SEGRO

100 YEARS OF THE EXTRAORDINARY

SEGRO PLC

Annual Report & Accounts 2020

Contents

SEGRO is a UK Real Estate Investment Trust (REIT), and a leading owner, asset manager and developer of modern warehousing and industrial property.

The Directors present the Annual Report for the year ended 31 December 2020 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 14 to 91 inclusive, comprise the Strategic Report, pages 146 to 147 inclusive comprise the Directors' Report and pages 123 to 143 inclusive comprise the Directors' Remuneration Report, each of which have been drawn up and presented in accordance with English company law and the liabilities of the Directors in connection with these sections shall be subject to the limitations and restrictions provided by such law.

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

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

For more information within this report

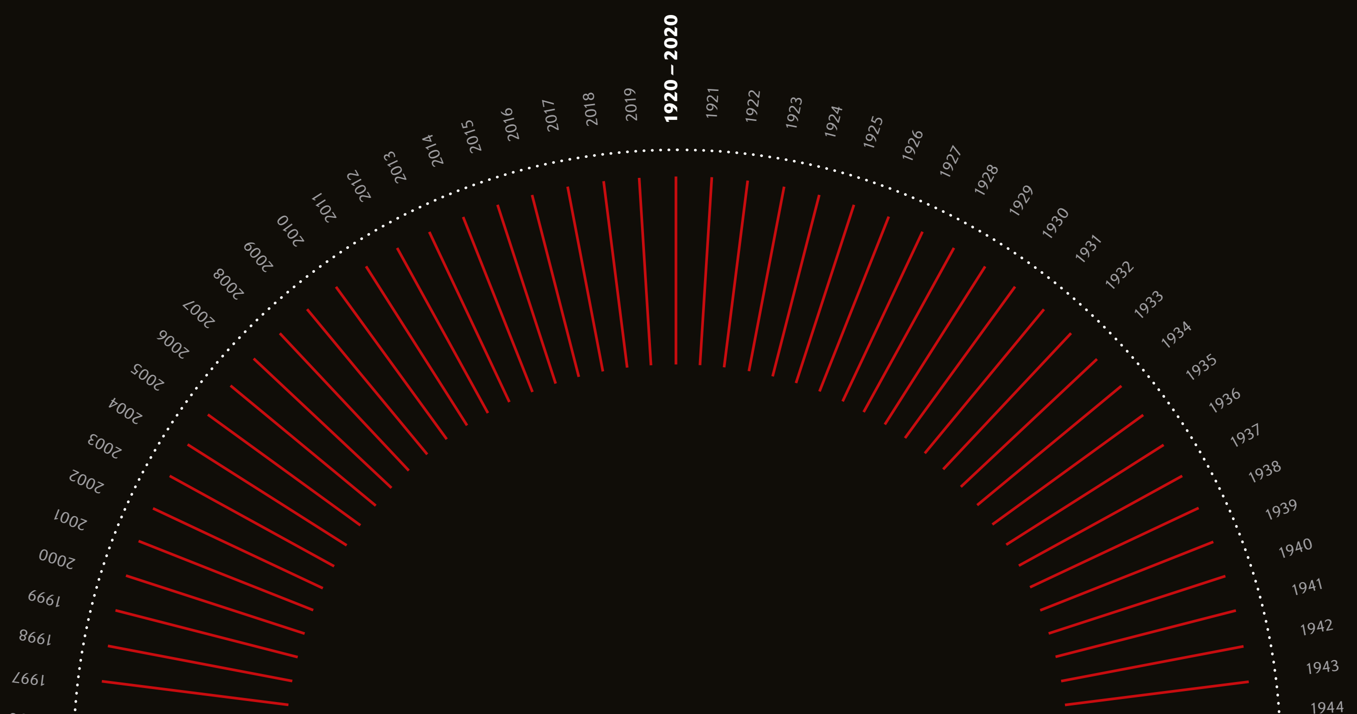
Our purpose

We create the space that enables extraordinary things to happen.

SEGRO is both a creator of exceptional buildings and an enabler for our stakeholders, particularly our **customers**, **employees** and **local communities**, to achieve extraordinary things.

Understanding the needs of these stakeholder groups and anticipating how they might change has been at the heart of our business for over 100 years and is essential for our continued success.

Alongside a culture of continuous improvement and innovation, this ensures that our portfolio remains fit for the future and enables us to create maximum value for all of our stakeholders.

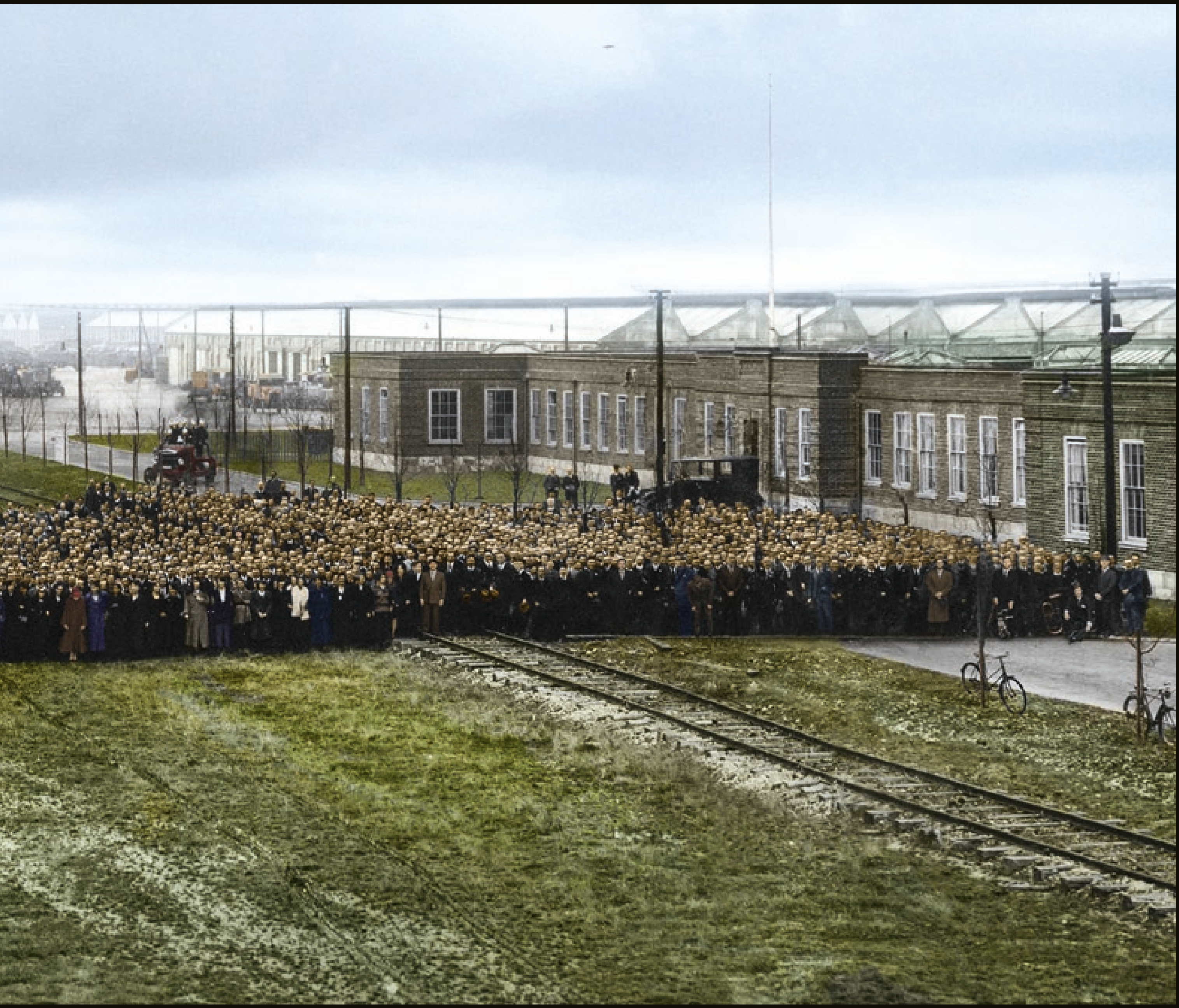


100 years of the extraordinary

THIS YEAR WE CELEBRATED OUR CENTENARY.

Whilst today we are an established member of the FTSE100, headquartered in London and managing over £15 billion of assets in eight European countries, our roots are in Slough, 20 miles west of London. In 1920 Lord Percival Perry, Sir Noel Mobbs and Redmond McGrath purchased land, vehicles and a motor repair depot set up by the British Government in the aftermath of the First World War. In doing so they established The Slough Trading Company.

The site at Slough had been chosen by the British Government due to its location, under an hour's drive to central London and positioned on the main road to Bath and the West Country.



Today Slough's location remains one of its key benefits with its proximity to Heathrow Airport and the M4 adding to its allure.

Over 10 decades the business has changed its status, its name, its areas of operation and its offering. However SEGRO is, and always has been, a business that has enabled extraordinary things to happen, one that has always had an innovative attitude and one that has continuously cared greatly about the world around it.

As we start our second Century, these attributes – enabling, innovating and caring – remain guiding principles in how we continue to operate our business. We have achieved 100 years of the extraordinary and we intend to replicate that over the next 100 years.

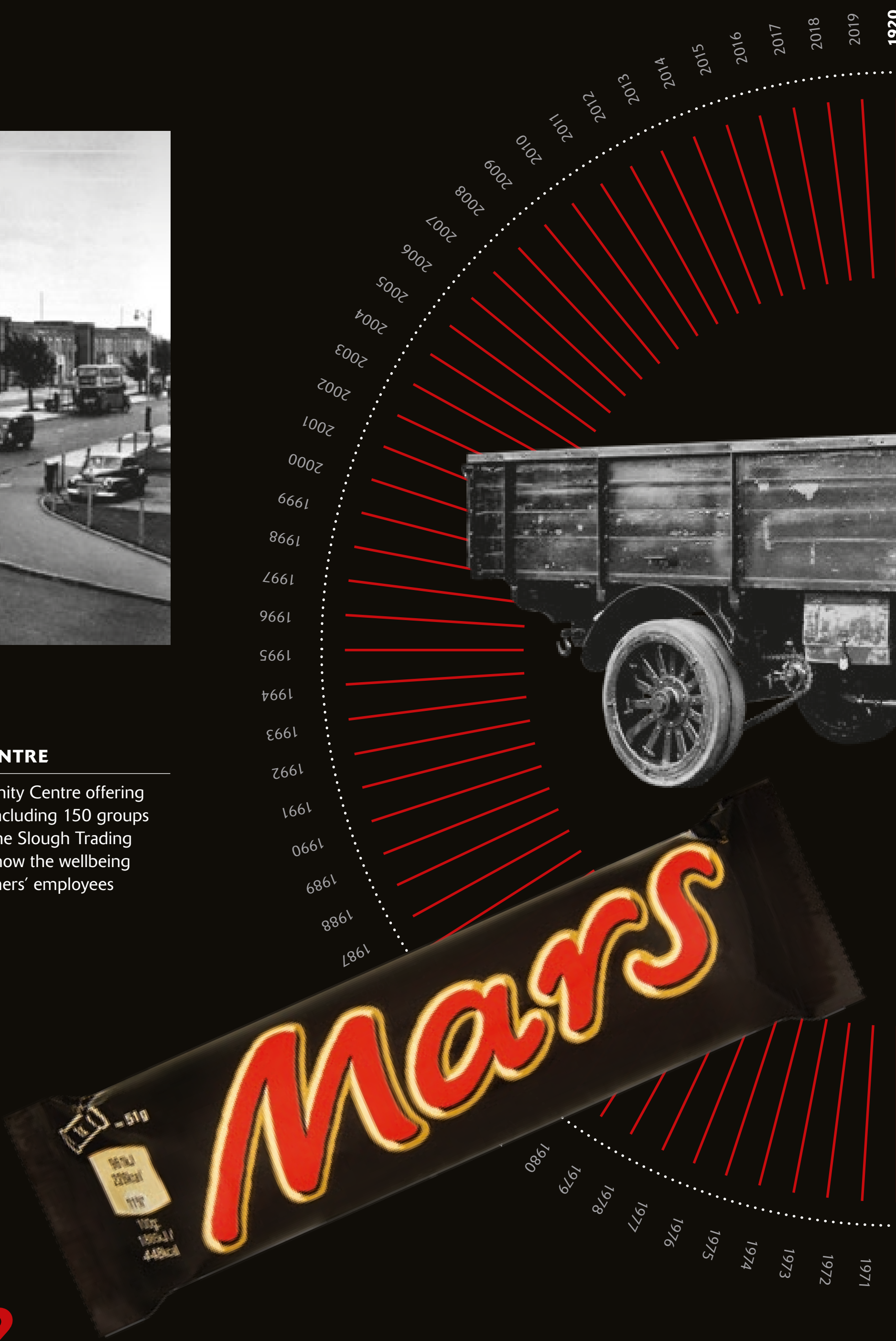
1920

THE ORIGINALS

The original workforce of The Slough Trading Estate.

1920–1945

From our early days as a company we have gone to great lengths to build strong customer relationships, many of which endure to this day, as well as making a contribution to our local communities.



1936

SLOUGH COMMUNITY CENTRE

We establish the Slough Community Centre offering a very broad range of activities, including 150 groups and societies, for the people on the Slough Trading Estate – a very early example of how the wellbeing of our employees and our customers' employees has always been in our thinking.

1932

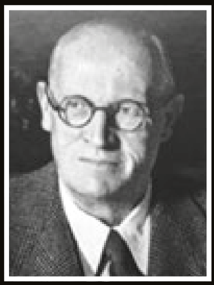
MARS

Forrest Mars establishes his eponymous chocolate company on the Slough Trading Estate after a meeting with Sir Noel Mobbs. The same year, the Mars Bar is born!

1920

THE SLOUGH TRADING COMPANY LTD

Lord Percival Perry, Sir Noel Mobbs and Commander Redmond McGrath form the Slough Trading Company Ltd, purchasing land, vehicles and a motor repair depot from the British Government for £7 million.


1924

JOHN CRANE UK LTD

John Crane UK Ltd first becomes a customer. Nearly 100 years later they remain a customer through our ability to anticipate their evolving needs and requirements.




SLOUGH

1926

SLOUGH ESTATES LTD

The company changes its name to Slough Estates Ltd.

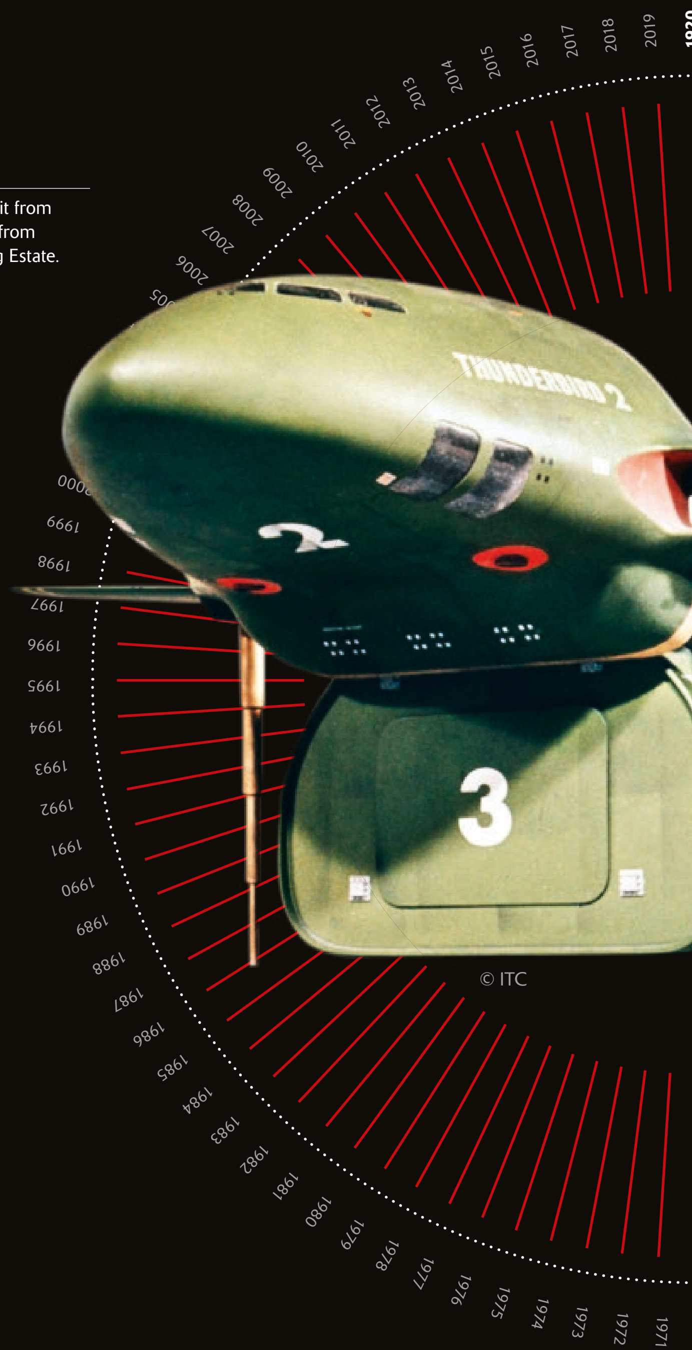
1946–1970

In our second quarter, we list on the London Stock Exchange. By being innovative, we attract a wider range of customers whilst retaining our caring approach to those who work on our estates.

1970

50 YEARS

We celebrate our 50th anniversary with a visit from Prince Philip who drives his own Alvis TD21 from nearby Windsor Castle to the Slough Trading Estate.



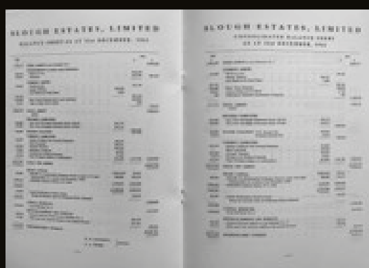
© ITC

1963

FORD GT40

The Ford GT40, based on Eric Broadley's Lola GT, was designed at the Slough Trading Estate. It would go on to win Le Mans four times, ending Ferrari's dominance.

£1m



1961

1ST PRE-TAX PROFIT >£1 MILLION

We record our first pre-tax profit of over £1 million and begin a series of investments to expand the business geographically.

1947

INDUSTRIAL HEALTH SERVICE

We launch our own Industrial Health Service, a year before the formation of the NHS, to benefit our employees and those of our customers. The service included a mobile hospital!

1950

SLOUGH ESTATES HOUSE

We open our first London office, Slough Estates House in Berkeley Street. The building becomes a centre for our customers who could use the facilities, including conference and board rooms, and showcase their products to buyers all over the world.

1960

CENTURY 21 (FORMERLY AP FILMS)

Century 21, formerly AP Films, becomes a customer, enabling classic TV shows such as Thunderbirds, Stingray, Joe 90 and many others to be made.

1971–1995

Our third quarter sees us expand overseas and make further acquisitions in the UK, culminating in us becoming the largest industrial property company in the UK and Europe.

1994

BUSINESS WATCH

We launch Business Watch on the Slough Trading Estate to provide extra security measures for all our estate customers.

1987

BUCKINGHAM CENTRE

We launch the Buckingham Centre on the Slough Trading Estate to provide estate workers with amenities to help their working days. Today there are 14 retail units at the Buckingham Centre.

1986

BREDERO (HAMMERSMITH)

We acquire Bredero Properties and develop the 654,000 sq ft Hammersmith Broadway site Centre West, a retail and office development, including a reconstruction of the underground and bus interchange.

1972

EXPANDING TO FRANCE

We launch our business in France. Today we manage £2.0 billion of assets in France.

1974

LAUNCHING IN GERMANY

We launch our business in Germany. Today we manage £2.1 billion of assets in Germany.

1975

234 BATH ROAD, NEW HQ

We move into our new headquarters in Slough. Dubbed "The Inverted Pyramid", the new building was designed to provide the best of modern workspace for the 90-strong head office staff. It also elicited high praise from the Architectural Review which dubbed it "The Modern Movement's answer to the Doric Temple ...it gives an impression which is rightly called monumental."

1996–2020

Further expansion in our fourth quarter sees us become the largest listed property company in the UK, whilst we continue to invest in our communities and take our environmental responsibilities seriously.

2020

THE SEGRO CENTENARY FUND

We celebrate our Centenary by launching the SEGRO Centenary Fund: a £10 million fund which will be invested over ten years to make a positive impact within communities across the UK and in Continental Europe.

2017

CAMDEN TOWN BREWERY

We build the biggest brewery in London for over 50 years for our customer, Camden Town Brewery. The brewery in Enfield, North London, is carbon neutral.

2015

BEES

Our first bee hives are introduced to our Vailog Logistics Park Castel San Giovanni development in Milan. Today, we now boast approximately 293 hives across all eight countries in which we operate, helping the biodiversity of each location and producing approximately 11,700 jars of SEGRO honey every year!

2005

POLAND AND CZECH REPUBLIC

We launch our businesses in Poland and the Czech Republic. Today we manage assets valued at £1.2 billion in these markets.

2007

SEGRO

We change our name to SEGRO plc and become a UK Real Estate Investment Trust (REIT).

SEGRO

2007

DATA CENTRES

In anticipation of an increasingly digital world, we build our first Data Centre on the Slough Trading Estate. Today the Estate houses 29 data centres with a further 3 under construction.

2009

BRIXTON ACQUISITION

We acquire Brixton, a constituent of the FTSE250, for £1.1bn. This acquisition consolidated our position as the largest UK industrial owner and developer.

2015

ITALY AND SPAIN

We acquire Vailog in Italy and also establish our presence in the Spanish market. Combined we manage assets valued at £1.7 billion in these countries.

2020
Our business today

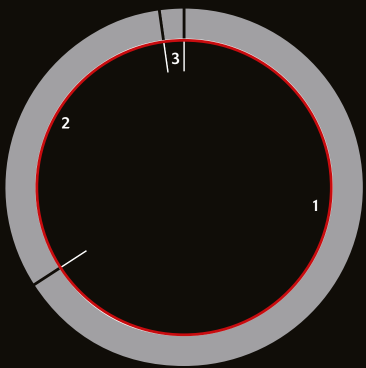
KEY FACTS:

EMPLOYEES
355

CUSTOMERS
1,383

TOTAL SPACE
8.8m sq m

TOTAL AUM
£15.3bn



ASSET TYPE BY VALUE
(SEGRO SHARE)

1.	Urban warehousing	66%
2.	Big box warehousing	32%
3.	Other uses	2%

OUR PORTFOLIO: WE CREATE THE SPACE...

BIG BOX WAREHOUSES
LOCATED IN NATIONAL/REGIONAL DISTRIBUTION HUBS

Big box warehouses are typically used for storage and processing of goods for regional, national and international distribution by larger trucks or by rail. The requirement for large land plots means that they tend to be located some distance from the ultimate customer but on major transport routes (mainly motorways, ports, rail freight terminals and airports) to allow rapid transit.

EXAMPLES OF USERS OF OUR BIG BOX SPACE:

- Retailers (online and traditional)
- Third party logistics and transport companies
- Manufacturers
- Distributors and wholesalers

URBAN WAREHOUSES
LOCATED IN OR CLOSE TO MAJOR CITIES

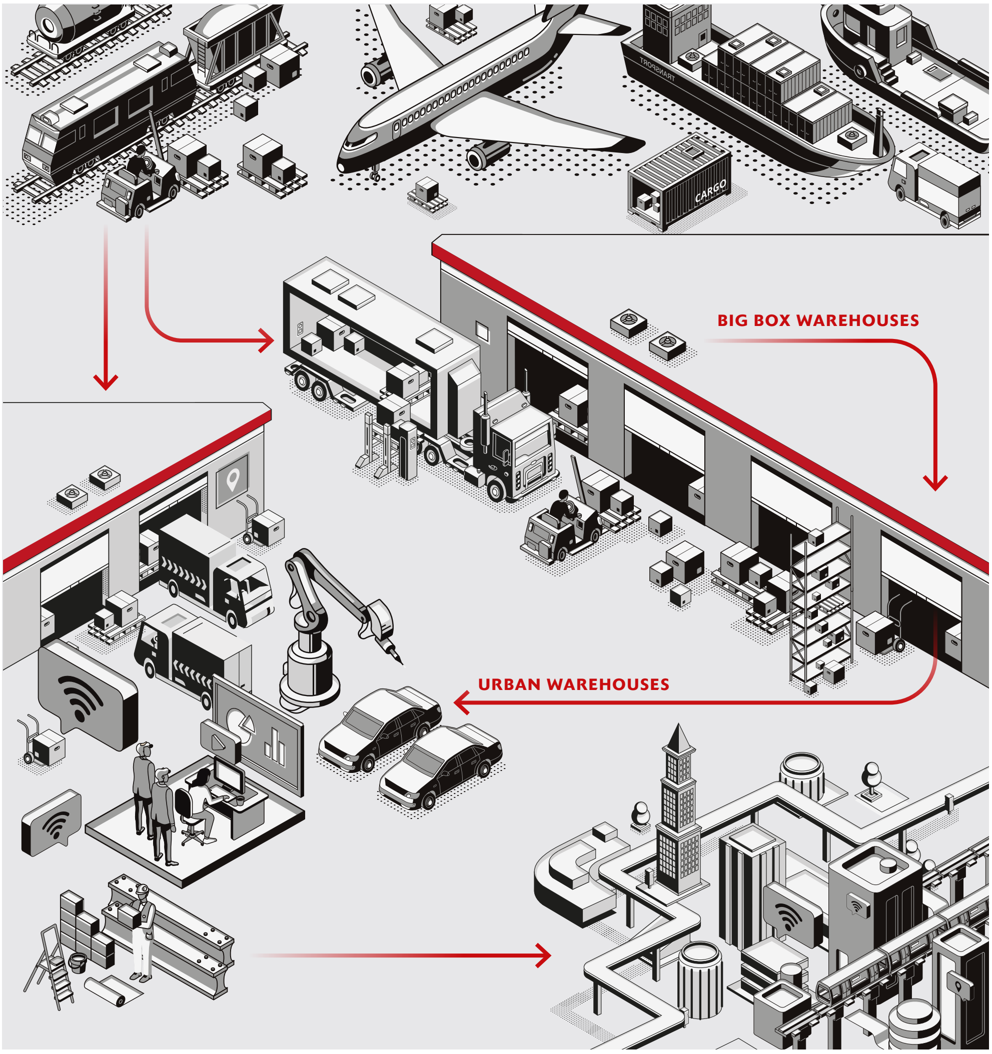
Urban warehouses are located in, or close to population centres and business districts. They are used by a wide variety of customers who need rapid access to their own customers for last mile delivery, and to labour and are therefore close to main roads and public transport. Urban warehouses tend to be smaller and they are often clustered in estates which can comprise terraces of smaller units (typically <3,500 sq m), larger detached single-let warehouses (typically larger than 3,500 sq m) or a mixture of the two.

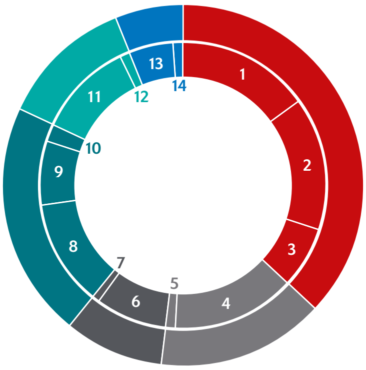
EXAMPLES OF USERS OF OUR URBAN SPACE:

- Retailers and supermarkets (online and traditional)
- Parcel delivery companies
- Food preparation companies
- Data centre operators
- Air cargo handling companies
- Wholesalers
- Other uses inc. car showrooms, self storage facilities and trade counters

WHERE WE OPERATE:

...THAT ENABLES EXTRAORDINARY THINGS TO HAPPEN





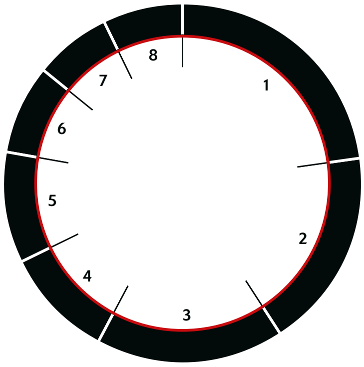
GEOGRAPHICAL SPLIT BY VALUE

(SEGRO SHARE)

GREATER LONDON		**37%**
1	Park Royal	15%
2	London Airports	15%
3	Rest of London	7%
THAMES VALLEY		**15%**
4	Slough Trading Estate	14%
5	Rest of Thames Valley	1%
NATIONAL LOGISTICS		**9%**
6	Midlands	8%
7	South East	1%
SOUTHERN EUROPE		**21%**
8	France	12%
9	Italy	7%
10	Spain	2%
NORTHERN EUROPE		**12%**
11	Germany	11%
12	Netherlands	1%
CENTRAL EUROPE		**6%**
13	Poland	5%
14	Czech Republic	1%

Read more about our geographies in our regional reviews
see pages 62-64

OUR CUSTOMERS



CUSTOMER TYPE BY HEADLINE RENT

(SEGRO SHARE)

1. Transport and logistics	23%
2. Retail (physical and online)	18%
3. Food and general manufacturing	17%
4. Post and parcel delivery	10%
5. Wholesale and retail distribution	10%
6. Technology, media and telecoms	8%
7. Services and utilities	7%
8. Other	7%

OUR TOP 20 CUSTOMERS:

Our top 20 customers represent headline rent of £157 million in aggregate, 31% of the Group's total headline rent at 31 December 2020.

1. Amazon
2. Deutsche Post DHL
3. Fedex
4. Royal Mail
5. Worldwide Flight Services
6. La Poste (DPD)
7. British Airways
8. Equinix
9. Virtus
10. Geodis
11. XPO
12. Leroy Merlin
13. Tesco
14. Ocado
15. Menzies
16. Kuehne & Nagel
17. ID Logistics
18. CyrusOne
19. Mars
20. DSV

Strategic Report at a glance

Chief Executive's Statement

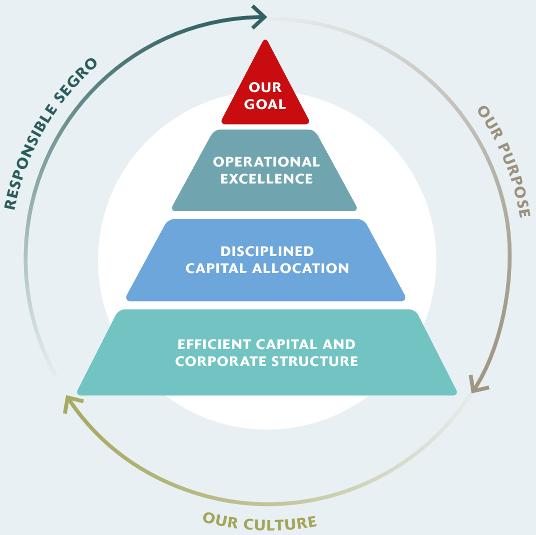
2020 was our Centenary year and although the Covid-19 pandemic meant that it turned out rather differently than we had envisaged, we still delivered strong financial results and were able to continue to grow our business. We were also able to support our people, our customers, our communities and other stakeholders through very challenging times and made great progress with our sustainability agenda. As we look to the future, we have confidence in the outlook for our business and believe that we are well positioned for another 100 years of success.

p16-19

Strategy and Business Model

Our Business Model describes what we do and our Strategy describes how we do it. Both are driven by our Purpose and underpinned by our strong culture, ensuring that we create long-term value for all of our stakeholders.

p24-51



Our Covid-19 Response

The onset of Covid-19 had wide reaching implications for our stakeholders and we acted quickly to respond to these, prioritising our people, our customers and our communities.

p20-23

Review of 2020

Our well-established operating platform ensures that we optimise performance through dedicated customer service and expert asset management as well as development and operational efficiency.

p48-65

Responsible SEGRO

Our Responsible SEGRO framework helps us to articulate our ESG goals. In recognition of the fact that understanding the needs and priorities of our stakeholders is embedded in the way we do business, we have for the first time this year integrated this information into the Strategic Report.

We have also this year identified three new long-term priorities and challenging targets for each of them, against which we will report annually.

p28-29

RESPONSIBLE SEGRO

Financing & Risk Management

Having an efficient capital and corporate structure is one of the three pillars of our Strategy and as a result 2020 was a busy year of financing to support our active development pipeline. In addition, our robust approach to risk management ensured we were well placed to navigate the challenges presented by the pandemic.

p66-81

Chief Executive's statement

SEGRO delivered another strong set of results in 2020 and we are confident about the future

> The pandemic has reinforced the importance of efficient and resilient supply chains to facilitate the provision of a wide variety of goods and services.

DAVID SLEATH
CHIEF EXECUTIVE

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

Our business is driven by a clear purpose 'to create the space that enables extraordinary things to happen' and 2020 has certainly been a year of the extraordinary. We started the year confident in the outlook for our business, believing that our prime portfolio of modern industrial properties in key strategic markets and our pan-European platform would continue to perform well. At the same time we were looking forward to celebrating our Centenary year.

The onset of the Covid-19 pandemic caused widespread disruption and brought with it much uncertainty in the early months of 2020 but, despite all of this, our business has proved to be strong and resilient. We have been pleased to be able to use this relative strength to support those stakeholders who needed it most, from the customers to whom we have been able to offer targeted support, to our local communities who we were able to help through the launch of our £10 million Centenary Fund.

The pandemic has highlighted the importance of modern, efficient, resilient logistics supply chains and has also accelerated the digitalisation of our economies, most notably through e-commerce. This has resulted in increased occupier and investor demand for our asset class and has helped to drive another year of strong financial and operational performance by SEGRO.

Looking back on 2020, the main highlights included:

- The professionalism shown by all of our people in keeping the business running as everyone at SEGRO adapted to the new working from home environment.
- Being able to offer additional support to our customers and other stakeholders through these challenging times and particularly bringing forward the launch of our £10 million Centenary Fund. We dedicated the first year of funding to support those in our local communities most negatively impacted by the pandemic.
- A record performance in securing new rents, aided by the strength of our customer relationships. £77.9 million (2019: £65.8 million) was signed in the year, including £41.1 million (2019: £33.2 million) of rent from new pre-lets.
- Continued growth of our portfolio with the addition of prime, sustainable warehouses through our development programme. Despite the disruption caused by the pandemic, we completed 835,900 sq m of space, just short of our 2019 record (2019: 871,800 sq m). When fully occupied this space will generate £47 million of new income and was 84 per cent let at 31 December 2020. We are targeting BREEAM 'Very Good' or 'Excellent' (or local equivalent) for 93 per cent of the eligible development completions.
- Acquisitions of urban warehouse parks in prime locations such as London and Paris, adding further space with the potential to generate attractive returns through our platform's active asset management and development capabilities.
- Successful pilots of Smart technology and photo-voltaic panels on assets across Europe, helping us to develop our strategy in these areas to help with our aim of being net carbon zero by 2030.
- Securing over £1 billion of new funding which has given us the capacity to continue to add to our development pipeline and help us to grow our rental income organically.

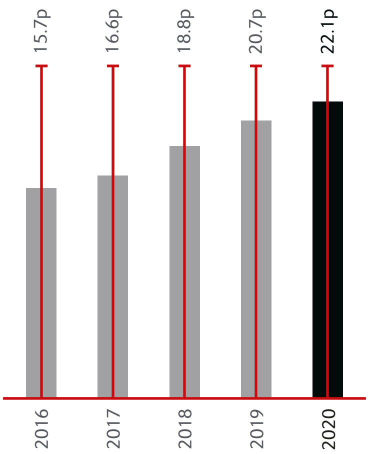
This activity has been reflected in significant growth across the board in all of our key operating metrics and our balance sheet remains in good shape and is positioned to support further growth.

The combination of a strong set of financial results in 2020 and our confident outlook for 2021 and beyond means that we are recommending a 5.6 per cent increase in final dividend to 15.2 pence per share, resulting in a total distribution of 22.1 pence for 2020 as a whole (2019: 20.7 pence).

I will now turn to focus on some of the key themes that have emerged in 2020, to provide you with a deeper understanding of how we think about our business today, what it might look like tomorrow and how we intend to continue to 'create the space that enables extraordinary things to happen'.

DELIVERING INCREASED DIVIDENDS

22.1 pence



Read more on our strategy
see pages 46-47

LONGER TERM IMPACTS OF COVID-19

The Covid-19 pandemic has had a profound impact on all of our lives and it will likely change the way that our world functions. We've detailed at length (see pages 20-23 and 109) how we responded to the pandemic and the impact it had on our business. The Board and I would first like to again thank all of our colleagues at SEGRO for the dedication and commitment that they have shown throughout this very difficult period. The fact that our business has come through such an event so well is a real testament to all of the hard work that has been done this year and over the past decade to anticipate and respond to our customers' needs.

Positioning our portfolio to benefit from the structural changes to society which have been driving demand for our asset class has been a key part of our strategy for a number of years, and in 2020 we have seen an acceleration of these trends.

The increase in e-commerce penetration has been much talked about and there has been some debate over where it will settle once the pandemic has passed. We believe there has been a step-change in consumer behaviour. Some of the factors that were considered as barriers to increased levels of online sales penetration (for example concerns about the quality of food bought online and reluctance to share financial information over the internet) have been overcome and habits have potentially changed irrevocably. Our customers certainly do not expect there to be a significant retreat and are already preparing to adapt their businesses to respond to levels of online sales that are well ahead of previous expectations.

Whilst the pandemic may change the way that cities such as London, Paris or Berlin operate, we continue to believe that they will act as centres of commerce, innovation and culture and, they will continue to attract people to work, live and play. The nature of our urban warehouses, being mostly located inside or on the edges of cities, also means that they attract businesses servicing the commuter belt and beyond. For example, our Heathrow portfolio has for some time been used to provide goods and services for those living in the surrounding area and outside the M25 as well as to service the airport.

Finally, we expect that localisation and the renewed focus on supply chain resilience will also contribute to occupier demand over the coming years.

FINANCIAL HIGHLIGHTS

ADJUSTED PROFIT[1] BEFORE TAX

£296.5m (+10.8%)

2019: £267.5m

IFRS PROFIT BEFORE TAX

£1,464.1m (+62.3%)

2019: £902.0m

ADJUSTED EARNINGS PER SHARE[1]

25.4p (+4.1%)

2019: 24.4p

IFRS EARNINGS PER SHARE

124.1p (+56.5%)

2019: 79.3p

ADJUSTED NAV PER SHARE[1]

814p (+16.3%)

2019: 700p

IFRS NAV PER SHARE

809p (+16.1%)

2019: 697p

PORTFOLIO VALUE[2]

£13.0bn

2019: £10.3bn

TOTAL DIVIDEND PER SHARE

22.1p (+6.8%)

2019: 20.7p

Important Explanatory Notes about Alternative Performance Metrics used in this Report

1 EPRA and Adjusted metrics: The Financial Statements are prepared under IFRS. SEGRO management monitors a number of adjusted performance indicators in assessing and managing the performance of the business which they believe reflect the underlying recurring performance of the property rental business which is the Group's core operating activity. These include those defined by EPRA as part of their mission to establish consistency of calculation across the European listed real estate sector. Pages 162-163 contain more information about the adjustments and the reconciliation of these to IFRS equivalents. SEGRO discloses EPRA alternative metrics on pages 205-211. Adjusted NAV per share is in line with EPRA NTA.

2 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.

SEGRO delivered another strong set of results in 2020 and we are confident about the future continued

We expect these trends to benefit our entire business in the years ahead. In the UK we have been seeing their effects for a number of years as e-commerce has taken off and our customers have modernised their supply chains and distribution networks to respond to it.

On the Continent however, our customers are much less advanced in this journey and e-commerce penetration has been lagging behind the UK. The pandemic has accelerated the need for them to make these changes. We see this as a significant opportunity going forward and are well-placed to respond to it with our strong operating platform across France, Germany, Italy, Spain, Poland, the Netherlands and the Czech Republic.

The pandemic has also impacted the way that we will run our business going forwards. One of the most significant changes is that it is now very clear that our people do not need to be based in an office five days a week to do their jobs efficiently.

Although there are obvious benefits to an office work environment in terms of ease of communication and collaboration, as well as supporting company culture, there are also times when it is more appropriate to work quietly at home. We have always enabled flexible working, which allowed us to transition from office working to home working quickly and seamlessly and we have now formally introduced a company-wide Agile Working Policy that gives our employees the autonomy to decide where they work. This change has the potential to enhance everyone's quality of life and also provides greater flexibility that should help us to increase diversity in our business and ensure that we continue to retain talent.

One thing that the pandemic has not changed, and in fact has reiterated, is the importance of our close relationships with our customers, our suppliers, our investors, our communities and other business partners and we continue to place the utmost importance on developing and growing these partnerships.

NEW RESPONSIBLE SEGRO TARGETS

'ESG', 'Purpose', 'Culture' and other similar terms have all become more common words in the past couple of years, and rightly so. Good businesses need to recognise that their actions are far reaching, and in order to drive sustainable growth, the considerations of wider stakeholders need to be taken into account when making decisions that may impact them.

However, this is not something that is new to SEGRO. Throughout the 100 years that we have been operating as a company we have had a rich history of making a positive contribution to the society around us (for examples of this see some of the stories in the 100 Year Review section at the front of this report). It is also something that will be just as important to us for the 100 years to come. We have always prided ourselves on being a company that people want to work for and with, which is reflected in our goal of being the partner 'of choice' for our people, our customers, our suppliers, our investors and all of our other stakeholders. We believe that this will enable us to create long-term economic and social value.

What is new to us is talking about it and measuring it – a genuine culture is something intangible; something that is embedded within an organisation. It is integral to the way a business operates day-to-day and guides our actions and decisions. Trying to capture it and write it down in black and white can be challenging, but we recognise that there is a growing interest from our various audiences to understand how and why we do business using more than purely financial and quantitative means. In recognition of this we have, for the first time, integrated our wider stakeholder considerations into the main body of the 2020 Annual Report & Accounts, reflecting the way that we run our business and make decisions.

We also launch alongside our Full Year 2020 results our new Responsible SEGRO priorities and targets, which address the key areas where we believe that we can make the greatest business, environmental and social contribution, and will also help to position SEGRO for another 100 years of success.

Our three priorities are:

- Championing low-carbon growth – we recognise the world faces a climate emergency and are committed to playing our part in tackling climate change.
- Investing in our local communities and environments – as a long-term investor we are committed to contributing to the vitality of the communities in which we operate.
- Nurturing talent – our people are vital to and inseparable from our success and we are committed to attracting, creating and retaining talented individuals from diverse backgrounds.

Within each area we have also set ambitious new targets, including being net carbon zero by 2030. We have thought long and hard about these goals, wanting to make sure that, as with everything else we do as a business, they are authentic and really challenge us to make a tangible impact. What is also important to note in respect of these targets is that, for us at least, it is how we get there that matters as much as the end goal itself. For example, we cannot completely eliminate carbon from our buildings as physical assets inherently produce carbon, but we intend to reduce those carbon emissions as much as is physically possible through our own actions before we will consider offsetting.

BILLBOARDS ON THE SLOUGH TRADING ESTATE
We installed these billboards on the Slough Trading Estate to recognise the efforts of all the key workers whose commitment and often unseen work kept us going during lockdown.

RESPONSIBLE SEGRO

Our Responsible SEGRO framework helps us to articulate and focus on our ESG goals.

Read more about our new targets **Pages 28-29**

OUR VALUES:

- 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?

Read more **Page 90**

This framework is a further stepping stone in a long journey and we look forward to sharing more of it with you as we travel through it, learning from and adapting to the inevitable twists and turns ahead.

POSITIONING OUR BUSINESS FOR SUSTAINABLE LONG-TERM PERFORMANCE

The world around us is changing at a great pace and we are in continuous dialogue with our customers as we strive to understand and prepare to meet the longer-term trends within our industry. By doing this we are able to ensure that our portfolio continues to meet the needs of, and play an integral part in, our customers' operations and that our business remains relevant.

We have embedded a culture of continuous improvement within SEGRO and are constantly questioning how and why we do things while pushing ourselves to do better – this is reflected in some of our values such as 'does it make the boat go faster?' and 'if the door is closed'.

This means we are constantly refining not just our existing portfolio but also how we design, plan and build our assets, with sustainability and technology at the heart of our thinking.

The creation of our Strategy, Innovation and Investment team at the start of 2020 was an important part of this process, reflecting our belief that we should consider investments in data and technology in the same way that we consider investments in physical assets.

The industry within which we operate offers significant opportunities to make changes that not only help improve inefficiencies, but also help us make better and more informed decisions.

Key to this is the use of data and analytics – just as data centres are becoming a more significant part of our portfolio, so the use of data itself is becoming a more important part of the way that we do business. We are excited about the opportunities we believe it will present once we are able to fully capture and understand this data and its potential.

Over the course of 2020 we worked on a number of exciting projects which we hope will improve the way we do business, enhance the way our buildings are used and reduce their impact on the environment, while positioning our business for sustainable long-term success.

Read more **Page 48-49**

OUTLOOK

We remain confident in the outlook for our business, its resilience and its ability to deliver growth.

We believe that the already prevalent structural drivers, which have been accelerated by the pandemic, will continue to drive both occupier and investor demand for our prime portfolio of modern industrial properties for the foreseeable future. However, we remain alert to potential macroeconomic headwinds such as the ongoing Covid-19 pandemic as well as the departure of the UK from the European Union.

Market rental growth has continued, driven by increased occupier demand and a shortage of modern warehouse space, particularly in our urban markets.

Our development pipeline continues to expand, allowing us to both modernise our portfolio and generate additional rental income, enhanced by the rental growth from the active asset management of our existing estate. Whilst structural trends continue to drive occupier demand we expect to be able to develop to both meet this elevated level of requirements and maintain our approach of de-risking the majority of our pipeline through pre-leasing.

We continue to keep one eye on the horizon, staying close to our customers so that we can anticipate their changing needs and adapt our portfolio to meet them. We are also very aware of our wider responsibility to society and believe that our new Responsible SEGRO targets will position us to make a material difference to the areas in which we can make the most impact and help us to truly create the space which enables extraordinary things to happen… for our people, our customers, our communities, our investors and our many other stakeholders.

DAVID SLEATH
CHIEF EXECUTIVE

Our response to the Covid-19 pandemic
Prioritising our people, our customers and our communities

The onset of the Covid-19 pandemic had wide reaching implications for our stakeholders. Given our presence in markets such as Italy and Spain, where the impacts were felt earliest, we had an early indication of what the pandemic might mean for our business European-wide.

OUR PEOPLE

The immediate priority at the start of the Covid-19 outbreak was to ensure the health, safety and wellbeing of our people.

We were quick to move to a working from home model and the investments that we made into technology over the past years to facilitate flexible working enabled us to transition rapidly with minimal disruption to day-to-day operations. Throughout the pandemic we have been able to use these technologies to keep in close contact with employees and encourage team interaction to ensure our people feel connected and supported.

Everyone within the business rose to the occasion. In addition to Group-wide and more regular local video conferences, we had virtual quizzes, team challenges, weekly drinks and regular lunchtime chair yoga sessions. Our employee intranet became the portal for sharing pictures and stories including employee contributions to our 100 Acts of Kindness initiative, which replaced our usual Annual Day of Giving and formed part of our SEGRO Centenary events programme throughout the year.

To ensure safe home working conditions, we produced specific guidance, including an online workstation assessment, and where necessary provided any additional equipment that was needed. Managers were given advice on how to manage teams remotely and also to look after the wellbeing of their team members.

When the lockdowns across our geographies started to be lifted, we asked everyone to complete a survey called ‘Future Way of Working’, which helped us to understand how our people felt about returning to the office.

The feedback from this was taken into account when we started to plan a gradual return to office working. Health and Safety assessments were conducted in all of our locations to ensure that social distancing could effectively be put in place. Restrictions were put on the number of employees in each office, one-way systems were implemented, sanitisation stations were set up and regular deep cleaning was introduced. Return to office guidelines were produced and these were reviewed regularly to factor in any new government guidance throughout the months that followed and differed for each office depending on the local situation.

We did not furlough any of our employees throughout the pandemic, nor did we take up any other government support measures.

How has it changed the way we will do business?

It was a revelation to us how quickly everyone adapted to working from home and how efficiently people have been able to continue to do their day-to-day jobs. The Future Way of Working survey also showed that employees enjoyed working from home in many cases (79 per cent said that they liked or loved it). Most would not want to do it permanently but they would like to have more flexibility to choose where they work depending on what they are working on.

As a result, we have introduced a new company wide Agile Working Policy that gives everyone the freedom to work more flexibly in the future, as we look beyond the pandemic. We still believe that office working plays an important role in meeting, socialising and collaborating to generate new ideas and solve problems but we also recognise that for times when colleagues need to focus and

CASE STUDY: SEGRO 100TH BIRTHDAY CELEBRATIONS

We had been due to celebrate our Centenary in May and plans had been put in place for an employee-wide conference and celebration in London. As we were in the height of lockdown in Europe at this stage we had to cancel the physical event but didn’t want to let the occasion go unmarked and miss an opportunity to bring everyone together.

Instead a SEGRO branded birthday cake was sent to the home of each employee and a virtual company-wide celebration was organised with presentations from the senior management team and contributions from every single one of our nine country teams. The company-wide broadcast was followed by separate team virtual parties as everyone enjoyed a slice of cake and toasted 100 years of SEGRO and the Slough Trading Estate.

This was part of a series of events that were organised to mark our Centenary and were made virtual, including a presentation by a local historian on the background to the Slough Trading Estate and SEGRO; the release of ‘Contraption’, a video of a kinetic sculpture featuring more than 60 products from over 40 different customers; Talking Archives, a series of short interviews with people who have a strong association with the Slough Trading Estate; and, last but not least, a video performance by the newly formed cross-border SEGRO choir that sang ‘Happy Birthday’.

concentrate, working from a quiet space at home might be more appropriate and so we put trust in our employees to decide for themselves what best suits their day-to-day work requirements.

OUR CUSTOMERS

The diversity of our customer base means that the impacts of the pandemic were wide-ranging, many benefiting from a sudden increase in demand for their goods and services and others finding that their revenues stopped overnight or having to shut down their operations temporarily as employees were no longer able to travel to their premises. We acted swiftly to help those businesses who were fundamentally sound but suffering short-term cash flow issues by deferring rents to alleviate some of the pressure that they were facing.

The majority of these deferrals took the form of moving customers from quarterly to monthly payment plans which proved to be very effective in helping the most impacted to survive the crisis. As of 31 December 2020 we had received 98 per cent of rents due in 2020 with the remaining 2 per cent due in the early part of 2021. Insolvencies in 2020 were in line with usual levels and our vacancy rate as of 31 December 2020 was 3.9 per cent (31 December 2019: 4.0 per cent), with the vacancy on our standing stock (i.e. excluding newly completed speculative developments) only 2.5 per cent (31 December 2019: 2.6 per cent).

On the positive side the pandemic has undoubtedly accelerated the structural themes that have been driving occupier demand for our warehouses – from the rapid rise in e-commerce penetration across Europe to increased usage of data and therefore the requirement for data centre capacity to support this.

Our larger customers plan their expansion 18-24 months ahead and we therefore believe that the majority of this increase in demand will flow through over the next few years.

How has it changed the way we will do business?

Prior to the pandemic rent collection levels were high and, when issues arose, they were limited to a small number of customers and to specific circumstances.

The restrictions imposed by governments across all of our markets had a more wide-spread impact on our customer base and our property and finance teams quickly engaged with our customers to understand their ability to operate and, as part of that, to pay their rent.

We swiftly put processes in place to gather and monitor this information in as close to real time as possible so that we could fully assess the position and respond appropriately.

As a result of our experiences with rent collection during the pandemic we are reviewing our rental collection processes, including automating the system where possible.

> City Harvest's successful, rapid response to growing levels of hunger during the COVID crisis was made possible by SEGRO's support. This crisis will leave a long-lasting need for our scaled-up food redistribution efforts amongst London's vulnerable communities. With SEGRO as a partner, we will utilise this additional depot space to triple our impact, allowing us to deliver millions of additional nourishing meals annually.
>
> **LAURA WINNINGHAM**
> CEO OF CITY HARVEST

CASE STUDY: CITY HARVEST LONDON

80,000

MEALS PER WEEK PROVIDED TO COMMUNITY PROGRAMMES ACROSS LONDON

London City Harvest was already a customer of SEGRO prior to the pandemic. It is a fantastic charity that aims to address the problem of more than 2.3 million Londoners living below the poverty line by collecting surplus food and delivering high-quality, nourishing ingredients to over 300 local organisations across the capital. These organisations in turn provide over 80,000 meals per week for community programmes including homeless shelters, soup kitchens, family centres and domestic abuse victims.

During the pandemic we enabled the charity to meet the increase in demand for its services by expanding its existing space on our Acton Park Industrial Estate by providing two rent free units totalling 6,000 sq ft and trebling its presence. The additional space helped the charity to improve its operational efficiency and helped many thousands of vulnerable Londoners to benefit from regular, healthy food donations.

Prioritising our people, our customers and our communities continued


POZNAŃ, POLAND

AMSTERDAM, NETHERLANDS


KETTERING, UK


COLOGNE, GERMANY


COLLEGIEN, FRANCE

OUR DEVELOPMENT PROGRAMME

Our development programme was also impacted by the crisis with most of our projects in Southern Europe and some in the UK temporarily suspended when the lockdown measures were introduced in March. We worked closely with our contractors to monitor the situation and, as soon as it was feasible, safe, and permitted by regulation, sites were re-opened with the appropriate social distancing and other necessary measures in place.

All of our development projects had resumed operations by the time we reported our half year results in August, with only minor delays to completion. Furthermore, they were not impacted by subsequent lockdowns as construction sites were classified as essential work.

There were some delays to sourcing certain raw materials and components that were coming from further afield but the impact was significantly mitigated relative to what it might have been as we try to source as much as we can locally.

By 31 December 2020 we had completed 835,900 sq m of new space which was in line with our expectations for the year and there were no projects due to complete in 2020 that have carried over into 2021 due to pandemic related delays.

In fact, we were able to deliver on a number of projects ahead of schedule and help our customers to respond more quickly to the increased demand for their goods and services.

How has it changed the way we will do business?

Just as the pandemic has highlighted the importance of supply chain resilience to our customers, it has also underlined how integral our supply chain is to our development programme, including maintaining strong relationships with our development contractors.

We always try to ensure that the local economy benefits as much as possible from our operations and our development programme is no different. We will therefore continue to source as much of the materials needed for our development projects locally as possible and to encourage our contractors to do the same when sourcing providers and subcontractors. In addition to the economic benefits, the local initiatives also have a positive impact on the environment in terms of reducing transportation and related carbon emissions.

Read more about our development programme
Pages 55-56

OUR OTHER SUPPLIERS

Also key to keeping our business operating as close to normal as possible during the pandemic, were our interactions with our other suppliers.

One of the priorities for our procurement team during 2020 was to maintain these close working relationships so that we could de-risk our business and ensure that we transitioned to a remote/virtual relationship management successfully.

We identified 40 key supplier relationships and contacted them 2-3 times during the year to understand their ongoing ability to handle the pandemic (and also most recently their preparedness for Brexit).

How has it changed the way we will do business?

We are planning to introduce a Supplier Key Account Management programme during 2021 to ensure that we remain close to our most important suppliers and continue to build on the strong relationships that we established during 2020.

OUR COMMUNITIES

We quickly recognised a need to provide emergency funding to help alleviate some of the pressures caused by the pandemic on the communities nearest to our assets. As a result we decided to bring forward the launch of our £10 million Centenary Fund, which we had previously planned to announce in May as part of our 100 year anniversary celebrations. Furthermore we decided to allocate the first round of funds to causes and projects aimed at helping to assist those most negatively impacted by the pandemic.

SEGRO is contributing to the Fund from corporate resources, and in addition, all Board Directors waived 25 per cent of their salary and fees for the second quarter of 2020 to the Fund.

In 2020 we made £967,000 of grants to 100 community projects across the UK and Continental Europe, directly helping around 77,000 people navigate the impact of the pandemic. In addition to this we provided warehouse space on heavily discounted, or zero, rents amounting to assistance in kind of a further £541,000.

The first phase of funding in 2020 responded directly to emergency projects such as providing basic necessities, including food, medicines and household essentials, and to support other initiatives which helped to alleviate the impact of the crisis on communities.

This was quickly followed by broadening support for employability and training initiatives to help get back into work those people who face barriers to employment or lost their jobs because of the pandemic.

How has it changed the way we will do business?

We are very proud to have been able to help those negatively impacted by the pandemic and it has highlighted the importance of being strategic in our charitable giving and to direct it to those most in need and where we can make the greatest impact.

The future emphasis of the SEGRO Centenary Fund will include local community projects which can help and inspire disadvantaged people into education, training and employment. This aligns with the approach we intend to take as part of our Investing in our local communities and environments focus area within our re-launched Responsible SEGRO framework.

Read more about our communities
Pages 41-43

OUR FINANCING AND INVESTOR ENGAGEMENT

During the pandemic we raised over £1 billion of equity and debt via a £680 million equity raising in June and a €450 million US private placement debt issue in July. The proceeds will allow continued and possible expansion of our development programme and will ensure that our balance sheet remains conservatively geared.

We were able to carry out both of these issuances without any physical meetings thanks to the efficiency of our IT systems and internal networks – carrying out numerous "virtual" meetings with our advisors and engaging with over 30 institutions via video and audio conference calls throughout both processes.

We have taken our investor relations programme fully virtual and have participated in our regular roadshows as well as 15 conferences and met with over 260 investors in almost 400 meetings during 2020. We have taken the opportunity to participate in conferences that we would otherwise not have been able to attend physically and also to engage with investors in regions that we would not normally have had the capacity to visit.

For our half year results presentation we organised a live presentation followed by Q&A which was broadcast via webcast to investors. Our AGM took place in April at the height of lockdown measures in the UK. As a result we advised our shareholders not to attend in person and instead encouraged them to vote on all of the resolutions online or by appointing the Chair of the AGM as proxy.

How has it changed the way we will do business?

The pandemic has forced us to use new technologies for our financing activity and investor engagement and has made us realise how efficient and practical virtual communications can be.

We believe there will always be a place for physical human interaction but we now look to complement this with other methods of communication to spread our reach wider and provide better management access to shareholders not based in the UK.

We plan to use a mixture of real life and virtual events in our investor relations programme in the future, allowing us to maximise the use of management time, engage with investors further afield and also to help us reduce travel and the carbon emissions usually related to these activities.

Read more about our capital structure
Page 40

£10m

CENTENARY FUND LAUNCHED AND ALLOCATED TO THE EMERGENCY RESPONSE AS WELL AS EMPLOYABILITY AND SKILLS PROJECTS AIMED AT HELPING THOSE MOST NEGATIVELY IMPACTED BY THE PANDEMIC

>£1bn

EQUITY AND DEBT RAISED DURING THE PANDEMIC TO BE PUT TOWARDS FURTHER EXPANSION OF OUR DEVELOPMENT PROGRAMME

CASE STUDY: OUR COMMUNITIES

During Spring 2020, SEGRO Poland donated 300 professional Secura 3000 masks, 2,100 mask filters, 200 pairs of protective overalls and 10 hand sanitising stations to Szpital Wolski in Warsaw and Isolation Hospital in Poznań.

With hospitals in Poland suffering from shortages in personal protection equipment at this time, we prioritised these donations in order to help protect hospital staff from Covid-19 and to prevent the spread of the pandemic.

We also supplied masks to families and children in Marseille, municipal workers in Aulnay-sous-Bois (Paris) and construction sites, municipal workers and hospitals throughout our communities in Italy.

Market overview
A look at our market drivers

The performance of real estate, like all asset classes, is driven by the interplay of demand and supply: investor demand for property assets and occupier demand for space, with performance dependent on the supply of properties to buy or lease to satisfy that demand.

The property market is therefore typically considered to be cyclical but more recently our business has been driven by structural trends. These have amplified the impacts of positive cyclical drivers and have outweighed the impact of any negative ones.

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

STRUCTURAL DRIVERS:
Changes in the way that an industry or market functions that results in longer-term or even permanent change.

We monitor both cyclical and structural drivers and use them to shape our strategy and influence decisions on the shape of our portfolio and the nature of our investments.

REAL ESTATE AS AN INVESTMENT ASSET:
If investor demand increases, in the absence of additional supply, the value of real estate will rise; if demand wanes or supply increases, the value will fall. Real estate pricing is commonly expressed as a yield which is the rent payable for a building as a percentage of its value. Assuming rents remain static, as the value of real estate rises, its yield falls (often referred to as 'yield compression') and vice versa.

REAL ESTATE AS AN OPERATING NECESSITY:
As occupier demand increases, in the absence of additional supply, overall lease terms will become more expensive for the occupier, including (but not exclusively) an increase in rents. If demand for space falls, or supply increases ahead of occupier demand, overall lease terms, including rent, will become cheaper.

STRUCTURAL DRIVERS

SUPPLY CHAIN EFFICIENCY AND RESILIENCE

Manufacturers, retailers (both traditional and online) and distributors require efficient, reliable distribution networks and supply chains in order to compete effectively – to meet the ever-increasing demands of their customers and to reduce costs.

To achieve this they need to invest in modern warehouse facilities well-located to serve their customers, but also close to labour pools to staff their facilities and provide truck drivers. They frequently need larger buildings in central locations, where there is space and power to support automation; and they need smaller buildings close to the end consumer to facilitate the 'last mile' of the distribution journey.

The pandemic has highlighted the importance of resilient supply chains more than ever before and this has stimulated new demand from occupiers looking to compete more effectively in the future. Brexit and the threat of border disruption has added further demand for more resilience in the supply chains.

What it means for SEGRO?

- Increased demand for modern, well-located warehousing for supply-chain efficiency or for resilience.

URBANISATION

Most major European cities are forecast to grow over the next decade leading to ambitious new housing targets being adopted. A growing population leads to increased demand for goods and services and for warehouse space from which to supply them, particularly for 'last mile' deliveries.

Land previously used for industrial purposes in and around major towns and cities is increasingly being used for the construction of houses and other uses.

As a result land available to meet the need for increased warehouse demand is being eroded and this tends to lead to higher land prices and increased rents for well-located industrial properties.

The pandemic has meant that cities such as London and Paris are currently functioning very differently but, longer term, we believe they will continue to act as centres of commerce, innovation and culture and therefore attract people to live, work and play in them.

What it means for SEGRO?

- Two-thirds of our portfolio is in urban locations so we are well positioned to benefit from this trend.
- In London, rental values for our urban warehouses increased by 3.3 per cent in 2020, reflecting that supply/demand imbalance despite the pandemic.
- The shortage of land in urban areas is also leading us to innovate to intensify land use, for example, by constructing multi-level buildings.

NEED FOR EFFICIENT, SUSTAINABLE BUILDINGS

With the world around us becoming more environmentally aware there is an increasing focus on the impact of buildings on the environment and finite natural resources. Our customers also want to minimise their own footprints and reduce their overall occupancy costs. It is important that landlords and developers own and create buildings that are sustainable in the long term and that use natural resources efficiently.

What it means for SEGRO?

- Our developments are designed to meet our net-zero carbon environmental targets (see pages 29, 57 and 89).
- A building's sustainability is an important factor in our investment decisions, not only for potential acquisitions but also for deciding whether to refurbish or dispose of assets.
- We are constantly looking at ways of innovating using new materials and technologies, for example we piloted SMART technology sensors in 2020 to help our customers understand how they can use their buildings more efficiently.

DIGITALISATION OF OUR SOCIETY (AND RESULTANT CHANGES IN CONSUMER BEHAVIOUR)

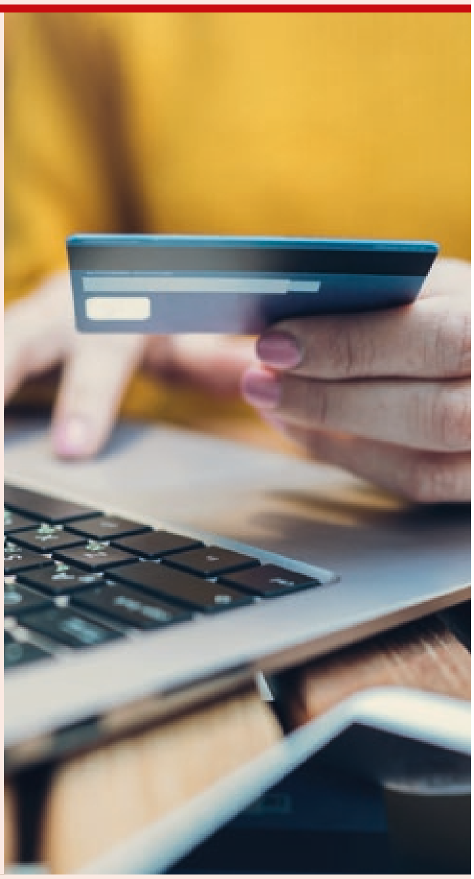
E-commerce has been on the rise across Europe for a number of years and this has been accelerated by the pandemic, with the majority of our markets now reporting online penetration levels above 10 per cent. Supporting an online or omni-channel retail model requires more and different warehousing than is needed to service a traditional retail store network.

The growth of e-commerce, the move to cloud computing by businesses and the generation of more and more digital data by businesses and consumers leads to increased demand for data centres to store and process the data. The pandemic has added to this with more people working from home, using video conferencing and streaming home entertainment content.

We believe these trends will remain in place long after the pandemic has receded and are likely to have been accelerated as a result of it.

What it means for SEGRO?

- Strong occupier demand for our urban warehouses located on the edge of cities to cater for 'last-mile' delivery.
- Almost two-thirds of our lettings in 2020 were to customers linked to e-commerce.
- We have experienced strong demand for data centre space during 2020 and this is likely to continue in 2021.



CYCLICAL DRIVERS

ECONOMIC OUTLOOK

Economic growth is an important driver of occupier demand for space. A supportive economic environment encourages businesses to grow and therefore to secure extra space. In a recession, customer insolvencies and industrial vacancy rates tend to increase.

Global economic growth has been impacted by the pandemic in 2020 and Brexit could also have a negative impact on economic growth in the short and long-term.

What it means for SEGRO?

- We have a very diverse customer base covering many different sectors which offers us some protection against problems in specific industries. So far, the structural drivers impacting our business have more than offset the negative economic impacts of the pandemic. We do however remain alert to the risk of a longer global recession that could impact occupier demand in the future.

INTEREST RATE ENVIRONMENT

Monetary policy across Europe – and globally – means that we continue to operate in a low interest rate environment. Prime industrial real estate yields in the UK and Europe are between 3 and 6 percentage points higher than their respective risk-free benchmarks making industrial real estate attractive on a relative basis.

What it means for SEGRO?

- This relatively attractive yield profile is enhanced by rental growth as a result of high occupier demand. Our portfolio increased in value by 10.3 per cent in 2020, reflecting significant yield compression and improving rental values.
- Greater competition for completed assets from investors has increased their prices meaning we can generally achieve better returns from developing than acquiring assets, short-term price of our land is increasing as well.

COMPETITIVE SUPPLY

The relatively short construction time for warehousing means that the availability of new speculatively developed buildings can sometimes exceed demand, leading to increased vacancy rates and weaker rents.

Despite the pandemic, occupier demand has remained strong and the supply of speculatively developed space has been more moderate. This could change in the future, although tight planning laws and limited availability of land (particularly in urban areas) are likely to help to keep supply in check.

What it means for SEGRO?

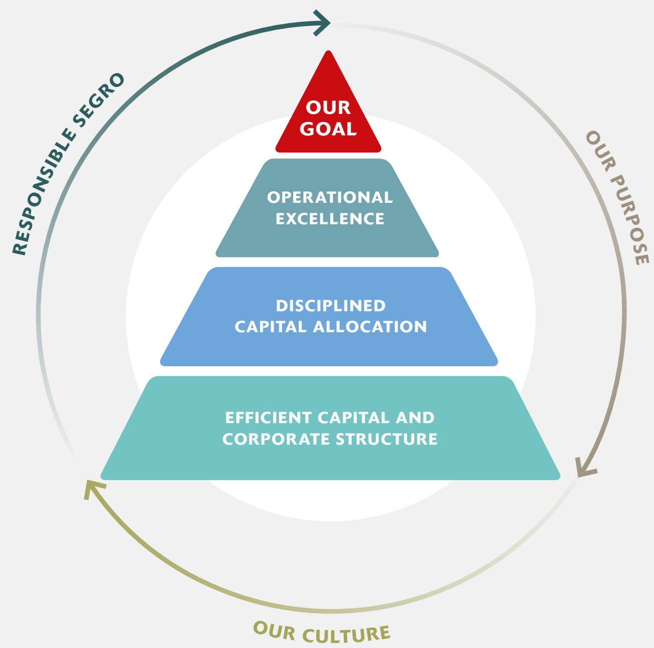
- Rental values have increased in most areas of our portfolio in 2020.
- We continue to take a cautious approach to speculative development, preferring most of our developments to be de-risked through pre-letting.

Driving superior performance through a Purpose-led, responsible approach to business

Our Business Model describes what we do and our Strategy describes how we do it, both are driven by our Purpose and underpinned by our strong culture. This ensures we create long-term value for all of our stakeholders.

WHAT WE DO

HOW WE DO IT



Creating long-term value for all of our stakeholders

OUR PURPOSE:

We create the space that enables extraordinary things to happen.

Our Purpose encapsulates why we exist as a company and what energises us.

It was formed in 2015 with the involvement of the entire company and we work hard to ensure that it remains an organic part of our culture and is owned by everyone at SEGRO.

OUR CULTURE:

We have a strong and unique company culture that permeates through the whole business.

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

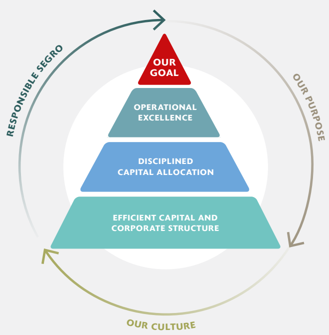
- SAY IT LIKE IT IS
- STAND SIDE BY SIDE
- KEEP ONE EYE ON THE HORIZON
- IF THE DOOR IS CLOSED...
- DOES IT MAKE THE BOAT GO FASTER?

OUR BUSINESS MODEL

At the heart of our Business Model is a deep understanding of our customers' needs. We explain how we create value for our stakeholders and the Resources & Relationships that we need to do this on pages 30-45.

OUR STRATEGY

We have been following a simple but effective strategy since late 2011.



Read more
Page 46-47

RESPONSIBLE SEGRO

Our Responsible SEGRO framework helps us to articulate and focus on our ESG goals.

We recognise that our responsibility goes well beyond the space that we own and we work hard to make a positive contribution to our environment, our customers, our people, our partners and the communities in which we operate.

Understanding the needs and priorities of our various stakeholders is embedded in the way we do business and in recognition of that we have for the first time this year integrated this information into the Strategic Report.

RESPONSIBLE SEGRO

HEALTH & SAFETY	Page 45
OUR PEOPLE	Pages 20, 34-36, 90-91
OUR SUPPLIERS	Pages 22, 39, 90
OUR CUSTOMERS	Pages 21, 32-33
OUR COMMUNITIES	Pages 23, 41-43
OUR INVESTORS	Pages 23, 40
OUR ENVIRONMENT	Pages 57-59, 86-89

Responsible SEGRO
Re-launching our Responsible SEGRO framework

The future success of SEGRO depends on our ability to make a positive contribution to our customers, employees, suppliers, investors and our communities. As a creator and manager of physical spaces, we naturally take a long-term approach to how we do business and acting with integrity has always been at the heart of what we do at SEGRO. The renewed Responsible SEGRO framework outlines how championing low-carbon growth, supporting local communities and nurturing talent will be our primary areas of focus going forward. By stretching ourselves to be net-zero carbon by 2030, becoming a more diverse and inclusive business and a greater support to our local communities, we aim to be the first choice for our customers, employees, suppliers, investors, communities and other stakeholders.

DAVID SLEATH
CHIEF EXECUTIVE

RESPONSIBLE SEGRO

Our Purpose is to create the space that enables extraordinary things to happen. It highlights our dual roles: as creators of physical spaces and enablers for our stakeholders to achieve their own ambitions.

It is true for our customers who depend on our properties to be able to deliver the extraordinary range of goods and services which are essential to modern life. It is true for our colleagues, whom we want to thrive and to maximise their potential while working with us. And it is true of other stakeholders such as the people and communities who work in, live near or provide services to our properties.

Our commitment to be a force for societal and environmental good is integral to our Purpose and Strategy. This has been at the core of how we do business for over 100 years, and will be just as important for the next 100.

This commitment is led by our Board, but lived by SEGRO colleagues every day. It's about doing the right thing and making a positive impact wherever we operate.

To make sure that we continue to meet our own high standards and those that are expected of us, as part of this process we have listened to our customers, employees, suppliers, investors and other stakeholders to understand what's important to them and how we can be a force for good beyond the buildings we create and own. Our ambition is to be the partner of choice for all of our stakeholders, to enable us to create long-term economic and societal value.

Our long-held commitments to leadership in health and safety, stakeholder engagement, corporate governance and being a good corporate citizen are stronger than ever and our Responsible SEGRO priorities have been designed to support and enhance these.

Our new Responsible SEGRO framework introduces three long-term priorities to which we can make the greatest business, environment and social contribution. Our three priorities are:

- Championing low-carbon growth;
- Investing in our local communities and environments; and
- Nurturing talent

For each of these areas we have established challenging initial targets, against which we will report annually, and have set out the actions needed to achieve them.

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

We have put the right structures in place throughout our business to monitor how we are performing against our targets, and we will achieve our goals by drawing on our expertise in our field; our strong relationships with our investors, customers and suppliers; and the resourcefulness and determination of our people.

Our goals will be achieved by working with our local communities, our partners – in particular our customers – and our suppliers in order to deliver real change for the greater good.

We believe that working towards and achieving the goals within the Responsible SEGRO framework will ensure we remain a business fit for the future, one that helps our customers grow, our communities flourish and our people thrive.

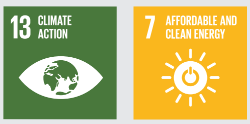
In short, that we will continue to create the space which enables extraordinary things to happen for many years to come.

OUR THREE LONG-TERM PRIORITIES

	CHAMPIONING LOW-CARBON GROWTH	INVESTING IN OUR LOCAL COMMUNITIES AND ENVIRONMENTS	NURTURING TALENT
CONTEXT	SEGRO recognises that the world faces a climate emergency and we are committed to playing our part in tackling climate change by limiting global temperature rise to less than 1.5 degrees, in tandem with growth in our business and the wider economy.	SEGRO is an integral part of the communities where it operates, and we are committed to contributing to their long-term vitality.	SEGRO's people are vital to and inseparable from its success, and we are committed to attracting and retaining a diverse range of talented individuals in our business.
TARGETS	We will be net-zero carbon by 2030	We will create and implement Community Investment Plans for every key market in our portfolio by 2025	We will increase the overall diversity of our own workforce throughout the organisation
ACTIONS	**We will aim to reduce carbon emissions from our development activity and the operation of our existing buildings, and eliminate them where possible.** **We will implement plans to absorb any residual carbon.** **We will research and implement innovative approaches to absorb or offset residual carbon.**	**We will work with our customers and suppliers to support our local businesses and economies.** **We will help improve the skills of local people to enhance their career and employment opportunities by investing in local training programmes.** **Equally, we will enhance the spaces around our buildings, working with local partners to ensure we meet the needs of our communities.**	**We will provide a healthy and supportive working environment, develop fulfilling and rewarding careers, foster an inclusive culture and build a more diverse workforce.**

ALIGNMENT WITH THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

We have reviewed the United Nations Sustainable Development Goals against our Responsible SEGRO framework to understand which goals are particularly significant to our business and the three core priorities that we have outlined above. Elements of this framework are aligned with all of the Goals, but we believe that we are able to make the greatest contribution to the following six:



SEGRO is committed to championing low-carbon growth and has set a target to be net-zero carbon by 2030. We will reduce the embodied carbon in our new developments as well as reducing the carbon-intensity of our properties through initiatives such as increasing our solar generation capacity. We want to play our part in tackling the increasingly evident challenge that climate change presents.

SEGRO is committed to supporting local communities with a focus on providing training and helping people build the skills they need to gain employment. We will work together with our partners to reach more people and help them back into education, training or employment. We want to play our part in reducing inequalities and ensuring that more people have the right skills to be able to access meaningful work.

SEGRO is committed to being a good neighbour and to enhancing the spaces beyond our buildings. We will work to accelerate green transport solutions through promoting better public transport links and cycling infrastructure and installing electric vehicle charging points. We want to play our part in ensuring that our buildings are part of thriving, sustainable communities.

Our Business Model
Creating long-term, sustainable value

A deep understanding of our customers' needs lies at the heart of how we do business and create value for our stakeholders.

WHAT WE NEED

A DEEP UNDERSTANDING OF OUR CUSTOMERS' NEEDS

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

DIVERSE, MOTIVATED, TALENTED AND ENGAGED PEOPLE

We employ 355 people with expert skills across all aspects of real estate, corporate functions and also newer areas such as data analytics.

A PORTFOLIO OF PRIME, SUSTAINABLE ASSETS

We buy and build warehouse properties located inside or on the edge of major cities and key transport corridors and logistics hubs.

LAND TO FUEL THE DEVELOPMENT PIPELINE

Sourcing land is key to the future growth of our business and we leverage our Pan-European operating platform to secure attractive opportunities.

SUPPLIERS AND OTHER BUSINESS PARTNERS

We work with suppliers and other business partners whose aims complement our own.

AN EFFICIENT CAPITAL STRUCTURE

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

STRONG COMMUNITY RELATIONSHIPS

We aim to deliver long-term economic and social benefits to the communities that we are part of.

FUTURE-PROOFING THROUGH INNOVATION

Embracing technology is key to making sure our business is fit for the future and also provides us with a huge opportunity for smooth and more efficient operations.

A ZERO-TOLERANCE APPROACH TO POOR HEALTH & SAFETY

Health and Safety is central to all of our business activities and we are committed to the prevention of harm to our employees and throughout our supply chain.

CREATING VALUE FOR ALL OF OUR STAKEHOLDERS

FINANCIAL

ADJUSTED PROFIT BEFORE TAX

£296.5m (+10.8%)

RENT ROLL GROWTH

£60.1m (+10.3%)

ADJUSTED NAV

814p (+16.3%)

TOTAL DIVIDEND

22.1p (+6.8%)

Full KPIs see **pages 50-51**

NON-FINANCIAL

CUSTOMER SATISFACTION

87%

CHARITABLE CONTRIBUTIONS

£1.5m

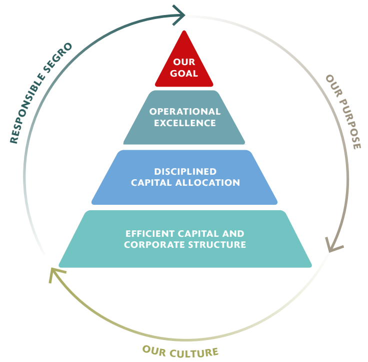
NEW DEVELOPMENTS TARGETED AS BREEAM 'EXCELLENT' OR 'VERY GOOD' (OR LOCAL EQUIVALENT)

93%

A COMPANY WHERE PEOPLE WANT TO WORK

97%

OUR STRATEGY:



WHAT WE DO (OUR BUSINESS MODEL)

DISCIPLINED CAPITAL ALLOCATION

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

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

OPERATIONAL EXCELLENCE

DEVELOPMENT
We build prime, sustainable warehouses in key locations.

CUSTOMER RELATIONSHIPS
We aim to provide an excellent service to, and develop partnerships with, our customers.

ACTIVE ASSET MANAGEMENT
We actively manage our assets to strike a balance between occupancy and rental growth.

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

ASSET RECYCLING
We dispose of assets where we believe we have optimised returns.

OUR CUSTOMERS

Read more about our strategy see **pages 46-49**

Relationships & Resources
What we need to create the space that enables extraordinary things to happen

WHAT WE NEED TO CREATE LONG-TERM VALUE:

- **A DEEP UNDERSTANDING OF OUR CUSTOMERS' NEEDS**
- **DIVERSE, MOTIVATED, TALENTED AND ENGAGED PEOPLE**
- **A PORTFOLIO OF PRIME, SUSTAINABLE ASSETS**
- **LAND TO FUEL THE DEVELOPMENT PIPELINE**
- **SUPPLIERS AND OTHER BUSINESS PARTNERS**
- **AN EFFICIENT CAPITAL STRUCTURE**
- **STRONG COMMUNITY RELATIONSHIPS**
- **FUTURE-PROOFING THROUGH INNOVATION**
- **A ZERO-TOLERANCE APPROACH TO POOR HEALTH AND SAFETY**

In this section we describe how we engage with some of our stakeholders. For our full s172 statement and further information see pages 83-84.

A DEEP UNDERSTANDING OF OUR CUSTOMERS' NEEDS

Understanding our customers' needs and changing requirements is at the heart of everything we do as a business. It helps to shape our decisions on where and what to invest in; it is a key part of actively managing our portfolio; it is fundamental to the evolving design of our warehouses and influences our decisions when it comes to asset recycling.

Essential to this understanding are the strong and meaningful relationships that we build with our customers and we believe that managing our portfolio internally is key to this. Part of the role of our asset and property managers is to build a knowledge of the businesses that occupy our space and just as buildings range in size and specification so do our customers, from small, owner-managed start-ups to global businesses.

By understanding their differing priorities and challenges and feeding this back into the business we are able to offer them creative solutions to their real estate requirements. This can be as basic as offering additional, larger or smaller premises to align with their own growth aspirations but also goes beyond simple real estate transactions.

Increasingly our customers are focused on the environmental sustainability of the buildings so that they can fulfil their own ESG targets. We are investigating ways in which we can help them achieve this and ran a number of pilot projects in 2020 to help shape our strategy in this area. These projects included installing sensors into some of our buildings, enabling our customers to better understand how they use their buildings and, ultimately to make financial and energy savings. We are also speaking to a number of our key customers about installing solar panels on the roofs of their buildings which will assist with carbon reduction targets and the growing demand for more power to service increased automation and the electrification of vehicle fleets.

During 2020, we were able to support our customers through the pandemic. For some that meant finding them additional space for a sudden increase in demand for their goods and services and for others that meant helping them survive temporary cash flow issues by deferring their rental payments.

> Our customers are at the heart of our business and our understanding of their needs and requirements drives our decision making and helps us to make sure our portfolio is fit for the future.
>
> **ANDREW GULLIFORD**
> CHIEF OPERATING OFFICER

In addition to this collaboration on a practical level we also try to develop these relationships on a strategic level, helping us to understand the factors that are influencing their companies specifically, as well as their wider industries. Our 'Futures Forums' are an important part of this, bringing together customers to discuss near and longer terms trends that could impact them and us.

We have dedicated cross-border teams for our larger multi-region customers and in 2020 we increased the number of customers covered by these teams, helping us to offer a greater portion of our customer base a coordinated and consistent service. We also developed a customer relationship management app which is a key tool for sharing information, insights and data amongst different parts of the business.

In 2020, we employed an external firm of consultants to undertake research with some of our largest customers to get an insight into their relationships with us. Their findings have proved to be very useful and will form the basis of our next Futures Forum, which will include many of the customers who took part in the project. We have also continued with our customer satisfaction surveys and in 2020, for the first time, included questions on the future business needs of our customers, as well as measuring overall satisfaction. The survey established that 87 per cent of respondents rated SEGRO as 'good' or 'excellent' (2019: 88 per cent). 99 per cent of respondents said they would be willing to recommend SEGRO (2019: 96 per cent).

By working closely with our customers to understand their needs and issues, we aim to provide a first class consistent service and real estate solutions long into the future. We also hope that this approach will encourage customer loyalty and help us to generate new business – almost 60 per cent of our headline rent comes from customers with whom we have multiple leases and nearly two-thirds of our current development pipeline has been secured by a pre-let with an existing customer.

NUMBER OF CUSTOMERS

1,383

2019: 1,190

CUSTOMERS WHO WOULD RECOMMEND SEGRO TO OTHERS

99%

2019: 96%

CUSTOMER RETENTION RATE

86%

2019: 88%

CASE STUDY: GEODIS

We have been working with GEODIS for many years now and they are one of our customers who benefit from our cross-border service teams. We now work together with them across five countries – UK, France, Germany, Poland and Italy.

In 2020, we partnered with them to develop a new unit at SEGRO Logistics Park Dourges (located 30 km south from Lille). The multimodal capabilities at the unit enabled GEODIS to increase their activities in rail transport between the north and south of France, helping them to meet their sustainability objectives.

Two trains use the new building daily, representing the equivalent of 100 fully loaded lorries. This has helped them to reduce their greenhouse gas emissions by up to 75 per cent and also make significant cost savings. This opportunity came about as a result of our understanding and appreciation for the Geodis strategy and their business priorities.

We are also currently building a last generation cross-dock unit located 35 km south of Paris which is due for completion in July 2021. This urban distribution hub will be dedicated to a GEODIS subsidiary and allow a further increase in activities from its current operation of over five million parcels a year.

We hope to continue to work closely with GEODIS to help them meet their aspirations into the future.

-75%

REDUCTION IN GREENHOUSE GAS EMISSIONS, HELPING MEET SUSTAINABILITY OBJECTIVES

We have enjoyed working with SEGRO on a number of projects throughout 2020. The SEGRO team fully understand our strategy and are committed to ensuring an excellent customer relationship.

STEPHANE CASSAGNE
MANAGING DIRECTOR EXPRESS AND DISTRIBUTION, GEODIS

What we need to create the space that enables extraordinary things to happen continued

DIVERSE, TALENTED, MOTIVATED AND ENGAGED PEOPLE

> We want SEGRO to be a place where everyone is able to be themselves in a working environment which is inclusive, free from bias and provides equal opportunities for all.

LIZ REILLY
GROUP HUMAN RESOURCES DIRECTOR

EMPLOYEES SERVING 1,383 CUSTOMERS

355

2019: 332

VOLUNTARY STAFF TURNOVER IN 2020

2.3%

2019: 5%

EMPLOYEE ENGAGEMENT

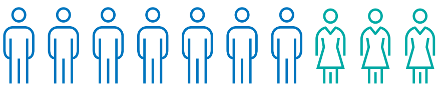
94%

2018: 92%

GENDER DIVERSITY

WORKFORCE

1.	Male (182)	51%
2.	Female (173)	49%



LEADERSHIP TEAM

1.	Male (10)	67%
2.	Female (5)	33%

For further information on our new Responsible SEGRO targets:
see page 28-29

Although real estate is a physical asset class, the business of acquiring, developing and managing it requires great people and our long-term success is therefore dependent on the expertise, commitment and motivation of our workforce. We have just over 350 employees with expert skills across all aspects of real estate and it is these employees who manage our relationships on a day-to-day basis.

We believe that it is our responsibility to make SEGRO a place where people feel fulfilled by the work that they do, are inspired by the environment they work in and are supported and developed to reach their full potential. This in turn should enable us to attract and retain talented people and will ensure the future success of our business.

CULTURE & WORKING ENVIRONMENT

We have a strong company culture which is brought to life by our people every single day. The Purpose & Values that we created five years ago, with the input of every single employee, continue to guide our decision making and the approach we take to running our business on a daily basis. A company culture is inherently intangible but we support it by:

- providing a working environment that encourages collaboration and communication and we have catered for this by creating open-plan offices with flexible workspaces that encourage people to interact and engage with colleagues.
- taking a proactive approach to communication, keeping our employees up to date about information relating to them individually as well as what is happening around the business, and encouraging them to give feedback both formally and informally.
- carrying out an employee engagement survey every two years, which asks all employees to comment on various aspects of their work at SEGRO and the results of this are reported to the Board, Leadership team and local team members, highlighting both areas of notable success and areas for improvement.

The pandemic made supporting our culture more challenging but we adapted quickly and have detailed some of the measures taken on page 20 of this report.

We believe that the Company's culture supports honest and open expression of concerns between employees and management but in the event that an employee (or third party supplier) wishes to raise a concern on a confidential and anonymous basis, the Company offers a whistle-blowing helpline which is operated by an independent company.

INCLUSION & DIVERSITY

One of the new focus areas within our Responsible SEGRO framework is our ambition to have a truly diverse workforce which broadly reflects the make-up of the population of the countries that we operate in.

We understand that people need to feel comfortable and free to be themselves. and have therefore created a working environment which is inclusive, supportive and free from bias, with equal opportunities for all.

We have robust policies in place with regard to equal opportunities supporting our belief that everyone deserves the right to be treated equally and should not be discriminated against for any reason. In order to support these policies, every employee is required to complete diversity training, particularly to combat unconscious bias. This includes

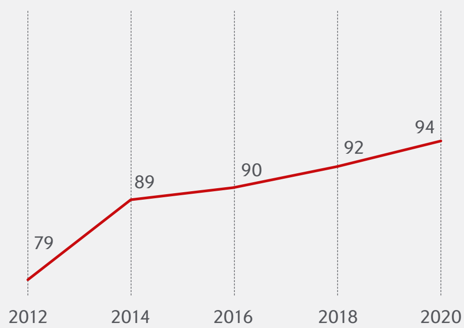
EMPLOYEE SURVEY RESULTS

We carried out our bi-annual employee survey in November 2020 and had a very high level of participation with 94% of employees taking part.

KEY HIGHLIGHTS:

- A record employee engagement score of 94%
- 97% of employees said they are proud to work for SEGRO and care about the future of the company
- 95% of employees felt that SEGRO respects individual differences

SEGRO ENGAGEMENT: LONG-TERM TREND



appropriate support, retraining and facilities for employees who are disabled or who become disabled whilst in our employment.

Our overall workforce is diverse in terms of gender (49 per cent of our workforce are women). However, at senior levels the representation of women falls and within the Property functions there is a lack of all types of diversity.

We are working hard to improve the representation of women at senior levels and support the 30% Club. Our CEO has also signed the Real Estate Balance 'CEO Commitments for Diversity'. We have also implemented an Agile Working Policy to provide more flexibility around working locations and hours.

Our next priority is attracting people from different backgrounds into SEGRO and the sector and therefore helping to increase other forms of diversity within our business, particularly within the Property functions.

This is an industry wide issue but we are committed to being a part of the solution and intend to make significant progress towards this over the next 3-5 years. Key to this will be our new Diversity and Inclusion Framework which builds on our participation in programmes such as Pathways to Property and will fundamentally change the way that we recruit into our business.

We believe that analysing diversity data and being transparent is an important step towards creating meaningful change. This is why we have voluntarily published our UK Gender Pay Gap data since 2017 and are voluntarily publishing our UK Ethnicity Pay Gap data for the first time this year.

In 2020 our mean UK Gender Pay Gap was 51 per cent, an improvement from 52 per cent in 2019. In 2020 our mean UK Ethnicity Pay Gap was 27 per cent. Like many other organisations the reasons for our Gender Pay Gap and Ethnicity Pay Gap is the fact that we have more men than women and more white employees than ethnic minority employees in senior roles.

We believe in treating all employees equally, and are committed to becoming a more diverse and inclusive organisation, thereby reducing our gender and ethnicity pay gap over time.

For our Gender and Ethnicity Pay Gap data:
see page 91 of our Additional ESG Disclosures.

REWARDING & RETAINING TALENT

Every permanent employee is entitled to variable compensation which is based on their own and the Company's performance against targets and objectives. In addition, the Company operates share incentive plans through which shares are awarded to employees based on the Company achieving profit targets against budget (see page 135 for more details).

In 2020, 99 per cent of eligible employees chose to participate in the UK and Continental European plans, each receiving 369 SEGRO shares. In addition to fixed and variable compensation, we provide a generous benefits package which includes health insurance and is reflective of market competitive packages in each of our geographies.

TRAINING & DEVELOPMENT

We want our people to achieve great things during their time with SEGRO, supported by appropriate resources, training and coaching.

Every employee has an interim and full year appraisal, at which their performance is reviewed, objectives are set and training needs are identified to help them achieve their objectives.

Employees are encouraged to set personal as well as professional objectives and training is available to support both. We also sponsor our employees to study professional qualifications that are relevant to their role. Aside from the formal appraisal process, the management structure facilitates two-way communication between manager and team member throughout the year.

We believe that this approach to rewarding and developing talent, alongside a supportive and collaborative company culture, is reflected in our low employee turnover of 2.3 per cent (2019: 5 per cent). Furthermore, while our training hours decreased in 2020, this was largely due to the remote nature of opportunities available and we expect higher levels of training to return when face-to-face interaction is possible again.

HEALTH & WELLBEING

The wellbeing of our employees is paramount – both in and out of their working lives – and one of our highest priorities as a business is to ensure that our employees can work in a healthy, safe and secure environment and to ensure that everyone goes home safely at the end of the day.

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

We believe that by investing in our people we are investing in the long-term success of our business as this helps to ensure that SEGRO is the employer of choice for diverse, talented, motivated and engaged people.

For further information on our People:
see pages 20-23 on our pandemic response and also pages 90-91 of Additional ESG Disclosures.

CASE STUDY: MENTAL HEALTH AND WELLBEING

SEGRO is committed to raising the profile of mental health and wellbeing within the workplace, encouraging others to recognise those who may need help and to create an environment that enables employees to talk openly about their mental health.

Our Mental Health and Wellbeing programme provides awareness training to SEGRO line managers across the Group on the subject. We have also enhanced our BUPA offering to include the Healthy Minds service, which offers our UK employees a 24/7 confidential helpline offering short-term counselling with fully qualified counsellors. Similarly in Continental Europe, we offer an Employee Assistance Line offering 24/7 confidential help.

SEGRO aims to promote mental health awareness within the workplace through a number of initiatives including blogs, employee forums, videos, printed materials and events. We have a comprehensive wellbeing hub containing a wealth of support and information on our intranet and in December 2020, we also offered all employees free access to a mental wellbeing app. An internal working group, attended by trained wellbeing ambassadors, has been formed to plan events and discussions around the subject on an ongoing basis, which also helps encourage openness around the topic.

What we need to create the space that enables extraordinary things to happen continued

CASE STUDY: PATHWAYS TO PROPERTY – INCREASING DIVERSITY IN THE REAL ESTATE SECTOR

As part of our ambition to bring more diversity into the real estate sector, SEGRO has been a Gold sponsor of the Pathways to Property programme run by the University of Reading since 2012. This initiative aims to attract students from diverse backgrounds to gain an understanding of our industry through a Summer School, work experience placement, e-mentoring scheme, university bursary and an open online course.

The eighth Pathways to Property Summer School took place in July 2020 and was an online event for the first time due to the restrictions resulting from the pandemic. The three-day course included lectures, virtual site visits, career counselling sessions, advice about going to university and a group project. Two of our Executive Directors presented as part of the 2020 Summer School programme.

97 students from Year 12 of school/college attended the 2020 event. 99 per cent of the participants said the Summer School met or exceeded expectations and 83 per cent confirmed they are considering a career in property.

In October 2020, SEGRO hosted two of the Summer School students for virtual work experience over three days. Despite the Covid-19 restrictions, the experience gave the students the opportunity to learn more about the industry, meet different individuals within the business and receive advice about how to get into the property industry. The online element required them to be self-motivated and taught them key skills such as time management and communication as well as a maturity needed to meet the demands of the placement in testing conditions.

Since the launch of the project in 2012, Pathways to Property have engaged with multiple students, school staff and parents to promote the exciting opportunities within the industry.

Below is a breakdown of the level of engagement across different areas.

LEVEL OF ENGAGEMENT SINCE 2012	
Number of students engaged with	>20,000
Number of teachers and career advisors engaged with	c 3,900
Number of parents engaged with	>1,000
Number of events attended	294
Number of Summer Schools run	8
Total number of Summer School attendees since 2012	701
Number of work experience placements arranged	310
Number of learners signed up to complete online course (OOC)	14,000
Percentage of Summer School attendees who were female	47%
Percentage of Summer School attendees who have no family experience of Higher Education	84%

Source: Pathways to Property

A PORTFOLIO OF PRIME, SUSTAINABLE ASSETS

> As a result of our portfolio reshaping over the past decade and our active development pipeline, we are now proud owners of one of the most modern and sustainable warehouse portfolios in Europe.

ANDREW GULLIFORD
CHIEF OPERATING OFFICER

ASSETS UNDER MANAGEMENT

£15.3bn

2019: £12.2bn

DISPOSALS SINCE 2012

£3.7bn

ASSET ACQUISITIONS SINCE 2012

£2.7bn

We buy and build warehouse properties located on the edge of major cities as well as in key transportation corridors and logistics hubs and actively manage £15.3 billion of assets. This prime, modern portfolio is a result of an ambitious portfolio reshaping programme that we embarked on in late 2011.

Since then we have disposed of almost £3.7 billion of assets and land (excluding sales to our joint venture SELP) in markets or sub-sectors that we identified as non-core. We now own what we believe to be one of the best portfolios of industrial property in Europe.

With that reshaping now complete our disposal activity has slowed but we still continually review and refine the portfolio, carrying out an annual asset review process which looks at the opportunities, risks and potential returns for every single asset. As a result of this we identify assets (and sometimes markets) where we believe we have maximised the potential or where we believe the risk of holding an asset outweighs the potential benefits. The assets that we identify through this process form the basis of our investment disposal list.

During the same period we acquired over £2.7 billion of assets in key strategic markets, taking advantage of our market knowledge and local networks to source opportunities off-market where possible and therefore achieve better pricing.

More recently we have focused our attention on development rather than asset acquisitions, where we can gain competitive advantage by exploiting our land bank and the skills of our development teams across Europe.

This has allowed us to generate superior returns than from buying assets and given us access to opportunities that would not be available on the investment market.

Since late 2011 we have built almost 4.4 million sq m of new space, adding over £240 million to the rent roll. We have been able to do this whilst keeping our development yield at around a 150 basis point margin over the equivalent investment yields.

In addition to building new assets we are also continually refurbishing and redeveloping existing warehouses that we believe are prime in terms of their location but perhaps need modernising to meet our customers' ever changing requirements. Increasingly this involves the retrofitting of sustainability features to improve their performance and help our customers to reduce their own energy consumption.

41 per cent of our assets are currently environmentally certified and for all new developments we target a rating of BREEAM 'Very Good' or higher (or the equivalent local standard). In 2020, 93 per cent of our eligible development projects are expected to meet that target.

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

CASE STUDY: A NEW STANDARD FOR REFURBISHMENTS, UNIT E PREMIER PARK, LONDON

To meet our climate change ambitions, we must improve the sustainability performance of our existing buildings. This year we completed our first EPC A+ refurbishment at Unit E Premier Park, originally constructed in 1995. The energy efficient refurbishment included LED lighting, a switch from a gas-powered heating system to an air source heat pump and a 176 kWp solar array which will generate 161 MWh of electricity per year. The solar electricity will help power 3 dual electric vehicle charge points which can each provide a charging capacity of 22 kW, for customer or commercial use.

The 4,250 sq m building features bird and bat boxes to improve biodiversity, a green wall to the reception, a rainwater harvesting system and environmentally friendly paint which absorbs air pollutants. These measures have helped the building achieve a BREEAM 'Excellent' rating.

The specification also utilises re-used and recycled products to reduce embodied carbon. This included an eco-friendly carpet with biobased content, a re-used raised access floor moved from the ground floor to the first-floor extended office, and a reception desk made from 100% recycled plastic.

What we need to create the space that enables extraordinary things to happen continued

LAND TO FUEL THE DEVELOPMENT PIPELINE

> We have a fantastic land bank and our local presence and knowledge in all of our key markets provides us with a competitive advantage when it comes to replenishing it.

ANDREW GULLIFORD
CHIEF OPERATING OFFICER

LAND ACQUIRED IN 2020

£286m

2019: £147m

LAND UTILISED IN 2020

£185m

2019: £166m

POTENTIAL DEVELOPMENT FROM LANDBANK

2.8m sq m

2019: 2.1m sq m

Over the past five years we have focused our capital expenditure more on development than acquiring finished assets as we believe this provides a better return on investment. As a result we have increased development capex from less than £200 million per year to over £500 million in 2020. In 2020 we completed 835,900 sq m of space, capable of generating £47 million of new headline rent.

In order to facilitate this increased amount of development we need land to fuel the pipeline.

We currently have a landbank of over 650 hectares that is capable of supporting approximately 2.8 million sq m of new space and generating rental income of £157 million. In addition to this we have land options that support almost another 1.0 million sq m of new space, equating to £62 million of potential new rent.

At the current rate of development spend our landbank should last us 3-5 years so it is important that we replenish it to enable us to meet anticipated future demand from consumers. We invested £286 million in development land during 2020 and utilised £185 million of land.

Sourcing industrial land is not easy and requires an in-depth knowledge of the market and also important are the relationships with local authorities to ensure a smooth permitting process. Our teams on the ground in each region do extensive research and think creatively to source opportunities, for example partnering with the French developer Icade as part of the redevelopment of Gobelins rail station in Central Paris and acquiring land for a 75,000 sq m underground logistics hub.

Our operating platform in eight countries across Europe is an important part of our competitive advantage, allowing us to access off-market opportunities and continue to acquire land.

Where possible we acquire land under option until it is zoned for industrial usage and we can progress with our development plans. We aim to keep land to within 5 to 7 per cent of gross asset value and are currently sitting at around 5 per cent.

NET LAND UTILISATION, 2015–2020
(BASED ON OPENING BOOK VALUE OR ACQUISITION VALUE)

SUPPLIERS AND OTHER BUSINESS PARTNERS

Our relationships with our suppliers and other business partners are key to helping us create value. We invest a lot of time in developing these and trying to ensure that our aims and objectives are aligned and mutually beneficial.

SUPPLIERS

We work with over 3,000 suppliers across the Group, ranging from small local businesses to multinational companies, and spent over £650 million with them in 2020.

We want to work with suppliers who share our values and our approach to matters such as health and safety, compliance, anti-bribery and corruption and modern slavery.

We are committed to ensuring that our supply chain is safe, secure and efficient. We follow a strict supplier assurance process which enables us to be confident that our supply chain is maintained to a high standard and improvements can be made whenever possible.

For more details on our approach to Modern Slavery and Anti-Bribery and Corruption
see page 90-91 of our Additional ESG Disclosures.

Our comprehensive supplier assurance process is automated, so it is easy for suppliers to use and update information. It requires all suppliers to provide information appropriate to their service, including health and safety policy, evidence of insurance and confirmation of skills and experience. They need to provide this data before they become an accredited supplier. We re-test and re-assess our suppliers, and regularly update the list of assured suppliers.

We have service review sessions with many of the professional services suppliers (for example, with our lawyers and agents), while those involved in construction activities have regular visits from our Health and Safety team. We also have a rolling programme of meetings with our suppliers' senior management teams to discuss in more detail their compliance with our approach to anti-bribery and corruption and modern slavery. There were no concerns or issues arising out of the meetings conducted during 2020.

We want to work in partnership with suppliers and we value long term relationships where they understand us, our standards and our preferred ways of working. This has been particularly important in 2020 and has helped us to ensure business continuity and also to help our key suppliers through this difficult time.

In the spirit of partnership, we treat our suppliers well and ensure that they are paid on time. We are a signatory to the UK Prompt Payment Code and, in 2020, over 95 per cent of UK invoices were paid within 30 days of receipt, with an average payment time of 16 days.

SELP

The majority of our portfolio is wholly owned but we have one main joint venture, the SEGRO European Logistics Partnership (SELP), owned 50-50 by SEGRO and PSP Investments. This joint venture focuses solely on big box warehouses in Continental Europe and has allowed us to achieve scale in this market at a much faster pace than we could have done as sole owners and in more capital efficient manner. The partnership started in 2013 with €1 billion of assets and now owns over €5.3 billion of land and assets in seven European countries.

SELP has a Board comprising four directors, two from each parent company and it meets at least quarterly. SEGRO manages the joint venture and advises the Board on investment and financial matters, with decisions taken jointly by the two owners.

More information on SELP can be found at www.selp.lu.

CASE STUDY – VALLEY PROVINCIAL

Valley Provincial provide landscape management services and has been a supplier to SEGRO's Greater London business since 2009. Our relationship has evolved into a strong partnership based on excellent working relations and continuity of service.

Through 2020, we maintained particularly close contact with Valley Provincial in order to provide support through the Covid-19 pandemic.

We established regular calls to ensure we were able to support each other as necessary, checking in with how teams were coping and establishing if there was additional support we could provide. They were also beneficial as a discussion forum for ideas how best to manage imminent challenges as well as proactively manage those possible in the future.

Our collaboration ensured that the excellent services we received from Valley Provincial were maintained throughout the pandemic period. The precautionary initiatives undertaken by both companies also helped ensure that Valley Provincial saw no positive Covid-19 cases among their employees.

Valley Provincial appreciated that SEGRO cared about their business during a very challenging period. By working in partnership, both companies were also able to achieve a deeper understanding of each other's businesses which will benefit the relationship into the future.

During 2020, we were delighted to further our partnership with Valley Provincial on some of SEGRO's new estates in Perivale Park and Canning Town.

Valley Provincial and SEGRO's partnership has continued to thrive through the Covid-19 pandemic. We greatly appreciated the support that SEGRO has shown during the unprecedented period and look forward to working together into the long term future.

GAVIN SIMS
OPERATIONS DIRECTOR,
VALLEY PROVINCIAL

What we need to create the space that enables extraordinary things to happen continued

AN EFFICIENT CAPITAL STRUCTURE

We have strong relationships with our investors thanks to our proactive investor relations programme – in 2020 this allowed us to access funding for our development pipeline even during a difficult time in the markets.

SOUMEN DAS
CHIEF FINANCIAL OFFICER

NEW FINANCING IN 2020

£1.1bn

2019: £498m

LTV

24%

2019: 24%

NUMBER OF INVESTOR MEETINGS IN 2020

194

2019: 185

We fund our investment activities through a combination of equity, debt and the proceeds of disposals. In 2020 we raised £1.1 billion of capital as a result of a £680 million equity raise and a €450 million US Private Placement as well as other financing activity. We disposed of £139 million of assets and land, slightly less than in recent years.

The combination of this activity and the increase in value of our portfolio has meant that our LTV has remained low at 24 per cent, which provides us with the flexibility to take advantage of investment opportunities arising.

We forge strong relationships with our shareholders as well as with our banks and bond holders who provide our equity and debt funding. As a listed company we have a responsibility to those individuals and institutions who have invested money in our business either through equity (our shareholders and joint venture partners) or debt (our banks and bond holders) to deliver long-term and sustainable returns on their investment.

We ensure regular communication with our investors through an extensive programme, mainly managed by a dedicated Investor Relations team. This includes roadshow and other ad hoc meetings (most of which were done virtually in 2020), attendance at investor conferences as well as site visits.

Unfortunately we had to cancel our planned site visits in 2020 but are looking forward to resuming them as soon as it is safe to do so and are also looking into the possibilities for a virtual format which would make these tours accessible to a wider audience.

The Annual General Meeting normally also provides an excellent opportunity to meet many of our retail shareholders and answer their questions about the business but unfortunately due to the pandemic we had to ask shareholders not to attend in person and instead to vote online or appoint the Chair of the AGM as proxy. We will return to a physical meeting as soon as government regulations allow.

Our website contains comprehensive information about our strategy and performance, regulatory news and press releases as well as information about our debt and our approach to Environmental, Social and Governance (ESG) issues. The Investors section of the site also includes the presentations made during the investor tours, a summary of the analysts' financial forecasts (consensus) and webcasts of the Chief Executive, Chief Financial Officer and Chief Operating Officer presenting the full year and half year results.

During 2020, the Executive Directors and the Investor Relations team held meetings with representatives from over 260 institutions (including 14 of our top 20 shareholders – the remaining 6 are passive institutions) across over 190 meetings (most of them virtual) to update them on our performance and to provide an opportunity for them to ask questions. We also held a series of one on one and group meetings with our lending banks and investors in SEGRO and SELP's bonds during the year.

These investor interactions not only update our investors on our business but also allow us to understand their priorities and any concerns. This feedback is vital to help shape our strategy and our communications and disclosure to make sure that we are meeting their expectations of us.

STRONG COMMUNITY RELATIONSHIPS

> By working with local stakeholders we are able to provide a range of benefits to residents and local businesses ensuring that we have a positive impact beyond our space.

NEIL IMPIAZZI
PARTNERSHIP DEVELOPMENT DIRECTOR

TOTAL CONTRIBUTION TO CHARITY IN 2020

£1.5m

2019: £876,780

NUMBER OF CHARITIES SUPPORTED

100

NUMBER OF PEOPLE BENEFITING FROM THE SEGRO CENTENARY FUND

77,000

For further information on our new Responsible SEGRO targets:
see pages 28-29

It is our responsibility, as a long-term investor and developer to enable our communities to benefit from the economic and social benefits we can deliver. To do this effectively, we continue to collaborate with local stakeholder partners to better understand the needs of a local area so we can contribute positively to its growth and development.

One of our new targets within our Responsible SEGRO framework is to create and implement Community Investment Plans covering every market within our portfolio by 2025.

LOCAL AUTHORITIES & PLANNING OFFICERS

We work closely with the local authorities in each of our key markets to make sure that we are familiar with their priorities and attempt to support these with our own plans. Due to pressure to provide new homes for growing cities such as London and Paris there has been a significant loss in industrial land over recent years which threatens the proper functioning of these urban conurbations – industrial land is key to providing goods and services to these growing populations.

Our lobbying of the Greater London Authority through the Keep London Working plan resulted in a decision by the Mayor's Office that there should be no net loss of industrial land in the London Plan. We subsequently introduced the Deputy Mayor of London to the Vice President of the Paris region in which they discussed the challenges of urbanisation and its impact on the industrial sector.

These relationships are key to understanding the challenges around zoning of land and the planning process and this forms an important part of our decisions on where to invest.

IMPROVING LOCAL INFRASTRUCTURE AND CREATING SUSTAINABLE ENVIRONMENTS

Our urban warehouse developments typically involve the regeneration of older industrial sites and brownfield land as well as the ongoing modernisation of our existing assets. We take pride in the difference our industrial estates can make to the surrounding areas, particularly through the provision of employment opportunities and economic prosperity. Our big box parks are typically built on former farmland and result in the creation of a significant number of jobs in the local and regional economy.

We work closely with local authorities on the section 106 agreements (or equivalent) that form part of the planning process and we often go above and beyond what is required. This can involve making investment in local road networks or contributing to improvements in public transportation networks.

Increasingly our estates include green areas such as employee amenity space and landscaped grounds. For example our latest UK logistics park close to Northampton will have 32 hectares of parkland with more than 18 kilometres of footpaths and we will be planting over 60,000 new trees. We are also making efforts to promote biodiversity by planting native flora and fauna and introducing features such as beehives, insect houses and bat boxes.

What we need to create the space that enables extraordinary things to happen continued

STRONG COMMUNITY RELATIONSHIPS CONTINUED

TRAINING & EMPLOYMENT

We work hard to make sure that our assets, which are often situated in or close to residential areas, are valued by the local community, in particular as local employment hubs. We want to help residents to take full advantage of the opportunities offered by the customers occupying our buildings so that we can have a positive impact beyond the development and ownership of modern warehouse and industrial space.

In partnership with our contractors and customers, we are increasing our efforts in the provision of community training and employment opportunities. Our aim is to support the development of the local community by funding development programmes that enables them to access a wide range of high-quality and sustainable jobs.

SUPPORTING LOCAL ECONOMIES

We have a unique opportunity to invest in and support the local communities around our sites as a result of our active development programme. We encourage our contractors to source materials from local suppliers and with our contractors, we create on-site training and job opportunities during the construction stage of our projects.

Our Enterprise Quarters help to encourage innovation and the growth of small local businesses by offering space specifically designed for start-ups with all-inclusive, flexible leases. Shared collaborative workspaces and additional support services help them to develop their networks, learn from each other and grow together.

INVESTING IN LOCAL COMMUNITIES

Beyond the work we do to improve the job prospects of local residents, we also help to improve the lives of vulnerable members of the local community.

By working with local charities, which have the knowledge and expertise to best help those that require specialist or intensive support, we are able to fund a range of training and education programmes that help these members of society on the journey into employment.

INVESTING IN OUR PEOPLE'S PASSIONS

We also support causes close to the hearts of our own people and the wider real estate sector. We encourage all employees to participate in charitable activities, providing their time and skills.

Our company-wide 'Day of Giving' allows our employees to volunteer to support a cause close to them or their team, or to work with one of the local charities that SEGRO supports corporately. Unfortunately the pandemic meant that we were not able to run a centralised programme in 2020 but employees were encouraged to use their charity day to make contributions to their local communities. We also launched '100 Acts of Kindness', encouraging employees to share their stories of how they supported members of their own community during the Covid-19 crisis.

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

In 2020, we also corporately supported a number of causes focused on improving the lives of, and improving access to employment for, disadvantaged young people, including Patchwork Foundation, LandAid and Pathways to Property.

100 ACTS OF KINDNESS

I set up a local aid group for my area where we help local elderly and vulnerable people.

ELLIE RUSH
ASSOCIATE DIRECTOR, GROUP INVESTMENT

I gave an old school friend one of my bicycles so that she could commute to work in London as an ICU nurse.

CHRIS FINCH
HEAD OF DIGITAL PRODUCTS

I walked the dogs for elderly people in my neighbourhood.

DIANA HÜLS,
SERVICE CHARGE ANALYST, LOGISTICS, GERMANY

SEGRO CENTENARY FUND

In 2020 we launched our new £10 million fund which is to be invested over the next decade to make a positive impact within our communities across the UK and Continental Europe. We had intended to launch the fund in May to mark our 100 year anniversary but brought the date forward to provide urgent support to members of the community who were particularly vulnerable to the impacts of the pandemic. To date, we have allocated almost £1 million to 100 charities, directly helping around 77,000 people.

The first phase of funding provided emergency relief such as food, medicines and household essentials to communities that needed it most as well as donations of PPE equipment to organisations working on the frontline to combat the immediate impacts of the pandemic.

Subsequent phases were directed to fund training and development initiatives to help back into work those people who face barriers to employment or have lost their job because of the pandemic. This approach will be a key part of our goal to Invest in our local communities and environment, one of our three new Responsible SEGRO focus areas.

For further information on our new Responsible SEGRO targets: **see page 28-29**

We are extremely grateful for SEGRO's support of the LandAid Covid-19 Emergency Fund. The fund was launched in response to the crisis we are all facing at the moment – a crisis which for young homeless people is even more acute. Thanks to SEGRO and the industry's support we have now given out emergency grants of over £950,000. These grants will help thousands of young people across the country, giving them emotional and financial support at a time that they needed it most. Thank you.

ALICE LAMB
DEPUTY CEO OF LANDAID

Since 2018, SEGRO has always been very 'hands on' in supporting us, especially the team from the Munich office who have often helped at our distribution points on their Day of Giving. We were grateful that SEGRO has made an extra donation to the Münchner Tafel as part of the Centenary Fund in response to the Covid-19 pandemic. This is something very special for us especially in these times of increasing numbers of needy people. We thank you from our "Tafel" heart for being on our side.

BIRGIT SCHUSTER-FUCHS
COORDINATOR,
MÜNCHNER TAFEL E.V

PROVIDING SHORT AND LONG TERM SUPPORT FOR THE HOMELESS: LANDAID

The pandemic has had a significant impact on over 280,000 homeless people in England as a result of food charities and shelters having to close as a consequence of lockdown.

In 2020, SEGRO donated £40,000 to LandAid's Covid-19 Emergency Response fund and a further £120,000 to refurbish an existing shelter in West London.

Our donation to LandAid's emergency response fund is continuing to provide those in need with essential food, clothing, medicine and toiletries, as well as give support through the crisis.

The longer term three-year project will provide additional temporary accommodation for young homeless people as well as a dedicated training and support centre on site. In addition to the new bed space, we aim to work closely with Look Ahead, the charity that manages the shelter. It is hoped that we will align our own initiatives to Look Ahead's training and development programme to help young people develop their skills on one of our construction sites or secure long-term employment with one of our customers.

DELIVERING ESSENTIAL FOOD ITEMS IN MUNICH: MÜNCHNER TAFEL E.V.

The Coronavirus pandemic created an unprecedented demand on services that support vulnerable communities. In Munich the rise in unemployment, and the impact of panic buying, has put pressure on local food bank services and there is a growing need to find enough food as well as keeping the food banks operational.

SEGRO is working with Münchner Tafel e.V. (Foodbank Munich) to support the set up, and expansion, of delivery services needed to help the local community. Every week, the foodbank receives over 125 tonnes of groceries that need to be distributed, in 18 refrigerated vehicles across the city, to reach 27 individual foodbanks. In 2020, we donated €10,000 to help support the transport and logistics of the food items, enabling essential food items to reach the equivalent of 128 people for one year.

What we need to create the space that enables extraordinary things to happen continued

> Technology is not just important in terms of making sure our business is fit for the future, there is also the potential for SEGRO to achieve significant advantage from its digital assets.
>
> **JAMES POWER**
> DIRECTOR OF DIGITAL AND TECHNOLOGY

FUTURE-PROOFING THROUGH INNOVATION

Technology and digitalisation continue to drive ever-accelerating change for ourselves and our customers. As well as challenges, this presents opportunities for businesses that anticipate and adapt to these changes.

In recognition of this we created our new Strategy, Innovation and Investment function in early 2020 to enable us to better integrate technology and innovation into our strategy and investment programme.

Our vision is that digital assets and capabilities will play an increasing role in our business and that we, our customers, and other stakeholders will benefit in a variety of ways:

- Digital innovation will differentiate our assets and services to customers;
- Digital skills, tools and processes will enable our people to be more effective;
- Data and analytics will enhance our decision-making; and
- Digitally enabled processes will benefit us in agility and cost.

We have long-recognised the value of a strong technology capability in the business. We have, therefore, steadily increased our investment in our digital and technology capabilities over a number of years. As a result, when the pandemic struck, we were able to transition to remote working almost overnight with minimal disruption, as all employees were already equipped with remote working and collaboration technology. We were also able to bring forward planned upgrades to our technology to further support remote collaboration.

We also supported employees in practical steps to enhance their home working environments. We were pleased to see this reflected in very high levels of satisfaction with equipment and resources in our 2020 employee engagement survey. In addition to enabling 'business as usual' technology services in very unusual circumstances, we initiated or continued a wide range of initiatives in digital and technology during 2020, including:

- Collaborating with customers and supplier partners to pilot sensor-enabled smart industrial buildings in several of our markets. As well as helping us understand the technical and practical challenges of implementing this kind of technology in industrial buildings, we have gained invaluable insight into the environmental, operational and employee wellbeing benefits that can be delivered.
- Building our data and analytics team and implementing a new data platform infrastructure to enable all of our data and analytics initiatives.
- Building decision-support analytics tools, in particular, to enhance our understanding of our customers and locations.
- Exploring new approaches to scaling up renewable energy generation on our built assets.
- Piloting the use of artificial intelligence to improve our management of documentation.
- Re-engineering back-office processes and systems to simplify processes and improve data quality.

We recognise the benefit of both learning from, and contributing to, industry-wide collaboration initiatives. We have active partnerships with the 'PropTech' firms Fifth Wall and Concrete Ventures, and we participate in formal and informal industry bodies, including the British Property Federation's Technology and Innovation Working Group.

CASE STUDY: SEGRO CUSTOMER NEWSLETTER

Our customers are at the heart of our business and we strive to better understand their needs and further improve our relationships with them.

In 2020, we initiated work to explore how analytics can help us build a deeper understanding of our customers.

We developed a digital service which constantly searches over 40 million news sources for articles about our customers, with an artificial intelligence engine identifying those which it considers most insightful and valuable to our customer-facing teams.

The news is distributed to staff via daily emailed newsletters and into our customer relationship management mobile app.

The content shared this way has helped inform our teams about when customers are changing their business models, launching new products, and investing in technologies which affect their property needs, all of which has helped us to have more informed and valuable interactions with them.

> We are committed to the prevention of harm to our employees and throughout our supply chain.

PAUL DUNNE
MANAGING DIRECTOR
OF GROUP OPERATIONS

HEALTH & SAFETY TRAINING HOURS

560+

(2019: 700+)

CONTRACTOR WORKSHOPS

9

For over 70 contractors and consultants

SAFETY PERFORMANCE AWARD

2020 RoSPA Gold Medal Award

For our Group Health & Safety Policy and more details on our initiatives in this area please see our website: **http://www.segro.com/csr**

A ZERO-TOLERANCE APPROACH TO POOR HEALTH AND SAFETY

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

We aim to achieve these high standards through a combination of risk mitigation, training and promoting a widespread awareness and culture of Health and Safety.

In 2020, our Accident Frequency Rate for employees remained low at 0.14. Whenever incidents occur, we fully investigate to understand the causes, involving external consultants where appropriate. Findings and learnings are disseminated across the Group, including to the Board and Executive Committee, to ensure that we (and where appropriate, third parties) respond and improve our processes where necessary.

We continue to be recognised for our safety performance through the RoSPA (Royal Society for the Prevention of Accidents) Awards. In 2020, we were awarded Gold for the eighth consecutive year. These awards recognise our Group commitment and practical application of Health and Safety procedures across all of our business operations.

HEALTH AND SAFETY DURING DEVELOPMENT

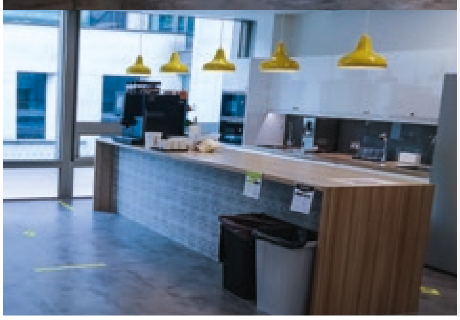
We only want to work with businesses who share our Health and Safety approach for Zero tolerance of poor health and safety practices. We require all of our suppliers to confirm that they meet our Health and Safety Standards, and we undertake particularly rigorous assessments of those companies working on our development sites.

We encourage our contractors to innovate and work with us to ensure that Health and Safety considerations on our development sites are paramount. During 2020, nine contractor workshops were held to discuss the updated Health and Safety construction standards developed by SEGRO. The workshops focused on the requirements of the standards and examples of good and bad practice.

These workshops provided a forum for contractors to share experiences, ask questions and further their understanding of the importance of Health and Safety within SEGRO. We have, and continue to, support our contractors by providing additional guidance, signage and health and safety visits to our development sites throughout each project.

Specific to the Covid-19 pandemic, all of our construction sites are monitored and checked for Covid compliance and we have regular communication of Construction Leadership Council Covid documents with key UK contractors.

Our Health and Safety commitment doesn't end when we complete a project but extends to the ongoing day-to-day life of our estates. Many of our estates are accessed by both our customers and the public and there are a wide variety of risks which we assess and mitigate. By providing training and raising awareness we ensure our customers and communities are well informed and able to make appropriate decisions when necessary.



CASE STUDY: RETURN TO OFFICE PLANNING

When our offices closed at the start of the Covid-19 pandemic, SEGRO quickly started working on how to make them safe for our employees to return when they were able to.

Throughout the year, SEGRO established comprehensive Return to Office processes to help all offices implement suitable control measures and to ensure that our Health and Safety standards remain aligned with local legislation changes. These include:

- Sanitising and cleaning stations for employees as well as increased frequency of cleaning.
- Reduced office occupancy for each office.
- Introduction of an office booking system. This system also allows SEGRO to undertake track and trace if any Covid-19 incidents are reported.
- Planned and clearly marked seating and office movement arrangements to ensure colleagues remained suitably distanced from each other.
- Restriction of lift use and employees encouraged to use stairs.
- Protective screens installed at reception desks.

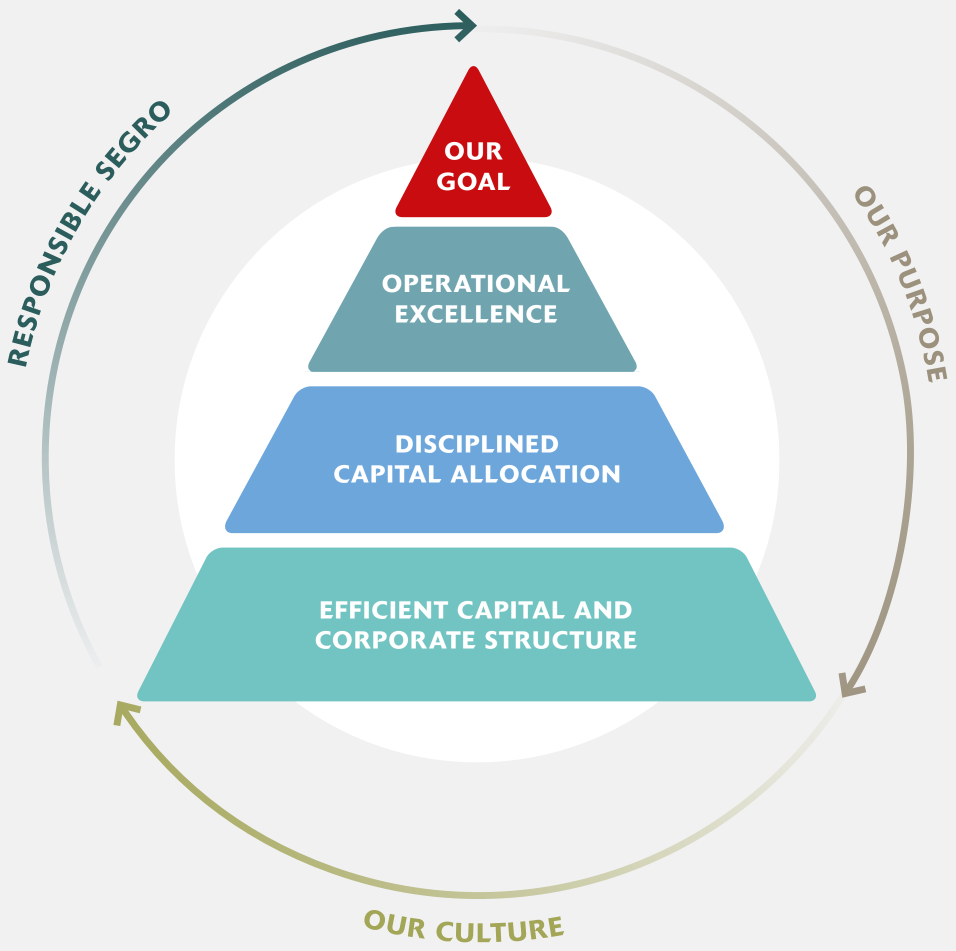
Once our plans had been developed and implemented these were signed off by the Health and Safety team, the Executive Committee and the Business Continuity leads before being communicated to the employees.

Following the introduction of the initial plans, the work continued to ensure that our Health and Safety standards remain aligned with local legislation changes.

Throughout the process, SEGRO has prioritised regular communication through a number of forums in order to ensure employees remain up-to-date on how each office is individually impacted.

Our Strategy
Generating attractive, sustainable returns

Our goal is to be the leading owner-manager and developer of industrial properties in Europe and the partner of choice for our customers and other stakeholders.



WE APPLY OUR STRATEGY TO MAXIMISE THE RETURNS FROM OUR BUSINESS

1. OUR GOAL

Our goal is to be the leading owner-manager and developer of industrial properties in Europe and the partner of choice for our customers and other stakeholders.

2. OPERATIONAL EXCELLENCE

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

3. DISCIPLINED CAPITAL ALLOCATION

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

4. EFFICIENT CAPITAL AND CORPORATE STRUCTURE

We aim to underpin the property level returns from our portfolio with a lean overhead structure, an efficient capital structure and appropriate financial leverage.

For more information on our KPIs see **pages 50-51**

While our Business Model describes what we do as a company, our Strategy describes how we do it.

Our Strategy operates within the context of our Purpose, our culture, our Business Model and our Responsible SEGRO approach to doing business, with all of these factors influencing both how we operate on a day-to-day basis and also when making key strategic decisions on how to position our business for the future.

This ensures not only that we manage risk appropriately (for more information on how we manage risk see pages 72 to 81), but it also means that the decisions we make take into account the interests of all relevant parties. It is this that allows us to 'create the space that enables extraordinary things to happen' and also ensures that SEGRO is positioned to do so over the longer term.

At the heart of it are the relationships that we build with our customers, helped by the fact that we manage the majority of our portfolio internally and therefore really get to know their businesses. The insights that we gain from the partnerships we build with our customers help us to anticipate longer term trends and make strategic decisions that shape our portfolio and ensure the continued success of our business.

Our goal is to be the leading owner-manager and developer of industrial properties in Europe and the partner 'of choice' for our customers and other stakeholders. The use of the words 'of choice' reflects that we recognise that our customers, employees and other partners have the option to choose whether they work with SEGRO, so we need to continuously improve and adapt to stay relevant and ensure that they choose to work with us not only today but also in the future.

On a property level our goal reflects our ambition to create a portfolio of high-quality industrial properties in the strongest markets – a portfolio that generates attractive, low risk, income-led returns as providing above average growth (both in terms of rent and capital values) when market conditions are positive, and that proves to be resilient in a downturn.

We seek to enhance returns through development, while ensuring that the short-term income 'drag' associated with holding land does not outweigh the long-term potential benefits.

Fundamental to our strategy are three key pillars of activity which should combine to deliver the returns that we seek:

- Disciplined Capital Allocation
- Operational Excellence
- Efficient Capital and Corporate Structure.

The combination of these elements should translate into sustainable, attractive returns for our shareholders in the form of progressive dividends and net asset value growth over time. This is in addition to all of the other value that is created in the process of managing and building our portfolio (see pages 30 to 45 for further information).

Our portfolio comprises modern big box and urban warehouses which are well specified and located, with good sustainability credentials, and which should benefit from a low vacancy rate and relatively low-intensity asset management requirements. Our assets are concentrated in the strongest European submarkets which display attractive property market characteristics, including good growth prospects, limited supply availability and where we already have critical mass, or believe we will be able to achieve it in a reasonable timeframe.

SINCE 2012:

TOTAL ASSETS DISPOSED

£3.5bn

TOTAL ASSETS ACQUIRED

£2.7bn

DEVELOPMENT CAPEX

£2.7bn

TODAY:

AUM

£15.3bn

PASSING RENT

£462m

(from £333.5m)

VACANCY

3.9%

(from 9.1%)

LTV

24%

(from 51%)

COST OF DEBT

1.6%

(from 4.6%)

Review of 2020
Delivering on our Strategy in 2020

We have continued to follow our Strategy during 2020 which has been a significant contributor to the continued performance of our business during very challenging times.

OPERATIONAL EXCELLENCE

We have a well-established operating platform that strives for Operational Excellence, both in the approach that we take to managing our existing portfolio as well as in the execution of our development pipeline.

We pride ourselves on the strength of our customer relationships and these have been built as a result of the excellent customer service that our property and asset management teams provide. This has been extremely important throughout the Covid-19 pandemic and has meant that we have been able to help our customers respond to the various challenges that they have faced and it also helped us to quickly understand the level of risk within our portfolio.

Our long-standing focus on the active asset management of our portfolio meant that we went into the crisis in good shape in terms of low vacancy rates and strong customer covenants. As a result of this the pandemic has had very little impact on our portfolio and we have been able to continue to grow the rent roll in 2020 helped by a record lettings performance, as well as the re-gear of leases and the capture of some of the reversionary potential that has built up over recent years.

Operational Excellence was also important in keeping our development pipeline on track in 2020 and our strong working relationships with our contractors meant that we were able to catch up on delays caused by the lockdown without compromising on safety measures and all of the projects that were due to complete during the year have done so, with some even finishing ahead of schedule.

DISCIPLINED APPROACH TO CAPITAL ALLOCATION

Over recent years we have focused more of our investment into our development pipeline, as we see better returns from this than investing our capital in completed assets.

This continued in 2020 and we once again increased our spend on development capex and made some significant land acquisitions, helping us to replenish the land bank and ensure that we can continue to grow our business.

We did, however, also identify opportunities to acquire some attractive assets in 2020 and as a result have been more active in the investment markets than in recent years.

This included the purchase of two urban warehouse estates in London and another in Paris that we believe offer attractive long-term returns. All three assets complement our existing portfolio and provide us with a great opportunity to offer our customers a wider range of choice in these supply constrained markets.

We have continued with the annual review of our portfolio to identify assets where we believe we have maximised our returns and to dispose of these when the opportunity arises. As a result of this we disposed of our remaining assets and land in Austria as well as making some other stand alone disposals with the proceeds recycled into our future investment.

CASE STUDY: UK LAND ACQUISITIONS FOR FUTURE BIG BOX PARKS

In the first half of the year we acquired £184 million of land associated with two new major UK big box parks in the prime logistics hubs of Coventry and Northampton. These acquisitions both originated from land options secured through the Roxhill development platform and are projects that we have been taking through the planning process for a number of years with the options becoming exercisable once this process had completed. Gaining control of land via option and only acquiring it once it is approved for development is very efficient, and a lower risk way of adding to our land bank.

These two sites have planning consent for over 800,000 sq m of modern space to be developed over a number of years. These acquisitions reflect our view that we can create better long term returns by investing in the development of big box logistics parks rather than owning stand alone assets and followed the disposal of a portfolio of £241 million stand-alone UK big box warehouses at the end of 2019, at which time we stated that the proceeds would be invested into our future development pipeline.

SEGRO Logistics Park Northampton Gateway (SLPNG) will involve infrastructure works that include the building of a dedicated Strategic Rail Freight Interchange that will help to reduce road traffic coming onto the site and there will be significant additional road and rail improvements for the region. It will also create more than 7,500 new jobs and an employment skills programme will provide training for local members of the community so that they can become active members of the workforces created by the scheme. Finally, it will incorporate over 32 hectares of parkland with 18 km of footpaths and the planting of more than 60,000 new trees for the local community to enjoy.

EFFICIENT CAPITAL AND CORPORATE STRUCTURE

In a year where we have invested over £1.4 billion in the growth of our business we have also needed to take steps to maintain our Efficient Capital and Corporate Structure.

We aim to balance operational and financial risk by keeping the loan to value ratio ("LTV") low, making sure that should the property cycle turn we can easily absorb lower valuations and also giving us the capacity to take advantage of any resulting investment opportunities. In 2020 this resulted in us raising £680 million of new equity and €450 million of US Private Placement debt. Our LTV at 31 December 2020 was 24 per cent.

In order for us to protect the efficiency of our corporate structure we also launched a Secondary Listing on Euronext Paris in November 2020 to ensure that we maintained a listing within the European Union once the UK left following the end of the Brexit transition period on 31 December 2020.

SEGRO employees from around Europe participated in the virtual Euronext Paris Opening Bell ceremony when our Secondary Listing started trading on the 24 November 2020.

CASE STUDY: SELLING OUR ASSETS AND LAND IN AUSTRIA

Scale is a very important part of managing our business efficiently and we have always been clear that we will exit markets where we do not have or do not expect to be able to achieve scale in a meaningful timeframe.

We entered the Austrian market in 2016 after building a pre-let warehouse for a major customer on the outskirts of Vienna. We built an urban warehouse park on some neighbouring land which we completed in 2019 but have not found significant other opportunities within the local market that met our returns criteria.

We therefore made the decision during 2020 to exit Austria and sold our assets and land there, making an attractive return on our original investment. We will be redeploying the proceeds in other parts of the business where we see greater potential for returns.

CASE STUDY: £680 MILLION EQUITY PLACING

In June we went to the equity market and raised £680 million to help fund the growth of our development pipeline.

We outlined a plan to invest more than £1 billion of capital into our development pipeline, including over £600 million of development capex and a further almost £400 million of land acquisitions.

The placing was very well received and we increased its size from £650 million to £680 million to reflect the strong demand – it priced at 820 pence, less than a 5 per cent discount to previous closing price.

The strong relationships that we have built with our shareholders and our established track record helped to make this transaction possible during a volatile time in the markets. As a result of the placing we have significant capacity to continue to invest in our development pipeline and position the business for further growth.

Key performance indicators
Measured against our targets

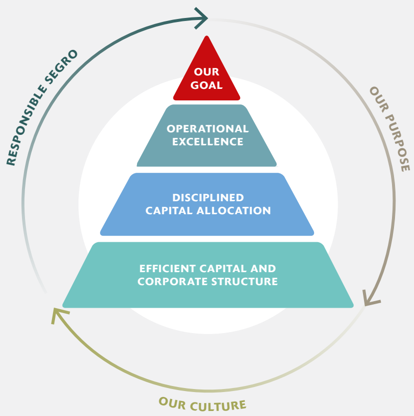
One of our goals is to deliver attractive returns to our shareholders through the execution of our strategy.

We track our progress against nine Key Performance Indicators on which we report each year. They are based on proportionally consolidated metrics, incorporating our share of joint ventures.

Some of these metrics are also used to determine how management and employees are remunerated.

Further details on our remuneration policies and the metrics used to determine remuneration are set out in the Remuneration Committee Report on **pages 123-145**

WE APPLY OUR STRATEGY TO MAXIMISE PERFORMANCE:



Read more about how we are delivering on our strategy:
Our strategy **pages 46-52**
Principal risks **pages 72-81**

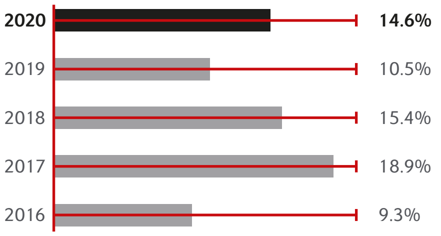
RISK MANAGEMENT

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

The relationship between our principal risks and our KPIs is identified in the Principal Risks on **pages 72-81**

TOTAL PROPERTY RETURN
(% TPR)[1]

14.6%

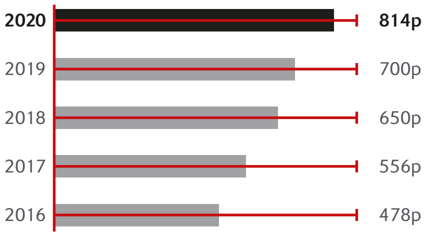


What it is: TPR is the ungeared combined income and capital return from our portfolio of standing investments held throughout the year. It is an important measure of the success of our strategy in terms of asset selection and management. MSCI Real Estate prepares the calculation, as well as providing 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 143.

Our performance: The TPR of the Group's standing assets held throughout 2020 was 14.6 per cent (2019: 10.5 per cent). The UK portfolio generated a TPR of 13.8 per cent, performing ahead of the benchmark calculated by MSCI Real Estate UK All Industrial Quarterly of 9.2 per cent. The TPR of our Continental Europe portfolio was 16.2 per cent. Benchmark data for Continental Europe will be received later in the year.

ADJUSTED NAV PER SHARE
(PENCE)[2 3]

814p

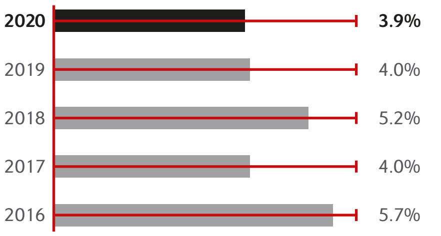


What it is: Adjusted NAV (Net Asset Value) is the value of our assets less the book value of our liabilities that is attributable to our shareholders. It is calculated in accordance with EPRA guidelines and aligns with the EPRA NTA metric that was introduced in 2020 (the 2019 figure above has been restated to align with this definition). We aim for sustainable long-term asset value growth whilst carefully managing our liabilities to maintain balance sheet strength.

Our performance: Adjusted NAV increased by 114 pence per share over the year to 31 December 2020, most of which was due to a 10.3 per cent like-for-like increase in the value of the Group's property portfolio. Diluted NAV per share increased by 112 pence to 809 pence. The reconciliation between Diluted NAV per share and Adjusted NAV per share can be found in Note 12(ii) on page 175.

EPRA VACANCY RATE
(%)

3.9%

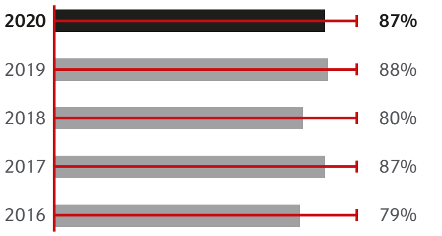


What it is: The vacancy rate measures our ability to minimise the quantity of non-income producing built assets within our portfolio. An improving vacancy rate generally implies additional rental income and lower vacant property costs. Some level of vacancy will always exist within our portfolio in order to support our asset management activities and allow our customers the opportunity to move premises. We target a longer-term vacancy rate of 4 to 6 per cent based on the ERV of vacant space compared to the ERV of the portfolio.

Our performance: The portfolio vacancy rate decreased to 3.9 per cent (31 December 2019: 4.0 per cent) reflecting a strong performance in letting both existing space and recently completed speculative developments. Further details can be found in Table 7 on page 208.

CUSTOMER SATISFACTION
(%)

87%



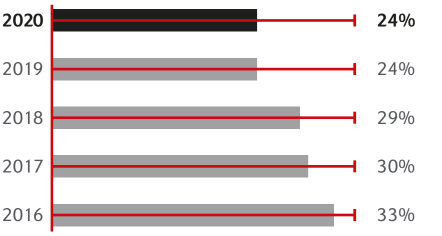
What it is: The percentage of our customers who rate their experience as occupiers of our buildings as 'good' or 'excellent' as opposed to 'poor' or 'average'. Our customers are at the heart of our business and we strive to ensure that we are providing the best level of service possible to maximise customer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

Our performance: Satisfaction as an occupier of our buildings was rated as 'good' or 'excellent' by 87 per cent of the 200 customers which participated in the 2020 survey (2019: 88 per cent). The continued high satisfaction rate reflects our focus on communication, being responsive and understanding the needs of our customers and we intend to target similarly high levels in the future. 99 per cent of our customers said that they would recommend SEGRO to others.

OPERATIONAL EXCELLENCE | DISCIPLINED CAPITAL ALLOCATION | EFFICIENT CAPITAL AND CORPORATE STRUCTURE | ITEMS ARE DIRECTLY CAPTURED IN SEGRO'S INCENTIVE SCHEMES

LOAN TO VALUE RATIO (LTV)
(% INCLUDING JOINT VENTURES AT SHARE)

24%

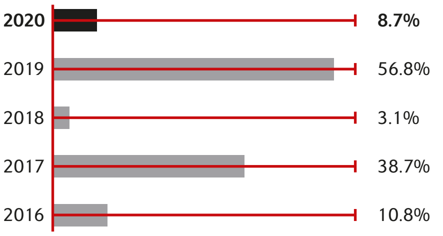


What it is: The proportion of our property assets (including investment, owner-occupier and trading properties at carrying value and our share of properties in joint ventures and excludes head lease ROU asset) that are funded by borrowings. At this stage in the cycle, and based on our investment plans, we aim to maintain our LTV at around 30 per cent for the forseeable future. We believe that REITs with lower leverage offer a lower risk and less volatile investment proposition for shareholders.

Our performance: The Group's LTV ratio was flat at 24 per cent year on year, despite £1.3 billion of net investment in our business during 2020. This was due to the equity raise in June 2020 combined with the unrealised gain on the value of our portfolio. The timing of investment decisions and disposals, as well as movement in the value of our assets may cause the LTV to fluctuate.

TOTAL SHAREHOLDER RETURN
(% TSR)

8.7%

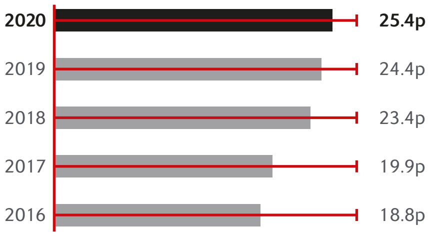


What it is: TSR measures the change in our share price over the year assuming that dividends paid are reinvested. This KPI reflects our commitment to delivering enhanced returns for our shareholders through the execution of our strategy over the medium term. TSR is a key metric used in setting the long-term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

Our performance: The TSR of the Group was 8.7 per cent, compared with -16.6 per cent for the FTSE 350 Real Estate index. This performance reflects a combination of the 21.3 pence dividend (14.4 pence 2019 final dividend and 6.9 pence 2020 interim dividend) paid during the year and an increase in the share price from 897 pence at 31 December 2019 to 948 pence at 31 December 2020.

ADJUSTED EPS
(PENCE)[3]

25.4p

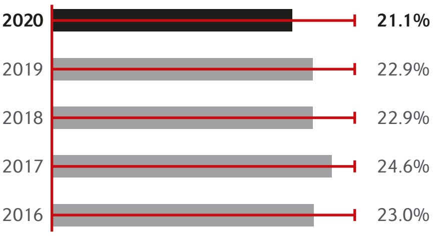


What it is: Our headline Adjusted earnings per share (EPS) reflects earnings from our operating business: rental income less operating, administrative and financing costs and tax. It is the primary determinant of the level of the annual dividend. IFRS EPS includes the impact of realised and unrealised 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 175.

Our performance: Adjusted EPS increased by 4.1 per cent during the year, reflecting higher rental income from our standing assets, new income from acquisitions and developments, partly offset by higher finance costs and additional shares from the equity placing in June 2020.

TOTAL COST RATIO
(%)

21.1%

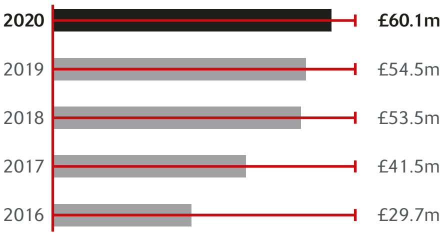


What it is: The ratio of our total administration and property operating costs expressed as a percentage of gross rental income. This is an indicator of how cost-effectively we manage both our property assets and our administrative costs in order to improve profitability. Over the medium term we are targeting a total cost ratio of 20 per cent.

Our performance: The total cost ratio was lower at 21.1 per cent (2019: 22.9 per cent). Excluding share-based payments, the total cost ratio would have been 18.8 per cent, also lower than in 2019 (19.9 per cent). Further details can be found in Table 8 on page 209.

RENT ROLL GROWTH
(£)

£60.1m



What it is: The headline annualised gross rental income 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 new acquisitions is not included.

Our performance: In total, we generated £60.1 million of net new annualised rent during the year (2019: £54.5 million). The increase was driven substantially by higher rents on review and renewal in the UK and by the increased volume of rent from development completions and pre-let agreements secured during the year.

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

2 Adjusted NAV is an alternate metric that is calculated in accordance with the Best Practices Recommendations of the European Public Real Estate Association (EPRA) and aligns with EPRA NTA. SEGRO discloses EPRA alternative metrics on pages 205 to 210 to provide a transparent and consistent basis to enable comparison between European property companies. See www.epra.com for further details.

3 As a result of the Rights Issue in March 2017, a bonus adjustment factor of 1.046 has been applied to per share metrics prior to 2017, including Earnings per share and Adjusted NAV per share.

Strong portfolio growth
Valuation update

PORTFOLIO VALUATION CHANGE

+10.3%

2019: +7.5%

ERV GROWTH

+2.5%

2019: +2.7%

VALUATION GAINS FROM MARKET-DRIVEN YIELD IMPROVEMENT, ASSET MANAGEMENT AND DEVELOPMENT

Warehouse property values across Europe increased throughout the year with the UK, France and Germany seeing the strongest growth. Investment volumes continued to be healthy, with the UK hitting record levels and Continental Europe almost level with 2019 figures. Both investor and occupier demand for the asset class remained strong.

The Group's property portfolio was valued at £13.0 billion at 31 December 2020 (£15.3 billion of assets under management). The portfolio valuation, including completed assets, land and buildings under construction, increased by 10.3 per cent on a like-for-like basis (adjusting for capital expenditure and asset recycling during the year) compared to 7.5 per cent in 2019.

This primarily comprises a 9.5 per cent increase in the assets held throughout the year (2019: 5.8 per cent), driven by strong yield compression in most markets (30 basis points across the whole portfolio) and a 2.5 per cent increase in our valuer's estimate of the market rental value of our portfolio (ERV). In total, our portfolio generated a total property return of 14.6 per cent (2019: 10.5 per cent).

Assets held throughout the year in the UK increased in value by 9.2 per cent (2019: 2.5 per cent), outperforming the MSCI Real Estate UK All Industrial Quarterly 2020 index which increased by 4.6 per cent. The performance was due to yield compression and the continued capture of reversionary potential in lease reviews and renewals, particularly in London. The true equivalent yield applied to our UK portfolio was 4.3 per cent, 30 basis points lower than at 31 December 2019 (4.6 per cent) reflecting yield compression, the acquisition of some low yielding assets, rental growth and the impact of newly completed developments. Rental values improved by 3.1 per cent (2019: 2.6 per cent).

Assets held throughout the year in Continental Europe increased in value by 10.2 per cent (2019: 13.5 per cent) on a constant currency basis, reflecting a combination of yield compression to 4.8 per cent (31 December 2019: 5.2 per cent) and rental value growth of 1.5 per cent (2019: 0.7 per cent).

More details of our property portfolio can be found in Note 27 to the Financial Statements and in the 2020 Property Analysis Report available at www.segro.com/investors.

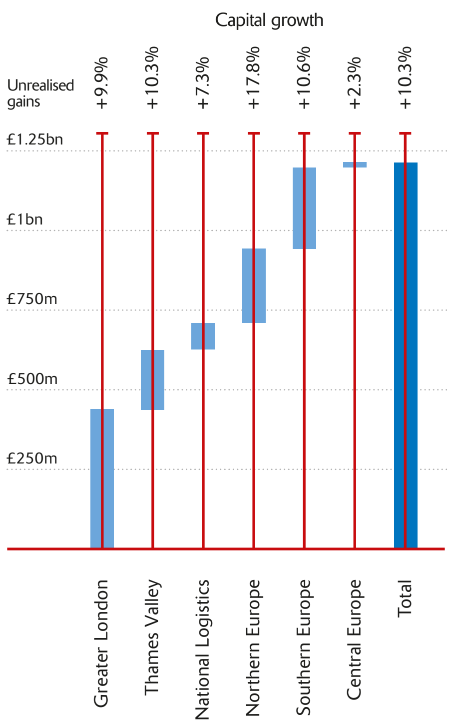
VALUATIONS: WHAT TO EXPECT IN 2021

Capital growth forecasts are notoriously difficult given the multitude of drivers (particularly interest rates and credit spreads) most of which are outside our direct control.

Nevertheless, the prospects for our portfolio of big box and urban warehouses remain strong, supported by structural drivers of demand and relatively limited amounts of new supply. This means that we are optimistic about the potential for further rental value growth, particularly in our urban warehouse portfolio.

Prime yields continue to appear attractive compared to government (risk-free) bond yields or most other property types, and this premium should be supportive for valuations. We believe that our high-quality portfolio and our focus on asset management will enable us to outperform the wider market.

UNREALISED GAINS AND LOSSES ON WHOLE PORTFOLIO



Creating value through Operational Excellence
Asset management update

PORTFOLIO PASSING RENT

£462m

2019: £378m

RENT CONTRACTED DURING THE YEAR

£77.9m

2019: £65.8m

CUSTOMER RETENTION

86%

2019: 88%

VACANCY RATE

3.9%

2019: 4.0%

WHAT WE SAID WE WOULD DO

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

WHAT WE ACHIEVED IN 2020

We contracted a record level of rent during 2020 reflecting a strong performance in rent reviews and renewals and continued momentum in pre-lettings. The vacancy rate remained low, aided by a strong performance in letting up recently completed speculative developed space.

WHAT TO EXPECT IN 2021

We are anticipating strong occupier demand in all of our markets and expect vacancy rates to remain low. The limited supply in most of our markets, particularly urban warehousing, means that we expect retention to remain high with further rental growth.

Our portfolio comprises two main asset types: urban warehouses and big box warehouses. The demand-supply dynamics in both asset classes continue to be positive.

URBAN WAREHOUSES

Urban warehouses account for 66 per cent of our portfolio value. They tend to be smaller warehouses, and are located mainly in and on the edges of major cities where land supply is restricted and there is strong demand for warehouse space, particularly catering for the needs of last mile delivery and, around London, from data centre users.

Our urban portfolio is concentrated in London and South-East England (80 per cent) and major cities in Continental Europe (20 per cent), including Paris, Düsseldorf, Frankfurt, Berlin and Warsaw. These locations share similar characteristics in terms of limited (and shrinking) supply of industrial land and growing populations, while occupiers are attracted to modern warehouses with plenty of yard space to allow easy and safe vehicle circulation. We believe that this enduring occupier demand and limited supply bodes well for future rental growth.

BIG BOX WAREHOUSES

Big box warehouses account for 32 per cent of our portfolio value. They tend to be used for storage, processing and distribution of goods on a regional, national or international basis and are, therefore, much larger than urban warehouses.

They are focused on the major logistics hubs and corridors in the UK (South-East and Midlands regions), France (the logistics 'spine' linking Lille, Paris, Lyon and Marseille), Germany (Düsseldorf, Berlin, Frankfurt and Hamburg) and Poland (Warsaw, Łódz, Poznań, and the industrial region of Silesia). 26 per cent of our big box warehouses are in the UK and the remaining 74 per cent are in Continental Europe.

Occupier demand continues to be healthy across all of our markets but the nature (and typical location) of big box warehouses tends to mean that, over time, supply is able to increase more easily to satisfy demand, as there is generally more land available in out of town locations.

There was a fairly high level of competing supply in the UK big box market at the start of 2020 but record levels of take-up during the year have meant that most of this has been absorbed (and as a result vacancy levels have come down). On the Continent supply has continued to broadly keep up with occupier demand.

Overall, we believe the prospects for significant rental growth in big box warehouses are, and have always been, limited but this asset class brings other benefits including lower asset management intensity and long leases which help to ensure a sustainable level of income. In addition, by holding the majority of our Continental European big box warehouses in SELP, we receive additional income from managing the joint venture which increases total returns.

Creating value through Operational Excellence Asset management update continued

GROWING RENTAL INCOME FROM LETTING EXISTING SPACE AND NEW DEVELOPMENTS

At 31 December 2020, our portfolio generated passing rent of £462 million, rising to £508 million once rent free periods expire ('headline rent'). During the year, we contracted £77.9 million of new headline rent, a new record level for SEGRO. New pre-let agreements continue to contribute strongly to this number but in 2020 we also grew rent on our existing space significantly, helped by the last of the lease re-gears at the Heathrow Cargo Centre.

Our customer base remains well diversified, reflecting the multitude of uses of warehouse space. Our top 20 customers account for 31 per cent of total headline rent, and Amazon became our largest customer during 2020, accounting for 5 per cent of the total.

Just over half of our customers are involved in businesses affected by e-commerce, including third party logistics and parcel delivery businesses, and retailers. These businesses accounted for almost 60 per cent of our take-up during the year.

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

- **Rental growth from lease reviews and renewals.** These generated an uplift of 19.1 per cent (2019: 17.8 per cent) for the portfolio as a whole compared to previous headline rent. During the year, new rents agreed at review and renewal were 28.2 per cent higher in the UK (2019: 25.1 per cent) as reversion accumulated over the past five years was reflected in new rents agreed, adding £10.5 million of headline rent. In Continental Europe, rents agreed on renewal were 0.5 per cent higher (2019: 0.7 per cent lower), turning positive for the first time in a number of years as market rental growth starts to outpace the indexation provisions that have accumulated over recent years.
- **High levels of customer satisfaction.** Although the quality and location of our portfolio is important to our customers, we believe that the service we provide is crucial to maintaining high customer retention and low vacancy. We carry out a rolling survey of our customer base throughout the year to identify and rectify issues promptly. In 2020, one third of our customer base responded and 99 per cent of the 200 participants in the surveys said that they would recommend SEGRO to others (2019: 96 per cent) and 87 percent said they rated their experience with SEGRO as 'Excellent' or 'Very Good' (2019: 88 per cent).
- **Vacancy has remained low.** The vacancy at 31 December 2020 was 3.9 per cent (31 December 2019: 4.0 per cent). This reduction was mainly due to a very strong performance in letting recently completed speculatively developed space, particularly in Germany and Spain. The vacancy rate on our standing stock remains low at 2.5 per cent (2019: 2.6 per cent). The vacancy rate is now at the bottom end of our target range of between 4 and 6 per cent. The average vacancy rate during the period was 4.8 per cent (2019: 4.6 per cent).
- **High retention rate of 86 per cent.** During the period, space equating to £12.4 million (2019: £11.0 million) of rent was returned to us, including £1.5 million of rent lost due to insolvency (2019: £1.1 million). We took back space equating to £4.0 million of rent for redevelopment. Approximately £60 million of headline rent was at risk from a break or lease expiry during the period of which we retained 85 per cent in existing space, with a further 1 per cent retained but in new premises.
- **98 per cent of Group rents collected.** Rent collection understandably came into focus during 2020. The diversity of our customer base meant that whilst some of their businesses benefited from the acceleration of structural drivers as a result of the pandemic, others whose business were fundamentally sound suffered cashflow issues and we were pleased to be able to support them. This mostly took the form of moving them from quarterly rents in advance to monthly payments agreements. 98 per cent of the 2020 rent due has now been paid with the remaining 2 per cent due in early 2021.
- **Lease terms continue to offer attractive income security.** The level of incentives agreed for new leases (excluding those on developments completed in the period) represented 6.8 per cent of the headline rent (2019: 6.6 per cent). The portfolio's weighted average lease length was maintained with 7.5 years to first break and 8.8 years to expiry (31 December 2019: 7.8 years to first break, 9.2 years to expiry). Lease terms are longer in the UK (8.8 years to break) than in Continental Europe (5.9 years to break), reflecting the market convention of shorter leases in countries such as France and Poland.
- **£16.1 million of net new rent from existing assets.** We generated £15.6 million of headline rent from new leases on existing assets (2019: £13.2 million) and £12.9 million from rent reviews, lease renewals and indexation (2019: £11.9 million). This was offset by rent from space returned of £12.4 million (2019: £11.0 million).
- **Continued strong demand from customers for pre-let agreements.** In addition to increased rents from existing assets, we contracted £41.1 million of headline rent from pre-let agreements and lettings of speculative developments prior to completion (2019: £33.2 million). Included in this within the UK are three new data centres on the Slough Trading Estate, our first letting at SEGRO Park Hayes and two further big boxes at SEGRO Logistics Park East Midlands Gateway (SLP-EMG). On the Continent we signed our largest ever pre-let in Germany for an e-commerce homewares provider, over 370,000 sq m of space in Southern Europe for customers including a leading global online retailer and three big box warehouses in Poznań, helping us to build scale in this attractive market.
- **Rent roll growth increased to £60.1 million.** An important element of achieving our goal of being a leading income-focused REIT is to grow our rent roll, primarily through increasing rent from our existing assets and then from generating new rent through development. Rent roll growth, which reflects net new headline rent from existing space (adjusted for take-backs of space for development), take-up of developments and pre-lets agreed during the period, increased to £60.1 million in 2020, from £54.5 million in 2019.

Growing through development
Development activity and pipeline update

DEVELOPMENT COMPLETIONS

835,900 sq m

2019: 871,800 sq m

CURRENT PIPELINE POTENTIAL RENT

£54m

2019: £50m

CURRENT PIPELINE YIELD ON COST

6.5%

2019: 6.6%

POTENTIAL RENT FROM FUTURE PIPELINE

£157m

2019: £100m

WHAT WE SAID WE WOULD DO

We expected to continue developing at an increased pace during 2020 and anticipated investing over £600 million in development capex and land.

WHAT WE ACHIEVED IN 2020

Occupier demand has continued to be strong throughout 2020, reflected in another high level of development completions, the majority of which have been let. The pandemic resulted in development being temporarily suspended on some of our sites but we were able to catch up on any delays and finished all of our development projects due to complete this year. During the year, we invested £817 million in our development pipeline, comprising £531 million on development capital expenditure (including £74 million on infrastructure) and £286 million on land acquisitions.

WHAT TO EXPECT IN 2021

We have 838,100 sq m of development projects under way, capable of generating £54 million of new headline rent, of which 66 per cent has been secured.

We expect to invest in excess of £700 million in development capex including approximately £90 million of infrastructure expenditure.

DEVELOPMENT ACTIVITY

During 2020, we invested £817 million in our development pipeline which comprised £531 million (2019: £409 million) in development spend, of which £74 million was for infrastructure, and a further £286 million to replenish our land bank to enable future development.

DEVELOPMENT PROJECTS COMPLETED

We completed 835,900 sq m of new space during the year, with all of our projects completing on time (or in some cases ahead of schedule) despite the pandemic. These projects were 71 per cent pre-let prior to the start of construction and were 84 per cent let as at 31 December 2020, generating £39 million of headline rent, with a potential further £8 million to come when the remainder of the space is let. This translates into a yield on total development cost (including land, construction and finance costs) of 6.8 per cent when fully let.

We completed 652,400 sq m of big box warehouse space, including a further unit at SEGRO Logistics Park East Midlands Gateway and our first unit at SEGRO Logistics Park Kettering Gateway. Within this was also 614,000 sq m of big box warehouses across all of our major European markets, let to customers such as third party logistics operators, online retailers, food retailers and businesses linked to electronic vehicles.

We completed 170,000 sq m of urban warehouses, of which 65 per cent is already let. This included SEGRO Park Enfield in North London, which has set a new benchmark for industrial and warehouse space and has been designed to take the wellness of its occupiers into account. In the UK we also completed three new data centres on the Slough Trading Estate and our largest London pre-let in a decade. On the Continent we completed urban warehouse parks in the key markets of Frankfurt, Düsseldorf and Paris as well as a number of delivery stations for a global online retailer in Southern Europe.

Of the eligible space completed in 2020, 93 per cent has been, or is in the process of being, accredited as BREEAM 'Excellent' or 'Very Good' (or a local equivalent).

Development also helped us to increase our renewable energy capacity by 45 per cent in 2020, bringing it to 26.8 MW, enough to power over 8,000 homes.

CURRENT DEVELOPMENT PIPELINE

At 31 December 2020, we had development projects approved, contracted or under construction totalling 838,100 sq m, representing £397 million of future capital expenditure to complete and £54 million of annualised gross rental income when fully let. 66 per cent of this rent has already been secured and these projects should yield 6.5 per cent on total development cost when fully occupied.

- In the UK, we have 207,300 sq m of space approved or under construction. Within this are three more data centres on the Slough Trading Estate (taking the total number to 32), developments in all of our key London markets and two large pre-lets at our big box logistics park SLP-EMG.
- In Continental Europe, we have 570,000 sq m of space approved or under construction. This includes pre-let big box warehouses for a variety of different occupiers, from retailers to manufacturers, across all of our European markets. We are also developing further phases of our successful urban warehouse parks in Berlin, Cologne, Leipzig and Düsseldorf.
- In addition to the above projects that we are developing ourselves, we also have 60,800 sq m of space under construction as part of forward-funded agreements with local developers. This is proving to be a very effective way to get access to opportunities in competitive markets where accessing land is more difficult.

We continue to focus our speculative developments primarily on urban warehouse projects, particularly in the UK, France and Germany, where modern space is in short supply and occupier demand is strong. In the UK, our speculative projects are focused in London and on the Slough Trading Estate. In Continental Europe, we continue to build scale in Germany, where projects are underway in a number of major cities.

Within our Continental European development programme, approximately £15.5 million of potential gross rental income is associated with big box warehouses developed outside our SELP joint venture. Under the terms of the joint venture, SELP has the option, but not the obligation, to acquire these assets shortly after completion. Assuming SELP exercises its option, we would retain a 50 per cent share of the rent after disposal. In 2020, SEGRO sold £93 million of completed assets to SELP, representing a net disposal of £47 million.

Further details of our completed projects and current development pipeline are available in the 2020 Property Analysis Report, which is available to download at: **www.segro.com/investors**

Growing through development
Development activity and pipeline update
continued

FUTURE DEVELOPMENT PIPELINE

NEAR-TERM DEVELOPMENT PIPELINE

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

These projects total 385,500 sq m of space, equating to approximately £302 million of additional capital expenditure and £27 million of additional rent.

LAND BANK

Our land bank identified for future development (including the near-term projects detailed above) totalled 654 hectares at 31 December 2020, valued at £636 million, roughly 5 per cent of our total portfolio value. We invested £286 million in acquiring new land during the year, including land associated with developments already underway or expected to start in the short term.

We estimate that our land bank can support 2.8 million sq m of development over the next five years. The prospective capital expenditure associated with the future pipeline is approximately £1.6 billion. It could generate £157 million of gross rental income, representing a yield on total development cost (including land and notional finance costs) of around 6-7 per cent. These figures are indicative based on our current expectations and are dependent on our ability to secure pre-let agreements, planning permissions, construction contracts and on our outlook for occupier conditions in local markets.

CONDITIONAL LAND ACQUISITIONS AND LAND HELD UNDER OPTION AGREEMENTS

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

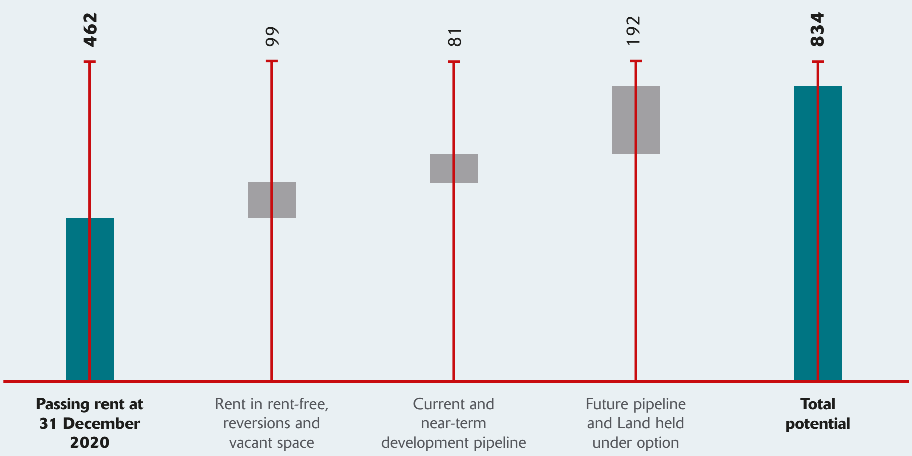
The options are held on the balance sheet at a value of £16 million (including joint ventures at share). Those we expect to exercise over the next two to three years are for land capable of supporting just under 1.0 million sq m of space and generating approximately £62 million of headline rent (SEGRO share) for a blended yield of approximately 6-7 per cent.

IMPACT OF OUR DEVELOPMENT PIPELINE ON OUR RENTAL INCOME

Our development pipeline added a potential £47 million of rent to our income in 2020 and this has a meaningful impact on our earnings and dividend growth.

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

NET RENTAL INCOME
as at 31 December 2020 (£million)



Environmental sustainability within our development pipeline

"As an industry, we need to be transparent about what net zero carbon means and collaborate to accelerate the transition to a low carbon future."

BEN BRAKES
GROUP SUSTAINABILITY MANAGER

TOTAL FLOORSPACE ENVIRONMENTALLY CERTIFIED 41% OF THE PORTFOLIO

3.5m sq m

2019: 2.7m sq m (35% of portfolio)

PROPORTION OF PORTFOLIO EPC RATED 'C' OR ABOVE

66%

2019: 58%

ON-SITE RENEWABLE ENERGY CAPACITY +8.3 MW

26.8 MW

2019: 18.5 MW

It is our responsibility, as a long-term investor, to use the latest technologies and construction techniques to ensure that our buildings are efficient to use and stand the test of time.

We recognise that our planet is facing a climate emergency and that we need to play our part in helping to combat the challenge of climate change and natural resource depletion.

We continuously monitor and, where appropriate, adopt new approaches, technologies and techniques to reduce the environmental footprint of our existing properties and our developments. The Investment Committee considers the environmental impact of all capital investment decisions to ensure that they are consistent with our environmental targets and ambitions.

We take a materiality-based approach to our environmental strategy, focusing on the areas where our footprint is greatest.

The largest source of carbon emissions from our own activities is the embodied carbon in our buildings. For our existing buildings, we can work to improve their efficiency in operational terms (with more energy-efficient LED lighting, for example); but it is in our development programme, which delivered 835,900 sq m of new space in 2020 with a further 838,100 sq m of space under construction at year end, where we can make the greatest impact. In many cases, once we hand a building over to a customer, they control all operational aspects so it is our responsibility to provide them with an efficient building and the tools to operate it efficiently.

Net Zero Carbon Metrics	(Baseline)	2019	2020
Operational Carbon			
We will reduce the carbon intensity of properties, where we have influence, by 40% by 2025 against a 2017 baseline, in line with the Paris Agreement[1]	45.8 $kgCO_2e/m^2$	42 $kgCO_2e/m^2$	37.5 $kgCO_2e/m^2$
Embodied Carbon			
We will reduce the average embodied carbon intensity of all new developments by 20% by 2025 (against our average benchmark in 2019)[2]	348 $kgCO_2e/m^2$	348 $kgCO_2e/m^2$	334 $kgCO_2e/m^2$
Energy Efficiency			
We will improve the primary energy demand to at least an Energy Performance Certificates (EPC) C rating, or equivalent[3]			
Group floorspace rated C or better	–	57.8%	66.2%
Group floorspace rated D or lower	–	18.4%	12.6%
Group floorspace unrated	–	23.8%	21.2%
On-site Renewable Energy Generation			
We will increase the amount of on-site renewable energy capacity and generation across the portfolio	Capacity	18.5 MW	26.8 MW
	Generated	16,887 MWh	20,976 MWh
Off-site Renewable Energy Procurement			
All off-site electricity supplies to be sourced from 100% certified renewables[4]	–	6.4%	11.1%

1 Represents the energy use of 41 per cent of our total property footprint by area. The remaining 59 per cent was controlled by our customers during the year.
2 SEGRO undertook an embodied carbon assessment across 35 per cent of the development footprint by area.
3 For the purpose of creating a group EU EPC metric an equivalent C rating is assumed for building with a primary energy demand of 200 kWh/m2 or less for Germany and Poland where alphabetical ratings do not exist.
4 89 per cent of electricity was procured by SEGRO. 63 per cent of this electricity is located in Poland where the main supply contract will be on a green tariff from 1st January 2021.

Environmental sustainability within our development pipeline continued

Having established where we could make most impact on our carbon footprint, in 2019 we announced our new sustainability targets which were created using a science based approach, to ensure that we play our part in achieving the aim of limiting global temperature rises to two degrees by 2050. Over the past year we have been embedding our new approach into all areas of the business, raising awareness and undertaking new initiatives to ensure we are progressing against the new targets. Our progress on our targets is outlined in this report, with further information available on our website.

Our science based approach has meant that we have expanded our focus to the key areas in which we have a direct impact and are challenging ourselves to reduce not only our direct operational carbon footprint but also the footprint of our buildings and, where possible, those of our customers.

As a result, we have joined many of our sector peers in signing a pledge to be Net Zero carbon by 2050, and this year announce that we will be going further and faster by reaching that aim by 2030.

MATERIALS

Our materiality assessment identified that the carbon in the materials which we use for our developments is significant for SEGRO. Our sustainability strategy ensures that we target the upfront carbon footprint of our developments, related to the construction materials and transportation emissions attributed to each and every new development.

We also now aim to carry out assessments on as many projects as possible to identify how we can reduce a building's carbon footprint over its full life cycle both by utilising alternative, more sustainable materials during construction and by considering the emissions related to the deconstruction at the end of the building's useful life. We believe this holistic approach to embodied carbon is the most impactful. In 2020, we conducted nine full life cycle assessments, covering approximately 35 per cent of the development footprint by area in the year.

2019 was the first year we had undertook enough life cycle assessments to set a baseline for improving embodied carbon performance. In 2019 the average embodied carbon intensity was 348 kilograms of CO_2 per sq m of delivered floor space. In 2020 this average was 334 kilograms CO_2 per sq m of delivered floor space. The reduction is mainly attributed to our largest development using high levels of cement replacement in the foundations and a cladding system with better environmental performance. Naturally, there is a variability to be embodied across all our projects, depending on the materials they use and the lettable floor space delivered – i.e cross dock warehouse versus big-box warehouse. With every assessment undertaken we learn more about how we can influence this often ignored issue. We aim to increase the coverage of life cycle assessments and apply lessons learned across the wider development programme as we progress against our target.

We are increasingly using Building Information Management (BIM) in our development projects, a technology which facilitates three dimensional modelling of the proposed building. It allows us to assess more accurately the amount of material needed for the construction (reducing waste) and the carbon emissions from the materials. It also allows us to model the building across its whole life, making it an important contributor to our target of reducing the level of whole life-cycle embodied carbon in our developments.

We will continue to adopt the latest techniques to reduce embodied carbon within our developments and to expand the number of projects assessed to attain greater visibility of our progress in reducing this important element of our overall carbon footprint.

WASTE

While waste generated across our own offices (where we have control) is monitored, tracked and reported, the majority of our waste is created as a result of our construction and demolition projects. Our target is to send zero waste to landfill by 2025.

For demolition waste, which makes up the bulk of our total waste, it is important to re-use as much as possible on-site to avoid the carbon emissions related to transportation of waste off-site and the import of virgin materials from elsewhere.

We undertake pre-demolition audits to identify waste materials taking into consideration the quantity and quality of waste to be re-used on site as aggregate. We also re-use on site where materials are non-hazardous and will not have a detrimental effect on the environment. Hazardous waste is treated differently and is not included within these figures. Hazardous waste is dealt with in the appropriate manner, fully in line with relevant regulation.

In 2020, 93 per cent of construction, demolition and operational waste controlled by SEGRO was diverted from landfill.

CASE STUDY: REDUCING EMBODIED CARBON

Embodied Carbon has for a long time been side-lined whilst the focus of the real estate industry has primarily been on the operational carbon of buildings. In 2019, SEGRO announced a target to reduce the average embodied carbon on its developments by 20 per cent by 2025. Since then, we have learnt much about our embodied carbon emissions and investigating what we can do to reduce them. This year we completed an embodied carbon assessment across 35 per cent of the development footprint, up from 20 per cent the year before.

The design can play a key role in reducing embodied carbon. Each project is different and presents new opportunities. This can be reducing the design loads and therefore the quantity of material required or by influencing the materials which we choose. Sustainably sourced timber is at the top of SEGRO's material hierarchy. At SEGRO Park Collégien in France, the short spans offered an opportunity to use glue laminated timber beams. Every one tonne of steel replaced results in a 2.5 tonnes of CO_2e saving.

It is not always possible to use preferred materials in the design and it is unlikely that more energy intensive materials such as steel and concrete will be replaced anytime soon. Therefore, upgrading the specification to increase recycled content and cement replacements is required to make progress in this area. SEGRO Park Rainham in London used a warm-mix asphalt product which reduced the carbon content in the asphalt by 45 per cent.

Transparency within the supply chain is equally important, and by requesting Environmental Product Declarations from our suppliers, we can make decisions about the products we use. This is particularly important for composite systems, such as cladding systems used to construct the walls and roof, where we are using this to make informed choices.

ENERGY

ZERO CARBON ENERGY

As well as having the responsibility for our own energy consumption, in many markets we also procure the energy used by our customers in their operations. In order to accelerate the shift to a low carbon economy, in 2018, we began moving all our electricity contracts onto zero carbon tariffs. In some regions where we are in long-term contracts, we have already sourced zero carbon energy from 2021 and beyond.

Following the movement of our German and Netherlands operations, our UK controlled portfolio moved on to a zero carbon electricity contract in 2020. This certified renewable energy, helps SEGRO and our customers decrease carbon emissions in operation.

Where we do not have operational control, we engage with our customers on their own energy provision. On the Slough Trading Estate, for example, we have 29 data centres which are significant consumers of power. Our largest data centre customers source their own electricity to power their buildings and most have stated publicly that they source through renewable energy contracts. They, along with several other major Data Centre operators formed the Climate Neutral Data Centre Pact in 2020 and SEGRO fully supports the leadership shown in this self regulatory initiative.

CASE STUDY: MONITORING ENERGY PERFORMANCE, SEGRO PARK AMSTERDAM AIRPORT

In February 2020, we completed the third phase of our development at SEGRO Amsterdam Airport in the Netherlands. The first building was developed in 2018 and the total lettable area across the three buildings now stands at over 40,000 sq m.

Each phase was built to high energy efficiency standards with a large rooftop solar photovoltaic array, LED lighting, and heating and cooling provided by aquifer thermal energy storage. This allows the development to operate on electricity only, without the need for natural gas or any other fossil fuel, and renewable heat from the ground.

Over the last 12 months, the industrial estate has exported more energy to the grid from the solar photovoltaic system than was imported from the grid, making the building net zero energy in operation. Furthermore, the electricity imported from the grid is supplied from off-site renewable sources backed by renewable energy certificates, resulting in zero carbon emissions in operation.

It is important to continue to monitor the energy performance of our buildings to learn how our buildings are being used and their energy requirements. By engaging with our customers to offer a holistic energy solution, we can not only achieve our target to reduce operational carbon by 40 per cent but achieve a net zero carbon portfolio.

CASE STUDY: FOCUS ON WELLBEING AT SEGRO PARK ENFIELD, LONDON

We are constantly pushing the sustainability boundaries for industrial development schemes by offering the market new innovative products. In London, our development schemes regularly achieve Energy Performance Certificate 'A+' and BREEAM 'Excellent' ratings. SEGRO Park Enfield has taken these concepts and gone one step further by incorporating wellbeing and sustainability innovations.

Unit 3, which is the largest of the three buildings, has been designed to meet the WELL 'Gold' standard, integrating a range of measures focused on maximising occupier wellness. The buildings have been designed to increase natural daylight, with operable windows to increase natural ventilation and adjustable blinds to control glare. Located near the George V reservoir and River Lea, the Park also offers 4,690 sq m of green space, with 189 trees planted during development. This will provide opportunities for customers' employees to experience nature in their daily lives, which studies show can contribute to wellbeing and productivity.

To encourage active lifestyles, fitness equipment has been installed and a riverside footpath has been created, connecting to local footpaths. There are also cycle spaces, on-site showers and changing facilities, along with a water cooler for bottle refilling.

Air quality sensors in Unit 3 will monitor aspects including particulate matter, carbon dioxide, carbon monoxide, ozone, nitrogen dioxide and volatile organic compounds, so customers can actively manage the environment for wellbeing. Air quality thresholds have been set and lease agreements allow for sensors to be calibrated annually. Informed by this project, wellbeing enhancements are now part of SEGRO's standard specification.

A record year of investment in our business
Investment update

ACQUISITIONS OF ASSETS
£603m
2019: £136m

ACQUISITIONS OF LAND
£286m
2019: £147m

DEVELOPMENT CAPEX
£531m
2019: £409m

DISPOSALS OF LAND & ASSETS
£139m
2019: £442m

WHAT WE SAID WE WOULD DO

We expected demand for warehouse assets to remain strong and said that we would continue to trim the portfolio and sell assets where we believe we have maximised our returns to release funds for other opportunities offering a better risk-return profile. We intended to continue the focus of our investment activity on development, taking advantage of opportunities to acquire income-producing assets offering attractive risk-adjusted returns if they arose.

WHAT WE ACHIEVED IN 2020

2020 was a very active year on the investment front with continued high levels of spend on our development pipeline. We also created a number of interesting land and asset acquisition opportunities, meaning that spend in this area was much higher than in recent years. Net investment during the year was £1.3 billion with disposals relatively low, partly due to the fact we disposed of a large portfolio of big box warehouses at the end of 2019 which brought forward some of our planned 2020 disposals.

WHAT TO EXPECT IN 2021

We will continue our disciplined approach to capital allocation, focusing the majority of our investment into development but making strategic asset acquisitions when the opportunity arises.

We invested £1.4 billion in our portfolio during 2020: development capital expenditure of £531 million, £603 million of assets and £286 million of land. This was partly offset by £139 million of disposals.

ACQUISITIONS FOCUSED ON BUILDING SCALE IN URBAN WAREHOUSING

We found a number of compelling acquisition opportunities in 2020 and as a result were more active on the investment front than we have been in recent years.

We bought two very attractive urban warehouse parks in London, one close to our existing assets in Park Royal and the other that complements our East Plus portfolio and is now our most centrally located asset in London.

We also acquired a further 75 per cent of the shares of the listed French urban warehouse company Sofibus Patrimoine SA whose main asset ("PAPC") is a large industrial warehouse estate close to the centre of Paris.

Other acquisitions included an urban warehouse park that adjoins the Slough Trading Estate and a big box warehouse in Łódź.

The consideration for the asset acquisitions was £603 million, reflecting a blended topped-up initial yield of 4.0 per cent.

ACQUISITIONS: WHAT TO EXPECT IN 2021

We will continue to look for acquisitions of income-producing assets in line with our strategy and which offer attractive risk-adjusted returns. However, the majority of our investment is likely to remain focused on development.

ASSET RECYCLING TO IMPROVE PORTFOLIO FOCUS

During 2020, we sold £139 million of land and assets, taking advantage of strong investor demand to realise profits and release capital to reinvest in our business.

These disposals included our land and assets in Austria, some older big box warehouses in France and an urban warehouse in West London where we believe we had maximised the potential returns and could take advantage of a strong investor market to crystallise some profits.

As in previous years, we sold a portfolio of Continental European big box warehouses developed by SEGRO to SELP for which we received £47 million net proceeds from an effective sale of a 50 per cent interest.

The consideration for the asset disposals was £123 million, reflecting a blended topped-up initial yield of 4.7 per cent. The disposals generated a modest gain on sale compared to book values at 31 December 2019.

Additionally, we disposed of £16 million of land, primarily comprising plots in non-core markets (including the land mentioned in Austria above).

DISPOSALS: WHAT TO EXPECT IN 2021

While investor demand for industrial properties remains strong, we expect to continue to recycle assets where we believe we can generate better returns from deploying our capital in other opportunities. A typical run rate would be £150-250 million per year.

ACQUISITIONS COMPLETED IN 2020

Asset Type	Purchase price (£m, SEGRO share)	Net initial yield (%)	Topped-up net initial yield (%)
Big box logistics	£9.3m	6.7	6.7
Urban warehousing	£556.2m	3.9	4.0
Other	£37.5m	3.5	3.5
Land[2]	£285.9m	–	–
Acquisitions completed in 2020[3]	**£888.9m**	**3.9[1]**	**4.0[1]**

1 Yield excludes land transactions.
2 Land acquisitions are discussed in Future Development Pipeline.
3 A reconciliation of acquisitions completed to the Financial Statements is provided in Table 8 of the Supplementary Notes.

DISPOSALS COMPLETED IN 2020

Asset Type	Disposal proceeds (£m, SEGRO share)	Net initial yield (%)	Topped-up net initial yield (%)
Big box logistics	£49.7m	5.0	5.0
Urban warehousing	£73.5m	4.2	4.2
Land	£15.6m	–	–
Disposals completed in 2020[2]	**£138.8m**	**4.7[1]**	**4.7[1]**

1 Yield excludes land transactions.
2 A reconciliation of disposals completed to the Financial Statements is provided in Table 8 of the Supplementary Notes.

PERIVALE PARK, WEST LONDON


PARC D'ACTIVITIES DES PETITS CARREUX, PARIS


SEGRO PARK COVENTRY GATEWAY


SEGRO PARK CANNING TOWN (FORMERLY ELECTRA PARK), EAST LONDON


URBAN WAREHOUSE DISPOSAL, WEST LONDON

Regional reviews

GREATER LONDON

RENTAL GROWTH, STRATEGIC ACQUISITIONS AND FURTHER DEVELOPMENT

Our strategy in London continues to deliver results with rental growth across all of the sub-markets in which we operate. We have made very good progress in capturing the revisionary potential that has accumulated across the portfolio, supported by strong occupier demand from a wide variety of businesses, all of whom need to be close to their customers and their labour force.

Despite strong competition in the investment markets we were also able to use our market expertise to make some strategic asset acquisitions that create exciting opportunities for our business and the momentum has continued in our development pipeline.

OPERATING SUMMARY OF THE YEAR

- The portfolio has proved to be resilient to the impacts of the pandemic and we have been able to continue to grow rents and capture reversionary potential due to the high levels of occupier demand for our prime located assets.
- We acquired two key assets (Perivale and Canning Town) in strategic growth corridors that are excellent additions to our Greater London portfolio, allowing us to offer customers even more choice.
- Continued momentum in the development pipeline – we completed our largest ever London pre-let on schedule and have started work on SEGRO Park Hayes and SEGRO Park Tottenham.

OPPORTUNITIES FOR THE YEAR AHEAD

- Vacancy is currently only 5.2 per cent in Greater London and almost half of this is recently completed speculatively developed space so we will be focusing on letting this up, potentially also targeting new types of customers in growth sectors.
- We continue to look for new land to consider ways of intensifying land use so that we can continue to support our customers' growth plans.

RISKS FOR THE YEAR AHEAD

- The customers in our Greater London portfolio were some of those most impacted by government restrictions to combat the pandemic, particularly those linked to passenger travel at Heathrow and those exposed to the hospitality industry, we continue to monitor this closely.

THAMES VALLEY

MODERNISING THE SLOUGH TRADING ESTATE AND EXPANDING OUR PRESENCE IN THE THAMES VALLEY

We are constantly modernising the Slough Trading Estate to ensure that it is the location of choice for businesses in the Thames Valley.

The Estate is home to businesses both large and small, from a wide range of sectors. We continue to attract data centres due to the close proximity of the estate to London, the access to a robust power supply and the fibre-optic connectivity.

We expanded our presence in the Thames Valley with the addition of our new estate SEGRO Park Bracknell and are looking for further opportunities.

OPERATING SUMMARY OF THE YEAR

- Very strong operating metrics with low vacancy of 3.0 per cent, a high level of rent collection and a record leasing performance.
- The data centre success story continued in 2020 with two more completed and another three under construction, which will take us to a total of 32 on the Estate.
- Acquisition of adjoining Perth Trading Estate providing us with more space and future development opportunities.

OPPORTUNITIES FOR THE YEAR AHEAD

- We are exploring opportunities to intensify the estate by building multi-level warehousing.
- We are also investigating the potential to expand further into the Thames Valley corridor following the successful completion and leasing of SEGRO Park Bracknell.

RISKS FOR THE YEAR AHEAD

- The limited amount of available space on the Estate means that it can be hard to find space for expanding businesses and we must be innovative to accommodate our customers' expansion plans. Our full ownership of the Estate allows us to be creative in our solutions to achieve this.

NATIONAL LOGISTICS (UK BIG BOX WAREHOUSES)

STRONG LETTINGS PERFORMANCE AND SUCCESS IN BRINGING FURTHER SITES FORWARD FOR DEVELOPMENT

We continue to see high levels of interest for our well-located logistics parks and supply in UK big box has reduced in 2020 due to the particularly strong levels of take up.

We made good progress at SEGRO Logistics Park East Midlands Gateway (SLPEMG) and SEGRO Park Kettering (SPK) during 2020 and have also successfully brought two further major sites forward for development and have already started the infrastructure works.

OPERATING SUMMARY OF THE YEAR

- We completed and delivered buildings at SLPEMG and SPK on time, in the middle of the pandemic, and signed two further pre-lets at SLPEMG (which when complete will mean that the park is almost two-thirds full).
- Acquired land and commenced infrastructure works for our next two major logistics parks: SEGRO Park Coventry Gateway (SPCG) and SEGRO Logistics Park Northampton Gateway (SLPNG), which between them will create almost 900,000 sq m of prime big box warehouse space.

OPPORTUNITIES FOR THE YEAR AHEAD

- We will be working hard to secure further pre-lets at SLPEMG and SPK.
- Continuing the infrastructure works at SPCG and SLPNG and working on bringing further sites forward for development.

RISKS FOR THE YEAR AHEAD

- Development of large-scale sites such as SPCG and SLPNG bring with them a certain amount of execution risk but we are confident in our ability to manage this given our strong development track record.
- There was an increase in speculative development towards the end of 2020 but take-up levels remain high and vacancy is low. We continue to build UK big box on a mostly pre-let basis.

NORTHERN EUROPE (GERMANY AND NETHERLANDS)

STRONG DEMAND FOR OUR RECENTLY DEVELOPED URBAN ASSETS, RENTAL GROWTH AND PRE-LETS.

Occupier demand continues to be very high for all of our assets, with increased levels of e-commerce penetration, and demand for 'last-mile', particularly benefiting our urban warehouse parks.

This helped us to deliver a strong lettings performance and achieve high-levels of rental growth across all of major markets.

We continue to focus on achieving scale in the Netherlands and made good progress during the period.

OPERATING SUMMARY OF THE YEAR

- High levels of rental growth across all of our assets, driven by strong customer demand and restricted supply.
- Our vacancy rate has reduced to 5.1 per cent, despite the recent delivery of a very ambitious speculative programme, thanks to a strong letting performance with SEGRO CityPark Frankfurt and the most recent phase of SEGRO Airport Park Berlin both now fully let.
- We signed our largest ever German pre-let in Leipzig for a homewares e-commerce operator, and also signed a pre-let in the Netherlands (a market which tends to be speculatively led).

OPPORTUNITIES FOR THE YEAR AHEAD

- Demand continues to be high across all of our assets but we see a particular opportunity in responding to the growing demand for 'last-mile' from online retailers and food grocers.
- We will be looking to let up the remaining space in our recently completed development in Düsseldorf Sud.

RISKS FOR THE YEAR AHEAD

- Slower take up of the urban speculatively developed schemes which complete later this year due to the marcoeconomic impacts of the pandemic.

Regional reviews
continued

SOUTHERN EUROPE (FRANCE, ITALY AND SPAIN)

RECORD LEVELS OF DEVELOPMENT, STRONG LETTING ACTIVITY AND STRATEGIC ACQUISITIONS

Our business continues to go from strength to strength with strong occupier demand, driven by increased levels of e-commerce penetration, and our well-established operating platform enabling us to increase rents and sign new pre-lets.

The momentum in our development pipeline continues and we significantly increased our presence in Paris through a strategic asset acquisition. The purchase of a land portfolio in Spain positions us to achieve scale in our chosen markets of Barcelona and Madrid.

OPERATING SUMMARY OF THE YEAR

- A record year of development completions in Southern Europe with 517,200 sq m of space delivered.
- Our Spanish portfolio now has zero vacancy with all of the recently completed speculative developments now fully let.
- We signed a preliminary agreement to deliver a pioneering 75,000 sq m underground development in Central Paris as part of the redevelopment of the Gobelins rail station.
- We also acquired a controlling stake in Sofibus Patrimoine SA, whose major asset is the 149,900 sq m urban warehouse asset Parc d'Activités des Petits Carreaux (PAPC) in Paris.

OPPORTUNITIES FOR THE YEAR AHEAD

- Internet penetration in Southern Europe is behind markets such as the UK and Germany, creating a huge opportunity for both our customers and our business.

RISKS FOR THE YEAR AHEAD

- The challenge of finding land and securing building permits in markets such as Paris and increasing competition in Italy.
- Our development in Spain tends to comprise a higher level of speculative projects in line with the market norm, meaning that there is heightened letting risk compared to most of our other markets.

CENTRAL EUROPE (POLAND AND CZECH REPUBLIC)

ESTABLISHING A STRONG POSITION IN CENTRAL EUROPE

We have made good progress in 2020 in increasing our presence in key logistics markets, both through development and the acquisition of assets.

In Poland we continue to focus on the five key logistics markets of Gliwice, Łódź, Poznań, Warsaw and Wrocław.

Occupier demand in the Czech Republic continues to be strong and as a result our portfolio once again performed well in 2020.

OPERATING SUMMARY OF THE YEAR

- Strong operating metrics with only 4.9 per cent vacancy and high customer retention rate of 95 per cent.
- We enlarged our land bank in Poznań and delivered the first phase of our project there (which was fully pre-let) and have started work on the second phase.
- We also added a further 62,500 sq m of new space to the portfolio through developments and acquisitions in Łódź, Warsaw and Wrocław.

OPPORTUNITIES FOR THE YEAR AHEAD

- Over 43,000 sq m of new big box and urban warehouses under construction in Poznań, Łódź and Warsaw.
- With demand for urban warehouse space in Warsaw increasing, we continue to look for opportunities to acquire land.

RISKS FOR THE YEAR AHEAD

- Competition for customers in Poland remains strong, particularly from trader-developers, which may impact the potential for rental growth.

SELP

SEGRO EUROPEAN LOGISTICS PARTNERSHIP (SELP)

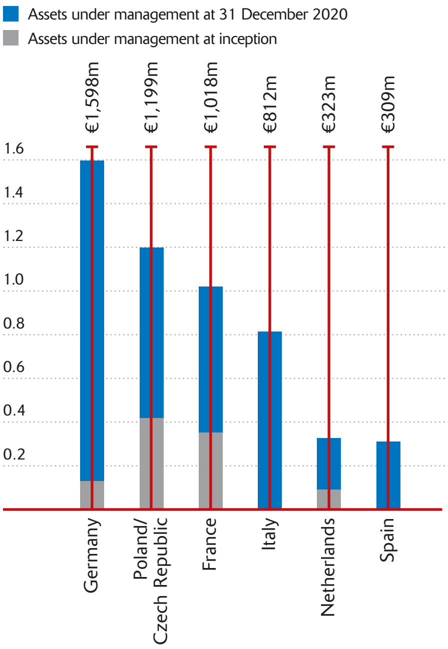
SELP is our Continental European big box joint venture with PSP Investments, one of Canada's largest pension investment managers. SELP started in 2013 with €1 billion of assets. At the end of 2020, it has a portfolio worth just under €5.3 billion. It generates €247 million of headline rent with an occupancy rate of 97 per cent.

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

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

ASSETS UNDER MANAGEMENT

(€bn)



Financial Review
An active year of financing and strong financial results

WHAT WE SAID WE WOULD DO

We intend to keep our LTV at around 30 per cent.

WHAT WE ACHIEVED IN 2020

Through a combination of asset disposals and the increase in value of our portfolio, the LTV at 31 December 2020 is 24 per cent. Our cost of debt remains low at 1.6 per cent.

WHAT TO EXPECT IN 2021

We aim to maintain our LTV at around 30 per cent, taking into account our investment plans. We believe this ensures significant headroom to our tightest gearing covenant should property values decline, as well as providing the flexibility to take advantage of investment opportunities which may arise. We have cash and available facilities of £1.2 billion (including our share of joint ventures) on which we can draw to fund our investment plans.

ADJUSTED PROFIT BEFORE TAX

£296.5m

2019: £267.5m

IFRS PROFIT BEFORE TAX

£1,464.1m

2019: £902.0m

NEW FINANCING DURING THE YEAR

£1.1bn

2019: £0.5bn

LOAN TO VALUE RATIO

24%

2019: 24%

During 2020, we have taken advantage of favourable financing conditions to continue improving SEGRO's capital structure.

FINANCING

In May 2020, SEGRO extended the maturity of €1.1 billion of revolving credit facilities for a further year to 2025. This was followed by amendments to transition the facilities from sterling LIBOR to SONIA in anticipation of the ending of LIBOR in 2021.

In June 2020, SEGRO issued 83 million new shares, raising £680 million of gross proceeds to help to fund our development programme while also retaining an appropriate capital structure. The shares were issued at 820.0 pence per share, a 4.5 per cent discount to the prior day's closing share price.

In July 2020, SEGRO agreed a third US private placement debt issue of €450 million across four tranches with a number of institutional investors. The notes have an average maturity of 16.8 years and a weighted average coupon of 1.6 per cent. Closing took place in August 2020 followed by funding in October and December 2020.

In August 2020, SEGRO redeemed its £79.3 million 6.75 per cent sterling bonds due to mature in 2021, followed by redemption in September of its £39.1 million 7.0 per cent sterling bonds due to mature in 2022. The combined cash settlement for the bonds redeemed was £130.5 million, which included £1.4 million of accrued interest.

In November 2020, SEGRO completed its secondary listing on Euronext Paris. The Secondary Listing reflects the growth and importance to the Company of its Continental European investor base and operations and ensures that SEGRO maintains an optimum and efficient holding structure following the end of the Brexit transition period on 31 December 2020.

As 31 December 2020, the gross borrowings of SEGRO Group and its share of gross borrowings in joint ventures totalled £3,201.2 million (31 December 2019: £2,637.8 million), of which only £21.1 million (31 December 2019: £27.6 million) are secured by way of legal charges over specific assets. The remainder of gross borrowings are unsecured. Cash and cash equivalent balances were £113.2 million (31 December 2019: £153.5 million). Average debt maturity was 9.9 years (31 December 2019: 10.0 years) and average cost of debt (excluding non-cash interest and commitment fees) was 1.6 per cent (31 December 2019: 1.7 per cent).

Funds available to SEGRO Group (including its share of joint venture funds) at 31 December 2020 totalled £1,189.3 million (31 December 2019: £1,370.0 million), comprising £113.2 million cash and short-term investments and £1,076.1 million of undrawn revolving credit facilities of which only £11.6 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.

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

The key leverage metric for SEGRO is its 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 2020 on this basis was 24 per cent (31 December 2019: 24 per cent).

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 2020, as defined within the principal debt funding arrangements of the Group, was 24 per cent (31 December 2019: 23 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 64 per cent from their 31 December 2020 values to reach the gearing covenant threshold of 160 per cent. A 64 per cent fall in property values would equate to an LTV ratio of approximately 66 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. At 31 December 2020, the Group comfortably met this ratio at 6.6 times. Net property rental income would need to fall by around 81 per cent from 2020 levels to reach the interest cover covenant threshold of 1.25 times. On a proportionally consolidated basis, including joint ventures, the interest cover ratio was 6.5 times.

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

Our intention for the foreseeable future is to maintain our LTV 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.

At 31 December 2020, the only debt maturity falling due within 12 months is a €1 million principal repayment on an amortising loan, acquired with Sofibus Patrimoine SA. The weighted average maturity of the gross borrowings of the Group (including joint ventures at share) was 9.9 years. With the majority of the Group's revolving credit facilities not due to mature until 2025, and no material Group debt maturities until 2024, this long average debt maturity translates into a favourable, 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 2020, including the impact of derivative instruments, 70 per cent (2019: 89 per cent) of the net borrowings of the Group (including the Group's share of borrowings within joint ventures) were at fixed or capped rates.

The fixed only level of debt is 44 per cent at 31 December 2020 (31 December 2019: 57 per cent).

As a result of the fixed rate cover in place, if short-term interest rates had been 1 per cent higher throughout the year to 31 December 2020, the adjusted net finance cost of the Group would have increased by approximately £12.6 million representing around 4 per cent of Adjusted profit after tax.

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

FOREIGN CURRENCY TRANSLATION RISK

The Group has minimal transactional foreign currency exposure, but does have a potentially significant currency translation exposure arising on the conversion of its substantial 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 (31 December 2020: 24 per cent) and 100 per cent. At 31 December 2020, the Group had gross foreign currency assets which were 61 per cent hedged by gross foreign currency denominated liabilities (31 December 2019: 65 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 2020 weakened by 10 per cent against sterling (to €1.23, in the case of euros), net assets would have decreased by approximately £158 million and there would have been a reduction in gearing of approximately 1.7 per cent and in the LTV of 1.3 per cent.

The average exchange rate used to translate euro denominated earnings generated during 2020 into sterling within the consolidated income statement of the Group was €1.13:£1. Based on the hedging position at 31 December 2020, and assuming that this position had applied throughout 2020, if the euro had been 10 per cent weaker than the average exchange rate (€1.24:£1), Adjusted profit after tax for the year would have been approximately £9.7 million (3.3 per cent) lower than reported. If it had been 10 per cent stronger, Adjusted profit after tax for the year would have been approximately £11.9 million (4.1 per cent) higher than reported.

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 2020, the Group has raised £680 million of new equity and secured €450 million of new debt as well as extending the term of €1.1 billion of revolving credit facilities by one year, significantly enhancing its liquidity.
- Cash and available facilities at 31 December 2020 were £1.1 billion, well in excess of the Group's capex commitment of £0.6 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 2020, property values would need to fall by around 64 per cent before breaching the gearing covenant. In terms of interest cover, net rental income would need to fall by 81 per cent before breaching the interest cover covenant. Both would be significantly in excess of the Group's experience during the financial crisis, its experience in 2020 and in 2021 to date, and the plausible scenarios modelled.
- Customer rent collections remain high, with 98 per cent of rent collected for the year ending 2020. The results of our Covid-19 stress test (modelling 20 per cent of customers delaying rent payments and 10 per cent of customer defaulting on their rent payments) was that the Group would continue as a going concern.

FINANCIAL POSITION AND FUNDING

	31 December 2020		31 December 2019	
	SEGRO Group	**SEGRO Group and JVs at share**	SEGRO Group	SEGRO Group and JVs at share
Net borrowings (£m)	**2,325.0**	**3,088.0**	1,811.0	2,484.3
Available cash and undrawn facilities (£m)	**1,061.4**	**1,189.3**	1,173.2	1,370.0
Balance sheet gearing (%)	**24**	**N/A**	23	N/A
Loan to value ratio (%)	**22**	**24**	22	24
Weighted average cost of debt[1] (%)	**1.7**	**1.6**	1.8	1.7
Interest cover[2] (times)	**6.6**	**6.5**	6.2	6.3
Average duration of debt (years)	**11.7**	**9.9**	11.6	10.0

1 Based on gross debt, excluding commitment fees and non-cash interest.
2 Net rental income/Adjusted net finance costs (before capitalisation).

An active year of financing and strong financial results
continued

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 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 the Best Practices Recommendations Guidelines of the European Public Real Estate Association (EPRA) which are widely used alternate metrics to their IFRS equivalents within the European real estate sector (further details can be found at www.epra.com). In calculating Adjusted profit, the Directors may also exclude additional items considered to be non-recurring, unusual, or significant by virtue of size and nature. In the current and prior periods there have been no such adjustments and therefore Adjusted profit and EPRA earnings are the same.

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

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

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

ADJUSTED PROFIT (NOTE 2)

		2020 £m	2019 £m
	GROSS RENTAL INCOME	392.9	362.0
	PROPERTY OPERATING EXPENSES	(88.3)	(80.7)
1	**NET RENTAL INCOME**	304.6	281.3
2	**JOINT VENTURE FEE INCOME**	21.6	20.4
	ADMINISTRATION EXPENSES	(51.5)	(51.5)
3	**SHARE OF JOINT VENTURES' ADJUSTED PROFIT**[1]	61.5	54.0
	ADJUSTED OPERATING PROFIT BEFORE INTEREST AND TAX	336.2	304.2
4	NET FINANCE COSTS (including adjustments)	(39.7)	(36.7)
5	**ADJUSTED PROFIT BEFORE TAX**	296.5	267.5
6	TAX ON ADJUSTED PROFIT	(4.0)	(3.2)
	NON-CONTROLLING INTERESTS SHARE OF ADJUSTED PROFIT	(0.2)	(0.2)
	ADJUSTED PROFIT AFTER TAX	292.3	264.1

1 Comprises net property rental income less administration expenses, net interest expenses and taxation.

NET RENTAL INCOME 1

£23.3m higher

Net rental income increased by £23.3 million to £304.6 million (or by £32.7 million to £385.1 million including joint ventures at share), reflecting the positive net impact of like-for-like rental growth, development completions and investment activity during the period, offset by the impact of disposals.

Rent collection levels across the real estate industry were significantly impacted by the Covid-19 pandemic. Within our business, rent collections in the second quarter were initially lower than typical levels as our customers reacted to the lockdown, and we offered help on a case-by-case basis to those customers who most required support. However, collection levels increased during the year, and 98 per cent of 2020 rent has been collected so far. Much of the remainder is expected to be collected through payment plans during 2021, but having assessed the unpaid balance, a provision for bad debts (being loss allowance and impairment of receivables) including joint ventures at share, of £4.1 million (1 per cent of the total rent roll) has been made.

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 £6.7 million, or 2.1 per cent, compared to 2019 (increased by £9.3 million, or 2.9 per cent before the impact of bad debts). This is due to strong rental performance across our portfolio in the UK: 0.9 per cent increase and Continental Europe: 4.3 per cent increase (or UK: 2.0 per cent increase and Continental Europe: 4.6 per cent increase before bad debts).

INCOME FROM JOINT VENTURES 2 3

£1.2m higher

Joint venture fee income increased by £1.2 million to £21.6 million. This increase is due to an increase in the SELP management fee as the size of the portfolio has grown.

In 2018 SEGRO received a performance fee from SELP, of which £26.2 million is subject to possible clawback and consequently has been not been recognised as income but deferred until such time that the risk of clawback becomes less likely (see Note 7 for further details). The performance fee is calculated and receivable on the fifth and tenth-year anniversaries of the joint venture, should the SELP property portfolio meet certain performance criteria. It does not meet the recognition criteria in this period due to the volatility and uncertainty around its measurements.

SEGRO's share of joint ventures' Adjusted profit after tax increased by £7.5 million from £54.0 million in 2019 to £61.5 million in 2020 almost entirely from the growth in the SELP joint venture.

ADMINISTRATIVE AND OPERATING COSTS 1 3

Cost ratio: 21.1%

The Group is focused on managing its cost base and uses a Total Cost Ratio (TCR) as a key measure of cost management. The TCR for 2020 has improved to 21.1 per cent compared to 22.9 per cent in 2019, but still above our 20 per cent target. The calculation is set out in Table 8 of the Supplementary Notes to the Financial Statements.

Excluding share-based payments, the cost ratio would be 18.8 per cent, an improvement from 19.9 per cent in 2019.

The cost ratio calculation is detailed in Table 8 in the Supplementary Notes, which shows that the reduction in the ratio has been primarily caused by the increase in gross rental income by £33.5 million to £448.4 million reflecting the growth through development and like-for-like income discussed in the Net Rental Income section above. Total costs in respect of the TCR remained relatively stable at £94.8 million compared to £95.2 million in 2019. Whilst wholly-owned administration expenses have remained flat at £51.5 million (as detailed in Note 6), property operating expenses have increased by £7.6 million to £88.3 million in 2020, primarily from the increase in service charge expenses, which are netted against service charge income in the cost ratio calculation. Costs grew less than anticipated as a result of our response to the pandemic, with lower levels of travel and a slowdown in the pace of recruitment.

Total costs (see Note 5) have decreased by £19.6 million to £104.3 million. This balance includes trading property cost of sales which have decreased by £27.2 million.

NET FINANCE COSTS 4

£3.0m higher

Net finance costs (including adjustments) increased by £3.0 million in 2020 to £39.7 million primarily as a result of higher debt levels compared to the prior period primarily funding our development programme.

ADJUSTED PROFIT 5

£29.0m higher

Adjusted profit before tax increased by 10.8 per cent to £296.5 million (2019: £267.5 million) during 2020 as a result of the above movements (see Note 2).

TAXATION 6

Effective rate: 1.3%

The tax charge on Adjusted profit of £4.0 million (2019: £3.2 million) reflects an effective tax rate of 1.3 per cent (2019: 1.2 per cent), consistent with a Group target tax rate of less than 3 per cent.

The Group's target tax rate reflects the fact that over three-quarters of its assets are located in the UK and France and qualify for REIT and SIIC status respectively in those countries. This status means that income from rental profits and gains on disposals of assets in the UK and France 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 EARNINGS PER SHARE

25.4p, +4.1%

Adjusted earnings per share are 25.4 pence compared to 24.4 pence in 2019. The lower growth rate compared to Adjusted profit reflects the increase in the average number of shares (the denominator in the earnings per share calculation) by 69 million shares compared to 2019 primarily due to the equity placing undertaken in June 2020.

1 The like-for-like rental growth metric is based on properties held throughout both 2020 and 2019 on a proportionally consolidated basis. This provides details of underlying 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. Further details are given in Table 10 of the Supplementary Notes.

An active year of financing and strong financial results continued

IFRS PROFIT

IFRS profit before tax in 2020 was £1,464.1 million (2019: £902.0 million), equating to basic post-tax IFRS earnings per share of 124.1 pence compared with 79.3 pence for 2019, principally reflecting higher realised and unrealised gains in the property portfolio.

A reconciliation between Adjusted profit before tax and IFRS profit before tax is provided in Note 2 to the Financial Statements.

Realised and unrealised gains on wholly-owned investment properties of £975.7 million in 2020 (2019: £483.9 million) and realised and unrealised gains on trading and other property interests of £14.1 million (2019: £12.2 million) have been recognised in the Income Statement as the value of our portfolio increased during the year. These primarily relate to an unrealised valuation surplus on invested properties of £970.6 million (2019: £476.7 million).

SEGRO's share of realised and unrealised gains on properties held in joint ventures was £215.6 million (2019: £214.2 million) largely in respect of the SELP portfolio and is further analysed in Note 7.

The cost of closing out debt in the year was £10.9 million (2019: £18.6 million) following the buy-back of the small outstanding amount of the SEGRO bonds maturing in 2021 and 2022. IFRS earnings were also impacted by a net fair value gain on interest rate swaps and other derivatives of £13.7 million (2019: £7.9 million) and a tax charge of £35.0 million (2019: £41.4 million) of which £31.0 million (2019: £38.2 million) arises in respect of adjustments, primarily in relation to property valuation movements.

BALANCE SHEET

At 31 December 2020, IFRS net assets attributable to ordinary shareholders were £9,659.2 million (31 December 2019: £7,677.6 million), reflecting 809 pence per share (31 December 2019: 697 pence) on a diluted basis.

Adjusted NAV per share at 31 December 2020 was 814 pence (31 December 2019: 700 pence). The 16.3 per cent increase primarily reflects property gains in the period. Note that the comparative balance has changed from the amount previously reported of 708 pence in respect of EPRA NAV, following the issuance of new EPRA guidance applicable in the current period (see Note 12 for further details). The chart opposite highlights the other principal factors behind the increase. 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 £233.2 million are £58.4 million lower than the prior year. This is primarily due to the impact of trading properties, for which there was an outflow of £19.6 million in the current year, following an acquisition and development expenditure, compared to an inflow of £30.9 million in the prior period following a disposal. Excluding trading properties, which are transaction driven and therefore not consistent year on year by their nature, the cash flows from operations is £252.8 million in the current year which is £7.9 million below the prior year primarily due to the deferral rentals agreed with certain tenants in light of the Covid-19 pandemic.

The Group made net investments of £1,100.7 million of investment and development properties (including options and loans to joint ventures) during the year on a cash flow basis (2019: £217.2 million). This is principally driven by expenditure of £1,215.9 million (2019: £602.9 million) to purchase and develop investment properties to deliver our strategy of growth. Disposals of investment properties reduced by £253.2 million to £159.2 million compared to the prior period (2019: £412.4 million).

The largest financing cash flow arose in respect of net proceeds from the issue of shares of £672.1 million primarily from an equity placing undertaken in June 2020. Other significant cash flows include dividends paid of £179.5 million (2019: £141.7 million) where cash flows are lower than the total dividend due to the level of scrip uptake.

Overall, net debt has increased in the year from £1,811.0 million to £2,325.0 million.

CAPITAL EXPENDITURE

Table 9 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, at share.

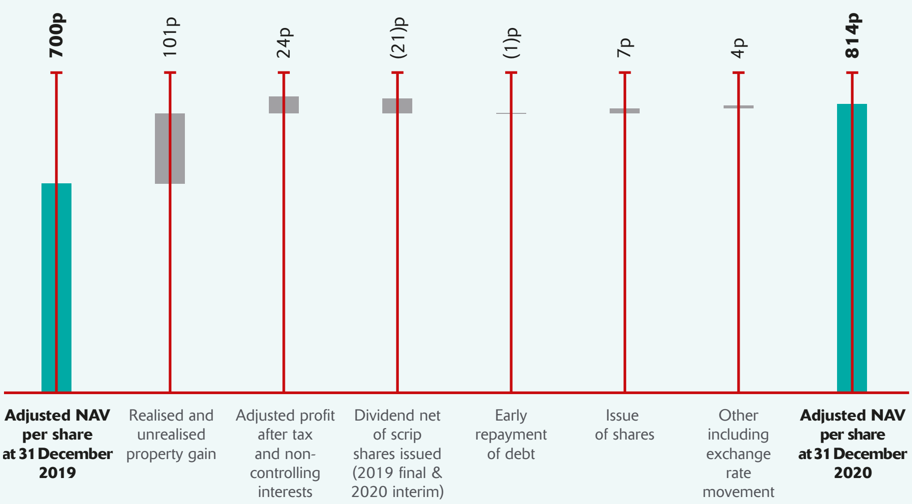
Total spend for the year was £1,548.4 million, an increase of £655.6 million compared to 2019. More detail on acquisitions can be found in the Investment Update on pages 60 to 61.

Development capital expenditure of £531.4 million was spent in the year (2019: £408.7 million) across all our Business Units, particularly Southern Europe and National Logistics, reflecting our development-led growth strategy.

Development spend incorporates interest capitalised of £7.5 million (2019: £9.0 million) including joint ventures at share.

Spend on existing completed properties, totalled £40.1 million (2019: £30.8 million), of which £24.2 million (2019: £17.4 million) was for major refurbishment, infrastructure and fit-out costs prior to re-letting. The balance mainly comprises more minor refurbishment and fit-out costs, which equates to 5 per cent of Adjusted profit before tax and less than 1 per cent of total spend. Of the total spend £2.5 million (2019: £nil) increased lettable space.

ADJUSTED NET ASSET VALUE



DIVIDEND INCREASE REFLECTS A STRONG YEAR 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 0.8 pence to 15.2 pence (2019: 14.4 pence) which will be paid as a PID. The Board's recommendation is subject to approval by shareholders at the Annual General Meeting, in which event the final dividend will be paid on 4 May 2021 to shareholders on the register at the close of business on 19 March 2021.

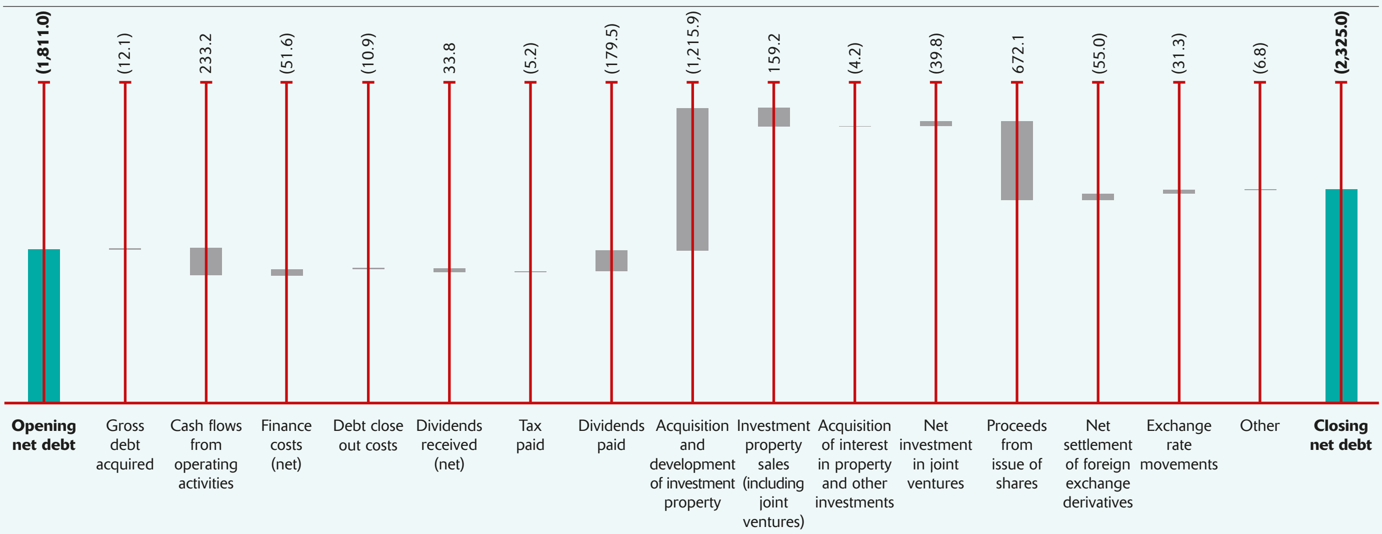
In considering the final dividend, the Board took into account:

- 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 2020 and the outlook for earnings.

The total dividend for the year will, therefore, be 22.1 pence, a rise of 6.8 per cent versus 2019 (20.7 pence) and represents distribution of 87 per cent of Adjusted profit after tax.

The Board has decided to retain a scrip dividend option for the 2020 final dividend, allowing shareholders to choose whether to receive the dividend in cash or new shares. In 2020, 35 per cent of the 2019 final dividend and 7 per cent of the 2020 Interim Dividend was paid in new shares, equating to £61 million of cash retained on the balance sheet.

CASH FLOW BRIDGE (£m)



Principal risks
Effective risk management

> Robust risk management has ensured we were well placed to navigate the challenges presented during the year.

SOUMEN DAS
CHIEF FINANCIAL OFFICER

Dynamic risk management is embedded in our business and ensures we are able to adapt to the ever-changing environment in which we do business.

The continually evolving circumstances caused by the Covid-19 pandemic, coupled with the backdrop of geopolitical and macroeconomic uncertainty, has, and continues to present, a rapidly changing operating environment for the business to navigate. Despite this, the Group's performance has continued to be positive, as evidenced by our financial results, and demonstrates the importance of our risk process which is embedded within our business to enable effective, responsive decision making.

Looking forward to 2021, whilst there is still much uncertainty, it is anticipated that Covid-19 will still be prevalent in society, notwithstanding the efficacy of the vaccine rollout. Therefore, risk management and controls, and the Group's continued ability to be flexible in responding to the risks presented, will be fundamental to our ability to continue to operate successfully.

COVID-19

The impact of the pandemic continues to evolve and impact our entire risk landscape. We have incorporated commentary into each relevant principal risk and continue to monitor a new wave of infections and/or prolonged impact as an emerging risk. In most cases Covid-19 has acted to increase either the impact, the probability, or both in respect of risks already identified on the Risk Register. Major event/business disruption has been specifically identified and reported as a principal risk this year (as detailed further below).

During the year, the Group's Board and key Committees continued to meet regularly to identify, assess and record the Covid-19 related risks as they arose and evolved and to consider appropriate responses and mitigations accordingly.

Areas of particular concern relate to our people, customers, development programme, other suppliers, communities and financing and investor engagement as set out in more detail on pages 20 to 23. Some key areas specific to risk management include:

- Our people: The top priority was the health and wellbeing of our people. A central incident management team oversaw the process to ensure each local office maintained safe working conditions in line with local regulations and this was managed and regularly updated. As the working environment changed, staff were supplied with the necessary tools including IT equipment to be able to work effectively at home. This is detailed in the Health and Safety section and Principal Risk sections below.
- Customers: We maintained regular communication with our customers to ensure they were properly supported such as offering financial flexibility and facilities maintenance. The elevated risk of tenant default is covered further in the Operational Delivery and Compliance principal risk below.
- Our development programme and other suppliers: We worked closely with our supply chain during the pandemic with many sites subject to closure and other local regulations in the response to the outbreak. We reopened the sites as soon as it was possible and have worked collaboratively with our contractors to ensure a safe, compliant working environment on our sites. Whilst there were some delays in sourcing labour and raw materials, the mitigations such as sourcing locally where possible, have meant there have been no significant delays in delivering the projects. This is detailed further in the Development Plan Execution principal risk. We have worked closely with our other suppliers even though face to face interactions have been less frequent and continue to pay suppliers promptly.
- Operations and financing: A full, detailed assessment of our key operations was undertaken to ensure we could continue to operate under the new working environment and that appropriate processes and controls were in place, including the robustness of our IT systems. For example, during the year, we worked closely with our banks and other providers of finance in order to undertake various fund raises remotely thanks to the internal processes in place supported by our IT systems. For more information please refer to the Operational Delivery and Compliance principal risk.

DISCIPLINED CAPITAL ALLOCATION

We have continued to pursue opportunities to invest capital in line with the Group's investment stance and appetite for risk. In 2020, this focused again on our development pipeline (bearing in mind our appetite for non-income producing assets – discussed further overleaf) but was notably supplemented by a small number of large acquisitions in our key strategic markets (described in more detail on pages 60-61). Relevant Key Risk Indicators are considered each month by the Investment Committee to inform its decisions.

We continue to manage our risk exposure by:

- utilising options on land whenever feasible;
- maintaining a balanced exposure to speculative development;
- using a broad range of key contractors and closely managing them during our developments;
- maintaining an efficient capital structure and liquidity position to fund the development activity; and
- planning for the combined impact of significant decisions – land acquisitions, infrastructure commitments and development commitments – that will be required by our pipeline of development opportunities.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE CHANGE

Environmental sustainability is an ever more important risk for the business and has been separately reported on as a new Principal Risk in the year.

The risk includes the short to medium-term impacts including transitional changes (for example, legislation and financial) which we closely monitor and the long-term emerging risk of climate change (for example, physical changes including the increased likelihood of extreme weather events) for which we have undertaken extensive research.

The environmental and climate change related risks are managed by our Group Sustainability Manager and his dedicated sustainability team, reporting to the Executive Committee and ultimately the Board. Our activity during 2020 and looking ahead to 2021 and beyond is described in more detail on pages 85 to 89.

BREXIT

Brexit, and particularly a disruptive Brexit, was a key focus for the Group during the year. The UK and EU reached a trade agreement shortly before the end of the transition period, which redefined the UK's relationship with the EU on trade and other areas of cooperation. The risk of what might have been the most disruptive form of Brexit was, at least in part, mitigated. While the new arrangements bed in and their implications become better understood and more transparent, the risk that future issues may arise remain elevated. The Group continues to actively monitor and manage the identified risks and remains alert to new issues which may arise.

The responsibility for monitoring and managing the risk of a disruptive Brexit is the responsibility of a Brexit Committee made up of senior management from across the business, reporting to the Executive Committee. This Committee maintains a dedicated Risk Register to identify and prioritise key risks actions and mitigations.

Key elements of such risk included macro factors which would impact the Group's performance which we had to be aware of and responsive to but could do little to proactively mitigate. A small number of risks at a corporate level merited further focus, including compliance with a new regulatory regime, and actions were taken to mitigate their impact insofar as was possible and practicable. Other impacts were more indirect, such as those on our suppliers and customers, with whom we maintain a close and transparent dialogue.

The risk of a disruptive Brexit continues to be reported as a principal risk until the situation clarifies further, after which, it is envisaged, the specific risks arising will be reported and monitored within their relevant areas of impact. To date, whilst we remain constantly vigilant, no elements of Brexit risk have come to light which would be outside the Group tolerance.

FINANCING

The Group's financing strategy is balanced between supporting investment in our growth, and to enable the Group to be well positioned and resilient against potential risks faced in both the short and long term, including the impact of the pandemic. The Group maintains a low appetite to liquidity and solvency risk. The Group's management of its capital structure, including extending debt facilities and maturities, is described on pages 66 to 67.

HEALTH AND SAFETY

Health and Safety remains at the very heart of our business. The Health and Safety Working Group oversees the Health and Safety Policy and Safety Management System to ensure further proactive collaboration and communication to mitigate Health and Safety risk across the Group. During the year, the Health and Safety team was instrumental in the Group's response to the pandemic and the relevant regulations as they evolved, including in respect of employees as they worked away from the office and on our building sites. This and other activity in 2020 and looking ahead to 2021, are described on page 45.

TECHNOLOGY

The Group remains alert to the risks and opportunities that potentially disruptive technology could have on the business. We continued to engage with a number of external organisations – both in the property sector and in the wider technology realm – to assist us in identifying and assessing potentially disruptive technologies, none of which currently is believed to present an imminent significant risk to the Group.

During 2020 we created a Strategy, Investment and Innovation function to assess the potential impacts of a wide range of technologies; evolving our digital and technology strategy; and continuing to invest in this function in order to deliver that strategy, as described on page 44.

OUR RISK APPETITE

The Group recognises that its ability to manage risk effectively throughout the organisation continues to be central to its success. Our approach to risk management aims to bring controllable risks within our appetite, and to enable our decision making to balance uncertainty against the objective of creating and protecting, now and in the long term, value for our shareholders and other stakeholders.

The Group's risk appetite is reviewed annually and approved by the Board in order to guide management. As well as qualitative descriptions, the risk appetite defines tolerances and targets for key metrics. It is equally applicable to wholly-owned operations and joint ventures.

While our appetite for risk will vary over time and during the course of the property cycle, in general the Group maintains a fairly low appetite for risk, appropriate to our strategic objectives of delivering sustainable, attractive returns in the form of progressive dividends and net asset value growth over time.

PROPERTY RISK

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

Effective risk management continued

Our target portfolio should deliver attractive, low risk income returns with strong rental and capital growth when market conditions are positive and show relative resilience in a downturn. We aim to enhance these returns through development, but we seek both to ensure that the 'drag' associated with holding development land does not outweigh the potential benefits, and to mitigate the risks – including letting, construction and contractor risks – inherent in development.

In line with our income focus, we have a low appetite for risks to income from customer default or insolvency, and accordingly seek to 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 to moderate 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 to maintaining stable progression in earnings and dividends over the long term. We are, however, prepared to tolerate fluctuations in dividend cover as a consequence of capital recycling activity.

We also seek long-term growth in net asset value. 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 and risks to being well-regarded by our customers and wider stakeholders, including investors, regulators, employees, business partners, suppliers, lenders and by the communities in which we operate.

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

OUR INTEGRATED AND ROBUST APPROACH TO RISK MANAGEMENT

The Board has overall responsibility for ensuring that risk is effectively and consistently managed across the Group. The Audit Committee monitors the effectiveness of the Group's risk management process on behalf of the Board. Further information on compliance with the risk management provisions of the UK Corporate Governance Code can be found in the Governance section on pages 106-107.

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

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

The Board recognises that it has limited control over many of the external risks it faces, such as the pandemic, as well as the macroeconomic, geopolitical, and regulatory environment, but it reviews the potential impact of such risks on the business and consequential decision making.

The Board also monitors internal risks and ensures that appropriately designed controls are in place and operate in order to manage them.

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

The Group adopts the 'three lines of defence' model of risk management. Operational management, the individual risk manager and risk owner provide the first line of defence. The Executive Committee, other monitoring committees, and the risk management function overseen by the Group Risk Committee provide the second line of defence. Finally, Internal Audit provides the third line of defence.

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

Accountabilities for the Group's risk management are outlined in the diagram on page 75.

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

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

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

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

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

RISK MANAGERS

- Responsible for ensuring the risk is within appetite.
- Drive design and implementation of controls.
- Review, identify and assess existing and emerging risks with 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 domains.
- Risk management function attends regularly.

GROUP RISK COMMITTEE

- Coordinates the risk management process on behalf of the Executive Committee.
- Develops risk policy.
- Oversees the work of the Risk Management function, which in turn:
  - Manages 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 be responsive to issues as they arise and amend their programme accordingly.

Principal risks

PRINCIPAL RISKS

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

Some risks that may be unknown at present, as well as other risks that are currently regarded as immaterial and therefore not detailed here, could turn out to be material in the future.

The current principal risks facing the Group are summarised in the diagram below and described across 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 2020; whether the risk is within our appetite (after the application of our mitigations); and links to further relevant information in this report.

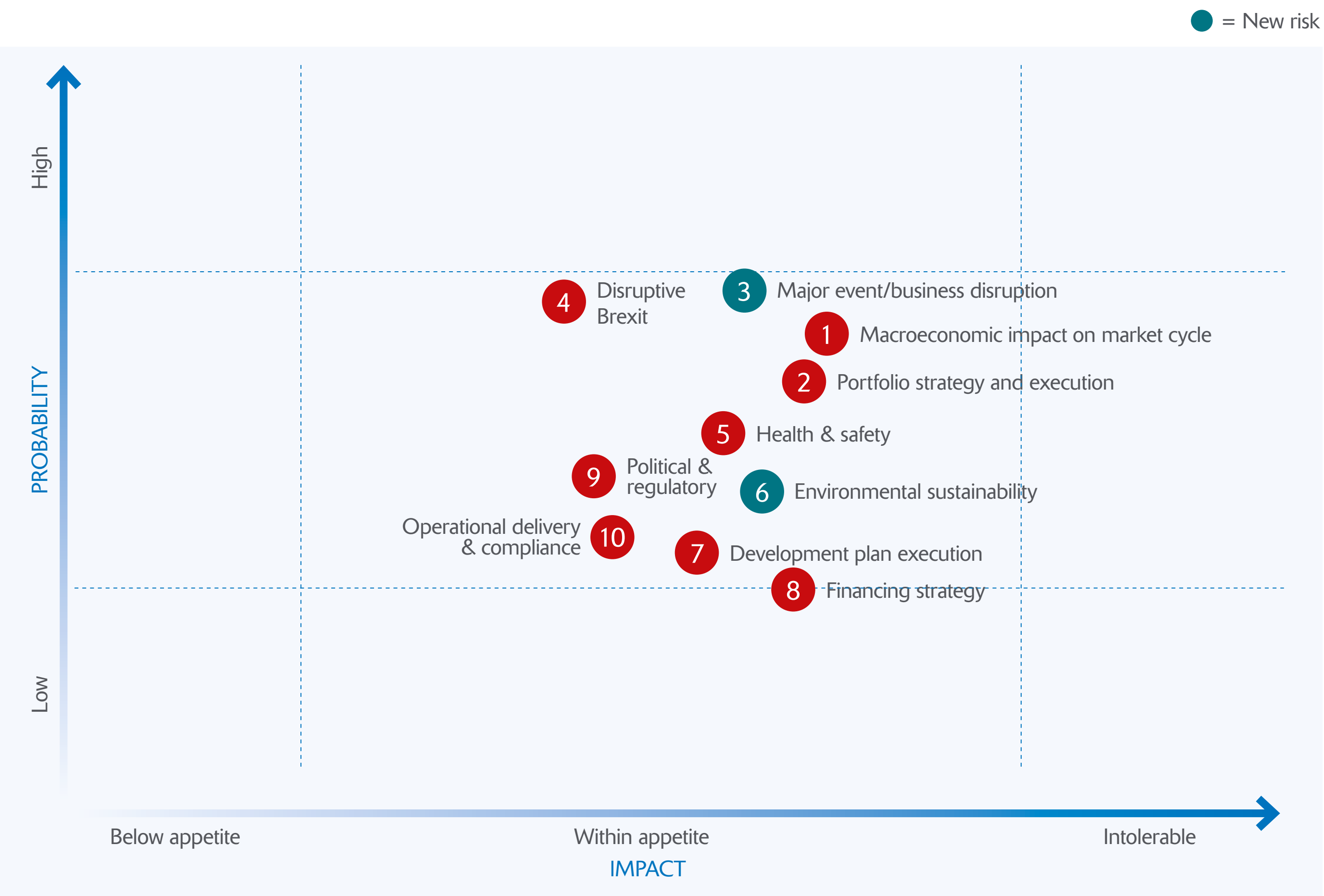
Management has actively considered emerging risks during the year. To this end, the Executive Committee undertakes a risk 'horizon scan' twice a year, and the risk management function undertakes an annual survey of peers and other listed companies to identify potential risks for consideration.

Two principal risks have been added in 2020 being the Major Event/Business Disruption risk in response to the pandemic arising during the year and Environmental Sustainability in light of its significance to the Group. Both risks have been specifically identified as stand-alone principal risks whereas previously they were part of the Operational Delivery and Compliance risk.

Two previously reported principal risks, Portfolio Strategy and Investment Plan Execution, have been combined below (called Portfolio Strategy and Execution) to recognise the congruent nature of the original risks as part of one contiguous process. The Market Cycle risk now also includes reference to macroeconomic impacts in order to highlight the external aspect of this risk.

Furthermore, two of our risks, Political and Regulatory and Operational Delivery and Compliance, have increased as discussed further below, whilst the others have remained in line with the prior year.

RESIDUAL RISK



OPERATIONAL EXCELLENCE | DISCIPLINED CAPITAL ALLOCATION | EFFICIENT CAPITAL AND CORPORATE STRUCTURE | INCREASED RISK | SIMILAR RISK | DECREASED RISK

1. MACROECONOMIC IMPACT ON MARKET CYCLE

The property market is cyclical and there is a continuous external risk that the Group could either misread the market or fail to react appropriately to changing market and wider related geopolitical conditions, which could result in capital being invested or disposals taking place at the wrong price or time in the cycle.

MITIGATIONS

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

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

Upside and downside scenarios are incorporated into Investment Committee papers to assess the impact of differing market conditions.

CURRENT YEAR ACTIVITY

During the year, the pandemic has led to greater market volatility and less predictability and in response we have increased the regularity of our economic outlook assessments. Whilst we are not entirely immune to these fluctuations, the most material adverse impacts appear to be focused in sectors where we do not have significant exposures.

IMPACT ON STRATEGY

CHANGE IN 2020

RESIDUAL RISK WITHIN APPETITE? ✓

OVERSEEN BY: EXECUTIVE COMMITTEE

FURTHER INFORMATION: THE MARKET OUTLOOK IS DETAILED IN THE CHIEF EXECUTIVE'S STATEMENT ON **PAGES 16-19.**

2. PORTFOLIO STRATEGY AND EXECUTION

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

- Holding the wrong balance of prime or secondary assets;
- Holding the wrong amounts or types of land, leading to diluted returns and/or constraints on development opportunities;
- Holding the wrong mix of risk assets (for example, between higher risk 'opportunity' assets and lower risk 'core' assets) or too many old or obsolete assets which dilute returns; and
- Holding assets in the wrong geographical markets; missing opportunities in new markets or lacking critical mass in existing markets.

MITIGATIONS

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

The Group's Disciplined Capital Allocation is informed by comprehensive asset plans and independent external assessments of market conditions and forecasts.

Regular portfolio analysis enables the portfolio to be correctly positioned in terms of location and asset type, and retains the right mix of core and opportunity assets. The annual asset planning exercise provides a bottom-up assessment of the performance and potential for all assets to identify underperforming assets that are considered for sale. Asset plans are prepared annually for all estates to determine where to invest capital in existing assets and to identify assets for disposal. Locally based property investment and operational teams provide market intelligence and networking to source attractive opportunities. Policies are in place to govern evaluation, due diligence, 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. Major capital investment and disposal decisions are subject to Board approval in line with portfolio strategy.

CURRENT YEAR ACTIVITY

During the year, the potential market volatility caused by the pandemic, discussed in the Macroeconomic Impact on Market Cycle risk, has led to a degree of caution in our approach to portfolio management and capital allocation. We do, however, continue to closely monitor the situation and take advantage of opportunities as they arise (as discussed further on pages 60 to 61).

IMPACT ON STRATEGY

CHANGE IN 2020

RESIDUAL RISK WITHIN APPETITE? ✓

OVERSEEN BY: EXECUTIVE COMMITTEE; INVESTMENT COMMITTEE

FURTHER INFORMATION: THE MARKET OUTLOOK IS DETAILED IN THE CHIEF EXECUTIVE'S STATEMENT ON **PAGES 16-19.**

Principal risks continued

OPERATIONAL EXCELLENCE | DISCIPLINED CAPITAL ALLOCATION | EFFICIENT CAPITAL AND CORPORATE STRUCTURE | INCREASED RISK | SIMILAR RISK | DECREASED RISK

3. MAJOR EVENT/BUSINESS DISRUPTION

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

MITIGATIONS

In 'normal' circumstances, the Group positions itself to withstand a global event and business disruption through its financing strategy (see separate principal risk); diverse portfolio strategy (see separate principal risk) including a diverse portfolio, staying close to customers to understand their changing needs, property insurance and strong customer base; organisational resilience of the work force; 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.

CURRENT YEAR ACTIVITY

During the year, the pandemic was a significant factor in the risks facing the Group, as detailed further above. This includes the instigation of our incident management team to oversee our initial response to the pandemic; ensuring employees were working in safe and secure conditions with the appropriate equipment; our Health and Safety team working closely with local teams to ensure compliance with local regulations both at our offices and building sites; working closely with our customers and being flexible for their requirements in both providing safe space and financially; working closely with our contractors to maintain safe building sites and reviewing our core processes in light of the new working conditions in order to maintain appropriate internal controls and operational resilience.

IMPACT ON STRATEGY

CHANGE IN 2020
NEW RISK IDENTIFIED FOLLOWING PANDEMIC IMPACT DURING THE YEAR

RESIDUAL RISK WITHIN APPETITE? ✓

OVERSEEN BY: EXECUTIVE COMMITTEE; TECHNOLOGY COMMITTEE

FURTHER INFORMATION: THE MARKET OUTLOOK IS DETAILED IN THE CHIEF EXECUTIVE'S STATEMENT ON **PAGES 16-19.**

4. DISRUPTIVE BREXIT

The agreement of the trade deal between the UK and the EU in December 2020 provided clarity around the future trade relationship between the EU and UK and consequently reduced but not fully mitigated the risk of disruption caused by Brexit. Ongoing risks around how this trade deal and the wider implications of Brexit may impact investment, capital, financial (including exchange rates), occupier and labour markets in the UK are yet to be fully understood.

In the long term, exit from the EU could impact levels of investor and occupier demand as a result of reduced trade, in particular those in industries more at risk to the impact of a disruptive Brexit, and/or the relocation of corporations and financial institutions away from the UK. Nevertheless, the likelihood of severe adverse impact on the Group is judged to be low.

MITIGATIONS

The Group is mindful of continuing political and economic uncertainties but remains focused on controlling what it can within its own business. Much of the potential short-term economic impact has been overshadowed by the pandemic. We continue to engage in dialogue with key customers, and with key suppliers to understand labour and material supply risks. To date, we have not observed significant adverse factors. Structural drivers of demand appear to have continued to outweigh any Brexit-related uncertainties.

The Group has, however, continued to adopt a disciplined approach to land acquisition and speculative development.

The Group's strategy provides resilience through the market cycle. As well as the underlying quality and diversity (in terms of both asset type and location) of the portfolio, mitigations include substantial covenant headroom, access to diverse sources of funding, exchange rate and interest rate hedging, and short development lead-times.

CURRENT YEAR ACTIVITY

During the year, the Brexit Committee has continued to meet regularly to monitor risks and associated mitigating actions arising using a dedicated Brexit Risk Register. This includes a limited number of corporate level actions in response to the new regulatory regime. Whilst the Trade Agreement signed in December 2020 averted the most disruptive outcome, the Committee and wider business continue to monitor the position to ensure issues arising are appropriately identified and mitigated.

IMPACT ON STRATEGY

CHANGE IN 2020

RESIDUAL RISK WITHIN APPETITE? ✓

OVERSEEN BY: EXECUTIVE COMMITTEE

OPERATIONAL EXCELLENCE | DISCIPLINED CAPITAL ALLOCATION | EFFICIENT CAPITAL AND CORPORATE STRUCTURE | INCREASED RISK | SIMILAR RISK | DECREASED RISK

5. HEALTH AND SAFETY

Health and Safety management processes could fail, leading to a loss of life, litigation, fines and serious reputational damage to the Group.

This risk is somewhat increased by the scale of the Group's development activity.

MITIGATIONS

The Group manages an active Health and Safety management system, with a particular focus on managing the quality and compliance to good Health and Safety practice of all our suppliers.

A published Health and Safety policy is supported by annual site inspections of existing assets, as part of proactive management, and development project inspections against SEGRO's Health and Safety Construction Standard.

We continue to improve Health and Safety standards on our development sites and work more closely with our suppliers and health and safety consultants to increase understanding and implementation of SEGRO's requirements.

The Health and Safety Working Group is responsible for overseeing the implementation of, and compliance with, the Health and Safety Policy and Safety Management System. We undertake 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 who provide regulatory assurance support to the Group.

CURRENT YEAR ACTIVITY

During the year, the pandemic has meant the safety of the internal workforce in working away from the office and the management of available office space to the extent permitted by local regulations, has been a priority for the Health and Safety team. Furthermore, the team has also worked with our contractors to ensure that work on our development sites was undertaken in a safe and compliant manner.

IMPACT ON STRATEGY

CHANGE IN 2020

RESIDUAL RISK WITHIN APPETITE? ✓

OVERSEEN BY: OPERATIONS COMMITTEE; EXECUTIVE COMMITTEE

FURTHER INFORMATION: HEALTH AND SAFETY RISK MITIGATIONS ON **PAGE 45.**

6. ENVIRONMENTAL SUSTAINABILITY

Failure to anticipate and respond to the impact of both physical and transitional risks from climate change on the sustainability of our environment as both a principal and emerging risk. Changes in social attitudes, laws, regulations, policies, taxation, obligations, and customer preferences associated with environmental sustainability could cause significant reputational damage and impact on our business, through non-compliance with laws and regulations, increased costs of tax and energy and loss of value through not meeting stakeholder expectations in addressing these challenges when reporting.

MITIGATIONS

A dedicated sustainability team is in place who regularly update the Executive Committee and Board, including monitoring against our stated sustainability targets. We actively participate and engage in several Real Estate and Sustainability organisations (such as EPRA and the World Green Building Council) to ensure we are aware of future initiatives and challenges. We set minimum standards for developments to ensure all are undertaken to achieve, if not exceed, the highest environmental standards. All acquisitions include an assessment for climate-related risk. The portfolio is reviewed against future climate-related metrics such as increasing temperature to mitigate against future obsolescence. Group and local teams are constantly kept up to date with new laws and regulations as they become relevant through regular training and use of a panel of expert advisors.

CURRENT YEAR ACTIVITY

During the year, we have launched our 'Responsible SEGRO' framework which details how we will rise to this challenge. We will lead a low-carbon transformation in our industry to address climate change, working with our customers in order to achieve this. We have reviewed our targets including seeking to be Net Zero Carbon by 2030.

See pages 57 to 59 for further detail on our approach to environmental sustainability and climate change in our development pipeline. We also provide disclosures in line with those required by the Task Force on Climate-Related Financial Disclosures framework on page 87.

IMPACT ON STRATEGY

CHANGE IN 2020
THIS IS A NEW RISK RATING WHICH REFLECTS THE INCREASED ENVIRONMENTAL CHALLENGES FACING THE BUSINESS AND WIDER COMMUNITIES

RESIDUAL RISK WITHIN APPETITE? ✓

OVERSEEN BY: OPERATIONS COMMITTEE; EXECUTIVE COMMITTEE

FURTHER INFORMATION: ESG RISK MANAGEMENT ON **PAGES 85-89.**

Principal risks continued

OPERATIONAL EXCELLENCE | DISCIPLINED CAPITAL ALLOCATION | EFFICIENT CAPITAL AND CORPORATE STRUCTURE | INCREASED RISK | SIMILAR RISK | DECREASED RISK

7. DEVELOPMENT PLAN EXECUTION

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

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

MITIGATIONS

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

We retain a high level of optionality in our future development programme including at the point of land acquisition, commitment to infrastructure and commitment to building.

The development programme remains weighted towards pre-let opportunities.

The risk of cost-overruns is mitigated by our experienced development teams and the use of trusted advisors and contractors.

The risk of contractor default is mitigated by using a diversified selection of companies who 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.

CURRENT YEAR ACTIVITY

During the year, development sites initially experienced delays following shutdowns due to the pandemic. As discussed above in our Health and Safety risk, our teams worked closely with contractors to ensure working practices on all sites complied with local regulations and were operated in a safe and compliant manner. We continue to regularly monitor the performance and financial strength of our contractors as contracts are awarded through the year.

IMPACT ON STRATEGY

CHANGE IN 2020

RESIDUAL RISK WITHIN APPETITE? ✓

OVERSEEN BY: EXECUTIVE COMMITTEE, OPERATIONS COMMITTEE

FURTHER INFORMATION: DEVELOPMENT ACTIVITY IN THE ASSET MANAGEMENT UPDATE ON **PAGES 55-56.**

8. FINANCING STRATEGY

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

Such an event may be caused by: a 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; default 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. The Treasury policy defines key policy parameters and controls to support execution of the strategy.

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

Liquidity remains strong and there is substantial headroom against all of our financial covenants.

CURRENT YEAR ACTIVITY

During the year, financing activity has strengthened the balance sheet, increased average debt maturity, lowered the average cost of debt, and demonstrated our ability to access a range of debt capital markets (see pages 66 to 67).

IMPACT ON STRATEGY

CHANGE IN 2020

RESIDUAL RISK WITHIN APPETITE? ✓

OVERSEEN BY: EXECUTIVE COMMITTEE

FURTHER INFORMATION: MANAGING FINANCING RISKS IN THE FINANCE REVIEW ON **PAGES 66-67.**

OPERATIONAL EXCELLENCE | DISCIPLINED CAPITAL ALLOCATION | EFFICIENT CAPITAL AND CORPORATE STRUCTURE | INCREASED RISK | SIMILAR RISK | DECREASED RISK

9. POLITICAL AND REGULATORY

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

In general, regulatory 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

Emerging risks in this category are reviewed regularly by the Executive Committee. Corporate heads of function consult with external advisers, attend industry and specialist briefings, and sit on key industry bodies such as EPRA and BPF.

As countries respond to the economic impact of the pandemic, the likelihood of changes to taxation regulations increases. 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 accordingly in a timely fashion.

CURRENT YEAR ACTIVITY

During the year, as detailed in the Brexit risk above, there has been heightened uncertainty around the future legal and regulatory environments. The situation has been closely monitored by the Brexit Committee who have sought flexible and pragmatic mitigations as the circumstances evolved.

IMPACT ON STRATEGY

CHANGE IN 2020
THE INCREASED RATING REFLECTS LEVELS OF POLITICAL AND REGULATORY UNCERTAINTY IN RESPONSE TO THE PANDEMIC ACROSS OUR GEOGRAPHIES AND BREXIT IN THE UK

RESIDUAL RISK WITHIN APPETITE? ✓

OVERSEEN BY: EXECUTIVE COMMITTEE

10. OPERATIONAL DELIVERY AND COMPLIANCE

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

Compliance failures, such as breaches of joint venture shareholders' agreements, loan agreements or tax legislation could also damage reputation, revenue and shareholder value.

MITIGATIONS

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

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 shareholder agreements is managed by experienced property operations, finance and legal employees. The SELP joint venture additionally has comprehensive governance and compliance arrangements in place, including dedicated management, operating manuals, and specialist third party compliance support.

CURRENT YEAR ACTIVITY

During the year, the working life of staff has been significantly impacted and we have continually monitored the organisational resilience to respond to this, for example, ensuring that staff have the ability and resources to work away from the office for sustained periods, and that the resilience and security of our technology systems is fully maintained.

We continue to work closely with our customers to manage rent collection whilst balancing the challenges they are facing. The depth of knowledge of our customers has enabled us to estimate the impact on our customers from the particular circumstances of this global event, based initially on the twice-yearly, customer-by-customer assessment of default risk.

IMPACT ON STRATEGY

CHANGE IN 2020
THE INCREASED RATING REFLECTS THE IMPACT OF THE PANDEMIC ON EMPLOYEES' RESILIENCE IN LIGHT OF WORKING CONDITIONS AND ELEVATED TENANT DEFAULT RISK

RESIDUAL RISK WITHIN APPETITE? ✓

OVERSEEN BY: OPERATIONS COMMITTEE; TECHNOLOGY COMMITTEE; EXECUTIVE COMMITTEE

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 119.

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, a specific Covid-19 related income scenario and a review of key controls around liquidity management.

In response to the Covid-19 pandemic, an additional stress test was carried out, modelling 20 per cent of customers delaying rent payments and 10 per cent of customers defaulting on their rent payments. This scenario was significantly more extreme than SEGRO experienced, with 98 per cent of rent collected for the year ending 2020, but was used as a severe but plausible scenario for modelling purposes.

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

LONGER-TERM ASSESSMENT

The period assessed for the longer term is the same five-year time horizon as covered by the Group's annual rolling five-year strategic financial plan. This is considered to be the optimum balance between our need to plan for the long term, recognising that property investment is a long-term business, and the progressively unreliable nature of forecasting in later years, particularly given the historically cyclical nature of the property industry. 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 its five-year strategic financial plan. This stress test has considered the risks that could either individually, or in aggregate, threaten the viability of the Group. The process for conducting the Group's assessment is the responsibility of the Chief Financial Officer and is overseen by the Audit Committee.

In particular the stress test has considered the potential impacts of:

- A systemic crisis, such as a major dislocation or failure of capital markets or a failure of the insurance market;
- An acute deterioration in occupier or property investment market conditions;
- 10 per cent movement in interest rates and foreign exchange rates;
- An inability to refinance maturing debt; and,
- A sustained interruption to the Group's business continuity.

In stress testing we assessed the limits at which key financial ratios and covenants would be breached, causing a threat to the Group's viability. We then assessed the likelihood of that limit being reached as a result of the individual event or combination of events occurring, using a combination of historic data (for example the acute property valuation decline in 2007–2009) and forward-looking probability analysis where available.

In our modelling none of the financial covenants were breached with gearing remaining comfortably below 160 per cent and interest cover well above 1.25 times.

Reverse stress testing was undertaken over the period under review. In isolation, it would take at least a 58 per cent fall in property values during the five-year assessment period, to breach the gearing covenant. A decrease in rental income of over 79 per cent or an increase in interest rates by over 18 per cent, during the five-year assessment period, would be required to breach the interest cover covenant. This assumes that the current levels of fixed rate debt are maintained.

In addition, we have undertaken two downside risk scenarios. The first is a severe economic shock (consistent with the financial crisis of 2007-2009 crisis) at a point when the Group is most exposed with its development programme. The second is an occupier slow-down scenario. Whilst both reduced the headroom on the financial covenants the Group is able to continue in operation under either scenario. Under the severe economic shock scenario, focused on the impact on gearing from a sharp fall in capital values, the gearing ratio increased, peaking at 42 per cent. Under the occupier slow down scenario, focused on the impact of reduced take up and rental growth on capital values and earnings, the gearing ratio increased by no more than 1% and actually decreased in later years due to mitigating actions taken. The interest cover ratio fell slightly to 5.8 times at its tightest point.

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, amongst other indicators, a weighted average lease length of 7.5 years to break (UK: 8.8 years; Continental Europe: 5.9 years), enduring high levels of customer retention (86 per cent of customers retained in existing or new SEGRO space) and positive customer feedback from our rolling customer surveys. These are supported by the long-term trends in the warehouse and industrial real estate sector of growing e-commerce share of retail sales and increasing urbanisation across Europe (see Market Drivers on pages 24-25 for more information).

Section 172 Statement
Companies Act 2006 (s172)

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

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

WHO ARE OUR STAKEHOLDERS AND HOW ARE THEY RELEVANT TO OUR STRATEGY?

The Board has identified the Company's key stakeholders as those where we have an impact on – employees, suppliers, communities – and those who have an impact on us – customers and investors.

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

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

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

HOW DOES THE BOARD ENGAGE WITH STAKEHOLDERS?

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

In Responsible SEGRO on pages 28 to 29 we explain how the business engages with our stakeholders, while in the Governance section on pages 100 to 105 we explain the Board's involvement. Examples of engagement in action:

CUSTOMERS EXPERIENCING CASH FLOW CHALLENGES

The pandemic inevitably put pressure on the cash flows of some of our customers most of whose businesses were fundamentally sound. Our strong customer relationships meant that we could engage with and then understand their needs. The Board received reports on customer feedback and approved an approach which gave constructive support and appropriate relief, on a case by case basis, to this small proportion of customers facing genuine cash flow challenges as a result of government lockdown measures.

WHERE ELSE YOU CAN READ ABOUT STAKEHOLDER ENGAGEMENT AND OUR APPROACH TO S172

EQUITY RAISE

At our AGMs, the Directors have an opportunity to meet with our retail shareholders. Following the equity raises in 2016 and 2019, a number of these shareholders had expressed disappointment at being unable to participate in these placings. As a result of this engagement, when the Board approved the equity placing in June, it decided to appoint PrimaryBid to facilitate participation by retail shareholders. See page 95 for more information.

APPROVAL OF A PRE-LET DEVELOPMENT TO AMAZON

In Spring, the Board was presented with a paper to approve a 189,000 sq m development in Novara Italy, for a 15-year lease to Amazon. Having met with a senior manager for Amazon at a Board dinner in January, the Directors were well placed to assess the investment opportunity, not just based on the financial returns, but also they had an understanding of Amazon's requirements. The land was well located and would have good access to a labour market which are both key considerations for logistics customers. The Directors' discussion also focused on job opportunities for our construction partners and for the local community and the environmental features of the building which was designed to achieve BREEAM 'Very Good' rating. Having taken account of all of these factors and applied disciplined capital allocation, the Directors approved the investment in this site.

Non-financial information statement

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

Reporting requirement	Policies	Website (www.SEGRO.com)	Reference in 2020 Annual Report
1. ENVIRONMENTAL MATTERS		Responsible SEGRO — Environment — Environmental Sustainability: Our Vision	Environmental Sustainability 57-59
2. EMPLOYEES			Our Covid-19 response 20-23
	Code of Ethics	Responsible SEGRO — Policies and CSR Governance — Code of Ethics	Additional ESG Disclosures and Governance 90-91 and 105
	Our Purpose & Values	Responsible SEGRO — Our People — Culture	Relationships & Resources and Governance 34-36 and 99
	Diversity & Inclusion Policy	Responsible SEGRO — Policies and CSR Governance — Diversity & Inclusion Policy	Relationships & Resources 34-36
	Group Health & Safety Policy	Responsible SEGRO — Policies and CSR Governance — Group Health & Safety Policy	Health and Safety 45
3. HUMAN RIGHTS	Anti-Slavery and Human Trafficking Policy	Responsible SEGRO — Policies and CSR Governance — Anti-Slavery and Human Trafficking Policy	Additional ESG Disclosures and Governance 90-91 and 105
	Modern Slavery and Labour Standards Supplier Code	Responsible SEGRO — Policies and CSR Governance — Modern Slavery and Labour Standards Supplier Code	Additional ESG Disclosures and Governance 90-91 and 105
4. SOCIAL	Modern Slavery and Labour Standards Supply Code	Responsible SEGRO — Policies and CSR Governance — Modern Slavery and Labour Standards Supplier Code	Additional ESG Disclosures and Governance 90-91 and 105
	Group Health & Safety Policy	Responsible SEGRO — Policies and CSR Governance — Group Health & Safety Policy	Health & Safety page 45
5. ANTI-CORRUPTION AND ANTI-BRIBERY	Code of Ethics	Responsible SEGRO — Policies and CSR Governance — Code of Ethics	Additional ESG Disclosures and Governance 90-91 and 105
6. BUSINESS MODEL		About Us — Our Business — What We Do — Our Business Model	Our Business Model 30-31
7. PRINCIPAL RISKS AND UNCERTAINTIES			Effective Risk Management on pages 72-81
8. NON-FINANCIAL KEY PERFORMANCE INDICATORS		About Us — Our Business — What We Do — KPIs	Measured Against Our Targets on pages 50-51

Additional ESG Disclosures

RESPONSIBLE SEGRO

Our Responsible SEGRO framework helps us to articulate and focus on our ESG goals.

We recognise that our responsibility goes well beyond the space that we own and we work hard to make a positive contribution to our environment, our customers, our people, our partners and the communities in which we operate.

Understanding the needs and priorities of these various stakeholder groups is embedded in the way we do business and in recognition of that we have for the first time this year integrated this information into the Strategic Report.

The index to the right indicates where you can find additional information on each of the relevant areas and we have provided some additional disclosures within this section. You can also find further information, including further case studies, within the Responsible SEGRO section of our website.

OUR PEOPLE	**Pages 20, 34-36**
OUR SUPPLIERS	**Pages 22, 39**
OUR CUSTOMERS	**Pages 21, 32-33**
OUR COMMUNITIES	**Pages 23, 41-43**
OUR INVESTORS	**Pages 23, 40**
HEALTH & SAFETY	**Page 45**
OUR ENVIRONMENT	**Page 57-59**

ESG METRICS

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

There are a number of different organisations and structures for reporting on our wider ESG metrics, and we report against the following either in this Annual Report or on the Responsible SEGRO area on our website:

Reporting Frameworks:
Global Reporting Initiative (GRI)
Task Force on Climate-related Financial Disclosure project (TCFD)
Better Building Partnership
Workforce Disclosure Initiative – 83% (sector average 54%)

Rating Agencies:
MSCI: AAA
European Public Real Estate Association (EPRA) – Gold
Carbon Disclosure Project (CDP) — A-
Global Real Estate Sustainability Benchmark (GRESB) • Standing Investments – Rated three-star • Development – Rated five-star • Public Disclosure – A
Dow Jones Sustainability Index (DJSI) – 85th Percentile
FTSE4Good – 3.5 (industry average 2.5)

Additional ESG Disclosures
continued

ENVIRONMENT

STREAMLINED ENERGY AND CARBON REPORTING (SECR)

Global GHG Emissions data in metric tonnes CO_2e

Emissions from:	2019	**2020**
Scope 1 emissions – combustion of fuels	830	**1,401**
Scope 2 emissions – purchased energy (location based)*	2,244	**2,357**
Scope 2 emissions – purchased energy (market based)**	2,055	**2,088**
Scope 3 emissions – business travel	61	**45**
Gross CO_2e footprint (using location based)	3,135	**3,803**
Responsible floor area (sq m)	970,409	**1,117,121**
Carbon intensity per sq m floor space ($kgCO_2e$/sq m)	3.2	**3.4**
Total Energy Use (kWh)	12,001,480	**15,607,448**

* Electricity emissions are calculated using standard national conversion factors (location based).

** Electricity emissions are calculated using supplier specific conversion factors where we are reducing our carbon footprint by procuring a low-carbon electricity tariff, and 'residual' factors where we have not yet moved to a low-carbon tariff. (market based).

Corporate citizenship provide limited independent assurance to ASAE3000. See www.segro.com/csr for more details of the independent assurance.

REPORTING METHODOLOGY

The greenhouse gas (GHG) section has been prepared in accordance with 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 & carbon reporting. As well as fulfilling these mandatory greenhouse gas reporting requirements, SEGRO is committed to following EPRA best practice recommendations for sustainability reporting. 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 where they are available; where they are not available the IEA residual emission factors have been applied. We have chosen lettable floor space as our chosen intensity metric, using total floor area with scope 1 and 2 emissions in the reporting year. Business travel covers the grey fleet only, which is expensed mileage for employee owned vehicles. The total energy use covers the electricity, fuels and district heating converted to kWh units. The performance data pack and a detailed description of our methodology can be found at www.segro.com/csr/reports.

Greenhouse gas emissions and energy use data for the period 1 October 2019 to 30 September 2020. This period is referred to as 2020.

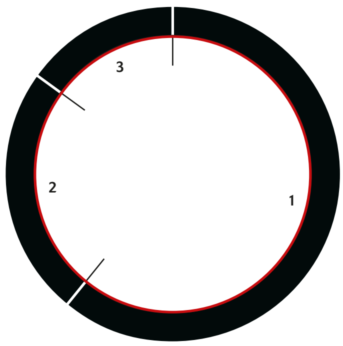
CARBON FOOTPRINT – SCOPE 3 REPORTING

In order to have full visibility of our value chain emissions, we have again measured our scope 3 carbon footprint. Capital goods, which is the embodied carbon of our developments, and downstream leased assets, which is the operational carbon of occupied buildings, contribute the majority of our scope 3 emissions. These operational activities are essential for SEGRO to meet our net zero carbon ambitions and included within our metrics, alongside purchased services and corporate activities. Our Net Zero Carbon commitment has been developed in accordance with the Better Building Partnership Net Zero Carbon framework.

GREENHOUSE GAS (GHG) REPORTING

GHG Protocol Reporting Category	2020 Tonnes CO_2e	%	Net Zero Commitment
Scope 1	1,401	0.3	Yes
Scope 2 (location-based)	2,357	0.5	Yes
Scope 2 (market-based)	2,088	0.4	Yes
Scope 3	466,775		
1. Capital goods	285,975	60.8	Yes
2. Downstream Leased Assets*	113,482	24.1	Yes
3. Other			
Purchased goods and services	36,471	7.8	Yes
Fuel and Energy related activities	22,181	4.7	No
Use of sold products	3,651	0.8	No
Upstream transportation and distribution	3,039	0.6	No
Waste generated from operations	1,304	0.3	Yes
Business travel	374	0.1	Yes
Commuter travel	202	0.0	No
Upstream leased assets	96	0.0	Yes
Downstream transportation and distribution	N/A	0.0	N/A
Processing of sold products	N/A	0.0	N/A
End-of-life treatment of sold products	N/A	0.0	N/A
Franchises	N/A	0.0	N/A
Investments	N/A	0.0	N/A
Total	470,533	100%	

* The downstream leased assets category shows the carbon emissions where SEGRO has sight of the data. We aim to increase this coverage over the coming years to provide an accurate representation of the total operational carbon.



The carbon emissions figure for Downstream Leased Assets uses a market-based methodology and only covers building where SEGRO has sight of the energy consumption, which represents 41 per cent of the portfolio with partial or full data. We introduced internal targets to increase data coverage of the portfolio as we aim to report actual data as opposed to estimations. For this reason, we expect the proportion of carbon emissions relating to downstream leased assets to increase in the coming years. There will always be part of the portfolio where we do not have this information and we will use best estimation techniques to capture these assets once actual data is sufficient. Every asset owned by SEGRO, regardless of whether we have data, is captured within our net zero carbon target.

TASKFORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURE (TCFD)

"The risk climate change poses to businesses and financial markets is real and already present. It is more important than ever that businesses lead in understanding and responding to these risks — and seizing the opportunities — to build a stronger, more resilient, and sustainable global economy." Michael R. Bloomberg, in his letter to Mark Carney, Chair of the Financial Stability Board, 15 June 2017.

The TCFD was established to help identify the information needed by investors, lenders, and insurance underwriters to appropriately assess and price climate-related risks and opportunities. The Taskforce structured its recommendations around four thematic areas that represent core elements of how organisations operate: governance; strategy; risk management; and metrics and targets.

We are committed to implementing the recommendations of the TCFD, providing investors and other stakeholders with information on climate-related risks and opportunities that are relevant to our business. Our TCFD disclosures are on page 89. During 2021, we will work to assess the financial impact of the risks from climate change on our portfolio and our business.

NET ZERO CARBON PLAN

As part of our approach to manage transition risks, in 2020 we outlined our strategy to become a net zero carbon business by 2030. This strategy will focus on reducing our operational emissions by investing in on-site renewables and energy efficient technologies, as well as reducing embodied carbon on new build programs. Other direct carbon sources, such as our corporate emissions, are also captured and targeted. For further information on our net zero strategy see page 29.

CLIMATE-RELATED TRANSITION RISKS AND OPPORTUNITIES

Transition risks are those associated with the transition to a low or ultra-low carbon economy.

- Policy and Legal – We are committed to becoming a Net Zero Carbon business by 2030. We believe that this will ensure we are compliant with future changes to current legislation such as MEES in the UK and any future energy efficiency regulations in the EU markets. In addition, we believe that our customers will expect the properties they occupy to comply with high standards of energy efficiency to reduce their operating costs and deliver their own carbon emission targets. We expect that buildings which incorporate the highest sustainability standards will have a competitive advantage over those which do not.
- Technology – The adoption of new and evolving technologies is key to our approach. We continue to incorporate solar panels in our developments where viable and have continued to install electric vehicle charging points across all of our geographies to enable our customers to reduce their use of fossil fuels in operations. We also ensure our new buildings have large enough power capacity (supplied by renewable energy tariffs where possible) to support the move towards means of heating buildings with electricity.
- Market – During 2020, we continued to hold meetings with our customers to understand their sustainability ambitions. We aim to build to a minimum BREEAM standard (or equivalent) of Very Good and above to meet the demands of our customers for sustainable buildings. In addition, we work with them to allow them to meet their own sustainability requirements. For example, in new buildings, we install smart and sub-metering, and are retrofitting it in existing buildings, to enable customers to understand how their buildings are working in operation and to identify potential measures to reduce energy wastage
- Reputational – Our stakeholders expect to work with and invest in a company which has a strong sense of environmental responsibility. Failure to act, and to be seen to act, is a source of reputational risk for SEGRO. To mitigate this risk, we have set out our main environmental sustainability objectives in our Responsible SEGRO framework which can be found on page 28-29 and at www.segro.com. In addition, we participate in a number of independent market and sector ESG frameworks which assess our disclosure and performance, including MSCI, GRI, S&P and SASB (market) and EPRA and GRESB (real estate sector), to ensure our stakeholders can make their own assessment of our activity in this important area.

CLIMATE-RELATED PHYSICAL RISKS AND OPPORTUNITIES

Physical risks are those associated with the physical effects of climate change. The map on page 88 shows the main physical risks facing our portfolio geographies.

All new investment, whether acquisition or development, is only undertaken after extensive due diligence of potential physical and climate risks at both a macro and a micro level. For example, in southern Europe (Spain, Italy and southern France), we carry out enhanced thermal modelling due to the risk of rising temperatures. Similarly, water shortage is a greater risk in southern Europe than in northern Europe so we may look to install enhanced rain water harvesting.

While these are risks, they are also opportunities. Solar photovoltaic panels are more productive in southern Europe than in northern Europe, for example, allowing our customers to use more directly-produced energy and reduce electricity drawn from the grid. This can not only reduce their own carbon footprint from operations but reduce their operating costs.

Additional ESG Disclosures
continued

ENVIRONMENT CONTINUED

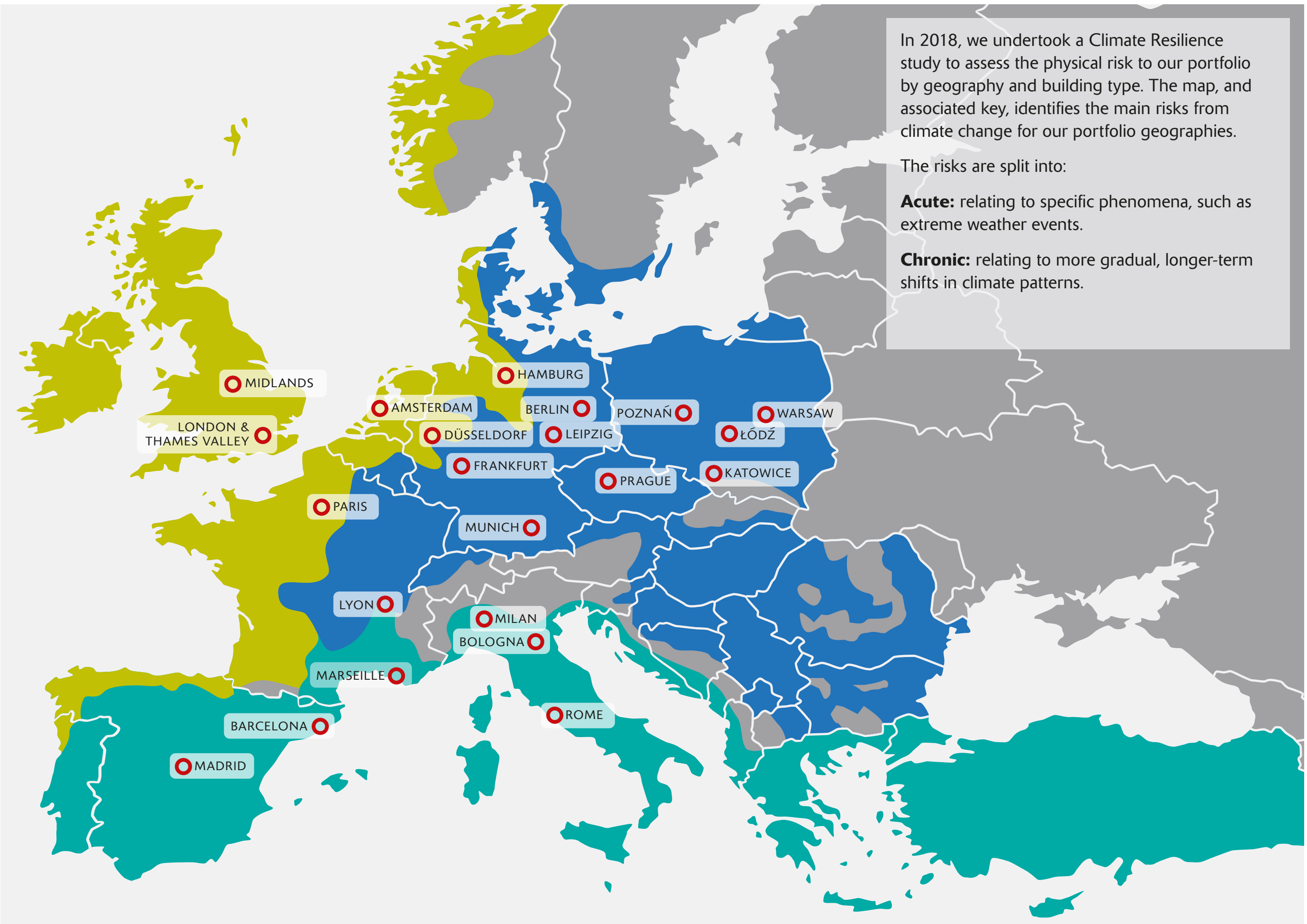
PROJECTED CLIMATE IN EUROPE

In 2018, we undertook a Climate Resilience study to assess the physical risk to our portfolio by geography and building type. The map, and associated key, identifies the main risks from climate change for our portfolio geographies.

The risks are split into:

Acute: relating to specific phenomena, such as extreme weather events.

Chronic: relating to more gradual, longer-term shifts in climate patterns.



NORTH-WESTERN EUROPE

CHRONIC

- Temperature increase (greatest in winter)
- Increased precipitation
- Sea level rise
- Decrease in snow, lake and river ice cover

ACUTE

- Temperature extremes & heat waves
- Extreme precipitation events
- Greater flood risk (coastal, river & drainage network)
- Winter wind speed extremes (medium confidence)

CENTRAL & EASTERN EUROPE

CHRONIC

- Temperature increase
- High variability in weather patterns
- Decreased precipitation, especially in summer (medium confidence)

ACUTE

- Extreme precipitation events & risk of flash floods
- Increased duration & intensity of high temperature extremes
- Extreme sea level events (e.g. storm surges)
- Increased intensity & frequency of droughts (medium confidence)
- Winter wind speed extremes (medium confidence)

MEDITERRANEAN & SOUTHERN EUROPE

CHRONIC

- Increase in temperatures (above European average)
- Sea level rise
- Decreased precipitation (medium confidence) & water availability
- Decrease in river flow (medium confidence)

ACUTE

- Increase in duration & intensity of heat waves
- Extreme precipitation events, flooding & flash floods
- Extreme sea level events
- Increased intensity & frequency of droughts (medium confidence)

TCFD DISCLOSURE

Recommendation	SEGRO Approach	Further information
Governance Disclose the organisation's governance around climate-related risks and opportunities.	The Board has overall responsibility for ensuring risks, including climate-related risks and opportunities, are effectively and consistently managed throughout the Group. The Board delegates the execution of the risk management process to the Executive Committee. At an operational level, the Chief Operating Officer, supported by the Operations Committee and the Cross Border Technical Working Group, is responsible for ensuring that our environmental (and wider Responsible SEGRO) targets are met on both existing assets and new developments.	Governance (page 95)
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	As a long term property owner, we need to ensure that our buildings are fit for purpose for the future. One of the ways we do this is to build relatively generic buildings, suited to more than one customer. This ensures a longer life-span for the building as well as reducing the risk of vacancy and future refurbishment costs. In order to ensure that our buildings are fit for purpose and meet the requirements of our customers for the long term we have integrated adaptation and mitigation into our standard building design. With the potential for a changing climate across Europe, we ensure that aspects such as heating and sustainable drainage are assessed and costed in all designs. Although these adaptations involve additional cost, we believe that buildings with enhanced sustainability aspects will increasingly be valued more highly than those without. Climate Change adaptation is now a standard process of our maintenance programme. We have identified climate change as a risk to the ongoing operation of our buildings. We have increased climate change related aspects of maintenance, such as sewer clearance, enhanced drainage and glazing replacement.	Strategy Report (page 46-47)
Risk Management Disclose how the organisation identifies, assesses, and manages climate-related risks.	The Board considers climate-related risks and opportunities as part of the risk review process. The Group Head of Sustainability reports on climate-related risks and opportunities to the Executive Committee and to the Board. These risks include regulatory risk, reputational risk, and physical environmental risk. Climate Change has been recognised as having a potential for both risks and opportunities across the business for some time but in light of SEGRO's recognition of the Climate Emergency, Climate Change has now been recognised as a Principle Risk. In order to determine how our business could potentially be impacted, both positively and negatively, by a changing climate, we have conducted extensive research to determine the potential impacts of a changing physical world both in terms of the physical changes (weather patterns, temperature increase etc) and the transitional changes (legislative, financial etc). To manage risks at an operational level, KPIs are set for various stages of the building life cycle including; Design stage, Development, Refurbishment and demolition. The use of building ratings tools such as BREEAM and DGNB, along with the targets set as part of SEGRO 2025 such as EPC C and above for all refurbishments, ensure a consistent approach to sustainability and specifically to managing the risks of climate change across our entire portfolio. Each of our projects, whether it is a light touch refurbishment or a full scale demolition and rebuild, are subject to comprehensive targets to ensure that climate related issues are considered at an every stage such as how to limit overheating, how to limit flood risk, and to ensure good choices in materials are made. These risks have been modelled out to short, medium and long-term time horizons and taking into account of the scenarios used by the Intergovernmental Panel on Climate Change (IPCC) which cover the impact of a 2 degree Celsius increase in global temperatures as well as the worst case scenario and business as usual. Having reviewed all of the IPCC scenarios, we have conducted our risk assessment based on the 2 degree and 4 degree scenarios. The modelling of the different Representative Concentration Pathways (the different climate scenarios identified by the IPCC) across an 80 year timeframe enabled us to understand the likelihood of varying chronic and acute physical risks across the geographies in which we operate. – Chronic risks are long-term changes in the overall climate and include increased average temperatures which in turn lead to increased cost through increased cooling demands; – Acute risks include the more regular occurrence of extreme weather events such as wind or rain causing flooding or structural property damage which could lead to increased insurance costs and pre-emptive mitigation measures. Transitional risks, such as changes to legislation are also dependent on the different scenarios. For example, in order to transition to a 2 degree scenario, it will be necessary for countries to adopt strong regulatory and legislative measures. Behaviours of consumers would also need to adapt greatly. An example of some of the transitional risks that we have identified include, strengthening localised legislation such as the proposed changes to MEES legislation in the UK and the Green Deal Policy from the European Union.	Principal Risks (page 72-81) See page 88 for a map showing the climate risks assessed for our portfolio geographies
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	To enable our stakeholders to consider and compare our reporting, we compile and align our outputs in line with 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. For SEGRO, these are carbon emissions, waste production and the embodied carbon of our developments. For our carbon emissions target, we have produced carbon reduction targets, in line with the Paris International Climate Change Agreement in 2016, to ensure we align our carbon reduction programme to its objectives, as well as minimising our risk exposure to climate change on our managed portfolio.	Environmental Sustainability (page 57-59) www.segro.com/csr

Additional ESG Disclosures
continued

OUR PEOPLE

BUSINESS ETHICS AND COMBATTING MODERN SLAVERY AND HUMAN TRAFFICKING

In everything we do at SEGRO, we recognise that we need to behave morally, ethically and lawfully. This is core to the way in which our business is run, and the work that we do. Acting responsibly and in the interests of all of our stakeholders is therefore a principal part of SEGRO's make-up. Our Code of Ethics sets out these high ethical standards expected of all employees in their daily work and gives guidance on how to put those standards into practice to enable us to act with honesty and integrity. The Code of Ethics incorporates policies on bribery, corruption and fraud; gifts and hospitality; insider trading; confidentiality; conflicts of interest; relationships with stakeholders; political and charitable donations; raising serious concerns including whistle-blowing; and modern slavery and human trafficking.

Compliance with the Code of Ethics is a condition of each employee's employment. We are committed to building our employee awareness on ethical business practices, and our people and others who work with SEGRO are encouraged to speak up without recourse, either by talking to their line manager or a member of the Executive Committee or through the independent confidential whistle-blowing reporting service, details of which are available on the Company's intranet, as well as on posters in each office. Any supplier or other person who works with us may report issues confidentially through the service too.

Training is provided on the subject matters covered in the Code of Ethics to raise awareness and to help all employees understand what behaving ethically and in accordance with the Code of Ethics means in practice. As usual, in 2020 all new employees received information on the Code of Ethics and completed the compulsory training when they joined the Company. In addition, all employees are obliged to make an annual certification that they continue to understand and adhere to the Code of Ethics. As part of the certification, all employees are also asked to confirm their compliance with the Criminal Finances Act 2017 to help ensure that the Company and its employees have not, and are not, facilitating tax evasion.

Any breaches of the Code of Ethics are fully investigated and managed accordingly by the General Counsel or Group HR Director as appropriate. There were no material reported incidents of breaches of the Code of Ethics during the year.

WHAT WE EXPECT FROM THIRD PARTIES WHO WORK FOR US

We are also committed to implementing systems and controls to ensure anyone who works with us is appointed and managed responsibly, in accordance with the Code of Ethics.

We have a long term approach to business, and are keen to build lasting stakeholder relationships. We therefore want to ensure that our suppliers not only understand our stance on business ethics, particularly with regard to bribery, corruption and fraud, and modern slavery and human trafficking, but also share our views on these matters, consistent with our Purpose and Values.

As part of our supplier screening process, all new suppliers are required to provide information about their polices and answer questions about how they ensure bribery, corruption and fraud is not taking place in their organisation or in their supply chain. Where applicable, suppliers must also provide information on the work that they carry out to safeguard against modern slavery and human trafficking occurring in their own supply chains, before they can be approved as a SEGRO supplier. This screening exercise is repeated every other year in respect of bribery, corruption and fraud, and every year in respect of modern slavery and human trafficking. We also check that those UK businesses who are required to publish a statement in accordance with section 54 of the Modern Slavery Act 2015, have done so.

In addition, each year the General Counsel and / or the Legal Counsel meet with a number of suppliers in both the UK and Continental Europe to discuss their approach to bribery, corruption and fraud, as well as modern slavery and human trafficking. When selecting which suppliers to visit, we generally adopt a risk based approach, taking account of the risks associated with their sector and how material the impacts they have on our behalf would be, as indicated by our annual spend with them, but we will also visit a supplier if we have a specific concern. We try to visit our suppliers' offices for these meetings as we feel this gives us a real chance to get a better understanding for their culture and their business ethics. During 2020, seven meetings with suppliers from the construction, cleaning and landscaping sectors took place, although due to the pandemic and travel restrictions they had to be virtual. It remained a valuable exercise nonetheless as it still allowed us to develop an impression of their culture as well as understand how they have adapted to the difficulties wrought by the pandemic and the pressures, if any, it had on them and their supply chain. All suppliers we spoke to in 2020 remained SEGRO suppliers.

Any findings that raise material concerns from our due diligence processes would be communicated to the Board and acted upon swiftly. We continue to monitor the effectiveness of the steps we have taken to prevent bribery, corruption and fraud, as well as modern slavery and human trafficking from taking place in our business and supply chains. We adapt our processes where necessary in response to evolving guidance and industry action.

MODERN SLAVERY AND HUMAN TRAFFICKING

We have long recognised the importance of respecting the human rights of our stakeholders including our own employees, our suppliers and the wider communities in which we operate. We take that responsibility seriously and, as a real estate company involved in construction, are particularly aware of the risks of slavery and human trafficking within our own organisation and supply chain. Modern slavery and human trafficking is a crime and a violation of fundamental human rights. It has no place in modern society, in our organisation or in our supply chain. The Board is committed to ensuring that we maintain systems and controls throughout the business to prevent modern slavery from taking place anywhere within SEGRO or in any of our supply chains.

We publish an annual transparency statement in compliance with the UK Modern Slavery Act 2015 outlining the steps we have taken during the financial year to prevent modern slavery and human trafficking taking place in any of our supply chains, or any parts of our business. The Board approved our latest statement in April 2020.

As detailed above, we ensure that all of our applicable suppliers, contractors and business partners are aware of our approach to modern slavery and human trafficking and adhere to the principles in our Modern Slavery and Labour Standards Supplier Code, in accordance with our Anti-Slavery and Human Trafficking Policy. Both the Supplier Code and the Policy, can be found on our website, together with our latest annual Modern Slavery statement (https://www.segro.com/modern-slavery). All relevant suppliers must also undertake the annual screening checks described above.

Our Modern Slavery policies are supported by a clear statement that any person with concerns about modern slavery or human trafficking, either within SEGRO or within our supply chain, may report their concerns on a confidential basis to our General Counsel, our Group HR Director or to our whistle-blowing reporting service.

Any Employee who breaches our Anti-Slavery and Human Trafficking 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.

LOOKING AHEAD TO 2021 AND BEYOND

As a responsible business, we are always looking at ways to further promote robust business ethics and strengthen our relationships with suppliers and other stakeholders. In 2021, we will again review our supplier screening process to ensure it remains suitable for our business and reflects best practice. We also plan to update our training module on bribery, corruption and fraud which will be compulsory for all employees. We will promote awareness training to all of our colleagues to help them identify when modern slavery or human trafficking might be taking place, as well as remind them about our policies and procedures in this area.

We will be looking at how to raise awareness of the modern slavery helpline and our confidential whistle-blowing reporting service in all of our UK developments. We will work with our colleagues in Continental Europe with their local equivalent helplines.

We will continue to work with our operations team to foster stronger supplier relationships and will seek to carry out more meetings with them to discuss the common topics which affect our industry, and look to share and understand ideas and best practice.

UK GENDER AND ETHNICITY PAY GAP REPORTING

We believe that analysing diversity data and being transparent is an important step towards creating meaningful change. This is why we have voluntarily published our Gender Pay Gap data since 2017 and are voluntarily publishing our Ethnicity Pay Gap data for the first time this year. Please note that this data covers our employees in the UK only

- In 2020, our mean Gender Pay Gap was 50.9 per cent, an improvement from 51.6 per cent in 2019. The Gender Bonus Pay Gap was 77.3 per cent, which was improved from 78.8 cent in 2019.
- In 2020, our mean Ethnicity Pay Gap was 26.9 per cent. The Ethnicity Bonus Pay Gap was 58.0 per cent. As this is the first time we are reporting our Ethnicity Pay Gap there is no comparison from last year.

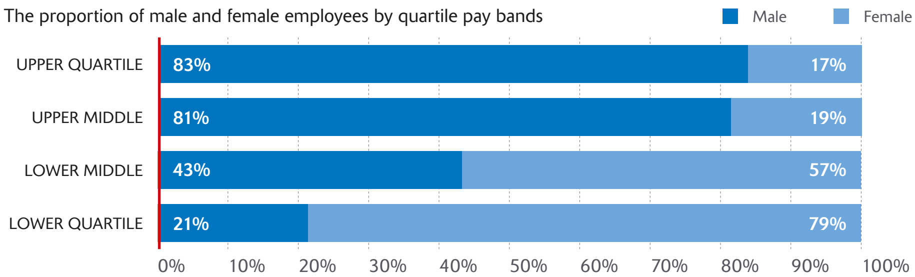
Like many other organisations, particularly in the property sector, the reason for our Gender Pay Gap and our Ethnicity Pay Gap is the fact that we have more men than women and more white employees than ethnic minority employees in senior roles.

In SEGRO, our employees are paid equally for doing equivalent jobs across our business and our reported Pay Gaps are a direct result of our employee profile and do not represent pay discrimination. The bonus pay gap, which includes share scheme payments, is a reflection of share schemes being part of the remuneration package of senior roles in SEGRO.

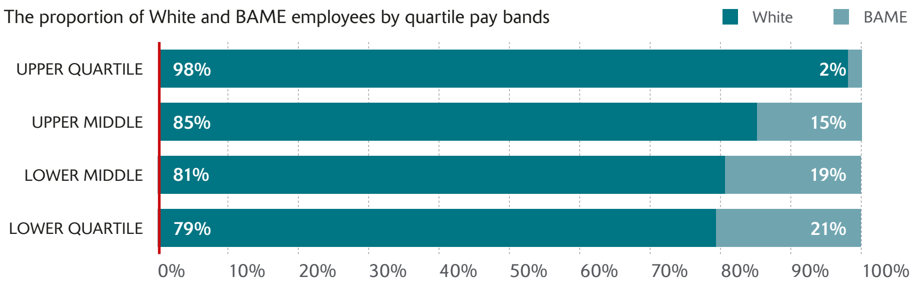
A core element of our Responsible SEGRO framework is to improve the diversity of our business, throughout the organisation at all levels of seniority. This is crucial for the enduring success of our business but should also be reflected in reducing our Gender and Ethnicity Pay Gaps over time.

PAY QUARTILES

The proportion of male and female employees by quartile pay bands



The proportion of White and BAME employees by quartile pay bands



UK GENDER AND ETHNICITY PAY GAP	Mean	Median
Gender Pay Gap	50.9%	48.7%
vs 2019	-0.7%	-1.6%
Gender Bonus Pay Gap	77.3%	76.9%
vs 2019	-1.5%	+2.6%
Ethnicity Pay Gap	26.9%	34.1%
Ethnicity Bonus Pay Gap	58.0%	61.5%

Notes

SEGRO has fewer than the 250 UK employee threshold required for statutory UK Gender Pay Gap and we are therefore reporting this information on a voluntary basis.

The UK Ethnicity Pay Gap is being voluntarily reported for the first time. As the methodology for the Ethnicity Pay Gap has not yet been determined by the UK Government, we have used the Gender Pay Gap methodology.

Governance at a glance

2018 UK CORPORATE GOVERNANCE CODE (THE CODE). We have complied with the Code during the year, as set out in this section of the Annual Report with the exception of provision 38, please see page 124 for further detail. You may find a copy of the Code at www.frc.org.uk.

Leadership and purpose

Our Board is responsible for leading the business in the way which we believe is most likely to lead to long-term sustainable success. This includes effective engagement with our stakeholders and particularly our colleagues.

p98–105

14 meetings of the Board (from March held virtually)

3 shareholder consultations

Workforce engagement sessions held on Teams

Online Board Strategy day

AGM – hybrid in 2021

p94

Chair's introduction

Division of responsibilities

Our Board ensures we have the right combination of Executive and Non-Executive Directors without any individual or group of individuals dominating the decision making.

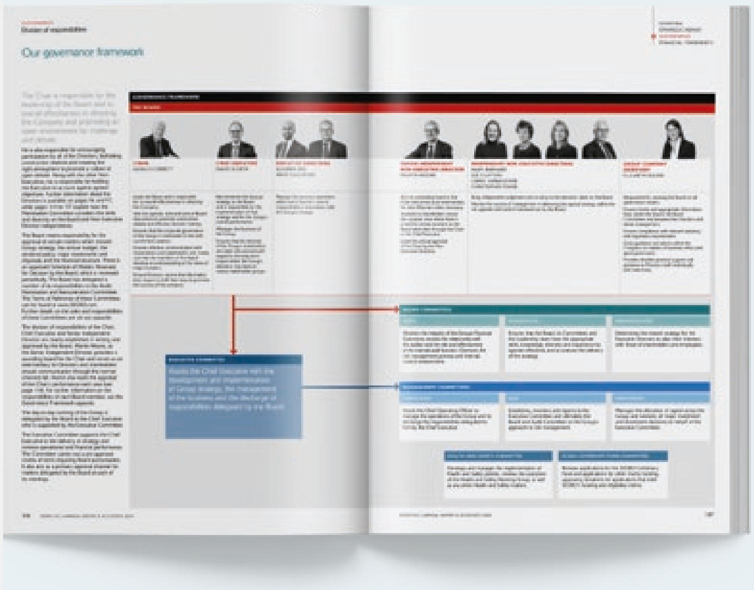
p106-111

Chair independent on appointment

Major Board decisions included the acquisitions of: Perivale Park, West London; Electra Park, Canning Town, London; Sofibus Patrimoine SA in France, Secondary Listing on Euronext Paris; raised over £1 billion through US Private Placement and equity placing.

Approval of new Responsible SEGRO Framework

Approval of new Diversity and Inclusion Framework



p106

Governance framework

Composition, succession and evaluation

Our Nomination Committee ensures that we have a balanced Board with the appropriate skills to govern the business, an effective evaluation and a succession plan.

p112-117

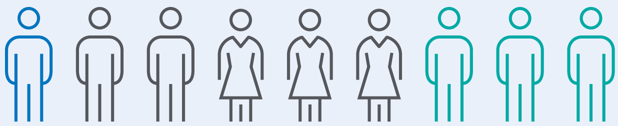
Internal Board evaluation – outcomes on pages 112 to 113

Commenced the search for a Non-Executive Director

Gender diversity on our Board 33%

Ethnic diversity on our Board 11%

Independence on our Board 56%



Audit, risk and internal control

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

p118-122

Impact of the pandemic on the Internal Control environment

Risk Management

Financial statements

Approved Policy on Approval of Non-Audit Fees

Remuneration

Our Remuneration Committee determines the Remuneration Policy which aims to incentivise strong performance whilst avoiding excess and oversees its implementation. We are also mindful of the pay of our colleagues across the business.

p123-145

Waiver of 25 per cent of salary and fees for three months by all Directors

Post-cessation shareholding policy introduced and implemented

Alignment of remuneration and strategy

Pension alignment with workforce by end of 2022

Consideration of awards during the pandemic

p123

Directors' Remuneration Report

An excellent performance in a challenging year

Our governance framework stood us in good stead for dealing with the increased workload and managing decision making virtually as well as navigating our way through some challenging times.

GERALD CORBETT
CHAIR

I am delighted to present this year's Governance Report.

2020 was a year of unprecedented turmoil with disruption from the Covid-19 pandemic reaching all parts of the world and impacting the global economy. The pandemic has driven the acceleration of the adoption of technology, particularly e-commerce, across society and has resulted in a renewed focus by many occupiers on the critical importance of efficient, resilient logistics supply chains. These factors play to the quality of our portfolio and should continue to support and enhance occupier and investor demand for our prime warehouses, both in the UK and, increasingly, Continental Europe.

We had a busy year, dealing with the impact of the pandemic not just on the Group but also considering the impact on all our stakeholders. These themes are reflected throughout this Annual Report as they have played such a large role in how our business and the Board have operated during the year. It is worth noting that we have taken no Government subsidies or loans, nor have we furloughed any employees during the pandemic. We continued to pay dividends, in line with the policy, throughout the year.

Following the Government's decision in March 2020 to ask everyone to stay home, my Board colleagues and I quickly adapted to working and meeting remotely and using technology to operate seamlessly. Our governance framework stood us in good stead for dealing with the increased workload and managing decision making virtually as well as navigating our way through some challenging times. We were able to make a smooth transition to online meetings assisted by the stable relationship between members of the Board whose composition remained unchanged during the pandemic. The number of meetings doubled reflecting the need to keep the Board apprised of the changing situation.

We undertook a number of financings, raising over £1 billion during the year with additional debt through a US Private Placement and an equity raise through a placing. This latter offer was extended, in part, to retail shareholders who had in the past expressed a wish to be included in fund raisings of this type.

We completed a secondary listing of our shares on Euronext Paris reflecting the growth and importance of the Company's Continental European investor base and operations. Continental Europe represents a large part of our portfolio and the Secondary Listing will ensure that SEGRO can maintain an optimum and efficient holding structure in respect of these assets following the end of the Brexit transition period on 31 December 2020.

AGM

My fellow Directors and I were disappointed not to have the opportunity to meet with shareholders in person at the AGM in April 2020. Unfortunately due to the pandemic and the Government's compulsory Stay at Home Measures, we had to have a closed meeting. This enabled us to continue to operate in accordance with the resolutions passed at the meeting.

At the time of writing, we remain in a National Lockdown. This year we have taken the decision to facilitate online attendance at our AGM. What this means is that shareholders will still be able to attend, ask questions and vote at the meeting by electronic means. We would encourage shareholders to take this opportunity to join the meeting, which we hope will ensure more shareholders are able to participate in the AGM. Please check our Notice of Meeting for the most up to date information about our AGM as we will continue to follow Government guidance in response to the pandemic. I suggest shareholders also check our website which will be updated if there are any changes in the situation.

You can read more about our strategy and performance in the Strategic Report on **pages 16-91**

In addition to the usual business at the AGM, we are proposing resolutions to renew our SCRIP authority so we can continue to offer shareholders the opportunity to use their dividend to acquire more of our shares, and we are delighted to propose resolutions to renew our popular all-employee share schemes: Sharesave and SIP, which encourage our employees to become shareholders in the Company.

BOARD CHANGES

As reported in the 2019 Annual Report, Phil Redding, stepped down from the Board in January 2020 following changes to our organisation's structure. There were no other changes to the Board during the year.

CULTURE, STAKEHOLDERS AND S172

Our role is not to focus exclusively on financial returns for shareholders but to recognise our responsibility to work together with all of our stakeholders and to make a positive contribution to wider society.

Our 100th year has been very different from the year we envisioned. In April 2020, we launched the SEGRO Centenary Fund, a £10 million commitment over 10 years to our communities. Originally planned to coincide with our 100th birthday on 19 May 2020, we brought forward the launch due to the pandemic. See page 43.

Set out on page 27 is our Purpose and our culture. We have reported our compliance with s172 on page 83 of the Strategic Report and on pages 100 to 103 of this Report we explain how the Directors consider s172 in their decision making. This has been of great importance this year as we have continued to consider our stakeholders in our Board discussions.

GOVERNANCE AND THE DELIVERY OF STRATEGY

Governance plays a key contributing role to the effective delivery of strategy. Pages 110 to 111 describe the key activities of the Board during the year, including the part that we played in setting the strategic objectives of the Company. In accordance with our terms of reference, any investment over £50 million requires Board approval. The Board therefore considered and approved some key strategic acquisitions: Perivale Park, West London; Electra Park, Canning Town, London; and Sofibus Patrimoine SA in France, as well as £184 million of land associated with two new big box parks in Coventry and Northampton. All these acquisitions are important and as a Board, our discussions focused around sustainable returns for investors, job creation for the local communities and our approach to ESG.

At our Strategy day, the Board considered and approved our Responsible SEGRO Framework which included a new Diversity and Inclusion Framework.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Board considered and endorsed our new targets, including the target to be carbon neutral by 2030. You can read more about our progress on pages 28 to 29.

ESG remains an important topic for our employees, investors and other stakeholders even more so during the pandemic. There has been an increased focus on responsible investment practices, a heightened awareness of social risk across supply chains and growing demand for sustainable business models along with requests for increased disclosure so we are pleased with our progress in this area.

BOARD EVALUATION

We undertook an internal Board evaluation this year and the process and outcomes are set out on pages 112 to 113.

OUR PEOPLE

We recognise that we have an extraordinary team of people who are the cornerstone of the success that the Company has enjoyed over the last few years. On behalf of my fellow Board members, I would like to take this opportunity to recognise the hard work, diligence and commitment of our employees during a very difficult, challenging year and for adjusting and adapting to the change in working practices and keeping day-to-day operations running smoothly. In particular, to David and the Executive team, whose insight and leadership have ensured the business has been able to maximise the demand for our assets and maintained our high standards of Operational Excellence during the year.

LOOKING FORWARD

After 100 years, there is still plenty for us to do as the world around us is changing rapidly with new technologies and consumer requirements affecting us and our customers' businesses. Competition is intensifying and the expectations of our stakeholders are becoming more demanding.

We have an energetic and dynamic Executive, ably supported by the Leadership team and the wider workforce, who are keen to further drive forward the successful delivery of strategy.

GERALD CORBETT
CHAIR

Centenary Certificate received from Companies House

CASE STUDY: EQUITY PLACING AND PRIMARYBID

In response to feedback from some of our longstanding, loyal retail shareholders who have expressed disappointment at being unable to participate in previous placings, we decided to appoint PrimaryBid to facilitate the participation by retail shareholders in the June equity placing.

We hoped that launching the retail offer in the afternoon rather than at 7.00 am would enable more individual investors to participate. The offer was made at the same issue price as the main placing.

Whilst the Board appreciates that it is not a replacement for full shareholder participation, and that not all investors were able to utilise the PrimaryBid platform, it was pleased that the option proved popular with retail shareholders. Over £7 million was raised from more than 400 individual investors.

A number of shareholders subsequently provided feedback which the Board reviewed. The main consideration was the short window for responses to the placing. The timetable is driven by market demand and the share price, so the timeframe is short.

Shareholders who wish to be notified of similar activity in the future are encouraged to register for regulatory alerts on the Investor Relations section of our website as all transactions are notified to the market. You will also be kept up to date with other news on our activity.

Board of Directors

GERALD CORBETT
CHAIR

Appointed: 1 March 2016 (Chair: 22 April 2016)

Skills, experience and contribution
Gerald's extensive experience as a director and a Chair across various sectors brings indispensable strategic insight to the boardroom. Throughout his career he has been a director of 13 public companies, seven of which he has chaired.

Current appointments
Chair of the Marylebone Cricket Club

Previous appointments
Chair, Betfair | Chair, Britvic plc | Chair, Moneysupermarket.com | Chair, Numis Corporation plc | Chair, SSL International plc | Chair, Woolworths Group plc | Non-Executive Director, MEPC | Non-Executive Director, Greencore Group | Non-Executive Director, Burmah Castrol | Finance Director, Redland and Grand Metropolitan | Chief Executive, Railtrack

DAVID SLEATH
CHIEF EXECUTIVE

Appointed: 1 January 2006
(Chief Executive from 28 April 2011; Finance Director from 1 January 2006 to 28 April 2011)

Skills, experience and contribution
David has considerable board level experience of listed companies and has extensive knowledge of the real estate, manufacturing and distribution sectors and the Company. His financial and general management experience has helped lead the successful design and implementation of the Company's strategy during his tenure as Chief Executive.

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

Current appointments
Senior Independent Non-Executive Director, Electrocomponents plc | Board member, European Public Real Estate Association

Previous appointments
Finance Director, Wagon plc | Partner, Arthur Andersen | President and board member of the British Property Federation | Non-Executive Director, Bunzl plc

SOUMEN DAS
CHIEF FINANCIAL OFFICER

Appointed: 16 January 2017

Skills, experience and contribution
Soumen combines leadership of the finance functions with a wider contribution to the business through strategy, investment, digital and innovation. He brings his extensive board-level experience and deep knowledge of capital markets to the Group, having been Chief Financial Officer of listed companies for over ten years and with a background as a corporate financier.

Previous appointments
Managing Director and Chief Financial Officer, Capital & Counties Properties plc (Capco) | Partner, Mountgrange Investment Management LLP | Executive Director, UBS

ANDY GULLIFORD
CHIEF OPERATING OFFICER

Appointed: 1 May 2013

Skills, experience and contribution
Andy has worked in a variety of real estate roles and brings extensive knowledge of the Company and the real estate sector in both the UK and Continental Europe. He joined SEGRO in 2004 and has been influential in the successful delivery of a record number of development completions for the Company as well as for its strong operational performance.

Andy is a member of the Royal Institution of Chartered Surveyors (MRICS).

Previous appointments
European Director, Jones Lang LaSalle | Director of Corporate Acquisitions; Business Development Director; Managing Director for Continental Europe, SEGRO

MARY BARNARD
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed: 1 March 2019

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

Current appointments
President US Sales, Mondelez International Inc

Previous appointments
Senior Vice President and General Manager, Pepsi-Lipton Partnership | Non-Executive Director, Poundland Group plc | Chair, Cadbury Foundation | EXCO member, Food & Drink Federation and Institute of Grocery Distribution

SUE CLAYTON
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed: 1 June 2018

Skills, experience and contribution
Sue brings a wealth of property market knowledge to the Board. She has 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 including through her roles as the former Chair of Women's Network at CBRE and as co-founder of Real Estate Balance.

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

Current appointments
Non-Executive Director, Helical plc | Member of the Committee of Management, Hermes Property Unit Trust | Chair, Barwood 2017 Property Fund | Trustee, Reading Real Estate Foundation

Previous appointments
Executive Director; Head of National Investment; Managing Director of Capital Markets, CBRE | Board member, CBRE UK Management and Executive Boards, CBRE Group Inc

CAROL FAIRWEATHER
INDEPENDENT NON-EXECUTIVE DIRECTOR

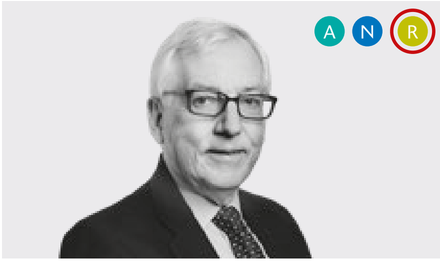
Appointed: 1 January 2018

Skills, experience and contribution
Carol has recent and relevant finance experience and brings commercial knowledge to the Board. Her experience as Chief Financial Officer of the retailer Burberry Group is valuable to the Company in her understanding of retail and digital commerce trends.

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

Current appointments
Non-Executive Director, Smurfit Kappa Group plc | Trustee, Somerset House Trust

Previous appointments
Chief Financial Officer, Burberry Group | Director of Finance, News International Ltd | UK Regional Controller, Shandwick plc



CHRISTOPHER FISHER
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed: 1 October 2012

Skills, experience and contribution
Christopher has spent his career in corporate finance and has over 15 years of listed Board experience. His knowledge of large scale, international business, coupled with his financial expertise, brings a range of valued insights to the Board.

Current appointments
Non-Executive Director, National Savings & Investments | Senior Adviser, Penfida

Previous appointments
Managing Director, Lazard | Vice Chair, KPMG, Corporate Finance | Senior Partner, Penfida | Chair, Bank of Ireland UK | Chair, Southern Cross Healthcare | Non-Executive Director, Kelda | Chair, Council of the University of Reading | Trustee, Imperial War Museum | Chair, Marshall Aid Commemoration Commission

MARTIN MOORE
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed: 1 July 2014

Skills, experience and contribution
With over 40 years' experience of real estate and the property sector, Martin brings industry knowledge and breadth of practice to the Board.

He is a member of the Royal Institution of Chartered Surveyors (MRICS).

Current appointments
Chairman, BMO Commercial Property Trust | Non-Executive Director, Secure Income REIT plc

Previous appointments
Senior Adviser, Kohlberg Kravis Roberts & Co LLP | Chief Executive and Chair, M&G Real Estate | Adviser and Commissioner, The Crown Estate | Board member and President, British Property Federation | Board member and Chair, Investment Property Forum | Commissioner, Historic England | Non-Executive Director, M&G Asia Property Fund

ELIZABETH BLEASE
GENERAL COUNSEL AND
GROUP COMPANY SECRETARY

Elizabeth joined SEGRO as General Counsel and Group Company Secretary in May 2008.

Previous appointments
Solicitor, Addleshaw Goddard | Group Company Secretary, Brammer plc | Group Company Secretary, Marshalls plc

AUDIT COMMITTEE MEMBER — A

NOMINATION COMMITTEE MEMBER — N

REMUNERATION COMMITTEE MEMBER — R

CHAIR OF COMMITTEE

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Mary Barnard[1]	13/14	–	2/2	4/5
Sue Clayton[1]	13/14	–	2/2	–
Gerald Corbett	14/14	–	2/2	–
Soumen Das	14/14	–	–	–
Carol Fairweather	14/14	4/4	2/2	5/5
Christopher Fisher	14/14	4/4	2/2	5/5
Andy Gulliford[1]	13/14	–	–	–
Martin Moore[2]	14/14	4/4	1/2	5/5
Phil Redding[3]	–	–	–	–
David Sleath	14/14	–	–	–
Total number of meetings	14	4	2	5

All the Board and Committee members attended each meeting that they were eligible to attend except as set out below. There were seven scheduled meetings and an additional seven meetings during the year as a result of Covid-19 and to provide business updates. Due to Government restrictions on numbers of people in a public place, the AGM was a closed meeting with a quorum of shareholders. No directors attended the meeting.

1 Mary Barnard, Sue Clayton and Andy Gulliford were unable to attend one Board meeting which was unscheduled and arranged at short notice. Mary Barnard was also not able to attend one Remuneration Committee meeting which was unscheduled and arranged at short notice. Directors received the papers and their views were considered in the deliberations of the meetings.

2 Martin Moore did not attend one meeting of the Nomination Committee as the sole purpose of that meeting was to consider his reappointment.

3 Phil Redding stepped down as an Executive Director on 31 January 2020. There were no meetings which he could have attended between 1 and 31 January 2020.

Further details on directors' skills and the composition of the board, including diversity and tenure, is available on **pages 116 and 117**

Board leadership and Company Purpose

AN EFFECTIVE AND ENTREPRENEURIAL BOARD

The Board is responsible for creating and delivering shareholder value by setting the strategic direction of the Group. The Executive team has day-to-day responsibility for implementing this strategy and it is the Board's role to hold management to account for ensuring that it is delivered. The work of the Board should and does complement, enhance and support the work of the Executive team.

Information about our strategy is on pages 32 to 49. You can read more about the annual Board Strategy day below.

The Board is made up of a number of talented individuals, with a depth of commercial experience from a range of industries. This diversity helps create an effective and entrepreneurial Board as each member has a fresh perspective to bring to discussions. See pages 96 and 97 for more information about the Directors and the contribution they bring to the Board.

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. 2020 was another year of financial and operational outperformance. Once again, earnings grew strongly, supported by rental growth and the additional income generated from our active development pipeline. Looking ahead, the combination of new rental income from the development programme, and the benefits of active asset management of our existing portfolio, should enable us to drive sustainable growth in both earnings and dividends. The Chief Executive's Statement on pages 16 to 19, along with the Financial Review on pages 66 to 71, sets out in much more detail our strategy and the reasons for our continued success.

The TSR chart on page 134 tells this story. Shareholders have benefited from sustained share price growth with £100 invested in our shares in 2010 worth £517 at the end of 2020. The dividend has increased every year for the last eight years. At the end of 2020, SEGRO was the largest REIT on the London Stock Exchange and the 42nd largest company in the FTSE 100.

This financial strength ensures that we have the ability to provide employment and support businesses in the areas in which we operate.

INVESTING FOR THE LONG TERM

Much of the Board's decision making is focused around ensuring that the Company is sustainable in the long term.

- Each year, the Board considers our Medium Term Plan, which assesses the opportunities and risks for the Company over the following five years, and forms the basis of our Viability Statement.
- Once a year, the Board takes time to consider the long-term strategy of the business, incorporating presentations and discussions on longer-term opportunities and threats to the business. See below.
- Throughout the year, the Board reviews the Company's approach to Risk and takes a keen interest in how risks rise and fall in importance and what measures the Company is taking to mitigate the near- and longer-term risks to the business.

Real estate is an inherently long-term business and the Board therefore takes a long-term approach to all of its decision making. The Board approved the current strategy in 2011, which included the repositioning of the portfolio. The results have been felt over the past few years, and are reflected in the strong share price performance, high customer retention rates, low vacancy and consistently strong employee engagement scores which has seen the business less impacted throughout this challenging year.

> The Board is responsible for creating and delivering shareholder value by setting the strategic direction of the Group.

STRATEGY DAY

Each year, the Board takes an opportunity to step away from the routine of the corporate calendar to spend some time reflecting on strategy and the wider business environment. The usual two day offsite was replaced with a day and a half of online activity this year. Though there were fewer topics, each item received a more detailed focus.

We spent the first part of the day considering the wider macroeconomic outlook for the UK and Europe including the impact of the pandemic and Brexit with presentations from Lord Hill (a former EU Commissioner and member of the House of Lords) and Capital Economics. We then considered how this might impact our markets as well as the investment outlook for the business.

We debated the assumptions, strategic choices and outputs underlying the Group's Medium Term Plan and considered the annual portfolio review which, alongside our view of the property cycle and a detailed analysis of the sectors in which we operate, will form the basis of our investment decisions in future years. We concluded that our strategy remains appropriate despite the macro and geopolitical uncertainty.

There was a session on diversity and inclusion and management of talent, looking at future employment and other trends for the Group and a presentation on the proposals for activity in 2021. We were delighted with the new Diversity and Inclusion Framework which you can read about on pages 34 and 35.

At the end of day one, the Board had an informal debrief discussion.

On the second day, we dedicated the entire session to our sustainability strategy review and refresh. The ESG working group presented their proposals for a new Responsible SEGRO Framework and our targets to be carbon neutral by 2030. The Framework, which was wholeheartedly approved, and our approach is discussed in more detail on pages 28 and 29.

The Board was pleased with the format of the Strategy day despite the necessity to hold it fully virtually, which did not detract from the content.

CULTURE, PURPOSE AND VALUES

Culture is the character and personality of a business. It is what makes us unique and is the sum of our purpose, values, behaviours and traditions. It guides our relationships not just with our employees but with our other stakeholders as well. Our culture is unique and permeates throughout the whole business. It sets the tone for good governance.

We are proud of our Purpose to create the space that enables extraordinary things to happen and our five Values. In 2015, our Executive Committee invested in a significant programme to engage everyone in the business in creating our Purpose and Values. We wanted to develop a unifying purpose which aligned with our strategy and a set of principles to guide the development of our future culture. Our Purpose and Values are now 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. They are a universal language across our business and the countries in which we operate.

WHY

Our **Purpose** is our compelling, memorable and differentiating statement that energises us as a team, beyond money or profit.

HOW

Our **Values** are our core beliefs about how we do business, which guide our decision making, large and small.

WHAT

Our **Strategy** is the goal we are aiming for.

It is essential that the Directors lead by example and live the Values. The Executive Directors are obviously more visible leaders around the business and help to set the tone. When the Directors are together, they live the Values in the boardroom as follows:

SAY IT LIKE IT IS

The Directors are honest and transparent in dealings with each other and those who interact with them both in and out of the boardroom. The Chair encourages constructive debate and challenge during meetings.

STAND SIDE BY SIDE

The Non-Executive Directors bring to the Board their knowledge and experience from other businesses. The Directors are supportive and take collective responsibility for decisions.

KEEP ONE EYE ON THE HORIZON

The Directors look to the long term in their decision making. They want to understand future trends and how the Company can use them for the benefit of itself and others.

IF THE DOOR IS CLOSED...

The Non-Executive Directors support the Executive Directors to find solutions to more complex transactions and provide assistance where more difficult judgement calls and decisions need to be made.

DOES IT MAKE THE BOAT GO FASTER?

The Directors look at different ways of working to create effective relationships and discuss regularly where they can best add value.

Read more about our purpose
see page 27

Within the boardroom, the consistent feedback from all of the recent Board evaluations is that all of the Directors feel they can contribute, speak freely and do not feel constrained by the Board. The Chair encourages open debate and no one individual dominates. Board members can say it like it is and have their thoughts heard in a challenging yet supportive environment. This culture has helped the Board remain positive, focused and cohesive during the pandemic. This close understanding amongst the Directors has meant that whilst Board and Committee meetings have been held remotely since March, the Board has continued to operate effectively and efficiently.

The Board considers that the Company's culture can be defined by the following characteristics:

- 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;
- respectful and transparent; 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:

- employee engagement survey results;
- workforce engagement meetings;
- feedback from office and site visits by Executive Directors and the Board as a whole;
- data on employee turnover;
- Health and Safety incident statistics;
- customer satisfaction surveys;
- breaches of the Code of Ethics;
- internal audit reports; and
- whistleblowing incidents.

Stakeholder engagement from the Board's perspective

We have identified our key stakeholders – those important groups that are an integral part of our business model: people, land, assets.

Our s172 statement is on page 83 together with additional information about our key stakeholders and why they are important to us.

Set out below is how the Board has considered the s172 requirements and applied them in our decision-making and our engagement with stakeholders during the year. Stakeholder engagement is an integral part of the Board's decision-making process and all proposals to the Board relating to major decisions must demonstrate that the impact on stakeholders has been considered.

EMPLOYEES

...deliver our strategy in line with values and culture.

ENGAGEMENT

- Two all-employee 'temperature check' surveys were conducted: one at the beginning of the pandemic, with the closure of offices to ensure everyone was safe and had the resources they needed; and a second during the summer, called 'Future Way of Working' to gauge how employees felt about returning to the office.
- The Board received the results of the 'Your Say' 2020 Employee Engagement Survey. See page 34.
- Talent management, and diversity and inclusion were dedicated topics for discussion at the Strategy day.
- The Board developed its implementation of the Code's provision relating to workforce engagement.
- The Board receives regular updates from the Group HR Director about policies, workforce remuneration and data on employee turnover.
- Employees attended Board meetings to provide Business Unit updates.

OUTCOME

- As a result of the pandemic, new policies were introduced to enable our people to work from home safely and provide guidance and support on all aspects of remote working.
- An updated Agile Working policy has been introduced as a result of the 'temperature check' surveys and the indication that our people enjoy the flexibility of working from home.
- The 2020 Employee Engagement Survey received a 94 per cent response rate and 97 per cent of employees were proud to work for SEGRO. The Executive Committee reported back to the Board with measures to ensure that the high engagement scores can be maintained.
- The Board approved the new Diversity and Inclusion Framework for implementation in 2021.
- Online meetings have facilitated more employees attending Board meetings to give business updates.
- Non-Executive Directors hosted online sessions with employees. These sessions will be continued in 2021. See case study on page 104.

Stakeholder engagement from the Board's perspective continued

CUSTOMERS

...are our occupiers and we want to hear about what they want from our assets so we can continue to create the space that enables extraordinary things to happen.

ENGAGEMENT

- Site visits usually give the Board an opportunity to meet some of our customers.
- The Board has formal and informal meetings with customers, including Board and senior management.
- The Key Account Management Team attended a Board meeting to explain how they manage the relationships.
- The Board receives regular updates about customers and the results of our annual Customer Satisfaction survey.
- KPIs on vacancy and customer retention are provided on a regular basis to the Board.
- The Board considered the impact on our customers of the pandemic.

OUTCOME

- The Board finds it insightful to hear directly from our customers about their business, why they have chosen a particular location, or how we have met their specific requirements and our customers' priorities and challenges and future trends, so we can understand how we can continue to meet their needs going forward. This year the Board met with senior representatives of Amazon and Ocado to hear directly from them about their experience of working with us.
- The Customer Satisfaction survey and statistics are discussed at the Board and help guide longer-term planning. The Company received an 87 per cent satisfaction score and 99 per cent of customers would recommend the Company.
- We have a high retention rate of 86 per cent.
- The Board received regular updates on rent collection, an area which had not previously been regularly reported on. The Board agreed to the principle of deferral of rents or moving to monthly payments to alleviate pressure on customers most impacted by the pandemic. See page 21.
- The Board considered the structural drivers of occupier demand for our assets as the pandemic unfolded.

SUPPLIERS

...include all the advisers, construction firms and everyone involved in our supply chain. Our suppliers are key to the creation of the space for occupation by our customers.

ENGAGEMENT

- The Board receives regular presentations from our advisers such as property agents, valuers and lawyers. The Board meets other components of the supply chain when they visit sites and developments under normal circumstances.
- Directors use the opportunity when meeting with contractors to see the Health and Safety measures in place.
- Individual countries managed their own supplier response plan for Covid-19 and reports were provided to the Board.

OUTCOME

- Presentations from our advisers keep the Board up to date on market trends. These have been conducted online this year.
- Results of visits to suppliers, conducted online this year, relating to compliance with policies on anti-bribery and corruption and modern slavery are reported to the Board.
- Health and Safety reports, with a particular focus on construction suppliers, are received as a standing Board item.
- The Board received a detailed report about construction sites and safe working procedures being implemented during the pandemic to protect the health and safety of workers.
- The Board received updates on the supply chain impact of the pandemic.
- The Board approved the Modern Slavery and Human Trafficking Statement which applies to our suppliers.

COMMUNITIES

...are the people who live and work in the areas where our assets are located and include local residents, local government and community groups. They can also be members of any of our other stakeholder groups.

ENGAGEMENT

- We build partnerships with the communities where we have a presence, either through work with local government or directly with community groups, mainly focusing on helping unemployed residents back into the workforce through skills training and greater exposure to the occupiers of our estates. The Board usually hears about these initiatives throughout the year formally in meetings and on an ad hoc basis when visiting offices or on asset tours.
- The Responsible SEGRO Framework establishes 'investing in our local communities and environment' as one of its three main objectives. It will also seek to encourage stronger links with customers to support local community training and recruitment programmes.
- The Company makes direct and indirect donations to community partners.

OUTCOME

- The Board approved the accelerated launch of the Centenary Fund, with a commitment of £10 million over 10 years, to enable the Company to respond to the impact of the pandemic in its communities.
- Directors waived 25 per cent of their salary and fees for three months and the Company donated an equivalent amount to the Centenary Fund.
- The Board approved the new Responsible SEGRO Framework.
- The Board heard about the range of community engagement activities and donations.

INVESTORS

...provide the capital through equity or debt which finances our 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.

Read more about our response to Covid-19
see pages 20-23

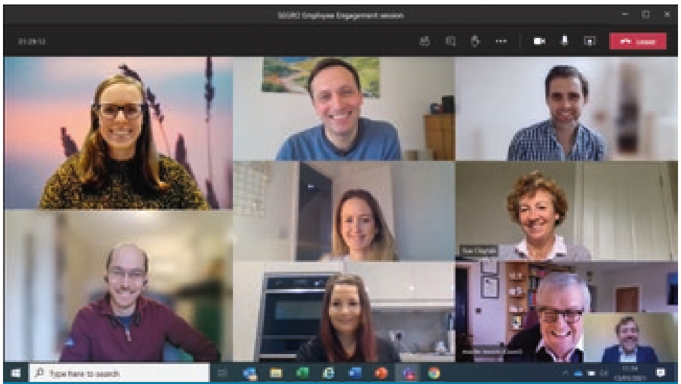
ENGAGEMENT

- There is an extensive investor relations programme and shareholders can meet the Executive team individually or at group events such as investor roadshows following results announcements. This year the Half Year results event was held online.
- The Company's brokers attended a Board meeting to talk about shareholder feedback and investor trends.
- The Chair, Senior Independent Director and Committee Chairs are available to shareholders to discuss any governance, strategy or other matters they wish to raise.
- The Board has received feedback from retail shareholders in response to equity placings that they would like to participate.
- Engagement with shareholders at the AGM.
- Annual review of the SELP joint venture.

OUTCOME

- The Board receives regular updates on meetings held with shareholders.
- The Board receives a weekly commentary about the share performance, together with any analysts' notes.
- A number of consultations with major shareholders occurred during the year. See page 105.
- The Board took the decision to make the 2020 AGM a closed meeting due to Government restrictions but shareholders were still able to vote and submit questions. Arrangements are being made for the 2021 AGM to facilitate electronic access to the meeting.
- The Board approved payment of the 2019 final and 2020 half year dividend.
- The Board approved the equity placing which included the appointment of PrimaryBid to facilitate retail shareholder participation. See page 95.
- The Board is kept up to date with the activities of SELP.

Stakeholder engagement
continued



CASE STUDY: WORKFORCE ENGAGEMENT

Two Non-Executive Directors – Martin Moore and Sue Clayton – held a series of sessions with employees to speak directly to them and hear their views.

The sessions were held with a cross-section of employees from across the Group and its different geographical locations and at different levels and grades, giving a broad cross-section of views and cultures. The meetings were an open, two-way dialogue and enabled employees to ask the Directors about the topics they discuss in the boardroom as well as sharing their experiences about working day-to-day in the Group. To ensure an open discussion, no members of the Leadership team attended these meetings.

Non-attributable feedback was relayed to the next Board meeting. The topics that they discussed included: employees' experiences of working from home during the pandemic especially technical support, work-life balance, wellbeing and the opportunity for new ways of working following the pandemic. Other areas discussed included the Company's ESG strategy, customer relationships, communications and innovation.

> The meetings gave us the opportunity to hear from a wide range of employees in different roles and offices. It was good to hear the views from the ground in addition to those we hear at our Board meetings and site visits.

SUE CLAYTON
NON-EXECUTIVE DIRECTOR

> I enjoyed the opportunity to talk in an informal group with Sue and Martin and gain an insight into items on the agenda for the Board and their discussions. Sue and Martin were open and honest with us and were interested in how we, as employees, were adapting to the working from home environment.

GINA BIGGS
HEALTH AND SAFETY MANAGER, GROUP OPERATIONS

EMPLOYEE ENGAGEMENT

The Board has a tailored approach to its adoption of the Code's provision on workforce engagement mechanisms. The Group has a non-unionised business with a headcount of 355 people spread across offices in nine geographies. The Board felt that it was important that its approach should mirror the Company's Values of openness and transparency in order for the engagement to be authentic, meaningful and received positively. Against this backdrop, it was agreed that alternative arrangements as permitted by the Code were more appropriate to the business. This involves a three-stage approach which continues to evolve as we implement it, recognising that it should be appropriate and add value to our business as well as encompass the spirit of the provision which is to enable the voice of the employee to be heard in the boardroom.

INDIVIDUAL MEETINGS WITH THE DIRECTORS

There are many formal and informal occasions when the Non-Executive Directors meet with employees, including through the induction of a Non-Executive Director, or where a Non-Executive Director makes an ad hoc asset visit or otherwise meets with individuals to discuss a particular topic.

The Committee Chairs have individual meetings with employees in relation to the business of their Committee meetings.

PRESENTATIONS AT BOARD AND COMMITTEE MEETINGS

The Executive Directors encourage their teams to present at Board meetings and join asset tours. During the year, the Directors heard from employees about key customer accounts and received reports from asset managers and investment managers on day-to-day operational matters, sustainability and cyber security. They also received updates on the 2020 centenary celebrations and the Centenary Fund, Health and Safety, community engagement and PropTech. These were all conducted remotely and the Board has enjoyed the opportunity to hear from more of our people directly and see them in action, albeit via Teams.

INFORMAL MEETINGS WITH THE WHOLE BOARD

Usually there are plenty of opportunities for formal and informal meetings with the Board during visits to the offices but since March 2020, this has not been possible due to the pandemic. It is hoped that these visits may resume in 2021.

We therefore introduced a series of workforce engagement meetings for two of our Non-Executive Directors with groups of employees. These were held on Teams and proved to be very successful and will be extended into 2021.

The feedback from these meetings will be considered during the year in conjunction with the results of the employee engagement survey and other surveys and used to develop policies for the future.

OUR SHAREHOLDERS

NUMBER OF INSTITUTIONS	NUMBER OF MEETINGS
1,971	**194**
99% of issued share capital	

NUMBER OF INDIVIDUALS

4,861

1% of issued share capital

More infomation
see page 40

CONSULTATIONS WITH SHAREHOLDERS

Each year, the Chair writes to our larger shareholders offering them a meeting with him, our Senior Independent Director and the Chairs of our Audit and Remuneration Committees. This year, no meetings were arranged as a result of the invitation.

As one of the proxy voting advisers raised a question prior to the 2020 AGM about Sue Clayton's independence, we engaged with some of our larger shareholders to ensure that they remain happy that we deem her independent. Although Sue was a Director of CBRE at the time, the Board considers her to be independent and indeed, the experience she brings due to her long career in real estate is of great value to the Company (see page 96 for more information). Shareholders confirmed our approach and Sue was re-elected with a vote of 89 per cent in favour. Sue retired from CBRE at the end of 2020.

We also consulted with shareholders on remuneration following the management restructuring, see page 124. Those shareholders that responded were supportive of the Remuneration Committee's approach.

We will continue to engage with our shareholders as well as representative bodies to make sure that there is an ongoing dialogue about the Company's approach to governance, including remuneration, and to ensure all views are fully understood and considered.

The feedback from shareholders is shared with the Board.

SCRIP

We offer a SCRIP dividend scheme which enables our shareholders to opt to receive dividends in shares rather than cash with no dealing costs or stamp duty. The scheme is proposed for renewal for a further three years at the 2021 AGM. Full details are available on our website.

AGM

The AGM was very different this year. Stay at Home Measures implemented by the UK Government meant that shareholders and, indeed, Directors and employees were not able to travel to the meeting. Shareholders received all regular communications and were able to vote on the resolutions, all of which were passed (81 per cent of issued share capital voted).

We hope to hold our usual AGM in 2021, but we are also making plans to hold a hybrid AGM. This means that shareholders will be able to attend virtually, be able to ask questions and vote on the resolutions through electronic means.

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. Directors are required to submit any actual or potential conflicts of interest they may have with the Company to the Board for approval. Any conflicts of interest are recorded and reviewed by the Board at each meeting. Directors have a duty to keep the Board updated about any changes to these conflicts. Sue Clayton was absent for the discussion involving CBRE's reappointment during the year.

EFFECTIVE CONTROLS AND NECESSARY RESOURCES

The Board has a responsibility to ensure that appropriate controls and resources are in place to enable the Company to achieve its long-term goals. We have a Schedule of Matters Reserved for Decision by the Board. This includes financial decisions, such as the annual budget and reviewing the Medium Term Plan, major capital expenditure, the approval of the financial statements, the dividend policy and compliance with the Code.

You can read about the Company's approach to Risk and risk management on pages 72 to 81, whilst page 122 contains further details about the Audit Committee's role in ensuring that robust processes have been put in place to ensure risks are identified, evaluated and managed. The Board regularly discusses the Company's principal risks, along with new and emerging risks and considers how they may impact on the Company's 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 ETHICS

The Board has taken 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 the 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 employees in their daily work to enable us to act with honesty and integrity. The Code of Ethics incorporates policies on a wide range of activities and any breaches would be thoroughly investigated with appropriate action taken. The Board receives regular reports on compliance with the Code of Ethics and the Company's policy on whistleblowing which sets out the procedure by which employees and any third parties can use a confidential external service to raise concerns.

The Code of Ethics also sets out our approach to human rights of all our stakeholders. Our due diligence to combat slavery and human trafficking is set out in our Modern Slavery Statement which is approved by the Board and available on our website. See page 90.

The Audit Committee receives an anti-bribery and corruption report at each meeting since it is responsible for ensuring that appropriate safeguards are in place for the detection of fraud and prevention of bribery, including overseeing and monitoring the Group's Anti-Bribery and Corruption policies and procedures. Details of how matters of concern can be reported, and will be investigated are set out on page 90. No matters of concern were raised during 2020.

Our governance framework

The Chair is responsible for the leadership of the Board and its overall effectiveness in directing the Company and promoting an open environment for challenge and debate.

He is also responsible for encouraging participation by all of the Directors, facilitating constructive relations and creating the right atmosphere to promote a culture of open debate. Along with the other Non-Executives, he is responsible for holding the Executive to account against agreed objectives. Further information about the Directors is available on pages 96 and 97, while pages 114 to 117 explain how the Nomination Committee considers the skills and diversity on the Board and Non-Executive Director independence.

The Board retains responsibility for the approval of certain matters which include: Group strategy; the annual budget; the dividend policy; major investments and disposals; and the financial structure. There is an approved Schedule of Matters Reserved for Decision by the Board, which is reviewed periodically. The Board has delegated a number of its responsibilities to the Audit, Nomination and Remuneration Committees. The Terms of Reference of these Committees can be found at www.SEGRO.com. Further details on the roles and responsibilities of these Committees are set out opposite.

The division of responsibilities of the Chair, Chief Executive and Senior Independent Director are clearly established in writing and approved by the Board. Martin Moore, as the Senior Independent Director, provides a sounding board for the Chair and serves as an intermediary for Directors and shareholders should communication through the normal channels fail. Martin also leads the appraisal of the Chair's performance each year (see page 114). For further information on the responsibilities of each Board member, see the Governance Framework opposite.

The day-to-day running of the Group is delegated by the Board to the Chief Executive who is supported by the Executive Committee.

The Executive Committee supports the Chief Executive in the delivery of strategy and reviews operational and financial performance. The Committee carries out a pre-approval review of items requiring Board authorisation. It also acts as a primary approval channel for matters delegated by the Board at each of its meetings.

GOVERNANCE FRAMEWORK

THE BOARD

CHAIR
GERALD CORBETT

Leads the Board and is responsible for its overall effectiveness in directing the Company.

Sets the agenda, style and tone of Board discussions to promote constructive debate and effective decision making.

Ensures that the corporate governance of the Group is maintained in line with current best practice.

Ensures effective communication with shareholders and stakeholders and makes sure that the members of the Board develop an understanding of the views of major investors.

Ensure Directors receive the information they require to fulfil their duty to promote the success of the company.

CHIEF EXECUTIVE
DAVID SLEATH

Recommends the Group's strategy to the Board and is responsible for the implementation of that strategy and for the Group's overall performance.

Manages the business of the Group.

Ensures that the interests of the Group's stakeholders are taken into account with regard to the long-term impact which the Group's decisions may have on various stakeholder groups.

EXECUTIVE DIRECTORS
SOUMEN DAS
ANDY GULLIFORD

Manage the business operations within each Director's area of responsibility in accordance with the Group's strategy.

EXECUTIVE COMMITTEE

Assists the Chief Executive with the development and implementation of Group strategy, the management of the business and the discharge of responsibilities delegated by the Board.

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR
MARTIN MOORE

Acts as a sounding board to the Chair and serves as an intermediary for other Directors when necessary.

Available to shareholders should the occasion arise where there is a need to convey concerns to the Board other than through the Chair or the Chief Executive.

Leads the annual appraisal of the Chair by the Non-Executive Directors.




INDEPENDENT NON-EXECUTIVE DIRECTORS
MARY BARNARD
SUE CLAYTON
CAROL FAIRWEATHER
CHRISTOPHER FISHER

Bring independent judgement and scrutiny to the decisions taken by the Board.

Monitor the success of management in delivering the agreed strategy within the risk appetite and control framework set by the Board.

GROUP COMPANY SECRETARY
ELIZABETH BLEASE

Responsible for advising the Board on all governance matters.

Ensures timely and appropriate information flows within the Board, the Board Committees and between the Directors and senior management.

Ensures compliance with relevant statutory and regulatory requirements.

Gives guidance and advice within the Company on matters of business ethics and good governance.

Provides detailed practical support and guidance to Directors both individually and collectively.

BOARD COMMITTEES

AUDIT

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

NOMINATION

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

REMUNERATION

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

MANAGEMENT COMMITTEES

OPERATIONS

Assists the Chief Operating Officer to manage the operations of the Group and to discharge the responsibilities delegated to him by the Chief Executive.

RISK

Establishes, monitors and reports to the Executive Committee and ultimately the Board and Audit Committee on the Group's approach to risk management.

INVESTMENT

Manages the allocation of capital across the Group and oversees all major investment and divestment decisions on behalf of the Executive Committee.

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.

SEGRO CENTENARY FUND COMMITTEE

Reviews applications for the SEGRO Centenary Fund and applications for other charity funding, approving donations for applications that meet SEGRO's funding and eligibility criteria.

EFFECTIVE AND EFFICIENT FUNCTIONING OF THE BOARD

In order to respond to the global crisis from the pandemic and to ensure that employees, customers, suppliers and contractors were safe and that the business could continue to operate, the Board met an additional seven times to the scheduled seven meetings.

From March 2020, meetings were held virtually. The pandemic has meant there has been a greater use of technology for Board meetings. One of the advantages of virtual meetings has been the ability to invite other employees to join to present on a particular topic or provide background to a discussion. This has been particularly so for Continental European colleagues who have been able to contribute to a Board discussion by simply joining an online meeting rather than having to travel to London to attend a physical meeting.

Each Director has committed to attending all scheduled Board and Committee meetings and would not do so only in exceptional circumstances. Similarly, every effort is made by Directors to attend ad hoc meetings. On the rare occasion that a Director cannot attend a meeting they are still provided with the papers in advance of the meeting and are given an opportunity to discuss them with the Chair or the Chief Executive.

Directors receive accurate, timely and clear information on the matters to be considered. Electronic Board packs are available to the Directors a week before a meeting. During the Board evaluation interviews, the Non-Executive Directors commented positively on the quality of the papers received from the Company and in particular, the Chief Executive's review paper which sets the scene for the Board meeting and signposts the important aspects for decision. Everyone agreed that the Board meetings were well run and facilitated discussion of the appropriate topics and focus areas.

Regular meetings between the Chair, the Chief Executive and the Group Company Secretary help further ensure that Board meetings contain the appropriate mix of strategy, culture, regulatory and financial matters.

The Directors value meeting and hearing from different people in the business who are close to the Company's markets and who can tell the Board what they are seeing and hearing on the ground, as well as from external sources who give a wider perspective on market trends. During the year, presentations were given by Managing Directors and their teams across Business Units as well as the SELP Joint Venture and a presentation on digital and technology strategy. This allows the Directors to gain further insight on market trends and provides the context for them to make strategic decisions about acquisitions, disposals and the development pipeline.

INDEPENDENCE AND COMMITMENTS OF THE NON-EXECUTIVE DIRECTORS

Details of the Directors, including the skills and experience that they bring to the Board, are set out on pages 96 to 97. The Board comprises a Non-Executive Chair, three Executive Directors, and five Independent Non-Executive Directors, all of whom are equally responsible for the effective stewardship and leadership of the Group. Each of the Non-Executive Directors is considered independent in character and judgement. The Chair was considered independent on appointment and the Board still considers him to be so. By having a majority of Independent Non-Executive Directors, the Executive are held to account and are not able to dominate Board decision making, which promotes the good governance of the Company.

For further details on how the Board has reached its conclusions on Non-Executive Director independence, see page 114 of the Composition, Succession and Evaluation section.

The Nomination Committee considered the commitments of all of the Company's Non-Executive Directors and 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.

AVAILABILITY OF THE CHAIR, CHIEF EXECUTIVE AND THE GROUP COMPANY SECRETARY

The Chair, the Chief Executive and the Group 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 Group 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 Executive Committee and Leadership team

The Executive Committee has its own Terms of Reference. This Committee meets formally each month and during the year there are dedicated sessions to discuss strategy as well as ad hoc meetings to keep the Committee up to date with day-to-day operational issues.

The Executive Committee delegates some of its responsibilities to three management Committees:

- the Investment Committee;
- the Operations Committee; and
- the Risk Committee.

These Committees also have their own Terms of Reference and membership includes at least one member of the Executive Committee and members of the Leadership team.

There are two further Committees which focus on specific activities within the organisation: the Health and Safety Committee and the SEGRO Centenary Fund Committee.

LEADERSHIP TEAM

SEGRO's Leadership team comprises the members of the Executive Committee and their senior direct reports, each of whom has responsibility for the Group's operations or investment activities in a particular geography, or for one or more of the Group's main functional areas.

Whilst the day-to-day management of the Group's activities and the governance and oversight of them are carried out under the structures described on pages 106 to 107, the Leadership team serves as a useful discussion forum and sounding board with which the Executive Directors can share knowledge and ideas and gain a better understanding of the local market outlook and share cross-functional and cross-border information. Prior to the pandemic, the Leadership team would normally meet three times a year and review areas such as:

- market conditions and competitor activity;
- future trends affecting our customers' businesses and which may impact SEGRO;
- interests of the Group's stakeholders;
- horizon scanning for emerging topics which might impact on our business in the medium to long term;
- the Group's asset plans and Medium Term Plan;
- development and implementation of the Group's culture and Values including our approach to diversity and inclusion in its broadest sense; and
- the results of the Group's Employee Engagement Survey.

During the pandemic, the Leadership team has been an essential part of the Company's incident management process and business continuity plans. In the initial weeks of the crisis, this team met weekly and, more latterly have met every two to three weeks, to update each other on emerging local government rules in their country, reporting on the impact this had on both our employees and for the business, especially for customers and construction sites. The Leadership team, along with the Executive Committee, was able to debate issues and agree Group-wide solutions. Its members were then an integral part of the communications plan, to cascade information in a consistent way to teams as well as ensuring our approach was in line with local regulations.

During the pandemic, the Leadership team has been an essential part of the Company's incident management process and business continuity plans.

Key activities of the Board during 2020

SUSTAINABILITY, HEALTH AND SAFETY

MATTERS CONSIDERED

- Presentation of the sustainability strategy and targets for achieving net zero carbon by 2030.
- Potential for the generation of solar energy from photo voltaic panels, including trialling their installation with a number of key customers and using the findings to help us form the basis of a Group-wide strategy.
- Review of the Annual Health and Safety report and monthly incident report.

OUTCOME

- The Board approved the new Responsible SEGRO Framework with a headline target of net zero carbon by 2030 which has been launched with this Annual Report.
- The Board monitors performance against the Zero Tolerance approach to Health and Safety breaches and reviews findings and learnings from incidents.

Read more about Responsible SEGRO
see pages 28 to 29

STAKEHOLDER ENGAGEMENT

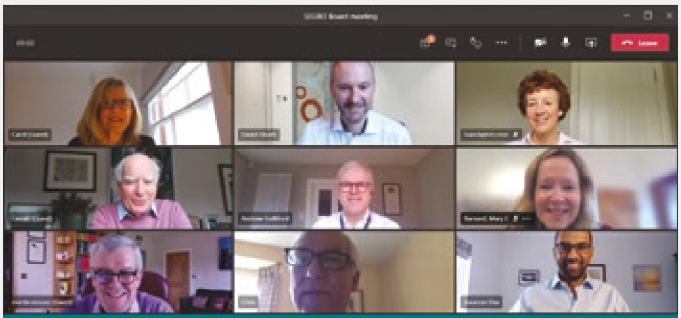
MATTERS CONSIDERED

- Presentations from the Company's brokers on shareholders'/analysts' attitudes to the Company and investor feedback.
- Modern Slavery and Human Trafficking Statement.
- Report on the Code of Ethics including the Anti-Bribery and Corruption policies.
- Regular reports on community engagement and charitable giving.
- Annual report on the results of Customer Satisfaction survey.
- Report on s172 activities and update.
- Proposals for the SEGRO Centenary Fund.

OUTCOME

- The Board is aware of the Company's stakeholders and their engagement with us. This enables the Board to consider their views and the impacts on all stakeholders arising from Board decision making.
- The regular updates on compliance with the Code of Ethics and Anti-Bribery and Corruption policies as well as reports from the externally-managed whistleblowing line provide assurance that the Company maintains its reputation.
- The Board notes the results of the customer satisfaction survey to ensure that we are providing the best level of service possible to maximise customer retention.

Read more about Stakeholders
see pages 83 and 100 to 103



BOARD MEETING

The Board met remotely from March 2020 as a result of the pandemic and Stay at Home Measures.

OPERATIONAL

MATTERS CONSIDERED

- Presentations from the Managing Directors of Northern Europe, Southern Europe, Thames Valley and Greater London.
- Investment approvals including the acquisition of Perivale Park, West London and Electra Park, Canning Town, London.
- All transactions include a stakeholder impact assessment.
- Customer concentration and portfolio risk.
- Report on Key Account Management.
- Received the annual update on the SELP joint venture.
- Considered the sale of City Park, Vienna and exit from Austria.
- Acquisition of development sites.
- Considered the acquisition of Sofibus Patrimoine SA, a French listed company.

OUTCOME

- Presentations from different areas of the business to ensure that the Board remains up to date on the operational aspects of the business.
- The Board approves all major acquisitions, developments and sales over a £50 million threshold.
- The Board reviews the performance of the SELP joint venture which continues to be a vital element of our strategy to build scale in Continental European big box warehousing in a capital efficient manner.
- Visibility of key customers and engagement at Board level.
- The Board approved the exit from Austria due to lack of other significant opportunities.

Read more about our operations
see pages 53 to 56

PEOPLE AND CULTURE

MATTERS CONSIDERED

- Considered culture, Purpose and Values.
- Reviewed the people strategy, succession planning and talent management.
- Reviewed the diversity and inclusion policy.
- Received feedback on workforce engagement sessions.
- Feedback on the Employee Engagement Survey and temperature check results.

OUTCOME

- The Board has good oversight of, and input into, the people aspects of the business.
- The 2021 Diversity and Inclusion Framework was approved and will be launched to employees.
- The workforce engagement meetings proved to be a useful addition to hear directly from employees and further sessions will be held in 2021 with an expanded remit.

Read more about our people
see pages 34 to 35

STRATEGY

MATTERS CONSIDERED

- Covid-19 pandemic response.
- Review and discussion of strategic objectives and plans to achieve them.
- Proposal for a Secondary Listing on Euronext Paris.
- Reports on the market outlook for the occupier and investment markets.
- Reviews of the wider economic environment, political uncertainty and Brexit considerations.
- Held a Strategy day including a review of asset plans and portfolio planning.
- Review of the evolving digital and technology strategy.
- Rolling reviews of the performance of investments and developments over the previous three years.

OUTCOME

- Robust response to pandemic across the business.
- Proceeds of fund raisings deployed in strategic acquisitions of Electra Park, Canning Town, London and Sofibus Patrimoine SA in France.
- The secondary listing in France will ensure we can maintain an optimum and efficient holding structure following the end of the Brexit transition period on 31 December 2020.
- Creation of a Strategy, Innovation and Investment function for the implementation of the digital and technology strategy.

Read more about our Strategy
see pages 32 to 49

GOVERNANCE

MATTERS CONSIDERED

- Compliance with the requirements of the UK Corporate Governance Code and updates on corporate and regulatory changes and reporting requirements.
- Internal Board evaluation process for 2020 including progress with the actions arising from the 2019 internal evaluation.
- Principal Risks and risk appetite.
- Risk and control framework.
- Directors' remuneration and implementation in line with Policy.
- Board succession.

OUTCOME

- The Company complies with the UK Corporate Governance Code (with the exception of provision 38) and seeks to maintain best practice governance procedures to facilitate the operation of the Board.
- The Board evaluation process ensures that Directors feel that the Board and its committees continue to operate effectively.
- Approved the Principal Risks and risk appetite of the Company.
- Commenced the search for an additional Non-Executive Director.

Read more about our governance
see pages 92 to 111

FINANCIAL

MATTERS CONSIDERED

- Approved results and dividends.
- Presentation from the Company's independent valuers on the 2019 Full Year and 2020 Half Year valuation.
- Received reports on internal and external audit functions.
- Reviewed 2021 budget.
- Reviewed Medium Term Plan.
- Raised over £1 billion through US Private Placement, debt and equity placing.
- Considered debt; extension of maturity of revolving credit facility and redemption of bonds.
- Treasury Policy.
- Tax Strategy.
- Reappointment of the Company's valuers.

OUTCOME

- Approval of the Half Year and Full Year Financial Statements and Annual Report.
- The Board approved the payment of the dividend throughout 2020.
- The Board approved the 2021 budget and noted the Medium Term Plan.
- The Board appointed CBRE for a further four-year term, having reviewed their independence and performance.
- The Board approved the Tax Strategy and Treasury Policy.

Read more about our Financial Review
see pages 66 to 71

Internal Board evaluation

The last externally facilitated evaluation was arranged by Independent Audit in 2018. During 2020, the Board undertook an internal review led by myself as Chair. The process was divided into a number of stages, as set out below:

STAGE 1

Our General Counsel and Group Company Secretary, Elizabeth Blease, our Senior Independent Director, Martin Moore and I had an initial meeting to discuss how to run the internal review process. We reviewed the process which we had followed in 2019 which the Directors had felt worked well.

Following the meeting, and after consultation with the Chief Executive, David Sleath, we decided that Martin should again lead the process, with support from Elizabeth. This would create an environment for the Directors to speak freely to Martin but we also made it clear that my door was open if any Director wanted to speak privately with me should they wish to do so.

STAGE 2

Martin, Elizabeth and I agreed the themes that we wanted to cover. These were a combination of more standard items, such as Board dynamics and relationships, individual participation and contribution, along with more topical matters such as how the Board had responded to the pandemic and what lessons had been learnt, progress with s172, stakeholder interests, ESG and people strategy. The Directors were also asked to comment on the performance of the Board Committees. These themes were circulated to the Directors ahead of their interviews.

STAGE 3

Immediately after the Board strategy sessions in November, Martin and Elizabeth had meetings with, and collected feedback from, each of the Directors. The discussions were based around the themes which we had identified but were informal enough to let the conversation flow to give the Directors the freedom to say what they wanted to and focus on the points that were important to them.

At the end of each session, Martin also had a private meeting with the Directors to take their feedback on my performance as Chair.

STAGE 4

Martin and Elizabeth collated the feedback they had gathered from the interviews into a draft report for me. Martin and I had a meeting to discuss the conclusions, to review the feedback about me and to consider next steps. He also had a meeting to brief David.

STAGE 5

The final report was circulated at the December Board meeting and time was allocated for an open discussion about the conclusions and the list of recommendations, which are set out opposite.

STAGE 6

During 2021, I will continue my practice of having regular meetings with each of the Non-Executive Directors and will base some of my discussions around the feedback. As usual, midway through the year, the Board will review the 2020 conclusions to make sure that we are making progress with the actions. In the Autumn, we will consider how to run the next external review.

REVIEW OF THE CONCLUSIONS OF THE 2019 REVIEW

In July 2020, the Board revisited the conclusions of the 2019 review to make sure that progress was being made on all of the actions.

PROGRESS WITH ACTION POINTS AGREED IN 2019

What we said we'd do	What we've done
Continue to arrange asset tours and visits to regional offices for the Board to meet the local teams.	Due to Covid-19, it has not been possible to arrange office or asset tours. However, holding Board meetings by video conference, has made it easier for our senior team to join meetings for specific discussions. For example, the Board has heard from managers responsible for customer relations, for our joint ventures and those leading our sustainability strategy. During 2020 the Board also received presentations from 4 of the 6 Managing Directors.
Meet more customers, especially on asset tours.	Again, Covid-19 has meant that the Directors could not meet customers on asset tours. However, in January 2020, the Board hosted a dinner for senior representatives from Amazon and Ocado. The Board received regular reports during the year on how customers were coping with the effects of the pandemic, it reviewed the results of the Customer Satisfaction Survey and had a presentation on the Key Customer Programme. We will endeavour to arrange more customer meetings once it is safe to do so and the Covid-19 restrictions permit.
To have some occasions during the year to spend some informal time together for 'unscripted debate'.	Covid-19 has impacted on this objective too. The Directors commented how much they have missed the chance to have informal discussions, or general catch ups over lunch or dinner. Again, this will stay on our radar for 2021.
To allocate more time discussing ESG, technology and disruptors.	ESG strategy was one of the three main topics for the Board Strategy day. The Board had a presentation on PropTech, led by our Director of Digital & Technology, in January 2020 and January 2021, along with updates during the year, including a presentation in July about the potential to extend the generation of solar energy from photo voltaic panels.
Make sure that the Board stays focused on what is happening in the outside world, keep looking out for disruptors, be exposed to external stimuli to help challenge convention and provoke new discussions and perspectives as the Directors look to the future.	Lord Hill and Capital Economics both presented to the Board about Brexit and the macroeconomic outlook. CBRE attended two Board meetings to present the valuation results and also comment on the property market in the countries where we operate.

CONCLUSIONS OF THE 2020 REVIEW

The evaluation confirmed the conclusions of the 2019 review that the Board and its Committees continued to operate effectively. In particular, it re-confirmed a positive, collegiate and collaborative culture between members of the Board, where everyone felt comfortable speaking openly, did not feel inhibited and with no one person dominating the proceedings. The Chair promoted an inclusive style which maintained a good balance between support and challenge.

Notwithstanding the challenges of working remotely and virtual Board meetings, the Directors were pleased that along with running the business the Executive Committee had continued to make progress with the ESG, diversity and inclusion, and funding strategies. The Board had benefited from being stable, settled and well bonded. Although there had been additional meetings this year, everyone felt this was appropriate and that they had been informed about business performance and employee engagement. They all missed the informal interaction that takes place around Board meetings.

All three Board Committees were considered to be operating effectively and were well Chaired. The Non-Executive Directors found that the additional Audit Committee meeting in June was helpful to set the context for the Half Year results, especially with the SEGRO and audit teams working remotely. The Remuneration Committee had had a quieter year but succession planning for the Committee Chair would be a priority this year.

There was particularly positive feedback on the Strategy day, which had followed a different format to previous years. Fewer topics were discussed than usual, but in more detail, which enabled the Non-Executive Directors to make an even more constructive contribution to the evolution of some of these strategic areas.

The results of the Board evaluation were presented to the December meeting.

ACTIONS

As ever, these reviews provide a helpful opportunity for the Directors to stand back and reflect, to consider how they work, how to maximise the Board's strengths and highlight areas for further development.

There was unanimous support to resume visits to regional offices, to meet the local teams and have tours of assets as soon as it is safe to do so. There were a number of specific matters that the Board would like to consider during 2021. These include more time discussing some of the specific elements of the ESG strategy, including climate change and diversity and inclusion. The Directors had enjoyed hearing from the management team more regularly while meetings had been held virtually and hoped that the ability for people to join meetings remotely will not be lost when the physical meetings resume.

Finally, it was recognised that while the business continued to deliver strong performance, the Board should stay focused on what is happening in the outside world, keep looking out for disruptors and ensure it was exposed to external stimuli to help challenge convention and provoke new discussions and perspectives as they look to the future.

GERALD CORBETT
CHAIR

Nomination Committee Report
Skills, experience and size of the Board

GERALD CORBETT
CHAIR OF THE NOMINATION COMMITTEE

COMMITTEE MEMBERS

Gerald Corbett (Chair)
Mary Barnard
Sue Clayton
Carol Fairweather
Christopher Fisher
Martin Moore

KEY RESPONSIBILITIES

- Composition of the Board and its Committees
- Manage the Board appointment process and make recommendations to the Board
- Succession planning for the Board and Leadership team
- Oversight of the Board evaluation process
- Oversight of the policy on diversity and inclusion

MEETINGS AND ATTENDANCE

- Two scheduled
- 92% attendance*

* Martin Moore did not attend one meeting, the sole purpose of which was to discuss his reappointment

2020 HIGHLIGHTS

- Reappointment of Martin Moore and Carol Fairweather for a further three-year term
- Commenced search for an additional Non-Executive Director

I am delighted to present to you the report of the Nomination Committee.

The Committee continued to fulfil its role of oversight of the composition of the Board, its Committees and monitoring the skills and diversity of its members.

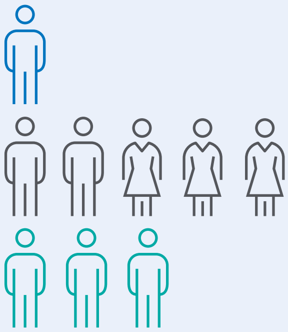
BOARD EVALUATION

Details of the internal Board evaluation which was carried out during the year are set out in the case study on pages 112 to 113.

At its most recent review, the Committee concluded that the Board was currently a suitable size with the appropriate range of skills and experience to lead the Company. It further concluded that the Directors worked well together. The Company's strategy was well established and its execution not dependent on any one individual.

The performance of the Directors is considered each year. The annual appraisal of the Chair is led by the Senior Independent Director, Martin Moore, who met with each of the Directors to discuss his performance. There was agreement that the Chair was performing his role well. The Chair leads the appraisal of the Chief Executive by arranging a meeting of Non-Executive Directors to discuss his performance. The Non-Executive Directors agreed that the Chief Executive continues 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, whilst the Chief Executive gives feedback to the Committee about the Executive Directors.

Following the appraisal processes, the Committee concluded that each of the Directors makes an effective contribution to the Board. It also considered the time commitments of the Non-Executive Directors and concluded that each Director is able to commit sufficient time to the Company and to fulfil their duty to promote the success of the Company.



INDEPENDENCE

Chair	11%
Independent Non-Executive Directors	56%
Executive Directors	33%

The Committee considers the Chair and each of the Non-Executive Directors to be independent, in accordance with the criteria set out in the Code.

The independence of Sue Clayton, who joined the Board in 2018 and retired from CBRE at the end of 2020, is discussed on page 105 and on page 89 of the 2019 Annual Report. The Board is firmly of the opinion that Sue Clayton is independent.

REAPPOINTMENTS DURING THE YEAR

Martin Moore reached six years' service in July 2020 and the Committee held a dedicated meeting, with him absent, to consider his re-election and discussed Martin's:

- contribution to the Board and participation in discussions;
- overall performance; and
- time commitment to the role and other non-executive directorships.

I would like to record my thanks to Martin for his contribution as Senior Independent Director, for his support during a challenging year and for his role in managing the internal Board evaluation process again this year.

Following a detailed and rigorous review, which was the subject of a single meeting of the Committee, the Committee was satisfied that Martin continues to be a valuable member of the Board and the Committee agreed that his tenure should be extended for a further three years, subject to annual re-election by shareholders.

Carol Fairweather reached three years' service in January 2021. The Committee considered Carol's re-election at its meeting in December 2020 (with Carol not present for that item) and discussed the same topics. The Committee also concluded that Carol's contribution as a Non-Executive Director and as Chair of the Audit Committee was exemplary and that her term should be extended for a further three years, subject to annual re-election by shareholders.

My thanks also go to Carol for the oversight of the Audit Committee in a calm and careful way during the pandemic and for ensuring the integrity of the process to produce financial statements whilst working remotely.

NON-EXECUTIVE DIRECTOR SUCCESSION AND RE-ELECTION

The Committee 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. Christopher Fisher will reach nine years' service in October 2021. The Committee has commenced a search process for an additional Non-Executive Director to join the Board during the year. An external search agency, Russell Reynolds, has been appointed to undertake the search. They have worked with the Group on previous occasions and therefore understand the business, the culture and the type of individual that would work well with the Board.

As Christopher Fisher is Chair of the Remuneration Committee, the Committee has discussed the successor specifically for that role and whether the new Non-Executive Director or an existing Non-Executive Director would succeed Christopher, bearing in mind the Code requirement that the Chair needs to have 12 months' remuneration experience to Chair the Remuneration Committee.

In addition, the Committee will this year be starting a search for a further Non-Executive Director, with the appropriate skills and experience to be a potential successor for the Chair in due course.

All of the Directors stand for re-election at each AGM. The Committee considers their skills and performance and makes a formal recommendation to the Board that they are re-elected.

Non-Executive Directors are appointed by the Board for three-year terms. At the conclusion of each term, the Committee undertakes a review of their performance and contribution before making any recommendation to the Board for their reappointment.

All the Directors will therefore stand for re-election at the 2021 AGM.

EXECUTIVE SUCCESSION PLANNING

Along with considering Board succession regularly, the Committee also reviews the quality of the senior management team as it recognises the importance of creating and developing a suitably talented, diverse pipeline of leaders ready to serve as the next generation of Directors.

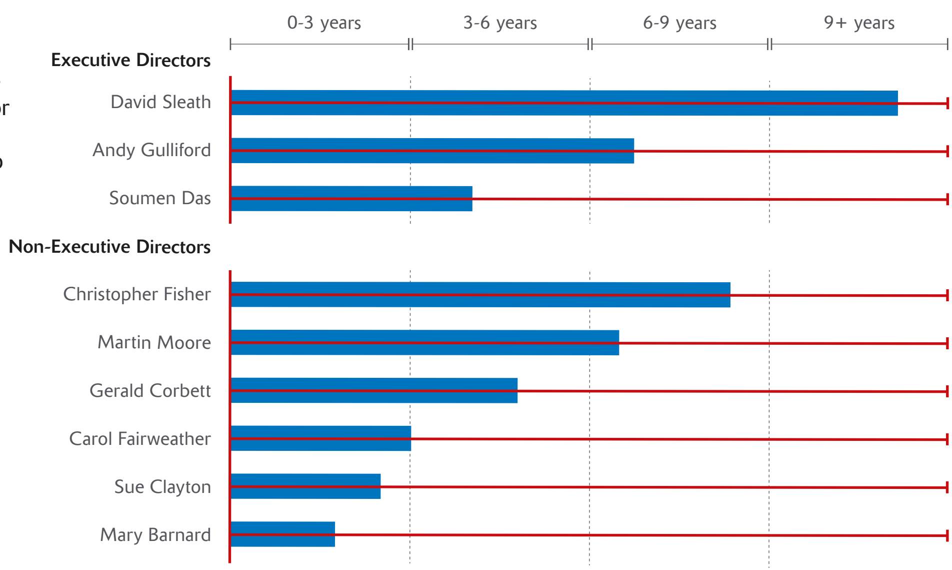
The Chief Executive, supported by the Group HR Director, presents to the Committee on senior management succession planning and the talent development programme. For Executive Directors and for roles in the Leadership team, plans are in place for both sudden, unforeseen absences, and for longer-term succession. These form the basis of development plans for our most talented people and will ensure that, looking forward, we have the right people to deliver our strategy. We encourage regular contact between members of senior management and the Board. This may be by way of a Board presentation, a tour of assets or a one-to-one session with Non-Executive Directors to discuss a specific issue.

ROLE REQUIREMENTS FOR A NON-EXECUTIVE DIRECTOR

The Committee has considered and discussed the specification and key attributes that it is seeking, including diversity, through the right blend of skills, experience and style to complement the current mix of the Board is important. These include but are not limited to public company experience, the ability to constructively challenge, an understanding of capital markets and sector knowledge.

The skill set was discussed by the Committee and as part of the internal Board evaluation process.

TENURE



Nomination Committee Report
Skills, experience and size of the Board
continued

DIVERSITY

The Directors are committed to having a balanced Board which recognises the benefits of diversity in its broadest sense and the value that this brings to the organisation in terms of skills, knowledge and experience. We have a Group-wide policy which sets out the Group's policy towards diversity and inclusion and the same approach applies to the Board as the rest of our people.

The composition of the Board meets the criteria of the Hampton-Alexander review on gender balance and the Parker Review on ethnic diversity.

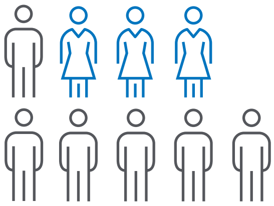
With respect to gender specifically, the Board aspires to promote greater gender diversity across the business. When running the process to search for an additional Non-Executive Director, the Committee is aware that it selects and briefs the executive search firm and, in particular, how it describes the skills and experience needed for the roles are an important part in attracting as wide a pool of candidates as possible. The Committee will only use the services of executive search firms who have signed up to the Voluntary Code of Conduct for Executive Search Firms.

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, including gender.

Development of a diverse executive pipeline is essential for the continuity of the business and for future leadership. The 2020 Employee Engagement Survey contained a section on employees' views about diversity and inclusion. For more information about our policy and approach see pages 34 to 35.

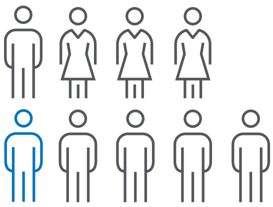
For further information about the Company's approach to diversity and inclusion **see pages 34-35**

GENDER



BOARD	
Female (3)	33%
Male (6)	67%

ETHNICITY



BOARD	
Non-Ethnic Minority background	89%
Ethnic Minority background	11%

GENDER BALANCE OF SENIOR MANAGEMENT

As defined by the Code, the Executive Committee are considered to be the Company's senior management. As at 31 December 2020, the gender balance of:

- the Directors was 67 per cent male (6 men) and 33 per cent female (3 women);
- the senior management was 60 per cent male (3 men) and 40 per cent female (2 women);
- the senior management's direct reports (who include members of the Leadership team) and who are the next layer of management below senior management, was 68 per cent male (13 men) and 32 per cent female (6 women); and
- the gender balance of the total workforce at 31 December 2020 was 51 per cent male (182 men) and 49 per cent female (173 women).

"The composition of the Board meets the criteria of the Hampton-Alexander review on gender balance and the Parker Review on ethnic diversity."

TRAINING

Ongoing training is provided to the Board on both business related and regulatory matters during the year. Directors may also request training on specific issues with some attending external courses (which is often provided by the Company's professional advisers) which are specific to their area of expertise, such as remuneration or audit. This helps to ensure that the Board keeps up to date with evolving regulatory and legal matters. 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 also raise any training needs with the Chair which helps to ensure that the training programme meets the needs of the Board, Directors and the business.

COMMITTEE EFFECTIVENESS

As part of the internal Board evaluation process, the operation of the Board committees was considered (see page 112 and 113).

The Committee continues to operate effectively and provides updates on its activities at each subsequent Board meeting.

LOOKING AHEAD

In 2021, the Committee will focus on the search for a Non-Executive Director and the successor for Christopher Fisher as Chair of the Remuneration Committee as well as commencing the search for an additional Non-Executive Director in due course.

GERALD CORBETT
CHAIR OF THE NOMINATION COMMITTEE

WHAT THE COMMITTEE DID IN 2020:

Throughout the year, the Committee has had responsibility for:

- reviewing the reappointment of Martin Moore and Carol Fairweather, each for a further three-year term;
- reviewing succession planning for Executive and Non-Executive Directors;
- reviewing the size and composition of the Board, including the independence of the Directors;
- reviewing the skills of the members of the Board;
- reviewing the diversity of the members of the Board;
- reviewing the talent of the Company as part of the Strategy day presentation from the Group HR Director;
- appointing an external agency to undertake a search for an additional Non-Executive Director;
- undertaking an internal Board evaluation;
- recommending all the Directors stand for re-election at the 2021 AGM; and
- reviewing the effectiveness of the Committee.

	SKILLS						
THE BOARD	FTSE Listed Executive	Real Estate Industry	Banking/City	Finance	Experience in retail, manufacturing and distribution industries	International	Remuneration
Gerald Corbett	●		●	●	●	●	●
David Sleath	●	●		●	●	●	●
Soumen Das	●	●	●	●		●	
Andy Gulliford	●	●				●	
Mary Barnard					●	●	●
Sue Clayton		●					●
Carol Fairweather	●			●	●	●	●
Christopher Fisher			●	●			●
Martin Moore		●					●
Total	**5**	**5**	**3**	**5**	**4**	**6**	**7**

Audit Committee Report
Letter from the Chair of the Audit Committee

CAROL FAIRWEATHER
CHAIR OF THE AUDIT COMMITTEE

COMMITTEE MEMBERS

Carol Fairweather (Chair)
Christopher Fisher
Martin Moore

KEY RESPONSIBILITIES

- Oversight of internal and external audit processes and independence of the external auditor
- Monitoring the integrity of the financial statements of the Group including reviewing significant judgements
- Reviewing internal controls and risk management systems
- Advising the Board on the statements made in the Annual Report and Half Year Report on viability, going concern, risk and controls and whether the statements are, when taken, as a whole, fair, balanced and understandable

MEETINGS AND ATTENDANCE

- Three scheduled
- One additional meeting
- 100% attendance

2020 HIGHLIGHTS

- Internal control environment remained strong throughout the year following the move to remote working as a result of the pandemic
- Continuing to produce high-quality and timely external reporting whilst working remotely

As Chair of the Audit Committee, I am pleased to present the Committee's report for 2020. Over the following pages you will see how the Committee has discharged its responsibilities, as well as other key areas which the Committee has focused on during the year.

COMPOSITION

The Committee is made up entirely of Independent Non-Executive Directors and each Committee member has considerable commercial knowledge and industry expertise. I satisfy the requirement to bring recent and relevant financial experience. Christopher, who has spent his career in corporate finance, also brings much financial acumen to the Committee, whilst Martin brings a wealth of property experience.

The Board is therefore satisfied that the Committee as a whole has the relevant competence to properly discharge its duties.

MEETINGS

We met four times during the year, twice to discuss the financial statements and once to focus more deeply on other areas including internal audit and the risk management process. An additional meeting was held prior to the Half Year results to consider the impact of Covid-19 on the Company's internal control systems and processes and on financial reporting.

Outside of the scheduled meetings, we can also use time set aside for Board meetings to discuss any matters that arise in real time.

As usual, our external and internal auditors joined our 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 2020, we were joined by the Group Financial Controller and Head of Financial Reporting to consider the accounting judgements and treatments that have been adopted for particular transactions; the Head of Technology, to update the Committee on the work the Company does to safeguard against cyber security issues; and the Head of Tax and the General Counsel to provide specialist tax, legal and regulatory updates.

COVID-19

As you would expect, the Committee spent a significant amount of time throughout the year considering the impact that the pandemic had on the internal control and risk management systems, the external and internal audit, the valuation process and the preparation of the financial statements.

This work included:

- receiving regular updates on whether there had been any changes to the internal control environment as a result of remote working and thereby obtaining confirmation that both internal controls and risk management processes continued to work effectively;
- considering the Financial Reporting Council's guidance on reporting during Covid-19;
- expanding the scope of the internal audits planned for 2020 on technology, treasury and property valuations and adding an audit on cyber security processes;
- understanding the impact remote working had on the external and internal audit work and valuation process and gaining assurance that the quality of the work had not been affected;
- additional updates to the Committee on cyber security matters;
- review of the detailed Covid-19 Risk Register and enhanced risk disclosures;
- specific consideration of the impact of Covid-19 on the going concern and viability processes; and
- closely monitoring, together with management and the external auditor, the progress on the preparation of the Half Year and Full Year Financial Statements to ensure the timetable for completion could be met with adequate time for review and discussion.

DISCHARGE OF RESPONSIBILITIES

It has been another successful year for the Company highlighted by the strong set of results you will have read about elsewhere in this Annual Report. Notwithstanding the challenges of the pandemic and the need for remote working, the quality of debate and challenge between the Committee, management and the internal and external audit teams, together with the comprehensive information provided to the Committee, has continued, which has assisted us in appropriately discharging our responsibility.

I would like to thank all those who have contributed to the Audit Committee this year for their exceptional efforts.

LOOKING AHEAD

As a Committee, we continue to follow closely the various reviews that are taking place on audit reform and will respond appropriately to any regulations, guidance or recommendations.

CAROL FAIRWEATHER
CHAIR OF THE AUDIT COMMITTEE

WHAT THE COMMITTEE DID IN 2020

The Committee has had responsibility for:

- considering the impact of Covid-19 on the preparation of the Financial Statements, with the majority of employees in the finance team and the auditors working from home during the Half Year and Full Year Financial Statements process;
- amending the scope of the internal audit plan to address Covid-19 specific risks;
- reviewing cyber security process and remote working environment and ensuring that the technology was sufficiently robust to deal with cyber issues and working remotely;
- reviewing and monitoring 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;
- assessing the objectivity and competence of the external valuer of the Group's property portfolio and gaining assurance around the valuation process;
- considering Brexit related risks as part of reviewing the risk process and the Risk Register;
- ensuring compliance with applicable accounting standards, monitoring developments in accounting regulations as they affect the Group and reviewing the appropriateness of accounting policies and practices in place;
- overseeing matters relating to tax and any potential impact tax matters may have on the integrity of the Financial Statements;
- monitoring the effectiveness of the Group's risk management systems and considering the adequacy of the process being undertaken to identify risks and mitigate the exposure of the Group to them;
- reviewing the adequacy of internal financial controls and broader internal control systems;
- examining the performance of the external and internal auditors, their objectivity, effectiveness and independence, as well as the terms of their engagement and scope of their audit and agreeing the annual internal audit plan;
- reviewing the Policy for Approval of Non-Audit fees;
- monitoring the ratio and level of audit to non-audit fees paid to the external auditor and agreeing their remuneration for the year;
- analysing and challenging the results of internal audit reviews and management's plans to resolve any actions arising from them;
- advising 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;
- ensuring the process followed to support the making of the going concern and viability statements remained robust and was correctly followed; and
- ensuring appropriate safeguards are in place for the detection of fraud and prevention of bribery. This extends to responsibility for overseeing and monitoring the Group's Anti-Bribery and Corruption policies and procedures contained in the Company's Code of Ethics.

FAIR, BALANCED AND UNDERSTANDABLE

The Board is required to confirm that they consider, taken as a whole, that the Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Each member of the team involved in the preparation of the Annual Report is reminded of the Code and its requirements.

The Committee reviewed the process that management had undertaken to make the statement and confirmed to the Board that the processes and controls around the preparation of the Annual Report are appropriate, robust and consistent.

The statement is made on page 148.

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 82, remains robust, in line with market practice and is correctly and properly followed. The Committee reviewed the process, including the additional scenarios and reverse stress tests performed to assess the impact of the pandemic 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 including extended scenarios in relation to the pandemic. The Committee confirmed to the Board that the recommendation was appropriate. The Board's statement is set out on page 67.

Audit Committee Report
continued

THE SIGNIFICANT JUDGEMENTS MADE BY THE COMMITTEE IN 2020

Significant matter	The action taken
Valuation of the property portfolio	
Valuation is central to the business performance and is a significant estimate for the Committee as it is inherently subjective, because the valuer must make assumptions and judgements in reaching its conclusions. This is a recurring risk for the Group as it is key to its IFRS profitability, balance sheet portfolio value, net asset value, total property return, and employee incentives. It also affects investment decisions and the implementation of the Company's Disciplined Capital Allocation policy. It is included on the Risk Register and the process risk map as a potential key business risk.	The Committee ensured that there was a robust process in place to satisfy itself that the valuation of the property portfolio by CBRE, a leading firm in the UK and Continental European property markets, was carried out appropriately and independently. Given the significance, the full Board met twice with CBRE to review, challenge, debate and consider the valuation process; understand any particular issues encountered in the valuation; and discuss the processes and methodologies used. The Chair of the Audit Committee also met separately with CBRE to discuss such matters which allowed the Committee to scrutinise the valuation process, to consider the impact of remote working on the process and ensure the valuer remained independent, objective and effective. 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.

Significant matter	The action taken
Accounting for significant acquisitions, disposals and transactions	
During the year, the Company made a number of property acquisitions and disposals and carried out other transactions, which were large and/or complex. Certain transactions were considered to be significant because of the level of materiality involved and/or any unusual terms or conditions or judgements, and because of the risks inherent in the accounting process, including when a transaction or revenue should be recognised, and what the appropriate accounting treatment should be. The accounting treatment of acquisitions, disposals and transactions themselves, is a recurring risk for the Group and is considered to be significant, since an inappropriate approach could cause a misstatement of the Group's financial position and/or results. The application of the accounting treatment for each particular transaction is judged on its own particular facts and circumstances.	The Committee considered the accounting treatment of key, complex transactions during 2020 including the accounting treatment applied to the equity placing, and acquisitions and disposals of various properties and the acquisition of the majority interest in Sofibus Patrimoine SA by reviewing and challenging management's papers on accounting treatments and judgements. Following a review of the accounting treatment for these significant transactions, in particular the point at which each transaction should be recognised, the Committee was satisfied that all relevant matters had been fully and adequately addressed and that the approach adopted by the Company was appropriate in each case, and in accordance with IFRS. The Committee challenged the application of accounting policy and internal controls relating to revenue recognition and reviewed reports from the external auditor and management. For further details of the accounting treatment applied to such significant transactions, see Note 1 of the Financial Statements.

VALUERS

The single most important judgement that the Committee and the Board has to make is the value of its portfolio. The Committee is assisted in reaching this judgement by its external valuers. CBRE are the Group's valuers and have valued the assets in the portfolio since 2012.

During the year, the Committee and the Board considered whether to reappoint CBRE when their current contract expires in 2021. In doing so, the Committee and the Board considered CBRE's independence, their internal protocols in terms of valuation rigour and their performance. The Committee noted that the fees paid by the Group to CBRE are significantly less than 5 per cent of CBRE's income, the level at which CBRE would start to consider whether the matter of their independence was in line with RICS professional guidance.

On the basis of the above considerations, the Committee and the Board reappointed CBRE for a further four years.

The Committee is aware of the RICS Independent Review into the Valuation of Property Assets for Investment Purposes. The Review will report in September 2021 and the Committee will monitor its progress and its findings once published.

EXTERNAL AUDITOR

The Committee has continued to enjoy a constructive working relationship with PricewaterhouseCoopers LLP (PwC). John Waters is the lead audit partner and this is his second year on the SEGRO audit. The Committee Chair has had video conference meetings and telephone calls with John or his colleagues to discuss matters as they arise throughout the year.

The Committee also regularly meets privately with John to discuss their work and PwC's observations on the Company. No areas of concern have been raised.

OVERSIGHT

PwC presented their audit plan for the year which the Committee considered and approved. PwC highlighted the key areas of risk, which were primarily identified as areas of judgement and complexity 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 similar review of the external auditor's report was undertaken by the Committee at the Half Year. As part of this review the Committee probed and challenged the work undertaken and the findings and the key assumptions made, with particular attention to the areas of audit risk identified.

EFFECTIVENESS

The Committee assesses the effectiveness of the external audit process on an annual basis, by reviewing a number of factors:

- performance in discharging the audit and Half Year review;
- independence and objectivity; and
- reappointment and remuneration.

Taking into account the views of management involved in the audit, the Committee was satisfied with the performance of PwC and recommended to the Board that it propose to shareholders that PwC should be reappointed for the 2021 financial year. The Company complies with the Competition and Market Authority Order 2014 relating to audit tendering and the provision of non-audit services. There are no contractual obligations which restrict the Committee's choice of external auditor or which put in place a minimum period for their tenure. The external audit was last tendered in 2015 following which the auditor changed in 2016 from Deloitte LLP to PwC, and so there are no current plans to re-tender the services of the external auditor.

REMUNERATION AND INDEPENDENCE

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 2020, fees for audit services amounted to £0.99 million and the non-audit fees amounted to £0.1 million.

The non-audit fee for 2020 equates to 12 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.

	2020	2019	2018
Audit fees (£m)	**0.99**	0.88	0.72
Non-audit fees (£m)	**0.10**	0.11	0.06
Ratio of non-audit fees to audit fees (%)	**10**	12	9

The Committee has concluded that PwC remains independent and objective, and that the level of non-audit to audit fees is acceptable for 2020. 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, 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 SEGRO. The fees are provided solely for information purposes. They do not form part of the audit fees for SEGRO.

POLICY FOR APPROVAL OF NON-AUDIT FEES

The Company's policy on non-audit services, which is available on our website, was updated during the year to reflect the Financial Reporting Council's Revised Ethical Standard 2019.

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 Chief Financial Officer or the Chair of the Committee. There must be an obvious and compelling reason why they should be appointed and there should be no threat to the independence of PwC. The impact on non-audit to audit fees must also be considered. All non-audit fees are reported to the Committee.

COMMITTEE EFFECTIVENESS

The review of the Committee's effectiveness was included as part of the internal Board evaluation process (see pages 112 and 113) and found the Committee to be performing effectively. In addition, the quality of the papers and presentations by management, coupled with the level of challenge by the Committee with management, PwC, KPMG and CBRE, and the quality of discussions held, gives the Committee further comfort and assurance that it is performing its role effectively.

Audit Committee Report
continued

RISK

Risk management is taken seriously by all at SEGRO. 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 72 to 75). 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 robust processes 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 a process 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, at both a granular level and a more horizon scanning style discussion. The Board assumes responsibility for the effective management of risk across the Group, determined by its risk appetite, as well as ensuring that each business area implements appropriate internal controls. The Committee reviews regularly the effectiveness of the risk management process on behalf of the Board and is satisfied that it remains robust for the financial year in question and up to the date of this Report.

INTERNAL AUDIT

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 reappointment in 2014 following a tender. During their tenure, there has been a number of rotations of lead partners and audit managers (including both during 2019) to ensure that a fresh perspective is given, and their independence and scrutiny are maintained.

Topics included in the internal audit plan for 2020 were selected based on a review of the Group's principal risks and the timing of previous internal audits. The proposed internal audit programme for 2020 was considered and approved by the Committee in December 2019, but amended during the year as a result of the pandemic. The scope of internal audits on Treasury, Technology and Property Valuations were expanded and an additional audit added on cyber security processes.

The Committee believes that both the process for determining the internal audit programme, and the programme itself, are appropriate and effective, particularly since, as demonstrated this year, there is scope for the Company to react to events, new information and situations which come to light during the year and include them if necessary.

Each internal audit during 2020 confirmed that no significant control issues were identified. However, a number of process and minor control improvement points were identified with follow up actions and timelines which were regularly monitored by the Committee.

Feedback on 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 also attends Committee meetings to present its report and the Committee also meets privately with him during the year. The Committee is satisfied that the internal audit function continues to perform effectively.

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.

The Committee has reviewed the adequacy and effectiveness of the Group's internal control systems regularly through various activities including:

- reviewing the effectiveness of the risk management process;
- reviewing and challenging management's self assessment of the internal controls framework;
- reviewing the work undertaken by the internal and external auditor, in relation to internal controls; and
- the regular reporting on any control or fraud-related whistleblowing issues.

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. 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 the 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.

FINANCIAL REPORTING PROCESS

The Group has 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. 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 subject to review by a local finance manager prior to being submitted to the Group Finance function. The results of each Business Unit are subject to further review by the Group Finance function. The results are then consolidated by Group Finance and are subject to various levels of review including by senior management.

The draft consolidated statements are reviewed by various individuals including those independent of the preparer. The review includes checking internal consistency, consistency with other statements, and consistency with internal accounting records. The Committee and the Board review the draft consolidated Financial Statements. The Committee receives Reports from management and the auditor on significant judgements, changes in accounting policies, and other relevant matters relating to the consolidated Financial Statements. The Financial Statements are also subject to external audit.

Directors' Remuneration Report
Letter from the Chair of the Remuneration Committee

CHRISTOPHER FISHER
CHAIR OF THE REMUNERATION COMMITTEE

COMMITTEE MEMBERS

Christopher Fisher (Chair)
Mary Barnard
Carol Fairweather
Martin Moore

KEY RESPONSIBILITIES

- Determine the remuneration policy for Executive Directors and the Leadership team and set the Chair's fees
- Ensure Executive remuneration is aligned to the Company's Purpose and Values and the delivery of its long-term strategy
- Oversee workforce remuneration and policies
- Consider individual remuneration outcomes for the Executive Directors

MEETINGS AND ATTENDANCE

- Three scheduled
- Two additional meetings
- 95% attendance*

* Mary Barnard was unable to attend one of the additional meetings

2020 HIGHLIGHTS

- Aligned Executive Directors' future pensions with the workforce
- Finalised the practical application of the post-cessation shareholding guidelines
- Reflected on the impact of the management restructuring on executive responsibilities and remuneration
- Agreed exit terms for Phil Redding including post-cessation shareholdings
- Considered the impact of Covid-19 on LTIP and Bonus awards in 2020

On behalf of the Board, I am pleased to present our Remuneration Report for 2020.

The role of the Remuneration Committee is to determine remuneration policies and practices which promote the long-term sustainable success of the Company and which are aligned with the Company's Purpose and Values and its strategy. The fundamental principles which underpin our Directors' Remuneration Policy (the Policy) remain:

- alignment with our strategy and the success of the business in the short and the long term;
- performance orientation;
- ease of understanding;
- consistency of application; and
- transparency to the executives, the workforce and shareholders.

Our 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 shareholders, and this is set out in the charts on pages 135 to 136.

COMPANY PERFORMANCE

See Remuneration at a glance on page 126 for a summary of the Group's key financial metrics which relate to remuneration.

In 2020, we delivered another year of strong operating and financial performance, as reviewed by David Sleath on pages 16 to 19.

The Company undertook an equity raise through a placing and a retail offer in June 2020. This provided the Company with additional capital to respond to an expected increase in occupier demand across the UK and Continental Europe by executing its development plans and acquiring new land and investments. Since the equity placing, the Company has made two major acquisitions: Electra Park in Canning Town, London and Sofibus Patrimoine SA, a French listed company. We have also completed 835,900 sq m of new developments during the year. Further information on these activities may be found in the Strategic Report.

Adjusted profit before tax is up 10.8 per cent to £296.5 million and adjusted earnings per share are up 4.1 per cent. Adjusted NAV per share has risen by 16.3 per cent to 814 pence. The balance sheet remains in good shape with a loan-to-value ratio of 22 per cent. The Board is recommending a final dividend of 15.2 pence per share, making the full year dividend 22.1 pence per share, an increase of 6.8 per cent.

TSR was 8.7 per cent versus the FTSE 350 Real Estate index of -16.6 per cent.

COVID-19

Executive remuneration is considered and balanced against the wider performance of the Company over the financial year, for short-term remuneration, and over the longer term for LTIPs. It is not considered in isolation. The pandemic has provided a number of challenges and SEGRO has continued to perform well as set out in the Strategic Report. The decisions which the Committee has made have been against the backdrop of the wider macroeconomic conditions in the UK and Continental Europe, taking into consideration market guidance and practice balanced against performance. SEGRO has not furloughed any employees during the pandemic and has not taken any Government funding, loans or subsidies in the UK or in any of the countries in which we operate. Dividend payments have continued to be made to shareholders, in line with our usual practice, and the share price at the year end was higher than at the start.

Given the Company's performance, and the returns for shareholders, the Committee considered it was entirely appropriate that the variable components of pay for the Executive Directors pay out in accordance with their respective performance conditions having been met. When approving these payments, the Committee considered whether or not they represented a fair reflection of the underlying performance of the business, and was satisfied that they did and that no overriding adjustment would have been appropriate.

REMUNERATION IN 2020

DIRECTORS' SALARY/FEE WAIVER

In April 2020, the SEGRO Centenary Fund was launched. It had originally been intended to be launched in May to coincide with the 100th anniversary of SEGRO's establishment. The plan is to use the funds to make a positive impact within communities in the UK and Continental Europe where we operate.

> The role of the Committee is to determine remuneration policies which promote the long-term sustainable success of the Company and which are aligned with the Company's Purpose and Values and its strategy.

Directors' Remuneration Report
continued

The majority of the first year's funding has been allocated to projects which provide emergency relief and will help address the longer-term impacts of the pandemic.

At the same time, all of the Board members waived an amount equal to 25 per cent of their salaries and fees for a three-month period.

The amount of salaries and fees waived by the Directors are excluded from the single total figure of remuneration tables on pages 128 and 142, as the amounts were not received by the Directors. The benefits which the Executive Directors received during the year, which are based on a percentage of base salary, continued to be calculated against the full contractual salary.

The Company donated an amount equivalent to the value of the salaries and fees waived by the Directors to the SEGRO Centenary Fund, which will help make a difference to those impacted by the pandemic.

The work of the Fund is discussed on page 43.

VARIABLE REMUNERATION

Taking account of our strong results and our continuing outperformance of the peer group over the year, the Committee has confirmed the following performance-related payments to the Executive Directors this year:

2020 ANNUAL BONUS

The annual Bonus payment will be 91.2 per cent of their maximum award (subject to the final TPR data being available) (see page 130). The performance targets for the Bonus have not been altered by the Committee. See Impact of Covid-19 on page 125.

2018 LTIP PERFORMANCE

Vesting is calculated by reference to two equally-weighted performance conditions. The awards will pay out 100 per cent (subject to the final TPR data being available) (see page 132). These awards are subject to a two-year post-vesting holding period. The net amount of shares will be held in a nominee account and subject to restrictions until 2023.

2020 LTIP AWARD

Each of the Executive Directors received an LTIP award in March 2020 with three equally-weighted performance conditions in line with the Policy. The performance targets for the award have not been altered by the Committee.

REMUNERATION IN 2021

We will continue to operate Executive Remuneration in line with the Policy.

SALARY REVIEWS

The Committee reviews the salaries of Executive Directors and takes into consideration the increases for all other employees as part of the process. This year, employees will receive salary increases of 1.5 per cent on average. Reflecting their performance and that of the business, we have approved salary increases of circa 1.5 per cent to all three Executive Directors to take effect from 1 April 2021. See page 127.

The Committee considered the impact of the management restructuring announced in January 2020 on executive responsibilities and remuneration following the departure of the Chief Investment Officer. His responsibilities were assumed by the other Executive Directors from the end of January 2020. Most notably, Soumen Das took on Strategy, Innovation and Investment, materially expanding his Chief Financial Officer responsibilities. The Committee has observed how Soumen Das has developed extremely well in his role as Chief Financial Officer since joining SEGRO. The Committee assessed and concluded that he has successfully assumed these additional responsibilities over the last 11 months and this now justified an adjustment to his salary. The Committee has checked this new salary against market comparisons and is satisfied that it is appropriate. In line with the authority within the Policy, the Committee awarded an increase of £24,905 (4.93 per cent of salary) from 1 January 2021 to Soumen Das. We consulted with a number of the Company's largest shareholders and those that responded were supportive of the Committee's approach.

2021 BONUS TARGETS

Targets for the annual Bonus are set at the beginning of the year. The measures of the Bonus for 2021 will remain as set out in the Policy and each component will continue to be equally weighted. The Committee agreed to one minor change to remove the threshold target for rent roll growth which had been introduced at a time when vacancy rates in the portfolio were much higher. With current low levels of vacancy, we decided that this was no longer appropriate as a gateway to this element of the Bonus as its maintenance could have had unintended consequences in current market conditions. The actual target for Bonus achievement continues to be based on a challenging level of rent roll growth.

2021 LTIP AWARDS

The Committee anticipates that it will make awards in March 2021 in line with the Policy. The performance measures, targets and their equal weighting will remain unchanged from those that have been operated for the previous two awards. The level of award will be determined at the time of grant but is expected to be 250 per cent of each Executive Director's salary. The Committee considers market practice and will review the Company's share price at the time of grant to ensure that any award is appropriate when compared with those made in 2020.

EXECUTIVE DIRECTORS' PENSIONS

As I reported last year, the Committee has been monitoring the direction of travel of alignment of Executive Directors' pensions with those of the workforce as set out in provision 38 of the Code.

The Policy, approved by shareholders in 2019, provides for any new Executive Director joining the Board to receive a pension benefit in line with the UK workforce.

Incumbent Executive Directors currently receive a pension entitlement equivalent to 20 per cent of base salary. David Sleath's pension entitlement has reduced from 30 per cent to 20 per cent over the past two years. Each of the Executive Directors has agreed to a reduction in their pension entitlement to the same level as the UK workforce rate of 12 per cent by 31 December 2022, recognising that this is a matter of importance to the Company's shareholders.

POST-CESSATION SHAREHOLDING POLICY

The guidelines were finalised during the year and have been applied this year. Executive Directors are required to retain the equivalent of the minimum of their shareholding policy (250 to 300 per cent of base salary) for a period of 24 months from ceasing to be a Director. There are mechanisms in place to ensure that retention of the shares is maintained throughout the whole timeframe. See page 139 for further information about how this has been applied following the departure of the Chief Investment Officer.

DEPARTURE OF THE CHIEF INVESTMENT OFFICER

As explained in last year's report, Phil Redding ceased to be a Director of SEGRO on 31 January 2020 and his employment ended three months later. As a good leaver under the incentive plans he has to wait until the deferred shares awarded to him under the

DSBP vest at the normal date. He also retains the time prorated (to the date he ceased to be employed) awards granted under the LTIP, subject to their three-year performance targets being met. He was not granted an LTIP award and received no Bonus in relation to 2020.

COMMITTEE COMPOSITION

There have been no changes to the composition of the Committee during the year, providing stable oversight of Executive Remuneration.

I will reach nine years' service on the Board of SEGRO in October 2021 and the Nomination Committee is considering succession plans for the role of Chair of the Committee.

LOOKING AHEAD

The key areas of focus for the Committee in 2021 will be:

- the three-yearly review of the Directors' Remuneration Policy, to ensure it remains appropriate and aligned with the purpose and strategy of the business for the period to which it will apply. The new policy will be presented to shareholders for approval at the Company's 2022 AGM;
- considering ways in which the ESG strategic review set out on pages 28 to 29 might be reflected in the remuneration framework, and in particular the integration of ESG measures into the annual Bonus and the LTIP schemes; and
- monitoring emerging trends in corporate governance.

CONCLUSION

Thank you for your support and engagement during the year. We always welcome feedback and hearing from our shareholders so if you have any questions about remuneration generally, or the contents of this Report, do please contact me at christopher.fisher@segro.com.

We were unable to hold a conventional AGM in 2020. However, we are making arrangements for an AGM in 2021 which will enable electronic attendance. My fellow Directors and I plan to attend the AGM and we would be pleased to answer any questions which you may have about the Committee's work.

CHRISTOPHER FISHER
CHAIR OF THE REMUNERATION COMMITTEE

WHAT THE COMMITTEE DID IN 2020

Key areas of focus for the Committee were:

- the approval of the Executive Directors' annual salary increases, the approval of the 2019 Bonus payments and the outturn of the 2016 and 2017 LTIP awards, along with the approval of the 2020 Bonus and 2020 LTIP targets;
- the approval of the 2020 SIP and GSIP awards and approval of the new targets for these schemes in 2020;
- a review of the Chair's fee;
- a review of workforce pay to ensure that it continues to be aligned with the structure of remuneration for the Executive Directors;
- noting the Group-wide all-employee 2020 salary review and the salary increases, Bonus and LTIP awards for the Leadership team;
- receiving a governance update from Korn Ferry on emerging themes and best practice;
- considering the remuneration arrangements on the termination of Phil Redding's employment;
- adjusting the salary of the Chief Financial Officer to reflect increased responsibilities arising from the departure of the Chief Investment Officer;
- Covid-19 and reviewing the impact on remuneration; and
- determining a reduction in Executive Director's future pension allowances.

IMPACT OF COVID-19

When the Committee finalised the awards in early 2020 relating to the 2019 financial year, the country was in the first few weeks of the pandemic. The Committee paused to re-appraise the decisions it had made around the award and vesting of LTIPs and the payment of the 2019 Bonus.

The financial performance measures had been achieved, and the outturns had been approved by the Committee in February 2020, as part of the year-end approval process. However, by mid March as the crisis unfolded, its severity was unknown and there was uncertainty around its impact on the business. This caused the Committee to pause and reflect on whether or not it was appropriate to proceed with these awards and payments or whether discretion should be exercised to scale back. The Committee took advice and reflected on the regular trading updates the Board was receiving from the Executive Directors, the Board's intention to pay the 2019 final dividend, and the fact that the Company was not seeking any government assistance.

The Committee concluded that the 2020 LTIP awards should be made in March 2020 as originally scheduled and that it was appropriate to proceed with the 2019 Bonus payment and LTIP vestings in April 2020 as approved.

Directors' Remuneration Report
Remuneration at a glance

GROUP PERFORMANCE METRICS

PORTFOLIO VALUE
£13.0bn
2019: £10.3bn

TOTAL DIVIDEND PER SHARE
22.1p
+6.8%

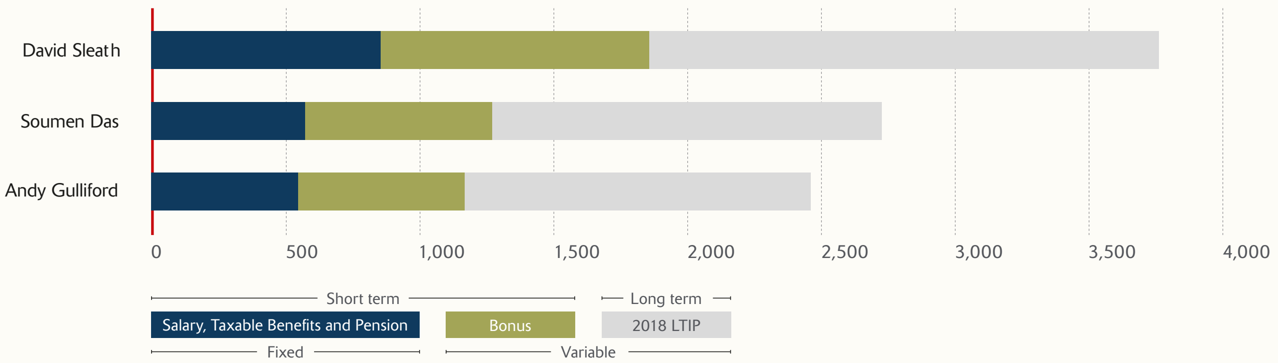
EPRA VACANCY RATE
3.9%
-0.1%

ADJUSTED EARNINGS PER SHARE
25.4p
+4.1%

ADJUSTED NAV PER SHARE
814p
+16.3%

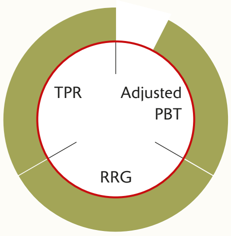
SEGRO Directors waived salaries and fees to the value of **£145,291** during the year, and the Company made a donation of equivalent value to the SEGRO Centenary Fund.

BREAKDOWN OF EXECUTIVE DIRECTORS' TOTAL REMUNERATION IN 2020



2020 BONUS PAYMENT

Adjusted PBT	73.5%
RRG	100%
TPR	100%



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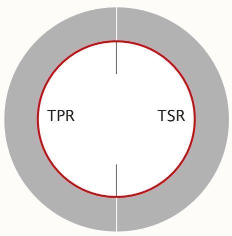
2018 LTIP AWARD PAYOUT

TPR	100%
TSR	100%



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CHIEF EXECUTIVE

£3,752k
2020 Single Figure

-2.2%
Salary increase received by the Chief Executive in 2020

1,076%
of salary held in SEGRO plc shares by Chief Executive
(Policy: 300%)

37:1
CEO Pay Ratio
(Median Pay Ratio)

WORKFORCE REMUNERATION

+6%
The average employee salary increase in 2020

£3,000
worth of free shares received by all eligible employees in 2020

100%
of eligible employees received a Bonus in 2020

84%
of employees participate in one or more all-employee share scheme

Directors' Remuneration Report
How we intend to apply the Policy for 2021

EXECUTIVE DIRECTORS

SALARY

From 1 April 2021, all Executive Directors will receive an increase to salary in line with the average employee increase:

	Base salary with effect from 1 April 2021
DAVID SLEATH	£723,500
SOUMEN DAS[1]	£538,000
ANDY GULLIFORD	£473,500

1 Soumen Das received a salary increase to £530,000 from 1 January 2021. See page 124.

Read more about our Remuneration Policy
see pages 144-145

BONUS

The maximum Bonus opportunity in 2021 is 150 per cent of salary as at 31 December 2021 and is subject to the following three equally-weighted performance conditions:

- Profit – Adjusted PBT against target
- Rent Roll Growth (RRG) against target
- Total Property Return (TPR) – Relative TPR against the MSCI benchmark

Any payments to be made under this Bonus would be payable in 2022.

50 per cent of the 2021 Bonus will be deferred into shares under the DSBP. The 2021 DSBP will vest in April 2025, on the third anniversary of the payment of the 2021 Bonus.

PENSION

All Executive Directors will receive cash in lieu of pension to the value of 20 per cent of their base salaries. This will reduce to 12 per cent by 31 December 2022.

LTIP AWARD

The 2021 LTIP award for Executive Directors will be subject to the following equally-weighted performance conditions:

Total Shareholder Return (TSR)	Total Property Return (TPR)	Total Accounting Return (TAR)
This benchmark is based on the weighted mean TSR of other FTSE 350 REITs.	This benchmark is based on the MSCI All Industrial Country benchmarks weighted to reflect the approximate geographical mix of the Group's portfolio.	This benchmark is based on the market capitalisation weighted TAR of other FTSE 350 REITs.
20 per cent of this element vests if the Company's TSR over the performance period is in line with benchmark TSR, rising on a straight-line basis to 100 per cent vesting if the benchmark is exceeded by 6 per cent per annum.	20 per cent of this element vests if the Company's TPR over the performance period is in line with the MSCI Benchmark, rising on a straight-line basis to 100 per cent if the MSCI Benchmark is exceeded by 1.5 per cent per annum.	20 per cent of this element vests if the Company's TAR over the performance period is in line with benchmark TAR, rising on a straight-line basis to 100 per cent vesting if the benchmark is exceeded by 2.5 per cent per annum.

These awards will be calculated as a percentage of Executive Directors' salaries as at 31 December 2020 and will be granted during 2021.

During the performance period, dividends will accrue on the gross number of LTIP shares which are released. The Committee will decide whether the payment will be made in cash or shares.

NON-EXECUTIVE DIRECTORS

FEES

Fees for the Chair and Non-Executive Directors are reviewed on an annual basis. The review of the fees paid to the Chair is within the remit of the Committee, whilst the review of Non-Executive Directors fees is a matter for the Board in the absence of the Non-Executive Directors.

With effect from 1 January 2021, the Chair received a base fee of £279,125 and the Non-Executive Directors received a base fee of £64,500, with an additional £16,100 per annum for chairing a Board Committee or for filling the role of the Senior Independent Director. This represents an increase of 1.5 per cent, in line with the average employee increase:

	Total fees with effect from 1 January 2021
GERALD CORBETT	£279,125
MARY BARNARD	£64,500
SUE CLAYTON	£64,500
CAROL FAIRWEATHER	£80,600
CHRISTOPHER FISHER	£80,600
MARTIN MOORE	£80,600

Directors' Remuneration Report
How we applied the Policy in 2020

EXECUTIVE DIRECTORS' SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED)

CHART 1: EXECUTIVE DIRECTORS' SINGLE TOTAL FIGURE OF REMUNERATION FOR 2020

	DAVID SLEATH		SOUMEN DAS		ANDY GULLIFORD		PHIL REDDING[1]		TOTAL	
	2020 (£000)	2019 (£000)	**2020 (£000)**	2019 (£000)	**2020 (£000)**	2019 (£000)	**2020 (£000)**	2019 (£000)	**2020 (£000)**	2019 (£000)
SALARY[5]	**663**	678	**470**	486	**434**	444	**38**	444	**1,605**	2,052
TAXABLE BENEFITS	**20**	20	**20**	20	**20**	20	**2**	20	**62**	80
PENSION BENEFITS	**150**	178	**100**	97	**93**	89	**8**	89	**351**	453
TOTAL FIXED	**833**	876	**590**	603	**547**	553	**48**	553	**2,018**	2,585
SINGLE YEAR VARIABLE[2] – BONUS, INCLUDING DSBP	**975**	1,038	**691**	736	**637**	679	**–**	679	**2,303**	3,132
MULTIPLE YEAR VARIABLE[2,3,4] – LTIP	**1,940**	4,693	**1,442**	3,774	**1,270**	3,072	**–**	3,072	**4,652**	14,611
OTHER – SIP AND SHARESAVE	**4**	4	**4**	4	**4**	4	**3**	4	**15**	16
TOTAL VARIABLE	**2,919**	5,735	**2,137**	4,514	**1,911**	3,755	**3**	3,755	**6,970**	17,759
TOTAL	**3,752**	6,611	**2,727**	5,117	**2,458**	4,308	**51**	4,308	**8,988**	20,344

1 Phil Redding stepped down from the Board with effect from 31 January 2020.
2 The Single Year Variable and Multiple Year Variable figures for 2019 have been updated since the 2019 Annual Reports as some values were estimated. For further information, see pages 131 and 133 respectively.
3 As explained further on pages 104 and 105 of the 2019 Annual Report, the 2019 Multiple Year Variable figure comprises the 2016 and 2017 LTIP Awards which both vested in 2020.
4. For further information on the 2020 Multiple Year Variable figure and share price appreciation on the 2018 LTIP Award, see Chart 7 on page 132.
5. Between May 2020 and July 2020, all Directors waived 25 per cent of their salary for three months. Actual salaries reported reflect this waiver.

CASE STUDY: SEGRO CENTENARY FUND

As you will have read on page 43, in April 2020 we brought forward the launch of the SEGRO Centenary Fund, providing much needed support for those in our local communities who have been hardest hit by the pandemic.

All SEGRO Directors waived 25 per cent of their salaries and fees for three months during the year, and the Company made a donation equivalent to this amount, totalling £145,291, to the SEGRO Centenary Fund.

Read more about our Centenary Fund
see page 43

SEGRO
CENTENARY FUND

SALARY (AUDITED)

CHART 2: SALARY

	Base salary as at 1 April 2020
DAVID SLEATH	£712,760
SOUMEN DAS	£505,095
ANDY GULLIFORD	£466,108

TAXABLE BENEFITS (AUDITED)

Taxable benefits include private medical healthcare, plus a cash allowance in lieu of a company car.

Executive Directors are entitled to life assurance which is not a taxable benefit.

PENSION BENEFITS (AUDITED)

Each of the Executive Directors received cash in lieu of pension as detailed in Chart 1.

In April 2019, the Chief Executive's cash in lieu of pension entitlement was reduced from 30 per cent of base salary to 25 per cent, and in April 2020 was further reduced to 20 per cent of base salary. The other Executive Directors received a cash allowance of 20 per cent of base salary.

As detailed in the Chair's letter on page 124, the cash allowances for all existing Executive Directors will reduce to 12 per cent by 31 December 2022 and newly appointed Executive Directors will receive a pension or cash allowance in line with the UK workforce.

CHART 3: DEFINED BENEFIT SCHEME

	Defined benefit pension accrued as at 31.12.2020	Normal retirement age
ANDY GULLIFORD	£46,616	62

Andy Gulliford ceased contributions to the SEGRO Pension Scheme on 31 March 2016. Chart 3 above details the defined benefit pension accrued as at 31 December 2020.

There are no contractual arrangements that would guarantee a pension with limited or no abatement on severance or early retirement.

Directors' Remuneration Report
continued

SINGLE YEAR VARIABLE – BONUS, INCLUDING DSBP (AUDITED)

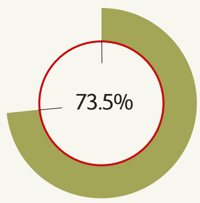
The Bonus is paid 50 per cent in cash with the remainder awarded as shares under the DSBP. Shares will vest in three years subject to continued employment or good leaver status.

2020 BONUS

The 2020 Bonus comprised three equally-weighted components: Adjusted Profit Before Tax (PBT); rent roll growth (RRG); and relative TPR, each accounting for one third of Executive Directors' Bonus.

The 2020 Bonus payment will be 91.2 per cent of the maximum award (subject to the final TPR data being available).

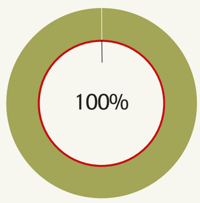
CHART 4i: PROFIT – ADJUSTED PBT AGAINST TARGET



For this element, a Bonus is earned for Adjusted PBT performance against target. 50 per cent is earned on achieving the threshold target (£293.8 million for 2020), rising to 100 per cent for achieving the maximum target (£315.9 million for 2020).

73.5 per cent of this element was achieved in 2020, with Adjusted PBT performance for Bonus purposes of £302.5 million.

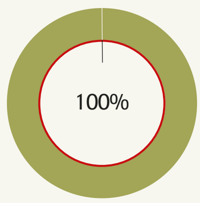
CHART 4ii: RENT ROLL GROWTH (RRG) AGAINST TARGET



For this element, a Bonus is earned if the rent roll growth from the existing standing stock is positive (the threshold). Once the threshold is achieved, the Bonus is determined based on total RRG (existing standing stock plus the impact of development RRG), with a sliding pay-out scale rising from 0 per cent for flat total RRG through to 100 per cent for achieving the maximum increase (£53.2 million in 2020).

In 2020, RRG from standing stock was positive, thus ensuring the threshold was achieved. Total RRG including the contribution from developments was £60.0 million for Bonus purposes and, accordingly, 100 per cent of this element was achieved.

CHART 4iii: TPR – RELATIVE TPR AGAINST THE MSCI BENCHMARK



For this element, a Bonus is earned if the Company's TPR is in line with the TPR of a comparable externally calculated Benchmark, rising on a straight-line basis to 100 per cent when the Company's TPR exceeds the Benchmark by 1.5 per cent. The Company's TPR performance excludes land. The Benchmark is calculated by MSCI based on All Industrial Country benchmarks weighted to reflect the approximate mix of the Company's portfolio.

The actual TPR performance for the Company's assets for Bonus purposes in 2020 was 15.4 per cent, being 14.3 per cent for the UK and 17.2 per cent for Continental Europe. At the date of this report the MSCI Benchmark was only available for the UK, at 9.4 per cent.

On the basis of the performance of the Company's assets against the MSCI TPR Benchmark as noted above, and for the purposes of this Report, the Committee has estimated that 100 per cent of the overall TPR will be achieved for 2020 Bonus payments. The TPR figures stated above are different to those stated in the KPIs on page 50, which relate to standing investments only.

Payment of the TPR element will be deferred potentially until Summer 2021, when the European MSCI Benchmarks become available. Accordingly, the actual payment made under the TPR element of the 2020 Bonus, together with the deferral under the DSBP, may differ from the amount disclosed in this Report.

The performance period for the for Adjusted PBT and RRG start from 1 January. The outturns were calculated using a consistent exchange rate and also include adjustments for specific items (including acquisitions and disposals made during the year) in accordance with the Bonus scheme rules as approved by the Committee.

The Adjusted PBT and RRG element of the 2020 Bonus are expected be paid in April 2021, less a 50 per cent deferral for the DSBP.

The DSBP award will be made once the European MSCI Benchmarks become available and final Bonus figures can be calculated.

Bonus payments are calculated as a percentage of Executive Directors' salaries as at 31 December of the previous year.

As explained on page 123, the Committee assessed the underlying performance of the business and concluded that no discretion should be exercised in respect of the 2020 Bonus.

The vesting of the 2020 DSBP will be in April 2024, the third anniversary of the payment of the Adjusted PBT and RRG element of the 2020 Bonus. Details of the DSBP awards granted to Executive Directors are set out in Chart 14 on page 140.

UPDATED 2019 BONUS (ESTIMATED IN 2019 ANNUAL REPORT)

As previously reported on page 102 of the 2019 Annual Report, 100 per cent of the Adjusted PBT and RRG elements were achieved for the 2019 Bonus and it was estimated that 49 per cent of the TPR element would be achieved.

The MSCI TPR Benchmark has since been confirmed at 9.4 per cent, whilst the Company's TPR was 12.6 per cent. The Company's outperformance of the Benchmark by 320 basis points per cent resulted in 100 per cent of the TPR element being achieved and the 2019 Bonus figure in Chart 1 has been re-presented to reflect this.

The 2019 Bonus was paid and shares were awarded under the DSBP on 28 April 2020.

CHART 5i: BONUS PAYMENT 2019 – ESTIMATED

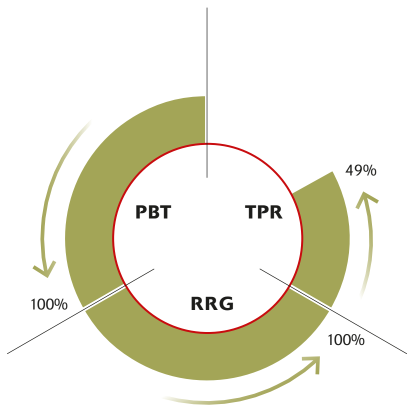
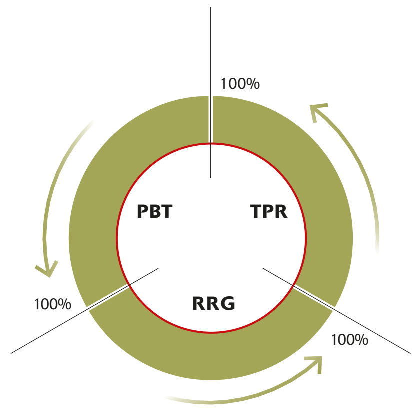


CHART 5ii: BONUS PAYMENT 2019 – ACTUAL



Directors' Remuneration Report
continued

MULTIPLE YEAR VARIABLE – LTIP (AUDITED)

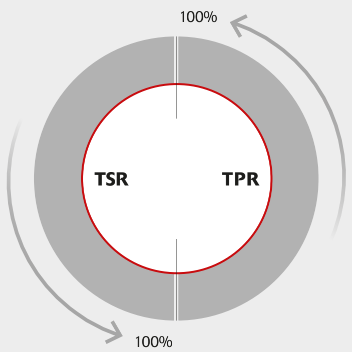
LTIP awards are subject to a three-year performance period and a compulsory two-year post-vesting holding period for Executive Directors.

LTIP VESTING IN 2021

The 2018 LTIP Award will vest on 26 April 2021, subject to relative TSR and TPR over the three-year performance period to 31 December 2020.

The 2018 LTIP Award will pay out 100 per cent (subject to the final TPR data being available).

CHART 6: 2018 LTIP



The Company's TSR over the performance period was 81.8 per cent and the benchmark TSR was -18.7 per cent. The Company's TSR target is 5 per cent per annum above the benchmark, which equates to TSR of -5.9 per cent for this element to fully vest.

The Company's TSR outperformance of +5 per cent per annum compared with the benchmark will lead to 100 per cent of the TSR element vesting for this award.

The estimated TPR calculation is based on the Company's actual annualised TPR between 2018 and 2020 of 14.9 per cent and an estimated MSCI Benchmark over the same period of 12.4 per cent.

On this basis, the Company's three-year TPR to 31 December 2020 has exceeded the estimated MSCI Benchmark by more than 1.5 per cent which would lead to 100 per cent of the TPR element vesting.

Vesting of the TPR element of the 2018 LTIP will be deferred potentially until Summer 2021, when the European MSCI Benchmarks become available. Accordingly, the actual number of shares which will vest may differ from the amount disclosed in Chart 1 of this 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 123, 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 2018 LTIP.

Once vested, the shares released under the 2018 LTIP will be subject to a further two-year post-vesting holding period. The Executive Directors will be the beneficial owners of the shares and will be entitled to any dividend payments and have voting rights at any general meeting of the Company during the holding period, however, during this time, they will not be able to sell or transfer these shares. The Company has measures in place to prevent these shares from being sold or transferred until they are free of the restrictions.

CHART 7: 2018 LTIP AWARD

	Share price on award (pence)	Percentage of salary awarded (%)	Number of shares vesting	Percentage of award vesting (%)	Estimated share price on vesting (pence)[1]	Estimated share price appreciation (pence)	Estimated share price appreciation (%)	Value in Chart 1 attributable to share price appreciation (£)	Dividend (pence per share)[2]	Total dividend on vesting shares (Gross[3]) (£)
DAVID SLEATH	628.8	200	196,892	100	923.9	295.1	46.9	581,028	61.6	121,285
SOUMEN DAS	628.8	200	146,310	100	923.9	295.1	46.9	431,761	61.6	90,127
ANDY GULLIFORD	628.8	200	128,913	100	923.9	295.1	46.9	380,422	61.6	79,410

1 The vesting share price has been estimated as the three-month average share price ending 31 December 2020.
2 The figure in Chart 1 includes a cash value of 61.6 pence per share, equivalent to the dividends that the Executive Directors would have received on the 2018 LTIP shares from the award date.
3 This amount is subject to Income Tax and National Insurance Contributions.

UPDATED LTIP VESTING IN 2020 (ESTIMATED IN 2019 ANNUAL REPORT)

In 2017, shareholders approved the reduction of the performance period for LTIP awards from four years to three years, with the addition of a two-year post-vesting holding period for Executive Directors.

As a result, both the 2016 and 2017 LTIP Awards vested on 28 April 2020, subject to the TSR and TPR performance conditions over the three- and four-year performance periods to 31 December 2019. As previously reported, 100 per cent of the TSR element vested for both awards.

The 2019 Directors' Remuneration Report estimated that the TPR element for both awards would vest at 100 per cent.

- In respect of the 2016 LTIP, the Company's actual TPR over the four-year performance period was 14.8 per cent and the benchmark was 12.2 per cent.
- In respect of the 2017 LTIP, the Company's actual TPR over the three-year performance period was 16.5 per cent and the benchmark was 13.9 per cent.

The Company's outperformance of 2.3 per cent for each led to 100 per cent of the TPR element vesting for both awards.

Overall, this resulted in a total payout of 100 per cent for the 2016 and 2017 LTIP Awards as estimated. In the 2019 Annual Report the estimated vesting share price for the 2016 and 2017 LTIP Awards was 850.29 pence, and the figure in Chart 1 has been re-presented to reflect the actual vesting share price of 814.32 pence.

OTHER – SIP AND SHARESAVE (AUDITED)

The 'other' figure in Chart 1 comprises SIP and Sharesave:

SHARE INCENTIVE PLAN (SIP)	SHARESAVE (SAYE)
This is calculated as the number of shares awarded multiplied by the share price as at the grant date.	This is the discount used to calculate the Option Price, multiplied by the Executive Directors' annual savings.
During the year, SIP awards of £3,000 were made to eligible UK employees and Global Share Incentive Plan (GSIP) awards of £3,000 were made to eligible employees based outside of the UK. The number of shares awarded was calculated using a share price of 811.40 pence, based on the five-day average share price prior to the date of award. All eligible employees, including the Executive Directors, received 369 shares in respect of the 2020 SIP and GSIP.	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 2020 SAYE was 616.48 pence.

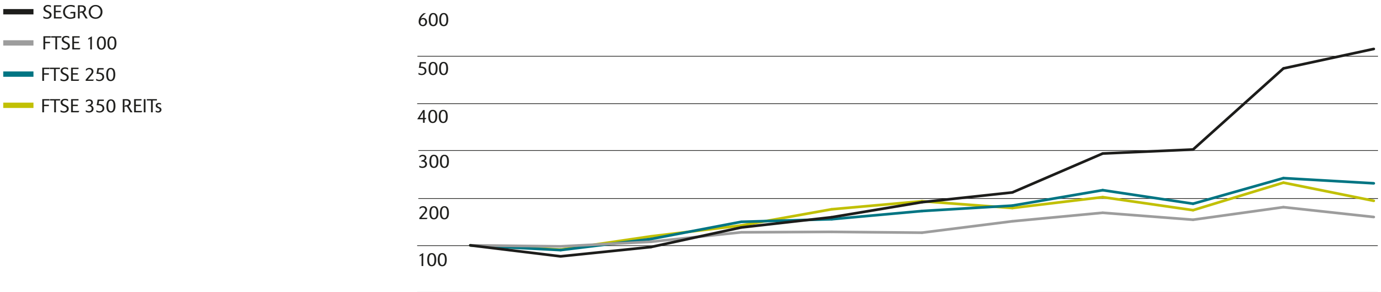
Directors' Remuneration Report
continued

CHIEF EXECUTIVE

Chart 8 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 8: COMPOSITE 10-YEAR TSR CHART AND 10-YEAR CHIEF EXECUTIVE SINGLE TOTAL FIGURE OF REMUNERATION

Year: 2011[1] 2012 2013 2014 2015 2016 2017 2018 2019 **2020**



Year		2011[1]	2012	2013	2014	2015	2016	2017	2018	2019	**2020**
Chief Executive single figure of remuneration (£000)	**DAVID SLEATH**	860	1,194	1,370	2,043	2,388	3,788	4,125	3,947	6,611[2]	**3,752**
	IAN COULL	411	–	–	–	–	–	–	–	–	**–**
Short-term incentive payout against maximum opportunity (%)	**DAVID SLEATH**	100.0	56.7	75.4	66.7	100.0	99.2	100.0	94.3	100.0	**91.2**
	IAN COULL	100.0	–	–	–	–	–	–	–	–	**–**
Long-term incentive payout against maximum opportunity (%)	**DAVID SLEATH**	19.1	21.6	0.0	42.9	42.3	100.0	100.0	100.0	100.0	**100.0**
	IAN COULL	26.0	–	–	–	–	–	–	–	–	**–**

1 On 28 April 2011, David Sleath was appointed as Chief Executive and Ian Coull retired from this role. The values shown above have been pro-rated accordingly.

2 This figure has been updated since the 2019 Annual Report as some values were estimated. For further information see Chart 1. As explained further on pages 104 and 105 of the 2019 Annual Report, the 2019 figure comprises the 2016 and 2017 LTIP Awards which both vested in 2020.

CEO PAY RATIO

The table below shows how CEO pay compares to employees at the lower, median and upper quartiles. The ratios have been calculated in accordance with Option A of the The Companies (Miscellaneous Reporting) Regulations 2018, though the disclosure is made here on a voluntary basis as SEGRO falls below the qualifying threshold of 250 UK employees as determined by the Regulations.

CHART 9: CEO PAY RATIO

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020	**A**	**64:1**	**37:1**	**23:1**
2019	A	111:1	70:1	40:1
2018	A	65:1	41:1	24:1

The Chief Executive's single total figure of remuneration for 2020, detailed further in Chart 1, has been used for the purposes of this calculation.

As detailed on page 107 of the 2019 Annual Report, the above average increase to the 2019 CEO Pay Ratio was largely attributable to the vesting of both the 2016 and 2017 LTIP Awards in 2020, which was an exceptional event with a subsequent one-off impact. The 2020 CEO Pay Ratio comprises the 2018 LTIP Award only, which will vest in 2021, and reflects an improvement on the 2018 CEO Pay Ratio, which is more indicative of a normal year.

The Chief Executive registered a decrease in his single total figure of remuneration for 2020 of 43 per cent, due to the return to a single LTIP vesting and the waiver of 25 per cent of salary for three months during the year, whilst, as detailed in Chart 11, the average per employee remuneration has increased.

SEGRO's median CEO Pay Ratio remains below the FTSE 100 2019 average of 73.1 (source: CIPD).

CHART 10: RELATIVE IMPORTANCE OF SPEND ON PAY

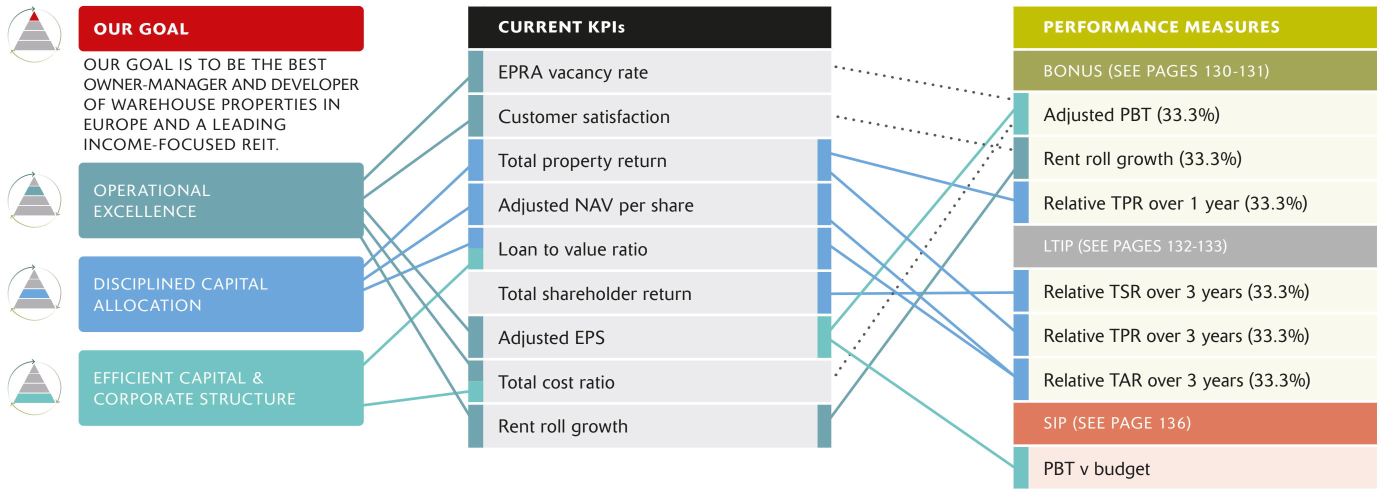
	2020 (£m)	2019 (£m)	Increase (%)
Total dividend pay	**240.1**	212.6	13
Total employee expenditure	**46.7**	44.7	4

REMUNERATION AND STRATEGY

Variable remuneration is aligned with KPIs on pages 50 and 51 that measure performance against our strategy, as set out below:

OUR GOAL AND STRATEGIC PILLARS

HOW OUR PERFORMANCE MEASURES ALIGN TO OUR STRATEGY



All of the above performance measures are integrated directly into both Executive Directors' and employees' remuneration. See page 136 for a comparison of Executive Director and employee remuneration components.

TOTAL PROPERTY RETURN PERFORMANCE MEASURE

Shareholders have asked us why we use the same measure, TPR, in both the Bonus and the LTIP. The Committee believes that TPR is one of the best metrics for measuring performance as the Executives are being measured against the relative performance of our portfolio against industry benchmarks. So, for example, in the property cycle, where asset values rise in our sector, for executives to be rewarded they cannot just rely on market uplift but must also ensure that our portfolio is outperforming.

Having established that TPR is such an important measure, it was included in the Bonus scheme to ensure that everyday decisions about the portfolio were being taken with this in mind. The LTIP scheme, by definition, measures performance over a longer period and so in using TPR here, it acts as a balance to the Bonus scheme making sure that decisions are made for the long term and not just for short-term benefit.

The TPR measures used for the Bonus and LTIP reflect the different award periods of one and three years, and so identical data is not used twice.

Directors' Remuneration Report
continued

WORKFORCE REMUNERATION

ALL EMPLOYEES		EXECUTIVE DIRECTORS
Increases approved by the Remuneration Committee	SALARY	Pay rise in line with employee pay
All employees are eligible for a bonus Targets: TPR, RRG, Profit, Personal performance	BONUS	Maximum 150% Targets: TPR, RRG, Profit
Leadership team 25% Deferred for 3 years	DEFERRED SHARE BONUS PLAN	50% Deferred for 3 years
Leadership team and senior managers 3-year performance period, No holding period Targets: TSR, TPR, TAR	LONG TERM INCENTIVE PLAN	Maximum 250% 3-year performance period, 2-year holding period Targets: TSR, TPR, TAR
(UK) 12% matched contribution	PENSION BENEFIT	20% cash, reducing to 12% by 31 December 2022
Maximum £3,600 Minimum 3-year hold	SHARE INCENTIVE PLAN	Maximum £3,600 Minimum 3-year hold
(UK) £500/month 3-year savings period	SHARESAVE	£500/month 3-year savings period

CASE STUDY: EMPLOYEE SHARE OWNERSHIP

SEGRO is proud to operate two types of all-employees share scheme. 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. In 2020, the targets for the SIP and GSIP were updated to include both a financial and non-financial element. In order to achieve the maximum payout in respect of the 2020 awards, PBT needed to exceed budget by 102 per cent and we needed to reduce printed paper usage in our offices by 50 per cent compared with 2019. We are pleased that we achieved the targets, and all eligible employees will be awarded £3,600 worth of SEGRO shares in May 2021.
- 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.

84%
of SEGRO employees participate in one or more all-employee share scheme, as at 31 December 2020.

In May 2020, all eligible employees received the maximum award of
£3,000[1]
worth of SEGRO shares through the SIP or GSIP.

70%
of UK employees participate in Sharesave, saving on average
£347 each month.

As at 31 December 2020, there were
5.8 million
SEGRO shares under award in employee share schemes, representing
0.49%
of our issued share capital.

1 The maximum amount available for the 2020 SIP and GSIP awards was £3,000. This has been increased to £3,600 for awards to be made in 2021 onwards.

CHART 11: PERCENTAGE CHANGE IN DIRECTORS' REMUNERATION COMPARED TO AVERAGE EMPLOYEE

		EXECUTIVE DIRECTORS (% change)			NON-EXECUTIVE DIRECTORS[6] (% change)					
	AVERAGE PER EMPLOYEE[2] (% change)	DAVID SLEATH	SOUMEN DAS	ANDY GULLIFORD	GERALD CORBETT[3]	MARY BARNARD[4]	SUE CLAYTON	CAROL FAIRWEATHER[5]	CHRISTOPHER FISHER	MARTIN MOORE
Salary/Fees[1]	6	-2.2	-3.4	-2.3	3.1	-0.6	-0.6	-0.6	-0.6	-0.6
Taxable Benefits	2	0	0	0	–	–	–	–	–	–
Annual variable pay	-2	-6.1	-6.1	-6.1	–	–	–	–	–	–

1 Between May 2020 and July 2020, all Directors waived 25 per cent of their salaries and fees for three months. Actual salaries reported reflect this waiver.
2 The Executive Directors are employed by SEGRO plc and all other UK employees are employed by SEGRO Administration Limited, which is a subsidiary of SEGRO plc. The average per employee figure is based on UK employees who have been continually employed for the entirety of 2019 and 2020 and entitled to receive annual variable payment. UK employees represent approximately 55 per cent of the workforce.
3 The fee increase for Gerald Corbett reflects the period between 2016 and 2020 and represents a three per cent increase per annum, which is aligned with the annual average all-employee increase over the same period.
4 Mary Barnard was appointed as a Director on 1 March 2019 and her fees have been annualised.
5 Carol Fairweather was appointed as Chair of the Audit Committee on 18 April 2019, and the increase in her fees to reflect the additional responsibilities of this position have been annualised.
6 Non-Executive Directors do not receive any taxable benefits and do not participate in the Bonus scheme.

STAKEHOLDER ENGAGEMENT

The Committee has three primary stakeholders:

SHAREHOLDERS

The Chair is committed to ensuring that there is always an open dialogue with our shareholders. The Committee values shareholder engagement and the Chair is available should shareholders wish to discuss the Company's approach to remuneration or share their views on current practice or emerging issues.

DIRECTORS

After each meeting of the Remuneration Committee, the Chair reports to the Board on any significant decisions which will impact on the Company generally or on the principles of remuneration for the Directors.

The Committee is conscious that the remuneration environment continues to change and, this year, the Chair has committed to increasing his efforts to make sure that the Executive Directors in particular are kept up to date with the evolving trends.

THE COMPANY'S WORKFORCE

The Committee's remit includes considering the remuneration framework for the workforce and monitoring the remuneration arrangements for the Executive Committee. It ensures that workforce remuneration is structured to reward everyone fairly and, in a year of strong Company performance, to ensure that everyone shares in its success. The reward framework for the workforce is based on the Policy and mirrors the structure which applies to the Executive Directors as shown opposite.

The Company offers all-employee share schemes to encourage employee share ownership as described opposite.

Each year, when considering pay increases, Bonus awards and targets for the Executives, the Committee receives a report from the Group HR Director on remuneration for every member of the Leadership team and a more general report on pay across the Group.

To ensure that all employees are kept up to date with Company performance and informed about the impact this has on their variable remuneration, the Executive Directors hold quarterly briefings where they deliver updates and communicate outturns for Bonus, SIP/GSIP awards and LTIP vestings to all employees. At these briefings, employees have the opportunity to ask questions on any topic. During 2020, these briefings were delivered remotely.

Further details on workforce engagement can be found on page 104.

Directors' Remuneration Report
continued

EXECUTIVE DIRECTORS' SHAREHOLDINGS (AUDITED)

CHART 12: EXECUTIVE DIRECTORS' OVERALL INTEREST IN SHARES

	Beneficial interests[1] (including SIP shares) as at 01.01.2020	Beneficial interests[1] (including SIP shares) as at 31.12.2020	Subject to deferral under DSBP	Subject to achievement of performance conditions under LTIP	Options outstanding under Sharesave	Total overall interest in shares as at 31.12.2020	Shares which contribute to shareholding guidelines as at 31.12.2020[2]	Value of shares which contribute to shareholding guidelines as at 31.12.2020[3] (£)
DAVID SLEATH	692,293	701,796	195,850	647,449	2,919	1,548,014	809,514	7,670,950
SOUMEN DAS	145,581	299,220	143,358	473,543	2,919	919,040	378,067	3,582,562
ANDY GULLIFORD	511,647	624,138	128,180	423,737	3,267	1,179,322	694,637	6,582,380
PHIL REDDING[4]	374,932	374,932	134,134	629,499	3,616	1,142,181	446,023	4,061,486

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 2020 and 18 February 2021, there were no changes in respect of the Executive Directors' shareholdings. The Trustees of the SIP held a non-beneficial interest in 454,256 shares as at 1 January 2020 and 457,337 shares as at 31 December 2020 (2019: 454,256). The Trustees of the SEGRO plc Employees' Benefit Trust held 345,210 shares as at 1 January 2020 and 75,820 shares as at 31 December 2020 (2019: 345,210). There was no change in the holdings of either Trust between 31 December 2020 and 18 February 2021. 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) and shares subject to deferral under DSBP, 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 947.6 pence, as at 31 December 2020.

4 Phil Redding's holdings are shown as at 31 January 2020, which is the date he stepped down from the Board. The value of his holdings is calculated using a share price of 910.6 pence, as at 31 January 2020. He left the Company on 30 April 2020 and his LTIP and Sharesave awards were pro-rated in accordance with the scheme rules.

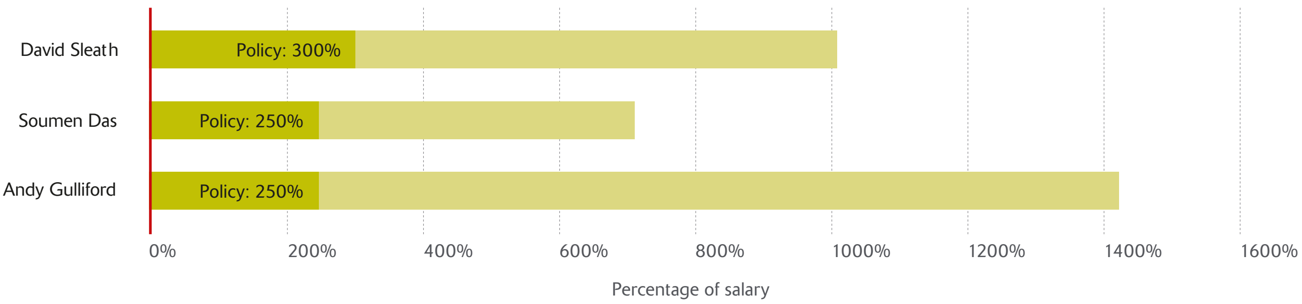
POLICY ON SHAREHOLDING GUIDELINES

The Chief Executive is expected to build a shareholding in the Company equivalent to 300 per cent of the value of his base salary which is calculated each year by reference to the share price as at 31 December. The other Executive Directors are expected to hold shares equivalent to 250 per cent of their base salaries.

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.

The shareholding guidelines have been updated to 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: EXECUTIVE DIRECTORS' SHAREHOLDING AND SHAREHOLDING REQUIREMENTS



Value of shares calculated using a share price of 947.6 pence, as at 31 December 2020.

POST-CESSATION SHAREHOLDING REQUIREMENTS: PHIL REDDING

Phil Redding stepped down from the Board with effect from 31 January 2020. He is required to hold shares equivalent to 250 per cent of his salary until 31 January 2022, calculated by reference to his salary and the share price on 31 January 2020.

Shares which qualify towards the shareholding requirement comprise:

- beneficial holdings;
- LTIP awards which have vested, and are subject to a two-year post-vesting holding period; and
- unvested shares in the DSBP, net of income tax and National Insurance.

We have arranged for the 2017 LTIP shares, which vested in 2020 and are subject to a two-year post-vesting holding period, to be held in a Global Nominee administered by Equiniti Limited, who provide Registrar and share scheme services to the Company. A restriction has been placed on these shares, preventing them from being sold or transferred until the post-vesting holding period has expired. During this holding period, Phil Redding is the beneficial owner of these shares and is entitled to any dividend payments and to vote at any general meeting.

Phil Redding confirmed in writing in February 2021 that he continues to comply with his post-cessation shareholding requirements as summarised below:

Salary (£)	Post-cessation shareholding requirement (250% of salary) (£)	Share price as at 31 January 2020 (pence)	Number of shares required to satisfy post-cessation shareholding requirements	Shares held which contribute to post-cessation shareholding requirements			Post-cessation shareholding requirements met
				Details	Gross	Net	
				2017 DSBP	45,779	24,263	
452,532	1,131,330	910.60	124,240	2018 DSBP	41,072	21,768	
				2019 DSBP	41,329	21,904	✔
				Global Nominee[1]	–	84,606	
				TOTAL		152,541	

1 The 2017 LTIP award vested in 2020, and is subject to a two-year post-vesting holding period during which time the shares are held in the Global Nominee and cannot be sold or transferred.

Directors' Remuneration Report
continued

EXECUTIVE DIRECTORS' SHARE SCHEME HOLDINGS (AUDITED)

CHART 14: DSBP AWARDS OUTSTANDING

		Date of Grant	No. of shares under award 01.01.20	No. of shares over which awards were granted during the year[1]	Share price on grant (pence)[2]	Face value of award made in 2020 (£)	No. of shares released during the year	Share price on date of release (pence)	No. of shares under award 31.12.20	End of holding period
DAVID SLEATH	2016 DSBP	28.06.17	90,271	–	495.5	–	90,271	821.2	–	28.04.20
	2017 DSBP	28.06.18	69,920	–	664.0	–	–	–	69,920	28.04.21
	2018 DSBP	28.06.19	62,730	–	718.6	–	–	–	62,730	28.04.22
	2019 DSBP[3]	28.04.20	–	63,200	821.2	518,998	–	–	63,200	28.04.23
TOTAL			**222,921**						**195,850**	
SOUMEN DAS	2016 DSBP	28.06.17	14,474	–	495.5	–	14,474	821.2	–	28.04.20
	2017 DSBP	28.06.18	51,957	–	664.0	–	–	–	51,957	28.04.21
	2018 DSBP	28.06.19	46,615	–	718.6	–	–	–	46,615	28.04.22
	2019 DSBP[3]	28.04.20	–	44,786	821.2	367,783	–	–	44,786	28.04.23
TOTAL			**113,046**						**143,358**	
ANDY GULLIFORD	2016 DSBP	28.06.17	47,283	–	495.5	–	47,283	821.2	–	28.04.20
	2017 DSBP	28.06.18	45,779	–	664.0	–	–	–	45,779	28.04.21
	2018 DSBP	28.06.19	41,072	–	718.6	–	–	–	41,072	28.04.22
	2019 DSBP[3]	28.04.20	–	41,329	821.2	339,394	–	–	41,329	28.04.23
TOTAL			**134,134**						**128,180**	

1 Awards are granted in the form of a provisional allocation of shares.
2 The share price on grant is based on the share price for the day before the award.
3 Executive Directors were awarded 150 per cent of salary in respect of the 2019 Bonus, 50 per cent of which was deferred into shares under the 2019 DSBP.

CHART 15: LTIP AWARDS OUTSTANDING

		Date of Grant	No. of shares under award 01.01.20	No. of shares over which awards were granted during the year[1]	Share price on grant (pence)[2]	Face value of award made in 2020 (£)	No. of shares released during the year	Share price on date of release (pence)	No. of shares under award 31.12.20	End of performance period over which performance conditions have to be met
DAVID SLEATH	2016 LTIP	07.04.16	290,152	–	420.7	–	290,152	814.32	–	31.12.19
	2017 LTIP	28.04.17	243,813	–	493.0	–	243,813	814.32	–	31.12.19[4]
	2018 LTIP	26.04.18	196,892	–	628.8	–	–	–	196,892	31.12.20
	2019 LTIP	29.05.19	230,680	–	691.0	–	–	–	230,680	31.12.21
	2020 LTIP[5]	26.03.20	–	219,877	786.8	1,729,992	–	–	219,877	31.12.22
TOTAL			**961,537**						**647,449**	
SOUMEN DAS	2016 LTIP	02.05.17	153,674	–	434.0	–	153,674	814.32	–	31.12.19
	2017 LTIP	28.04.17	279,918[3]	–	493.0	–	279,918	814.32	–	31.12.19[4]
	2018 LTIP	26.04.18	146,310	–	628.8	–	–	–	146,310	31.12.20
	2019 LTIP	29.05.19	171,418	–	691.0	–	–	–	171,418	31.12.21
	2020 LTIP[5]	26.03.20	–	155,815	786.8	1,225,952	–	–	155,815	31.12.22
TOTAL			**751,320**						**473,543**	
ANDY GULLIFORD	2016 LTIP	07.04.16	189,916	–	420.7	–	189,916	814.32	–	31.12.19
	2017 LTIP	28.04.17	159,634	–	493.0	–	159,634	814.32	–	31.12.19[4]
	2018 LTIP	26.04.18	128,913	–	628.8	–	–	–	128,913	31.12.20
	2019 LTIP	29.05.19	151,036	–	691.0	–	–	–	151,036	31.12.21
	2020 LTIP[5]	26.03.20	–	143,788	786.8	1,131,323	–	–	143,788	31.12.22
TOTAL			**629,499**						**423,737**	

1 Awards are granted in the form of provisional allocation of shares.
2 The share price on grant is based on the share price for the day before the award.
3 As part of his recruitment package, Soumen Das was awarded 300 per cent of salary in respect of the 2017 LTIP.
4 LTIP awards made under the current Policy are subject to a three-year performance period and two-year holding period. Awards made before the 2017 AGM were subject to a four-year performance period.
5 Executive Directors were awarded shares to the value of 250 per cent of salary in respect of the 2020 LTIP. These awards are subject to three equally-weighted performance conditions, TSR, TPR and TAR, over a three-year performance period and are subject to a two-year post-vesting holding period. As explained on page 123, the Committee assessed the underlying performance of the business and concluded that no such discretion should be exercised in respect of the award of the 2020 LTIP.

CHART 16: SHARESAVE OPTIONS OUTSTANDING

		Date of grant	No. of shares under option 01.01.20	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 31.12.20[1]	Period in which options can be exercised
DAVID SLEATH	2017 Sharesave	02.05.17	4,914	–	366.24	4,914	842.2	–	01.06.20 – 31.11.20
	2020 Sharesave	22.04.20	–	2,919	616.48	–	–	2,919	01.06.23 – 31.11.23
TOTAL			**4,914**					**2,919**	
SOUMEN DAS	2017 Sharesave	02.05.17	4,914	–	366.24	4,914	842.2	–	01.06.20 – 31.11.20
	2020 Sharesave	22.04.20	–	2,919	616.48	–	–	2,919	01.06.23 – 31.11.23
TOTAL			**4,914**					**2,919**	
ANDY GULLIFORD	2017 Sharesave	02.05.17	2,457	–	366.24	2,457	842.2	–	01.06.20 – 31.11.20
	2018 Sharesave	18.04.18	1,808	–	497.76	–	–	1,808	01.06.21 – 31.11.21
	2020 Sharesave	22.04.20	–	1,459	616.48	–	–	1,459	01.06.23 – 31.11.23
TOTAL			**4,265**					**3,267**	

1 There are no shares under option which have matured but have not been exercised.

CHART 17: SIP SHARES HELD IN TRUST

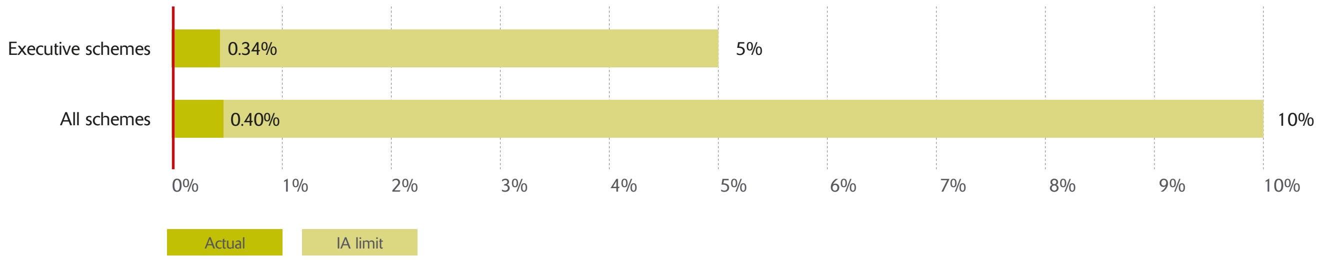
	No. of shares in trust 01.01.20	Shares awarded during the year	**No. of shares in trust 31.12.20**
DAVID SLEATH	8,326	369	**8,695**
SOUMEN DAS	907	369	**1,276**
ANDY GULLIFORD	9,143	369	**9,512**

Further information about the share schemes can be found in Note 19 to the Financial Statements on page 191.

DILUTION HEADROOM

As the LTIP, SIP and Sharesave schemes are approved by shareholders, they may be satisfied by the issue of new shares in the Company, up to the dilution limits set by the Investment Association (IA). The chart below shows the total number of shares under award or option for both Executive and all-employee schemes in comparison to the IA limits.

CHART 18: DILUTION HEADROOM



Directors' Remuneration Report
continued

CHAIR AND NON-EXECUTIVE DIRECTORS

NON-EXECUTIVE DIRECTORS' SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED)

In 2020, the Chair's annual fee was £275,000 (2019: £250,000), Non-Executive Directors' annual fee was £63,600 (2019: £60,000), with an additional £15,900 per annum (2019: £15,000 per annum) for chairing a Board Committee or for filling the role of Senior Independent Director.

The Chair and Non-Executive Directors do not participate in any of the Company's share-based incentive schemes nor do they receive any other benefits or rights under the pension scheme.

During the year, the Chair and the Non-Executive Directors waived 25 per cent of their fees for three months. See page 123 for further details.

CHART 19: INDEPENDENT NON-EXECUTIVE DIRECTORS' SINGLE TOTAL FIGURE OF REMUNERATION FOR 2020 (AUDITED)

		TOTAL FEES 2020[1] (£000)	2019 (£000)
GERALD CORBETT	Chair	**259**	250
MARY BARNARD[2]		**60**	50
SUE CLAYTON		**60**	60
CAROL FAIRWEATHER[3]	Chair of the Audit Committee (since 18 April 2019)	**75**	71
CHRISTOPHER FISHER	Chair of the Remuneration Committee	**75**	75
MARTIN MOORE	Senior Independent Director	**75**	75
DOUG WEBB[4]	Chair of the Audit Committee (until 18 April 2019)	**–**	50

1 Between May 2020 and July 2020, all Directors waived 25 per cent of their fees for three months. Actual fees reported reflect this waiver.
2 Mary Barnard was appointed as a Director on 1 March 2019.
3 Carol Fairweather succeeded Doug Webb as Chair of the Audit Committee on 18 April 2019.
4 Doug Webb stepped down as Chair of the Audit Committee on 18 April 2019 and retired as a Director on 30 September 2019.

NON-EXECUTIVE DIRECTORS' SHAREHOLDING GUIDELINES

Non-Executive Directors are expected to own shares equivalent to 100 per cent of their annual fees calculated by reference to the share price as at 31 December.

CHART 20: NON-EXECUTIVE DIRECTORS' BENEFICIAL INTERESTS IN SHARES AND SHAREHOLDING REQUIREMENTS

	BENEFICIAL INTERESTS			SHAREHOLDING REQUIREMENTS	
	01.01.2020 Ordinary 10p shares	31.12.2020 Ordinary 10p shares	Value of shares held 31.12.2020[1] (£)	Shareholding as a percentage of annual fees as at 31.12.2020 (%)	Shareholding requirements met
GERALD CORBETT	63,960	63,960	606,085	220	✓
MARY BARNARD	–	8,543	80,953	127	✓
SUE CLAYTON	7,000	7,000	66,332	104	✓
CAROL FAIRWEATHER	12,000	12,000	113,712	143	✓
CHRISTOPHER FISHER	20,592	20,592	195,130	245	✓
MARTIN MOORE	17,442	17,442	165,280	208	✓

1 Value of shares calculated using share price of 947.6 pence as at 31 December 2020.

There was no change in Directors' holdings between 31 December 2020 and 18 February 2021.

EXTERNAL APPOINTMENTS

Executive Directors are permitted to hold one external directorship, approved by the Board. Fees payable may be retained.

David Sleath is a Non-Executive Director of Electrocomponents Plc and he received a fee of £80,000 for this role during the year (2019: £39,166).

EXIT PAYMENTS AND ARRANGEMENTS (AUDITED)

Save for the disclosure made about Phil Redding below, no exit payments were made to Directors during the year.

PAYMENTS TO PHIL REDDING (AUDITED)

Phil Redding stepped down from the Board on 31 January 2020 and his employment ended on 30 April 2020. His remuneration on departure was in line with the Policy:

- Salary and benefits

Phil Redding was paid his salary and provided with his contractual benefits (including car allowance and cash payments in lieu of pension contributions) until his leaving date of 30 April 2020. His salary and contractual benefits until 31 January 2020, the date at which he ceased to be a Director, are disclosed in Chart 1 and from 1 February 2020 to 30 April 2020 he received a total salary of £113,133, taxable benefits of £5,043 and cash in lieu of pension of £22,627. He received a payment in lieu of the remaining nine months of his notice period in the amount of £394,284, paid in monthly instalments over the period from 1 May 2020 until 31 January 2021. Payments made from November 2020 to January 2021 were reduced by a total of £28,125 in line with income Phil Redding received from alternative employment.

He also received a Statutory Redundancy Payment of £13,125.

- Bonus and DSBP

Phil Redding was awarded a Bonus of £678,798 in respect of the 2019 financial year. In accordance with the Policy, 50 per cent of any cash Bonus was deferred in shares under the DSBP.

- All-employee share scheme awards

Phil Redding was treated as a good leaver in accordance with the HMRC and shareholder-approved Sharesave scheme and SIP rules.

All payments were made in accordance with the Policy and no other remuneration payments or payment for loss of office has been or are due to be made to Phil Redding.

FORMER DIRECTORS (AUDITED)

Ex gratia payments totalling £17,000 (2019: £29,242) were made during the year to a former Director, who retired over 10 years ago. These payments were made under legacy arrangements which are no longer offered.

Justin Read, a former Director of the Company, was appointed as Chair of the Trustees of the SEGRO Pension Scheme on 21 March 2017. He receives a fee of £35,000 from the Company for this role.

REMUNERATION COMMITTEE ADVISERS

The Committee has access to sufficient resources to discharge its duties, which include access to independent remuneration advisers, the General Counsel and Group 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 2020, Korn Ferry provided advice on Executive Directors' remuneration and market and best practice guidance, including the provisions of the Code. Its total fees for advice to the Committee in 2020 were £34,422 (2019: £85,413), 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 provide any other services which may impair its independence. Korn Ferry are a signatory to the Code of Conduct for Remuneration Consultants in the UK.

SHAREHOLDER VOTING

CHART 21: SHAREHOLDER VOTING AT THE AGM

	Votes for (including discretionary)	For (%)	Votes against	Against (%)	Total votes cast	Votes withheld[1]
To approve the Directors' Remuneration Report for the financial year ended 31 December 2019	857,630,912	95.98	35,959,890	4.02	893,590,802	140,681
To approve the Directors' Remuneration Policy contained in the Directors' Remuneration Report for the financial year ended 31 December 2018	713,030,591	82.92	146,916,256	17.08	859,946,847	2,293,478

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 18 February 2021 and signed on its behalf by

CHRISTOPHER FISHER
CHAIR OF THE REMUNERATION COMMITTEE

Directors' Remuneration Policy Summary

The Remuneration Policy was approved by Shareholders at the Annual General Meeting held on 18 April 2019 and became effective from this date. It applies to incentive awards with performance periods beginning on 1 January 2019.

The following is a summary of the Remuneration Policy. The full Remuneration Policy, as approved by shareholders, was included in the 2018 and 2019 Annual Report and Accounts and is available at www.SEGRO.com.

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 Chief Executive receives a cash allowance of 30 per cent of salary in lieu of pension and other Executive Directors receive 20 per cent of salary. 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, total property returns 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 malus and clawback provisions.	The maximum Bonus opportunity for Executive Directors is 150 per cent of salary.	The Bonus Scheme is based on three, equally weighted 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 including adjustments for acquisitions and disposals, constant foreign exchange rate and other adjustments allowed under the scheme rules, which supports the objective of delivering a sustainable, progressive dividend; relative TPR against an MSCI Benchmark which is the best and most important internal driver of TSR; and rent roll growth which focuses on driving the future rental income and Adjusted PBT of the business.
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 and clawback 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.

Element	Strategic purpose	Operation	Maximum potential value	Performance metrics
LONG TERM INCENTIVE PLAN ('LTIP')	To reward the execution of strategy and drive long-term returns for shareholders. 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.	The normal LTIP grant for Executive Directors is 250 per cent of salary in performance shares.	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 2019 will be subject to equally weighted Total Shareholder Return, Total Property Return and Total Accounting Return performance conditions.
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 saving 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.
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 is based on achievement of prior year profit before tax against budget 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.

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 rates.	Fees are reviewed every two years 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.	Any increase in the fees to the Chair or the Non-Executive Directors will be based upon changes in roles and responsibilities and market data.	–

Directors' Report

DIRECTORS' REPORT DISCLOSURES

Certain Directors' Report disclosures, which have been incorporated into the Directors' Report by reference, can be found on the following pages:

DISCLOSURE	SECTION	REFERENCE
Culture, Purpose and Values	Strategic Report	Page 27
Employee involvement	Strategic Report	Pages 34-35
Diversity	Strategic Report	Pages 34-35
Employment, training and advancement of disabled persons	Strategic Report	Page 35
Approach to investing in and rewarding the workforce	Strategic Report	Page 35
Charitable donations	Strategic Report	Page 41
Review of the Group's business during the year and any future developments	Strategic Report	Pages 48-52
Principal risks	Strategic Report	Pages 76-81
Section 172 statement	Strategic Report	Page 83
Greenhouse gas emissions	Strategic Report	Page 86
Corporate Governance	Governance Report	Pages 92-148
Details of the Directors who served during the year	Governance Report	Pages 96-97
Stakeholder engagement	Governance Report	Pages 100-105
Directors' waiver of emoluments	Directors' Remuneration Report	Pages 128 and 142
Financial instruments and certain financial risks	Financial Statements	Pages 180-188

SHARE CAPITAL

The issued share capital for the year is set out on page 190.

There is one class of shares in issue and there are no restrictions on the voting rights attached to these shares or the transfer of securities in the Company, and all shares are fully paid.

The Company made no purchases of its own shares during the year. The Company was granted authority to make market purchases of its own shares at the 2020 AGM. This authority will expire at the conclusion of the 2021 AGM and a resolution will be proposed to seek further authority.

DIVIDENDS

Subject to approval by shareholders at the 2021 AGM, a final dividend of 15.2 pence per share will be paid (2019: 14.4 pence) bringing the total dividend for 2020 to 22.1 pence (2019: 20.7 pence). The final dividend will be paid as a Property Income Distribution. The Board proposes to offer a scrip dividend option for the 2020 final dividend.

The ex-dividend date for the final dividend will be 18 March 2021, the record date will be 19 March 2021 and the payment date will be 4 May 2021.

CHANGE OF CONTROL

- **Contracts and joint venture agreements**

  There are a number of contracts and joint venture 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.

EMPLOYEES AND DIRECTORS

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs specifically because of a takeover bid, with the exception of provisions of the Company's share schemes as detailed above.

- **Directors' authorities in relation to shares**

  The Directors' authorities in relation to issuing, allotting or buying back shares are governed by the Company's Articles of Association and the resolutions passed by shareholders at a general meeting. These documents do not form part of this Report.

- **Process for appointment/removal of Directors**

  The Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Act 2006 and related legislation with regards to the appointment and removal of Directors. Directors are appointed by the Board and elected by shareholders. Directors may be removed by the Board or shareholders as applicable.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

Information provided to the Company under the Disclosure, Guidance and Transparency Rules (DTR 5) is published on a Regulatory Information Service and on the Company's website. As at 31 December 2020 the Company had been notified of the following holdings. No further announcements were made to the Company between 31 December 2020 and 18 February 2021.

Shareholder	Number of shares	Percentage of Issued Share Capital
BlackRock, Inc	**121,329,779**	**10.18**
APG Asset Management N.V.	**65,185,877**	**5.47**
PGGM Vermongensbeheer B.V.	**37,546,063**	**3.15**

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. During the year, the Company agreed to indemnify 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.

SECONDARY LISTING ON EURONEXT PARIS

On 24 November 2020, the Company's entire issued share capital was admitted to listing and trading on Euronext Paris. No new shares were issued in connection with the secondary listing and the Company's shares remain listed on the premium segment of the Official List of the Financial Conduct Authority and tradable on the Main Market of the London Stock Exchange.

AUDITOR OF THE COMPANY

A resolution to reappoint PricewaterhouseCoopers LLP as auditor of the Company is to be proposed at the 2021 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

ELIZABETH BLEASE
GENERAL COUNSEL AND GROUP COMPANY SECRETARY

18 FEBRUARY 2021

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 Company Financial Statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the directors to prepare the Group 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 for the Group and Company, international accounting standards in conformity with the requirements of the Companies Act 2006 and, for the Group, 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 international accounting standards in conformity with the requirements of the Companies Act 2006 and, for the Group, 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 profit of the Group and the Company; 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
18 FEBRUARY 2021

SOUMEN DAS
CHIEF FINANCIAL OFFICER
18 FEBRUARY 2021

Financial Statements

In this section we present our Financial Statements for the year, presented in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 2020 and of the Group's profit and the Group's and Company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements 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 2020 (the "Annual Report"), which comprise: the Group and Company Balance Sheets as at 31 December 2020; the Group Income Statement and the Group Statement of Comprehensive Income, the Group and Company Cash Flow Statements, and the Group and Company Statements of Changes in Equity for the year then ended; and the notes to the Financial Statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in Note 1 to the Group Financial Statements, the Group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has 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 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)") and applicable law. Our responsibilities under ISAs (UK) 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 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 the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in Note 6 to the Financial Statements, we have provided no non-audit services to the Group or the Company in the period under audit.

Our audit approach

Overview

Audit scope

- Audit procedures on Rental Income and Valuation of Investment Properties are performed centrally by the Group audit team from the UK.
- Full scope audit of the SELP Joint Venture by component auditors.
- In addition, component auditors performed the audit of specific balances and transactions in certain territories.
- Due to the current restrictions on travel and social distancing measures, enacted in response to the global Covid-19 pandemic, the group engagement team used video conferencing to oversee the component auditor work and had remote discussions with the management of each business unit.
- Over 73% coverage of Assets, Liabilities, Income and Expenditure of the Group.

Key audit matters

- Valuation of investment properties (Group and Company)
- Large and/or complex transactions (Group and Company)
- Covid-19 (Group and Company)

Materiality

- Overall Group materiality: £126,600,000 (2019: £100,900,000) based on 1% of total assets.
- Overall Company materiality: £89,228,000 (2019: £76,400,000) based on 1% of total assets.
- Performance materiality: £94,950,000 (Group) and £66,921,000 (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.

Capability of the audit in detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the Financial Statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with the Real Estate Investment Trust (REIT) status and SIIC regime, and we considered the extent to which non-compliance might have a material effect on the Financial Statements. We also considered those laws and regulations that have a direct impact on the preparation of 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 posting inappropriate journal entries to increase revenue or reduce expenditure, and management bias in accounting estimates and judgemental areas of the Financial Statements such as valuation of investment properties. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with management and internal audit, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud, and review of the reports made by internal audit;
- Understanding management's internal controls designed to prevent and detect irregularities;
- Assessment of matters, if any, reported on the Group's whistleblowing helpline and the results of management's investigation of such matters;
- Reviewing the Group's litigation register in so far as it related to non-compliance with laws and regulations and fraud;
- Reviewing relevant meeting minutes, including those of the Board of Directors and the Audit Committee;
- Designing audit procedures to incorporate unpredictability around the nature, timing and extent of our testing of expenses;
- 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 below; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by users posting a low number of journals in the period.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the Financial Statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

Independent auditors' report to the members of SEGRO plc
continued

This is not a complete list of all risks identified by our audit.

Covid-19 is a new key audit matter this 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 and Company) 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 27, Property valuation techniques and related quantitative information). The Group's investment properties were carried at £10,671.4 million as at 31 December 2020 and a total (realised and unrealised) property gain of £988.6 million was recognised in the Group Income Statement. We focused on this area due to the existence of significant judgement, coupled with the fact that only small differences in individual property valuations when aggregated could result in material misstatement. The portfolio includes warehouses and light industrial buildings, including warehouses used as data centres and for logistics operations. These are concentrated in the UK, France, Germany, and Poland. The remainder of the portfolio is located across other European countries including Italy, Spain, the Netherlands and the Czech Republic. The portfolio includes completed investments and properties under construction. 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 Covid-19 further contributed to the subjectivity at 31 December 2020. For developments, factors include projected costs to complete, time until practical completion and the ability to let if no pre-let agreement is in place. Valuations are carried out by third party valuers, CBRE (the 'Valuers'). The Valuers were engaged by the Directors, and performed their work in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation – Professional Standards. The Valuers used by the Group have considerable experience of the markets in which the Group operates. The valuations take into account the property-specific information referred to above (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 valuation methodology, we engaged our internal valuation experts (qualified chartered surveyors) to assist us in our audit of this matter. **Assessing the Valuers' expertise and objectivity** We assessed the Valuers' qualifications and expertise and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We also considered fees and other contractual arrangements that might exist between the Group and the Valuers. We found no evidence to suggest that the objectivity of the Valuers was compromised. **Testing the valuations** ***Assumptions and capital movement:*** Our work covered the valuation of every material property in the Group. We obtained and read the CBRE valuation reports covering every property. We held meetings with management and the Valuers, at which the valuations and the key assumptions therein were discussed. We focused on the largest properties and any outliers (where the assumptions used and/or year on year capital value movement are out of line with externally published market data for the relevant sector). To verify that the valuation approach was suitable for use in determining the carrying value for investment properties in the Financial Statements, we: - Confirmed that the valuation approach was in accordance with RICS standards; - Obtained valuation details of every property held by the Group and set an expected range for yield and capital value movement, determined by reference to published benchmarks and using our experience and knowledge of the market. Compared the investment yields used by the Valuers with the expected range of yields and the year on year capital movement to our expected range; - Assessed the reasonableness of other assumptions that are not so readily comparable with published benchmarks, such as Estimated Rental Value; and - Verified where there could be alternative use opportunities, that this had been appropriately taken into account. Where assumptions were outside the expected range or otherwise appeared unusual, and/or valuations showed unexpected movements, we undertook further investigations and, when necessary, held further discussions with the Valuers and obtained evidence to support explanations received. The supporting evidence and valuation commentaries provided by the Valuers, enabled us to consider the property specific factors that had or may have had an impact on value, including recent comparable transactions where appropriate. ***Information and standing data:*** We tested the standing data the Group provided to the Valuers for use in the performance of the valuation. This involved re-performing controls on a sample basis over the input of lease data for leases and testing the accuracy of lease and other property information. For development properties, we also confirmed that the supporting information for construction contracts and budgets was consistent with the Group's records, for example by inspecting construction contracts. For development properties, capitalised expenditure was tested on a sample basis to invoices, and budgeted costs to complete were compared with supporting evidence (for example construction contracts) to support the inputs included within their valuation at the year end. We agreed the amounts per the valuation reports to the accounting records and from there we agreed the related balances through to the Financial Statements. **Overall outcome** We concluded that the assumptions used in the valuations by the Valuers were supportable in light of the evidence obtained and the disclosures within the Financial Statements are sufficient and appropriate.

Key audit matter	How our audit addressed the key audit matter
Large and/or complex transactions (Group and Company) Refer to the Audit Committee Report and the Financial Statements (including notes to the Financial Statements; Note 1, Significant accounting policies; Note 8, Realised and unrealised property gain; and Note 19, Share capital and share-based payments). **Group** There was a large asset acquisition of a listed French company, Sofibus Patrimoine SA ("Sofibus"), in the current year. This warranted additional audit focus due to the nature of the transaction and judgments applied. **Group and Company** In June 2020 SEGRO raised £680 million through an equity placing. This warranted additional audit focus due to the magnitude of the transaction and proceeds generated.	For each large and/or complex transaction identified, we made inquiries with management in order to understand their nature and obtained supporting documentation as necessary to verify the transactions. We assessed the proposed accounting treatment in relation to the Group's accounting policies and relevant IFRSs. **Acquisition of Sofibus** We tested the acquisition of Sofibus by examining: - The purchase and sale agreement; - Bank statements to agree funds paid; - Management's memorandum of the accounting treatment for the transaction, including management's assessment of the concentration test to support judgments applied in concluding on asset acquisition accounting; - Management's allocation analysis of the purchase price to assets acquired and liabilities assumed; and - Consolidated financial statements to agree amounts recorded in light of adopted Group accounting policies for such transactions. **Equity placement** We tested the equity placement by examining: - Placement Agreement; - Submissions to the London Stock Exchange and Companies House; and - Bank statements to agree funds received. **Overall outcome** No material issues were identified as a result of our testing.
Covid-19 (Group and Company) Refer to the Strategic Report – Principal risks and the Viability statement, the Audit Committee Report and Notes to the Financial Statements – Note 1, Significant accounting policies. The outbreak of Covid-19 has been declared as a global pandemic and is having a major impact on economies and financial markets. In order to assess the impact of Covid-19 on the business, management have updated their risk assessment and prepared an analysis of the potential impact on the revenues, profits, cash flows, operations and liquidity position of the Group for the next 12 months and over the next five years. The analysis and related assumptions underpin the Group's going concern and viability analysis. We considered the impact of Covid-19 on the valuation of investment and development properties. Given the sector within which SEGRO operates, their portfolio has seen an uplift in value during the year. Management's analysis considers committed cash flow forecasts and debt facilities available to the Group. Further, the analysis considers the covenant headroom available, which includes sensitivity analysis and potential downward and plausible scenario assumptions. At the balance sheet date, the Group has an LTV of 22% (2019: 22%) and access to cash and undrawn loan facilities of £1.1 billion (2019: £1.2 billion). After considering these factors, the Directors have concluded that preparing the Financial Statements on a going concern basis remains appropriate and that a material uncertainty in relation to going concern does not exist.	We evaluated the Group's updated risk assessment and analysis and considered whether it addresses the relevant threats posed by Covid-19. Our procedures in respect of the valuation of investment and development properties are set out in the valuation of investment properties key audit matter above. In respect of going concern, we have assessed management's going concern analysis in light of Covid-19 and obtained evidence to support the Group's current and forecast liquidity positions, along with the key judgments and assumptions used in preparing the model. We validated new and significant funding arrangements entered during the year and as of the balance sheet date. We reviewed current debt covenants as well as management's assessment of these, which included sensitivity analysis and potential downward and plausible scenario assumptions to satisfy ourselves that no breaches are anticipated over the going concern period of assessment. Our conclusions relating to going concern and other information are set out in the 'Conclusions relating to Going Concern' and 'Reporting on other information' sections of our report, respectively, below. We assessed the disclosures presented in the Annual Report in relation to Covid-19 by reading the other information, and assessing its consistency with the financial statements and the evidence we obtained in our audit. We considered the appropriateness of the disclosures on the increased uncertainty over accounting estimates and consider these to be adequate. We have reviewed the accounting for lease modifications and analysis of expected credit losses on financial assets where material. We evaluated management's assessment and corroborated evidence of the operational impacts, considering their consistency with other available information and our understanding of the business. We considered whether changes to working practices brought about by Covid-19 had an adverse impact on the effectiveness of management's business process and IT controls. We did not identify any evidence of material deterioration in the control environment.

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 from the UK. Additional specified procedures were performed by audit teams on location in each business unit, such that the total testing programme provided sufficient audit evidence over all financial statement line items.

Independent auditors' report to the members of SEGRO plc
continued

The SELP Joint Venture was included as being in scope for a full scope audit. As above, the work on rental income and valuation of investment properties for the Joint Venture was performed by the Group audit team. We determined the level of involvement we needed to have in the component auditor's work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole. We issued formal, written instructions to the component auditors setting out the work to be performed by each of them. Although we have not been able to visit our component teams or perform site visits this year due to the pandemic, throughout the audit process, the Group audit team has had various interactions through the use of video call technology with the audit teams on location in each business unit to oversee the audit process. Senior team members also attended via video conference the clearance meetings for each component. During the clearance meetings, the results of the work performed by all component teams were discussed. The group engagement team also evaluated the sufficiency of the audit evidence obtained by component teams. Taking into account the components and Joint Ventures subject to a full scope audit, the centralised and other testing performed, coverage over the Group Balance Sheet and Group Income Statement was as follows:

Assets	92% coverage
Liabilities	91% coverage
Income	96% coverage
Expenditure	73% coverage

The audit of the Company Financial Statements was performed entirely by the Group audit team in the UK, leveraging on the work performed on the Group audit where appropriate with additional audit procedures performed on other Company specific balances.

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	£126,600,000 (2019: £100,900,000).	£89,228,000 (2019: £76,400,000).
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.

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 £75.0 million and £110.0 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% of overall materiality, amounting to £94,950,000 for the Group Financial Statements and £66,921,000 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 £6.3 million (Group audit) (2019: £5.0 million) and £4.5 million (Company audit) (2019: £3.8 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Procedures to identify events or conditions that may cast significant doubt on the ability to continue as a going concern and whether or not a material uncertainty related to going concern exists;
- Evaluation of management's significant assumptions used to assess going concern, including whether or not they are appropriate in the context of changes from prior periods, maintain adequate support, and align with our understanding of the entity and other relevant areas of the entity's business activities;
- Review of potential financial or non-financial debt covenant defaults leading to acceleration of repayment; and
- Assessment of 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.

As not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the Company's 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 2020 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 & Accounts 2020 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 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.

Independent auditors' report to the members of SEGRO plc
continued

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, 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) 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.

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 is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

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 five years, covering the years ended 31 December 2016 to 31 December 2020.

JOHN WATERS (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF PRICEWATERHOUSECOOPERS LLP
CHARTERED ACCOUNTANTS AND STATUTORY AUDITORS
LONDON
18 FEBRUARY 2021

Group Income Statement

For the year ended 31 December 2020

	Notes	2020 £m	2019 £m
Revenue	4	**431.7**	432.5
Costs	5	**(104.3)**	(123.9)
		327.4	308.6
Administration expenses	6	**(51.5)**	(51.5)
Share of profit from joint ventures after tax	7	**236.5**	203.1
Realised and unrealised property gain	8	**988.6**	489.2
Operating profit		**1,501.0**	949.4
Finance income	9	**50.0**	65.3
Finance costs	9	**(86.9)**	(112.7)
Profit before tax		**1,464.1**	902.0
Tax	10	**(35.0)**	(41.4)
Profit after tax		**1,429.1**	860.6
Attributable to equity shareholders		**1,426.9**	857.9
Attributable to non-controlling interests		**2.2**	2.7
Earnings per share (pence)			
Basic	12	**124.1**	79.3
Diluted	12	**123.6**	78.9

Group Statement of Comprehensive Income

For the year ended 31 December 2020

	2020 £m	2019 £m
Profit for the year	**1,429.1**	860.6
Items that may be reclassified subsequently to profit or loss		
Foreign exchange movement arising on translation of international operations	**111.9**	(110.2)
Fair value movements on derivatives and borrowings in effective hedge relationships	**(52.5)**	57.6
	59.4	(52.6)
Tax on components of other comprehensive income/(expense)	**–**	–
Other comprehensive income/(expense)	**59.4**	(52.6)
Total comprehensive income for the year	**1,488.5**	808.0
Attributable to equity shareholders	**1,486.9**	804.7
Attributable to non-controlling interests	**1.6**	3.3

Balance Sheets

For the year ended 31 December 2020

	Notes	GROUP 2020 £m	GROUP 2019 £m	COMPANY 2020 £m	COMPANY 2019 £m
Assets					
Non-current assets					
Intangible assets		**1.6**	2.5	**–**	–
Investment properties	13	**10,671.4**	8,401.7	**–**	–
Other interests in property		**16.2**	28.3	**–**	–
Property, plant and equipment		**26.6**	23.0	**0.8**	1.0
Investments in subsidiaries	7	**–**	–	**8,815.6**	7,516.5
Investments in joint ventures	7	**1,423.0**	1,121.4	**–**	–
Other investments		**1.6**	27.5	**–**	–
Other receivables	14	**37.2**	110.6	**–**	–
Derivative financial instruments	17	**63.2**	59.7	**63.2**	59.7
		12,240.8	9,774.7	**8,879.6**	7,577.2
Current assets					
Trading properties	13	**52.1**	20.2	**–**	–
Trade and other receivables	14	**269.4**	146.6	**8.2**	7.7
Derivative financial instruments	17	**15.2**	8.7	**15.2**	8.7
Cash and cash equivalents	16	**89.0**	132.5	**19.8**	60.7
		425.7	308.0	**43.2**	77.1
Total assets		**12,666.5**	10,082.7	**8,922.8**	7,654.3
Liabilities					
Non-current liabilities					
Borrowings	16	**2,413.1**	1,943.5	**2,399.5**	1,940.9
Deferred tax liabilities	10	**87.0**	53.2	**–**	–
Trade and other payables	15	**109.4**	102.9	**1,929.7**	1,747.4
Derivative financial instruments	17	**5.2**	–	**5.2**	–
		2,614.7	2,099.6	**4,334.4**	3,688.3
Current liabilities					
Trade and other payables	15	**372.0**	298.6	**28.4**	29.0
Borrowings	16	**0.9**	–	**–**	–
Derivative financial instruments	17	**4.9**	1.7	**4.9**	1.7
Tax liabilities		**2.9**	5.2	**–**	–
		380.7	305.5	**33.3**	30.7
Total liabilities		**2,995.4**	2,405.1	**4,367.7**	3,719.0
Net assets		**9,671.1**	7,677.6	**4,555.1**	3,935.3
Equity					
Share capital	19	**119.1**	109.6	**119.1**	109.6
Share premium	20	**3,277.5**	2,554.3	**3,277.5**	2,554.3
Capital redemption reserve	20	**113.9**	113.9	**113.9**	113.9
Own shares held	21	**(1.1)**	(2.6)	**(1.1)**	(2.6)
Other reserves		**252.6**	199.5	**224.4**	226.1
Retained earnings brought forward		**4,702.9**	4,056.9	**934.0**	818.5
Profit for the year attributable to owners of the parent		**1,426.9**	857.9	**123.3**	328.8
Other movements		**(232.6)**	(211.9)	**(236.0)**	(213.3)
Retained earnings		**5,897.2**	4,702.9	**821.3**	934.0
Total equity attributable to owners of the parent		**9,659.2**	7,677.6	**4,555.1**	3,935.3
Non-controlling interests		**11.9**	–	**–**	–
Total equity		**9,671.1**	7,677.6	**4,555.1**	3,935.3
Net assets per ordinary share (pence)					
Basic	12	**811**	700		
Diluted	12	**809**	697		

The Financial Statements of SEGRO plc (registered number 167591) on pages 157 to 204 were approved by the Board of Directors and authorised for issue on 18 February 2021 and signed on its behalf by:

DJR SLEATH
DIRECTOR

S DAS
DIRECTOR

Statements of Changes in Equity

For the year ended 31 December 2020

Group	Ordinary share capital £m	Share premium £m	Capital redemption reserve[1] £m	Own shares held £m	Share-based payments reserves £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
	Attributable to owners of the parent				Other reserves						
Balance at 1 January 2020	109.6	2,554.3	113.9	(2.6)	28.8	1.6	169.1	4,702.9	7,677.6	–	7,677.6
Profit for the year	–	–	–	–	–	–	–	1,426.9	1,426.9	2.2	1,429.1
Other comprehensive income	–	–	–	–	–	60.0	–	–	60.0	(0.6)	59.4
Total comprehensive income for the year	–	–	–	–	–	60.0	–	1,426.9	1,486.9	1.6	1,488.5
Transactions with owners of the Company											
Issue of shares	8.7	663.4	–	–	–	–	–	–	672.1	–	672.1
Own shares acquired	–	–	–	(2.0)	–	–	–	–	(2.0)	–	(2.0)
Equity-settled share-based transactions	–	–	–	3.5	(6.9)	–	–	8.9	5.5	–	5.5
Dividends	0.8	59.8	–	–	–	–	–	(240.1)	(179.5)	–	(179.5)
Movement in non-controlling interest[2]	–	–	–	–	–	–	–	(1.4)	(1.4)	10.3	8.9
Total transaction with owners of the Company	9.5	723.2	–	1.5	(6.9)	–	–	(232.6)	494.7	10.3	505.0
Balance at 31 December 2020	119.1	3,277.5	113.9	(1.1)	21.9	61.6	169.1	5,897.2	9,659.2	11.9	9,671.1

1 See Note 20.
2 Non-controlling interests relate to Vailog S.r.l and Sofibus Patrimoine SA. During the year non-controlling interests of £11.9 million were recognised upon the acquisition of Sofibus Patrimoine SA, see Note 8 for further details.

For the year ended 31 December 2019

Group	Ordinary share capital £m	Share premium £m	Capital redemption reserve[1] £m	Own shares held £m	Share-based payments reserves £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
	Attributable to owners of the parent			Other reserves							
Balance at 1 January 2019	101.3	2,047.7	113.9	(2.0)	22.3	54.8	169.1	4,056.9	6,564.0	–	6,564.0
Profit for the year	–	–	–	–	–	–	–	857.9	857.9	2.7	860.6
Other comprehensive income	–	–	–	–	–	(53.2)	–	–	(53.2)	0.6	(52.6)
Total comprehensive income for the year	–	–	–	–	–	(53.2)	–	857.9	804.7	3.3	808.0
Transactions with owners of the Company											
Issue of shares	7.3	436.7	–	–	–	–	–	–	444.0	–	444.0
Own shares acquired	–	–	–	(3.4)	–	–	–	–	(3.4)	–	(3.4)
Equity-settled share-based transactions	–	–	–	2.8	6.5	–	–	3.1	12.4	–	12.4
Dividends	1.0	69.9	–	–	–	–	–	(212.6)	(141.7)	–	(141.7)
Movement in non-controlling interest[2]	–	–	–	–	–	–	–	(2.4)	(2.4)	(3.3)	(5.7)
Total transaction with owners of the Company	8.3	506.6	–	(0.6)	6.5	–	–	(211.9)	308.9	(3.3)	305.6
Balance at 31 December 2019	109.6	2,554.3	113.9	(2.6)	28.8	1.6	169.1	4,702.9	7,677.6	–	7,677.6

1 See Note 20.
2 Non-controlling interests relate to Vailog S.r.l.

Statements of Changes in Equity

For the year ended 31 December 2020

Company	Ordinary share capital £m	Share premium £m	Capital redemption reserve[1] £m	Own shares held £m	Other reserves: Share-based payments reserves £m	Other reserves: Translation, hedging and other reserves £m	Other reserves: Merger reserve[1] £m	Retained earnings £m	Total equity attributable to equity shareholders £m
Balance at 1 January 2020	**109.6**	**2,554.3**	**113.9**	**(2.6)**	**9.6**	**47.4**	**169.1**	**934.0**	**3,935.3**
Profit for the year	–	–	–	–	–	–	–	**123.3**	**123.3**
Other comprehensive income	–	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	–	–	**123.3**	**123.3**
Transactions with owners of the Company									
Issue of shares	**8.7**	**663.4**	–	–	–	–	–	–	**672.1**
Own shares acquired	–	–	–	**(2.0)**	–	–	–	–	**(2.0)**
Equity-settled share-based transactions	–	–	–	**3.5**	**(1.7)**	–	–	**4.1**	**5.9**
Dividends	**0.8**	**59.8**	–	–	–	–	–	**(240.1)**	**(179.5)**
Total transaction with owners of the Company	**9.5**	**723.2**	–	**1.5**	**(1.7)**	–	–	**(236.0)**	**496.5**
Balance at 31 December 2020	**119.1**	**3,277.5**	**113.9**	**(1.1)**	**7.9**	**47.4**	**169.1**	**821.3**	**4,555.1**

1 See Note 20.

For the year ended 31 December 2019

Company	Ordinary share capital £m	Share premium £m	Capital redemption reserve[1] £m	Own shares held £m	Other reserves: Share-based payments reserves £m	Other reserves: Translation, hedging and other reserves £m	Other reserves: Merger reserve[1] £m	Retained earnings £m	Total equity attributable to equity shareholders £m
Balance at 1 January 2019	101.3	2,047.7	113.9	(2.0)	7.3	47.4	169.1	818.5	3,303.2
Profit for the year	–	–	–	–	–	–	–	328.8	328.8
Other comprehensive income	–	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	–	–	328.8	328.8
Transactions with owners of the Company									
Issue of shares	7.3	436.7	–	–	–	–	–	–	444.0
Own shares acquired	–	–	–	(3.4)	–	–	–	–	(3.4)
Equity-settled share-based transactions	–	–	–	2.8	2.3	–	–	(0.7)	4.4
Dividends	1.0	69.9	–	–	–	–	–	(212.6)	(141.7)
Total transaction with owners of the Company	8.3	506.6	–	(0.6)	2.3	–	–	(213.3)	303.3
Balance at 31 December 2019	109.6	2,554.3	113.9	(2.6)	9.6	47.4	169.1	934.0	3,935.3

1 See Note 20.

Cash Flow Statements

For the year ended 31 December 2020

		GROUP		COMPANY	
	Notes	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Cash flows from operating activities	26(i)	**233.2**	291.6	**(13.7)**	(9.5)
Interest received		**42.6**	47.1	**139.4**	145.9
Dividends received		**33.8**	33.3	**174.4**	210.3
Interest paid		**(94.2)**	(91.7)	**(90.9)**	(88.7)
Cost of new interest rate derivatives transacted		**(12.4)**	(11.4)	**(12.4)**	(11.4)
Proceeds from early close out of interest rate derivatives		**12.4**	6.9	**12.4**	6.9
Cost of early close out of debt		**(10.9)**	(18.6)	**(10.9)**	(18.6)
Tax paid		**(5.2)**	(46.9)	**–**	–
Net cash received from operating activities		**199.3**	210.3	**198.3**	234.9
Cash flows from investing activities					
Purchase and development of investment properties[1]		**(1,215.9)**	(602.9)	**–**	–
Sale of investment properties		**159.2**	412.4	**–**	–
Acquisition of other interest in property		**(3.9)**	(13.3)	**–**	–
Purchase of plant and equipment and intangibles		**(4.9)**	(2.7)	**–**	(1.0)
Acquisition of other investments		**(0.3)**	(1.2)	**–**	–
Investment in subsidiary undertakings		**–**	–	**(58.8)**	(46.7)
Loan advances paid to subsidiary undertakings		**–**	–	**(1,044.7)**	(244.1)
Investment and loans to joint ventures		**(39.8)**	(148.6)	**–**	–
Divestment and repayment of loans from joint ventures		**–**	136.4	**–**	–
Net cash used in investing activities		**(1,105.6)**	(219.9)	**(1,103.5)**	(291.8)
Cash flows from financing activities					
Dividends paid to ordinary shareholders		**(179.5)**	(141.7)	**(179.5)**	(141.7)
Proceeds from borrowings		**550.6**	10.2	**550.6**	10.2
Repayment of borrowings		**(122.1)**	(251.1)	**(121.9)**	(250.5)
Principal element of lease payments		**(1.6)**	(0.9)	**–**	–
Settlement of foreign exchange derivatives		**(55.0)**	26.9	**(55.0)**	26.9
Purchase of non-controlling interest		**–**	(7.9)	**–**	–
Proceeds from issue of ordinary shares		**672.1**	444.0	**672.1**	444.0
Purchase of ordinary shares		**(2.0)**	(3.4)	**(2.0)**	(3.4)
Net cash generated from financing activities		**862.5**	76.1	**864.3**	85.5
Net (decrease)/increase in cash and cash equivalents		**(43.8)**	66.5	**(40.9)**	28.6
Cash and cash equivalents at the beginning of the year		**132.5**	66.5	**60.7**	32.3
Effect of foreign exchange rate changes		**0.3**	(0.5)	**–**	(0.2)
Cash and cash equivalents at the end of the year	16	**89.0**	132.5	**19.8**	60.7

1 Group cash payment for the purchase and development of investment properties of £1,215.9 million (2019: £602.9 million) represents total costs for property acquisitions and additions to existing investment properties per Note 13(i) of £1,329.3 million (2019: £595.9 million) adjusted for the following cash and non-cash movements: deducts interest capitalised of £6.8 million (2019: £8.2 million); deducts net movement in capital accruals and prepayments of £29.8 million (2019: adds back £15.2 million); deducts other non-cash movements of £76.8 million (2019: £nil) mainly for transfers from other interests in properties and investments and the acquisition of Sofibus Patrimoine SA.

Notes to the Financial Statements

For the year ended 31 December 2020

1. SIGNIFICANT ACCOUNTING POLICIES

General information

SEGRO plc (the Company) is a public limited company, limited by shares, incorporated, domiciled and registered in England in the United Kingdom under the Companies Act. The address of the registered office is given on the inside back cover.

The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in the Strategic Report on pages 30 to 31.

These Financial Statements are presented in pounds sterling 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 International Accounting Standards (IAS) in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. 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 for a period of at least 12 months from the date of approval of the Financial Statements. As discussed in the Financial Review on pages 67 to 68, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. At 31 December 2020 the Group held cash and available facilities of £1.1 billion and has 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 2020 and the covenants are not expected to be breached in the foreseeable future.

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 2020:

- Definition of a Business – amendments to IFRS 3
- Definition of Material – amendments to IAS 1 and IAS 8
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 17
- Revised Conceptual Framework for Financial Reporting

The impact of the adoption of the amendments to IFRS 3, 'Business combinations', Definition of a Business is disclosed further below.

The other standards and amendments did not have any impact on the amounts recognised in prior period and are not expected to significantly affect the current or future periods.

Amendments to IFRS 3 'Business Combinations', Definition of a Business, provides a revised framework for evaluating a business and introduces an optional 'concentration test'. The amendment impacts the assessment and judgements used in determining whether property transactions represent an asset acquisition or business combination. As a result of the amendment it is expected that future transactions are more likely to be treated as an asset acquisition. The optional 'concentration test' has been applied for the acquisition of Sofibus Patrimoine SA in the year, see Note 8 for further details.

New standards and amendments not yet adopted

Certain new accounting standards and amendments are effective for annual periods beginning after 1 January 2020, and have not been applied in preparing these Financial Statements:

- Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities
- Annual Improvement to IFRS Standards 2018-2020

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 the joint ventures.

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.

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

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.

The Company holds investments in subsidiaries and joint ventures at cost less accumulated impairment losses.

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 gain. The same treatment is applied for acquisitions of a subsidiary achieved in stages that meet the IFRS 3 concentration test to be treated as an asset acquisition.

For acquisitions of a subsidiary that meet the IFRS 3 concentration test to be treated as an asset acquisition, the Group allocates the cost between the individual identifiable assets and liabilities in the Group based on their relative fair values at the date of acquisition. Such transactions do not give rise to goodwill, generally no deferred tax is recognised on initial temporary differences and transaction costs are capitalised. The Group has elected to initially measure the interest of non-controlling interest shareholders in the acquiree at their proportion of the acquisition date net fair value of the assets, liabilities and contingent liabilities recognised.

Foreign currency transactions

Foreign currency transactions are translated to the respective functional currency of Group entities at the foreign exchange rate ruling on the transaction date. Foreign exchange gains and losses resulting from settling these, or from retranslating monetary assets and liabilities held in foreign currencies, are booked in the Income Statement. The exception is for foreign currency loans and derivatives that hedge investments in foreign subsidiaries, where exchange differences are booked in equity until the investment is realised.

Consolidation of foreign entities

Assets and liabilities of foreign entities are translated into sterling at exchange rates ruling at the Balance Sheet date. Their income, expenses and cash flows are translated at the average rate for the period or at spot rate for significant items. Resultant exchange differences are booked in Other Comprehensive Income and recognised in the Group Income Statement when the operation is sold.

The principal exchange rates used to translate foreign currency denominated amounts in 2020 are:
Balance Sheet: £1 = €1.12 (31 December 2019: £1 = €1.18). Income Statement: £1= €1.13 (2019: £1 = €1.14).

Investment properties

These properties include completed properties that are generating rent or are available for rent, and development properties that are under development or available for development. 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 their present condition and the sale is highly probable.

Notes to the Financial Statements
continued

For the year ended 31 December 2020

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 gain.

Trading properties
These are properties being developed for sale or being held for sale after development is complete, and are shown at the lower of cost and net realisable value. Cost includes direct expenditure and capitalised interest.

Trading properties are transferred to investment properties when there is a change in use usually evidenced by the commencement of an operating lease to another party, together with the intention to hold the property to generate rent, or for capital appreciation, or for both.

Property acquisitions and disposals
Properties are treated as acquired at the point when the Group assumes the control of ownership and as disposed when transferred to the buyer. Generally, this would occur on completion of the contract. Any gains 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.

Leases
At inception, the Group assesses whether a contract is or contains a lease. This assessment involves the exercise of judgement about whether the Group obtains substantially all the economic benefits from the use of that asset, and whether the Group has the right to direct the use of the asset.

The Group recognises a right-of-use (ROU) asset and the lease liability at the commencement date of the lease.

Lease liabilities include the present value of payments which generally include fixed payments and variable payments that depend on an index (such as an inflation index). When the lease contains an extension or purchase option that the Group considers reasonably certain to be exercised, the cost of the option is included in the lease payments.

Each lease payment is allocated between the liability and finance cost. The lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined or if not, the incremental borrowing rate is used. The finance cost is charged to profit or loss over the lease period so as to produce a constant rate of interest on the remaining balance of the liability for each period.

Cash payments relating to the principal portion of the lease liabilities are presented as cash flows from financing activities and cash payments for the interest portion are presented as cash flows from operating activities.

The ROU asset is measured at a cost based on the amount of the initial measurement of the lease liability, plus initial direct costs and the cost of obligations to refurbish the asset, less any incentives received.

The ROU asset (other than the ROU assets that relate to land or property that meets the definition of investment property under IAS 40) is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment. ROU assets are included in the heading Property, plant and equipment, and the lease liability included in the headings current and non-current Trade and other payables on the Balance Sheet.

Where the ROU asset relates to land or property that meets the definition of investment property under IAS 40, after initial recognition the ROU asset is subsequently accounted for as investment property and carried at fair value (see Investment properties accounting policy). Valuation gains and losses in a period are taken to the Income Statement. The ROU assets are included in the heading Investment properties, and the lease liability in the headings current and non-current Trade and other payables on the Balance Sheet.

The Group has elected not to recognise ROU assets and liabilities for leases where the total lease term is less than or equal to 12 months, or for low value leases. The payments for such leases are recognised in the Income Statement on a straight-line basis over the lease term.

Revenue
Revenue includes gross rental income, joint venture management and performance fee income, income from service charges and other recoveries from tenants and proceeds from the sale of trading properties.

Rental income
Rental income from properties let as operating leases are 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.

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 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 recognised for office leases entered into by the Group. The ROU 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.

Gross borrowing costs relating to direct expenditure on properties under development or undergoing major refurbishment are capitalised. The interest capitalised is calculated using the Group's weighted average cost of borrowing for the relevant currency. Interest is capitalised from the commencement of the development work until the date of practical completion. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted.

Derivative financial instruments
The Group uses derivatives (principally interest rate swaps, currency swaps, forward foreign exchange contracts and interest caps) in managing interest rate risk and currency risk, and does not use them for trading. They are recorded, and subsequently revalued, at fair value, with revaluation gains or losses being immediately taken to the Income Statement (fair value through profit or loss 'FVPL'). The exception is for derivatives qualifying as hedges, when the treatment of the gain/loss depends upon the item being hedged, and may go to other comprehensive income within the Statement of Comprehensive Income (fair value through other comprehensive income 'FVOCI').

Derivatives with a maturity of less than 12 months or that expect to be settled within 12 months of the Balance Sheet date are presented as current assets or liabilities. Other derivatives are presented as non-current assets or liabilities.

Trade and other receivables and payables
Trade and other receivables are booked at fair value and subsequently measured at amortised cost using the effective interest method. Trade and other payables are initially measured at fair value, net of transaction costs and subsequently measured at amortised costs using the effective interest method.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses (ECLs) which uses a lifetime expected loss allowance for all trade receivables. Note 17(vi) details the Group's calculation for measuring ECLs.

Pensions – Defined benefit scheme
The Scheme's assets are measured at fair value, their obligations are calculated at discounted present value, and any net surplus or deficit is recognised in the Balance Sheet. Operating and financing costs are charged to the Income Statement, with service costs spread systematically over employees' working lives, and financing costs expensed in the period in which they arise. Actuarial gains and losses are recognised in other comprehensive income within the Statement of Comprehensive Income. Where the actuarial valuation of the scheme demonstrates that the scheme is in surplus, the recognisable asset is limited to that for which the Group can benefit in the future either through a cash refund or reduction in future payments is available. Professional actuaries are used in relation to defined benefit schemes and the assumptions made are outlined in Note 18.

Notes to the Financial Statements
continued

For the year ended 31 December 2020

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 Estera Trust (Jersey) Limited and Equiniti Limited to satisfy various Group share schemes are disclosed as own shares held and deducted from contributed equity.

Income tax

Income tax on the profit for the year comprises current and deferred tax. Current tax is the tax payable on the taxable income for the year and any adjustment in respect of previous years. Current tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income.

Deferred tax is provided in full using the Balance Sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the asset is realised or the liability is settled.

No provision is made for temporary differences (i) arising on the initial recognition of assets or liabilities, other than a business combination, that affect neither accounting nor taxable profit and (ii) relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that suitable taxable profits will be available against which deductible temporary differences can be utilised.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revisions and future periods if the revision affects both current and future periods.

Significant areas of estimation uncertainty

Property valuations

Valuation of property is a central component of the business. In estimating the fair value, the Group engage a third party qualified valuer 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 27 property valuation techniques and related quantitative information.

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.

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

During the year SEGRO acquired an additional 74.9 per cent of the share capital of Sofibus Patrimoine SA ('Sofibus') as detailed further in Note 8. As a result Sofibus is now controlled by the Group and the optional 'concentration test' has been applied to determine whether the transaction represents a business combination or an asset acquisition. The fair value of substantially all of the gross assets acquired was judged to be substantially concentrated in a group of industrial properties which are located in close geographical proximity and were also judged to have similar use and risk characteristics. For these reasons, management believes the 'concentration test' met and the transaction is therefore treated as an asset acquisition.

REIT Status

The Company has elected for UK REIT and French SIIC status. To continue to benefit from these tax regimes, the Group is required to comply with certain conditions as outlined in Note 10. Management intends that the Group should continue as a UK REIT and a French SIIC for the foreseeable future.

Other less significant judgements and sources of uncertainty relate to estimating the fair value of financial instruments and recognition of the SELP performance fee (see Note 7).

2. ADJUSTED PROFIT

Adjusted profit is a non-GAAP measure and is the Group's measure of underlying profit, which is used by the Board and senior management to measure and monitor the Group's income performance.

It is based on the Best Practices Recommendations Guidelines of European Public Real Estate Association (EPRA), which calculate profit excluding investment and development property revaluations and gains or losses on disposals. Changes in the fair value of financial instruments and associated close-out costs and their related taxation, as well as other permitted one-off items, are also excluded. Refer to the Supplementary Notes for all EPRA adjustments.

The Directors may also exclude from the EPRA profit measure additional items (gains and losses) which are considered by them to be non-recurring, unusual or significant by virtue of size and nature. No non-EPRA adjustments to underlying profit were made in the current or prior period.

	Notes	2020 £m	2019 £m
Gross rental income	4	392.9	362.0
Property operating expenses	5	(88.3)	(80.7)
Net rental income		304.6	281.3
Joint venture fee income	4	21.6	20.4
Administration expenses	6	(51.5)	(51.5)
Share of joint ventures' Adjusted profit after tax[1]	7	61.5	54.0
Adjusted operating profit before interest and tax		336.2	304.2
Net finance costs (including adjustments)	9	(39.7)	(36.7)
Adjusted profit before tax		296.5	267.5
Adjustments to reconcile to IFRS:			
Adjustments to the share of profit from joint ventures after tax[1]	7	175.0	149.1
Realised and unrealised property gain	8	988.6	489.2
Gain on sale of trading properties	13	1.2	6.9
Cost of early close out of debt	9	(10.9)	(18.6)
Net fair value gain on interest rate swaps and other derivatives	9	13.7	7.9
Total adjustments		1,167.6	634.5
Profit before tax		1,464.1	902.0
Tax			
On Adjusted profit	10	(4.0)	(3.2)
In respect of adjustments	10	(31.0)	(38.2)
Total tax adjustments		(35.0)	(41.4)
Profit after tax before non-controlling interests		1,429.1	860.6
Non-controlling interests:			
Less: share of adjusted profit attributable to non-controlling interests		(0.2)	(0.2)
share of adjustments attributable to non-controlling interests		(2.0)	(2.5)
Profit after tax and non-controlling interests		1,426.9	857.9
Of which:			
Adjusted profit after tax and non-controlling interests		292.3	264.1
Total adjustments after tax and non-controlling interests		1,134.6	593.8
Profit attributable to equity shareholders		1,426.9	857.9

1 A detailed breakdown of the adjustments to the share of profit from joint ventures is included in Note 7.

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3. SEGMENTAL ANALYSIS

The Group's reportable segments are the geographical Business Units: Greater London, Thames Valley, National Logistics, Northern Europe (principally Germany), Southern Europe (principally France) and Central Europe (principally Poland), which are managed and reported to the Board as separate distinct Business Units.

31 December 2020	Gross rental income £m	Net rental income £m	Share of joint ventures' Adjusted profit £m	Adjusted PBIT[2] £m	Total directly owned property assets £m	Investments in joint ventures £m	Capital expenditure[3] £m
Thames Valley	**83.7**	**78.3**	**–**	**75.8**	**1,996.7**	**–**	**57.5**
National Logistics	**34.1**	**33.9**	**(0.1)**	**33.3**	**1,223.3**	**0.6**	**267.1**
Greater London	**160.3**	**140.3**	**–**	**137.7**	**4,867.0**	**–**	**453.9**
Northern Europe	**29.4**	**17.9**	**25.2**	**47.7**	**682.3**	**803.3**	**29.2**
Southern Europe	**74.8**	**43.9**	**30.4**	**79.5**	**1,803.3**	**914.3**	**566.0**
Central Europe	**10.6**	**4.2**	**22.0**	**30.3**	**150.9**	**495.7**	**3.7**
Other[1]	**–**	**(13.9)**	**(16.0)**	**(68.1)**	**–**	**(790.9)**	**5.0**
Total	**392.9**	**304.6**	**61.5**	**336.2**	**10,723.5**	**1,423.0**	**1,382.4**

31 December 2019	Gross rental income £m	Net rental income £m	Share of joint ventures' Adjusted profit £m	Adjusted PBIT[2] £m	Total directly owned property assets £m	Investments in joint ventures £m	Capital expenditure[3] £m
Thames Valley	78.9	72.8	–	70.9	1,752.4	–	38.4
National Logistics	40.2	36.8	0.5	37.8	871.6	3.9	50.1
Greater London	142.6	129.7	–	127.0	4,001.0	–	199.5
Northern Europe	26.9	15.6	21.8	42.4	573.4	604.3	53.3
Southern Europe	61.9	35.7	24.4	64.1	1,085.6	735.9	254.8
Central Europe	11.5	4.5	19.6	27.3	137.9	435.9	8.2
Other[1]	–	(13.8)	(12.3)	(65.3)	–	(658.6)	2.7
Total	362.0	281.3	54.0	304.2	8,421.9	1,121.4	607.0

1 Other includes the corporate centre, SELP holding companies and costs relating to the operational business which are not specifically allocated to a geographical Business Unit. This includes the bonds held by SELP Finance S.à r.l, a Luxembourg entity.

2 A reconciliation of total Adjusted PBIT to the IFRS profit before tax is provided in Note 2.

3 Capital expenditure includes additions and acquisitions of investment and trading properties but does not include tenant incentives, letting fees and rental guarantees. Part of the capital expenditure incurred is in response to climate change including the reduction of the carbon footprint of the Group's existing investment properties and developments. The environmental sustainability within the Group's property portfolio is discussed in more detail on pages 57 to 59. The 'Other' category includes non-property related spend, primarily IT.

Revenues from the most significant countries within the Group were UK £278.0 million (2019: £312.4 million), France £55.9 million (2019: £47.9 million), Germany £33.9 million (2019: £29.1 million) and Poland £15.4 million (2019: £15.8 million).

4. REVENUE

	2020 £m	2019 £m
Rental income from investment and trading properties	**335.6**	306.9
Rent averaging	**18.2**	25.1
Service charge income*	**35.0**	27.6
Management fees*	**3.3**	1.4
Surrender premiums and dividend income from property related investments	**0.8**	1.0
Gross rental income[1]	**392.9**	362.0
Joint venture fee income – management fees*	**21.6**	20.4
Proceeds from sale of trading properties*	**17.2**	50.1
Total revenue	**431.7**	432.5

* The above income streams reflect revenue recognition under IFRS 15 'Revenue from Contracts with Customers' and total £77.1 million (2019: £99.5 million).

1 Net rental income of £304.6 million (2019: £281.3 million) is calculated as gross rental income of £392.9 million (2019: £362.0 million) less total property operating expenses of £88.3 million (2019: £80.7 million) shown in Note 5.

5. COSTS

	2020 £m	2019 £m
Vacant property costs	**3.4**	4.8
Letting, marketing, legal and professional fees	**10.1**	8.5
Loss allowance and impairment of receivables[1]	**3.8**	1.0
Service charge expense	**35.0**	27.6
Other expenses	**8.7**	10.5
Property management expenses	**61.0**	52.4
Property administration expenses[2]	**36.0**	35.6
Costs capitalised[3]	**(8.7)**	(7.3)
Total property operating expenses	**88.3**	80.7
Trading properties cost of sales	**16.0**	43.2
Total costs	**104.3**	123.9

1 See Note 17(vi) Credit risk management for further details on loss allowance and impairment of receivables.
2 Property administration expenses predominantly relate to the employee staff costs of personnel directly involved in managing the property portfolio. Costs capitalised primarily relate to internal employee staff costs directly involved in developing the property portfolio.
3 Costs capitalised primarily relate to internal employee staff costs directly involved in developing the property portfolio.

6. ADMINISTRATION EXPENSES

6(i) – Total administration expenses

	2020 £m	2019 £m
Directors' remuneration	**8.4**	9.2
Depreciation	**3.6**	3.4
Other administration expenses	**39.5**	38.9
Total administration expenses	**51.5**	51.5

Other administration 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

	2020 £m	2019 £m
Audit services:		
Parent company	**0.7**	0.6
Subsidiary undertakings	**0.3**	0.3
Total audit fees	**1.0**	0.9
Audit related assurance services	**0.1**	0.1
Audit and audited related assurance services	**1.1**	1.0
Other fees:		
Other	**–**	–
Total other fees	**–**	–
Total fees in relation to audit and other services	**1.1**	1.0

In addition to the above, the Group's auditors were paid audit fees of £0.7 million in respect of the audit of SEGRO European Logistics Partnership (SELP) for the year ended 31 December 2020 (2019: £0.6 million). There were no non-audit fees paid in respect of SELP (2019: £0.1 million).

6(iii) – Staff costs

The table below presents staff costs of the Group (including Directors) which are recognised in both property operating expenses and administration expenses in the Income Statement.

	2020 £m	2019 £m
Wages and salaries	**41.4**	38.7
Social security costs	**5.3**	6.0
Pension costs	**1.7**	1.5
Share scheme costs	**10.4**	12.5
Termination benefits	**0.5**	–
Total	**59.3**	58.7
Average number of Group employees	**350**	323
– Direct property	**221**	208
– Indirect property and administration	**129**	115

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 Services Authority are included on pages 123 to 143 in the Remuneration Report and form part of these Financial Statements.

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7. INVESTMENTS IN JOINT VENTURES AND SUBSIDIARIES

7(i) – Profit from joint ventures after tax

The table below presents a summary Income Statement of the Group's largest joint ventures, all of which are accounted for using the equity method as set out in Note 1. Roxhill operates in the UK and develops big box logistics assets and 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	Roxhill £m	Other £m	At 100% 2020 £m	At 100% 2019 £m	At 50% 2020 £m	At 50% 2019 £m
Revenue[1]	242.4	6.9	–	249.3	223.5	124.7	111.8
Gross rental income	242.4	–	–	242.4	214.1	121.2	107.1
Property operating expenses:							
– underlying property operating expenses	(11.1)	–	(0.2)	(11.3)	(8.5)	(5.7)	(4.2)
– vacant property costs	(2.8)	–	–	(2.8)	(2.1)	(1.4)	(1.1)
– property management fees[2]	(19.2)	–	–	(19.2)	(17.1)	(9.6)	(8.6)
– service charge expense	(48.0)	–	–	(48.0)	(44.1)	(24.0)	(22.1)
Net rental income	161.3	–	(0.2)	161.1	142.3	80.5	71.1
Administration expenses	(3.2)	–	–	(3.2)	(3.3)	(1.6)	(1.6)
Finance costs	(24.5)	–	–	(24.5)	(20.1)	(12.3)	(10.0)
Adjusted profit/(loss) before tax	133.6	–	(0.2)	133.4	118.9	66.6	59.5
Tax	(10.3)	–	–	(10.3)	(10.9)	(5.1)	(5.5)
Adjusted profit/(loss) after tax	123.3	–	(0.2)	123.1	108.0	61.5	54.0
Adjustments:							
Profit/(loss) on sale of investment properties	1.9	–	–	1.9	(1.1)	1.0	(0.6)
Valuation surplus on investment properties	424.0	–	–	424.0	437.0	212.0	218.6
Impairment of other interests in properties	–	–	–	–	(9.7)	–	(4.9)
Profit on sale of trading properties	–	0.1	–	0.1	2.1	–	1.1
Other investment income	–	5.2	–	5.2	–	2.6	–
Tax in respect of adjustments	(81.2)	–	–	(81.2)	(130.2)	(40.6)	(65.1)
Total adjustments	344.7	5.3	–	350.0	298.1	175.0	149.1
Profit/(loss) after tax	468.0	5.3	(0.2)	473.1	406.1	236.5	203.1
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income/(expense) for the year	468.0	5.3	(0.2)	473.1	406.1	236.5	203.1

1 Total revenue at 100% of £249.3 million (2019: £223.5 million) includes: Gross rental income £242.4 million (2019: £214.1 million) and proceeds from sale of trading properties £6.9 million (2019: £9.4 million). Proceeds from sale of trading properties is presented net of cost of sale and shown in the line item 'Profit on sale of trading properties' in the table above.

2 Property management fees paid to SEGRO.

Trading properties held by joint ventures were externally valued resulting in no increase in provision (2019: £nil). Based on the fair value at 31 December 2020, the Group's share of joint ventures' trading property portfolio has unrecognised surplus of £nil (2019: £0.9 million). There was no other comprehensive income included in the Group Statement of Comprehensive Income (2019: £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. INVESTMENTS IN JOINT VENTURES AND SUBSIDIARIES CONTINUED

7(ii) – Summarised Balance Sheet information in respect of the Group's joint ventures

	SELP £m	Roxhill £m	Other £m	At 100% 2020 £m	At 100% 2019 £m	At 50% 2020 £m	At 50% 2019 £m
Investment properties	4,695.3	–	–	4,695.3	3,796.7	2,347.7	1,898.3
Other interests in property	–	0.2	–	0.2	16.6	0.1	8.3
Total non-current assets	4,695.3	0.2	–	4,695.5	3,813.3	2,347.8	1,906.6
Trading properties	–	–	–	–	1.9	–	1.0
Other receivables	111.2	0.9	2.5	114.6	127.3	57.3	63.7
Cash and cash equivalents	46.6	0.1	1.6	48.3	42.0	24.2	21.0
Total current assets	157.8	1.0	4.1	162.9	171.2	81.5	85.7
Total assets	4,853.1	1.2	4.1	4,858.4	3,984.5	2,429.3	1,992.3
Borrowings	(1,574.4)	–	–	(1,574.4)	(1,338.4)	(787.2)	(669.2)
Deferred tax	(345.5)	–	–	(345.5)	(243.2)	(172.8)	(121.6)
Total non-current liabilities	(1,919.9)	–	–	(1,919.9)	(1,581.6)	(960.0)	(790.8)
Borrowings	–	–	–	–	(50.1)	–	(25.1)
Other liabilities	(92.6)	–	–	(92.6)	(110.0)	(46.3)	(55.0)
Total current liabilities	(92.6)	–	–	(92.6)	(160.1)	(46.3)	(80.1)
Total liabilities	(2,012.5)	–	–	(2,012.5)	(1,741.7)	(1,006.3)	(870.9)
Net assets	2,840.6	1.2	4.1	2,845.9	2,242.8	1,423.0	1,121.4

The external borrowings of the joint ventures are non-recourse to the Group. At 31 December 2020, the fair value of £1,574.4 million (2019: £1,388.4 million) of borrowings was £1,651.0 million (2019: £1,427.3 million). This results in a fair value adjustment decrease in EPRA NDV net asset value of £76.6 million (2019: £38.9 million decrease), at share £38.3 million (2019: £19.4 million), see Table 5 of the Supplementary Notes.

SEGRO provides certain services, including venture advisory and asset management to the SELP joint venture and receives fees for doing so. Performance fees are payable from SELP to SEGRO based on its IRR subject to certain hurdle rates. The first calculation and payment was on the fifth anniversary of the inception of SELP, being October 2018, but 50 per cent of this is subject to clawback based on performance over the period to the tenth anniversary, October 2023. If performance has improved at this point, additional fees might be triggered.

In 2018 SELP paid a £52.4 million performance fee including the amount subject to clawback (fee denominated in euros). Only £26.2 million, representing the 50 per cent of the performance fee paid not subject to future clawback, was recognised by SEGRO in the 2018 Income Statement (SELP recognised a corresponding performance fee expense of £26.2 million (at share £13.1 million) in the SELP 2018 Income Statement).

SEGRO has not recognised the 50 per cent of the performance fee income subject to future clawback in the Income Statement as management has judged the recognition criteria set out in Note 1 is not met (accordingly the performance fee expense has not been recognised in the share of profits from joint ventures in table 7(i)). The IRR calculation to determine whether the hurdle rates will be met when the performance period ends in October 2023 is an estimation and sensitive to movements and assumptions in property valuations over the remaining performance period. Due to the estimation uncertainties that exist in calculating the IRR management do not consider it highly probable there will not be a significant reversal of the fee subject to clawback over the remaining performance period. The performance fee subject to clawback has been recognised by SEGRO as a contract liability within Trade and other payables at 31 December 2020 and 31 December 2019 (see Note 15).

7(iii) – Investments by the Group

	2020 £m	2019 £m
Cost or valuation at 1 January	1,121.4	999.9
Exchange movement	62.0	(65.2)
Net investments[1]	39.8	16.9
Disposals	(2.9)	–
Dividends received[2]	(33.8)	(33.3)
Share of profit after tax	236.5	203.1
Cost or valuation at 31 December	1,423.0	1,121.4

1 Net investments represent the net movement of capital injections, loans and divestments with joint ventures during the period.
2 Dividends received from SELP and Roxhill.

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7. INVESTMENTS IN JOINT VENTURES AND SUBSIDIARIES CONTINUED

7(iv) – Investments by the Company

	2020 £m	2019 £m
Cost or valuation of subsidiaries at 1 January	**7,516.5**	7,188.1
Exchange movement	**46.9**	(51.6)
Additions	**58.8**	46.7
Loan movement	**1,226.5**	304.1
(Increase)/decrease in provision for investments in and loans to subsidiaries	**(33.1)**	29.2
Cost or valuation at 31 December	**8,815.6**	7,516.5

Included in cost or valuation of subsidiaries at 31 December 2020 are investments of £2,752.4 million (2019: £2,691.7 million) and non-current loans of £6,063.2 million (2019: £4,824.8 million).

Subsidiary entities are detailed in Note 28.

In measuring expected credit losses (ECLs) of the intercompany loans under IFRS 9 the ability of each subsidiary to repay the loan at the reporting date if demanded by the Company is assessed. For the purpose of the impairment review the manner for recovering the loan is assumed to be through the sale of the investment properties held by the subsidiary. Investment properties are held at fair value at each reporting date and the assumptions and inputs used in determining their fair value are shown in Note 27. 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.

8. REALISED AND UNREALISED PROPERTY GAIN

	2020 £m	2019 £m
Profit on sale of investment properties	**5.1**	7.2
Valuation surplus on investment properties[1]	**970.6**	476.7
(Increase)/decrease in provision for impairment of trading properties	**(0.1)**	1.4
Increase in provision for impairment of other interests in property	**(0.6)**	(0.4)
Valuation surplus on other investments[2]	**13.6**	4.3
Total realised and unrealised property gain	**988.6**	489.2

1 Includes £971.1 million valuation surplus on investment properties (2019: £477.1 million) less £0.5 million valuation loss on head lease ROU asset (2019: £0.4 million).

2 On 15 December 2020 SEGRO acquired an additional 74.9 per cent of the share capital of Sofibus Patrimoine SA ('Sofibus') for €178.6 million. This increased SEGRO's total shareholding in Sofibus to 94.4 per cent and as a result Sofibus is now controlled by the Group. As control of Sofibus was achieved in stages, the carrying value of the previously held 19.5 per cent equity interest which was classified as Other investments has been remeasured to fair value at the acquisition date. This resulted in a fair value gain of £13.6 million which has been recognised in the Income Statement within realised and unrealised property gain and shown in the table above. For the reasons set out in Note 1 the transaction has been treated as an asset acquisition and therefore the property acquired is reflected in the 'Property acquisitions' line in the tables shown in Note 13. In February 2021 SEGRO filed a draft offer document with the French financial market authority as part of the process to acquire the remaining 5.6% shares in Sofibus at a price of €313.71 per share (€13.7 million in total). SEGRO intends to enter Sofibus into the French SIIC regime as detailed further in Note 10(iii).

Total valuation surplus on investment and trading properties total £1,182.5 million (2019: £696.7 million). This comprises £970.6 million surplus from investment properties (2019: £476.7 million), £0.1 million impairment from trading properties (2019: £1.4 million surplus) and £212.0 million surplus from joint ventures at share (2019: £218.6 million).

Details of realised gains on sale of trading properties are given in Note 13(ii).

9. NET FINANCE COSTS

Finance income	2020 £m	2019 £m
Interest received on bank deposits and related derivatives	**27.0**	32.0
Fair value gain on interest rate swaps and other derivatives	**23.0**	33.1
Exchange differences	**–**	0.2
Total finance income	**50.0**	65.3

Finance costs	2020 £m	2019 £m
Interest on overdrafts, loans and related derivatives	**(68.0)**	(71.8)
Cost of early close out of debt	**(10.9)**	(18.6)
Amortisation of issue costs	**(2.4)**	(2.3)
Interest on lease liabilities	**(3.1)**	(3.0)
Total borrowing costs	**(84.4)**	(95.7)
Less amounts capitalised on the development of properties	**7.0**	8.2
Net borrowing costs	**(77.4)**	(87.5)
Fair value loss on interest rate swaps and other derivatives	**(9.3)**	(25.2)
Exchange differences	**(0.2)**	–
Total finance costs	**(86.9)**	(112.7)
Net finance costs	**(36.9)**	(47.4)

9. NET FINANCE COSTS CONTINUED

Net finance costs (including adjustments) in Adjusted profit (Note 2) are £39.7 million (2019: £36.7 million). This excludes net fair value gains and losses on interest rate swaps and other derivatives of £13.7 million gain (2019: £7.9 million gain) and the cost of early close out of debt of £10.9 million (2019: £18.6 million).

The interest capitalisation rates for 2020 ranged from 1.85 per cent to 2.15 per cent (2019: 1.8 per cent to 2.3 per cent). Interest is capitalised gross of tax relief. Further analysis of exchange differences is given in Note 17 within the foreign exchange and currency swap contracts section.

10. TAX

10(i) – Tax on profit

	2020 £m	2019 £m
Tax:		
On Adjusted profit	**(4.0)**	(3.2)
In respect of adjustments	**(31.0)**	(38.2)
Total tax charge	**(35.0)**	(41.4)
Current tax		
United Kingdom		
Current tax credit	**0.9**	0.3
Total UK current tax credit	**0.9**	0.3
Overseas		
Current tax charge	**(8.1)**	(12.0)
Adjustments in respect of earlier years	**4.4**	(0.3)
Total overseas current tax charge	**(3.7)**	(12.3)
Total current tax charge	**(2.8)**	(12.0)
Deferred tax		
Origination and reversal of temporary differences	**(3.2)**	(6.1)
Released in respect of property disposals in the year	**5.0**	4.7
On valuation movements	**(39.0)**	(39.2)
Total deferred tax in respect of investment properties	**(37.2)**	(40.6)
Other deferred tax	**5.0**	11.2
Total deferred tax charge	**(32.2)**	(29.4)
Total tax charge on profit on ordinary activities	**(35.0)**	(41.4)

10(ii) – Factors affecting tax charge for the year

The tax charge is lower than (2019: lower than) the standard rate of UK corporation tax. The differences are:

	2020 £m	2019 £m
Profit on ordinary activities before tax	**1,464.1**	902.0
Exclude valuation surplus in respect of UK properties not taxable	**(689.9)**	(242.4)
	774.2	659.6
Multiplied by standard rate of UK corporation tax of 19.0 per cent (2019: 19.0 per cent)	**(147.1)**	(125.3)
Effects of:		
REIT & SIIC exemption on income and gains	**76.2**	71.0
Non-deductible items	**(0.1)**	–
Joint venture tax adjustment	**44.9**	38.6
Higher tax rates on international earnings	**(15.6)**	(23.6)
Adjustment in respect of prior years	**4.9**	(0.3)
Adjustment in respect of assets not recognised	**1.8**	(1.8)
Total tax charge on profit on ordinary activities	**(35.0)**	(41.4)

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 tax on its French property income or gains on property sales, provided that at least 95 per cent of the 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.

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10. TAX CONTINUED

During December 2020, the Group bought a portfolio of assets in France through a corporate vehicle (see Note 8). SEGRO intends to apply the corporate vehicle for entry into the SIIC regime during 2021. The entry cost to the regime is expected to be between €40 million and €50 million and will be payable over a period of four years. The entire entry cost will be recognised in the Income Statement in the year of entry.

The joint venture tax adjustment is required because the profit on ordinary activities before tax includes share of profit from joint ventures after tax, whereas the total tax balance excludes joint ventures.

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax laws and prior experience.

10(iv) – Deferred tax liabilities

Movement in deferred tax was as follows:

Group – 2020	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	51.4	3.6	(1.9)	31.3	84.4
Deferred tax asset on revenue losses	(0.5)	–	–	–	(0.5)
Others	2.3	0.1	(0.2)	0.9	3.1
Total deferred tax liabilities	53.2	3.7	(2.1)	32.2	87.0

Group – 2019	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	25.2	(2.3)	(0.6)	29.1	51.4
Deferred tax asset on revenue losses	(1.4)	–	–	0.9	(0.5)
Others	3.1	(0.2)	–	(0.6)	2.3
Total deferred tax liabilities	26.9	(2.5)	(0.6)	29.4	53.2

The Group has recognised revenue tax losses of £41.7 million (2019: £71.5 million) available for offset against future profits. Further unrecognised tax losses of £744.5 million also exist at 31 December 2020 (2019: £734.2 million) of which £50.4 million (2019: £37.5 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 and France, where the Group is not subject to any corporate income taxes on the fair value changes of the investment properties on disposal.

10(v) – Factors that may affect future tax charges

No deferred tax is recognised on the unremitted earnings of international subsidiaries and joint ventures. In the event of their remittance to the UK, no net UK tax is expected to be payable.

11. DIVIDENDS

	2020 £m	2019 £m
Ordinary dividends paid		
Interim dividend for 2020 @ 6.90 pence per share	82.2	–
Final dividend for 2019 @ 14.40 pence per share	157.9	–
Interim dividend for 2019 @ 6.30 pence per share	–	68.9
Final dividend for 2018 @ 13.25 pence per share	–	143.7
Total dividends	240.1	212.6

The Board recommends a final dividend for 2020 of 15.2 pence which is estimated to result in a distribution of up to £181.1 million. The total dividend paid and proposed per share in respect of the year ended 31 December 2020 is 22.1 pence (2019: 20.7 pence).

The total dividend in 2020 of £240.1 million (2019: £212.6 million) was paid: £179.5 million as cash (2019: £141.7 million) and £60.6 million in scrip dividends (2019: £70.9 million). For details on scrip dividends see Notes 19 and 20.

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 0.4 million shares (2019: 0.4 million) being the average number of shares held on trust for employee share schemes and net assets per share calculations exclude 0.3 million shares (2019: 0.6 million) being the actual number of shares held on trust for employee share schemes at year end.

12(i) – Earnings per ordinary share (EPS)

	2020			2019		
	Earnings £m	**Shares million**	**Pence per share**	Earnings £m	Shares million	Pence per share
Basic EPS	**1,426.9**	**1,149.8**	**124.1**	857.9	1,081.3	79.3
Dilution adjustments:						
Share and save as you earn schemes	**–**	**4.7**	**(0.5)**	–	5.8	(0.4)
Diluted EPS	**1,426.9**	**1,154.5**	**123.6**	857.9	1,087.1	78.9
Basic EPS	**1,426.9**	**1,149.8**	**124.1**	857.9	1,081.3	79.3
Adjustments to profit before tax[1]	**(1,167.6)**		**(101.6)**	(634.5)		(58.7)
Tax in respect of Adjustments	**31.0**		**2.7**	38.2		3.6
Non-controlling interest on Adjustments	**2.0**		**0.2**	2.5		0.2
Adjusted Basic EPS	**292.3**	**1,149.8**	**25.4**	264.1	1,081.3	24.4
Adjusted Diluted EPS	**292.3**	**1,154.5**	**25.3**	264.1	1,087.1	24.3

1 Details of adjustments are included in Note 2.

12(ii) – Net assets per share (NAV)

In October 2019, EPRA issued new Best Practices Recommendations guidelines for Net Asset Value (NAV) metrics, these recommendations are effective for accounting periods starting on 1 January 2020 and have been adopted by the Group in reporting the 31 December 2020 position.

EPRA have introduced three new NAV metrics: EPRA Net Tangible Assets (NTA), EPRA Net Reinstatement Value (NRV) and EPRA Net Disposal Value (NDV).

EPRA NTA 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 now 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 as at 31 December 2020 is set out in the table below along with the net asset per share metrics. The 31 December 2019 position has been represented on a comparable basis.

Table 5 of the Supplementary Notes provides more details of the changes and the calculation for each of the three new EPRA net asset value metrics.

	2020			2019		
	Equity attributable to ordinary shareholders £m	**Shares million**	**Pence per share**	Equity attributable to ordinary shareholders £m	Shares million	Pence per share
Basic NAV	**9,659.2**	**1,191.3**	**811**	7,677.6	1,096.1	700
Dilution adjustments:						
Share and save as you earn schemes	**–**	**3.4**	**(2)**	–	6.0	(3)
Diluted NAV	**9,659.2**	**1,194.7**	**809**	7,677.6	1,102.1	697
Fair value adjustment in respect of interest rate derivatives – Group	**(61.0)**		**(5)**	(50.5)		(5)
Fair value adjustment in respect of trading properties – Group	**0.9**		**–**	–		–
Fair value adjustment in respect of trading properties – Joint ventures	**–**		**–**	0.9		–
Deferred tax in respect of depreciation and valuation surpluses – Group[1]	**42.2**		**3**	26.0		2
Deferred tax in respect of depreciation and valuation surpluses – Joint ventures[1]	**85.5**		**7**	60.6		6
Intangible assets	**(1.6)**		**–**	(2.5)		–
Adjusted NAV	**9,725.2**	**1,194.7**	**814**	7,712.1	1,102.1	700

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.

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13. PROPERTIES

13(i) – Investment properties

	Completed £m	Development £m	Total £m
At 1 January 2019	6,827.8	888.7	7,716.5
Exchange movement	(75.4)	(22.6)	(98.0)
Property acquisitions	98.6	135.3	233.9
Additions to existing investment properties	25.2	336.8	362.0
Disposals	(467.3)	(6.0)	(473.3)
Transfers on completion of development	625.8	(625.8)	–
Transfer to trading properties	–	(3.1)	(3.1)
Revaluation surplus during the year	372.5	104.6	477.1
At 31 December 2019	7,407.2	807.9	8,215.1
Add tenant lease incentives, letting fees and rental guarantees	116.4	–	116.4
Investment properties excluding head lease ROU assets at 31 December 2019	7,523.6	807.9	8,331.5
Add head lease liabilities (ROU assets)[1]	70.2	–	70.2
Total investment properties at 31 December 2019	7,593.8	807.9	8,401.7

	Completed £m	**Development £m**	**Total £m**
At 1 January 2020	**7,407.2**	**807.9**	**8,215.1**
Exchange movement	**75.9**	**20.9**	**96.8**
Property acquisitions	**564.0**	**260.3**	**824.3**
Additions to existing investment properties	**34.0**	**471.0**	**505.0**
Disposals	**(140.3)**	**(14.6)**	**(154.9)**
Transfers on completion of development	**620.6**	**(620.6)**	**–**
Transfer from trading properties	**–**	**1.5**	**1.5**
Revaluation surplus during the year	**835.6**	**135.5**	**971.1**
At 31 December 2020	**9,397.0**	**1,061.9**	**10,458.9**
Add tenant lease incentives, letting fees and rental guarantees	**135.6**	**–**	**135.6**
Investment properties excluding head lease ROU assets at 31 December 2020	**9,532.6**	**1,061.9**	**10,594.5**
Add head lease liabilities (ROU assets)[1]	**76.9**	**–**	**76.9**
Total investment properties at 31 December 2020	**9,609.5**	**1,061.9**	**10,671.4**

1 At 31 December 2020 investment properties included £76.9 million (2019: £70.2 million) for the head lease liabilities recognised under IFRS 16.

Investment properties are stated at fair value as at 31 December 2020 based on external valuations performed by professionally qualified, independent valuers. The Group's wholly-owned and joint venture 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, although this is limited relative to the activities provided by other advisors to the Group as a whole.

Completed properties include buildings that are occupied or are available for occupation. Development properties include land available for development (land bank), land under development and construction in progress.

The carrying value of investment properties situated on land held under leaseholds is £178.9 million (excluding head lease ROU assets) (2019: £151.5 million).

Further details on property valuation techniques and related quantitative information is set out in Note 27.

13. PROPERTIES CONTINUED

13(ii) – Trading properties

	2020 £m	2019 £m
At 1 January	**20.2**	51.7
Exchange movement	**1.4**	(1.2)
Property acquisitions	**34.2**	–
Additions to existing trading properties	**13.9**	8.4
Disposals[1]	**(16.0)**	(43.2)
(Increase)/decrease in provision for impairment during the year	**(0.1)**	1.4
Transfer (to)/from investment properties	**(1.5)**	3.1
At 31 December	**52.1**	20.2

1 Gains on sale of trading properties of £1.2 million in the year (2019: £6.9 million) have been generated from total proceeds of £17.2 million (2019: £50.1 million), see Note 4, less costs of £16.0 million (2019: £43.2 million), see Note 5.

Trading properties were externally valued, as detailed in Note 13(i), resulting in an increase in the provision for impairment of £0.1 million (2019: decrease of £1.4 million). Based on the fair value at 31 December 2020, the portfolio has unrecognised surplus of £0.9 million (2019: £nil). Further information on valuation techniques and related quantitative information is given in Note 27.

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Current				
Trade receivables[1]	**49.5**	33.3	**–**	–
Other receivables[2,3]	**204.2**	75.7	**7.7**	7.5
Prepayments	**11.8**	23.1	**0.5**	0.2
Amounts due from related parties	**3.9**	14.5	**–**	–
Total current trade and other receivables	**269.4**	146.6	**8.2**	7.7
Non-current				
Other receivables[4]	**37.2**	110.6	**–**	–
Total non-current other receivables	**37.2**	110.6	**–**	–

1 Note 17 (vi) details the Group's credit risk management and loss allowances held for trade receivables.

2 Group other current receivables includes deferred proceeds from the disposal of investment properties of £75.4 million that is due in 2021 (classified as non-current other receivable at 31 December 2019). This receivable is guaranteed by an irrevocable standby letter of credit of matched duration, issued by a bank with an AA credit rating. Other current receivables also include VAT recoverable, tenant deposits and capital receivables.

3 Other current receivables include tax recoverable of £2.4 million (2019: £2.7 million).

4 Group non-current other receivables relate to an advance payment for the future acquisition of land of £37.2 million (2019: £35.2 million advance payment; £75.4 million deferred proceeds classified as current other receivables at 31 December 2020, see footnote 2).

15. TRADE AND OTHER PAYABLES

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Due within one year				
Trade payables	**5.0**	2.7	**–**	–
Other payables	**79.3**	62.0	**2.6**	2.4
Non-capital accruals[1]	**71.4**	65.0	**25.8**	26.6
Capital creditors and capital accruals	**140.7**	97.3	**–**	–
Rent in advance	**73.9**	70.1	**–**	–
Lease liabilities	**1.7**	1.5	**–**	–
Total trade and other payables due within one year	**372.0**	298.6	**28.4**	29.0
Due after one year				
Contract liabilities[2]	**26.2**	25.0	**–**	–
Other payables	**1.5**	1.6	**–**	–
Lease liabilities	**81.7**	76.3	**–**	–
Loans due to subsidiaries	**–**	–	**1,929.7**	1,747.4
Total other payables due after one year	**109.4**	102.9	**1,929.7**	1,747.4

1 Includes accrued interest payable on borrowings for Group of £19.4 million (2019: £19.5 million) and Company of £19.3 million (2019: £19.5 million).

2 Contract liabilities primarily relate to amounts received in respect of the performance fee from SELP (see Note 7 for further details).

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16. NET BORROWINGS

16(i) – Net borrowings by type

	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Secured borrowings:				
Euro mortgages[1]	**14.5**	2.6	**–**	–
Total secured (on land, buildings and other assets)	**14.5**	2.6	**–**	–
Unsecured borrowings:				
Bonds				
6.75% bonds 2021	**–**	79.3	**–**	79.3
7.00% bonds 2022	**–**	39.1	**–**	39.1
6.75% bonds 2024	**82.1**	81.9	**82.1**	81.9
2.375% bonds 2029	**347.2**	346.8	**347.2**	346.8
5.75% bonds 2035	**198.7**	198.6	**198.7**	198.6
2.875% bonds 2037	**395.5**	395.2	**395.5**	395.2
	1,023.5	1,140.9	**1,023.5**	1,140.9
Private placement notes				
1.77% notes 2027	**356.7**	338.4	**356.7**	338.4
1.82% notes 2028	**89.0**	84.4	**89.0**	84.4
2.00% notes 2029	**133.7**	126.9	**133.7**	126.9
2.27% notes 2032	**89.1**	84.6	**89.1**	84.6
1.35% notes 2032	**133.3**	–	**133.3**	–
2.37% notes 2033	**177.9**	168.7	**177.9**	168.7
1.45% notes 2035	**44.4**	–	**44.4**	–
1.83% notes 2040 (Series C)	**168.2**	–	**168.2**	–
1.83% notes 2040 (Series D)	**53.1**	–	**53.1**	–
	1,245.4	803.0	**1,245.4**	803.0
Bank loans and overdrafts	**130.6**	(3.0)	**130.6**	(3.0)
Total unsecured	**2,399.5**	1,940.9	**2,399.5**	1,940.9
Total borrowings	**2,414.0**	1,943.5	**2,399.5**	1,940.9
Cash and cash equivalents	**(89.0)**	(132.5)	**(19.8)**	(60.7)
Net borrowings	**2,325.0**	1,811.0	**2,379.7**	1,880.2

1 The Group acquired €13.6 million of borrowings and €11.0 million of undrawn facilities on the acquisition of Sofibus in the year (see Note 8).

The maturity profile of borrowings is as follows:

	Group		Company	
Maturity profile of borrowings	**2020 £m**	2019 £m	**2020 £m**	2019 £m
In one year or less	**0.9**	–	**–**	–
In more than one year but less than two	**0.9**	79.3	**–**	79.3
In more than two years but less than five	**217.8**	120.6	**212.7**	118.0
In more than five years but less than ten	**934.2**	896.5	**926.6**	896.5
In more than ten years	**1,260.2**	847.1	**1,260.2**	847.1
In more than one year	**2,413.1**	1,943.5	**2,399.5**	1,940.9
Total borrowings	**2,414.0**	1,943.5	**2,399.5**	1,940.9
Cash and cash equivalents	**(89.0)**	(132.5)	**(19.8)**	(60.7)
Net borrowings	**2,325.0**	1,811.0	**2,379.7**	1,880.2

Cash and cash equivalents comprise cash balances, call deposits held with banks and highly liquid short-term investments that are readily convertible to known amounts of cash within three months from acquisition and subject to an insignificant risk of changes in value.

There are no early settlement or call options 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 66.

Bank loans and overdrafts include capitalised finance costs on committed facilities.

During the year the Group undertook a debt refinancing exercise including issuing €450 million of US Private Placement notes and redeemed £118 million of sterling bonds due in 2021 and 2022 at a cost of £10.9 million above carrying value (see Note 9). The debt refinancing is discussed in more detail in the Finance Review on page 66.

16. NET BORROWINGS CONTINUED

Maturity profile of undrawn borrowing facilities	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
In one year or less	**18.8**	8.5	**8.9**	8.5
In more than one year but less than two	**–**	–	**–**	–
In more than two years but less than five	**953.6**	1,032.2	**953.6**	1,032.2
Total available undrawn borrowing facilities	**972.4**	1,040.7	**962.5**	1,040.7

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	2020 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	**6.48**	**112.3**	**95.5**	**2.00**	**150.0**	**(66.0)**	**179.5**
Euros	**1.90**	**8.1**	**590.2**	**1.33**	**669.6**	**974.7**	**2,234.5**
Total borrowings	**2.54**	**22.6**	**685.7**	**1.46**	**819.6**	**908.7**	**2,414.0**
Cash and cash equivalents							
Sterling						**(61.2)**	**(61.2)**
Euros						**(27.8)**	**(27.8)**
US dollars						**–**	**–**
Total cash and cash equivalents						**(89.0)**	**(89.0)**
Net borrowings			**685.7**		**819.6**	**819.7**	**2,325.0**

Interest rate profile – Group	2019 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	4.36	57.6	212.9	2.00	150.0	(178.2)	184.7
Euros	1.90	9.2	551.4	1.33	635.6	571.8	1,758.8
Total borrowings	2.59	23.0	764.3	1.46	785.6	393.6	1,943.5
Cash and cash equivalents							
Sterling						(125.7)	(125.7)
Euros						(6.7)	(6.7)
US dollars						(0.1)	(0.1)
Total cash and cash equivalents						(132.5)	(132.5)
Net borrowings			764.3		785.6	261.1	1,811.0

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16. NET BORROWINGS CONTINUED

Interest rate profile – Company	2020 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	**6.48**	**112.3**	**95.5**	**2.00**	**150.0**	**(66.0)**	**179.5**
Euros	**1.92**	**8.2**	**575.7**	**1.33**	**669.6**	**974.7**	**2,220.0**
Total borrowings	**2.57**	**23.0**	**671.2**	**1.46**	**819.6**	**908.7**	**2,399.5**
Cash and cash equivalents							
Sterling						**(19.7)**	**(19.7)**
Euros						**(0.1)**	**(0.1)**
Total cash and cash equivalents						**(19.8)**	**(19.8)**
Net borrowings			**671.2**		**819.6**	**888.9**	**2,379.7**

Interest rate profile – Company	2019 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	4.36	57.6	212.9	2.00	150.0	(178.2)	184.7
Euros	1.90	9.2	551.4	1.33	635.6	569.2	1,756.2
Total borrowings	2.59	22.7	764.3	1.46	785.6	391.0	1,940.9
Cash and cash equivalents							
Sterling						(60.7)	(60.7)
Total cash and cash equivalents						(60.7)	(60.7)
Net borrowings			764.3		785.6	330.3	1,880.2

17. FINANCIAL INSTRUMENTS AND FAIR VALUES

17(i) Derivative instruments

The Group and Company holds the following derivative instruments:

Derivative assets

	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Current				
Fair value of interest rate swaps – non-hedge	**–**	2.5	**–**	2.5
Fair value of forward foreign exchange and currency swap contracts – non-hedge	**14.9**	6.2	**15.2**	6.2
Fair value of forward foreign exchange and currency swap contracts – hedge	**0.3**	–	**–**	–
Total current derivative assets	**15.2**	8.7	**15.2**	8.7
Non-current				
Fair value of interest rate swaps – non-hedge	**60.8**	42.5	**60.8**	42.5
Fair value of interest rate caps – non-hedge	**2.4**	5.5	**2.4**	5.5
Fair value of forward foreign exchange and currency swap contracts – non-hedge	**–**	11.7	**–**	11.7
Total non-current derivative assets	**63.2**	59.7	**63.2**	59.7

Derivative liabilities

	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Current				
Fair value of forward foreign exchange and currency swap contracts – non-hedge	**4.9**	0.3	**4.9**	1.7
Fair value of forward foreign exchange and currency swap contracts – hedge	**–**	1.4	**–**	–
Total current derivative liabilities	**4.9**	1.7	**4.9**	1.7
Non-current				
Fair value of forward foreign exchange and currency swap contracts – non-hedge	**3.0**	–	**3.0**	–
Fair value of interest rates swaps – non-hedge	**2.2**	–	**2.2**	–
Total non-current derivative liabilities	**5.2**	–	**5.2**	–

17. FINANCIAL INSTRUMENTS AND FAIR VALUES CONTINUED

17(ii) Carrying amount and fair values of financial assets and liabilities

The Group and Company holds the following financial instruments:

	Notes	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Financial assets					
Financial assets at amortised cost					
Loans due from subsidiaries	7	**–**	–	**6,063.2**	4,824.8
Lease incentives[1]	13	**117.5**	99.8	**–**	–
Trade receivables	14	**49.5**	33.3	**–**	–
Other current receivables[2]	14	**150.0**	65.2	**7.7**	7.5
Other non-current receivables	14	**37.2**	110.6	**–**	–
Cash and cash equivalents	16	**89.0**	132.5	**19.8**	60.7
Financial assets at fair value through profit or loss (FVPL)					
Other investments		**1.6**	27.5	**–**	–
Derivative financial instruments					
Used for hedging at FVOCI	17	**0.3**	–	**–**	–
Non-hedge at FVPL	17	**78.1**	68.4	**78.4**	68.4
		523.2	537.3	**6,169.1**	4,961.4
Financial liabilities					
Liabilities at amortised cost					
Trade and other payables[2]	15	**406.0**	329.8	**1,958.1**	1,776.4
Borrowings	16	**2,414.0**	1,943.5	**2,399.5**	1,940.9
Derivative financial instruments					
Used for hedging at FVOCI	17	**–**	1.4	**–**	–
Non-hedge at FVPL	17	**10.1**	0.3	**10.1**	1.7
		2,830.1	2,275.0	**4,367.7**	3,719.0

1 Represents the carrying value of tenant lease incentives and rental guarantees held in Investment properties at the year end. This amount is included within the 'tenant lease incentives, letting fees and rental guarantees' balance in Note 13(i). Lease incentives and rental guarantees have been disclosed as a financial asset in the current year and the comparative figure represented accordingly.

2 Group excludes non-financial assets of £69.9 million (2019: £48.1 million) included within total other receivables per Note 14 and non-financial liabilities of £75.4 million (2019: £71.7 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 bond issued and unsecured US Private Placement notes classified as borrowings. At 31 December 2020, the fair value of £1,023.5 million of unsecured bonds issued was £1,302.3 million (2019: £1,140.9 million compared with £1,311.4 million fair value). At 31 December 2020, the fair value of £1,245.4 million of unsecured US Private Placement notes was £1,433.1 million (2019: £803.0 million compared with £865.8 million fair value). This results in a fair value adjustment decrease in EPRA NDV net asset value of £466.5 million (2019: £233.3 million decrease), see Table 5.

The fair values of financial assets and financial liabilities are determined as follows:

- Forward foreign exchange contracts are measured using quoted exchange rates and yield curves derived from quoted interest rates with maturities matching the contracts.
- Interest rate swaps, currency swap contracts and interest rate caps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates and the appropriate exchange rate at the Balance Sheet date.
- The fair value of non-derivative financial assets and financial liabilities traded on active liquid markets is determined with reference to the quoted market prices.
- Financial guarantees are issued by the Company to support bank borrowings of 100 per cent owned subsidiary companies domiciled overseas.

Fair value measurements recognised in the Balance Sheet

The Group and Company financial instruments that are measured subsequent to initial recognition at fair value are listed equity investments, forward exchange and currency swap contracts, interest rate swaps and interest rate caps as detailed above. Investments in equity securities traded in active liquid markets are classified as level 1. All other financial instruments would be classified as level 2 fair value measurements, as defined by IFRS 13, being those derived from inputs other than quoted prices (included within level 1) that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). There were no transfers between categories in the current or prior year.

17(iii) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern and as such it aims to maintain a prudent mix between debt and equity financing. Our intention for the foreseeable future is to maintain our LTV (including joint ventures 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 19 to 21. Debt primarily comprises long-term debt issues and drawings against medium-term committed revolving credit facilities from banks as disclosed in Note 16.

The Group is not subject to externally imposed capital requirements.

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17. FINANCIAL INSTRUMENTS AND FAIR VALUES CONTINUED

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 activities are carried out in SEGRO plc on behalf of the Group and the resulting 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 67.

The Group's and Company's Balance Sheet translation exposure (including the impact of derivative financial instruments) is summarised below:

	2020 Euros Total £m	2019 Euros Total £m
Group		
Gross currency assets	**4,425.2**	3,064.8
Gross currency liabilities	**(2,691.3)**	(1,989.3)
Net exposure	**1,733.9**	1,075.5
Company		
Gross currency assets	**1,576.2**	1,047.2
Gross currency liabilities	**(2,604.5)**	(2,023.2)
Net exposure	**(1,028.3)**	(976.0)

2020 Group gross currency liabilities include €1,151.7 million (£1,028.3 million) designated as net investment hedges.

2019 Group gross currency liabilities include €1,151.7 million (£976.0 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 £157.6 million (2019: £97.8 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 £192.7 million (2019: £119.5 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 profit for the year ended 31 December 2020 by £50.8 million (2019: £42.8 million decrease). A 10 per cent depreciation in the value of sterling against the euro would increase the Group's profit for the year ended 31 December 2020 by £62.0 million (2019: £52.3 million increase).

For the Company, the sensitivity of the net assets to a 10 per cent appreciation in the value of sterling against the euro would decrease net assets by £93.5 million (2019: £88.7 million). The sensitivity of the net assets to a 10 per cent depreciation in the value of sterling against the euro would increase net assets by £114.2 million (2019: £108.4 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 foreign exchange and currency swap contracts are effectively economic cash flow hedges, for example using surplus cash in one currency to provide (typically through intercompany debt funding arrangements with overseas subsidiaries) funds to repay debt, or to fund development expenditure or acquisitions in another currency. These instruments have not been designated as hedges. As a consequence, exchange movements in respect of these instruments are taken through the Income Statement. Offsetting these movements are net exchange gains of £46.0 million (2019: £52.2 million loss) arising on intercompany debt funding arrangements (discussed above) and exchange movements arising from external borrowings not designated as hedges. This has resulted in a loss on exchange differences of £0.2 million (2019: £0.2 million gain) 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 (24 per cent at 31 December 2020) and 100 per cent. At 31 December 2020, the Group had gross foreign currency assets, which were 61 per cent hedged by gross foreign currency denominated liabilities (31 December 2019: 65 per cent).

Further details are provided within the Foreign Currency Translation Risk section of the Financial Review on page 67.

17. FINANCIAL INSTRUMENTS AND FAIR VALUES CONTINUED

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	
	2020	2019	**2020 m**	2019 m	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Group								
Economic cash flow hedges								
Sell euros (buy sterling)	**1.10**	1.15	**975.7**	963.3	**883.1**	837.4	**11.9**	17.8
Buy euros (sell sterling)	**1.09**	1.17	**235.8**	40.1	**215.6**	34.2	**(4.9)**	(0.2)
Net investment hedges								
Sell euros (buy sterling)	**1.12**	1.19	**201.7**	201.7	**180.3**	169.6	**0.3**	(1.4)
Total							**7.3**	16.2
Company								
Economic cash flow hedges								
Sell euros (buy sterling)	**1.11**	1.16	**1,177.4**	1,165.0	**1,063.4**	1,007.0	**12.2**	16.4
Buy euros (sell sterling)	**1.09**	1.17	**235.8**	40.1	**215.6**	34.2	**(4.9)**	(0.2)
Total							**7.3**	16.2

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 is detailed below.

Forward foreign exchange contracts

The Group designated euro denominated forward foreign exchange contracts as net investment hedges during 2020 (2019: euro denominated contracts).

There was no ineffectiveness to be recorded from net investments in foreign entity hedges in 2020 and 2019 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.

Euro forward foreign exchange	Group	
	2020 £m	2019 £m
Carrying amount	**–**	–
Notional amount	**–**	–
Maturity date	**–**	–
Hedge ratio	**–**	–
Change in discounted spot value of hedging instruments since 1 January – gain	**–**	5.8
Change in value of hedged item used to determine hedge effectiveness – loss	**–**	(5.8)
Weighted average hedged rate for the year (including forward points)	**–**	1.13

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17. FINANCIAL INSTRUMENTS AND FAIR VALUES CONTINUED

Currency swap contracts
The Group uses cross currency swaps with two floating legs as designated net investment hedges. Although these instruments are expected to have a high degree of effectiveness, some ineffectiveness may arise due to the hedging instrument having periodic interest payments, which net investment does not. The ineffectiveness recorded from net investments in foreign entity hedges in 2020 and 2019 from currency swap contracts is shown in the table below.

Euro currency swaps	Group	
	2020 £m	2019 £m
Carrying amount – asset/(liability)	**0.3**	(1.4)
Notional amount	**180.1**	169.6
Maturity date	**May 2021**	Jun 2020
Hedge ratio	**1:1**	1:1
Change in discounted spot value of hedging instruments since 1 January – (loss)/gain	**(9.4)**	12.1
Change in value of hedged item used to determine hedge effectiveness – gain/(loss)	**9.4**	(12.1)
Weighted average hedged rate for the year (including forward points)	**1.15**	1.12

US private placement notes
There was no ineffectiveness to be recorded from net investments in foreign entity hedges in 2020 and 2019 where the hedging instrument was US private placement notes. This is because the critical terms of both the net investment in foreign entity and the hedging instrument match, and at each Balance Sheet date both are revalued to the closing spot rate.

Private placement notes	Group	
	2020 £m	2019 £m
Carrying amount of Private placement notes (Note 16)	**1,245.4**	803.0
Carrying amount of Private placement notes designated as net investment hedging instruments	**848.2**	803.0
Hedge ratio	**1:1**	1:1
Change in carrying amount of USPP notes as a result of foreign currency movement since 1 January, recognised in OCI – (loss)/gain	**(43.1)**	39.7
Change in value of hedged item used to determine hedge effectiveness – gain/(loss)	**43.1**	(39.7)
Weighted average hedged rate for the year (including forward points)	**1.14**	1.14

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 1 per cent increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1 per cent higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2020 would decrease/increase by £12.6 million (2019: decrease/increase by £8.8 million). This is attributable to the Group's exposure to interest rates on its variable rate borrowings and cash deposits. Fixed rate debt issues are held at amortised cost and are not re-valued in the Balance Sheet to reflect interest rate movements.

Interest rate swap contracts
Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to manage the interest rate risk of the Group's borrowings. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the yield curves at the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

17. FINANCIAL INSTRUMENTS AND FAIR VALUES CONTINUED

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts, based on their contractual maturities, outstanding as at the reporting date:

	Average contract – fixed interest rate		Notional principal amount		Fair value	
	2020 %	2019 %	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Receive fixed, pay floating contracts:						
Group						
In one year or less	**–**	5.63	**–**	250.0	**–**	2.5
In more than one year but less than two	**2.38**	6.75	**350.0**	100.0	**9.7**	5.8
In more than two years but less than five	**3.87**	2.57	**578.0**	578.0	**11.4**	12.3
In more than five years	**2.03**	2.19	**1,019.6**	254.2	**37.5**	24.4
Total			**1,947.6**	1,182.2	**58.6**	45.0
Company						
In one year or less	**–**	5.63	**–**	250.0	**–**	2.5
In more than one year but less than two	**2.38**	6.75	**350.0**	100.0	**9.7**	5.8
In more than two years but less than five	**3.87**	2.57	**578.0**	578.0	**11.4**	12.3
In more than five years	**2.03**	2.19	**1,019.6**	254.2	**37.5**	24.4
Total			**1,947.6**	1,182.2	**58.6**	45.0

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 LIBOR 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	
	2020 %	2019 %	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Group						
In one year or less	**–**	–	**–**	–	**–**	–
In more than one year but less than two	**1.40**	–	**373.2**	–	**–**	–
In more than two years but less than five	**–**	1.41	**–**	361.9	**–**	0.1
In more than five years	**1.50**	1.50	**446.4**	423.7	**2.4**	5.4
Total			**819.6**	785.6	**2.4**	5.5
Company						
In one year or less	**–**	–	**–**	–	**–**	–
In more than one year but less than two	**1.40**	–	**373.2**	–	**–**	–
In more than two years but less than five	**–**	1.41	**–**	361.9	**–**	0.1
In more than five years	**1.50**	1.50	**446.4**	423.7	**2.4**	5.4
Total			**819.6**	785.6	**2.4**	5.5

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 LIBOR rate for the relevant period. The Group will receive the difference between the floating rate and the specified strike rate.

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17. FINANCIAL INSTRUMENTS AND FAIR VALUES CONTINUED

IBOR reform

The Group is exposed to two benchmark interest rates, sterling London Inter-bank Offered Rate (GBP LIBOR) and the Euro Interbank Offered Rate (EURIBOR). These interest rates are found in the Group's floating rate borrowings, and certain derivative contracts. Given the geography of the Group, there are no exposures to other benchmark interest rates.

There are no changes in respect of EURIBOR within the Group's financing or risk management activities.

In respect of GBP LIBOR, transition arrangements are complete for borrowing facilities, and are in progress in respect of interest rate derivatives. The Group's €1,218 million of bank facilities were amended in 2020 and early 2021 to provide for a transition to Sterling Overnight Indexed Average (SONIA) from GBP LIBOR. This transition will occur at the earlier of 1 September 2021, or when sterling LIBOR ceases to be published or otherwise becomes unrepresentative of the underlying market.

In respect of derivative contracts, the Group has not transitioned legacy contracts, but has executed certain contracts including a SONIA reference in place of an equivalent GBP LIBOR reference.

The remaining derivative instruments with sterling LIBOR exposure are:

Instrument	Number of contracts	Notional outstanding	Maturity
Interest rate cap	3	£150m	2022
Interest rate swap	7	£350m	2022
Interest rate swap	12	£578m	2023
Cross Currency Interest Rate Swap	7	£314m	2021
Cross Currency Interest Rate Swap	9	£353m	2029

There have been no changes to the Group's risk management strategy due to IBOR reform.

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 6 per cent of rental income. Trade receivables were less than 1 per cent of total assets at 31 December 2020 and at 31 December 2019.

Ageing of past due gross trade receivables and the carrying amount net of loss allowances is set out below.

	2020			2019		
	Gross amount £m	**Loss allowance £m**	**Net carrying amount £m**	Gross amount £m	Loss allowance £m	Net carrying amount £m
0–30 days	**1.0**	**(0.5)**	**0.5**	0.8	(0.1)	0.7
30–60 days	**0.9**	**(0.3)**	**0.6**	0.5	–	0.5
60–90 days	**3.5**	**(0.5)**	**3.0**	0.7	–	0.7
90–180 days	**5.7**	**(2.4)**	**3.3**	1.1	(0.5)	0.6
>180 days	**4.6**	**(2.2)**	**2.4**	0.1	(0.1)	–
Past due	**15.7**	**(5.9)**	**9.8**	3.2	(0.7)	2.5
Not due	**40.8**	**(1.1)**	**39.7**	33.1	(2.3)	30.8
Total trade receivables	**56.5**	**(7.0)**	**49.5**	36.3	(3.0)	33.3

Gross trade receivables mainly consists of amounts invoiced for rent, service charge and management fees, which form part of 'Gross rental income' (see Note 4) and are inclusive of VAT. Trade receivables at 31 December 2020 includes amounts due for 2020 rent and amounts billed in advance for 2021 rent. Both amounts have been considered in measuring expected credit losses (ECLs) detailed further below. The amounts billed in advance for 2021 rent are included within the 'Not due' category in the table above.

Total gross trade receivables 'past due' at 31 December 2020 were £15.7 million, 4 per cent of total gross rental income for the year. This reflects strong rent collection during 2020 despite of the disruption from Covid-19, with high collection levels continuing in 2021. Excluding non-rental receivables and VAT and accounting for cash collected post year end, the equivalent outstanding receivable balance for 2020 rent, including joint ventures at share, is £9.4 million, 2 per cent of total rental income for the year.

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. In the current reporting period, the current and forward information considers the impact of Covid-19. 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 Covid-19 and 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.

17. FINANCIAL INSTRUMENTS AND FAIR VALUES CONTINUED

As at 31 December 2020, the Group held a loss allowance provision for trade receivables of £7.0 million (2019: £3.0 million). Whilst the risk of impairment and the loss allowance at year end has increased as a result of Covid-19, the impairment risk remains low and the loss allowance of £7.0 million represents 1.8 per cent of total gross rental income for the year (2019: 0.8 per cent).

Total impairment losses of £3.8 million were recognised in the Income Statement for the year ended 31 December 2020 (2019: £1.0 million). The impairment losses include the net impact from loss allowances, receivables written off and recoveries of receivables previously written off and are presented within operating profit (see Note 5).

The other financial assets and lease incentive balances held by the Group have been considered for impairment based on historical default rates over the expected life and are adjusted for forward-looking information. Based on that analysis, no material loss allowances are held against these assets in the current and prior period.

The current other receivable relating to deferred proceeds from the disposal of investment properties of £75.4 million (see Note 14) is guaranteed by an irrevocable standby letter of credit of matched duration, issued by a bank with an AA credit rating.

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 page 66.

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For the year ended 31 December 2020

17. FINANCIAL INSTRUMENTS AND FAIR VALUES CONTINUED

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.

	2020						2019					
	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]		277.0	–	26.2	–	303.2		207.5	–	25.0	–	232.5
Lease liabilities	3.9	5.0	5.0	13.8	137.6	161.4	3.9	4.8	4.9	14.8	129.6	154.1
Variable rate debt instruments	1.05	1.4	1.4	137.1	–	139.9		–	–	–	–	–
Fixed rate debt instruments	2.62	61.4	61.4	258.5	2,403.3	2,784.6	3.1	61.0	139.7	278.7	1,806.3	2,285.7
Derivative financial instruments:												
Net settled interest rate swaps	(0.27)	(1.3)	(1.4)	(4.7)	(3.3)	(10.7)		–	–	–	–	–
Gross settled foreign exchange												
– Forward and currency swap contracts												
– Inflowing		(210.6)	–	–	(410.7)	(621.3)		(279.7)	–	–	–	(279.7)
– Outflowing		215.5	–	–	389.8	605.3		280.3	–	–	–	280.3
Total		348.4	66.4	430.9	2,516.7	3,362.4		273.9	144.6	318.5	1,935.9	2,672.9

	2020						2019					
	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]		9.1	1,929.7	–	–	1,938.8		9.5	1,747.4	–	–	1,756.9
Variable rate debt instruments	1.05	1.4	1.4	137.1	–	139.9		–	–	–	–	–
Fixed rate debt instruments	2.64	60.3	60.3	252.9	2,395.1	2,768.6	3.1	61.0	139.7	276.0	1,806.3	2,283.0
Derivative financial instruments:												
Net settled interest rate swaps	(0.27)	(1.3)	(1.4)	(4.7)	(3.3)	(10.7)		–	–	–	–	–
Gross settled foreign exchange												
– Forward and currency swap contracts												
– Inflowing		(210.6)	–	–	(410.7)	(621.3)		(279.7)	–	–	–	(279.7)
– Outflowing		215.5	–	–	389.8	605.3		280.3	–	–	–	280.3
Total		74.4	1,990.0	385.3	2,370.9	4,820.6		71.1	1,887.1	276.0	1,806.3	4,040.5

1 Group trade and other payables disclosed as financial liabilities in Note 17(ii) of £406.0 million (2019: £329.8 million) includes, accrued interest of £19.4 million (2019: £19.5 million) and lease liabilities of £83.4 million (2019: £77.8 million). Accrued interest is shown in fixed rate debt instruments in the table above.

2 Company trade and other payables disclosed as financial liabilities in Note 17(ii) of £1,958.1 million (2019: £1,776.4 million) includes accrued interest of £19.3 million (2019: £19.5 million). Accrued interest is shown in fixed rate debt instruments in the table above.

18. RETIREMENT BENEFIT SCHEMES

Background

The Group has one defined benefit pension scheme, the SEGRO Pension Scheme ('the Scheme'), a trust-based scheme. This arrangement is closed to new entrants and to future accrual of benefits. In this arrangement, the assets of the Scheme are invested separately from those of the Group and the Scheme is run by an independent Trustee Board. The Trustee Board of the Scheme is required by law to act in the best interests of the fund and its members and also takes into consideration the interests of the employer. There is a requirement for the Trustee Board to have member representation, with the other Trustees being Company appointed.

The Trustee Board is responsible for the investment policy in respect of the assets of the Scheme, although the Company must be consulted on this and typically has some input into the investment decisions.

During 2018, and following approval from the SEGRO plc Board, the Trustees of the Scheme fully insured members' benefits with a third party specialist insurance company (often referred to as a 'pension buy-out'), and the terms and conditions of the insurance policy were agreed on 6 December 2018. As is usual following such transactions, a data verification exercise is in progress which is expected to be completed during 2021. In addition, the process to wind-up the Scheme was triggered in the year. A High Court Judgment in November 2020, confirmed that pension scheme trustees were responsible for equalising the guaranteed minimum pension (GMP) for members who had previously transferred out of defined benefit schemes. Based on current estimates, this is unlikely to result in material liability for the Scheme, but it may delay the buy-out until the exercise is complete. There were no additional buy-out costs recognised in the Income Statement for the year ended 31 December 2020 (2019: £nil).

For the majority of the membership, the IAS 19 valuation is based on the membership data as at 25 September 2018 which was provided to the insurer as part of the buy-in exercise. Given the transaction described above a further actuarial valuation is not anticipated as the Scheme has commenced the winding up process.

Following the transaction described above, the Scheme's assets solely comprise Insured Pensions and their value is equal to the corresponding value of the benefit obligation. As such, the assets do not have quoted prices in an active market.

Further, the transaction has substantially mitigated market and demographic risks which are common to most other retirement schemes. The most significant risks applicable to the Scheme relate to the finalisation of the buy-out and transition of the responsibility to underwrite members' benefits from the Company to the third party regulated specialist insurance company, which is expected to be completed in 2021.

By undertaking a buy-out process to fully insure member benefits, the Company has sought to mitigate the requirement to make any additional contributions to the Scheme.

The major assumptions used were as follows:	2020 %	2019 %
Discount rate for scheme liabilities	1.2	2.0
Rate of inflation (RPI/CPI pre-2030/CPI post-2030)	3.1/2.1/3.0	3.2/2.1/2.1
Rate of increase to pensions in payment in excess of Guaranteed Minimum Pension (GMP):		
Before April 2003	4.2	4.2
From April 2003 to October 2005	3.0	3.1
After October 2005	2.2	2.1

Composition of Scheme's assets	Analysis of assets 2020 £m	Analysis of assets 2019 £m
Insured Pensions	292.2	262.0
Total	292.2	262.0

The life expectancies at age 65 are as follows:

	2020		2019	
	Male	Female	Male	Female
Current pensioners	25.0	26.1	24.9	26.0
Future pensioners (in 20 years' time)	27.3	28.4	27.1	28.3

Both life expectancy estimates use the standard S2PA (2019: S2PA) base tables with a scaling factor of 80 per cent for males and 90 per cent for females (2019: 80 per cent and 90 per cent respectively). Future improvements to the life expectancy are in line with CMI 2014 projections with an assumed long-term rate of improvement of one and a half per cent p.a. (2019: CMI 2014 projections with an assumed long-term rate of improvement of one and a half per cent p.a.).

There was no charge or credit recognised in the Group Income Statement or Statement of Comprehensive Income for the year ended 31 December 2020 (2019: £nil).

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18. RETIREMENT BENEFIT SCHEMES CONTINUED

Fair value of the assets and liabilities of the schemes

The amount included in the Balance Sheet arising from the Group's assets in respect of its defined benefit retirement schemes is as follows:

	2020 £m	2019 £m
Movement in assets		
1 January	**262.0**	235.6
Interest on scheme assets	**5.1**	6.5
Actuarial gains	**36.2**	29.5
Benefits paid	**(11.1)**	(9.6)
31 December	**292.2**	262.0
Movement in liabilities		
1 January	**262.0**	235.6
Interest cost	**5.1**	6.5
Actuarial losses/(gains) – changes in demographic assumptions	**–**	–
– changes in financial assumptions	**39.0**	31.3
– changes due to liability experience	**(2.8)**	(1.8)
Benefits paid	**(11.1)**	(9.6)
31 December	**292.2**	262.0
Analysis of net assets:		
Market value of schemes' assets	**292.2**	262.0
Present value of funded schemes' liabilities	**292.2**	262.0
Retirement benefit asset recognised in Pension assets in the Balance Sheet	**–**	–

The actual return on the Scheme assets in the period was a gain of £41.3 million (2019: £36.0 million gain).

The average duration of the benefit obligations at the end of the reporting period is 19 years (2019: 18 years) for the Scheme. As the Scheme has closed to future benefit accrual, there are no active members within the Scheme. The liabilities are split 39 per cent (2019: 35 per cent) to deferred and 61 per cent (2019: 65 per cent) to retired members.

The expected employer's contributions to be paid in the year ending 31 December 2021 are £nil (2020: £nil).

The Group also has a number of defined contribution schemes for which £1.7 million has been recognised as an expense (2019: £1.5 million).

Sensitivities

These sensitivities have been calculated to show the movement in the defined benefit obligation in isolation and assuming no other changes in market conditions at the accounting date. By undertaking the buy-out process, the value of the assets held by the Scheme will move by the same amount and so there would be no change to the nil pension asset.

Assumption	Change in assumption	Impact on SEGRO scheme liabilities
Discount rate	Increase/decrease by 0.5%	(Decrease)/increase by (£25.5m)/£29.4m
Life expectancy	Increase/decrease by 1 year	Increase/(decrease) by £16.0m/(£16.0m)
Rate of inflation (CPI and RPI)	Increase/decrease by 0.5%	Increase/(decrease) by £11.7m/(£10.7m)

No separate sensitivity has been provided for the pensions in payment assumptions as these are not distinct assumptions in their own right, but dependent on market changes to inflation. This sensitivity is included within the overall inflation assumption sensitivity shown, which allows for the corresponding change in pension increases that would be caused by a change in inflation.

19. 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 2020	**1,096.7**	**109.6**
Issue of shares – placing	**82.9**	**8.3**
Issue of shares – scrip dividend	**8.2**	**0.8**
Issue of shares – other	**3.8**	**0.4**
Ordinary shares of 10p each at 31 December 2020	**1,191.6**	**119.1**

On 9 June 2020 the Company announced the placing of 82.9 million ordinary shares of 10 pence each in the capital of the Company at a price of 820 pence per share. The Company raised £680.0 million, before £8.7 million expenses and as a result the Company's share capital increased by £8.3 million and share premium by £663.0 million (see Note 20).

19. SHARE CAPITAL AND SHARE-BASED PAYMENTS CONTINUED

Share-based payments

The Group operates the share-based payments schemes set out below.

19(i) – Deferred Share Bonus Plan (DSBP)

The DSBP is for Executive Directors and the Leadership team. 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 144. 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.

	2020 number	2019 number
At 1 January	**1,086,742**	1,297,793
Shares granted DSBP	**323,453**	296,546
Shares vested	**(441,696)**	(500,375)
Shares lapsed	**–**	(7,222)
At 31 December	**968,499**	1,086,742

The 2019 DSBP grant was made on 28 April 2020, based on a 27 April 2020 closing mid-market share price of 821.2 pence.

19(ii) – Long Term Incentive Plan (LTIP)

The LTIP is a discretionary employee share scheme for Executive Directors, the Leadership team and senior managers. Vesting of awards is subject to three-year performance conditions and is at the discretion of the Remuneration Committee. The performance conditions of the LTIP are detailed in the Remuneration Report on page 145.

If a participant ceases to be employed by the Group, the award will lapse, unless the participant is deemed to be a Good Leaver, in which case the award will be reduced pro-rata on length of employment in relation to the award date. From 2017 onwards, a mandatory two-year holding period after vesting was introduced for the Executive Directors.

	2020 number	2019 number
At 1 January	**6,532,839**	6,711,683
Shares granted LTIP	**1,303,169**	1,565,907
Shares vested	**(3,606,610)**	(1,713,915)
Shares expired/lapsed	**(229,456)**	(30,836)
At 31 December	**3,999,942**	6,532,839

The 2020 LTIP award was made on 26 March 2020. The calculation of the award was based on a share price of 786.8 pence, the closing mid-market share price on 25 March 2020. 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	7 April 2016	28 April 2017	26 April 2018	29 May 2019	**26 March 2020**
Market price used for award	420.7p	493.0p	628.8p	691.0p	**786.8p**
Risk-free interest rate	0.5%	0.1%	0.9%	0.6%	**0.12%**
Dividend yield	3.7%	3.3%	2.6%	2.7%	**2.6%**
Volatility	19.0%	21.5%	20.6%	15.7%	**17.1%**
Term	4 years	3 years	3 years	3 years	**3 years**
Fair value per share	312.6p	446.1p	580.8p	482.1p	**654.4p**

19(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 page 145. The total share-based payment charge for the schemes recognised in the 2020 Income Statement was £0.7 million (2019: £0.6 million). The total number of outstanding options for these schemes as at 31 December 2020 was 879,975 (2019: 895,941).

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For the year ended 31 December 2020

20. SHARE PREMIUM AND OTHER RESERVES

Share premium

GROUP AND COMPANY	2020 £m	2019 £m
Balance at 1 January	**2,554.3**	2,047.7
Premium arising on the issue of shares – equity placing	**663.0**	436.3
Premium arising on the issue of shares – scrip dividend	**59.8**	69.9
Premium arising on the issue of shares – other	**0.4**	0.4
Balance at 31 December	**3,277.5**	2,554.3

Other reserves

The capital redemption reserve of £113.9 million arose in 2009 where shares were reclassified, cancelled and consolidated in connection with a Rights Issue.

The merger reserve of £169.1 million also 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 £61.6 million (2019: £1.6 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.

21. OWN SHARES HELD

GROUP AND COMPANY	2020 £m	2019 £m
Balance at 1 January	**2.6**	2.0
Shares purchased	**2.0**	3.4
Disposed of on exercise of options	**(3.5)**	(2.8)
Balance at 31 December	**1.1**	2.6

These represent the cost of shares in SEGRO plc bought in the open market and held by Estera Trust (Jersey) Limited and Equiniti Limited, to satisfy various Group share schemes.

22. COMMITMENTS

Contractual obligations to purchase, construct, develop, repair, maintain or enhance assets are as follows:

GROUP	2020 £m	2019 £m
Properties	**603.6**	222.6

In addition, commitments in the Group's joint ventures at 31 December 2020 (at share) amounted to £34.6 million (2019: £41.6 million). The Group also has a £6.3 million commitment to a property related investment fund at 31 December 2020 (2019: £6.5 million).

23. CONTINGENT LIABILITIES

The Group has given performance guarantees to third parties amounting to £80.3 million (2019: £63.5 million) in respect of development contracts of subsidiary undertakings. It is unlikely that these contingencies will crystallise.

The Company has guaranteed loans and bank overdrafts 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 estimable. 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 2020 will have a material adverse effect on the Group's financial position.

24. 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 53 to 54. 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 at share £m	2020 £m	2019 £m
Not later than one year	**291.5**	**95.4**	**386.9**	360.7
Later than one year but not later than five years	**837.8**	**284.0**	**1,121.8**	1,068.3
Later than five years	**1,321.5**	**159.1**	**1,480.6**	1,398.9
Balance at 31 December	**2,450.8**	**538.5**	**2,989.3**	2,827.9

There are no significant levels of contingent rent in the current or prior year.

25. RELATED PARTY TRANSACTIONS

Group

Transactions during the year between the Group and its joint ventures are disclosed below:

	2020 £m	2019 £m
Dividends received	**33.8**	33.3
Assets sold to joint ventures[1]	**92.1**	221.0
Management fee income	**21.6**	20.4

1 During the year investment properties with a carrying value of £92.1 million were sold to SELP (2019: £221.0 million). Total proceeds (and total cash proceeds) received by SEGRO were £92.9 million (2019: £229.0 million). The transaction resulted in the net assets of the Group increasing by £0.8 million (2019: £8.0 million increase). The net cash impact on a proportionally consolidated basis was an inflow of £46.5 million (2019: inflow £114.5 million) once the 50% ownership in SELP is taken into account.

Amounts due from joint ventures are disclosed in Note 14. Investments in joint ventures at 31 December 2020 of £1,423.0 million disclosed in Note 7 (2019: £1,121.4 million) includes shareholder loans of £113.6 million (2019: £125.3 million).

Transactions between the Company and its subsidiaries eliminate on consolidation and are not disclosed in this Note.

Transactions between the Group and the pension scheme are set out in Note 18.

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 96 to 97. Key management personnel compensation is shown in the table below:

	2020 £m	2019 £m
Salaries and short-term benefits	**4.6**	5.4
Post-employment benefits	**0.4**	0.4
Share-based payments	**3.0**	3.4
Termination benefits	**0.4**	–
Total remuneration	**8.4**	9.2

More detailed information concerning Directors' remuneration, shareholdings, pension entitlements, share options and other long-term incentive plans, as required by the Companies Act 2006, is shown in the Remuneration Report on pages 123 to 143.

Notes to the Financial Statements
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For the year ended 31 December 2020

26. NOTES TO THE CASH FLOW STATEMENTS

26(i) – Reconciliation of cash generated from operations

	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Operating profit	**1,501.0**	949.4	**123.3**	220.3
Adjustments for:				
Depreciation of property, plant and equipment	**3.6**	3.4	**0.2**	0.9
Share of profit from joint ventures after tax	**(236.5)**	(203.1)		–
Profit on sale of investment properties	**(5.1)**	(7.2)	**–**	–
Revaluation surplus on investment properties	**(970.6)**	(476.7)	**–**	–
Valuation gain on other investments	**(13.6)**	(4.3)	**–**	–
Dividends and other income	**–**	–	**(174.4)**	(210.3)
Other provisions	**3.9**	8.2	**4.1**	3.1
Increase/(decrease) in impairment of subsidiaries	**–**	–	**33.1**	(29.2)
	282.7	269.7	**(13.7)**	(15.2)
Changes in working capital:				
(Increase)/decrease in trading properties	**(19.6)**	30.9	**–**	–
(Increase)/decrease in debtors and tenant incentives	**(52.4)**	(59.3)	**(1.4)**	0.1
Increase in creditors	**22.5**	50.3	**1.4**	5.6
Net cash inflow/(outflow) generated from operations	**233.2**	291.6	**(13.7)**	(9.5)

26(ii) – Deposits
Term deposits for a period of three months or less are included within cash and cash equivalents.

26(iii) – Analysis of net debt
Management defines net debt as total borrowing less cash and cash equivalents.

	At 1 January 2020 £m	Acquired[4] £m	Cash movements: Cash inflow[1] £m	Cash movements: Cash outflow[2] £m	Non-cash movements: Exchange movement £m	Non-cash movements: Fair value changes £m	Non-cash movements: Cost of early close out of debt £m	Non-cash movements: Other non-cash adjustments[3] £m	At 31 December 2020 £m
Group									
Bank loans and loan capital	1,958.3	12.1	550.6	(133.0)	31.6	–	10.9	–	2,430.5
Capitalised finance costs	(14.8)	–	–	(4.1)	–	–	–	2.4	(16.5)
Total borrowings	**1,943.5**	**12.1**	**550.6**	**(137.1)**	**31.6**	**–**	**10.9**	**2.4**	**2,414.0**
Cash in hand and at bank	(132.5)	(19.6)	–	63.4	(0.3)	–	–	–	(89.0)
Net debt	**1,811.0**	**(7.5)**	**550.6**	**(73.7)**	**31.3**	**–**	**10.9**	**2.4**	**2,325.0**
Company									
Bank loans and loan capital	1,955.9	–	550.6	(132.8)	31.6	–	10.9	–	2,416.2
Capitalised finance costs	(15.0)	–	–	(4.1)	–	–	–	2.4	(16.7)
Total borrowings	**1,940.9**	**–**	**550.6**	**(136.9)**	**31.6**	**–**	**10.9**	**2.4**	**2,399.5**
Cash in hand and at bank	(60.7)	–	–	40.9	–	–	–	–	(19.8)
Net debt	**1,880.2**	**–**	**550.6**	**(96.0)**	**31.6**	**–**	**10.9**	**2.4**	**2,379.7**

1 Proceeds from borrowings of £550.6 million.

2 Group cash outflow of £137.1 million (Company: £136.9 million), comprises the repayment of borrowings of £122.1 million (Company: £121.9 million), cash settlement for early repayment of debt of £10.9 million (Company: £10.9 million) and capitalised costs of £4.1 million (Company: £4.1 million).

3 The other non-cash adjustment relates to the amortisation of issue costs. See Note 9.

4 Acquired represents cash and borrowings assumed from the acquisition of Sofibus detailed further in Note 8.

26. NOTES TO THE CASH FLOW STATEMENTS CONTINUED

26(iv) – Analysis of financial liabilities and assets arising from financing activities

For the year ended 31 December 2020

Group	At 1 January 2020 £m	Acquired[3] £m	Cash movements: Cash inflow £m	Cash movements: Cash outflow £m	Non-cash movements: Exchange movement[1] £m	Non-cash movements: Net fair value changes[2] £m	Non-cash movements: Cost of early close out of debt £m	Non-cash movements: Other non-cash adjustments £m	**At 31 December 2020 £m**
Total borrowings (Note 16)	1,943.5	12.1	550.6	(137.1)	31.6	–	10.9	2.4	2,414.0
Derivatives: (Net) Fair value of forward foreign exchange and currency swap contracts (Note 17)	(16.2)	–	–	(55.0)	67.1	(3.2)	–	–	(7.3)
Lease liabilities (Note 15)	77.8	3.4	–	(4.7)	3.7	–	–	3.2	83.4
Total net financial liabilities arising from financing activities	**2,005.1**	**15.5**	**550.6**	**(196.8)**	**102.4**	**(3.2)**	**10.9**	**5.6**	**2,490.1**

1 Exchange movement of £98.7 million from borrowings and forward foreign exchange and currency swap contracts consists of: Foreign exchange loss on effective hedge relationships recognised in OCI of £52.5 million and foreign exchange loss recognised within the Income Statement of £46.2 million. See Note 17 (iv).

2 Total net fair value gain of £13.7 million arising from derivatives per Note 9 also includes fair value gains from interest rate swaps and caps of £10.5 million.

3 Acquired represents borrowings and lease liabilities assumed from the acquisition of Sofibus detailed further in Note 8.

For the year ended 31 December 2019

Group	At 1 January 2019 £m	Recognised on adoption of IFRS 16 £m	Cash movements: Cash inflow £m	Cash movements: Cash outflow £m	Non-cash movements: Acquisition of leases £m	Non-cash movements: Exchange movement[1] £m	Non-cash movements: Fair value changes[2] £m	Non-cash movements: Cost of early close out of debt £m	Non-cash movements: Other non-cash adjustments £m	At 31 December 2019 £m
Total borrowings (Note 16)	2,243.5	–	10.2	(270.6)	–	(60.5)	–	18.6	2.3	1,943.5
Derivatives: (Net) Fair value of forward foreign exchange and currency swap contracts (Note 17)	3.3	–	26.9	–	–	(49.5)	3.1	–	–	(16.2)
Lease liabilities (Note 15)	–	75.2	–	(3.9)	8.1	(4.6)	–	–	3.0	77.8
Total net financial liabilities arising from financing activities	2,246.8	75.2	37.1	(274.5)	8.1	(114.6)	3.1	18.6	5.3	2,005.1

1 Exchange movement of £110.0 million from borrowings and forward foreign exchange and currency swap contracts consists of: Foreign exchange gains on effective hedge relationships recognised in OCI of £57.6 million and foreign exchange gains recognised within the Income Statement of £52.4 million. See Note 17 (iv).

2 Total net fair value gain of £7.9 million arising from derivatives per Note 9 also includes fair value gains from interest rate swaps and caps of £11.0 million.

Company

The Company's financial liabilities and assets arising from financing activities comprise, Company total borrowings shown in Note 26(iii) of £2,399.5 million (2019: £1,940.9 million) and the Group derivatives shown in the table above of £7.3 million (asset) (2019: £16.2 million asset).

27. PROPERTY VALUATION TECHNIQUES 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 2020 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).

Based on different approaches for different properties, the following valuation techniques can be used for the same class of assets:

The yield methodology valuation technique is used when valuing the Group's assets which uses market rental values capitalised with a market capitalisation rate. The resulting valuations are cross-checked against the initial yields and the fair market values per square metre derived from actual market transactions for similar assets.

For properties under construction and the majority of land held for development, properties are valued using a residual method valuation. Under this methodology, the valuer assesses the investment value (using the above mentioned methodology for completed buildings). Deductions are then made for the total estimated costs to complete, including notional finance costs and developer's profit, to take into account the hypothetical purchaser's management of the remaining development process and their perception of risk with regard to construction and the property market (e.g. as regards potential cost overruns and letting risk). Land values are cross-checked against the rate per hectare derived from actual market transactions. Other land is also valued on this comparative basis. Land values per hectare range from £0.1 million – £11.4 million (2019: £0.1 million – £10.8 million) for the UK and £0.2 million – £3.6 million (2019: £0.1 million – £3.9 million) for Continental Europe.

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For the year ended 31 December 2020

27. PROPERTY VALUATION TECHNIQUES AND RELATED QUANTITATIVE INFORMATION CONTINUED

An increase/decrease to ERV will increase/decrease valuations, while an increase/decrease to yield will decrease/increase valuations. Management continues to consider a +/-5% change in ERV to be reasonably possible changes to the assumptions. A sensitivity analysis showing the impact on valuations of changes in yields and ERV on the property portfolio (including joint ventures at share) is shown below.

Sensitivity analysis

		Impact on valuation of 25bp change in nominal equivalent yield		Impact on valuation of 5% change in estimated rental value (ERV)	
	Group total completed property portfolio £m	Increase £m	Decrease £m	Increase £m	Decrease £m
2020	**11,807.2**	**(616.1)**	**607.8**	**436.0**	**(430.9)**
2019[1]	9,316.9	(473.5)	425.3	342.1	(337.7)

1 Following a change in the methodology for calculating sensitivities, the December 2019 sensitivities have been changed from those disclosed in the Annual Report & Accounts 2019 in order to be consistent with the December 2020 position.

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, e.g. an increase in rent may be offset by an increase in yield. The table below includes the Group's wholly-owned and joint venture 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			
2020 By asset type	**Completed £m**	**Land & development[1] £m**	**Combined property portfolio £m**	**ERV[2] £ per sq m**	**ERV range[2] £ per sq m**	**Net true equivalent yield[3] %**	**Net true equivalent yield range %**
Big box warehouses > 35,000 sq m	**1,660.6**		**1,660.6**	**46.8**	**30.8–147.8**	**4.4**	**3.6–6.4**
Big box warehouses < 35,000 sq m	**2,098.0**		**2,098.0**	**53.5**	**32.1–130.1**	**4.6**	**3.5–6.5**
Urban warehouses > 3,500 sq m	**4,951.5**		**4,951.5**	**110.8**	**26.8–280.6**	**4.5**	**3.3–10.1**
Urban warehouses < 3,500 sq m	**2,821.5**		**2,821.5**	**159.2**	**53.6–291.2**	**4.1**	**3.3–8.7**
High value and other uses of industrial land[4]	**275.6**		**275.6**	**165.3**	**53.6–215.3**	**5.9**	**3.3–9.9**
	11,807.2	**1,188.0**	**12,995.2**	**75.1**	**26.8–291.2**	**4.5**	**3.3–10.1**
By ownership							
Wholly-owned[5]	**9,566.6**	**1,080.9**	**10,647.5**	**111.7**	**26.8–291.2**	**4.4**	**3.3–9.9**
Joint ventures	**2,240.6**	**107.1**	**2,347.7**	**46.7**	**30.8–96.4**	**4.7**	**3.5–10.1**
Group Total	**11,807.2**	**1,188.0**	**12,995.2**	**75.1**	**26.8–291.2**	**4.5**	**3.3–10.1**

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 £789.4 million; big box < 35,000 sq m £861.3 million; urban warehouses > 3,500 sq m £4,822.3 million; urban warehouses < 3,500 sq m £2,821.5 million; and other uses £272.1 million.

27. PROPERTY VALUATION TECHNIQUES AND RELATED QUANTITATIVE INFORMATION CONTINUED

	Valuation			Inputs			
2020 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 %**
Greater London	4,727.0	140.9	4,867.9	160.2	55.1–291.2	4.0	3.3–7.3
Thames Valley	1,856.3	140.4	1,996.7	150.8	70.0–280.6	4.7	4.3–7.4
National Logistics	831.5	391.8	1,223.3	70.5	45.0–130.1	4.6	4.2–5.2
Northern Europe							
Germany	1,277.1	100.6	1,377.7	58.6	32.1–140.3	4.1	3.5–5.7
Netherlands	140.0	21.9	161.9	60.5	50.3–94.4	4.7	3.9–10.1
Southern Europe							
France	1,378.8	136.5	1,515.3	61.4	39.3–125.0	4.9	3.6–9.2
Italy/Spain	954.4	212.0	1,166.4	46.4	26.8–172.1	4.8	3.9–9.9
Central Europe							
Poland	564.2	33.2	597.4	42.1	30.8–139.0	6.0	5.4–6.4
Other	77.9	10.7	88.6	53.3	46.8–96.4	5.5	5.4–5.5
Group Total	11,807.2	1,188.0	12,995.2	75.1	26.8–291.2	4.5	3.3–10.1

Investment properties – Group (Note 13(i))[3]	10,594.5
Investment properties – Joint ventures (Note 7(ii))	2,347.7
Trading properties – Group (Note 13(ii))[4]	53.0
Trading properties – Joint ventures (Note 7(ii))	–
	12,995.2

1 On a fully occupied basis.
2 In relation to the completed properties only.
3 Excludes head lease ROU assets of £76.9 million.
4 Includes valuation surplus not recognised on trading properties of £0.9 million.

	Valuation			Inputs			
2019 By asset type	Completed £m	Land & development[1] £m	Combined property portfolio £m	ERV[2] £ per sq m	ERV range[2] £ per sq m	Net true equivalent yield[3] %	Net true equivalent yield range %
Big box warehouses > 35,000 sq m	1,220.2		1,220.2	45.2	30.5–147.5	4.9	4.0–6.5
Big box warehouses < 35,000 sq m	1,681.7		1,681.7	50.6	30.5–226.0	4.9	3.8–6.5
Urban warehouses > 3,500 sq m	3,800.7		3,800.7	105.3	25.4–272.1	4.8	3.8–10.4
Urban warehouses < 3,500 sq m	2,390.2		2,390.2	152.8	50.8–279.9	4.4	3.9–7.3
High value and other uses of industrial land[4]	224.1		224.1	150.4	48.2–226.1	5.9	4.1–6.9
	9,316.9	934.1	10,251.0	72.2	25.4–279.9	4.8	3.8–10.4
By ownership							
Wholly-owned[5]	7,527.0	824.7	8,351.7	112.6	25.4–279.9	4.7	3.8–9.5
Joint ventures	1,789.9	109.4	1,899.3	43.6	28.3–91.5	5.1	3.8–10.4
Group Total	9,316.9	934.1	10,251.0	72.2	25.4–279.9	4.8	3.8–10.4

1 Land and development valuations by asset type are not available as land sites are not categorised by asset type. Combined property portfolio column will not cast down but row does cast across.
2 On a fully occupied basis.
3 In relation to the completed properties only.
4 Higher value includes offices and retail uses, such as trade counters, car showrooms and self-storage facilities.
5 Included in the completed portfolio, the wholly-owned assets are: big box > 35,000 sq m £512.0 million; big box < 35,000 sq m £713.7 million; urban warehouses > 3,500 sq m £3,688.2 million; urban warehouses < 3,500 sq m £2,389.5 million; and other uses £223.6 million.

Notes to the Financial Statements
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For the year ended 31 December 2020

27. PROPERTY VALUATION TECHNIQUES AND RELATED QUANTITATIVE INFORMATION CONTINUED

	Valuation			Inputs			
2019 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 %
Greater London	3,819.1	181.9	4,001.0	157.3	48.7–279.9	4.4	4.0–7.8
Thames Valley	1,671.7	80.7	1,752.4	143.4	61.9–226.1	4.9	4.0–6.6
National Logistics	711.6	161.0	872.6	69.6	43.3–127.1	4.9	4.5–6.9
Northern Europe							
Germany/Austria	982.4	122.5	1,104.9	55.0	30.5–150.3	4.7	3.8–6.5
Belgium/Netherlands	108.1	29.3	137.4	53.5	28.3–83.2	5.0	4.2–10.4
Southern Europe							
France	955.3	82.9	1,038.2	56.4	37.3–114.8	5.0	3.8–9.5
Italy/Spain	499.4	235.0	734.4	42.8	25.4–91.5	5.2	4.1–9.3
Central Europe							
Poland	495.9	30.4	526.3	40.0	30.5–131.9	6.2	5.5–6.5
Other	73.4	10.4	83.8	50.6	44.4–91.5	5.6	5.2–5.6
Group Total	9,316.9	934.1	10,251.0	72.2	25.4–279.9	4.8	3.8–10.4

Investment properties – Group (Note 13(i))[3]	8,331.5
Investment properties – Joint ventures (Note 7(ii))	1,898.3
Trading properties – Group (Note 13(ii))	20.2
Trading properties – Joint ventures (Note 7(ii))	1.0
	10,251.0

1 On a fully occupied basis.
2 In relation to the completed properties only.
3 Excludes head lease ROU assets of £70.2 million.

28. RELATED UNDERTAKINGS

A list of the Group's related undertakings as at 31 December 2020 is detailed below. Except where the Group's percentage holding 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 comprises 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 primarily SELP and Roxhill.

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 account by virtue of Section 479A of the Act. These subsidiaries are identified with ** in 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. These partnerships are identified with *** in 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[6]***	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
Allnatt London Properties plc[2]**	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	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
Bilton plc**	England and Wales		Direct	1 New Burlington Place, London W1S 2HR, United Kingdom
Bonsol S.R.L.	Italy	95	Indirect	Strada 3 Palazzo B3, 20090 Assago, Milanofiori, Milan, Italy
Brixton (Axis Park) Limited	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
Brixton (Fairway Units 7-11) Limited**	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, 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 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 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 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**	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
Brixton Northfields (Wembley) Holdings Limited**	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
Brixton Northfields (Wembley) Limited**	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
Brixton Northfields 1 Limited**	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
Brixton Northfields 2 Limited**	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
Brixton Northfields 3 Limited**	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
Brixton Northfields 4 Limited**	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
Brixton Northfields 5 Limited**	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
Brixton Northfields 6 Limited**	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, 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

Notes to the Financial Statements
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28. RELATED UNDERTAKINGS CONTINUED

Company Name	Jurisdiction	% effective holding if not 100%	Direct / Indirect	Registered Office
B-Serv Limited**	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
CHR Holdings II LLC[5]	Delaware		Indirect	1209 Orange Street, Wilmington, Delaware, United States
CHR Holdings LLC	Delaware		Indirect	400, 2711 Centerville Road, Wilmington, New Castle, Delaware, United States
Coventry & Warwickshire Development Partnership LLP[6]	England and Wales		Indirect	Lumonics House Valley Drive, Swift Valley Industrial Estate, Rugby CV21 1TQ, United Kingdom
CWDP Investment Limited**	England and Wales		Indirect	Lumonics House Valley Drive, Swift Valley Industrial Estate, Rugby CV21 1TQ, United Kingdom
De Hoek-Noord S-Park B.V.	Netherlands		Indirect	Gustav Mahlerplein 62, ITO-toren, 1082MA Amsterdam, Netherlands
Devon Nominees (No.1) Limited	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
Devon Nominees (No.2) Limited	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
Devon Nominees (No.3) Limited	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
Gateway Rugby Management Company Limited**	England and Wales	91.85	Indirect	Lumonics House Valley Drive, Swift Valley Industrial Estate, Rugby CV21 1TQ, United Kingdom
Granby Investments Sp z.o.o.	Poland		Indirect	Pl. Andersa 3, 61-894, Poznań, Poland
GrontFour s.r.o.	Czech Republic		Indirect	Praha 1, Na Příkopě 9/392 a 11/393, PSČ 110 00, Czech Republic
HelioSlough Limited**	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
Helios Northern Limited[1]**	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
Howbury Park GP Limited[5]	England and Wales		Indirect	55 Baker Street, London, W1U 7EU, United Kingdom
Howbury Park SPV Limited[5]	England and Wales		Indirect	55 Baker Street, London, W1U 7EU, United Kingdom
IFP S.R.L.	Italy	95	Indirect	Strada 3 Palazzo B3, 20090 Assago Milanofiori, Milan, Italy
IMPIANTI FTV S.R.L.	Italy	95	Indirect	Strada 3 Palazzo B3, 20090 Assago Milanofiori, Milan, Italy
Karnal Investments Sp z.o.o.	Poland		Indirect	Zielna 37, 00-108 Warszawa, Mazowieckie, Poland
Liacom-A Ingatlanforgalmazo KFT	Hungary		Indirect	1024 Budapest, Lövőház u. 39, Hungary
London Distribution Park No.2 LLP[6]	England and Wales	50	Indirect	Leslie Ford House, Tilbury, Essex, United Kingdom, RM18 7EH
Lynford Investments Sp z.o.o.	Poland		Indirect	Zielna 37, 00-108 Warszawa, Mazowieckie, Poland
M0M4 Üzleti Park KFT	Hungary		Indirect	1024 Budapest, Lövőház u. 39, Hungary
Nivindus NV	Belgium	50	Indirect	Boulevard Louis Schmidt 87, 1040 Etterbeek, Belgium
Ożarów Biznes Park Sp z.o.o.	Poland		Indirect	Pl. Andersa 3, 61-894, Poznań, Poland
Premier Greenford GP Limited[1]	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
Roxhill (Coventry M6 J2) Limited[7]	England and Wales		Indirect	Lumonics House Valley Drive, Swift Valley Industrial Estate, Rugby CV21 1TQ, United Kingdom
Roxhill (Coventry) Limited**[7]	England and Wales		Indirect	Lumonics House Valley Drive, Swift Valley Industrial Estate, Rugby CV21 1TQ, United Kingdom
Roxhill (Junction 15) Limited	England and Wales		Indirect	Lumonics House Valley Drive, Swift Valley Industrial Estate, Rugby CV21 1TQ, United Kingdom
Roxhill (Maidstone) Limited	England and Wales	50	Indirect	Lumonics House Valley Drive, Swift Valley Industrial Estate, Rugby CV21 1TQ, United Kingdom
Roxhill Management Rugby Limited	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, London
Roxhill Warth 2 Limited	England and Wales	28	Indirect	Lumonics House Valley Drive, Swift Valley Industrial Estate, Rugby CV21 1TQ, United Kingdom
Roxhill Warth 3 Limited	England and Wales	50	Indirect	Lumonics House Valley Drive, Swift Valley Industrial Estate, Rugby CV21 1TQ, United Kingdom
Roxhill-SEGRO (Rugby Gateway) LLP[6]	England and Wales	50	Indirect	Lumonics House Valley Drive, Swift Valley Industrial Estate, Rugby CV21 1TQ, 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
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 (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

28. RELATED UNDERTAKINGS CONTINUED

Company Name	Jurisdiction	% effective holding if not 100%	Direct / Indirect	Registered Office
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 (Colnbrook) Limited**	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
SEGRO (Crick) Limited**	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
SEGRO (Dagenham) Limited	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
SEGRO (Den Bosch) B.V.	Netherlands		Indirect	Gustav Mahlerplein 62, ITO-toren, 1082MA Amsterdam, Netherlands
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[1]**	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
SEGRO (EMG Rail Freight Terminal) Limited**	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
SEGRO (EMG Unit 1) Limited	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
SEGRO (EMG Unit 2) Limited	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
SEGRO (EMG Unit 4) Limited**	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
SEGRO (EMG Unit 8) Limited	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
SEGRO (EMG Unit 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 (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 (Howbury) Limited[5]	England and Wales		Indirect	55 Baker Street, London W1U 7EU, United Kingdom
SEGRO (Kettering Gateway Management Company) Limited**	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
SEGRO (Kettering) Limited	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
SEGRO (Lee Park Distribution) Limited	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
SEGRO (Loop) Limited**	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
SEGRO (Nelson Trade Park) Limited**	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
SEGRO (New Cross Business Centre) Limited**	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
SEGRO (Newport Pagnell) Limited**	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
SEGRO (NFTE & Mercury) Limited	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
SEGRO (Parc des Damiers) SAS	France		Indirect	20 Rue Brunel, 75017, Paris, France
SEGRO (Perivale Park) Limited	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
SEGRO (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 (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[2]	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

Notes to the Financial Statements
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For the year ended 31 December 2020

28. RELATED UNDERTAKINGS CONTINUED

Company Name	Jurisdiction	% effective holding if not 100%	Direct / Indirect	Registered Office
SEGRO (Rugby Gateway 5) Limited**	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
SEGRO (Rushden) Limited**	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
SEGRO (Skyline) Limited	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
SEGRO (Spacewaye Park) Limited**	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
SEGRO (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**	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, 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	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
SEGRO (Tudor) Limited	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
SEGRO (UK Logistics) Limited**	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
SEGRO (Victoria Industrial Estate) Limited	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
SEGRO (Watchmoor) Limited**	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
SEGRO (Welham Green) Limited	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
SEGRO (West Zaan) B.V.	Netherlands		Indirect	Gustav Mahlerplein 62, ITO-toren, 1082MA Amsterdam, Netherlands
SEGRO (Westway Estate) Limited	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
SEGRO Achte Grundbesitz GmbH	Germany		Indirect	Fichtenstrasse 33, 40233, Düsseldorf, Germany
SEGRO Achtzehnte Grundbesitz GmbH	Germany		Indirect	Fichtenstrasse 33, 40233, Düsseldorf, Germany
SEGRO Administration Limited	England and Wales		Direct	1 New Burlington Place, London W1S 2HR, United Kingdom
SEGRO APP 1 Limited**	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
SEGRO APP 2 Limited**	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
SEGRO APP 3 Limited**	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
SEGRO APP 4 Limited**	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
SEGRO APP Management Limited**	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
SEGRO Asset Management Limited**	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
SEGRO B.V.	Netherlands		Indirect	Gustav Mahlerplein 62, ITO-toren, 1082MA Amsterdam, Netherlands
SEGRO Belgium NV	Belgium		Indirect	Boulevard Louis Schmidt 87, 1040 Etterbeek, Belgium
SEGRO Benelux B.V.[4]	Netherlands		Indirect	Gustav Mahlerplein 62, ITO-toren, 1082MA Amsterdam, Netherlands
SEGRO CHUSA Limited	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
SEGRO Communities 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 De Hoek B.V.	Netherlands		Indirect	Gustav Mahlerplein 62, ITO-toren, 1082MA Amsterdam, Netherlands
SEGRO Dreiundzwanzigste Grundbesitz GmbH	Germany		Indirect	Fichtenstrasse 33, 40233, Düsseldorf, Germany
SEGRO Dreizehnte Grundbesitz GmbH	Germany	94	Indirect	Fichtenstrasse 33, 40233, Düsseldorf, Germany
SEGRO Dritte Grundbesitz GmbH	Germany		Indirect	Fichtenstrasse 33, 40233, Düsseldorf, Germany
SEGRO Einundzwanzigste Grundbesitz GmbH	Germany		Indirect	Fichtenstrasse 33, 40233, Düsseldorf, Germany
SEGRO Elfte Grundbesitz GmbH	Germany		Indirect	Fichtenstrasse 33, 40233, Düsseldorf, Germany
SEGRO Erste Grundbesitz GmbH	Germany		Indirect	Fichtenstrasse 33, 40233, Düsseldorf, Germany
SEGRO Europe Limited**	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
SEGRO European Logistics Partnership S.á r.l.	Luxembourg	50	Indirect	35 – 37 avenue de la Liberté, L-1931, Luxembourg
SEGRO Finance plc	England and Wales		Direct	1 New Burlington Place, London W1S 2HR, United Kingdom
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, 1082MA Amsterdam, Netherlands
SEGRO Gobelins SCI	France		Indirect	20 Rue Brunel, 75017, Paris, France

28. RELATED UNDERTAKINGS CONTINUED

Company Name	Jurisdiction	% effective holding if not 100%	Direct / Indirect	Registered Office
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 Industrial Nederland B.V.	Netherlands		Indirect	Gustav Mahlerplein 62, ITO-toren, 1082MA Amsterdam, Netherlands
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 SL	Spain		Direct	Avenida Diagonal 467, 6a planta, pta 2, 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	5, rue Guillaume Kroll, L-1882, Luxembourg
SEGRO Luxembourg S.à r.l	Luxembourg		Indirect	35 – 37 avenue de la Liberté, L-1931, Luxembourg
SEGRO Lyon 1 SCI	France		Indirect	20 Rue Brunel, 75017, Paris, France
SEGRO Management Limited**	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, 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, 1082MA Amsterdam, Netherlands
SEGRO Netherlands Holdings B.V.	Netherlands		Indirect	Gustav Mahlerplein 62, ITO-toren, 1082MA Amsterdam, Netherlands
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 Pension Scheme Trustees Limited	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
SEGRO plc French Branch	France		Direct	20 Rue Brunel, 75017, Paris, France
SEGRO 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 SL	Spain		Direct	Avenida Diagonal 467, 6a planta, pta 2, 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 Spain Management S.L.	Spain		Indirect	Avenida Diagonal 467, 6a planta, pta 2, 08036, Barcelona, Spain
SEGRO Spain Spare 1 SLU	Spain		Direct	Avenida Diagonal 467, 6a planta, pta 2, 08036, Barcelona, Spain
SEGRO Spain Spare 2 SLU	Spain		Direct	Avenida Diagonal 467, 6a planta, pta 2, 08036, Barcelona, Spain
SEGRO Spain Spare 3 SLU	Spain		Direct	Avenida Diagonal 467, 6a planta, pta 2, 08036, Barcelona, Spain
SEGRO Trading (France) SNC	France		Indirect	20 Rue Brunel, 75017, Paris, France
SEGRO Urban Logistics PR2 SCI	France		Indirect	20 Rue Brunel, 75017, Paris, France
SEGRO Urban Logistics PRI 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 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	283 Route d'Arlon, L-8011 Strassen, Luxembourg
SELP (Alpha JV) S.á r.l.	Luxembourg	50	Indirect	283 Route d'Arlon, L-8011 Strassen, Luxembourg

Notes to the Financial Statements
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For the year ended 31 December 2020

28. RELATED UNDERTAKINGS CONTINUED

Company Name	Jurisdiction	% effective holding if not 100%	Direct / Indirect	Registered Office
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
SOFIBUS Patrimoine SA	France	94.4	Indirect	20 Rue Brunel, 75017, Paris, France
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
The UK Logistics (Nominee 1) Limited	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
The UK Logistics (Nominee 2) Limited	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[6]	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
Trafford Park Estates Limited**	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
UK Logistics Fund Unit Trust	Jersey		Indirect	Ogier House, The Esplanade, St. Helier, JE4 9WG, Jersey
UK Logistics Properties No 1 Unit Trust	Jersey		Indirect	Ogier House, The Esplanade, St. Helier, JE4 9WG, Jersey
UK Logistics Properties No 2 Unit Trust	Jersey		Indirect	Ogier House, The Esplanade, St. Helier, JE4 9WG, Jersey
UK Logistics Trustees Limited	Jersey		Indirect	Ogier House, The Esplanade, St. Helier, JE4 9WG, Jersey
Unitair General Partner Limited**	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
Unitair Limited Partnership[6]***	England and Wales		Indirect	1 New Burlington Place, London W1S 2HR, United Kingdom
Colleferro SRL	Italy	95	Indirect	Strada 3 Palazzo B3, 20090 Assago, Milanofiori, Milan, Italy
Vailog Energy 1 S.R.L.	Italy	95	Indirect	Strada 3 Palazzo B3, 20090 Assago, Milanofiori, Milan, Italy
Vailog Energy 2 S.R.L.	Italy	95	Indirect	Strada 3 Palazzo B3, 20090 Assago, Milanofiori, Milan, Italy
Vailog Energy 3 S.R.L.	Italy	95	Indirect	Strada 3 Palazzo B3, 20090 Assago, Milanofiori, Milan, Italy
Vailog France SCI	France		Indirect	20 Rue Brunel, 75017, Paris, France
Vailog S.R.L.	Italy	95	Indirect	Strada 3 Palazzo B3, 20090 Assago, Milanofiori, Milan, Italy
Woodside GP Limited	England and Wales	33.3	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 Seven 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

1 Ownership held in class A and B shares.
2 Ownership held in class of ordinary and deferred shares.
3 Ownership held in class of A shares.
4 Ownership held in class of G shares, K shares, S shares and preference shares.
5 In liquidation.
6 Partnerships and Limited Liability Partnerships (LLPs) do not have a share capital, unless otherwise stated the Group holds 100 per cent interest in these entities.
7 Roxhill (Coventry M6 J2) Limited and Roxhill (Coventry) Limited were renamed SEGRO (Coventry M6 J2) Limited and SEGRO (Coventry) Limited on 12 January 2021.

SUPPLEMENTARY NOTES NOT PART OF AUDITED FINANCIAL STATEMENTS

Table 1: EPRA performance measures summary

	Notes	2020 £m	2020 Pence per share	2019 £m	2019 Pence per share
EPRA Earnings	Table 4	**292.3**	**25.4**	264.1	24.4
EPRA NTA	Table 5	**9,725.2**	**814**	7,712.1	700
EPRA NRV	Table 5	**10,571.2**	**885**	8,370.7	760
EPRA NDV	Table 5	**9,155.3**	**766**	7,425.8	674
EPRA net initial yield	Table 6		**3.8%**		3.8%
EPRA topped-up net initial yield	Table 6		**4.1%**		4.3%
EPRA vacancy rate	Table 7		**3.9%**		4.0%
EPRA cost ratio (including vacant property costs)	Table 8		**21.1%**		22.9%
EPRA cost ratio (excluding vacant property costs)	Table 8		**20.1%**		21.5%

Table 2: Income Statement, proportionally consolidated

	Notes	2020 Group £m	2020 Joint ventures £m	2020 Total £m	2019 Group £m	2019 Joint ventures £m	2019 Total £m
Gross rental income	2,7	**392.9**	**121.2**	**514.1**	362.0	107.1	469.1
Property operating expenses	2,7	**(88.3)**	**(31.1)**	**(119.4)**	(80.7)	(27.4)	(108.1)
Net rental income		**304.6**	**90.1**	**394.7**	281.3	79.7	361.0
Joint venture fee income[1]	2	**21.6**	**(9.6)**	**12.0**	20.4	(8.6)	11.8
Administration expenses	2,7	**(51.5)**	**(1.6)**	**(53.1)**	(51.5)	(1.6)	(53.1)
Adjusted operating profit before interest and tax		**274.7**	**78.9**	**353.6**	250.2	69.5	319.7
Net finance costs (including adjustments)	2,7	**(39.7)**	**(12.3)**	**(52.0)**	(36.7)	(10.0)	(46.7)
Adjusted profit before tax		**235.0**	**66.6**	**301.6**	213.5	59.5	273.0
Tax on adjusted profit	2,7	**(4.0)**	**(5.1)**	**(9.1)**	(3.2)	(5.5)	(8.7)
Adjusted/EPRA earnings before non-controlling interests		**231.0**	**61.5**	**292.5**	210.3	54.0	264.3
Non-controlling interest on adjusted profit	2,7	**(0.2)**	**–**	**(0.2)**	(0.2)	–	(0.2)
Adjusted/EPRA earnings after tax and non-controlling interests		**230.8**	**61.5**	**292.3**	210.1	54.0	264.1
Number of shares, million	12			**1,149.8**			1,081.3
Adjusted/EPRA EPS, pence per share				**25.4**			24.4
Number of shares, million	12			**1,154.5**			1,087.1
Adjusted/EPRA EPS, pence per share – diluted				**25.3**			24.3

1 Joint venture fee income includes the cost of such fees borne by the joint ventures which are shown in Note 7 within net rental income.

As discussed in Note 2 there were no non-EPRA adjustments to underlying profit made in the current or prior period, therefore Adjusted earnings is equal to EPRA earnings in the table above.

Notes to the Financial Statements
continued

For the year ended 31 December 2020

SUPPLEMENTARY NOTES NOT PART OF AUDITED FINANCIAL STATEMENTS CONTINUED

Table 3: Balance Sheet, proportionally consolidated

		2020			2019		
	Notes	**Group £m**	**Joint ventures £m**	**Total £m**	Group £m	Joint ventures £m	Total £m
Investment properties	13,7	**10,671.4**	**2,347.7**	**13,019.1**	8,401.7	1,898.3	10,300.0
Trading properties	13,7	**52.1**	**–**	**52.1**	20.2	1.0	21.2
Total properties		**10,723.5**	**2,347.7**	**13,071.2**	8,421.9	1,899.3	10,321.2
Investment in joint ventures	7	**1,423.0**	**(1,423.0)**	**–**	1,121.4	(1,121.4)	–
Other net liabilities		**(162.3)**	**(161.7)**	**(324.0)**	(54.7)	(104.6)	(159.3)
Net borrowings	16,7	**(2,325.0)**	**(763.0)**	**(3,088.0)**	(1,811.0)	(673.3)	(2,484.3)
Total shareholders' equity[1]		**9,659.2**	**–**	**9,659.2**	7,677.6	–	7,677.6
EPRA adjustments	12			**66.0**			34.5
Adjusted NAV	12			**9,725.2**			7,712.1
Number of shares, million	12			**1,194.7**			1,102.1
Adjusted NAV, pence per share	12			**814**			700

1 After non-controlling interests.

Note: Loan to value of 23.8 per cent is calculated as net borrowings of £3,088.0 million divided by total properties (excluding head lease ROU asset of £76.9 million) of £12,994.3 million (2019: 24.2 per cent; £2,484.3 million net borrowings; £10,251.0 million total properties).

The portfolio valuation uplift of 10.3 per cent shown on page 52 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 we are measured. Based on the Financial Statements there is a valuation surplus of £1,182.5 million (see Note 8) and property value of £12,994.3 million (paragraph above) giving a valuation uplift of 10.0 per cent. The primary differences are that the uplift excludes the impact of rent free incentives (£23.5 million, +0.2 per cent) and other movements (£7.0 million, +0.1 per cent) primarily due to foreign exchange based on closing rate as opposed to average used in the Financial Statements.

Total assets under management of £15,342.8 million (2019: £12,220.5 million) includes Group total properties of £10,647.5 million (see Note 27) and 100 per cent of total properties owned by joint ventures of £4,695.3 million (see Note 7 (ii)).

Table 4: EPRA Earnings

		2020	2019
	Notes	**Group £m**	Group £m
Earnings per IFRS income statement		**1,426.9**	857.9
Adjustments to calculate EPRA Earnings, exclude:			
Valuation surplus on investment properties	8	**(970.6)**	(476.7)
Profit on sale of investment properties	8	**(5.1)**	(7.2)
Gain on sale of trading properties	13	**(1.2)**	(6.9)
Increase/(decrease) in provision for impairment of trading properties	8	**0.1**	(1.4)
Increase in provision for impairment of other interests in property	8	**0.6**	0.4
Valuation surplus on other investments	8	**(13.6)**	(4.3)
Tax on profits on disposals[1]		**(0.3)**	9.2
Cost of early close out of debt	9	**10.9**	18.6
Net fair value gain on interest rate swaps and other derivatives	9	**(13.7)**	(7.9)
Deferred tax charge in respect of EPRA adjustments[1]		**31.3**	29.0
Adjustments to the share of profit from joint ventures after tax	7	**(175.0)**	(149.1)
Non-controlling interests in respect of the above	2	**2.0**	2.5
EPRA earnings		**292.3**	264.1
Basic number of shares, million	12	**1,149.8**	1,081.3
EPRA Earnings per Share (EPS)		**25.4**	24.4
Company specific adjustments:			
Non-EPRA adjustments	2	**–**	–
Adjusted earnings		**292.3**	264.1
Adjusted EPS	12	**25.4**	24.4

1 Total tax charge in respect of adjustments per Note 2 of £31.0 million (2019: £38.2 million charge) comprises tax credit on profits on disposals of £0.3 million (2019: £9.2 million charge) and deferred tax charge of £31.3 million (2019: £29.0 million charge).

SUPPLEMENTARY NOTES NOT PART OF AUDITED FINANCIAL STATEMENTS CONTINUED

Table 5: EPRA Net asset measures

In October 2019, the European Public Real Estate Association (EPRA) published new Best Practices Recommendations (BPR) for financial disclosures by public real estate companies. The BPR introduced three new measures of net asset value: EPRA net tangible assets (NTA), EPRA net reinstatement value (NRV) and EPRA net disposal value (NDV).

These recommendations are effective for accounting periods starting on 1 January 2020 and have been adopted by the Group in reporting the 31 December 2020 position.

EPRA NTA 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 now 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 new EPRA NAV metrics from IFRS NAV is shown in the table below. The previously reported EPRA NAV and EPRA NNNAV have also been included for comparative purposes.

	Current measures			Previously reported measures	
As at 31 December 2020	EPRA NTA £m	EPRA NRV £m	EPRA NDV £m	EPRA NAV £m	EPRA NNNAV £m
Equity attributable to ordinary shareholders	**9,659.2**	**9,659.2**	**9,659.2**	**9,659.2**	**9,659.2**
Fair value adjustment in respect of interest rate derivatives – Group	**(61.0)**	**(61.0)**	**–**	**(61.0)**	**–**
Fair value adjustment in respect of trading properties – Group	**0.9**	**0.9**	**0.9**	**0.9**	**0.9**
Fair value adjustment in respect of trading properties – Joint ventures	**–**	**–**	**–**	**–**	**–**
Deferred tax in respect of depreciation and valuation surpluses – Group[1]	**42.2**	**84.4**	**–**	**84.4**	**–**
Deferred tax in respect of depreciation and valuation surpluses – Joint ventures[1]	**85.5**	**171.0**	**–**	**171.0**	**–**
Intangible assets	**(1.6)**	**–**	**–**	**–**	**–**
Fair value adjustment in respect of debt – Group	**–**	**–**	**(466.5)**	**–**	**(466.5)**
Fair value adjustment in respect of debt – Joint ventures	**–**	**–**	**(38.3)**	**–**	**(38.3)**
Real estate transfer tax[2]	**–**	**716.7**	**–**	**–**	**–**
Net assets	**9,725.2**	**10,571.2**	**9,155.3**	**9,854.5**	**9,155.3**
Diluted shares (million)	**1,194.7**	**1,194.7**	**1,194.7**	**1,194.7**	**1,194.7**
Diluted net assets per share	**814**	**885**	**766**	**825**	**766**

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.

	Current measures			Previously reported measures	
As at 31 December 2019	EPRA NTA £m	EPRA NRV £m	EPRA NDV £m	EPRA net assets £m	EPRA triple net assets £m
Equity attributable to ordinary shareholders	7,677.6	7,677.6	7,677.6	7,677.6	7,677.6
Fair value adjustment in respect of interest rate derivatives – Group	(50.5)	(50.5)	–	(50.5)	–
Fair value adjustment in respect of trading properties – Group	–	–	–	–	–
Fair value adjustment in respect of trading properties – Joint ventures	0.9	0.9	0.9	0.9	0.9
Deferred tax in respect of depreciation and valuation surpluses – Group[1]	26.0	51.9	–	51.9	–
Deferred tax in respect of depreciation and valuation surpluses – Joint ventures[1]	60.6	121.1	–	121.1	–
Intangible assets	(2.5)	–	–	–	–
Fair value adjustment in respect of debt – Group	–	–	(233.3)	–	(233.3)
Fair value adjustment in respect of debt – Joint ventures	–	–	(19.4)	–	(19.4)
Real estate transfer tax[2]	–	569.7	–	–	–
Net assets	7,712.1	8,370.7	7,425.8	7,801.0	7,425.8
Diluted shares (million)	1,102.1	1,102.1	1,102.1	1,102.1	1,102.1
Diluted net assets per share	700	760	674	708	674

1 50 per cent of deferred tax in respect of depreciation and valuation surpluses has been excluded in calculating EPRA NTA in line with option 3 of EPRA BPR guidelines.
2 EPRA NTA and EPRA NDV reflect IFRS values which are net of purchasers' costs. Purchasers' costs are added back when calculating EPRA NRV.

Notes to the Financial Statements
continued

For the year ended 31 December 2020

SUPPLEMENTARY NOTES NOT PART OF AUDITED FINANCIAL STATEMENTS CONTINUED

Table 6: EPRA net initial yield and topped-up net initial yield

Combined property portfolio including joint ventures at share – 2020	Notes	UK £m	Continental Europe £m	Total £m
Total properties per financial statements	Table 3	8,087.0	4,984.2	13,071.2
Add valuation surplus not recognised on trading properties[1]	13	0.9	–	0.9
Less head lease ROU assets	13	–	(76.9)	(76.9)
Combined property portfolio per external valuers' reports		8,087.9	4,907.3	12,995.2
Less development properties (investment, trading and joint ventures)		(673.1)	(514.9)	(1,188.0)
Net valuation of completed properties		7,414.8	4,392.4	11,807.2
Add notional purchasers' costs		501.6	215.1	716.7
Gross valuation of completed properties including notional purchasers' costs	A	7,916.4	4,607.5	12,523.9

		£m	£m	£m
Income				
Gross passing rent[2]		282.3	198.5	480.8
Less irrecoverable property costs		(3.0)	(7.5)	(10.5)
Net passing rent	B	279.3	191.0	470.3
Adjustment for notional rent in respect of rent frees		23.7	22.2	45.9
Topped up net rent	C	303.0	213.2	516.2
Including fixed/minimum uplifts[4]		10.8	0.1	10.9
Total topped up net rent		313.8	213.3	527.1

Yields – 2020		UK %	Continental Europe %	Total %
EPRA net initial yield[3]	B/A	3.5	4.1	3.8
EPRA topped-up net initial yield[3]	C/A	3.8	4.6	4.1
Net true equivalent yield		4.3	4.8	4.5

1 Trading properties are recorded in the Financial Statements at the lower of cost and net realisable value, therefore valuations above cost have not been recognised.
2 Gross passing rent excludes short-term lettings and licences.
3 In accordance with the Best Practices Recommendations of EPRA.
4 Certain leases contain clauses which guarantee future rental increases, whereas most leases contain five-yearly, upwards only rent review clauses (UK) or indexation clauses (Continental Europe).

Table 7: EPRA vacancy rate

	2020 £m	2019 £m
Annualised estimated rental value of vacant premises	21.8	19.2
Annualised estimated rental value for the completed property portfolio	560.9	474.2
EPRA vacancy rate	3.9%	4.0%

SUPPLEMENTARY NOTES NOT PART OF AUDITED FINANCIAL STATEMENTS CONTINUED

Table 8: Total cost ratio/EPRA cost ratio

Total cost ratio	Notes	**2020 £m**	2019 £m
Costs			
Property operating expenses[1]	5	**88.3**	80.7
Administration expenses	6	**51.5**	51.5
Share of joint venture property operating and administration expenses	7	**42.3**	37.6
Less:			
Joint venture property management fee income, service charge income, management fees and other costs recovered through rents but not separately invoiced[2]		**(87.3)**	(74.6)
Total costs (A)		**94.8**	95.2
Gross rental income			
Gross rental income	4	**392.9**	362.0
Share of joint venture property gross rental income	7	**121.2**	107.1
Less:			
Service charge income, management fees and other costs recovered through rents but not separately invoiced[2]		**(65.7)**	(54.2)
Total gross rental income (B)		**448.4**	414.9
Total cost ratio (A)/(B)		**21.1%**	22.9%
Total costs (A)		**94.8**	95.2
Share-based payments	6	**(10.4)**	(12.5)
Total costs after share-based payments (C)		**84.4**	82.7
Total cost ratio after share-based payments (C)/(B)		**18.8%**	19.9%

EPRA cost ratio			
Total costs (A)		**94.8**	95.2
Non-EPRA adjustments	2	**–**	–
EPRA total costs including vacant property costs (D)		**94.8**	95.2
Group vacant property costs	5	**(3.4)**	(4.8)
Share of joint venture vacant property costs	7	**(1.4)**	(1.1)
EPRA total costs excluding vacant property costs (E)		**90.0**	89.3
Total gross rental income (B)		**448.4**	414.9
Total EPRA cost ratio (including vacant property costs) (D)/(B)		**21.1%**	22.9%
Total EPRA cost ratio (excluding vacant property costs) (E)/(B)		**20.1%**	21.5%

1 Property operating expenses are net of costs capitalised in accordance with IFRS of £8.7 million (2019: £7.3 million) (see Note 5 for further detail on the nature of costs capitalised).

2 Total deduction of £87.3 million (2019: £74.6 million) from costs includes: joint venture management fees income of £21.6 million (2019: £20.4 million), service charge income including joint ventures of £59.0 million (2019: £49.7 million) and management fees and other costs recovered through rents but not separately invoiced, including joint ventures, of £6.7 million (2019: £4.5 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 £392.9 million (2019: £362.0 million) does not include joint venture management fees income of £21.6 million (2019: £20.4 million) and are not included in the total deduction to income of £65.7 million (2019: £54.2 million).

Notes to the Financial Statements
continued

For the year ended 31 December 2020

SUPPLEMENTARY NOTES NOT PART OF AUDITED FINANCIAL STATEMENTS CONTINUED

Table 9: EPRA capital expenditure analysis

	2020			2019		
	Wholly owned £m	Joint ventures £m	Total £m	Wholly owned £m	Joint ventures £m	Total £m
Acquisitions	**858.5[1]**	**82.0**	**940.5[7]**	233.9	164.1	398.0
Development[4]	**484.9[2]**	**46.5**	**531.4**	345.2	63.5	408.7
Completed properties[6]	**34.0[3]**	**6.1**	**40.1**	25.2	5.6	30.8
Other[5]	**27.0**	**9.4**	**36.4**	44.7	10.6	55.3
Total	**1,404.4**	**144.0**	**1,548.4**	649.0	243.8	892.8

1 Being £824.3 million investment property and £34.2 million trading property (2019: £233.9 million and £nil respectively) see Note 13.
2 Being £471.0 million investment property and £13.9 million trading property (2019: £336.8 million and £8.4 million respectively) see Note 13.
3 Being £34.0 million investment property and £nil trading property (2019: £25.2 million and £nil respectively) see Note 13.
4 Includes wholly-owned capitalised interest of £7.0 million (2019: £8.2 million) as further analysed in Note 9 and share of joint venture capitalised interest of £0.5 million (2019: £0.8 million).
5 Tenant incentives, letting fees and rental guarantees and other items.
6 Being £37.6 million expenditure used for enhancing existing space (2019: £30.8 million) and £2.5 million used for creation of additional lettable space (2019: £nil).
7 Total acquisitions completed in 2020 shown on page 60 of the Strategic Report of £888.9 million excludes share of assets acquired by SELP from SEGRO of £46.5 million (all of which was completed property, see Note 25) and certain land acquisitions relating to trading properties of £5.1 million.

Total disposals completed in 2020 of £138.8 million shown on page 60 of the Strategic Report includes: Carrying value of investment properties disposed by SEGRO Group of £154.9 million (see Note 13) and profit generated on disposal of £5.1 million (see Note 8); proceeds from the sale of trading properties by SEGRO Group of £17.2 million (see Note 4); share of joint venture disposal proceeds of £7.6 million; carrying value of lease incentives, letting fees and rental guarantees disposed by SEGRO Group and joint venture (at share) of £3.0 million; and excludes 50 per cent of the disposal proceeds for assets sold by SEGRO to SELP JV of £46.5 million (see Note 25) and certain proceeds from the sale of trading properties of £2.5 million.

Table 10: Like-for-like net rental income

(including JVs at share)	2020 £m	2019 £m	Change %
UK	**205.8**	204.0	0.9
Continental Europe	**119.9**	115.0	4.3
Like-for-like net rental income before other items[1]	**325.7**	319.0	2.1
Other[2]	**(5.9)**	(5.9)	
Like-for-like net rental income (after other)	**319.8**	313.1	2.1
Development lettings	**46.0**	15.0	
Properties taken back for development	**2.3**	3.3	
Like-for-like net rental income plus developments	**368.1**	331.4	
Properties acquired	**9.5**	2.1	
Properties sold	**3.1**	14.0	
Net rental income before surrenders, dilapidations and exchange	**380.7**	347.5	
Lease surrender premiums and dilapidation income	**1.0**	0.5	
Other items and rent lost from lease surrenders	**13.0**	14.1	
Impact of exchange rate difference between periods	**–**	(1.1)	
Net rental income (including joint ventures at share)	**394.7**	361.0	
SEGRO share of joint venture management fees	**(9.6)**	(8.6)	
Net rental income after SEGRO share of joint venture fees	**385.1**	352.4	

1 Includes expense for loss allowance and impairment of receivables for the Group of £3.8 million (2019: £1.2 million); UK £2.7 million (2019: £0.5 million); CE £1.1 million (2019: £0.7 million). Excluding these expenses, the like-for-like change would be Group 2.9%; UK 2.0%; CE 4.6%.
2 Other includes the corporate centre and other costs relating to the operational business which are not specifically allocated to a geographical Business Unit.

SUPPLEMENTARY NOTES NOT PART OF AUDITED FINANCIAL STATEMENTS CONTINUED

Table 11: Top 10 estates as at 31 December 2020 (by value, including joint ventures at share)

UK	Ownership[2] %	Location	Lettable area (100%) sq m	Headline rent £m	Vacancy by ERV %	WAULT years[1]	Asset type
Slough Trading Estate	100	Slough	537,230	73.4	3.3	9.0	Multi-let urban warehouse estate
SLP East Midlands Gateway	100	Midlands	216,084	13.4	0.0	15.4	Big box warehouse park
Premier Park	100	Park Royal	78,720	11.4	5.4	3.1	Multi-let urban warehouse estate
Shoreham Rd Cargo Area	100	Heathrow	93,704	20.8	0.0	2.5	Multi-let cargo facility
Greenford Park	100	Park Royal	79,805	10.7	1.6	4.6	Multi-let urban warehouse estate
North Feltham Trading Estate	100	Heathrow	57,929	8.3	4.5	4.1	Multi-let urban warehouse estate
Axis Park	100	Heathrow	61,753	9.2	0.0	7.7	Multi-let urban warehouse estate
Metropolitan Park	100	Park Royal	69,970	8.3	0.0	1.9	Multi-let urban warehouse estate
Perivale Park	100	Park Royal	55,129	6.8	0.0	3.2	Multi-let urban warehouse estate
Rugby Gateway	100	Midlands	113,413	8.6	0.0	7.8	Big box warehouse park
Continental Europe							
SEGRO Parc des Petits Carreaux	100	France	150,367	13.5	2.9	5.5	Multi-let urban warehouse estate
VAILOG Rome South Logistics Park	100	Italy	222,469	n/a	0.0	17.4	Big box warehouse park
SEGRO Airport Park Berlin	50 / 100	Germany	119,497	5.7	0.0	5.9	Multi-let urban warehouse and Big box estate
SEGRO Logistics Park Krefeld-Süd	50	Germany	212,989	5.6	1.5	4.2	Big box warehouse park
SEGRO Logistics Park Aulnay	100	France	47,288	4.8	0.0	8.8	Big box warehouse park
VAILOG CSG Logistics Park	50 / 100	Italy	271,850	4.8	0.0	8.5	Big box warehouse park
SEGRO Park Düsseldorf-Süd	100	Germany	95,731	5.2	16.6	5.2	Multi-let urban warehouse estate
SEGRO Park Gennevilliers	100	France	75,232	5.7	0.0	5.6	Multi-let urban warehouse estate
SEGRO CityPark Düsseldorf	100	Germany	50,393	3.9	14.5	6.2	Multi-let urban warehouse estate
SEGRO Logistics Park Stryków	50	Poland	301,550	5.5	8.1	4.3	Big box warehouse park

1 Weighted average unexpired lease term to earlier of break of expiry.
2 Wholly-owned are shown as 100 per cent excluding small amounts of non-controlling interests in Vailog and Sofibus assets.

Five-year financial results

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Group Income Statement					
Net rental income	**304.6**	281.3	247.6	220.7	180.6
Joint venture fee income	**21.6**	20.4	44.9	24.3	18.6
Administration expenses	**(51.5)**	(51.5)	(44.1)	(39.7)	(31.4)
Share of joint ventures' Adjusted profit after tax	**61.5**	54.0	39.0	47.6	55.4
Net finance costs (including adjustments)	**(39.7)**	(36.7)	(45.9)	(58.7)	(68.7)
Adjusted profit before tax[1]	**296.5**	267.5	241.5	194.2	154.5
Adjustments to the share of profit from joint ventures after tax	**175.0**	149.1	85.2	60.5	29.7
Profit on sale of investment properties	**5.1**	7.2	56.5	17.0	16.4
Valuation surplus on investment and owner occupied properties	**970.6**	476.7	791.4	872.4	231.3
Profit/(loss) on sale of trading properties	**1.2**	6.9	–	(0.4)	0.3
(Increase)/decrease in provision for impairment of trading properties and other interests in property	**(0.7)**	1.0	–	–	(2.0)
Other investment income	**13.6**	4.3	4.7	–	–
Goodwill and other amounts written off on acquisitions and amortisation of intangibles	**–**	–	–	(0.6)	(0.2)
Net fair value gain/(loss) on interest rate swaps and other derivatives	**13.7**	7.9	(22.0)	(21.5)	(2.6)
Net loss on early close out of debt	**(10.9)**	(18.6)	(6.4)	(145.3)	(1.0)
Pension buy-out costs	**–**	–	(51.8)	–	–
Profit before tax	**1,464.1**	902.0	1,099.1	976.3	426.4
Group Balance Sheet					
Investment properties (including assets held for sale)	**10,671.4**	8,401.7	7,801.4	6,745.4	4,714.4
Trading properties	**52.1**	20.2	51.7	12.5	25.4
Total directly owned properties	**10,723.5**	8,421.9	7,853.1	6,757.9	4,739.8
Property, plant and equipment	**26.6**	23.0	13.3	14.7	16.1
Investments in joint ventures	**1,423.0**	1,121.4	999.9	792.0	1,066.2
Other assets	**404.4**	383.9	235.8	261.2	254.6
Cash and cash equivalents	**89.0**	132.5	66.5	109.3	32.0
Total assets	**12,666.5**	10,082.7	9,168.6	7,935.1	6,108.7
Borrowings	**(2,414.0)**	(1,943.5)	(2,243.5)	(2,063.5)	(1,630.4)
Deferred tax provision	**(87.0)**	(53.2)	(26.9)	(34.6)	(16.3)
Other liabilities and non-controlling interests	**(506.3)**	(408.4)	(334.2)	(251.6)	(279.9)
Total equity attributable to owners of the parent	**9,659.2**	7,677.6	6,564.0	5,585.4	4,182.1
Total movement in equity attributable to owners of the parent					
Profit attributable to equity shareholders	**1,426.9**	857.9	1,062.6	952.7	417.7
Other equity movements	**554.7**	255.7	(84.0)	450.6	274.5

	2020	2019	2018	2017	2016
Data per ordinary share (pence)					
Earnings per share					
Basic earnings per share[2]	**124.1**	79.3	105.4	98.5	51.6
Adjusted earnings per share – basic[2]	**25.4**	24.4	23.4	19.9	18.8
Net assets per share basic					
Basic net assets per share[2]	**811**	700	648	557	483
Adjusted NAV per share – diluted[2,3]	**814**	700	650	556	478
Dividend per share[2]	**22.1**	20.7	18.8	16.6	15.7

1 There are no differences between the Adjusted profit before tax and the previously reported EPRA profit before tax for the years 2016, 2017, 2019 and 2020.

2 Earnings per share, net assets per share and dividend per share for 2016 has been re-presented for a bonus factor of 1.046 following a rights issue.

3 Adjusted NAV is calculated in accordance with EPRA guidelines and aligns with EPRA NTA metric that was introduced in 2020, the 2019 figure has been restated to align with this definition. 2016, 2017 and 2018 Adjusted NAV is based on EPRA NAV previously reported and have not been restated.

Financial information

FINANCIAL CALENDAR AND SHAREHOLDER INFORMATION

FEBRUARY 2021		
Announcement of year end results:		19 February 2021
Payment:	6¾ per cent bonds 2024 interest	23 February 2021
MARCH 2021		
Ex-dividend date for final dividend:	Property Income Distribution	18 March 2021
Record date:	Property Income Distribution	19 March 2021
APRIL 2021		
Final date for SCRIP election:	Property Income Distribution	12 April 2021
Annual General Meeting:		22 April 2021
MAY 2021		
Payment:	Property Income Distribution	4 May 2021
JUNE 2021		
Payment:	5¾ per cent bonds 2035 interest	21 June 2021
JULY 2021		
Announcement of Half-year results:	Provisional	29 July 2021
AUGUST 2021		
Payment:	6¾ per cent bonds 2024 interest	23 August 2021
SEPTEMBER 2021		
Payment:	Property Income Distribution and/or Dividend	September 2021
OCTOBER 2021		
Payment:	2⅜ per cent bonds 2029 interest	11 October 2021
Payment:	2⅞ per cent bonds 2037 interest	11 October 2021

RECENT SHARE HISTORY OF THE COMPANY

- On 2 September 2016, the Company placed 74,770,950 new ordinary shares at a price of 435 pence by way of an equity placing. The shares were issued and admitted to the Official List of the Financial Conduct Authority and to trading on the main market for listed securities of the London Stock Exchange plc on 6 September 2016. Total gross proceeds of approximately £325 million were raised from the placing.
- On 10 March 2017, a Rights Issue was announced on the basis of one new share for every five shares held on 8 March 2017 at a subscription price of 345 pence per share. 166,033,133 new ordinary shares were issued and admitted to the Official List of the Financial Conduct Authority and to trading on the main market for listed securities of the London Stock Exchange plc on 28 March 2017. Total gross proceedings of approximately £573 million were raised from the Rights Issue.
- On 15 February 2019, the Company placed 71,000,000 new ordinary shares at a price of 635 pence by way of an equity placing. The shares were issued and admitted to the Official List of the Financial Conduct Authority and to trading on the main market for listed securities of the London Stock Exchange plc on 19 February 2019. Total gross proceeds of approximately £451 million were raised from the placing.
- On 10 June 2020, the Company placed 82,926,829 new ordinary shares at a price of 820 pence by way of an equity placing. The shares were issued and admitted to the Official List of the Financial Conduct Authority and to trading on the main market for listed securities of the London Stock Exchange plc on 12 June 2020. Total gross proceeds of approximately £680 million were raised from the placing.

Shareholder information

Shareholder enquiries
If you have any questions about your shareholding or if you require further guidance (e.g. to notify a change of address) please contact our Registrar:

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Telephone 0371 384 2186 (or +44 121-415-0141 from overseas).

Alternatively, you can check your shareholding and access dividend information by registering at www.shareview.co.uk, or you can securely send queries via the website by visiting https://help.shareview.co.uk.

Electronic communications
Shareholders have the opportunity to elect to receive shareholder communications electronically, e.g. Annual Reports, Notice of the Annual General Meeting and Proxy Forms. You can elect to receive email notifications of shareholder communications by registering at www.shareview.co.uk where you can also set up a bank mandate to receive dividends directly to your bank account and to submit proxy votes for shareholder meetings. 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 2021 AGM will be held on 22 April 2021.

For the first time we will be enabling shareholders to attend and participate in the AGM electronically. The AGM will be broadcast in video format with presentation slides and during the meeting shareholders will be able to vote and ask questions. Shareholders who wish to submit a question in advance of the AGM can do so by emailing companysecretariat.mailbox@SEGRO.com.

Details of how to join the AGM can be found in the Notice of Meeting.

Shareholders will be kept up to date with regards to physical attendance at the AGM in line with Government guidance and are encouraged to check www.SEGRO.com for any further updates.

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, 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.

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
From January 2021, payments to shareholders will no longer be made by cheque. Receiving dividends paid by direct credit rather than cheque is a more efficient, secure, and environmentally-friendly method of payment.

To continue to receive dividends, and any other money payable to you in connection with your SEGRO plc shares, you will need to provide your bank or building society account details so that payments can be made to your nominated account by direct credit.

If you have not already provided your details you can do so online through the Shareview Portfolio, visit www.shareview.co.uk to register, or, for sole holders with 2,500 or fewer shares, by contacting Equiniti (details above).

SCRIP Dividend
Shareholders approved the re-introduction of a scrip dividend option (SCRIP) in respect of cash dividends (including those treated as Property Income Distributions) at the 2018 AGM. This authority will expire at the 2021 AGM.

The Board has decided to recommended 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 cash. If shareholders approve the re-introduction of the SCRIP, it will run from three years ending on the earlier of 21 April 2024 and the beginning of the third AGM of the Company following the date of the 2021 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

Completed portfolio: The completed investment properties and the Group's share of joint ventures' completed investment properties. Includes properties held throughout the period, completed developments and properties acquired during the period.

Development pipeline: The Group's current programme of developments authorised or in the course of construction at the Balance Sheet date (Current Pipeline), together with potential schemes not yet commenced on land owned or controlled by the Group (Future Pipeline).

EPRA: The European Public Real Estate Association, a real estate industry body, which has issued Best Practices Recommendations in order to provide consistency and transparency in real estate reporting across Europe.

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.

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.

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.

Loan to value (LTV): Net borrowings 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 at share).

MSCI: MSCI Real Estate calculates indices of real estate performance around the world.

Net initial yield: Passing rent less non-recoverable property expenses such as empty rates, divided by the property valuation plus notional purchasers' costs. This is in accordance with EPRA's Best Practices Recommendations.

Net rental income: Gross rental income less ground rents paid, net service charge expenses and property operating expenses.

Net true equivalent yield: The internal rate of return from an investment property, based on the value of the property assuming the current passing rent reverts to ERV and assuming the property becomes fully occupied over time. It assumes that rent is received quarterly in advance.

Passing rent: The annual rental income currently receivable on a property as at the Balance Sheet date (which may be more or less than the ERV). Excludes rental income where a rent free period is in operation. Excludes service charge income (which is netted off against service charge expenses).

Pre-let: A lease signed with an occupier prior to commencing construction of a building.

REIT: A qualifying entity which has elected to be treated as a Real Estate Investment Trust for tax purposes. In the UK, such entities must be listed on a recognised stock exchange, must be predominantly engaged in property investment activities and must meet certain ongoing qualifications. SEGRO plc and its UK subsidiaries achieved REIT status with effect from 1 January 2007.

Rent-free period: An incentive provided usually at commencement of a lease during which a customer pays no rent. The amount of rent free is the difference between passing rent and headline rent.

Rent roll: See Passing Rent.

Glossary of terms
continued

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 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.

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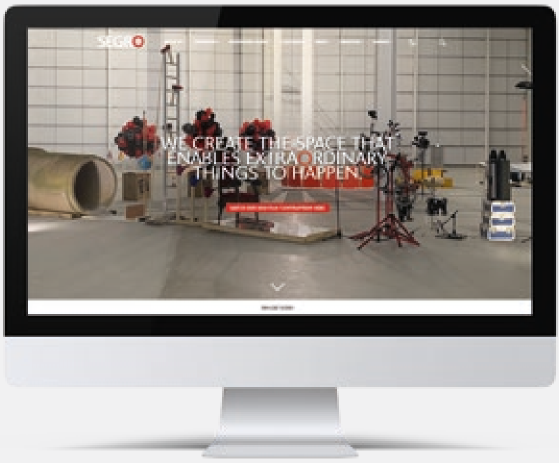

GO ONLINE

To keep up to date with SEGRO, you can source facts and figures about the Group through the various sections on our website and sign up for email alerts for fast communication of breaking news.

Financial reports, shareholder information and property analysis are frequently updated and our current share price is always displayed on the Home Page.

As well as featuring detailed information about available property throughout the portfolio, www.SEGRO.com now also includes a dedicated property search function making it easy for potential customers, or their agents, to find business space that fits their requirement exactly. SEGRO's performance in areas such as sustainability and customer care are also featured on the site, www.SEGRO.com.

We would encourage shareholders to consider electing to receive shareholder communications, including the Annual Report and Accounts, electronically as set out on Page 214. As part of our commitment to become net-carbon neutral by 2030, we want to reduce the amount of paper we use.

OTHER PUBLICATIONS

Additional disclosures on our property portfolio can be found in the 2020 Property Analysis Report at www.SEGRO.com.

Our ESG policies, reporting guidelines, assurance statements and further case studies can be found at www.SEGRO.com/csr.

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. 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 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.

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