Enabling extraordinary things

SEGRO

Annual Report
& Accounts 2023

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 2023 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 2023 and both versions are available on the Company's website.

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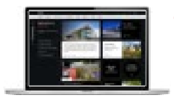
Responsible SEGRO
For more information on Responsible SEGRO go to page 23



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

The Directors present the Annual Report for the year ended 31 December 2023, 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 107 to 130 inclusive comprise the Directors' Remuneration Report and pages 131 to 132 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 page 198.

What we do

SEGRO owns, manages and develops modern and sustainable warehouse space across Europe.

Our portfolio includes both urban and big box warehouses*.

Urban warehouses

66%
asset type by value

Urban warehouses are located in, or close to, population centres and business districts and provide flexible space suitable for a wide-range of activities. They are used by a variety of businesses who need rapid access to end customers, as well as labour. They are generally situated close to main roads and public transport.

Big box warehouses

32%
asset type by value

Big box warehouses are typically used for storage and processing of goods for regional, national and international distribution and are much larger 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.

*Other 2% – includes offices and retail uses such as trade counters, car showrooms and self storage facilities

Responsible SEGRO as a key part of our future success

How this works for our business

Responsible SEGRO is embedded into the day-to-day running of our business and all of our decision making. This helps us to ensure that our business remains fit for the future and delivers long-term benefits for all of our stakeholders.

Scan the QR code to watch our video and learn more about our business

www.segro.com/ara23/what-we-do

We create the space that enables extraordinary things to happen.

How our governance activities enable extraordinary things

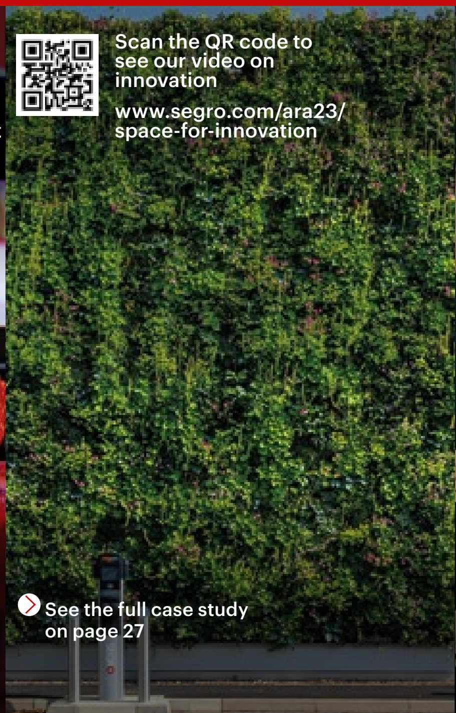
Space for talent

Scan the QR code to see our video on talent

www.segro.com/ara23/space-for-talent

See the full case study on page 22

Space for innovation



Scan the QR code to see our video on innovation

www.segro.com/ara23/space-for-innovation

See the full case study on page 27

Space for community

Scan the QR code to see our video on community

www.segro.com/ara23/space-for-community

See the full case study on page 30

Space for collaboration

Scan the QR code to see our video on collaboration

www.segro.com/ara23/space-for-collaboration

See the full case study on page 38

Space for growth

Scan the QR code to see our video on growth

www.segro.com/ara23/space-for-growth

See the full case study on page 46

Our 2023 highlights

Delivering value for all of our stakeholders.

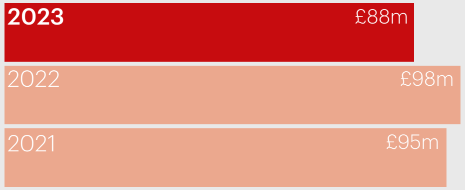
A strong operating performance and excellent progress with our Responsible SEGRO targets.

Responsible SEGRO is part of everything we do

New headline rent contracted

£88m

2022: £98m



Development completions

625,700 sq m

2022: 639,200 sq m

Net investment

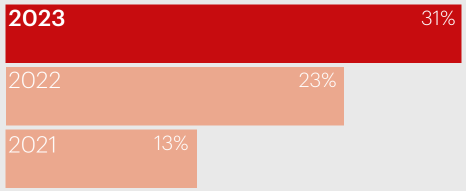
£575m

2022: £1.3bn

Uplift from rent reviews and renewals

31%

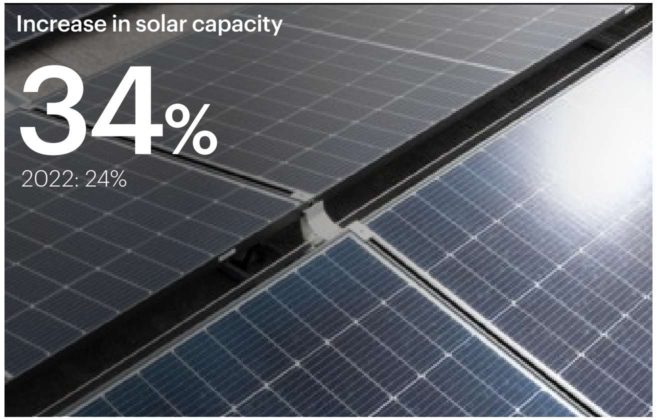
2022: 23%



Increase in solar capacity

34%

2022: 24%



Employee volunteering days

707

2022: 387

Customer satisfaction

86%

2022: 85%

Visibility of customer emissions

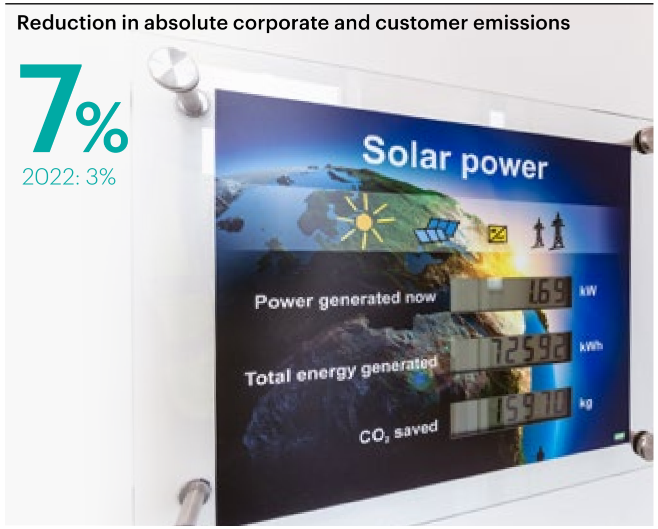
81%

2022: 68%

Reduction in absolute corporate and customer emissions

7%

2022: 3%



Employee engagement

89%

2022: 91%

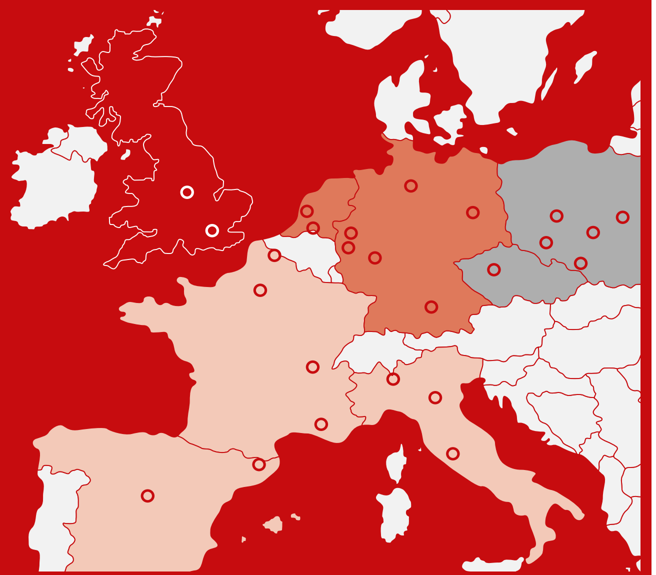
Where we do it and who we do it for

Our market-leading operating platform supports our customers across Europe, using local insights and data to identify emerging trends.

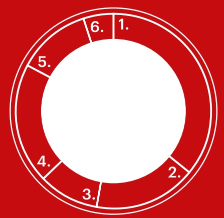
Our portfolio is located in densely populated and supply-constrained cities, as well as key transportation corridors and logistics hubs across eight European countries.

Our prime portfolio supports key European markets and industries

The composition 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 in each of our key regions supplement their local knowledge with our real-time location scoring data tool, which incorporates thousands of data points across an ever-evolving European market.



Geographical split by value (SEGRO share)



1	Greater London	34%
2	Thames Valley	18%
3	National Logistics	11%
4	Southern Europe	20%
5	Northern Europe	12%
6	Central Europe	5%

A diverse and growing customer base

Our warehouses are used by a diverse customer base, spanning a wide range of industries.

Transport and logistics	23%
Retail (physical, online and hybrid)	20%
Food and general manufacturing	16%
Technology, media and telecoms	11%
Post and parcel delivery	9%
Wholesale distribution	8%
Services and utilities	6%
Other	7%

SEGRO Logistics Park East Midlands Gateway

Our top 20 customers

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

Scan the QR code to watch our video and see some of the extraordinary things that happen in the spaces we create.

www.segro.com/ara23/extraordinary

Investment case

SEGRO is structurally advantaged to outperform.

Active in a sector where demand is fuelled by supportive structural drivers but competing supply is restricted. Our prime portfolio, sizeable land bank, market-leading operating platform and strong balance sheet create a compelling competitive advantage. We have the potential to more than double our rent roll through the active asset management of our portfolio and building out our land bank. Added to this, our continued focus on Responsible SEGRO ensures we are creating long-term value for all of our stakeholders.

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

34
different sectors supported

Prime portfolio of existing assets
One of the most modern and sustainable pan-European portfolios focused on the most attractive European markets

£20.7bn
Assets under Management

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

66%
of our portfolio is in supply constrained urban areas

Exceptional land bank for development
Our extensive land bank is a rare and valuable asset 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

£392m
of potential rent from our land bank

Market-leading pan-European operating platform
Our teams on the ground in each market build close relationships with our customers and other business partners, helping us to drive value and create new opportunities

19
offices in 8 countries

Strong balance sheet
A balance sheet with modest leverage and a diverse, long-duration debt profile that provides us with plenty of firepower

34%
Loan to value ratio

Strategic report

Quick links

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 responsibility that goes beyond the space we own continues to differentiate us.

Market overview

Our business performance is driven by both cyclical and structural factors. The investment market remains cyclical but the occupier market continues to be supported by long-term structural trends, which are resulting in resilient levels of occupier demand.

Find out more on page 12

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, Chief Executive

Find out more on page 16

Our strategy

Our clear and consistent strategy is central to our ambition of becoming the best property company.

Find out more on page 20

Responsible SEGRO

Responsible SEGRO lies at the heart of our strategy. It focuses on three 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.

RESPONSIBLE SEGRO

Find out more about Responsible SEGRO on page 23

A Q&A with our CEO

Our long-standing disciplined approach to portfolio management means that SEGRO has one of the best and most modern pan-European industrial and logistics portfolios.

David Sleath, Chief Executive

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

David Sleath covers the following topics:

- SEGRO's performace in 2023
- Enduring structural tailwinds benefiting the industrial and logistics sector
- How the users of industrial space have changed over the past decade
- Three things that are underappreciated about SEGRO
- Priorities for 2024

Scan here to see the video.

www.segro.com/ara23/David-Sleath

Chief Executive's statement

We continue to create the space that delivers growth.

Delivering increased dividends

27.8p

SEGRO has delivered a strong operational performance during 2023, throughout a period of ongoing geopolitical and macroeconomic uncertainty. We have continued to focus on delivering excellent customer service; actively asset managing our portfolio; reducing our carbon footprint; and tactically adapting our capital allocation to reflect current financial conditions.

Our market-leading operating platform, with in-house property expertise in all of our local markets, ensures we keep close to our customers, develop local stakeholder relationships and provides us with critical insights to help identify attractive opportunities and optimise performance from our portfolio. This platform has enabled us to deliver another set of strong operating metrics, which led to continued growth in both Adjusted earnings and dividends.

Highlights of the year included:

- £88 million of new rent contracted, close to our 2022 record year which benefited from exceptional occupier demand during the pandemic;
- Significant success capturing rental reversion, with a 31 per cent uplift in rent from reviews and renewals, whilst maintaining high levels of customer retention at 81 per cent, illustrating that our customers are prepared to pay higher rents to occupy the best-located, modern and sustainable space. This helped us to deliver like-for-like net rental income growth of 6.5 per cent;
- Development completions delivering £50 million of potential headline rent, 92 per cent of which have been, or are designed to be, certified at least BREEAM 'Excellent' (or local equivalent);
- Outperforming our carbon-reduction targets with a further reduction in the average carbon intensity in our development programme and significant progress in gaining visibility of, and influencing, the carbon emissions of our customers;
- Good progress with our Community Investment Plans, providing tangible economic and social benefits for thousands of people in the communities closest to our assets.

Financially we are pleased to report a 5.5 per cent increase in Adjusted earnings per share and we are therefore recommending a 5.7 per cent increase in the total distribution to our shareholders to 27.8 pence for 2023 (2022: 26.3 pence) through payment of a 19.1 pence per share final dividend.

Adjusted net asset value per share was down 6.1 per cent to 907 pence (31 December 2022: 966 pence), reflecting a 4.0 per cent like-for-like portfolio valuation decline (2022: 11.0 per cent decline), as a result of interest rate-driven yield expansion. This was partly offset by rental value (ERV) growth of 6.0 per cent, resulting from asset management initiatives and by development profits.

I would like to thank everyone at SEGRO for their contributions to our 2023 performance. In what have been more challenging market conditions, these results are a testament to the successful reshaping of our portfolio and balance sheet over the past decade; the strong relationships that we have built with our customers; and the continued focus of our team on delivering benefits for all of our stakeholders.

A year of continued occupier demand in the industrial and logistics sector

During 2023, occupier demand in the industrial and logistics sector normalised close to pre-pandemic levels of take-up, proving resilient in the face of cost challenges (rising input costs, wage inflation and higher interest rates) and macroeconomic headwinds faced both by consumers and businesses.

We believe this level of activity demonstrates the enduring strength of the structural tailwinds which have been driving occupier demand over recent years and will continue to do so. These include the explosion of data and the digitalisation of businesses and society, including continued growth in e-commerce volumes and of demand for data centres; supply chain optimisation to drive cost savings, improve customer service and provide greater resilience; increased focus on sustainability; and urbanisation – the long-term trend for urban population growth which creates greater demand for warehouse space, whilst reducing the supply of available land.

These trends highlight both the changing nature of our customer base, and a fundamental change in the way industrial logistic space is used. Today it represents part of the critical infrastructure of businesses providing a range of goods and services which are essential to the smooth running of the economy and supporting our day-to-day lives.

For users of industrial and logistics space, location is critical to the success of their operations. They are increasingly seeking modern, flexible and highly sustainable space to improve operational efficiency and to attract talent in a competitive labour market. Beyond the typical users such as manufacturers, retailers and third-party logistics operators, modern warehouse space is used by data centres, digital content producers, healthcare and life sciences as well as a huge array of other businesses that provide essential goods and services to our towns and cities. Our buildings are essential to support the growth, productivity and competitiveness of our economies.

New supply to meet this broad demand is restricted by the low levels of land available for new development across Europe, especially in the major cities in which we operate, where public policy and restrictive planning regimes give housing preference over industrial usage and severely limit the release of green belt land. In the immediate-term, financial market conditions are also restricting the supply of new space, with tighter (and more expensive) capital availability resulting in a reduction of speculative construction starts and less competition. This should play in the favour of market participants such as SEGRO who have prime portfolios, focus on total returns over a multi-year period and are supported by strong balance sheets.

As a result of continuing occupier demand and limited new supply, market vacancy rates remain low by any historical standard in our key markets at four to six per cent. Average country-level vacancy rates, which are above this range in Spain and Poland, hide significant disparities in regional supply and, importantly, the quality of available stock. Not all warehouse space is equal: there are older buildings and estates in secondary locations that do not compete directly with the quality of space provided by SEGRO.

Laser-focused strategy execution

We have long followed a clear and consistent strategy comprised of Disciplined capital allocation and Operational excellence, underpinned by an Efficient financial and corporate structure and a commitment to making a significant social and environmental contribution through our Responsible SEGRO approach.

In a higher interest rate and inflationary environment, taking a disciplined and thoughtful approach to capital allocation has never been more important. Recognising that capital is more scarce and more expensive for all market participants, we increased our return requirements for all investment opportunities, focusing our efforts on those projects with the best risk-adjusted returns. With development, we have continued to favour pre-let projects, remaining prudent in only bringing forward speculative schemes in markets with the tightest supply and the deepest demand. In some cases, we have sold selective land plots to key customers to develop themselves. During 2023, we sought to match a substantial proportion of our development expenditure with sales proceeds, and we were pleased to complete total sales of £356 million significantly ahead of book value.

As a result, our balance sheet remains in great shape, with moderate leverage and no near-term refinancing requirements, helping to ensure we have an efficient capital structure with capacity to continue investing in the most attractive investment opportunities as we move forward in 2024.

Operational excellence has also remained a key focus: delivering superior customer service; actively managing our portfolio to capture reversion; creating value through asset management initiatives and executing on our development pipeline efficiently and sustainably. Our operating results, once again, show the benefits of this strategy in action, despite the more challenging macroeconomic environment.

2023 saw the retirement of our long-standing Chief Operating Officer, Andy Gulliford. Andy made a tremendous contribution to SEGRO since he joined the business in 2004 and particularly since becoming our COO in 2011.

Following Andy's retirement, we took the opportunity to change our organisational structure to reflect the increased scale and footprint of our business. The new structure provided opportunities to promote great talent from within the business, whilst ensuring that the leadership team has the right experience and capabilities to deliver SEGRO's strategic priorities and secure its ambitious plans for future growth. The main changes were:

- We have consolidated our six regional business units into two property businesses, each under a separate Managing Director – the UK and Continental Europe – enabling us to drive performance and consistency across the two businesses.
- We have appointed a Group Customer and Operations Director to further drive a high-level customer experience across the Group, and to ensure greater consistency of execution of several operational functions such as sustainability, health & safety and procurement.
- We also appointed a Chief of Staff to support the work of the Executive Committee, to drive progress around our core strategic priorities, including digital transformation, and new growth initiatives across the business in areas such as data centres and renewable energy.

Financial highlights[1]

Adjusted profit[2] before tax

£409m +6.0%

2022: £386m

Adjusted earnings per share[2]

32.7p +5.5%

2022: 31.0p

Adjusted NAV per share[2]

907p

2022: 966p

Portfolio value[3]

£17.8bn -4.0%

2022: £17.9bn

IFRS loss before tax

£263m

2022: £1,967m loss before tax

IFRS earnings per share

(20.7)p

2022: (159.7)p

IFRS NAV per share

886p

2022: 938p

Loan to value ratio

34%

2022: 32%

1 Proportionally consolidated figures and metrics: SEGRO owns assets both wholly itself and through stakes in 50-50 joint ventures. In the Financial Statements, the profit from joint ventures is stated as a single figure in the Income Statement and the net asset value of joint ventures is stated as a single equity figure on the Balance Sheet; Note 7 to the Financial Statements provides the component parts of these figures. In operational terms, SEGRO does not distinguish between assets held in joint ventures from those assets which are wholly-owned. Therefore, unless specifically stated, in the Strategic Report, performance metrics and financial figures are stated reflecting SEGRO's wholly-owned assets and its share of joint venture assets (known commonly as a 'proportionally consolidated' basis). Where the Strategic Report refers to the area of a property, it is stated at 100 per cent of the space, irrespective of whether the property is wholly-owned or held in a joint venture.

2 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. Pages 162-163 contain more information about the adjustments and the reconciliation of these to IFRS equivalents. SEGRO discloses EPRA alternative metrics on pages 186-192. Adjusted NAV per share is in line with EPRA NTA.

3 Percentage valuation movement during the period based on the difference between opening and closing valuations for all properties including buildings under construction and land, adjusting for capital expenditure, acquisitions and disposals. More details are provided on page 36 and Table 3 in the Supplementary Notes.

Chief Executive's statement continued

I am very pleased that we were able to fill these roles from our internal pool of talent, and I am very much enjoying the fresh perspective and additional debate that our new and expanded Executive Committee offers.

Responsible SEGRO remains a key priority and we continue to work hard towards achieving the challenging targets that we have set ourselves. Reducing our own carbon footprint, increasing our solar capacity and the energy efficiency of our buildings remains a key focus for all of our stakeholders and it is of growing relevance to property occupiers and investors, felt through both rental and capital values. We made good progress in 2023 towards our mid-term carbon reduction goals, but we still have some way to go to become a net-zero enterprise.

Our Community Investment Plans are gaining traction and are having a real impact on the communities near our assets, embedding our buildings as local centres of economic success, helping to create opportunities for local people and improving the environment and local amenities for local residents.

Finally, our success in developing and promoting colleagues across the Group shows the importance of Nurturing talent. We continue to strive to ensure that SEGRO provides a fulfilling and rewarding place to work, offers an inclusive environment and equal opportunities for all. We are working hard towards becoming a more diverse and representative organisation and although we are gender diverse at a Group level, we are not satisfied with the current levels of gender and ethnic diversity in more senior roles and recognise that we still have some way to go. For this reason, we have set ourselves stretching targets to improve diversity in senior leadership roles to 40 per cent women by 2025 and 15 per cent ethnic minorities by 2027 (currently 33 and 5 per cent).

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

1 SEGRO Park Greenford North

1


Positioning our business for long-term success

Last year we launched a new and bolder ambition, to be the best property company. We focused on this ambition at our Group Conference in September, while getting the whole company together for the first time since the pandemic. We discussed how, by challenging ourselves to search for excellence in every aspect of our business, we can drive SEGRO to achieve even more success in the decade ahead than we have in the past ten years. This ambition will drive us to keep one eye on the continuously changing horizon, think outside the box, innovate, search for new ways of serving our customers, challenge market norms and seek to remain one step ahead of the competition in our markets.

There are a number of areas that we are prioritising to help us achieve this:

- We remain focused on developing outstanding customer relationships, built upon a consistent, high-level experience through every aspect of the customers' journey with us. The more we can create genuine long-term partnerships with our customers, the better we can anticipate future trends, identify new opportunities and help them achieve their goals.
- In parallel, we are sourcing and analysing data to gain valuable insights into our markets to enhance decision-making and keep us one step ahead of our peers. Our focus on strategic active asset management has helped to shape, and drive value from, our prime portfolio, but we want to harness these insights to ensure we maximise long-term performance and create exceptional opportunities for growth. We are also dedicating time to investigate potential ways of accelerating this growth, such as new business areas, strategic partnerships and other opportunities to create value.
- We are creating a culture of continuous change and improvement in our processes, our ways of working and our digital and technological capabilities to help us become more efficient as a business, allowing us to improve productivity and maximise the talents of our employees.

2


3


2 SEGRO Logistics Centre Tilburg

3 SEGRO Park Le Thillay

– We cannot be the best property company without a strong social responsibility and a compelling offering to our wider stakeholders. Our focus on Championing low-carbon growth, Investing in our local communities and environments and Nurturing talent are parts of our DNA, increasingly embedded within our day-to-day activities and other strategic priorities.

Together, we believe that these priorities will ensure that we continue to deliver on our Purpose of creating the space that enables extraordinary things to happen, and fulfil our ambition to be the best property company.

Outlook

SEGRO has one of the highest quality, best located and most modern pan-European industrial warehouse portfolios, with a diverse customer base. Our strategic focus is to ensure that our properties are located in the most supply constrained locations and are of a standard that makes them highly appealing to occupiers - and are therefore able to generate superior long-term rental growth and overall performance.

As we progress through 2024, whilst macroeconomic and geopolitical uncertainty remain elevated, we note that inflation has fallen sharply over recent months and capital market pricing is now implying that interest rates have peaked. If sustained, this provides a positive backdrop for a recovery of investment market sentiment as the year progresses.

Take-up levels are in line with or higher than pre-pandemic levels across our markets, supported by the key structural drivers of occupier demand which remain very much in evidence: data and digitalisation, supply chain optimisation, sustainability and urbanisation.

This gives us confidence in the outlook for continued rental growth in line with our medium-term guidance of two to six per cent per annum, particularly as supply remains restricted in the near-term due to low levels of vacancy and limited capital availability for developers; and in the longer-term as public policy, particularly in urban areas, continues to favour housing over industrial usage and severely restricts the use of greenbelt land.

£137 million of our future income growth is underpinned by rent reversion within our existing portfolio, approximately 20 per cent of our current rent roll. Most of this reversion is in the UK and will be captured by the five-yearly open market rent review process, whilst we will continue to benefit from index-linked uplifts on over half of our leases (mostly in Continental Europe).

Further, our high-quality land bank, with the potential to add over £390 million of rental income, provides us with the ability to meet occupier demand through further development. Projects within this land bank, as well as redevelopment opportunities within our existing portfolio such as on the Slough Trading Estate, combine to give the potential for 1.2 GW of new data centre capacity across 24 sites. Our strong balance sheet provides financial flexibility to invest at a time when construction costs are moderating, and supply of new competing product remains low. Development therefore continues to offer a profitable growth opportunity, as demonstrated with improving development yields of seven to eight per cent.

Overall, we believe the present market environment offers an attractive opportunity for profitable mid-term investment, including the ability to grow passing rents by more than 50 per cent over the next three years. SEGRO is therefore well-placed to deliver attractive returns and continued growth in earnings and dividends.

David Sleath
Chief Executive

See more on our strategy on page 20

Read more about our risk management on page 54

Find out more about Responsible SEGRO on page 23

Enabling extraordinary things:

Our new Executive Committee members

Introducing our new Executive Committee members who join David Sleath (CEO), Soumen Das (CFO) and Margaret Murphy (Group HR Director) to drive our strategy and lead the day-to-day running of our business.

1 James Craddock, Managing Director, UK
James leads SEGRO's property business across the UK. James has been at SEGRO for nine years. Prior to this role he led our Thames Valley Business Unit and before that ran our Park Royal portfolio in West London.

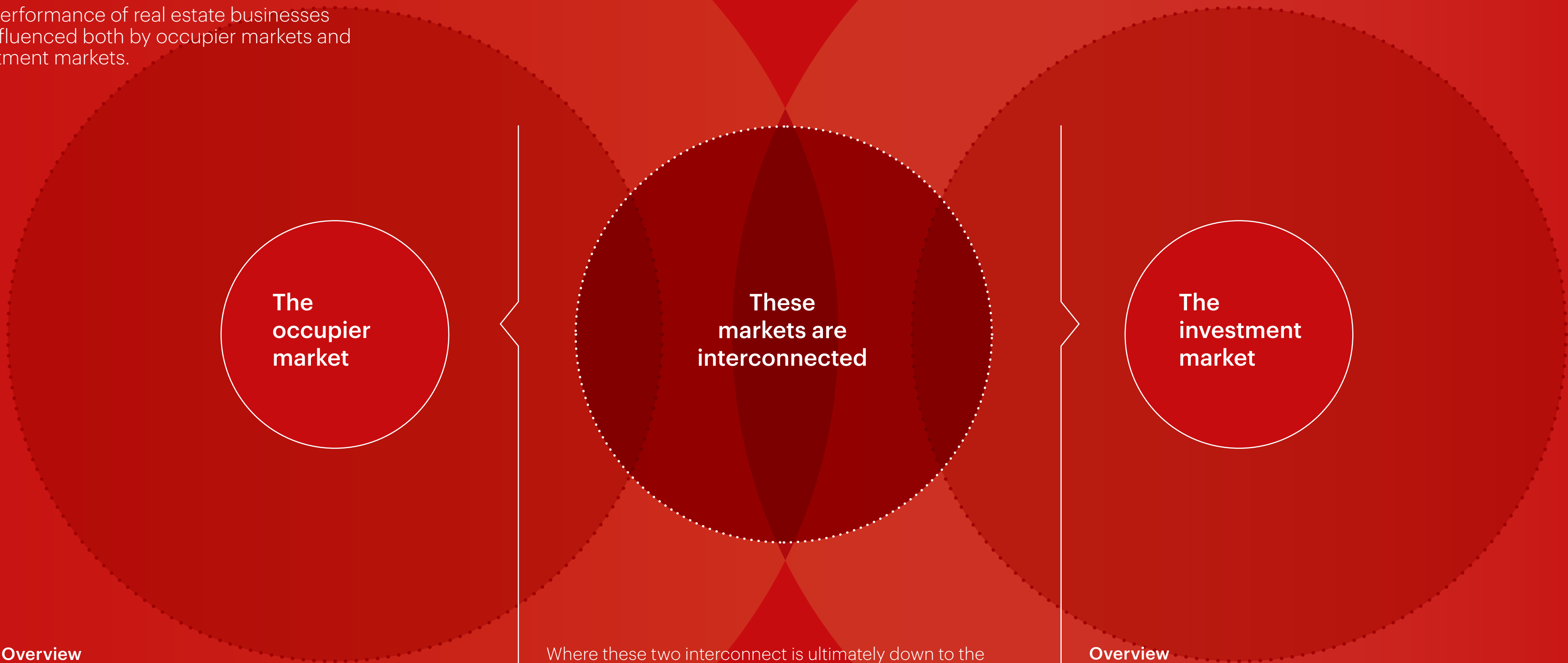
2 Paul Dunne, Group Customer and Operations Director
Paul represents the voice of our customer in our Executive Committee. Alongside this he is responsible for setting standards, developing strategy and ensuring consistency across Group Operations, including driving our sustainability agenda. Paul has been at SEGRO for three years. In his previous roles he managed and transformed supply chains for multi-national companies, including in the retail, FMCG and automotive sectors.

3 Marco Simonetti, Managing Director, Continental Europe
Marco leads SEGRO's property business across our seven Continental European markets. Marco has been at SEGRO for 16 years. Prior to this role Marco headed up our Southern European Business Unit and before that ran our Italian portfolio.

4 Andrew Pilsworth, Chief of Staff
Andrew works closely with our CEO and other Executive Committee members in developing and implementing strategic initiatives and leading a variety of cross-border business propositions. Andrew has worked at SEGRO for 14 years. In his prior role he led our National Logistics Business Unit and, before that, worked in Finance roles, including as our Director of Finance.

Market overview

The performance of real estate businesses are influenced both by occupier markets and investment markets.



Overview
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.

Outside factors that drive the market
Supply and demand can be driven by cyclical factors such as the macroeconomic environment, for example economic growth, but also structural factors which can drive continued demand throughout the economic cycle.

How this influences our performance
The occupier market affects our ability to grow rents and therefore deliver growth in earnings and dividends.

Where these two interconnect is ultimately down to the importance of cashflow in the real estate sector, i.e. the rental income expected to be recevied from the buildings. If occupier markets are strong and rental income is growing, investors may 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. This was the case during 2023 where we have seen resilience in our occupier markets, driven by structural drivers which helped to offset macroeconomic weakness, but investment markets have been weaker driven by uncertainty around inflation and interest rates.

Overview
The investment market is influenced by the relative attractiveness of real estate as an asset class versus other potential investments, for example cash, corporate and government bonds and equities. Real estate is typically seen as having some bond-type characteristics, long-term and relatively low-risk income streams (as leases on commercial property are signed for multiple years) but with the potential for that income to grow.

Outside factors that drive the market
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).

How this influences our performance
The investment market therefore has an impact on the value of our assets and the total returns from our portfolio.

Cyclical factors

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.

Macroeconomic uncertainty continued during 2023. Falling energy prices helped reduce inflation but GDP growth was low at less than one per cent (UK: 0.5 per cent, Eurozone 0.5 per cent). It is expected to improve during 2024 but growth will likely remain low (IMF expects UK and Eurozone GDP growth of 0.6 and 0.9 per cent respectively).

Occupier demand in 2023 remained resilient in the face of the uncertain macroeconomic environment, supported by the structural drivers at play in our sector. However, market take-up levels returned closer to pre-pandemic averages as some customers chose to delay their expansion plans in the light of the uncertainty around the future strength of consumer demand and also higher funding costs.

How SEGRO responded

We brought forward a lower amount of speculative development during 2023, focusing the majority of our new activity on signing pre-lets on land that we already own. Most of our competitors did the same which meant that speculative construction starts fell significantly. Market vacancy rates are therefore likely to stay low given the resilience of take-up, which bodes well for future rental growth.

Link to strategy:
Operational excellence, Disciplined capital allocation

Link to risk:
Macroeconomic (1) and major event (3)

Interest rate environment

Description

In response to elevated levels of inflation, central banks repeatedly increased interest rates during 2023, reaching levels not seen in over a decade (Eurozone 4.0 per cent, UK 5.25 per cent). The margin between government bond yields (the 'risk free benchmark') and property yields, that helps to determine the attractiveness of property assets to investors, has therefore reduced.

Uncertainty around the trajectory for rates also impacted property investment markets and resulted in low investment volumes. As a result industrial real estate yields moved out further and were between 4.3 and 6.3 per cent in our markets at the end of 2023.

Higher interest rates also result in a higher cost of debt which can make investments financed through debt (for example development) less profitable and on a corporate level can impact earnings growth.

How SEGRO responded

Market yield movements are largely outside of our control but we have focused our portfolio on the markets where we believe demand will be strongest and supply will remain limited. This should drive greater rental growth and long-term outperformance. The yield on our portfolio increased 50 basis points during 2023 (from 4.8 to 5.3 per cent) but six per cent estimated rental value growth helped to offset the impact of the yield movement.

We adjusted the hurdle rates on our investment decisions to ensure we focused on the most profitable development opportunities and increased disposals to part fund capex rather than issuing new debt.

Link to strategy:
Efficient capital and corporate structure, Disciplined capital allocation

Link to risk:
Financing (7), portfolio strategy (2)

Market overview continued

Geopolitical environment

Description
A stable geopolitical environment is important for businesses as it provides certainty and confidence when planning for the future.

The geopolitical environment remained uncertain during 2023 with continued impacts from the Russian invasion of Ukraine and also conflict in the Middle East.

Despite this, supply chain issues were largely resolved during the course of 2023 as alternative solutions were found. This helped to reduce the cost of the major raw materials used in our development programme (steel, cement, timber etc) and brought stability to construction cost inflation.

There are a number of other geopolitical situations across the globe that have the potential to cause further disruption and we will continue to keep a close eye on these. This uncertainty is likely to increase the focus of our customers on supply chain resilience (see structural drivers).

How SEGRO responded
We continued to work closely with our construction partners to manage the situation during 2023. The moderation of construction costs (and in some markets we have seen reductions) whilst rents have continued to grow has helped to improve the development yields for our pipeline.

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 was resilient during 2023 but take-up has returned to pre-pandemic averages across all of our markets. This combined with the completion of a relatively high number of development schemes has meant that vacancy levels increased across some markets from record low levels. They remain below longer-term averages, however, and the resilience of occupier demand meant that there continued to be sufficient tension between supply and demand for strong market rental growth.

In addition, SEGRO's portfolio is located in mostly supply constrained areas where there is lack of land and vacancy rates in our chosen sub-markets have therefore remained lower than market averages.

Increased build and finance costs as well as economic uncertainty meant that speculative construction starts fell significantly in 2023 (34 per cent in the UK according to Savills) so new supply should reduce and vacancy rates are likely to stay low if occupier demand remains resilient.

How SEGRO responded
We took a cautious approach to speculative development during 2023 and focused our efforts on mostly pre-let schemes. Rental growth was strong across our portfolio, particularly on the Continent where less new supply has been delivered.

Link to strategy:
Operational excellence,
Disciplined capital allocation

Link to risk:
Operational delivery (10)

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 behave. Entire industries are adapting and new ones are emerging as digital adoption accelerates.

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 e-commerce penetration rates are significantly above pre-pandemic trend levels. Most European markets are forecast to reach online sales penetration levels of close to or above 20 per cent by 2027. 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 and this has been further strengthened by the rise of Artificial Intelligence during 2023 and resulted in increased demand for data centre space.

How SEGRO responded
Our unique combination of big box and urban warehouses is ideally suited for businesses looking to adapt to an omni channel model so we continue to target retailers and third-party logistics operators for pre-lets. During 2023 we also expanded our data centre pipeline through the acquisition of a retail park in Slough and have identified several plots within our UK and Continental European land bank suitable for data centre development.

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.

How SEGRO responded
There is increased demand for modern, well-located warehousing for supply chain efficiency and future resilience. Our pan-European portfolio has assets located 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. We are actively targeting these customer types for pre-lets.

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, including 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.

Planning can also be more challenging in urban areas, particularly in our Inner City portfolios in London and Paris, due to a policy bias towards residential development.

How SEGRO responded
Two-thirds of our portfolio is in urban locations so we are well-positioned to benefit from this trend. We continue to think creatively to identify new opportunities and during 2023 started on our first underground logistics development in central Paris. Although we are currently undertaking less speculative development, we progressed several of our urban schemes through the planning process so that we can act quickly to bring these forward once approved, subject to market conditions.

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.

How SEGRO responded
We have continued to make good progress in our reduction of carbon emissions through both our development programme and our corporate and customer emissions. During 2023, 99 per cent of our development completions were BREEAM 'Very Good' or higher and we took back an increased amount of older space in London to refurbish to high levels of sustainability and improve operating efficiency. We also installed 15 MW of new solar capacity on our rooftops to provide our customers with renewable energy and reduce their carbon footprints.

Link to strategy:
Operational excellence, Disciplined capital allocation

Link to risk:
Portfolio strategy (2), Development (6)

1 SEGRO Logistics Park Oberhausen

2 SEGRO Park Greenford North

Find out more about Responsible SEGRO on page 23

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. The direction provided by our strategy and supported by our strong culture, help us deliver on our Purpose and create long-term value for all of our stakeholders.

What we need to enable extraordinary things to happen

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 Ambition
To be the best property company includes: driving long-term outperformance from our portfolio; delivering outstanding customer service; providing our employees with rewarding and fulfilling careers; and continually challenging ourselves to innovate and keep one step ahead of the competition in everything that we do. Ultimately, we want to be the partner of choice for all of our stakeholders.

Our Culture and Values
We have a special company culture that permeates throughout SEGRO based upon a care for our stakeholders and each other, and we have a mutual desire to create a successful business that we are proud of.

Our Values (and Purpose) were co-created with input from the entire workforce, have stood the test of time and underpin everything that we do. They are our core beliefs that guide our decision making, large and small and inform the ways in which we work together to make things happen:

- 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?

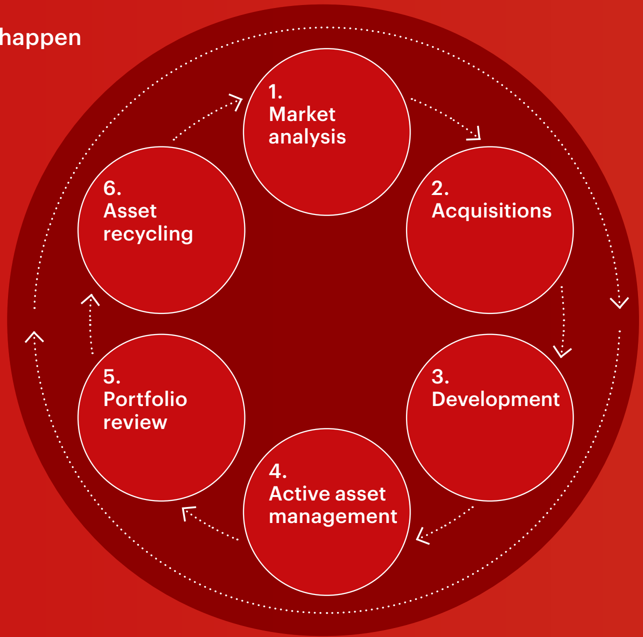
Find out more about our Values on page 31

Read How the Board Manages and Monitors Our Purpose and Culture on page 87

Scan the QR code to see our video on what SEGRO Values mean for employees

www.segro.com/ara23/our-values

What we do to enable extraordinary things to happen



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

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

3. Development
We build prime, flexible, sustainable warehouses in key locations.

4. Active asset management
We actively manage our assets to strike a balance between occupancy and rental growth, whilst looking for opportunities to create further value through refurbishment, redevelopment and repositioning of our assets (including potential alternative uses).

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

6. Asset recycling
We dispose of assets where we have optimised returns or see better uses of capital.

Guided by our strategy

Our strategy
We have been following a clear and consistent strategy for over a decade. This strategy has four key pillars:

- Taking a Disciplined approach to capital allocation to maximise long-term return potential.
- A relentless focus on Operational excellence.
- Maintaining an Efficient capital and corporate structure to underpin the property level returns.
- Embedding Responsible SEGRO into the way we run our business day-to-day to ensure our business remains fit for the future.

Our governance
To ensure we are able to consistently deliver for our own stakeholders, we have a strong governance framework which sets us up for long-term success.

Find out more about our strategy on page 20, risk management on page 54 and Performance review on page 36

See Governance on page 76

The value we create by enabling extraordinary things to happen

Employees
We employ 460 people across eight countries with a diverse range of skills We want our People to have fulfilling and rewarding careers.

Employee engagement
89%
2022: 91%

Communities
As a long-term investor we are committed to ensuring the local people and communities benefit from our involvement.

Volunteering days
707
2022: 387

Customers
We have 1,416 customers from a wide-range of sectors. We pride ourselves on the strength of these relationships and look to form mutually beneficial partnerships.

Customer satisfaction
86%
2022: 85%

Investors
We forge strong relationships with our shareholders as well as our banks and bondholders who provide equity and debt funding.

Total shareholder return
20%
2022: (46)%

Suppliers
We have 2,842 suppliers across the group (including our construction partners) and look to work with those whose aims complement our own.

Supplier spend in 2023
£887m
2022: £941m

Environment
We pay close attention to our use of carbon and other resources to protect the planet for future generations and ensure SEGRO's long-term success.

Corporate and customer emissions
(7)%
2022: (3)%

See Stakeholder Engagement on page 18

Our stakeholders

We have identified key stakeholders who we have an impact on – employees, customers, communities, suppliers, investors and the environment.

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.

Our full s172 (1) statement can be found on page 90, within the governance section of this Annual Report.

Employees

We have 460 employees across 19 different offices. Our people deliver our strategy in line with our Purpose, Values and Behaviours. The strength of our operating platform, and therefore the success of our business, depends on the talent, engagement and motivation of our people.

What matters to them
- An inclusive and supportive workplace that is free from bias.
- Working for a company whose values match their own.
- Rewarding careers that enable them to thrive and fulfil their potential.
- Competitive compensation and benefits.

How we engage with them
- Weekly business updates.
- Quarterly employee briefings.
- Annual employee survey (Your Say).
- Employee groups on topics such as Culture, Wellbeing and Inclusion.
- Annual reviews of individual performance and development needs.
- Training and development programmes and coaching.

2023 engagement highlights
- Our first Group Conference since 2018 bringing 411 of our People together to discuss our ambition, culture and strategic priorities.
- Maintained a top quartile colleague engagement score (97 per cent took part).
- Engagement around leadership changes.

Priorities for 2024
- Equip our new leadership teams to inspire others to deliver on our strategy.
- Enhance our employee experience with a focus on flexible policies and supporting career ambitions.
- Actively working towards a more diverse leadership team.

Customers

We have 1,416 customers across eight countries and aim to build outstanding customer relationships. A deep understanding of their needs lies at the heart of how we do business and the space that we provide enables them to deliver an extraordinary range of goods and services and is crucial to their own success.

What matters to them
- High quality, sustainable, well-located space that enables them to serve their customers and is safe to work in.
- Excellent customer service and a high-level of consistent experience.
- Support with their business goals and challenges.
- Connection with other businesses and insights into peers and market trends.

How we engage with them
- Regular contact with our property and asset management teams.
- Annual customer satisfaction survey.
- Regular customer Forums to discuss emerging trends.
- Partnering on our community projects.

2023 engagement highlights
- Record level of responses (347) to our customer satisfaction survey.
- Introduction of new customer onboarding and senior stakeholder interviews.
- Expansion of our customer insight programme to include senior stakeholders
- Health & Safety and Wellbeing training.

Priorities for 2024
- Detailed mapping of the SEGRO customer journey to identify opportunities to improve and collaborate more closely.
- Launch customer intelligence platform to centralise customer data and improve collaboration.
- Connect customers through our Futures Forum and other dedicated events.

Communities

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.

What matters to them
- Local environment and quality of life.
- Air quality.
- Sustainable designs that mitigate noise and traffic congestion.
- Training and employment opportunities.
- Investment into the local economy.
- Enhancement of biodiversity.

How we engage with them
- Early consultation on new developments.
- Creating partnerships with local authorities, charities and education providers to deliver our Community Investment Plans (CIPs).
- Long-term participation in community groups and local advisory boards.

2023 engagement highlights
- Successful consultation on SEGRO Park Hackney Wick.
- Launch of a new CIP in Amsterdam.
- Significant outcomes from our existing CIPs, including a record number of volunteering days (707) on projects benefiting our local communities.

Priorities for 2024
- Successfully renegotiate the Slough Trading Estate Single Planning Zone.
- Expand our UK CIP to new regions and launch plans in Italy and Spain.
- Maximise the impact of our CIP by inspiring more customers and suppliers to participate.

Suppliers

We work with a diverse range of suppliers, 2,842 of them across the group. They include our construction partners, professional advisers and everyone involved in SEGRO's supply chain. Close collaboration with our suppliers is key to helping us reduce our carbon emissions.

What matters to them
- Clearly defined expectations and standards (e.g. ethics, modern slavery)
- Positive collaboration with aligned values and objectives.
- Advice on best practices and training support.
- Prompt and efficient payment of invoices.

How we engage with them
- Comprehensive supplier assurance process to ensure our supply chain is maintained to a high standard.
- Regular service review sessions.
- Support with Health & Safety.
- Collaboration on our Responsible SEGRO ambitions and CIP projects.

2023 engagement highlights
- Enhanced supplier due-diligence process.
- Research into a potential supplier diversity programme.
- Formation of Contractor Forums in the UK to discuss Health & Safety best practices.
- Involvement of 59 suppliers in our volunteering programme.

Priorities for 2024
- Develop and roll-out our supplier diversity programme.
- Embed social value within tender process.
- Continue to drive the involvement of our suppliers in our CIP projects.

Investors

Our 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 partners.

What matters to them
- Clearly articulated long-term strategy.
- Financial performance, returns and dividend growth.
- Strong balance sheet.
- Risk management and efficient use of capital.
- Leading ESG performance.

How we engage with them
- Our extensive Investor Relations programme ensures we reflect our investors views in our decision making.
- This includes: meetings, roadshows, conferences and asset tours; regulatory reporting; and our Annual General Meeting.

2023 engagement highlights
- 239 investor meetings, including 15 of our top 20 shareholders.
- Asset tours for both institutional and retail shareholders.
- Areas of focus included the outlook for asset values and rental growth.

Priorities for 2024
- Continue to take an open and transparent approach to financial communication.
- Engage proactively with our top shareholders and potential new investors.

Environment

The regions in which we operate and local areas impacted by the development and ongoing operations of our assets, We pay close attention to our use of carbon and other resources to protect the planet for future generations and ensure SEGRO's long-term success.

What matters to them
- Reduction of the carbon emissions generated by our operations and particularly our development programme.
- Maximising the efficiency and minimising the resource usage of our assets.
- Protection and enhancement of biodiversity in our local areas.

How we engage with them
- Ambitious carbon-reduction targets.
- Addition of solar panels where feasible.
- Scenario analysis to understand the potential impact of climate change and mitigate risks.
- Consideration of carbon and biodiversity impacts of our development projects.

2023 engagement highlights
- Reductions in our carbon emissions
- Significant increase in visibility of our customer energy usage (now at 81 per cent).
- Addition of 15 MW of solar capacity.

Priorities for 2024
- Continue to outperform on our carbon reduction pathway and refresh our milestones for 2025 and beyond.
- Replace gas with low-carbon alternatives.
- Increase automisation of energy data collection.
- Increase our solar capacity.

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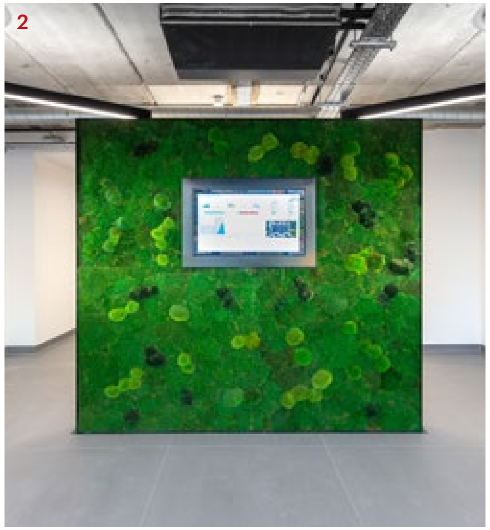


1 SmartParc SEGRO Derby

2 Slough Trading Estate

Our strategy

A clear and consistent strategy that has been key to our success in delivering on our Purpose of creating the space that enables extraordinary things to happen, and which creates significant value for all of our stakeholders.

See our Market overview on page 12

Find out more about Responsible SEGRO on page 23

See Key performance indicators on page 32

Our strategy drives both our day-to-day decision making as well as our long-term strategic thinking.

We have been following this simple but effective strategy for over a decade and its four key pillars provide a clear focus as we work towards our ambition of being the best property company .

We are Disciplined in our approach to capital allocation. We take the local knowledge provided by our teams on the ground in all our key markets and supplement it with valuable data-informed insights. This ensures that we focus on the highest quality assets in the strongest markets and adapt our approach to capital deployment depending on our assessment of the property cycle. This should result in a portfolio that generates attractive 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 strive for Operational excellence in everything that we do: our market-leading operating platform helps us to develop outstanding customer (as well as other stakeholder) relationships; execute on our development programme and other operational activity to the highest standards (including taking a zero-tolerance approach to health and safety); and create exceptional opportunities for growth, using the market intelligence that it provides.

Our operational activity is supported by an Efficient capital and corporate structure that provides a lean overhead structure, leverages technological developments to transform processes and applies appropriate financial leverage.

At the heart of our strategy lies Responsible SEGRO, because it is woven through everything that we do; from the asset management of our portfolio, to the planning and execution of our development programme, to the way we treat our People. It provides us with clear focus areas - carbon, communities and talent - to help us to balance the priorities of all of our stakeholders and also between short and long-term benefits.

We take a proactive approach to risk management (for more information on how we manage risk see pages 54 to 64) to ensure that we are positioning our business to respond to potential threats. We also regularly carry out ESG materiality assessments to ensure we understand the wider priorities of our stakeholders, as well as to highlight potential opportunities.

Following this strategy, combined with our day-to-day insights, governance and risk management processes, helps 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.

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.

Relevant market trends
- Economic outlook
- Interest rate environment
- Competitive supply
- All four structural drivers (digitalisation, urbanisation, supply chain optimisation and sustainability)

Relevant risks
- Macroeconomic impact on market cycle
- Portfolio strategy and execution
- Major event/business disruption
- Legal, political and regulatory
- Development and construction execution

2023 achievements
- Continuing to invest in our existing markets where we see superior rental growth potential.
- Prioritising investment into our development programme, building on land that we already own and favouring lower-risk pre-let developments.
- Selective disposals of £356 million of assets to help fund investment in a higher interest rate environment.

Find out more on Disciplined capital allocation in the Performance review on page 39

Operational excellence

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

Relevant market trends
- Geopolitical situation
- Competitive supply
- All four structural drivers (digitalisation, urbanisation, supply chain optimisation and sustainability)

Relevant risks
- Portfolio strategy and execution
- Major event/business disruption
- Health and safety
- Development and construction execution
- Legal, political and regulatory
- People and talent
- Operational delivery

2023 achievements
- Providing excellent customer service
- Capturing the significant reversionary potential in the portfolio at lease events, yet maintaining high levels of occupancy and customer retention.
- Successful execution of our development programme and improvement of our development yields.
- Delivering strong rental growth across all of our markets.

Read more on Operational excellence in the Performance review on page 42

Efficient capital and corporate structure

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

Relevant market trends
- Economic outlook
- Competitive supply
- Interest rate environment

Relevant risks
- Macroeconomic impact on market cycle
- Portfolio strategy and execution
- Financing strategy
- Legal, political and regulatory
- People and talent
- Operational delivery

2023 achievements
- Maintaining a modest level of leverage, despite further declines in portfolio value.
- Restructuring the Executive Committee and our business units to improve efficiency and collaboration across our business.
- Digitalising our processes to improve productivity.

Find out more on Efficient capital and corporate structure in the finance review on page 48

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.

Relevant market trends
- Urbanisation
- Climate change and the need for efficient, sustainable buildings

Relevant risks
- Health and safety
- Environmental sustainability and climate change
- People and talent

2023 achievements
- Significant reductions in both our embodied and customer and corporate carbon emissions.
- Tangible outcomes from our Community Investment Plans that are changing lives in our local communities.
- Setting new diversity targets.

Find out more about Responsible SEGRO on page 23

Enabling extraordinary things: Space for talent

Scan the QR code to see our video on our people

Or visit: www.segro.com/ara23/space-for-talent

A postcard from Amsterdam

Our strong company culture encourages collaboration, care for one another and a desire to never stand still. In September, SEGRO came together in Amsterdam for our first Group Conference since 2018.

The conference was hosted by our new Executive Committee, who led a discussion on what our ambition 'to be the best property company' means and how, by challenging ourselves to search for excellence in every aspect of our business, we can drive SEGRO to enable more extraordinary things in the decade ahead. We also used the event as an opportunity to talk about the ways of working that support our Values and will help us to maintain our strong culture as our business grows.

Creating opportunities such as this, for people from across the Group to come together to share ideas and develop their networks, is crucial to the success of our business and the talent that makes it special.

Responsible SEGRO

We are committed to being a force for societal and environmental good.

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.

Scan the QR code to hear our Group Customer & Operations Director talk about the importance of Responsible SEGRO www.segro.com/ara23/responsible-segro

Our commitment to being a force for societal and environmental good 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 103 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 2023 in the following section and discuss our priorities for 2024 – more detailed information (along with full datasets) can be found in our 2023 Responsible SEGRO Report.

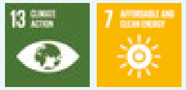
We intend to set additional, more specific, supporting targets as necessary and expect our actions and approach to evolve over time to reflect our achievement, technological change and the priorities of our stakeholders and wider society.

Read about our ESG commitments in our Responsible SEGRO Report: www.segro.com/responsible-segro/reports-downloads

Alignment with the UN SDGs

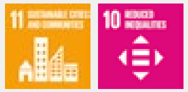
We have reviewed the United Nations Sustainable Development Goals against our Responsible SEGRO strategic priorities to understand which goals are particularly significant to our business. Elements of our business are aligned with all of the goals but we believe we are able to make the greatest contribution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

Championing low-carbon growth



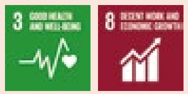
We are committed to reducing the embodied carbon in our development programme as well as reducing the carbon-intensity of our properties. We want to play our part in tackling climate change and have ambitious net-zero goals.

Investing in our local communities and environments



We have 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.

Nurturing talent



We want our people to have rewarding and fulfilling careers and are committed to fair pay throughout our operations and also our supply chain, and to ensuring that our spaces provide safe working environments and promote health and wellbeing for all.

Responsible SEGRO continued

Key numbers

Championing low-carbon growth

Average embodied carbon intensity of our developments
13% reduction versus 2020 baseline

Absolute corporate and customer carbon emissions
19% reduction versus 2020 baseline

Corporate and customer carbon intensity
10% reduction versus 2022

Visibility of customer energy data
81%

Developments completed rated BREEAM 'Excellent' or higher
92%

Solar capacity installed
59MW

Investing in our local communities and environments

Number of community investment plans
12

Charitable giving
£2.5m

Employee volunteering days across 44 projects in our local communities
707

Unemployed people supported (347 of whom who are now in employment)
1,303

Students engaged with through our schools programmes and mentoring
8,032

Nurturing talent

Number of employees
460

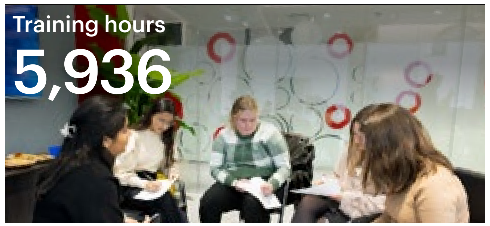
Gender split of workforce

Male	49%
Female	51%

'Your Say' Engagement Score
89%

Voluntary Employee Turnover
6.4%

Training hours
5,936



Number of promotions (by gender)

Male	19
Female	17

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.

The below is as at 31 December 2023.

There are a number of different frameworks that we use to report on our wider ESG metrics, including:
- Global Reporting Initiative (GRI)
- Task Force on Climate-related Financial Disclosures project (TCFD)
- EPRA sustainable Best Practice Reporting (EPRA sBPR): Gold
- Workforce Disclosure Initiative: 80 per cent
- National Equality Standard
- Parker Review
- FTSE Women Leaders

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
- FTSE4GOOD - 3.2 (2.9 sub-sector average)

Responsible SEGRO materiality assessment

We regularly review our materiality assessment to ensure that our strategic priorities and the targets within them are appropriate and reflect our stakeholders' expectations. Our last review was in 2022 and followed guidelines by the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB), now part of the IFRS Foundation.

The 2022 process 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.

This process identified 18 material issues, considered through four lenses – environmental, societal, economic and governance – but with recognition that the issues may well be inter-dependent. We refined these to eight priority material issues (PMIs) to focus on the areas which are both important to our stakeholders and where we intend to focus our immediate efforts. We recognise this represents 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 has been embedded into business processes. All financially material PMIs are governed by the SEGRO business risk process (see page 54). These issues are remain aligned with our current Responsible SEGRO priorities.

During 2024 we intend to refresh this work and will consider the concept of double materiality, i.e. looking at the impact SEGRO's activities have externally, as well as the financial impact of sustainability and climate issues on SEGRO.

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.

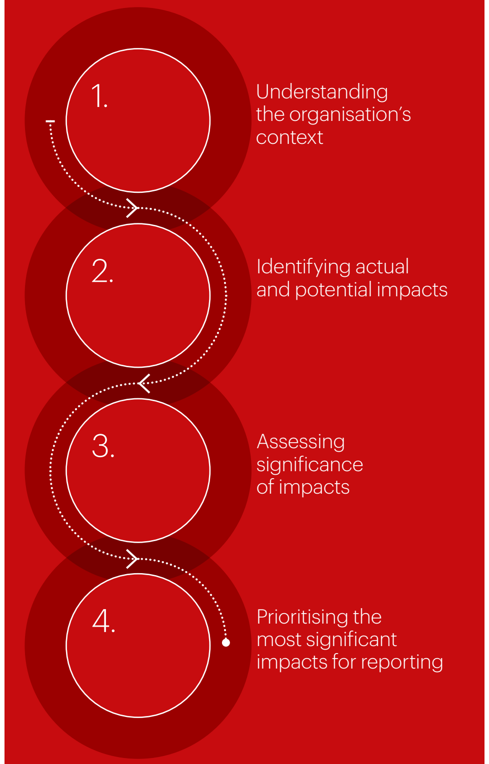
Operating in the context of sound governance (see pages 76-133)

- 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.

Find out more on materiality: www.segro.com/responsible-segro/reports-downloads

Materiality assessment four-step process

Our definition of materiality is informed by the Global Reporting Initiative: these are topics that "represent the organisation's most significant impacts on the economy, environment and people, including impacts on their human rights".



Responsible SEGRO continued

Championing low-carbon growth

SEGRO's pathway to net-zero

SEGRO's carbon emission reduction targets focus on the most material aspects for the company, namely our corporate and customer emissions and embodied carbon from our development programme, representing over 85 per cent of SEGRO's value chain emissions.

We have made significant progress in transitioning to low or zero-carbon energy sources and materials in recent years and we are committed to continuing this progress and accelerating it wherever possible.

Our carbon reduction targets were set and approved under the international Science-Based Targets Initiative (SBTi). The SBTi methodology identified a pathway for companies to reduce the emissions within their value chains to align with reaching net-zero in eligible 1.5°C pathways by 2050 or sooner.

SEGRO's carbon reduction targets are based primarily on an absolute reduction in emissions and comprise the following key actions:

- Purchase certified renewable electricity for SEGRO's own (Scope 2) use and for those customers for whom we procure energy on their behalf (Scope 3).
- Most of our customers are responsible for procuring their own energy. In these cases, we encourage them to agree to our green leases and procure certified renewable electricity where possible and confirm this to us.
- Remove gas-powered heating in units which become vacant or through negotiation with customers occupying premises heated with gas.
- Install solar panels to generate clean energy for our customers to use and, where the grid connectivity allows, install additional capacity to sell to the grid.
- Improve the energy efficiency of our units through construction and refurbishment by targeting at least BREEAM 'Excellent' certification and an Energy Performance Certificate of B-grade or better.
- Reduce embodied carbon emissions in our developments by working with our partners to procure and utilise low-carbon materials and designs.
- Offset residual emissions as a last resort, and as far as possible, identify offsetting schemes within our operating geographies with clearly measurable, long-term impacts.

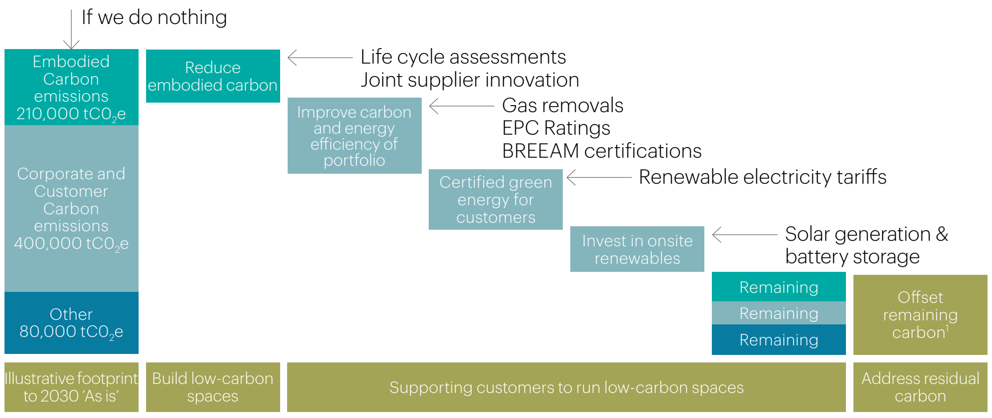
The results since 2020 (our baseline year) are encouraging. We have reduced our corporate and customer emissions by 19 per cent and the average embodied carbon intensity of our development programme has fallen by 13 per cent, meaning that we are tracking ahead of our near- to mid-term SBTi Standard Net Zero trajectory on both of these key metrics (see charts to the right). In addition, our installed solar capacity has more than doubled over the same timeframe.

Since 2021, the science-based target framework landscape has evolved and, during 2023, the SBTi developed a new Standard, specifically designed for the Real Estate industry, At the time of writing this SBTi Building Standard is in its pilot phase, with further guidance under preparation. We will evaluate the new Standard once this has been published, which is expected during 2024, and consider any changes to our targets or approach as part of this work. We intend to publish any new targets in our 2024 Annual Report and Accounts.

In addition to delivering absolute reductions, we have also invested in an emissions forecasting and modelling tool, which is expected to support the creation of new net- zero commitments and target dates at a local market as well as a corporate level.

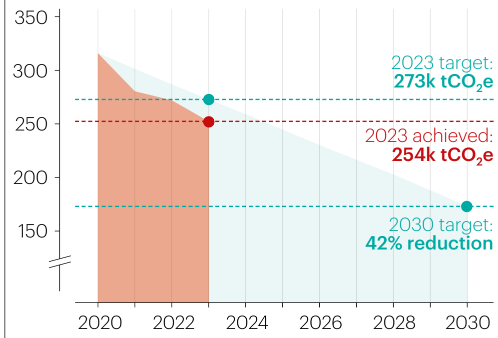
Until then, we continue to pursue a collaborative approach to working with stakeholders throughout our value chain to reduce our carbon footprint as swiftly as we can.

SEGRO's pathway to net-zero

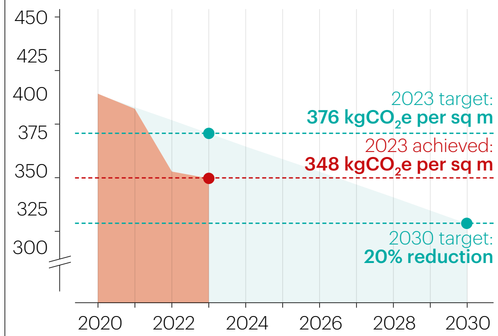


1 We are aware that offsetting more than 10 per cent is currently not part of the permitted net-zero pathway as set out by the SBTi. We are committed to finding solutions and use the term as a placeholder for residual emissions.

Corporate and customer emissions
(000s tonnes of CO_2e)



Embodied carbon intensity of developments
(kg CO_2e per sq m of lettable area)



Enabling extraordinary things: Space for innovation

Scan the QR code to see our video on innovation

www.segro.com/ara23/space-for-innovation

Putting the green in Greenford

Enabling extraordinary things to happen is not limited to the new space that we create. Whilst most of our portfolio consists of modern and sustainable space, we have opportunities in supply-constrained cities such as London and Paris to redevelop and refurbish some older assets and create significant value.

During 2023 we completed the refurbishment of a unit in SEGRO Park Greenford, one of our West London estates, however this was no ordinary refurbishment. Having spotted the increased importance that our customers are placing on the sustainability of the space they use, we decided to use this opportunity to raise the bar in terms of what can be achieved from a refurbishment.

We moved the EPC rating from a C to A+ and were awarded BREEAM 'Outstanding' certification, achieving the highest score ever lodged by the Building Research Establishment for a refurbished industrial unit.

This newly modernised, sustainable space will now become home to a new business and will deliver a significant reduction in carbon footprint for both our customer and SEGRO.

Responsible SEGRO continued

Championing low-carbon growth continued

Key targets and achievements

Average embodied carbon intensity

348 $kgCO_2e$ **per sq m**

2022: 353 $kgCO_2e$ per sq m

Corporate and customer carbon emissions

254,168 tCO_2e

2022: 272,218 tCO_2e

Corporate and customer carbon intensity

20.2 $kgCO_2e$ **per sq m**

2022: 22.5 $kgCO_2e$ per sq m

Visibility of customer energy data

81%

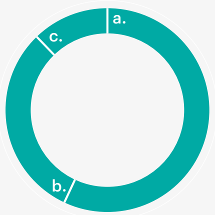
2022: 68%

Solar capacity

59MW

2022: 44 MW

Our emissions



a. Corporate and customer emissions (including upstream fuel and energy emissions) 57%

b. Embodied carbon from developments: 31%

c. Other procurement-related emissions: 12%

Read more in our Responsible SEGRO Report: www.segro.com/responsible-segro/reports-downloads

The world is facing a climate crisis and as an owner, manager and developer of buildings, we have a significant part to play in tackling the challenge of limiting global temperature rise to 1.5°C. It is also an area of increasing focus with our customers who wish to minimise their own carbon footprints.

Our approach to carbon management is dictated by our own carbon footprint: we focus on the emissions that are most material to us. More than three-quarters of our emissions come from our customers and our development programme so it is in these areas we have focused our efforts and set ambitious science-based targets.

Corporate and customer emissions: almost all of these emissions are generated by the activity of the customers using our buildings (our corporate emissions account for less than two per cent) and we are aiming to reduce this by 42 per cent (from a 2020 baseline). We are driving reductions in these emissions through:
- delivering energy efficient buildings (new build and via refurbishment);
- photovoltaic and renewable energy rollout;
- replacing gas use with efficient electrical heating systems;
- procuring zero-carbon electricity;
- encouraging our customers to also change their electricity tariffs.

Scan the QR code to hear our Director of Sustainability talk about our progress with Championing low-carbon growth www.segro.com/ara23/low-carbon

Our increasing visibility of customer energy use is strengthening and targeting our efforts.

Embodied carbon emissions: 31 per cent of our emissions were generated by our development programme in 2023 and we are aiming to reduce the embodied carbon intensity of it by 20 per cent by 2030. Our Mandatory Sustainability Policy commits us to carry out embodied carbon calculations for projects over 5,000 sq m. We will continue to adopt the latest techniques to reduce embodied carbon within our developments, including the use of low-carbon materials and considering the use of alternative, lower-carbon layouts and building techniques. We target BREEAM 'Excellent' certification (or local equivalent) or higher for all new developments.

Beyond our approach to carbon we also think carefully about the impact of our operations on other natural resources and the local environment. Biodiversity remains a key focus and our development projects aim to have a positive impact on our local communities. Although our use of water is not material, we are careful in our use of it and design in features that help our customers use it more efficiently. Finally, the vast majority of our waste is created by our construction and demolition projects, we work carefully with our construction partners to minimise this, for example through recycling as much as possible.

Key achievements during 2023:
- 7 per cent reduction in corporate and customer emissions, putting us a year-ahead of plan.
- Continued reductions in our embodied carbon intensity, putting us three years ahead of plan.
- 19 per cent increase in the visibility we have of our customer energy data.
- 92 per cent of our development completions were rated BREEAM 'Excellent' or higher.
- Our first BREEAM 'Outstanding' refurbishment in our London portfolio.
- A record 15 MW increase in our solar capacity.

Our priorities for 2024:
- Continuing to drive reductions in our carbon emissions.
- Reassessing our net-zero pathway in the light of new guidance (see page 26).
- Moving away from gas to efficient low-carbon heat sources.
- Increasing the automation of the retrieval of our customers' energy data.
- Further investment into emission modelling and forecasting to support the local delivery of emission reductions opportunities.
- Progressing our large scale solar installation strategy.

Average embodied carbon intensity

-13% since 2020

2030 target of -20%

Absolute corporate and customer emissions

-19% since 2020

2030 target of -42%

Investing in our local communities and environments

Key targets and achievements

Number of Community Investment Plans

12

including one new plan launched in 2023

Charitable giving in 2023

£2.5m

2022: £2.5m

Employee volunteering days

707

2022: 387

Scan the QR code to hear our Partnership Development Director talk about our progress with Investing in our local communities and environments www.segro.com/ara23/communities

Read more in our Responsible SEGRO Report: www.segro.com/responsible-segro/reports-downloads

Enabling extraordinary things to happen also applies to the spaces and communities around our assets. This is a core part of our strategy and something we are incredibly passionate about.

We do this by creating Community Investment Plans (CIPs) to provide the framework to invest in projects that help improve the lives of local people. Our teams in each market tailor their plans to suit the needs of their own local community, partnering with organisations that have knowledge and insight of the most pressing challenges our local communities face, as well as the expertise to ensure we deliver an impactful and outcome-driven programme. Our Community Investment Plans focus on the following areas:

Education & employment: working with local education establishments to help prepare young people for the world of work, as well as helping people from disadvantaged or marginalised backgrounds into employment or better jobs.

Environment: delivering environmental projects that improve the biodiversity of the local area and the health and wellbeing of the local community.

Economy: enabling our local economies to thrive by connecting local businesses with our suppliers, customers and other partners to deliver projects that help to enhance productivity and innovation.

Volunteering is vital to the success of our CIPs and there is no limit to the number of days employees can donate. In 2023 436 employees (95 per cent of our workforce) supported our projects, including as part of our annual Day of Giving. We have also had a tremendous response from our customers and suppliers, 143 of whom supported our community work during the year, helping to maximise the reach of these programmes.

Alongside our CIPs, our buildings also play an important role in supporting our local communities. Our estates provide valuable space for charity partners such as City Harvest, Slough Foodbank and the Felix Project to re-distribute food that would otherwise be wasted.

Key achievements during 2023:

- Launch of a new CIP in Amsterdam.
- Record levels of volunteering from SEGRO employees and many of our customers and suppliers also donated their time to support our projects.
- Tremendous outcomes from our education programme, during 2023 we engaged with 8,032 students.
- Launch of national employment programme with LandAid, inspired by our pilot in 2023. 1,303 unemployed people benefited from training support, and 347 are now in employment as a result.
- 44 projects were delivered to enhance the environment, biodiversity or the health and wellbeing of our local communities.
- Launched our first jointly funded project with Heathrow Airport.

Our priorities for 2024:

- Expand UK CIP into other areas of London, Hertfordshire, Derbyshire and also expand our French and German CIPs into new regions.
- Launch new CIPs in Italy and Spain.
- Continue to drive the involvement of our customers, suppliers and other stakeholders to maximise the positive outcomes for our local communities.
- Implement a social value measure.
- Embed social value into SEGRO's tendering process.

The impact of our CIPs during 2023

Young people engaged

8,032

Unemployed people supported

1,303

Local community projects

44

1 Employment mentoring programme with East London Business Alliance, UK

2 SEGRO Academy school competition, Poland

1

2

Enabling extraordinary things: Space for community

Scan the QR code to see our video on innovation

www.segro.com/ara23/space-for-community

Spreading the joy in Paris

Enabling extraordinary things to happen applies to the spaces and communities around our estates as much as it does to the assets themselves. Our Community Investment Plans (CIPs) create frameworks that fund projects that aim to improve the lives and prospects for thousands of people living in our local communities.

One of the projects that our Paris CIP supports is Café Joyeux, France's leading café for the inclusion of people with intellectual disability through training and recruitment. We have been an ambassador since 2021 and have provided the financial support to train and recruit seven Café Joyeux team members so far. We buy all our coffee from there and offer Café Joyeux "Welcome Packs" to all our new customers in France, helping to spread the word of their fantastic work. During 2023, eight colleagues from our French team volunteered to work in their cafés as part of our Annual Day of Giving programme.

Café Joyeux is a fantastic example of how, by bringing together our local communities, customers and other business partners we can maximise the reach of these programmes and make a meaningful impact on people's lives.

Nurturing talent

Key targets and achievements

'Your Say' engagement scores
89% (top quartile)
2021: 91%

% of women in senior leadership roles
33%
2025 target of 40%

% of ethnic minorities in senior leadership roles
5%
2027 target of 15%

Scan the QR code to hear our Group HR Director talk about our progress with Nurturing talent www.segro.com/ara23/talent

Read more in our Responsible SEGRO Report: www.segro.com/responsible-segro/reports-downloads

The 460 individuals that we employ across eight countries are vital to the success of SEGRO, and we are committed to attracting and retaining a diverse range of talented individuals in our business. Creating the space for extraordinary things to happen applies as much to the careers and work lives of our people as it does to our assets. Our priorities include:

Celebrating our strong culture: our employees tell us that they enjoy working at SEGRO and value their working environment, which encourages collaboration and care for one another. We have a clear Purpose and Values and have developed Behaviours that will help us to maintain this culture as our business grows.

Building fulfilling and rewarding careers: we want our people to thrive in their roles and offer extensive training and development opportunities as well as secondments.

Building a diverse workforce: we are committed to building an inclusive workplace where everyone is treated with fairness and respect. We have set ourselves targets to increase the representation of women and those identifying as being from an ethnic minority group within our leadership population and also our leadership pipeline. We are also committed to attracting people from non-property backgrounds into our sector. We have appropriate support, training and facilities for employees who are disabled or become disabled whilst in our employment.

Following the highest standards of business conduct: our Code of Business Conduct and Ethics sets out the high standards expected of all our people in their daily work.

Health & Safety and Wellbeing: we want our people to work in a healthy, safe and secure environment so have a comprehensive health and safety training programme and initiatives to support employee Wellbeing.

Rewarding careers: to help us retain the best people we offer generous compensation packages that include variable compensation, share award and savings schemes and health insurance.

Key achievements during 2023:
- Invested in building capability for the future through: the reshaping of our leadership team; investing in new capabilities to help drive our strategic priorities; and the extension of our Management Academy to all people leaders.
- Engaged employees on our ambition to be the best property company at our Leadership Forum and Group Conference.
- Launched our internal Behaviours, which bring to life our established Values for leaders and colleagues.
- Established clear diversity goals, with a supporting action plan.

UK Gender and Ethnicity Pay Gap progression
During 2023 our Pay Gaps improved but our Bonus Gaps increased. This was due to the variable element of LTIPs and share-based payments influencing the gap in favour of male colleagues, whom we have more of in senior roles. Our reported Pay Gaps are a direct result of our employee profile and do not represent pay discrimination. As part of our salary reviews we undertake checks to ensure employees are paid equally for doing equivalent jobs across our business. Key to closing the Gender Pay Gap is increasing the number of women in senior roles in the coming years.

	2023	2022
Gender pay gap (mean)	32.9%	43.3%
Gender bonus gap (mean)	73.6%	68.9%
Ethnicity pay gap (mean)	24.1%	25.7%
Ethnicity bonus gap (mean)	70.0%	22.6%

Our priorities for 2024:
- Continue on our journey to build a SEGRO that is totally inclusive: evolving and communicating our equality diversity and inclusion strategy and actively working towards a more diverse leadership team.
- Enhance our employee experience with a focus on more flexible policies and supporting our colleagues career ambitions.
- Embed our Behaviours, supporting our colleagues and leaders to live them every day.
- Further investment in the development of our leadership teams and colleagues.

Enabling extraordinary things:

Our Values

- **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.

Key performance indicators

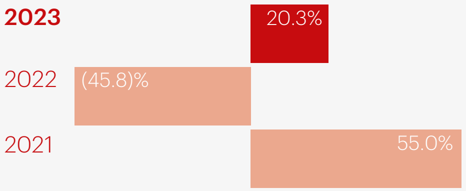
We measure our success by tracking Key Performance Indicators (KPIs) that reflect our strategic, operational and financial progress and performance. They drive the internal management of the business, and some are used to determine how management and employees are remunerated.

Financial

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

Total shareholder return (TSR) (%)

20.3%



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

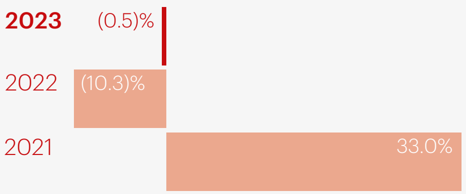
TSR was 20.3 per cent, compared with 12.9 per cent for the FTSE 350 Real Estate index. This reflects a combination of the 26.9 pence dividend (18.2 pence 2022 final dividend and 8.7 pence 2023 interim dividend) paid during the year, and an increase in the share price from 763.6 pence at 31 December 2022 to 886.4 pence at 31 December 2023.

Linked to remuneration **Yes**

Link to strategy: **All strategic pillars**

Total property return (TPR) (%)[1]

(0.5)%



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 128.

Our performance

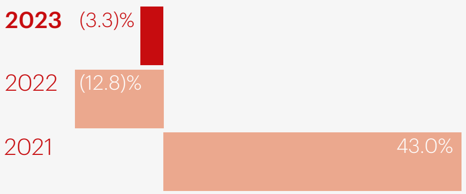
The TPR of the Group's standing assets held throughout 2023 was -0.5 per cent (2022: -10.3 per cent). The UK portfolio generated a TPR of +0.3 per cent, behind the benchmark calculated by MSCI Real Estate UK All Industrial Quarterly of +4.1 per cent. The TPR of our Continental Europe portfolio was -1.9 per cent. Benchmark data for Continental Europe will be received later in the year.

Linked to remuneration **Yes**

Link to strategy: **Disciplined capital allocation**

Total accounting return (TAR) (%)

(3.3)%



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 2022. 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 -3.3 per cent (2022: -12.8 per cent). This performance reflects a combination of the 59 pence decrease in Adjusted NAV from 966 pence at December 2022 to 907 pence at 31 December 2023 and the 26.9 pence dividend (18.2 pence 2022 final dividend and 8.7 pence 2023 interim dividend) paid during the year.

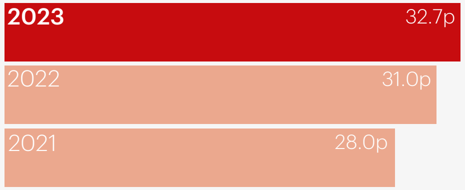
Linked to remuneration **Yes**

Link to strategy: **All strategic pillars**

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) pence

32.7p



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 161.

Our performance
Adjusted EPS increased by 5.5 per cent to 32.7 pence during the year, reflecting higher rental income from our standing assets and new income from acquisitions and developments, partially offset by higher financing costs.

Linked to remuneration **Yes**

Link to strategy: **All strategic pillars**

Rent roll growth (£m)

£65m

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.

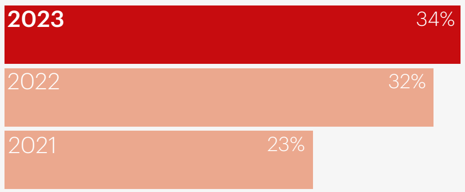
Our performance
In total, we generated £65 million of net new annualised rent during the year (2022: £77 million). The decrease was driven by a lower number of pre-lets signed during the year (£27 million versus £41 million in 2022) as occupier demand normalised closer to pre-pandemic levels.

Linked to remuneration **Yes**

Link to strategy: **Operational excellence**

Loan to value (LTV) (%)

34%



Description
Borrowings as a proportion of our portfolio value, 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 34 per cent during 2023. This was due to a combination of the £809 million unrealised fall in the value of our portfolio and £575 million 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.

Linked to remuneration **No**

Link to strategy: **Efficient capital and corporate structure**

See more on our strategy on page 20

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.
Read more about our risk management on page 54

Where relevant we have linked our KPIs directly to SEGRO's incentive schemes.
Find out more in Remuneration page 107

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.

Customer satisfaction (%)

86%

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 86 per cent of the 347 customers who participated in 2023 (2022: 85 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 rental increases). 96 per cent of our customers said that they would recommend SEGRO to others.

Linked to remuneration **Yes**

Link to strategy: **Operational excellence**

Employee engagement (%)

89%

What it is

We carry out an employee survey annually 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

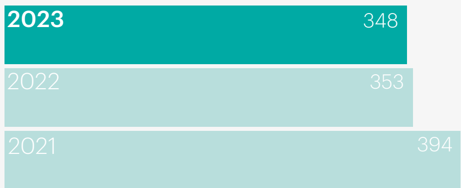
Our 2023 employee engagement score was top quartile at 89 per cent. 97 per cent of our people responded and 91 per cent of employees said that they are proud to work at SEGRO. 91 per cent of employees believe that all people are valued at SEGRO, regardless of gender, ethnicity, disability, sexual orientation or background.

Linked to remuneration **Yes**

Link to strategy: **Responsible SEGRO**

Embodied carbon intensity ($kgCO_2e/m^2$)

348



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 348 $kgCO_2e/m$ (2022: 353 $kgCO_2e/m$) reflecting a 13 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 28

Linked to remuneration **Yes**

Link to strategy: **Operational excellence and Responsible SEGRO**

Corporate and customer carbon emissions (tonnes CO_2e)

254k

Description

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 81 per cent of the energy use from our buildings by floorspace. For buildings where we do not receive data we have estimated energy use. Our science-based targets commit us 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 2023, we reduced the corporate and customer emissions of our portfolio to 254,168 tCO_2e (2022: 272,318 tCO_2e), reflecting a 19 per cent improvement from the baseline. This reduction was largely due to us having an increased amount of customer energy data (both their usage and also the type of energy sourced, i.e. renewable).

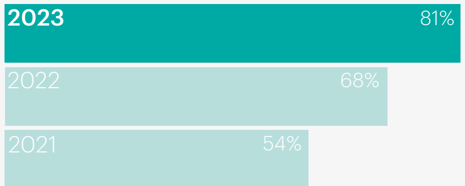
For more information see page 28

Linked to remuneration **Yes**

Link to strategy: **Operational excellence and Responsible SEGRO**

Visibility of customer energy use (%)

81%



Description

Under standard market lease terms 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 81 per cent (2022: 68 per cent) of our total property footprint by area.

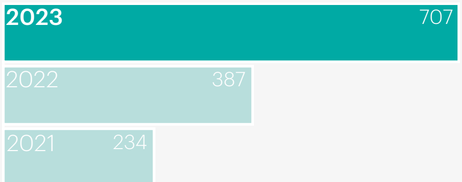
For more information see page 28

Linked to remuneration **Yes**

Link to strategy: **Operational excellence and Responsible SEGRO**

Number of volunteering days (number)

707



Description

Now that we have launched 12 Community Investment Plans (CIPs) across many of our key markets we have turned our focus towards the implementation of them. We are therefore measuring the number of employees who volunteered in projects (including on our annual Day of Giving).

Our performance

During 2023 we delivered 707 volunteering days. This was almost double the number delivered in 2022.

For more information on the projects within these plans see page 29

Linked to remuneration **Yes**

Link to strategy: **Responsible SEGRO**

See more on our strategy on page 20

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.
Read more about our risk management on page 54

Where relevant we have linked our KPIs directly to SEGRO's incentive schemes.
Find out more in Remuneration page 107

Find out more about Responsible SEGRO on page 23

Performance review

Assets under management
£20.7bn
2022: £20.9bn

Portfolio valuation
£17.8bn
2022: £17.9bn

Portfolio valuation change[1]
-4.0%
2022: -11.0%

ERV growth
+6.0%
2022: +10.9%

Rent contracted
£88m
2022: £98m

Pre-lets signed
£27m
2022: £41m

1 Percentage valuation movement during the period based on the difference between opening and closing valuations for all properties including buildings under construction and land, adjusting for capital expenditure, acquisitions and disposals. The valuation movement 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. Table 3 on page 187 provides a reconciliation to the Financial Statements.

Portfolio update

Warehouse property values saw modest declines during 2023, as higher interest rates and uncertainty over the future trajectory for interest rates continued to impact investors' appetite for real estate assets. Investment market volumes remained low and yields expanded further, although at a much slower pace than during 2022.

Occupier markets continued to perform well and although macroeconomic uncertainty contributed to take-up returning closer to pre-pandemic levels, the availability of well-located, modern and sustainable space remains limited across our markets. This helped us to grow the rental income on our portfolio, by increasing the rents on our existing space and through our development programme, both of which contributed to income and earnings growth.

Modest decline in portfolio value due to further interest-rate driven yield expansion, partly offset by strong estimated rental value growth
The Group's property portfolio was valued at £17.8 billion at 31 December 2023 (£20.7 billion of assets under management). The portfolio valuation, including completed assets, land and buildings under construction, decreased by 4.0 per cent (after adjusting for capital expenditure and asset recycling) during the year, compared to a decline of 11.0 per cent in 2022. The majority of the fall came in the second half of the year and reflected the tighter financial conditions in capital markets, particularly in September and October. The significant fall in bond yields and future interest rate expectations at the end of 2023 did not come in time for an increase in investment activity last year, but it appears to have improved sentiment in the investment market in the early stages of 2024, which we expect will lead to increased activity during the year ahead.

The reduction in the valuation of our portfolio primarily comprises a 4.5 per cent decline in assets held throughout the year (2022: 13.1 per cent decline), driven by yield expansion in most markets, which was partly offset by a 6.0 per cent increase in our valuer's estimate of the market rental value of our portfolio (2022: 10.9 per cent increase) as well as development profits and the benefit of our asset management initiatives.

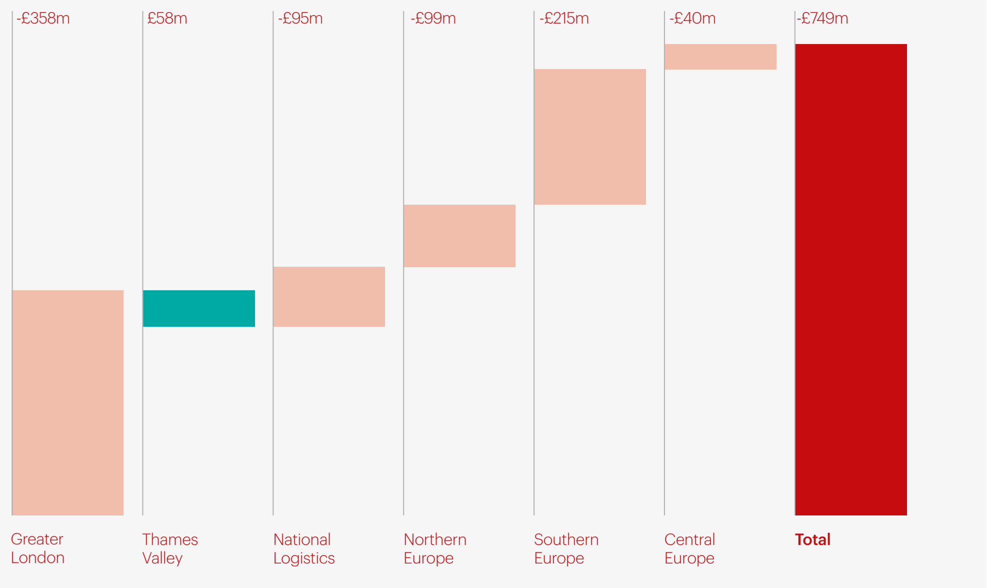
Assets held throughout the year in the UK decreased in value by 3.3 per cent (2022: 15.5 per cent decrease), underperforming the MSCI Real Estate All Industrial Quarterly Index which decreased by 0.3 per cent over the same period.

The underperformance was due to our weighting towards lower yielding prime assets, that were more sensitive to yield movements in response to higher interest rates. The net true equivalent yield applied to our UK portfolio was 5.2 per cent, 40 basis points higher than at 31 December 2022 (4.8 per cent). Rental values improved by 4.9 per cent (2022: 11.5 per cent).

Assets held throughout the year in Continental Europe decreased in value by 6.4 per cent (2022: 8.8 per cent decrease) on a constant currency basis, reflecting a combination of 60 basis points of yield expansion to 5.4 per cent (31 December 2022: 4.8 per cent) and rental value growth of 7.9 per cent (2022: 9.9 per cent).

Further details of property portfolio can be found in Note 25 to the Financial Statements and in the 2023 Full Year Property Analysis Report, at www.SEGRO.com/investors.

Unrealised gains and losses on whole portfolio



Annualised rent potential as at 31 December 2023 (£m)

Strong rent roll growth, with a large contribution from the capture of reversion on the standing portfolio as well as development

During 2023, we contracted £88 million (2022: £98 million) of new headline rent, consistent with our expectations after the elevated levels seen during the pandemic and its immediate aftermath.

We added £30 million of net new rent from our existing portfolio (2022: £31 million). This comprised £16 million on new lettings (2022: £21 million) and £35 million from the capture of reversion (the difference between in-place and market rents) on rent reviews and renewals, and from inflation-related uplifts in index-linked leases (2022: £28 million), offset by rent lost from space returned of £21 million (2022: £18 million), much of it for refurbishment.

Occupier demand for new space enabled us to sign further pre-let agreements for delivery over the next two years. We contracted £27 million of headline rent from pre-let agreements and lettings of speculative developments prior to completion (2022: £41 million). The pre-lets signed during 2023 included an additional data centre on the Slough Trading Estate and big box warehouses across the UK and Continental Europe for third-party logistics operators, manufacturers and retailers (both traditional and online).

As a result of this activity, 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, was £65 million (2022: £77 million).

At 31 December 2023, our portfolio generated passing rent of £639 million, rising to £697 million once rent free periods expire ('headline rent').

What to expect from our portfolio in 2024

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

However, if market expectations that central bank rates have peaked are sustained, this should provide a supportive backdrop for a recovery of investment market sentiment during 2024.

The fundamentals for our sector remain strong, with occupier demand supported by structural drivers and limited supply, which leaves us optimistic about the prospects for further rental value growth. This should result in investment markets in the industrial and logistics sector recovering more quickly than wider real estate assets. In addition, we expect investors to remain selective about where and in what they invest which, along with our active approach to asset management, should lead to our high-quality, modern and sustainable portfolio outperforming the wider industrial and logistics market on a long-run basis.

In terms of rent roll, we expect this to increase through the letting up of space currently under refurbishment, the further capture of reversion on the existing portfolio and by signing further pre-lets in response to occupier demand. We have the potential to more than double our rent roll over the coming years through our active asset management of the existing portfolio and the build out of our high-quality land bank.

Enabling extraordinary things: Space for collaboration

Scan the QR code to see our video on collaboration

www.segro.com/ara23/space-for-collaboration

Progress through partnership in East London

Our market-leading operating platform, with local networks across Europe, is crucial to the development of strong relationships with local authorities and stakeholder groups.

One such relationship is the East Plus partnership, which was established in London in 2016 and last year celebrated its halfway point. This partnership aims to revitalise 86 acres of industrial land across the London boroughs of Newham, Havering, and Barking and Dagenham and is a collaboration between SEGRO and GLA Land and Property (GLAP).

Since the partnership's inception, investment of over £120 million has delivered almost 60,000 sq m of sustainable industrial space for 50 businesses, ranging from SMEs to major corporates. Beyond physical site delivery, East Plus has broader regeneration goals including upskilling the workforce, inspiring younger generations, and supporting community projects. Our community investment programme has helped over 4,700 residents to develop the skills and confidence to reach their full potential, assisted 157 unemployed people into work, and supported 29 charities.

Collaboration, adaptability, experience, and a passion for delivering excellence in everything, forms the basis for the partnership and its extraordinary progress and success to date.

Update:
Investment

What we said we would do
We said that we would continue to take a disciplined approach to capital allocation, focusing the majority of our investment on our development pipeline (through development capex, land acquisitions and acquiring assets with future redevelopment potential) and making strategic asset acquisitions if and when the opportunity arose.

What we achieved in 2023
All of the investment into our portfolio during 2023 was into our development pipeline, a combination of development capex to build out our land bank and land acquisitions to fuel future growth. We made no asset acquisitions during the year but took advantage of increased appetite for prime assets in the second half to dispose of a number of assets ahead of book value.

What to expect in 2024
We will continue to take the same disciplined approach during 2024, putting most of our focus on building out our attractive land bank will continue to consider unique asset or land acquisition opportunities that may arise in these subdued investment market conditions. We expect to dispose of between one and two per cent of the portfolio as per our normal levels of capital recycling but adapting the overall volume of disposals to market conditions. We have a number of transactions under discussion and expect to make further progress with these during 2024.

£575m
of investment for growth

Acquisitions of assets
£0m
2022: £155m

Acquisitions of land
£404m
2022: £712m

Development capex
£527m
2022: £787m

Disposals of assets and land (including sales to SELP)
£356m
2022: £367m

Link to strategy:
Disciplined capital allocation

Taking a disciplined approach to capital allocation is key to delivering long-term outperformance. We use our in-depth knowledge of our markets and our customer base to position our portfolio accordingly. We also adapt our approach to capital deployment depending on our assessment of the property cycle and other external factors. During 2023 this has resulted in us prioritising capital deployment into the most profitable development opportunities on land that we already own, and increasingly funding this through disposals rather than taking on additional debt.

Net investment during the year was £575 million comprising: development capital expenditure of £527 million and £404 million of land acquisitions, partly offset by £356 million of disposals during the period.

Capital deployment focused on the most profitable development opportunities, increasingly funded by disposals
During the year we invested £931 million into our development pipeline, which comprised £527 million (2022: £787 million) in development spend, of which £92 million was for infrastructure and £404 million on new land acquisitions. The land acquisitions focused on rare and unique sites providing opportunities for future development.

In the UK, this included the acquisition of Bath Road Shopping Park in Slough, which creates significant further potential for data centre development due to its position adjacent to the Slough Trading Estate. We also acquired the former Radlett Aerodrome in Hertfordshire, a brownfield site on the edge of London and close to the M25, which provides us with the opportunity to develop an exceptionally rare site of scale that will deliver over 330,000 sq m of logistics buildings. It will be supported by a strategic rail freight interchange, allowing customers to reduce the number of trucks used in their operations, as well as a substantial 610 acre country park for use by the local community.

In Continental Europe we purchased an excellent plot of land outside Dortmund which will deliver over 200,000 sq m of big box and urban warehouse space in one of Germany's most attractive logistics markets. We also purchased small plots of land in Italy, France, Spain and Poland.

Amid volatile capital markets and higher financing costs, we increased the pace of disposals to fund our development activity, generating £356 million of proceeds from asset and land sales, crystallising a profit of £39 million compared to book value.

These included:

- Asset sales totalling £242 million, mainly of assets that did not meet our hurdle rates in our annual asset review process, as well as some non-core office assets. In total, £8 million of rental income (annualised) was lost as a result of these disposals.
- Land plots totalling £114 million, the majority of which came from the sale of land that the buyer intends to develop themselves for owner-occupation, offering us attractive risk-adjusted returns.

Performance review continued

Update:
Development

What we said we would do
We expected to continue to develop out our land bank during 2023 and anticipated investing in excess of £600 million in development capex, including £100 million of infrastructure expenditure.

What we achieved in 2023
2023 was another strong year of development completions. We completed 625,700 sq m of space, capable of delivering £50 million of new headline rent.

We spent £527 million on development capex, including £92 million on infrastructure. This was a little lower than our expectations and the residual capex is expected to be incurred in 2024.

What to expect in 2024
We expect to invest approximately £600 million in development capex during 2024, including £150 million of infrastructure related to our UK big box logistics parks. The yield on cost for our development programme is expected to be between 7 and 8 per cent.

Development completions
625,700sq m
2022: 639,200sq m

Development capex
£527m
2022: £787m

Current pipeline potential rent
£51m
2022: £67m

Current pipeline yield on cost
7.3%
2022: 6.5%

Potential rent from future pipeline
£392m
2022: £305m

Embodied carbon
348 $kgCO_2e$/sq m
2022: 353 $kgCO_2e$/sq m

Link to strategy:
Disciplined capital allocation and operational excellence

Disciplined capital allocation and Operational excellence are both key to the success of our development programme. They ensure that we deploy capital into the most profitable opportunities and into markets with the greatest long-term return potential, execute on our pipeline efficiently and safely, and build to the highest construction and sustainability standards.

Development completions delivered £50 million of potential headline rent
Development completions added 625,700 sq m of new space to the portfolio during 2023, generating £43 million of headline rent, with a potential further £7 million to come when the remainder of the space is let. The yield on total development cost (including land, construction and finance costs) is expected to be 7.0 per cent when fully let (excluding developments completed by third parties on a forward funded basis acquired at investment value).

We completed 478,800 sq m of big box warehouse space, including one of our last remaining plots at SEGRO Logistics Park East Midlands Gateway and across all of our major European markets, let to third-party logistics operators, retailers and manufacturers.

We completed 146,900 sq m of urban warehouses, including three data centres in Slough and industrial units in South London, Berlin, Cologne and Paris. The majority of these were developed speculatively and almost 80 per cent of the rent has already been secured.

During the year the contractor on one of our UK big box projects, Buckingham Contracting Group, entered administration. Our development team responded quickly to secure the scheme and liaise with our affected customers.

Thanks to our strong relationship with an alternative contractor we were able to restart works quickly. Although an inevitable consequence has been an increase in costs along with a short delay to the original delivery programmes, we have managed the impacts of this alongside our customers and have revised completion dates in place. Contractor failure is a supply chain risk we consider explicitly and it is managed in part through avoiding over-reliance on any single contractor.

Reducing embodied carbon in our development programme is critical to helping us achieve our net-zero targets and we continue to make progress in this area, reducing the carbon intensity of our developments to 348 kgCO2e per sq m during 2023. This represents a 13 per cent reduction from our 2020 baseline, meaning we are on course to achieve our science-based target of a 20 per cent reduction by 2030.

Almost all (99 per cent) of our eligible development completions during 2023 have been, or are expected to be, accredited at least BREEAM 'Very Good' (or local equivalent), with 92 per cent 'Excellent' or 'Outstanding'.

£71 million of potential headline rent currently under development or due to start shortly
At 31 December 2023, we had development projects approved, contracted or under construction totalling 415,200 sq m, representing £183 million of future capital expenditure to complete and £51 million of annualised gross rental income when fully let. 62 per cent of this rent has already been secured and these projects should yield 7.3 per cent on total development cost when fully occupied.

In the UK, we have 169,900 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 (the second largest hub of data centres globally) and big box warehouses at our logistics park in Coventry.

In Continental Europe, we have 245,200 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 Italy, Spain and Poland. We are also developing a further phase of our successful urban warehouse park in Amsterdam and are also on site with our underground scheme in central Paris.

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

We have factored current construction and financing costs into the returns for our future development projects. Encouragingly, we are seeing build costs stabilise across most of our markets and in some regions have started to see construction tenders coming in at reduced prices. We expect to be able to develop at a margin over the valuation yields on equivalent standing assets of at least 150 to 200 basis points, meaning that development remains a profitable way of growing the rent roll.

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 'near-term' projects within the next six to 12 months. These projects total 208,700 sq m of space, equating to approximately £159 million of future capital expenditure and £20 million of potential annual rent.

Further details of our completed projects and development pipeline are available in the 2023 Full Year Property Analysis Report, at www.SEGRO.com/investors.

£481 million of future potential rent from land bank and options

Our land bank identified for future development (including the near-term projects detailed above) totalled 1,138 hectares as at 31 December 2023, valued at £1.7 billion, roughly 10 per cent of our total portfolio value. This includes £645 million of land acquired for future redevelopment but which is currently income producing, reducing the holding costs until development can start (equating to £20 million of annualised rent).

We estimate our land bank can support 3.7 million sq m of development over the next five to seven years. The estimated capital expenditure associated with the future pipeline is approximately £3.7 billion. It could generate £392 million of gross rental income, representing a yield on total development cost (including land and notional finance costs) of between 7 and 8 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.

The land bank also includes 24 sites that SEGRO has identified as suitable for data centre development, equating to a potential 1.2 GW of additional capacity across the UK and Continental Europe. SEGRO expects to be able to commence construction on several of these sites (two of which are currently under development) over the next five years, which could more than double the current £50 million of headline rent attributed to the data centre sector (approximately 7 per cent of group headline rent at 31 December 2023).

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 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 £26 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 830,000 sq m of space and generating £89 million of headline rent, for a blended yield of approximately 7 per cent.

A zero-tolerance approach to poor health & safety

Accident incident rate:

0.93

2022: 0.25

Health and safety is central to all of our business activities and it is our responsibility to ensure that we provide and promote a healthy, safe and secure environment in which our people 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 of health and safety. We only want to work with businesses that share our approach of zero-tolerance of poor health and safety. We require all of 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 through the life of each project. We also facilitate the sharing of best practice across the industry though our Contractor Forums.

This approach also extends to the ongoing day-to-day life of our estates, many of which are accessed by both our customers and the public. We factor this into the design, mitigate risks and provide training to raise awareness.

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

The accident incident rate increased slightly during 2023, but these were minor incidents, mainly slips and trips, and we believe the increase has been driven by improved reporting.

Performance review continued

Update:
Asset management

What we said we would do
We expected occupier demand to remain strong, but at more normalised levels to the pandemic years. We anticipated that rental growth would continue, supported by this demand and the continued shortage of supply in our chosen markets.

What we achieved in 2023
Our focus on Operational excellence and commitment to excellent customer service helped us to deliver another strong year of rent roll growth during 2023, albeit not quite at the 2022 record level. We made great progress capturing reversion and kept occupancy high, despite taking back some space in London for refurbishment and redevelopment to very high sustainability standards. We also made great progress with our carbon targets within the existing portfolio by improving the visibility of customer emissions and adding a significant amount to our solar capacity through retrofitting projects.

What to expect in 2024
We have a unique portfolio in Europe's strongest markets. Our active asset management approach will ensure that it will continually evolve to provide high quality, modern space appealing to the widest variety of customers, thereby increasing rental levels. In 2024, we will continue to focus on providing excellent customer service and to capture the reversion inherent in our leases which reflects the quality of our buildings. We will continue to take advantage of leases coming to an end on some of our older buildings to refurbish them, bringing them up to the high environmental standards our customers and other stakeholders expect.

Portfolio passing rent
£639m
2022: £587m

Rent contracted during the year
£88m
2022: £98m

Customer satisfaction
86%
2022: 85%

Corporate and customer carbon emissions
254,168 tonnes CO_2e
2022: 272,218 tonnes CO_2e

Visibility of customer emissions
81%
2022: 68%

On-site renewable energy capacity
59MW
2022: 44MW

Link to strategy:
Operational excellence

The performance of our existing portfolio relies on our continued focus on Operational excellence; whether that means providing the best customer experience throughout the customer's 'journey' with SEGRO, optimising rental income and lease terms, ensuring consistency of operating standards, or driving efficiency through continuous improvement and the digitalisation of processes.

We believe SEGRO has a market-leading operating platform with people on the ground in all of our key locations. Through the internal management of our portfolio, we build strong and meaningful relationships with our customers and other business partners, and actively manage our assets to generate long-term outperformance.

Strong and diversified customer base
Understanding our customers and their evolving needs is crucial to the success of our business. The insights that we gain from these partnerships help us to shape our portfolio and ensure that our buildings are fit for the future and suitable for occupier's evolving needs.

Our customer base remains well diversified, reflecting the flexibility of warehouse space and that two-thirds of our portfolio is in urban locations. Our top 20 customers account for 32 per cent of total headline rent. Amazon remains our largest customer, 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 2023, as they continued to focus on prioritising efficiency, resilience and sustainability into their operations. This was closely followed by the technology, media and telecoms sector, which was driven by data centre operators taking additional space to keep up with increased corporate and consumer demand.

The health of our customer base remains strong: less than £3 million of rent was lost due to insolvency (2022: £2 million) and rent collection is tracking at normal levels despite the tougher economic environment.

Focused on delivering excellent customer service
Although the quality and location of our portfolio is important to our customers, we aim to build outstanding customer relationships through the delivery of excellent customer service. This enables us to maintain high levels of customer retention, grow rents and create new business opportunities.

We often work with our larger customers in more than one location and regularly across geographies: 27 per cent of our headline rent comes from customers with whom we have leases in more than one country. Our cross-border customer account teams help to ensure that we offer a streamlined and informed approach to these businesses.

We carry out a rolling survey of our customers throughout the year to identify and rectify issues promptly. In 2023, we spoke to 347 customers, and 96 per cent said that they would recommend SEGRO to others (2022: 98 per cent) while 86 per cent said they rated their experience with SEGRO as 'Excellent' or 'Good' (2022: 85 per cent).

During 2023 we extended the reach of our customer insight programme and added new customer onboarding and senior stakeholder interviews to better understand our customers' experiences of working with SEGRO and how we can best support them. One of the key takeaways from these interviews was that customers appreciate our efforts to improve connectivity with SEGRO and between their fellow customers. Our regular Customer Futures Forums bring together customers from different sectors to discuss emerging trends and anticipate future requirements.

Actively managing our portfolio to create value

The supply-demand dynamics across our chosen markets remained favourable during 2023, helping to drive further rental (ERV) growth and £88 million of new headline rent signed during the year. The active asset management of portfolio ensures that we generate long-term outperformance. We create plans for every single asset as part of our annual asset review process, aiming to strike a balance between maintaining current high occupancy and creating opportunities to drive future rents and create value through refurbishment, redevelopment or conversion to alternative uses such as data centres.

We monitor a number of metrics that help us assess the performance of our existing portfolio:

- **Good progress in capturing the embedded reversion within our portfolio:** Lease reviews and renewals during the period generated an uplift of 31.0 per cent (2022: 23.3 per cent), adding £20 million of new headline rent. New rents agreed at review and renewal were 39.9 per cent higher in the UK (2022: 28.0 per cent) as reversion accumulated over the past five years was reflected in new rents agreed. In Continental Europe, rents agreed on renewal were 7.9 per cent higher (2022: 1.7 per cent higher), as a result of market rental growth continuing to outpace annual indexation uplifts that have accumulated over recent years. Our portfolio is now 20 per cent reversionary, providing us with the opportunity to capture a further £137 million of headline rent over the next five years, £84 million of which is up for rent review or renewal by the end of 2026.
- **Occupancy has remained high at 95.0 per cent (31 December 2022: 96.0 per cent),** in line with our 94 to 96 per cent target. The slight reduction from 2022 is concentrated in our London portfolio and primarily reflects the recent completion of speculative projects in South London as well as the take-back of some older buildings to facilitate refurbishment or redevelopment. For example, a number of customers were relocated from their existing, older SEGRO premises into brand new space at SEGRO Park Hayes and SEGRO Park Tottenham. The occupancy rate excluding recently completed speculative developments remains high at 96.0 per cent (31 December 2022: 97.3 per cent) and the average occupancy rate during the period was 95.5 per cent (2022: 96.4 per cent).
- **Customer retention rate increased to 81 per cent.** Approximately £71 million of headline rent was at risk from a break or lease expiry during the period, of which we retained 78 per cent in existing space (2022: 75 per cent), and a further 3 per cent in new premises (2022: 1 per cent).
- **Lease terms continue to offer attractive income security.** The level of incentives agreed for new leases (excluding those on developments completed in the period) fell slightly to 5.8 per cent of the headline rent (2022: 6.1 per cent). We maintained the portfolio's weighted average lease length, with 7.3 years to first break and 8.3 years to expiry (31 December 2022: 7.0 years to first break, 8.3 years to expiry). Lease terms are longer in the UK (8.4 years to break) than in Continental Europe (5.7 years to break), reflecting the market convention of shorter leases in countries such as France and Poland.

Working closely with our customers and refurbishing older assets to help us achieve our Championing low-carbon growth ambitions

We have targets set and approved under the international Science-Based Targets Initiative (SBTi) 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 2023, we reduced these carbon emissions by 7 per cent, taking our reduction from 2020 to 19 per cent and putting us a year ahead of our target.

The recent introduction of green lease clauses is helping us to improve our visibility of customer carbon emissions, which allows us to better identify opportunities to help them operate their buildings more efficiently, reducing their carbon footprint and operating costs. These clauses, as well as an increase in the number of automatic meter feeds that we receive, have helped take the visibility of our portfolio energy use to 81 per cent (2022: 68 per cent).

At the end of 2023, 65 per cent of the portfolio had an EPC rating of B or better (2022: 58 per cent). Whilst the majority of our portfolio is modern and already meets the highest sustainability standards, we do have some older assets in heavily populated and congested cities such as London and Paris, where land and buildings are in short supply and rents continue to grow. This provides us with the opportunity to add significant value through refurbishment, redevelopment, or conversion into alternative uses whilst also improving their environmental performance.

A key part of our asset planning process is therefore determining the phasing of these projects and managing the space to ensure we have vacant possession to suit our future plans. This can lead to periods where the headline vacancy in these sub-markets is elevated, for example in our West London portfolio at the end of 2023, but the cost of this vacancy is more than outweighed by the value created through the refurbishment or redevelopment. Opportunities such as these are not included in our future development programme and could create significant rental uplifts. One such refurbishment, SEGRO Park Greenford in West London, was awarded BREEAM 'Outstanding' during the period and rated EPC A+ and is our most sustainable refurbishment to date.

Our asset management teams are also working hard to expand the solar capacity of our portfolio through retrofitting onto existing assets (whilst the development teams are installing panels on new developments) where feasible. During 2023 we added 15 MW to our solar capacity, including 11 MW through retrofits onto existing buildings.

Applying Operational excellence to our supply chains

Supplier spend:

£887m

Number of suppliers:

2,842

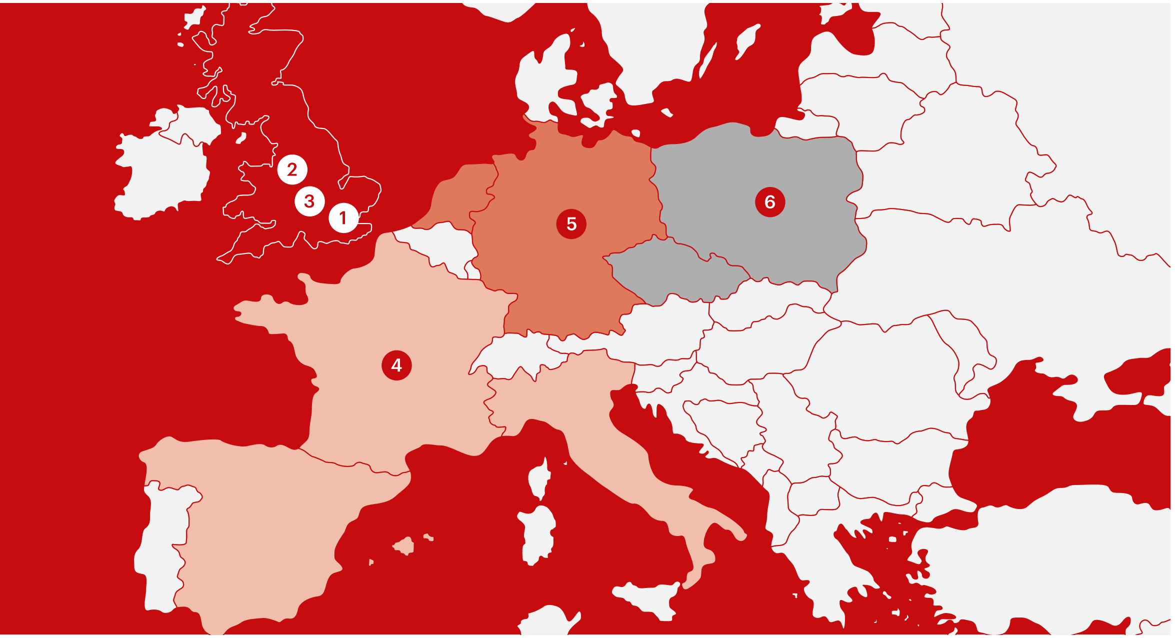
We apply the same approach in our supply chains as we do in our internal operations and aim to develop collaborative partnerships, with mutually beneficial aims and objectives. Our suppliers range from small local businesses to multinational companies and we look to work with businesses who share our approach to matters such as health and safety, compliance, anti-bribery and corruption. Our Supplier Code of Conduct and Modern Slavery and Labour Standards Supply 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.

Our relationships with our suppliers are also 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 included proactively sourcing labour, goods and services from our local communities and contributing to our Community Investment Plans.

In the spirit of partnership, we treat our suppliers well and ensure they are paid on time. We are a signatory of the UK Prompt Payment Code (average UK payment time is 14 days). We are also an accredited UK 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.

Regional updates and 2023 key highlights

Occupier demand was resilient across all of our markets and vacancy in our chosen sub-markets remains low, supporting continued market rental growth during 2023.



1 Greater London

- Significant capture of reversion.
- Completion of world's first BREEAM 'Outstanding' refurbishment.
- Celebrating the ten-year anniversary of our East Plus partnership.

Headline rent (at share)
£226m

Occupancy
91.2%

2 National Logistics

- Completion of our final units at SLP-EMG.
- Further pre-lets signed in Coventry.
- Acquisition of rare land plot in Radlett for 300,000 sq m logistics park.

Headline rent (at share)
£58m

Occupancy
98.4%

3 Thames Valley

- Attracted 16 new customers to the Slough Trading Estate.
- Significant capture of reversion.
- Acquisition of Bath Road Shopping Park for data centre redevelopment.

Headline rent (at share)
£115m

Occupancy
96.8%

4 Southern Europe

- Continued rental growth across our markets.
- Two major new pre-lets signed in Spain.
- Commencement of work on our new central Paris schemes.

Headline rent (at share)
£159m

Occupancy
96.3%

5 Northern Europe

- Strongest ERV growth in Europe.
- Completion of rezoning and acquisition of land in Dortmund.
- Installation of 4 MW of solar capacity in Germany.

Headline rent (at share)
£90m

Occupancy
98.8%

6 Central Europe

- Completed 82,000 sq m of new space.
- Acquired 16.5 hectares of new land in Warsaw.
- 100 per cent customer and supplier satisfaction rate.

Headline rent (at share)
£49m

Occupancy
95.7%

Q&A with our Continental European MD Marco Simonetti

Marco Simonetti covers the following topics
- Continental European operational highlights
- Performance of our different markets
- Continental European e-commerce trends
- Outlook for construction costs

Scan the QR code to see the video.

www.segro.com/ara23/Marco-Simonetti

Q&A with our UK MD James Craddock

James Craddock covers the following topics
- UK operational highlights
- Occupier demand trends
- Supply and market vacancy levels
- Rent affordability

Scan the QR code to see the video.

www.segro.com/ara23/James-Craddock

SEGRO European Logistics Partnership (SELP)

During 2023 we celebrated the tenth anniversary of the 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 October 2013 with €1 billion of assets. At the end of 2023, it had a portfolio worth €6.7 billion. SELP generates €342 million of headline rent with an occupancy rate of 99 per cent.

Our partnership is an important 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.

During SELP's first ten years it has developed almost 1.9 million sq m of big box warehouse space across six European countries, adding €102 million of headline rent to the portfolio.

As a result, SEGRO now has in excess of €1 billion of 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.

SELP's assets are managed by SEGRO alongside its own portfolio and in return SELP pays SEGRO annual fees for asset management, development and advisory and administrative services. Since 2013, SELP has paid SEGRO £192 million of these fees, which has resulted in a net benefit before tax to SEGRO of £96 million, enhancing the returns from the Continental European big box portfolio.

In addition to these management fees, during the first ten-years of the joint venture SEGRO also received £141 million (net benefit before tax of £70 million) in performance fees, reflecting its successful growth. The final fee for the ten-year period of £89 million was recognised in 2023 (net benefit before tax of £44 million) and was in addition to two other performance fees recognised in 2018 and 2021 of £26 million each (net benefit before tax of £13 million).

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.

1 SEGRO Logistics Park Saint Quentin-Fallavier

2 SEGRO Park South Rome B

10 years of SELP

AUM
€6.7bn
2013: €1bn

Headline rent
€342m
2013: €81m

Space developed
1,870,000sq m

Rent added from new developments
€102m

Number of customers
284

10-year internal rate of return
12.7%

Assets under Management €m

Enabling extraordinary things: Space for growth

Scan the QR code to see our video on growth
www.segro.com/ara23/space-for-growth

Cologne gets a fresh coat of paint

Given the scarcity of land in our urban markets, many of our developments involve the regeneration of brownfield sites. These schemes help to grow the local economy by helping to attract new business investment into local areas and creating diverse and high-quality employment opportunities.

In 2014, we acquired a former paint factory on the edge of Cologne which, as with many of our brownfield urban developments, required a significant amount of remediation work. This included the removal of 62 tonnes of material contaminated by paint and varnish waste.

Less than 10 years on this site is now SEGRO Park Cologne City: a 55,000 sq m urban logistics and light industrial park built to the highest sustainability standards (helping it to be awarded DGNB the highest possible DGNB 'Platinum' Certification).

The park is now home to 23 customers from a diverse range of industries including: retail, film and media, post and parcel, luxury cars and food manufacturing. Together they employ 1,128 and are enabling a wide range of extraordinary things to happen in Cologne.

A Q&A with our CFO

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.

Soumen Das, Chief Financial Officer

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

Soumen Das covers the following topics:

- Outlook for earnings growth
- Investment market activity and property valuations
- Potential growth opportunities and the funding of these
- Managing leverage through macroeconomic cycles

Scan here to see the video

www.segro.com/ara23/Soumen-Das

Financial review

Adjusted profit before tax

£409m

2022: £386m

IFRS loss before tax

£263m

2022: £1,967m loss before tax

Available cash and undrawn facilities

£1.9bn

2022: £2.2bn

Loan to value ratio

34%

2022: 32%

Financial position at 31 December 2023

As at 31 December 2023, the gross borrowings of SEGRO Group and its share of gross borrowings in joint ventures totalled £6,420 million (31 December 2022: £5,887 million), of which £6 million (31 December 2022: £7 million) are secured by way of legal charges over specific assets. The remainder of gross borrowings are unsecured. Cash and cash equivalent balances were £404 million (31 December 2022: £194 million). The average debt maturity was 6.9 years (31 December 2022: 8.6 years) and the average cost of debt (excluding non-cash interest and commitment fees) was 3.1 per cent (31 December 2022: 2.5 per cent).

Funds available to SEGRO Group (including its share of joint venture funds) at 31 December 2023 totalled £1,930 million (31 December 2022: £2,208 million), comprising £404 million cash and short-term investments and £1,526 million of undrawn credit facilities of which £148 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.

Financing

During 2023, we arranged £230 million of additional term loan facilities with existing relationship banks to finance the Group's obligations and strengthen liquidity. We have extended £1,096 million of SEGRO bank facilities and €600 million of SELP bank facilities by a further year. In response to increased interest rate volatility, we have expanded our interest rate cap portfolio to maintain the level of fixed and capped rate debt at 95 per cent.

Financing during the year

- **Short-term debt:** SEGRO has extended the term of €800 million of its revolving credit facilities by a further year, €200 million to 2028 and €600 million to 2026. SELP also extended the term of its €600 million of facilities a further year to 2027. In January 2024, SEGRO arranged a €100 million bilateral revolving credit facility with a new relationship bank, increasing available revolving credit facilities to €1.9 billion.
- **Medium-term debt:** SEGRO arranged £100 million and €150 million of new term loans, maturing in 2026, from existing relationship banks, and extended the term of £300 million and €115 million of term loans by a further year also to 2026. During the year, SEGRO drew £400 million and €558 million of term loans.
- **Long-term debt:** SEGRO repurchased the remaining £82 million of 6.75 per cent bonds maturing in 2024.

Financial position and funding

	31 December 2023		31 December 2022	
	SEGRO Group	SEGRO Group, JVs and associates at share	SEGRO Group	SEGRO Group, JVs and associates at share
Net borrowings (£m)	**4,972**	**6,016**	4,722	5,693
Available cash and undrawn facilities (£m)	**1,736**	**1,930**	1,920	2,208
Balance sheet gearing (%)	**45**	**N/A**	41	N/A
Loan to value ratio (%)	**34**	**34**	32	32
Net debt:EBITDA ratio (times)[3]	**10.4**	**N/A**	11.7	N/A
Weighted average cost of debt[1] (%)	**3.2**	**3.1**	2.6	2.5
Interest cover[2] (times)	**2.7**	**3.0**	4.3	4.5
Average duration of debt (years)	**7.6**	**6.9**	9.4	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 Calculation detailed in Table 2 in the Supplementary Notes.

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 a 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. The LTV at 31 December 2023 on this basis was 34 per cent (31 December 2022: 32 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. The gearing ratio of the Group at 31 December 2023, as defined within the principal debt funding arrangements of the Group, was 45 per cent (31 December 2022: 41 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 44 per cent from their 31 December 2023 values to reach the gearing covenant threshold of 160 per cent. A 44 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 2023 was 2.7 times, comfortably ahead of the covenant minimum. Net property rental income would need to fall by around 54 per cent from 2023 levels, or interest rates would need to rise to 7.4 per cent from the full year average interest rate of 3.4 per cent to breach the interest cover covenant threshold. On a proportionally consolidated basis, including joint ventures, the interest cover ratio was 3.0 times.

SEGRO also monitors its leverage on a net debt:EBITDA basis which is an increasingly important metric for rating agencies and our investors. SEGRO has a long-term issuer default rating of 'BBB+' and a senior unsecured rating of 'A-' from Fitch Ratings as at 31 December 2023. These ratings were reduced from 'A-' and 'A' respectively in May 2023, and placed on 'negative watch'.

SEGRO's net debt:EBITDA ratio at the end of 2023 was 10.4 times (2022: 11.7 times), reflecting the net impact of an £75 million increase in EBITDA and a £250 million increase in net debt. The elevated 2022 ratio was the prime reason cited by Fitch Ratings for downgrading our senior unsecured debt rating during the year to A- from A and applying a negative outlook. Fitch state that a net debt:EBITDA ratio of 9.5 times is consistent with an A- rating and we have made significant progress towards that during 2023 as a result of growing our rent roll and funding a significant proportion of our investment with the proceeds of disposals.

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 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 covenants should property values decline.

The weighted average maturity of the gross borrowings of the Group (including joint ventures at share) was 6.9 years, with the closest maturity being SELP's €500 million euro bond in November 2025, followed by SEGRO's €195 million term loan in December 2025. This long average debt maturity comprises a well spread debt funding maturity profile which reduces future refinancing risk.

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) should be at fixed or capped rates, including the impact of derivative financial instruments.

At 31 December 2023, including the impact of derivative instruments, 95 per cent (2022: 95 per cent) of the net borrowings of the Group (including the Group's share of borrowings within joint ventures) were either at fixed rates or are protected from rising interest rates with interest rate caps, with a spread of expiry dates over the next 6 years and an average expiry of 3.4 years. The pure fixed level of debt is 76 per cent at 31 December 2023 (31 December 2022: 83 per cent), rising to 95 per cent including floating rate debt which is now subject to an active cap. The remaining 5 per cent of debt is at floating rates.

During the year, in line with our risk management processes and due to the higher levels of market volatility, the Group entered into €532 million of interest rate cap contracts to mitigate the risk of rising interest rates on our floating rate debt exposure. At 31 December 2023 all of these caps were triggered.

As a result of the fixed rate cover in place, if short-term interest rates had been 200 basis points higher throughout the year to 31 December 2023, the adjusted net finance cost of the Group would have been approximately £10 million higher (31 December 2022: £27 million higher) representing around 3 per cent (31 December 2022: 7 per cent) of Adjusted profit after tax. This decrease in sensitivity to interest rate increases since 2022 is attributed to the greater protection from our interest rate cap portfolio.

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 (34 per cent at 31 December 2023) and 100 per cent. At 31 December 2023, the Group was 74 per cent hedged by gross foreign currency denominated liabilities (31 December 2022: 76 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 2023 weakened by 10 per cent against sterling (to €1.27, in the case of euros), net assets would have decreased by approximately £151 million and there would have been a reduction in gearing of approximately 2.2 per cent and in the LTV of 1.3 per cent.

The average exchange rate used to translate euro denominated earnings generated during 2023 into sterling within the consolidated income statement of the Group was €1.15: £1. Based on the hedging position at 31 December 2023, and assuming that this position had applied throughout 2023, if the euro had been 10 per cent weaker than the average exchange rate (€1.27: £1), Adjusted profit after tax for the year would have been approximately £9 million (2.3 per cent) lower than reported. If it had been 10 per cent stronger, Adjusted profit after tax for the year would have been approximately £11 million (2.8 per cent) higher than reported.

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 2023
The impact of increased borrowings (due to £0.6 billion net investment) during the year and the reduction in asset values meant that LTV has increased from 32 per cent to 34 per cent at 31 December 2023.

What to expect in 2024
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 £1.9 billion (including our share of joint ventures and associates) on which we can draw to fund our investment plans.

Read more on our strategy on page 20

Financial review continued

Going concern

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

- In 2023, the Group extended the term of its €600 million and €200 million revolving credit facilities to 2026 and 2028, respectively, and extended the term of its £300 million and €115 million term loans to 2026.
- The Group added a further £100 million and €150 million term loan facilities, both maturing in 2026.
- Cash and available committed facilities at 31 December 2023 were £1.5 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 2023, property values would need to fall by around 44 per cent before breaching the gearing covenant. In terms of interest cover, net rental income would have needed to fall by 54 per cent or the average interest rate would have needed to reach 7.4 per cent before breaching the interest cover covenant. All would be significantly in excess of the Group's experience during the financial crisis.

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 year, the net profit after tax impact of the SELP performance fees recognised of £42 million have been excluded. Furthermore an impairment of a loan to an associate of £28 million has also been excluded. Both items are discussed in more detail in Note 2. In the prior year there have been no such adjustments and therefore Adjusted profit and EPRA earnings were the same.

Adjusted profit (note 2)

	2023 £m	2022 £m
Gross rental income	**547**	488
Property operating expenses	**(85)**	(76)
1 Net rental income	**462**	412
2 Joint venture management fee income	**29**	30
Management and development fee income	**4**	5
Net solar energy income	**1**	1
Administrative expenses	**(63)**	(59)
3 Share of joint ventures and associates' adjusted profit[1]	**82**	71
Adjusted operating profit before interest and tax	**515**	460
4 Net finance costs	**(106)**	(74)
Adjusted profit before tax	**409**	386
5 Tax on adjusted profit	**(10)**	(11)
Non-controlling interests share of Adjusted profit	**–**	(1)
6 Adjusted profit after tax	**399**	374

1 Comprises net property rental income less administrative expenses, net finance costs and taxation.

Net rental income

£50m higher
1

Net rental income increased by £50 million to £462 million (or by £65 million to £587 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 £31 million, or 6.5 per cent, compared to 2022.

This is due to strong rental performance across our portfolio. Continental Europe: 8.5 per cent increase, primarily through indexation; and UK: 5.3 per cent increase, primarily through capturing the reversionary potential in the portfolio through lease reviews and renewals (for more information see Performance review page 37.)

1 The like-for-like net rental growth metric is based on properties held throughout both 2023 and 2022 on a proportionally consolidated basis. This provides details of underlying net rental income growth excluding the distortive impact of acquisitions, disposals and development completions.

Income statement review

Income from joint ventures and associates

£10m higher

2 3

SEGRO's share of joint ventures and associates' Adjusted profit after tax increased by £11 million from £71 million in 2022 to £82 million in 2023, excluding performance fee expense. The increase is driven by net rental income growth partially offset by interest costs and taxation.

Joint venture fee management fee income decreased by £1 million to £29 million in 2023 due to a reduction in property values on which elements of the fees are based.

Performance fees from joint ventures have been excluded from Adjusted profit and are discussed in the IFRS loss section below.

Net finance costs

£32m higher

4

Net finance costs were £32 million higher than 2022 at £106 million. Average interest rates during the year were 3.2 per cent compared to 2.6 per cent in the prior year. This has been partially offset by a £42 million increase in capitalised interest compared to the prior year due to the higher rate of interest on debt used to finance development projects. Furthermore, gross debt levels were higher in 2023 compared to the prior year. At 31 December 2023 gross debt was £5,348 million, £464 million higher than the prior year.

Taxation

2.4% (effective rate)

5

The tax charge on Adjusted profit of £10 million (2022: £11 million) reflects an effective tax rate of 2.4 per cent (2022: 2.8 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 (EPS)

£25m higher (32.7p)

6

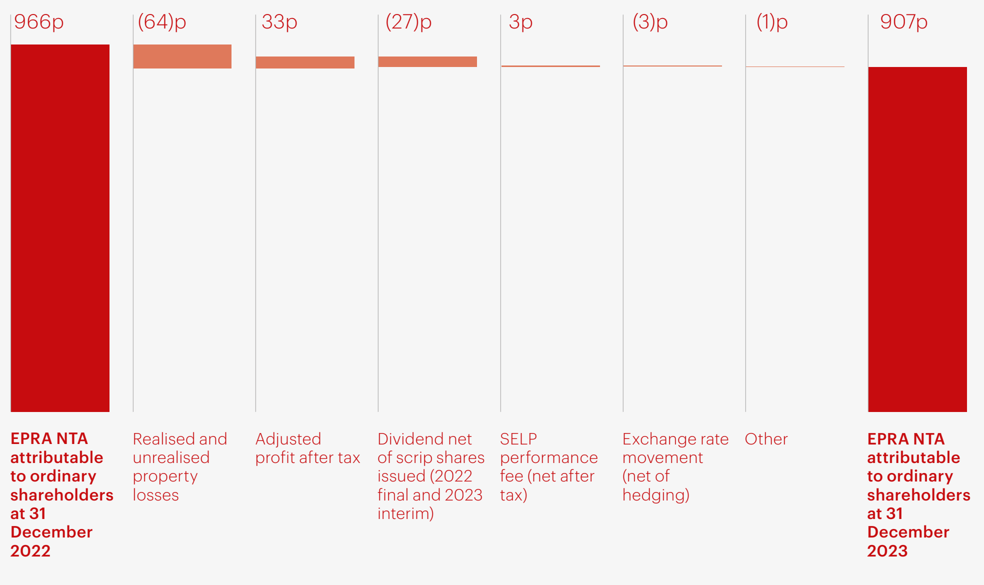
Adjusted profit after tax increased by £25 million to £399 million (2022: £374 million) as a result of the above movements, primarily growth in rental income offset by increased finance costs.

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

Adjusted earnings per share are 32.7 pence compared to 31.0 pence in 2022 due to the increase in Adjusted profit slightly offset by the 13 million increase in the average number of shares in issue compared to the prior year.

Financial review continued

Adjusted net asset value (pence per share)



IFRS loss

IFRS loss before tax in 2023 was £263 million (2022: £1,967 million loss), equating to basic post-tax IFRS loss per share of 20.7 pence compared with loss per share of 159.7 pence for 2022. A reconciliation between Adjusted profit before tax and IFRS loss before tax is provided in Note 2 to the Financial Statements.

The principal driver of IFRS loss is realised and unrealised property losses and gains which is the main reason for the lower loss per share in 2023 versus 2022. Total loss on properties is £760 million (2022: £2,175 million loss). This includes a £598 million realised and unrealised property loss on investment and trading properties in the wholly-owned business (2022: £1,939 million loss) and £162 million loss from joint ventures and associates at share (2022: £236 million loss). The largest component are valuation losses on investment and trading properties of £809 million including joint ventures at share (2022: £2,191 million), which is driven by yield expansion in most markets partially offset by increases in ERV. These are discussed in more detail in the Performance review on page 36. Other property movements include profit on sale of wholly-owned investment properties of £39 million (2022: £9 million profit).

There was also a loss of £28 million recognised in the year in relation to the impairment of a loan to an associate which is assumed to be recovered through the fair value of land which has fallen during the year. This is further detailed in Note 17(vi).

IFRS earnings in the year also included recognition of a performance fee from SELP following the ten-year anniversary of the joint venture. The overall net profit impact was £42 million (2022: £nil). This constituted a £89 million income less taxation of £10 million in respect of the wholly-owned business and a cost of the performance fee of £45 million less a tax credit of £8 million from the joint venture (at share).

Further detail on the performance fee including the recognition criteria and cumulative fee recognised are detailed in Note 7(ii).

IFRS earnings were also impacted by a net fair value gain on interest rate swaps and other derivatives of £24 million (2022: loss of £199 million).

In addition, SEGRO recognised a tax credit in respect of adjustments of £30 million (2022: £48 million) primarily in relation to property valuation movements.

Balance sheet

At 31 December 2023, IFRS net assets were £10,904 million (31 December 2022: £11,373 million), reflecting 886 pence per share (31 December 2022: 938 pence) on a diluted basis.

Adjusted NAV per share at 31 December 2023 was 907 pence (31 December 2022: 966 pence). The 6.1 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 £584 million are £105 million higher than the prior year. This is primarily due to increased rental income received during the year, and other working capital movements. As well as finance cost outflows of £162 million in servicing the debt facilities, a further £5 million was spent in closing out debt and reprofiling interest rate derivatives. Interest rate risk management is detailed further in the Financial review on page 49. In addition there were tax payments of £24 million primarily in France.

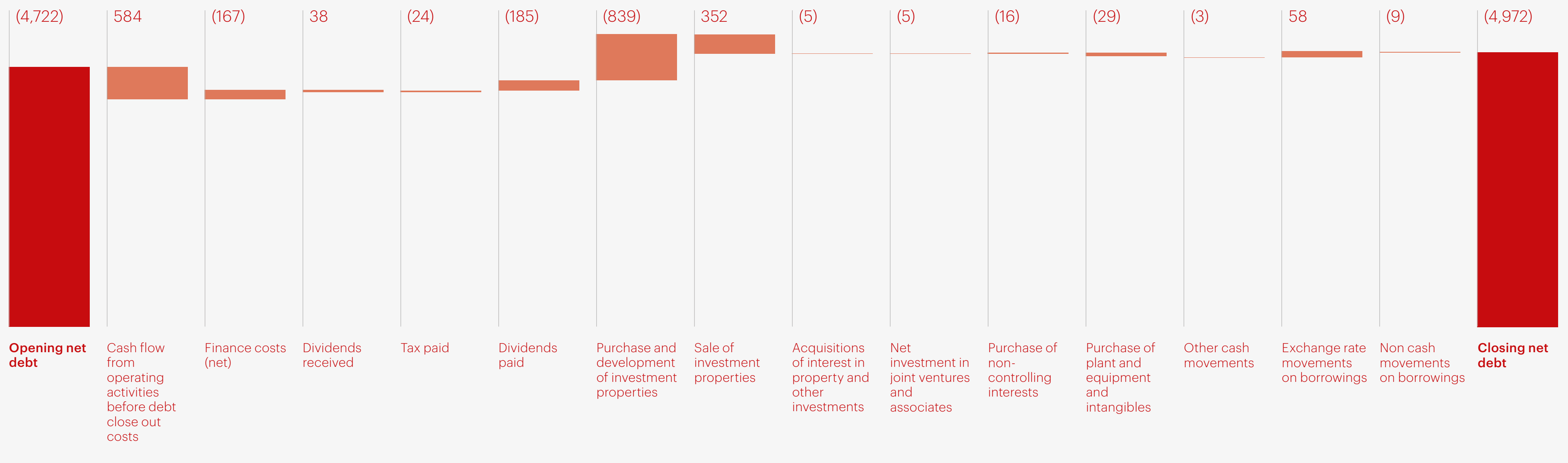
The Group made net investments of £487 million in investment and development properties during the year on a wholly-owned cash flow basis (2022: £1,162 million). This is principally driven by expenditure of £839 million (2022: £1,472 million) to purchase and develop investment properties to deliver further growth in line with our strategy. Disposals of investment properties increased by £42 million to £352 million compared to the prior year (2022: £310 million) as the business looked to recycle assets when the opportunity arose.

During the year £185 million (2022: £222 million) dividends were paid which is lower than the total dividend due to the level of scrip uptake of £129 million (2022: £79 million) and tax due after year end on a Property Income Distribution of £13 million (2022: £nil).

Other significant cash flows include £29 million acquisition of plant and equipment and intangibles primarily on enhancing the businesses technology and PV plant, and £16 million to acquire the residual non-controlling interest of Vailog Sarl.

Overall, net debt has increased in the year by £250 million to £4,972 million.

Cash flow bridge (£m)



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 £1,121 million, a decrease of £777 million compared to 2022, primarily from lower acquisition and development spend. More detail on this spend can be found in the Development and Investment Updates on pages 39 to 40.

Development capital expenditure was £527 million in the year (2022: £787 million) across all our Business Units, particularly Southern Europe and National Logistics, reflecting our development-led growth strategy. Interest of £68 million (2022: £24 million) has been capitalised in the year.

Spend on existing completed properties, totalled £67 million (2022: £62 million), of which £1 million (2022: £13 million) was for incremental lettable space. The balance mainly comprises refurbishment and fit-out costs, which equates to less than six 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 0.9 pence to 19.1 pence (2022: 18.2 pence). We will pay the 2023 final dividend as a PID and expect to pay the 2024 interim dividend as an ordinary dividend. The Board's recommendation is subject to approval by shareholders at the 2024 Annual General Meeting to be held on 18 April 2024, in which event the final dividend will be paid on 3 May 2024 to shareholders on the register at the close of business on 15 March 2024.

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 2023 and the outlook for earnings.

The total dividend for the year will, therefore, be 27.8 pence, a rise of 5.7 per cent versus 2022 (26.3 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 2023 final dividend (subject to approval by shareholders at the 2024 AGM), allowing shareholders to choose whether to receive the dividend in cash or new shares. In 2023, 49 per cent of the 2022 final dividend and 21 per cent of the 2023 interim dividend were paid in new shares, equating to £129 million of cash retained on the balance sheet.

Managing risk

Effective risk management

An effective, proportionate, and reliable risk management process is essential to support our strategy and business model. Whilst we still face the challenges of the external environment, risk management is embedded in our decision-making processes, meaning our business can remain stable and resilient.

Annual risk management update

The macroeconomic and geopolitical challenges of 2022 have continued into 2023 which inevitably affect SEGRO in terms of higher interest rates, and pressure on our asset valuations. Our rigorous risk management approach is therefore as vital as it has ever been, to not only maintain SEGRO's stability and resilience into 2024 but also to remain well positioned in order to benefit from any positive trends in the near and longer-term future.

The Group's Board and key committees have continued to oversee our 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 to help mitigate the impacts of future volatility.

The Group Risk Committee is made up of members of senior management and now includes the Group Customer & Operations Director. The members of the Committee have detailed knowledge of, and expertise in operational, financial and corporate aspects of our business. The Group Risk Committee has met three times during the year and has been responsible for overseeing the work of the risk management function on behalf of the Executive Committee.

Although SEGRO's principal risks do not dramatically change year-to-year there are key areas of focus in response to changes within the external environment or within the business. An example of a risk which has been a particularly are of focus this year is the risk associated with developments and construction.

The successful delivery of SEGRO's development programme required a suitable land bank in order to achieve SEGRO's strategy of operational excellence. The macroeconomic environment is driving supply chain instability and more concern over contractor insolvency. Although development and construction execution is a long-standing principal risk within SEGRO's risk register, the external environment impacts the type and significance of the risks associated with holding land and managing our development pipeline. We are therefore carefully monitoring our appetite for land holdings and undertaking due diligence associated with land, developments, appraisal assumptions and contractor performance. We have also extended this risk to specifically include reference to the potential impact of faulty design or construction, deleterious materials and changes in regulation affecting the compliance of our buildings.

Emerging risks

In addition to monitoring our principal risks in a risk register, we identify, assess and monitor emerging risks. We consider wide-ranging risks such as water availability and our buildings' water demands, energy usage and access to power and changes to public sentiment which may affect customer demand associated, for example with air travel or data centres.

Two examples of emerging risks we are currently monitoring are longer-term climate change and disruptive technologies.

Longer-term climate change
We consider the longer-term effects of some risks which are also principal risks within our risk register, for example, the effects of climate change. The further ahead the timescale, the harder it becomes to predict the physical effects of climate change, like temperature increases and heavier or more unpredictable rainfall, but we know this is something that will affect us in the future. In addition, SEGRO needs to consider how our actions to reduce carbon emissions will affect our strategy in the longer term, as well as potential new and rapidly changing liabilities associated with climate litigation. The impact of these risks could be a change in desired location of our assets, change in customer demand, reputation damage, downward impact on valuations and potential asset obsolescence.

Disruptive technologies
We also consider 'new' risks such as those associated with disruptive technologies. These may include developments such as the widespread adoption of autonomous vehicles and the resultant effect on demand and use of our assets, the longer term 'working-from-home' habits and the effect on urbanisation, use of data and automation within our warehouses and the rise of 'space-as-a-service' operators. While these changes could bring opportunities as well as threats, SEGRO cannot maintain a position of strength unless we continue to monitor the changes and increase our understanding over time.

Soumen Das
Chief Financial Officer

1 SEGRO Park Le Thillay

2 SEGRO Park Collégien

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 that there is 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.

We have put risk appetite at the heart of our risk management processes and it is integral both to our consideration of strategy and to our medium-term planning process. Our risk appetite is applicable throughout the organisation including joint ventures and associated companies.

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. It also includes criteria for assessing the potential impact of risks and our mitigation of them.

Our risk appetite is dynamic, varying over time and during the course of the property cycle. We adjust our risk appetite in relation to different types of risks, as explained further below. However, overall, 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 in order to enhance opportunities for superior returns. We strive for diversity in geographic locations and asset types, with an appropriate mixture of stabilised income-producing and opportunity assets. 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 with reasonable resilience in a downturn. We aim to enhance these returns through development, which requires appropriate 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 closely monitoring the churn and duration of our land holdings. We also seek to mitigate the risks, especially contractor covenant risks, that are inherent in development. With due consideration of our environmental responsibilities, we seek to develop buildings which meet and, preferably, exceed minimum regulatory requirements. Buildings which fail to achieve high environmental certification standards are increasingly less attractive to occupiers now and we expect this sentiment to intensify in the future.

We have a low appetite for risks to income from customers and therefore we maintain a diverse occupier base with strong covenants and avoid over-exposure to individual occupiers in specialist properties.

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. These stakeholders include 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; protecting the health and safety of employees, suppliers, customers and other users of our assets; our impact on the environment; compliance with codes of conduct and ethics; ensuring business continuity; and making a positive contribution to our local communities.

Managing risk continued

Risk management

Our integrated and robust approach to risk management

The risk management process is designed to identify, assess and respond to significant risks to the Group's objectives. Most of these risks cannot be eliminated or avoided so, instead, the process aims to understand, document, mitigate and monitor the risks. The risk management process can therefore only provide reasonable and not absolute assurance.

The identification and review of emerging risks is integrated into our risk review process. Emerging risks are those risks or a combination of risks with a longer timescale. They are often rapidly evolving and, consequently, the impact and probability may be less predictable. Therefore, necessary mitigations are usually 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, as well as other relevant internal groups.

The Board has performed a robust assessment of the principal and emerging risks facing the Group. It formally reviewed the 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 then reviewed how the Group Risk Register has been compiled, at two points during the year.

The Board recognises that we have limited control over many of the external risks that the Group faces, such as global events as well as the macroeconomic, geopolitical, and regulatory environment, but still ensures we assess the potential impact of such risks on the business and consequential decision making. Internal risks are monitored by the Board to ensure that appropriately designed controls are in place and operate effectively to manage those risks.

The most significant risks are detailed in the Group Risk Register. Risks are assessed in both inherent (before taking any relevant controls into account) 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 classed as 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. Each risk has a range of mitigating controls which are in place.

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.

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 risk management process is long-standing and therefore is embedded and well understood throughout our business.

Soumen Das
Chief Financial Officer

1 SEGRO Logistics Park East Midlands Gateway

2 SEGRO Logistics Park Poznań, Komorniki

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 manage 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 which 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, as well as the risk management function overseen by the Group Risk Committee.

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

The Board has overall responsibility for ensuring that risk is effectively and consistently managed across the Group. The Audit Committee monitors effectiveness on behalf of the Board. Further information on compliance with the risk management provisions of the UK Corporate Governance Code can be found in the Internal controls and risk management section of the Audit Committee Report.

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, implementation and operation 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, the resolution of issues identified and is agile in its response to such issues and amends the programme accordingly.

Principal risks

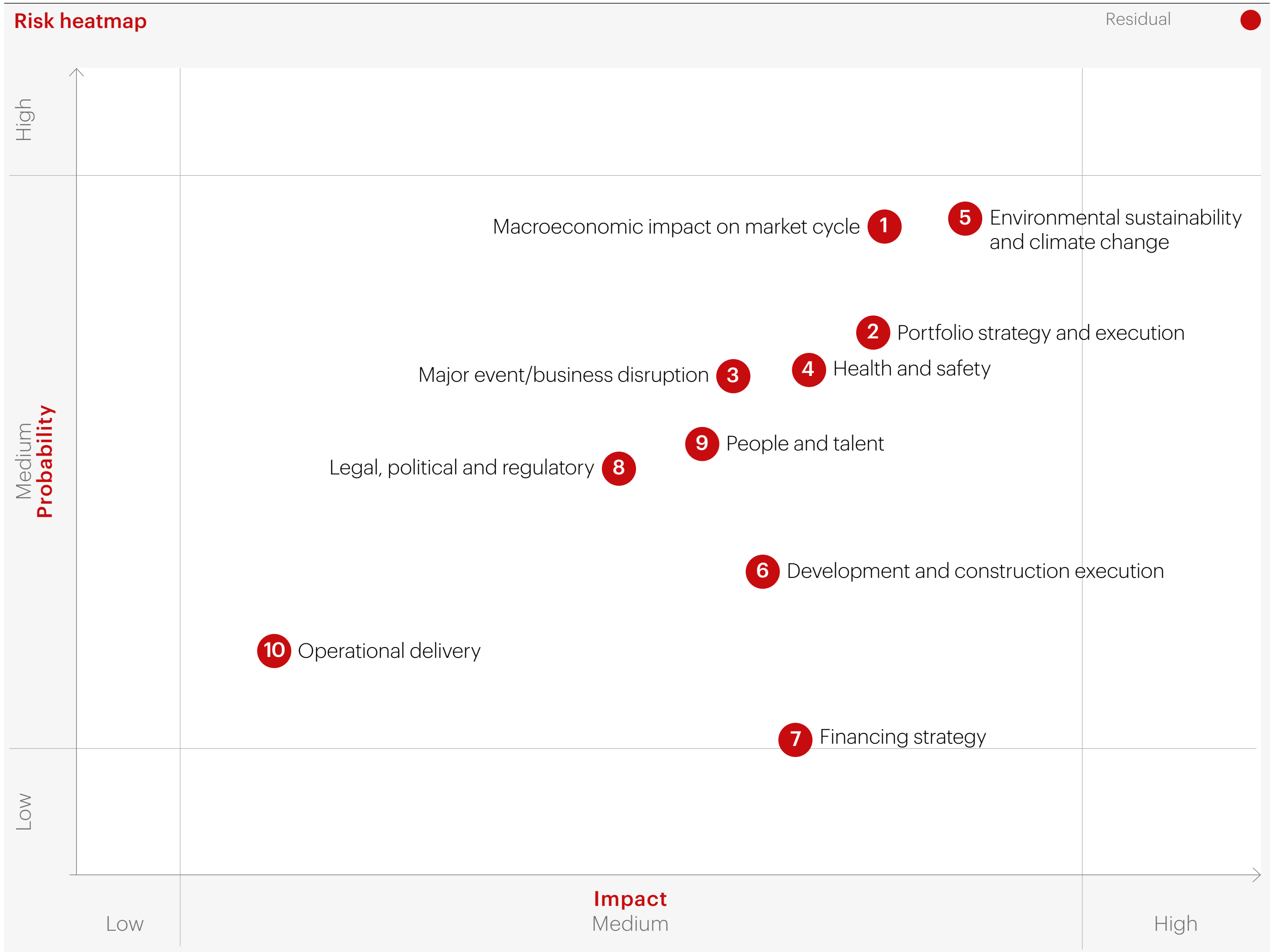
Principal risks and uncertainties

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 principal risks are reviewed and amended to reflect changing knowledge, understanding and assessment, including considering whether an emerging risk should be recorded, instead, as a principal risk.

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 of changes during the period and activity during the year, is provided below. The principal risks remain the same as reported in the 2022 Annual Report but, as mentioned earlier, the development plan execution risk has been slightly amended and renamed 'Development and Construction Execution'. The impact and probability of each risk has not changed in the last year and the residual risk for each (after factoring in mitigations) remains within appetite.



1 Macroeconomic impact on market cycle

Change in 2023:
No change

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 and geopolitical conditions. This could result in the adoption of an inappropriate 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 and divestment stance in response to experienced and anticipated 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 to inform our portfolio strategy (see separate principal risk).

Current year activity
The uncertain geopolitical and macroeconomic outlook has continued to cause volatility in the capital markets and reduced liquidity in the property investment market.

In response, we have continued to perform economic outlook assessments regularly and have ensured that portfolio strategy consequences are appropriately linked (see separate principal risk). We are therefore prepared to withstand these pressures even if they persist across the countries we operate in for some time.

Link to strategy:
Disciplined capital allocation; Efficient capital and corporate structure

Overseen by:
Executive Committee, Investment Committee

The market outlook is detailed in the Chief Executive's statement on page 8

2 Portfolio strategy and execution

Change in 2023:
No change

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 be caused by:

- Unexpected macroeconomic factors;
- 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 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. They are overseen by UK and CE Heads of Investment.

Regular 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 existing assets to determine where to invest capital and to identify assets for disposal. ESG credentials are playing an increasingly significant role in transactional considerations.

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. We continue to review our portfolio and maintain appropriate investment criteria and hurdle rates to ensure we remain resilient to macroeconomic uncertainty.

Link to strategy:
Disciplined capital allocation; Operational excellence; Efficient capital and corporate structure

Overseen by:
Executive Committee, Investment Committee

The market outlook is detailed in the Chief Executive's statement on page 8

Principal risks continued

3 Major event/business disruption

Change in 2023:
No change

Unexpected global, regional or national events may 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, weather-related event, war or civil unrest, acts 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; holding 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.

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. We use third parties to supplement internal expertise when testing our resilience to a cyber-attack.

Current year activity
The heightened geopolitical uncertainty (including the ongoing conflict in Ukraine and the Middle East) has exacerbated global macroeconomic volatility. This economic backdrop continues to cause 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 and often at short notice, to collate and align the Group's response in an agile fashion as issues arise. These groups report directly to the Executive Committee.

Link to strategy:
Disciplined capital allocation; Operational excellence

Overseen by:
Executive Committee, Technology Committee

The market outlook is detailed in the Chief Executive's statement on page 8

4 Health and safety

Change in 2023:
No change

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.

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 where we operate, including when working away from the office. We have continued to expand our wellbeing activities with employees. We have closely monitored our development sites with in-person inspections, in local language, in order to ensure a safe and compliant working environment and detailed further on page 41. This risk is expected to remain a key focus going forward.

Link to strategy:
Operational excellence; Responsible SEGRO

Overseen by:
Executive Committee, Joint Operating Group

Approach to Health and Safety on page 41

1 SEGRO V-Park Grand Union

2 SEGRO Park Greenford Central

5 Environmental sustainability and climate change

Change in 2023:
No change

There is a risk that we fail to anticipate and respond to the impact of both physical and transitional risks from climate change on our business as well as changes in climate-related regulatory reporting. The likelihood of increased severity and unpredictability of weather-related events 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 71 to 73.

Mitigations

The Responsible SEGRO framework sets out our corporate responsibility strategy, as well as medium and long-term commitments. Our dedicated Sustainability team is in place to support Group and local teams and share updates on legal and regulatory changes and best practice, as advised by a range of external expert advisors. Each significant investment appraisal includes an assessment of climate-related risk and other 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 71.

Current year activity

Our Responsible SEGRO framework continues to outline our strategy to reduce our corporate and customer carbon emissions and embodied carbon and is underpinned by minimum requirements set out in our Mandatory Sustainability policy. This risk has increasing prominence each year and we expect this to continue. See page 73 for details of further actions during 2023.

3 SEGRO Park Greenford North

Link to strategy:
Responsible SEGRO

Overseen by:
Executive Committee, Joint Operating Group

Responsible SEGRO, Carbon Climate Related disclosures on page 67

Principal risks continued

6 Development and construction execution

Change in 2023: Increased

The Group has an extensive current programme and future pipeline of developments which brings the following risks:

- Cost over-runs on larger, more complex projects, for example, due to contractor default or poor performance and management;
- Increased construction costs or over-optimistic appraisals leading to reduced or uneconomic development yields;
- Above-appetite exposure to non-income producing assets, reducing returns;
- Below-appetite land holdings restricting opportunities; and
- Additional costs, reputation damage, health and safety exposure or regulatory breach due to building defect or deleterious materials in buildings.

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. The development programme remains weighted towards pre-let opportunities. 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.

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.

Internally, oversight is maintained via the Construction Steering Group, who link in with the Health and Safety team and manage challenges like defects or deleterious materials in our buildings. Additionally, our Partnership Development team engages with stakeholders as part of SEGRO's social responsibilities and also support planning processes.

Current year activity

As market conditions have remained challenging, as detailed in the Portfolio Strategy Execution risk above, we have maintained clear investment criteria. We continue to work closely with our contractors and were able to react with agility and responsiveness when a UK contractor faced difficulties during the year. Going forward, with an expected continuing volatile economic environment, similar pressures are likely to continue so we must carefully monitor the risks while we balance the needs of our contractors and customers. We have investigated our exposure to defective and deleterious materials in response to issues as they have arisen.

Link to strategy:
Disciplined capital allocation; Operational excellence

Overseen by:
Executive Committee, Investment Committee, Joint Operating Group

Development update on page 40

1

1 SEGRO Park Coventry

7 Financing strategy

Change in 2023: **No change**

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 finance providers.

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

Current year activity

Despite uncertainty caused by the external geopolitical macroeconomic environment the Group can still access financial markets as seen by our funding activity (as detailed in the Financial review). The Group (including its largest joint venture SELP) maintains 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:
Efficient capital and corporate structure

Overseen by:
Executive Committee

Financial review on page 48

8 Legal, political and regulatory

Change in 2023: **Increased**

The Group could fail to anticipate legal, political, tax or other regulatory changes, leading to litigation, censure, penalties and fines. This would result in 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 (e.g. Legal, Health and Safety, Sustainability) 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 associated 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 with an ever-increasing number of new laws and regulations.

Tax authorities are continuing to update regulations and SEGRO is working closely with advisors to respond to this enhanced reporting environment.

In addition, the current economic situation means we are alert to an increased risk of unethical behaviour making our Code of Business Conduct and Ethics, with the accompanying training, even more important.

Link to strategy:
Disciplined capital allocation; Operational excellence; Efficient capital and corporate structure

Overseen by:
Executive Committee

Our Governance Framework on page 89

Principal risks continued

9 People and talent

Change in 2023:
No change

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

- Not having the appropriate culture, organisational structure, policies and procedures or skilled people;
- Failing to attract, motivate, retain and develop diverse talent as part of our Nurturing talent ambition due to inappropriate reward and recognition, learning and development, performance management, hybrid working practices or social policies; and
- Failing to prepare adequate talent management or succession plans.

Mitigations
We review 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 and these are reviewed by the Remuneration Committee. We have created a people planning process with senior leaders so that we can proactively plan for resourcing and development needs. We regularly review the hiring, and appraisal, succession planning and talent process as well as undertaking employee engagement surveys to understand employee sentiment.

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. The Human Resources team work with our Partnership Development team on wider Responsible SEGRO initiatives like employment projects.

Current year activity
The talent market continues to be relatively benign and attrition levels are within appetite and lower than the previous year. We have restructured our organisation in 2023 and, with a new Executive Committee and Leadership Team in place, we are well progressed with embedding the changes. The majority of appointments were internal, showing the strength of our talent and succession pipeline.

We have further developed our Values and introduced clear Behaviours for all colleagues. We continue to review our employment proposition in each country to ensure that we are able to attract and retain strong talent.

Link to strategy:
Operational excellence; Efficient capital and corporate structure; Responsible SEGRO

Overseen by:
Executive Committee

Nurturing talent section on page 31

10 Operational delivery

Change in 2023:
No change

The Group could suffer an operational failure such as: major customer default; supply chain, reporting or treasury failure; inappropriate or inaccurate valuation reporting; erroneous lease execution or poor customer insight and retention.

This could cause a range of negative impacts including reputational damage and financial impact from fines, unexpected costs and lost revenue.

Mitigations
The Group maintains a strong focus on Operational excellence. The Executive Committee and Joint Operating Group regularly monitor the range of risks to property management, organisational effectiveness and customer management. Each operational area is overseen by a strong and skilled internal team.

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

We regularly review our policies and procedures to ensure they remain appropriate as well as checking compliance through internal and external audits. We also maintain adequate insurances across the Group.

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. Our customer development team has grown over the year to support the customer engagement and development work.

We have introduced workflow tools which increase the automation and transparency of the lettings and asset management processes.

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 and Construction Execution risk) and IT suppliers. Furthermore, we continue to ensure our suppliers are paid promptly.

Link to strategy:
Operational excellence; Efficient capital and corporate structure

Overseen by:
Executive Committee, Joint Operating Group

Our Business Model on pages 16, and Asset Management Update on page 42

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 this assessment is summarised in the Audit Committee's report on page 100.

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 (see page 50) and a review of key controls around liquidity management.

Management regularly reviews 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, refurbishment of existing assets (including with regard to current and expected environmental legislation - see page 68 for more detail on climate-related financial disclosure) 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 process for conducting the Group's assessment is the responsibility of the Chief Financial Officer and is overseen by the Audit Committee.

The main stress tests carried out in 2023, along with their potential impacts, were:

- **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.
- **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.
- **Impact of rising interest rates, manifested in a reverse stress test to assess what level of interest rates would cause a covenant breach:** a rise of at least five percentage points in the Group's average interest rate towards the middle of the period, assuming current levels of fixed rate interest and protection from our interest rate caps.

Reverse stress testing was also undertaken over the period under review. None of the financial covenants were breached during the five-year period, with gearing remaining comfortably below 160 per cent and interest cover well above 1.25 times.

Property valuations would need to fall by around 44 per cent from their 31 December 2023 values to reach the gearing covenant threshold of 160 per cent. A 44 per cent fall in property values would equate to an LTV ratio of approximately 62 per cent. Net property rental income would need to fall by around 54 per cent from 2023 levels to reach the interest cover covenant threshold of 1.25 times.

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 (SEGRO and SELP) 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 Savills Earth, 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.

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 Overview on page 12 for more information).

Non-financial and sustainability information statement

This table signposts related non-financial and sustainability information in this report and further reading on our website.

Reporting requirement	Policies	Website (www.SEGRO.com)	Reference in 2023 Annual Report	
1. Environmental matters	Mandatory Sustainability Policy	About – Policies Responsible SEGRO	Championing low-carbon growth	26-28
2. Climate-related financial disclosure requirements		Responsible SEGRO	Climate-related financial disclosures	68-75
3. Employees	Code of Business Conduct and Ethics	About – Policies	Suppliers Governance	43 88
	Human Rights Policy	About – Policies		
	Our Purpose and Values	Our Purpose – Our Values	Our business model Nurturing talent Governance	16-17 31 86
	Diversity and Inclusion Policy	About – Policies	Nurturing talent	31
	Group Health and Safety Policy	About – Policies	Nurturing talent	31
4. Human rights	Human Rights Policy	About – Policies	Directors' Report	131
	Modern Slavery and Human Trafficking Statement	About – Slavery and Human Trafficking	Directors' Report	131
	Anti-Slavery and Human Trafficking Policy	About – Slavery and Human Trafficking		
	Modern Slavery and Labour Standards Supplier Code	About – Slavery and Human Trafficking	Suppliers Directors' Report	43 131
5. Social	Modern Slavery and Labour Standards Supplier Code	About – Slavery and Human Trafficking	Suppliers Directors' Report	43 131
	Human Rights Policy	About – Policies	Directors' Report	131
	Group Health and Safety Policy	About – Policies	Performance review	41
	Supplier Code of Conduct	About – Policies	Suppliers	43
6. Anti-corruption and anti-bribery	Code of Business Conduct and Ethics	About – Policies	Nurturing talent Governance	31 88
7. Business model		About – Our Business	Our business model	16-17
8. Principal risks and uncertainties			Effective risk management	54-64
9. Non-financial key performance indicators		Investors – Investment Case – Non Financial Key Performance Indicators	Key Performance Indicators	34-35

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 direct energy use in our buildings totalled 251,058 tonnes of CO_2e, equating to 39 per cent of total emissions (57 per cent including upstream fuel and energy-related activities outside their and our control) and the carbon emissions related to the construction of new buildings (known as embodied carbon) represent a further 31 per cent (196,855 tonnes). 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 7 per cent absolute reduction in our corporate and customer emissions in 2023, despite growing the portfolio area by almost 5 per cent, which means we are on track to achieve our science-based target (see the Metrics and Targets within our Climate-related financial reporting disclosure on pages 74 to 75). 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 81 per cent of our floor area (2022: 68 per cent) improving the accuracy of our emissions figures.

We have also made further progress in cutting the carbon intensity of our development programme, improving the figure to 348 kg CO_2e per sq m on developments completed over the past two years (2022: 353 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.

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 at www.segro.com/responsible-segro.

In line with best practice, we report both a 'market-based' and 'location-based' figure for emissions from electricity consumption. The market-based approach incorporates SEGRO's move towards low-carbon energy tariffs on its controlled space (largely its SEGRO-occupied offices, SEGRO-managed common parts and vacant space), whereas the 'location-based' approach uses national grid averages (see the notes to the table below for more on location/market).

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:	2022	2022 – UK	2022 – EU	2023	2023 – UK	2023 – EU
Scope 1 emissions – combustion of fuels	2,329	402	1,927	**1,403**	**336**	**1,067**
Scope 2 emissions – purchased energy (location-based)*	4,835	986	3,849	**2,516**	**731**	**1,785**
Scope 2 emissions – purchased energy (market-based)**	1,662	862	800	**1,707**	**989**	**718**
Scope 3 – Business Travel	42	40	2	**138**	**55**	**83**
Total SECR carbon emissions (location-based) tCO_2e	7,206	1,428	5,778	**4,057**	**1,122**	**2,935**
Responsible floor area sq m	1,759,566			**1,266,181**		
Carbon intensity (kgCO_2e/sq m) – location-based	4.1			**3.2**		
Carbon intensity (kgCO_2e/sq m) – market-based	2.3			**2.6**		
Total Energy Use (kWh)	22,185,460			**15,122,165**		

Note: Responsible floor area can change significantly from year to year as it only relates to space under SEGRO's control which, apart from space for our own use (e.g. our management offices), includes space vacant for a portion of the year. This is reflected in the low carbon intensity per square meter as empty buildings use very little energy.

* 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 procured by SEGRO.

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.

'Total energy use' covers electricity, fuels (including transport fuels) and district heating converted to kWh units. Our Responsible SEGRO Report, and a detailed description of our methodology, can be found at segro.com/responsible-segro/reports-downloads. The 2023 greenhouse gas emissions and energy use data above are for the period 1 October 2022 to 30 September 2023 (2022: 1 October 2021 to 30 September 2022).

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 further progress 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 clause on new lettings or persuading our customers to share their energy data. As at 31 December 2023, approximately 10 per cent of our space was covered by leases containing our green clause.

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' and the specific guidance applicable to the 'Materials and Buildings' industry to the extent to which it is applicable to SEGRO's operations. 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 improving the disclosure of our activity and performance. The material information and disclosure on climate impact is provided in this Annual Report but additional complementary information can be found in the 2023 Responsible SEGRO Report.

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 two Executive Directors.

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 its eight strategic priorities, three of which relate to Responsible SEGRO, and their associated 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 strategic priorities. The Group Customer and Operations Director is responsible for climate-related risks and opportunities as they may relate to the portfolio.

The table on page 69 outlines the ways in which Board and Management Committees provide oversight for SEGRO's climate change-related strategy and targets.

Governance: action during 2023

- The Board received updates on Responsible SEGRO actions from Group Customer and Operations Director and the Director of Sustainability, including progress on reducing carbon emissions, in addition to updates on specific projects including on an update to SEGRO's Net-Zero Transition Plan;
- The Board and Audit Committee received training from the Commercial Finance Director and Director of Sustainability on the introduction of new sustainability reporting requirements from the European Commission and the International Sustainability Standards Board and the progress SEGRO is making to introduce and integrate them throughout the business; and
- The Remuneration Committee approved the 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.

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 adaptable 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. This commitment includes Scope 1 and 2 emissions and the material Scope 3 emissions which are Capital Goods (embodied carbon from completed developments) and Downstream Leased Assets (largely corporate emissions and those from customers occupying our buildings). See the Responsible SEGRO Report at www.segro.com for a full breakdown of our Scope 1, 2 and 3 emissions.

Strategy: action during 2023

SEGRO completed a number of projects to mitigate climate-related transition risks:

- We integrated our analysis of climate change physical risk, carried out in 2022, within our annual asset planning exercise and the investment process;
- We conducted a full audit of our portfolio, identifying missing and expired Energy Performance Certificates, and taking action to understand why an EPC may be unavailable (primarily buildings nearing the end of their useful life which are to be redeveloped) or to commission refreshed EPCs to measure more accurately the energy efficiency of our portfolio and what investment is required to improve below-average units; and

- We initiated a project with external consultants to refine our Net-Zero Transition Plan, taking advantage of the increased visibility of the carbon emissions from our business activities to inform a more accurate strategy and timeline for achieving net zero. We have also worked with external consultants to ensure that we comply with the requirements of the Corporate Sustainability Reporting Directive and EU Taxonomy comfortably before we become eligible to report them.

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

In 2022, working with Savills Sustainability in conjunction with climate change physical risk and scenario data from global reinsurer Munich Re, we have carried out a 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 out to 2100. The full report from Savills is available at https://www.segro.com/responsible-segro/reports-downloads and more detail can be found in the 2023 Responsible SEGRO Report.

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 owned or managed 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).

In summary, 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 these areas. 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.

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

Technical Implementation Group
Focus on development policy and improvement

Operational Implementation Group
Focus on policy and improvement of existing assets

Investment Committee
Ensuring capital expenditure is consistent with climate-related targets

Risk Committees
Monitoring climate change-related risks and emerging risks

Strategic Priorities Steering Group
Monitoring of delivery of SEGRO's eight strategic priorities, including those related to the Responsible SEGRO strategy

Climate-related financial disclosures continued

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)	6%	5%	Asset-specific, including London Airports, inland port assets (Hamburg, Gennevilliers), Netherlands
Precipitation Stress	'High' and 'Very High' Risk	8.5, 2050	5%	3%	Northern Italy assets
		2.6, 2050	5%	3%	Northern Italy assets
Drought Stress	'High' and 'Very High' Risk	8.5, 2050	2%	1%	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 was not modelled under RCP 2.6 given the limited expected impact compared to the current risk.

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.

Risk	Adaptation Techniques
Drought Stress and Heat Stress (see R1 below)	– Rainwater harvesting systems for internal building use and landscaping – Thermal modelling undertaken and orientation/window positioning of the building reviewed, including external planting to provide shade, brise soleil, louvres, window tinting – Onsite renewable energy generation installed to manage additional cooling requirements
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

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.

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.

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 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 unrated or have an EPC below B are expected to be upgraded when they become vacant (approximately 64 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 £66 million by 2030, much of which will be absorbed within normal course of refurbishment capex. The figure has reduced primarily due to work carried out during 2023 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 financial disclosures continued

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. 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 Mandatory Sustainability Policy is factored into all development and refurbishment appraisals.

Risk management
Climate-related risks are identified and assessed using our risk management framework set out on page 56. 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 18 and 19.

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 58 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 achieving science-based targets for reducing Scope 1, 2 and 3 emissions (including corporate and customer emissions) to ensure compliance with a less than 1.5ºC 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. We believe that we have sufficient full or partial visibility to be able to provide sufficiently accurate information to be consistent with the TCFD's recommended disclosures and we are working hard to improve our visibility, and therefore accuracy, in this regard.

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 2023
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 refreshed our materiality assessment to incorporate the double-materiality requirement under new European Commission (EC) reporting requirements. This 'Double Materiality Assessment' (DMA) reviews not only the impact of SEGRO's economic activity on society and the environment but also the impact of society and the environment on SEGRO's economic activity. Under the EC requirements, the DMA needs to be reviewed by an independent third party to ensure the process has been carried out appropriately. Once that review has completed, we will publish the results;
- Sustainability Policy: Having established the Mandatory Sustainability Policy in 2022, we kept it under continuous review and adjusted and tightened it in response to emerging regulation and market norms to ensure that it is always in line with best-in-class practice;
- Reporting requirements: The new EC reporting regulations set down a number of very specific requirements for buildings to be classed as 'green'. Our development and asset management teams are formally engaging with external consultants to align our policies with the new requirements.

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 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 69 and 70. We are monitoring and addressing the asset-level risks and opportunities but there is not yet a meaningful, measurable metric for these areas.

Climate-related financial disclosures continued

Financial	Climate-Related	Metric	2023	2022	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_2 e per square metre of AUM	20.2kg	22.5kg	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)	65%	58%	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)	3%	2%	Small increase reflects impact of disposals and developments.	R3
		Portfolio with high environmental certification (BREEAM Very Good or better (or equivalent)) based on floorspace AUM	51%	46%	Increase primarily due to completions of developments.	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')	£9.2 billion (61%)	£8.2 billion (55%)	Comprising wholly-owned assets of £7.0 billion (2022: £6.2 billion) and assets held in joint ventures of £2.2 billion at share (2022: £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)	22%	24%	Green Finance Instruments should not exceed the total value of the Green Portfolio. No new Green Bonds were issued 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 **2024 interim target:** 75% (minimum)	81%	68%	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) **2024 interim target:** 259,680 tonnes (-17% vs baseline) (minimum)	254,168	272,218	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

Financial	Climate-Related	Metric	2023	2022	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) **2024 interim target:** 368 $kgCO_2e$ per sq m (-8% vs baseline)	348	353	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 974,000 sq m of space completed in 2022 and 2023. 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)	59 MW	44 MW	15 MW capacity added during the calendar year (2022: 9 MW) as part of new development completions and retrofitting PV panels to existing buildings.	R3, R4, O1
		Percentage of visible corporate and customer energy use from certified renewable sources	51%	49%	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

How our governance activities enable extraordinary things

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.

Governance Report

Audit Committee

Our Audit Committee monitors the integrity of the Financial Statements, oversees the external audit, risk management process and internal control environment.

Read more in the Audit Committee Report on page 100

Nomination Committee

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.

Read more in the Nomination Committee Report on page 95

Remuneration Committee

Our Remuneration Committee determines the Remuneration Policy which aims to incentivise strong performance whilst avoiding excessive risk taking.

Read more in the Directors' Remuneration Report on page 107

A Q&A with our Chair

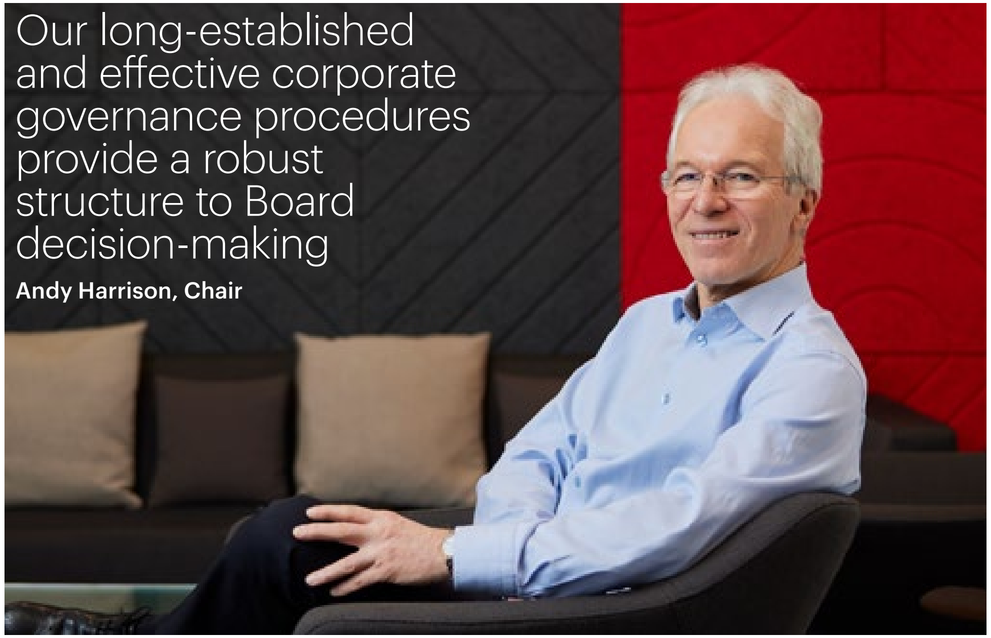
Andy Harrison covers the following topics:

- SEGRO's performance in 2023
- Board focus on talent development throughout the organisation during the year
- The role of the Board in protecting and creating shareholder value
- What our Purpose and Values mean to the Board

Scan here to see the video of Andy Harrison talking about SEGRO's Board.

www.segro.com/ara23/Andy-Harrison

Chair's introduction to governance



1 2023 Annual General Meeting

Read about our strategy on page 20

Read about Responsible SEGRO on page 23

Find out more about Board changes during the year in the Nomination Committee Report on page 95

Dear shareholder,

As Chair of SEGRO, I am pleased to present the Governance Report for 2023 in which you will read how the Board continued to promote the long-term, sustainable success of the Company during the year.

Governance and the delivery of strategy

2023 was another busy year for the Board, with the Company responding to the challenges associated with the macroeconomic and geopolitical environments, the impact of higher inflation and interest rates on property valuations, and the step up in the cost of capital. The impact of these external factors on the business and its stakeholders remained an important influence on Board discussions throughout the year, as we ensured decisions made against this backdrop were done so in the best interests of the Company, for both the short and long term.

Despite these challenges, we have delivered another year of strong operational performance. This is testament not only to our high-quality portfolio of assets, but to the effectiveness of our long-term strategy, our culture, and the hard work and talent of our people.

In addition, our long-established and effective corporate governance procedures have provided a robust structure to decision making, ensuring that we identify, consider and manage the risks and uncertainties facing the business.

Responsible SEGRO and our stakeholders

Our Responsible SEGRO framework remains at the core of our strategy, recognising the importance of considering all stakeholders in our decisions, as well as our commitment to be a force for good in society.

You can find examples throughout this report on how we consider all stakeholders in our operating business and our Section 172 statement on page 90 provides details about how the Board engaged with these stakeholder groups, and how this engagement has impacted its decision making. The Board received regular updates on our Responsible SEGRO ambitions throughout the year and was particularly pleased at the engagement from across the business and the progress made against our Responsible SEGRO targets.

Our regular Strategy Event was a valuable opportunity for the Board to step away from the day-to-day with the members of the Executive Committee, and to keep one eye on the horizon by hearing from a number of experts to add further perspective to Board discussions about the strategy and long-term objectives of the Company. You can read more about this on page 85.

Board changes and our people

As you will read in the Nomination Committee Report on page 95, our Chief Operating Officer, Andy Gulliford, and Non-Executive Director, Martin Moore, retired from the Board in 2023. I would like to take this opportunity to thank them both for their significant contributions over a number of years.

The internal Board evaluation carried out in 2023 confirmed that the Board and its Committees continued to operate effectively, and we have proposed that all Directors will stand for re-election at the 2024 AGM. You can read more about this on pages 93 to 94, and 99.

Succession planning and talent development throughout the organisation remain one of the Board's key areas of focus. The promotion of internal candidates to create the new Executive Committee demonstrates the effectiveness of the Company's succession planning and the Board was delighted to see the breadth of experience that the new members of the Committee bring. You can read more about these appointments on page 11.

On a personal note, having now been in the role of Chair for over a year, I have enjoyed getting to know our people across the business even more and am continually impressed with the high quality of our employees and the passion they have for working at SEGRO.

Our shareholders

Each year we write to our larger shareholders, offering them the opportunity to meet privately and discuss their thoughts on the Company and the wider market with myself, the Senior Independent Director or the Committee Chairs. In addition, during the year our Head of Investor Relations and Deputy Company Secretary met with the stewardship teams from a number of our larger shareholders to gain insight into the matters which are important to them. Valuable feedback from those meetings was relayed to and considered by the Board. We will continue to engage with our shareholders and representative bodies to make sure that there is an ongoing dialogue about our approach to governance, including remuneration, and to ensure any feedback from our shareholders is shared with the Board and all views are fully understood and considered.

Annual General Meeting (AGM)

On behalf of the Board, I would like to extend my thanks to those shareholders who joined us in April for the 2023 AGM, where the Chief Executive delivered a presentation on SEGRO's performance in 2022 and the early part of 2023.

All shareholders received communications for the AGM at least 20 working days in advance of the meeting and were invited to ask questions, either in the room or by email ahead of the meeting. The other Directors and I were also available to meet with attendees informally, both before and after the meeting, and we look forward to doing so again at this year's AGM.

The Company proposes separate resolutions on each substantially separate issue, with voting conducted by poll. All the resolutions proposed at the 2023 AGM were passed with 80 per cent of the issued share capital voted (2022: 82 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 2024 AGM will be held on 18 April 2024 at RSA House, and we hope that we can count on shareholders' support for the proposed resolutions. Full details can be found on page 195 and in the Notice of Meeting.

Thank you

I would like to take this opportunity to recognise the hard work and commitment of all our people during the year and to thank them for their continued efforts to ensure the future success of the business.

Finally, please also join me in thanking my Board colleagues for their insightful and valuable contributions during the year.

Andy Harrison
Chair

1 Shareholders visit SEGRO Park Tottenham

2 SEGRO Park Amsterdam Airport

Application of the UK Corporate Governance Code 2018

Statement of compliance
The UK Corporate Governance Code 2018 (the Code) is the key governance guidance to which we referred during the financial year to 31 December 2023. It can be found in full on the Financial Reporting Council's (FRC) website at www.frc.org.uk.

The Board considers that, throughout the year, it has complied with the Provisions of the Code in all respects.

Details on how we have complied with the Provisions and applied the Principles as set out in the Code are outlined in this Annual Report.

UK Corporate Governance Code 2024
The FRC has recently published an updated Code whose provisions will largely apply for financial years starting on or after 1 January 2025. We will continue to adapt our practices and procedures as required to ensure continuing compliance with the new Code when it is adopted.

Key Governance Statements

Going Concern
The Going Concern Statement is made on page 50.

Viability
The Viability Statement is made on page 65.

Further details of the Board's assessment of the viability of the Company are set out in the Audit Committee Report on page 102.

Principal Risks and Uncertainties
The Principal Risks and Uncertainties are set out on pages 58 to 64.

The Board has undertaken a robust review of the Group's principal and emerging risks, including those that would threaten its business model, future performance, solvency or liquidity and reputation.

The Board has monitored the Company's risk management and internal control systems and carried out a review of their effectiveness. Further details are set out in the Audit Committee Report on page 106.

Fair, Balanced and Understandable
The Fair, Balanced and Understandable statement is made on page 133.

See the Audit Committee Report on page 102 for further information on how this conclusion was reached.

Section 172(1)
The Section 172(1) Statement is made on page 90 and provides cross-references to the required detail set out throughout this Annual Report.

Board leadership and Company purpose

Board of Directors

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, supporting our ambition to be the best property company.

Full details of each of the Directors' previous appointments can be found on the Company's website at www.SEGRO.com/about/the-board.

Chair

Andy Harrison N
Chair

Appointed: 1 April 2022
(Chair from 30 June 2022)

Skills and experience
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.

Contribution to SEGRO's long-term success
With over 35 years' experience serving on the boards of listed companies across a wide range of industries and during varying economic conditions, Andy is particularly well-placed to lead SEGRO through the current, more challenging market conditions to enable the business to remain fit for the future.

His Board colleagues consider him to be an effective Chair, with his thoughtful leadership style facilitating an open and collaborative environment amongst the Directors which, in turn, encourages constructive challenge and debate.

See the Governance Framework on page 89 for the roles and responsibilities of the Chair, Chief Executive and Senior Independent Director.

Executive Directors

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 and experience
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 during his tenure as Chief Executive.

He is a Fellow of the Institute of Chartered Accountants in England and Wales.

Contribution to SEGRO's long-term success
As Finance Director, David was a key member of the management team which navigated SEGRO through the global financial crisis, swiftly followed by the acquisition of Brixton whose London-centric portfolio complemented and enhanced SEGRO's own. As Chief Executive, he initiated a wide-ranging strategic review in 2011 involving reshaping both the portfolio and the business, with a particular focus on culture, purpose and sustainability. This review laid the foundation for SEGRO to become the largest UK REIT and the only liquid means of investing in a pan-European urban and big box logistics portfolio. Outside SEGRO, his position as a Non-Executive Director at a global business-to-business distribution company provides valuable insight into the opportunities and challenges in this sector, while his involvement with the EPRA Board and the BPF ensures that SEGRO has a leadership position in two influential trade associations.

External appointments
- Senior Independent Director, RS Group plc*
- Board member, European Public Real Estate Association
- Chair, BPF Logistics Property Board and Member, BPF Policy Steering Group

Soumen Das
Chief Financial Officer

Appointed: 16 January 2017

Skills and experience
Soumen combines leadership of the finance functions with a wider contribution to the business through investment, insight and transformation and technology. 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 14 years and with a background as a corporate financier.

Contribution to SEGRO's long-term success
Since his arrival in 2017, Soumen has been responsible for driving the financial performance of SEGRO and managing a capital structure which is both efficient and appropriate for the different stages of the property cycle. In his role, he is also responsible for SEGRO's risk management, investment and technology strategies which are vital to SEGRO's future financial success and resilience.

He holds external positions which are also pertinent to his SEGRO role. His position as a Non-Executive Director at a major retailer provides valuable insight into the opportunities and challenges in a sector which comprises a material proportion of SEGRO's customer base. His Co-Chair role of the Parker Review into improving ethnic diversity on UK Boards gives him a unique perspective on diversity and inclusion to support SEGRO's actions and progress in this important area.

External appointments
- Non-Executive Director, NEXT plc*
- Co-Chair of the Parker Review

Audit Committee member	A
Nomination Committee member	N
Remuneration Committee member	R
Chair of Committee	○
* denotes a publicly listed appointment	

Board leadership and Company purpose continued

Our Independent Non-Executive Directors bring independent judgement and scrutiny to the decisions taken by the Board. They monitor the success of management in delivering the agreed strategy within the risk appetite and control framework set by the Board and hold the Executive to account against these objectives.

Independent Non-Executive Directors

Mary Barnard N R
Independent Non-Executive Director

Appointed: 1 March 2019

Skills and experience
Mary has extensive commercial and general management experience and a deep understanding of customer needs and trends through her various international roles in sales and marketing. She has a strong knowledge of the operation of the retail market and supply chain.

Contribution to SEGRO's long-term success
Mary has first-hand experience of international retail markets and customer trends, and often shares her observations at Board meetings which helps to set the scene on global market sentiment. This provides useful insight into some of the key drivers which may impact our customers, allowing the Board to be mindful of them in its decision making.

External appointments
– Chief Commercial Officer, Mondelez International Inc*

Sue Clayton A N R
Independent Non-Executive Director

Appointed: 1 June 2018

Skills and experience
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 former role as the Chair of Women's Network at CBRE and as co-founder of Real Estate Balance.

Sue is a Fellow of the Royal Institute of Chartered Surveyors (FRICS).

Contribution to SEGRO's long-term success
Sue's real estate expertise brings an additional viewpoint to discussions on the industry, complementing the experience of the Executive Directors, and she also provides constructive challenge on the valuation of the property portfolio.

Her passion for promoting diversity in the Real Estate industry echos the ambitions of the Company's Nurturing talent framework and both the Board and the Nomination Committee benefit from her insights on this important topic.

External appointments
– Senior Independent Non-Executive Director, Helical plc*
– Member of the Committee of Management, Federated Hermes Property Unit Trust
– Senior Adviser, Blue Coast Capital

Carol Fairweather A N R
Senior Independent Non-Executive Director

Appointed: 1 January 2018
(Senior Independent Non-Executive Director from 1 July 2023)

Skills and experience
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.

Contribution to SEGRO's long-term success
Carol's financial expertise and understanding of the importance of good governance is integral to her role as Chair of the Audit Committee. Under her leadership, the Audit Committee provides comfort for our shareholders and other stakeholders by ensuring that there is robust oversight of the internal control framework and effective processes and controls in place to safeguard the integrity of the Financial Statements.

As Senior Independent Director, she led this year's internal Board evaluation process, which provided the opportunity for the Board to step back, reflect on its performance and conclude that it continued to operate effectively.

External appointments
– Non-Executive Director, Smurfit Kappa Group plc*

Simon Fraser A N R
Independent Non-Executive Director

Appointed: 1 May 2021

Skills and experience
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.

Contribution to SEGRO's long-term success
Board discussions benefit from Simon's extensive knowledge of financial markets and his perspective has been particularly useful during this period of macroeconomic challenge.

He has led the Remuneration Committee in delivering an appropriate remuneration framework for Executive Directors and the wider workforce, which is designed with the views of our key stakeholders in mind, whilst also aligning with our Purpose and Values and aiming to promote the long-term sustainable success of the Company.

External appointments
- Non-Executive Director, Legal & General Investment Management (Holdings) Ltd

Linda Yueh CBE A N R
Independent Non-Executive Director

Appointed: 1 May 2021

Skills and experience
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.

Contribution to SEGRO's long-term success
Linda regularly draws on her wealth of knowledge of international markets, the macroeconomic context, and global, economic trends, both past and present, to shape Board discussions. Her perspective helps the Board to keep one eye on the horizon by applying learnings from past trends to the current environment.

Through her role chairing a sustainability committee, she brings another perspective to the ESG considerations which are embedded in the Board's decision making and help guide our Responsible SEGRO strategy.

External appointments
- Non-Executive Director, Standard Chartered PLC*
- Non-Executive Director, Rentokil Initial plc*
- Chair, Baillie Gifford's The Schiehallion Fund Ltd*

Effective and efficient functioning of the Board

During 2023, there were seven scheduled Board meetings. Each Director has committed to attend all scheduled Board and Committee meetings, and would not do so only in exceptional circumstances. This is kept under review to ensure that Directors are fulfilling their commitments to the Company. 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.

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.

Attendance at scheduled Board and Committee meetings

	Board	Audit Committee	Nomination Committee	Remuneration Committee	AGM
Mary Barnard[1]	7/7	1/1	1/1	3/3	1/1
Sue Clayton	7/7	3/3	1/1	3/3	1/1
Soumen Das	7/7	-	-	-	1/1
Carol Fairweather	7/7	3/3	1/1	3/3	1/1
Simon Fraser	7/7	3/3	1/1	3/3	1/1
Andy Gulliford[2]	3/3	-	-	-	1/1
Andy Harrison	7/7	-	1/1	-	1/1
Martin Moore[3]	6/7	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 2023	7	3	1	3	1

1 Mary Barnard stepped down from the Audit Committee with effect from 1 July 2023.
2 Andy Gulliford retired from the business and stepped down from the Board on 30 June 2023.
3 Martin Moore retired from the Board on 31 December 2023 and missed one Board meeting during the year due to illness.

Role of the Board

The Board's primary role is to provide overall leadership of the Company and to promote its long-term sustainable success, generating value for shareholders and contributing to wider society.

It sets the Company's strategic aims and ensures that it operates within a framework of prudent and effective controls which enable risks to be assessed and managed. It makes certain that the necessary financial and human resources are in place for the Company to meet is aims.

Further, the Board makes sure that there is effective engagement with shareholders and other key stakeholders in order for the Directors to satisfy their obligations under section 172(1) of the Companies Act 2006. The work of the Board complements, enhances and supports the work of the Executive, in particular in respect of the Company's culture, and its Purpose and Values.

Our Section 172(1) statement can be found on page 90

Read about how the Board lives our Purpose and Values on page 86

Key Activities of the Board in 2023

Enabling extraordinary things:

A focused and active Board – key milestones during 2023

February

2022 Full-Year Results approval

April

2023 Annual General Meeting

May

2022 final dividend payment

Approved change to the executive leadership structure

Stakeholder engagement sessions with Heathrow Airport and PSP Investments

June

Warsaw, Poland Board tour

Andy Gulliford retired as Chief Operating Officer and stepped down from the Board

July

Carol Fairweather appointed as Senior Independent Director

2023 Half-Year Results approval

September

2023 interim dividend payment

November

2023 Strategy Event

December

Martin Moore retired as Non-Executive Director

Regular dialogue between the Chair, Chief Executive and Company Secretary helps ensure that the Board agendas contain the appropriate mix of: strategy; people and culture; governance; financial; and operational matters to enable it to effectively discharge its duties. During 2023, the Board:

Strategy

- considered the strategic priorities of the business and agreed they remained appropriate;
- received regular updates from advisers, industry experts and employees to ensure that the Directors were kept up to date with market trends and implemented this knowledge in its decision making; and
- reviewed regularly the Group's investment stance, adapting the focus as necessary in response to the changes in the property cycle and wider investment market.

Our strategy can be found on page 20

Read about the Strategy Event on page 85

Financial

- approved the Half- and Full-Year Financial Statements and the Annual Report and Accounts;
- approved the 2022 final and 2023 interim dividends in line with the dividend policy;
- monitored liquidity through regular reviews of the cash flow position, committed capex and the development pipeline; and
- received presentations from the Company's independent valuers, CBRE, and provided constructive challenge around the valuation process to gain comfort that it remained robust and appropriate.

Find out more in the Financial review on page 48

Operational

- approved significant transactions over £/€100 million, including a land acquisition for the planned development of a strategic rail freight terminal and logistics scheme at Radlett, Hertfordshire and the disposal of two assets in line with the annual disposal plan;
- monitored performance against the Company's zero-tolerance approach to Health and Safety breaches, and reviewed key findings and learnings from any incidents; and
- reviewed the results of the Customer and Supplier Satisfaction Surveys to gain assurance that excellent customer service had been upheld, customer retention maximised and strong relationships with suppliers maintained.

Hear about SEGRO's operations directly from our MDs of Continental Europe and UK on page 44

Governance

- ensured ongoing compliance with regulatory requirements, the UK Corporate Governance Code and market best practice through robust governance procedures;
- reviewed and approved the Principal Risks and risk appetite of the Company; and
- noted ongoing compliance with the Code of Business Conduct and Ethics including our Anti-Bribery and Corruption and Modern Slavery policies.

Hear from SEGRO's Chair in his introduction to Governance on page 78

People and Culture

- focused on talent development across the organisation as a whole, maintained oversight of the new Executive Committee appointments and received a presentation on progress against our Nurturing talent objectives from the Group HR Director;
- heard how our Community Investment Plans had delivered positive impacts on employment, the local economy and the environment in the communities in which we operate; and
- continued the annual programme of workforce engagement sessions with Non-Executive Directors to gain a first-hand insight into the issues that matter most to our people.

Find out more about Nurturing talent on page 31

There is an approved Schedule of Matters Reserved for Decision by the Board which is reviewed periodically and available at www.SEGRO.com. The Board retains responsibility for the approval of certain matters which include:
- Group strategy;
- the annual budget;
- reviewing the Medium Term Plan;
- the financial structure;
- major capital expenditure including investments and disposals;
- approval of the financial statements;
- the dividend policy; and
- compliance with the Code.

See how the Board delegates some of its responsibilities in the Governance Framework on page 89

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. These sessions allow the Directors to gain further insight on market trends and provided the context for them to make strategic decisions about acquisitions, disposals and the development pipeline.

During the year, the Board heard from:
- the Executive Committee on their individual areas of responsibility and the Group's strategic priorities;
- the Head of Investor Relations on investor feedback following the Full- and Half-Year Results;
- the Managing Director, Group Investment on market outlook, the investment stance and customer exposure across the Group;
- the Commercial Finance Director on the Group's liquidity position; and
- the Head of Tax, Head of Legal and Director of Health and Safety who all provided regular updates on their areas.

Directors receive accurate, timely and clear information on the matters to be considered. Electronic Board packs are available to the Directors well in advance of a meeting.

During the Board evaluation process, the Non-Executive Directors commented positively on the quality of the papers received from the Company which set the scene for the Board meetings and signpost 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.

Strategy Event 2023

In November 2023, the Board and Executive Committee spent a day and a half offsite, where they reflected on the strategic direction of the Company and considered how to position the business for continued long-term, sustainable success in pursuit of the Company's ambition to be the best property company, all whilst navigating the ongoing uncertainty in the wider macroeconomic and geopolitical environment.

As always, the Board valued this opportunity to step away from the usual day-to-day boardroom agenda and dedicate its time to discussing key strategic areas. The Strategy Event focused on a small number of key items and a full pack of papers, covering a wide range of topics, was provided ahead of the session to set the context for discussion and ensure that the Directors were fully briefed. As well as hearing from speakers from around the business, external guests were invited to share their areas of expertise to further inform the conversation.

The first part of the offsite was spent considering the external economic environment and macroeconomic outlook within the countries in which the Company operates, and the Board welcomed a number of external speakers, including those from Morgan Stanley and Savills to share their views on the outlook for the UK and Continental European economies as well as the occupier market.

The Board also heard from the newly appointed Managing Directors for the UK and Continental Europe, James Craddock and Marco Simonetti, who summarised their initial reflections on their new roles and what they considered to be the near-term challenges for each of their business areas in light of the current market conditions.

These insights contributed to the Board's discussions on the assumptions, strategic choices and outputs underlying the Group's Medium Term Plan. It also considered the annual portfolio review, views of the property cycle and the markets the Company operates in, as well as the investment strategy in the near term and in future years.

On the second day, as part of the Board's enhanced programme of stakeholder engagement, a speaker from National Grid was welcomed who provided an overview of National Grid's business and the broader risks, challenges and opportunities associated with the energy market in the UK.

Finally, upon reflection of the discussions from the first day, the Board further considered the key strategic priorities for the business with the Group HR Director, Margaret Murphy, leading a discussion on Nurturing talent, including diversity and inclusion and succession planning for the business.

The Board concluded that the strategic direction of the business 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 consensus amongst Directors on the Company's planned approach for 2024.

Board leadership and Company purpose continued

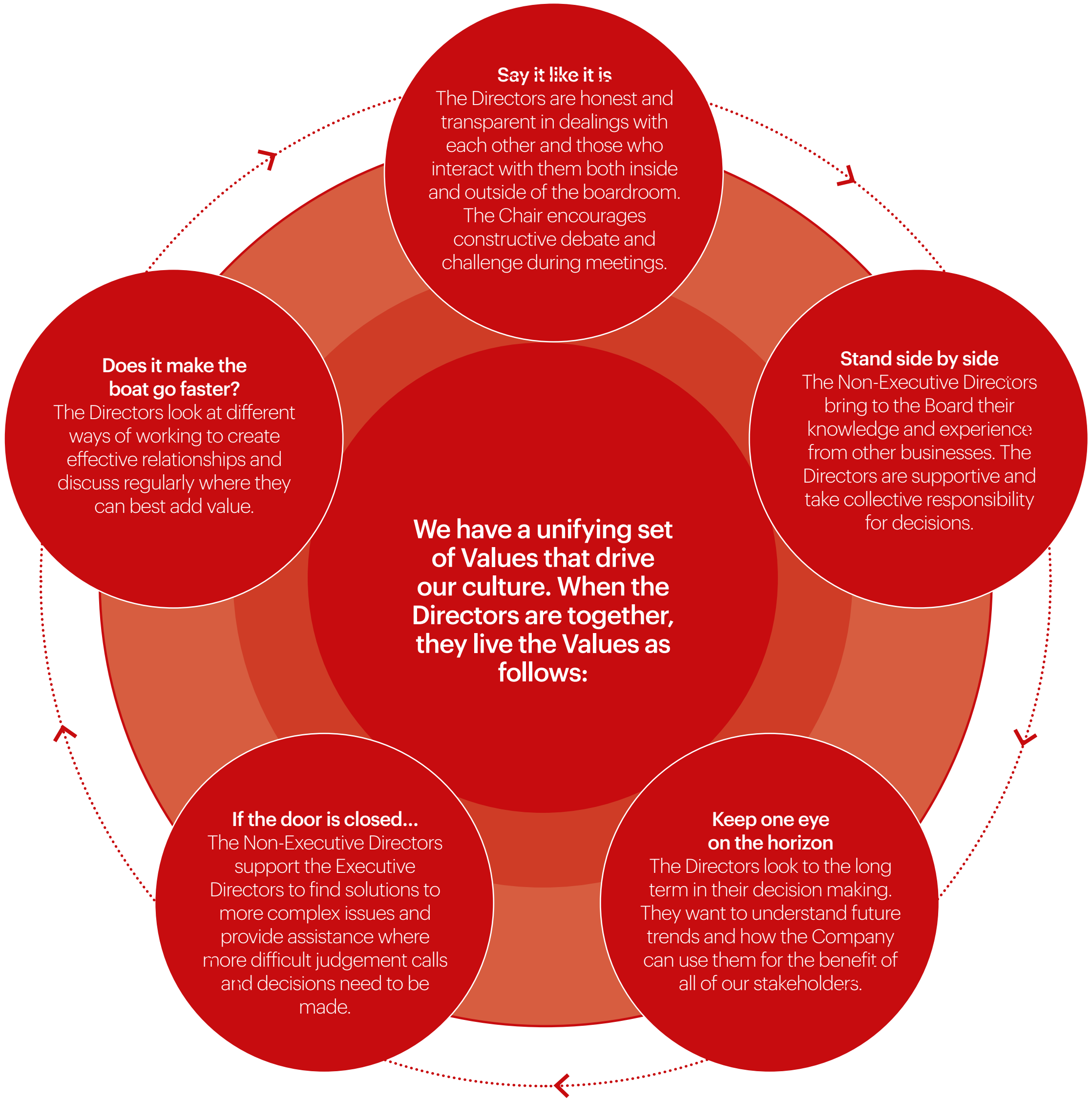
Enabling extraordinary things:

How the Board lives our Purpose and Values

We are proud of our Purpose – to create the space that enables extraordinary things to happen – and our five Values which support our culture and align with our strategic priorities. 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 more visible leaders around the business and help set the tone.

Within the boardroom, the consistent feedback from the recent evaluations is that all 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 that they are able to say it like it is whilst their varied backgrounds and wide-ranging experience bring differing perspectives to Board discussions, allowing for true diversity of thought and constructive challenge in a supportive environment.



See more on our Purpose and Values on page 31

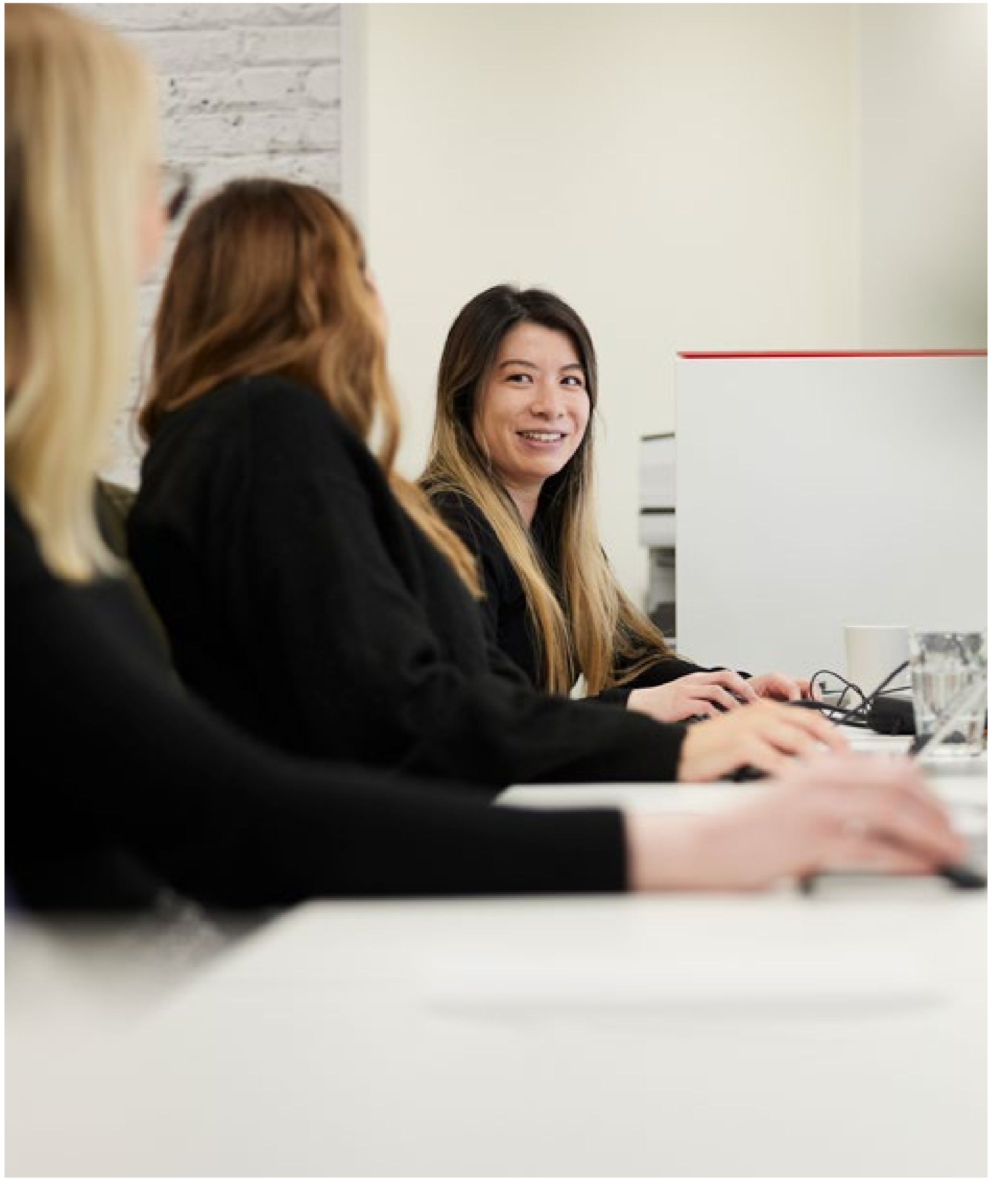
How the Board manages and monitors our culture

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:

- the results of the annual employee engagement survey 'Your Say';
- feedback from the workforce engagement sessions led by the Non-Executive Directors;
- internal audit reports;
- data on employee turnover;
- feedback from office and site visits by Executive Directors and the Board as a whole;
- any whistleblowing incidents;
- any health and safety incidents;
- any breaches of the Code of Business Conduct and Ethics; and
- the results of the annual Customer and Supplier Satisfaction surveys.



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. The Board helps facilitate this through robust governance processes and ensuring effective risk management is in place against which key decisions are made on behalf of the Company.

Despite continued low volumes in investment markets during the year, occupier markets remained strong with demand being driven by long-term structural trends and vacancy remaining low in our chosen sub-markets. This resulted in further 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.

The Company contracted £88 million of new headline rent during the year through capturing reversion and growing rents on the existing portfolio and we also completed 625,700 sq m of new space, capable of delivering £50 million of new headline rent. This activity resulted in further growth in earnings and resulted in the Board recommending an increase in dividend returns for our shareholders. The Board was also pleased to hear about the progress that has been made against the Responsible SEGRO targets during the year, as detailed further on pages 23 to 31.

Looking ahead, the combination of new rental income from the development programme, and the benefits of active asset management of our existing portfolio, a key strategic priority for the business, should enable us to drive sustainable growth in both earnings and dividends. The Chief Executive's Statement on pages 8 to 11, along with the Financial review on pages 48 to 53, set out in much more detail our strategy and the reasons why we are confident in the long-term prospects for our business.

Board leadership and Company purpose continued

Investing for the long term

Since the Company's principal duty is to deliver long-term success, 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.
- At the annual Strategy Event, 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 risk and ensures that risk is 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 8, you can read more about how we have adapted our long-held strategy to respond to the current environment.

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.

As detailed on page 84 there is a Schedule of Matters Reserved for Decision by the Board.

You can read about the Company's approach to risk and risk management on pages 54 to 67, whilst page 106 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 are 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 via the confidential external service during 2023.

The Code of Ethics also sets out our approach to the human rights of all our stakeholders. Our due diligence to combat slavery and human trafficking which is set out in our Modern Slavery Statement which is approved by the Board each year and is on our website. See page 131.

The Audit Committee 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. See page 106. During the year, the Company received a direct report of one whistleblowing allegation which, following a thorough investigation, was found to be not material and unsubstantiated, and was therefore closed.

See the Chief Executive's statement on page 8

Find out more about our approach to risk and risk management on pages 54 to 67

The Audit Committee report can be found on page 100

Division of responsibilities

The division of responsibilities of the Chair, Chief Executive and Senior Independent Director are clearly established in writing and approved by the Board.

Chair
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 encourages participation by all the Directors, facilitates constructive relations and creates the right atmosphere to promote a culture of open discussion and effective decision making.

Along with the other Non-Executives, he is responsible for holding the Executives to account against agreed objectives.

Chief Executive
The Chief Executive recommends the Group's strategy to the Board and is responsible for its implementation and for the Group's overall performance. He 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.

Senior Independent Director
The Senior Independent Director, acts as a sounding board for the Chair and serves as an intermediary for Directors and shareholders should communication through the normal channels fail. She leads the appraisal of the Chair's performance each year and would, as required, chair the Nomination Committee when it considers his succession.

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.

Our Governance Framework

The Board

The Board is responsible for creating and delivering shareholder value by setting the strategic direction of the Group.
The Board delegates a number of its responsibilities to its three sub-Committees. The Committee Chairs provide regular updates on the activities of each Committee at Board meetings.

Audit Committee
Monitors the integrity of the Group's Financial Statements, reviews the relationship with the external auditor and the role and effectiveness of the internal audit function. Oversees the risk management process and internal control environment.

For more information see the Audit Committee Report on page 100

Nomination Committee
Ensures that the Board and its Committees have the appropriate skills, knowledge, diversity and experience to operate effectively and to oversee the delivery of the strategy.

For more information see the Nomination Committee Report on page 95

Remuneration Committee
Determines the reward strategy for the Executive Directors to align their interests with those of shareholders and employees.

For more information see the Remuneration Committee Report on page 107

Executive Committee

The Executive Committee supports 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. It typically meets formally each month and informally on a weekly basis, and during the year there are dedicated sessions to discuss strategic priorities as well as ad hoc sessions to keep up to date with more day-to-day operational issues.

The Executive Committee delegates some of its responsibilities to a number of management committees, membership of each includes at least one member of the Executive Committee.

For more information see page 11

Health and Safety
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.

Joint Operating Group
Assists the Group Customer and Operations Director to manage the operations of the Group and to discharge the responsibilities delegated to him by the Chief Executive.

Group 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.

See page 54

Investment Committee
Recommends the investment strategy for the Group, manages the allocation of capital 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.

Leadership team

The 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.

It 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 and share cross-functional and cross-border information.

Stakeholder engagement from the Board's perspective

Section 172(1) Statement
The Board confirms that during the year ended 31 December 2023 it has acted in the way it considers, in good faith, would be most likely to promote the long-term success of the Company for the benefit of its members as a whole whilst having due regard to the matters set out in section 172(1) (a) to (f) of the 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.

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.

When making decisions which impact our key stakeholders the Board considers the factors set out in s172, including:

A. the likely consequences of any decision in the long term;	Pages 10; 20 to 21; 23 to 31; and 87 to 88
B. the interest of the Company's employees;	Pages 31; 92; 118 to 119
C. the need to foster the Company's business relationships with suppliers,	Pages 15; 29; 43 and 131
D. the impact of the Company's operations on the community and the environment;	Pages 23 to 31; and 67 to 75
E. the desirability of the Company maintaining a reputation of high standards of business conduct; and	Page 88
F. the need to act fairly as between members of the Company.	Pages 12 to 13; 16 to 17; 36 to 37; and 48 to 49

Employees

Read about the Board's extensive Workforce Engagement programme on page 92

Customers

How does the Board engage with them?
- Directors held an informal breakfast with representatives from Heathrow Airport where they discussed matters pertinent to both companies.
- During its visit to Poland, the Board toured local assets and developments and met with some of our customers.
- The Board considered the results of the annual Customer Satisfaction Survey.

How do they influence decision making?
- The opportunity to meet with customers is always greatly appreciated by the Board and helps to further its understanding of what our customers value in our developments and buildings, so we can continue to create the space that enables extraordinary things to happen.
- Board oversight of the results of the Customer Satisfaction Survey ensures that excellent customer service is maintained.

Suppliers

How does the Board engage with them?
- At the 2023 Strategy Event, the Board heard from a representative from National Grid on the challenges and opportunities in the UK energy market.
- The Board considered the results of the annual Supplier Satisfaction Survey.

How do they influence decision making?
- The session with National Grid enhanced the Board's understanding of the current challenges facing UK energy suppliers, and potential impacts on our customers and their businesses.
- The Board considers the highest ethical standards as integral to SEGRO's business and approves the annual Modern Slavery Statement and has oversight of the Modern Slavery and Labour Standards Supplier Code and Code of Business Conduct and Ethics to ensure that these high standards are also maintained by our suppliers.

Investors

How does the Board engage with them?
- All Directors attended the 2023 AGM where they were available to answer questions from shareholders both formally, during the meeting, and informally, over refreshments.
- The Chair extended an invitation to our ten largest shareholders to meet with him, the Senior Independent Director and/or the Committee Chairs.
- With the support of the Board, we also reached out to the governance and stewardship teams of our top 30 institutional investors to initiate a two-way dialogue on any current or future matters of importance to them and relayed feedback from these sessions to the Board.

How do they influence decision making?
- Regular engagement with our investors helps the Board understand what is important to them and helps to shape decision making.

Communities

How does the Board engage with them?
- All Executive Directors participated in the annual Group-Wide Day of Giving.
- The Group Customer and Operations Director and Partnership Development Director attended the July 2023 Board meeting to present on our Community Investment Plans.

How do they influence decision making?
- The Board is mindful of the impact that our investment decisions could have on the local community and actively considers how investments can benefit the local area when considering capital allocation requests.
- The Remuneration Committee approved the targets for the 2024 SIP/GSIP awards which included a targeted number of volunteering days primarily focusing on supporting young people and the environment.

Environment

How does the Board engage with them?
- The Board received training on the introduction of new sustainability reporting requirements including EU Taxonomy and The Corporate Sustainability Reporting Directive.
- The Commercial Finance Director and Director of Sustainability attended the December Audit Committee meeting to provide an update on sustainability matters and the evolving reporting requirements in respect of ESG.
- Regular updates on progress against our Responsible SEGRO ambitions are provided to the Board.

How do they influence decision making?
- The Board monitors progress against our Responsible SEGRO targets to ensure they remain appropriate, stretching and in the best interests of our stakeholders.
- The Remuneration Committee considered changes to the ESG metrics in the 2024 bonus targets, for both Executive Directors and the wider workforce, to focus on more stretching goals to incentivise our employees to deliver our Responsible SEGRO targets.

How the Board considered stakeholders in its decision making during 2023:

Decision / Action	Stakeholders	How our stakeholders were considered
Acquisition of the Radlett Aerodrome in Hertfordshire for the development of 330,000 sq m of logistics buildings supported by a strategic rail freight interchange.	– Communities – Environment – Suppliers – Investors – Customers	In line with our Responsible SEGRO commitments to Champion low-carbon growth and Invest in our local communities and environments, the Board was pleased to note that the development will incorporate a 610 acre country park for use by the local community. The park will include a 10-mile network of footpaths and recreational features including a trim trail, outdoor gym, new children's play areas, new bird watching hides and a Visitor Interpretation Centre. Over 4,000 trees and 132,000 saplings will be planted, while the local habitat will be enhanced by creating new ponds and nesting sites. It is anticipated that the completed scheme will deliver around 4,000 jobs, with approximately 500 further jobs generated on site during construction. In addition to employment opportunities and environmental considerations, the development will stimulate economic growth and enhance local infrastructure. SEGRO is committed to a significant investment programme to fund new traffic relieving measures, including £22 million to fund a new 1.4-mile stretch of relief road for Park Street / Frogmore to alleviate traffic on the A5183, and it is estimated that the completed scheme will deliver around £12 million each year in business rates.
Retail shareholder asset tour and investor presentation	– Investors – Environment	At the 2023 AGM, a number of our shareholders communicated to the Board that they would value the opportunity to visit one of our assets, to see first hand the work that we do at SEGRO. In October, we invited a group of retail shareholders to our London office for a presentation on the Company followed by an asset tour at SEGRO Park Tottenham. We received great feedback from the attendees, who were appreciative of the invitation, and were impressed with the modern look and feel of SEGRO Park Tottenham along with the biodiversity features of the asset.

1 Shareholders visit SEGRO Park Tottenham

2 SEGRO Park Le Thillay

3 SEGRO Park Tottenham

See more about our stakeholders on pages 18 and 19

Stakeholder engagement from the Board's perspective continued

Workforce Engagement

The Board feels strongly that, in order to be authentic, meaningful and received positively by our employees, its approach to engaging with the wider workforce should mirror the Company's value to say it like it is.

As the Group has a non-unionised business with a headcount of 460 employees based in multiple countries, an alternative arrangement (as permitted by Provision 5 of the Code) remains the most appropriate option. This involves a three-stage approach which, whilst now well-embedded, remains under review to ensure it continues to be effective and encompasses the spirit of enabling the voice of the employee to be heard in the boardroom.

1. Individual meetings with the Directors
Each year, our Non-Executive Directors hold a series of informal meetings with employees from across the business to hear first hand how they feel about working at SEGRO. The Board appreciates the value of hearing a variety of views directly from a broad cross-section of employees in different roles, grades and offices to gain a deeper understanding of the issues that are important to them without members of the Leadership team present.

In 2023, pairs of Non-Executive Directors led three sessions: two thematic sessions which focused on Diversity and Inclusion and Executive Remuneration (which is detailed further on page 119), and one session on more general topics during their visit to Poland. We felt that this was a good balance between focused conversations on topics the Board wanted to hear more from employees on as well as offering the flexibility for employees to share their views on areas of importance for them.

Non-attributable feedback from each session was relayed at the following Board meeting for discussion.

We take meaningful action to address the areas of importance raised by our people during these sessions and their feedback is an important consideration in our people strategy and planning. After hearing what was important to our colleagues during 2023, we will continue to build on our commitments to improve employee communication around workforce remuneration, enhance our employee experience with a focus on more flexible policies and continue to evolve and communicate our diversity and inclusion strategy.

2. Presentations at Board and Committee meetings
The Board regularly invites representatives from around the business to present at Board and Committee meetings and in 2023 welcomed a number of guest speakers as detailed on page 85.

Each of the Committee Chairs also met with employees in relation to the business of their Committees.

3. Informal meetings
During the year, the Board travelled to Warsaw, Poland where they toured local assets with the Managing Director, Poland and Czech Republic and her team. During their time there they took the opportunity to have lunches and a dinner with different members of the Polish and Czech teams. The Board enjoyed the opportunity to spend time with the Central European team.

1 Independent Non-Executive Directors, Carol Fairweather and Simon Fraser, meet with employees.

Composition, succession and evaluation

Internal Board evaluation

Frequency and evaluation type

Year 1: External **Year 2:** Internal **Year 3:** Internal

The Board undertakes an externally facilitated evaluation on a triennial basis in line with the requirements of the Code. The last external evaluation took place in 2021 and our intention is to repeat this exercise in the coming year.

In the intervening two years, an internal review of the Board, its Committees and the performance of individual Directors is carried out, allowing the Board the opportunity to reflect regularly on its performance, effectiveness and address any areas of concern as they arise.

This year's internal review was led by the Senior Independent Director, Carol Fairweather, who was supported throughout the process by the Chair and the Company Secretary.

The overall picture from the review remains positive, with all Directors feeling that the Board works well, performs to a high standard and covers all its statutory duties.

Carol Fairweather, Senior Independent Director

Process

Stage 1:

The Senior Independent Director, Chair and Company Secretary met to discuss their initial thoughts for this year's review and agreed to follow a similar process to 2022, which the Board found to be effective, comprising a short survey followed by individual face-to-face meetings with the Board members and key contributors.

Stage 2:

The areas of focus for the review were agreed and all participants were asked to complete a short, anonymous survey where they rated and provided feedback on a selection of questions to help focus the face-to-face meetings.

Stage 3:

The responses were collated and analysed and the Senior Independent Director and Company Secretary met with each of the Board members on a one-to-one basis to gain a deeper understanding of their feedback and give them the opportunity to express their views on any other matters of importance to them.

During these meetings, participants also shared their feedback on the contribution and performance of each of the individual Directors, including the Chair.

Stage 4:

A draft report, summarising the key themes coming from the survey and meetings, was discussed with the Chair and Chief Executive ahead of the December meeting.

Stage 5:

The final report was presented to the December Board meeting where time was allocated for an open discussion on the conclusions of the review and the recommendations for the coming year.

Areas of focus

The review focused on a wide selection of themes, and the combination of topics allowed us to seek views on both strategic and business as usual items.

Key areas of focus included:
- the size and composition of the Board and its Committees and the balance of the skills, experience, independence and diversity brought by each of the Directors;
- Board dynamics and the relationships between the Directors, and between the Board and the Executive Committee;
- the performance of the Board as a whole as well as the contributions of individual Directors, including the Chair;
- how the Board focused its time and the ratio of time spent on strategic and non-strategic items;
- stakeholder engagement and the consideration of stakeholder interests as part of Board discussion and decision making; and
- Board succession planning, along with the people strategy for the wider business.

Conclusions

The overall picture from the review remained positive and very much in line with the findings of the last internal review and external evaluation, conducted in 2022 and 2021 respectively, concluding that the Board and its Committees continued to operate effectively and perform well.

The key findings of the review are summarised below:
- The balance of experience and skills was considered to be appropriate, with the collaborative culture enabling a suitable level of challenge and support.
- The overall size of the Board was considered carefully in light of Martin Moore's retirement. On balance, the Board felt that the revised ratio of Independent Non-Executive Directors to Executive Directors would continue to provide the right amount of challenge, independent scrutiny and hold the Executives to account. However, this would be kept under review during the coming year.

Composition, succession and evaluation
continued

- Board meetings were effectively run with the quality of papers supporting effective discussions and decision-making.
- All three Board Committees were thought to be well-chaired and effective in discharging their respective duties with the combination of skills and experience brought by the Committee members deemed appropriate to enable informed debate and recommendations on their areas of responsibility. Membership of the Committees would remain under review to ensure the most efficient use of Board resources.

Actions

As ever, the Board appreciated the opportunity to reflect on its performance and highlighted areas for continued focus in 2024, some of which included:

- continuing to maintain focus on strategic drivers of the business and receive updates throughout the year on the key topics considered at the 2023 Strategy Event;
- continuing the programme of regular stakeholder engagement;
- inviting members of the new Executive Committee to attend Board meetings, allowing the Board to hear first-hand about their areas of responsibility; and
- keeping succession planning under review.

Actions against these priorities will be considered by the Board during the course of 2024 and reported against in next year's Annual Report.

Review of the actions from the 2022 review

In June 2023 and December 2023, the Board also revisited the conclusions of the 2022 internal Board review to ensure that progress was being made on the key actions identified:

What we said we would do:	What we did:	Further information:
Succession planning Dedicate additional time on the Board agenda to succession planning discussions, inclusive of reviewing the skills and experience for the appointment of Non-Executive Directors in the longer term as well as wider Leadership team considerations.	The Board approved the changes to the executive leadership structure following the retirement of our Chief Operating Officer during the year and were delighted to see a significant number of promotions from the internal pool of talent, both at the Executive Committee level and below. All Directors agreed that succession planning remained a priority for the coming year.	New Executive Committee – page 11 Nomination Committee Report – Succession planning – page 97
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.	The enhanced stakeholder engagement programme was valued by the Board who had found the opportunities to meet with key stakeholders interesting and insightful. Feedback to further improve this engagement for the coming years was taken on board during the 2023 review.	Our stakeholders - page 18 Stakeholder engagement from the Board's perspective – page 90 Workforce Engagement – pages 92 and 119 Strategy Event – page 85
Strategy Maintain focus on key strategic items and succinct summaries in Board and Committee papers.	In addition to the dedicated Strategy Event in November 2023, the Board spent time discussing our strategic priorities at regularly scheduled Board meetings. This will continue to be an area of focus throughout 2024.	Strategy Event – page 85 Key activities of the Board – page 84

Composition, succession and evaluation

Nomination Committee Report

Andy Harrison
Chair of the Nomination Committee

Committee membership

- Andy Harrison (Chair)
- Mary Barnard
- Sue Clayton
- Carol Fairweather
- Simon Fraser
- Martin Moore (until 31 December 2023)
- Linda Yueh

Key Responsibilities:

- Composition of the Board and its Committees
- Appointment of new Directors
- Induction of new Directors and ongoing training for individual Directors and the Board as a whole
- Oversight of the Board Diversity and Inclusion Policy
- Succession planning for the Board, the Group HR Director and the Company Secretary
- Oversight of the development pipeline for the Leadership team and talent development programme for the wider workforce

Quick links

See the attendance at scheduled Nomination Committee meetings on page 83

Dear shareholder,

I am pleased to present to shareholders the Nomination Committee (the Committee) Report for 2023, in which we set out how the Committee has discharged its responsibilities during the year.

The Committee comprises the Independent Non-Executive Directors and is chaired by myself as the Chair of the Board.

In this Report we will demonstrate how 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.

Throughout the year, the Committee has acted in accordance with its Terms of Reference, which were last updated in February 2024 and can be found at www.SEGRO.com.

Board changes
In 2023, there were a number of planned changes to the Board and membership of the Board Committees:

- **Chief Operating Officer**
  Our Chief Operating Officer, Andy Gulliford, retired from the business and stepped down from the Board on 30 June 2023 following which the Company announced the expansion of the executive leadership structure and four internal promotions to create the new Executive Committee. The Committee was supportive of this decision which reflected the ambitions of SEGRO's Nurturing talent programme.

  Further information on the new Executive Committee members and the wide range of experience they bring to their roles can be found on page 11.

- **Senior Independent Director**
  On 1 July 2023, following completion of nine years' service on the Board, Martin Moore stepped down from the role of Senior Independent Director and Independent Non-Executive Director and Chair of the Audit Committee, Carol Fairweather, was appointed to the role.

  Martin continued to serve on the Board as a Non-Executive Director and member of the Audit, Nomination and Remuneration Committees until his retirement on 31 December 2023.

Please join me in thanking Andy and Martin for their service and valuable contributions to the Board. We wish them all the best for the future.

- **Committee membership**
  Additionally, Independent Non-Executive Director, Mary Barnard, stepped down as a member of the Audit Committee with effect from 1 July 2023. She remains a member of the Nomination and Remuneration Committees.

- **Appointments**
  There were no new Board appointments during the year.

Board succession planning
Succession planning has long been a key focus of the Committee and you can read more about our approach on page 97.

Within the context of the recent Director retirements, the Committee considered carefully the overall size of the Board, the skillsets of the individual Directors as well as the ratio of Executive to Independent Non-Executive Directors. We concluded that the balance remained appropriate but would be kept under review.

Re-appointment of Independent Non-Executive Directors

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 re-appointment.

In January 2024, Carol Fairweather reached six years' service on the Board. Following her confirmation that she wished to continue serving as Senior Independent Director and Chair of the Audit Committee, her re-election was considered by the Committee at the December 2023 meeting.

The Committee gave due regard to her performance, contributions and ongoing ability to contribute to the long-term success of the Board as well as the time commitment required to fulfil these role. We concluded that Carol continued to be a valuable member of the Board and it was agreed that her term be extended for a further three years, subject to the annual re-election by shareholders at the upcoming AGM.

Carol was not present when her re-appointment was discussed.

Board Diversity and Inclusion Policy

The updated Board Diversity and Inclusion Policy was considered at the December 2023 meeting, where the Committee determined that it was appropriate and in line with best practice, and recommended it to the Board for formal approval. Further information can be found on page 98 of this Report.

Committee effectiveness

As part of the internal Board evaluation undertaken during the year, detailed on pages 93 and 94, the operation of each of the Board Committees was considered and it was concluded that they continue to operate effectively. An update on the activities of the Committee is provided to the Board at each subsequent Board meeting.

Looking ahead

Simon Fraser and Linda Yueh will each reach the end of their first three-year term in May 2024 and Sue Clayton will reach the end of her second three-year term in June 2024. The Committee will consider their contribution to the long-term success of the Company and re-appointments in due course, as well as succession planning and Board diversity more generally for the longer term.

If you have any questions on the Nomination Committee or the contents of this Report, do contact me on companysecretariat.mailbox@SEGRO.com.

Andy Harrison
Chair of the Nomination Committee

What the Committee did in 2023

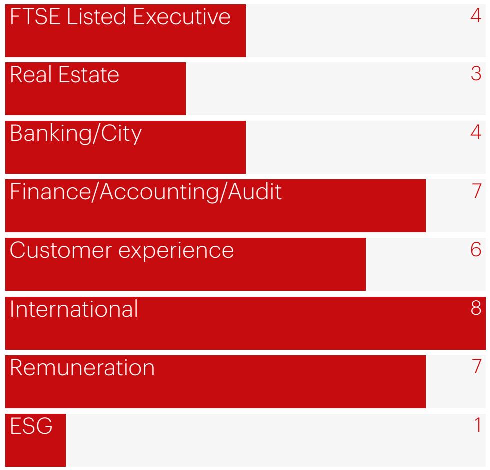
In addition to its key responsibilities, in 2023 the Committee:

- recommended the re-appointment of Carol Fairweather for a further three-year term;
- recommended the appointment of Stephanie Murton as Company Secretary; and
- recommended the updated Board Diversity and Inclusion Policy for approval by the Board, and reviewed the diversity of the Board and its Committees against the new Policy.

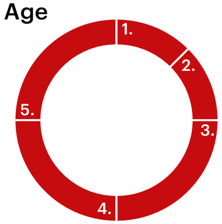
See the Key Responsibilities of the Committee on page 95

Skills and experience of Directors

Number of Directors



Age



1.	45-50 (1)	12.5%
2.	51-55 (1)	12.5%
3.	56-60 (2)	25.0%
4.	61-65 (2)	25.0%
5.	66-70 (2)	25.0%

Composition, skills and experience
The Board is currently made up of a Non-Executive Chair, two Executive Directors and five 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 concluded that it was appropriate in size with the right balance of skills and experience to fulfil its duties. As ever, this will be kept under review.

Read more about the skills and experience of the Directors in their biographies on pages 81 to 83

Further information on the roles of the Chair, Chief Executive and Senior Independent Director can be found on page 89

Induction and ongoing training
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 other members of the Executive Committee, the Heads of Functions covering all aspects of the business, and the Company's valuers, brokers, as well as the internal and external auditors.

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 updates; investor expectations; and legal and regulatory changes which impact the Company. During the year, both the Audit and Remuneration Committees received updates on relevant accounting, remuneration and regulatory 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, individual 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 stay abreast of the enhanced regulation and disclosure requirements around ESG, which the Board recognises to be an area of importance for many of our stakeholders, Directors received training on EU Taxonomy and The Corporate Sustainability Reporting Directive at the September 2023 Board meeting.

Additionally, Board members received the annual refresher training on Market Abuse Regulation from the Company Secretary.

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 ready to serve as the next generation of leaders.

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 the Executive Committee 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 strategic priorities.

Composition, succession and evaluation
Nomination Committee Report continued

Board Diversity and Inclusion

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 FTSE Women Leaders Review on gender balance and the Parker Review on ethnic diversity. As at 31 December 2023, 50 per cent of the Board were female and 25 per cent were from an ethnic minority background.

In last year's Report, the Committee 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 compliance with two out of the three diversity targets set out in the updated Listing Rules. We are pleased to report that, following the appointment of Carol Fairweather to the role of Senior Independent Director on 1 July 2023, the Company now complies with all three targets as set out in the charts to the right. The data collected from Directors and executive management for the purposes of making this disclosure is provided on a voluntary basis.

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 forms an integral part of our Nurturing talent strategic priority. During the year, the Group HR Director presented to the Board on the progress against these objectives, which included plans to set and publicly disclose voluntary gender and ethnicity diversity targets for senior leadership roles as recommended by the FTSE Women Leaders Review and Parker Review.

Read more about Nurturing talent, including our senior leadership diversity targets, on page 31

Board Diversity and Inclusion Policy

The Committee is responsible for monitoring the effectiveness of the Board Diversity and Inclusion Policy (the Policy), available to view on the Company's website, www.SEGRO.com, which sets out the Company's approach to diversity and inclusion in respect of the Board and its Committees.

The Policy incorporates a broad range of diversity factors as set out in the Disclosure Guidance and Transparency Rules, specifies diversity 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 2023 to incorporate Board oversight of diversity below Board level, including monitoring our diversity targets for senior leadership roles.

The Committee considers that the Board and its Committees are in compliance with the Policy, which is appropriate and aligned with best practice, and will keep both the Policy itself and compliance with it under periodic review.

For further information about the Company's approach to diversity and inclusion in the workforce see page 31

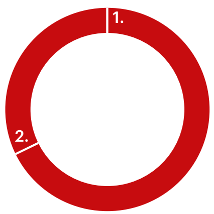
Reporting table on sex/gender representation

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)	4	50	3	6	75
Women (including those self-identifying as women)	4	50	1	2	25
Non-binary	0	0	0	0	0
Not specified/prefer not to say	0	0	0	0	0

Reporting table on ethnicity representation

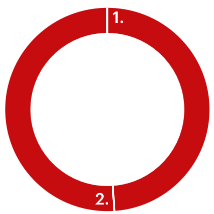
Ethnicity	Number of Board Members	% of Board	Number of senior positions on the Board[1]	Number in executive management[2]	% of executive management
White British or other White (including minority-white groups)	6	75	3	7	87
Mixed/Multiple Ethnic Groups	0	0	0	0	0
Asian/Asian British	2	25	1	1	13
Black/African/Caribbean/Black/British	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

Gender balance of senior management's direct reports[3]



1.	Male (25)	64%
2.	Female (14)	36%

Gender balance of total workforce



1.	Male (226)	49%
2.	Female (234)	51%

1 Senior positions on the Board include the Chair, Chief Executive, Chief Financial Officer or Senior Independent Director.
2 The Executive Committee 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 as defined by the Code.

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 significant external appointments held by our Directors in their biographies on pages 81 to 83; however many of these appointments do not require the same time commitment as appointments to publicly listed companies.

Directors' independence

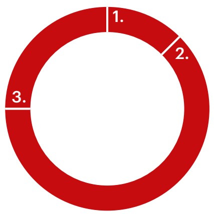
The Board is made up of a majority of Independent Non-Executive Directors, which promotes the good governance of the Company by ensuring that the Executives are held to account and are not able to dominate Board decision making.

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 declared by any Director at each Board meeting.

Directors' Independence



1.	Independent Chair (1)	12.5%
2.	Independent Non-Executive Directors (5)	62.5%
3.	Executive Directors (2)	25.0%

Tenure

Executive Directors

David Sleath	17 years, 11 months
Soumen Das	6 years, 11 months

Non-Executive Directors

Carol Fairweather	5 years, 11 months
Sue Clayton	5 years, 6 months
Mary Barnard	4 years, 9 months
Simon Fraser	2 years, 7 months
Linda Yueh	2 years, 7 months
Andy Harrison	1 year, 8 months

Directors' effectiveness

The performance and individual contribution of each of the Directors is reviewed annually as part of the Board evaluation process led by the Senior Independent Director.

The review concluded that the Chair demonstrated strong leadership and remained effective in his role.

The Non-Executive Directors also 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 provides feedback on the Chief Financial Officer.

Director re-election at the AGM

Having considered the skills and performance of each Director and whether they continue to be effective and demonstrate commitment to their roles, the Committee 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 2024 AGM.

For information on how each of the Directors contribute to the long-term success of the Company see their biographies on pages 81 to 83

Audit, risk and internal controls

Audit Committee Report

Carol Fairweather
Chair of the Audit Committee

Committee membership

- Carol Fairweather (Chair)
- Mary Barnard (until 1 July 2023)
- Sue Clayton
- Simon Fraser
- Martin Moore (until 31 December 2023)
- Linda Yueh

Key responsibilities

- 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 Annual Report and Accounts are, when taken as a whole, fair, balanced and understandable
- Monitoring the integrity of the Financial Statements of the Group including reviewing significant judgements
- Reviewing internal controls and risk management systems
- Overseeing internal and external audit processes and the independence of the external auditor

See the attendance at scheduled Audit Committee meetings on page 83

Quick links

Dear shareholder,

As Chair of the Audit Committee (the Committee), I am pleased to present the Committee's report for 2023.

During the year, the Committee has acted in accordance with the objectives of its Terms of Reference which are available 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 and Committee Changes

The Committee is made up entirely of Independent Non-Executive Directors and each member has considerable commercial knowledge and broad industry expertise.

I satisfy the requirement of the UK Corporate Governance Code 2018 (the Code) to bring recent and relevant financial experience to the Committee, and the Committee also benefits from the additional financial expertise and experience provided by both Simon Fraser and Linda Yueh as well as the wealth of property experience brought by Sue Clayton.

There have been a number of planned changes to the Committee during the year:

- As you will have read on page 93, the Board reviewed Committee membership during the year to ensure the most efficient use of resources and, following the review, Mary Barnard stepped down as a member of the Committee on 1 July 2023.
- Having served nine years as an Independent Non-Executive Director, Martin Moore stepped down from the Board and the Committee at the end of the year.

I would like to extend my thanks to both Martin and Mary for their valuable contributions and support to the Committee during their tenure.

The Board remains satisfied that the Committee as a whole has the relevant competence and appropriate balance of skills and experience 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. We feel that this is the appropriate balance of scheduled meetings and time available for ad hoc discussion, however should the need arise, additional formal meetings would be convened.

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 2023, we were joined by:

- the Head of Finance for the Group and Head of Financial Reporting to consider the accounting judgements and treatments that have been adopted for particular transactions;
- the Head of Legal, who provided updates on relevant legal and regulatory matters as well as the status of material litigation matters impacting the Group;
- the Head of Tax, who 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, who delivered his annual update on developments in cyber security threats, the continued investments by the Company in response, and the current status of cyber security defences; and
- the Commercial Finance Director and Director of Sustainability, who shared an update on sustainability matters and the evolving reporting requirements in respect of ESG.

Regular updates were also provided to the Committee on the risk management process, internal controls and anti-bribery and corruption matters.

In addition to scheduled meetings, I speak regularly with the Chief Financial Officer, Head of Finance for the Group and Head of Legal and Company Secretary to discuss any topical issues that should be brought to the attention of the Committee.

Areas of focus in 2023
A comprehensive list of the Committee's activities in 2023 can be found on the right. Some highlights included:
- oversight of the transition of lead audit partner;
- reviewing the recognition of the SELP performance fee; and
- considering the evolving requirements for the Group in relation to forthcoming European standards on sustainability reporting.

Committee effectiveness
As part of the internal Board evaluation process, the operation of the Committee was considered (see pages 93 and 94) 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 2024, the Committee will:
- respond to new legislation and guidance affecting the Group as it becomes available, including the incoming Economic Crime Act, the updated UK Corporate Governance Code 2024 and the Revised Ethical Standard for audit engagements;
- continue to review and respond to the evolving regulatory landscape around corporate sustainability reporting; and
- consider the implications of the RICS mandatory requirement for the periodic rotation of UK external valuers which comes into force in May 2026, following a two-year transition period.

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 2023

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 gained 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;
- received a briefing on the Committee's evolving responsibilities concerning non-financial and sustainability data reporting and governance under forthcoming European and international regulations and accounting standards;
- monitored matters relating to tax, including REIT status and other significant open matters;
- reviewed the recognition of the performance fee received from SELP;
- 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;
- ensured the processes followed to support the making of the going concern and viability statements remained robust and were correctly followed;
- ensured appropriate safeguards were 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;
- oversaw the process for transition of the lead external audit partner;
- 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 and re-approved 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; and
- 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.

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 106. 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 before being 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 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 Committee and the Board review the draft consolidated Financial Statements.

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 65 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 50.

Fair, balanced and understandable

The Code requires the Board to confirm that they consider that the Annual Report, taken as a whole, 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 an independent reviewer 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 133.

Significant judgements made by the Committee in 2023

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. For further information see page 135	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.

External auditor

Following a tender in 2015, PricewaterhouseCoopers LLP (PwC) has served as the Company's external auditor since 2016, and the Committee continues to enjoy a constructive working relationship with them.

As highlighted in last year's Report, our previous external audit partner retired from PwC in 2023 and the Committee welcomed Richard Porter into the role. Richard has been supported by a strong team already familiar with the Company, and the Committee is satisfied that there has been a smooth and effective transition of audit partners.

The Committee Chair has had regular discussions with Richard and his PwC colleagues to consider matters as they arise throughout the year and the Committee regularly meets privately with Richard 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 the reviews 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;
- 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 2022/23.

Independence

The Company complies with the Competition and Markets 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.

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 2023, fees for audit services amounted to £1.39 million and the non-audit fees amounted to £0.19 million.

The decrease in non-audit fees from 2022 to 2023 is due to the engagement of PwC on debt offerings in 2022 and not in 2023. It is standard practice for a Company's external auditor to undertake this engagement.

The non-audit fee for 2023 equates to 15 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:

	2023	2022	2021
Audit fees (£m)	**1.39**	1.31	1.14
Non-audit fees (£m)	**0.19**	0.32	0.20
Ratio of non-audit fees to audit fees (%)	**14**	24	18

The Committee has concluded that PwC remains independent and objective, and that the level of non-audit to audit fees is acceptable for 2023. 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 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) and in February 2024 in preparation for the work that will be carried out by PwC in respect of statutory reporting required by the Corporate Sustainability Reporting Directive.

The Committee is satisfied that the Policy is appropriate and in line with industry best practice.

External auditor continued

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 PwC 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

Taking into account the views of management involved in the audit, 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 2024 Annual General Meeting that PwC should be reappointed for the 2024 financial year.

We are aware of the requirements of the Audit Committees and External Audit: Minimum Standards as published by the FRC in May 2023 and, whilst these do not apply at the date of this report, the Group will comply with these requirements which will be particularly relevant during any forthcoming audit tender processes.

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 re-appointments in 2014 and 2022 following a tender.

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 2023 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 of risk are subject to internal audit on a cyclical basis.

The proposed internal audit plan for 2023 was considered and approved by the Committee in December 2022, and was kept under review during the course of the year.

Internal audits during 2023 included:
- Valuation;
- Corporate Tax;
- Land Disposals;
- Developments;
- Treasury;
- Oversight of third-party IT suppliers; and
- Small country audit.

Each internal audit during 2023 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 management and 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.

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 it continues to be effective in its 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, which 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 Committee is cognisant of the new RICS (Royal Institute of Chartered Surveyors) rules requiring the periodic rotation of valuers in the UK, which will come into force on 1 May 2024 and require a change to the Company's valuer every 10 years. The Committee will consider how to prepare for this requirement (which will come into effect for SEGRO in 2025/2026) in the coming year.

Audit, risk and internal controls
Audit Committee Report continued

Internal controls and risk management

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 54 to 57). 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 Committee monitors and reports on the Company's approach to risk management as detailed further on page 54.

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 Annual Report.

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; and
- reviewing the work undertaken by the internal and external auditor, in relation to internal controls.

The Committee also receives at each meeting an anti-bribery and corruption report to enable it to satisfy its responsibility for ensuring that adequate safeguards for the detection of fraud and prevention of bribery are in place. Details of how matters of concern can be reported and will be investigated are on page 88.

During the year, the Committee received a report of one whistleblowing allegation which, following a thorough investigation, was found to be not material and unsubstantiated.

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.

Remuneration

Remuneration Committee 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 (until 31 December 2023)
- Linda Yueh

Quick links

Key responsibilities

- Set the remuneration of the Chair, Executive Directors, Group HR Director and the Company Secretary
- Review the remuneration of the Leadership team
- Ensure Executive remuneration is aligned to the Company's Purpose and Values, and the successful delivery of its long-term strategy
- Oversee the framework and policies for workforce remuneration and assess their alignment with Company culture
- Consider individual remuneration outcomes for the Executive Directors

See the attendance at scheduled Remuneration Committee meetings on page 83

Dear shareholder,

On behalf of the Board, I am pleased to present our Remuneration Report for 2023.

The role of the Remuneration Committee (the 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 2023.

Composition and Committee meetings

The Committee continues to be comprised entirely of Independent Non-Executive Directors. Martin Moore retired from the Board and stepped down as a member of the Remuneration Committee with effect from 31 December 2023. On behalf of the Committee, we would like to thank Martin for his valuable contribution during his tenure. There were no other changes to the composition of the Committee during the year.

The Committee had three scheduled meetings during the year and Committee member attendance can be found on page 83. The Chief Executive, Group HR Director and external remuneration adviser attend Committee meetings by invitation as required. Following each Committee meeting, I provide an update to the Board on the Committee's activities.

Key areas of focus in 2023

Following the retirement of Andy Gulliford as Chief Operating Officer and Executive Director on 30 June 2023 and the subsequent organisational changes, the Committee reviewed the remuneration arrangements of the new Executive Committee and Leadership team. Full details of Andy's exit arrangements can be found on page 124.

During the year, the Committee approved the Executive Directors' variable remuneration and annual salary increases and assessed the variable targets prior to the LTIP vesting to ensure the outcomes represented a fair reflection of the business performance throughout the performance period.

The Committee also approved the grant of awards under the Company's all-employee schemes and reviewed the wider workforce remuneration framework to ensure this remained aligned with the structure of remuneration for the Executive Directors.

Remuneration and alignment to Company performance

As covered elsewhere within this Annual Report, 2023 provided a challenging market environment characterised by weak economic growth, stubborn inflation and geopolitical instability. Central banks continued to hike interest rates well into the second half of the year, which impacted property investment markets as the uncertainty around where rates would settle longer term left potential buyers unable to accurately assess future returns. Investment volumes remained low as a result and yield expansion drove further falls in asset values, albeit at a more moderate pace than in 2022.

Despite the more challenging macroeconomic environment, SEGRO delivered strong operational results during 2023, helped by the long-term structural drivers at play in our sector. These ensured resilient levels of occupier demand for our prime, well-located and sustainable space, whilst supply in our chosen markets remained limited. This supply-demand tension, along with the active asset management of our prime portfolio, helped us to deliver further rental growth, capture a significant amount of reversion and expand our development programme, all of which contributed to income and earnings growth.

Adjusted profit before tax (Adjusted PBT) increased by 6.0 per cent to £409 million and adjusted earnings per share increased by 5.5 per cent to 32.7 pence. Adjusted NAV per share has fallen by 6.1 per cent to 907 pence, reflecting the decline in the value of our portfolio. The balance sheet remains in good shape with a loan to value ratio of 34.0 per cent. The Board is recommending a final dividend of 19.1 pence per share, making the full year dividend 27.8 pence per share, an increase of 5.7 per cent.

Further information on the Company's performance during the year can be found in the Chief Executive's statement on pages 8 to 11 and the Strategic Report on pages 6 to 75.

A summary of the Group's key financial metrics relating to Executive remuneration in 2023 can be found on page 110 and information regarding the alignment of remuneration outcomes to our strategy and performance can be found on page 117.

Remuneration in 2023

Directors' remuneration in 2023 was paid in line with the Company's existing Remuneration Policy (the 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 the interests of our stakeholders, and this is set out in the charts on pages 117 and 118.

As indicated on page 118, the 2023 annual bonus for the wider workforce is aligned to Group-wide Adjusted PBT, rent roll growth (RRG), ESG measures, as well as the achievement of personal objectives. The weighting of the personal performance measure varies based on seniority and makes up a larger percentage of bonus measures for more junior employees, allowing for sufficient opportunity to recognise individual performance as well as Company financial and operational performance in the annual bonus structure.

In light of the difficult macroeconomic conditions, the Committee and Executive Committee continued to ensure that the remuneration framework remained fit for purpose to adequately support our workforce. Further details can be found on page 117.

Following his retirement from the Board and the Company on 30 June 2023, Andy Gulliford was paid in line with the Policy. This entitled him to participate in the bonus for the first six months of the year and retain the time prorated proportion of the LTIP awards he has been awarded. None of these payments were accelerated and he is required to retain SEGRO shares with a value of at least 2.5 times his salary until 30 June 2025. He ceased to be paid his salary and all other benefits (which include cash allowances in lieu of a company car, company pension and private medical healthcare) from 30 June 2023 and received a payment for accrued but unused holiday as at 30 June 2023. Further details can be found on page 124.

Variable remuneration

Taking into account our strong operational results and our performance versus the financial and non-financial KPIs that were within management's control during a year of continued macroeconomic uncertainty, the Committee has confirmed the following performance-related payments to the Executive Directors:

- **2023 annual bonus**
  The annual bonus payment will be 81.6 per cent of their maximum award (see page 113).
- **2021 LTIP performance**
  The LTIP structure is designed to ensure that senior management reward is well aligned with shareholder returns. Vesting is calculated by reference to three equally-weighted performance conditions. We anticipate that the 2021 LTIP award will pay out 62.7 per cent (subject to the final TPR and TAR data being available) (see page 114). 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 2026.

  The TSR component of the 2021 LTIP will not vest due to the underperformance of SEGRO's shares compared to the benchmark over the three-year period; although the shares outperformed the benchmark in 2021 and 2023, it was not enough to outweigh the underperformance in 2022 as industrial property values adjusted more than other types of real estate due to the higher interest rate environment.
- **Exercise of discretion and judgement**
  Given the Company's performance during the year, the Committee considered that it was appropriate that the variable components of remuneration for the Executive Directors pay out in accordance with the level at which their respective performance conditions have 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. The Committee was satisfied that the performance conditions were reflective of the business performance and that no overriding adjustment would have been appropriate. The Committee did not exercise discretion in relation to the operation of the Policy during the year.
- **2023 LTIP award**
  The Chief Executive and Chief Financial Officer received an LTIP award in March 2023 with three equally-weighted performance conditions in line with the Policy. Further details can be found on page 115.

Remuneration in 2024

A major area of focus for the Committee in the upcoming year will be a review of the current Remuneration Policy, which we will be recommending to shareholders for approval at the 2025 AGM (the 2025 Policy). The Committee is committed to understanding shareholder views relating to remuneration policy and in our 2022 review of policy, we consulted with holders of approximately 65 per cent of our shares. During 2024, we will begin the consultation process to include our shareholders and key proxy advisory agencies, and will also ensure our employees are well informed of any proposed policy changes.

Salary reviews

The Committee reviewed the salaries of Executive Directors taking into consideration the increases for all other employees as part of the process. Our salary budget is approximately five per cent higher for 2024 than 2023, excluding the impact of changes in employee numbers. The highest increases are being awarded where salary levels are below mid-market ranges and in countries where inflation remains highest.

Reflecting their performance and that of the business, we have approved salary increases of approximately two per cent for the Executive Directors to take effect from 1 April 2024 (see page 111).

2024 bonus targets

Targets for the annual bonus are set by the Committee at the beginning of the year. The weighting of the annual bonus performance measures are made up of 75 per cent for financial measures, comprising Adjusted PBT (37.5 per cent) and RRG (37.5 per cent, made up of 18.75 per cent standing (existing) stock and 18.75 per cent development), and 25 per cent non-financial measures linked to our Responsible SEGRO (ESG) ambitions. Following a review of the metrics used to calculate the bonus elements and their alignment to the Company's strategy, the Committee concluded that some adjustments to the RRG and ESG measures were appropriate.

– Previously, the RRG target was set as a single figure at the total level including growth in absolute rents from developments and standing (existing) stock. In 2024, these elements will be separated. Whilst the overall portion of the bonus assigned to RRG will remain the same (37.5 per cent), there will now be separate targets assigned to standing (existing) stock (18.75 per cent) and development (18.75 per cent). The Committee recognises that the balance of RRG changes through the business cycle, particularly as developments can dominate RRG at times. As a result, the Committee has decided to split RRG between standing (existing) stock and new developments to ensure that the business as a whole is better incentivised to deliver growth from both sources. This change will make the overall RRG element more difficult to achieve, but in turn should help to drive the highest possible RRG for the Group.

– Having introduced ESG measures into remuneration in 2022, the Group has made significant progress in delivering its Responsible SEGRO ambitions. As a result, the Committee concluded that reducing the number of measures within this element (from six to four) would be appropriate to ensure continued focus on our more stretching goals. In 2024, the ESG measures will include a continued focus on carbon reduction, customer service and diversity and inclusion. The ESG measures will continue to make up 25 per cent of the overall bonus for Executive Directors.

The 2024 bonus remains in line with Policy.

2024 LTIP awards
The Committee anticipates that the 2024 LTIP awards will be granted in March 2024 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. It will also consider whether a windfall gain assessment should be considered after the grant. If the normal annual level remains appropriate then this is expected to be 300 per cent of salary for the Chief Executive and 250 per cent of salary for the Chief Financial Officer.

Stakeholder engagement
In November 2023, our Head of Investor Relations and Deputy Company Secretary met with the stewardship and governance teams at some of our largest shareholders to discuss governance related topics. This included the opportunity for shareholders to provide feedback on our current Executive Director remuneration structure, which will be considered as we develop the 2025 Policy. Our Chair of the Board, Andy Harrison, also wrote to ten of our largest shareholders to offer the opportunity to meet with him and me, as Committee Chair, in respect of any remuneration related matters.

In May 2023, we also sought the views of our own workforce on Executive remuneration during a dedicated workforce engagement session which I led with our Audit Committee Chair, Carol Fairweather. Further details of this can be found on page 119.

Committee effectiveness
As part of the internal Board evaluation process, the operation of the Committee was considered and it was concluded that the Committee continues to operate effectively in accordance with its terms of reference, which are available to view at www.SEGRO.com.

Looking ahead
The key areas of focus for the Committee in 2024 will be:

– developing the 2025 Policy and launching the shareholder consultation process later in the year;
– consideration of ongoing inflationary conditions and the impact of cost of living for the wider workforce;
– ensuring that the vesting of long-term incentives in 2024 accurately reflects the performance of the Executive Directors and the experience of stakeholders;
– reviewing progress against the performance conditions and weightings of the annual bonus for Executive Directors, ensuring they remain appropriate; and
– monitoring emerging trends in remuneration and corporate governance as a whole.

Conclusion
The Remuneration Report will be submitted to shareholders at the 2024 AGM. I am grateful for the level of support and engagement from shareholders during 2023 and look forward to continuing this engagement throughout 2024 as we develop our 2025 Policy.

If you have any questions about remuneration generally, or the contents of this Report, do contact me at companysecretariat.mailbox@SEGRO.com. I will also be attending the 2024 AGM and will be pleased to answer any questions you may have about the work of the Committee.

Simon Fraser
Chair of the Remuneration Committee

What the Committee did in 2023

Throughout the year, the Committee has:
– approved the Executive Directors' annual salary increases, approved the 2022 bonus payments and the outturn of the 2020 LTIP awards, along with the 2023 bonus and 2023 LTIP targets;
– approved the 2023 SIP, GSIP and Sharesave awards and approved a new ESG related target for the SIP and GSIP schemes measured over the 2023 financial year for the 2024 awards;
– considered the remuneration arrangements following the retirement of the Chief Operating Officer and the subsequent reorganisation of the Executive Committee and Leadership team;
– reviewed the Chair's fee;
– reviewed workforce pay to ensure that it continues to be aligned with the structure of remuneration for the Executive Directors;
– noted the Group-wide all-employee 2023 salary review and considered the salary increases, bonus and LTIP awards for the Leadership team; and
– received remuneration market updates from Korn Ferry on emerging themes and best practice.

About this Report

In this section we have used colour coding to represent the different elements of Executive Director Remuneration, and for information relating to Non-Executive Director fees and workforce remuneration.

Executive Directors
- Salary
- Taxable benefits
- Pension benefits
- Single year variable – Bonus, including DSBP
- Multiple year variable – LTIP
- Other – SIP and Sharesave

Non-Executive Directors
- Non-Executive Directors

Workforce Remuneration
- Workforce Remuneration

Remuneration at a glance

Chief Executive

£2,883k
2023 Single Figure

1,242%
of salary held in SEGRO plc shares by Chief Executive (Policy: 400%)

c.5%
Salary increase received by the Chief Executive in 2023

23:1
CEO Pay Ratio (Median Pay Ratio)

Workforce remuneration

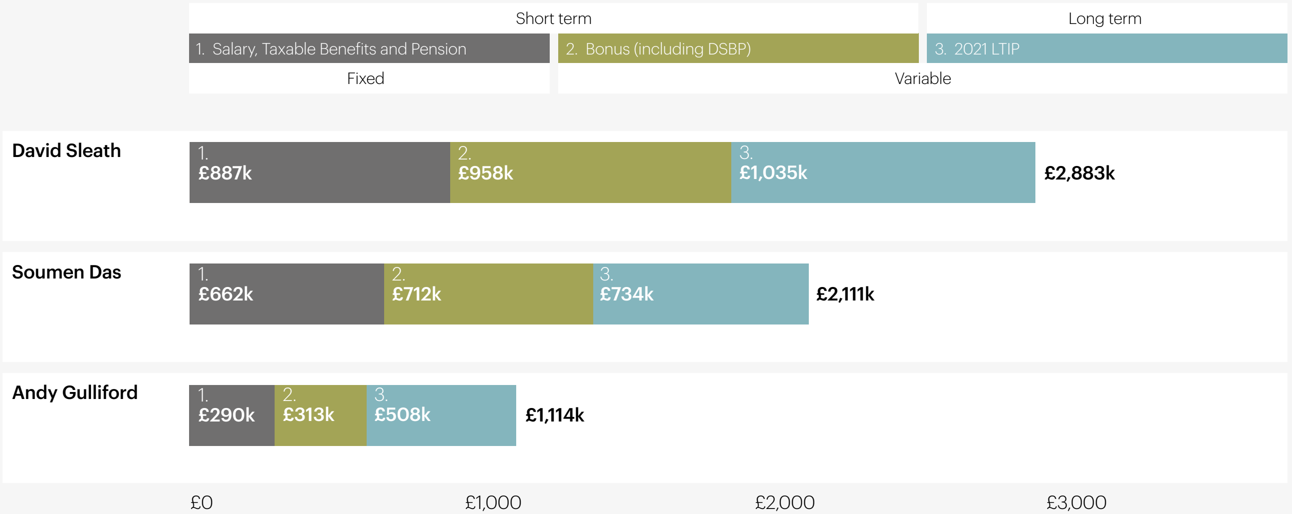
£2,000
worth of free shares received by all eligible employees in 2023

87%
of employees participate in one or more all-employee share scheme

c.7%
The average UK employee salary increase in 2023

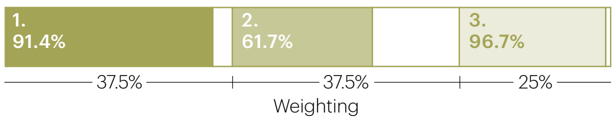
100%
of eligible employees received a bonus in 2023

Breakdown of Executive Directors' total remuneration in 2023 (£000)



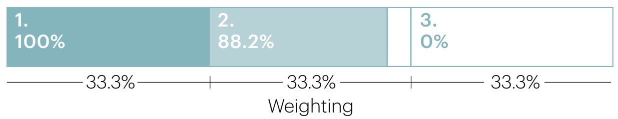
2023 Bonus payments

1. Adjusted PBT	91.4%
2. RRG	61.7%
3. ESG	96.7%



2021 LTIP award payout

1. TAR	100.0%
2. TPR	88.2%
3. TSR	0%



Group performance metrics

Adjusted profit before tax
£409m + 6.0%
2022: £386m + 8.4%

Rent roll growth
£65m
2022: £77m

Total accounting return
(3.3)%
2022: (12.8)%

Total property return
(0.5)%
2022: (10.3)%

Total shareholder return
20.3%
2022: (45.8)%

How we intend to apply the Policy in 2024

Executive Directors

Salary

From 1 April 2024, the Executive Directors will receive an increase in salary of approximately two per cent.

	Base salary with effect from 1 April 2024
David Sleath	£798,200
Soumen Das	£593,500

Bonus

The maximum bonus opportunity in 2024 is 150 per cent of salary as at 31 December 2024 and is subject to the following three performance conditions:
- Profit – Adjusted PBT against target (37.5 per cent)
- Rent Roll Growth (RRG) against target (37.5 per cent), split between Standing (Existing) Stock (18.75 per cent) and Development (18.75 per cent)
- ESG (25 per cent)

The Committee amended the RRG element for the 2024 bonus target. Whilst the overall portion of the bonus assigned to RRG will remain the same (37.5 per cent), there will now be separate targets assigned to Standing (Existing) Stock (18.75 per cent) and Development (18.75 per cent). See page 109 for further details including the rationale for this change, which will be reflected through the Company-wide bonus scheme.

Any payments to be made under this bonus will be payable in 2025. 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 2024 bonus will be deferred into shares under the DSBP. The 2024 DSBP will vest in April 2028, on the third anniversary of the payment of the 2024 bonus.

Pension

Executive Directors will receive cash in lieu of pension to the value of 12 per cent of their base salaries, which is in line with the UK workforce.

LTIP Award

The 2024 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 market capitalisation weighted 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 or more 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 or more 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 or more per annum.

These awards will be calculated as a percentage of Executive Directors' salaries as at 31 December 2023 and will be granted during 2024. In line with the Policy, the Chief Executive will receive a maximum LTIP award of 300 per cent of salary and the Chief Financial Officer 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 this payment will be made in cash or shares.

Chair and 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.

With effect from 1 January 2024, the Chair and Non-Executive Directors' fees were increased by two per cent throughout, and were aligned to the Executive Directors' pay increment. The Chair received a base fee of £374,900 and the Non-Executive Directors received a base fee of £71,100. There was also a two per cent increase to the additional fee for the role of the Senior Independent Director, which was increased to £17,700 per annum with effect from 1 January 2024. There was no increase to the additional fee for the roles of the Chair of the Audit and Remuneration Committees, which were aligned with benchmarking and remained at £20,000 for the 2024 financial year.

	Total fees with effect from 1 January 2024
Andy Harrison	£374,900
Mary Barnard	£71,100
Sue Clayton	£71,100
Carol Fairweather	£108,800
Simon Fraser	£91,100
Linda Yueh	£71,100

How we applied the Policy in 2023

Executive Directors' single total figure of remuneration (Audited)

Chart 1: Executive Directors' single total figure of remuneration for 2023 (£000)
In April 2023, the Executive Directors received a salary increase of approximately five per cent in line with the average UK employee increase.

	Salary	Taxable benefits	Pension benefits	Total fixed	Single year variable[1,4] – Bonus, including DSBP	Multiple year variable[1,2,4] – LTIP	Other – SIP and Sharesave	Total variable	Total
David Sleath									
2023	773	21	93	**887**	958	1,035	3	**1,996**	**2,883**
2022	740	21	148	**909**	1,065	1,936	5	**3,006**	**3,915**
Soumen Das									
2023	575	18	69	**662**	712	734	3	**1,449**	**2,111**
2022	550	18	110	**678**	792	1,372	5	**2,169**	**2,847**
Andy Gulliford[3]									
2023	250	10	30	**290**	313	508	3	**824**	**1,114**
2022	484	21	97	**602**	697	1,266	5	**1,968**	**2,570**

1 The Single year variable and Multiple year variable figures for 2022 have been updated since the 2022 Annual Report as some values were estimated. For further information, see pages 113 and 114 respectively.
2 For further information on the 2023 Multiple year variable figure on the 2021 LTIP Award, see Chart 5 on page 114.
3 Andy Gulliford ceased to be an Executive Director of the Company with effect from 30 June 2023. Further details can be found on page 124.
4 The Single year variable and Multiple year variable for Andy Gulliford have been prorated to his final day of employment (30 June 2023) in accordance with the bonus scheme rules and LTIP rules.

Salary

From 1 April 2023, the Executive Directors received an increase in salary of approximately five per cent.

Chart 2: Salary

	Base salary as at 1 April 2023
David Sleath	£782,500
Soumen Das	£581,900
Andy Gulliford[1]	£512,100

1 Andy Gulliford ceased to be an Executive Director of the Company with effect from 30 June 2023.

Taxable benefits (Audited)

Taxable benefits include private medical healthcare, plus a cash allowance in lieu of a company car. Executive Directors are also entitled to life assurance and for the 2023 financial year, the total annual lump sum premiums (including annual death in service premiums) were as follows:

David Sleath - £7,200
Soumen Das - £5,900
Andy Gulliford - £5,400

These figures are not included in Chart 1 above.

Pension benefits (Audited)

Each of the Executive Directors received cash in lieu of pension as detailed in Chart 1.

Throughout the year, each of the Executive Directors received a cash allowance of 12 per cent of base salary. As previously reported, this was reduced from 20 to 12 per cent from 31 December 2022 to align with the UK workforce.

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.

2023 Bonus (Audited)

The 2023 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 2023 bonus payment will be 81.6 per cent of the maximum award and will be paid in April 2024.

The performance period for Adjusted PBT, RRG and ESG starts from 1 January. The Adjusted PBT and RRG outturns were calculated using a constant 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.

The ESG element comprises six equally-weighted Responsible SEGRO measures in accordance with the bonus scheme rules as approved by the Committee.

Bonus payments are calculated as a percentage of Executive Directors' salaries as at 31 December of the relevant year. As explained on page 108, the Committee assessed the underlying performance of the business and concluded that no discretion should be exercised in respect of the 2023 bonus.

The 2023 DSBP will be awarded in April 2024 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 14 on page 121.

Chart 3: 2023 Bonus

Bonus element	Threshold (25% unless otherwise indicated)	Target 50%	Target 90%	Maximum 100% payout	Actual	Weighting	Outcome achieved
Financial element							
Adjusted PBT against target	£408.8m	£412.9m	£421.1m	£429.3m	£422.3m	37.5%	**91.4%**
Rent Roll Growth (RRG) against target	£50.3m	£62.9m	£72.3m	£78.6m	£65.6m	37.5%	**61.7%**
Non-financial element							
ESG	–	–	–	–	–	25.0%	**96.7%**
– Improving visibility of Scope 3 operating carbon emissions in our buildings.	73%			78%	81%		100%
– Reducing corporate and customer carbon emissions.	272,789 tonnes (2023 pathway target)			259,680 tonnes (double the 2023 pathway reduction)	254,168 tonnes		100%
– Reducing embodied carbon emissions.	376kg (2023 pathway target)			353kg (in line with prior year achievement)	348kg		100%
– Creating and actioning Community Investment Plans.	Customer participation in CIPs: 35 Supplier participation in CIPs: 25			Customer participation in CIPs: 70 Supplier participation in CIPs: 40	84 Customers participated 59 Suppliers participated		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	86% satisfaction		80%
– 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%**	**81.6%**

Remuneration
Remuneration Committee 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 2024

The 2021 LTIP award will vest on 29 March 2024, subject to relative TSR, TPR and TAR over the three-year performance period to 31 December 2023.

It is anticipated that the 2021 LTIP award will pay out 62.7 per cent (subject to the final TPR and TAR data being available).

Chart 4: 2021 LTIP award

Performance Conditions	Threshold (20% vesting)	Stretch (100% vesting)	Weighting	Outcome
TSR[1]	Benchmark	Benchmark +6%pa	33.3%	0%
TPR[2]	MSCI Benchmark	MSCI Benchmark +1.5%pa	33.3%	88.2%
TAR[3]	Benchmark	Benchmark +2.5%pa	33.3%	100.0%
Estimated vesting (% of award)				**62.7%**

1 The Company's TSR over the performance period was -7.7 per cent and the benchmark TSR was -4.4 per cent. The Company's TSR target is 6 per cent per annum above the benchmark, which equates to TSR of 13.8 per cent for this element to fully vest.
2 The estimated TPR calculation is based on the Company's actual annualised TPR between 2021 and 2023 of 8.0 per cent and an estimated MSCI Benchmark over the same period of 6.6 per cent. On this basis, the Company's three-year TPR to 31 December 2023 has exceeded the estimated MSCI Benchmark by 1.28 per cent which would lead to 88.2 per cent of the TPR element vesting. The final benchmark will be available in quarter two 2024 and based on the information available at the time of this Report the Committee has estimated that 88.2 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 2024 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 108, 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 2021 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 5: 2021 LTIP award to Executive Directors

	Share price on award (pence)	Percentage of salary awarded (%)	Number of shares awarded[1]	Estimated percentage of award vesting (%)	Estimated number of shares eligible for vesting	Estimated share price on vesting (pence)[2]	Estimated value of vesting shares (£)	Value in Chart 1 attributable to share price appreciation (£)	Dividend (pence per share)[3]	Total dividend on vesting shares (£)
David Sleath	933.0	250	190,986	62.7	119,812	785.8	941,483	0	78.4	93,933
Soumen Das	933.0	250	135,341	62.7	84,904	785.8	667,176	0	78.4	66,565
Andy Gulliford[1]	933.0	250	93,670	62.7	58,762	785.8	461,752	0	78.4	46,070

1 Andy Gulliford ceased to be an Executive Director on 30 June 2023 and his 2021 LTIP award has been prorated in accordance with the LTIP rules.
2 The vesting share price has been estimated as the three-month average share price ending on 29 December 2023.
3 The figure in Chart 1 includes a cash value of 78.4 pence per share, equivalent to the dividends that the Executive Directors would have received on the 2021 LTIP shares from the award date.

Updated LTIP vesting in 2023 (estimated in 2022 Annual Report) (Audited)

The 2022 Directors' Remuneration Report estimated that the TPR element for the 2020 LTIP would vest at 100 per cent.

The Company's actual TPR over the performance period was 13.2 per cent and the MSCI benchmark was 9.4 per cent. The Company's TPR outperformance of 3.6 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 2020 LTIP as estimated.

In the 2022 Annual Report the estimated vesting share price for the 2020 LTIP was 783.4 pence, and the figure in Chart 1 has been re-presented to reflect the actual vesting share price of 807.7 pence.

2023 LTIP award (Audited)

The 2023 LTIP award was granted on 24 March 2023 and is subject to the following equally-weighted performance conditions:

Total Shareholder Return (TSR)
This benchmark is based on the market capitalisation weighted TSR of the FTSE 350 REIT index.

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 or more 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 or more per annum.

Total Accounting Return (TAR)
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 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 or more per annum.

The Chief Executive was awarded 300 percent of salary in respect of the 2023 LTIP and the Chief Financial Officer was awarded 250 per cent of salary. Further details can be found in Chart 15 on page 122.

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

Other - SIP and Sharesave (Audited)

The 'other' figure in Chart 1 includes 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 £2,000 were made to eligible UK employees and Global Share Incentive Plan (GSIP) awards of £2,000 were made to eligible employees based outside of the UK.

The number of shares awarded was calculated using a share price of 813.2 pence, based on the five-day average share price prior to the date of award.

All eligible employees, including the Executive Directors, received 245 shares in respect of the 2023 SIP and GSIP.

Sharesave (SAYE)
This is the discount used to calculate the Option Price, multiplied by the Executive Directors' annual savings each year.

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.

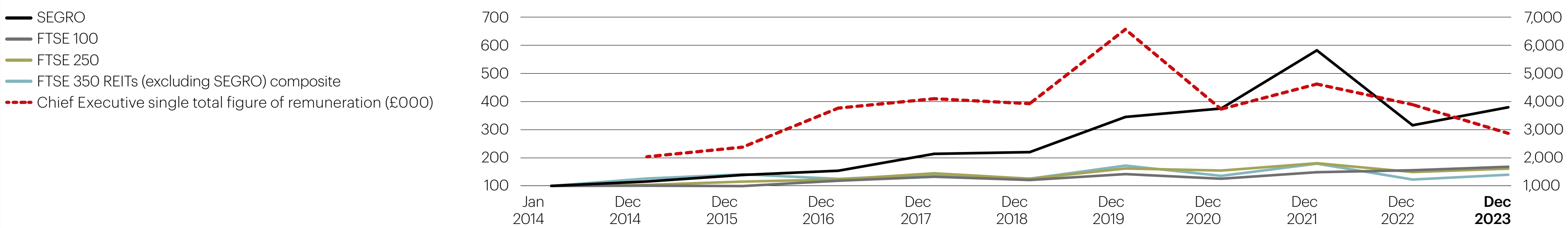
The Option Price for the 2023 SAYE was 580.8 pence.

Remuneration
Remuneration Committee Report continued

TSR chart and Chief Executive pay

Chart 6 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 6: Composite 10-year TSR chart and 10-year Chief Executive single total figure of remuneration



Chief Executive single figure of remuneration (£000)	2,043	2,388	3,788	4,125	3,947	6,611	3,752	4,650	3,915[1]	2,883
Short-term incentive payout against maximum opportunity (%)	66.7	100.0	99.2	100.0	94.3	100.0	91.2	100.0	95.3	81.6
Long-term incentive payout against maximum opportunity (%)	42.9	42.3	100.0	100.0	100.0	100.0	100.0	100.0	100.0	62.7

1 This figure has been updated since the 2022 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. 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 7: CEO pay ratio

Year:	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
31 December 2023	**A**	**37:1**	**23:1**	**16:1**
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

Chart 8: Total UK employee pay and benefits figures used to calculate the 2023 CEO pay ratio

	25th percentile pay (£000)	Median pay (£000)	75th percentile pay (£000)
Salary	58	85	88
Total UK employee pay and benefits	78	123	179

Supporting information for the CEO pay ratio

The Chief Executive's single total figure of remuneration for 2023, detailed further in Chart 1, and employee data as at 31 December 2023, have been used for the purposes of this calculation.

The median CEO Pay Ratio has decreased when compared against last year (34:1) and this reduction can partially be attributed to the lower payout of the 2020 LTIP in 2023. Whilst this reduction was also observed for the median comparator, proportionally this had a much larger impact on the Chief Executive based on the payouts. Additionally, the salary increase received by the Chief Executive in April 2023 was approximately five per cent, which was below the average UK employee increase of seven per cent in the same period.

SEGRO's median CEO Pay Ratio is 23:1, which remains below the 2022 FTSE 100 median of 80:1 (source: High Pay Centre). The Remuneration Committee considers that the median pay ratio is representative of the pay, reward and progression policies for our UK workforce.

Chart 9: Relative importance of spend on pay

	2023 £m	2022 £m	Increase %
Total dividend	327	301	8.6
Total employee expenditure	61	56	8.9

Aligning remuneration outcomes to strategy and Company performance

Remuneration and strategy

Our ambition is to be the best property company and SEGRO's remuneration structure is designed to align delivery of annual and long-term out-performance of the Company with the priorities of our major stakeholders. This performance is assessed based on financial and non-financial KPIs linked to the four pillars of our corporate strategy. The remuneration structure and KPIs are listed below and more detail including specifically how each KPI is linked to the strategic pillars and remuneration can be found on pages 32 to 35.

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	Total shareholder return (33.3%)				
Relative TAR over 3 years	Total accounting return (33.3%)	■	■		
Relative TPR over 3 years	Total property return (33.3%)	■		■	
SIP					
PBT v Budget	Adjusted EPS	■			

All of the above performance measures are integrated directly into both Executive Directors' and employees' remuneration. See page 118 for a comparison of Executive Director and employee remuneration components.

See more on our strategy on pages 20 and 21

See more on our KPIs on pages 32 to 35

Workforce Remuneration

Chart 10: Percentage change in Directors' remuneration compared to average employee

	Salary/Fees (% change)				Taxable benefits (% change)				Annual variable pay (% change)			
	2023	2022	2021[2]	2020	2023	2022	2021	2020	2023	2022	2021	2020
Average per employee[1]	9.7	7.7	4.2	6.0	1.1	2.4	12.4	2.0	5.3	0.1	9.4	-2.0
Executive Directors												
David Sleath	4.5	2.6	8.7	-2.2	0.0	0.0	4.8	0.0	-10.1	-1.5	11.3	-6.1
Soumen Das	4.5	2.6	14.1	-3.4	0.6	-11.3	-0.2	0.0	-10.1	-1.5	16.8	-6.1
Andy Gulliford[8]	–	2.7	8.8	-2.3	–	0.0	1.8	0.0	–	-1.5	11.4	-6.1
Non-Executive Directors[6]												
Andy Harrison[3]	5.0	–	–	–	–	–	–	–	–	–	–	–
Mary Barnard	5.0	3.0	8.0	-0.6	–	–	–	–	–	–	–	–
Sue Clayton	5.0	3.0	8.0	-0.6	–	–	–	–	–	–	–	–
Carol Fairweather[5]	18.6	3.0	8.0	-0.6	–	–	–	–	–	–	–	–
Simon Fraser[4]	8.1	3.0	–	–	–	–	–	–	–	–	–	–
Martin Moore	-5.5	3.0	8.0	-0.6	–	–	–	–	–	–	–	–
Linda Yueh[4]	5.0	3.0	–	–	–	–	–	–	–	–	–	–

1 As there are only a very small number of employees in SEGRO plc, French branch, the 2023 average per employee figure is based on UK employees who have been continually employed for the entirety of 2022 and 2023 and are entitled to receive annual variable payment.
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 Carol Fairweather was appointed Senior Independent Director on 1 July 2023 and her fee increase to reflect the increased responsibilities has been prorated for the year.
6 Martin Moore stepped down as Senior Independent Director on 30 June 2023 and his fees have been prorated for the year.
7 Fees for Non-Executive Directors have been annualised unless otherwise stated. Non-Executive Directors do not receive any taxable benefits and do not participate in the bonus scheme.
8 Andy Gulliford retired from the Board and the Company on 30 June 2023.

All employees	Element of remuneration	Executive Directors
Group salary budget reviewed by the Remuneration Committee	Salary	Below overall budgeted employee increases
All employees are eligible for Bonus Targets: PBT, RRG, ESG, Personal Performance (weightings based on level)	Bonus	Maximum 150% Targets: PBT (37.5%), RRG (37.5%), ESG (25%)
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 Three equally-weighted targets: TSR, TPR, TAR	Long Term Incentive Plan	Maximum 300% for Chief Executive and 250% for Chief Financial Officer 3-year performance period, 2-year holding period Three equally-weighted 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

Stakeholder Engagement

Shareholder engagement

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 November 2023, our Head of Investor Relations and Deputy Company Secretary met with the stewardship and governance teams at some of our largest shareholders to discuss governance related topics. This included the opportunity for shareholders to provide feedback on our current executive remuneration structure, which will be considered as we develop the revised Remuneration Policy for approval by shareholders at the 2025 AGM. In 2024, we will launch a dedicated consultation process with our shareholders and proxy advisory firms to discuss any proposed changes to the current Remuneration Policy and to offer the opportunity to provide feedback.

Workforce engagement

In addition to setting the remuneration for the Executive Directors, the Committee is responsible for setting the remuneration for the Group HR Director and the Company Secretary, reviewing the remuneration of the Leadership team and considering the remuneration policies and practices for the wider workforce. This ensures everyone is rewarded fairly and that workforce pay aligns with Executive remuneration. Further details on workforce engagement can be found on page 92 and a comparison of employee and executive remuneration can be found on page 118.

Further details on stakeholder engagement can be found on pages 90 to 92.

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.

87%

of SEGRO employees participated in one or more all-employee share scheme, as at 31 December 2023.

£2,000

In May 2023, all eligible employees received £2,000 worth of SEGRO shares through the SIP or GSIP.

67%

of UK employees participate in Sharesave, saving on average £347 each month.

6.7m

As at 31 December 2023, there were 6.7 million SEGRO shares under award in employee share schemes, representing 0.6 per cent of our issued share capital.

Workforce engagement on Executive Remuneration

As detailed on page 92, 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 May 2023, Remuneration Committee Chair, Simon Fraser, and Audit Committee Chair, Carol Fairweather, held a workforce engagement session focusing on Executive remuneration.

Simon detailed the work of the Committee during the year including changes to the bonus structure, with the addition of non-financial ESG elements, and increasing the weighting of the personal performance element for more junior employees. Directors heard that the addition of ESG as a performance metric to the bonus for all employees was an impactful change and an important step for the delivery of the Responsible SEGRO strategy. The Responsible SEGRO targets were seen as tangible and authentic to SEGRO, and employees attending the engagement session expressed that frequent and consistent communication across the Group on the progress against meeting company performance targets, particularly the sustainability related targets, was helpful through the regular employee briefings which are held across the Group.

An area of improvement identified was around the visibility and understanding of remuneration levels across the business and the Company continues to make progress in increasing transparency around the remuneration structures, including share awards, for the benefit of the wider workforce. The reorganisation of the Executive Committee and Leadership team provided a good opportunity to review Company-wide policies and resources to ensure these included sufficient information to differentiate remuneration between levels.

The Remuneration Policy was also summarised and employees were offered the opportunity to ask questions about the Executive remuneration structure. 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 employee attendees. The employees valued the opportunity to share their views. Feedback from the session was relayed to the Board and discussed at the June 2023 Board meeting and will inform plans on the communication of reward through 2024.

Further details can be found on page 92.

Remuneration
Remuneration Committee Report continued

Executive Directors' shareholdings (Audited)

Chart 11: Executive Directors' overall interest in shares

	Beneficial interest (including SIP as at 01.01.2023)	Beneficial interest (including SIP as at 31.12.2023)[1]	Subject to deferral under DSBP	Subject to achievement of performance conditions under LTIP	Subject to two-year holding period under LTIP	Outstanding options under Sharesave	Total overall interest in shares as at 31.12.2023	Shares which contribute to shareholding guidelines as at 31.12.2023	Value of shares which contribute to shareholding guidelines as at 31.12.2023[2]	Salary (as at 31.12.2023)[3]	Value of shareholding as a % of salary
David Sleath	734,939	771,599	162,437	680,705	450,557	3,099	2,068,397	1,096,485	£9,719,243	£782,500	1,242%
Soumen Das	401,567	428,467	119,255	438,806	327,233	3,099	1,316,860	665,105	£5,895,492	£581,900	1,013%
Andy Gulliford[4]	716,203	739,811	106,285	130,440	294,824	1,211	1,272,571	952,398	£8,442,056	£512,100	1,649%

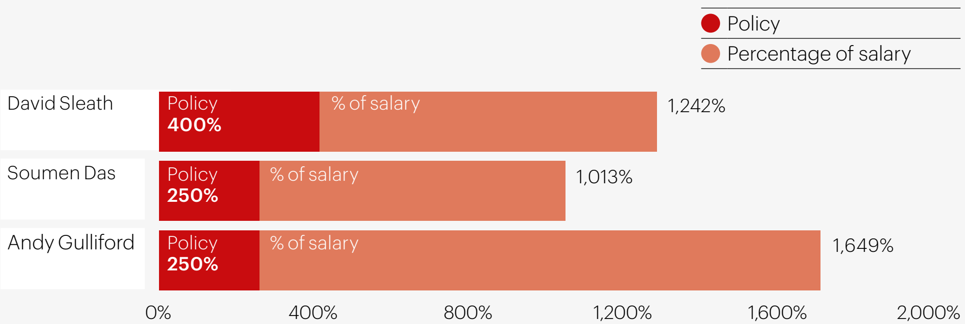
1 Beneficial interests represent shares beneficially held by each Executive Director, including any shares beneficially held by spouses as well as shares held on their behalf by the Trustees of the SIP. Between 31 December 2023 and 15 February 2024, there were no changes in respect of the Executive Directors' shareholdings. The Trustees of the SIP held a non-beneficial interest in 463,457 shares as at 1 January 2023, 432,659 shares as at 31 December 2023 (2022: 463,457) and 427,960 shares as at 15 February 2024. The Trustees of the SEGRO plc Employees' Benefit Trust held 54,640 shares as at 1 January 2023 and 254,076 shares as at 31 December 2023 (2022: 54,640). There was no change in their holding between 31 December 2023 and 15 February 2024. 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 two-year post-vesting 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 886.4 pence, as at 29 December 2023.
4 Andy Gulliford retired from the Board and the Company on 30 June 2023 and his share interests and share values are disclosed as at 30 June 2023.

Chart 12: Policy on shareholding guidelines (Audited)

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 interests; 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.



Value of shares calculated using a share price of 886.4 pence, as at 29 December 2023.

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.

Chart 13: Post-cessation shareholding requirements: Andy Gulliford

Andy Gulliford retired from the Company and the Board on 30 June 2023. He is required to hold shares equivalent to 250 per cent of his salary until 30 June 2025, calculated by reference to his base salary and the share price on 30 June 2023.

Shares which qualify towards the post-cessation shareholding requirements 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.

Andy has maintained compliance with the post-cession shareholding guidelines, as detailed below, since his retirement on 30 June 2023.

				Shares held which contribute to post-cessation shareholding requirements				
Salary (£)	Post-cessation share-holding requirement (250% of salary) (£)	Share price as at 30 June 2023 (pence)	Number of shares required to satisfy post-cessation shareholding requirements	Details	Gross	Net	Earliest release date	Post-cessation shareholding requirements met
512,100	1,280,250	716.9	178,582	Beneficial holdings	739,811	739,811		Yes
				2019 LTIP	151,036	80,049	29/05/2024	
				2020 LTIP	143,788	76,208	26/03/2025	
				2020 DSBP	28,698	15,210	28/04/2024	
				2021 DSBP	34,578	18,326	28/04/2025	
				2022 DSBP	43,009	22,795	28/04/2026	
				Total	**1,140,920**	**952,399**		

Executive Directors' share scheme holdings (Audited)

Chart 14: DSBP Awards outstanding

		Date of Grant	No. of shares under award 01.01.23	No. of shares over which awards were granted during the year[2]	Share price on grant (pence)[3]	Face value of award made in 2023 (£)	No. of shares released during the year	Share price on date of release (pence)	No. of shares under award 31.12.23	End of holding period
David Sleath	2019 DSBP	28.04.20	63,200	–	821.2	–	63,200	810.6	–	28.04.23
	2020 DSBP	28.06.21	43,885	–	1,110.5	–	–	–	43,885	28.04.24
	2021 DSBP	27.06.22	52,835	–	1,027.0	–	–	–	52,835	28.04.25
	2022 DSBP[4]	28.04.23	–	65,717	810.6	532,702	–	–	65,717	28.04.26
Total			159,920						162,437	
Soumen Das	2019 DSBP	28.04.20	44,786	–	821.2	–	44,786	810.6	–	28.04.23
	2020 DSBP	28.06.21	31,099	–	1,110.5	–	–	–	31,099	28.04.24
	2021 DSBP	27.06.22	39,289	–	1,027.0	–	–	–	39,289	28.04.25
	2022 DSBP[4]	28.04.23	–	48,867	810.6	396,116	–	–	48,867	28.04.26
Total			115,174						119,255	
Andy Gulliford[1]	2019 DSBP	28.04.20	41,329	–	821.2	–	41,329	810.6	–	28.04.23
	2020 DSBP	28.06.21	28,698	–	1,110.5	–	–	–	28,698	28.04.24
	2021 DSBP	27.06.22	34,578	–	1,027.0	–	–	–	34,578	28.04.25
	2022 DSBP[4]	28.04.23	–	43,009	810.6	348,631	–	–	43,009	28.04.26
Total			104,605						106,285	

1 Andy Gulliford retired from the Board and the Company on 30 June 2023. Further details can be found on page 124.
2 Awards are granted in the form of a provisional allocation of shares.
3 The share price on grant is based on the share price for the day before the award.
4 Executive Directors were awarded 150 per cent of salary in respect of the 2022 bonus, 50 per cent of which was deferred into shares under the 2022 DSBP awards.

Remuneration
Remuneration Committee Report continued

Executive Directors' share scheme holdings (Audited) continued

Chart 15: LTIP Awards outstanding

		Date of Grant	No. of shares under award 01.01.23	No. of shares over which awards were granted during the year[2]	Share price on grant (pence)[3]	Face value of award made in 2023 (£)	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 31.12.23	No. of shares subject to two-year post-vesting holding period	End of performance period over which performance conditions have to be met[4]	End of two-year post-vesting holding period
David Sleath	2019 LTIP	29.05.19	–	–	691.0	–	–	–	–	230,680	31.12.21	29.05.24
	2020 LTIP	26.03.20	219,877	–	786.8	–	219,877	807.7	–	219,877	31.12.22	26.03.25
	2021 LTIP	29.03.21	190,986	–	933.0	–	–	–	190,986		31.12.23	29.03.26
	2022 LTIP	05.05.22	186,709	–	1,162.5	–	–	–	186,709		31.12.24	05.05.27
	2023 LTIP[5]	24.03.23	–	303,010	737.8	2,235,608	–	–	303,010		31.12.25	24.03.28
Total			597,572						680,705	450,557		
Soumen Das	2019 LTIP	29.05.19	–	–	691.0	–	–	–	–	171,418	31.12.21	29.05.24
	2020 LTIP	26.03.20	155,815	–	786.8	–	155,815	807.7	–	155,815	31.12.22	26.03.25
	2021 LTIP	29.03.21	135,341	–	933.0	–	–	–	135,341		31.12.23	29.03.26
	2022 LTIP	05.05.22	115,698	–	1,162.5	–	–	–	115,698		31.12.24	05.05.27
	2023 LTIP[5]	24.03.23	–	187,767	737.8	1,385,345	–	–	187,767		31.12.25	24.03.28
Total			406,854						438,806	327,233		
Andy Gulliford[1]	2019 LTIP	29.05.19	–	–	691.0	–	–	–	–	151,036	31.12.21	29.05.24
	2020 LTIP	26.03.20	143,788	–	786.8	–	143,788	807.7	–	143,788	31.12.22	26.03.25
	2021 LTIP	29.03.21	124,894	–	933.0	–	–	–	93,670		31.12.23	29.03.26
	2022 LTIP	05.05.22	101,827	–	1,162.5	–	–	–	36,770		31.12.24	05.05.27
Total			370,509						130,440	294,824		

1 Andy Gulliford retired from the Board and the Company on 30 June 2023 and his outstanding LTIP awards were prorated in accordance with the LTIP rules. He did not receive a 2023 LTIP award.
2 Awards are structured as conditional awards over ordinary shares.
3 The share price on grant is based on the share price for the day before the award.
4 Awards are subject to a three-year performance period and a two-year post-vesting holding period.
5 David Sleath was awarded shares to the value of 300 per cent of salary and Soumen Das was awarded shares to the value of 250 per cent of salary in respect of the 2023 LTIP award. This award is subject to three equally-weighted performance conditions, TSR, TPR and TAR.

Chart 16: Sharesave Options outstanding

		Date of Grant	No. of shares under option 01.01.23	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 31.12.23[2]	Period in which options can be exercised
David Sleath	2020 Sharesave	22.04.20	2,919	–	616.48	2,919	806.2	–	01.06.23 – 30.11.23
	2023 Sharesave	21.04.23	–	3,099	580.80	–	–	3,099	01.06.26 – 30.11.26
Total			2,919					3,099	
Soumen Das	2020 Sharesave	22.04.20	2,919	–	616.48	2,919	806.2	–	01.06.23 – 30.11.23
	2023 Sharesave	21.04.23	–	3,099	580.80	–	–	3,099	01.06.26 – 30.11.26
Total			2,919					3,099	
Andy Gulliford[1]	2020 Sharesave	22.04.20	1,459	–	616.48	1,459	806.2	–	01.06.23 – 30.11.23
	2021 Sharesave	23.04.21	1,211	–	742.72	–	–	–	30.06.23 – 31.12.23
Total			2,670					–	

1 Andy Gulliford retired from the Board and the Company on 30 June 2023 and from his last day of employment had a six-month period to exercise his Sharesave options in accordance with the Sharesave rules. His 2021 Sharesave Options lapsed on 31 December 2023.
2 There are no shares under option which have matured but have not been exercised.

Executive Directors' share scheme holdings (Audited) continued

Chart 17: SIP Shares held in trust

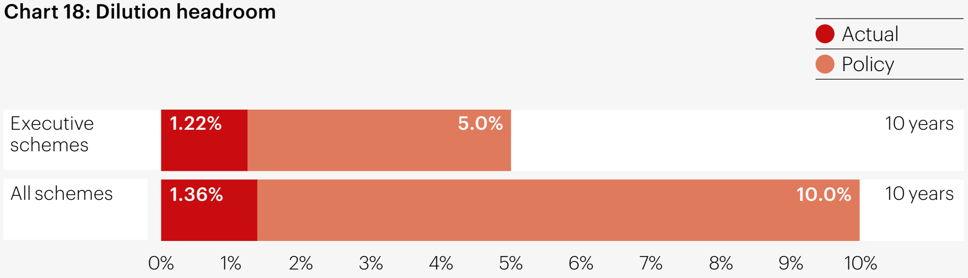
	No. of shares in trust 01.01.23	Shares awarded during the year	No. of shares in trust 31.12.23
David Sleath	9,375	245	9,620
Soumen Das	1,956	245	2,201
Andy Gulliford	10,192	245	-

1 Andy Gulliford retired from the Board and the Company on 30 June 2023 and transferred his shares out of the trust in accordance with the SIP rules.

Further information about the share schemes can be found in Note 18 to the Financial Statements on page 172.

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 over the last 10 years.

Chart 18: Dilution headroom



Chair and Non-Executive Directors

Non-Executive Directors' single total figure of remuneration (Audited)

In 2023, the Chair's annual fee was £367,500 (2022: £350,000), Non-Executive Directors' annual fee was £69,700 (2022: £66,400), with an additional £17,400 per annum (2022: £16,600) for chairing the Audit or Remuneration Committees and an additional £20,000 per annum (2022: £16,600) for 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 19: Non-Executive Directors' single total figure of remuneration for 2023 (Audited)

		Total fees	
		2023 (£000)	2022 (£000)
Andy Harrison[1]	Chair (from 30 June 2022)	368	191
Mary Barnard		70	66
Sue Clayton		70	66
Carol Fairweather	Chair of the Audit Committee Senior Independent Director (from 1 July 2023)	98	83
Simon Fraser	Chair of the Remuneration Committee	90	83
Martin Moore[2]	Senior Independent Director (until 1 July 2023)	78	83
Linda Yueh		70	66

1 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.
2 Martin Moore retired from the Board on 31 December 2023.

Non-Executive Directors' shareholding guidelines (Audited)

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 20: Non-Executive Directors' beneficial interests in shares and shareholding requirements

	Beneficial interests		Shareholding requirements
	01.01.2023 Ordinary 10p shares	31.12.2023 Ordinary 10p shares	Shareholding requirements met
Andy Harrison	116,315	564,755	Yes
Mary Barnard	11,288	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[1]	17,442	17,442	Yes
Linda Yueh	4,716	4,716	Yes

1 Martin Moore retired from the Board on 31 December 2023.

There was no change in Directors' interests between 31 December 2023 and 15 February 2024.

Additional information

External appointments
Executive Directors are permitted to hold one external directorship, approved by the Board. Fees payable may be retained.

David Sleath is a Senior Independent Director of RS Group plc (previously Electrocomponents plc) and he received a fee of £81,116 for this role in 2023 (2022: £78,922).

Soumen Das is a Non-Executive Director of NEXT plc and he received a fee of £73,208 for his role in 2023 (2022: £69,112).

Exit payments and arrangements (Audited)
Further to the Company's announcement on 17 May 2023, Andy Gulliford, Chief Operating Officer and Executive Director, stepped down from the Board with effect from 30 June 2023. The remuneration details relating to Andy Gulliford required to be made available under section 430(2B) of the Companies Act 2006 are as follows:

- Andy Gulliford's remuneration terms were in accordance with the key provisions for contract termination as set out in SEGRO's Remuneration Policy approved by shareholders in April 2022 and available to view at www.SEGRO.com. As he retired from the Company, he was treated as a good leaver under the Company's incentive scheme rules.
- Andy Gulliford was paid full salary and benefits (which include cash allowances in lieu of a company car, company pension and private medical healthcare) to 30 June 2023. He also received a payment of £23,635 in respect of any accrued but unused annual leave entitlement as at 30 June 2023.
- Andy Gulliford was eligible to receive a cash bonus in respect of the Company's financial year ending 31 December 2023, prorated to 30 June 2023, which is payable in April 2024 to the extent that the performance targets are met. 50 per cent of any cash payment earned in 2023 will be deferred in shares under the Company's Deferred Share Bonus Plan (DSBP).
- Andy Gulliford was entitled to time prorated shares from the Company's Long Term Incentive Plan (LTIP), subject to the Company meeting the performance targets for these awards and subject to and in accordance with the rules of the LTIP. In accordance with the rules of the LTIP, he will be required to retain and will not be permitted to transfer or otherwise dispose of any shares that have vested under the LTIP for a period of two years after the vesting date of each LTIP award. Any dividend equivalents accrued in respect of LTIP awards will be prorated in line with the level of vesting of the relevant LTIP award and will be paid in cash at the end of the holding period. The cash payment will also include the value of any dividend equivalents accrued during the holding period.

Award	Award Date	Number Awarded	Maximum number of shares that could vest	Vesting Date	End of Holding Period
2019 LTIP Award	29/05/2019	151,036	151,036	29/05/2022	29/05/2024
2020 LTIP Award	26/03/2020	143,788	143,788	26/03/2023	26/03/2025
2021 LTIP Award	29/03/2021	124,894	93,670	29/03/2024	29/03/2026
2022 LTIP Award	05/05/2022	101,827	36,770	05/05/2025	05/05/2027

- Andy Gulliford will be entitled to receive shares which have been held under the DSBP. As set out below, these shares will be released on the vesting date, together with a cash sum equivalent to the value of dividends that would have been paid on the shares during the three years under which they were under award.

Award	Award date	Number Awarded	Vesting Date
2020 DSBP Award	28/06/2021	28,698	28/04/2024
2021 DSBP Award	27/06/2022	34,578	28/04/2025
2022 DSBP Award	28/04/2023	43,009	28/04/2026

- Andy Gulliford was eligible to retain shares awarded under the Company's Share Incentive Plan and to exercise options in accordance with the rules of the Company's Sharesave option scheme for a period of six months after termination.
- Other than the amounts disclosed above, Andy Gulliford was not eligible for any remuneration payments or payments for loss of office.
- Andy Gulliford is required to hold Company shares equivalent to 250 per cent of base salary for a period of two years following termination of employment, in accordance with the Company's Shareholding Guidelines. Please see page 120 for further information.

Former Directors (Audited)
Other than disclosed above, 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 2023, Korn Ferry provided advice on the operation of 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 2023 were £61,563 (2022: £42,083), 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. Korn Ferry provides services to the Company's HR function and the Committee is satisfied that this does not impair its independence. Korn Ferry is a signatory to the Code of Conduct for Remuneration Consultants in the UK.

Shareholder voting

Chart 21: Shareholder voting at the 2022 AGM and 2023 AGM

	Votes for (including discretionary)	For (%)	Votes against	Against (%)	Total votes cast	Votes withheld[1]
Directors' Remuneration Report for the financial year ended 31 December 2022 (at the 2023 AGM)	934,487,172	96.30	35,943,041	3.70	970,430,213	126,398
Directors' Remuneration Policy contained in the Directors' Remuneration Report for the financial year ended 31 December 2021 (at the 2022 AGM)	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 15 February 2024 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 115 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 120). 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 117 illustrates how variable remuneration is aligned with KPIs that measure performance against the Company's strategy.

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.

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 April 2022	6 months
David Sleath[1]	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[2]	1 May 2013	12 months by Company, 6 months by Director
Mary Barnard	1 March 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[3]	1 July 2014	3 months
Linda Yueh	1 May 2021	3 months

1 Appointed as Chief Executive on 28 April 2011.
2 Ceased to be an Executive Director of the Company with effect from 30 June 2023.
3 Ceased to be a Non-Executive Director of the Company with effect from 31 December 2023.

Directors' Report

Management Report
The Strategic Report, the Corporate Governance Report and the Directors' Report together form the Management Report for the purposes of the Disclosure Guidance and Transparency Rules (DTR) 4.1.5. and 4.1.8 - 4.1.11R.

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 16 and 31
Charitable donations	Strategic Report	Page 29
Employee engagement	Strategic Report	Page 31
Diversity and inclusion	Strategic Report	Page 31
Employment, training and advancement of disabled persons	Strategic Report	Page 31
Approach to investing in and rewarding the workforce	Strategic Report	Page 31
Review of the Group's business during the year and any future developments	Strategic Report	Pages 36 - 45
Principal risks	Strategic Report	Pages 58 - 64
Greenhouse gas emissions	Strategic Report	Page 67
Corporate Governance Statement	Governance Report	Page 78
Details of the Directors who served during the year	Governance Report	Pages 81 - 83
Stakeholder engagement	Governance Report	Pages 90 - 92
Board diversity and inclusion	Governance Report	Page 98
Statement of Directors' Responsibilities	Governance Report	Page 133
Financial instruments and certain financial risks	Financial Statements	Pages 165 - 171

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 172.

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 2023 AGM. This authority will expire at the conclusion of the 2024 AGM and a resolution will be proposed to seek further authority.

Recent share history of the Company
For information on the recent share history of the Company, see www.SEGRO.com/investors/shareholder-information/recent-share-history.

Dividends
Subject to approval by shareholders at the 2024 AGM, a final dividend of 19.1 pence per share will be paid (2022: 18.2 pence) bringing the total dividend for 2023 to 27.8 pence (2022: 26.3 pence). The final dividend will be paid as a Property Income Distribution. The Board proposes to offer a scrip dividend option for the 2023 final dividend, subject to shareholder approval at the 2024 AGM (see page 195).

The ex-dividend date for the final dividend will be 14 March 2024, the record date will be 15 March 2024 and the payment date will be 3 May 2024.

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.

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 development sites and in all our offices. During 2023, we also delivered targeted modern slavery awareness training to certain employees and teams who should receive further training due to the nature of their role. In particular, teams which deal with suppliers, visit sites and meet contractors more regularly are best placed to more effectively uncover potential instances of modern slavery and human trafficking. In addition, all employees have completed mandatory online training on modern slavery.

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 2023 and it can be found on our website at 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.

Directors' Report continued

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 regard 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 2023 and 15 February 2024, the Company had been notified of the following holdings:

	As at 31 December 2023		As at 15 February 2024	
Shareholder	Number of shares	Percentage of issued share capital*	Number of shares	Percentage of issued share capital*
BlackRock, Inc.**	136,019,109	11.07	135,334,889	11.01
Norges Bank	111,102,467	9.05	111,102,467	9.05
APG Asset Management N.V.	73,411,178	5.99	73,411,178	5.99

* Percentage based on ordinary shares in issue, as at the date the notification was received by the Company.

** On 18 January 2024, Blackrock, Inc. notified the Company of an increase in voting rights to 136,643,705 (representing 11.12 per cent of the Company's issued share capital). On 19 January 2024, BlackRock, Inc notified the Company of a decrease in voting rights to 136,550,240 (representing 11.11 per cent of the Company's issued share capital). On 22 January 2024, BlackRock, Inc notified the Company of an increase in voting rights to 136,645,357 (representing 11.11 per cent of the Company's issued share capital). On 25 January 2024, Blackrock, Inc notified the Company of a decrease in voting rights to 135,456,717 (representing 11.02 per cent of the Company's issued share capital). On 5 February 2024, Blackrock, Inc. notified the Company of an increase in voting rights to 135,510,054 (representing 11.02 per cent of the Company's issued share capital). On 7 February 2024, BlackRock, Inc notified the Company of a decrease in voting rights to 135,272,589 (representing 11.00 per cent of the Company's issued share capital). On 8 February 2024, BlackRock, Inc notified the Company of an increase in voting rights to 135,307,162 (representing 11.01 per cent of the Company's issued share capital). On 9 February 2024, BlackRock, Inc notified the Company of an increase in voting rights to 135,334,889 (representing 11.01 per cent of the Company's issued share capital).

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 2024 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

Stephanie Murton
Company Secretary
15 February 2024

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 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and 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
15 February 2024

Soumen Das
Chief Financial Officer
15 February 2024

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 2023 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 2023 (the "Annual Report"), which comprise: the group and company Balance Sheets as at 31 December 2023; 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 ended 31 December 2023; 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
- 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.
- 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 95% coverage of total assets of the group.

Key audit matters
- Valuation of investment properties (group)
- Valuation of investments in and loans to subsidiaries (parent)

Materiality
- Overall group materiality: £173 million (2022: £174 million) based on 1% of total assets.
- Specific group materiality: £20 million (2022: £19 million), based on 5% of the group's adjusted profit before tax.
- Overall company materiality: £118 million (2022: £108 million) based on 1% of total assets.
- Performance materiality: £130 million (2022: £ 130 million) (group) and £89 million (2022: £81 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.

Valuation of investments in and loans to subsidiaries is a new key audit matter this year. Estimation of variable performance fee income and large and/or complex transactions, which were key audit matters last year, are no longer included because of the expiry of the 10 year performance period in October 2023 and amounts due to SEGRO from SELP being settled in the year. There have been no transactions identified as large and/or complex during the year. Otherwise, the key audit matters below are consistent with last year.

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 25, Property Valuation Techniques, Sustainability and Climate Change Considerations and Related Quantitative Information). We focussed on the valuation of investment properties because investment properties represent the principal element of the net asset value as disclosed in the Balance Sheet in the financial statements and is an area of significant estimation uncertainty. The portfolio is held by the group, and through joint ventures and includes warehouses and light industrial buildings, including data centres. 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 and development properties. 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 inflation and resulting interest rate policies further contributed to the subjectivity at 31 December 2023. For development sites, factors include projected costs to complete, time until practical completion and the ability to let if no prelet agreement is in place. Valuations are carried out by third party valuers CBRE (the 'Valuers'). The Valuers were engaged by the Directors, and performed their work in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation – Global Standards 2022. 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 group's external 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:** We obtained and read the CBRE valuation reports covering all of the group's investment properties. 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 our range of assumptions developed using 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 developed ranges for each key valuation assumption or 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. In addition to the above, 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. We also undertook further investigations where properties within our expected ranges had high capital values .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 agreed the amounts per the valuation reports to the accounting records and from there we agreed the related balances through to the Financial Statements. We tested the standing data which the group provided to the Valuers for use in the performance of the valuation. This involved testing 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. **Overall outcome** We concluded that the assumptions used in the valuations by the Valuers were supportable in light of the evidence obtained.

Independent Auditors' Report continued

Key audit matter	How our audit addressed the key audit matter
Valuation of investments in and loans to subsidiaries (parent) Refer to note 7 (Investments by the Company) to the financial statements which discloses the company's investments in and loans to subsidiaries as at 31 December 2023. This is following the recognition of a provision for impairment on investments in and loans to subsidiaries recognised in the year. The company's accounting policy for investments and loans is to hold them at cost less any impairment. Impairment of the loans is calculated in accordance with International Financial Reporting Standard 9 (Financial Instruments). Investments in subsidiaries are assessed for impairment in line with International Accounting Standard 36 (Impairment of Assets). Given the inherent judgement in assessing both the carrying value of a subsidiary company and the expected credit loss of intercompany loan receivables, this was identified as a key audit matter.	We assessed the accounting policy for investments and loans to subsidiaries to ensure they were compliant with the applicable accounting standards. We obtained the directors' impairment assessment for the recoverability of investments in and loans to subsidiaries as at 31 December 2023. We verified that the methodology used by the directors in arriving at the carrying value of each subsidiary, and the expected credit loss 'simplified approach' provision for intercompany receivables, was compliant with applicable accounting standards. We identified the key estimate within the assessment for impairment of both the investments and loans to subsidiaries to be the underlying valuation of investment property held by the subsidiaries. For details of our procedures over investment property valuations please refer to the group key audit matter above. We have no matters to report in respect of this work.

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. Additionally, audits of specific balances and specified procedures were performed by component audit teams, such that the total testing programme provided sufficient audit evidence over all financial statement line items.

The SELP Joint Venture was included as being in scope for a full scope audit. As noted 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. Throughout the audit process, the group audit team has been in close contact with the audit teams on location in each business unit to oversee the audit process. Senior team members also attended 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 total assets of the the group was 95%.

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

In planning our audit, we made enquiries with management to understand the extent of the potential impact of climate change risk on the financial statements. Our evaluation of this conclusion included challenging key judgements and estimates in areas where we considered that there was greatest potential for climate change impact. We particularly considered how climate change risks would impact the assumptions made in the valuation of investment properties as explained in our key audit matter above. We also considered the consistency of the disclosures in relation to climate change made within the Annual Report, the financial statements and the knowledge obtained from our audit.

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	£173 million (2022: £174 million).	£118 million (2022: £108 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 group Income Statement line items that impact adjusted earnings, which is based on profit before tax, adjusted to exclude fair value gain/(losses) on investment property and derivatives, joint venture performance fee income and impairment loss on loan due from associate. We set a specific materiality level of £20 million (2022: £19 million), equating to 5% of adjusted profit before tax.

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 £100 million and £135 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% (2022: 75%) of overall materiality, amounting to £130 million (2022: £ 130 million) for the group financial statements and £89 million (2022: £81 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 £9 million (group audit) (2022: £9 million) and £6 million (company audit) (2022: £5 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

In addition we agreed with the Audit Committee that we would report to them misstatements identified during our group audit above £1 million (2022: £2 million) for misstatements related to adjusted profit before tax within the financial statements, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Independent Auditors' Report continued

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 and corroboration 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, 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 of borrowing facilities; and
- Assessing the group and company's liquidity and whether the entity has adequately disclosed all required going concern events and conditions.

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.

However, because 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 2023 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 the UK regulatory principles, such as those governed by the Financial Conduct Authority, 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, 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.

Independent Auditors' Report continued

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.

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.

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 eight years, covering the years ended 31 December 2016 to 31 December 2023.

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.

Richard Porter (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
15 February 2024

Group Income Statement For the year ended 31 December 2023

	Notes	2023 £m	2022 £m
Revenue	4	749	669
Costs	5	(161)	(214)
		588	455
Administrative expenses	6	(63)	(59)
Share of loss from joint ventures and associates after tax	7	(76)	(144)
Realised and unrealised property gains and losses	8	(601)	(1,946)
Impairment loss on loan due from associate	17(vi)	(28)	–
Operating loss		(180)	(1,694)
Finance income	9	84	67
Finance costs	9	(167)	(340)
Loss before tax		(263)	(1,967)
Tax	10	10	37
Loss after tax		(253)	(1,930)
Attributable to equity shareholders		(253)	(1,927)
Attributable to non-controlling interests		–	(3)
Earnings per share (pence)			
Basic	12	(20.7)	(159.7)
Diluted	12	(20.7)	(159.7)

Group Statement of Comprehensive Income For the year ended 31 December 2023

	2023 £m	2022 £m
Loss for the year	(253)	(1,930)
Items that may be reclassified subsequently to profit or loss		
Foreign exchange movement arising on translation of international operations	(61)	179
Fair value movements on derivatives and borrowings in effective hedge relationships	35	(98)
	(26)	81
Tax on components of other comprehensive (expense)/income	–	–
Other comprehensive (expense)/income	(26)	81
Total comprehensive expense for the year	(279)	(1,849)
Attributable to equity shareholders	(279)	(1,845)
Attributable to non-controlling interests	–	(4)

Balance Sheets As at 31 December 2023

	Notes	GROUP 2023 £m	GROUP 2022 £m	COMPANY 2023 £m	COMPANY 2022 £m
Assets					
Non-current assets					
Intangible assets		30	12	–	–
Investment properties	13	14,914	14,939	–	–
Other interests in property		26	30	–	–
Plant, property and equipment		28	23	1	–
Investments in subsidiaries	7	–	–	11,413	10,597
Investments in joint ventures and associates	7	1,636	1,768	–	–
Other investments		10	9	–	–
Other receivables	14	8	81	–	–
Derivative financial instruments	17	47	58	47	58
		16,699	16,920	11,461	10,655
Current assets					
Trading properties	13	3	35	–	–
Trade and other receivables	14	195	199	40	25
Tax asset		25	21	–	–
Derivative financial instruments	17	8	11	8	11
Cash and cash equivalents	16	376	162	294	72
		607	428	342	108
Total assets		17,306	17,348	11,803	10,763
Liabilities					
Non-current liabilities					
Borrowings	16	5,347	4,884	3,925	3,439
Deferred tax liabilities	10	192	226	–	–
Trade and other payables	15	74	77	2,088	2,063
Derivative financial instruments	17	97	188	97	188
Tax liabilities		–	10	–	–
		5,710	5,385	6,110	5,690
Current liabilities					
Trade and other payables	15	614	560	63	47
Borrowings	16	1	–	–	–
Derivative financial instruments	17	52	14	52	14
Tax liabilities		25	16	–	–
		692	590	115	61
Total liabilities		6,402	5,975	6,225	5,751
Net assets		10,904	11,373	5,578	5,012

	Notes	GROUP 2023 £m	GROUP 2022 £m	COMPANY 2023 £m	COMPANY 2022 £m
Equity					
Share capital	18	123	121	123	121
Share premium	19	3,577	3,449	3,577	3,449
Capital redemption reserve	19	114	114	114	114
Own shares held	19	(2)	(1)	(2)	(1)
Other reserves	19	204	227	224	225
Retained earnings		6,888	7,463	1,542	1,104
Total shareholders' equity		10,904	11,373	5,578	5,012
Non-controlling interests		–	–	–	–
Total equity		10,904	11,373	5,578	5,012
Net assets per ordinary share (pence)					
Basic	12	889	941		
Diluted	12	886	938		

The Financial Statements of SEGRO plc (registered number 167591) on pages 142 to 185 were approved by the Board of Directors and authorised for issue on 15 February 2024 and signed on its behalf by:

DJR Sleath
Director

S Das
Director

Statements of Changes in Equity For the year ended 31 December 2023

	Attributable to owners of the parent										
					Other reserves						
Group	Ordinary share capital £m	Share premium £m	Capital redemption reserve[1] £m	Own shares held[1] £m	Share-based payments reserves[1] £m	Translation, hedging and other reserves[1] £m	Merger reserve[1] £m	Retained earnings £m	Total equity attributable to owners of the parent £m	Non-controlling interests[2] £m	Total equity £m
Balance at 1 January 2023	121	3,449	114	(1)	25	33	169	7,463	11,373	–	11,373
Loss for the year	–	–	–	–	–	–	–	(253)	(253)	–	(253)
Other comprehensive expense	–	–	–	–	–	(26)	–	–	(26)	–	(26)
Total comprehensive expense for the year	–	–	–	–	–	(26)	–	(253)	(279)	–	(279)
Transactions with owners of the Company											
Issue of shares	–	1	–	–	–	–	–	–	1	–	1
Own shares acquired	–	–	–	(4)	–	–	–	–	(4)	–	(4)
Equity-settled share-based transactions	–	–	–	3	3	–	–	5	11	–	11
Dividends	2	127	–	–	–	–	–	(327)	(198)	–	(198)
Movement in non-controlling interest[2]	–	–	–	–	–	–	–	–	–	–	–
Total transaction with owners of the Company	2	128	–	(1)	3	–	–	(322)	(190)	–	(190)
Balance at 31 December 2023	123	3,577	114	(2)	28	7	169	6,888	10,904	–	10,904

1 See Note 19.
2 During the year ended 31 December 2023, the non-controlling interest held in Vailog Sàrl. was acquired by the Group. There is no non-controlling interest held at 31 December 2023.

For the year ended 31 December 2022

	Attributable to owners of the parent										
					Other reserves						
Group	Ordinary share capital £m	Share premium £m	Capital redemption reserve[1] £m	Own shares held[1] £m	Share-based payments reserves[1] £m	Translation, hedging and other reserves[1] £m	Merger reserve[1] £m	Retained earnings £m	Total equity attributable to owners of the parent £m	Non-controlling interests[2] £m	Total equity £m
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.

Statements of Changes in Equity continued

For the year ended 31 December 2023

					Other reserves				
Company	**Ordinary share capital £m**	**Share premium £m**	**Capital redemption reserve[1] £m**	**Own shares held[1] £m**	**Share-based payments reserves £m**	**Translation, hedging and other reserves £m**	**Merger reserve[1] £m**	**Retained earnings £m**	**Total equity attributable to equity shareholders £m**
Balance at 1 January 2023	121	3,449	114	(1)	9	47	169	1,104	5,012
Profit for the year	–	–	–	–	–	–	–	767	767
Other comprehensive income	–	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	–	–	767	767
Transactions with owners of the Company									
Issue of shares	–	1	–	–	–	–	–	–	1
Own shares acquired	–	–	–	(4)	–	–	–	–	(4)
Equity-settled share-based transactions	–	–	–	3	(1)	–	–	(2)	–
Dividends	2	127	–	–	–	–	–	(327)	(198)
Total transaction with owners of the Company	2	128	–	(1)	(1)	–	–	(329)	(201)
Balance at 31 December 2023	123	3,577	114	(2)	8	47	169	1,542	5,578

1 See Note 19.

For the year ended 31 December 2022

					Other reserves				
Company	Ordinary share capital £m	Share premium £m	Capital redemption reserve[1] £m	Own shares held[1] £m	Share-based payments reserves £m	Translation, hedging and other reserves £m	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									
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.

Cash Flow Statements For the year ended 31 December 2023

	Notes	GROUP 2023 £m	GROUP 2022 £m	COMPANY 2023 £m	COMPANY 2022 £m
Cash flows from operating activities					
Cash generated/(used) from operations	24(i)	**584**	479	**(17)**	(16)
Interest received		**37**	28	**202**	120
Dividends received		**38**	9	**851**	706
Interest paid		**(199)**	(131)	**(196)**	(127)
Cost of early close out of interest rate derivatives and new interest rate derivatives transacted		**(4)**	(77)	**(4)**	(77)
Cost of early close out of debt		**(1)**	–	**(1)**	–
Tax paid		**(24)**	(95)	**(5)**	(16)
Net cash received from operating activities		**431**	213	**830**	590
Cash flows from investing activities					
Purchase and development of investment properties[1]		**(839)**	(1,472)	**–**	–
Sale of investment properties		**352**	310	**–**	–
Acquisition of other interest in property		**(3)**	(6)	**–**	–
Purchase of plant and equipment and intangibles		**(29)**	(9)	**–**	–
Acquisition of other investments		**(2)**	(3)	**–**	–
Investment in subsidiary undertakings		**–**	–	**–**	(66)
Loan advances paid to subsidiary undertakings		**–**	–	**(935)**	(626)
Investment and loans to joint ventures and associates		**(12)**	(112)	**–**	–
Divestment from and repayment of loans by joint ventures and associates		**7**	37	**–**	–
Net cash used in investing activities		**(526)**	(1,255)	**(935)**	(692)
Cash flows from financing activities					
Dividends paid[2]		**(185)**	(222)	**(185)**	(222)
Proceeds from borrowings		**961**	2,752	**961**	1,794
Repayment of borrowings		**(444)**	(1,421)	**(444)**	(1,421)
Principal element of lease payments		**(2)**	(2)	**–**	–
Settlement of foreign exchange derivatives		**(2)**	15	**(2)**	15
Purchase of non-controlling interest		**(16)**	–	**–**	–
Proceeds from issue of ordinary shares		**1**	–	**1**	–
Purchase of ordinary shares		**(4)**	(4)	**(4)**	(4)
Net cash generated from financing activities		**309**	1,118	**327**	162
Net increase in cash and cash equivalents		**214**	76	**222**	60
Cash and cash equivalents at the beginning of the year		**162**	85	**72**	12
Effect of foreign exchange rate changes		**–**	1	**–**	–
Cash and cash equivalents at the end of the year	16	**376**	162	**294**	72

1 Group cash payment for the purchase and development of investment properties of £839 million (2022: £1,472 million) represents total costs for property acquisitions and additions to existing investment properties per Note 13(i) of £964 million (2022: £1,530 million) adjusted for the following cash and non-cash movements: deducts interest capitalised of £64 million (2022: £22 million); deducts net movement in capital related accruals, prepayments and VAT of £61 million (2022: £23 million); deducts non-cash movements of £nil (2022: £13 million) from asset swaps.

2 The total 2023 divided paid as cash was £198 million (2022: £222 million), see Note 11. Tax of £13 million relating to the 2023 interim PID dividend is unpaid at 31 December 2023 (2022: £nil) meaning the actual cash paid in the year is £185 million (2022: £222 million).

Notes to the Financial Statements For the year ended 31 December 2023

1. Material 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 20 to 21.

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 50, 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 2023 the Group held cash and available committed facilities of £1.5 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 2023 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 2023:
- Amendments to IAS 1, 'Presentation of financial statements', disclosure of accounting policies
- Amendments to IAS 8, 'Accounting Policies, changes in accounting estimates and errors', definition of accounting estimates
- Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'
- Amendments to IAS 12, 'Pillar II and deferred tax'
- IFRS 17, 'Insurance contracts'

The impact of the new IFRS 17 'Insurance contracts' standard has been assessed, particularly in consideration of the financial and performance guarantees provided by the Group. There is no material impact from the new standard.

The disclosure requirements from the amendments to IAS 12 'Pillar II and deferred tax' is set out in Note 10(vi).

The other amendments did not have a material impact on the amounts recognised in the prior or current period and are not expected to significantly affect future periods.

New standards and amendments not yet adopted

Certain new accounting standards and amendments are effective for annual periods beginning after 1 January 2023, and have not been applied in preparing these Financial Statements:
- Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities
- Amendments to IFRS 16, Leases on sale and leaseback
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability

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.

Notes to the Financial Statements continued

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 gains and losses. 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 2023 are:

Balance Sheet: £1 = €1.15 (2022: £1 = €1.13). Income Statement: £1= €1.15 (2022: £1 = €1.17).

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 ('covered land'). 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 gains and losses.

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 gains and losses.

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.

Notes to the Financial Statements continued

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. Concessions granted to tenants after the date the conceded rent fall due are accounted for as an expected credit loss and not as a lease modification, on the basis there is no change to the consideration or scope of the 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 and hedging activities
The Group uses derivatives (principally interest rate swaps, currency swaps, forward foreign exchange contracts and interest caps) in managing interest rate risk and foreign 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.

Hedge accounting is applied to net investments in foreign operations in non-functional currencies using forward foreign exchange derivatives and foreign currency denominated debt. Changes in the fair value on remeasurement of derivatives and exchange differences on foreign currency denominated debt are recorded in other comprehensive income and accumulated in the translation reserve within equity to the extent that the hedges are effective. Any ineffectiveness is recognised in the Income Statement within net finance costs. The cumulative gains and losses remain in equity until the associated hedged item is disposed of, at which point they are reclassified to the income statement.

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.

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 or loss 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 and leases 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.

Notes to the Financial Statements continued

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 25 property valuation techniques and related quantitative information.

In the Financial Statements for the year ended 31 December 2022, the performance fee payable from the SELP joint venture to SEGRO was disclosed as a significant area of estimation uncertainty. As detailed further in Note 7, the 10-year performance fee period ended during 2023 and the fee was agreed and paid in the year. Therefore no estimation uncertainty exists over the recognition of the fee.

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.

There were no property transactions during the current or prior year requiring significant judgement.

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 significant assessment relating 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 earnings measure additional items (gains and losses) which are considered by them to be non-recurring, unusual or significant by virtue of size and nature. In excluding such items going forward, management believe this gives a better measure of the underlying performance of the business.

Historically SELP performance fees were included in Adjusted Profit. They were not excluded because it was anticipated that further fees would subsequently be recognised throughout the latter part of the performance period and therefore these would not be considered unusual. The market volatility that was seen in the latter half of 2022 significantly impacted property valuations and, consequentially management's consideration of SELP performance fees, leading to no performance fee being recognised for the year ended 31 December 2022. Based on this volatility, these fees are now considered unusual as they are inherently uncertain and sensitive to movements in property valuations (which themselves are excluded from the EPRA earnings metric). For the year ended 31 December 2023, the net profit after tax impact of the SELP performance fee recognised of £42 million has been excluded from the calculation of Adjusted profit and treated as a Company specific adjustment, see footnote 3 below and Note 7(ii) for further details.

As detailed further in Note 17(vi) an impairment loss of £28 million (2022: £nil) on a loan due from an associate has been recognised for the year ended 31 December 2023. The impairment of the loan is directly related to a wider property transaction entered into by the Group and has arisen due to a fair value deficit on land held by an associate. As the size and nature of the impairment does not reflect the underlying performance of the business this has been treated as a Company specific adjustment.

No Company specific adjustments to underlying profits were made in the year ended 31 December 2022.

	Notes	2023 £m	2022 £m
Gross rental income	4	547	488
Property operating expenses	5	(85)	(76)
Net rental income		462	412
Joint venture management fee income	4	29	30
Management and development fee income	4	4	5
Net solar energy income[2]		1	1
Administrative expenses	6	(63)	(59)
Share of joint ventures and associates' Adjusted profit after tax[1]	7	82	71
Adjusted operating profit before interest and tax		515	460
Net finance costs	9	(106)	(74)
Adjusted profit before tax		409	386
Adjustments to reconcile to IFRS:			
Adjustments to the share of loss from joint ventures and associates' after tax[1]	7	(158)	(215)
Realised and unrealised property gains and losses	8	(601)	(1,946)
Profit on sale of trading properties	13	3	7
Cost of early close out debt	9	(1)	–
Net fair value gain/(loss) on interest rate swaps and other derivatives	9	24	(199)
Joint venture performance fee income[3]	4	89	–
Impairment loss on loan due from associate	17(vi)	(28)	–
Total adjustments		(672)	(2,353)
Loss before tax		(263)	(1,967)
Tax			
On Adjusted profit	10	(10)	(11)
In respect of adjustments	10	20	48
Total tax adjustments		10	37
Loss after tax before non-controlling interests		(253)	(1,930)
Non-controlling interests:			
Less: share of adjusted profit attributable to non-controlling interests		–	(1)
share of adjustments attributable to non-controlling interests		–	4
Loss after tax and non-controlling interests		(253)	(1,927)
Of which:			
Adjusted profit after tax and non-controlling interests		399	374
Total adjustments after tax and non-controlling interests		(652)	(2,301)
Loss attributable to equity shareholders		(253)	(1,927)

1 A detailed breakdown of the adjustments to the share of loss from joint ventures and associates is included in Note 7.
2 Net solar income of £1 million (2022: £1 million) is calculated as Solar energy income of £2 million (2022: £2 million) shown in Note 4, less Solar energy expenses of £1 million (2022: £1 million) shown in Note 5.
3 Total impact of the joint venture performance fee from SELP being: Performance fee of £89 million within Joint venture fee income; cost of £37 million within Share of joint ventures' and associates adjusted profit after tax (being the share of performance fee cost of £45 million less a tax credit of £8 million) and a tax charge of £10 million recognised in respect of the performance fee income. Overall, the net profit after tax impact was £42 million. There was no performance fee recognised in the year ended 31 December 2022.

Notes to the Financial Statements continued

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 2023	Gross rental income £m	Net rental income £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	132	122	–	120	3,231	–	164
National Logistics	54	51	–	53	1,850	–	402
Greater London	221	202	–	199	6,079	20	32
UK Total	407	375	–	372	11,160	20	598
Northern Europe	39	28	39	74	1,167	935	111
Southern Europe	93	71	50	131	2,390	1,159	232
Central Europe	8	3	30	37	200	603	23
Continental Europe Total	140	102	119	242	3,757	2,697	366
Other[1]	–	(15)	(37)	(99)	–	(1,081)[4]	29
Total	547	462	82	515	14,917	1,636	993

31 December 2022	Gross rental income £m	Net rental income £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
UK Total	366	337	–	335	11,133	11	767
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
Continental Europe Total	122	89	91	205	3,841	2,765	826
Other[1]	–	(14)	(20)	(80)	–	(1,008)[4]	9
Total	488	412	71	460	14,974	1,768	1,602

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.
2 A reconciliation of total Adjusted PBIT to the IFRS loss 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 and letting fees. 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 26 to 28 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 As set out in the Chief Executive's statement on page 9 a new organisational structure has been put in place during 2023, this does not impact the Group's reportable segments in 2023 but may change the reportable segments in 2024.

Revenues from the most significant countries within the Group were: UK £513 million (2022: £451 million), France £114 million (2022: £77 million), Italy £37 million (2022: £36 million), Germany £52 million (2022: £46 million), Netherlands £3 million (2022: £30 million) and Poland £18 million (2022: £17 million).

4. Revenue

	2023 £m	2022 £m
Rental income from investment and trading properties	536	473
Rent averaging	10	14
Surrender premia	1	1
Gross rental income[1]	**547**	**488**
Joint venture fee income – management fees*	29	30
– performance fees*[2]	89	–
Joint venture fee income	**118**	**30**
Management and development fee income*	4	5
Service charge income*	43	44
Solar energy income*	2	2
Proceeds from sale of trading properties*	35	100
Total revenue	**749**	**669**

* The above income streams reflect revenue recognition under IFRS 15 'Revenue from Contracts with Customers' and total £202 million (2022: £181 million).
1 Net rental income of £462 million (2022: £412 million) is calculated as gross rental income of £547 million (2022: £488 million) less total property operating expenses of £85 million (2022: £76 million) shown in Note 5.
2 See Note 7(ii) for further details on the performance fee from SELP.

5. Costs

	2023 £m	2022 £m
Vacant property costs	14	10
Letting, marketing, legal and professional fees	15	17
Loss allowance and impairment of receivables[1]	3	3
Other expenses	16	12
Property management expenses	**48**	**42**
Property administrative expenses[2]	49	45
Costs capitalised[3]	(12)	(11)
Total property operating expenses	**85**	**76**
Service charge expense	43	44
Solar energy expense	1	1
Trading properties cost of sales	32	93
Total costs	**161**	**214**

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.

6. Administrative Expenses

6(i) – Total administrative expenses

	2023 £m	2022 £m
Directors' remuneration	8	8
Depreciation and amortisation	5	4
Other administrative expenses	50	47
Total administrative expenses	**63**	**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

	2023 £m	2022 £m
Audit services:		
Parent company	1.3	1.1
Subsidiary undertakings	0.1	0.2
Total audit fees	**1.4**	**1.3**
Audit related assurance services	0.1	0.1
Audit and audit related assurance services	**1.5**	**1.4**
Other fees:		
Other	0.1	0.2
Total other fees	**0.1**	**0.2**
Total fees in relation to audit and other services	**1.6**	**1.6**

As detailed further in the Audit Committee Report on page 104, 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 £0.9 million in respect of the year ended 31 December 2023 (2022: £0.8 million). There were £0.2 million of non-audit fees paid in respect of SELP (2022: £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 104 of the Audit Committee Report.

Notes to the Financial Statements continued

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.

	2023 £m	2022 £m
Wages and salaries	54	50
Social security costs	7	6
Pension costs	3	2
Share scheme costs	10	9
Total	74	67
Average number of Group employees	459	407
– Direct property	290	264
– Indirect property and administration	169	143

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 107 to 125 in the Remuneration Report and form part of these Financial Statements.

The Group also has a number of defined contribution pension schemes for which £3 million has been recognised as an expense in the Group Income Statement (2022: £2 million).

7. Investments in Joint Ventures, Associates and Subsidiaries

7(i) – Loss 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.

	SELP £m	Other £m	At 100% 2023 £m	At 100% 2022 £m	At share 2023 £m	At share 2022 £m
Revenue[1]	347	–	347	303	174	152
Gross rental income	267	–	267	237	134	119
Property operating expenses:						
– underlying property operating expenses	(16)	–	(16)	(16)	(8)	(8)
– vacant property costs	(1)	–	(1)	(1)	(1)	(1)
– property management fees[2]	(24)	–	(24)	(25)	(12)	(13)
Net rental income	226	–	226	195	113	97
Management fee income	4	–	4	3	2	2
Administrative expenses	(5)	–	(5)	(6)	(2)	(3)
Finance costs (including adjustments)	(40)	–	(40)	(34)	(20)	(17)
Adjusted profit before tax	185	–	185	158	93	79
Tax	(22)	–	(22)	(16)	(11)	(8)
Adjusted profit after tax	163	–	163	142	82	71
Adjustments:						
Valuation deficit on investment properties	(318)	(7)	(325)	(472)	(162)	(236)
Cost of early close out of debt	–	–	–	(3)	–	(2)
Performance fees expense[3]	(89)	–	(89)	–	(45)	–
Tax in respect of adjustments	98	–	98	46	49	23
Total adjustments	(309)	(7)	(316)	(429)	(158)	(215)
Loss after tax	(146)	(7)	(153)	(287)	(76)	(144)
Other comprehensive income	–	–	–	–	–	–
Total comprehensive expense for the year	(146)	(7)	(153)	(287)	(76)	(144)

1 Total revenue at 100% of £347 million (2022: £303 million) includes: Gross rental income of £267 million (2022: £237 million); service charge income of £76 million (2022: £63 million) and management fee income of £4 million (2022: £3 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 and treated as a Company specific adjustment. This is further discussed in the Fees section below.

The Group has not recognised cumulative losses totalling £14 million at share (2022: £12 million) 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 (2022: £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% 2023 £m	At 100% 2022 £m	At share 2023 £m	At share 2022 £m
Investment properties	5,786	44	5,830	6,044	2,915	3,022
Property, plant and equipment	12	–	12	6	6	3
Other receivables	2	–	2	3	1	1
Total non-current assets	5,800	44	5,844	6,053	2,922	3,026
Other receivables	61	1	62	72	31	36
Cash and cash equivalents	53	3	56	63	28	32
Total current assets	114	4	118	135	59	68
Total assets	5,914	48	5,962	6,188	2,981	3,094
Borrowings[1]	(2,143)	–	(2,143)	(2,005)	(1,072)	(1,003)
Deferred tax	(381)	–	(381)	(481)	(191)	(241)
Other liabilities[2]	–	(34)	(34)	(41)	(17)	(20)
Total non-current liabilities	(2,524)	(34)	(2,558)	(2,527)	(1,280)	(1,264)
Other liabilities	(156)	(3)	(159)	(148)	(79)	(74)
Total current liabilities	(156)	(3)	(159)	(148)	(79)	(74)
Total liabilities	(2,680)	(37)	(2,717)	(2,675)	(1,359)	(1,338)
Unrecognised share of losses	–	28	28	23	14	12
Net assets	3,234	39	3,273	3,536	1,636	1,768

1 The external borrowings of the joint ventures and associates are non-recourse to the Group. At 31 December 2023, the fair value of £2,143 million (2022: £2,005 million) of borrowings was £2,046 million (2022: £1,759 million). This results in a fair value adjustment increase in EPRA NDV of £97 million (2022: £246 million), at share £48 million (2022: £123 million), see Table 5 of the Supplementary Notes.
2 Other non-current liabilities of £34 million (2022: £41 million) relates to a loan due from an associate to the Group. See Note 17(vi) for details on the impairment of the loan receivable held by the Group in the year.

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, was due 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 total 10-year performance fee of £115 million (€132 million) has been agreed with SELP. The balancing payment of £89 million (€103 million) was received during the year ended 31 December 2023 (£26 million (€29 million) was paid in 2018). As the fee has now been agreed and settled the previous estimation uncertainty on the fee to be received has fallen away.

Up to 31 December 2022, SEGRO had recognised a cumulative fee income for the 10-year performance period of £26 million (€29 million).

This means SEGRO has recognised further performance fee income of £89 million (€103 million) (being the total fee of £115 million less the cumulative fee recognised to 31 December 2022 of £26 million) in its 31 December 2023 Income Statement. An equivalent performance fee expense at share of £45 million has been recognised within the share of profit from joint ventures and associates and shown in Note 7(i).

The total performance fee received be SEGRO over the 10-year period from the inception of SELP in October 2013 to October 2023 is £141 million (€161 million). The total fee includes £26 million (€29 million) for the 5 year performance fee period recognised and paid in the year ended 31 December 2018 and £115 million (€132 million) for the 10-year performance fee period as detailed above.

Subsequent performance fee
Under the Venture Advisor Agreement with SELP, future performance fees could be payable to SEGRO over a new performance period. The performance fee is based on a similar IRR subject to certain hurdle rates to the previous fee. It is too early to reliably estimate the performance fees that could be payable to SEGRO, and no fee has been recognised in the year. As at 31 December 2023 the fee for the subsequent performance period is not considered to be a significant area of estimation uncertainty.

7(iii) – Investments by the Group

	2023 £m	2022 £m
Cost or valuation at 1 January	1,768	1,795
Exchange movement	(30)	92
Net investments[1]	12	34
Dividends received[2]	(38)	(9)
Share of loss after tax	(76)	(144)
Cost or valuation at 31 December	1,636	1,768

1 Net investments represent the net movement of capital injections, loans and divestments with joint ventures and associates during the year.
2 Dividends received from SELP.

Notes to the Financial Statements continued

7(iv) – Investments by the Company

	2023 £m	2022 £m
Cost or valuation of subsidiaries at 1 January	**10,597**	9,378
Exchange movement	(8)	5
Additions[1]	303	1,277
Loan movement[1]	657	(19)
Increase in provision for investments in and loans to subsidiaries	(136)	(44)
Cost or valuation at 31 December	**11,413**	10,597

1 During 2023, £303 million (2022: £1,211 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 2023 are investments of £6,401 million (2022: £6,126 million) and non-current loans of £5,012 million (2022: £4,471 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 26.

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 25. 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.

8. Realised and Unrealised Property Gains and Losses

	2023 £m	2022 £m
Profit on sale of investment properties and other investment income[1]	46	9
Valuation deficit on investment properties[2]	(647)	(1,970)
Decrease in provision for impairment of trading properties	–	15
Total realised and unrealised property loss	**(601)**	(1,946)

1 Includes profit on sale of investment properties of £39 million (2022: £9 million) and other property related investment income of £7 million (2022: £nil).
2 Includes £646 million valuation deficit on investment properties (2022: £1,970 million) and £1 million valuation loss on head lease ROU asset (2022: £nil).

The total valuation deficit on investment and trading properties are £809 million (2022: £2,191 million). This comprises £647 million deficit from investment properties (2022: £1,970 million), £nil impairment from trading properties (2022: impairment reversal of £15 million) and £162 million deficit from joint ventures and associates at share (2022: £236 million).

The total property loss on investment and trading properties are £760 million (2022: £2,175 million). This comprises of the total valuation deficit on investment properties and trading properties of £809 million (2022: £2,191 million) plus £46 million profit on sale of investment properties and other investment income (2022: £9 million) and £3 million profit on sale of trading property (2022: £7 million).

Details of profit on sale of trading properties are given in Note 13(ii).

9. Net Finance Costs

Finance income	2023 £m	2022 £m
Interest received on bank deposits and related derivatives	25	21
Fair value gain on interest rate swaps and other derivatives	59	46
Total finance income	**84**	67

Finance costs	2023 £m	2022 £m
Interest on overdrafts, loans and related derivatives	(184)	(104)
Cost of early close out of debt	(1)	–
Amortisation of issue costs	(8)	(9)
Interest on lease liabilities	(3)	(3)
Total borrowing costs	**(196)**	(116)
Less amounts capitalised on the development of properties	64	22
Net borrowing costs	**(132)**	(94)
Fair value loss on interest rate swaps and other derivatives	(35)	(245)
Exchange differences	–	(1)
Total finance costs	**(167)**	(340)
Net finance costs	**(83)**	(273)

Net finance costs (including adjustments) in Adjusted profit (Note 2) are £106 million (2022: £74 million). This excludes net fair value gains and losses on interest rate swaps and other derivatives of £24 million gain (2022: £199 million loss) and the cost of early close out debt of £1 million (2022: £nil).

The interest capitalisation rates for 2023 ranged from 2.6 per cent to 6.5 per cent (2022: 1.9 per cent to 4.0 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

	2023 £m	2022 £m
Tax:		
On Adjusted profit	(10)	(11)
In respect of adjustments:		
Performance fee	(10)	–
Other (primarily in respect of property valuation movements)	30	48
Total tax in respect of adjustments	20	48
Total tax credit	10	37
Current tax		
United Kingdom		
Current tax (charge)/credit	(10)	7
Total UK current tax (charge)/credit	(10)	7
Overseas		
Current tax charge	(10)	(31)
Total overseas current tax charge	(10)	(31)
Total current tax charge	(20)	(24)
Deferred tax		
Origination and reversal of temporary differences	(10)	(13)
Released in respect of property disposals in the year	5	25
On valuation movements	33	50
Total deferred tax in respect of investment properties	28	62
Other deferred tax	2	(1)
Total deferred tax credit	30	61
Total tax credit on loss on ordinary activities	10	37

10(ii) – Factors affecting tax credit for the year
The tax credit is higher than (2022: tax credit is lower than) the standard rate of UK corporation tax. The differences are:

	2023 £m	2022 £m
Loss on ordinary activities before tax	(263)	(1,967)
Exclude valuation deficit in respect of UK properties not deductible	421	1,701
	158	(266)
Multiplied by standard rate of UK corporation tax of 23.5 per cent (2022: 19.0 per cent)[2]	(37)	51
Effects of:		
REIT & SIIC exemption on income and gains	94	1
Non (deductible)/taxable items	(13)	3
Joint venture and associates' tax adjustment[1]	(17)	(26)
Higher tax rates on international earnings	(3)	(1)
Other	–	(1)
Adjustment in respect of assets not recognised	(14)	10
Total tax credit on loss on ordinary activities	10	37

1 The joint venture and associates' tax adjustment is required because the loss on ordinary activities before tax includes share of loss from joint ventures and associates' after tax, whereas the total tax balance excludes joint ventures and associates.
2 The UK corporation tax rate for the financial year beginning 1 April 2023 increased to 25 per cent (previously 19 per cent in the financial year beginning 1 April 2022).

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 for the 25 per cent withholding tax on results generated from the French business has been recognised in the current and prior year, this includes withholding tax on unremitted earnings. As noted below, until a legal conclusion has been reached, it is possible further tax charges may arise in relation to this matter.

Notes to the Financial Statements continued

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 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 – 2023	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	209	(3)	–	(28)	178
Others	17	(1)	–	(2)	14
Total deferred tax liabilities	226	(4)	–	(30)	192

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

The Group has recognised revenue tax losses of £94 million (2022: £99 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 £757 million also exist at 31 December 2023 (2022: £748 million) of which £1 million (2022: £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.

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.

10(vi) – OECD Pillar Two model rules

Pillar Two legislation was enacted in the UK during 2023, the jurisdiction in which the Company is incorporated, and will come into effect from 1 January 2024. Management have engaged tax specialists to assist with applying the legislation and assessing the impact. Based on the initial assessment of this enacted legislation, management do not believe that the legislation will have a material impact on the Company or the Group due to its UK REIT status, which should result in the majority of the Group companies being excluded from the rules.

Notwithstanding the legislation is not expected to have a material impact, under the current assessment, since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

11. Dividends

	2023 £m	2022 £m
Ordinary dividends paid		
Interim dividend for 2023 @ 8.7 pence per share	107	–
Final dividend for 2022 @ 18.2 pence per share	220	–
Interim dividend for 2022 @ 8.1 pence per share	–	98
Final dividend for 2021 @ 16.9 pence per share	–	203
Total dividends	327	301

The Board recommends a final dividend for 2023 of 19.1 pence which is estimated to result in a distribution of up to £234 million. The total dividend paid and proposed per share in respect of the year ended 31 December 2023 is 27.8 pence (2022: 26.3 pence).

The total dividend in 2023 of £327 million (2022: £301 million) was paid: £198 million as cash (2022: £222 million) and £129 million in scrip dividends (2022: £79 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 0.3 million shares (2022: 0.2 million) being the average number of shares held on trust for employee share schemes and net assets per share calculations exclude 0.4 million shares (2022: 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)

	2023			2022		
	Earnings £m	**Shares million**	**Pence per share**	Earnings £m	Shares million	Pence per share
Basic EPS	(253)	1,220.0	(20.7)	(1,927)	1,206.6	(159.7)
Dilution adjustments:						
Share and save as you earn schemes	–	–	–	–	–	–
Diluted EPS[2]	(253)	1,220.0	(20.7)	(1,927)	1,206.6	(159.7)
Basic EPS	(253)	1,220.0	(20.7)	(1,927)	1,206.6	(159.7)
Adjustments to loss before tax[1]	672		55.1	2,353		195.0
Tax in respect of Adjustments	(20)		(1.7)	(48)		(4.0)
Non-controlling interest on Adjustments	–		–	(4)		(0.3)
Adjusted Basic EPS	399	1,220.0	32.7	374	1,206.6	31.0
Adjusted Diluted EPS	399	1,223.4	32.6	374	1,210.0	30.9

1 Details of adjustments are included in Note 2.
2 Share options are excluded from the weighted average diluted number of shares when calculating IFRS diluted loss per share in 2023 and 2022 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.

	2023			2022		
	Equity attributable to ordinary shareholders £m	**Shares million**	**Pence per share**	Equity attributable to ordinary shareholders £m	Shares million	Pence per share
Basic NAV	10,904	1,227.2	889	11,373	1,209.1	941
Dilution adjustments:						
Share and save as you earn schemes	–	3.5	(3)	–	3.4	(3)
Diluted NAV	10,904	1,230.7	886	11,373	1,212.5	938
Fair value adjustment in respect of interest rate derivatives – Group	106		9	131		11
Fair value adjustment in respect of trading properties – Group	1		–	2		–
Deferred tax in respect of depreciation and valuation surpluses – Group[1]	89		7	104		8
Deferred tax in respect of depreciation and valuation surpluses – Joint ventures and associates[1]	92		7	119		10
Intangible assets	(30)		(2)	(12)		(1)
Adjusted NAV	11,162	1,230.7	907	11,717	1,212.5	966

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.

Notes to the Financial Statements continued

13. Properties

13(i) – Investment properties

	Completed £m	Development £m	Total £m
At 1 January 2023	12,113	2,589	14,702
Exchange movement	(47)	(18)	(65)
Property acquisitions	–	403	403
Additions to existing investment properties	54	507	561
Disposals	(204)	(83)	(287)
Transfers on completion of development and completed properties taken back for redevelopment	824	(824)	–
Revaluation deficit during the year	(455)	(191)	(646)
At 31 December 2023	12,285	2,383	14,668
Add tenant lease incentives and letting fees	175	–	175
Investment properties excluding head lease ROU assets at 31 December 2023	12,460	2,383	14,843
Add head lease liabilities (ROU assets)[1]	71	–	71
Total investment properties at 31 December 2023	12,531	2,383	14,914

	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 and letting fees	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

1 At 31 December 2023 investment properties included £71 million (2022: £73 million) for the head lease liabilities recognised under IFRS 16.

Investment properties are stated at fair value as at 31 December 2023 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. 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.

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. The carrying value of covered land held within Development properties as at 31 December 2023 is £645 million (2022: £656 million).

The carrying value of investment properties situated on land held under leaseholds is £186 million (excluding head lease ROU assets) (2022: £209 million).

Further details on property valuation techniques, sustainability and climate change considerations and related quantitative information are set out in Note 25.

13(ii) – Trading properties

	2023 £m	2022 £m
At 1 January	35	45
Exchange movement	–	1
Property acquisitions	–	1
Additions to existing trading properties	–	62
Disposals[1]	(32)	(93)
Decrease in provision for impairment during the year	–	15
Transfer from investment properties	–	4
At 31 December	3	35

1 Profit on sale of trading properties of £3 million in the year (2022: £7 million) have been generated from total proceeds of £35 million (2022: £100 million), see Note 4, less costs of £32 million (2022: £93 million), see Note 5.

Trading properties were externally valued, as detailed in Note 13(i), resulting in no provision for impairment during the year (2022: decrease of £15 million). Based on the fair value at 31 December 2023, the portfolio has unrecognised surplus of £1 million (2022: £2 million). Further information on valuation techniques and related quantitative information is given in Note 25.

14. Trade and Other Receivables

	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Current				
Trade receivables[1]	63	60	–	–
Other receivables[2]	112	114	40	25
Prepayments	13	17	–	–
Amounts due from related parties	7	8	–	–
Total current trade and other receivables	195	199	40	25
Non-current				
Other receivables[3]	2	40	–	–
Amounts due from related parties[4]	6	41	–	–
Total non-current other receivables	8	81	–	–

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 as at 31 December 2022 included an advance payment for the future acquisition of land of £38 million. This land was acquired during 2023.
4 Carrying amount due from a loan held with an associate. During 2023 the loan has been impaired by £28 million (2022: £nil), see Note 17(vi) for further details.

15. Trade and Other Payables

	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Due within one year				
Trade payables	10	10	–	–
Other payables	165	159	15	27
Non-capital accruals[1]	108	70	48	20
Capital creditors and capital accruals	223	218	–	–
Rent in advance	107	102	–	–
Lease liabilities	1	1	–	–
Total trade and other payables due within one year	614	560	63	47
Due after one year				
Other payables	1	1	–	–
Lease liabilities	73	76	–	–
Loans due to subsidiaries	–	–	2,088	2,063
Total other payables due after one year	74	77	2,088	2,063

1 Includes accrued interest on external borrowings for the Group of £38 million (2022: £36 million) and for the Company of £26 million (2022: £25 million).

16. Net Borrowings

16(i) – Net borrowings by type

	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Secured borrowings:				
Euro mortgages	1	1	–	–
Total secured (on land, buildings and other assets)	1	1	–	–
Unsecured borrowings:				
Bonds				
6.75% bonds 2024 £82m	–	82	–	82
1.250% bonds 2026 €650m	562	571	–	–
2.375% bonds 2029 £350m	349	348	349	348
1.875% bonds 2030 €500m	430	436	–	–
0.50% bonds 2031 €500m	430	437	–	–
5.75% bonds 2035 £200m	199	199	199	199
2.875% bonds 2037 £400m	396	396	396	396
5.125% bonds 2041 £350m	343	344	343	344
	2,709	2,813	1,287	1,369
Private placement notes				
1.77% notes 2027 €400m	348	354	348	354
1.82% notes 2028 €100m	87	88	87	88
2.00% notes 2029 €150m	130	133	130	133
2.27% notes 2032 €100m	87	88	87	88
1.35% notes 2032 €150m	130	132	130	132
2.37% notes 2033 €200m	174	176	174	176
1.45% notes 2035 €50m	43	44	43	44
3.87% notes 2037 €50m	42	43	42	43
1.83% notes 2040 €190m (Series C)	164	167	164	167
1.83% notes 2040 €60m (Series D)	52	53	52	53
4.14% notes 2042 €175m	152	155	152	155
	1,409	1,433	1,409	1,433
Bank loans				
Revolving credit facilities	348	639	348	639
Term loans	881	(2)	881	(2)
	1,229	637	1,229	637
Total unsecured	5,347	4,883	3,925	3,439
Total borrowings	5,348	4,884	3,925	3,439
Cash and cash equivalents	(376)	(162)	(294)	(72)
Net borrowings	4,972	4,722	3,631	3,367

Notes to the Financial Statements continued

The maturity profile of borrowings is as follows:

Maturity profile of borrowings	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
In one year or less	1	–	–	–
In more than one year but less than two	168	83	168	82
In more than two years but less than five	2,057	1,562	1,495	991
In more than five years but less than ten	1,729	1,662	869	789
In more than ten years	1,393	1,577	1,393	1,577
In more than one year	5,347	4,884	3,925	3,439
Total borrowings	5,348	4,884	3,925	3,439
Cash and cash equivalents[1]	(376)	(162)	(294)	(72)
Net borrowings	4,972	4,722	3,631	3,367

1 Group Cash and cash equivalents also include tenant deposits held in separate designated bank accounts of £61 million (2022: £50 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 48.

Bank loans and overdrafts include capitalised finance costs on committed facilities.

In January 2023, SEGRO drew down its €195 million and €97.5 million term loan facilities, maturing in 2025 and 2027, respectively.

In April 2023, SEGRO drew down its £300 million and €115 million term loans, both originally maturing in 2025. The maturity of these term loans was extended for a further year, to 2026, in August 2023.

In May 2023, SEGRO extended the maturity of €200 million of its revolving credit facilities for a further year to 2028.

In June 2023, SEGRO entered into two term loan facilities. The first facility has a commitment of £100m, maturing in 2026. The second facility has a commitment of €150m, also maturing in 2026. Both term loan facilities were subsequently drawn in November 2023.

In August 2023, SEGRO extended the maturity of €600 million of its revolving credit facilities for a further year to 2026, and also redeemed the remaining £82 million of 6.75% bonds due in 2024.

The debt refinancing is discussed in more detail in the Financial review on page 48.

Maturity profile of undrawn borrowing facilities	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
In one year or less	148	150	139	142
In more than one year but less than two	–	–	–	–
In more than two years but less than five	1,212	1,608	1,212	1,608
Total available undrawn borrowing facilities	1,360	1,758	1,351	1,750

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:

Interest rate profile – Group (2023)	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	3.83	11.9	1,387	–	–	449	1,836
Euros	1.68	6.1	2,223	2.46	1,152	137	3,512
Total borrowings	2.51	8.3	3,610	2.26	1,152	586	5,348
Cash and cash equivalents							
Sterling						(361)	(361)
Euros						(15)	(15)
Total cash and cash equivalents						(376)	(376)
Net borrowings			3,610		1,152	210	4,972

Interest rate profile – Group (2022)	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

Interest rate profile – Company	Fixed rate %	Fixed period years	Fixed debt £m	Capped strike %	Capped debt £m	Variable debt/cash £m	Total £m
	2023						
Borrowings	Weighted average after derivative instruments						
Sterling	3.83	11.9	1,387	–	–	449	1,836
Euros	2.49	7.9	800	2.46	1,152	137	2,089
Total borrowings	3.34	10.4	2,187	2.26	1,152	586	3,925
Cash and cash equivalents							
Sterling						(289)	(289)
Euros						(5)	(5)
Total cash and cash equivalents						(294)	(294)
Net borrowings			2,187		1,152	292	3,631

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

17. Financial Instruments and Fair Values

17(i) Derivative instruments

The Group and Company holds the following derivative instruments at fair value:

Derivative assets

	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Current				
Forward foreign exchange and currency swap contracts – non-hedge	8	11	8	11
Total current derivative assets	8	11	8	11
Non-current				
Interest rate swap contracts – non-hedge	–	1	–	1
Interest rate cap contracts – non-hedge	37	56	37	56
Forward foreign exchange and currency swap contracts – non-hedge	10	1	10	1
Total non-current derivative assets	47	58	47	58

Derivative liabilities

	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Current				
Interest rate swap contracts – non-hedge	46	–	46	–
Forward foreign exchange and currency swap contracts – non-hedge	–	1	6	14
Forward foreign exchange and currency swap contracts – hedge	6	13	–	–
Total current derivative liabilities	52	14	52	14
Non-current				
Interest rates swap contracts – non-hedge	97	188	97	188
Total non-current derivative liabilities	97	188	97	188

Notes to the Financial Statements continued

17(ii) Carrying amount and fair values of financial assets and liabilities

The Group and Company holds the following financial instruments:

		Group		Company	
	Notes	2023 £m	2022 £m	2023 £m	2022 £m
Financial assets					
Financial assets at amortised cost					
Loans due from subsidiaries	7	–	–	5,012	4,471
Lease incentives[1]	13	149	140	–	–
Trade receivables	14	63	60	–	–
Other current receivables[2]	14	42	58	40	25
Non-current receivables	14	8	81	–	–
Cash and cash equivalents	16	376	162	294	72
Financial assets at fair value through profit or loss (FVPL)					
Other investments		10	9	–	–
Derivative financial instruments					
Non-hedge at FVPL	17	55	69	55	69
		703	579	5,401	4,637
Financial liabilities					
Liabilities at amortised cost					
Trade and other payables[2]	15	580	534	2,151	2,110
Borrowings	16	5,348	4,884	3,925	3,439
Derivative financial instruments					
Used for hedging at FVOCI	17	6	13	–	–
Non-hedge at FVPL	17	143	189	149	202
		6,077	5,620	6,225	5,751

1 Represents the carrying value of tenant lease incentives held in Investment properties at the year end. This amount is included within the 'tenant lease incentives and letting fees' balance in Note 13(i).
2 Group excludes non-financial assets of £90 million (2022: £81 million) included within total other receivables per Note 14 and non-financial liabilities of £108 million (2022: £103 million) included within total trade and other payables per Note 15.

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 2023, the fair value of £2,709 million of unsecured bonds issued was £2,480 million (2022: £2,813 million compared with £2,412 million fair value). At 31 December 2023, the fair value of £1,409 million of unsecured US Private Placement notes was £1,281 million (2022: £1,433 million compared with £1,162 million fair value). This results in a fair value adjustment increase in EPRA NDV of £357 million (2022: £672 million), see Table 5 of the Supplementary Notes. The fair value of unsecured bonds is estimated using quoted prices (level 1) and the fair value of US private placement notes is estimated by discounting contractual future cash flows (level 2).

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 (level 2).
- 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 (level 2).
- The fair value of other investments classified as fair value through profit or loss which are not traded on active liquid markets is determined by management (level 3).

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 unlisted investments, forward exchange and currency swap contracts, interest rate swaps and interest rate caps as detailed above. As defined by IFRS 13, unlisted investments are classified as level 3 fair value measurements, where inputs are not based on observable market data. All other financial instruments are classified as level 2 fair value measurements, 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 19. Debt primarily comprises long-term debt issues, term loans 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 49.

The Group's and Company's Balance Sheet translation exposure to euros (including the impact of derivative financial instruments) is summarised below:

	2023 Total £m	2022 Total £m
Group		
Gross currency assets	6,374	6,159
Gross currency liabilities	(4,718)	(4,655)
Net exposure	1,656	1,504
Company		
Gross currency assets	2,650	2,372
Gross currency liabilities	(4,581)	(4,341)
Net exposure	(1,931)	(1,969)

2023 Group gross currency liabilities include €2,226 million (£1,926 million) designated as net investment hedges.

2022 Group gross currency liabilities include €2,206 million (£1,952 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 £151 million (2022: £137 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 £184 million (2022: £167 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 decrease the Group's loss for the year ended 31 December 2023 by £22 million (2022: £24 million). A 10 per cent depreciation in the value of sterling against the euro would increase the Group's loss for the year ended 31 December 2023 by £27 million (2022: £30 million).

For the Company, the sensitivity of the net assets to a 10 per cent appreciation in the value of sterling against the euro would increase net assets by £175 million (2022: £179 million). The sensitivity of the net assets to a 10 per cent depreciation in the value of sterling against the euro would decrease net assets by £220 million (2022: £219 million).

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 forward 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 losses of £7 million (2022: £3 million gain) 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 £nil (2022: £1 million) 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 (34 per cent at 31 December 2023) and 100 per cent. At 31 December 2023, the Group had gross foreign currency assets, which were 74 per cent hedged by gross foreign currency denominated liabilities (2022: 76 per cent).

Further details are provided within the Foreign Currency Translation Risk section of the Financial review on page 49.

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	
	2023	2022	2023 m	2022 m	2023 £m	2022 £m	2023 £m	2022 £m
Group								
Economic cash flow hedges								
Sell euros (buy sterling)	1.13	1.13	458	438	404	387	10	–
Buy euros (sell sterling)	1.16	1.16	964	463	831	399	8	11
Net investment hedges								
Sell euros (buy sterling)	1.16	1.16	601	601	517	519	(6)	(13)
Total							12	(2)
Company								
Economic cash flow hedges								
Sell euros (buy sterling)	1.15	1.15	1,059	1,039	921	906	4	(13)
Buy euros (sell sterling)	1.16	1.16	964	463	831	399	8	11
Total							12	(2)

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.

Notes to the Financial Statements continued

Forward foreign exchange contracts

The Group designated euro denominated forward foreign exchange contracts as net investment hedges during 2023 (2022: euro denominated).

There was no ineffectiveness to be recorded from net investments in foreign entity hedges in 2023 and 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.

	Group	
Euro forward foreign exchange	**2023 £m**	2022 £m
Carrying amount (current liabilities, note 17(i))	**(6)**	(13)
Notional amount	**517**	519
Maturity date	**Jan 2024**	Jan 2023
Hedge ratio	**1:1**	1:1
Change in discounted spot value of hedging instruments since 1 January – gain/(loss)	**9**	(33)
Change in value of hedged item used to determine hedge effectiveness – (loss)/gain	**(9)**	33
Weighted average hedged rate for the year (including forward points)	**1.15**	1.17

US private placement notes

There was no ineffectiveness to be recorded from net investments in foreign entity hedges in 2023 and 2022 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.

	Group	
Private placement notes	**2023 £m**	2022 £m
Carrying amount of private placement notes (non-current borrowings, note 16)	**1,409**	1,433
Carrying amount of private placement notes designated as net investment hedging instruments	**1,409**	1,433
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 – gain/(loss)	**26**	(65)
Change in value of hedged item used to determine hedge effectiveness – (loss)/gain	**(26)**	65
Weighted average hedged rate for the year (including forward points)	**1.15**	1.13

The total fair value movements on derivatives and borrowings in effective hedge relationships shown in Other Comprehensive Income for the year ended 31 December 2023 is a gain of £35 million (2022: £98 million loss) and consists of the gain on Euro forward foreign exchange of £9 million (2022: £33 million loss) and gain on US private placement notes of £26 million (2022: £65 million loss) shown in the tables above.

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.

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 2023 would increase by £10 million (2022: £27 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 2023 would decrease by £17 million (2022: £32 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.

At 31 December 2023, all of the Group's interest rate caps have been triggered and therefore the Group is more sensitive to a fall in interest rates, as opposed to a rise.

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 (excluding mandatory break clauses), outstanding as at the reporting date:

	Average contract – fixed interest rate		Notional principal amount		Fair value	
	2023 %	2022 %	2023 £m	2022 £m	2023 £m	2022 £m
Pay fixed, receive floating contracts:						
Group						
In one year or less	–	–	–	–	–	–
In more than one year but less than two	2.80	–	43	–	–	–
In more than two years but less than five	3.92	3.58	100	144	(1)	1
In more than five years	–	–	–	–	–	–
Total			143	144	(1)	1
Company						
In one year or less	–	–	–	–	–	–
In more than one year but less than two	2.80	–	43	–	–	–
In more than two years but less than five	3.92	3.58	100	144	(1)	1
In more than five years	–	–	–	–	–	–
Total			143	144	(1)	1
Receive fixed, pay 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	1.82	–	87	–	(6)	–
In more than five years	1.86	1.85	565	664	(136)	(188)
Total			652	664	(142)	(188)
Company						
In one year or less	–	–	–	–	–	–
In more than one year but less than two	–	–	–	–	–	–
In more than two years but less than five	1.82	–	87	–	(6)	–
In more than five years	1.86	1.85	565	664	(136)	(188)
Total			652	664	(142)	(188)

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	
	2023 %	2022 %	2023 £m	2022 £m	2023 £m	2022 £m
Group						
In one year or less	3.73	–	202	–	–	–
In more than one year but less than two	2.91	–	300	–	3	–
In more than two years but less than five	2.57	2.72	215	172	4	4
In more than five years	1.50	1.68	435	529	30	52
Total			1,152	701	37	56
Company						
In one year or less	3.73	–	202	–	–	–
In more than one year but less than two	2.91	–	300	–	3	–
In more than two years but less than five	2.57	2.72	215	172	4	4
In more than five years	1.50	1.68	435	529	30	52
Total			1,152	701	37	56

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.

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 2023 and at 31 December 2022.

Notes to the Financial Statements continued

Ageing of past due gross trade receivables and the carrying amount net of loss allowances is set out below.

	2023			2022		
	Gross amount £m	Loss allowance £m	Net carrying amount £m	Gross amount £m	Loss allowance £m	Net carrying amount £m
0 – 30 days	7	(1)	6	2	–	2
30 – 60 days	1	–	1	2	–	2
60 – 90 days	1	–	1	2	–	2
90 – 180 days	5	(3)	2	5	(3)	2
>180 days	4	(3)	1	4	(4)	–
Past due	18	(7)	11	15	(7)	8
Not due	55	(3)	52	54	(2)	52
Total trade receivables	73	(10)	63	69	(9)	60

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 2023 includes amounts due for 2023 rent and amounts billed in advance for 2024 rent. Both amounts have been considered in measuring expected credit losses (ECLs) detailed further below. The amounts billed in advance for 2024 rent are included within the 'Not due' category in the table above.

Total gross trade receivables 'past due' at 31 December 2023 were £18 million (2022: £15 million), three per cent of total gross rental income for the year (2022: 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 2023, the Group held a loss allowance provision for trade receivables of £10 million (2022: £9 million) and the impairment risk remains low with the loss allowance of £10 million representing two per cent of total gross rental income for the year (2022: two per cent).

Total impairment losses on trade receivables of £3 million were recognised in the Income Statement for the year ended 31 December 2023 (2022: £3 million). The impairment losses on trade receivables 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 Group holds a gross loan due from an associate of £34 million as at 31 December 2023 (2022: £41 million). The associate used the proceeds from the loan to acquire land in November 2022. The Group expects to recover the loan either through the granting of planning permission on the land which will trigger the other shareholder to acquire the Group's share in the associate and repay the loan; or, if planning permission is not gained on the land, the Group would acquire the other shareholder's share in the associate for nominal consideration and it will become wholly owned. In this event the extent of the recovery of the loan would be through the fair value of the land. The carrying value of the associate as at 31 December 2023 is £nil (2022: £nil).

During the second half of 2023 the likelihood of gaining planning permission reduced and the market conditions deteriorated sufficiently to conclude that there is a significantly increased probability that the Group will take ownership of the associate. For purposes of the impairment review of the loan under IFRS 9 the recovery of the loan is now assumed to be based on the fair value of the land held by the associate which was £6 million as at 31 December 2023 (at 100 per cent). This has resulted in the loan being impaired by £28 million down to a carrying value of £6 million as at 31 December 2023.

The loan balance arose as part of a wider property transaction which also included the acquisition of an investment property by the Group disclosed within acquisitions in 2022. When considered together the overall transaction has had an accretive impact on net assets since inception.

As set out in Note 2, the impairment charge has been treated as a Company specific adjustment to EPRA earnings to determine Adjusted profit. This is due to the size and that the nature of the loan impairment relates to a wider property transaction and changes in the fair value of the related land held by an associate.

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 48 and 49.

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.

	2023						2022					
	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]		468	–	–	–	468		421	–	–	–	421
Lease liabilities	3.90	4	4	12	118	138	3.90	4	4	13	124	145
Variable rate debt instruments	5.04	59	251	1,166	–	1,476	4.08	23	27	700	–	750
Fixed rate debt instruments	2.35	99	97	1,264	3,065	4,525	2.43	104	183	1,209	3,430	4,926
Derivative financial instruments:												
Net settled interest rate swaps	3.18	14	7	12	7	40	1.08	8	5	16	–	29
Gross settled foreign exchange												
– Forward and currency swap contracts												
– Inflowing		(571)	–	–	–	(571)		(556)	–	–	–	(556)
– Outflowing		577	–	–	–	577		580	–	–	–	580
Total		650	359	2,454	3,190	6,653		584	219	1,938	3,554	6,295

	2023						2022					
	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]		37	2,088	–	–	2,125		22	2,063	–	–	2,085
Variable rate debt instruments	5.04	59	251	1,166	–	1,476	4.08	23	27	700	–	750
Fixed rate debt instruments	2.95	80	80	666	2,180	3,006	3.05	86	164	593	2,519	3,362
Derivative financial instruments:												
Net settled interest rate swaps	3.18	14	7	12	7	40	1.08	8	5	16	–	29
Gross settled foreign exchange												
– Forward and currency swap contracts												
– Inflowing		(571)	–	–	–	(571)		(556)	–	–	–	(556)
– Outflowing		577	–	–	–	577		580	–	–	–	580
Total		196	2,426	1,844	2,187	6,653		163	2,259	1,309	2,519	6,250

1 Group trade and other payables disclosed as financial liabilities in Note 17(ii) of £580 million (2022: £534 million) includes, accrued interest of £38 million (2022: £36 million) and lease liabilities of £74 million (2022: £77 million). Accrued interest is shown in debt instruments in the table above.
2 Company trade and other payables disclosed as financial liabilities in Note 17(ii) of £2,151 million (2022: £2,110 million) includes accrued interest of £26 million (2022: £25 million). Accrued interest is shown in debt instruments in the table above.

Notes to the Financial Statements continued

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 2023	1,209	121
Issue of shares – scrip dividend	18	2
Issue of shares – other	1	–
Ordinary shares of 10p each at 31 December 2023	1,228	123

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

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 128. 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.

	2023 number	2022 number
At 1 January	1,034,807	867,794
Shares granted DSBP	479,754	451,613
Shares vested	(327,180)	(264,600)
Shares expired/lapsed	–	(20,000)
At 31 December	1,187,381	1,034,807

The 2022 DSBP grant was made on 28 April 2023, based on a 27 April 2023 closing mid-market share price of 810.6 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 128.

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.

	2023 number	2022 number
At 1 January	3,986,588	3,791,289
Shares granted LTIP	1,639,625	973,654
Shares vested	(745,044)	(778,355)
Shares expired/lapsed	(212,848)	–
At 31 December	4,668,321	3,986,588

The 2023 LTIP award was made on 24 March 2023. The calculation of the award was based on a share price of 737.8 pence, the closing mid-market share price on 24 March 2023. 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	26 March 2020	29 March 2021	5 May 2022	24 March 2023
Market price used for award	786.8p	933.0p	1,162.5p	737.8p
Risk-free interest rate	0.12%	0.13%	1.68%	3.33%
Dividend yield	2.6%	2.4%	1.9%	3.1%
Volatility	17.1%	22.3%	24.7%	28.3%
Term	3 years	3 years	3 years	3 years
Fair value per share	654.4p	375.3p	493.1p	338.9p

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 128 and 129. The total share-based payment charge for the other share schemes recognised in the 2023 Income Statement was £1 million (2022: £1 million). The total number of outstanding options for these schemes as at 31 December 2023 was 891,652 (2022: 844,727).

19. Share Premium and Other Reserves

Share premium

GROUP AND COMPANY	2023 £m	2022 £m
Balance at 1 January	3,449	3,371
Premium arising on the issue of shares – scrip dividend	127	78
Premium arising on the issue of shares – other	1	–
Balance at 31 December	3,577	3,449

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.

Own shares held reserve

The own shares held reserve 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.

Other reserves

Other reserves shown on the Group Balance Sheet of £204 million (2022: £227 million) is made up of the following reserves:

The merger reserve of £169 million (2022: £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 £7 million surplus (2022: £33 million) 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 £28 million (2022: £25 million) reflects the increase in equity in connection with share-based payment transactions accounted for under IFRS 2.

20. Commitments

Contractual obligations to purchase, construct, develop, repair, maintain or enhance assets are as follows:

GROUP	2023 £m	2022 £m
Properties[1]	236	439

1 As detailed on page 40 of the Strategic Report, the Group (including joint ventures and associates at share) is expected to invest in excess of £600 million in development capex during 2024. This amount includes committed and uncommitted capex.

In addition, commitments in the Group's joint ventures and associates at 31 December 2023 (at share) amounted to £19 million (2022: £81 million). The Group also has a £6 million commitment to property related investment funds at 31 December 2023 (2022: £8 million).

21. Contingent Liabilities

The Group has given performance guarantees to third parties amounting to £54 million (2022: £146 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 2023 will have a material adverse effect on the Group's financial position.

22. 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 42 to 43. 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	2023 £m	2022 £m
Not later than one year	478	128	606	551
Later than one year, not later than two years	410	113	523	487
Later than two years, not later than three years	357	96	453	404
Later than three years, not later than four years	316	83	399	346
Later than four years, not later than five years	280	65	345	304
Later than five years	2,062	235	2,297	2,046
Balance at 31 December	3,903	720	4,623	4,138

There are no significant levels of contingent rent in the current or prior year.

Notes to the Financial Statements continued

23. Related Party Transactions

Group

Transactions during the year between the Group and its joint ventures are disclosed below:

	2023 £m	2022 £m
Dividends received	38	9
Assets sold to joint ventures[1]	18	215
Management fee income	29	30
Performance fee income	89	–

1 During the year investment properties with a carrying value of £18 million were sold to SELP (2022: £215 million). Total proceeds (and total cash proceeds) received by SEGRO was £18 million (2022: £218 million). The transaction resulted in the net assets of the Group increasing by £nil (2022: £3 million). The net cash impact on a proportionally consolidated basis was an inflow of £9 million (2022: inflow £109 million) once the 50% 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 2023 of £1,636 million disclosed in Note 7 (2022: £1,768 million) includes shareholder loans of £89 million (2022: £90 million).

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 81 to 83. Key management personnel compensation is shown in the table below:

	2023 £m	2022 £m
Salaries and short-term benefits	5	5
Share-based payments	3	3
Total remuneration	8	8

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 107 to 125.

24. Notes to the Cash Flow Statements

24(i) – Reconciliation of cash generated from operations

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Operating (loss)/profit	(180)	(1,694)	700	650
Adjustments for:				
Depreciation of property, plant and equipment and amortisation of intangibles	6	4	–	–
Share of loss from joint ventures and associates after tax	76	144	–	–
Profit on sale of properties	(39)	(9)	–	–
Revaluation deficit on investment properties	647	1,970	–	–
Dividends and other income	–	–	(852)	(706)
Other provisions	8	(6)	–	(1)
Increase in impairment of loan held with associate	28	–	–	–
Increase in impairment of subsidiaries	–	–	136	44
	546	409	(16)	(13)
Changes in working capital:				
Decrease in trading properties	33	33	–	–
Increase in debtors and tenant incentives	(22)	(6)	–	(2)
Increase/(decrease) in creditors	27	43	(1)	(1)
Net cash inflow/(outflow) generated from operations	584	479	(17)	(16)

24(ii) – Deposits

Term deposits for a period of three months or less are included within cash and cash equivalents.

24(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 2023 £m	Cash inflow[1] £m	Cash outflow[2] £m	Exchange movement £m	Cost of early close out of debt £m	Other non-cash adjustments[3] £m	At 31 December 2023 £m
Group							
Bank loans and loan capital	4,928	961	(445)	(58)	1	–	5,387
Capitalised finance costs	(44)	–	(3)	–	–	8	(39)
Total borrowings	4,884	961	(448)	(58)	1	8	5,348
Cash and cash equivalents	(162)	(214)	–	–	–	–	(376)
Net debt	4,722	747	(448)	(58)	1	8	4,972
Company							
Bank loans and loan capital	3,466	961	(445)	(33)	1	–	3,950
Capitalised finance costs	(27)	–	(3)	–	–	5	(25)
Total borrowings	3,439	961	(448)	(33)	1	5	3,925
Cash and cash equivalents	(72)	(222)	–	–	–	–	(294)
Net debt	3,367	739	(448)	(33)	1	5	3,631

1 Proceeds from borrowings of £961 million (Company: £961 million).
2 Group cash outflow of £448 million (Company: £448 million), comprises repayment of borrowings of £444 million (Company: £444 million), cash settlement for early repayment of debt of £1 million (Company: £1 million) and capitalised finance costs of £3 million (Company: £3 million).
3 Total other non-cash adjustment of £8 million (Company: £5 million) relates to the amortisation of issue costs offset against borrowings.

24(iv) – Analysis of financial liabilities and assets arising from financing activities

For the year ended 31 December 2023

		Cash movements		Non-cash movements				
	At 1 January 2023 £m	Cash inflow £m	Cash outflow £m	Exchange movement[1] £m	Net fair value changes[2] £m	Cost of early close of debt £m	Other non-cash adjustments £m	At 31 December 2023 £m
Total borrowings (Note 16)	4,884	961	(448)	(58)	–	1	8	5,348
Derivatives: (Net) Fair value of forward foreign exchange and currency swap contracts (Note 17)	2	–	(2)	(9)	(3)	–	–	(12)
Lease liabilities (Note 15)[3]	77	–	(5)	(1)	–	–	3	74
Total net financial liabilities arising from financing activities	4,963	961	(455)	(68)	(3)	1	11	5,410

1 Exchange movement of £67 million from borrowings and forward foreign exchange and currency swap contracts consists of: Foreign exchange gain on effective hedge relationships recognised in OCI of £35 million, foreign exchange gain arising on translation of borrowings held in international operations recognised in OCI of £25 million and foreign exchange gain recognised within the Income Statement of £7 million. See Note 17(iv).
2 Total net fair value gain of £24 million arising from derivatives per Note 9 also includes fair value gain from interest rate swaps and caps of £21 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 2022

		Cash movements		Non-cash movements			
	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.

Company

The Company's financial liabilities and assets arising from financing activities comprise Company total borrowings shown in Note 24(iii) of £3,925 million (2022: £3,439 million) and the Group derivatives shown in the table above of £12 million (asset) (2022: £2 million liability).

25. 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 2023 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.

Notes to the Financial Statements continued

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 – £41.5 million (2022: £0.1 million – £43.3 million) for the UK and £0.1 million – £12.7 million (2022: £0.1 million – £16.0 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 valuers consider the following areas to have the most potential to impact on the value of an asset: Energy Performance; Green Certification; Sources of Fuel and Renewable Energy Sources and Physical Risk/Climate Risk. The valuers have considered in particular the EPC ratings and have discussed with management the appropriate capital expenditure which will be required to obtain the necessary EPC rating to attract and maintain the tenants required in the future. The valuers are also aware of the impact of flood risk and have noted the impact this has had on potential purchasers.

Climate risk legislation

The UK Government and the EU is currently producing legislation on the transition to net zero. The UK Government is currently producing legislation which enforces the transition to net zero by 2050, and the stated 78 per cent reduction of greenhouse gases by 2035. This is understood to include an update to the Minimum Energy Efficiency Standards, stated to increase the minimum requirements for non-domestic properties from an E to a B in 2030. The UK Government also intends to introduce an operational rating. It is not yet clear how this will be legislated, but fossil fuels used in building, such as natural gas for heating, are incompatible with the UK's commitment to be Net Zero Carbon by 2050. This upcoming legislation could have a potential impact to future asset value.

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.

On the basis inflation has fallen during the latter half of 2023 and the expectation interest rates may have peaked, management expect market conditions to be less volatile and consider a +/- 25bp change in yield, a +/- 5% change in ERV and a +/- 10% change in development costs to be reasonably possible changes to the assumptions.

		Impact on valuation of 25bp change in 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
2023							
Completed property	15,255	(742)	819	570	(563)	–	–
Development property and land	2,507	(210)	225	310	(310)	(385)	385
Group total property portfolio	17,762	(952)	1,044	880	(873)	(385)	385

		Impact on valuation of 25bp change in 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

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 yield sensitivity is based on the equivalent yield which closely aligns with the net true equivalent yield inputs shown in the table below. 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			
2023 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[3] %
Big box warehouses > 35,000 sq m	2,257	–	2,257	59.2	34.8-185.7	5.3	4.5-6.8
Big box warehouses < 35,000 sq m	2,580	–	2,580	67.1	36.5-203.3	5.5	4.5-6.8
Urban warehouses > 3,500 sq m	6,553	–	6,553	156.0	26.3-387.5	5.2	4.3-9.7
Urban warehouses < 3,500 sq m	3,508	–	3,508	230.2	43.8-497.4	5.0	4.3-9.1
High value and other uses of industrial land[4]	357	–	357	207.5	52.2-538.2	7.2	4.3-10.6
	15,255	2,507	17,762	98.0	26.3-538.2	5.3	4.3-10.6
By ownership							
Wholly-owned[5]	12,463	2,384	14,847	147.4	26.3-538.2	5.2	4.3-10.6
Joint ventures and associates	2,792	123	2,915	58.3	36.5-133.5	5.5	4.5-8.5
Group Total	15,255	2,507	17,762	98.0	26.3-538.2	5.3	4.3-10.6

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 £1,026 million; big box < 35,000 sq m £1,073 million; urban warehouses > 3,500 sq m £6,502 million; urban warehouses < 3,500 sq m £3,508 million; and other uses £354 million.

	Valuation			Inputs			
2023 By geography	Completed £m	Land & development £m	Combined property portfolio £m	ERV[1] £ per sq m	ERV range[1] £ per sq m	Net true equivalent yield[2] %	Net true equivalent yield range[2] %
Greater London	5,859	241	6,100	231.2	63.4-497.4	4.9	4.3-8.3
Thames Valley	2,523	708	3,231	233.9	80.7-538.2	5.6	4.6-10.6
National Logistics	1,253	597	1,850	95.0	45.0-203.3	5.5	5.3-6.9
Northern Europe							
Germany	1,664	308	1,972	72.8	26.3-165.5	4.9	4.3-7.9
Netherlands	189	12	201	75.6	48.8-118.6	5.2	4.7-8.5
Southern Europe							
France	1,674	353	2,027	77.8	40.9-210.9	5.5	4.6-9.7
Italy/Spain	1,311	202	1,513	57.5	34.8-170.2	5.4	4.7-6.3
Central Europe							
Poland	684	82	766	48.8	36.5-143.5	6.5	6.0-6.8
Czech Republic	98	4	102	75.1	66.0-99.1	6.1	6.1-6.1
Group Total	15,255	2,507	17,762	98.0	26.3-538.2	5.3	4.3-10.6
Investment properties – Group (Note 13(i))[3]			14,843				
Investment properties – Joint ventures and associates (Note 7(ii))			2,915				
Trading properties – Group (Note 13(ii))[4]			4				
Group Total			17,762				

1 On a fully occupied basis.
2 In relation to the completed properties only.
3 Excludes head lease ROU assets of £71 million.
4 Includes valuation surplus not recognised on trading properties of £1 million.

Notes to the Financial Statements continued

2022 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[3] %
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[2] %
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				
Group Total			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.

26. Related Undertakings

A list of the Group's related undertakings as at 31 December 2023 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***,[3]	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Allnatt London Properties Limited**	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[2]	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		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
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

Notes to the Financial Statements continued

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[3]	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**,[4,8]	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[2]	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Devon Nominees (No. 2) Limited[2]	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Devon Nominees (No. 3) Limited[2]	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Gateway Rugby Management Company Limited**,[4]	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Granby Investment Sp. z.o.o.	Poland		Indirect	ul. Marszałkowska 126/134, 00-008 Warszawa, 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		Indirect	Strada 3 Palazzo B3, 20090 Assago Milanofiori, Milan, Italy
Impianti FTV S.R.L.	Italy		Indirect	Strada 3 Palazzo B3, 20090 Assago Milanofiori, Milan, Italy
Karnal Investment Sp z.o.o.	Poland		Indirect	ul. Marszałkowska 126/134, 00-008 Warszawa, Poland
LogPoint Ruhr GmbH	Germany		Indirect	Fichtenstrasse 33, 40233, Düsseldorf, Germany
London Distribution Park No.2 LLP[3]	England and Wales	50	Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Lynford Investments Sp z.o.o.	Poland		Indirect	ul. Marszałkowska 126/134, 00-008 Warszawa, Poland
Ożarów Biznes Park Sp.z.o.o	Poland		Indirect	Pl. Andersa 3, 61-894 Poznań, Poland
Premier Greenford GP Limited[2,5]	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[1]	England and Wales	50	Indirect	BDO LLP, Temple Square, Temple Street, Liverpool, L2 5RH, 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
SEGRO Rugby LLP***,[3]	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
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

Company Name	Jurisdiction	% effective holding if not 100%	Direct/ Indirect	Registered Office
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
SEGRO (Coventry) Limited**	England and Wales		Indirect	Lumonics House Valley Drive, Swift Valley, Rugby, Warwickshire, CV21 1TQ, 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**	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**,[5]	England and Wales	82	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

Company Name	Jurisdiction	% effective holding if not 100%	Direct/ Indirect	Registered Office
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
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) 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

Notes to the Financial Statements continued

Company Name	Jurisdiction	% effective holding if not 100%	Direct/ Indirect	Registered Office
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 (Northampton Gateway Management Company) 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 4 Northampton) 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
SEGRO (Purfleet) Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO (Radlett) 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[6]	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

Company Name	Jurisdiction	% effective holding if not 100%	Direct/ Indirect	Registered Office
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 (Spaceway 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
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 (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

Company Name	Jurisdiction	% effective holding if not 100%	Direct/ Indirect	Registered Office
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 B.V.[7]	Netherlands		Indirect	Gustav Mahlerplein 62, ITO-toren, 8th Floor, 1082MA Amsterdam, Netherlands
SEGRO Benelux 2 B.V.	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 SASU	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		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

Company Name	Jurisdiction	% effective holding if not 100%	Direct/ Indirect	Registered Office
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
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

Notes to the Financial Statements continued

Company Name	Jurisdiction	% effective holding if not 100%	Direct/ Indirect	Registered Office
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
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 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

Company Name	Jurisdiction	% effective holding if not 100%	Direct/ Indirect	Registered Office
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
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[3]	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	2 Rue des Gaulois L-1618, Luxembourg
SELP (Alpha JV) S.á r.l.	Luxembourg	50	Indirect	2 Rue des Gaulois L-1618, 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[2]	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
The UK Logistics (Nominee 2) Limited[2]	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[3]	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 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***,[3]	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Vailog Colleferro S.R.L.	Italy		Indirect	Strada 3 Palazzo B3, 20090 Assago Milanofiori, Milan, Italy
Vailog ER 1 S.R.L.	Italy		Indirect	Strada 3 Palazzo B3, 20090 Assago Milanofiori, Milan, Italy
Vailog ER 2 S.R.L.	Italy		Indirect	Strada 3 Palazzo B3, 20090 Assago Milanofiori, Milan, Italy
Vailog ER 3 S.R.L.	Italy		Indirect	Strada 3 Palazzo B3, 20090 Assago Milanofiori, Milan, Italy
Vailog ER 4 S.R.L.	Italy		Indirect	Strada 3 Palazzo B3, 20090 Assago Milanofiori, Milan, Italy
Vailog ER 5 S.R.L.	Italy		Indirect	Strada 3 Palazzo B3, 20057 Assago Milanofiori, Milan, Italy
Vailog France SCI	France		Indirect	20 Rue Brunel, 75017, Paris, France
Vailog S.R.L.	Italy		Indirect	Strada 3 Palazzo B3, 20090 Assago Milanofiori, Milan, Italy
Woodside GP Limited[2]	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 2023.
2 Company is entitled to exemption from audit under section 480 of the Companies Act 2006 relating to dormant companies.
3 Partnerships and Limited Liability Partnerships (LLPs) do not have a share capital and unless otherwise stated, the Group holds 100 per cent interest in these entities.
4 Companies Limited by Guarantee do not have a share capital and unless otherwise stated, the Group holds 100 per cent interest in these entities.
5 Ownership held in class A and B shares.
6 Ownership held in Ordinary and Deferred shares.
7 Ownership held in class G shares, K shares, S shares and Preference shares.
8 There are five external members of Dagenham Park Management Company Limited. All members are liable up to the value of £1.00.

Notes to the Financial Statements continued

Supplementary Notes Not Part of Audited Financial Statements

Table 1: EPRA performance measures summary

		2023		2022	
	Notes	£m	Pence per share	£m	Pence per share
EPRA Earnings	Table 4	413	33.9	374	31.0
EPRA NTA	Table 5	11,162	907	11,717	966
EPRA NRV	Table 5	12,317	1,001	12,879	1,062
EPRA NDV	Table 5	11,310	919	12,170	1,004
EPRA LTV	Table 6		36.9%		34.2%
EPRA net initial yield	Table 7		4.0%		3.7%
EPRA topped-up net initial yield	Table 7		4.3%		3.9%
EPRA vacancy rate	Table 8		5.0%		4.0%
EPRA cost ratio (including vacant property costs)	Table 9		24.0%		20.3%
EPRA cost ratio (excluding vacant property costs)	Table 9		21.9%		18.5%

Table 2: Income Statement, proportionally consolidated

		2023			2022		
	Notes	Group £m	Joint ventures and associates £m	Total £m	Group £m	Joint ventures and associates £m	Total £m
Gross rental income	2,7	547	134	681	488	119	607
Property operating expenses	2,7	(85)	(9)	(94)	(76)	(9)	(85)
Net rental income		462	125	587	412	110	522
Joint venture management fee income[1]	2,7	29	(12)	17	30	(13)	17
Management and development fee income	2,7	4	2	6	5	2	7
Net solar energy income	2,7	1	–	1	1	–	1
Administrative expenses	2,7	(63)	(2)	(65)	(59)	(3)	(62)
Adjusted operating profit before interest and tax		433	113	546	389	96	485
Net finance costs (including adjustments)	2,7	(106)	(20)	(126)	(74)	(17)	(91)
Adjusted profit before tax		327	93	420	315	79	394
Tax on adjusted profit	2,7	(10)	(11)	(21)	(11)	(8)	(19)
Adjusted earnings before non-controlling interests		317	82	399	304	71	375
Non-controlling interest on adjusted profit	2,7	–	–	–	(1)	–	(1)
Adjusted earnings after tax and non-controlling interests (A)		317	82	399	303	71	374
Number of shares, million	12			1,220.0			1,206.6
Adjusted EPS, pence per share				32.7			31.0
Number of shares, million	12			1,223.4			1,210.0
Adjusted EPS, pence per share – diluted				32.6			30.9
EPRA earnings							
Adjusted earnings after tax and non-controlling interests (A)		317	82	399	303	71	374
Joint venture performance fee income (net)	2	79	(37)	42	–	–	–
Impairment loss on loan due from associates	2	(28)	–	(28)	–	–	–
EPRA earnings after tax and non-controlling interests		368	45	413	303	71	374
Number of shares, million	12			1,220.0			1,206.6
EPRA, EPS, pence per share				33.9			31.0
Number of shares, million	12			1,223.4			1,210.0
EPRA, EPS, pence per share – diluted				33.8			30.9

1 Joint venture management fee income includes the cost of such fees borne by the joint ventures which are shown in Note 7 within net rental income.

2 Group net debt:EBITDA ratio as defined in the glossary was 10.4 times at 31 December 2023 (2022: 11.7 times). Group net debt being £4,972 million (2022: £4,722 million), per Note 16. Group EBITDA being £477 million (2022: £402 million) which takes Adjusted operating profit before interest and tax, less share of joint ventures and associates' adjusted profit, of £433 million (2022: £389 million) shown in the table above, adding back depreciation and amortisation charges of £6 million (2022: £4 million) per Note 24(i) and includes dividends received from joint ventures and associates of £38 million (2022: £9 million) per Note 7(iii).

Table 3: Balance Sheet, proportionally consolidated

	Notes	2023 Group £m	2023 Joint ventures and associates £m	2023 Total £m	2022 Group £m	2022 Joint ventures and associates £m	2022 Total £m
Investment properties	13,7	14,914	2,915	17,829	14,939	3,022	17,961
Trading properties	13,7	3	–	3	35	–	35
Total properties		14,917	2,915	17,832	14,974	3,022	17,996
Investment in joint ventures and associates	7	1,636	(1,636)	–	1,768	(1,768)	–
Other net liabilities		(677)	(235)	(912)	(647)	(283)	(930)
Net borrowings	16,7	(4,972)	(1,044)	(6,016)	(4,722)	(971)	(5,693)
Total shareholders' equity[1]		10,904	–	10,904	11,373	–	11,373
EPRA adjustments	12			258			344
Adjusted NAV	12			11,162			11,717
Number of shares, million	12			1,230.7			1,212.5
Adjusted NAV, pence per share	12			907			966

1 After non-controlling interests.

The portfolio valuation deficit of 4.0 per cent shown on page 36 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 £809 million (see Note 8) and property value of £17,762 million (see Note 25) giving a valuation deficit of 4.4 per cent. The primary differences are that the portfolio valuation deficit shown on page 36 of £749 million excludes the impact of rent free incentives (£10 million, 0.1 per cent), capitalised interest (£68 million, 0.4 per cent) and other movements (-£18 million, -0.1 per cent).

Total assets under management of £20,677 million (2022: £20,947 million) includes Group total properties of £14,847 million (2022: £14,903 million) (see Note 25) and 100 per cent of total properties owned by joint ventures and associates of £5,830 million (2022: £6,044 million) (see Note 7(ii)).

Table 4: EPRA Earnings

	Notes	2023 Group £m	2022 Group £m
Equity shareholder earnings per IFRS income statement		(253)	(1,927)
Adjustments to calculate EPRA Earnings, exclude:			
Valuation deficit on investment properties	8	647	1,970
Profit on sale of investment properties and other investment income	8	(46)	(9)
Profit on sale of trading properties	13	(3)	(7)
Decrease in provision for impairment of trading properties	8	–	(15)
Tax on profits on disposals[1]		(1)	15
Cost of early close out debt	9	1	–
Net fair value (gain)/loss on interest rate swaps and other derivatives	9	(24)	199
Deferred tax credit in respect of EPRA adjustments[1]		(29)	(63)
Adjustments to the share of loss from joint ventures and associates after tax[3]	7	121	215
Non-controlling interests in respect of the above	2	–	(4)
EPRA earnings		413	374
Basic number of shares, million	12	1,220.0	1,206.6
EPRA Earnings per Share (EPS) (pence)		33.9	31.0
Company specific adjustments:			
Joint venture performance fee income (net after tax)[2]	2	(42)	–
Impairment loss on loan due from associate[2]	2	28	–
Adjusted earnings		399	374
Adjusted EPS (pence)	12	32.7	31.0

1 Total tax credit in respect of adjustments per Note 2 of £20 million (2022: £48 million) comprises tax credit on profits on disposals of £1 million (2022: £15 million charge), deferred tax credit of £29 million (2022: £63 million) and tax charge on joint venture performance fee income of £10 million (2022: £nil). The tax charge on joint venture performance fee income is recognised within the Company specific adjustments in the table above.

2 See Note 2 for further details on the Company specific adjustments to exclude the net impact of joint venture performance fees and impairment of loan from associate from Adjusted earnings.

3 Adjustments to the share of loss from joint ventures and associates after tax above of £121 million (2022: £215 million) includes the impact of the performance fee expense of £45 million (2022: £nil) and an associated tax credit of £8 million (2022: £nil) which are shown as a Company specific adjustment in the table above within 'Joint venture performance fee income (net after tax)'. The Adjustments to share of loss from joint ventures and associates per Note 7(i) of £158 million (2022: £215 million) excludes the impact of the performance fee.

Notes to the Financial Statements continued

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 2023	EPRA NTA £m	EPRA NRV £m	EPRA NDV £m
Equity attributable to ordinary shareholders	**10,904**	**10,904**	**10,904**
Fair value adjustment in respect of interest rate derivatives – Group	106	106	–
Fair value adjustment in respect of trading properties – Group	1	1	1
Deferred tax in respect of depreciation and valuation surpluses – Group[1]	89	178	–
Deferred tax in respect of depreciation and valuation surpluses – Joint ventures and associates[1]	92	184	–
Intangible assets	(30)	–	–
Fair value adjustment in respect of debt – Group	–	–	357
Fair value adjustment in respect of debt – Joint ventures and associates	–	–	48
Real estate transfer tax[2]	–	944	–
Net assets	**11,162**	**12,317**	**11,310**
Diluted shares (million)	**1,230.7**	**1,230.7**	**1,230.7**
Diluted net assets per share	**907**	**1,001**	**919**

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 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.

Table 6: EPRA LTV, Proportional consolidation

	Notes	2023 Group £m	2023 Joint ventures and associates £m	2023 Total £m	2022 Group £m	2022 Joint ventures and associates £m	2022 Total £m
Borrowings[1,2]		2,652	100	2,752	2,085	15	2,100
Bonds[1,2]		2,735	978	3,713	2,843	996	3,839
Exclude:							
Cash and cash equivalents	16	(376)	(28)	(404)	(162)	(32)	(194)
Net Debt (before capitalised finance costs) (a)		5,011	1,050	6,061	4,766	979	5,745
Foreign currency derivatives	17	(12)	–	(12)	2	–	2
Net payables[3]		485	64	549	362	57	419
Adjusted Net Debt (b)		5,484	1,114	6,598	5,130	1,036	6,166
Investment properties at fair value (excluding head lease ROU asset)	13	14,843	2,915	17,758	14,866	3,022	17,888
Trading properties	13	3	–	3	35	–	35
Total Property Value (c)		14,846	2,915	17,761	14,901	3,022	17,923
Head lease ROU asset	13	71	–	71	73	–	73
Unrecognised valuation surplus on trading properties	13	1	–	1	2	–	2
Other interest in property		26	–	26	30	–	30
Intangibles		30	–	30	12	–	12
Adjusted Total Property Value (d)		14,974	2,915	17,889	15,018	3,022	18,040
LTV (a/c)		33.8%		34.1%	32.0%		32.1%
EPRA LTV (b/d)		36.6%		36.9%	34.2%		34.2%

1 Total Group borrowings as at 31 December 2023 per Note 16 of £5,348 million (2022: £4,884 million) consists of: Nominal value of borrowings from financial institutions of £2,652 million (2022: £2,085 million) less unamortised finance costs of £13 million (2022: £14 million) and nominal value of bond loans of £2,735 million (2022: £2,843 million) less unamortised finance costs of £26 million (2022: £30 million).
2 JV borrowings as at 31 December 2023 per Note 7 of £1,072 million (2022: £1,003 million) at share consists of: Nominal value of borrowings from financial institutions of £100 million (2022: £15 million) less unamortised finance costs of £1 million (2022: £2 million) and nominal value of bond loans of £978 million (2022: £996 million) less unamortised finance costs of £5 million (2022: £6 million).
3 Group 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, current tax assets, 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 – 2023	Notes	UK £m	Continental Europe £m	Total £m
Total properties per financial statements	Table 3	11,180	6,652	17,832
Add valuation surplus not recognised on trading properties[1]	13	1	–	1
Less head lease ROU assets	13	–	(71)	(71)
Combined property portfolio per external valuers' reports		11,181	6,581	17,762
Less land and development properties (investment, trading, joint ventures and associates)		(1,546)	(961)	(2,507)
Net valuation of completed properties		9,635	5,620	15,255
Add notional purchasers' costs		654	290	944
Gross valuation of completed properties including notional purchasers' costs	A	10,289	5,910	16,199
Income				
Gross passing rent[2]		393	266	659
Less irrecoverable property costs		(2)	(10)	(12)
Net passing rent	B	391	256	647
Adjustment for notional rent in respect of rent free periods		25	33	58
Topped up net rent	C	416	289	705
Including fixed/minimum uplifts[4]		8	1	9
Total topped up net rent		424	290	714

Yields – 2023	Notes	UK £m	Continental Europe £m	Total £m
EPRA net initial yield[3]	B/A	3.8	4.3	4.0
EPRA topped-up net initial yield[3]	C/A	4.0	4.9	4.3
Net true equivalent yield		5.2	5.4	5.3

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).

Notes to the Financial Statements continued

Table 8: EPRA vacancy rate

	2023 £m	2022 £m
Annualised estimated rental value of vacant premises	**44**	32
Annualised estimated rental value for the completed property portfolio	**879**	797
EPRA vacancy rate[1,2]	**5.0%**	4.0%

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

Total cost ratio	Notes	2023 £m	2022 £m
Costs			
Property operating expenses[1]	5	**85**	76
Administrative expenses	6	**63**	59
Share of joint venture and associates property operating and administrative expenses	7	**23**	25
Less:			
Joint venture management fees income, management fees and other costs recovered through rents but not separately invoiced[2]		**(36)**	(37)
Total costs (A)		**135**	123
Gross rental income			
Gross rental income	4	**547**	488
Share of joint venture and associates gross rental income	7	**134**	119
Less:			
Other costs recovered through rents but not separately invoiced[2]		**(3)**	(3)
Total gross rental income (B)		**678**	604
Total cost ratio (A)/(B)[3]		**19.9%**	20.3%
Total costs (A)		**135**	123
Share-based payments	6	**(10)**	(9)
Total costs after share-based payments (C)		**125**	114
Total cost ratio after share-based payments (C)/(B)[3]		**18.4%**	18.8%
EPRA cost ratio			
Total costs (A)		**135**	123
Impairment loss on loan due from associates	2	**28**	–
EPRA total costs including vacant property costs (D)		**163**	123
Group vacant property costs	5	**(14)**	(10)
Share of joint venture and associates vacant property costs	7	**(1)**	(1)
EPRA total costs excluding vacant property costs (E)		**148**	112
Total gross rental income (B)		**678**	604
Total EPRA cost ratio (including vacant property costs) (D)/(B)[3]		**24.0%**	20.3%
Total EPRA cost ratio (excluding vacant property costs) (E)/(B)[3]		**21.9%**	18.5%

1 Property operating expenses are net of costs capitalised in accordance with IFRS of £12 million (2022: £11 million) (see Note 5 for further detail on the nature of costs capitalised).
2 Total deduction of £36 million (2022: £37 million) from costs includes: joint venture management fees income of £29 million (2022: £30 million) and management fees and other costs recovered through rents but not separately invoiced, including joint ventures and associates, of £7 million (2022: £7 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 £547 million (2022: £488 million) does not include joint venture management fees income of £29 million (2022: £30 million) and management fees income of £4 million (2022: £4 million). These fees are not required to be included in the total deduction to income of £3 million (2022: £3 million).
3 Cost ratio percentages have been calculated using the figures presented in the table above in millions accurate to one decimal place.

Table 10: EPRA capital expenditure analysis

	2023			2022		
	Wholly owned £m	Joint ventures and associates £m	Total £m	Wholly owned £m	Joint ventures and associates £m	Total £m
Acquisitions	403[1]	10	413[5]	800[1]	176	976
Development	443[2]	84	527	718[2]	69	787
Capitalised interest[4]	64	4	68	22	2	24
Investment properties:						
Incremental lettable space	1	–	1	11	2	13
No incremental lettable space	53	13	66	42	7	49
Tenant incentives[3]	37	9	46	39	10	49
Total	1,001	120	1,121	1,632	266	1,898

1 Being £403 million investment property and £nil trading property (2022: £799 million and £1 million respectively) see Note 13.
2 Being £443 million investment property and £nil trading property (2022: £656 million and £62 million respectively) see Note 13.
3 Includes tenant incentives and letting fees.
4 Capitalised interest on development expenditure.
5 Total acquisitions completed in 2023 shown on page 39 of the Strategic Report, being land acquisitions of £404 million, excludes share of assets acquired by SELP from SEGRO of £9 million, (see Note 23).

Total disposals completed in 2023 of £356 million shown on page 39 of the Strategic Report includes: Carrying value of investment properties disposed by SEGRO Group of £287 million (see Note 13) and profit generated on disposal of £39 million (see Note 8); proceeds from the sale of trading properties by SEGRO Group of £35 million (see Note 4); carrying value of lease incentives and letting fees disposed by SEGRO Group and joint ventures and associates (at share) of £4 million; and excludes 50 per cent of the disposal proceeds for assets sold by SEGRO to SELP JV of £9 million (see Note 23).

Table 11: Like-for-like net rental income

(including JVs and associates at share)	2023 £m	2022 £m	Change %[3]
UK	313	297	5.3
Continental Europe	195	180	8.5
Like-for-like net rental income before other items[1]	508	477	6.5
Other[2]	(5)	(4)	
Like-for-like net rental income (after other)	503	473	6.3
Development lettings	52	10	
Properties taken back for development	13	19	
Like-for-like net rental income plus developments	568	502	
Properties acquired	5	4	
Properties sold	5	11	
Net rental income before surrenders, dilapidations and exchange	578	517	
Lease surrender premiums and dilapidation income	2	3	
Other items and rent lost from lease surrenders	7	6	
Impact of exchange rate difference between periods	–	(4)	
Net rental income (including joint ventures and associates at share)	587	522	
SEGRO share of joint venture management fees	(12)	(13)	
Net rental income after SEGRO share of joint venture fees	575	509	

1 Like-for-like change by Business Unit: Greater London 7.3%, Thames Valley 3.5%, National Logistics 0.3%, Northern Europe 11.3%, Southern Europe 7.3%, Central Europe 7.5%.
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 2023 and 2022 on a proportionally consolidated basis. The value of these properties as at 31 December 2023 on a proportional basis was £13,149 million (2022: £13,916 million). 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.

Notes to the Financial Statements continued

Table 12: Top 10 estates as at 31 December 2023 (by value, including joint ventures and associates at share)

	Ownership %	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	607,408	109.6	96.7	10.6	Multi-let urban warehouse estate
SEGRO Logistics Park East Midlands Gateway	100	Midlands	456,684	35.3	100.0	12.7	Big box warehouse park
SEGRO Park Premier Road	100	Park Royal	78,720	14.4	88.5	4.9	Multi-let urban warehouse estate
SEGRO Park Greenford Ocham Drive and Auriol Drive	100	Park Royal	79,488	13.6	91.6	4.9	Multi-let urban warehouse estate
SEGRO Park Heathrow, Shoreham Road	100	Heathrow	93,704	21.7	100.0	0.9	Multi-let cargo facility
SEGRO Park Greenford Central	100	Park Royal	70,027	9.5	80.8	1.6	Multi-let urban warehouse estate
SEGRO Park North Feltham	100	Heathrow	57,947	10.8	96.8	4.3	Multi-let urban warehouse estate
SEGRO Park Coventry[2]	100	Midlands	–	–	n/a	n/a	Big box warehouse park
SEGRO Park Hurricane Way	100	Heathrow	61,753	9.2	100.0	5.1	Multi-let urban warehouse estate
SEGRO Park Perivale	100	Park Royal	56,901	8.2	86.6	3.7	Multi-let urban warehouse estate
Continental Europe							
SEGRO Airport Park Berlin	50 / 100	Germany	154,191	9.4	97.6	5.9	Multi-let urban warehouse and Big box estate
SEGRO Parc des Petits Carreaux	100	France	141,826	13.8	94.7	3.3	Multi-let urban warehouse estate
CSG Logistics Park	50 / 100	Italy	474,160	15.3	100.0	6.4	Big box warehouse park
SEGRO Logistics Park Krefeld-Süd	50	Germany	235,977	6.8	100.0	6.4	Big box warehouse park
SEGRO Park Düsseldorf-Süd	100	Germany	88,806	7.2	99.6	4.8	Multi-let urban warehouse estate
Novara Logistics Park	100	Italy	189,028	6.1	100.0	12.6	Big box warehouse park
Rome South Logistics Park	50	Italy	243,873	5.5	100.0	15.3	Big box warehouse park
Bologna Interporto	50 / 100	Italy	219,600	6.6	100.0	5.0	Big box warehouse park
Les Gobelins[2]	100	France	–	–	n/a	n/a	Multi-let urban warehouse estate
SEGRO Logistics Park Aulnay	100	France	47,288	4.9	100.0	5.8	Big box warehouse park

1 Weighted average unexpired lease term to earlier of break or expiry.
2 This is currently a development so no lettable area or headline rent.

Five-year financial results

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Group Income Statement					
Net rental income[3]	**462**	412	341	302	280
Joint venture management fee income	**29**	30	26	22	20
Management and development fee income[3]	**4**	5	5	3	1
Net solar energy income[2,3]	**1**	1	1	–	–
Administrative expenses	**(63)**	(59)	(59)	(52)	(51)
Share of joint ventures and associates' Adjusted profit after tax	**82**	71	69	61	54
Net finance costs (including adjustments)	**(106)**	(74)	(40)	(40)	(37)
Adjusted profit before tax	**409**	386	343	296	267
Adjustments to the share of (loss)/profit from joint ventures and associates after tax[4]	**(158)**	(215)	392	175	149
Profit on sale of investment properties	**39**	9	53	5	7
Valuation (deficit)/surplus on investment properties	**(647)**	(1,970)	3,617	971	477
Profit on sale of trading properties	**3**	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	**7**	–	–	14	4
Net fair value gain/(loss) on interest rate swaps and other derivatives	**24**	(199)	(82)	14	8
Cost of early close out of debt	**(1)**	–	–	(11)	(18)
Joint venture performance fee[4]	**89**	–	26	–	–
Impairment loss on loan due from associate	**(28)**	–	–	–	–
(Loss)/profit before tax	**(263)**	(1,967)	4,355	1,464	902
Group Balance Sheet					
Investment properties (including assets held for sale)	**14,914**	14,939	15,492	10,671	8,402
Trading properties	**3**	35	45	52	20
Total directly owned properties	**14,917**	14,974	15,537	10,723	8,422
Property, plant and equipment	**28**	23	22	27	23
Investments in joint ventures and associates	**1,636**	1,768	1,795	1,423	1,121
Other assets	**349**	421	344	405	384
Cash and cash equivalents	**376**	162	85	89	133
Total assets	**17,306**	17,348	17,783	12,667	10,083
Borrowings	**(5,348)**	(4,884)	(3,406)	(2,413)	(1,943)
Deferred tax liabilities	**(192)**	(226)	(274)	(87)	(54)
Other liabilities and non-controlling interests	**(862)**	(865)	(667)	(508)	(408)
Total equity attributable to owners of the parent	**10,904**	11,373	13,436	9,659	7,678

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Total movement in equity attributable to owners of the parent					
(Loss)/profit attributable to equity shareholders	**(253)**	(1,927)	4,060	1,427	858
Other equity movements	**(216)**	(136)	(283)	554	256
Data per ordinary share (pence)					
Earnings per share					
Basic earnings per share	**(20.7)**	(159.7)	339.0	124.1	79.3
Adjusted earnings per share – basic	**32.7**	31.0	28.0	25.4	24.4
Net assets per share basic					
Basic net assets per share	**889**	941	1,118	811	700
Adjusted NAV per share – diluted[1]	**907**	966	1,137	814	700
Dividend per share	**27.8**	26.3	24.3	22.1	20.7

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.
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 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. There was 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.
4 As set out in Note 2, SELP performance fees are now recognised outside of Adjusted profit, the 2021 comparative has been represented to reflect this change.

Further information

Financial calendar and shareholder information

February 2024		
Announcement of Full-Year Results:		16 February 2024
March 2024		
Ex-dividend date for final dividend:	Property Income Distribution	14 March 2024
Record date:	Property Income Distribution	15 March 2024
April 2024		
Final date for Scrip election:	Property Income Distribution	12 April 2024
Annual General Meeting:		18 April 2024
May 2024		
Payment:	Property Income Distribution	3 May 2024
July 2024		
Announcement of Half-Year Results:	Provisional	26 July 2024
September 2024		
Payment:	Property Income Distribution and/or Dividend	September 2024

Shareholder information

Shareholder enquiries

Our Registrar, Equiniti Limited (Equiniti), provides a range of services to our shareholders. 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 on the details below or register for a free Shareview portfolio at www.shareview.co.uk or by scanning the QR code provided.

Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA.
Telephone: +44 (0) 371 3842 186

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 as detailed above, where you can also submit proxy votes for shareholder meetings and update your bank details for dividend payments. 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 2024 AGM will be held at 11.00 a.m. on 18 April 2024 at RSA House, 8 John Adam Street, London WC2N 6EZ.

Please check our 2024 Notice of Meeting for the most up to date information. Shareholders are also advised to check our website at www.SEGRO.com, 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. For more information on how to receive dividends directly into your bank or building society account, please visit www.SEGRO.com/investors/shareholder-information/shareholder-faq.

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. This authority will expire at the 2024 AGM.

The Board has decided to recommend the renewal of the Directors' authority to offer a Scrip which, if approved by shareholders at the forthcoming AGM, will allow shareholders who elect to receive the Scrip to take the final dividend in shares rather than in cash. If shareholders approve the re-introduction of the Scrip, it will run from three years ending on the earlier of 18 April 2027 and the beginning of the third AGM of the Company following the date of the 2024 AGM.

Details of the proposed Scrip, together with information on how shareholders can elect to receive it subject to shareholder approval, will be provided in the Notice of Meeting and full terms and conditions of the Scrip will be set out in the Scrip Dividend Scheme Booklet, which will be 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 projects that are conditional (for example, on achieving planning permission or final signing of the contract) but in a sufficiently advanced stage that we expect to commence development within the next 12 months (Near-term Pipeline) and potential schemes not yet commenced on land owned or controlled by the Group (Future Pipeline).

Earnings before interest, tax, depreciation and amortisation (EBITDA): Adjusted operating profit before interest and tax, adding back depreciation and amortisation charges, less share of joint ventures' and associates' adjusted profit and including dividends received.

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.

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 annually in arrears.

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.

Green lease clause: A clause added to our leases that require our customers to provide us with their energy usage data and, where possible, source their energy via a renewable tariff.

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 debt:EBITDA ratio: Net debt divided by EBITDA.

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.

Reversion: The difference between in place contracted rents and estimated market rental value (ERV).

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.

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 at www.SEGRO.com 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 our website.

We would encourage shareholders to consider electing to receive shareholder communications, including the Annual Report and Accounts, electronically as set out on page 195. As part of our commitment to become net-zero, we want to reduce the amount of paper we use.

Other Publications

Additional disclosures on our property portfolio can be found in the 2023 Property Analysis Report at www.SEGRO.com/investors/reports-presentations

Our ESG policies, reporting guidelines, assurance statements and further case studies can be found at www.SEGRO.com.

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