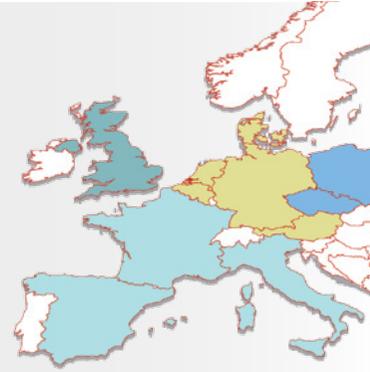




SEGRO develops, owns and manages a portfolio of European industrial and warehouse properties. Our modern, well-located buildings are capable of servicing an extraordinary variety of activities.

Our people are at the heart of our business...



We are committed to enhancing the communities in which we operate...



We understand the importance of using infrastructure to protect and enhance our environment...



We are committed to listening to and understanding our stakeholders...



FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that SEGRO has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

The Directors present the Corporate Social Responsibility (CSR) Report for the year ended 31 December 2016. 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. The report has been drawn up and presented in accordance with English company law and the liabilities of the Directors in connection with the report shall be subject to the limitations and restrictions provided by such law.

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

Responsible SEGRO

SEGRO's core business involves being a landlord to our customers, but we are much more than this. We have employees, suppliers, communities, governmental bodies and investors who have their own expectations about how we interact with them. We also have a responsibility to protect the environment in which we operate, owning and developing buildings which use natural resources efficiently during both construction and occupation.



David Sleath
Chief Executive

To focus our corporate social responsibility activities on the aspects which deliver mutual benefit for our stakeholders and SEGRO, we developed the Responsible SEGRO framework. This report reflects the key focus areas and achievements under each element of the framework.



Responsible SEGRO, introduced in 2016, provides a framework around which we describe and report on our responsibilities to all of our stakeholders. At SEGRO, we prioritise taking time to listen to our people, communities and stakeholders to ensure that we exceed their expectations.

We believe that this collaborative approach enables us to make informed decisions which are beneficial to all, including the environment.

One of our core Values is to keep one eye on the horizon. Real estate is a long-term investment and we need to ensure that it can thrive in a fast-moving business environment. It is vital that we understand our changing environment and adjust our business accordingly in order to make it future-proof: changing demographics, the impact of technology and the continuing rise of ecommerce are just a few factors which are currently affecting our business and the businesses of our customers. By investigating and understanding these trends, we aim to position our business for success in the long term.

Our People

Without our employees, the success that we achieve would not be possible so we invest substantially in our people and in making working at SEGRO an enjoyable and rewarding experience.

In 2016, we continued to embed our Purpose and Values into the Company culture and to make them tangible through a number of Company-wide initiatives which have enabled our Values to be integral to the way we work.

We set up a number of working groups during 2016 to explore future trends and innovations as well as to streamline the amount of internal reporting that takes place within the Company. We also invested in a number of systems which help us achieve our Purpose 'to create the space that enables extraordinary things to happen'.

Our Community

SEGRO continues to invest in the communities in which we operate. Our commitment in this area, based on collaboration and partnership, is integral to our business.

We are proud of our contribution to enhancing communities through the creation of a number of skills and employment schemes in 2016. The successful outcomes from the London Community Fund are an excellent example of our commitment in this area and can be seen in further detail on page 13.

2016 was a particularly successful year for SEGRO in terms of supporting charities. The launch of our Company sponsored Day of Giving was enjoyed by 201 employees across Europe and we were the first company to reach the fundraising target for LandAid's 'Sponsor a home' scheme.

Our Environment

As a developer, we understand that we are responsible for creating sustainable buildings which safeguard the interests of the environment. By focusing on materials, energy and waste, SEGRO made significant progress on our 2020 targets in 2016 and we are proud of our achievements across the Group.

Responsible SEGRO continued...

An example of SEGRO's level of commitment to safeguarding the environment can be seen in our scheme launched at Navigation Park – London's first 'carbon neutral' industrial scheme for which we achieved a BREEAM rating of 'Excellent'. The project sets a fantastic benchmark of what we can achieve as a business and gives an idea of how we hope to develop in the future.

A principal part of our strategy involves investigating innovative developments which are likely to shape the future. Our adoption of solar power, LED lighting and electric vehicle technology demonstrate just a few of the enhancements we have shown commitment to adding across our portfolio. We will continue to invest in other innovations as society and technology move forward.

Our Stakeholders

Our relationships with our customers, suppliers and investors as well as our involvement with industry bodies enables us to make informed strategic decisions for the benefits of our stakeholders.

2016 saw an investment in new systems and practices aimed at enhancing our commitment to our stakeholder groups.

What to expect in 2017

We have outlined the following objectives for 2017:

- We will engage with our teams around the results of our Employee Survey to create meaningful, local action plans which are underpinned by our Purpose and Values.
- We will set up a Berkshire Community Fund to replicate the success of the London Community Fund.
- Having achieved our operational efficiency targets for Carbon, Water and Waste ahead of our 2020 deadline, we will be reviewing our SEGRO 2020 targets in 2017 to reflect the changing demands on our environment.
- We will fully consider the results of our annual customer survey, take on board the feedback received and then implement improvements aimed at delivering a better product and service to our customers.

David Sleath
Chief Executive

Code of Ethics

SEGRO maintains the highest ethical standards in all of our business activities. Our Code of Ethics is aligned to our Purpose and Values, as well as laws and regulations that control our operations. The Code is a primary condition of each employee's terms of employment and aims to reflect the basic level of acceptable behaviour to ensure that our employees always act in the Company's best interests.

The Code incorporates policies on bribery, corruption and fraud, gifts and hospitality, insider trading, confidentiality, conflicts of interest, relationships with our stakeholders, political and charitable donations and raising serious concerns.

All employees receive information on our Code of Ethics when starting work at SEGRO and are required to complete an online training course as part of their induction. On an annual basis, employees are required to certify that they continue to understand and adhere to the Code.

Our policies are regularly reviewed to reflect the requirements of the Company and the concerns of our employees to ensure they remain relevant. Any changes made to policies are appropriately communicated across the Group.

Any breaches of the Code of Ethics are fully investigated and managed accordingly by the General Counsel or Group HR Director as necessary.

Furthermore, as a business we recognise our responsibility to be aware of the potential risks of slavery and human trafficking within our organisation and supply chain. In accordance with the Modern Slavery Act 2015, we have begun amending our existing policies and creating new policies and will publish a statement in the first half of 2017 to ensure we comply with the legislation and reflect our zero tolerance approach.

Health and Safety

Throughout 2016, we continued our work to embed our health and safety policy into our culture, managing risks through tight controls, training and raising awareness.

SEGRO has thorough health and safety management procedures in operation across the Group, allowing our excellent record in this area to be maintained.

As part of our monthly reporting, all updates, incidents or health and safety related issues are reported to senior management and the Board, with any serious incidents being fully investigated as soon as we are made aware of them.

For the second consecutive year, our Accident Frequency Rate for SEGRO employees was zero and there were no health and safety prosecutions, enforcement actions or fatalities in 2016.

For the fourth consecutive year, SEGRO was awarded a RoSPA Gold Award. This award reflects our commitment to, and practical application of, exceptional health and safety procedures across all our business operations.

Our Group Health and Safety policy can be accessed on our website – www.SEGRO.com/csr/policies.

Our key focus in 2016 with regard to health and safety was to fully implement our Construction Standard which we launched in 2015. The Standard is now available in eight languages and we are continuing to support our colleagues and contractors to achieve our Standard through facilitating workshops and providing advice and guidance onsite.

We also introduced a new online tool called Safety Matters. This system provides one central point to input and track information concerning incidents, inspections and compliance, as well as recording health and safety training details for all employees which are relevant to their role. Alongside the new system, we launched a training matrix to ensure that every SEGRO individual has personalised and appropriate training for their role. As this system further embeds itself within the Company, we expect to see our processes becoming increasingly aligned.

As well as providing benefits for our employees, our Safety Matters system also provides an enhanced service for our supply chain. A key element of the new tool is to track the construction inspections that are undertaken on SEGRO’s development sites by both local and central health and safety consultants. This allows us the ability to build a complete picture of any issues that may arise, whilst also harnessing any good practices that can be shared with the rest of the Group.

Another health and safety highlight for 2016 was the launch of a Wellbeing initiative in the summer, coinciding with the Company’s Day of Giving (see page 15 for more details). The project focused on specific areas identified in an employee wellbeing survey, allowing us to tailor it specifically to our people. The initiative focused on keeping hydrated, covering up in the sun and being active. A wealth of information was circulated internally to encourage awareness of each of these wellbeing areas and, as a reflection of SEGRO’s efforts to encourage being active, many of our employees continued to volunteer for community and fundraising activities as part of our Summer of Sport 2016.





Our People

1%

Increase in headcount since December 2015

4%

Employee turnover in 2016

6,422

Hours of training delivered in 2016

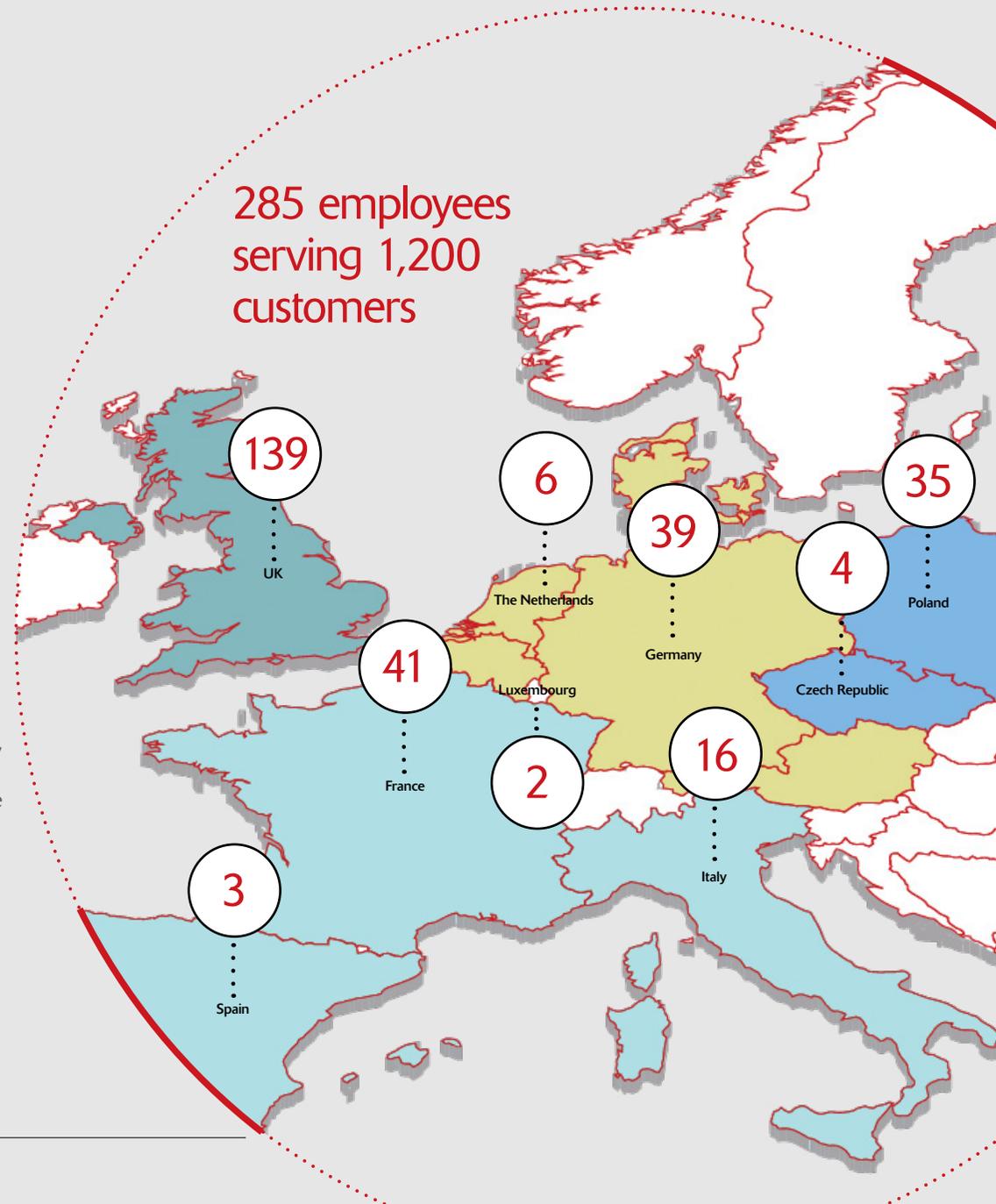
Liz Reilly
Group HR Director



SEGRO employs 285 people across Europe who work together to serve our 1,200 customers. Whilst our employee network is spread across Europe, our strong culture means that we are able to operate successfully as one cohesive, collaborative and inclusive team.

The success of our people in 2016 has enabled the business to continue to grow despite what could be seen as a period of uncertainty in the wider economic and political environment.

We are proud of the fact that 99 per cent of our employees said in our recent employee survey that they understand SEGRO's Purpose and Values. We believe that our strong and unique culture allows us to continue to attract and retain high calibre individuals at SEGRO.



Purpose and Values

Our core beliefs about how we do business and our expert people set us apart from our peers. Whilst our culture has evolved over our long history, we have retained our entrepreneurial spirit and passion for providing great space for our customers.

Our Purpose **‘We create the space that enables extraordinary things to happen’** is an internal and differentiating statement that energises us as a team, whilst our Values guide our decision making.

Throughout 2016 we continued with the journey we started in 2014 to bring our Purpose and Values to life. We have launched a number of initiatives to make the Values tangible to our business so that our employees really live the Values, rather than see them as something separate to their job. This has included delivering the five corporate actions we agreed at the start of our journey (see table for details).

97%

97 per cent of employees care about the future of SEGRO, with 96 per cent of employees believing that the Company strategy is likely to succeed.

SAY IT LIKE IT IS.	STAND SIDE BY SIDE.	KEEP ONE EYE ON THE HORIZON.	IF THE DOOR IS CLOSED...	DOES IT MAKE THE BOAT GO FASTER?
Executive Directors 360 Feedback	Say it like it is: The Executive Directors led from the front by giving each other feedback and getting feedback from their direct reports through in-depth 360 interviews.			
Customer Relationship Management	Stand side by side: We invested in a new Customer Relationship Management system and customer engagement programme to harness our networks across SEGRO and enhance our customer relationships.			
Remuneration Alignment	Stand side by side: We launched a consultation programme amongst a cross section of employees to assess whether our all-employee Bonus Scheme was aligned to our Purpose and Values. We made changes to the Scheme as a result to include a common Group measure for all employees (Total Property Return).			
Creation of our Futures Group/ Customers' Futures Forum	Keep one eye on the horizon/If the door is closed...: We brought together a group of employees to assess the potential 'disruptors and opportunities' in our sector. The group reported their findings to the Board. We also hosted a Customers' Futures Forum with a number of our customers to share our research and gain insight into some of the trends impacting their businesses.			
Reduction in Reporting	Make the boat go faster: We challenged ourselves to consider whether we could improve the efficiency of our reporting. The Chief Executive wrote to all employees to ask them for their thoughts and feedback and as a result we were able to remove a number of reports and reduce the frequency of others.			

In focus: Employee engagement

Every two years, SEGRO conducts an employee survey in which all employees are invited to confidentially express their views on a range of topics from 'Goal Clarity' to 'Employee Support'. This year, 92 per cent of employees completed the SEGRO 2016 employee survey and we are delighted to report that we saw further improvements on the high engagement scores which we achieved in 2014. Primarily, our employee engagement score increased by one percentage point to 90 per cent. This is 13 percentage points higher than the external benchmark and within the upper quartile of companies surveyed. Some of the strongest results, demonstrating the success of our Purpose and Values programme, are as follows:

- 99 per cent of employees understand SEGRO's Purpose and Values.
- 97 per cent of employees care about the future of SEGRO, with 96 per cent of employees believing that the Company strategy is likely to succeed.
- 93 per cent of employees are proud to say they work for SEGRO and 93 per cent believe that SEGRO respects the diversity (i.e. gender, sexual orientation, disabilities etc.) of its employees.

The results of the survey help to shape our future efforts around engagement, with communications to our employees including monthly briefings, quarterly webinars, a SEGRO biannual 'In The Know' newsletter and an annual all employee conference.

Diversity

We believe that being fair, open minded and free from bias helps us to attract and retain the best people.

We have robust policies in place with regard to equal opportunities and human rights which assist us in achieving our goals in this area.

Every employee receives diversity training as part of the induction process, which highlights the importance we place on equal opportunities.

Through our Diversity Policy we seek to promote the diversity of our workforce and to reflect the multifaceted societies in which we operate. Our Policy reflects our intention to safeguard the rights of employees (and potential employees) to be afforded equal opportunity and to be treated with dignity, courtesy and respect. We strive to do this by ensuring that our employment policies and practices are free from bias and by taking positive steps to promote equality of opportunity and diversity within the Group.

We also promote a flexible working policy across the Group and do not endorse zero hour contracts.

In 2016, our Executive Directors and Leadership Team (direct reports to the Executive Directors) completed Unconscious Bias training as a group. This led to an improved understanding and awareness of this important topic among the leaders of our business.

We are signatories to the RICS Inclusive Employer Quality Mark with the six diversity principles shaping our commitment in this area.

In focus: Pathways to Property

As part of our ambition to bring more diversity into the sector, SEGRO sponsor the Pathways to Property programme. This initiative aims to attract students from diverse backgrounds to gain an understanding of the real estate sector through a Summer School, work experience placement and university sponsorship. Through the experience, it is hoped that the sector will become increasingly diverse.

Now in its fourth year, Pathways to Property has been able to reach out to more students, teachers and schools than ever before, reaching people from a wide variety of backgrounds including 15 different nationalities.

Since its inception in 2012, Pathways to Property has engaged with more than 6,000 students, and 1,500 teachers and careers advisers.

The programme has run four Summer Schools, benefiting 319 students. Of these students, 78 per cent of attendees had no family experience of higher education, and 49 per cent were female.

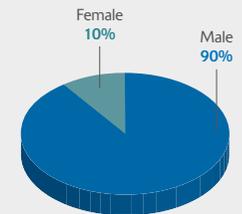
Feedback from 2016 participants highlights how much the programme is appreciated and enjoyed:

“Gave me a better insight into what it is like to work in property and I definitely want to do something related to property in the future.”

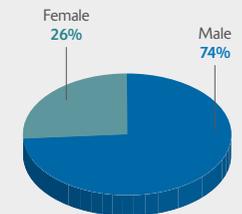
“The experience has exceeded my expectations. Before I came here I didn’t know where I was going in life but now I’m 100 per cent certain to go into property.”

“Really enjoyed my time at Reading, really opened my eyes to all the jobs available in property.”

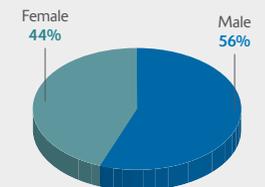
Gender diversity



Board



Leadership Team



Workforce

Talent

Our approach to developing talent is quite simple – we want everyone to be able to maximise their potential whilst with SEGRO.

SEGRO continued to invest in a robust talent management programme in 2016 which included the delivery of 6,422 hours of training during the year. The training ranged from technical training on new IT systems through to management and leadership training. This formal training is in addition to seminars and ad hoc training on the job which takes place throughout the year at SEGRO.

We made further investment in our 'Space To Grow' training scheme in 2016 which offers greater choice and flexibility, alongside dynamic learning opportunities in a wide number of languages and locations to match the SEGRO portfolio.



We continued to offer our secondment programme during 2016 and have new employees assigned in short-term positions in Germany and France. These opportunities allow our employees to enhance their skill sets by learning about the working of different business units, as well as experiencing different cultures and learning new languages.

SEGRO reported particularly strong results from our approach to talent within our 2016 employee survey, having received an overall score of 82 per cent with regard to learning and development. This achievement reflects a performance which is at least ten per cent better than the benchmark average.

Specifically, the talent results were as follows:

- 94 per cent of our employees confirmed they have the knowledge and skills needed to do their job.
- 81 per cent confirmed that they get the training and development needed to do their job.
- 71 per cent believe they have the right opportunities to learn and grow at work.

Each of the above results indicates a performance of at least 5 per cent better than the benchmark average.



"I have recently moved from working within the Greater London Business Unit as a Development Surveyor to start a 12-month secondment within the Northern Europe Business Unit. I am currently based in SEGRO's Düsseldorf office and am working alongside senior colleagues within the business gaining insight into development, investment and leasing opportunities within Austria, Belgium, Germany and The Netherlands. This unique opportunity is allowing me to gain an in-depth knowledge about joint ventures, new geographies and how strategic decisions are made by the Board. I am thoroughly enjoying the new challenge, having already gained exposure to a significant number of exciting projects."

Mark Emanuel

Property Business Executive, 2014 graduate



Partnerships

When delivering on our developments, we always take a partnership approach with community and local stakeholders.

Jobs and Skills

We take pride in creating training and employment opportunities within the communities in which we operate. We do this by collaborating with our contractors and customers to maximise opportunities for the local community.

Charity

All SEGRO employees are encouraged to participate in charitable activities with donations of time, skills or money. The charities that we focus on primarily help address unemployment and homelessness.

Partnerships

OVER 3,200 PEOPLE

will ultimately be employed in the new space we constructed in 2016

£880,420

donated to charity in 2016

1ST

The first company to reach the fundraising target for LandAid's 'Sponsor a home' scheme

315

employee days donated to charity in 2016



Neil Impiazzi
Partnerships
Development
Manager

SEGRO continued to work closely with local communities and stakeholders in areas where we operate throughout 2016. We are widely recognised as a company with which communities want to work. We believe that active engagement and an understanding of the local areas help to deliver better long-term regeneration outcomes for our communities.

Partnerships in London

37 per cent of our portfolio is in Greater London, which make our partnerships in the City very important. As our presence in Greater London has continued to increase in recent years, we have made great efforts to establish relationships within many London boroughs and councils and have a wide network of community contacts. Our initiatives in collaboration and partnership were integral to being chosen by the Mayor of London as the preferred industrial development partner for the 86 acre East Plus portfolio in October 2015, with construction of the first development (SEGRO Park Rainham) having started in January 2017.



In focus: Hayes development

Following the closure of the Nestlé coffee facility in 2014, SEGRO acquired the 30 acre site in Hayes and has committed to a mixed-use regeneration project, with SEGRO delivering 21,375 sq m of modern industrial and urban logistics warehouses alongside Barratt London producing over 1,000 new homes.

SEGRO and Barratt London engaged with Hillingdon Council, The Greater London Authority and Historic England during 2016 in order to draft a suitable proposal to enhance the Hayes community.

The first step in the development process involved opening up the former Nestlé site to local residents for a community open day in June 2016. The event provided an opportunity for local people to meet with the SEGRO and Barratt London project teams to learn more about the vision for the regeneration of the site and to provide feedback.

The event was attended by more than 200 local residents who were given the opportunity to take part in a guided tour of the site and enjoy the family friendly activities. We were also joined by John McDonnell MP and a number of local Hillingdon councillors.

Following the community day and the consultations that followed, a number of community benefits to the project will be delivered including a nursery, gym, a locally focused skills and development plan, increased green space and improved access to the adjacent canal.

Jobs and Skills

Through our development programme and in partnership with our customers, SEGRO is committed to raising education, training and employment levels in the communities in which we operate.

The space we create provides modern premises in which companies of all sizes can operate.

These bring with them direct and related employment opportunities, allowing communities to benefit from wider regeneration.

We are committed to going above and beyond being simply a local landlord and have invested in a range of initiatives involving our contractors and customers to offer local residents opportunities to increase their skills and secure employment in both the construction phase and in completed developments. SEGRO encourages and participates in school visits, work experience, pre-employment courses and guaranteed interview programmes for local people.

In 2015, SEGRO launched its partnership with the London Borough of Brent to help vulnerable residents access new job opportunities created at Origin Business Park. In 2016, more than 40 members of the community secured employment with our customers, including Ocado, Mash Purveyors and Wasabi.

We wanted to continue to find ways to benefit local communities and, in 2016, we launched a Supply Chain Initiative to promote construction tender opportunities for local SMEs. As part of this programme, SEGRO will run a 'meet the buyer' event and provide training to help small businesses compete for the contract opportunities on offer.

In focus: London Community Fund

Since its launch in 2015, SEGRO has contributed over £150,000 to the London Community Fund which is dedicated to supporting grass-roots community groups and charities in the London boroughs in which we operate. The fund helps to provide training and employment opportunities to the local community, focusing on providing education to enhance employability for vulnerable, young homeless people.

In 2016, we were able to see the widespread success of the 2015 scheme in which 13 community projects were awarded a grant of up to £5,000 each. In total, 594 people benefited directly from the projects including 89 project participants securing employment, 74 securing places on education or further training courses and at least nine securing apprenticeships.

In 2016 we increased the number of community projects we supported to 18.

The success of the London Community Fund has inspired us to set up a Berkshire Community Fund which will be active in 2017.



Jobs and Skills continued...



Community funding

SEGRO's contribution of £65,000 in 2016 to the London Community Fund has helped projects to assist people in gaining access to equipment and advice in order for them to begin their journey back into the working world. The outcomes from the 2015 programme, seen in 2016, are highlighted below.



Training and skills

2016 saw continued success for Slough Aspire and reflects our continued emphasis to regenerate the area from which our heritage stems. Slough Aspire has:



Supply chain

2016 saw the planning of the Supply Chain Initiative to promote construction tender opportunities for local SMEs. As part of this programme, SEGRO will run a 'meet the buyer' event and provide training to help small businesses compete for the contract opportunities on offer. The following are the types of supply chain opportunities we are hoping to provide in our local communities:



Job opportunities

In partnership with the London Borough of Brent, SEGRO helped more than 40 vulnerable residents of the community secure employment at Origin Business Park with some of our customers, including:

- o 594 people have directly benefited from the funding
- o 89 project participants secured employment
- o 74 participants have gone onto education or further training courses
- o 9 participants have secured apprenticeships

- o Welcomed more than 8,400 visitors since opening in 2013
- o Won Entrepreneur of the Year at the Slough Business Awards 2015
- o Delivered 2,935 interventions to unemployed residents to improve their employment prospects
- o Supported the career progression of 1,825 business professionals
- o Aided in the creation of 38 new start-up companies

- o Ocado
- o Mash Purveyors
- o Wasabi

- o Tiling
- o Decorating
- o Scaffolding
- o Mechanical and engineering works
- o Roofing and cladding
- o Structural steelwork

Charity

SEGRO actively encourages all employees to contribute towards charitable causes through the donation of time, money and skills.

Our efforts for charity focus on five key areas which we aim to enhance annually:

- National charity funding (LandAid)
- Local community funding
- Employee volunteering
- Employee fundraising
- Corporate donations and sponsorship

Throughout 2016, our Group Charity Committee continued to deliver SEGRO's community strategy and allocated funds to a variety of projects. We primarily focus on reducing homelessness and raising employability, particularly within the areas in which we operate.

In 2016, SEGRO donated the equivalent of £880,420. This was in the form of direct donations (£240,860), employee volunteering (£119,600) and assistance in kind (£519,960).

In total, 285 SEGRO employees donated 315 days to charity during 2016.

SEGRO also offers to match funds that employees raise for charity, supporting a variety of causes that are close to their hearts.

LandAid

LandAid is the property industry's charity, aiming to end youth homelessness in the UK. SEGRO employees participated in a number of internal events for LandAid in 2016 including a football tournament and sailing and golf days.

SEGRO became the first company to reach the fundraising target for LandAid's new 'Sponsor a home' scheme. This initiative involves creating accommodation for young people leaving care, through refurbishment of a derelict space. Our contribution will be invested in a property in Barking, London in 2017 and we look forward to seeing the progress of the scheme.

We are delighted to have raised £76,251 for LandAid in 2016 and are committed to continue to support the charity into the future with assistance from our Chief Operating Officer and two SEGRO Ambassadors, who are members of the fundraising committee.



In focus: SEGRO Day of Giving

SEGRO provides each employee with an annual day during which they can contribute their time towards a charity of their choice. Following the initial success of this incentive, 2016 saw a further development when we established a Company sponsored Day of Giving.

In June 2016, SEGRO held its first Day of Giving to support community initiatives and local charities in areas where we operate.

Throughout Europe, SEGRO employees worked with ten local charities and community organisations in order to give something back. The day was a huge success with 201 employees taking part in a wide range of activities including gardening, painting, preparing meals, making tea and conversation with elderly residents and building a 12 ft pontoon on the River Jubilee in Berkshire.



Our Environment

250,000 sq m
of space environmentally certified in 2016

61%
reduction in energy intensity achieved in 2016

9.2 MW
of onsite renewable energy capacity

EPRA GOLD AWARD
achieved for 4th consecutive year



Gareth Osborn
Business Unit Director, Thames Valley and National Logistics

At SEGRO, we strive to be more than just a landlord. As developers, owners and managers of over 6 million sq m of buildings across Europe, we have a unique responsibility to deliver sustainable buildings to meet our customer's needs. Our challenge is to ensure that, as we grow, we seek to reduce our energy footprint and resource use whilst increasing our positive impact by providing a vibrant and stimulating working environment.

Our SEGRO 2020 strategy was developed to position SEGRO as a leader in developing sustainable business practices within our sector. It focuses on those aspects that we have identified as being most material to our business, namely sustainable buildings, resource efficiencies and renewable energy.

Each year we make significant investments into innovative technologies and new ways of working to reduce our energy signature and minimise our environmental footprint. In 2016, our efforts were recognised in the Carbon Disclosure Project (CDP) report when we were awarded a score of A-, placing SEGRO as a leader in carbon management.

Some highlights include:

- Through enhancements in our refurbishment projects we have reduced the proportion of F and G EPC rated sq m in the UK portfolio to less than 4 per cent, and have plans in place to reduce this further in 2017.
- Across the Group, we have been focusing on building sustainably and have added 250,000 sq m of BREEAM or equivalent certified space in 2016. We developed our first BREEAM Very Good buildings

in Poland as well as developing another LEED Platinum building at Energy Park, Milan.

- Our renewable energy generating capacity across the Group has now risen from 8.1 to 9.2 MWp.
- We have improved our Global Real Estate Sustainability Benchmark and CDP scores, whilst also being shortlisted for the '2016 UK most improved company' for our CDP score.

Not only is it essential to work on reducing our environmental impact but it is also important that we

ensure that we report on our progress openly and transparently. In 2016 we were awarded Gold by EPRA and a Green Star from GRESB in recognition of our transparent reporting. We worked hard in 2016 to further improve our data collation methodology across the Group and this is reflected in this report.



SEGRO 2020 – Operational targets – Improving operational efficiency against our baseline of 2012

Improvement target by 2020	Progress as of 31 December 2016
Reduce energy intensity for SEGRO responsible space by 40 per cent	62% ✓
Reduce water intensity for SEGRO responsible space by 20 per cent	26% ✓
Reuse or recycling 80 per cent of construction/demolition waste	98% ✓
Reuse or recycling 60 per cent of excavation waste	84% ✓

SEGRO 2020 – Asset Design – Improving the design standards of our new buildings and refurbishments

Improvement target by 2020	Progress as of 31 December 2016
Install water efficient technology in all new buildings and qualifying major refurbishments	64% met target ✓
100 per cent of qualifying buildings to be at least 40 per cent more efficient than our 2009 baseline	77% ○
100 per cent of qualifying new developments by SEGRO over 10,000 m ² to be BREEAM certified 'Very Good' or equivalent	91% ○
100 per cent of new buildings to be EPC 'B' rated or better	95% ○
100 per cent of qualifying refurbishments to be EPC 'C' rated or better	86% ○

SEGRO 2020 – Renewables

Improvement target by 2020	Progress as of 31 December 2016
Increase renewable energy generating capacity across the Group	12% increase on previous year ✓

✓ Target met ○ On target to meet SEGRO 2020 objectives

Materials

Low Carbon Buildings

We are committed to reducing our energy and environmental footprint by using innovative ways of working, which include leading-edge technologies. We make sure that everything we build is of the highest sustainable standard and invest in refurbishing and retrofitting our existing estate with energy efficient equipment and building materials wherever possible.

The European Directive Energy Performance of Buildings requires all new buildings to be nearly zero-energy by the end of 2020.

SEGRO 2020 progress

Our 2020 strategy sets targets for qualifying new developments to be rated as BREEAM Very Good (or local equivalent) or better with an EPC rating of B or above. For qualifying refurbishment projects, our minimum standard is an EPC C rating.

In 2016 we achieved the following:

- We developed our first A+ EPC development, Navigation Park (see page 19 for more details).
- In response to the 2018 MEES legislation, we have reduced our F and G rated floor space in our UK portfolio to less than 4 per cent.
- 95 per cent of our developments achieved at least a B rated EPC.
- 86 per cent of our refurbishments achieved a C or better, with 96 per cent achieving a D or better. Five refurbishment projects achieved an A rated EPC.

In focus: Embodied carbon

We recognise that the embodied carbon content of our buildings can have a significant effect on the environment. Therefore, in 2016 we carried out an assessment of our standard specification for low carbon alternative materials. The assessment considered the embodied carbon content of the materials, the construction processes and the whole life cycle of the materials.

As a result, we now use a higher level of cement replacement in our concrete and, where feasible, select materials with a higher recycled content. The number of materials with Environmental Product Declarations has increased, helping to reduce embodied carbon, as well as earning BREEAM credits.

We are committed to monitoring and reducing the embodied carbon on future developments.



In focus: Energy Park GB One

Our most recent office development, 'Green Building One' located in Energy Park, Milan, was awarded LEED Platinum for its sustainable features.

The building has LED lighting with an efficacy of 158 lumens per watt and produces clean energy onsite from a 40 kWp solar photovoltaic system. The project also managed to reuse or recycle 99 per cent of construction waste through diligent waste management practices.



In focus: Navigation Park

The Navigation Park development, which has achieved a BREEAM rating of 'Excellent', is London's first carbon neutral industrial scheme. This means the building is expected to create as much clean energy as it uses.

The scheme harnesses energy efficient initiatives including LED lighting controlled by motion and light sensors and high U-Value building fabric to outperform building regulations by approximately 33 per cent.

The most significant component in the scheme's carbon neutral status has been achieved through the installation of 428 kWp of photovoltaic (PV) panels spread across the three buildings, supplying clean energy to 16,300 sq m of industrial space.

The energy generated by the solar PV panels is consumed onsite by the occupiers of the buildings, with any excess energy exported to the National Grid. The energy is sold to the occupiers at below cost market rate through a power purchase agreement, guaranteeing energy savings for our customers. The power purchase agreement is regularly updated, tracking below market rates for the length of the lease.

The solar PV aspect demonstrates industry leading innovation to ensure the maximum possible size system could be installed, going way beyond minimum requirements. This in turn guarantees significant operational cost savings for our customers as

well as a significantly reduced carbon footprint for the development.

The system will generate 422,500 kWh of energy per year, with annual CO₂ savings being in the region of 224 tonnes per year.

This scheme demonstrates an excellent example of collaboration between SEGRO and its customers which is needed more widely to achieve national climate change targets. The agreement is beneficial to both parties in helping to achieve corporate environmental targets.

SEGRO's Power Purchase Agreement model has been in operation since 2013 with eight solar PV projects completed in the UK prior to this project. Navigation Park, our largest project of this kind in the UK, will be the first solar PV system completed after the Feed-in Tariff subsidy cuts of January 2016, demonstrating SEGRO's commitment to reducing greenhouse gas emissions.

The project was nominated for Best Commercial PV Project at the Clean Energy Awards.

Energy

Renewable Energy

The ratification of the proposals put forward at COP22 in Marrakech in 2016 highlight the importance of renewable energy in helping to meet the aim of limiting global temperature rises to 1.5 degrees above pre-industrial levels. In order to achieve this, it is estimated that at least 65 per cent of the world's electricity must come from zero or near zero carbon sources.

SEGRO 2020 progress

Our 2020 targets aimed to increase the amount of renewable onsite generation across the Group. We have continued to grow our capacity in spite of the reduction of Government incentives.

During 2016 we generated 9 GWh of power from onsite installations across the Group, up from 5.5 GWh in 2015. This difference is enough to power more than 250 homes for a year.

In the UK alone, we installed 970 kWp of solar PV capacity across 12 roof-top projects.



In focus: The Duke, Burton-on-Trent

With an estate of more than 6 million sq m of existing space, it is vital that we not only focus on developing new buildings to the best efficiencies, but that we also look to enhance our existing estate.

The Duke, in Burton-on-Trent, was developed in 2008 and acquired by SEGRO in 2013 with the asset being occupied under a ten year lease.

In 2016, after discussions with the customer, SEGRO completed an investment of over £250,000 of capital into a retrofit solar PV system.

This retrofit 250 kWp rooftop system, comprising of more than 1,000 PV panels, generates over 240,000 kWh of energy a year, which is enough to power over 15 homes. It also saves more than 144 tonnes of CO₂ a year.

All the energy generated by the panels is consumed by the customer, providing them with a stable source of affordable energy for at least the remainder of the lease.



In focus: Emerging Technologies

Roof solar panels are not the only method of utilising low or zero carbon generation. We also regularly install solar thermal hot water heating and air source heat pumps in our developments.

In order to remain a leader in the field, we continually assess new emerging technologies and hope our first industrial aquifer energy storage heating and cooling system will be operational at Amsterdam Airport Schiphol in 2017.

Waste

Resource Efficiency

SEGRO remains committed to using the earth's limited resources in a sustainable manner whilst minimising impacts on the environment. This inspires us to create more with less, whilst also delivering greater value.

SEGRO 2020 progress

In 2016 we reused or recycled 98 per cent of construction and demolition waste and 84 per cent of excavation waste across 16 projects.

These achievements were made through good practice waste minimisation management which aims to reduce the quantity of waste generated on site before maximising the amount of waste reused or recycled.

We are aiming to increase coverage in 2017 by introducing an online waste monitoring tool.

Our continued approach to enhancing the sustainability of our buildings with a well-considered refurbishment and development programme has ensured that in 2016 we reduced our total operational energy usage by 61 per cent against our baseline.



In focus: LED projects

With up to 40 per cent of a building's energy use being accounted for by lighting, it is important to get this element right.

Following on from our success in 2015 replacing 550 external lighting fixtures on UK buildings with LEDs (and in turn saving around 150 tonnes of CO₂), this year we have focused on upgrading the street lighting on our Slough Trading Estate.

Working in partnership with Slough Borough Council, we have installed 110 energy efficient LED lanterns, and implemented a central management system to remotely manage street lighting levels to improve performance and efficiency. This innovative partnership approach with the local borough council has resulted in lower purchasing costs through a combined approach to procurement.

The project is expected to deliver savings of 1,145 tonnes of CO₂ over 20 years, and a reduction in energy use of 78 per cent.

Furthermore, in 2016 we invested more than €290,000 to replace external lighting units in France with new, efficient LED equivalents. This investment is estimated to save more than 230,000 kWh of energy each year.

In Poland we also invested more than €1.0 million in upgrading the internal and external lighting on 12 of our most energy intensive estates. This move to replace old, inefficient lighting with new LEDs is expected to deliver energy savings in the region of 2.0 million kWh per year. This action contributed to the achievement of our SEGRO 2020 40 per cent reduction target three years early.



In focus: Sustainable transport

We support the transition to electric vehicles for our employees and customers. We have begun to install electric vehicle charging points at our offices to support the switch to electric vehicles.

In London alone, we have installed 80 electric vehicle charging points across five development sites.



Our Stakeholders

1,200

customers

79%

occupier satisfaction in our 2016 survey

OVER £400M

supplier spend per annum

148

representatives from institutional shareholders met by senior management in 2016

Andy Gulliford
Chief Operating Officer



SEGRO's goal is to be the best owner, manager and developer of industrial property in Europe.

The interests of each of our stakeholder groups help to shape our business and we remain committed to working for their best interests. The work with our key stakeholder groups is explored in the following sections.

SEGRO people also work within key industry bodies to ensure that high standards are upheld throughout the real estate industry, particularly within the industrial sector.

SEGRO has been a member of the British Property Federation (BPF) since the 1970's. In 2016 our Chief Executive, David Sleath, was elected President, and has continued to pursue the BPF's vision of a vibrant and successful real estate industry, working in partnership with government.

The BPF industrial committee, which SEGRO currently chairs, has also taken further steps forward by increasing awareness of the need to preserve industrial land close to urban areas and for a well-researched and effective planning system.



Customers

SEGRO seeks to create excellent business relations with our customers and recognises the mutual benefits that can flow through partnership.

It is vital to the continued success of our business that we ensure our customers are consistently satisfied with the product and service levels they get from us. SEGRO encourages customers to participate in an independent annual customer satisfaction survey. The feedback from the survey is shared throughout the business, from local workshops to Board level. We then respond to our customers to develop stronger relationships and take the opportunities from the suggestions they have made to improve further.

In 2016, we achieved an overall score for occupier satisfaction of 79 per cent, up from 77 per cent in 2015. In addition, we also achieved 82 per cent for responsiveness, with 82 per cent of our customers rating us as 'easy' or 'very easy' to work with. We also improved satisfaction with communication and property management which are all now equal to or above our previous record results.

The Customer Relationship Management (CRM) initiative, led by the Chief Operating Officer, is live within the business. In 2016, we launched a new CRM system which is a dynamic platform to store and share customer information across SEGRO. The system enables full visibility across our customer base, allowing real-time visibility on our customer relationships and stimulating cross-border interaction with key customers.

The initiative helps our people to improve their understanding of our customer's businesses allowing SEGRO to offer potential solutions tailored to their real estate requirements.

In focus: Customers' Futures Forum

In November 2016, SEGRO hosted its inaugural Customers' Futures Forum where we invited some of our customers to join us to discuss a number of trends and challenges influencing their business.

The session encompassed a wide-ranging debate in which management, from a cross-section of sectors, shared their views on technology, urbanisation and service models. The discussion covered a variety of topics and was found to be highly beneficial by all the attendees.

We believe that the event gave us a greater insight and understanding about our customers future pressures. From this, we hope to be able to enhance our partnerships and assist our customers to future proof the property aspects of their businesses. We also plan to use it to guide our research efforts for 2017.

Given the success of the event, we will repeat it again in 2017 in order to keep our decisions closely aligned with our customers' needs.

In focus: Bolloré Logistics

Bolloré Logistics took the decision to move into SEGRO's speculatively built Skyline development in July 2016. Having been an existing long-term SEGRO customer with two sites in Heathrow, the company's decision to take a further 7,434 sq m shows the strength of our customer relationship. The SEGRO team recognised that having an increased footprint at the UK's main port and only hub airport would be key for Bolloré Logistics's future success.

"Bolloré Logistics is delighted to be continuing our long-standing relationship with SEGRO and look forward to occupying such a high grade facility. Bolloré Logistics firmly believes that the Skyline development is perfectly suited to the long-term ambition of our business and sends a message to the market about our intent to be at the very top of our industry."

Stuart Innes
Managing Director of Bolloré Logistics



In focus: Key Account Management

In 2016, we assigned specific managers across the business to our top 30 customers. These key account managers will oversee and strengthen our relationships with the objective of adding more value to our customers' businesses.

The process went live, alongside the launch of our new Customer Relationship Management system, and included internal training to ensure the roll-out was effective for long-term success. We have already seen direct benefits from aligning our internal knowledge for the benefit of our customers and we intend to widen this process further across our customer base in the future.

Supply Chain

SEGRO is committed to ensuring a secure and safe supply chain in all parts of the business.

We spend more than £400 million per annum working with approximately 2,400 suppliers across the Group, ranging from small local businesses to large multinational companies.

We remain dedicated to only doing business with suppliers that have been thoroughly checked and approved as legitimate, competent, safe and appropriately insured.

In 2016 we implemented a new online Supplier Relationship Management (SRM) system for the Group, which makes it easier and faster for suppliers to become (and remain) approved by SEGRO. The system has also enabled us to greatly improve rates of compliance with our procurement policy. More details on our SRM system are included in the case study on this page.

With further investment in purchase-to-pay systems during 2016, we have encouraged more suppliers to adopt electronic forms of invoicing, thereby reducing paper and enabling us to process and pay invoices more quickly.

We continue to be a signatory to the UK Prompt Payment Code in which we aim to approve and pay invoices within 30 days, and our new system has assisted in bringing enhancements in this area with 84 per cent of UK invoices received in 2016 being paid within the allocated timeframe. The new system has brought improved levels of control and visibility, along with increased flexibility.

In 2016 SEGRO increased its investment in supply chain management, including appointing a Group Procurement Manager to work in partnership with teams across the business to deliver added-value from our relationships with suppliers. We have also invested in training and support for all of our supply chain colleagues around the business.

The Group's procurement policy has been comprehensively updated to improve its relevance and to better balance the needs of managing supply chain risk, securing the best value for our money, and operational efficiency and agility.

Standards of health and safety remain of the highest importance for our suppliers and customers and, in 2016, we enhanced our Construction Standard across the Group by providing a benchmark for health and safety on all construction activity taking place across our development schemes.

2016 saw increased health and safety monitoring visits take place across our portfolio, with SEGRO supporting local contractors to reach our expectations specified within the Standard.

Furthermore, we made the Construction Standard available in French, Czech, German, Italian, Polish and Spanish, allowing clear communication to local contractors whilst also providing an avenue for feedback to encourage further sharing of best practice.

We believe that the Construction Standard helps to upskill local contractors by providing them with additional skills and knowledge in carrying out their work in a safer environment than they may have been used to. It also brings wider benefits through the sharing of knowledge with other construction sites.

In focus: Supplier Relationship Management (SRM)

In the first quarter of 2016 we implemented the SEGRO Supplier Relationship Management System (SRM) across the Group.

The system enables new and existing suppliers to provide relevant information (e.g. insurance certificates and health and safety policies) to us online. It generates prompts and reminders to ensure that all requirements are met in a timely manner and allows us to review and approve suppliers more quickly.

The system has also enabled us to rationalise our information requirements compared with the previous manual one-size-fits-all approach. Requirements are now tailored to the type of service being supplied and the value involved. As a result, for new suppliers seeking approval the average reduction in our requirements is around one third. For existing suppliers to remain approved, the average reduction is two thirds.

Furthermore, the system has greatly improved our ability to monitor and actively manage compliance with our policies. During 2016 compliance levels improved greatly and we expect to improve this further in 2017.

Investors

Our shareholder register comprises investors of many sizes, from large institutions owning millions of shares to individual shareholders who own a few. The Board manages the Company on behalf of all our shareholders and we aim to ensure that they are regularly well-informed about our activities and our performance, as well as being given opportunities to ask questions and provide feedback.

We have a dedicated Investor Relations team which work with our Company Secretary to ensure that we communicate regularly with our investors through a structured and extensive investor engagement programme.

The programme includes an Annual General Meeting, management meetings with institutional investors, attendance at investor conferences, presentations to investment banks and site visits, as well as more informal events. These events provide our investors with the opportunity to meet SEGRO managers from across the organisation and achieve a greater understanding about how the Company is performing and what the future holds for the business.

Every year we try to extend our investor programme to ensure the widest possible understanding of our investment case. In 2016, we participated in management roadshows and/or investor conferences in Toronto, Cape Town and Stockholm, as well as our usual destination cities of London, New York, Amsterdam, Edinburgh and Paris. Between them, our senior management team met representatives from 148 institutional shareholders in 2016.

We engage our advisers to gather feedback from the investor community on an on-going basis to ensure that we become aware, and are able to quickly address, any areas of concern or uncertainty. Our advisers from UBS Investment Bank and Bank of America Merrill Lynch present this feedback directly to the Board once a year.

Our Annual General Meeting is held in April each year and provides all shareholders with an opportunity to ask questions of the Board both within the formal meeting and informally over coffee and light refreshments after the meeting.

In focus: Equity placing

As in previous years, we asked shareholders at our 2016 Annual General Meeting to give the Company authority to issue new shares, including on a non pre-emptive basis through a means known as an equity placing. More details on this authority can be found in the Directors' Report on page 103 in the 2016 Annual Report and Accounts.

During the year, we identified development opportunities involving capital expenditure of approximately £450 million, of which around £200 million was committed. In order to help fund this, we carried out an equity placing using the authorities given to the Company at the 2016 Annual General Meeting. We issued approximately 74.8 million new shares at a price of 435 pence per share, raising gross proceeds of approximately £325 million.

Although the preparatory work for an equity placing takes some weeks, the process of raising the equity takes a matter of hours. As a result, not every shareholder is able to participate in the equity placing. The Pre-Emption Group's 2015 Statement of Principles (www.pre-emptiongroup.org.uk/Principles-and-template-resolutions.aspx) are designed to ensure that companies using this means of raising equity do so responsibly and we complied fully with both these and regulatory requirements.

The success of the equity placing – reflected in demand for more than double the number of shares available – highlights SEGRO's potential for growth and its good reputation with its investors.

Further details of the equity placing can be found on page 103 of the Directors' Report in the 2016 Annual Report and Accounts.

2016 Investor Relations programme

Q1

- Investor conferences in London and New York
- 2015 full-year results presentation
- Investor roadshows in London, Edinburgh and Amsterdam
- Equity sales presentation

Q2

- Investor conferences in London and Amsterdam
- Trading Update for Q1 2016
- Annual General Meeting
- Investor roadshow in Stockholm
- Investor and Analyst Event focused on London, took place at Park Royal with an additional tour of Heathrow
- Investor dinner with the new Chairman

Q3

- 2016 half-year results
- Investor roadshows in London, Amsterdam and Toronto
- Equity sales presentations
- Investor conferences in London and New York
- Retail investor roadshow in London

Q4

- Trading Update for Q3 2016
- Investor roadshow in Paris
- Investor conferences in London and Cape Town

Appendix

In this section we have included the detailed data and assurance statements for our sustainability element.

Audit opinion

Independent Limited Assurance Report to SEGRO plc

KPMG LLP ('KPMG' or 'we') were engaged by SEGRO plc ('SEGRO') to provide limited assurance over the Selected Information described below for the year ended 31 December 2016.

Our conclusion

Based on the work we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information has not been properly prepared, in all material respects, in accordance with the Reporting Criteria.

This conclusion is to be read in the context of the remainder of this report, in particular the inherent limitations explained below and this report's intended use.

Selected Information

The scope of our work includes only the information included within the Greenhouse Gases Statement section ('the Report') of the SEGRO Annual Report and Accounts for the year ended 31 December 2016 marked with the symbol Δ ('the Selected Information').

We have not performed any work, and do not express any conclusion, over any other information that may be included in the Report or displayed on SEGRO's website for the current year or for previous periods unless otherwise indicated.

Reporting Criteria

The Reporting Criteria we used to form our judgements are SEGRO's Methodology for Greenhouse Gas Reporting as set out at www.segro.com/csr/reports ('the Reporting Criteria'). The Selected Information needs to be read together with the Reporting Criteria.

Inherent limitations

The nature of non-financial information; the absence of a significant body of established practice on which to draw; and the methods and precision used to determine non-financial information, allow for different, but acceptable evaluation and measurement techniques and can result in materially different measurements, affecting comparability between entities and over time.

Directors' responsibilities

The Directors of SEGRO are responsible for:

- designing, implementing and maintaining internal controls relevant to the preparation and presentation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- selecting and/or developing objective Reporting Criteria;
- measuring and reporting the Selected Information in accordance with the Reporting Criteria; and
- the contents and statements contained within the Report and the Reporting Criteria.

Our responsibilities

Our responsibility is to plan and perform our work to obtain limited assurance about whether the Selected Information has been prepared in accordance with the Reporting Criteria and to report to SEGRO in the form of an independent limited assurance conclusion based on the work performed and the evidence obtained.

Assurance standards applied

We performed our work in accordance with International Standard on Assurance Engagements 3000 – 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' ('ISAE 3000') and in accordance with International Standard on Assurance Engagements 3410 – 'Assurance Engagements on Greenhouse Gas Statements' ('ISAE 3410'), issued by the International Auditing and Assurance Standards Board.

The work performed in a limited assurance engagement varies in nature and timing from, and is less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Independence, professional standards and quality control

We comply with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and we apply International Standard on Quality Control (UK and Ireland) 1, 'Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements'. Accordingly, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements and professional standards (including independence, and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour) as well as applicable legal and regulatory requirements.

Audit opinion

Independent Limited Assurance Report to SEGRO plc continued...

Summary of work performed

Considering the level of assurance and our assessment of the risk of material misstatement of the Selected Information, whether due to fraud or error, our work included, but was not restricted to:

- assessing the appropriateness of the Reporting Criteria for the Selected Information;
- conducting interviews with SEGRO management to understand the key processes, systems and controls in place over the preparation of the Selected Information;
- agreeing a selection of the Selected Information to the corresponding source documentation;
- understanding the appropriateness of the carbon conversion factor calculations and other unit conversion factor calculations used by reference to widely recognised and established conversion factors;
- re-performing a selection of the carbon conversion factor calculations and other unit conversion factor calculations;
- performing analytical review procedures over the aggregated Selected Information, including a comparison to the prior period's amounts having due regard to changes in business volume and the business portfolio; and
- reading the Report and narrative accompanying the Selected Information in the Report with regard to the Reporting Criteria, and for consistency with our findings.

This report's intended use

This assurance report is made solely to SEGRO in accordance with the terms of the engagement contract between us. Those terms permit disclosure to other parties, solely for the purpose of SEGRO showing that it has obtained an independent assurance report in connection with the Selected Information.

We have not considered the interest of any other party in the Selected Information. To the fullest extent permitted by law, we accept no responsibility and deny any liability to any party other than SEGRO for our work, for this assurance report or for the conclusions we have reached.

Paul Holland

for and on behalf of KPMG LLP
Chartered Accountants
London

17 February 2017

SEGRO 2020 – Targets in Full

Improvement target by 2020	2016 Performance	2016 progress towards target
We will reduce energy intensity for SEGRO responsible space by 40 per cent.	30.15 kWh/m ² /year	62% reduction on the 2012 baseline of 79.4 kWh/m ² /year.
We will reduce water intensity for SEGRO responsible space by 20 per cent.	0.10 m ³ /m ² /year	26% reduction on the 2012 baseline of 0.14 m ³ /m ² /year.
80 per cent reuse or recycling of construction/demolition waste.	98%	98% of construction waste was reused or recycled across 16 qualifying projects.
60 per cent reuse or recycling of excavation waste.	84%	84% of excavation waste was reused or recycled across 16 qualifying projects.

Improvement target by 2020	2016 Performance	2016 progress towards target
We will install water efficient technology in all new buildings and qualifying major refurbishments.	18% better than baseline (weighted average)	64% of qualifying projects met the target to improve 20% on the baseline. 100% of projects installed some water efficient technologies.
100 per cent of qualifying buildings to be at least 40 per cent more efficient than our 2009 baseline.	61% better than baseline (weighted average)	77% of qualifying projects met the target to improve 40% on the baseline.
100 per cent of qualifying new developments by SEGRO over 10,000 m ² to be BREEAM certified 'Very Good' or equivalent.	91% of qualifying projects met the target	10/11 qualifying projects were certified BREEAM Very Good or better (or equivalent rating). In total, 19 development projects met this target adding over 249,000 m ² of environmentally certified space.
100 per cent of new buildings to be EPC 'B' rated or better.	95% achieved a 'B' or better	38/40 units achieved an EPC 'B' or better across 24 qualifying projects.
100 per cent of qualifying refurbishments to be EPC 'C' rated or better.	86% achieved a 'C' or better	86% of refurbishments achieved an EPC 'C' or better with 96% of refurbishments achieving at least a 'D'. Five refurbishments achieved an 'A' rated EPC.

Improvement target by 2020	2016 Performance	2016 progress towards target
Increase renewable energy generating capacity across the Group.	9.2 MWp capacity 9,049 MWh of energy generated in 2016	The total wholly owned renewable energy capacity across the Group has grown from 8.1 MWp in 2015 to 9.2 MWp in 2016. Renewable energy was installed on 13 developments and one existing building. Energy generation has also grown from 5,558 MWh in 2015 to 9,049 MWh in 2016 from the projects completed both this year and last.

Mandatory Greenhouse Gas (GHG) Emissions Statement

This section has been prepared in accordance with our regulatory obligation to report greenhouse gas (GHG) emissions pursuant to section 7 of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

During the reporting year 1 January 2016 to 31 December 2016, SEGRO globally emitted the greenhouse gas emissions identified in the table below.

Table of Emissions

GLOBAL GHG EMISSIONS DATA IN TONNES CO₂e

Emissions from:	2016	2015
Scope 1 emissions – combustion of fuels	7,227 Δ	5,964
Scope 2 emissions – purchased energy (location-based)*	12,959 Δ	21,438
Scope 2 emissions – purchased energy (market-based)**	13,049 Δ	19,096
Total CO ₂ e footprint (using location-based)	20,186 Δ	27,403
Chosen intensity Measurement***		
Emissions from like-for-like estate normalised to tonnes CO ₂ e/m ² of responsible space	0.008 Δ	0.011

* Electricity emissions are calculated using location-based methods. Emissions calculations are taken from GRI guidance used here for illustration purposes only.

** Market-based electricity emissions are included here for comparison purposes only.

*** SEGRO's chosen intensity measure is a like-for-like comparison for sites in the portfolio in both 2015 and 2016. This comparison uses EPRA guidance on best practice for real estate companies.

Δ Selected information within the scope of KPMG limited assurance.

As well as fulfilling these mandatory greenhouse gas reporting requirements, SEGRO is committed to EPRA Best Practice Recommendations for Sustainability reporting, for which we have won a Gold award four years running.

The table above provides information on SEGRO's greenhouse gas emissions for 2016, in which we are

pleased to report a 26 per cent reduction in like-for-like Scope 1 and 2 emissions from 2015. The reduction is driven in Scope 2 (location-based) emissions, which is largely due to the increasingly accurate allocation of meters and greater clarity in billed data across our portfolio. Further improvements have also been made by the increased occupation of assets, predominantly in

Europe, equating to a further move of emissions from Scope 2 to Scope 3.

We report our data using an operational control approach to define our organisational boundary, as per the Greenhouse Gas Protocol. The market-based methodology has been applied to calculate the Scope 2 emissions, however, supplier-specific emission factors have been collected for UK only. For the non-UK portfolio, the IEA Reliable Disclosure Systems residual emission factors have been applied.

We disclose data for both our like-for-like and absolute portfolios in this report and a detailed description of our methodology and a full disclosure of emissions factors used can be found at www.SEGRO.com/sustainability.

As in previous years, Q4 consumption data is not available at the time of reporting due to billing cycles and is therefore estimated. Data gaps have been filled using the EPRA 'day rate' estimation technique. In 2016, SEGRO has sought to increase the accuracy of the EPRA 'day rate' estimation methodology for Q4 natural gas consumption by building in seasonal sensitivity. The 'day rate' for 2016 Scope 1 emissions reflects actual natural consumption during previous winter months and has resulted in a higher, but more representative, value than in previous years.

SEGRO's chosen GHG intensity metric is calculated using the Scope 1 and 2 emissions within a like for like sub-set of SEGRO's overall portfolio. The like-for-like portfolio is defined as currently owned sites which have both been in the portfolio for 2015 and 2016 and have remained either fully occupied or fully vacant for both years.

KPMG limited assurance

We engaged KPMG LLP to undertake an independent limited assurance engagement, using the assurance standards ISAE 3000 and ISAE 3410 over Selected Information included in this Annual Report. The Selected Information within the scope of this assurance is highlighted with the symbol Δ in the table of emissions, above. KPMG's full statement is available on our website at www.segro.com/csr/reports and KPMG has issued an unqualified opinion on the Selected Information.

In order to reach its opinion, KPMG performed a range of procedures which included interviews with management, examination of reporting systems and data testing. A summary of the work KPMG performed is included within its assurance opinion.

The level of assurance provided for a limited assurance engagement is substantially lower than a reasonable assurance engagement. Non-financial performance information, greenhouse gas quantification in particular, is subject to more inherent limitations than financial information. It is important to read the Selected Information in the context of KPMG's full limited assurance statement and the reporting criteria as set out in the SEGRO reporting guidelines available at www.SEGRO.com/csr/reports.

Forward-looking statements

The Corporate Social Responsibility (CSR) 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. These statements 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 CSR 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. 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 to reflect any 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 CSR Report should be construed as a profit forecast.

SEGRO

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Registered number 167591