 per cent appreciation in the value of sterling against the euro would decrease net assets by £179 million (2021: £138 million decrease). The sensitivity of the net assets to a 10 per cent depreciation in the value of sterling against the euro would increase net assets by £219 million (2021: £169 million increase).

Forward foreign exchange and currency swap contracts

Some of the forward foreign exchange and currency swap contracts held by the Group are designated as net investment hedges of euro denominated subsidiaries, where exchange differences are booked in reserves and recognised in the Income Statement when the operation is sold. The remaining foreign exchange and currency swap contracts are effectively economic cash flow hedges, for example using surplus cash in one currency to provide (typically through intercompany debt funding arrangements with overseas subsidiaries) funds to repay debt, or to fund development expenditure or acquisitions in another currency. These instruments have not been designated as hedges. As a consequence, exchange movements in respect of these instruments are taken through the Income Statement. Offsetting these movements are net exchange gains of £3 million (2021: £69 million loss) arising on intercompany debt funding arrangements (discussed above) and exchange movements arising from external borrowings not designated as hedges. This has resulted in exchange differences of £1 million loss (2021: £nil) within net finance costs in Note 9.

The Group seeks to limit its exposure to volatility in foreign exchange rates by hedging its foreign gross assets using either borrowings or derivative instruments. The Group targets a hedging range of between the last reported LTV ratio (32 per cent at 31 December 2022) and 100 per cent. At 31 December 2022, the Group had gross foreign currency assets, which were 76 per cent hedged by gross foreign currency denominated liabilities (2021: 62 per cent).

Further details are provided within the Foreign Currency Translation Risk section of the Financial Review on page 59.

The following table details the forward foreign exchange and currency swap contracts outstanding as at the year end:

	Average exchange rates		Currency contract (local currency)		Contract value		Fair value	
	2022	2021	**2022 m**	2021 m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Group								
Economic cash flow hedges								
Sell euros (buy sterling)	**1.13**	1.15	**438**	943	**387**	816	**–**	27
Buy euros (sell sterling)	**1.16**	1.19	**463**	28	**399**	24	**11**	–
Net investment hedges								
Sell euros (buy sterling)	**1.16**	1.17	**601**	409	**519**	349	**(13)**	5
Total							**(2)**	32
Company								
Economic cash flow hedges								
Sell euros (buy sterling)	**1.15**	1.16	**1,039**	1,352	**906**	1,165	**(13)**	32
Buy euros (sell sterling)	**1.16**	1.19	**463**	28	**399**	24	**11**	–
Total							**(2)**	32

Effects of net investment hedge accounting on financial position and performance

The effects of the foreign currency related hedging instruments on the Group's financial position and performance are detailed below.

Forward foreign exchange contracts

The Group designated euro denominated forward foreign exchange contracts as net investment hedges during 2022 (2021: euro denominated).

There was no ineffectiveness to be recorded from net investments in foreign entity hedges in 2022 where the hedging instrument was forward foreign exchange contracts. This is because the critical terms of both the net investment in foreign entity and the hedging instrument match, and at each Balance Sheet date both are revalued to the closing spot rate. Any forward points in the foreign exchange contract are taken to the Income Statement.

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Euro forward foreign exchange	Group 2022 £m	2021 £m
Carrying amount	(13)	5
Notional amount	519	349
Maturity date	Jan 2023	Jan 2022
Hedge ratio	1:1	1:1
Change in discounted spot value of hedging instruments since 1 January – (loss)/gain	(33)	9
Change in value of hedged item used to determine hedge effectiveness – gain/(loss)	33	(9)
Weighted average hedged rate for the year (including forward points)	1.17	1.16

Currency swap contracts

The Group uses cross currency swaps with two floating legs as designated net investment hedges. Although these instruments are expected to have a high degree of effectiveness, some ineffectiveness may arise due to the hedging instrument having periodic interest payments, which net investment does not. In 2022, no cross currency swaps were used as designated net investment hedges. The ineffectiveness recorded from net investments in foreign entity hedges in 2021 from currency swap contracts is shown in the table below.

Euro currency swaps	Group 2022 £m	2021 £m
Carrying amount	–	–
Notional amount	–	–
Maturity date	–	–
Hedge ratio	–	1:1
Change in discounted spot value of hedging instruments since 1 January – gain	–	13
Change in value of hedged item used to determine hedge effectiveness – loss	–	(13)
Weighted average hedged rate for the year (including forward points)	–	1.14

US private placement notes

There was no ineffectiveness to be recorded from net investments in foreign entity hedges in 2022 and 2021 where the hedging instrument was US private placement notes. This is because the critical terms of both the net investment in foreign entity and the hedging instrument match, and at each Balance Sheet date both are revalued to the closing spot rate.

Private placement notes	Group 2022 £m	2021 £m
Carrying amount of private placement notes (Note 16)	1,433	1,171
Carrying amount of private placement notes designated as net investment hedging instruments	1,433	1,171
Hedge ratio	1:1	1:1
Change in carrying amount of USPP notes as a result of foreign currency movement since 1 January, recognised in OCI – (loss)/gain	(65)	52
Change in value of hedged item used to determine hedge effectiveness – gain/(loss)	65	(52)
Weighted average hedged rate for the year (including forward points)	1.13	1.19

17(v) Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings. The current Group policy states that 50 to 100 per cent of net borrowings should be at fixed rate provided by long-term debt issues attracting a fixed coupon or from floating rate bank borrowings converted into fixed rate or hedged via interest rate swaps, forwards, caps, collars or floors or options on these products. Hedging activities require approval and are evaluated and reported on regularly to ensure that the policy is being adhered to. The Board reviews the policy on interest rate exposure annually with a view to establishing that it is still relevant in the prevailing and forecast economic environment.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the Balance Sheet date. For floating rate liabilities, the analysis is prepared assuming that the amount of liability outstanding at the Balance Sheet date was outstanding for the whole year. A two per cent increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonable possible change in interest rates (this has increased from one per cent reported in 2021 due to the increased interest rate environment and volatility).

If interest rates had been two per cent higher and all other variables were held constant, the Group's loss for the year ended 31 December 2022 would increase by £27 million (2021: Group profit would decrease by £34 million). If interest rates had been two per cent lower and all other variables were held constant, the Group's loss for the year ended 31 December 2022 would decrease by £32 million (2021: Group profit would increase by £35 million). This is attributable to the Group's exposure to interest rates on its variable rate borrowings and cash deposits. Fixed rate debt issues are held at amortised cost and are not re-valued in the Balance Sheet to reflect interest rate movements.

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to manage the interest rate risk of the Group's borrowings. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the yield curves at the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts, based on their contractual maturities, outstanding as at the reporting date:

	Average contract – fixed interest rate		Notional principal amount		Fair value	
	2022 %	2021 %	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Pay fixed, receive floating contracts:						
Group						
In one year or less	–	–	–	–	–	–
In more than one year but less than two	–	–	–	–	–	–
In more than two years but less than five	3.58	–	144	–	1	–
In more than five years	–	–	–	–	–	–
Total			144	–	1	–
Company						
In one year or less	–	–	–	–	–	–
In more than one year but less than two	–	–	–	–	–	–
In more than two years but less than five	3.58	–	144	–	1	–
In more than five years	–	–	–	–	–	–
Total			144	–	1	–
Receive fixed, pay floating contracts:						
Group						
In one year or less	–	2.38	–	350	–	3
In more than one year but less than two	–	3.87	–	578	–	(3)
In more than two years but less than five	–	–	–	–	–	–
In more than five years	1.85	2.04	664	980	(188)	(33)
Total			664	1,908	(188)	(33)
Company						
In one year or less	–	2.38	–	350	–	3
In more than one year but less than two	–	3.87	–	578	–	(3)
In more than two years but less than five	–	–	–	–	–	–
In more than five years	1.85	2.04	664	980	(188)	(33)
Total			664	1,908	(188)	(33)

The above are effective economic hedges although the Group has not elected to adopt hedge accounting for them, hence their change in fair value is taken direct to the Income Statement.

The interest rate swaps settle on either a three-month or six-month basis with the floating rate side based on the EURIBOR or sterling SONIA rate for the relevant period. The Group will settle or receive the difference between the fixed and floating interest rate on a net basis.

Interest rate cap contracts

Under interest rate caps, the Group agrees to receive floating rate interest amounts calculated on agreed notional principal amounts, should prevailing market rates rise above a specified strike rate.

Such contracts enable the Group to manage the interest rate risk of the Group's floating rate borrowings. The fair value of interest rate caps at the reporting date is determined by discounting the future cash flows using the yield curves at the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

The following tables detail the notional principal amounts and remaining terms of interest rate cap contracts, based on their contractual maturities, outstanding as at the reporting date:

	Average strike price		Notional principal amount		Fair value	
	2022 %	2021 %	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Group						
In one year or less	–	1.42	–	360	–	–
In more than one year but less than two	–	–	–	–	–	–
In more than two years but less than five	2.72	–	172	–	4	–
In more than five years	1.68	1.50	529	420	52	9
Total			701	780	56	9
Company						
In one year or less	–	1.42	–	360	–	–
In more than one year but less than two	–	–	–	–	–	–
In more than two years but less than five	2.72	–	172	–	4	–
In more than five years	1.68	1.50	529	420	52	9
Total			701	780	56	9

The above are effective economic hedges although the Group has not elected to adopt hedge accounting for them, hence their change in fair value is taken direct to the Income Statement.

The interest rate caps settle on either a three-month or six-month basis based on the EURIBOR or sterling SONIA rate for the relevant period. The Group will receive the difference between the floating rate and the specified strike rate.

IBOR reform

The Group is exposed to two benchmark interest rates, Sterling Overnight Index Average (SONIA) and the Euro Interbank Offered Rate (EURIBOR). These interest rates are found in the Group's floating rate borrowings, and certain derivative contracts. Given the geography of the Group, there are no exposures to other benchmark interest rates.

There are no changes in respect of EURIBOR within the Group's financing or risk management activities.

In respect of sterling London Interbank Offered Rate (GBP LIBOR), transition arrangements are complete and there is no remaining exposure to GBP LIBOR.

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The Group's £2.3 billion of committed bank facilities reference SONIA or EURIBOR, depending on the currency of utilisation.

In respect of derivative contracts, the final interest periods for contracts bearing a GBP LIBOR exposure were fixed prior to LIBOR cessation on 31 December 2021. SEGRO has adhered to the ISDA 2020 IBOR Fallbacks Protocol, and as such these contracts now reference SONIA.

17(vi) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Potential customers are evaluated for creditworthiness and where necessary collateral is secured. There is no concentration of credit risk within the lease portfolio to either business sector or individual company as the Group has a diverse customer base with no one customer accounting for more than seven per cent of rental income. Trade receivables were less than one per cent of total assets at 31 December 2022 and at 31 December 2021.

Ageing of past due gross trade receivables and the carrying amount net of loss allowances is set out below.

	2022			2021		
	Gross amount £m	Loss allowance £m	Net carrying amount £m	Gross amount £m	Loss allowance £m	Net carrying amount £m
0 – 30 days	2	–	2	2	–	2
30 – 60 days	2	–	2	1	–	1
60 – 90 days	2	–	2	3	(1)	2
90 – 180 days	5	(3)	2	4	(2)	2
>180 days	4	(4)	–	3	(2)	1
Past due	15	(7)	8	13	(5)	8
Not due	54	(2)	52	42	(2)	40
Total trade receivables	69	(9)	60	55	(7)	48

Gross trade receivables mainly consists of amounts invoiced for rent, service charge and management fees, which form part of Revenue (see Note 4) and are inclusive of VAT. Trade receivables at 31 December 2022 includes amounts due for 2022 rent and amounts billed in advance for 2023 rent. Both amounts have been considered in measuring expected credit losses (ECLs) detailed further below. The amounts billed in advance for 2023 rent are included within the 'Not due' category in the table above.

Total gross trade receivables 'past due' at 31 December 2022 were £15 million (2021: £13 million), three per cent of total gross rental income for the year (2021: three per cent).

Trade receivables are presented in the balance sheet net of loss allowances. The Group applies the IFRS 9 simplified approach to measuring expected credit losses (ECLs) which uses a lifetime expected loss allowance for all trade receivables. Expected loss rates are based on the historic credit loss experienced and adjusted for current and forward information affecting the ability of the individual customers to settle receivables. Trade receivables are written off when there is no reasonable expectation of recovery.

In determining the ECLs an analysis of various factors has been performed on a customer by customer basis and considers the impact of economic conditions. These factors include an assessment of the customer's default risk based on: industry and geographic location; and payment record, which includes how many days past due the receivable is, payment concessions granted and credit rating. ECLs are recognised net of securities held for the customer.

As at 31 December 2022, the Group held a loss allowance provision for trade receivables of £9 million (2021: £7 million) and the impairment risk remains low with the loss allowance of £9 million representing two per cent of total gross rental income for the year (2021: two per cent).

Total impairment losses of £3 million were recognised in the Income Statement for the year ended 31 December 2022 (2021: £nil). The impairment losses include the net impact from loss allowances, receivables written off and recoveries of receivables previously written off and are presented within operating profit (see Note 5).

The other financial assets and lease incentive balances held by the Group have been considered for impairment based on historical default rates over the expected life and are adjusted for forward-looking information. Based on that analysis, no material loss allowances are held against these assets in the current and prior period.

Investment in financial instruments is restricted to banks and short-term liquidity funds with a good credit rating. Derivative financial instruments are transacted via International Swaps and Derivatives Association (ISDA) agreements with counterparties with a good investment grade credit rating. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread among approved counterparties.

17(vii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by requiring that adequate cash and committed bank facilities are available to cover and match all debt maturities, development spend, trade related and corporate cash flows over a rolling 18-month period. This is achieved by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Liquidity risk management is discussed in more detail in the Financial Review on pages 58 and 59.

Liquidity and interest risk tables

The following tables detail the Group's and Company's remaining contractual maturity profile for its financial instruments. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The tables include both interest and principal cash flows.

	2022						2021					
	Weighted average interest rate %	Under 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m	Total £m	Weighted average interest rate %	Under 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m	Total £m
Group												
Non-derivative financial liabilities:												
Trade and other payables[1]		421	–	–	–	421		357	–	–	–	357
Lease liabilities	3.90	4	4	13	124	145	3.90	5	5	13	122	145
Variable rate debt instruments	4.08	23	27	700	–	750	1.23	10	10	823	–	843
Fixed rate debt instruments	2.43	104	183	1,209	3,430	4,926	2.32	61	61	251	2,920	3,293
Derivative financial instruments:												
Net settled interest rate swaps	1.08	8	5	16	–	29	(0.40)	1	9	19	33	62
Gross settled foreign exchange												
– Forward and currency swap contracts												
– Inflowing		(556)	–	–	–	(556)		(13)	–	–	–	(13)
– Outflowing		580	–	–	–	580		13	–	–	–	13
Total		584	219	1,938	3,554	6,295		434	85	1,106	3,075	4,700

	2022						2021					
	Weighted average interest rate %	Under 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m	Total £m	Weighted average interest rate %	Under 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m	Total £m
Company												
Non-derivative financial liabilities:												
Trade and other payables[2]		22	2,063	–	–	2,085		11	1,498	–	–	1,509
Variable rate debt instruments	4.08	23	27	700	–	750	1.23	10	10	823	–	843
Fixed rate debt instruments	3.05	86	164	593	2,519	3,362	2.67	59	59	243	2,490	2,851
Derivative financial instruments:												
Net settled interest rate swaps	1.08	8	5	16	–	29	(0.40)	1	9	19	33	62
Gross settled foreign exchange												
– Forward and currency swap contracts												
– Inflowing		(556)	–	–	–	(556)		(13)	–	–	–	(13)
– Outflowing		580	–	–	–	580		13	–	–	–	13
Total		163	2,259	1,309	2,519	6,250		81	1,576	1,085	2,523	5,265

1 Group trade and other payables disclosed as financial liabilities in Note 17(ii) of £534 million (2021: £453 million) includes, accrued interest of £36 million (2021: £20 million) and lease liabilities of £77 million (2021: £76 million). Accrued interest is shown in fixed rate debt instruments in the table above.
2 Company trade and other payables disclosed as financial liabilities in Note 17(ii) of £2,110 million (2021: £1,529 million) includes accrued interest of £25 million (2021: £20 million). Accrued interest is shown in fixed rate debt instruments in the table above.

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18. Share Capital and Share-Based Payments

Share capital

Group and Company

Issued and fully paid	Number of shares million	Par value of shares £m
Ordinary shares of 10p each at 1 January 2022	**1,202**	**120**
Issue of shares – scrip dividend	6	1
Issue of shares – other	1	–
Ordinary shares of 10p each at 31 December 2022	**1,209**	**121**

Issued and fully paid	Number of shares million	Par value of shares £m
Ordinary shares of 10p each at 1 January 2021	1,192	119
Issue of shares – scrip dividend	9	1
Issue of shares – other	1	–
Ordinary shares of 10p each at 31 December 2021	1,202	120

Share-based payments

The Group operates the share-based payments schemes set out below.

18(i) – Deferred Share Bonus Plan (DSBP)

The DSBP is for Executive Directors and senior managers. A percentage of any payment made under the Bonus Scheme is deferred to shares and held in trust for three years. The percentage subject to deferral for Executive Directors is 50 per cent of the Bonus payment. This scheme is detailed in the Remuneration Report on page 145. If a participant ceases to be employed by the Group, the award will lapse unless the participant is deemed to be a 'good leaver', in which case the award will be released on the vesting date.

	2022 number	2021 number
At 1 January	**867,794**	968,499
Shares granted DSBP	451,613	283,957
Shares vested	(264,600)	(384,662)
Shares expired/lapsed	(20,000)	–
At 31 December	**1,034,807**	867,794

The 2021 DSBP grant was made on 27 June 2022, based on a 26 June 2022 closing mid-market share price of 1,027 pence.

18(ii) – Long Term Incentive Plan (LTIP)

The LTIP is a discretionary employee share scheme for Executive Directors and senior managers. Vesting of awards is subject to three-year performance conditions and is at the discretion of the Remuneration Committee. The performance conditions of the LTIP are detailed in the Remuneration Report on page 145.

If a participant ceases to be employed by the Group, the award will lapse, unless the participant is deemed to be a 'good leaver', in which case the award will be reduced pro-rata on length of employment in relation to the award date. For Executive Directors a mandatory two-year holding period follows the three-year performance period.

	2022 number	2021 number
At 1 January	**3,791,289**	3,999,942
Shares granted LTIP	973,654	1,160,170
Shares vested	(778,355)	(1,285,564)
Shares expired/lapsed	–	(83,259)
At 31 December	**3,986,588**	3,791,289

The 2022 LTIP award was made on 5 May 2022. The calculation of the award was based on a share price of 1,162.5 pence, the closing mid-market share price on 4 May 2022. No consideration was paid for the grant of any award.

The Black-Scholes model has been used to fair value the shares granted currently under award, apart from the TSR elements of the award which uses the Monte Carlo model. The assumptions used are as follows:

Date of grant	29 May 2019	26 March 2020	29 March 2021	5 May 2022
Market price used for award	691.0p	786.8p	933.0p	1,162.5p
Risk-free interest rate	0.6%	0.12%	0.13%	1.68%
Dividend yield	2.7%	2.6%	2.4%	1.9%
Volatility	15.7%	17.1%	22.3%	24.7%
Term	3 years	3 years	3 years	3 years
Fair value per share	482.1p	654.4p	375.3p	493.1p

18(iii) – Other share schemes

The Group also operates the following all-employee share schemes.

- Share Incentive Plan (SIP)
- Global Share Incentive Plan (GSIP)
- Sharesave

Further details of these schemes are set out in the Remuneration Report on pages 145 and 146. The total share-based payment charge for the schemes recognised in the 2022 Income Statement was £1 million (2021: £1 million). The total number of outstanding options for these schemes as at 31 December 2022 was 844,727 (2021: 851,364).

19. Share Premium and Other Reserves

Share premium

GROUP AND COMPANY	2022 £m	2021 £m
Balance at 1 January	**3,371**	3,277
Premium arising on the issue of shares – scrip dividend	78	93
Premium arising on the issue of shares – other	–	1
Balance at 31 December	**3,449**	3,371

Capital redemption reserve

The capital redemption reserve of £114 million arose in 2009 where shares were reclassified, cancelled and consolidated in connection with a Rights Issue.

Other reserves

Other reserves shown on the Group Balance Sheet of £227 million (2021: £140 million) is made up of the following reserves:

The merger reserve of £169 million (2021: £169 million) arose in 2009 in connection with the acquisition of Brixton plc where the Group acquired 100 per cent of the voting equity of Brixton plc in a share for share exchange.

The Group translation, hedging and other reserves of £33 million surplus (2021: £49 million deficit) comprises all foreign exchange differences arising from the translation of the Financial Statements of foreign operations, as well as from the translation of liabilities that hedge the Group's net investment in foreign denominated subsidiaries.

The Group share-based payment reserve of £25 million (2021: £20 million) reflects the increase in equity in connection with share-based payment transactions accounted for under IFRS 2.

20. Own Shares Held

GROUP AND COMPANY	2022 £m	2021 £m
Balance at 1 January	1	1
Shares purchased	4	3
Disposed of on exercise of options	(4)	(3)
Balance at 31 December	1	1

These represent the cost of shares in SEGRO plc bought in the open market and held by Ocorian Limited and Equiniti Limited, to satisfy various Group share schemes.

21. Commitments

Contractual obligations to purchase, construct, develop, repair, maintain or enhance assets are as follows:

GROUP	2022 £m	2021 £m
Properties	427[1]	626

1 Includes £328 million of commitments relating to current development pipeline and other commitments of £99 million mainly relating to infrastructure spend.

In addition, commitments in the Group's joint ventures and associates at 31 December 2022 (at share) amounted to £81 million (2021: £42 million). The Group also has a £8 million commitment to property related investment funds at 31 December 2022 (2021: £10 million).

22. Contingent Liabilities

The Group has given performance guarantees to third parties amounting to £146 million (2021: £82 million) in respect of development contracts of subsidiary undertakings. It is unlikely that these contingencies will crystallise.

The Company has guaranteed loans, bank overdrafts and eurobonds of subsidiary undertakings and has indicated its intention to provide the necessary support required by its subsidiaries.

The Group and joint ventures are subject to claims and litigation generally and provides guarantees, representations and warranties arising in the ordinary course of its business. Provision is made when liabilities are considered likely to arise and the expected quantum of the exposure is estimatable. The risk in relation to such items are monitored on an ongoing basis and provisions amended accordingly. It is not expected that contingent liabilities existing at 31 December 2022 will have a material adverse effect on the Group's financial position.

23. Leases

The Group as a lessor

The investment properties are leased to tenants under operating leases with rentals payable on a monthly or quarterly basis. Lease payments for some contracts include inflationary index increases, but there are no significant levels of variable lease payments that do not depend on an index or a rate. Where considered necessary to reduce credit risk, the Group may obtain bank guarantees or tenant deposits for the term of the lease. The Group is exposed to changes in the residual value of properties at the end of current lease agreements. The residual value risk born by the Group is mitigated by active management of its property portfolio and discussed further in the Asset Management update on pages 50 to 51. The Group does not hold significant finance leases as a lessor.

Future aggregate minimum rentals receivable under non-cancellable operating leases are:

	Group £m	Joint ventures and associates at share £m	2022 £m	2021 £m
Not later than one year	427	124	551	476
Later than one year, not later than two years	377	110	487	430
Later than two years, not later than three years	312	92	404	365
Later than three years, not later than four years	269	77	346	300
Later than four years, not later than five years	237	67	304	256
Later than five years	1,805	241	2,046	1,789
Balance at 31 December	3,427	711	4,138	3,616

There are no significant levels of contingent rent in the current or prior year.

24. Related Party Transactions

Group

Transactions during the year between the Group and its joint ventures are disclosed below:

	2022 £m	2021 £m
Dividends received	9	33
Assets sold to joint ventures[1]	215	231
Management fee income	30	26
Performance fee income	–	26

1 During the year investment properties with a carrying value of £215 million were sold to SELP (2021: £231 million). Total proceeds (and total cash proceeds) received by SEGRO were £218 million (2021: £231 million). The transactions resulted in the net assets of the Group increasing by £3 million (2021: £nil). The net cash impact on a proportionally consolidated basis was an inflow of £109 million (2021: £116 million) once the 50 per cent ownership in SELP is taken into account.

Amounts due from joint ventures and associates are disclosed in Note 14. Investments in joint ventures and associates at 31 December 2022 of £1,768 million disclosed in Note 7 (2021: £1,795 million) includes shareholder loans of £90 million (2021: £86 million).

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Transactions between the Company and its subsidiaries eliminate on consolidation and are not disclosed in this Note.

Company

Amounts due from subsidiaries are disclosed in Note 7 and amounts due to subsidiaries are disclosed in Note 15.

None of the above Group or Company balances are secured.

Remuneration of key management personnel

Key management personnel for the Group and Company comprise Executive and Non-Executive Directors, as outlined in the Governance Report on pages 91 and 93. Key management personnel compensation is shown in the table below:

	2022 £m	2021 £m
Salaries and short-term benefits	5	5
Share-based payments	3	4
Total remuneration	8	9

More detailed information concerning Directors' remuneration, shareholdings, pension entitlements, share options and other long-term incentive plans, as required by the Companies Act 2006, is shown in the Remuneration Report on pages 123 to 142.

25. Notes to the Cash Flow Statements

25(i) – Reconciliation of cash generated from operations

	Group		Company	
	2022 £m	2021 (restated)[1] £m	2022 £m	2021 £m
Operating (loss)/profit	(1,694)	4,477	650	501
Adjustments for:				
Depreciation of property, plant and equipment and amortisation of intangibles	4	5	–	1
Share of loss/(profit) from joint ventures and associates after tax	144	(461)	–	–
Profit on sale of properties	(9)	(53)	–	–
Revaluation deficit/(surplus) on investment properties	1,970	(3,617)	–	–
Dividends and other income	–	–	(706)	(1,230)
Other provisions	(6)	9	(1)	3
Increase in impairment of subsidiaries	–	–	44	710
	409	360	(13)	(15)
Changes in working capital:				
Decrease in trading properties	33	12	–	–
Increase in debtors and tenant incentives	(6)	(33)	(2)	(9)
Increase/(decrease) in creditors	43	24	(1)	4
Net cash inflow/(outflow) generated from operations	479	363	(16)	(20)

1 Group Cash and cash equivalents and Trade and other receivables have been restated as at 31 December 2021 following IFRIC's agenda decision in respect of Demand Deposits with Restrictions on Use arising from a Contract with a Third Party. See Note 1 for further details.

25(ii) – Deposits

Term deposits for a period of three months or less are included within cash and cash equivalents.

25(iii) – Analysis of net debt

Management defines net debt as total borrowing less cash and cash equivalents.

		Cash movements		Non-cash movements		
	At 1 January 2022 £m	Cash inflow[2] £m	Cash outflow[3] £m	Exchange movement £m	Other non-cash adjustments[1] £m	At 31 December 2022 £m
Group						
Bank loans and loan capital	3,429	2,752	(1,421)	168	–	4,928
Capitalised finance costs	(23)	–	(30)	–	9	(44)
Total borrowings	3,406	2,752	(1,451)	168	9	4,884
Cash in hand and at bank[4]	(85)	(76)	–	(1)	–	(162)
Net debt	3,321	2,676	(1,451)	167	9	4,722
Company						
Bank loans and loan capital	3,006	1,794	(1,421)	87	–	3,466
Capitalised finance costs	(17)	–	(17)	–	7	(27)
Total borrowings	2,989	1,794	(1,438)	87	7	3,439
Cash in hand and at bank	(12)	(60)	–	–	–	(72)
Net debt	2,977	1,734	(1,438)	87	7	3,367

1 Total other non-cash adjustments of £9 million (Company: £7 million) relates to the amortisation of issue costs. See Note 9.
2 Proceeds from borrowings of £2,752 million (Company: £1,794 million).
3 Group cash outflow of £1,451 million (Company: £1,438 million), comprises repayment of borrowings of £1,421 million (Company: £1,421 million) and capitalised finance costs of £30 million (Company: £17 million).
4 Group Cash and cash equivalents and Trade and other receivables have been restated as at 31 December 2021 following IFRIC's agenda decision in respect of Demand Deposits with Restrictions on Use arising from a Contract with a Third Party. See Note 1 for further details.

25(iv) – Analysis of financial liabilities and assets arising from financing activities

For the year ended 31 December 2022

		Cash movements		Non-cash movements			
Group	At 1 January 2022 £m	Cash inflow £m	Cash outflow £m	Exchange movement[1] £m	Net fair value changes[2] £m	Other non-cash adjustments £m	**At 31 December 2022 £m**
Total borrowings (Note 16)	3,406	2,752	(1,451)	168	–	9	**4,884**
Derivatives: (Net) Fair value of forward foreign exchange and currency swap contracts (Note 17)	(32)	15	–	17	2	–	**2**
Lease liabilities (Note 15)[3]	76	–	(5)	4	–	2	**77**
Total net financial liabilities arising from financing activities	3,450	2,767	(1,456)	189	2	11	**4,963**

1 Exchange movement of £185 million from borrowings and forward foreign exchange and currency swap contracts consists of: Foreign exchange loss on effective hedge relationships recognised in OCI of £98 million and foreign exchange loss arising on translation of borrowings held in international operations recognised in OCI of £83 million and foreign exchange loss recognised within the Income Statement of £4 million. See Note 17(iv).
2 Total net fair value loss of £199 million arising from derivatives per Note 9 also includes fair value loss from interest rate swaps and caps of £197 million.
3 Lease liabilities cash outflows of £5 million consists of: £3 million interest payment and £2 million principal elements payment.

For the year ended 31 December 2021

		Cash movements		Non-cash movements			
Group	At 1 January 2021 £m	Cash inflow £m	Cash outflow £m	Exchange movement[1] £m	Net fair value changes[2] £m	Other non-cash adjustments £m	At 31 December 2021 £m
Total borrowings (Note 16)	2,414	1,214	(144)	(81)	–	3	3,406
Derivatives: (Net) Fair value of forward foreign exchange and currency swap contracts (Note 17)	(7)	40	–	(62)	(3)	–	(32)
Lease liabilities (Note 15)[3]	83	–	(5)	(4)	–	2	76
Total net financial liabilities arising from financing activities	2,490	1,254	(149)	(147)	(3)	5	3,450

1 Exchange movement of £143 million from borrowings and forward foreign exchange and currency swap contracts consists of: Foreign exchange gain on effective hedge relationships recognised in OCI of £74 million and foreign exchange gain recognised within the Income Statement of £69 million. See Note 17(iv).
2 Total net fair value loss of £82 million arising from derivatives per Note 9 also includes fair value loss from interest rate swaps and caps of £85 million.
3 Lease liabilities cash outflows of £5 million consists of: £3 million interest payment and £2 million principal elements payment.

Company

The Company's financial liabilities and assets arising from financing activities comprise Company total borrowings shown in Note 25(iii) of £3,439 million (2021: £2,989 million) and the Group derivatives shown in the table above of £2 million (liability) (2021: £32 million asset).

26. Property Valuation Techniques, Sustainability and Climate Change Considerations and Related Quantitative Information

All of the Group's properties are level 3, as defined by IFRS 13, in the fair value hierarchy as at 31 December 2022 and there were no transfers between levels during the year. Level 3 inputs used in valuing the properties are those which are unobservable, as opposed to level 1 (inputs from quoted prices) and level 2 (observable inputs either directly, i.e. as prices, or indirectly, i.e. derived from prices).

Valuation techniques

Based on different approaches for different properties, the following valuation techniques can be used for the same class of assets:

The yield methodology valuation technique is used when valuing the Group's assets which uses market rental values capitalised with a market capitalisation rate. The resulting valuations are cross-checked against the initial yields and the fair market values per square metre derived from actual market transactions for similar assets.

For properties under construction and the majority of land held for development, properties are valued using a residual method valuation. Under this methodology, the valuer assesses the investment value (using the above mentioned methodology for completed buildings). Deductions are then made for the total estimated costs to complete, including notional finance costs and developer's profit, to take into account the hypothetical purchaser's management of the remaining development process and their perception of risk with regard to construction and the property market (e.g. as regards potential cost overruns and letting risk). Land values are cross-checked against the rate per hectare derived from actual market transactions. Other land is also valued on this comparative basis. Land values per hectare range from £0.1 million – £43.3 million (2021: £0.1 million – £30.7 million) for the UK and £0.1 million – £16.0 million (2021: £0.2 million – £6.5 million) for Continental Europe.

Sustainability valuation considerations

The Group's valuers, CBRE, note in their valuation report that the impact of sustainability factors on valuations have been considered. In a valuation context, 'sustainability' encompasses a wide range of physical, social, environmental, and economic factors that can affect value of an asset, even if not explicitly recognised. The range of issues includes key environmental risks, such as flooding, energy efficiency and climate, as well as matters of design, legislation and management considerations – and current and historic land use.

Climate risk legislation

The UK Government and the EU is currently producing legislation on the transition to net-zero which is likely to include an update to the Minimum Energy Efficiency Standards and also the intention to introduce an operational rating. Whilst the nature of the legislation is not yet clear it could have a potential impact to future asset value.

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The introduction of mandatory climate related disclosures in the UK and EU (including 'Task Force on Climate related Financial Disclosures' (TCFD) in the UK and 'Sustainable Finance Disclosure Regulations' (SFDR) and 'Corporate Sustainability Reporting Directive' (CSRD) in the EU), including the assessment of physical and transition climate risks, may potentially have an impact on how the market views such risks and incorporates them into the sale and letting of assets.

Sustainability and climate risk legislation has an impact on the value of an asset, even if not explicitly recognised. Valuers reflect markets, they do not lead them. Where the valuers recognise the value impacts of sustainability and legislation, they are reflecting their understanding of how market participants include sustainability and legislation requirements in their bids and the impact on market valuations.

Sensitivity analysis

An increase/decrease to ERV will increase/decrease valuations, while an increase/decrease to yield will decrease/increase valuations. Sensitivity analysis showing the impact on valuations of changes in yields and ERV on the property portfolio (including joint ventures and associates at share) and the impact on valuations of changes in development costs on the development property and land portfolio (including joint ventures and associates at share) is shown below.

The valuation deficit recognised by the Group in the year ended 31 December 2022 primarily reflects the impact of higher property yields applied to our portfolio during the second half of 2022. This is reflected in the Group's net true equivalent yield increasing from 3.8 per cent at 31 December 2021 to 4.8 per cent at 31 December 2022. As the change in market conditions and corresponding valuation correction occurred prior to the 31 December 2022 valuation date, management still considers a 25bp movement in yields reflects an appropriate sensitivity as at 31 December 2022.

		Impact on valuation of 25bp change in nominal equivalent yield		Impact on valuation of 5% change in estimated rental value (ERV)		Impact on valuation of 10% change in estimated development costs	
	Group £m	Increase £m	Decrease £m	Increase £m	Decrease £m	Increase £m	Decrease £m
2022							
Completed property	15,191	(793)	883	580	(576)	–	–
Development property and land	2,734	(226)	245	295	(295)	(321)	321
Group total property portfolio	17,925	(1,019)	1,128	875	(871)	(321)	321

		Impact on valuation of 25bp change in nominal equivalent yield		Impact on valuation of 5% change in estimated rental value (ERV)		Impact on valuation of 10% change in estimated development costs	
	Group £m	Increase £m	Decrease £m	Increase £m	Decrease £m	Increase £m	Decrease £m
2021							
Completed property	16,739	(1,057)	1,211	628	(625)	–	–
Development property and land	1,638	(164)	172	192	(199)	(232)	225
Group total property portfolio	18,377	(1,221)	1,383	820	(824)	(232)	225

There are inter-relationships between all these inputs as they are determined by market conditions. The existence of an increase in more than one input would be to magnify the impact on the valuation. The impact on the valuation will be mitigated by the inter-relationship of two inputs in opposite directions, for example, an increase in rent may be offset by an increase in yield. The table below includes the Group's wholly-owned and joint venture and associate assets at share in order to include the entire portfolio. The equivalent analysis for the range of inputs on a wholly-owned basis would not be significantly different.

	Valuation			Inputs			
2022 By asset type	Completed £m	Land & development[1] £m	Combined property portfolio £m	ERV[2] £ per sq m	ERV range[2] £ per sq m	Net true equivalent yield[3] %	Net true equivalent yield range %
Big box warehouses > 35,000 sq m	2,076		2,076	54.6	32.7–169.5	4.8	3.9–6.2
Big box warehouses < 35,000 sq m	2,651		2,651	63.6	36.1–203.3	4.9	3.7–6.4
Urban warehouses > 3,500 sq m	6,465		6,465	144.0	36.1–387.5	4.8	3.8–9.5
Urban warehouses < 3,500 sq m	3,628		3,628	220.9	43.5–387.5	4.6	3.9–8.9
High value and other uses of industrial land[4]	371		371	191.5	52.0–527.4	6.8	3.6–9.7
	15,191	2,734	17,925	93.4	32.7–527.4	4.8	3.6–9.7
By ownership							
Wholly-owned[5]	12,311	2,592	14,903	143.7	32.7–527.4	4.8	3.6–9.7
Joint ventures and associates	2,880	142	3,022	54.2	36.1–133.6	4.8	3.7–9.5
Group Total	15,191	2,734	17,925	93.4	32.7–527.4	4.8	3.6–9.7

1 Land and development valuations by asset type are not available as land sites are not categorised by asset type. Combined property portfolio column will not cast down but row does cast across.
2 On a fully occupied basis.
3 In relation to the completed properties only.
4 High value and other uses of industrial land includes offices and retail uses, such as trade counters, car showrooms and self-storage facilities.
5 Included in the completed portfolio, the wholly-owned assets are: big box > 35,000 sq m £832 million; big box < 35,000 sq m £1,127 million; urban warehouses > 3,500 sq m £6,356 million; urban warehouses < 3,500 sq m £3,628 million; and other uses £368 million.

2022 By geography	Valuation: Completed £m	Valuation: Land & development £m	Valuation: Combined property portfolio £m	Inputs: ERV[1] £ per sq m	Inputs: ERV range[1] £ per sq m	Inputs: Net true equivalent yield[2] %	Inputs: Net true equivalent yield range %
Greater London	6,065	347	6,412	222.1	57.3–387.5	4.6	3.9–7.8
Thames Valley	2,325	686	3,011	213.5	80.7–527.4	5.3	4.7–9.7
National Logistics	1,167	554	1,721	91.3	45.0–203.3	5.3	5.0–6.2
Northern Europe							
Germany	1,664	335	1,999	66.2	36.1–167.6	4.3	3.7–6.2
Netherlands	170	12	182	67.3	49.7–102.2	4.8	4.1–9.5
Southern Europe							
France	1,771	463	2,234	74.9	40.7–465.5	4.8	3.6–9.2
Italy/Spain	1,225	261	1,486	54.3	32.7–188.7	4.6	4.1–6.3
Central Europe							
Poland	702	71	773	47.3	36.1–136.7	5.9	5.4–6.4
Czech Republic	102	5	107	72.2	62.8–100.9	5.5	5.3–5.5
Group Total	15,191	2,734	17,925	93.4	32.7–527.4	4.8	3.6–9.7

Investment properties – Group (Note 13(i))[3]	14,866
Investment properties – Joint ventures and associates (Note 7(ii))	3,022
Trading properties – Group (Note 13(ii))[4]	37
	17,925

1 On a fully occupied basis.
2 In relation to the completed properties only.
3 Excludes head lease ROU assets of £73 million.
4 Includes valuation surplus not recognised on trading properties of £2 million.

2021 By asset type	Valuation: Completed £m	Valuation: Land & development[1] £m	Valuation: Combined property portfolio £m	Inputs: ERV[2] £ per sq m	Inputs: ERV range[2] £ per sq m	Inputs: Net true equivalent yield[3] %	Inputs: Net true equivalent yield range %
Big box warehouses > 35,000 sq m	2,222		2,222	46.3	30.3–161.5	3.8	3.3–5.5
Big box warehouses < 35,000 sq m	2,683		2,683	54.2	16.8–204.5	3.9	3.1–7.0
Urban warehouses > 3,500 sq m	6,963		6,963	124.9	34.3–339.1	3.8	2.9–9.7
Urban warehouses < 3,500 sq m	4,153		4,153	192.8	38.3–376.9	3.5	2.9–9.3
High value and other uses of industrial land[4]	718		718	166.5	50.4–452.1	6.0	3.3–10.3
	16,739	1,638	18,377	81.0	16.8–452.1	3.8	2.9–10.3
By ownership							
Wholly-owned[5]	13,990	1,478	15,468	125.6	30.5–452.1	3.8	2.9–10.3
Joint ventures and associates	2,749	160	2,909	45.5	16.8–126.8	4.0	3.1–9.7
Group Total	16,739	1,638	18,377	81.0	16.8–452.1	3.8	2.9–10.3

1 Land and development valuations by asset type are not available as land sites are not categorised by asset type. Combined property portfolio column will not cast down but row does cast across.
2 On a fully occupied basis.
3 In relation to the completed properties only.
4 Higher value includes offices and retail uses, such as trade counters, car showrooms and self-storage facilities.
5 Included in the completed portfolio, the wholly-owned assets are: big box > 35,000 sq m £1,120 million; big box < 35,000 sq m £1,180 million; urban warehouses > 3,500 sq m £6,822 million; urban warehouses < 3,500 sq m £4,153 million; and other uses £715 million.

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2021 By geography	Valuation Completed £m	Land & development £m	Combined property portfolio £m	Inputs ERV[1] £ per sq m	ERV range[1] £ per sq m	Net true equivalent yield[2] %	Net true equivalent yield range %
Greater London	7,005	327	7,332	196.6	45.7–376.9	3.5	2.9–9.3
Thames Valley	2,878	224	3,102	172.2	72.7–452.1	4.1	3.6–8.4
National Logistics	1,247	470	1,717	80.2	45.0–204.5	3.8	3.3–4.4
Northern Europe							
Germany	1,532	197	1,729	57.5	34.3–155.8	3.6	3.0–4.9
Netherlands	167	27	194	59.7	46.2–91.2	3.9	3.4–9.7
Southern Europe							
France	1,751	112	1,863	66.0	37.8–442.0	4.1	3.2–6.8
Italy/Spain	1,438	202	1,640	46.7	16.8–161.9	3.9	3.4–10.3
Central Europe							
Poland	631	75	706	39.7	30.3–130.0	5.2	4.6–5.7
Czech Republic	90	4	94	53.5	47.1–93.3	4.8	4.8–4.8
Group Total	16,739	1,638	18,377	81.0	16.8–452.1	3.8	2.9–10.3

Investment properties – Group (Note 13(i))[3]	15,422
Investment properties – Joint ventures and associates (Note 7(ii))	2,909
Trading properties – Group (Note 13(ii))[4]	46
	18,377

1 On a fully occupied basis.
2 In relation to the completed properties only.
3 Excludes head lease ROU assets of £70 million.
4 Includes valuation surplus not recognised on trading properties of £1 million.

27. Subsequent events

On 10 January 2023 the Group acquired Bath Road Shopping Park in Slough (UK) for £120 million.

28. Related Undertakings

A list of the Group's related undertakings as at 31 December 2022 is detailed below. Except where the Group's percentage holdings is disclosed below, the entire share capital of the subsidiary undertaking is held by the Group. Unless otherwise stated, the Group's holding in the subsidiary undertaking comprise Ordinary shares. Where subsidiaries have different classes of shares, the percentage effective holding shown represents both the Group's voting rights and equity holding. All subsidiaries are consolidated in the Group's Financial Statements. The Group's related undertakings also includes its joint ventures and associates', which is primarily SELP.

Audit exemption taken for subsidiaries

Certain UK subsidiaries are exempt from the requirement of the Companies Act 2006 (the Act) relating to the audit of individual accounts by virtue of Section 479A of the Act. These subsidiaries are identified with two asterisks (**) on the table below.

Certain UK partnerships are exempt from the requirement to prepare, publish and have audited individual accounts by virtue of regulation 7 of The Partnership (Accountants) Regulations 2008. The results of these partnerships are consolidated within the Group accounts and are identified with three asterisks (***) on the table below.

Company Name	Jurisdiction	% effective holding if not 100%	Direct/ Indirect	Registered Office
Airport Property GP (No. 2) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Airport Property H1 Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Airport Property Partnership***,4	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Allnatt London Properties Limited**,7	England and Wales		Direct	1 New Burlington Place, London, W1S 2HR, United Kingdom
Amdale Holdings Limited NV	Belgium		Indirect	Boulevard Louis Schmidt 87, 1040 Etterbeek, Belgium
Beira Investments Sp z.o.o.	Poland		Indirect	Pl. Andersa 3, 61-894 Poznań, Poland
Bilton Homes Limited[3]	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Bilton Limited**	England and Wales		Direct	1 New Burlington Place, London, W1S 2HR, United Kingdom
Bonsol S.R.L.	Italy	95	Indirect	Strada 3 Palazzo B3, 20090 Assago Milanofiori, Milan, Italy
Brixton (Axis Park) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Brixton (Fairway Units 7-11) 1 Limited[1]	England and Wales		Indirect	c/o BDO LLP, Temple Square, Temple Street, Liverpool, L2 5RH, United Kingdom
Brixton (Great Western, Southall) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Brixton (Hatton Cross) 1 Limited	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Brixton (Heathrow Estate) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom

Company Name	Jurisdiction	% effective holding if not 100%	Direct/ Indirect	Registered Office
Brixton (Metropolitan Park) 1 Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Brixton (Origin) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Brixton Asset Management UK Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Brixton Greenford Park Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Brixton Limited**	England and Wales		Direct	1 New Burlington Place, London, W1S 2HR, United Kingdom
Brixton Nominee 8 (Jersey) Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Nominee 9 (Jersey) Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Nominee 26 (Jersey) Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Nominee 27 (Jersey) Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Nominee 38 (Jersey) Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Nominee 39 (Jersey) Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Nominee 40 (Jersey) Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Nominee 41 (Jersey) Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Nominee Axis Park 1 Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Nominee Axis Park 2 Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Nominee Polar Park 1 Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Nominee Polar Park 2 Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Nominee Premier Park 1 Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Nominee Premier Park 2 Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Northfields (Wembley 1) Limited[1]	England and Wales		Indirect	c/o BDO LLP, Temple Square, Temple Street, Liverpool, L2 5RH, United Kingdom
Brixton Northfields (Wembley) Holdings Limited[1]	England and Wales		Indirect	c/o BDO LLP, Temple Square, Temple Street, Liverpool, L2 5RH, United Kingdom
Brixton Northfields (Wembley) Limited[1]	England and Wales		Indirect	c/o BDO LLP, Temple Square, Temple Street, Liverpool, L2 5RH, United Kingdom

Company Name	Jurisdiction	% effective holding if not 100%	Direct/ Indirect	Registered Office
Brixton Northfields 1 Limited[1]	England and Wales		Indirect	c/o BDO LLP, Temple Square, Temple Street, Liverpool, L2 5RH, United Kingdom
Brixton Northfields 2 Limited[1]	England and Wales		Indirect	c/o BDO LLP, Temple Square, Temple Street, Liverpool, L2 5RH, United Kingdom
Brixton Northfields 3 Limited[1]	England and Wales		Indirect	c/o BDO LLP, Temple Square, Temple Street, Liverpool, L2 5RH, United Kingdom
Brixton Northfields 4 Limited[1]	England and Wales		Indirect	c/o BDO LLP, Temple Square, Temple Street, Liverpool, L2 5RH, United Kingdom
Brixton Northfields 5 Limited[1]	England and Wales		Indirect	c/o BDO LLP, Temple Square, Temple Street, Liverpool, L2 5RH, United Kingdom
Brixton Northfields 6 Limited[1]	England and Wales		Indirect	c/o BDO LLP, Temple Square, Temple Street, Liverpool, L2 5RH, United Kingdom
Brixton Premier Park Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Brixton Properties Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Brixton Sub-Holdings Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
B-Serv Limited[1]	England and Wales		Indirect	c/o BDO LLP, Temple Square, Temple Street, Liverpool, L2 5RH, United Kingdom
Coventry & Warwickshire Development Partnership LLP[4]	England and Wales		Indirect	Lumonics House Valley Drive, Swift Valley, Rugby, Warwickshire, CV21 1TQ, United Kingdom
CWDP Investment Limited**	England and Wales		Indirect	Lumonics House Valley Drive, Swift Valley, Rugby, Warwickshire, CV21 1TQ, United Kingdom
Dagenham Park Management Company Limited**,[5]	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
De Hoek-Noord S-Park B.V.	Netherlands		Indirect	Gustav Mahlerplein 62, ITO-toren, 8th Floor, 1082MA Amsterdam, Netherlands
Devon Nominees (No. 1) Limited[3]	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Devon Nominees (No. 2) Limited[3]	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Devon Nominees (No. 3) Limited[3]	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Gateway Rugby Management Company Limited**,[5]	England and Wales	91.85	Indirect	Lumonics House Valley Drive, Swift Valley, Rugby, Warwickshire, CV21 1TQ, United Kingdom

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Company Name	Jurisdiction	% effective holding if not 100%	Direct/ Indirect	Registered Office
Granby Investment Sp. z.o.o.	Poland		Indirect	Pl. Andersa 3, 61-894 Poznań, Poland
Gront Four s.r.o.	Czech Republic		Indirect	Praha 1, Na Příkopě 9/392 a 11/393, PSČ 110 00, Czech Republic
Helios Northern Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
HelioSlough Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Holbury Investments Sp. z.o.o.	Poland		Indirect	Pl. Andersa 3, 61-894 Poznań, Poland
IFP S.R.L.	Italy	95	Indirect	Strada 3 Palazzo B3, 20090 Assago Milanofiori, Milan, Italy
IMPIANTI FTV S.R.L.	Italy	95	Indirect	Strada 3 Palazzo B3, 20090 Assago Milanofiori, Milan, Italy
Karnal Investment Sp z.o.o.	Poland		Indirect	Zielna 37, 00-108 Warszawa, Mazowieckie, Poland
LIACOM-A KFT „v.a."[1]	Hungary		Indirect	1016 Budapest, Mészáros utca 58/A, Hungary
LogPoint Ruhr GmbH	Germany	49	Indirect	Werner-von-Siemens-Straße 18, 33334 Gütersloh, Germany
London Distribution Park No.2 LLP[4]	England and Wales	50	Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Lynford Investments Sp z.o.o.	Poland		Indirect	Zielna 37, 00-108 Warszawa, Mazowieckie, Poland
MOM4 Üzleti Park KFT „v.a."[1]	Hungary		Indirect	1016 Budapest, Mészáros utca 58/A, Hungary
Ożarów Biznes Park Sp.z.o.o	Poland		Indirect	Pl. Andersa 3, 61-894 Poznań, Poland
Premier Greenford GP Limited[3,6]	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Property Management Company (Croydon) Limited	England and Wales	72	Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Reprendre Racines SAS	France	49	Indirect	27 rue Camille Desmoulins, 92130, Issy-les-Moulineaux, Paris, France
Roxhill (Maidstone) Limited	England and Wales	50	Indirect	Lumonics House Valley Drive, Swift Valley, Rugby, Warwickshire, CV21 1TQ, United Kingdom
Roxhill Management Rugby Limited	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Roxhill Warth 2 Limited**	England and Wales	28	Indirect	Lumonics House Valley Drive, Swift Valley, Rugby, Warwickshire, CV21 1TQ, United Kingdom
Roxhill Warth 3 Limited**	England and Wales	50	Indirect	Lumonics House Valley Drive, Swift Valley, Rugby, Warwickshire, CV21 1TQ, United Kingdom

Company Name	Jurisdiction	% effective holding if not 100%	Direct/ Indirect	Registered Office
Roxhill-SEGRO (Rugby Gateway) LLP**,[4]	England and Wales	50	Indirect	Lumonics House Valley Drive, Swift Valley, Rugby, Warwickshire, CV21 1TQ, United Kingdom
SC Feraud	France		Indirect	20 Rue Brunel, 75017, Paris, France
SEGRO (225 Bath Road) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Acton Park Estate) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (BA World Cargo) Limited	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Barking 1) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Barking 2) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Barking 3) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Barking) Limited	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Beddington Lane) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Belvedere Estate) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Birmingham) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Blanc Mesnil) SARL	France		Indirect	20 Rue Brunel, 75017, Paris, France
SEGRO (Bonded Stores) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Brackmills) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Bracknell) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Clapham North) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Colnbrook) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Coronation Road) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Coventry Gateway Management Company) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Coventry M6 J2) Limited	England and Wales		Indirect	Lumonics House Valley Drive, Swift Valley, Rugby, Warwickshire, CV21 1TQ, United Kingdom

Company Name	Jurisdiction	% effective holding if not 100%	Direct/ Indirect	Registered Office
SEGRO (Coventry) Limited**	England and Wales		Indirect	Lumonics House Valley Drive, Swift Valley, Rugby, Warwickshire, CV21 1TQ, United Kingdom
SEGRO (Crick) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Dagenham) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Deptford Trading Estate) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (D-Link House) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (East Plus) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (East Plus) Trading Limited[3]	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Electra Park) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (EMG Management Company) Limited**,[6]	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (EMG Plot 5) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (EMG Rail Freight Terminal) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (EMG Unit 1) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (EMG Unit 2) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (EMG Unit 4) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (EMG Unit 8) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (EMG Unit 11) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (EMG Unit 12) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (EMG) Limited	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Faggs Road) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Fairways Industrial Estate) Limited	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Gatwick) Limited	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (GL) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Grange Park) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom

Company Name	Jurisdiction	% effective holding if not 100%	Direct/ Indirect	Registered Office
SEGRO (Great Cambridge Industrial Estate) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Hatton Farm Site A) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Hatton Farm Site B) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Hatton Farm Site C) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Hayes) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Heathrow Cargo Area) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Heathrow International) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Heathrow Park) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Iver 1) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Junction 15) Limited	England and Wales		Indirect	Lumonics House Valley Drive, Swift Valley, Rugby, Warwickshire, CV21 1TQ, United Kingdom
SEGRO (Kettering Gateway Management Company) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Kettering) Limited	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Lee Park Distribution) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Loop) Limited[1]	England and Wales		Indirect	C/O BDO LLP, 5 Temple Square, Temple Street, Liverpool L2 5RH, United Kingdom
SEGRO (Nelson Trade Park) Limited[1]	England and Wales		Indirect	C/O BDO LLP, 5 Temple Square, Temple Street, Liverpool L2 5RH, United Kingdom
SEGRO (New Cross Business Centre) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Newport Pagnell) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (NFTE & Mercury) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Parc des Damiers) SAS	France		Indirect	20 Rue Brunel, 75017, Paris, France
SEGRO (Perivale Park) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Plot 7 Northampton) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Poyle 14) Limited	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom

Notes to the Financial Statements
continued

Company Name	Jurisdiction	% effective holding if not 100%	Direct/ Indirect	Registered Office
SEGRO (Purfleet) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Rainham 1) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Rainham 2) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Rainham, Enterprise 1) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Rainham, Enterprise 2) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Reading) Limited[7]	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Rockware Avenue) Limited	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Rugby Gateway 1) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Rugby Gateway 2) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Rugby Gateway 3) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Rugby Gateway 4) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Rugby Gateway 5) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Rushden) Limited[1]	England and Wales		Indirect	C/O BDO LLP, 5 Temple Square, Temple Street, Liverpool L2 5RH, United Kingdom
SEGRO (Skyline) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Spacewaye Park) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Spain Energy) S.L.	Spain		Indirect	Avenida Diagonal, 467 – 08036, Barcelona, Spain
SEGRO (Stansted Cargo) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Stansted Fedex) Limited	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Stockley Close) Limited[1]	England and Wales		Indirect	C/O BDO LLP, 5 Temple Square, Temple Street, Liverpool, L2 5RH, United Kingdom
SEGRO (The Portal) Limited	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Tilbury 2) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Tottenham) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Trilogy) Management Company Limited[1]	England and Wales		Indirect	C/O BDO LLP, 5 Temple Square, Temple Street, Liverpool L2 5RH, United Kingdom

Company Name	Jurisdiction	% effective holding if not 100%	Direct/ Indirect	Registered Office
SEGRO (Tudor) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (UK Energy) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (UK Logistics) Limited[1]	England and Wales		Indirect	C/O BDO LLP, 5 Temple Square, Temple Street, Liverpool L2 5RH, United Kingdom
SEGRO (Victoria Industrial Estate) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Waltham Assets) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Wapping) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S2HR, United Kingdom
SEGRO (Watchmoor) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Welham Green) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (West Zaan) B.V.	Netherlands		Indirect	Gustav Mahlerplein 62, ITO-toren, 8th Floor, 1082MA Amsterdam, Netherlands
SEGRO (Westway Estate) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO Achte Grundbesitz GmbH	Germany		Indirect	Fichtenstrasse 33, 40233, Düsseldorf, Germany
SEGRO Achtzehnte Grundbesitz GmbH	Germany		Indirect	Fichtenstrasse 33, 40233, Düsseldorf, Germany
SEGRO Administration Limited	England and Wales		Direct	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO APP 1 Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO APP 2 Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO APP 3 Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO APP 4 Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO APP Management Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO Asset Management Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO B.V.	Netherlands		Indirect	Gustav Mahlerplein 62, ITO-toren, 8th Floor, 1082MA Amsterdam, Netherlands
SEGRO Belgium NV	Belgium		Indirect	Boulevard Louis Schmidt 87, 1040 Etterbeek, Belgium
SEGRO Benelux 2 B.V.	Netherlands		Indirect	Gustav Mahlerplein 62, ITO-toren, 8th Floor, 1082MA Amsterdam, Netherlands

Company Name	Jurisdiction	% effective holding if not 100%	Direct/ Indirect	Registered Office
SEGRO Benelux B.V.[8]	Netherlands		Indirect	Gustav Mahlerplein 62, ITO-toren, 8th Floor, 1082MA Amsterdam, Netherlands
SEGRO Bobigny SCI	France		Indirect	20 Rue Brunel, 75017, Paris, France
SEGRO Bourget	France		Indirect	20 Rue Brunel, 75017, Paris, France
SEGRO Capital S.á r.l.	Luxembourg		Indirect	35-37 Avenue de la Liberté, L-1931, Luxembourg
SEGRO CHUSA Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO CL1 SCI	France		Indirect	20 Rue Brunel, 75017, Paris, France
SEGRO Communities Limited[1]	England and Wales		Indirect	C/O BDO LLP, 5 Temple Square, Temple Street, Liverpool L2 5RH, United Kingdom
SEGRO Croydon (Mitcham) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO Czech Republic s.r.o.	Czech Republic		Indirect	Praha 1, Na Příkopě 9/392 a 11/393, PSČ 110 00, Czech Republic
SEGRO Dreiundzwanzigste Grundbesitz GmbH	Germany		Indirect	Fichtenstrasse 33, 40233, Düsseldorf, Germany
SEGRO Dreizehnte Grundbesitz GmbH	Germany	94	Indirect	Fichtenstrasse 33, 40233, Düsseldorf, Germany
SEGRO Dritte Grundbesitz GmbH	Germany		Indirect	Fichtenstrasse 33, 40233, Düsseldorf, Germany
SEGRO Einundzwanzigste Grundbesitz GmbH	Germany		Indirect	Fichtenstrasse 33, 40233, Düsseldorf, Germany
SEGRO Elfte Grundbesitz GmbH	Germany		Indirect	Fichtenstrasse 33, 40233, Düsseldorf, Germany
SEGRO Erste Grundbesitz GmbH	Germany		Indirect	Fichtenstrasse 33, 40233, Düsseldorf, Germany
SEGRO Europe Limited[1]	England and Wales		Indirect	C/O BDO LLP, 5 Temple Square, Temple Street, Liverpool L2 5RH, United Kingdom
SEGRO European Logistics Partnership S.á r.l.	Luxembourg	50	Indirect	35-37 Avenue de la Liberté, L-1931, Luxembourg
SEGRO Finance Limited	England and Wales		Direct	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO Fixtures GmbH	Germany		Indirect	Fichtenstrasse 33, 40233, Düsseldorf, Germany
SEGRO France Energy SAS	France		Indirect	20 Rue Brunel, 75017, Paris, France
SEGRO France SA	France		Indirect	20 Rue Brunel, 75017, Paris, France
SEGRO Fünfte Grundbesitz GmbH	Germany		Indirect	Fichtenstrasse 33, 40233, Düsseldorf, Germany

Company Name	Jurisdiction	% effective holding if not 100%	Direct/ Indirect	Registered Office
SEGRO Fünfundzwanzigste Grundbesitz GmbH	Germany		Indirect	Fichtenstrasse 33, 40233, Düsseldorf, Germany
SEGRO Fünfzehnte Grundbesitz GmbH	Germany		Indirect	Fichtenstrasse 33, 40233, Düsseldorf, Germany
SEGRO Gennevilliers SCI	France		Indirect	20 Rue Brunel, 75017, Paris, France
SEGRO Germany GmbH	Germany		Indirect	Fichtenstrasse 33, 40233, Düsseldorf, Germany
SEGRO Glinde B.V.	Netherlands		Indirect	Gustav Mahlerplein 62, ITO-toren, 8th Floor, 1082MA Amsterdam, Netherlands
SEGRO Gobelins SCI	France		Indirect	20 Rue Brunel, 75017, Paris, France
SEGRO Holdings France SAS	France		Indirect	20 Rue Brunel, 75017, Paris, France
SEGRO Industrial Estates Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO Insurance Limited	Isle of Man		Direct	Third Floor, St George's Court, Upper Church Street, Douglas, IM1 1EE, Isle of Man
SEGRO Investments Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO Investments Spain S.L.	Spain		Direct	Avenida Diagonal, 467 – 08036, Barcelona, Spain
SEGRO Italy S.R.L.	Italy		Indirect	Strada 3 Palazzo B3, 20090 Assago Milanofiori, Milan, Italy
SEGRO Logistics Nord SCI	France		Indirect	20 Rue Brunel, 75017, Paris, France
SEGRO Logistics Park Aulnay SCI	France		Indirect	20 Rue Brunel, 75017, Paris, France
SEGRO Logistics Sud SCI	France		Indirect	20 Rue Brunel, 75017, Paris, France
SEGRO Luge S.à r.l.	Luxembourg		Indirect	15 Boulevard F.W. Raiffeisen, Luxembourg, L - 2411, Luxembourg
SEGRO Luxembourg S.à r.l.	Luxembourg		Indirect	35-37 Avenue de la Liberté, L-1931, Luxembourg
SEGRO Management Limited[1]	England and Wales		Indirect	C/O BDO LLP, 5 Temple Square, Temple Street, Liverpool L2 5RH, United Kingdom
SEGRO Management NV	Belgium		Indirect	Boulevard Louis Schmidt 87, 1040 Etterbeek, Belgium
SEGRO Netherlands B.V.	Netherlands		Indirect	Gustav Mahlerplein 62, ITO-toren, 8th Floor, 1082MA Amsterdam, Netherlands
SEGRO Netherlands Holding B.V.	Netherlands		Indirect	Gustav Mahlerplein 62, ITO-toren, 8th Floor, 1082MS Amsterdam, Netherlands
(UK branch)	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom

Notes to the Financial Statements
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Company Name	Jurisdiction	% effective holding if not 100%	Direct/ Indirect	Registered Office
SEGRO Neunte Grundbesitz GmbH	Germany		Indirect	Fichtenstrasse 33, 40233, Düsseldorf, Germany
SEGRO Neunzehnte Grundbesitz GmbH	Germany		Indirect	Fichtenstrasse 33, 40233, Düsseldorf, Germany
SEGRO Overseas Holdings Limited	England and Wales		Direct	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO Parc des Petits Carreaux	France		Indirect	20 Rue Brunel, 75017, Paris, France
SEGRO Park, Croydon S.à r.l.[2]	Luxembourg		Indirect	35-37 Avenue de la Liberté, L-1931, Luxembourg
SEGRO Pension Scheme Trustees Limited[2]	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO plc French Branch	France		Direct	20 Rue Brunel, 75017, Paris, France
SEGRO Plessis SCI	France		Indirect	20 Rue Brunel, 75017, Paris, France
SEGRO Poland Sp z.o.o.	Poland		Indirect	Pl. Andersa 3, 61-894 Poznań, Poland
SEGRO Properties Limited	England and Wales		Direct	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO Properties Spain S.L.	Spain		Direct	Avenida Diagonal, 467 – 08036, Barcelona, Spain
SEGRO Reisholz GmbH	Germany		Indirect	Fichtenstrasse 33, 40233, Düsseldorf, Germany
SEGRO Sechste Grundbesitz GmbH	Germany		Indirect	Fichtenstrasse 33, 40233, Düsseldorf, Germany
SEGRO Sechzehnte Grundbesitz GmbH	Germany		Indirect	Fichtenstrasse 33, 40233, Düsseldorf, Germany
SEGRO Siebte Grundbesitz GmbH	Germany		Indirect	Fichtenstrasse 33, 40233, Düsseldorf, Germany
SEGRO Siebzehnte Grundbesitz GmbH	Germany		Indirect	Fichtenstrasse 33, 40233, Düsseldorf, Germany
SEGRO Slough Spare Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO Spain Management S.L.	Spain		Indirect	Avenida Diagonal, 467 – 08036, Barcelona, Spain
SEGRO Spain Spare 1 S.L.	Spain		Direct	Avenida Diagonal, 467 – 08036, Barcelona, Spain
SEGRO Spain Spare 2 S.L.	Spain		Direct	Avenida Diagonal, 467 – 08036, Barcelona, Spain
SEGRO Spain Spare 3 S.L.	Spain		Direct	Avenida Diagonal, 467 – 08036, Barcelona, Spain
SEGRO Spare 1 Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO STE Limited	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO Trading (France) SNC	France		Indirect	20 Rue Brunel, 75017, Paris, France

Company Name	Jurisdiction	% effective holding if not 100%	Direct/ Indirect	Registered Office
SEGRO Urban Logistics LR1 SCI	France		Indirect	20 Rue Brunel, 75017, Paris, France
SEGRO Urban Logistics MR1 SCI	France		Indirect	20 Rue Brunel, 75017, Paris, France
SEGRO Urban Logistics PR1 SCI	France		Indirect	20 Rue Brunel, 75017, Paris, France
SEGRO Urban Logistics PR2 SCI	France		Indirect	20 Rue Brunel, 75017, Paris, France
SEGRO Urban Logistics PR3 SCI	France		Indirect	20 Rue Brunel, 75017, Paris, France
SEGRO Vierte Grundbesitz GmbH	Germany		Indirect	Fichtenstrasse 33, 40233, Düsseldorf, Germany
SEGRO Vierundzwanzigste Grundbesitz GmbH	Germany		Indirect	Fichtenstrasse 33, 40233, Düsseldorf, Germany
SEGRO Vierzehnte Grundbesitz GmbH	Germany		Indirect	Fichtenstrasse 33, 40233, Düsseldorf, Germany
SEGRO V-Park Grand Union LLP[4]	England and Wales	50	Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO Wissous SCI	France		Indirect	20 Rue Brunel, 75017, Paris, France
SEGRO Zehnte Grundbesitz GmbH	Germany		Indirect	Fichtenstrasse 33, 40233, Düsseldorf, Germany
SEGRO Zwanzigste Grundbesitz GmbH	Germany		Indirect	Fichtenstrasse 33, 40233, Düsseldorf, Germany
SEGRO Zweite Grundbesitz GmbH	Germany		Indirect	Fichtenstrasse 33, 40233, Düsseldorf, Germany
SEGRO Zweiundzwanzigste Grundbesitz GmbH	Germany		Indirect	Fichtenstrasse 33, 40233, Düsseldorf, Germany
SEGRO Zwölfte Grundbesitz GmbH	Germany		Indirect	Fichtenstrasse 33, 40233, Düsseldorf, Germany
SELP (Alpha Holdings) S.á r.l.	Luxembourg	50	Indirect	8, rue de Koerich, L-8437 Steinfort, Luxembourg
SELP (Alpha JV) S.á r.l.	Luxembourg	50	Indirect	8, rue de Koerich, L-8437 Steinfort, Luxembourg
SELP Finance S.á r.l.	Luxembourg	50	Indirect	35-37 Avenue de la Liberté, L-1931, Luxembourg
SELP Investments S.á r.l.	Luxembourg	50	Indirect	35-37 Avenue de la Liberté, L-1931, Luxembourg
SELP Management Limited	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Slough Trading Estate Limited	England and Wales		Direct	1 New Burlington Place, London, W1S 2HR, United Kingdom
Smartparc SEGRO Spondon Limited	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Steamhouse Group Limited	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Tenedor S.R.L.	Italy		Indirect	Strada 3 Palazzo B3, 20090 Assago Milanofiori, Milan, Italy

Company Name	Jurisdiction	% effective holding if not 100%	Direct/ Indirect	Registered Office
The UK Logistics (Nominee 1) Limited[3]	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
The UK Logistics (Nominee 2) Limited[3]	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
The UK Logistics General Partner Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
The UK Logistics Limited Partnership[4]	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Trafford Park Estates Limited[1]	England and Wales		Indirect	C/O BDO LLP, 5 Temple Square, Temple Street, Liverpool L2 5RH, United Kingdom
UK Logistics Fund Unit Trust	Jersey		Indirect	Ogier House, The Esplanade, St Helier, JE4 9WG, Jersey
UK Logistics Properties No 1 Unit Trust	Jersey		Indirect	Ogier House, The Esplanade, St Helier, JE4 9WG, Jersey
UK Logistics Properties No 2 Unit Trust	Jersey		Indirect	Ogier House, The Esplanade, St Helier, JE4 9WG, Jersey
UK Logistics Trustees Limited	Jersey		Indirect	Ogier House, The Esplanade, St Helier, JE4 9WG, Jersey
UK Property Unit Trust No. 41	Jersey		Indirect	47 Esplanade, St Helier, JE1 0BD, Jersey
UK Property Unit Trust No. 42	Jersey		Indirect	47 Esplanade, St Helier, JE1 0BD, Jersey
UK Property Unit Trust No. 43	Jersey		Indirect	47 Esplanade, St Helier, JE1 0BD, Jersey
UK Property Unit Trust No. 44	Jersey		Indirect	47 Esplanade, St Helier, JE1 0BD, Jersey
UK Property Unit Trust No. 45	Jersey		Indirect	47 Esplanade, St Helier, JE1 0BD, Jersey
Unitair General Partner Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Unitair Limited Partnership***,[4]	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Vailog Colleferro S.R.L	Italy	95	Indirect	Strada 3 Palazzo B3, 20090 Assago Milanofiori, Milan, Italy
Vailog Energy 1 S.R.L.	Italy	95	Indirect	Strada 3 Palazzo B3, 20090 Assago Milanofiori, Milan, Italy
Vailog Energy 2 S.R.L.	Italy	95	Indirect	Strada 3 Palazzo B3, 20090 Assago Milanofiori, Milan, Italy
Vailog Energy 3 S.R.L.	Italy	95	Indirect	Strada 3 Palazzo B3, 20090 Assago Milanofiori, Milan, Italy
Vailog ER4 S.R.L.	Italy	95	Indirect	Strada 3 Palazzo B3, 20090 Assago Milanofiori, Milan, Italy
Vailog France SCI	France		Indirect	20 Rue Brunel, 75017, Paris, France
Vailog S.R.L.	Italy	95	Indirect	Strada 3 Palazzo B3, 20090 Assago Milanofiori, Milan, Italy
Woodside GP Limited[3]	England and Wales	33.33	Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Zinc One S.R.L.	Italy		Indirect	Strada 3 Palazzo B3, 20090 Assago Milanofiori, Milan, Italy
Zinc Six S.R.L.	Italy		Indirect	Strada 3 Palazzo B3, 20090 Assago Milanofiori, Milan, Italy
Zinc Seven S.R.L	Italy		Indirect	Strada 3 Palazzo B3, 20090 Assago Milanofiori, Milan, Italy

1 Company is in liquidation as at 31 December 2022.
2 Company has submitted an application for strike off.
3 Company is entitled to exemption from audit under section 480 of the Companies Act 2006 relating to dormant companies.
4 Partnership and Limited Liability Partnership (LLPs) do not have a share capital and unless otherwise stated, the Group holds 100 per cent interest in these entities.
5 Companies Limited by Guarantee do not have a share capital.
6 Ownership held in class A and B shares.
7 Ownership held in Ordinary and Deferred shares.
8 Ownership held in class G shares, K shares, S shares and Preference shares.

Supplementary Notes Not Part of Audited Financial Statements

Table 1: EPRA performance measures summary

		2022		2021	
	Notes	£m	Pence per share	£m	Pence per share
EPRA Earnings	Table 4	374	31.0	348	29.1
EPRA NTA	Table 5	11,717	966	13,704	1,137
EPRA NRV	Table 5	12,879	1,062	14,986	1,243
EPRA NDV	Table 5	12,170	1,004	13,155	1,091
EPRA LTV	Table 6		34.2%		24.6%
EPRA net initial yield	Table 7		3.7%		3.0%
EPRA topped-up net initial yield	Table 7		3.9%		3.3%
EPRA vacancy rate	Table 8		4.0%		3.2%
EPRA cost ratio (including vacant property costs)	Table 9		20.3%		20.2%
EPRA cost ratio (excluding vacant property costs)	Table 9		18.5%		19.0%

Notes to the Financial Statements
continued

Table 2: Income Statement, proportionally consolidated

	Notes	2022 Group £m	2022 Joint ventures and associates £m	2022 Total £m	2021 Group £m	2021 Joint ventures and associates £m	2021 Total £m
Gross rental income	2,7	488	119	607	398	105	503
Property operating expenses	2,7	(76)	(9)	(85)	(57)	(7)	(64)
Net rental income[2]		412	110	522	341	98	439
Joint venture fee income[1]	2,7	30	(13)	17	52	(24)	28
Management and development fee income[2]	2,7	5	2	7	5	2	7
Net solar energy income[2]	2,7	1	–	1	1	–	1
Administrative expenses	2,7	(59)	(3)	(62)	(59)	(2)	(61)
Adjusted operating profit before interest and tax		389	96	485	340	74	414
Net finance costs (including adjustments)	2,7	(74)	(17)	(91)	(40)	(13)	(53)
Adjusted profit before tax		315	79	394	300	61	361
Tax on adjusted profit	2,7	(11)	(8)	(19)	(8)	(5)	(13)
Adjusted/EPRA earnings before non-controlling interests		304	71	375	292	56	348
Non-controlling interest on adjusted profit	2,7	(1)	–	(1)	–	–	–
Adjusted/EPRA earnings after tax and non-controlling interests		303	71	374	292	56	348
Number of shares, million	12			1,206.6			1,197.7
Adjusted/EPRA EPS, pence per share				31.0			29.1
Number of shares, million	12			1,210.0			1,201.0
Adjusted/EPRA EPS, pence per share – diluted				30.9			29.0

1 Joint venture fee income includes the cost of such fees borne by the joint ventures which are shown in Note 7 within net rental income.
2 The composition of gross and net rental income has changed in 2022 to give a better measure of the underlying rental income from the property portfolio. Management and development fee income; service charge income and expense; and solar energy income and expense are now presented outside of gross and net rental income. Details of the change is disclosed further in Notes 4, 5 and 7. Service charge income is netted against the equal and opposite service charge expense and are not shown as separate line items in the table above. There is no impact on Adjusted operating profit before interest and tax from this change and the prior year comparatives in the table above have been represented to reflect this change.

As discussed in Note 2 there were no non-EPRA adjustments to underlying profit made in the current or prior period, therefore Adjusted earnings is equal to EPRA earnings in the table above.

Table 3: Balance Sheet, proportionally consolidated

	Notes	2022 Group £m	2022 Joint ventures and associates £m	2022 Total £m	2021 (restated)[2] Group £m	2021 (restated)[2] Joint ventures and associates £m	2021 (restated)[2] Total £m
Investment properties	13,7	14,939	3,022	17,961	15,492	2,909	18,401
Trading properties	13,7	35	–	35	45	–	45
Total properties		14,974	3,022	17,996	15,537	2,909	18,446
Investment in joint ventures and associates	7	1,768	(1,768)	–	1,795	(1,795)	–
Other net liabilities		(647)	(283)	(930)	(575)	(274)	(849)
Net borrowings	16,7	(4,722)	(971)	(5,693)	(3,321)	(840)	(4,161)
Total shareholders' equity[1]		11,373	–	11,373	13,436	–	13,436
EPRA adjustments	12			344			268
Adjusted NAV	12			11,717			13,704
Number of shares, million	12			1,212.5			1,205.5
Adjusted NAV, pence per share	12			966			1,137

1 After non-controlling interests.
2 Group Cash and cash equivalents and Trade and other receivables have been restated as at 31 December 2021 following IFRIC's agenda decision in respect of Demand Deposits with Restrictions on Use arising from a Contract with a Third Party. See Note 1 for further details.

The portfolio valuation deficit of 11.0 per cent shown on page 48 of the Strategic Report cannot be directly derived from the Financial Statements and is calculated to be comparable with published MSCI Real Estate indices against which SEGRO is measured. Based on the Financial Statements there is a valuation deficit of £2,191 million (see Note 8) and property value of £17,925 million (see Note 26) giving a valuation deficit of 10.9 per cent. The primary differences are that the deficit excludes the impact of rent free incentives (£23 million, +0.1 per cent) and other movements (-£32 million, -0.2 per cent) primarily due to foreign exchange based on closing rate as opposed to average used in the Financial Statements.

Total assets under management of £20,947 million (2021: £21,286 million) includes Group total properties of £14,903 million (2021: £15,468 million) (see Note 26) and 100 per cent of total properties owned by joint ventures and associates of £6,044 million (2021: £5,818 million) (see Note 7(ii)).

Table 4: EPRA Earnings

	Notes	2022 Group £m	2021 Group £m
Equity shareholder earnings per IFRS income statement		(1,927)	4,060
Adjustments to calculate EPRA Earnings, exclude:			
Valuation deficit/(surplus) on investment properties	8	1,970	(3,617)
Profit on sale of investment properties	8	(9)	(53)
Profit on sale of trading properties	13	(7)	(7)
(Decrease)/increase in provision for impairment of trading properties	8	(15)	1
Tax on profits on disposals[1]		15	10
Net fair value loss on interest rate swaps and other derivatives	9	199	82
Deferred tax (credit)/charge in respect of EPRA adjustments[1]		(63)	232
SIIC entry tax charge[1]		–	38
Adjustments to the share of loss/(profit) from joint ventures and associates after tax	7	215	(405)
Non-controlling interests in respect of the above	2	(4)	7
EPRA earnings		374	348
Basic number of shares, million	12	1,206.6	1,197.7
EPRA Earnings per Share (EPS) (pence)		31.0	29.1
Company specific adjustments:			
Non-EPRA adjustments	2	–	–
Adjusted earnings		374	348
Adjusted EPS (pence)	12	31.0	29.1

1 Total tax credit in respect of adjustments per Note 2 of £48 million (2021: £280 million charge) comprises tax charge on profits on disposals of £15 million (2021: £10 million), deferred tax credit of £63 million (2021: £232 million charge) and SIIC entry tax charge of £nil (2021: £38 million).

Table 5: EPRA Net asset measures

The European Public Real Estate Association ('EPRA') best practice recommendations (BPR) for financial disclosures by public real estate companies sets out three net asset value measures: EPRA net tangible assets (NTA), EPRA net reinstatement value (NRV) and EPRA net disposal value (NDV).

The EPRA Net Tangible Assets (NTA) metric is considered to be most consistent with the nature of SEGRO's business as a UK REIT providing long-term progressive and sustainable returns. EPRA NTA acts as the primary measure of net asset value and is also referred to as Adjusted Net Asset Value (or Adjusted NAV).

A reconciliation of the three EPRA NAV metrics from IFRS NAV is shown in the table below.

	EPRA measures		
As at 31 December 2022	**EPRA NTA £m**	**EPRA NRV £m**	**EPRA NDV £m**
Equity attributable to ordinary shareholders	11,373	11,373	11,373
Fair value adjustment in respect of interest rate derivatives – Group	131	131	–
Fair value adjustment in respect of trading properties – Group	2	2	2
Deferred tax in respect of depreciation and valuation surpluses – Group[1]	104	208	–
Deferred tax in respect of depreciation and valuation surpluses – Joint ventures and associates[1]	119	238	–
Intangible assets	(12)	–	–
Fair value adjustment in respect of debt – Group	–	–	672
Fair value adjustment in respect of debt – Joint ventures and associates	–	–	123
Real estate transfer tax[2]	–	927	–
Net assets	11,717	12,879	12,170
Diluted shares (million)	1,212.5	1,212.5	1,212.5
Diluted net assets per share	966	1,062	1,004

1 50 per cent of deferred tax in respect of depreciation and valuation surpluses has been excluded in calculating EPRA NTA in line with option 3 of EPRA BPR guidelines.
2 EPRA NTA and EPRA NDV reflect IFRS values which are net of purchasers' costs. Purchasers' costs are added back when calculating EPRA NRV.

	EPRA measures		
As at 31 December 2021	EPRA NTA £m	EPRA NRV £m	EPRA NDV £m
Equity attributable to ordinary shareholders	13,436	13,436	13,436
Fair value adjustment in respect of interest rate derivatives – Group	24	24	–
Fair value adjustment in respect of trading properties – Group	1	1	1
Deferred tax in respect of depreciation and valuation surpluses – Group[1]	129	259	–
Deferred tax in respect of depreciation and valuation surpluses – Joint ventures and associates[1]	123	245	–
Intangible assets	(9)	–	–
Fair value adjustment in respect of debt – Group	–	–	(260)
Fair value adjustment in respect of debt – Joint ventures and associates	–	–	(22)
Real estate transfer tax[2]	–	1,021	–
Net assets	13,704	14,986	13,155
Diluted shares (million)	1,205.5	1,205.5	1,205.5
Diluted net assets per share	1,137	1,243	1,091

1 50 per cent of deferred tax in respect of depreciation and valuation surpluses has been excluded in calculating EPRA NTA in line with option 3 of EPRA BPR guidelines.
2 EPRA NTA and EPRA NDV reflect IFRS values which are net of purchasers' costs. Purchasers' costs are added back when calculating EPRA NRV.

Notes to the Financial Statements
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Table 6: EPRA LTV, Proportional consolidation

	Notes	2022 Group £m	2022 Joint ventures and associates £m	2022 Total £m	2021 Group £m	2021 Joint ventures and associates £m	2021 Total £m
Borrowings[1,2]		2,085	15	2,100	1,976	28	2,004
Bonds[1,2]		2,843	996	3,839	1,453	840	2,293
Exclude:							
Cash and cash equivalents	16	(162)	(32)	(194)	(85)	(22)	(107)
Net Debt (before capitalised finance costs) (a)		**4,766**	**979**	**5,745**	3,344	846	4,190
Foreign currency derivatives	17	2	–	2	(32)	–	(32)
Net payables[3]		362	57	419	369	22	391
Adjusted Net Debt (b)		**5,130**	**1,036**	**6,166**	3,681	868	4,549
Investment properties at fair value (excluding head lease ROU asset)	13	14,866	3,022	17,888	15,422	2,909	18,331
Trading properties	13	35	–	35	45	–	45
Total Property Value (c)		**14,901**	**3,022**	**17,923**	15,467	2,909	18,376
Head lease ROU asset	13	73	–	73	70	–	70
Unrecognised valuation surplus on trading properties	13	2	–	2	1	–	1
Other interest in property		30	–	30	24	–	24
Intangibles		12	–	12	9	–	9
Adjusted Total Property Value (d)		**15,018**	**3,022**	**18,040**	15,571	2,909	18,480
LTV (a/c)		**32.0%**		**32.1%**	21.6%		22.8%
EPRA LTV (b/d)		**34.2%**		**34.2%**	23.6%		24.6%

1 Total Group borrowings as at 31 December 2022 per Note 16 of £4,884 million (2021: £3,406 million) consists of: Nominal value of borrowings from financial institutions of £2,085 million (2021: £1,976 million) less unamortised finance costs of £14 million (2021: £10 million) and nominal value of bond loans of £2,843 million (2021: £1,453 million) less unamortised finance costs of £30 million (2021: £13 million).
2 Joint ventures and associates' borrowings as at 31 December 2022 per Note 7 of £1,003 million at share (2021: £862 million) consists of: Nominal value of borrowings from financial institutions of £15 million (2021: £28 million) less unamortised finance costs of £2 million (2021: £nil) and nominal value of bond loans of £996 million (2021: £840 million) less unamortised finance costs of £6 million (2021: £6 million).
3 Net payables is calculated as the net position of the following line items shown on the Balance Sheet: Non-current other receivables, current trade and other receivables, tax asset, non-current trade and other payables, non-current tax liabilities, current trade and other payables and current tax liabilities.

Table 7: EPRA net initial yield and topped-up net initial yield

Combined property portfolio including joint ventures and associates at share – 2022	Notes	**UK £m**	**Continental Europe £m**	**Total £m**
Total properties per financial statements	Table 3	**11,142**	**6,854**	**17,996**
Add valuation surplus not recognised on trading properties[1]	13	**2**	**–**	**2**
Less head lease ROU assets	13	**–**	**(73)**	**(73)**
Combined property portfolio per external valuers' reports		**11,144**	**6,781**	**17,925**
Less land and development properties (investment, trading, joint ventures and associates)		**(1,587)**	**(1,147)**	**(2,734)**
Net valuation of completed properties		**9,557**	**5,634**	**15,191**
Add notional purchasers' costs		**649**	**278**	**927**
Gross valuation of completed properties including notional purchasers' costs	A	**10,206**	**5,912**	**16,118**
Income				
Gross passing rent[2]		**357**	**242**	**599**
Less irrecoverable property costs		**(2)**	**(8)**	**(10)**
Net passing rent	B	**355**	**234**	**589**
Adjustment for notional rent in respect of rent free periods		**21**	**25**	**46**
Topped up net rent	C	**376**	**259**	**635**
Including fixed/minimum uplifts[4]		**10**	**1**	**11**
Total topped up net rent		**386**	**260**	**646**

Yields – 2022		**UK %**	**Continental Europe %**	**Total %**
EPRA net initial yield[3]	B/A	**3.5**	**4.0**	**3.7**
EPRA topped-up net initial yield[3]	C/A	**3.7**	**4.4**	**3.9**
Net true equivalent yield		**4.8**	**4.8**	**4.8**

1 Trading properties are recorded in the Financial Statements at the lower of cost and net realisable value, therefore valuations above cost have not been recognised.
2 Gross passing rent excludes short-term lettings and licences.
3 In accordance with the Best Practices Recommendations of EPRA.
4 Certain leases contain clauses which guarantee future rental increases, whereas most leases contain five-yearly, upwards only rent review clauses (UK) or indexation clauses (Continental Europe).

Table 8: EPRA vacancy rate

	2022 £m	2021 £m
Annualised estimated rental value of vacant premises	32	22
Annualised estimated rental value for the completed property portfolio	797	693
EPRA vacancy rate[1,2]	**4.0%**	3.2%

1 Vacancy rate percentages have been calculated using the figures presented in the table above in millions accurate to one decimal place.
2 There are no significant or distorting factors influencing the EPRA vacancy rate.

Table 9: Total cost ratio/EPRA cost ratio

EPRA cost ratio	Notes	2022 £m	2021[5] £m
Costs			
Property operating expenses[1]	5	76	57
Administrative expenses	6	59	59
Share of joint venture and associates property operating and administrative expenses[2]	7	25	20
Less:			
Joint venture management fees income, management fees and other costs recovered through rents but not separately invoiced[3]		(37)	(34)
Total costs (A)		123	102
Gross rental income			
Gross rental income	4	488	398
Share of joint venture and associates gross rental income	7	119	105
Less:			
Other costs recovered through rents but not separately invoiced[3]		(3)	(3)
Total gross rental income (B)		604	500
Total cost ratio (A)/(B)[4]		20.3%	20.2%
Total costs (A)		123	102
Share-based payments	6	(9)	(13)
Total costs after share-based payments (C)		114	89
Total cost ratio after share-based payments (C)/(B)[4]		18.8%	17.6%

EPRA cost ratio	Notes	2022 £m	2021[5] £m
Total costs (A)		123	102
Non-EPRA adjustments	2	–	–
EPRA total costs including vacant property costs (D)		123	102
Group vacant property costs	5	(10)	(5)
Share of joint venture and associates vacant property costs	7	(1)	(1)
EPRA total costs excluding vacant property costs (E)		112	96
Total gross rental income (B)		604	500
Total EPRA cost ratio (including vacant property costs) (D)/(B)[4]		20.3%	20.2%
Total EPRA cost ratio (excluding vacant property costs) (E)/(B)[4]		18.5%	19.0%

1 Property operating expenses are net of costs capitalised in accordance with IFRS of £11 million (2021: £9 million) (see Note 5 for further detail on the nature of costs capitalised).
2 Share of joint venture and associates property operating and administrative expenses after deducting costs related to performance fees.
3 Total deduction of £37 million (2021: £34 million) from costs includes: joint venture management fees income of £30 million (2021: £26 million) and management fees and other costs recovered through rents but not separately invoiced, including joint ventures and associates, of £7 million (2021: £8 million). These items have been represented as an offset against costs rather than a component of income in accordance with EPRA BPR Guidelines as they are reimbursing the Group for costs incurred. Gross rental income of £488 million (2021: £398 million) does not include joint venture management fees income of £30 million (2021: £26 million) and management fee income of £4 million (2021: £5 million). These fees are not required to be included in the total deduction to income of £3 million (2021: £3 million).
4 Cost ratio percentages have been calculated using the figures presented in the table above in millions accurate to one decimal place.
5 As detailed in Note 4 and 5, the composition of Gross rental income and Property operating expenses have changed in 2022. The prior year comparatives have been represented in the table above to reflect the impact on the cost ratio calculation. This change resulted in Total gross rental income decreasing by £4 million for 2021 to exclude Solar energy income and Development fee income which is no longer included within Gross rental income. Total Costs decreased by £1 million for 2021 to exclude Solar energy expenses. This had nil impact on the cost ratio percentage when calculating using the represented figures presented in the table above in millions accurate to one decimal place.

Notes to the Financial Statements
continued

Table 10: EPRA capital expenditure analysis

	2022 Wholly owned £m	2022 Joint ventures and associates £m	2022 Total £m	2021 Wholly owned £m	2021 Joint ventures and associates £m	2021 Total £m
Acquisitions	800[1]	176	976[5]	1,280[1]	159	1,439
Development[6]	718[2]	69	787	579[2]	60	639
Capitalised interest[4,6]	22	2	24	9	1	10
Investment properties:						
Incremental lettable space	11	2	13	4	1	5
No incremental lettable space	42	7	49	31	9	40
Tenant incentives[3]	39	10	49	22	11	33
Total	1,632	266	1,898	1,925	241	2,166

1 Being £799 million investment property and £1 million trading property (2021: £1,272 million and £8 million respectively) see Note 13.
2 Being £656 million investment property and £62 million trading property (2021: £562 million and £17 million respectively) see Note 13.
3 Includes tenant incentives, letting fees and rental guarantees.
4 Capitalised interest on development expenditure.
5 Total acquisitions completed in 2022 shown on page 54 of the Strategic Report, being asset acquisitions of £155 million and land acquisitions of £712 million, excludes share of assets acquired by SELP from SEGRO of £109 million, (see Note 24).
6 Development and capitalised interest on development expenditure were previously presented in total as a single line items in the table above. In line with EPRA BPR Guidelines, development and capitalised interest are now presented as separate line items and the prior year comparative has been represented in the table.

Total disposals completed in 2022 of £367 million shown on page 54 of the Strategic Report includes: Carrying value of investment properties disposed by SEGRO Group of £315 million (see Note 13) and profit generated on disposal of £9 million (see Note 8); proceeds from the sale of trading properties by SEGRO Group of £100 million (see Note 4); share of joint venture and associates disposal proceeds of £50 million; carrying value of lease incentives, letting fees and rental guarantees disposed by SEGRO Group and joint ventures and associates (at share) of £2 million; and excludes 50 per cent of the disposal proceeds for assets sold by SEGRO to SELP JV of £109 million (see Note 24).

Table 11: Like-for-like net rental income

(including JVs and associates at share)	2022 £m	2021 £m	Change %[3]
UK	271	251	7.7
Continental Europe	153	145	4.9
Like-for-like net rental income before other items[1]	424	396	6.7
Other[2]	(4)	(6)	
Like-for-like net rental income (after other)	420	390	7.3
Development lettings	54	11	
Properties taken back for development	1	5	
Like-for-like net rental income plus developments	475	406	
Properties acquired	35	2	
Properties sold	4	18	
Net rental income before surrenders, dilapidations and exchange	514	426	
Lease surrender premiums and dilapidation income	3	3	
Other items and rent lost from lease surrenders	5	8	
Impact of exchange rate difference between periods	–	2	
Net rental income (including joint ventures and associates at share)	522	439	
SEGRO share of joint venture management fees	(13)	(11)	
SEGRO share of joint venture performance fees	–	(13)	
Net rental income after SEGRO share of joint venture fees	509	415	

1 Like-for like change by Business Unit: Greater London 9.5%, Thames Valley 5.3%, National Logistics 4.6%, Northern Europe 8.5%, Southern Europe 4.1%, Central Europe 1.1%.
2 Other includes the corporate centre and other costs relating to the operational business which are not specifically allocated to a geographical Business Unit.
3 Percentage change has been calculated using numbers accurate to one decimal place.
4 The like-for-like net rental growth metric is based on properties held throughout both 2022 and 2021 on a proportionally consolidated basis. This provides details of net rental income growth excluding the distortive impact of acquisitions, disposals and development completions. Where an asset has been sold into a joint venture (sales to SELP, for example) the 50 per cent share owned throughout the period is included in like-for-like calculation, with the balance shown as disposals.

Table 12: Top 10 estates as at 31 December 2022 (by value, including joint ventures and associates at share)

	Ownership[2] %	Location	Lettable area (100%) sq m	Headline rent £m	Occupancy by ERV %	WAULT years[1]	Asset type
UK							
Slough Trading Estate and SEGRO V-Park Leigh Road at Slough Trading Estate	100	Slough	581,845	96.9	97.3	9.3	Multi-let urban warehouse estate
SEGRO Logistics Park East Midlands Gateway	100	Midlands	392,765	28.9	100.0	13.4	Big box warehouse park
SEGRO Park Premier Road	100	Park Royal	78,720	13.9	100.0	3.0	Multi-let urban warehouse estate
SEGRO Park Heathrow, Shoreham Road	100	Heathrow	93,704	21.0	99.9	1.6	Multi-let cargo facility
SEGRO Park Greenford Ocham Drive and Auriol Drive	100	Park Royal	79,503	12.5	91.2	4.0	Multi-let urban warehouse estate
SEGRO Park Greenford Central	100	Park Royal	69,988	9.1	84.2	1.8	Multi-let urban warehouse estate
SEGRO Park North Feltham	100	Heathrow	57,933	9.8	97.6	5.0	Multi-let urban warehouse estate
SEGRO Park Perivale	100	Park Royal	56,906	9.1	98.5	4.2	Multi-let urban warehouse estate
SEGRO Park Hurricane Way	100	Heathrow	61,753	9.2	100.0	5.7	Multi-let urban warehouse estate
SEGRO Logistics Park Rugby Gateway	100	Midlands	113,413	9.5	100.0	7.0	Big box warehouse park
Continental Europe							
SEGRO Airport Park Berlin	50/100	Germany	154,544	7.7	99.9	5.5	Multi-let urban warehouse and Big box estate
SEGRO Parc des Petits Carreaux	100	France	148,780	12.8	96.9	9.2	Multi-let urban warehouse estate
CSG Logistics Park	50/100	Italy	438,078	9.9	100.0	6.8	Big box warehouse park
SEGRO Logistics Park Krefeld-Süd	50	Germany	236,966	6.5	100.0	3.1	Big box warehouse park
SEGRO Park Düsseldorf-Süd	100	Germany	92,931	6.9	95.1	5.4	Multi-let urban warehouse estate
Novara Logistics Park	100	Italy	189,028	6.1	100.0	13.6	Big box warehouse park
SEGRO Logistics Park Aulnay	100	France	52,062	4.9	100.0	6.8	Big box warehouse park
SEGRO Park Gennevilliers	100	France	75,232	5.9	100.0	3.6	Multi-let urban warehouse estate
SEGRO CityPark Düsseldorf	100	Germany	51,725	5.3	98.9	4.5	Multi-let urgan warehouse estate
Rome South Logistics Park	50	Italy	223,241	4.9	100.0	15.4	Big box warehouse park

1 Weighted average unexpired lease term to earlier of break or expiry.
2 Wholly-owned are shown as 100 per cent excluding small amounts of non-controlling interests in Vailog assets.

Five-year financial results

	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Group Income Statement					
Net rental income[3]	412	341	302	280	247
Joint venture fee income	30	52	22	20	45
Management and development fee income[3]	5	5	3	1	1
Net solar energy income[2,3]	1	1	–	–	–
Administrative expenses	(59)	(59)	(52)	(51)	(44)
Share of joint ventures and associates' Adjusted profit after tax	71	56	61	54	39
Net finance costs (including adjustments)	(74)	(40)	(40)	(37)	(46)
Adjusted profit before tax	386	356	296	267	242
Adjustments to the share of (loss)/profit from joint ventures and associatesfter tax	(215)	405	175	149	85
Profit on sale of investment properties	9	53	5	7	57
Valuation (deficit)/surplus on investment properties	(1,970)	3,617	971	477	791
Profit on sale of trading properties	7	7	1	7	–
Decrease/(increase) in provision for impairment of trading properties and other interests in property	15	(1)	(1)	1	–
Other investment income	–	–	14	4	5
Net fair value (loss)/gain on interest rate swaps and other derivatives	(199)	(82)	14	8	(22)
Net loss on early close out of debt	–	–	(11)	(18)	(6)
Pension buy-out costs	–	–	–	–	(52)
(Loss)/profit before tax	(1,967)	4,355	1,464	902	1,100
Group Balance Sheet					
Investment properties (including assets held for sale)	14,939	15,492	10,671	8,402	7,801
Trading properties	35	45	52	20	52
Total directly owned properties	14,974	15,537	10,723	8,422	7,853
Property, plant and equipment	23	22	27	23	13
Investments in joint ventures and associates	1,768	1,795	1,423	1,121	1,000
Other assets	421	344	405	384	236
Cash and cash equivalents	162	85	89	133	67
Total assets	17,348	17,783	12,667	10,083	9,169
Borrowings	(4,884)	(3,406)	(2,413)	(1,943)	(2,244)
Deferred tax liabilities	(226)	(274)	(87)	(54)	(27)
Other liabilities and non-controlling interests	(865)	(667)	(508)	(408)	(334)
Total equity attributable to owners of the parent	11,373	13,436	9,659	7,678	6,564
Total movement in equity attributable to owners of the parent					
(Loss)/profit attributable to equity shareholders	(1,927)	4,060	1,427	858	1,063
Other equity movements	(136)	(283)	554	256	(84)

	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Data per ordinary share (pence)					
Earnings per share					
Basic earnings per share	(159.7)	339.0	124.1	79.3	105.4
Adjusted earnings per share – basic	31.0	29.1	25.4	24.4	23.4
Net assets per share basic					
Basic net assets per share	941	1,118	811	700	648
Adjusted NAV per share – diluted[1]	966	1,137	814	700	650
Dividend per share	26.3	24.3	22.1	20.7	18.8

1 Adjusted NAV is calculated in accordance with EPRA BPR guidelines and aligns with EPRA NTA metric that was introduced in 2020, the 2019 figure has been restated to align with this definition. 2018 Adjusted NAV is based on EPRA NAV previously reported and have not been restated.

2 Net solar income is calculated as Solar energy income shown in Note 4, less Solar energy shown in Note 5.

3 The composition of gross and net rental income has changed in 2022 to provide a better measure of the underlying rental income from the property portfolio. Management and development fee income; service charge income and expense; and solar energy income and expense are now presented outside of gross and net rental income. Details of the change is disclosed further in Note 4 and 5. Service charge income is netted against the equal and opposite service charge expense and are not shown as separate line items in the table above. There is no impact on Adjusted operating profit before interest and tax from this change and the prior period comparatives in the table above have been represented to reflect this change.

Further information

Financial calendar and shareholder information

FEBRUARY 2023		
Announcement of Full-Year Results:		17 February 2023
Payment:	6¾ per cent bonds 2024 interest	23 February 2023
MARCH 2023		
Ex-dividend date for final dividend:	Dividend	16 March 2023
Record date:	Dividend	17 March 2023
APRIL 2023		
Final date for Scrip election:	Dividend	12 April 2023
Annual General Meeting:		20 April 2023
MAY 2023		
Payment:	Dividend	4 May 2023
JUNE 2023		
Payment:	5¾ per cent bonds 2035 interest	20 June 2023
JULY 2023		
Announcement of Half-Year Results:	Provisional	27 July 2023
AUGUST 2023		
Payment:	6¾ per cent bonds 2024 interest	23 August 2023
SEPTEMBER 2023		
Payment:	Property Income Distribution and/or Dividend	September 2023
OCTOBER 2023		
Payment:	2⅜ per cent bonds 2029 interest	11 October 2023
Payment:	2⅞ per cent bonds 2037 interest	11 October 2023
DECEMBER 2023		
Payment:	5⅛ per cent bonds 2041 interest	6 December 2023

Recent share history of the Company

- On 2 September 2016, the Company placed 74,770,950 new ordinary shares at a price of 435 pence by way of an equity placing. The shares were issued and admitted to the Official List of the Financial Conduct Authority and to trading on the main market for listed securities of the London Stock Exchange plc on 6 September 2016. Total gross proceeds of approximately £325 million were raised from the placing.
- On 10 March 2017, a Rights Issue was announced on the basis of one new share for every five shares held on 8 March 2017 at a subscription price of 345 pence per share. 166,033,133 new ordinary shares were issued and admitted to the Official List of the Financial Conduct Authority and to trading on the main market for listed securities of the London Stock Exchange plc on 28 March 2017. Total gross proceedings of approximately £573 million were raised from the Rights Issue.
- On 15 February 2019, the Company placed 71,000,000 new ordinary shares at a price of 635 pence by way of an equity placing. The shares were issued and admitted to the Official List of the Financial Conduct Authority and to trading on the main market for listed securities of the London Stock Exchange plc on 19 February 2019. Total gross proceeds of approximately £451 million were raised from the placing.
- On 10 June 2020, the Company placed 82,926,829 new ordinary shares at a price of 820 pence by way of an equity placing. The shares were issued and admitted to the Official List of the Financial Conduct Authority and to trading on the main market for listed securities of the London Stock Exchange plc on 12 June 2020. Total gross proceeds of approximately £680 million were raised from the placing.

Shareholder information

Shareholder enquiries

If you have any questions about your shareholding or if you require further guidance (e.g. to notify a change of address) please contact our Registrar:

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Telephone +44 (0)371 3842 186 (or +44 (0)121 4150 141 from overseas).

Alternatively, you can check your shareholding and access dividend information by registering for a Shareview portfolio at www.shareview.co.uk, or you can securely send queries via the website by visiting https://help.shareview.co.uk.

Electronic communications

Shareholders have the opportunity to elect to receive shareholder communications electronically, e.g. Annual Reports, Notice of the Annual General Meeting and Proxy Forms. You can elect to receive email notifications of shareholder communications by registering for a Shareview portfolio at www.shareview.co.uk, where you can also submit proxy votes for shareholder meetings and update your bank details for dividend payments (see below). Receiving the Company's communications electronically allows the Company to communicate with its shareholders in a more environmentally friendly, cost effective and timely manner.

AGM

The 2023 AGM will be held at 11.00 a.m. on 20 April 2023 at RSA House, 8 John Adam Street, London WC2N 6EZ.

Please check our 2023 Notice of Meeting for the most up to date information. Shareholders are also advised to check our website which will be updated if there are any changes to the arrangements.

ShareGift

ShareGift is a charity (registered under the name The Orr Mackintosh Foundation, registered charity number 1052686) which specialises in accepting donations of small numbers of shares which are uneconomic to sell on their own. Shares which have been donated to ShareGift are aggregated and sold when practicable, with the proceeds passed on to a wide range of UK charities. ShareGift can also help with larger donations of shares. Further details about ShareGift can be obtained from its website at www.sharegift.org or by writing to ShareGift at ShareGift, PO Box 72253, London, SW1P 9LQ, email: help@sharegift.org, telephone: +44 (0)207 930 3737.

Dividends

A requirement of the REIT regime is that a REIT must distribute to shareholders by way of dividend at least 90 per cent of its profits from its tax-exempt UK property rental business (calculated under UK tax principles after the deduction of interest and capital allowances and excluding chargeable gains). Such distributions are referred to as Property Income Distributions, or PIDs. Any further distributions may be paid as ordinary dividends, which are derived from profits earned by its UK, non-REIT taxable business, as well as its overseas operations (including the SIIC in France and SOCIMI in Spain).

Withholding tax – PIDs

SEGRO is required to withhold tax at source from its PIDs at the basic tax rate (20 per cent). UK shareholders need take no immediate action (unless they qualify for exemption as described below) and will receive with each dividend payment a tax deduction certificate stating the amount of tax deducted.

UK shareholders who fall into one of the classes of shareholder able to claim an exemption from withholding tax may be able to receive a gross PID payment if they have submitted a valid relevant Exemption Declaration form, either as a beneficial owner of the shares, or as an intermediary if the shares are not registered in the name of the beneficial owner, to Equiniti. The Exemption Declaration form is available at www.SEGRO.com under Investors/Shareholder Information/REIT. A valid declaration form, once submitted, will continue to apply to future payments of PIDs until rescinded, and so it is a shareholder's responsibility to notify SEGRO if their circumstances change and they are no longer able to claim an exemption from withholding tax.

Shareholders resident outside the UK may be able to claim a full or partial refund of withholding tax (either as an individual or as a company) from HMRC, subject to the terms of a double tax treaty, if any, between the UK and the country in which the shareholder is resident.

Ordinary dividends

Ordinary, non-PID dividends will be treated in exactly the same way by shareholders as ordinary dividends paid before the Company became a REIT. From 6 April 2016 the notional 10 per cent tax credit has been abolished and replaced with a tax-free dividend allowance, which will apply to the ordinary, non-PID dividends received by UK resident shareholders who are subject to UK income tax. This allowance does not apply to the PID element of dividends. Further information is available from HMRC at https://www.gov.uk/tax-on-dividends.

Chequeless dividends from January 2021

Since January 2021, SEGRO has withdrawn the option for shareholders to receive payments by cheque. Receiving dividends, and other payments, by direct credit rather than cheque is a more efficient, secure, and environmentally friendly method of payment.

To continue to receive dividends, and any other money payable to you in connection with your SEGRO plc shares, you will need to provide your bank or building society account details so that payments can be made to your nominated account by direct credit.

If you have not already provided your details you can do so online through the Shareview portfolio, or, for sole holders with 2,500 or fewer shares, by contacting Equiniti (details above).

Scrip Dividend

Shareholders approved the re-introduction of a scrip dividend option (Scrip) in respect of cash dividends (including those treated as Property Income Distributions) at the 2021 AGM.

Subject to the Board deciding to offer a Scrip, the Scrip runs for three years ending on the earlier of 21 April 2024 and the 2024 AGM. It allows shareholders who elect to receive it, to take their final and interim dividends in shares rather than cash. Details of the Scrip, together with information on how shareholders can elect to receive it are available on the Company's website www.SEGRO.com.

Glossary of terms

Associates: An entity in which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20 per cent and 50 per cent of the voting rights.

BREEAM: BREEAM provides sustainability assessment and certification for real estate assets.

Completed portfolio: The completed investment properties and the Group's share of joint ventures and associates' completed investment properties. Includes properties held throughout the period, completed developments and properties acquired during the period.

Covered land: Income-producing assets acquired with the explicit intention to redevelop them in the short to medium term.

Development pipeline: The Group's current programme of developments authorised or in the course of construction at the Balance Sheet date (Current Pipeline), together with potential schemes not yet commenced on land owned or controlled by the Group (Future Pipeline).

EPRA: The European Public Real Estate Association, a real estate industry body, which has issued Best Practices Recommendations in order to provide consistency and transparency in real estate reporting across Europe.

ESG: Environmental, Social and Governance issues.

Estimated cost to completion: Costs still to be expended on a development or redevelopment to practical completion, including attributable interest.

Estimated rental value (ERV): The estimated annual market rental value of lettable space as determined biannually by the Group's valuers. This will normally be different from the rent being paid.

Gearing: Net borrowings divided by total shareholders' equity excluding intangible assets and deferred tax provisions.

GRESB: An organisation which provides independent benchmarking of ESG metrics for the property industry.

Gross rental income: Contracted rental income recognised in the period in the Income Statement, including surrender premiums. Lease incentives, initial costs and any contracted future rental increases are amortised on a straight-line basis over the lease term.

Headline rent: The annual rental income currently receivable on a property as at the Balance Sheet date (which may be more or less than the ERV) ignoring any rent free period.

Hectares (Ha): The area of land measurement used in this analysis. The conversion factor used, where appropriate, is 1 hectare = 2.471 acres.

IAS: International Accounting Standards, the standards under which SEGRO reports its financial accounts.

IFRS: International Financial Reporting Standards, the standards under which SEGRO reports its financial accounts.

Investment property: Completed land and buildings held for rental income return and/or capital appreciation.

Joint venture: An entity in which the Group holds an interest and which is jointly controlled by the Group and one or more partners under a contractual arrangement whereby decisions on financial and operating policies essential to the operation, performance and financial position of the venture require each partner's consent.

Life cycle assessments: Life cycle assessment (LCA) is a methodology for assessing the environmental impacts associated with all the stages of the life cycle of a building.

Loan to value (LTV): Net borrowings excluding capitalised transaction costs divided by the carrying value of total property assets (investment, owner occupied, trading properties and, if appropriate, assets held for sale on the Balance Sheet) and excludes head lease ROU asset. This is reported on a 'look-through' basis (including joint ventures and associates at share).

MSCI: MSCI Real Estate calculates indices of real estate performance around the world.

Net initial yield: Passing rent less non-recoverable property expenses such as empty rates, divided by the property valuation plus notional purchasers' costs. This is in accordance with EPRA's Best Practices Recommendations.

Net rental income: Gross rental income less ground rents paid, net service charge expenses and property operating expenses.

Net true equivalent yield: The internal rate of return from an investment property, based on the value of the property assuming the current passing rent reverts to ERV and assuming the property becomes fully occupied over time. It assumes that rent is received quarterly in advance.

Passing rent: The annual rental income currently receivable on a property as at the Balance Sheet date (which may be more or less than the ERV). Excludes rental income where a rent free period is in operation. Excludes service charge income (which is netted off against service charge expenses).

Pre-let: A lease signed with an occupier prior to commencing construction of a building.

REIT: A qualifying entity which has elected to be treated as a Real Estate Investment Trust for tax purposes. In the UK, such entities must be listed on a recognised stock exchange, must be predominantly engaged in property investment activities and must meet certain ongoing qualifications. SEGRO plc and its UK subsidiaries achieved REIT status with effect from 1 January 2007.

Rent-free period: An incentive provided usually at commencement of a lease during which a customer pays no rent. The amount of rent free is the difference between passing rent and headline rent.

Rent roll: See Passing Rent.

SELP: SEGRO European Logistics Partnership, a 50-50 joint venture between SEGRO and the Public Sector Pension Investment Board (PSP Investments) established in 2013 to own big box warehouses in Continental Europe.

Glossary of terms
continued

SIIC: Sociétés d'investissements Immobiliers Cotées are the French equivalent of UK Real Estate Investment Trusts (see REIT).

Speculative development: Where a development has commenced prior to a lease agreement being signed in relation to that development.

SPPICAV: Société de Placement à Prépondérance Immobilière à Capital Variable is a French equivalent of UK Real Estate Investment Trusts (see REIT).

Square metres (sq m): The area of buildings measurements used in this analysis. The conversion factor used, where appropriate, is one square metre = 10.7639 square feet.

Takeback: Rental income lost due to lease expiry, exercise of break option, surrender or insolvency.

Topped up net initial yield: Net initial yield adjusted to include notional rent in respect of let properties which are subject to a rent free period at the valuation date. This is in accordance with EPRA's Best Practices Recommendations.

Total accounting return (TAR): A measure of the Group's return, calculated as the change in adjusted NAV per share during the period adding back dividends paid during the period expressed as a percentage of adjusted NAV per share at the beginning of the period.

Total property return (TPR): A measure of the ungeared return for the portfolio and is calculated as the change in capital value, less any capital expenditure incurred, plus net income, expressed as a percentage of capital employed over the period concerned, as calculated by MSCI Real Estate and excluding land.

Total shareholder return (TSR): A measure of return based upon share price movement over the period and assuming reinvestment of dividends.

Trading property: Property being developed for sale or one which is being held for sale after development is complete.

Yield on cost: The expected gross yield based on the estimated current market rental value (ERV) of the developments when fully let, divided by the book value of the developments at the earlier of commencement of the development or the balance sheet date plus future development costs and estimated finance costs to completion.

Yield on new money: The yield on cost excluding the book value of land if the land is owned by the Group in the reporting period prior to commencement of the development.

Forward-Looking Statements

The Annual Report contains certain forward-looking statements with respect to SEGRO's expectations and plans, strategy, management objectives, future developments and performances, costs, revenues and other trend information. All statements other than historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are statements of future expectations and these are subject to assumptions, risks and uncertainties. Many of these assumptions, risks and uncertainties relate to factors that are beyond SEGRO's ability to control or estimate precisely and which could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Certain statements have been made with reference to forecast process changes, economic conditions and the current regulatory environment. Any forward-looking statements made by or on behalf of SEGRO are based upon the knowledge and information available to Directors on the date of this Annual Report. Accordingly, no assurance can be given that any particular expectation will be met and SEGRO's shareholders are cautioned not to place undue reliance on the forward-looking statements. Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. The information contained in this Annual Report is provided as at the date of this Annual Report and is subject to change without notice. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority), SEGRO does not undertake to update forward-looking statements including to reflect any new information or changes in events, conditions or circumstances on which any such statement is based. Past share performance cannot be relied on as a guide to future performance. Nothing in this Annual Report should be construed as a profit estimate or forecast.

The information in this Annual Report does not constitute an offer to sell or an invitation to buy securities in SEGRO plc or an invitation or inducement to engage in or enter into any contract or commitment of other investment activities.

Find out more

Go Online

To keep up to date with SEGRO, you can source facts and figures about the Group through the various sections on our website and sign up for email alerts for fast communication of breaking news.

Financial reports, shareholder information and property analysis are frequently updated and our current share price is always displayed on the Home Page.

As well as featuring detailed information about available property throughout the portfolio, www.SEGRO.com now also includes a dedicated property search function making it easy for potential customers, or their agents, to find business space that fits their requirement exactly. SEGRO's performance in areas such as sustainability and customer care are also featured on the site, www.SEGRO.com.

We would encourage shareholders to consider electing to receive shareholder communications, including the Annual Report and Accounts, electronically as set out on page 212. As part of our commitment to become net-carbon neutral by 2030, we want to reduce the amount of paper we use.

Other Publications

Additional disclosures on our property portfolio can be found in the 2022 Property Analysis Report at www.SEGRO.com.

Our ESG policies, reporting guidelines, assurance statements and further case studies can be found at www.SEGRO.com/responsiblesegro.

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