SEGRO

100 YEARS OF THE EXTRAORDINARY

SEGRO PLC

ANNUAL REPORT & ACCOUNTS 2019

CONTENTS

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

MARKET OVERVIEW
SEE **PAGES 16–19**

OUR STRATEGY
SEE **PAGES 22–33**

FOR MORE INFORMATION ON SEGRO'S ACTIVITIES AND PERFORMANCE, PLEASE VISIT OUR WEBSITE: **WWW.SEGRO.COM/INVESTORS**

The Directors present the Annual Report for the year ended 31 December 2019 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 12 to 72 inclusive, comprise the Strategic Report, pages 124 to 125 inclusive comprise the Directors' Report and pages 97 to 117 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.

CHIEF EXECUTIVE'S STATEMENT
SEE **PAGES 12–15**

02 – 11
OVERVIEW

WHAT WE DO	08
WHERE WE DO IT	10

12 – 72
STRATEGIC REPORT

CHIEF EXECUTIVE'S STATEMENT	12
MARKET OVERVIEW	16
OUR BUSINESS MODEL	20
OUR STRATEGY	22
SECTION 172 STATEMENT	23
REGIONAL REVIEW	30
FINANCE REVIEW	34
KEY PERFORMANCE INDICATORS	40
RESPONSIBLE SEGRO	42
PRINCIPAL RISKS	65

RESPONSIBLE SEGRO
SEE **PAGES 42–64**

REGIONAL REVIEWS
SEE **PAGES 30–33**

73 – 126
GOVERNANCE

BOARD OF DIRECTORS	74
CHAIR'S INTRODUCTION	76
BOARD LEADERSHIP AND COMPANY PURPOSE	78
DIVISION OF RESPONSIBILITIES	84
COMPOSITION, SUCCESSION AND EVALUATION	88
AUDIT, RISK AND INTERNAL CONTROLS	92
DIRECTORS' REMUNERATION REPORT	97
DIRECTORS' REMUNERATION POLICY	118
DIRECTORS' REPORT	124
STATEMENT OF DIRECTORS' RESPONSIBILITIES	126

127 – 199
FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEGRO PLC	128
GROUP INCOME STATEMENT	135
GROUP STATEMENT OF COMPREHENSIVE INCOME	135
BALANCE SHEETS	136
STATEMENTS OF CHANGES IN EQUITY	137
CASH FLOW STATEMENTS	139
NOTES TO THE FINANCIAL STATEMENTS	140
FIVE-YEAR FINANCIAL RESULTS	199

200 – 202
FURTHER INFORMATION

FINANCIAL INFORMATION	200
SHAREHOLDER INFORMATION	201
GLOSSARY OF TERMS	202

INVESTING in high quality, sustainable buildings in prime locations since 1920.

ENABLING extraordinary things to happen by supporting the needs of our customers.

INNOVATING by anticipating trends and constantly adapting our business and the design of our buildings.

CARING about our people, communities, environment and stakeholders.

READ MORE ABOUT WHAT'S BEHIND OUR STRATEGY ON **PAGES 22–23**

CREATING EXTRAORDINARY SPACE

"The Slough Trading Estate is now the second largest hub of data centres in the world."

PAUL LEWIS
REGIONAL DIRECTOR, THAMES VALLEY & DATA CENTRES

ENABLING

1932

THE MARS COMPANY

In 1932 Frank Mars gave his son Forrest the money to set up his own chocolate business in the UK. Forrest ended up in Slough and rented a unit on the Slough Trading Estate, where he invented the Mars Bar.

Almost 90 years later Mars Bars are still being produced on the estate, with more than 2.5 million bars being made each day and distributed across Europe.

It's also now home to a research and development facility, designing the chocolate bars of the future.

FOR MORE INFORMATION, PLEASE VISIT:
WWW.SEGRO.COM/ABOUT-US/HISTORY

The common understanding of a warehouse, 'a large building for storing things before they are sold, used or sent out to shops'[1], is far from an accurate description of what really happens inside our buildings.

Warehouses come in lots of different sizes and hiding behind the deceptively simple exterior, is a fascinating array of businesses that use our space to assemble, design, create, research, distribute, construct and undertake a wide variety of other activities, as well as the more traditional functions of storage and manufacturing.

Warehouses are very adaptable spaces and our customers fit them out with mezzanine levels, workshops, increasingly high-tech production and distribution lines, showrooms, kitchens and even research laboratories. Essentially, if something doesn't happen in an office building or outside it probably happens inside a warehouse.

More than half of our rent comes from businesses linked to e-commerce (including third party logistics operators and parcel delivery companies). The development of hub and spoke networks (large central warehouses, complemented by smaller distribution centres on the edges of cities) combined with the automation of internal processes, has made it possible for items ordered online to be delivered the following day or in some cases within hours.

The expansion of the cloud and the ability to access information on-the-go has been facilitated by the growth of data centres - huge warehouses full of hard drives that store this information. The Slough Trading Estate is now home to 27 data centres and is the second largest hub in the world.

Our warehouses are also home to businesses from the food and beverage industry. In Paris, Agricool grow strawberries using a method that requires 90 per cent less water and nutrients in a building within SEGRO Park La Courneuve and lots of the food consumed in London's hotels, restaurants and high street food chains was either produced in or travelled through our Park Royal estates. Navigation Park, one of our North London estates, is even home to Camden Town Brewery.

1 Cambridge dictionary definition

AGRICOOL – A NEW WAY TO GROW FOOD

Two French farmers sons spent time researching and developing a new way to grow food. In their new space at SEGRO Business Park La Courneuve in Paris, they are growing food more productively, using 90% less water and nutrients, consuming only renewable energy and produced 100% locally.

INCREASE IN FOOD GROWING PRODUCTIVITY

120x

REDUCTION IN WATER AND NUTRIENT CONSUMPTION

-90%

General manufacturing is also still regularly carried out in our buildings. Brompton have their headquarters, a manufacturing facility and their flagship store in our Greenford estate, exporting their iconic folding bikes from London to all over the world. And in Germany, LUSH manufacture their handmade sustainable cosmetics in SEGRO Park Düsseldorf Süd.

Beyond this our warehouses are homes to businesses involved in film and media, yacht design and construction, leisure activities (such as climbing walls and trampoline parks) and a huge number of other industries.

When brilliant businesses find outstanding spaces, extraordinary things happen.

2020

RESEARCH & DEVELOPMENT

A number of our warehouses are used for cutting edge research and development, the findings of which could have a meaningful impact on our future. In one of our warehouses close to Schiphol airport, Kite Pharma have installed scientific laboratories in which they are working on immunotherapy treatment. Their technology takes a cancer patient's blood and genetically modifies some of the cells before reintroducing it back into the bloodstream where it will identify and attack cancerous cells, hopefully curing the patient of the disease without the need for chemotherapy and other chemical based treatments.

CREATING EXTRAORDINARY SPACE

SEGRO PARK RAINHAM PHASE 2

This new development will feature some of the most cutting-edge innovations in warehouse design.

INNOVATING

COMMUNAL GREEN SPACE

Providing seating and a place to unwind.

GREEN/LIVING WALL

Improving air quality and energy levels.

TESLA BATTERIES

Storing generated electricity for use during off-peak hours.

1920-5

THE SLOUGH TRADING COMPANY LTD

The Slough Trading Estate was formed after WW1 when our founders purchased a repair depot for former British military vehicles. They rehired the original War Department staff and began to adapt the vehicles for civilian use before selling them on. By 1925 they had repaired the last of them and were left with the empty warehouse space that had formerly been workshops and storage. They began to rent out the space to local businesses and became a property company. The Slough Trading Estate was born.

FOR MORE INFORMATION, PLEASE VISIT:
WWW.SEGRO.COM/ABOUT-US/HISTORY

The world around us is fast changing, from the industrial revolution of the early 1900's to the technological revolution that we are currently experiencing, and successful businesses constantly innovate so that they stay relevant to their customers.

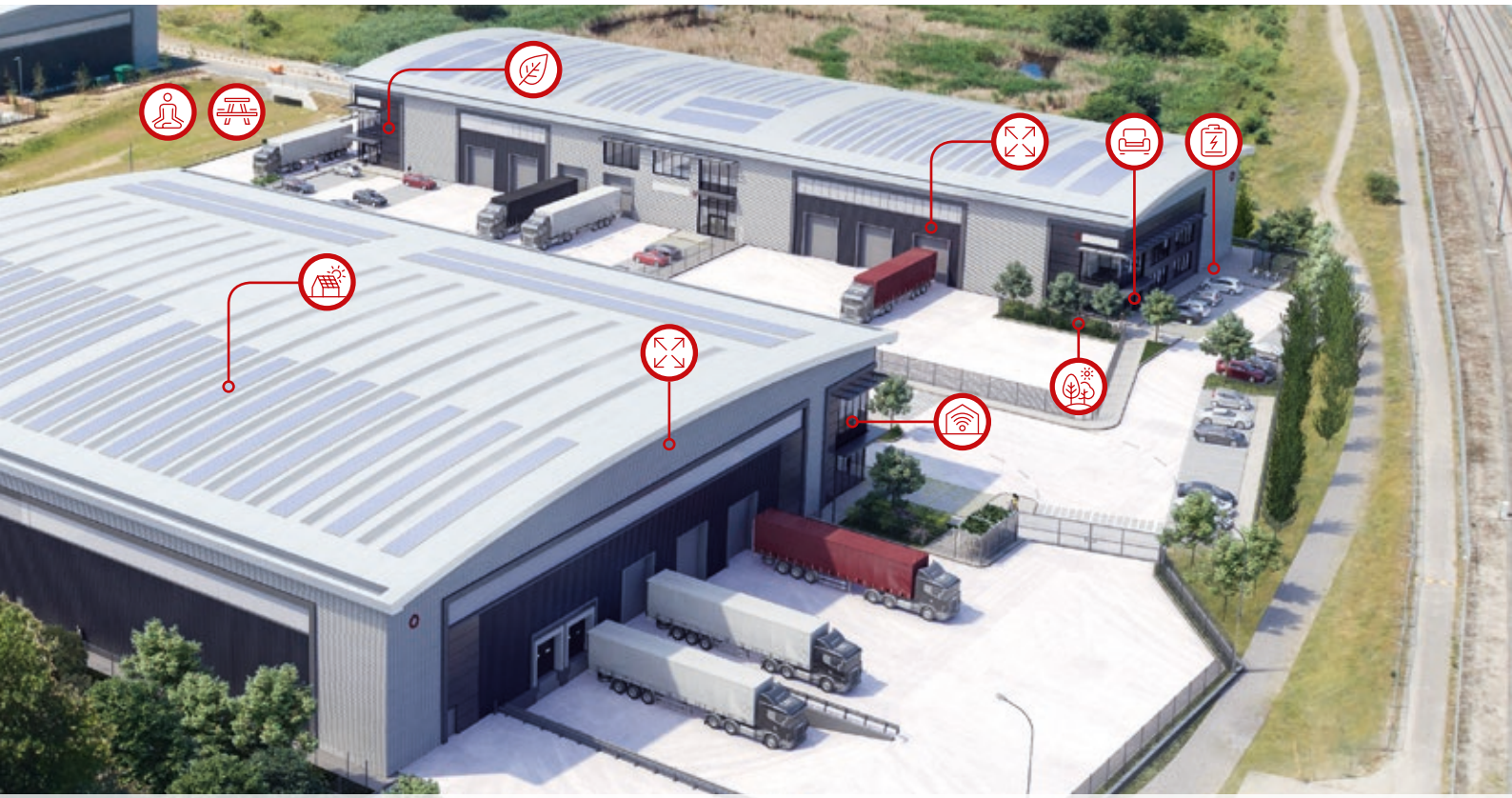
SEGRO has undergone various transformations since it was founded in the 1920s but a focus on industrial property has remained at its core. And whilst our business has had to periodically reshape itself, evolving customer requirements have also led to changes in the design of our warehouses.

The recent technological revolution has resulted in increased automation, with many of our customers now using robotics in their production and distribution lines.

This has resulted in warehouses becoming much taller, often with mezzanine levels, as businesses seek to intensify their use of the space. Power has also become more important and access to it is now a key factor when deciding where to develop new estates.

E-commerce has been another output of the technological revolution that has changed the requirements for warehouse space as retailers adapt their supply chains for an omni-channel delivery model. The need for fast and efficient throughput of parcels has resulted in the creation of cross-dock warehouses with a large number of loading doors and bigger yards for the movement of both HGVs and smaller local delivery vehicles.

Environmental sustainability has been the most recent focus of innovation as we work to reduce the carbon footprint of our buildings. This means looking not just at the development process but also the entire life cycle of a warehouse, including the use of resources when occupied by our customers.



MAXIMISING SPACE

6m under-croft heights to increase warehouse capacity without increasing floor space.

MODERN INTERIORS

Contemporary interior finishes for offices, facilities and entrance foyers.

SUSTAINABILITY FEATURES

Targeting BREEAM 'Excellent' rating, carbon neutrality/EPC 'A+' and incorporating photovoltaic & translucent panels and LED lighting.

SMART BUILDINGS

All buildings will feature smart building technology and 'plug & play' connections for batteries that store generated electricity.

BIODIVERSE ENVIRONMENT

Native flora will enhance the environment, whilst boosting the natural habitat and improving wellbeing for customers.

WELLBEING FOCUS

An outside communal seating area, plenty of natural light and a green/living wall in Unit 10 will help all buildings achieve 'WELL Certification'.

One of our newest London developments, SEGRO Park Rainham Phase 2, will push the boundaries of innovation and sustainability even further. Its features include transparent ceiling panels to provide more natural daylight, LED lighting, electric car charging points, photovoltaic panels on all roofs and some walls, the use of smart building technology and 'plug and play' connections for Tesla batteries that can store power during off-peak hours.

We are constantly monitoring emerging trends to ensure that our buildings are fit for the future. Our investment in a fund managed by Fifth Wall, the world's largest venture capital firm focused on technology for global real estate, helps us to remain at the cutting edge of new advancements. We also announced in January 2020 the creation of a Strategy, Innovation and Investment team which aims to ensure that we take a clear and consistent approach and continue to navigate and benefit from the structural trends at play in our sector.

2020

INTENSIFYING LAND USE

As urbanisation continues and the population of cities such as London and Paris grow, they need not only more housing but also more warehouse space in order to respond to the increased demand for goods and services. But land supply in cities is limited and this is likely to result in innovations to intensify the use of the land. This may involve multi-level warehouses such as those seen in Asia and the introduction of mixed use schemes that combine underground logistics with office or residential space on the upper levels.

CREATING EXTRAORDINARY SPACE

CARING

1947

SLOUGH INDUSTRIAL HEALTH SERVICE

In 1947, a year before the creation of the NHS, the Slough Trading Estate started the Slough Industrial Health Service for the wellbeing of those who worked for the businesses located on the estate.

FOR MORE INFORMATION, PLEASE VISIT:
WWW.SEGRO.COM/ABOUT-US/HISTORY

As a listed company financial performance will always be important, but at SEGRO this isn't our only focus. We care about our employees, our customers, our communities and our environment and we attempt to balance the differing interests of all of our stakeholders in the course of our decision making.

OUR EMPLOYEES

We want our employees to be inspired by their work and to reach their full potential. Health and wellbeing is an important part of this and in 2019 we have built on our Mental Health and Wellbeing programme. This included the introduction of 25 mental health ambassadors across the business, awareness training for all line managers and a number of other initiatives such as organising yoga and meditation workshops.

OUR CUSTOMERS

Hanovia, our longest standing customer, has been on the Slough Trading Estate since 1924, occupying a variety of different buildings during that time. We work closely with our customers to adapt our offering to suit their business needs. This includes the small sized businesses in our Enterprise Quarters, to whom we provide flexible, all-inclusive leases to make the day-to-day running of their operations as straightforward as possible. And this also extends to our largest customers, many of whom share their plans with us so that we can help them to secure space and develop their distribution network. We take pride in the strong customer relationships that we have built and the part that we have played in the success of their businesses.

OUR COMMUNITIES

We aspire to have a positive impact on the communities surrounding our estates and this goes beyond the direct effects of attracting new businesses who pay rates and creating new jobs. We focus our community efforts on helping the unemployed into work and in 2019 the SEGRO Community Fund donated £107,000 to 22 charities across London and the Thames Valley. 1,350 people benefited from our help and of those 165 secured sustainable employment, 663 undertook work experience and 1,300 completed CV enhancing training.

BEE HIVES ACROSS THE PORTFOLIO

75

NUMBER OF SEGRO BEES

3.75 million

OUR ENVIRONMENT

In addition to the efforts that we make to reduce the carbon footprint and resource usage of our buildings, we also make efforts to promote biodiversity. We create parks, plant trees and wild flowers and in Italy we utilise the green space around our developments by partnering with local communities to allow sheep and buffalo to graze on the land.

We have now installed more than 75 bee hives on our estates across Europe, home to over 3.7 million bees and have trained SEGRO employees as apiarists to look after them.

2020

TACKLING CLIMATE CHANGE

Climate change remains the biggest global challenge that we face and every business has a responsibility to do their part.

Our SEGRO 2025 targets aim to reduce our carbon footprint and resource usage, but we also look at ways in which we can produce energy (for example the installation of photovoltaic panels) to offset not just our carbon emissions, but also those of our customers.

In addition to this we are trying to help our customers to reduce their own carbon footprints. This includes providing electric vehicle charging capability in all new developments and in 2019 we launched a sensor technology trial in a number of warehouses so that we can monitor their usage and educate our customers on how they can use the space more efficiently.

FOR MORE INFORMATION, PLEASE VISIT:
WWW.SEGRO.COM/CSR/ENVIRONMENT

OVERVIEW

WHAT WE DO

We develop, own, rent out and manage warehouse and industrial properties for our customers in the UK and Continental Europe.

OUR PURPOSE:

WE CREATE THE SPACE THAT ENABLES EXTRAORDINARY THINGS TO HAPPEN

POSITIONED TO SATISFY CHANGES IN CONSUMER AND BUSINESS BEHAVIOUR:

Warehouses have a vital role to play as part of national and international infrastructure. They provide the space to store, sort, create and distribute products and are important sources of employment. We create the environments that enable our customers to run their unique operations and serve their customers.

OUR VALUES:

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

SAY IT LIKE IT IS

STAND SIDE BY SIDE

KEEP ONE EYE ON THE HORIZON

IF THE DOOR IS CLOSED...

DOES IT MAKE THE BOAT GO FASTER?

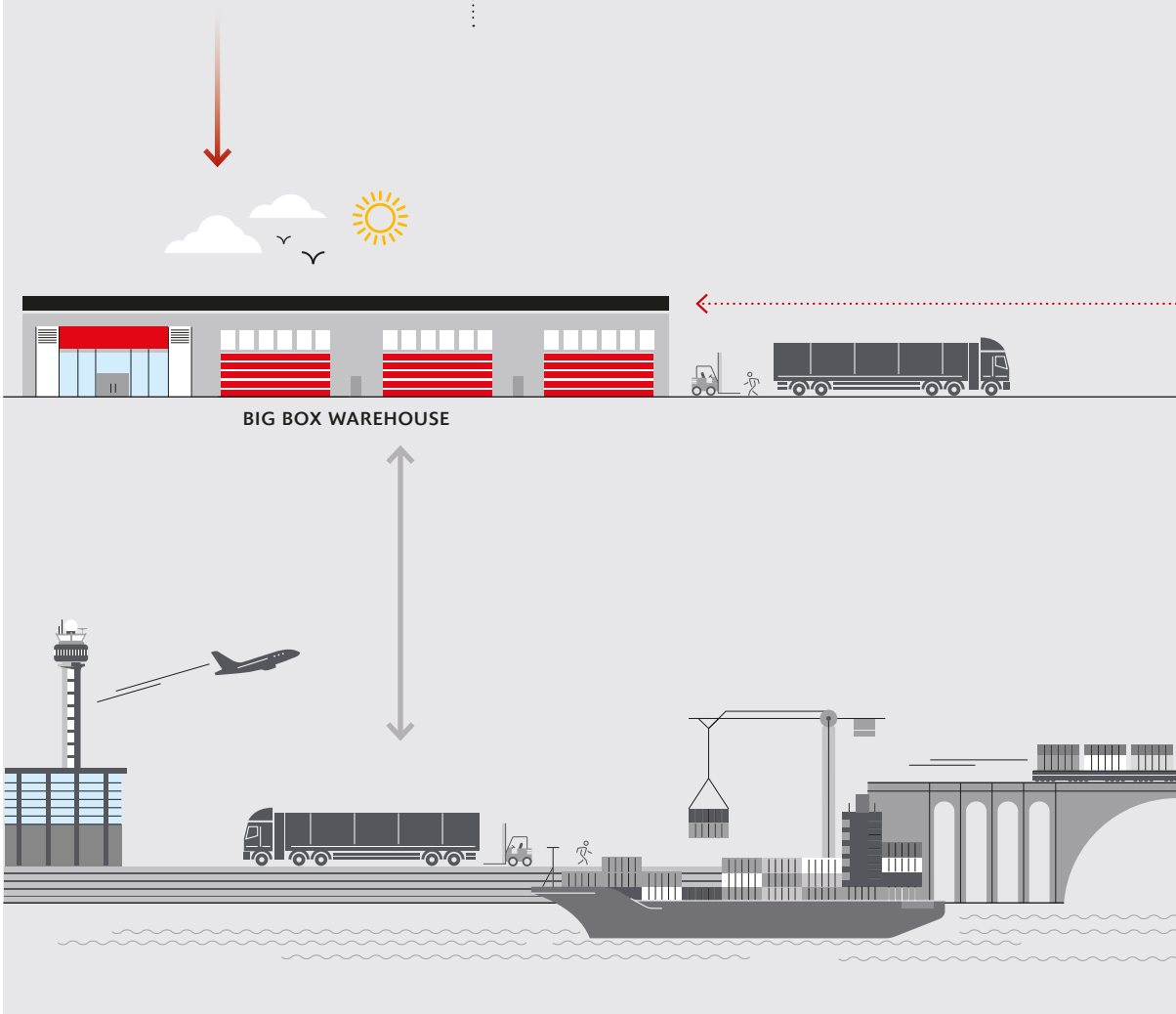
BIG BOX WAREHOUSES

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



FOR MORE INFORMATION
SEE PAGE 46

EMPLOYEES	CUSTOMERS	TOTAL SPACE	TOTAL AUM
332	1,190	8m sq m	£12bn

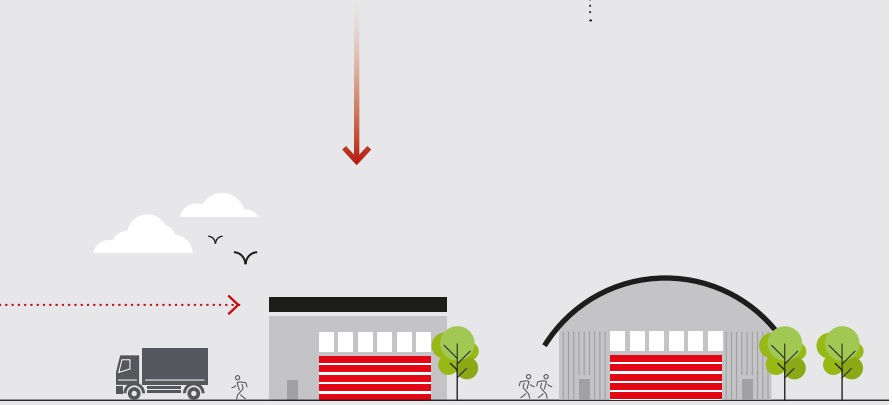
URBAN WAREHOUSES

LOCATED IN OR CLOSE TO MAJOR CITIES

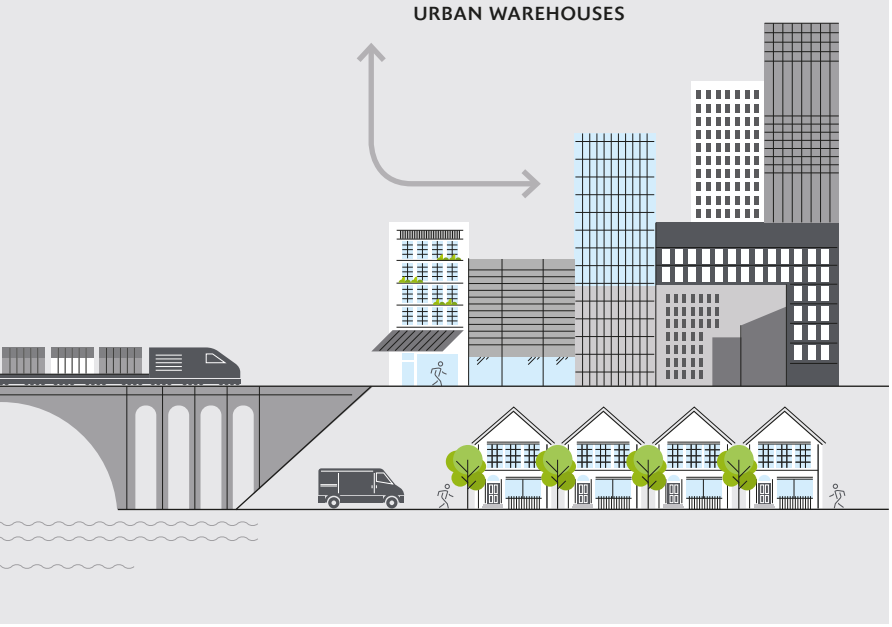
Urban warehouses are located within easy reach of population centres and business districts. They are used by a wide variety of customers who need rapid access to their own customers and to labour and are therefore close to main roads and public transport. Land supply in and around urban areas tends to be less available so urban warehouses tend to be smaller. 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
- Parcel delivery and third party logistics companies
- Food preparation companies
- Data centre operators
- Air cargo handling companies
- Wholesalers



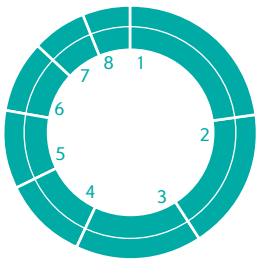
URBAN WAREHOUSES



OUR TOP 20 CUSTOMERS:

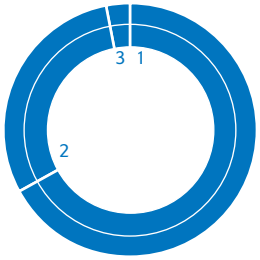
Our top 20 customers represent headline rent of £136 million in aggregate, 32% of the Group's total headline rent at 31 December 2019.

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



CUSTOMER TYPE BY HEADLINE RENT
(SEGRO SHARE)

1.	Transport and logistics	23%
2.	Food and general manufacturing	18%
3.	Retail (physical and online)	16%
4.	Post and parcel delivery	11%
5.	Wholesale and retail distribution	10%
6.	Technology, media and telecoms	9%
7.	Services and utilities	7%
8.	Other	6%



ASSET TYPE BY VALUE
(SEGRO SHARE)

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

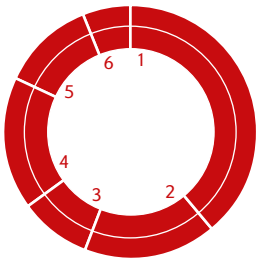
READ MORE ABOUT OUR PORTFOLIO IN OPERATIONAL REVIEW ON **PAGES 30-33**

OVERVIEW

WHERE WE DO IT

Our portfolio is concentrated in areas expected to benefit from sustainable occupier demand with limited supply of competing product. Our buildings are located in, or close to, major urban conurbations and around key transport hubs.

REGIONAL PORTFOLIO BY VALUE:



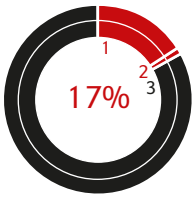
GEOGRAPHICAL SPLIT BY VALUE (SEGRO SHARE)

1. Greater London	**39%**
2. Thames Valley	**17%**
3. National Logistics	**9%**
4. Southern Europe	**17%**
– France	10%
– Italy/Spain	7%
5. Northern Europe	**12%**
– Germany/Austria	11%
– Netherlands	1%
6. Central Europe	**6%**
– Poland	5%
– Czech Republic	1%

1. GREATER LONDON

Providing modern space in a supply-constrained market.

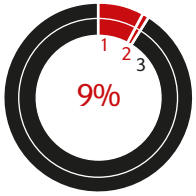
1. London Airports	18%
2. Park Royal	15%
3. Rest of London	6%
4. Rest of SEGRO	61%



2. THAMES VALLEY

Providing modern space for growing businesses.

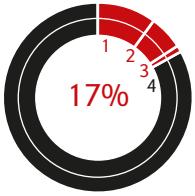
1. Slough Trading Estate	16%
2. Rest of Thames Valley	1%
3. Rest of SEGRO	83%



3. NATIONAL LOGISTICS

Facilitating efficient supply chains and parcel delivery.

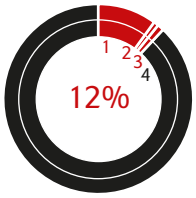
1. Midlands	8%
2. South East	1%
3. Rest of SEGRO	91%



4. SOUTHERN EUROPE

Increasing development in France; building scale in Italy and Spain.

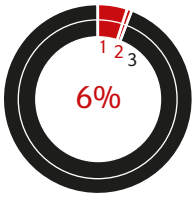
1. France	10%
2. Italy	6%
3. Spain	1%
4. Rest of SEGRO	83%



5. NORTHERN EUROPE

Delivering quality big box and urban warehouses in major cities.

1. Germany	10%
2. Netherlands	1%
3. Austria	1%
4. Rest of SEGRO	88%



6. CENTRAL EUROPE

Making good progress in a competitive market.

1. Poland	5%
2. Czech Republic	1%
3. Rest of SEGRO	94%

READ MORE ABOUT OUR PORTFOLIO IN OPERATIONAL REVIEW ON **PAGES 30-33**

OUR MAIN LOCATIONS:

BIG BOX WAREHOUSES

Demand for large warehouses for inventory storage and regional, national and international distribution is growing, particularly amongst online retailers.

URBAN WAREHOUSES

Proximity to major urban areas is of critical importance to many occupiers: retailers and parcel delivery companies must distribute goods efficiently to both store networks and homes and offices ('last mile delivery').

OTHER USES

The location of our urban warehouse estates and land holdings, close to major population centres, makes them ideal for other, higher value uses, such as car showrooms, self storage facilities and trade counters which need to be easily accessible by employees and customers.

1920

100 YEARS AGO
SLOUGH DEPOT CONSTRUCTION

Slough was chosen by the War Department as the location of their vehicle repair depot because it is close to London and main communication routes, namely the A4 Bath Road and GWR Main Line Railway. The added advantage was that there was gravel in the ground and a water table 1,000 ft down.

FOR MORE INFORMATION, PLEASE VISIT:
WWW.SEGRO.COM/ABOUT-US/HISTORY

CHIEF EXECUTIVE'S STATEMENT

POSITIONING OUR MODERN, SUSTAINABLE PORTFOLIO FOR LONG-TERM SUCCESS

Another year of strong performance across our business as we head into our centenary year with confidence."

DAVID SLEATH
CHIEF EXECUTIVE

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

2019 was another year of strong financial and operational performance by SEGRO. Earnings growth has been supported by rental growth in our standing assets and the additional income generated from our active development pipeline. As a result we are recommending an increased dividend to shareholders.

Our portfolio of prime, modern warehouses in key strategic markets, with more than half located in Europe's most supply-constrained urban areas, continues to position us well for sustainable success and delivers on our purpose of creating the space that enables extraordinary things to happen.

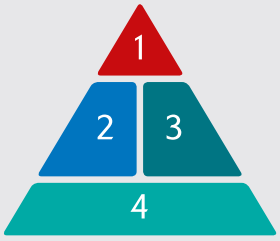
This year, on 19 May, SEGRO will celebrate its centenary. Over the past one hundred years, not only has our business changed significantly, but so has the world around us and expectations of listed companies now go much further than simply returning a profit for shareholders.

Generating attractive financial returns from our business, based on a strong balance sheet, continues to be vital for the long-term sustainability of SEGRO as a company. It has always been part of our DNA to take into consideration the interests of our stakeholders and wider society in the way that we do business. We aim to minimise our impact on the environment in which we operate, work in harmony with the communities of which we are part, and to have a positive impact on the customers, shareholders and other stakeholders which we serve. As we celebrate our centenary in 2020 the balance between our financial and social returns continues to be central to our strategy as we look to position ourselves for the years ahead.

Looking back on 2019, the main highlights included:

- A strong performance in securing new rent. £65.8 million was signed in the period. This included a particularly strong performance from increased rent on existing space, helped by successful re-gears in our Heathrow portfolio.
- Continued growth and modernisation of our portfolio with the addition of prime, sustainable warehouses through our development programme. 2019 was another record year of development with the completion of 871,800 sq m of space, of which 92 per cent is already let, generating over £40 million of new income. 94 per cent of the eligible certified development completions were rated BREEAM "Very Good" or "Excellent" (or equivalent).
- Creating opportunities to add to our portfolio with targeted acquisitions of both assets and land in some of our key urban markets, including completed assets and land in the supply-constrained London market.

WE APPLY OUR STRATEGY TO MAXIMISE PERFORMANCE:



1. OUR GOAL
2. DISCIPLINED CAPITAL ALLOCATION
3. OPERATIONAL EXCELLENCE
4. EFFICIENT CAPITAL AND CORPORATE STRUCTURE

READ MORE ABOUT HOW WE ARE DELIVERING ON OUR STRATEGY:

OUR BUSINESS MODEL
PAGES 20-21

OUR STRATEGY
PAGES 22-23

PRINCIPAL RISKS
PAGES 65-72

KPIs
PAGES 40-41

OUR RESPONSIBLE SEGRO FRAMEWORK HELPS GUIDE OUR BUSINESS DECISIONS:

READ MORE ABOUT HOW WE ARE COMMITTED TO SUSTAINABILITY ON
PAGES 42-64

- A 38 per cent increase in our renewable energy capacity bringing it to 18.5 MW. On-site renewable energy generation remains a core part of SEGRO's sustainability strategy to transition towards a low carbon future.
- A successful £451 million equity placing in February 2019 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 a strong set of results: adjusted profit before tax is up 10.8 per cent to £267.5 million (IFRS: £902.0 million) and adjusted earnings per share are up 4.3 per cent to 24.4 pence (IFRS: 79.3 pence), or 9.9 per cent excluding the impact of the SELP performance fee received in 2018. Our EPRA NAV per share is up 8.9 per cent to 708 pence (IFRS: 697 pence) driven substantially by a 7.5 per cent increase in our portfolio value, which now totals £10.3 billion (reflecting our share of £12.2 billion of assets under management).

Our balance sheet is also in good shape. Our average cost of debt remains low at 1.7 per cent (31 December 2018: 1.9 per cent) with an average duration of 10.0 years (31 December 2018: 10.2 years). SEGRO remains appropriately and efficiently funded with a loan-to-value ratio of 24 per cent (31 December 2018: 29 per cent) and we have £1.4 billion of cash and available facilities at our disposal, providing significant financing flexibility.

The combination of a strong set of financial results in 2019 and our confident outlook for 2020 and beyond means that we are recommending a 8.7 per cent increase in final dividend to 14.4 pence per share, resulting in a total distribution of 20.7 pence for 2019 as a whole (2018: 18.8 pence).

OUR MARKETS

SEGRO has continued to thrive, despite heightened levels of geopolitical and macro-economic uncertainty. The structural trends of urbanisation and technology remain strong tailwinds for our business and the impact of these can be seen at its greatest where the two combine, most notably in our urban markets, in which more than two-thirds of our assets are located.

Whilst these trends have been evident in the UK for some time and have driven strong rental growth across both our big box and urban portfolios, on the Continent the impact is only now beginning to be realised in a more meaningful way. E-commerce penetration in both France and Germany is now nearing the level at which retailers start to adapt their supply chains for an omni-channel delivery model. In the UK this has resulted in a requirement for more warehouse space with a combination of larger centrally located fulfilment centres, complemented by smaller urban distribution centres, and we are starting to see a similar pattern emerge in Continental Europe.

FINANCIAL HIGHLIGHTS

ADJUSTED PROFIT[1] BEFORE TAX

£267.5m

2018: £241.5m

IFRS PROFIT BEFORE TAX

£902.0m

2018: £1,009.1m

ADJUSTED EARNINGS PER SHARE[1]

24.4p

2018: 23.4p

IFRS EARNINGS PER SHARE

79.3p

2018: 105.4p

EPRA NAV PER SHARE[1]

708p

2018: 650p

IFRS NAV PER SHARE

697p

2018: 644p

PORTFOLIO VALUE[2]

£10.3bn

2018: £9.4bn

TOTAL DIVIDEND PER SHARE

20.7p

2018: 18.8p

Businesses linked to e-commerce (retailers, third party logistics operators and parcel delivery companies) continue to make up just over half of our rent roll but beyond this a very wide range of other companies use our space to manufacture goods (for example food, electrical components, pharmaceuticals) as well as to provide services (for example, car servicing, laundry, data centres) to urban populations.

As European cities become more densely populated, demand for goods and services rapidly increases and at the same time consumers want these delivered faster than ever before. It is therefore important for even non e-commerce related businesses to be close to their end users (as well as to their workforce), driving further demand for urban warehouse space.

Our portfolio of well-located, modern warehousing is highly desirable to all of these different types of businesses and at the same time the supply response continues to be controlled. Within our urban markets, industrial land is in short supply and is frequently converted into other high value alternative uses (primarily residential), putting upward pressure on rental values. We have seen strong rental growth throughout 2019 in our UK, French and German urban warehouse portfolios.

In the big box market supply tends to keep up with demand, with most being built on a pre-let basis, and as a result rental growth is more moderate. The recent increase in speculative development in the UK is being absorbed by take-up levels that continue to be higher than the long-term average. Demand for our prime logistics parks is strong with two further large pre-lets signed during the year. We continue to take a low risk approach to development, particularly in big box warehouses, and have already pre-let 60 per cent of our current pipeline.

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 147-148 contain more information about the adjustments and the reconciliation of these to IFRS equivalents. SEGRO discloses EPRA alternative metrics on pages 193-198.

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.

CHIEF EXECUTIVE'S STATEMENT

POSITIONING OUR MODERN, SUSTAINABLE PORTFOLIO FOR LONG-TERM SUCCESS CONTINUED

Industrial asset values remain supported by continued demand from investors wanting to increase their exposure to industrial and warehouse properties. As a result we have seen further improvements in valuation yields in the Continental European portfolio, whilst yields in the UK have held steady at their historically low levels.

OUR PORTFOLIO

Our portfolio of modern warehouses, with an overweight position in urban markets, continues to produce good operational results thanks to our active approach to asset management and the strong fundamentals. The vacancy remains low, retention high and lease lengths continue to increase as customers invest more in automation and fit-out and seek to secure space close to urban centres for the longer term.

We added to our portfolio in 2019 with targeted acquisitions of completed assets as well as continuing to invest in land to provide future development opportunities. Particularly pleasing were some of the off-market transactions in urban markets such as London and Paris, which were only possible thanks to the expertise of our local teams as well as our strong customer relationships.

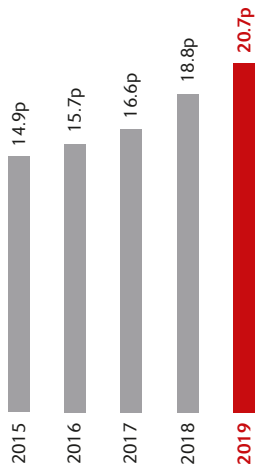
2019 was another record period of development completions with 871,800 sq m of new space for a diverse range of occupiers across our markets. This elevated level of development allows us to constantly upgrade our portfolio and all new developments of 5,000 sq m or more are designed to achieve BREEAM 'Very Good' or 'Excellent'. We continue to focus on the environmental sustainability of our assets and are now working towards our SEGRO 2025 targets. These are focused on reducing the embodied carbon within our developments and using the latest technology to help our customers to reduce energy consumption in our standing assets.

Our development pipeline is an important source of growth and we have 826,200 sq m of new space under construction, capable of generating £50 million of new rent, of which 60 per cent has been secured through pre-lets.

We continue to take a disciplined approach to capital allocation and regularly review our portfolio, taking opportunities to dispose of assets where we feel we have maximised our potential returns.

DELIVERING INCREASING DIVIDENDS

20.7 pence



OUR STAKEHOLDERS

We are both a developer and a long-term owner of industrial assets which provides us with a unique opportunity. Land zoned for industrial use is crucial to the proper functioning of cities and we work closely with local authorities to help ensure the right space is retained to support cities' needs. In our urban markets this usually involves the regeneration of neglected industrial sites, replacing old or disused facilities with modern warehouse space with high sustainability credentials which attracts new businesses to the area and creates employment opportunities.

Once our warehouses are completed, we attempt to connect our customers that choose to locate their business inside them with the surrounding communities, helping them to source employees locally and also assisting with upskilling and training through regional programmes such as Aspire on the Slough Trading Estate.

We stay close to businesses throughout their time as a SEGRO customer thanks to the internal management of our portfolio. Our asset management and property teams interact regularly with our customers, helping us to understand the opportunities and challenges that their businesses face and to anticipate their needs. 88 per cent of our customers rate their overall satisfaction as an occupier of a SEGRO warehouse as 'excellent' or 'very good'. Strong relationships with our customers also create opportunities, evidenced by the fact that over half of our current development pipeline is with existing customers.

We aim to be a trusted partner to all of our stakeholders and it is through these connections that we enable extraordinary things to happen within, and around, the spaces that we create.

OUR PEOPLE

Although real estate is a physical asset class, the business of developing and managing it requires human interaction and our longer-term success is therefore dependent on the expertise, commitment and motivation of our workforce. It is our employees who manage our relationships on a day-to-day basis and it is therefore crucial that we attract and retain talented people.

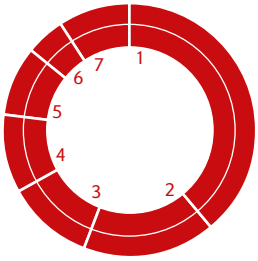
Over 300 people now work in our 14 offices across Europe. We have a strong company culture and a Purpose and Values that are shared and aspired to across all geographies. To enable the sharing of ideas and best practices we have created cross-border working groups and we encourage employees to visit other regions and deepen their understanding of the different parts of our business.

Our 'Space to Grow' programme offers our employees the opportunity to undertake a broad range of training and, as the use of technology advances within our sector, we will expand the scope of this training to ensure that it continues to provide our workforce with the skills that they need to thrive in, and develop, their roles.

Successful businesses are diverse and inclusive and we promote this throughout our workplace, enabling our employees to bring 'their whole selves' to work. We have robust policies in place that help us to support our belief that everyone deserves the right to be treated equally.

I would like to take this opportunity to thank all of our employees for their continued dedication and commitment to our business and for their contributions to the success of SEGRO in 2019.

FOR MORE INFORMATION ON OUR PEOPLE SEE
PAGES 46-49



HIGH QUALITY EUROPEAN PORTFOLIO BY VALUE (SEGRO SHARE)

1. London	39%
2. Thames Valley	17%
3. Germany	11%
4. France	10%
5. National Logistics	9%
6. Poland	5%
7. Rest of Europe	9%
Total	**100%**

OUTLOOK

The momentum that we have seen across our markets during the final months of the year means that we have started 2020 with confidence. We are proud owners of one of the highest quality logistics and industrial portfolios in Europe and we are well positioned to benefit from the structural drivers that are currently at play in our sector.

We expect to see further rental growth across our geographies, with an increasing contribution from Continental Europe, and the potential for further upside in the UK as our future relationship with the European Union becomes clearer.

Our development pipeline for 2020 is very healthy, allowing us to both modernise our portfolio and generate additional rental income, compounded by the rental growth from the active asset management of our existing estate. Whilst the trends of e-commerce and urbanisation continue to drive occupier demand we expect to be able to develop at this elevated level, de-risking the majority of it by pre-letting.

Looking beyond the immediate future, we recognise that the society in which we operate continues to face unprecedented levels of change as technological advances continue to impact our customers and wider society. In order to position our business to embrace this, we announced in January the creation of a new Strategy, Investment and Innovation team. This will ensure that we are able to navigate and benefit from these structural changes and will help us to become more agile in supporting the evolving needs of our customers and other stakeholders.

Our core strategy and pure focus on warehouse and industrial property will remain unchanged, but by keeping one eye on the horizon we expect to be able to position SEGRO for sustainable, long-term success.

Our high-quality, well-located portfolio of urban and big box warehouses continues to attract a broad range of customers."

DAVID SLEATH
CHIEF EXECUTIVE

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.

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.

It is for this reason that the property market is typically considered cyclical: as investor or occupier demand increases, the returns from real estate improve and the supply of assets or space tends to increase to meet that demand. If supply increases too much, or demand starts to fall, supply can exceed demand and asset values and rents will fall until such time as demand matches or exceeds supply, at which point the cycle turns.

STRUCTURAL VERSUS CYCLICAL DRIVERS

More recently there have also been structural drivers at play in our sector. These are major shifts in the way that an industry or market functions and result in longer-term or even permanent change. They are normally triggered by innovation and act independently of the business cycle so can either counter cyclical forces or amplify them.

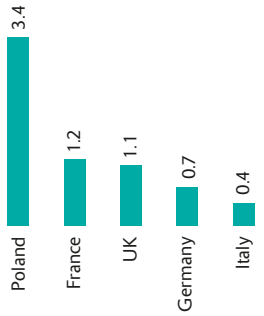
We believe that there are six main market factors which influence the performance of our portfolio. Three of these can be defined as cyclical: stable economic growth, an attractive yield profile and limited supply of modern warehousing. The remaining three can be described as structural: urbanisation, changes in consumer behaviour and a need for efficient and sustainable buildings.

For definitions of terms used in this Report, please refer to the Glossary on page 202.

CYCLICAL

STABLE ECONOMIC OUTLOOK

GDP GROWTH FORECAST FOR OUR MAJOR MARKETS (P.A., 2019–2021)
(%)



COMMENTARY:

Economic growth is an important driver of demand for space by occupiers, and our customer base spans most business sectors. A supportive economic environment encourages businesses to grow and require additional space in which to operate.

We expect the economies of all our markets to grow, albeit at a slightly slower pace than in previous years.

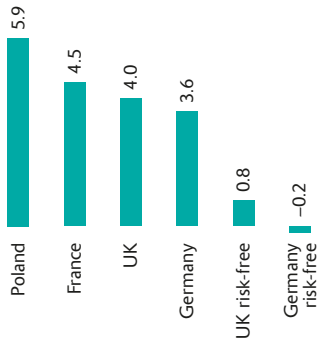
WHAT IT MEANS FOR SEGRO:

- A supportive economic environment is crucial for our customers and likely to increase demand for additional warehouse space.
- Healthy occupier demand for newly developed pre-let and speculative space.
- We see some potential upside for UK occupier demand as our future relationship with the European Union becomes clearer.

Source: OECD (data correct as of 27 January 2019)

ATTRACTIVE YIELD PROFILE IN A LOW INTEREST RATE ENVIRONMENT

PRIME YIELDS IN ALL OUR MARKETS ARE COMFORTABLY ABOVE RISK-FREE RATES
(%)



COMMENTARY:

Monetary policy across Europe – and globally – means that we are operating in a very low interest rate environment: 10 year UK gilts at 31 December 2019 yielded 0.8 per cent and German bunds yielded -0.2 per cent. Prime industrial real estate yields in the UK and Continental Europe are between 3 and 6 percentage points higher than their respective risk-free benchmarks, making industrial real estate attractive on a relative basis.

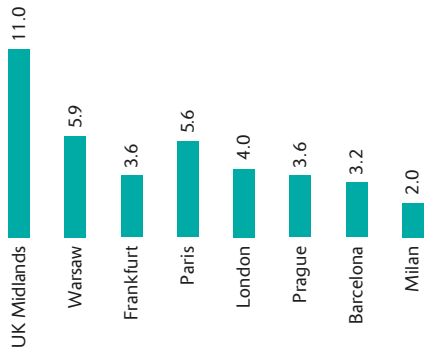
WHAT IT MEANS FOR SEGRO:

- The attractive relative yield profile of warehouse properties is enhanced by our experience and expectations of improving rental values. Our portfolio increased in value by 7.5 per cent in 2019, reflecting improving rental values, particularly in urban warehousing, and continued yield compression in Continental Europe.
- Greater competition for standing assets from investors has increased their prices meaning that the returns available to us from developing our own assets are usually higher than from acquiring existing assets.

Source: CBRE, Bloomberg (at 31 December 2019)

LIMITED SUPPLY OF MODERN WAREHOUSING

BIG BOX WAREHOUSE VACANCY RATES
(31 DECEMBER 2019)
(%)



COMMENTARY:

The relatively short construction time for warehousing means that rising demand can sometimes be quickly met by an increase in supply. However, developers are currently taking a disciplined approach and, particularly in urban areas, tight planning laws and competing uses are restricting the availability of land. Therefore, although warehouse development is increasing, it is consistent with levels of occupier demand and many buildings under construction are already committed (pre-let) to occupiers.

As a result, vacancy rates remain low in both absolute terms and compared to historic levels. There has been a moderate increase in speculative development in the UK Midlands big box market which is manifested in a higher vacancy rate, but much of this is outside our core markets and is consistent with the level of occupier demand for modern warehouses.

WHAT IT MEANS FOR SEGRO:

- The shortage of quality urban warehouses and healthy occupier demand has caused rental values to rise.
- Continued investment into development on a substantially pre-let basis, utilising our well-located land bank to satisfy our customers' need for modern warehouse space in key European cities and transport corridors.

Source: JLL (estimated rates at Q419)

MARKET OVERVIEW

A LOOK AT OUR MARKET DRIVERS CONTINUED

STRUCTURAL

URBANISATION

COMMENTARY:

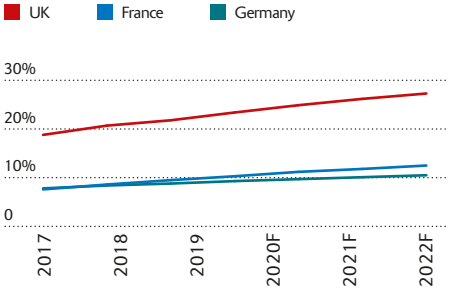
Land zoned for industrial use in and around major conurbations is important to cater for occupiers who need to be close to population centres either for efficient last mile delivery or for an accessible labour source. However, the stock of industrial land is being eroded in our major urban markets by other, higher value uses, most commonly residential. As a result, the potential supply response is restricted and, since demand remains strong, overall leasing terms are improving.

WHAT IT MEANS FOR SEGRO:

- In London, rental values for our urban warehouses increased by 3.3 per cent reflecting the shortage of new supply relative to levels of demand and we expect continued rental growth in 2020.
- The shortage of land supply in urban areas is leading property developers to consider ways to use land more intensively, including multi-level warehouses.

STRUCTURAL CHANGES IN CONSUMER BEHAVIOUR

FORECAST ECOMMERCE PENETRATION RATES
(%)



COMMENTARY:

Structural changes in the nature of retailing towards e-commerce and convenience shopping, combined with increasing urbanisation of European populations, are forcing retailers to reassess how they sell and distribute their goods.

Supply chains must be able to handle both bulk delivery of goods to larger stores, individual deliveries to homes, offices, click-and-collect locations and high street convenience stores and customer returns. Margin pressure means that retailers, third party logistics providers and parcel delivery companies are increasingly focused on extracting efficiencies from their supply chain, using modern premises in key transport corridors, logistics hubs or locations close to major conurbations.

WHAT IT MEANS FOR SEGRO:

- Strong occupier demand for our urban warehouses located on the edge of major European cities to cater for 'last mile delivery' to multiple destinations, often houses and offices.
- Almost 70 per cent of lettings in 2019 were from retailers, parcel delivery and third party logistics companies.
- See also factors under 'Stable economic outlook'.

Source: www.emarketer.com

NEED FOR EFFICIENT, SUSTAINABLE BUILDINGS

COMMENTARY:

With greater awareness of the impact of buildings on the environment and finite natural resources, occupiers demand high levels of environmental sustainability to minimise their environmental footprint and to reduce overall occupancy costs, particularly from heating and other utilities. It is important that landlords and developers own and create buildings which are sustainable in the long term and use those natural resources efficiently.

WHAT IT MEANS FOR SEGRO:

- All of our developments are designed to meet the environmental targets set out in our SEGRO 2025 strategy (see page 53 for more details).
- A building's sustainability is an important factor in our investment decisions, not only for potential acquisitions but also in deciding whether to refurbish or dispose of the very few existing properties which fall short of environmental standards.
- 94 per cent of the eligible development completions in 2019 were rated BREEAM "Very Good" or "Excellent" (or equivalent) and we now have a total of over 2.7 million sq m of sustainably certified assets in our portfolio.

HOW ARE WE RESPONDING?

1. STRONG CUSTOMER FOCUS AND ACTIVE ASSET MANAGEMENT

Maximising customer retention, portfolio occupancy, rental growth and asset sustainability through strong customer service and asset maintenance and refurbishment.

2. SUBSTANTIAL DEVELOPMENT PROGRAMME

To take advantage of growing occupier demand and limited supply of modern, sustainable warehousing, particularly in urban locations.

3. LAND ACQUISITIONS

Have mainly been focused on sites for immediate development with a limited number of strategic sites, which can generally be developed on a phased basis over a three to five year time frame. Longer-term sites secured through option agreements.

4. ASSET RECYCLING

Taking advantage of strong investor demand to improve our portfolio quality: selling assets to release funds for investment in our development programme, reducing debt and selective asset acquisitions.

5. STRENGTHENED AND IMPROVED CAPITAL STRUCTURE

During the year, we issued £451 million of new equity to fund our development-led growth. Our look-through loan-to-value ratio remains low at 24 per cent and we have £1.4 billion of cash and available facilities at our disposal.

FOR MORE INFORMATION SEE
PAGES 20-33

1970s

INTERNATIONAL EXPANSION

In the 1970s the Company continued to diversify its business across international markets with acquisitions in France in 1972 and Germany in 1974. Today France and Germany are two of its most important countries with portfolios valued at £1.4 billion and £1.7 billion respectively.

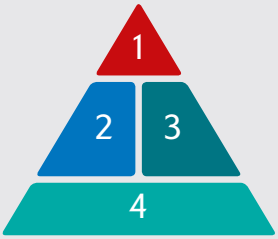
FOR MORE INFORMATION, PLEASE VISIT:
WWW.SEGRO.COM/ABOUT-US/HISTORY

OUR BUSINESS MODEL

HOW WE CREATE VALUE

We aim to generate attractive financial and social returns for our shareholders and wider stakeholders by investing in high quality, sustainable buildings in prime locations.

WE APPLY OUR STRATEGY TO MAXIMISE PERFORMANCE:



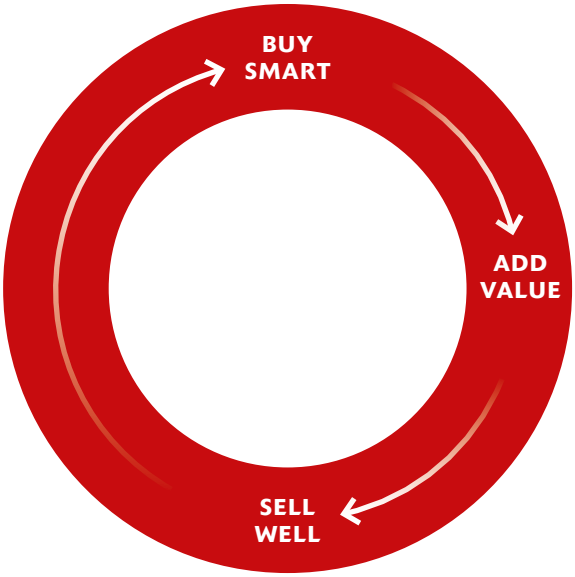
1. OUR GOAL
2. DISCIPLINED CAPITAL ALLOCATION
3. OPERATIONAL EXCELLENCE
4. EFFICIENT CAPITAL AND CORPORATE STRUCTURE

THE RESOURCES WE NEED

LAND	ASSETS	PEOPLE	PARTNERS	CAPITAL
We buy sufficient land to fuel our development pipeline	We buy and build warehouse properties located on the edge of major cities, key transport corridors and hubs	We employ 332 people with expert skills across all aspects of real estate	We work with local authorities and other organisations whose aims complement our own	We forge strong relationships with our shareholders as well as our banks and bondholders who provide equity funding and debt
SEE PAGES 28-29	SEE PAGES 24-25	SEE PAGES 46-49	SEE PAGES 62-64	SEE PAGES 34-39

WHAT WE DO

We will buy assets and land where we believe our skills can add value



We actively manage our portfolio through leasing space and servicing our customers and through development

We sell assets where we believe the returns are less attractive than can be achieved from other uses

THE VALUE WE CREATE

FINANCIAL				NON-FINANCIAL		
RENT ROLL GROWTH	ADJUSTED PROFIT BEFORE TAX	TOTAL PROPERTY RETURN	EPRA NAV GROWTH	QUALITY SUSTAINABLE BUILDINGS	CREATING BETTER COMMUNITIES	A COMPANY WHERE PEOPLE WANT TO WORK OR DO BUSINESS
SEE FULL KPIs PAGES 40-41				SEE PAGES 42-64		

READ MORE ABOUT HOW WE ARE DELIVERING ON OUR STRATEGY:

OUR STRATEGY
PAGES 22-33

KPIs
PAGES 40-41

PRINCIPAL RISKS
PAGES 65-72

WHAT WE DO IN MORE DETAIL

BUY SMART

PEOPLE

Our investment teams source and negotiate attractive acquisition opportunities

LAND

We invested £147 million in development land during the year. We utilised £166 million of land in new development projects and sold £9 million to third parties

ASSETS

We acquired a number of urban warehouses assets in Paris and Warsaw

CAPITAL

We fund our investment activities - acquisitions and development - using a combination of equity, debt and the proceeds of disposals.

ADD VALUE

PEOPLE

Our teams in each market manage the relationships with existing customers, seek new customers and plan and execute our development programme

DEVELOPMENT

Development is a significant means of adding value to our business. In 2019, we completed 871,800 sq m of new space, the largest volume in the Company's history

MANAGEMENT

Active management of our assets ensure that we generate attractive rental growth from a high quality portfolio and excellent customer service

PARTNERS

Our SELP joint venture allows us to realise economies of scale in Continental European big box warehouses in a capital-efficient manner

CAPITAL

A significant proportion of our capital is invested in development, but is also invested in maintenance and refurbishment of existing properties to ensure they are well occupied and in good condition

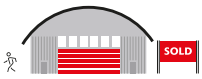
SELL WELL

PEOPLE

Our investment professionals assess returns from every asset compared to other investments, identifying potential candidates for disposal

CAPITAL

Asset recycling maintains high levels of performance in the property portfolio, as well as being an important generator of capital for future investment



SALES

We will sell assets to crystallise value gains and to provide funding for identified investment opportunities. During 2019, we sold £442 million of assets and land

RENTAL INCOME	LESS OPERATING COSTS	LESS FINANCIAL COSTS	LESS TAX	PROFIT
The largest source of our revenue	Primarily essential employee costs	Primarily the interest payments on our debt	As a UK REIT, and SIIC in France, SEGRO only pays corporate tax on operating profits outside these countries	SHAREHOLDER DIVIDENDS REINVESTED IN THE BUSINESS

OUR STRATEGY

A STRATEGY TO GENERATE ATTRACTIVE, SUSTAINABLE RETURNS

Our goal is to be the best owner-manager and developer of warehouse properties in Europe and a leading income-focused REIT.

WE APPLY OUR STRATEGY TO MAXIMISE THE RETURNS FROM OUR BUSINESS

OUR GOAL

Our goal is to be the best owner-manager and developer of warehouse properties in Europe and a leading income-focused REIT.

DISCIPLINED CAPITAL ALLOCATION

Picking the right markets and assets to create the right portfolio shape, actively managing the portfolio composition and adapting our capital deployment according to our assessment of the property cycle.

OPERATIONAL EXCELLENCE

Optimising performance from the portfolio through dedicated customer service, expert asset management, development and operational efficiency.

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 40-41**

Our strategy for achieving our goal is to create a portfolio of high quality big box and urban warehouses in the strongest markets which generate attractive, low risk, income-led returns with above average rental and capital growth when market conditions are positive, and are 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 an attractive, income-led total property return:

- 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.

Embedded in this strategy is the long-term approach that we take to running our business. This requires:

- an understanding and assessment of the risks facing the business and the actions we can take to mitigate those risks. More information can be found in the Principal Risks section (page 65); and
- engagement with our key stakeholders to understand their priorities, and our impact on the environment. These are covered in the Responsible SEGRO section (page 42).

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 structural void 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.

OUR RESPONSIBLE SEGRO FRAMEWORK HELPS GUIDE OUR BUSINESS DECISIONS:

READ MORE ABOUT HOW WE ARE COMMITTED TO SUSTAINABILITY ON **PAGES 42-64**

2019

OUR PAST: SEGRO BECOMES UK'S LARGEST LISTED PROPERY COMPANY

In 2018, SEGRO became the UK's largest listed property company by market capitalisation.

At 31 December 2019, SEGRO was worth £9.8 billion and had £12.2 billion of assets under management covering 7.8 million sq m of space.

FOR MORE INFORMATION, PLEASE VISIT:
WWW.SEGRO.COM/ABOUT-US/HISTORY

COMPANIES ACT 2006 SECTION 172 STATEMENT (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 its activities on its reputation for high standards of business conduct. 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.

Although we have been considering the matters set out in s172 for many years, and reporting our activities within our Responsible SEGRO framework, the 2018 UK Corporate Governance Code now requires us to provide more specific information about how the Group and the Directors have considered the matters set out in s172. See page 80 for more information about the Code and the work of the Board around s172.

Identifying the relevant the issues and stakeholders: The Directors have defined the Company's key stakeholder as its: employees; customers; investors; communities; and suppliers. Building positive relations with these stakeholders, treating them well and with respect is essential to the success of the business. 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 responsibility to the environment.

Engagement mechanisms: There are many engagement mechanisms with these stakeholders within the business as well as at Board level and there is more detail about how we engage with our employees, customers, investors, suppliers and local communities in the Responsible SEGRO section of this report on pages 42 to 64, which also highlights our environmental strategy and targets.

Effect on decisions: Set out below are some examples of how the Directors have considered s172 in their decision making.

- **The Company's move to a new London head office.**

Noting the feedback from the 2018 Employee Engagement survey regarding the quality of our former London office, the Board reviewed a move to new, more modern premises. This included the re-location of 51 employees who had previously worked in our Slough office. When the Board considered the office move it took account of the impact for employees, along with the proposed changes to working practices and the financial assistance the employees re-locating from Slough would receive to help them to adjust to the new location. Shortly after the move, the Directors had lunch with the employees in the new London office in December to see how they were settling into the new environment.

- **Major new investment in a site at Coventry.**

Discussions about the major new investment in a 450 acre site adjacent to Coventry Airport, focussed around sustainable returns for investors, job creation for the local communities, the creation of new facilities for customers but also the risks and costs associated with remediation of a large and complex site. Having taken account of these factors, the Directors approved the investment in the site.

- **Future trends and technologies.**

The Board had a presentation about PropTech and the broad trends and technologies which may become disruptors to the Company and its customers in the future. The Directors also took part in some sessions with groups of employees who had researched some futures topics such as artificial intelligence and asset tokenisation. These briefings gave the Directors a wider perspective about the future trends and helped them in their discussions with customers and when making investment discussions.

WHERE ELSE YOU CAN READ ABOUT STAKEHOLDER ENGAGEMENT AND OUR APPROACH TO S172

EMPLOYEES	CHIEF EXECUTIVE'S STATEMENT **PAGE 15** RESPONSIBLE SEGRO **PAGES 46-49** GOVERNANCE **PAGE 81**
CUSTOMERS	RESPONSIBLE SEGRO **PAGE 62** GOVERNANCE **PAGE 80**
SUPPLIERS	RESPONSIBLE SEGRO **PAGE 62**
INVESTORS	HOW WE CREATE VALUE **PAGES 18-19** RESPONSIBLE SEGRO **PAGE 63** GOVERNANCE **PAGE 80**
ENVIRONMENT	RESPONSIBLE SEGRO **PAGES 53-61**
HIGH STANDARDS OF CONDUCT	HEALTH AND SAFETY **PAGES 43–45** BUSINESS ETHICS AND MODERN SLAVERY **PAGES 48-49**
COMMUNITY	RESPONSIBLE SEGRO **PAGES 50-52**
LONG TERM	OUR STRATEGY **PAGE 22** DISCIPLINED CAPITAL ALLOCATION **PAGES 24-25** EFFICIENT CAPITAL STRUCTURE **PAGES 34-39** RISK MANAGEMENT **PAGES 65–72** VIABILITY STATEMENT **PAGE 69** GOVERNANCE, STRATEGY DAY, **PAGES 81, 83**

OUR STRATEGY

DISCIPLINED CAPITAL ALLOCATION

WHAT WE SAID WE WOULD DO

We expected demand for warehouse assets to remain strong and said that we would continue to sell non-core assets 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 2019

Net investment during the year was £250 million. We focused the majority of our investment on our development pipeline and land acquisitions but also made some asset purchases in key strategic markets (including in London). We sold a portfolio of stand-alone big box assets in the UK as well as smaller assets in Poland and the Netherlands.

WHAT TO EXPECT IN 2020

We will continue our disciplined approach to capital allocation, focusing the majority of our investment into development.

ACQUISITIONS OF LAND AND ASSETS

£283.5m

2018: £221m

DISPOSALS OF LAND AND ASSETS

£442.4m

2018: £442m

INVESTMENT IN DEVELOPMENT

£408.7m

2018: £548m

PORTFOLIO VALUATION CHANGE

+7.5%

2018: +10.7%

We invested £692 million in our portfolio during the year: acquisitions of £136 million of assets, £147 million of land and development capital expenditure of £409 million. This was partly offset by £442 million of disposals.

ACQUISITIONS FOCUSED ON BUILDING SCALE IN URBAN WAREHOUSING

2019 was a relatively quiet year for asset acquisitions as we continued to focus investment on our development pipeline, including many further land purchases. We did however complete a small number of transactions in key strategic markets.

£95 million of the acquisitions were urban warehouses in the UK, France and Italy. In London we made two off-market acquisitions; a warehouse in East London that complements our existing portfolio, and a further acquisition in South London, establishing a presence in the area for the first time. In France we purchased two properties in the supply-constrained market of Lyon. Finally, in Italy we acquired a warehouse on the outskirts of Verona, to be used by a global online retailer for their last mile distribution.

The remaining acquisitions included big box warehouses in Barcelona, where we are working to achieve scale, and also in Lille and Wrocław, two markets where we have identified strong occupier demand for logistics.

The consideration for the asset acquisitions was £136 million, reflecting a blended topped-up initial yield of 4.7 per cent.

ACQUISITIONS: WHAT TO EXPECT IN 2020

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 2019, we sold £442 million of land and assets, taking advantage of strong investor demand to realise profits and release capital to reinvest in our business.

The largest component of these disposals was £259 million of UK stand-alone big box warehouses. Going forwards, our UK big box focus will be on developing logistics parks rather than stand-alone buildings.

Other disposals included the sale of a building at SLPEMG to its occupier and we also sold our holdings in Gdańsk, a smaller regional market that we have decided to exit in order to focus on other parts of Poland.

As in previous years, we sold a portfolio of Continental European big box warehouses developed by SEGRO to SELP for which we received £113 million net proceeds from an effective sale of a 50 per cent interest.

The consideration for the asset disposals was £433 million, reflecting a blended topped-up initial yield of 3.9 per cent. The disposals generated a modest gain on sale compared to book values at 31 December 2018.

Additionally, we disposed of £9 million of land, primarily comprising plots in non-core markets.

DISPOSALS: WHAT TO EXPECT IN 2020

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 2019

Asset Type	Purchase price (£m, SEGRO share)	Net initial yield (%)	Topped-up net initial yield (%)
Big box logistics	40.8	5.4	6.1
Urban warehousing	95.6	4.0	4.0
Land[2]	147.1	–	–
Acquisitions completed in 2019[3]	**283.5**	**4.4[2]**	**4.7[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 2019

Asset Type	Disposal proceeds (£m, SEGRO share)	Net initial yield (%)	Topped-up net initial yield (%)
Big box logistics	427.2	3.8	3.8
Urban warehousing	6.3	10.8	10.8
Land	8.9	–	–
Disposals completed in 2019[2]	**442.4**	**3.9[1]**	**3.9[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.

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

Warehouse property values across Europe increased throughout the year, with Continental Europe outperforming the UK. Investment volumes across Europe continued to be healthy, at similar levels to 2018. Both investor and occupier demand for the asset class remained strong.

The Group's property portfolio was valued at £10.3 billion at 31 December 2019 (£12.2 billion of assets under management). The portfolio valuation, including completed assets, land and buildings under construction, increased by 7.5 per cent on a like-for-like basis (adjusting for capital expenditure and asset recycling during the year) compared to 10.7 per cent in 2018.

1 See Table 3 in the Supplementary Notes for further detail on the calculation

This primarily comprises a 5.8 per cent increase in the assets held throughout the year (2018: 10.1 per cent), driven by a 2.7 per cent increase in our valuer's estimate of the market rental value of our portfolio (ERV) and in Continental Europe this was complemented by approximately 50 basis points of yield compression. In total, our portfolio generated a total property return of 10.5 per cent (2018: 15.4 per cent).

Assets held throughout the year in the UK increased in value by 2.5 per cent (2018: 12.0 per cent), outperforming the MSCI Real Estate UK All Industrial 2019 index which increased by 2.4 per cent. The performance was mostly due to the capture of reversionary potential in lease reviews and renewals, particularly in London. The true equivalent yield applied to our UK portfolio was 4.6 per cent, 20 basis points lower than at 31 December 2018 (4.8 per cent) reflecting the impact of newly completed developments and the disposal of some higher yielding assets rather than a movement in market yields. Rental values improved by 2.6 per cent (2018: 4.7 per cent).

Assets held throughout the year in Continental Europe increased in value by 13.5 per cent (2018: 5.1 per cent) on a constant currency basis, reflecting a combination of yield compression to 5.2 per cent (31 December 2018: 5.9 per cent) and rental value growth of 3.0 per cent (2018: 0.7 per cent).

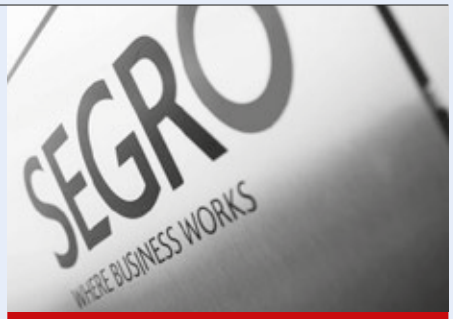
More details of our property portfolio can be found in Note 27 to the Financial Statements and in the 2019 Property Analysis Report available at www.segro.com/investors.

VALUATIONS: WHAT TO EXPECT IN 2020

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 speculative 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.

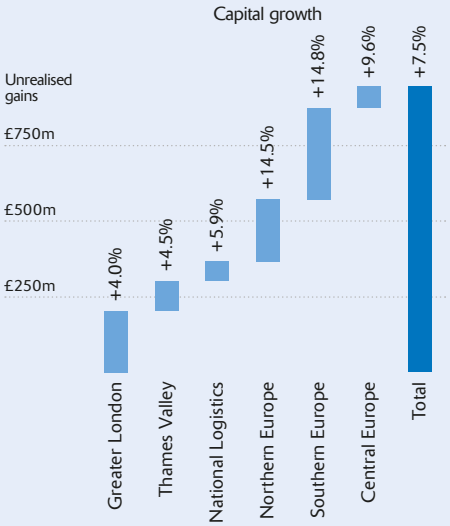


2011

In November 2011 we launched our new strategy, focusing on disciplined capital allocation and operational excellence and aiming to transform our business with the goal of being the best owner-manager and developer of industrial property in Europe. Since then we have disposed of over £4.4bn of assets and acquired £2.1bn as we repositioned our portfolio, selling out of non-core assets and reinvesting in prime industrial warehouses in key strategic markets.

FOR MORE INFORMATION, PLEASE VISIT:
WWW.SEGRO.COM/ABOUT-US/HISTORY

UNREALISED GAINS AND LOSSES ON WHOLE PORTFOLIO



OUR STRATEGY

OPERATIONAL EXCELLENCE: ACTIVE ASSET MANAGEMENT

WHAT WE SAID WE WOULD DO

We expected occupier demand to remain strong, which, combined with our strong customer focus, should enable us to keep retention high, driving positive rent roll growth and keeping vacancy rates low.

WHAT WE ACHIEVED IN 2019

Our rent roll growth hit another record high at £54.5 million reflecting a high level of customer retention and a particularly strong performance in rent reviews and renewals. The vacancy rate remained low, aided by a strong performance in leasing recently completed speculative development and also by disposals.

WHAT TO EXPECT IN 2020

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.

PORTFOLIO PASSING RENT

£378m

2018: £350m

RENT CONTRACTED DURING THE YEAR

£65.8m

2018: £66.4m

CUSTOMER RETENTION

88%

2018: 89%

VACANCY RATE

4.0%

2018: 5.2%

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, and vary by both type and geography.

URBAN WAREHOUSES

Urban warehouses account for 67 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 (83 per cent) and major cities in Continental Europe (17 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 31 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, Poznán, and the industrial region of Silesia). 30 per cent of our big box warehouses are in the UK and the remaining 70 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 an increase in the amount of speculative development of UK big box warehouses during 2019 but it appears that this space is be being absorbed with take-up levels above the long-term average. Our recent letting activity at SLPEMG and also at our new logistics park close to Kettering, shows that there is still good demand from occupiers to sign pre-lets for modern, sustainable warehouses in prime locations.

On the Continent we have seen stronger rental growth in 2019 as the impact of e-commerce began to be felt. 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. We do not see evidence of oversupply in any of the markets in which we operate.

CUSTOMER RELATIONSHIPS KEY TO OUR CONTINUED SUCCESS

As long-term owners of warehouses, and given that we manage the majority of our portfolio internally, we seek to develop strong customer relationships.

Part of the role of our asset managers is to build a knowledge of the businesses that occupy our space. By understanding their evolving needs and requirements, we can not only help them to change and grow, but it also means that we can predict coming trends and innovate accordingly.

Almost 60 per cent of our headline rent comes from customers with whom we have multiple leases and over half of the potential rent from our current development pipeline has been secured by a pre-let with an existing customer.

GROWING RENTAL INCOME FROM LETTING EXISTING SPACE AND NEW DEVELOPMENTS

At 31 December 2019, our portfolio generated passing rent of £378 million, rising to £426 million once rent free periods expire ("headline rent"). During the year, we contracted £65.8 million of new headline rent, level with our record 2018 performance (£66.4 million). New pre-let agreements continue to contribute strongly to this number but in 2019 we also grew rent on our existing space significantly, helped by successful 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 32 per cent of total headline rent, and our largest customer, Deutsche Post DHL, accounts for 4.5 per cent.

Approximately 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 70 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 17.8 per cent (2018: 8.8 per cent) for the portfolio as a whole compared to previous headline rent. During the year, new rents agreed at review and renewal were 25.1 per cent higher in the UK (2018: 12.8 per cent) as reversion accumulated over the past five years was reflected in new rents agreed, adding £8.5 million of headline rent. In Continental Europe, rents agreed on renewal fell by 0.7 per cent (2018: 2.2 per cent lower), equating to a less than £0.1 million reduction in the rent roll, as market rental growth starts to get closer to 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 2019, one third of our customer base responded and 88 per cent of the 367 participants in the surveys rated their experience as a SEGRO customer as "good" or "excellent" (2018: 80 per cent).
- **Vacancy has remained low.** The vacancy at 31 December 2019 was 4.0 per cent (31 December 2018: 5.2 per cent). This reduction was due to a combination of a strong performance in letting recently completed speculatively developed space as well as the disposal of two vacant UK big box warehouses. This has helped bring the vacancy rate on our standing stock down to 2.6 per cent (2018: 3.4 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 also down at 4.6 per cent (2018: 5.0 per cent).
- **High retention rate of 88 per cent.** During the period, space equating to £11.0 million (2018: £12.2 million) of rent was returned to us, including £1.1 million of rent lost due to insolvency (2018: £1.1 million). We took back space equating to £0.3 million of rent for redevelopment. Approximately £58 million of headline rent was at risk from a break or lease expiry during the period of which we retained 86 per cent in existing space, with a further 2 per cent retained but in new premises.
- **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 6.6 per cent of the headline rent (2018: 5.6 per cent). The portfolio's weighted average lease length increased to 7.8 years to first break and 9.2 years to expiry (31 December 2018: 7.5 years to first break, 8.9 years to expiry). Lease terms are longer in the UK (9.3 years to break) than in Continental Europe (5.4 years to break).
- **£14.1 million of net new rent from existing assets.** The combination of these strong metrics has enabled us to generate £13.2 million of headline rent from new leases on existing assets (2018: £12.9 million) and £11.9 million from rent reviews, lease renewals and indexation (2018: £8.3 million). This was offset by rent from space returned of £11.0 million (2018: £12.2 million).
- **Continued strong demand from customers for pre-let agreements.** In addition to increased rents from existing assets, we contracted £33.2 million of headline rent from pre-let agreements and lettings of speculative developments prior to completion (2018: £41.5 million). Included in this are four new data centres on the Slough Trading Estate and a number of big box units around both Milan and Rome (the largest of which we are developing for a global online retailer). Other noteworthy lettings included our first pre-let at SEGRO Park Kettering, a large unit for an online grocery retailer in East London, further lettings at SLPEMG and our latest development in Wrocław, Poland.
- **Rent roll growth increased to £54.5 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 £54.5 million in 2019, from £53.5 million in 2018.

OUR STRATEGY

OPERATIONAL EXCELLENCE: DEVELOPMENT ACTIVITY

WHAT WE SAID WE WOULD DO

We expected to continue developing at an increased pace during 2019 and anticipated investing over £600 million in development capex and land.

WHAT WE ACHIEVED IN 2019

Occupier demand has continued to be strong throughout 2019, reflected in a record 871,800 sq m of development completions, 92 per cent of which has been let. During the year, we invested £556 million in our development pipeline, comprising £409 million on development capital expenditure (including £18 million on infrastructure) as well as a further £147 million on land acquisitions. One particularly large land transaction that we expected to complete in 2019 carried over into 2020 and completed in January.

WHAT TO EXPECT IN 2020

We have 826,200 sq m of development projects under way, capable of generating £50 million of new headline rent, of which 60 per cent has been secured.

We expect to invest in excess of £600 million in development capex and land, including approximately £50 million of infrastructure expenditure.

DEVELOPMENT COMPLETIONS

871,800 sq m

2018: 673,400 sq m

CURRENT PIPELINE POTENTIAL RENT

£50m

2018: £46.0m

CURRENT PIPELINE YIELD ON COST

6.6%

2018: 7.1%

POTENTIAL RENT FROM FUTURE PIPELINE

£100m

2018: £115m

During 2019, we invested £556 million in our development pipeline which comprised £409 million (2018: £548 million) in development spend, of which £18 million was for infrastructure, and a further £147 million to replenish our land bank to enable future development. Since the year end we also completed the acquisition of a further 182 hectares of land that had been expected to complete in 2019.

DEVELOPMENT PROJECTS COMPLETED

We completed 871,800 sq m of new space during the year, a 30 per cent increase on 2018, which had already been a record year for SEGRO. These projects were 85 per cent pre-let prior to the start of construction and were 92 per cent let as at 31 December 2019, generating £40.4 million of headline rent, with a potential further £3.5 million to come when the remainder of the space is let. This translates into a yield on total development cost (including land, construction and finance costs) of 7.3 per cent when fully let.

We completed 785,800 sq m of big box warehouse space, including the first four units at SLPEMG. Other big box completions included pre-lets to occupiers including Amazon, Geodis, Antony Morato, ALDI and Porsche.

We completed 86,000 sq m of urban warehouses, of which 90 per cent are already let. These included five new data centres on the Slough Trading Estate, a unit for airline caterer DO&CO at Heathrow and further phases of our urban warehouse parks in Berlin and Düsseldorf.

We also completed the strategic rail freight interchange terminal at SLPEMG and Maritime Intermodal launched their first route from this in early January.

CURRENT DEVELOPMENT PIPELINE

At 31 December 2019, we had development projects approved, contracted or under construction totalling 826,200 sq m, representing £316 million of future capital expenditure to complete and £50 million of annualised gross rental income when fully let. 60 per cent of this rent has already been secured and these projects should yield 6.6 per cent on total development cost when fully occupied.

- In the UK, we have 160,700 sq m of space approved or under construction. Within this are two more data centres on the Slough Trading Estate (taking the total number to 29) as well as a number of developments in East London, including a further phase at Rainham and our largest ever pre-let in London at a site close to Purfleet. We are also developing SEGRO Park Hayes in West London, a new urban warehouse estate close to Enfield in North London and finally two pre-lets in our National Logistics portfolio, one at SLPEMG and the other at SEGRO Park Kettering.
- In Continental Europe, we have 572,200 sq m of space approved or under construction. This includes pre-let big box warehouses for a variety of different occupiers, from retailers to manufacturers, across all of our European markets. We are also developing further phases of our successful urban warehouse parks in Frankfurt and Düsseldorf as well as new schemes in Lyon and on the outskirts of Paris.
- In addition to the above projects that we are developing ourselves, we also have 93,300 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 Düsseldorf and Frankfurt, as well as in France, with projects in Lyon and Paris.

Within our Continental European development programme, approximately £15 million of potential gross rental income is associated with big box warehouses developed outside our SELP joint venture. Under the terms of the joint venture, SELP has the option, but not the obligation, to acquire these assets shortly after completion. Assuming SELP exercises its option, we would retain a 50 per cent share of the rent after disposal. In 2019, SEGRO sold £226 million of completed assets to SELP, representing a net disposal of £113 million.

Further details of our completed projects and current development pipeline are available in the 2019 Property Analysis Report, which is available to download at www.segro.com/investors.

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 395,300 sq m of space, equating to approximately £205 million of additional capital expenditure and £20 million of additional rent.

LAND BANK

Our land bank identified for future development (including the near-term projects detailed above) totalled 507 hectares at 31 December 2019, valued at £423 million, less than 5 per cent of our total portfolio value. We invested £147 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 2.1 million sq m of development over the next five years. The prospective capital expenditure associated with the future pipeline is approximately £1.0 billion. It could generate £100 million of gross rental income, representing a yield on total development cost (including land and notional finance costs) of around 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.

Since the period end we acquired approximately 182 hectares of land ideally suited to big box warehouse development close to Coventry in the UK.

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 £37 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 over 1.8 million sq m of space and generating approximately £116 million of headline rent (SEGRO share) for a blended yield of approximately 7 per cent.

ENVIRONMENTAL IMPACT

The carbon generated through our development activity is a significant part of our total carbon footprint and we understand that, as a developer, we are responsible for minimising the environmental impact of our activity and making our buildings as efficient as possible to operate.

Of the eligible certified space completed in 2019, 94 per cent has been accredited as BREEAM 'Excellent' or 'Very Good' (or a local equivalent).

We pay attention to our use of energy, resources and materials throughout the construction of our warehouses and are increasingly looking at how we can use design to minimise the carbon footprint of them throughout their entire life cycle. We now regularly include features such as LED lighting, transparent panels to improve natural daylight, water recycling systems and electric vehicle charging points.

We are also investigating ways of offsetting the carbon that we produce, for example by installing solar panels on our buildings to produce renewable energy. During 2019 we increased our renewable energy capacity by 38 per cent, bringing it to 18.5 MW, enough to power 4,500 homes.

USING OUR DEVELOPMENT PROGRAMME TO HELP TRANSFORM COMMUNITIES

Our urban warehouse developments typically involve the regeneration of former, often neglected, manufacturing sites and the redevelopment of this land attracts new businesses and brings jobs and prosperity to the area.

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 to improve the local infrastructure, asking our contractors to source materials from local suppliers and advocating the recruitment of local workers during the construction process.

Once our warehouses are occupied we also do what we can to help our customers to employ locally and fund training programmes to upskill people from the surrounding community. We also create job networks to help connect our customers with potential employees.

As long-term owners of our assets it is in our interest for the communities that we are part of to thrive. Taking this into consideration from the very start of the development process is key to maximising the contribution that we can make and the impact that we can have.

OUR STRATEGY

OPERATIONAL EXCELLENCE: REGIONAL REVIEW

GREATER LONDON

RENTAL GROWTH ACROSS THE LONDON PORTFOLIO

Our strategy in London continues to deliver results with consistent 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.

We have taken advantage of our strong competitive position in London to create some off-market opportunities for asset and land acquisitions so that we can continue to grow the portfolio.

OPERATING SUMMARY OF THE YEAR

- Strong performance in capturing reversionary potential across the London portfolio, generating a 34.1 per cent uplift (equating to over £7 million of headline rent) compared to previous rents
- Significant progress in the development of our East+ portfolio with the completion of projects at SEGRO Park Newham and good take up of speculatively developed space at SEGRO Park Rainham

OPPORTUNITIES FOR THE YEAR AHEAD

- 98,300 sq m of new urban warehouses under construction across all parts of London including the second phase of SEGRO Park Rainham in East London, the redevelopment of SEGRO Park Hayes in West London and our largest ever London pre-let (by rent) in East London for Ocado
- We continue to look into opportunities for growth within London's Opportunity Areas and to consider ways of intensifying land use so that we can continue to support our customers' growth plans

RISKS FOR THE YEAR AHEAD

- Land continues to be in limited supply but our market position and strong network gives us access to off-market opportunities
- There has been limited impact on our portfolio from the uncertainty surrounding the UK's position in Europe and until it has been finalised we remain alert to the potential risks of this

THAMES VALLEY

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

We are constantly modernising 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 are expanding our presence in the Thames Valley with addition of our new estate SEGRO Park Bracknell.

OPERATING SUMMARY OF THE YEAR

- Vacancy has remained low at 2.4 per cent and customer retention has remained high
- We completed five new data centres on the Slough Trading Estate, adding £5 million to the rent roll. We also completed two new buildings at our new estate SEGRO Park Bracknell and both are already fully leased

OPPORTUNITIES FOR THE YEAR AHEAD

- We have another two data centres under construction, both due for completion in 2020, adding another £3 million of rental income
- We have a further four warehouses being speculatively developed on the Slough Trading Estate and another on SEGRO Park Bracknell
- Continued strong interest from the data centre sector driven by the increasing importance of digital ecosystems

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
- There has been limited impact on our portfolio from the uncertainty surrounding the UK's position in Europe and until it has been finalised we remain alert to the potential risks of this

NATIONAL LOGISTICS (UK BIG BOX WAREHOUSES)

FOCUSING OUR UK BIG BOX STRATEGY ON LOGISTICS PARKS

We continue to see high levels of interest for our well-located logistics parks despite an uptick in speculative development in the Midlands.

During the year we made good progress at SEGRO Logistics Park East Midlands Gateway (SLPEMG) and have also secured our first pre-let at SEGRO Park Kettering.

We continue to work on bringing major sites forward for development and intend to focus our investment on logistics parks rather than stand-alone assets.

OPERATING SUMMARY OF THE YEAR

- Completed four buildings at SLPEMG, generating £11 million of additional rent. We also completed the infrastructure work and the Strategic Rail Freight Interchange, which became operational in January 2020
- Secured our first pre-let at SPK and a further pre-let at SLPEMG, both of which should complete in summer 2020

OPPORTUNITIES FOR THE YEAR AHEAD

- We will be working hard to secure further pre-lets at SLPEMG and SPK
- Since the year end we have purchased and commenced the infrastructure work at SEGRO Park Coventry, which will provide 343,700 sq m of logistics and manufacturing space

RISKS FOR THE YEAR AHEAD

- Speculative development of big box warehouses in the UK rose in 2019 in response to continued strong occupier demand. We expect rental growth to be modest during 2020 but are continuing to receive high levels of enquiries for our well-located logistics parks
- There has been limited impact on our portfolio from the uncertainty surrounding the UK's position in Europe and until it has been finalised we remain alert to the potential risks of this

NORTHERN EUROPE (GERMANY AND NETHERLANDS)

CONTINUING TO BUILD OUT OUR URBAN PORTFOLIO IN GERMANY AND FOCUSED ON ACHIEVING SCALE IN THE NETHERLANDS

A very strong period of performance in both leasing and development.

We continue to build out our urban warehouse portfolio in Germany and see high levels of occupier demand for our well-located, modern warehouses, and this resulted in strong rental growth during 2019.

We are also focused on achieving scale in the Netherlands and made good progress during the period.

OPERATING SUMMARY OF THE YEAR

- Another record year of development with 173,300 sq m of space created in Germany, including 31,500 sq m of urban warehouse space in Düsseldorf and Berlin
- Strong performance in leasing recently completed speculative developments has resulted in the vacancy rate improving to 7.0 per cent, almost all of which is modern, recently completed space
- Strong customer relationships and active asset management of our portfolio resulted in a 98 per cent retention rate

OPPORTUNITIES FOR THE YEAR AHEAD

- We have 145,500 sq m of new developments currently under construction, including our urban warehouse park in Rodelheim, another phase of our urban scheme in Düsseldorf Süd and developments close to Schiphol airport in Amsterdam
- We will be working hard to secure lettings at our recently completed urban warehouses in Germany and continuing to look for opportunities to build scale in the Netherlands

RISKS FOR THE YEAR AHEAD

- We continue to remain alert to the potential risks of slowing economic growth in the Eurozone but the impact on occupier demand has so far been limited

OUR STRATEGY

OPERATIONAL EXCELLENCE: REGIONAL REVIEW CONTINUED

SOUTHERN EUROPE (FRANCE, ITALY AND SPAIN)

STRONG OCCUPIER DEMAND DRIVEN BY E-COMMERCE

The increased level of e-commerce penetration in Southern Europe is resulting in strong demand for our modern warehouse as retailers re-engineer their supply chains and seek space close to their end customers.

This has resulted in very strong rental growth in France, whilst in Italy our development pipeline continues to generate significant additional rental income. We have also completed a number of developments in Spain and are getting closer to achieving scale.

OPERATING SUMMARY OF THE YEAR

- Completed 409,800 sq m of development in France, Italy and Spain, generating a potential £16 million of rent, almost 90 per cent of which has been secured
- Vacancy rate remains low at 4.8 per cent, reflecting healthy occupier demand for our well-located portfolio and we made good progress in leasing recently completed speculative developments

OPPORTUNITIES FOR THE YEAR AHEAD

- Leasing up our speculatively developed space in Barcelona and Madrid
- We have 455,400 sq m of development underway in Southern Europe, including a number of urban warehouse schemes in Paris, further pre-let big box warehouses for major retailers in Italy and additional development close to Madrid

RISKS FOR THE YEAR AHEAD

- Large infrastructure projects in Paris (Grand Paris and 2024 Olympics) continue to put pressure on building costs and contractor availability. However, the Grand Paris project in particular will bring new public transport links to many of our estates, enhancing their popularity and potential returns
- 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)

FOCUSED ON FIVE KEY LOGISTICS MARKETS AND URBAN WAREHOUSING IN WARSAW AS WELL AS GROWING OUR PORTFOLIO AROUND PRAGUE

The Polish market remains competitive but we have made good progress during 2019. We have acquired assets in Wrocław, a key target market, and exited Gdańsk.

There is an increased demand for urban warehousing in Warsaw and we have secured additional land during the year to extend our portfolio.

The demand for industrial space remains strong in the Czech Republic.

OPERATING SUMMARY OF THE YEAR

- Continued low vacancy of only 3.5 per cent in our Central European portfolio
- Active asset management of the portfolio, resulting in rental growth and development opportunities
- Acquisition of assets and land in Wrocław have helped us to strengthen our position in this market

OPPORTUNITIES FOR THE YEAR AHEAD

- 64,600 sq m of pre-let big box warehouse space under development in Poland, including development on land that we acquired in 2019
- Continuing to strengthen our market position in Poland by focusing on the five major logistics markets (Poznan, Łódz, Gliwice, Warsaw and Wrocław) and commencing the development of further urban warehouses in Warsaw

RISKS FOR THE YEAR AHEAD

- Competition for customers in Poland remains strong, particularly from trader-developers, which may impact the potential for rental growth
- A wider European macro economic slowdown could negatively impact occupier demand

OPERATIONAL EXCELLENCE: SELP

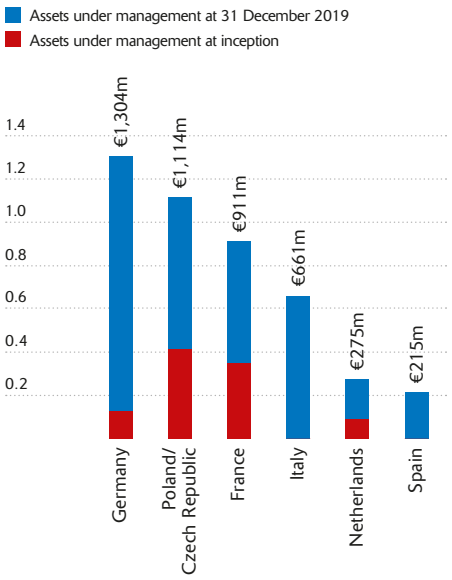
SEGRO EUROPEAN LOGISTICS PARTNERSHIP (SELP)

SELP is our Continental European big box joint venture with PSP Investments, one of Canada's largest pension investment managers. SELP started out in 2013 with €1 billion of assets. At the end of 2019, it has a portfolio worth just under €4.5 billion. It generates €222 million of headline rent with an occupancy rate of 94 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 approximately €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)



FINANCE REVIEW

EFFICIENT CAPITAL STRUCTURE STRONG OPERATING RESULT

WHAT WE SAID WE WOULD DO

We intend to keep our LTV below our mid-cycle target of 40 per cent.

WHAT WE ACHIEVED IN 2019

Through a combination of asset disposals and the increase in value of our portfolio, the LTV at 31 December 2019 is 24 per cent. Our cost of debt remains low at 1.7 per cent.

WHAT TO EXPECT IN 2020

We intend to maintain our LTV at a level close to 30 per cent, comfortably below our mid-cycle target of 40 per cent. 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 £1.4 billion (including our share of joint ventures) on which we can draw to fund our investment plans.

ADJUSTED PROFIT BEFORE TAX

£267.5m

2018: £241.5m

IFRS PROFIT BEFORE TAX

£902.0m

2018: £1,099.1m

NEW FINANCING DURING THE YEAR

£0.5bn

2018: £0.4bn

LOOK-THROUGH LOAN TO VALUE RATIO

24%

2018: 29%

During 2019, we have taken advantage of favourable financing conditions to improve the capital structure of both SEGRO and SELP.

FINANCING

In February 2019, SEGRO issued 71 million new shares, raising £451 million of gross proceeds to help to fund our development programme while also retaining an appropriate capital structure. The shares were issued at 635 pence per share, a 2 per cent discount to the prior day's closing share price.

In May 2019, SEGRO redeemed its £250 million 5.625 per cent sterling bonds due to mature in 2020 and, in September 2019, we extended the maturity of £915 million of revolving credit facilities for a further year to 2024.

In April 2019, SELP executed a new €200 million syndicated revolving credit facility, with a 2023 maturity. This means that SELP now has total revolving credit facilities of €500 million to help fund its development programme. In June 2019, SELP issued a €500 million, 7.5 year unsecured bond at a coupon of 1.5 per cent. The proceeds were used to refinance existing bank borrowings as well as provide additional liquidity to the venture.

As 31 December 2019, the gross borrowings of SEGRO Group and its share of gross borrowings in joint ventures totalled £2,637.8 million (31 December 2018: £2,803.6 million), all but £27.6 million (31 December 2018: £29.8 million) of which were unsecured, and cash and cash equivalent balances were £153.5 million (31 December 2018: £90.2 million). Average debt maturity was 10.0 years (31 December 2018: 10.2 years) and average cost of debt (excluding non-cash interest and commitment fees) was 1.7 per cent (31 December 2018 1.9 per cent).

Funds available to SEGRO Group (including its share of joint venture funds) at 31 December 2019 totalled £1,370.0 million (31 December 2018: £1,248.9 million), comprising £153.5 million cash and short term investments and £1,216.5 million of undrawn bank facilities of which only £8.5 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 on page 65 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 2019 on this basis was 24 per cent (31 December 2018: 29 per cent), reflecting a combination of lower total debt levels mainly due to the new equity raised in early 2019 and the increase in the value of the portfolio during the course of the year.

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 2019, as defined within the principal debt funding arrangements of the Group, was 23 per cent (31 December 2018: 33 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 2019 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 68 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 2019, the Group comfortably met this ratio at 6.2 times. On a proportionally consolidated basis, including joint ventures, this ratio was 6.3 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, lower than our mid-cycle target of 40 per cent. This provides the flexibility to take advantage of investment opportunities and ensures significant headroom compared to our tightest gearing covenants should property values decline.

At 31 December 2019, the only debt maturity falling due within 12 months is a €59 million secured facility in SELP. The weighted average maturity of the gross borrowings of the Group (including joint ventures at share) was 10.0 years. With a majority of the Group's bank debt facilities not due to mature until 2024, and no Group debt maturities in 2020, 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 2019, including the impact of derivative instruments, 89 per cent (2018: 67 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 57 per cent at 31 December 2019 (31 December 2018: 53 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 2019, the adjusted net finance cost of the Group would have increased by approximately £8.9 million representing around 3 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 2019: 24 per cent) and 100 per cent. At 31 December 2019, the Group had gross foreign currency assets which were 65 per cent hedged by gross foreign currency denominated liabilities (31 December 2018: 67 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 2019 weakened by 10 per cent against sterling (to €1.30, in the case of euros), net assets would have decreased by approximately £98 million and there would have been a reduction in gearing of approximately 1.8 per cent and in the LTV of 1.5 per cent.

The average exchange rate used to translate euro denominated earnings generated during 2019 into sterling within the consolidated income statement of the Group was €1.14:£1. Based on the hedging position at 31 December 2019, and assuming that this position had applied throughout 2019, if the euro had been 10 per cent weaker than the average exchange rate (€1.25:£1), Adjusted profit after tax for the year would have been approximately £7.8 million (3.0 per cent) lower than reported. If it had been 10 per cent stronger, Adjusted profit after tax for the year would have been approximately £9.6 million (3.6 per cent) higher than reported.

GOING CONCERN

As noted in the financial position and funding section above, the Group has a very strong liquidity position, a favourable debt maturity profile and substantial headroom against financial covenants. Accordingly, it can reasonably expect to be able to continue to have good access to capital markets and other sources of funding.

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.

FINANCIAL POSITION AND FUNDING

	31 December 2019		31 December 2018	
	SEGRO Group	**SEGRO Group and JVs at share**	SEGRO Group	SEGRO Group and JVs at share
Net borrowings (£m)	1,811.0	2,484.3	2,177.0	2,713.4
Available cash and undrawn facilities (£m)	1,173.2	1,370.0	1,177.8	1,248.9
Balance sheet gearing (%)	23	N/A	33	N/A
Loan to value ratio (%)	22	24	28	29
Weighted average cost of debt[1] (%)	1.8	1.7	2.1	1.9
Interest cover[2] (times)	6.2	6.3	4.5	4.9
Average duration of debt (years)	11.6	10.0	11.4	10.2

1 Based on gross debt, excluding commitment fees and non-cash interest.

2 Net rental income/Adjusted net finance costs (before capitalisation).

FINANCE REVIEW

EFFICIENT CAPITAL STRUCTURE STRONG OPERATING RESULT CONTINUED

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 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 period there have been no such adjustments. In the prior period to 31 December 2018, £51.8 million of pension buy-out costs in respect of the SEGRO pension scheme have been incurred which have been excluded as an adjustment to EPRA profit when calculating Adjusted profit. Further details are given in Note 18.

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 and total cost ratio, as they provide a transparent and consistent basis to enable comparison between European property companies.

ADJUSTED PROFIT (NOTE 2)

	2019 £m	2018 £m
GROSS RENTAL INCOME	**362.0**	323.2
PROPERTY OPERATING EXPENSES	**(80.7)**	(75.6)
1 **NET RENTAL INCOME**	**281.3**	247.6
2 JOINT VENTURE FEE INCOME	**20.4**	44.9
ADMINISTRATION EXPENSES	**(51.5)**	(44.1)
3 SHARE OF JOINT VENTURES' ADJUSTED PROFIT[1]	**54.0**	39.0
ADJUSTED OPERATING PROFIT BEFORE INTEREST AND TAX	**304.2**	287.4
4 NET FINANCE COSTS	**(36.7)**	(45.9)
5 **ADJUSTED PROFIT BEFORE TAX**	**267.5**	241.5
6 TAX ON ADJUSTED PROFIT	**(3.2)**	(4.4)
NON-CONTROLLING INTERESTS SHARE OF ADJUSTED PROFIT	**(0.2)**	(0.6)
ADJUSTED PROFIT AFTER TAX	**264.1**	236.5

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

NET RENTAL INCOME 1

£33.7m higher

Net rental income increased by £33.7 million to £281.3 million, 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.

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 £13.6 million, or 4.8 per cent, compared to 2018. This is due to strong rental performance across our portfolio (UK: 5.7 per cent increase and Continental Europe: 3.1 per cent increase).

INCOME FROM JOINT VENTURES 2 3

£9.5m lower

Joint venture fee income decreased by £24.5 million to £20.4 million. This decrease is due to a performance fee from SELP of £26.2 million that was recognised and paid in the prior year.

SEGRO's share of joint ventures' Adjusted profit after tax increased by £15.0 million from £39.0 million in 2018 to £54.0 million in 2019. The increase is due to underlying growth in the SELP joint venture and the inclusion, in the prior year, of performance fee costs of £11.9 million (at share, being £13.1 million less tax of £1.2 million).

The share of joint ventures' Adjusted profit after tax are primarily from the SELP joint venture in 2019.

The performance fee is calculated and receivable every five years 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.

ADMINISTRATIVE AND OPERATING COSTS 1 3

Cost ratio: 22.9%

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 2019 has been maintained at 22.9 per cent in line with 2018, above our 20 per cent target. The calculation is set out in Table 7 of the Supplementary Notes to the Financial Statements.

Total costs in respect of the cost ratio calculation (see Table 7), have increased by £10.7 million to £95.2 million in 2019 with a proportional increase in gross rental income, by £46.0 million to £414.9 million (see Table 7), has maintained the cost ratio consistent with the prior year. The increase in costs include increased property operating costs following the growth of the property portfolio (see Note 5) and staff costs (see Note 6).

Excluding share-based payments, the cost ratio would be 19.9 per cent, unchanged compared to 2018.

Total costs (see Note 5) have increased by £47.4 million to £123.9 million. This is primarily due to the inclusion of £43.2 million trading property cost of sales. Costs also include service charge expenses of £27.6 million (2018: £25.5 million), previously shown net, as detailed further in Note 1.

NET FINANCE COSTS 4

£9.2m lower

Net finance costs (including adjustments) decreased by £9.2 million in 2019 to £36.7 million primarily as a result of lower debt levels across the year compared to the prior period as a result of the equity placing and lower average cost of debt following the repayment of debt in the current period.

Net finance costs also include £3.0 million in respect of interest on lease liabilities following the adoption of IFRS 16 (see Note 1).

ADJUSTED PROFIT 5

£26.0m higher

Adjusted profit before tax increased by 10.8 per cent to £267.5 million (2018: £241.5 million) during 2019 as a result of the above movements (see Note 2).

TAXATION 6

Effective rate: 1.2%

The tax charge on Adjusted profit of £3.2 million (2018: £4.4 million) reflects an effective tax rate of 1.2 per cent (2018: 1.8 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

24.4p, +4.3%

Adjusted earnings per share are 24.4 pence compared to 23.4 pence in 2018 (which included 1.2 pence in respect of the SELP performance fee).

1 The like-for-like rental growth metric is based on properties held throughout both 2019 and 2018 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 (transfers into 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 9 of the supplementary notes.

FINANCE REVIEW

EFFICIENT CAPITAL STRUCTURE STRONG OPERATING RESULT CONTINUED

IFRS PROFIT

IFRS profit before tax in 2019 was £902.0 million (2018: £1,099.1 million), equating to basic post-tax IFRS earnings per share of 79.3 pence compared with 105.4 pence for 2018, principally reflecting lower realised and unrealised gains in the wholly-owned 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 and trading properties of £496.1 million in 2019 (2018: £852.6 million) have been recognised in the Income Statement as the value of our portfolio increased during the year. These included an unrealised valuation surplus on invested properties of £476.7 million (2018: £791.4 million) and a profit of £7.2 million on investment property disposals (2018: £56.5 million).

SEGRO's share of realised and unrealised gains on properties held in joint ventures was £214.2 million (2018: £101.1 million) largely in respect of the SELP portfolio and is further analysed in Note 7. The SELP portfolio is entirely based in Continental Europe where capital growth was above that in the UK (where the majority of the wholly-owned portfolio is located).

The cost of closing out debt in the year was £18.6 million (2018: £6.4 million) following the buy-back of the SEGRO bonds maturing in 2020. IFRS earnings were also impacted by a net fair value gain on interest rate swaps and other derivatives of £7.9 million (2018: £22.0 million loss) and a tax charge of £41.4 million (2018: £33.0 million) of which £38.2 million (2018: £28.6 million) arises in respect of adjustments, primarily in relation to property valuation movements.

BALANCE SHEET

At 31 December 2019, IFRS net assets attributable to ordinary shareholders were £7,677.6 million (31 December 2018: £6,564.0 million), reflecting 697 pence per share (31 December 2018: 644 pence) on a diluted basis.

EPRA NAV per share at 31 December 2019 was 708 pence (31 December 2018: 650 pence). The 8.9 per cent increase primarily reflects property gains in the period. The chart opposite highlights the other principal factors behind the increase. A reconciliation between IFRS and EPRA NAV is available in Note 12 to the Financial Statements.

CASH FLOW AND NET DEBT RECONCILIATION

Cash flow generated from operations was £210.3 million in 2019, an increase of £10.0 million from 2018. The underlying increase in cash flows from operating activities (£56.5 million) is driven by increased Adjusted profit in the year including favourable movements in trading properties of £30.9 million, largely due to a disposal during the year. This is offset by tax paid of £46.9 million, primarily in Italy from property disposals in the prior period.

The Group made net investments of £217.2 million of investment and development properties (including options and loans to joint ventures) during the year on a cash flow basis (2018: £276.5 million investment). This includes cash from disposals of £412.4 million (2018: £480.4 million) the largest of which was a portfolio of UK big box warehouses where £75.4 million of the proceeds were deferred until 2021 (see Note 14 for further details). The Group spent £602.9 million (2018: £637.1 million) to purchase and develop investment properties, and it invested £12.2 million in joint ventures (2018: £99.2 million divestment).

The largest financing cash flow arose in respect of proceeds from the issue of shares primarily from an equity placing undertaken in February 2019. Other significant cash flows include dividends paid of £141.7 million (2018: £120.4 million) where cash flows are lower than the total dividend due to the level of scrip uptake.

Overall, net debt has decreased in the year from £2,177.0 million to £1,811.0 million.

CAPITAL EXPENDITURE

Table 8 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.

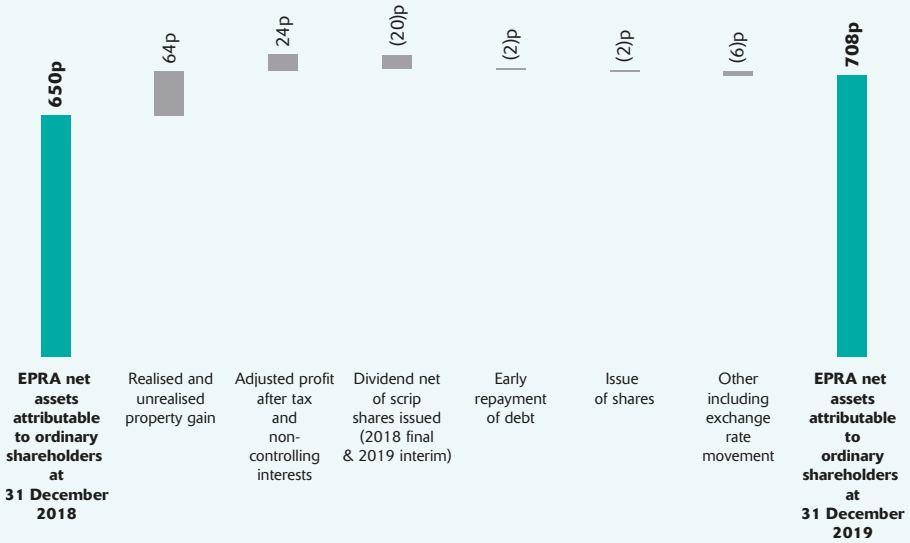
Total spend for the year was £892.8 million, a decrease of £64.2 million compared to 2018. More detail on acquisitions can be found in the Disciplined Capital Allocation section of Our Strategy on pages 24 to 25.

Development capital expenditure of £408.7 million was spent in the year (2018: £548.2 million) across all our business units, particularly Southern Europe, reflecting our development led growth strategy.

Development spend incorporates interest capitalised of £9.0 million (2018: £10.0 million) including joint ventures at share.

Spend on existing completed properties, none of which increased lettable space, totalled £30.8 million (2018: £30.3 million), of which £17.4 million (2018: £17.1 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

EPRA NET ASSET VALUE



Adjusted profit before tax and less than 2 per cent of total spend.

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 1.15 pence to 14.4 pence (2018: 13.25 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 1 May 2020 to shareholders on the register at the close of business on 19 March 2020.

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 2019 and the outlook for earnings.

The total dividend for the year will, therefore, be 20.7 pence, a rise of 10.1 per cent on 2018 (18.8 pence) and represents distribution of 85 per cent of Adjusted profit after tax and Adjusted EPS.

As at 31 December 2019, the Company had distributable reserves that provide cover for the total of the interim dividend paid and the final dividend proposed in respect of the year ended 31 December 2019 of over 4 times (2018: 4 times). When required the Company can receive dividends from its subsidiaries to further increase the distributable reserves.

The Board has decided to retain a scrip dividend option for the 2019 final dividend, allowing shareholders to choose whether to receive the dividend in cash or new shares. In 2019, 36 per cent of the 2018 final dividend and 36 per cent of the 2019 interim dividend was paid in new shares, equating to £71 million of cash retained on the balance sheet.

2010-19

OUR PAST: **DELIVERING PROCEEDS OF GROWTH**

Since 2010, SEGRO has distributed £1.3 billion in dividends to its shareholders.

In 2010, SEGRO paid dividends worth £104 million; in 2019, that figure was £213 million.

FOR MORE INFORMATION, PLEASE VISIT:
WWW.SEGRO.COM/ABOUT-US/HISTORY

CASH FLOW BRIDGE (£m)

KEY PERFORMANCE INDICATORS

MEASURED AGAINST OUR TARGETS

Our aim is to deliver attractive returns to our shareholders and stakeholders 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 97-117**

WE APPLY OUR STRATEGY TO MAXIMISE PERFORMANCE:

READ MORE ABOUT HOW WE ARE DELIVERING ON OUR STRATEGY:

OUR STRATEGY
PAGES 22-33

PRINCIPAL RISKS
PAGES 65-72

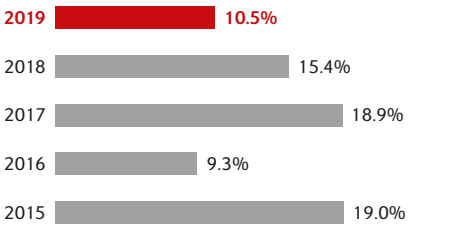
RISK MANAGEMENT:

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 65-72**

TOTAL PROPERTY RETURN
(% TPR)[1]

10.5%

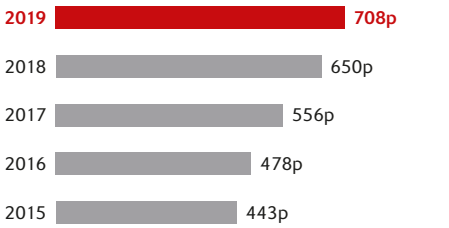


WHAT IT IS: TPR is the ungeared combined income and capital return from our portfolio of standing investments held throughout the year. It is an important measure of the success of our strategy in terms of asset selection and management. MSCI Real Estate prepares the calculation, as well as providing 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 100 to 114.

OUR PERFORMANCE: The TPR of the Group's standing assets held throughout 2019 was 10.5 per cent (2018: 15.4 per cent). The UK portfolio generated a TPR of 6.3 per cent, performing slightly behind the benchmark calculated by MSCI Real Estate of 6.9 per cent. The TPR of our Continental Europe portfolio was 19.6 per cent. Benchmark data for Continental Europe will be received later in the year.

EPRA NAV PER SHARE
(PENCE)[2 3]

708p

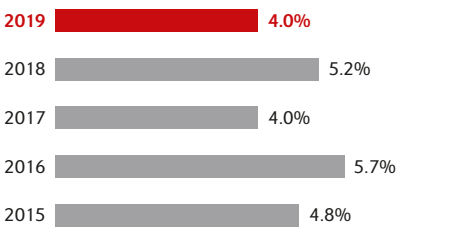


WHAT IT IS: EPRA NAV (Net Asset Value) is the value of our assets less the book value of our liabilities, calculated in accordance with EPRA guidelines, that is attributable to our shareholders. We aim for sustainable long-term asset value growth whilst carefully managing our liabilities to maintain balance sheet strength.

OUR PERFORMANCE: EPRA NAV increased by 58 pence per share over the year to 31 December 2019, most of which was due to a 7.5 per cent like-for-like increase in the value of the Group's property portfolio. Diluted NAV per share increased by 53 pence to 697 pence. The reconciliation between Diluted NAV per share and EPRA NAV per share can be found in Note 12(ii) on page 159.

EPRA VACANCY RATE
(%)

4.0%

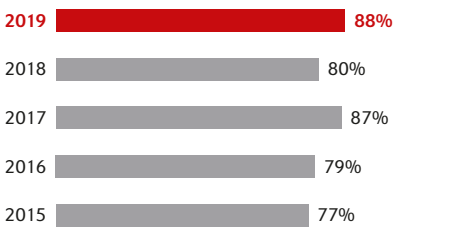


WHAT IT IS: The vacancy rate measures our ability to minimise the quantity of non-income producing built assets within our portfolio. An improving vacancy rate generally implies additional rental income and lower vacant property costs. Some level of vacancy will always exist within our portfolio in order 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.

OUR PERFORMANCE: The portfolio vacancy rate decreased to 4.0 per cent (31 December 2018: 5.2 per cent) reflecting a strong performance in letting recently completed speculative developments and some vacant asset disposals. Further details can be found in Table 6 on page 195.

CUSTOMER SATISFACTION
(%)

88%



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 88 per cent of the 367 customers which participated in the 2019 survey (2018: 80 per cent). The continued high satisfaction rate reflects our focus on communication, being responsive and understanding the needs of our customers and intend to target similarly high levels in the future. 96 per cent of our customers said that they would recommend SEGRO to others.

DISCIPLINED CAPITAL ALLOCATION

OPERATIONAL EXCELLENCE

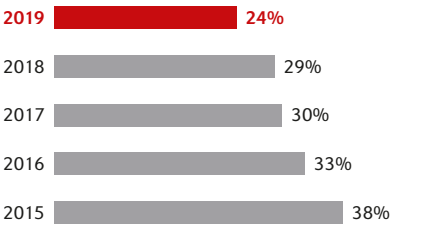
EFFICIENT CAPITAL AND CORPORATE STRUCTURE

ITEMS ARE DIRECTLY CAPTURED IN SEGRO'S INCENTIVE SCHEMES

LOAN TO VALUE RATIO (LTV)

(% INCLUDING JOINT VENTURES AT SHARE)

24%



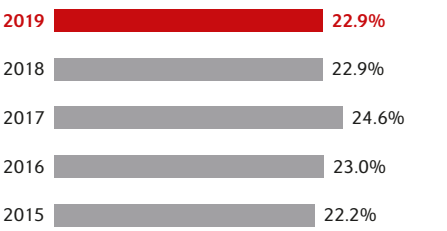
WHAT IT IS: The proportion of our property assets (including investment, owner-occupier and trading properties at carrying value and our share of properties in joint ventures and excludes head lease ROU asset) that are funded by borrowings. Our 'mid-cycle' LTV ratio target remains at 40 per cent but, at this stage in the cycle, and based on our investment plans, we aim to maintain it at closer to 30-35 per cent. 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 improved to 24 per cent from 29 per cent year on year. This reduction was primarily due to the equity raise in February 2019 combined with the proceeds from disposals and 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 COST RATIO

(%)

22.9%



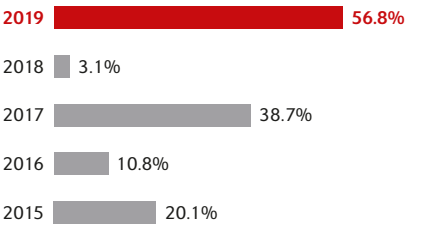
WHAT IT IS: The ratio of our total administration and property operating costs expressed as a percentage of gross rental income. This is an indicator of how cost-effectively we manage both our property assets and our administrative costs in order to improve profitability. Over the medium term we are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

OUR PERFORMANCE: The total cost ratio was stable at 22.9 per cent (2018: 22.9 per cent). Excluding share-based payments, the total cost ratio would have been 19.9 per cent, the same as in 2018 (19.9 per cent). Further details can be found in Table 7 on page 196.

TOTAL SHAREHOLDER RETURN

(% TSR)

56.8%



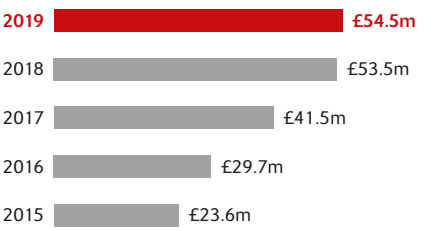
WHAT IT IS: TSR measures the change in our share price over the year assuming that dividends paid are reinvested. This KPI reflects our commitment to delivering enhanced returns for our shareholders through the execution of our strategy over the medium term. TSR is a key metric used in setting the long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

OUR PERFORMANCE: The TSR of the Group was 56.8 per cent, compared with 33.5 per cent for the FTSE 350 Real Estate index. This performance reflects a combination of the 19.55 pence dividend (13.25 pence 2018 final dividend and 6.3 pence 2019 interim dividend) paid during the year and an increase in the share price from 589 pence at 31 December 2018 to 897 pence at 31 December 2019. The 71 million new shares issued in February 2019 were entitled to receive the 2018 final dividend.

RENT ROLL GROWTH

(£)

£54.5m



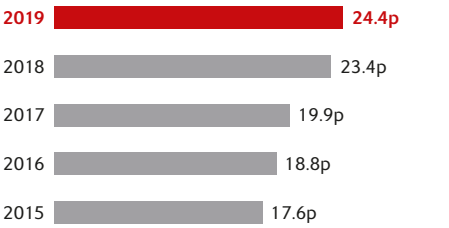
WHAT IT IS: The headline annualised gross rental income contracted during the year less income lost from takebacks. There are two elements: to grow income from our standing assets by reducing vacancy and increasing rents from lease renewals and rent reviews; and to generate new rent by developing buildings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

OUR PERFORMANCE: In total, we generated £54.5 million of net new annualised rent during the year (2018: £53.5 million). The increase was driven substantially by higher rents on review and renewal in the UK, with Heathrow Cargo Centre making a significant contribution, and by the increased volume of rent from development completions and pre-let agreements secured during the year.

ADJUSTED EPS

(PENCE)[3]

24.4p



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 158.

OUR PERFORMANCE: Adjusted EPS increased by 4.3 per cent during the year, reflecting higher rental income from our standing assets, new income from acquisitions and developments, and lower financing costs, partly offset by higher administrative and operating costs and lower joint venture fee income. The increase was 9.9 per cent excluding the 1.2p SELP performance fee received in 2018.

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 EPRA NAV is an alternate metric that is calculated in accordance with the Best Practices Recommendations of the European Public Real Estate Association (EPRA). SEGRO discloses EPRA alternative metrics on pages 193 to 198 (NAV, EPS, vacancy rate, cost ratio, initial yield) 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 the share price, Earnings per share, EPRA NAV per share and Dividend per share.

RESPONSIBLE SEGRO

RESPONSIBLE SEGRO

DAVID SLEATH
CHIEF EXECUTIVE

OVERVIEW

Understanding the needs and priorities of our customers and wider stakeholders has been at the heart of our business for 100 years. Just as the expectations of those stakeholders have evolved, so have we.

SEGRO is a leader in providing modern, adaptable warehousing to high sustainability standards both in their development and in their operation. We recognise that society is facing a significant challenge from climate change and, as a major property owner, we recognise our responsibility to contribute to global efforts to prepare for climate change, and to minimise the impact we have on the environment. Our responsibility goes well beyond the space we own, and we work hard to make a positive contribution to our customers, our people, our partners and the communities in which we operate.

As we enter our second century, we will continue to work with our existing, and new, stakeholders as we adapt and respond to the opportunities and risks ahead of us in a responsible and sustainable way.

Much of this Annual Report is focused on what we do as a business and the financial returns we generate. Responsible SEGRO is the framework we use to explain how we do business.

We are celebrating our centenary in 2020, having reached our 70th year as a listed company late in 2019. Throughout that history we have always recognised our responsibilities to our stakeholders, from our own people to our customers and our suppliers and investors, as well as to the environment and the communities in which we operate. None is more important than our commitment to the highest standards of Health and Safety for our own people and those who work on our buildings.

Our business model is based on long-term ownership of our properties which, in turn, allows us to take a long-term perspective, both in terms of the buildings themselves and our customers, but also to the needs of the communities living around and working in our assets.

We use the latest techniques to ensure that the buildings are high quality and environmentally sustainable and, as a result, have a longer lifespan than their predecessors, while also making sure that they are efficient for our customers to run.

Long-term ownership also means that our own people have the time to nurture relationships with customers in our buildings, as well as with our neighbours, suppliers, local authorities and municipalities, which is crucial to building their trust that we will act in all our stakeholders' best interests.

We believe that this long-term approach to what we do and how we do it has enabled us to create significant value and creates a compelling investment case for our shareholders, lenders and joint venture partners.

As we look towards the next hundred years, we are determined that our unique combination of culture, buildings, relationships and expertise means that SEGRO can be a dynamic force for good over the long term.

HEALTH AND SAFETY

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

OUR PEOPLE

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. We have just over 300 employees who help manage, maintain and build our portfolio and run the business.

OUR COMMUNITY

It is our responsibility, as a long-term investor in our assets and local areas, to take a strategic approach to our communities, understanding the specific needs of the areas in which we operate, ensuring that we deliver long-term economic and social benefits. We take pride in regeneration and believe that we make a positive difference to areas where we have a presence, particularly through the provision of employment opportunities and economic prosperity.

OUR ENVIRONMENT

It is our responsibility, as a long-term investor in our properties, to utilise the latest technologies and construction techniques to ensure that our buildings are efficient to build and use, and stand the test of time. We recognise that our planet is facing a significant challenge from climate change and it is our responsibility as a property owner and developer, and as an employer, to play our part in helping to combat the challenge of climate change and natural resource depletion.

OUR OTHER STAKEHOLDERS

It is our responsibility to build and maintain strong relationships with our customers, suppliers, investors and other partners. Without these stakeholders, our business would not exist and we recognise that fair treatment, regular communication and their understanding of our priorities and our understanding of theirs are vital to ensuring mutual success.

RESPONSIBLE SEGRO

HEALTH AND SAFETY

The focus on Health and Safety is at the core of our business."

ANDY GULLIFORD
CHIEF OPERATING OFFICER

HEALTH AND SAFETY WORKING GROUP

In 2019, the Health & Safety Working Group was created to ensure further proactive collaboration and communication on important health and safety topics relevant to SEGRO's activities.

The Working Group is chaired by the Group Health & Safety Manager and consists of Health & Safety Representatives from each of the seven European businesses within the Group, alongside a Human Resource representative. The quarterly meetings include a site visit to an operational asset or construction site and external specialists providing topical training.

The Working Group's responsibilities include overseeing the effectiveness of the implementation of, and compliance with, the Group Health & Safety Policy and Safety Management System to ensure the health, safety and security of all employees, visitors and contractors. The Working Group also provides relevant recommendations to the Operations Committee (chaired by the Chief Operating Officer) which remains SEGRO's Health & Safety Committee for the Group. The Working Group ensures the sharing of best practice across the business, the understanding of the latest regulations and standards from external bodies and the implementation and enhancement of SEGRO's overall Health & Safety policies.

During the year, the Working Group visited UK and Italian construction sites and worked collectively to update local level safety training, improve construction standards on SEGRO projects with supporting guidance and local level safety reviews, and continue to promote and improve the safety on our existing estates.

OUR COMMITMENT

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; this extends throughout our supply chain, including 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.

OVERSIGHT

Health and Safety is at the core of our business. The Board maintains a strategic oversight, discussing key topics and receiving regular reports throughout the year as well as an annual update from the Group Health and Safety Manager. The Executive Committee discusses health and safety on a monthly basis and receives annual training to continue its awareness of key issues within the industry. The Chief Operating Officer takes responsibility for the implementation of our Health and Safety policies with the support of the Operations Committee, which represents all Business Units and is supported by the Group Health & Safety Manager and the Health and Safety Working Group.

In 2019, our Accident Frequency Rate for employees remained at zero. Inevitably, incidents will occur on our operational estates or development sites that do not meet our high standards of health and safety. Whenever this occurs, 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.

RESPONSIBLE SEGRO

HEALTH AND SAFETY CONTINUED

Following an accident in an estate within our Greater London business unit in August 2017, we took steps to improve safety at the site concerned and carried out a risk assessment, followed by amendments to procedures where necessary, at other SEGRO-owned sites with similar characteristics. Following their investigation, the Health & Safety Executive ("HSE") has recently notified two Group companies, along with four other parties, that they will be issuing proceedings alleging health and safety breaches in connection with this incident. We believe appropriate actions have already been taken to address any deficiencies in the health and safety regime at the site, but will continue to work with our customers and the HSE, to implement any further changes needed.

We continue to be recognised for our safety performance through the RoSPA (Royal Society for the Prevention of Accidents) Awards. We have been awarded Gold for seven consecutive years and this year were awarded our third RoSPA Gold Medal for this continued success. These awards recognise our Group commitment and practical application of Health and Safety procedures across all of our business operations.

HEALTH & SAFETY POLICY

Our Group Health & Safety policy and more details on our initiatives in this area are available on our website http://www.segro.com/csr.

PROTECTING OUR EMPLOYEES

Our highest priority is to ensure that our employees can work in a healthy, safe and secure environment to ensure everyone goes home safely.

- **We provide training**: All employees receive Health and Safety training on commencement of employment and further specific training dependent on their role. Our employees have completed over 700 hours of safety training throughout 2019, including work at height, first aid and driver training.
- **We raise awareness**: Health & Safety is a permanent feature of employee briefings which occur throughout the year on a Company-wide basis. Topics include safety stories from around the business, such as winter driving and safety reminders. Further communications take place on a local level supported by the Working Group.
- **We mitigate risk**: All employees understand their responsibility to report any health and safety issues to their manager or appropriate person whether in our offices or at one of our assets. All health and safety incidents are recorded and reported and, where appropriate, measures are put in place to ensure that they do not reoccur.

At SEGRO we have a long history of encouraging healthy living for our employees. In 2019, we increased the profile of mental health and provided mandatory training to all line managers on identifying and addressing mental health. Please see the People section on page 46 for more information.

PROTECTING OUR CUSTOMERS AND COMMUNITIES

Our Health and Safety commitment applies not only to our own employees but across all areas in which we operate. 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.

- **We provide training**: We invited our customers to join us on a number of estate safety days across the Group. SEGRO Airport Park in Berlin saw over 60 customers attend a fire safety training event which included a detailed briefing by local fire prevention officers and a simulated exercise.
- **We raise awareness**: Sometimes, incidents on our estates are beyond our control, but it is important for us to ensure that when such incidents occur, we communicate with our customers to ensure that they are well informed to enable them to take appropriate action. During the year, there was a fire on one of our estates. Our proactive approach to communicating with our customers ensured that they were well informed about the nature of the incident and the recommended action to take to allow emergency services to focus their efforts on extinguishing the fire, which they did within 30 minutes. There were no injuries.
- **We mitigate risk**: The safety of pedestrians and vehicle movement is a key risk on some of our estates, and is an area of continued focus. The Deptford Trading Estate in East London is one of our older estates, and in 2019 we worked with our customers and the local council to improve traffic flows around the estate, benefiting not only the efficiency of vehicular movements but also enhanced the segregation of pedestrians and vehicles. We consulted with our own customers on the estate, as well as on adjacent estates, to make sure that the changes worked for all businesses. We now have a one-way system through the estate with traffic marshals in place to monitor its use. In consultation with us, the local council installed double-yellow lines on the road outside the estate to improve visibility for those vehicles leaving the estate.

Fire training in Berlin and Tychy

We have provided training on how to tackle fires to a number of our customers across our portfolio, including Germany, Poland and the UK.

WORKING WITH OUR SUPPLIERS

We only want to work with businesses who share our Health and Safety culture. We require all of our suppliers to confirm that they meet our Health & Safety Standards, and we undertake particularly rigorous assessments of those companies working on our development sites.

- **We mitigate risk**: We encourage our contractors to innovate and work with us to ensure that health and safety considerations on our development sites are paramount. Throughout 2019 the contractors undertaking development activities have ensured that: there is appropriate health and safety expertise on site; access control systems are implemented; pedestrian routes are in place; and key safety messages are communicated clearly. We have supported and continue to support our contractors by providing additional guidance, signage and health and safety visits to our development sites throughout each project.

RESPONSIBLE SEGRO

OUR 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

OUR PURPOSE:

WE CREATE THE SPACE THAT ENABLES EXTRAORDINARY THINGS TO HAPPEN

OUR VALUES:

SAY IT LIKE IT IS

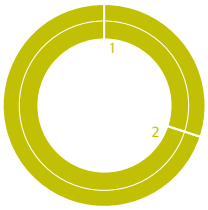
STAND SIDE BY SIDE

KEEP ONE EYE ON THE HORIZON

IF THE DOOR IS CLOSED...

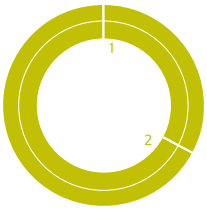
DOES IT MAKE THE BOAT GO FASTER?

GENDER DIVERSITY



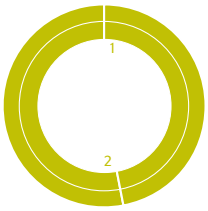
BOARD

1. Female (3)	33%
2. Male (6)	67%
Total	**100%**



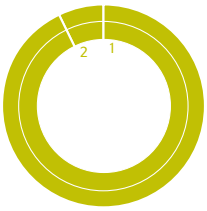
LEADERSHIP TEAM

1. Female (5)	33%
2. Male (10)	67%
Total	**100%**



WORKFORCE

1. Female (162)	49%
2. Male (170)	51%
Total	**100%**



WORKFORCE COMPOSITION

1. Full-time (301)	91%
2. Part-time (31)	9%
Total	**100%**

EMPLOYEES SERVING 1,190 CUSTOMERS

332

2018: 315

VOLUNTARY STAFF TURNOVER IN 2019

5%

2018: 9%

HOURS OF TRAINING DELIVERED IN 2019

3,507

2018: 3,708

It is our responsibility to make SEGRO a place where people feel fulfilled by the work that they do and are inspired by the environment they work in. We invest significant time and energy engaging with our employees across all of our geographies to ensure that we listen to their views and respond to their feedback.

CULTURE

The culture at SEGRO is brought to life by our people every single day. Five years ago, we involved the entire Company in establishing our Purpose and Values and we continue to work hard to ensure that these remain an organic part of the Company's culture and are owned by every one of our employees. A company's culture is often intangible but there are a number of measures we can take to tangibly support and enhance it.

OUR WORKING ENVIRONMENT

One important element of our culture is the environment in which we work. In 2019, we moved our head office to more modern space in London and refurbished our office in Slough. We invested around £1 million in the fit-out to create fresh, spacious and modern facilities, enabling increased collaboration between teams.

LEVERAGING TECHNOLOGY TO SUPPORT AGILE WORKING

SEGRO has long invested time and resources in its technology infrastructure to allow its employees to work on a flexible basis. All of our offices across the Group are open-plan, each employee has a laptop and, in London, only a few administrative staff have dedicated desks, encouraging most – across all levels of seniority including the Executive Directors – to sit in different places day to day to facilitate collaboration and communication. In addition, all offices have break-out areas, informal meeting areas and open tables to reflect the different ways people like to work. In 2019, we formalised this in an agile working policy for our UK employees which facilitates remote working where possible.

SEGRO London office

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 2019, the gender balance of:

- the Directors was 70 per cent male (seven men) and 30 per cent female (three women)
- the senior management was 67 per cent male (four men) and 33 per cent female (two women); and
- 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 70 per cent male (14 men) and 30 per cent female (six women).

The gender balance of the total workforce at 31 December 2019 was 51 per cent male (170 men) and 49 per cent female (162 women).

ENCOURAGING TWO-WAY COMMUNICATION

Our approach to internal communication and engagement ensures that our employees are kept up to date about information relating to them individually, as well as what is happening around the business. On a day-to-day basis, our interactive intranet site ('The Box') helps employees interact and share knowledge, while monthly and quarterly group meetings and webcasts hosted by local and Group management provide an update on the Company's performance and on business-wide events and initiatives. These are not only an important means of communication but also allow all employees to ask questions of local and central management on points of interest or concern. Every two years, the Company commissions an Engagement Survey covering all employees with results reported to the Board, Leadership Team and local managers, highlighting both areas of notable success and areas for improvement.

HIGHLIGHTING CONCERNS

We believe that the Company's culture supports open and honest expression of concerns between employees and management. In practical terms, the Executive Directors regularly visit our offices and assets across the Group, allowing employees opportunities to raise issues directly with them. 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.

TALENT AND DIVERSITY

To get the best from our people and to attract high quality people to join SEGRO, we understand that people need to feel comfortable and free to be themselves. We have therefore created a working environment which is inclusive, free from bias and has equal opportunities for all.

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 because of their differences, such as age, gender, disability, ethnicity, gender identity and expression, religion, sexual orientation or educational or professional background. This includes appropriate support, retraining and facilities for employees who are disabled or who become disabled whilst in our employment.

RESPONSIBLE SEGRO

OUR PEOPLE CONTINUED

MENTAL HEALTH AND WELLBEING

The wellbeing of our employees is paramount – both in and out of their working lives.

SEGRO is committed to raising the profile of mental health and wellbeing within the workplace, encouraging others to recognise changes in colleagues and to create an environment that enables employees to talk openly about the subject as well as be more aware about their own resilience.

In 2019, we built on our Mental Health and Wellbeing programme to provide awareness training to SEGRO line managers across the Group on the subject. We 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. An internal working group has been formed to plan events and discussions around the subject on an ongoing basis, which also helps encourage openness around the topic. A wealth of support and information is also available on our intranet.

Some of the other initiatives we have undertaken include:

- Meditation and Breathe workshops in our London and Slough offices;
- 'Time to Talk' drop in sessions across three of our offices. These sessions provided hints, tips and resources but also an opportunity for employees to give ideas and feedback on what SEGRO can do to make working lives as manageable and stress-free as possible; and
- A nutrition presentation discussing the effects of food on mental health and wellbeing in our Slough office.

Our Diversity and Inclusion Policy is available on our website at www.SEGRO.com/csr/policies, with further commitments from a governance perspective in the Board's Diversity Policy available at www.segro.com/about-us/corporate-governance/board-diversity-policy.

We believe that we are an inclusive employer but there is always room for improvement. Every employee receives diversity training as part of our induction process and we continue to introduce new initiatives to increase diversity within our Company and the sector more widely.

We have publicly committed to increasing diversity through our support of three sector-wide initiatives: Pathways to Property, Real Estate Balance and the 30% Club:

- we are Gold Level sponsors of Pathways to Property and offer work experience to individuals who might not otherwise have access to property as a career;
- our Chief Executive has signed the Real Estate Balance 'CEO Commitments for Diversity' (http://www.realestatebalance.org/ceo-commitments-for-diversity.html); and
- he has also pledged our support to the 30% Club which aims to increase the number of women on boards and leadership teams to a minimum of 30 per cent by 2020 (https://www.30percentclub.org/) which was achieved by SEGRO this year.

We are proud that our workforce is diverse, particularly by gender, but we have further work to do to improve the representation of women at senior levels. Across the Company, 49 per cent of our workforce are women, but on the Leadership Team this falls to 33 per cent. There are three women on the Board, representing 33 per cent of Directors.

1920

In 1920 it was reported that 52% of our employees were ex-service men, 14% of which had been partially disabled in the war.

FOR MORE INFORMATION, PLEASE VISIT:
WWW.SEGRO.COM/ABOUT-US/HISTORY

During the year, we have taken a number of steps to improve and embed our commitment to diversity:

- We have enhanced our maternity pay in the UK and our shared parental leave policy. Shared parental leave allows parents to share up to 50 weeks of leave and up to 37 weeks of pay, with up to 26 weeks at full basic pay;
- We have commissioned an executive search agency to identify senior women in our sector who we can approach when suitable roles become available;
- Every employee is required to complete diversity training, particularly to combat unconscious bias; and
- In 2019, we launched our mental wellbeing initiative, at the core of which is the provision of training to all UK line managers to identify signs of mental health issues in their team members and to explain what resources are available to help. This programme will be extended to our Continental Europe teams in 2020. All employees and their families are able to access confidential help from trained counsellors through our Employee Assistance Programme both on the phone and online.

REWARDING AND RETAINING TALENT

SEGRO believes in treating all employees equally, including in respect of pay. SEGRO's median pay gap is 50 per cent, broadly in line with 2018 (representing the average pay of all men compared to the average pay of all women we employ in the UK).

While our median pay gap in the UK has narrowed over the past two years, it remains wide and reflects a relatively small sample size (we employ significantly fewer than 250 people in the UK) and the make-up of our workforce (we currently employ more men in senior roles than women). As highlighted earlier, we are determined to increase the number of women in senior positions in the Company. In the meantime, we continuously monitor levels of pay to ensure that we do not pay men and women differently for doing the same or similar roles. There is no evidence of significant differences in pay on this basis.

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 108 for more details). In 2019, 98 per cent of eligible employees chose to participate in the UK and Continental European plans, each receiving 439 SEGRO shares.

In addition to fixed and variable compensation, we provide every employee with health insurance and the opportunity to join a defined contribution personal pension scheme to which the Company contributes and will match a proportion of additional personal contributions.

We want our people to achieve great things during their time with SEGRO, supported by appropriate resources, training and coaching. This commitment is reflected in the delivery of 3,507 hours of training to our employees during the year.

Every employee has an interim and full year appraisal, at which their performance is reviewed and objectives are set, alongside training needs to achieve their objectives. Employees are encouraged to set personal as well as professional objectives and training is available to support both. 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 5 per cent (2018: 9 per cent).

BUSINESS ETHICS AND COMBATTING MODERN SLAVERY

SEGRO has long recognised the importance of respecting the human rights of all our stakeholders including our own employees, our suppliers and the wider communities in which we operate. It is core to how we do business. Our commitment to this is reflected in our Code of Ethics, which highlights the importance for all at SEGRO and all those associated with SEGRO, of behaving morally, legally and ethically, consistent with our Purpose and Values.

SEGRO EMPLOYEE CODE OF ETHICS

The Code of Ethics sets out the high ethical standards expected of all employees and gives guidance on how to put these standards into practice. It 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; and modern slavery and human trafficking. Compliance with the Code of Ethics is a condition of each employee's employment. There were no material reported incidents of breaches of the Code of Ethics in 2019.

All new employees receive information on the Code of Ethics and are required to complete training on it within a month of joining the Company. In addition, all employees must certify each year (and have certified for 2019) 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.

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 through the independent confidential whistle-blowing reporting service or by talking to their line manager or a member of the Executive Committee, if they are concerned that the Code of Ethics is not being followed. Any breaches of the Code of Ethics are fully investigated and managed accordingly by the General Counsel or Group HR Director as appropriate.

The Code of Ethics also requires that appropriate systems and controls are implemented to ensure any suppliers, partners, contractors and others representing SEGRO, are appointed and managed responsibly in accordance with the Code of Ethics.

MODERN SLAVERY AND HUMAN TRAFFICKING

Our due diligence activities to combat slavery and human trafficking are risk based and correspond with the level of risk identified, reflecting the United Nations Guiding Principles on Business and Human Rights. We have systems and controls in place designed to ensure that modern slavery is not taking place anywhere within our organisation and throughout our supply chain. We require our suppliers, contractors and business partners to adhere to the principles in our Modern Slavery and Labour Standards Supplier Code, in accordance with our Anti-Slavery and Human Trafficking Policy, both of which can be found on our website, together with our latest annual Modern Slavery statement which was approved by the Board in May 2019. The 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 independent confidential whistle-blowing reporting service.

RESPONSIBLE SEGRO

OUR COMMUNITY

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

NEIL IMPIAZZI
PARTNERSHIP DEVELOPMENT DIRECTOR

TOTAL CONTRIBUTION TO CHARITY IN 2019

£876,780

2018: £791,941

TOTAL EMPLOYEE DAYS DONATED TO CHARITY IN 2019

331

2018: 357

NUMBER OF PEOPLE BENEFITING FROM THE SEGRO COMMUNITY FUND

1,350

2018: 1,105

It is our responsibility, as a long-term investor in our assets and markets, to take a strategic approach to supporting our local communities, by understanding and accommodating the specific needs of the areas in which we operate, to ensure that we deliver long-term economic and social benefits.

As a Company, we also support causes close to the hearts of our own people and the wider real estate sector.

INVESTING IN OUR LOCAL COMMUNITIES

INVESTING IN EDUCATION AND TRAINING

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 companies 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 focus our investment effort on the provision of education, training and employment. With our contractors, we create on-site training and job opportunities during the construction stage of our developments and, with our customers, we will often work to encourage local recruitment to create a wide range of high quality and sustainable jobs.

INVESTING IN LOCAL AMENITIES

Beyond the work we do to improve the job prospects of local residents, we also support local charities seeking to improve the lives of vulnerable members of the local community. Grass-roots community groups have the knowledge and expertise to best help those residents who need specialist or intensive support to develop the confidence and skills they need to progress into employment, education or training.

- The SEGRO Community Fund was established to provide training and development opportunities to give those residents furthest away from the job market the skills and confidence to get into employment. In 2019, SEGRO contributed £110,000 to 23 local charities and, to date, the SEGRO Community Fund has delivered a number of achievements as detailed in the graphic opposite.
- In Slough, the SEGRO Community Award was created in 2017 to fund innovative projects that benefit the community. In 2019, the award was given to The London Irish Foundation's HITZ programme. The funding will be used to enable 200 young people who are at risk of becoming NEET (Not in Education, Employment or Training) to complete a level one coaching qualification. The programme will also provide educational support in Mathematics and English, as well as supporting the young people to pursue further qualifications and work placements.
- In London, SEGRO continues to support the Outward Bound Trust to raise aspirations and attainment levels among young people living in deprived areas of London. Our donation allowed up to 24 school children to attend an outdoor activity event where they can experience mountain climbing, hiking, rafting and canoeing, whilst enhancing skills, such as confidence and teamwork. In 2019 two SEGRO employees accompanied the young people on the trip to mentor them and provide support during their time away.
- In Düsseldorf, SEGRO has continued to work with Die Arche, our local charity partner that supports children from socially disadvantaged backgrounds. In 2019, we donated nine laptops to the charity for children to use for web research and to provide them with the opportunity to use a keyboard and a mouse (rather than commonly used touch functions).
- In Poland, SEGRO supports the Iskierka Foundation, a charity which provides financial, psychological and social support to children with cancer and their families mainly in three specialist centres in Silesia.

SEGRO PARK HEATHROW

In the London Borough of Hounslow, SEGRO has delivered a 172,000 sq ft facility for DO & CO, an airline catering company. During the construction of the development SEGRO worked with local training partners to deliver a dedicated skills and employment programme for residents.

We supported two apprentices through the Construction Industry Training Board to undertake a shared apprenticeship Level 3 Construction in the Built Environment and provided paid work experience on the site to five college students.

In addition, we funded health and safety training to 42 unemployed local residents, which would enable them to work on construction sites in the future. Four residents were given the opportunity to develop their skills by undertaking paid work experience on the site.

We also worked with SPARK, a local education charity to help raise the aspirations of eight young people from a pupil referral unit for excluded children by organising a visit to site.

The visit gave the young people an insight into the world of construction and the opportunity to meet with different tradesmen and apprentices to learn about career opportunities.

SEGRO also encouraged its contractor to locally source materials and services, where possible, over the construction period. This resulted in £1.7 million being invested in the local economy.

Now that the building is substantially complete, SEGRO has committed to funding the creation and delivery of a customer-led pre-employment training programme for Hounslow residents. In partnership with DO & CO, we will work with approved training and recruitment providers to upskill and retrain unemployed residents, enabling them to compete for the vacancies created by the development. Residents who successfully complete the programme will be guaranteed an interview for the available jobs. Once the development is complete, it is estimated that it will create approximately 1,000 jobs.

JOBS AND SKILLS

Slough Aspire is a skills and training facility on the Slough Trading Estate, supported by SEGRO, which is dedicated to enabling the Slough community to develop employment skills relevant to local businesses. Since its launch in October 2013, the centre has:

- Enabled 15,637 young people to engage with business professionals to improve their awareness of potential career paths
- Facilitated 5,395 skills and employment interventions for residents to access training, qualifications and jobs
- Supported the career progression of 2,918 business professionals via networking and training opportunities
- Supported the creation of 42 new businesses

COMMUNITY INVESTMENT

A contribution of £110,000 to the SEGRO Community Fund in 2019 has been used to provide education, training and employment opportunities to enhance employability of vulnerable, young, and homeless people. Outcomes from the London Community Fund so far are as follows:

- 1,350 people directly benefited
- 23 organisations funded
- 1,307 people attended training
- 717 people gained accreditation
- 8,772 hours of training and education provided
- 161 people gained sustainable employment
- 60 people came off work related benefits

GIVING

SEGRO proactively encourages all employees to participate in charitable causes through time and skills. In 2019, SEGRO donated the equivalent of:

- £319,000 in the form of direct donations
- £125,780 through employee volunteering
- £432,000 from assistance in kind

RESPONSIBLE SEGRO

OUR COMMUNITY CONTINUED

INVESTING IN OUR PEOPLE'S PASSIONS

SEGRO takes a proactive approach towards charitable giving and encourages all employees to participate in charitable activities, providing their time and skills. In 2019, SEGRO donated almost £900,000 in the form of direct donations, employee volunteering and assistance in kind.

At the heart of SEGRO's charitable activity is the annual, company-wide 'Day of Giving', which 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 has recently funded. In June 2019, 257 SEGRO colleagues from seven different countries participated in the Day of Giving by redecorating, gardening, cooking at food banks and homeless shelters and providing company and conversation to the young and the old, among many other activities.

Away from the Day of Giving, our people run, cycle, swim, skydive, walk and sleep out to raise money for a wide range of great causes. In Paris, 11 employees participated in one of the biggest charity events in France – the Course des Héros – raising over €7,000 for the 11 charities they sponsored.

We also corporately support a number of causes focused on improving the lives of, and improving access to employment for, disadvantaged young people:

- **Patchwork Foundation:** The Patchwork Foundation is a charity dedicated to enabling young people from deprived and under-represented groups to get involved in the democratic process and civil society. Thirty young people, many from the communities in areas where SEGRO has a presence, were selected to complete a prestigious ten-month Masterclass programme where they had the opportunity to learn from and question high profile politicians, civil servants, journalists and business leaders, including David Sleath. The programme provided intensive mentoring and guidance to enable the young people to gain the tools they need to effect change and to pursue the careers of their choice.
- **LandAid:** SEGRO continues to play an active role in supporting LandAid, the UK property industry charity, which supports charities delivering life-changing services for young people who are or have been homeless, or who are at risk of homelessness in the future. SEGRO employees organised and participated in a number of LandAid charity events throughout the year including the annual Steptober challenge and The Big SEGRO Quiz.
- **Pathways to Property:** SEGRO continues to fund the University of Reading's Pathways to Property Programme. The programme is designed to encourage and excite young people from diverse or deprived backgrounds to consider a career in the real estate sector. The programme delivers careers talks in schools, and supports students with an interest in property and real estate to attend a week long summer school at the university. In 2019, 30 young people, from the areas in which we operate, attended the summer school and 13 schools engaged with the Pathways to Property careers programme. SEGRO also provided work experience for participants of the programme.

1941

OUR PAST: **SLOUGH PHILHARMANIC ORCHESTRA**

Slough Philharmanic Orchestra has been active in the community for more than 75 years.

Founded by our Company in 1941, the orchestra is still supported by SEGRO today.

FOR MORE INFORMATION, PLEASE VISIT:
WWW.SEGRO.COM/ABOUT-US/HISTORY

RESPONSIBLE SEGRO

OUR ENVIRONMENT

We are serious about our environmental responsibilities, creating and owning buildings which are efficient to use and stand the test of time."

BEN BRAKES
GROUP SUSTAINABILITY MANAGER

TOTAL FLOORSPACE ENVIRONMENTALLY CERTIFIED
35% OF THE PORTFOLIO

2.7m sq m

2018: 1.7m sq m (25% of portfolio)

PROPORTION OF UK PORTFOLIO EPC RATED 'C' OR ABOVE

61%

2018: 55%

ON-SITE RENEWABLE ENERGY CAPACITY
+5.0 MW

18.5 MW

2018: 13.5 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 over 871,800 sq m of new space in 2019 with a further 826,200 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.

RESPONSIBLE SEGRO 2025 ENVIRONMENTAL TARGETS

Target		2017 (baseline)	2019	Change	On/Off Track
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 $kgCO_2e/m^2$	42.0 $kgCO_2e/m^2$	-8%	✓ Δ
We will reduce the average embodied carbon intensity of all new developments by 20% by 2025 (against our average benchmark in 2019)[2]	Including external areas	–	348.0 $kgCO_2e/m^2$	–	Δ
	Building only	–	280.7 $kgCO_2/m^2$	–	Δ
We will reduce the waste generated through our operations and send zero waste to landfill by 2025[3]		20%	6%	-14%	✓ Δ

ENVIRONMENTAL PERFORMANCE METRICS		2017	2018	2019	
Highly-rated environmental certification[4]					
Total portfolio (million sq m)		1.5 (22%)	1.7 (25%)	2.7 (35%)	✓
Development completions (million sq m)		0.6 (91%)	0.5 (95%)	0.7 (94%)	✓
We will increase the UK portfolio Energy Performance Certificates (EPC) ratings					
– UK floorspace rated C or better		51%	55%	61%	✓
– UK floorspace rated F or lower		2%	2%	<1%	✓
– UK floorspace not yet rated		23%	19%	19%	✓
We will increase the amount of on site renewable energy capacity and generation across the portfolio	Capacity at year-end (MW)	13.9	13.5[5]	18.5	✓
	Generated (MWh)	11,603	13,728	16,887	✓

1 Represents the energy use of 47% of our total property footprint by area. The remaining 53% was controlled by our customers during the year.
2 The limited information available in 2017 means that, for the purpose of this target, we will use the average CO_2/m2 embodied carbon figure from 2019 as the baseline.
3 The provision of information about how waste is treated varies between countries. In 2019, we were able to collect accurate data on waste for 19 out of 29 projects. We continue to work towards having full visibility on the final destination of waste.
4 Based on assets under management and development completions by space and includes BREEAM ("Very Good" or better), DGNB ("Silver" or better) and HQE ("Very Good" or better). Developments less than 5,000 sq m are not certified. At the end of 2019, certifications of 0.1 million sq m of development completions were pending and have been excluded.
5 Decline from 2017 reflects the disposal of two buildings during the year PV capacity of 2.1MW.

Δ Selected information within the scope of limited assurance. See www.segro.com for details of the independent assurance.

RESPONSIBLE SEGRO

OUR ENVIRONMENT 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 carbon neutral by 2050, although in practice we aim to achieve this much sooner.

SUSTAINABLE TRANSPORTATION

Transport is an essential feature of many of our customers' businesses so we ensure that electric vehicle infrastructure is built into our new estates and is retrofitted into our existing estates. We have continued to increase the number of electric vehicle charging stations across our portfolio and some of our initiatives in this area are summarised below:

- In response to the ultra-low emission zone expansion in London, we have partnered with two leading suppliers to ensure the charging technology we install is fit for the future.
- At SEGRO Park Heathrow we have installed 12 electric vehicle charging stations which can deliver up to 22 kW of charge. We have also engaged with our customers about how we can help them transition their employees' vehicles as well as their commercial fleet.
- In Poland, we have installed 25 charge points in 2019, with each estate having at least one charging point delivering up to 44 kW of power. The communal charge points are complimentary for our customers and facility management services.
- In collaboration with our customer's requirements, we installed additional charging stations at our two-storey urban warehouse in Paris, Gennevilliers DC7.
- At SEGRO Logistics Park East Midlands Gateway, we provide a fully electric bus service to link with existing public transportation around the estate, to reduce the need for the workforce to use personal cars and switch to local public transport.
- Within our own company, to encourage our staff to switch to electric vehicles, we have increased incentives for employees on the company car scheme and provided more charging stations at our offices.

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:

- Global Reporting Initiative (GRI)
- Task Force on Climate-related Financial Disclosure project (TCFD)
- European Public Real Estate Association (EPRA) — Rated Gold
- Global Real Estate Sustainability Benchmark (GRESB) — Rated three-star
- Carbon Disclosure Project (CDP) — Rated A–

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 2019, we conducted six full life cycle assessments, covering approximately 20 per cent of the developments completed (by space) during the year.

It is clear that hard landscaping has a significant influence on the embodied carbon of our developments. We therefore report carbon intensity both with and without hard landscaping for an accurate comparison between projects. The average carbon intensity across the life cycle assessments undertaken in 2019 was 348 kilograms of CO_2 per m2 of delivered floor space (including external areas; 281 kilograms without). Assessment of full life embodied carbon is still in its early stages meaning that our performance is difficult to benchmark at this stage.

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.

There are still a number of countries in which we operate where we cannot be certain of the final destination of construction waste. We are working towards having full visibility across all projects. During 2019, we had full visibility for 19 out of 29 eligible projects and 6 per cent of waste from these projects was sent to landfill, meaning 94 per cent was recycled or reused.

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.

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 move of our German operations, our Netherlands portfolio moved on to a zero carbon energy contract at the beginning of 2019. The electricity is provided by offshore wind turbines which helps SEGRO and our customers decrease their carbon emissions.

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 over 20 data centres which are significant consumers of power. Our two largest data centre customers, Equinix and Virtus, both source their own electricity to power their buildings and both have stated publicly that they source through renewable energy contracts.

RESPONSIBLE SEGRO

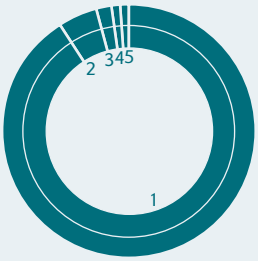
OUR ENVIRONMENT CONTINUED

SEGRO LOGISTICS PARK MARTORELLES 2, BARCELONA

SEGRO Logistics Park Martorelles 2 involved the demolition of an existing redundant factory to make way for a new 19,000 sq m warehouse. A site waste management plan was created for the 30,000 sq m plot and the waste generated was monitored throughout the project. In total, 23,925 tonnes of waste was generated across the project (excluding hazardous waste and soils) with 95 per cent being either re-used on site or recycled.

WASTE GENERATED (TONNES)

23,925



1.	Concrete crushed and reused on-site	91%
2.	Recycled concrete, bricks and ceramics	2%
3.	Recycled metals	1%
4.	Recycled other waste	1%
5.	Waste to Landfill	5%

INCREASING BIODIVERSITY

In addition to the roof space on our buildings, we also have significant landscaping on our estates and a land bank awaiting development. These offer us opportunities to contribute to improving biodiversity while also creating areas for those who work on our estates to relax outside. Every estate manager has been challenged to identify projects to enhance our estates and increase biodiversity.

- On the Slough Trading Estate we have planted wildflowers in the landscaping areas to make the most of the available green space and help support insects. We have created a pocket park, with bee hives, smart benches and hard standing for street food.
- At SEGRO City Park Frankfurt we have restored part of the development site to its natural condition with additional measures like bird boxes to support local wildlife.
- In Poland we now have over 50 bee hives across the country.
- In Italy, most of our big box warehouse assets have bee hives as part of the landscaping which we manage and provide the honey produced to our customers. In addition, we pay local farmers to manage a number of our land plots which have yielded risotto rice, buffalo mozzarella and wool from sheep which, in the case of Castel San Giovanni, also help to keep the grass well maintained.

MANDATORY GREENHOUSE GAS (GHG) REPORTING

GLOBAL GHG EMISSIONS DATA IN TONNES CO_2e

Emissions from:	2018	**2019**
Scope 1 emissions – combustion of fuels	1,591 Δ	830 Δ
Scope 2 emissions – purchased energy (location based)*	1,944 Δ	2,244 Δ
Scope 2 emissions – purchased energy (market based)**	1,467 Δ	2,055 Δ
Gross CO_2e footprint (using location based)	3,535 Δ	3,075 Δ
Chosen intensity Measurement* **		
Emissions from like-for-like estate normalised to tonnes CO_2e/sq m of responsible space	595 Δ	353 Δ
Responsible floor area sq m (on a like-for-like basis)	374,910	374,910
Intensity Kilograms CO_2	1.59	0.94

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

** Where data exists, electricity emissions are calculated and reported using the location based method, using supplier specific emissions factors for comparison purposes.

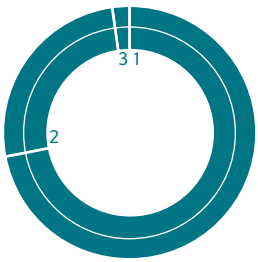
*** SEGRO's chosen intensity measure is a like for like comparison for sites in the portfolio with SEGRO responsible CO_2 in both 2018 and 2019. This comparison uses EPRA guidance on best practice for real estate companies.

Δ Selected information within the scope of limited assurance. 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. As well as fulfilling these mandatory Greenhouse Gas reporting requirements, SEGRO is committed to 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, however supplier-specific emission factors have been collected for UK only. For the non-UK portfolio, the IEA emission factors have been applied. We disclose data for both our like-for-like and absolute portfolios in this report and a detailed description of our methodology and a full disclosure of emissions factors used can be found at www.SEGRO.com/csr/reports. SEGRO's chosen GHG intensity metric is calculated using the Scope 1 and Scope 2 emissions within a like-for-like sub-set of SEGRO's overall portfolio. The like-for-like portfolio is defined as sites which have been in the portfolio for both 2018 and 2019, and have remained either fully occupied or fully vacant for both years.

CARBON FOOTPRINT – SCOPE 3 EMISSIONS



	GHG Protocol Reporting Category	Tonnes CO_2e	%
1.	Capital goods	380,925	72%
2.	Downstream leased assets	139,980	26%
3.	Other:		
	Upstream transportation and distribution	5,064	1%
	Use of sold products	4,988	1%
	Waste generated in operations	1,035	0%
	Business travel	529	0%
	Employee commuting	373	0%
	Upstream leased assets	86	0%
	Fuel and energy related activities	40	0%
	Downstream transportation and distribution		n/a
	Processing of sold products		n/a
	End-of-life treatment of sold products		n/a
	Franchises		n/a
	Investments		n/a
	Purchased goods and services		Not available
	Total	**533,020**	**100%**

ENERGY (CONTINUED)

ON-SITE GENERATION

Although we seek to source electricity via renewable energy contracts where we can, our portfolio has a significant expanse of roof space, much of which can potentially be used for on-site generation of electricity through photo-voltaic solar (PV) panels. On-site generation has multiple benefits besides being zero carbon as it also offers customers an extra degree of energy resilience.

In 2019, we continued to grow our on-site PV assets across the portfolio, with large solar installations on a number of new developments. We aim for all new developments to go beyond minimum planning requirements to provide renewable energy generation to meet our customers' energy demands and to support their own sustainability goals. Our largest solar installation in 2019 was the 2.5 MW array at our new logistics development Verona DC1, Italy. Our total renewable energy capacity is now 18.5 MW, a 38 per cent increase on 2018. On-site energy generation remains a core part of SEGRO's sustainability strategy to transition towards a low carbon future.

RESPONSIBLE SEGRO

OUR ENVIRONMENT CONTINUED

ENERGY (CONTINUED)

ENERGY EFFICIENT BUILDINGS

In order to ensure our properties are sustainable for the long term, it is imperative that we build efficiencies into the base build to enable our customers to benefit from lower energy bills.

For this reason, we target all developments to exceed the minimum standards for efficiency in each of our markets. 70 per cent of the eligible development completions in 2019 achieved an A-rated Energy Performance Certificate (EPC), which is lower than our 100 per cent target. The remaining projects received a B rating. We intend to improve this score for the 2020 completions.

For example, the third development phase of SEGRO Park Newham, London is our latest building to be EPC rated A+, and designed to be carbon neutral for regulated energy. The building is highly energy efficient with the latest lighting technology and high performance cladding. This is combined with a rooftop solar PV array which will generate 117,000 kWh annually.

In the UK, 61 per cent of our total space has an EPC rating of C or better (2018: 55 per cent) and less than 1 per cent has a rating of F or below (2018: 2 per cent).

Overall, 35 per cent of our total portfolio has achieved a "Very good" (or equivalent) environmental certification rating (2018: 25 per cent). We are investigating and testing sensor technology to improve our, and our customers', understanding of energy usage in our existing buildings which should help to direct our resources to improve their energy efficiency and, therefore, the environmental and energy ratings.

CARBON FOOTPRINT

As part of our ongoing sustainability programme, we are constantly looking to expand the scope of our data reporting. As part of this programme, in 2019 we conducted an investigation into our total Scope 3 emissions.

The Mandatory Greenhouse Gas (GHG) Reporting table on page 57 provides information on SEGRO's greenhouse gas emissions for 2019, in which we are pleased to report another reduction in our combined like-for-like Scope 1 and Scope 2 emissions from 2018.

The reduction is concentrated in Scope 1 emissions, and largely due to removing gas as a primary heating source in new developments. Whilst this results in an increase in Scope 2 electric emissions, the move to zero carbon tariffs has limited this rise in CO_2 emissions.

The energy use of almost all of SEGRO's buildings is controlled by the underlying customer. Therefore, the amount of SEGRO-controlled space in our portfolio is relatively low at just 374,910 sq m (on a like-for-like basis) out of our 7.8 million sq m portfolio under management, This represents around 5 per cent of our portfolio.

The vast majority of emissions from the portfolio fall into Scope 3, 47 per cent of which we have some measure of control over and this is reported via our scope 3 emissions and within our Science Based Carbon intensity target. Scope 3 emissions cover our developments and business activities, but which derive from sources over which we do not have any control and which are not classed as Scope 1 or 2 emissions. We use the GHG Protocol to identify the categories of emissions, of which ten are directly relevant for SEGRO. Of these, we are not yet able to report on "Purchased Goods and Services".

The table on page 57 identifies the Scope 3 carbon emissions related to the activities which took place during the year.

The two largest contributing categories are "Capital Goods" and "Downstream Leased Assets", contributing over 97 per cent of our total Scope 3 emissions:

- **Capital Goods** include the emissions and embodied carbon associated with the manufacture and transport of materials used within our development activity.
- **Downstream Leased Assets** are SEGRO assets associated with our customers over which we have a level of control, namely the procurement of the energy. The total area footprint of the reported downstream leased assets makes up 47 per cent of our total footprint under management. The remaining space is under the control of our customers over which we have no sight of energy use or type of energy. We are working with our customers to increase the breadth of reporting to cover the remaining 53 per cent of assets over which we currently have no direct visibility.

We anticipate that Purchased Goods and Services, which include emissions from our supply chain outside our development activities, to be another material category for us and we are working closely with our suppliers to produce these emission numbers for 2020.

Our SEGRO 2025 targets are designed to address the two largest contributing categories. In 2019, we have made good progress towards our main targets:

- **Capital Goods:** we will reduce the average embodied carbon intensity of all new developments by 20 per cent by 2025 (vs 2019) and we will reduce the waste generated through our operations and send zero waste to landfill by 2025 (vs 2017 baseline). On the second of these, just 6 per cent of waste was taken to landfill in 2019, compared to 20 per cent in 2017.
- **Downstream Leased Assets:** we will reduce the carbon intensity of our properties, where we have influence, by 40 per cent by 2025 against a 2017 baseline, in line with the Paris Agreement. In 2019, we managed an 8 per cent reduction vs the baseline.

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.

Our response to the recommendations is on the following pages.

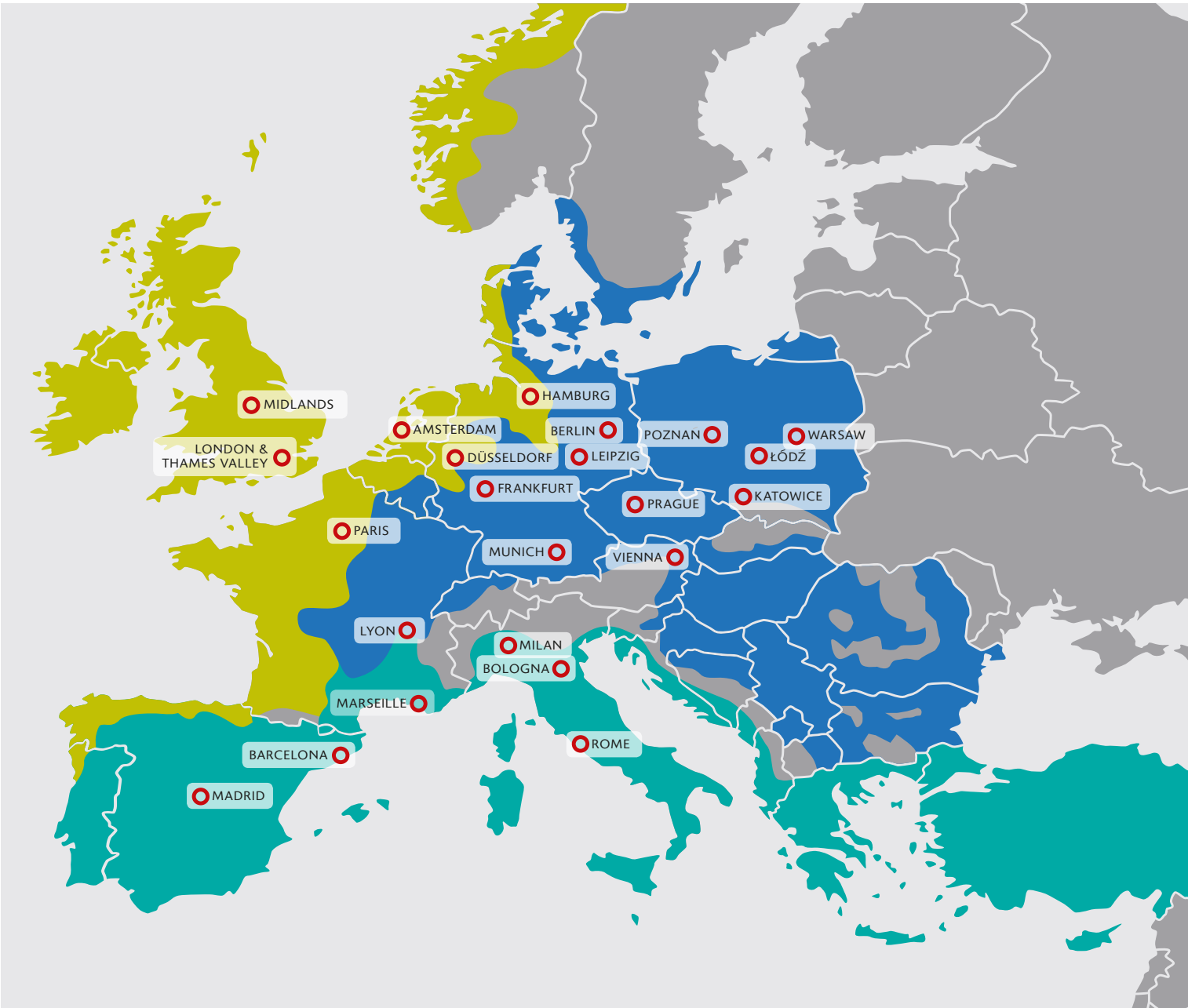
TCFD DISCLOSURE

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. The SEGRO Group Head of Sustainability has Group-wide responsibility for sustainability on a day-to-day basis and works with a network of representatives across the business that support SEGRO's sustainability objectives by sharing best practice, obtaining customer feedback and providing legislative and technical guidance for their respective areas of the business.	Governance (page 73)
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 12)
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. 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). 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 65) See following page 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.	Responsible SEGRO (page 42) www.segro.com/csr

RESPONSIBLE SEGRO

OUR ENVIRONMENT CONTINUED

PROJECTED CLIMATE IN EUROPE



The TCFD identifies two types of risk associated with climate change:

Transition risks associated with the transition to a low or ultra-low economy;

Physical risks associated with physical effects of climate change.

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.

The case study opposite shows how we are using this information to inform our development plans on a site we acquired in London during 2019.

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)

STAKEHOLDER ENGAGEMENT AND CLIMATE CHANGE ASSESSMENT AT SEGRO PARK TOTTENHAM

In 2019, we acquired a 3 hectare plot of land in Tottenham, London, formerly the location of a self storage unit which was destroyed by fire. Our development plans will regenerate the site with a new urban warehouse estate, creating long term, sustainable returns for our investors, employment opportunities for contractors, customers and the local community, as well as improving the built environment and the local economy.

As part of the development plan, we carried out an extensive consultation with the local community, including local residents and their elected representatives, to ensure that issues important to them were identified and addressed. This included actions and landscaping to mitigate the visual and noise impact on local residents during construction and once the buildings are complete.

We estimate that 250 new jobs will be provided by businesses occupying the new premises and we are working with Haringey Council to ensure that local people have access to the employment opportunities created.

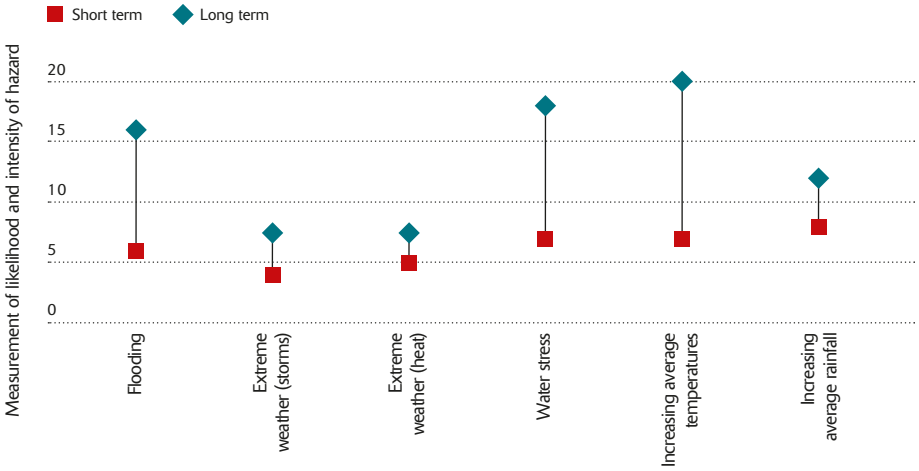
We also used the findings of the Climate Resilience study to inform the plans for the site. This study assessed the acute risks from flooding, extreme weather events and water stress (drought) as well as the chronic risk of increasing average temperatures and increasing average rainfall over the short-term (next 20 years), medium term (20-40 years) and long term (40-60 years).

The chart below shows the hazard assessment over the short and long term. The risk of these hazards to the eventual properties will vary depending on the size of the building and its usage.

However, generically, the report concludes that flooding events or droughts, as well as the impact of an increase in temperature over time are all long term risks.

By carrying out these assessments at an early stage of development, we are able to integrate risk mitigation into the building at design stage, reducing the future cost of having to retro-fit or, in the worst case, find that the building is not fit for purpose under future climate conditions.

CLIMATE HAZARD ASSESSMENT



RESPONSIBLE SEGRO

OUR STAKEHOLDERS: CUSTOMERS, SUPPLIERS AND INVESTORS

Building and maintaining strong relationships with our customers, suppliers and investors is core to achieving our business purpose."

ANDY GULLIFORD
CHIEF OPERATING OFFICER

NUMBER OF CUSTOMERS

1,190

2018: 1,155

OCCUPIER SATISFACTION IN OUR 2019 SURVEY

88%

2018: 80%

SUPPLIER SPEND PER ANNUM

over £600m

2018: Over £600m

It is our responsibility to build and maintain strong relationships with our customers, suppliers and investors. Without these stakeholders, our business would not exist and we recognise that fair treatment, regular communication and their understanding of our priorities and our understanding of theirs are vital to ensuring mutual success.

CUSTOMERS

Strong and meaningful relationships with our customers are essential to the success of our business. Just as buildings range in size and specification so do our customers, from small, owner-managed start-ups to global businesses.

Owning high quality buildings in areas of strong occupier demand is an important attraction for customers. But as a developer and long-term owner of real estate, we are able to invest the time to understand our customers' priorities and 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. Equally, we are able to work with them to adapt their existing buildings to suit their evolving needs, such as by investing in energy efficiency measures such as LED lighting or solar PV panels to help them meet their own carbon reduction targets.

This close relationship with our customers is only achievable through communication at a strategic, as well as a practical level. We continue to hold "Futures Forums" at which we bring customers together for a day to look at near- and long-term trends that could impact all of our businesses. Environmental impacts continue to be an important consideration at these events, particularly focusing on the impact of greater home delivery on congestion and pollution, and the growing power demands from warehouse automation and electric vehicles.

A number of our multi-region customers are supported by dedicated cross border service teams to make sure they receive a co-ordinated and consistent service from us. In 2019, we have continued to invest in this programme and have introduced a number of new initiatives to support our teams including a customer app which helps with the sharing of information.

In addition to our direct communication with customers, we employ an external company to undertake rolling Customer Satisfaction surveys to ensure that our customer approach is effective and well received. In 2019, the survey established that 88 per cent of respondents rated SEGRO as 'good' or 'excellent' (2018: 80 per cent). 96 per cent of respondents said they would be willing to recommend SEGRO (2018: 93 per cent). During 2020, we will review the format of this survey to focus as much on the future business needs of our customers, rather than just measuring existing satisfaction.

Customers are at the heart of our business and we are determined to continue to improve our offer to them by providing high quality real estate and first class customer service.

SUPPLIERS

SEGRO works with over 2,500 suppliers across the Group, ranging from small local businesses to multinational companies, and spends over £600 million with them each year.

We want to work with suppliers who share our values and our approach to matters such as health and safety, compliance, delivering a professional service, 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. 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 2019.

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.

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 2019, over 95 per cent of UK invoices were paid within 30 days of receipt, with an average payment time of 17 days.

INVESTORS

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 face to face meetings, attendance at investor conferences and presentations to investment banks as well as site visits. The Annual General Meeting is also an excellent opportunity to meet with many of our retail shareholders and answer their questions about the business. Our website contains comprehensive financial 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 and Chief Financial Officer presenting the full year and half year results.

During 2019, the Executive Directors and the Investor Relations team held meetings with over 300 representatives from institutional investors (including 14 of our top 25 shareholders) across 250 meetings to update them on our performance and to provide an opportunity for them to ask questions. We also held a series of one on one and group meetings with our lending banks and investors in SEGRO and SELP's bonds during the year and we hold two conference calls after our full and interim results for each of our SEGRO and SELP debt investors.

Our largest joint venture is the SEGRO European Logistics Partnership (SELP), owned 50-50 by SEGRO and PSP Investments. This joint venture 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 parents. More information on SELP can be found at www.selp.lu.

During the year, we hosted a series of tours of our estates in the UK, France, Italy, Germany and Poland. The visits provided investors and analysts with unique opportunities to see the quality of our assets and ask questions directly to our people who manage our portfolio.

These face to face meetings allow us not only to update our investors on our business but also 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.

We are delighted to have secured a site on the East Midlands Gateway Park which is ideally located for our expanding Overland operations. The new facility will enable us to continue to develop our market-leading European groupage product to accelerate our ambitious growth plans within the Pharmaceutical sector."

JIM HEDDERWICK
OVERLAND DIRECTOR AT
KUEHNE + NAGEL UK

KUEHNE + NAGEL

SEGRO has established a strong relationship with Kuehne + Nagel which has brought benefits for both companies. By sharing and understanding each other's business priorities, in 2019, we agreed a sale and leaseback in Dagenham whereby Kuehne + Nagel released capital to help it to achieve its growth plans, and we were able to add scale to our East London portfolio.

And in March 2019, we completed 18,200 sq m warehouse for Kuehne + Nagel at SEGRO Logistics Park East Midlands Gateway.

We worked closely with the Kuehne + Nagel team throughout the project to deliver a warehouse with temperature controlled pharmaceutical areas to meet their needs within a generic, sustainable (rated BREEAM "Very Good") building to ensure it remains a useful asset for the long-term.

The new unit has enabled Kuehne + Nagel to merge their Overland activities, previously in two separate buildings, and to accommodate growth plans within their Pharmaceutical business.

RESPONSIBLE SEGRO

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 2019 Annual Report
1. ENVIRONMENTAL MATTERS		Responsible SEGRO — Environment — Environmental Sustainability: Our Vision	Our Environment on pages 53-61
2. EMPLOYEES	Code of Ethics	Responsible SEGRO — Policies and CSR Governance — Code of Ethics	Our People page 49
	Our Purpose & Values	Responsible SEGRO — Our People — Culture	Governance page 79
	Diversity & Inclusion Policy	Responsible SEGRO — Policies and CSR Governance — Diversity & Inclusion Policy	Governance page 90 and Our People pages 47-48
	Group Health & Safety Policy	Responsible SEGRO — Policies and CSR Governance — Group Health & Safety Policy	Health & Safety pages 43-45
3. HUMAN RIGHTS	Anti-Slavery and Human Trafficking Policy	Responsible SEGRO — Policies and CSR Governance — Anti-Slavery and Human Trafficking Policy	Our People page 49
	Modern Slavery and Labour Standards Supplier Code	Responsible SEGRO — Policies and CSR Governance — Modern Slavery and Labour Standards Supplier Code	Our Stakeholders pages 62-63
4. SOCIAL	Modern Slavery and Labour Standards Supply Code	Responsible SEGRO — Policies and CSR Governance — Modern Slavery and Labour Standards Supplier Code	Our Stakeholders pages 62-63
	Group Health & Safety Policy	Responsible SEGRO — Policies and CSR Governance — Group Health & Safety Policy	Health & Safety pages 43-45
5. ANTI-CORRUPTION AND ANTI-BRIBERY	Code of Ethics	Responsible SEGRO — Policies and CSR Governance — Code of Ethics	Our People page 49
6. BUSINESS MODEL		About Us — Our Business — What We Do — Our Business Model	How We Create Value on pages 20-21
7. PRINCIPAL RISKS AND UNCERTAINTIES			Effective Risk Management on pages 70-72
8. NON-FINANCIAL KEY PERFORMANCE INDICATORS		About Us — Our Business — What We Do — KPIs	Measured Against Our Targets on pages 40-41

PRINCIPAL RISKS

EFFECTIVE RISK MANAGEMENT

Risk management is integral to our strategy."

SOUMEN DAS
CHIEF FINANCIAL OFFICER

OUR STRATEGY FOR GROWTH IS UNDERPINNED BY ACTIVE RISK MANAGEMENT

2019 continued to present a backdrop of political, economic and competitive challenges in key markets, including the UK and across the EU. Our risk process is embedded within our business to allow effective decision-making with clarity, accountability and transparency, to enable successful delivery of the Group's strategy.

DISCIPLINED CAPITAL ALLOCATION

We have continued to pursue opportunities in light of the Group's capital investment strategy and appetite for risk. In particular, our focus on development pipeline and appetite for non-income producing assets supplemented by purchases in key strategic markets (described in more detail on pages 24 to 25). 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 an efficient 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.

BREXIT

Brexit continues to be an area of specific focus for the Group, particularly the risk of a disruptive Brexit which is continually monitored and actively managed, supported by a dedicated risk register. Whilst the UK General Election in December 2019 has enabled the UK government to move forward and formally leave the EU on 31 January 2020, in reality any significant impact will only be felt when the transition period ends on 31 December 2020 (or such other date that is agreed). Until new trade and international agreements and arrangements have been finalised, the risk will remain elevated due to the continuing uncertainty around the economic, political and regulatory outlook. The Executive Committee has considered our approach and response plans regularly throughout 2019, being aware of external factors and focussing on controlling what we can within our business, and will continue to do so in 2020 and for as long as necessary.

We actively monitor occupier and other markets for adverse signals relating to Brexit, and we have maintained dialogue with a range of customers and suppliers to understand potential impacts on them, and therefore indirectly on us. We have also maintained dialogue with key suppliers to understand and mitigate risks to our operational and construction supply chains. Whilst we remain constantly vigilant, we have not observed significant adverse factors in these areas.

We also convened a group to assess and address the corporate risks relating to Brexit. A small number of risks on the Brexit risk register merited in-depth focus, but these were limited in number and scope, not specific to us, and none proved to be beyond our appetite even in a disorderly Brexit scenario. As a result, whilst we have identified the work required to adapt under various scenarios, the specific response will depend on the nature of our future relationship with the EU once the transition period finishes and we will initiate the work once this is clear.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE CHANGE

Environmental sustainability in the short to medium term and the long-term emerging risk of climate change is ever more important for risk management. The environmental and climate change related risks are managed by our Group Sustainability Manager who reports into the Chief Operating Officer and ultimately the Board. These risks include regulatory risk, reputational risk and physical environmental risk. Extensive research on potential impacts have been conducted across different scenarios including physical changes (such as weather patterns, temperature increase) and transitional changes (including legislative and financial). Our activity during 2019 and looking ahead to 2020 and beyond is described in more detail on pages 53 to 61.

PRINCIPAL RISKS

EFFECTIVE RISK MANAGEMENT CONTINUED

TECHNOLOGY

The Group remains alert to the risks and opportunities that potentially disruptive technology could have on the business. During 2019 we invested significant effort in assessing the potential impacts of a wide range of technologies; we implemented a digital and technology strategy; we invested in our organisation in this area to deliver that strategy. In January 2020 we announced further investment in our capabilities in this area with the creation of the Strategy, Investment and Innovation function, as described on page 15.

We continued to engage with a number of external organisations – both property sector and in the wider technology realm to assist us in identifying and assessing potentially disruptive technologies. None of the technologies assessed in 2019 present an imminent significant risk to the Group, though a small number remain on our 'watch list' for active monitoring.

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. The Group's management of its capital structure, including extending debt facilities and maturities, is described on pages 34 to 35.

HEALTH AND SAFETY

Health and safety remains at the core of our business. Our activity during 2019 included the creation of the Health and Safety Working Group to ensure further proactive collaboration and communication to mitigate health and safety risk across the Group. This and other activity in 2019 and looking ahead to 2020 are described on pages 43 to 45.

EMERGING RISKS

During the year the Group has enhanced its process in order to include the definition, identification and documentation of emerging risks to the business this is discussed in more detail on page 67.

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 a sustainable progressive dividend stream, supported by long-term growth in net asset value per share.

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.

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 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 per share. 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 stakeholders, including investors, regulators, employees, customers, business partners, suppliers, lenders and by the wider communities and environments 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 page 84.

The risk management process is designed to identify, evaluate and mitigate the significant risks (both existing and emerging) 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 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 that they are aware of and this is cross checked against formal 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 macro-economic, geopolitical and regulatory environment, but it reviews the potential impact of such risks on the business and actively considers them in its decision making.

The Board also monitors internal risks and ensures that appropriate controls are in place 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 receives a report twice a year on how the Group Risk Register has been compiled.

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 provide 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 culture and decision-making processes.

Accountabilities for the Group's risk management are outlined in the diagram on page 68.

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 cause an intolerable impact on us.

A Key Risk Indicator (KRI) dashboard is produced on a monthly basis to show actual and forecast performance against risk appetite metrics. 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.

PRINCIPAL RISKS

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.
- 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, two times per 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.

VIABILITY STATEMENT

ASSESSMENT OF THE GROUP'S PROSPECTS

The Directors have considered the Group's prospects, including reference to the Group's principal risks, to form the basis of our assessment of longer term viability. The process for conducting this assessment is summarised in the Audit Committee's report on page 95.

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 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 Business Model (page 20) and Strategy (page 22) are designed to ensure the success of the business in the long term and 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.

ASSESSMENT OF THE GROUP'S VIABILITY

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;
- significant movements 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 52 per cent fall in property values during the five year assessment period, to breach the gearing covenant. A decrease in rental income of over 70 per cent or an increase in interest rates to over 21 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 a severe downside risk scenario of an economic shock (consistent with the financial crisis of 2007-2009 crisis) at a point when the Group is most exposed with its development programme. Whilst this scenario reduced the headroom on the financial covenants the Group is able to continue in operation.

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).

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.

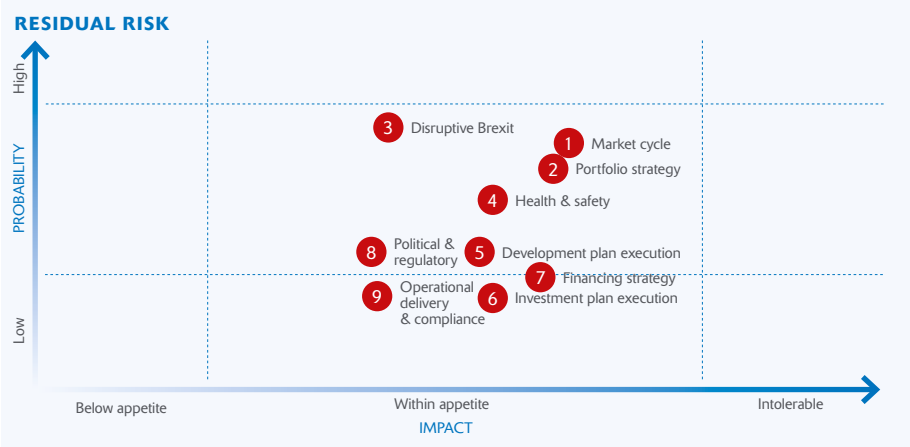
Some risks that may be unknown at present, as well as other risks that are currently regarded as immaterial and therefore not detailed here, could turn out to be material in the future.

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 2019; 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.

Whilst no principal risks have been added or removed in 2019, three of our risks have increased, whilst the others have remained in line with the prior year.



PRINCIPAL RISKS

1. MARKET CYCLE

The property market is cyclical and there is a continuous 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.

This is a continuous risk with a moderate likelihood.

MITIGATIONS

The Board, Executive Committee and Investment Committee monitor the property market cycle on a continual basis and adapt the Group's investment/divestment strategy 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.

IMPACT ON STRATEGY

CHANGE IN 2019

RESIDUAL RISK WITHIN APPETITE? ✓

OVERSEEN BY: EXECUTIVE COMMITTEE

FURTHER INFORMATION: THE MARKET OUTLOOK IS DETAILED IN THE CHIEF EXECUTIVE'S STATEMENT ON **PAGES 12-15.**

2. PORTFOLIO STRATEGY

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.

This is a continuous risk with a moderate likelihood.

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.

IMPACT ON STRATEGY

CHANGE IN 2019

RESIDUAL RISK WITHIN APPETITE? ✓

OVERSEEN BY: EXECUTIVE COMMITTEE

FURTHER INFORMATION: THE MARKET OUTLOOK IS DETAILED IN THE CHIEF EXECUTIVE'S STATEMENT ON **PAGES 12-15.**

3. DISRUPTIVE BREXIT

The uncertainty associated with Brexit may adversely impact investment, capital, financial (including exchange rates), occupier and labour markets in the UK as the nature of the future relationships is negotiated.

Whilst the UK left the EU on 31 January 2020, the full impact will not be felt until such time that the new trading relationship with the EU, and those required more globally, become more certain. The impact may be more acute depending on the outcome of future negotiations.

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 ongoing political and economic uncertainties but remains focussed on controlling what it can within its own business. We have engaged 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, responsive development lead-times.

IMPACT ON STRATEGY

CHANGE IN 2019 ▲

THE INCREASED RATING IS A REFLECTION OF PERSISTING UNCERTAINTY OF FUTURE TRADE ARRANGEMENTS.

RESIDUAL RISK WITHIN APPETITE? ✓

OVERSEEN BY: EXECUTIVE COMMITTEE

FURTHER INFORMATION: THE GROUP'S RESPONSE TO THIS RISK IS DESCRIBED ON **PAGE 65.**

DISCIPLINED CAPITAL ALLOCATION		INCREASED RISK	▲
OPERATIONAL EXCELLENCE		SIMILAR RISK	◀▶
EFFICIENT CAPITAL AND CORPORATE STRUCTURE		DECREASED RISK	▼

4. 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 is a continuous risk with a low likelihood of causing significant harm to the Group. Nevertheless, we note that 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 & 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 are 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 and ENHESA who provide regulatory assurance support to the Group.

IMPACT ON STRATEGY

CHANGE IN 2019 ◀▶

RESIDUAL RISK WITHIN APPETITE? ✓

OVERSEEN BY: OPERATIONS COMMITTEE; EXECUTIVE COMMITTEE

FURTHER INFORMATION: HEALTH AND SAFETY RISK MITIGATIONS ON **PAGES 44-45.**

5. 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, including 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.

This is a medium-term risk with a moderate likelihood.

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.

Our short development lead-times enable a quick response to changing market conditions.

IMPACT ON STRATEGY

CHANGE IN 2019 ◀▶

RESIDUAL RISK WITHIN APPETITE? ✓

OVERSEEN BY: EXECUTIVE COMMITTEE, OPERATIONS COMMITTEE

6. INVESTMENT PLAN EXECUTION

Decisions to buy, hold, sell or develop assets could be flawed due to uncertainty in analysis, quality of assumptions, poor due diligence or unexpected changes in the economic or operating environment.

Our investment decisions could be insufficiently responsive to changes in market cycle and portfolio strategy. Further it may be delinked and therefore misaligned from portfolio strategy.

This is a continuous risk with a moderate likelihood as changing investment and occupier market conditions require constant adaptation.

MITIGATIONS

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.

The Investment Committee meets frequently to review investment and disposal proposals and to consider appropriate capital allocation.

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.

IMPACT ON STRATEGY

CHANGE IN 2019 ◀▶

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 12-15**.

PRINCIPAL RISKS

PRINCIPAL RISKS CONTINUED

DISCIPLINED CAPITAL ALLOCATION		INCREASED RISK	▲
OPERATIONAL EXCELLENCE		SIMILAR RISK	◀▶
EFFICIENT CAPITAL AND CORPORATE STRUCTURE		DECREASED RISK	▼

7. FINANCING STRATEGY

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

Such an event may be caused by: a failure to obtain debt 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.

This is both a short and a long-term risk with a low likelihood.

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.

Financing activity in 2019 (see pages 34 to 35) 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.

Liquidity remains strong and there is substantial headroom against all of our financial covenants.

IMPACT ON STRATEGY

CHANGE IN 2019 ◀▶

RESIDUAL RISK WITHIN APPETITE? ✓

OVERSEEN BY: EXECUTIVE COMMITTEE

8. POLITICAL AND REGULATORY

The Group could fail to anticipate significant political, legal, tax or regulatory changes, such as those associated with environmental sustainability, leading to a significant un-forecasted 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.

A number of potential risks were identified, assessed and managed during the course of the year. None were individually considered to be material enough to be classified as principal risks.

IMPACT ON STRATEGY

CHANGE IN 2019 ▲

THE INCREASED RATING REFLECTS LEVELS OF POLITICAL UNCERTAINTY IN MARKETS INCLUDING THE UK, AND KNOCK ON EFFECTS TO THE WIDER EU COUNTRIES.

RESIDUAL RISK WITHIN APPETITE? ✓

OVERSEEN BY: EXECUTIVE COMMITTEE

9. OPERATIONAL DELIVERY AND COMPLIANCE

The Group's ability to protect its reputation, revenues and shareholder value could be damaged by operational failures such as: environmental damage; failing to attract, retain and motivate key staff; non-compliance with legislation; major customer default; supply chain failure; the structural failure of one of our assets; or a cyber-security breach. In addition the Group's operations might also be impacted by an adverse external event (such as a health pandemic or terrorism) or failure to respond to the consequences of climate change (which may involve extreme weather or environmental disaster).

Compliance failures, such as breaches of joint venture shareholders' agreements, loan agreements or tax legislation could also damage reputation, revenue and shareholder value.

This is a continuous risk with a low likelihood of causing significant harm to the Group.

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, business continuity, organisational effectiveness, customer management and cyber security.

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 staff. The SELP JV additionally has comprehensive governance and compliance arrangements in place, including dedicated management, operating manuals, and specialist third-party compliance support.

See pages 53 to 61 for further detail on our approach to environmental sustainability and climate change.

IMPACT ON STRATEGY

CHANGE IN 2019 ▲

THE INCREASED RATING REFLECTS THE INCREASED ENVIRONMENTAL CHALLENGES FACING THE BUSINESS AND WIDER COMMUNITIES

RESIDUAL RISK WITHIN APPETITE? ✓

OVERSEEN BY: OPERATIONS COMMITTEE; TECHNOLOGY COMMITTEE; EXECUTIVE COMMITTEE

GOVERNANCE

1920

OUR PAST: THE SLOUGH TRADING COMPANY LTD

In 1920, Lord Percival Perry, Redmond McGrath and Sir Noel Mobbs came together to form The Slough Trading Company Ltd. The company purchased the motor repair depot from the British Government - 2.7sq KM of land, 1.8m sq ft of buildings and all 17,000 vehicles stored on a large area of agricultural land to the west of Slough. The Slough Trading Company rehired the original War Department staff and set about working to adapt the military vehicles for civilian use. By 1925 the last remaining vehicles were repaired and sold, and the company's focus had switched to renting its buildings to a variety of other businesses. In doing so it became a property company and the modern industrial estate at Slough was born. In 1926 the company changed its name to Slough Estates Ltd to reflect its new core business and set about growing its customer base. Within two years of switching to property, it doubled the number of customers.

FOR MORE INFORMATION, PLEASE VISIT:
WWW.SEGRO.COM/ABOUT-US/HISTORY

BOARD OF DIRECTORS	74
CHAIR'S INTRODUCTION	76
BOARD LEADERSHIP AND COMPANY PURPOSE	78
DIVISION OF RESPONSIBILITIES	84
COMPOSITION, SUCCESSION AND EVALUATION	88
AUDIT, RISK AND INTERNAL CONTROLS	92
DIRECTORS' REMUNERATION REPORT	97
DIRECTORS' REMUNERATION POLICY	118
DIRECTORS' REPORT	124
STATEMENT OF DIRECTORS' RESPONSIBILITIES	126

GOVERNANCE

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: 28 April 2011 (Finance Director: 1 January 2006)

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

Previous appointments
Finance Director, Wagon plc | Partner, Arthur Andersen | Board member of the European Public Real Estate Association | 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 has been Chief Financial Officer at board level of listed companies for ten years. His background as an experienced corporate financier and track record of negotiating complex corporate transactions prove valuable to the Board and business.

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 | President, CAOBISCO

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, with over 25 years of experience in UK investment markets, having worked in the UK commercial property market for her whole career. She is also active in promoting diversity including through her roles as the Chair of Women's Network at CBRE and as a Founding Member of Real Estate Balance.

Current appointments
Part time Executive Director, CBRE | 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
Head of National Investment; Managing Director of Capital Markets, CBRE | Board member on the CBRE UK Management and Executive Boards | Board member on the CBRE Group Inc Board

AUDIT COMMITTEE MEMBER A
NOMINATION COMMITTEE MEMBER N
REMUNERATION COMMITTEE MEMBER R
CHAIR OF COMMITTEE

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, as it seeks to help it and its customers adapt to the e-commerce revolution.

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 some 16 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 | Chair, Marshall Scholarship Programme | 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

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 | Senior Adviser Kohlberg Kravis Roberts & Co LLP

Previous appointments
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

BOARD ATTENDANCE

	Board	Audit Committee	Nomination Committee	Remuneration Committee	AGM
Mary Barnard[1]	5/6	–	2/2	4/4	1/1
Sue Clayton[2]	8/8	1/1	3/3	–	1/1
Gerald Corbett	8/8	–	3/3	–	1/1
Soumen Das	8/8	–	–	–	1/1
Carol Fairweather[3]	8/8	3/3	3/3	1/1	1/1
Christopher Fisher	8/8	3/3	3/3	6/6	1/1
Andy Gulliford	8/8	–	–	–	1/1
Martin Moore	8/8	3/3	3/3	6/6	1/1
Phil Redding	8/8	–	–	–	1/1
David Sleath	8/8	–	–	–	1/1
Total number of meetings	8	3	3	6	1

All the Board and Committee members attended each meeting that they were eligible to attend with the exception of Mary Barnard, who missed one Board meeting due to a prior commitment made before she joined the Board.

1 Mary Barnard joined the Board on 1 March 2019.

2 Sue Clayton stepped down from the Audit Committee in March 2019, for further information see page 89.

3 Carol Fairweather was appointed to the Remuneration Committee on 11 December 2019.

Doug Webb resigned as a Non-Executive Director on 30 September 2019.

Phil Redding stepped down as an Executive Director on 31 January 2020.

FURTHER DETAILS ON DIRECTORS' SKILLS AND THE COMPOSITION OF THE BOARD, INCLUDING DIVERSITY AND TENURE, IS AVAILABLE ON **PAGES 89 AND 90**.

GOVERNANCE

CHAIR'S INTRODUCTION

GERALD CORBETT
CHAIR

2018 CORPORATE GOVERNANCE CODE

BOARD LEADERSHIP AND PURPOSE
(including stakeholder relations)

We are 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.

READ MORE ON **PAGES 78-83**

DIVISION OF RESPONSIBILITIES

We ensure we have the right combination of Executive and Non-Executive Directors without any individual or group of individuals dominating the decision making.

READ MORE ON **PAGES 84-87**

COMPOSITION, SUCCESSION AND EVALUATION

Our Nomination Committee ensures that we have a balanced Board with the appropriate skills to govern the business, and an effective evaluation and succession plan.

READ MORE ON **PAGES 88-91**

AUDIT, RISK AND INTERNAL CONTROL

Our Audit Committee oversees the processes required to ensure that neither unnecessary nor unacceptable risks are taken in the implementation of strategy.

READ MORE ON **PAGES 92-96**

REMUNERATION

Our Remuneration Committee determines the Remuneration Policy which aims to incentivise strong performance whilst avoiding excess. We are also mindful of the pay of our colleagues across the business.

READ MORE ON **PAGES 97-123**

I am delighted to present this Governance Report following another year of excellent performance. The business continues to benefit from the structural trends of urbanisation and technological revolution, which have outweighed the effects of the uncertain macro economic backdrop. Throughout the year, there was continued momentum in our pre-let development pipeline and our balance sheet is well positioned to support further development-led growth. You can read more about our strategy and performance in the Strategic Report on pages 12 to 41.

BOARD CHANGES

For the Directors, 2019 was also a busy year. In March, we welcomed Mary Barnard to the Board as an Independent Non-Executive Director. Her extensive commercial experience in understanding customers through her various international roles in sales and marketing, together with her knowledge of the operation of the retail supply chain has brought a fresh perspective to many of our discussions. Doug Webb retired in September after over nine years on the Board, mostly as Chair of our Audit Committee. He was a stable presence throughout a period of change on the Board, while his knowledge of the business over this long period was often helpful.

More recently, we announced that our Chief Investment Officer, Phil Redding, stepped down from the Board in January 2020 following changes to our organisation's structure. Phil played a key role in the development of the Group, particularly over the past decade. My Board colleagues and I will miss his contribution to Board discussions and his particularly clear, thoughtful and structured thinking around the portfolio and strategy. On behalf of the Board, we thank him for everything he has achieved and wish him well for the future.

2018 UK CORPORATE GOVERNANCE CODE (THE CODE)

This year was our first year operating under this most recent version of the Code. The Board has embraced the change of emphasis in this Code which has made it more relevant and reflective of the modern business world. We have complied with the Code during the year, as explained throughout this Report.

CULTURE, STAKEHOLDERS AND SECTION 172 COMPANIES ACT 2006 (s172)

Much of the debate and discussion in the corporate governance world this year, and indeed around our Board table, has been about these themes. We understand that we do not exist in isolation. Our role is not to focus on financial returns for shareholders at all costs but to recognise our responsibility to work together with all of our stakeholders and to make a positive contribution to wider society.

Although we have enjoyed our discussions this year about our culture, our stakeholders and our role in society, these themes aren't new to us. In May this year, we will celebrate our 100th birthday. As we have reflected on our past and researched our history, particularly the early years of the Slough Trading Estate, time and again we have found stories of how the Company has placed huge value on the welfare of its people, its customers and also the communities where we have assets. Our history is also full of moments of great innovation and enterprise as we have evolved to stay relevant to society and in a position of leadership for our stakeholders. In my view, it is inconceivable that a company could survive, and indeed thrive, for 100 years without living these values.

You will read on page 79 about our Purpose and our culture. We have reported on compliance with s172 in two sections: on page 23 of the Strategy Report we show how the business considers the matters set out in s172 every day while on pages 80 and 81 of this Report we explain how the Directors consider s172 in their decision making. The new requirement to report on these areas has been helpful in making the Board articulate what we have been doing implicitly for many years.

We thought carefully about the new Code provisions on employee engagement and concluded that the alternative arrangements permitted by the Code would be preferable to the three options suggested. We set out our approach on page 78.

GOVERNANCE AND THE DELIVERY OF STRATEGY

Governance plays a key contributing role to the effective delivery of strategy. Pages 86 and 87 describes the key activities of the Board during the year, including the part that we played in setting the strategic objectives of the Company. We also ensured that those strategic objectives were met during the year. In accordance with our terms of reference, any investment over £50 million requires Board approval. The Board therefore considered and approved the acquisition of a 450 acre site adjacent to Coventry Airport for future development of modern big box warehouses to aid our strategy of enhancing returns. It was right that we approved it since the acquisition was large and complex, and our discussions focussed around sustainable returns for investors, job creation for the local communities, the creation of new facilities for customers but also the risks and costs associated with remediation of a large and complex site. We also considered the Company's move to a new London head office during the year, including re-locating of 51 employees who had previously worked in our Slough office to aid increased collaboration between the UK teams. The Directors had lunch with the employees in the new London office in December to see how they were settling into the new environment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

During the year we have witnessed a sharp increase in interest from investors in the ESG arena. It aligns closely with the discussions we have been having about culture, Purpose and s172. We have seen 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.

There is now an opportunity for us, during 2020, to build on all the good work we have been doing, and to define SEGRO's ESG strategy and to set some ambitious targets.

CONSULTATION WITH SHAREHOLDERS

In Christopher Fisher's introduction to the Remuneration Report on page 97, he talks about our 2019 AGM, when the 2018 Remuneration Report was approved by a small majority. Christopher, with the support of the Remuneration Committee, undertook extensive consultation with the Company's largest shareholders but the AGM results were not expected. We hope that shareholders are supportive of the changes we have made following further consultation over the Summer. For further details on our approach to this, please see page 97 as well as the statements on our website at www.SEGRO.com.

Last year, one of the proxy voting advisers raised a question about Sue Clayton's independence. Although Sue is a Director of CBRE, 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 89 for more information). We have engaged with the proxy adviser as we firmly disagree with their conclusion, and we have also engaged with some of our larger shareholders about this.

During the year, I wrote to our larger shareholders offering them a meeting with myself, our Senior Independent Director and the Chairs of our Audit and Remuneration Committees. 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.

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 thank all of our people for their hard work, diligence and commitment to the Company. In particular, to David and the Executive team, whose insight and leadership have steered the business so successfully.

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 existing and newly emerging stakeholders are becoming more demanding. We have begun already to address these challenges and, as we approach our centenary, we will be accelerating and intensifying our efforts to ensure our continued success in the future.

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 to enable the Company to thrive for the next 100 years and beyond.

GERALD CORBETT
CHAIR

GOVERNANCE

BOARD LEADERSHIP AND COMPANY PURPOSE

WORKFORCE ENGAGEMENT

Earlier in the year, the Board considered how to respond to the Code's provision on workforce engagement mechanisms in a way which would be appropriate for a non-unionised business with a headcount of around 330 people spread across 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 preferable to the three options suggested.

A three stage approach has been adopted:

Individual meetings with the Directors

- There are many formal and ad hoc occasions when the Non-Executive Directors meet with employees, for example through an induction programme, a Non-Executive Director making an ad hoc asset visit or meetings with individuals to discuss a particular topic.
- The Committee Chairs have 1:1 meetings with a number of different employees in relation to the business of their 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 sustainability, cyber security, the plans for the 2020 centenary celebrations, health and safety, community engagement and PropTech.

Informal meetings with the whole Board

- The Board had an informal lunch with the workforce in our Milan office in June and in the new London office in December. Both occasions gave the Non-Executive Directors, in particular, time with all of the employees to chat to them about their role and experiences at SEGRO.
- In November, the Directors spent time with the team based at our Rugby office, discussing with the former Roxhill employees how they had found the integration with SEGRO, as well as looking at plans and models of proposed development sites.
- The Board took part in an exercise where the Directors received short presentations in four separate sessions with small working groups who had researched emerging topics including artificial intelligence and asset tokenisation. As well as giving the Directors an introduction to these topics, and how they might affect the business, it was also an opportunity for them to meet some of our younger talent.

Response to engagement

Feedback from the Employee Engagement Survey, as well as informal feedback from employees was taken into account by the Board and was an important consideration when the Directors discussed the London office move and the agile working policy (see Our People on page 46 for more detail).

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 complement, enhance and support the work of the Executive.

Information about our strategy is on pages 22 to 33 while you can read more about the annual Board strategy day on page 83.

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 74 and 75 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. 2019 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 12 to 15, along with the Finance Review on pages 34 to 39 set out in much more detail our strategy and the reasons for our continued success. The TSR chart on page 106 tells this story. Shareholders have benefited from sustained share price growth with £100 invested in our shares in 2010 worth £414 at the end of 2019. The dividend has increased every year for the last seven years. At the end of 2019, SEGRO was the largest REIT on the London Stock Exchange and the 43rd largest company in the FTSE 100.

As we approach our 100th anniversary, we can prove beyond doubt that the business has been run with one eye on the horizon, with a constant focus on the long term. We are absolutely committed to maintaining this focus. The Board, as custodians of the business, want to ensure that our successors are well placed to celebrate our next centenary.

CULTURE, PURPOSE AND VALUES

Culture is the character and personality of a business, it's 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.

WHY

Our **Purpose** is our compelling, memorable and differentiating statement that energises us as a team, beyond money or profit.

HOW

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.

We are proud of our Purpose to "create the space that enables extraordinary things to happen" and our five Values. A few years ago, 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. 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 ten countries in which we operate.

It is essential that the Directors lead by example and live the Values. The Executive Directors are obviously more visible leaders around the business and help to set the tone. When the Board 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 including those surrounding PropTech 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.

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 don't 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. The Non-Executive Directors who joined the Board more recently describe a welcoming, positive and collaborative culture. It was also noted that the overall culture had been maintained during the period of change over the last few years.

In June, our Group HR Director facilitated a discussion with the Board about our culture. There was agreement that its key characteristics were:

- 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 in decision making;
- respectful and transparent; and
- caring about people and taking an interest in their wellbeing.

It can be challenging to measure culture but there are many indicators which the Board can monitor throughout the year which serve as a temperature check, such as considering:

- employee engagement survey results;
- 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.

GOVERNANCE

BOARD LEADERSHIP AND COMPANY PURPOSE
COMPANIES ACT 2006 SECTION 172 (s172) – BOARD STAKEHOLDER ENGAGEMENT

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 its activities on its reputation for high standards of business conduct. 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.

Although we have taken the matters set out in s172 into consideration for many years, the Code now requires us to provide more specific information about how the Group and the Directors have considered them.

Our s172 statement is on page 23. The areas which are encompassed in s172 touch on everything we do and our long-term vision, our stakeholders, our responsibilities to the environment and our desire for high standards of business conduct are addressed throughout this Annual Report. In the table on page 23, we have signposted the other places in this Annual Report where we have provided information about these matters.

This year, the Board allocated time to discuss specifically this new Code requirement. Most of the day-to-day decision making and stakeholder engagement is carried out at the business level, but more material matters require the Board's attention.

Here we explain how, during this year, the Board has considered the matters set out in s172 and engaged with our stakeholders.

INVESTORS

We have an extensive investor relations programme, see page 63, and our Chair is always available to meet with shareholders.

The Executive Directors update the Board about their discussions with shareholders on investor roadshows and presentations. The Board receives from the investor relations team a weekly commentary about the share performance, together with any analysts' notes. The Company's brokers attend at least one meeting a year to talk about shareholder feedback and investor trends.

During 2019:

- the Chair wrote to our largest shareholders to remind them that he, our Senior Independent Director and the Chairs of our Audit and Remuneration Committees were available to discuss any governance, strategy or other concerns they may have which contact through the usual channels had failed to resolve;
- our Remuneration Committee Chair consulted shareholders during the year about our Remuneration Policy and further details are set on page 97 of his report. There were more than 20 per cent of votes cast against the 2018 Remuneration Report at the 2019 AGM and the steps which we took following this result, including further consultation, are set out in detail on page 97;
- the Directors all attend the AGM. They value the opportunity to meet with shareholders to talk about the business and understand their views; and
- in considering the case for the equity placing in February 2019, the Company's brokers and the investor relations team provided an investor and market perspective to the Board to the proposed transaction.

FOR MORE DETAIL ON OUR REMUNERATION POLICY SEE **PAGES 118-123**

CUSTOMERS

Our site visits often give the Board an opportunity to meet some of our customers and it is insightful to hear first hand from them about their business, why they have chosen a particular location, or how we have met their specific requirements.

From time to time, customers join us, for formal and informal meetings, to provide insights into their business, their priorities and challenges and future trends, so we can understand how we can continue to meet their needs going forward. These sessions are invaluable for us and we always appreciate customers' insights and feedback.

Throughout the year, the Board receives updates about customers as well as the results of our annual customer satisfaction survey. The KPIs on vacancy and customer retention are also noted by the Board.

EMPLOYEES

The Board takes a keen interest in the welfare of our employees and in the culture of the firm. Early in the year, the Board considered the results of the 2018 Employee Engagement Survey which again showed high levels of engagement. The Executive Committee reported back to the Board with proposals for responding to areas for improvement (such as the quality of the former London office) and on measures to ensure that the high engagement scores can be maintained.

FOR MORE DETAIL ON HOW THE BOARD HAS RESPONDED TO THE CODE'S PROVISION ON WORKFORCE ENGAGEMENT SEE **PAGE 78**

ENVIRONMENT

The Board hears from our Head of Sustainability and receives regular updates on environmental matters.

Capital Approval requests for developments and acquisitions always include analysis of the environmental impact on the land and the credentials of the building to ensure that they are aligned with our SEGRO 2025 targets and our wider environmental performance metrics.

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. This is particularly relevant as we celebrate our centenary.

- 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 two days to consider the long-term strategy of the business, incorporating presentations and discussions on longer-term opportunities and threats to the business. In particular, this has focused on emerging technologies which have the potential to disrupt our business model.
- 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. For example, in 2011, when the Board approved the current strategy, particularly the need to reposition 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.

To have survived in business for 100 years is testament to our reputation for integrity, maintaining high standards of business conduct and nurturing a supportive culture, anchored by a strong Purpose and set of Values.

SUPPLIERS

The Board receives presentations from time to time from the Company's advisers such as property agents, valuers and lawyers. It approves the Slavery and Human Trafficking Statement and how it applies to our suppliers.

On tours of development sites, the Directors often get the chance to meet with the contractors and to see first hand the Health and Safety measures in place.

COMMUNITIES

We are keen to 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 hears about these initiatives at least once a year from the Partnership Development Director, when they are visiting offices or on asset tours and when they meet employees.

GOVERNANCE

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED

AGM

The Directors enjoy meeting with those shareholders who attend the AGM as it gives them the opportunity to talk about the business and understand shareholders' views in both a formal and informal setting. The Board would like to extend its thanks to those shareholders who are able to take the time to attend our AGM and who ask interesting and informative questions.

As in previous years, during the 2019 meeting, the Chief Executive gave a presentation on the results of the Company for 2018 as well as details on the business, including the active development pipeline. The highlights of the recently announced Q1 2019 Trading Update were noted, and David Sleath shared his thoughts for the year ahead before the Board took questions from the floor.

The Notice of AGM is posted to shareholders at least 20 working days before the meeting. The Company proposes separate resolutions on each substantially separate issue, with voting conducted by poll.

The Board believes this voting process is fairer than a show of hands since all shares voted at the meeting, as well as proxy votes lodged before the meeting, are counted. For each resolution, shareholders will have the option to vote either for or against a resolution, or to withhold their vote. Following the meeting, the results of votes lodged for and against each resolution are announced to the London Stock Exchange and displayed on the Company's website.

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.

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 will have read about the Company's approach to risk and risk management on page 65 to 68, whilst page 95 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 which you will have read about on page 49.

The Code of Ethics reiterates that the Company does not tolerate fraud, dishonesty or wrong-doing of any kind and instances of such behaviour 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 sets out the procedure by which employees and any third parties can use a confidential external third party service to raise concerns. 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 49. No matters of concern were raised during 2019.

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. This year, we started this two-day session at our office in Rugby. It was an opportune day to visit as it was the first anniversary of our acquisition of the Roxhill management platform, which boosted our capability and expertise in the development of big box warehousing in the UK. The day started with the Directors spending time with the employees based in the office, talking about the projects that they are working on and their transition and integration into the SEGRO group. It was great to see the positive dynamics in the team which is a blend of both SEGRO and former Roxhill people. The office was decorated with plans and models of both current and potential future development sites which provided stimulus for plenty of discussion. It gave us an excellent insight into the work of the Business Unit, reassurance about the quality of the senior team and its ability to deliver some complex projects as well as setting the context for some of the capital investment requests which would be presented to the Board in the forthcoming months.

We heard from the Business Unit Director for National Logistics and his senior team, about the strategy for this Business Unit, focusing in particular on the high-quality and large-scale development programme that they intend to deliver over the coming years. This was followed by a tour of some of the completed sites and development sites. There was also a visit to SEGRO Logistics Park East Midlands Gateway (SLPEMG) to see the extraordinary progress which had been made since the last Board visit in 2017 when it was in the early stages of the infrastructure work. This time the Directors could not only see four completed and occupied buildings but also had a tour inside one of them, the Amazon fulfilment centre. It was an opportunity to meet the customer, hear first hand why they had chosen SLPEMG for this pre-let and to gain insight into its experience of using the building.

Moving on to a private dinner and continuing through the following day, we shared our different perspectives about the current macroeconomic and political environment and specific property investment and occupier markets. The range of experience around the table, and the insights from the other business and sectors in which our Directors are involved, are of great value.

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, will form the basis of our investment decisions in future years. We concluded that our strategy remains appropriate despite the macro and geopolitical uncertainty.

Last year, the Board dedicated part of the meeting to a presentation about PropTech and broad trends and technologies which may become disruptors to the Company and its customers in the future. At this meeting, we were updated on the progress which had been made with PropTech initiatives and there was strong support to maintain the momentum and continue to invest in this area.

GERALD CORBETT
CHAIR

GOVERNANCE

DIVISION OF RESPONSIBILITIES
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 74 and 75, while pages 89 and 90 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, most recently in September 2019. The Board has delegated a number of its responsibilities to the Audit, Nomination and Remuneration Committees. The Terms of Reference of these Committees were also updated in September 2019 and can be found at www.SEGRO.com. Further details on the roles and responsibilities of these Committees can be found opposite.

The division of responsibilities of the Chair, Chief Executive and Senior Independent Director are clearly established in writing and approved by the Board. These were updated during the year to reflect new provisions of the Code. 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 88). For further information on the responsibilities of each Board member, see the Governance Framework chart 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 approval and acts as a primary approval channel for matters below Board approval level at each of its meetings.

GOVERNANCE FRAMEWORK

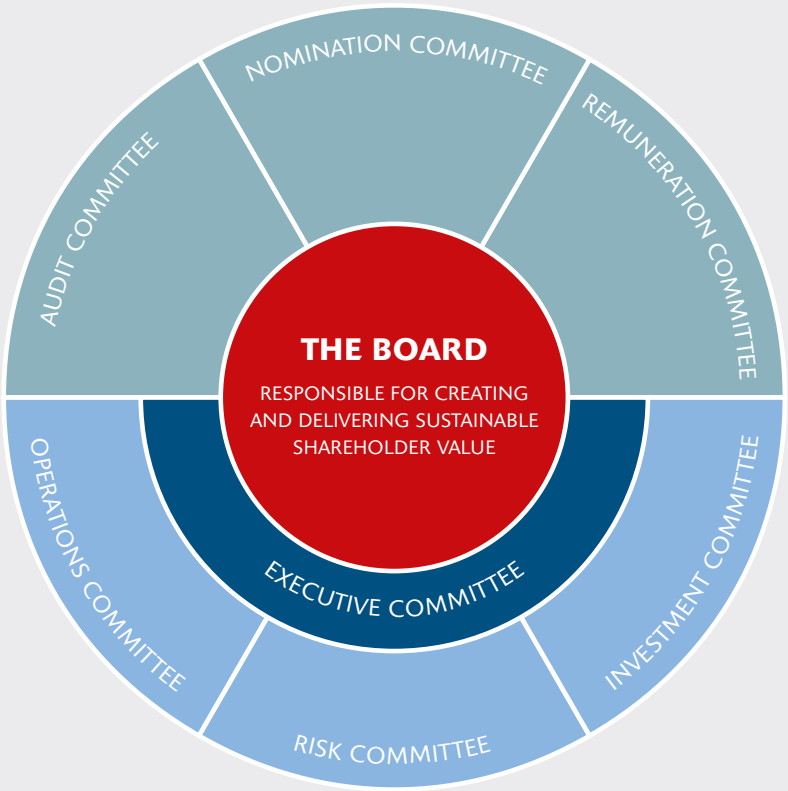
THE BOARD

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.
- Takes the necessary steps to ensure that all Directors receive the accurate, clear and timely information which they require to enable them to make sound decisions, to monitor the business effectively and to fulfil their duty to promote the success of the Company.
- 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.

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	SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR MARTIN MOORE	INDEPENDENT NON-EXECUTIVE DIRECTORS MARY BARNARD SUE CLAYTON CAROL FAIRWEATHER CHRISTOPHER FISHER	GROUP COMPANY SECRETARY ELIZABETH BLEASE
– Manage the business operations within each Director's area of responsibility in accordance with the Group's strategy.	– 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.	– 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.	– 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. – Is available to give detailed practical support and guidance to Directors both individually and collectively.

BOARD COMMITTEES

AUDIT	NOMINATION	REMUNERATION
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.	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.	Determines the reward strategy for the Executive Directors to align their interests with those of shareholders and employees.

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.

MANAGEMENT COMMITTEES

OPERATIONS	RISK	INVESTMENT
Assists the Chief Operating Officer to manage the operations of the Group and to discharge the responsibilities delegated to him by the Chief Executive.	Establishes, monitors and reports to the Executive Committee and ultimately the Board and Audit Committee on the Group's approach to risk management.	Manages the allocation of capital across the Group and oversees all major investment and divestment decisions on behalf of the Executive Committee.

GOVERNANCE

DIVISION OF RESPONSIBILITIES CONTINUED

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 short ad hoc meetings to keep the Committee up to date with day-to-day issues.

The Executive Committee delegates some of its responsibilities to a further three Committees:

- the Investment Committee;
- the Operations Committee; and
- the Risk Committee.

These Committees have their own Terms of Reference and membership includes at least one member of the Executive Committee and some members of the Leadership team.

LEADERSHIP TEAM

SEGRO's Leadership team comprises the members of the Executive Committee and their senior direct reports, each of whom has responsibility for the Group's operations 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 84 and 85, the Leadership team also meets periodically to share market knowledge and to discuss areas of cross-functional and cross-border interest.

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. The Leadership team normally meets three times a year and reviews 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 biennial employee engagement survey.

The Leadership team is also consulted and kept informed about Company-wide activities and performance through dedicated conference calls.

All members of the Leadership team report directly to one of the Executive Directors. Further details on the gender balance of the Leadership team are on page 46.

EFFECTIVE AND EFFICIENT FUNCTIONING OF THE BOARD

During 2019, there were seven scheduled meetings and one ad hoc Board meeting. The Board has the flexibility to meet in person or by telephone as the need arises on an ad hoc basis. Each Director has committed to attending all scheduled Board and Committee meetings and would not do so only in exceptional circumstances. Similarly, every effort is made by Directors to attend ad hoc meetings either in person or by using conference facilities. 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 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.

Most Board meetings take place in London but during the year meetings and asset tours took place in Milan and Rugby. The Board met with management teams in these

KEY ACTIVITIES OF THE BOARD DURING 2019

STRATEGY AND LEADERSHIP

- Review and discussion of strategic objectives and plans to achieve them.
- Review of the Medium Term Plan.
- Presentation from the Company's independent valuers on the 2018 Full year and 2019 Half year valuation.
- Approval of a £451 million equity placing.
- Rolling reviews of the performance of investments and developments over the previous three years.
- Reports on the market outlook for the occupier and investment markets.
- Reviews of the wider economic environment, political uncertainty and Brexit considerations.
- Annual Strategy Day, including a review of asset plans and portfolio planning.
- Presentation from BAML Chief Economist Robert Wood on the political and economic implications of Brexit.
- Approval of the redemption of a £250 million bond, and approval of the extension of the maturity of both syndicated and bi-lateral revolving credit facilities.
- Presentations from the Business Unit Directors for Southern Europe and National Logistics.
- Various investment approvals including the acquisition of the White Hart Lane site; the disposal of the portfolio of UK big box warehouses; and the acquisition of the entire interest in the Coventry JV.
- An interactive event with a wide range of staff to explore potentially disruptive future technologies.

GOVERNANCE

- Approval of the 2020 budget.
- Approval of 2018 Full-year results and final dividend, and the 2019 Half-year results and interim dividend.
- Approval of Principal Risks and risk appetite.
- Assess progress with the actions arising from the 2018 external Board evaluation and review the conclusions of the 2019 internal evaluation.
- Review of the annual Health and Safety report and monthly incident report.
- Approval of the appointment of Non-Executive Directors and Committee membership.
- Discuss culture, Purpose and Values.
- Throughout the year, considered compliance with the new requirements of the Code and received updates on corporate and regulatory changes and reporting requirements.
- Approval of Tax Strategy.

locations and had tours of the Group's property portfolios.

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: Marco Simonetti, the Business Unit Director for Southern Europe; Eric Veron, the General Manager for Vailog; and Andrew Pilsworth, the Business Unit Director for National Logistics, on their business areas. 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. James Power, Director of Digital & Technology, also presented on the work carried out by the Company on PropTech initiatives.

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 74 and 75. 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 is healthy for the Company.

For further details on how the Board has reached its conclusions on Non-Executive Director independence, see page 89 of the Composition, Succession and Evaluation section.

As you will see on page 88, the Nomination Committee has 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.

2009

OUR PAST: GROWING THROUGH CORPORATE ACQUISITION

In 2009, SEGRO acquired Brixton plc, bolstering its presence in the London markets of Park Royal and Heathrow. In the same year, it bought a 50 per cent stake in the Airports Property Partnership which owned the cargo centres at Heathrow Airport. It took full ownership of the portfolio in 2017.

FOR MORE INFORMATION, PLEASE VISIT:
WWW.SEGRO.COM/ABOUT-US/HISTORY

STAKEHOLDER ENGAGEMENT

- Presentations from the Company's brokers on shareholders'/analysts' attitudes to the Company and investor feedback.
- Approval of the Slavery and Human Trafficking Statement.
- Report on the Code of Ethics including the Anti-Bribery and Corruption policies.
- Annual reports on community engagement and charitable giving.
- Annual report on the results of customer satisfaction survey.
- Presentation from the Group Sustainability Manager on Technical Sustainability.
- Asset tours in Milan and the East Midlands to meet customers to see how they use their space.
- Review of people strategy, succession planning and talent management.
- Approval of the Diversity Policy.

GOVERNANCE

COMPOSITION, SUCCESSION AND EVALUATION

SKILLS, EXPERIENCE AND SIZE OF THE BOARD

GERALD CORBETT
CHAIR OF NOMINATION COMMITTEE

The Board has established a Nomination Committee which comprises the Non-Executive Directors. In this section, 'the Committee' refers to the Nomination Committee.

It is the Committee's role to achieve the right balance of skills, experience and diversity on the Board and across the senior management team to ensure that the Company is able to deliver its strategy now and in the future. Our leaders need to understand and reflect the world in which we operate. Therefore, the Committee needs to ensure that the composition of the Board and the senior management team adapt as the strategy evolves and events unfold. The Committee will have regard to these factors when recruiting future Directors and when it considers talent or succession planning.

The charts on page 89 and 90 summarise the tenure and skills of the Directors and shows the combination of experience and knowledge across the Board. We have representation from a range of backgrounds with real estate, financial and commercial experience across various industries. The biographies of each of the Directors are set out on pages 74 and 75.

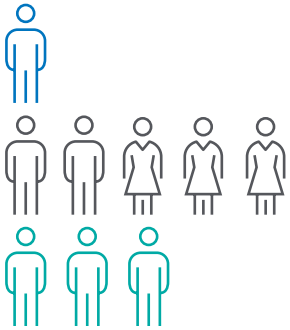
The 2018 external Board evaluation confirmed that the Board was the right size and composition. In the 18 months since this took place, Margaret Ford, Mark Robertshaw and Doug Webb have retired and Sue Clayton and Mary Barnard have joined us. In addition, Phil Redding has recently stepped down from the Board. We have achieved the target set by the 30% Club with regard to gender diversity. We also meet the recommendations of the Parker Review for each FTSE 100 Board to have at least one Director from an ethnic minority background by 2021. In accordance with the Code, at least half of the Board (excluding the Chair) comprises Independent Non-Executive Directors.

Details of the internal Board evaluation which was carried out during the year are set out in the case study on page 91.

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 and there was no current need to consider refreshing it ahead of planned Non-Executive Director retirements. 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 Nomination 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. In accordance with the Code, each of the Directors will submit themselves for re-election at the 2020 AGM.



INDEPENDENCE

Chair	11%
Independent Non-Executive Directors	56%
Executive Directors	33%

INDEPENDENCE

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.

On her appointment to the Board in 2018, the Committee had considered specifically Sue Clayton's independence, given her role at CBRE Limited (CBRE) which is the Company's independent valuer. It had concluded that, although there was a potential conflict with her relationship with CBRE, this would not compromise her independence. The Committee noted that Sue had no involvement in the preparation of the Company's valuation, nor did she hold any line management responsibility, directly or indirectly, over the CBRE valuation team. Further, her role at CBRE was part-time and she no longer carried out or supervised any transactional work. The nature of Sue's role was confirmed by CBRE. It was agreed that Sue should have no involvement in reviewing CBRE's performance or effectiveness, their fees or their appointment.

In light of concerns raised by one proxy voting agency, the Committee further considered Sue's independence in 2019 and continue to be satisfied that Sue remains independent in both character and judgement, and has sufficient time to dedicate to the Company.

In particular, the Committee noted that:

- her experience is hugely useful and important to the wide variety of topics the Board considers and outweighs any potential conflict; and
- she brings a wealth of property experience and knowledge and the Board values the insights, and robust and effective challenge she can bring to discussions about, for example, the property market. Her experience of transactions and market cycles has proved invaluable to Board debate, decision making and strategy.

For these reasons, the Nomination Committee and the Board firmly believe Sue is independent. Nevertheless, Sue decided to step down from the Audit Committee in March 2019.

APPOINTMENT OF MARY BARNARD

As part of a planned succession to replace retiring Non-Executive Directors, the Committee recruited Carol Fairweather and Sue Clayton in 2018. In 2019, the Committee looked to add a third new Non-Executive Director.

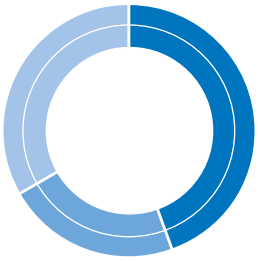
The Committee agreed the role specification and identified the required skills and attributes. Russell Reynolds was appointed to lead the search as it had undertaken previous Non-Executive Director searches and had a good understanding of the Company and its culture. The first round of interviews was conducted by the Chair and Chief Executive followed by other members of the Committee. Subsequent interviews were arranged with the Executive Directors where appropriate. As previously reported, the Board appointed Mary Barnard in March 2019 which completes the Committee's current work for the orderly succession of Non-Executive Directors.

As is the case with all newly appointed Directors on joining the Company, Mary participated in a comprehensive induction programme and received information on the Group and its governance structure. She had a number of meetings with the other Directors, as well as meeting with Business Unit Directors, Heads of Function and other senior managers. She visited a number of assets in both the UK and Continental Europe. She also met with the PwC audit partner, the KPMG internal audit partner and the key relationship directors at the Company's brokers, UBS and BAML.

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.



TENURE

1-3 years	45%
3-6 years	22%
6-9 years	33%

GOVERNANCE

COMPOSITION, SUCCESSION AND EVALUATION
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. Our Board Diversity Policy is available at www.SEGRO.com.

With respect to gender specifically, the Board aspires to promote greater gender diversity across the business. When running the process to appoint the three most recent Non-Executive Directors as described on page 89, the Committee recognised that how it selected and briefed the executive search firm and, in particular, how it described the skills and experience needed for the roles were important elements 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.

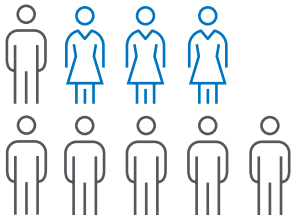
In the final selection decision, all Board appointments are made on merit and relevant experience, against the criteria identified by the Committee with regard to the benefits of diversity, including gender.

Further information about the Company's approach to diversity and inclusion, is on page 47.

TRAINING

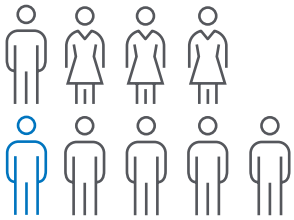
Ongoing training is provided to the Board on both business related and regulatory matters during the year. Directors may also request training on specific issues with some attending external courses (which is often provided by the Company's professional advisers) which are specific to their area of expertise, 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.

DIVERSITY



GENDER

Male	67%
Female	33%



ETHNICITY

Non-Ethnic Minority background	89%
Ethnic Minority background	11%

	SKILLS					
THE BOARD	FTSE Listed Executive	Real Estate Industry	Banking/City	Finance	Experience in retail, manufacturing and distribution industries	International
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**

COMPOSITION, SUCCESSION AND EVALUATION
INTERNAL BOARD EVALUATION

In 2018, Independent Audit conducted a triennial, externally facilitated evaluation and so this year the Board undertook an internal review. The process was divided into a number of stages:

STAGE 1

Our General Counsel and Group Company Secretary, Elizabeth Blease and I had an initial meeting to discuss how to run the internal process. We consulted with the person who managed the external process last year for her thoughts about current best practice for internal reviews.

Following the meeting, and after consultation with the Chief Executive, David Sleath and the Senior Independent Director, Martin Moore, we decided that Martin should lead the process, with support from Elizabeth. This would create an environment for the Directors to speak freely to Martin, whilst also having an opportunity for them to speak privately with me should they wish to do so.

STAGE 2

Martin, Elizabeth and I agreed the themes that we would like 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 progress with s172, stakeholder interests, ESG and people strategy including culture. These themes were circulated to the Directors ahead of their interviews.

STAGE 3

During October, Martin and Elizabeth had meetings with, and collected feedback from, the Directors. The discussions were based on the themes which we had identified but were informal enough to give the Directors the freedom to say what they wanted to and focus on the points that were important to them.

STAGE 4

Following the Board strategy day in November, the Directors were asked to provide any specific thoughts and feedback on the day by email.

STAGE 5

Martin and Elizabeth collated the feedback they had gathered from the interviews and the strategy day emails into a draft report for me. Martin and I had a meeting to discuss the conclusions and proposed next steps and he also had a meeting to brief David.

STAGE 6

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 below.

STAGE 7

During 2020, I will continue my practice of having regular meetings with each of the Non-Executive Directors and base some of my discussion around the feedback.

REVIEW OF THE CONCLUSIONS OF THE 2018 REVIEW

In July, the Board had revisited the conclusions of the 2018 review to make sure that progress was being made on the all of the actions.

PROGRESS WITH ACTION POINTS AGREED IN 2018

What we said we'd do	What we've done
Change the composition of the Nomination Committee.	David Sleath stepped down from the Committee in September 2019 so it now comprises only the Non-Executive Directors.
Allocate more time for the Nomination Committee to discuss succession planning, leadership development and talent management.	This Committee has a meeting each year dedicated to these topics. Succession planning was also discussed as part of the Board evaluation process, during the annual Non-Executive Directors' dinner with the Chief Executive and at one-to-one meetings with the Chair.
Ensure that new Directors are supported as they get to know the business and have the opportunity to spend some informal time with the other Board members to accelerate getting to know each other.	Details about Mary Barnard's induction is set out on page 89. The Directors spent some informal time together during the Board tours in Milan and the East Midlands.
Create time for some unscripted debate.	During the year, the Chair made sure there were times for the Directors to have more free ranging discussion. This is either at the Board meetings or over dinner before the Strategy day.
Ensure the Board had time to consider compliance with the Code and to discuss culture.	The Board had a presentation on culture from the Group HR Director in June 2019. It discussed culture on a more ad hoc basis during the year as well as during the Board evaluation meetings.

CONCLUSIONS OF THE 2019 REVIEW

The evaluation confirmed the conclusions of the 2018 external review that the Board and its Committees continued to operate effectively. In particular, it re-confirmed a good level of mutual trust and respect between members of the Board, where everyone felt comfortable speaking openly and with no one person dominating the proceedings. The Chair promoted an inclusive style which maintained a good balance between support and challenge.

ACTIONS

As ever, these reviews provide an opportunity for the Directors to stand back and consider how they work, how to maximise the Board's strengths and highlight areas for further development.

There was unanimous support to continue with visits to regional offices, to meet the local teams, have tours of assets and meet customers. The Directors also valued having some occasional time during the year to have some informal time together for 'unscripted debate'. There were a number of specific matters that the Board would like to consider during 2020, which included more time discussing ESG, technology and disruptors.

Finally, it was recognised that the business had enjoyed a few consecutive years of strong performance but the Board should avoid becoming complacent. It should stay focused on what is happening in the outside world, keep looking out for disruptors and arrange for the Directors to be exposed to external stimuli to help challenge convention and provoke new discussions and perspectives as they look to the future.

GERALD CORBETT

GOVERNANCE

AUDIT, RISK AND INTERNAL CONTROLS

LETTER FROM THE CHAIR OF THE AUDIT COMMITTEE

CAROL FAIRWEATHER
CHAIR OF THE AUDIT COMMITTEE

As Chair of the Audit Committee, I am pleased to present the Committee's report for 2019. Over the following pages you will see how the Committee has discharged its responsibilities, as well as other key areas upon which the Committee has focused.

2019 was my first year as Audit Committee Chair. I assumed the role in April 2019, having been a member since 2018. I would like to extend my thanks to Doug Webb for his effective stewardship of the Committee over the years and his support during my transition to Chair.

The Committee's main role remains unchanged – to provide independent challenge and oversight of the Company's financial reporting, reviewing the Company's internal control and risk management systems and monitoring the effectiveness of the external audit process and internal audit function. Our purpose and objectives are set out in writing in our Terms of Reference, available at www.SEGRO.com.

2019 saw new faces to the Committee. We welcomed John Waters, the new lead audit partner from PwC who was supported during the year by a strong team already familiar with the Company. The Committee has monitored John's transition throughout the year and is satisfied that there has been a smooth and effective transition of audit partners. We also welcomed Stuart Wooldridge, as the new lead internal audit partner from KPMG.

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.

As you will have read on page 89, Sue Clayton stepped down as a Committee member during the year.

MEETINGS

We met three 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. 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 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 2019, 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 Director of Digital & Technology and the Head of Technology, to update the Committee on the work the Company does to safeguard against cyber security issues; and the Director of Tax and the General Counsel to provide specialist legal and regulatory updates.

AUDIT REFORM

As a Committee, we are following closely the various reviews that have happened and are in progress with respect to audit reform and will respond to any regulation, guidance and recommendations following these reviews appropriately.

ENSURING THE LONG-TERM SUCCESS OF THE COMPANY AND OTHER SECTION 172 CONSIDERATIONS

The Company has long considered the views of its wider stakeholders and section 172 considerations form a core part of what we do as good business practice. We have welcomed the Code's increased emphasis on these topics and the Committee continues to focus on the long-term success of the Company through its work, including:

- ensuring the process around the 'fair, balanced and understandable' statement on page 94 is appropriate, robust and consistent, to allow shareholders and other stakeholders to gain a clear picture of the Company and its outlook;
- making sure that the process put in place to allow the Board to make the viability statement on page 69, is robust, in line with market practice and correctly and properly followed, to ensure the long-term sustainable success of the Company is maintained; and
- ensuring that appropriate risk management processes are in place to both manage the principal risks facing the Group and identify those emerging risks which could have an impact on the Group in the future, to help safeguard the future of the Company for the benefit of all.

FRC LETTER

During the year, the Company received a letter from the Financial Reporting Council (FRC) requesting information following a routine review of the Group's 2018 accounts. The letter primarily focused on the Group's presentation of service charge balances in its income statement. For 2019, we undertook to amend this in accordance with the FRC's suggestions, following which they closed their case. Please see page 96 for further information on the letter and our response.

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. 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 assisted us in appropriately discharging our responsibility. I would like to thank all those who contribute to the Audit Committee.

CAROL FAIRWEATHER
AUDIT COMMITTEE CHAIR

WHAT THE COMMITTEE DID IN 2019

Throughout the year the Committee has acted in accordance with its Terms of Reference which were updated in September 2019 and can be found at www.SEGRO.com. In particular, during 2019, the Committee has had responsibility for:

- 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 independence of the valuer of the Group's property portfolio and gaining assurance around the valuation process;
- ensuring compliance with applicable accounting standards, monitoring developments in accounting regulations as they affect the Group, for example, in 2019 the adoption of IFRS16 Leases, and reviewing the appropriateness of accounting policies and practices in place;
- the correspondence between the FRC and the Company, following the FRC's review of the Group's presentation of service charge balances in the 2018 Financial Statements;
- 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 actions being taken 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;
- 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 viability statement 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.

GOVERNANCE

AUDIT, RISK AND INTERNAL CONTROLS CONTINUED

THE SIGNIFICANT JUDGEMENTS MADE BY THE COMMITTEE IN 2019

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 them to scrutinise the valuation process and ensure the valuer remained independent, objective and effective. 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 2019 including the accounting treatment applied to the equity placing, and acquisitions and disposals of various properties such as the portfolio of the UK big box warehouses sold in December, 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.

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.

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.

IS THE REPORT FAIR?

- Is the whole story presented?
- Have any sensitive material areas been omitted?
- Is information in the Strategic Report and Governance Report consistent with that in the Financial Statements?

IS THE REPORT BALANCED?

- Is there a good level of consistency between the front and back sections of the Report?
- Is the Annual Report properly a document for shareholders and other stakeholders?

IS THE REPORT UNDERSTANDABLE?

- Is there an appropriate mix of statutory and adjusted measures and are any adjustments explained clearly?
- Is the Report presented in straightforward language and a user-friendly and easy to understand manner?

VIABILITY STATEMENT

The Committee is responsible for ensuring that the process put in place to allow the Board to make the viability statement, on page 69, remains robust, in line with market practice and is correctly and properly followed. The Committee is comfortable with the process followed to make the viability statement and has confirmed this to the Board.

EXTERNAL AUDITOR

The Committee has continued to enjoy a constructive working relationship with PricewaterhouseCoopers LLP (PwC) to ensure that the external audit, a key area of oversight, has operated effectively throughout the year. The Committee welcomed John Waters as the lead audit partner in 2019 and have been encouraged to see how he has got to know the business, visiting key assets throughout the countries we operate in, as well as the financial and property teams in those countries. The Committee Chair has face-to-face 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 2020 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 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. This is further maintained by the Policy for Approval of Non-Audit Services available at www.SEGRO.com.

In 2019, fees for audit services, (excluding the SELP joint venture), amounted to £880,000 and the non-audit fees amounted to £110,000. The Committee has concluded that PwC remains independent and objective, and that the level of non-audit to audit fees is acceptable for 2019.

The non-audit fee for 2019 equates to 14 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.

AUDIT AND NON-AUDIT FEES PAID TO PRICEWATERHOUSECOOPERS LLP

	2019	2018	2017
Audit fees (£m)	0.88	0.72	0.81
Non-audit fees (£m)	0.11	0.06	0.49
Ratio of non-audit fees to audit fees (%)	12	9	61

The above table excludes fees paid to PwC in respect of joint ventures. If these were included, the 2019 ratio of audit to non-audit fees would have been unchanged.

Further details of the above fees, and fees in respect of the audit of the Group's SELP joint venture for which PwC is the auditor, are provided in Note 6(ii) to the Financial Statements. These are provided for transparency, since they are additional payments made to PwC. They do not form part of the audit fees for SEGRO, as SELP is not controlled by SEGRO.

In 2019, PwC informed the Company that they would no longer be able to undertake any non-assurance related non-audit work for any FTSE 350 client, including the Company.

The Committee is satisfied that PwC continues to provide appropriate levels of challenge and scrutiny, and remained independent. PwC has provided written confirmation of its independence to the Committee.

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 65 to 67). 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.

GOVERNANCE

AUDIT, RISK AND INTERNAL CONTROLS CONTINUED

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 have 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 maintained.

Topics included in the internal audit plan for 2019 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 2019 was considered and approved by the Committee in December 2018, although it could be adapted during the year to incorporate any new or increased risks which may materialise.

The Committee believes that both the process for determining the internal audit programme, and the programme itself, are appropriate and effective, particularly since 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 2019 confirmed that no significant control issues were identified. However, a number of process and 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;
- 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.

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.

FRC LETTER

During the year, the Group received a letter from the Financial Reporting Council (FRC) confirming that the 2018 Annual Report had been subject to a review by its Corporate Reporting Review Team, which is responsible for reviewing the annual accounts, strategic reports and directors' reports of public and large private companies for compliance with reporting requirements. The main focus of the correspondence was in regard to the Group's presentation of service charge balances in the Income Statement. Following this correspondence, the presentation of the Income Statement has been changed to include 'Costs', incorporating service charge costs and removal of line items including 'Gross rental income', 'Net rental income' and 'Joint venture fee income'. The prior year comparatives have been represented to reflect this change. There is no change in 'Operating profit', 'Profit before tax' or 'Profit after tax' as a result of these changes. Further information including changes to the wording to clarify the accounting for service charges, is detailed in Note 1 of the Financial Statements. The Group has made additional enhancements to the disclosures from other points raised, which are included in this Annual Report. The related correspondence has been subsequently closed.

The FRC's review was based on the Group's Annual Report and does not benefit from detailed knowledge of its business or an understanding of the underlying transactions entered into. Their correspondence provides no assurance that the report and accounts are correct in all material respects; the FRC's role is not to verify the information provided but to consider compliance with reporting requirements.

COMMITTEE EFFECTIVENESS

The review of the Committee's effectiveness was included as part of the Board evaluation process (detailed on page 91) 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.

GOVERNANCE

DIRECTORS' REMUNERATION REPORT
LETTER FROM THE CHAIR OF THE REMUNERATION COMMITTEE

CHRISTOPER FISHER
CHAIR OF THE REMUNERATION COMMITTEE

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 strategy.

On behalf of the Board, I am pleased to present our Remuneration Report for 2019.

I have chaired the Remuneration Committee since May 2017, having served as an Independent Non-Executive Director and Remuneration Committee member since 2012. Accordingly, I have been closely involved with the evolution of our remuneration policies and their implementation over this period. During the year, Mary Barnard and Carol Fairweather, who is also our serving Audit Committee Chair, joined the Committee, Doug Webb completed his time on the Committee, while Martin Moore, our Senior Independent Director, remained a member.

To remind you, the fundamentals which underpin our Remuneration Policy (the Policy) are:

- 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 108 and 109.

REMUNERATION POLICY AND REMUNERATION REPORT 2019

As I explained in my Report last year, following an extensive consultation with the Company's larger shareholders, the Remuneration Committee proposed a new Remuneration Policy and a package of associated measures with the aim of ensuring that the Executive Directors' remuneration arrangements properly served the best interests of the Company and its shareholders.

Shareholders will recall that four material elements were proposed: an uplift in base salary for two of our Executive Directors and a two stage increase for the Chief Executive, which would subsume their normal annual reviews; an increase in the LTIP opportunity, alongside a new performance metric; a reduction in the Chief Executive's pension benefits; and increases in shareholding requirements. There were no proposed changes to the arrangements for the annual bonus.

I am pleased that the new Remuneration Policy and amendments to the Long Term Incentive Plan were passed with over 80 per cent of votes in favour but the Remuneration Report itself was only approved by a small majority, which we had not expected.

In the light of this outcome, it was natural that we continued to engage with shareholders to ensure that we fully understood and considered their views. We invited the Company's largest shareholders to provide any further feedback and I spoke to, or had meetings with, those shareholders who had specifically raised concerns.

While our proposals had been seen to be broadly acceptable, it was apparent that two areas would benefit from further consideration to meet shareholders' concerns.

Accordingly, when we came to make the LTIP awards in May 2019, based on the enhanced opportunity under the new Policy, we decided that certain performance targets should be further stretched such that the Total Accounting Return (TAR) stretch target was increased from Benchmark plus 2 per cent per annum to Benchmark plus 2.5 per cent per annum and the Total Shareholder Return (TSR) target was increased from Benchmark plus 5 per cent per annum to Benchmark plus 6 per cent per annum. Together with the maintained Total Property Return (TPR) target, we believe that this set of measures is amongst the most challenging of any UK listed REIT.

Secondly, while we duly implemented the salary increases approved for April 2019 for three of the Executive Directors, the further exceptional increase in salary for the Chief Executive in April 2020 will no longer be implemented and he will revert to our normal policy of an increase in line with the workforce. At the same time, the further reduction in his pension entitlement to 20 per cent of salary will still be implemented in April 2020.

GOVERNANCE

DIRECTORS' REMUNERATION REPORT CONTINUED

For completeness as part of the Policy review, we also implemented changes to the malus and clawback provisions in our variable pay schemes and introduced post cessation shareholding guidelines.

In keeping with the Policy, the 2019 base salary increase for Soumen Das, whose salary was not part of the review, was in line with (and did not exceed) the average increases for employees across the Group.

The Policy also provides that a new Executive Director joining the Board will receive a pension benefit in line with the UK workforce. The Committee is mindful of the on-going discussions about aligning existing Executive Directors' pension benefit with the workforce and the Committee is currently considering how best to respond to this but recognises the expected direction of travel.

2016 AND 2017 LTIP AWARDS

In 2017, shareholders approved a Remuneration Policy which included changes to the operation of the LTIP to enable the Committee to impose a mandatory two-year post-vesting holding period on Executive Directors whose awards had vested (save to the extent required to discharge any tax liabilities arising on vesting), coupled with an amended performance period of three years in line with best practice given the two year holding period. Previously, there had been a four-year performance period and no post-vesting holding requirement.

As a result, and as foreseen at the time, both the 2016 and 2017 LTIP awards are vesting this year with a corresponding one-off impact on the reported remuneration of Executive Directors on page 100 and on the CEO Pay Ratio on page 107.

COMPANY PERFORMANCE AND OUTTURNS

During 2019, the Company has continued to deliver sustained and very healthy returns to shareholders. As illustrated on page 106, an investment of £100 in SEGRO shares at the start of 2012 would have generated a gain (including reinvestment of the dividend) of just over £620 in eight years compared to the FTSE 350 REIT index of a gain of just over £250. This outperformance has been the main reason why SEGRO is now the largest UK listed REIT by market capitalisation and an established constituent of the FTSE 100.

In 2019, we delivered another year of strong operating and financial performance, as reviewed by David Sleath on pages 12 to 15. Adjusted profit before tax is up 10.7 per cent to £267.5 million and adjusted earnings per share are up 4.2 per cent. EPRA NAV per share has risen by 8.9 per cent to 708 pence. The balance sheet remains in very good shape with a loan-to-value ratio of 24 per cent. The Board is recommending a final dividend of 14.4 pence per share, making the full year dividend 20.7 pence per share, an increase of 10.1 per cent.

Over the four-year LTIP vesting period for the 2016 LTIP, the scale of the business has increased significantly mainly through the profitable and accretive development programme. This has added 2.6 million sq m of new space with additional headline rent of £124 million, an increase of 41 per cent over the period.

Taking account of these strong results and our continuing outperformance of the peer group over the year, with a TSR of +50.5 per cent verses the FTSE 350 Real Estate index of +18.3 per cent, the Committee has approved (subject to the final TPR data being available) the following performance-related payments to the Executive Directors this year:

- the Bonus payments will be 83 per cent of their maximum award (see page 102); and
- the 2016 and the 2017 LTIP awards will each pay out 100 per cent (see pages 104 and 105).

When the 2016 LTIP award was made the share price was 420.70 pence and this has risen 102 per cent over the vesting period to 850.29 pence, based on the three-month average share price ending on 31 December 2019.

When the 2017 LTIP award was made the share price was 493.0 pence and this has risen 72 per cent over the vesting period to 850.29 pence, based on the three-month average share price ending 31 December 2019.

Given this strong performance, and the returns for shareholders, the Committee considered it was entirely appropriate that the variable components of pay for the Executive Directors will pay out close to their maximum. 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 clearly do.

PHIL REDDING

On 28 January 2020 we announced that Phil Redding would be stepping down from the Board following a management reorganisation. Details of the payments which will be made to him in respect of the termination of his employment due to redundancy are set out on page 116. The Committee approved these payments which will be made in accordance with the Policy.

LOOKING AHEAD

The key areas of focus for the Committee in 2020 will be:

- finalising the practical application of the post cessation shareholding guidelines;
- once the Board has concluded its ESG strategic review, considering ways in which this might be reflected in the remuneration framework (see page 77);
- monitoring the emerging trends in corporate governance;
- considering how the pension benefits of existing Executive Directors might be modified in future; and
- reflecting on the impact of the management restructuring announced on 28 January 2020 on executive responsibilities and remuneration.

CONCLUSION

In bringing forward to last year's AGM a package of changes to our Remuneration Policy, we recognised the inherent sensitivity of the subject. Nevertheless, we felt this was desirable in order to create a reward opportunity for Executive Directors better aligned to the future needs of the Company, to be seen at an early stage to recognise the desirability of reducing certain pension benefits and to be an early adoptee of new best practice shareholding guidelines. Accordingly, we undertook a significant consultation exercise, for which I would like to thank all participants, and took into account the feedback received in developing a final set of proposals for consideration at the AGM.

While this new Policy and associated amendments to the LTIP were duly adopted with satisfactory majorities, we must take responsibility for the lower than anticipated support for the Remuneration Report itself. My reflection is to recognise that even with the best of intentions such consultation exercises have some inherent limitations. We have endeavoured to respond constructively to this outcome, and I believe that the measures we have since adopted should be seen to be sufficiently responsive to the concerns which informed the vote on last year's Report.

I commend this Report to you, and very much hope it attracts widespread support from shareholders at this year's AGM.

If you have any questions about remuneration generally, or the contents of this Report, do please contact me at christopher.fisher@segro.com. I will be attending the AGM and should 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 2019

Throughout the year the Committee has acted in accordance with its Terms of Reference which were updated in September 2019 and can be found at www.SEGRO.com.
In addition to the Policy review and shareholder consultation, other key areas of focus of the Committee were:

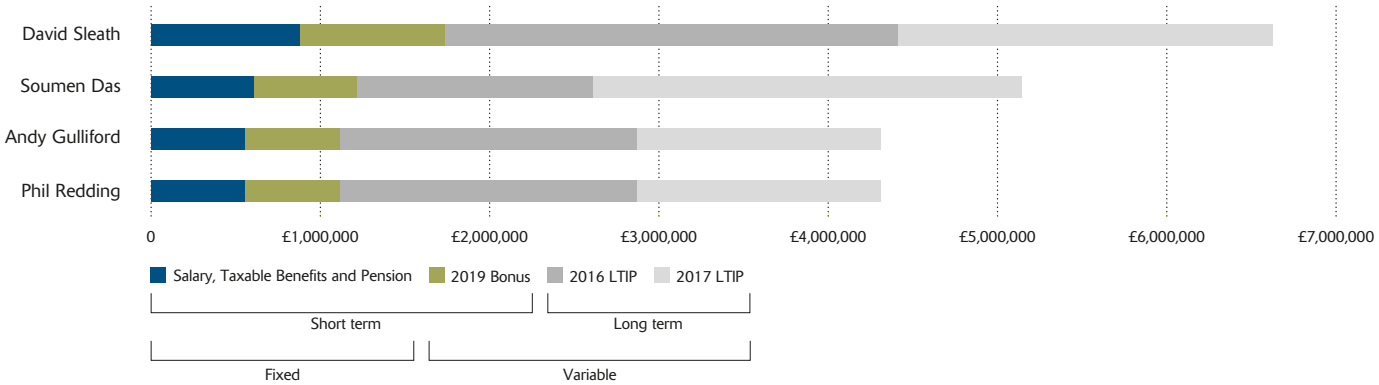
- reviewing the changing trends in corporate governance, the UK Corporate Governance Code 2018 and associated guidance;
- the approval of the Executive Directors' annual salary increases, the approval of the 2018 Bonus payments and the outturn of the 2015 LTIP award, along with the approval of the 2019 Bonus and 2019 LTIP targets;
- the approval of the 2019 SIP and GSIP awards and approval of the new targets for these schemes in 2020;
- a review of Gerald Corbett's fee, as foreshadowed in last year's report;
- a review of workforce pay to ensure that it continues to be aligned with the structure of remuneration for the Executive Directors;
- the approval of amendments to the Bonus scheme and LTIP rules to incorporate malus and clawback provisions;
- noting the group-wide all employee 2019 salary review and the salary increases, bonus and LTIP awards for the Leadership team;
- the review and updating of the Terms of Reference for the Committee to reflect changes in the Code and the Policy;
- receiving a governance update from Korn Ferry on emerging themes and best practice; and
- considering the remuneration arrangements on the termination of Phil Redding's employment.

GOVERNANCE

DIRECTORS' REMUNERATION REPORT CONTINUED

The following section provides details of how the Company's Remuneration Policy was applied during the financial year ended 31 December 2019.

BREAKDOWN OF EXECUTIVE DIRECTORS' TOTAL REMUNERATION IN 2019



The vesting of both the 2016 and 2017 LTIP in 2020 is a one-off, exceptional event and is explained further on pages 104 and 105.

EXECUTIVE DIRECTORS' SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED)

CHART 1: EXECUTIVE DIRECTORS' SINGLE TOTAL FIGURE OF REMUNERATION FOR 2019

	David Sleath		Soumen Das		Andy Gulliford		Phil Redding[1]		TOTAL	
	2019 £000	2018 £000	**2019 £000**	2018 £000	**2019 £000**	2018 £000	**2019 £000**	2018 £000	**2019 £000**	2018 £000
SALARY	**678**	633	**486**	470	**444**	414	**444**	414	**2,052**	1,931
TAXABLE BENEFITS	**20**	20	**20**	20	**20**	20	**20**	20	**80**	80
PENSION BENEFITS	**178**	190	**97**	94	**89**	83	**89**	83	**453**	450
TOTAL FIXED	**876**	843	**603**	584	**553**	517	**553**	517	**2,585**	2,461
SINGLE YEAR VARIABLE[2] – BONUS, INCLUDING DSBP	**862**	902	**611**	670	**563**	590	**563**	590	**2,599**	2,752
MULTIPLE YEAR VARIABLE[2,3] – LTIP	**4,885**	2,198	**3,930**	659	**3,198**	1,439	**3,198**	1,439	**15,211**	5,735
OTHER – SIP AND SHARESAVE	**4**	4	**4**	4	**4**	4	**4**	4	**16**	16
TOTAL VARIABLE	**5,751**	3,104	**4,545**	1,333	**3,765**	2,033	**3,765**	2,033	**17,826**	8,503
TOTAL	**6,627**	3,947	**5,148**	1,917	**4,318**	2,550	**4,318**	2,550	**20,411**	10,964

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 2018 have been updated since the 2018 Annual Reports as some values were estimated. For further information, see pages 103 and 105 respectively.

3 As explained further in the Chair's letter on page 98 and on pages 104 and 105, the 2019 Multiple Year Variable figure comprises both the 2016 and 2017 LTIP Awards which will both vest in 2020. For further information on the 2019 Multiple Year Variable figure and share price appreciation on the 2016 and 2017 LTIP Awards, see Charts 6i and 6ii on page 105.

SALARY (AUDITED)

On 1 April 2019, the Chief Executive's base salary was £692,000 the Chief Financial Officer's base salary was £490,383, and the base salaries of the Chief Investment Officer and the Chief Operating Officer were each £452,532.

From 1 April 2020, David Sleath, Soumen Das and Andy Gulliford will receive an increase to salary of 3 per cent.

TAXABLE BENEFITS

Taxable benefits include private medical healthcare, plus cash allowance in lieu of a company car. In addition, Executive Directors are entitled to life assurance which is not taxable.

PENSION BENEFITS

In 2019, 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 will be further reduced to 20 per cent of base salary in April 2020. The other Executive Directors received a cash allowance of 20 per cent of base salary. Further information on Executive Directors' pension benefits can be found in the Chair's letter on page 97.

Future Executive Directors will receive a pension or cash allowance in line with the UK workforce.

EXECUTIVE DIRECTORS' PENSION ARRANGEMENTS (AUDITED)

CHART 2: DEFINED BENEFIT SCHEME

	Pension input amount, net of Directors' contributions, in the year ending 31.12.2019	Defined benefit pension accrued at 31.12.2019[1]
Andy Gulliford[2]	n/a	£46,000
Phil Redding[2]	n/a	£62,000

1 Pensions are payable from normal retirement age, which is 62, and can be taken earlier with appropriate reductions.

2 Andy Gulliford and Phil Redding left the SEGRO Pension Scheme on 31 March 2016 and receive a cash payment in lieu of pension contribution.

David Sleath left the SEGRO Pension Scheme on 17 April 2011. During 2018, he transferred his pension to an external pension arrangement and has no further entitlement under the SEGRO Pension Scheme.

Soumen Das has never been a member of the SEGRO Pension Scheme.

There are no contractual arrangements that would guarantee a pension with limited or no abatement on severance or early retirement.

GOVERNANCE

DIRECTORS' REMUNERATION REPORT CONTINUED

SINGLE YEAR VARIABLE – BONUS, INCLUDING DSBP (AUDITED)

The single year variable amount includes the cash Bonus payable and monetary value of the shares awarded under the Deferred Share Bonus Plan (DSBP). In accordance with the Remuneration Policy, 50 per cent of any Bonus earned in 2019 will be deferred into shares under the DSBP. Vesting of shares is dependent on continued employment or good leaver status.

2019 BONUS

For the Executive Directors, the 2019 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.

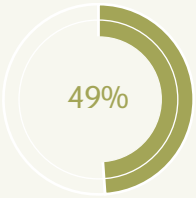
CHART 3i: PROFIT – ADJUSTED PBT AGAINST TARGET

For this element, a Bonus is earned for Adjusted PBT performance against target. 50 per cent is earned on achieving the threshold target (£252.2 million for 2019), rising to 100 per cent for achieving the maximum target (£271.1 million for 2019). 100 per cent of this element was achieved in 2019, with Adjusted PBT performance for bonus purposes of £275.5 million.

CHART 3ii: 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 (£54.9 million in 2019). In 2019, RRG from standing stock was positive, thus ensuring the threshold was achieved. Total RRG including the contribution from developments was £55.9 million for Bonus purposes and, accordingly, 100 per cent of this element was achieved.

CHART 3iii: 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 2019 was 12.6 per cent, being 8.3 per cent for the UK and 12.2 per cent for Continental Europe. At the date of this report the MSCI Benchmark was only available for the UK, at 6.8 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 49 per cent of the overall TPR will be achieved for 2019 Bonus payments. The TPR figures stated above are different to those stated in the KPIs on page 40, which relate to standing investments only.

Payment of the TPR element will be deferred until Summer 2019, when the European MSCI Benchmarks become available. Accordingly, the actual payment made under the TPR element of the 2018 Bonus, together with the deferral under the DSBP, may differ from the amount disclosed in this Report.

Bonus targets for Adjusted PBT and RRG are set on 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 2019 Bonus are expected be paid in April 2020, less a 50 per cent deferral for the DSBP.

The DSBP award will be made in Summer 2020, once the European MSCI Benchmarks become available and final Bonus figures can be calculated.

Any payments under the 2019 Bonus and any awards made under the DSBP will be made in accordance with the Policy. Bonus payments are calculated as a percentage of Executive Directors' salaries as at 31 December of the previous year.

The vesting of the 2019 DSBP will be in April 2023, the third anniversary of the payment of the profit and RRG element of the 2019 Bonus. Details of the DSBP awards granted to Executive Directors are set out in Chart 13 on page 112.

Any payments under the 2020 Bonus, payable in 2021, will be made in accordance with the Policy and will be consistent with the targets set out above.

2018 BONUS (ESTIMATED IN 2018 ANNUAL REPORT)

As the MSCI Benchmark data was not available at the date of publication of the 2018 Annual Report, the 2018 Bonus figure in Chart 1 has been re-presented to reflect the actual achievement of 82.8 per cent (estimate: 65 per cent) of the TPR element.

CHART 4i: BONUS PAYMENT 2018 – ESTIMATED

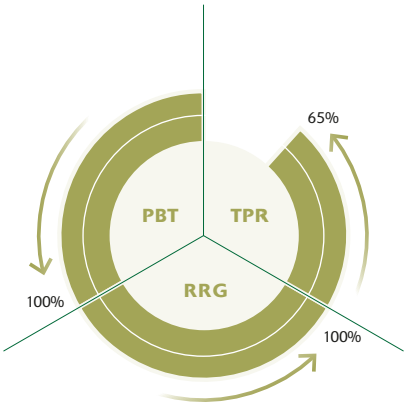
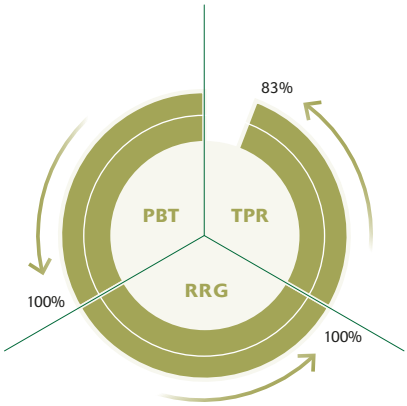


CHART 4ii: BONUS PAYMENT 2018 – ACTUAL



GOVERNANCE

DIRECTORS' REMUNERATION REPORT CONTINUED

MULTIPLE YEAR VARIABLE – LTIP

LTIP awards made from 2017 onwards are subject to a three-year performance period and a compulsory two-year holding period for Executive Directors.

LTIP AWARD IN 2020

LTIP awards made after the 2019 AGM are subject to three equally-weighted performance conditions: TSR, TPR and TAR. LTIP awards made before the 2019 AGM were subject to equally weighted TSR and TPR performance conditions only.

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. 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 year.	This benchmark is based on the MSCI All Industrial Country benchmarks weighted to reflect the approximate geographical mix of the Group's portfolio. 20 per cent of this element vests if the Company's TPR over the performance period is in line with the MSCI Benchmark, rising on a straight-line basis to 100 per cent if the MSCI Benchmark is exceeded by 1.5 per cent per year.	This benchmark is based on the market capitalisation weighted TAR of other FTSE 350 REITs. 20 per cent of this element vests if the Company's TAR over the performance period is in line with benchmark TAR, rising on a straight-line basis to 100 per cent vesting if the benchmark is exceeded by 2.5 per cent per year.

Any awards made under the LTIP in 2020 will be made in accordance with the Policy and will be consistent with the targets set out above. LTIP awards are calculated as a percentage of Executive Directors' salaries as at 31 December of the previous year. Details of the LTIP awards granted to the Executive Directors are set out in Chart 14 on page 113.

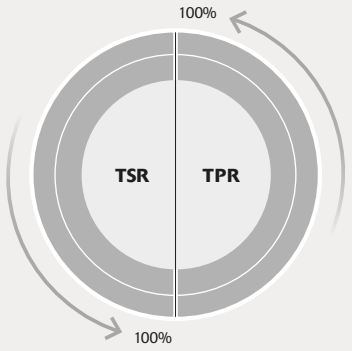
Dividends will accrue on LTIP shares which are released on vesting and the Committee has the right to decide that this payment may be made in cash or shares.

LTIP AWARDS VESTING IN 2020

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 will vest in 2020.

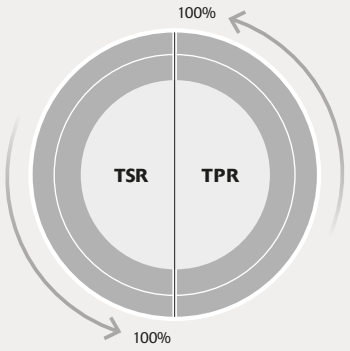
The 2016 and 2017 LTIP Awards will vest on 7 April 2020 and 28 April 2020 respectively, subject to relative TSR and TPR over the four and three-year performance periods to 31 December 2019.

CHART 5i: 2016 LTIP



- The Company's TSR over the performance period for the 2016 LTIP was 132.7 per cent and the benchmark TSR was -7.0 per cent.
- The Company's TSR outperformance of 25.8 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 2016 and 2019 of 14.8 per cent and an estimated MSCI Benchmark over the same period of 12.9 per cent.
- On this basis, the Company's four-year TPR to 31 December 2019 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.

CHART 5ii: 2017 LTIP



- The Company's TSR over the performance period for the 2017 LTIP was 125.2 per cent and the benchmark TSR was 10.0 per cent.
- The Company's TSR outperformance of 27.0 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 2017 and 2019 of 16.5 per cent and an estimated MSCI Benchmark over the same period of 14.8 per cent.
- On this basis, the Company's three-year TPR to 31 December 2019 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.

As with the Bonus, the complete TPR data will not be available until after the date of this Report. For the purpose of the Executive Directors' single figure calculations (Chart 1), the performance for the TPR element has been estimated.

Vesting of the TPR element of both the 2016 and 2017 LTIP will be deferred until Summer 2020, 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 vesting share price of these awards has been estimated at 850.29 pence, based on the three-month average share price ending 31 December 2019.

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. 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 2016 or 2017 Awards.

Once vested, the 2017 LTIP will be subject to a further two-year compulsory holding period. During this 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. However, they will not be able to sell or transfer these shares until the end of the holding period. The Company has measures in place to prevent these shares from being sold or transferred until the end of the holding period.

CHART 6i: 2016 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 (%)	Value in Chart 1 attributable to share price appreciation	Dividend (pence per share)[2]
David Sleath		200	290,152				£1,246,458	
Andy Gulliford	420.7	200	189,916	100	850.29	+ 102.11	£815,856	71.78
Phil Redding		200	189,916				£815.856	
Soumen Das	434.0	n/a[4]	153,674			+ 95.92	£639,726	56.10[3]

1 The vesting share price has been estimated at 850.29 pence, based on the three-month average share price ending 31 December 2019.

2 The figure in Chart 1 includes a cash value of 71.78 pence per share for David Sleath, Andy Gulliford and Phil Redding, equivalent to the dividends that they would have received on the 2016 LTIP shares from the award date.

3 As Soumen Das' replacement LTIP award was granted on 2 May 2017, he is only eligible to receive cash in lieu of dividends from this date. Therefore, the figure in Chart 1 includes a cash value of 56.10 pence per share.

4 In order to recruit Soumen Das it was necessary to buy out the share awards he forfeited on leaving his previous employer. Further details are available on page 96 of the 2016 Annual Report.

CHART 6ii: 2017 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 (%)	Value in Chart 1 attributable to share price appreciation	Dividend (pence per share)[3]
David Sleath		200	243,813				£871,114	
Soumen Das	493.0	300[2]	279,918	100	850.29	+ 72.47	£1,000,113	56.10
Andy Gulliford		200	159,634				£570,353	
Phil Redding		200	159,634				£570,353	

1 The vesting share price has been estimated at 850.29 pence, based on the three-month average share price ending 31 December 2019.

2 As part of his recruitment package, Soumen Das was awarded 300 per cent of salary in respect of the 2017 LTIP. Further details are available on page 96 of the 2016 Annual Report.

3 The figure in Chart 1 includes a cash value of 56.10 pence per share, equivalent to the dividends that all the Executive Directors would have received on the 2017 LTIP shares from the award date.

LTIP VESTING IN 2019 (ESTIMATED IN 2018 ANNUAL REPORT)

The 2015 LTIP Award vested on 22 May 2019, subject to the TSR and TPR performance conditions over the four-year performance period to 31 December 2018. As previously reported, 100 per cent of the TSR element vested. The 2018 Remuneration Report estimated that the TPR element would vest at 100 per cent. The Company's actual TPR over the performance period was 16.3 per cent and the benchmark was 13.7 per cent. The Company's TPR outperformance of 2.3 per cent compared with the benchmark led to 100 per cent of the TPR element vesting. Overall, this resulted in a total payout of 100 per cent for the 2015 LTIP Award as estimated in the 2018 Annual Report.

In the 2018 Annual Report the estimated vesting share price for the 2015 LTIP, was 612.96 pence, and the figure in Chart 1 has been re-presented to reflect the actual vesting share price of 717.77 pence.

GOVERNANCE

DIRECTORS' REMUNERATION REPORT CONTINUED

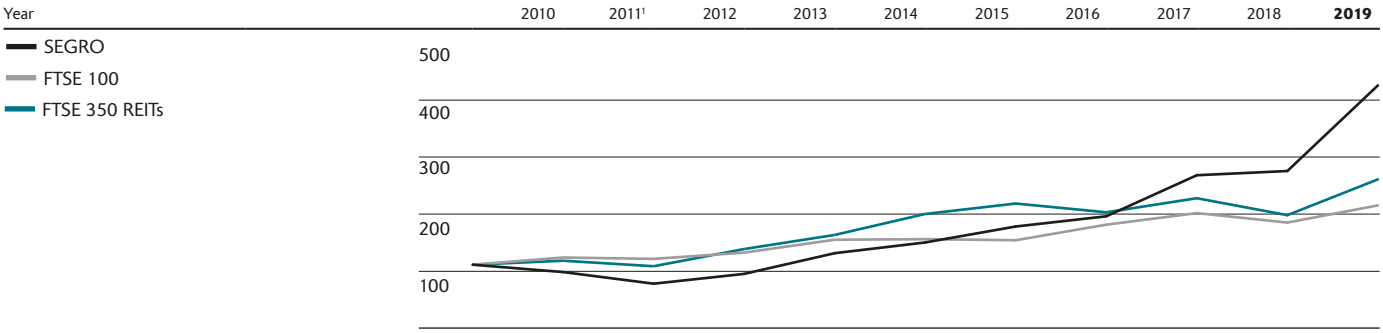
OTHER – SIP AND SHARESAVE

The 'other' figure in Chart 1 comprises SIP, based on the number of shares awarded to Executive Directors during the year and the share price at the date of grant, and Sharesave, based on the discount represented by the option price, multiplied by the Executive Directors' annual savings.

SIP	SHARESAVE (SAYE)
During the year, Share Incentive Plan (SIP) awards of £3,000 were made to all eligible UK employees. The number of shares awarded was calculated using a share price of 681.92 pence, based on the five-day average share price prior to the date of award. Eligible employees based outside of the UK also received awards of £3,000 under the Global Share Incentive Plan (GSIP). All eligible employees received 439 shares in respect of the 2019 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 2019 SAYE was 529.60 pence.

CHIEF EXECUTIVE

CHART 7: COMPOSITE TEN-YEAR TSR CHART AND TEN-YEAR CHIEF EXECUTIVE SINGLE TOTAL FIGURE OF REMUNERATION



	Chief Executive	2010	2011[1]	2012	2013	2014	2015	2016	2017	2018	**2019**
Chief Executive single figure of remuneration £000	David Sleath	–	860	1,194	1,370	2,043	2,388	3,788	4,125	3,947[2]	**6,627**
	Ian Coull	1,896	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	**83.0**
	Ian Coull	97.3	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**
	Ian Coull	26.0	26.0	–	–	–	–	–	–	–	**–**

1 On 28 April 2011, Ian Coull retired as Chief Executive and David Sleath was appointed to this role. The values shown above have been pro-rated accordingly.

2 This figure has been updated since the 2018 Annual Report as some values were estimated. For further information see Chart 1.

CHART 8: PERCENTAGE INCREASE IN CHIEF EXECUTIVE'S REMUNERATION COMPARED TO AVERAGE EMPLOYEE

	Chief Executive			Average per employee[1]		
	2019 £000	2018 £000	Increase %	**2019 £000**	2018 £000	Increase %
Salary received during the year	**678**	633	7	**89**	85	5
Taxable benefits received during the year	**20**	20	0	**9**	8	4
Annual variable pay received during the year (Bonus and DSBP)	**862**	902	(4)	**45**	46	(1)
Total	**1,560**	1,555	0	**143**	139	3

1 Average per employee is based on UK employees who have been continually employed for the entirety of 2018 and 2019 and entitled to receive annual variable payment. UK employees represent approximately 56 per cent of the workforce.

As explained in the Chair's letter on page 97, shareholders approved a salary rise for David Sleath of 8.5 per cent from 1 April 2019 while the average all-employee increase was 3.5 per cent.

CEO PAY RATIO

SEGRO believes in transparency which is why, despite falling below the threshold of 250 UK employees determined by the legislation, we have voluntarily reported the CEO Pay Ratio since its introduction in 2018. We have again opted for Option A as the preferred method of calculation as it is the most statistically accurate method as recommended by the legislation.

CHART 9: CEO PAY RATIO

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
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 2019, detailed further in Chart 1, has been used for the purposes of this calculation.

The above increases to the CEO Pay Ratio can, for the most part, be attributed to the vesting of both the 2016 and 2017 LTIP Awards in 2020, which is an exceptional event with a subsequent one-off impact.

If the 2017 LTIP was excluded from these calculations, the median pay ratio would be 47:1, compared with 41:1 in 2018, with this increase largely reflecting the share price appreciation for the 2016 LTIP Award, which has been estimated at 102 per cent and is explained on Chart 6i on page 105.

Whilst this growth in share price has created benefit for shareholders, is it recognised that it also has an implication when comparing the remuneration of the Chief Executive with that of employees who do not all receive a variable, long-term element of remuneration.

The shareholder-approved changes to the Chief Executive's remuneration package detailed in the 2018 Remuneration Report have had a minimal impact on the increase in the CEO Pay Ratio between 2018 and 2019.

SEGRO's median CEO Pay Ratio remains below the FTSE 100 2018 average of 114:1 (source: CIPD).

CHART 10: RELATIVE IMPORTANCE OF SPEND ON PAY

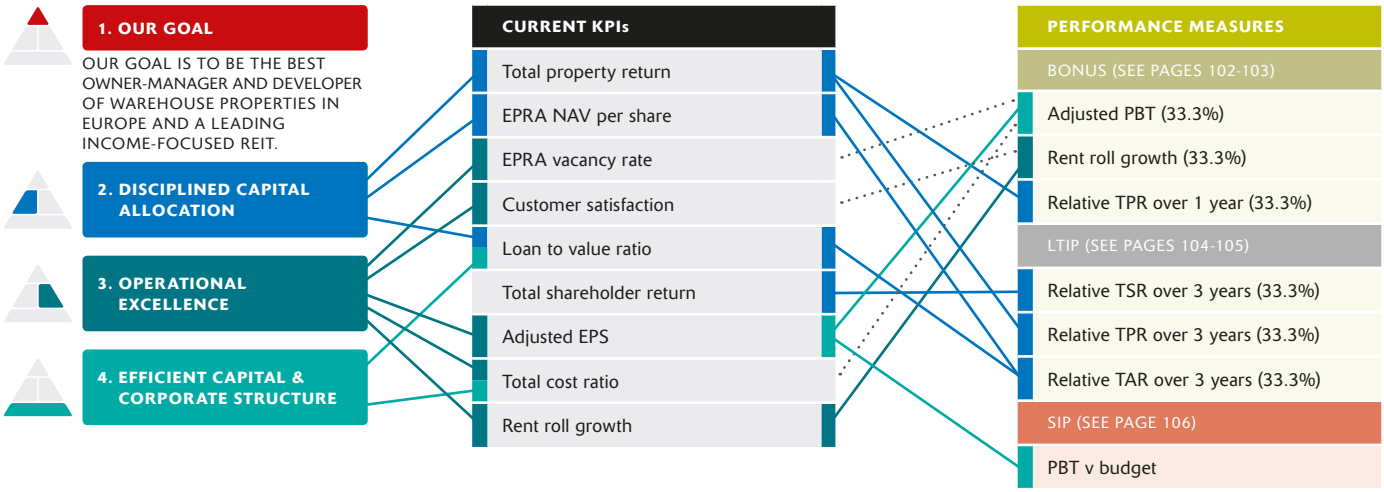
	2019 (£m)	2018 (£m)	Increase (%)
Total dividend pay	**212.6**	169.9	25
Total employee expenditure	**44.7**	39.5	13

GOVERNANCE

DIRECTORS' REMUNERATION REPORT CONTINUED

REMUNERATION AND STRATEGY

The below chart shows how the variable remuneration was aligned with the KPIs on pages 40 and 41 that measure performance against our strategy:



All performance measures feed directly into both Executive Directors' and employees' remuneration, which is aligned as shown opposite.

TOTAL PROPERTY RETURN PERFORMANCE MEASURE

Shareholders have asked us occasionally 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, in the current stage of the property cycle, where asset values have been rising 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.

Further, the TPR measures used for the Bonus and LTIP reflect the different award periods and so exactly the same data is not used twice.

ESG TARGETS

Each year, the Company offers all employees the opportunity to receive SEGRO shares. The shares are awarded on the basis of achievement of a profit target, with the maximum award of £3,000 for achieving at least 105 per cent of the PBT budget. The shares are held for at least three years in either the UK, HMRC approved SIP scheme or the GSIP scheme in Continental Europe.

As explained in the Chair's letter, the Committee is aware of increased demand for investors to introduce ESG targets in the remuneration arrangements and this will be an area of focus in 2020. Our employees are also keen to support the ESG agenda. This year, we have changed the SIP and GSIP targets to encourage our employees to reduce their paper usage. For 2020, these awards will be calculated by the achievement of both financial and non-financial elements. The maximum award has been increased to £3,600. The payout will be based on a sliding scale of PBT performance against budget and a reduction in paper use. The maximum pay out will only be achieved if PBT exceeds budget by 102 per cent and paper use is reduced by 50 per cent compared with 2019.

WORKFORCE REMUNERATION

EXECUTIVE DIRECTORS		ALL EMPLOYEES
Pay rise in line with employee pay	SALARY	Increases approved by the Remuneration Committee
Max 150% Targets: TPR, RRG, Profit	BONUS	All employees are eligible for a bonus Targets: TPR, RRG, Profit, Personal performance
50% Deferred for 3 years	DEFERRED SHARE BONUS PLAN	Leadership team 25% Deferred for 3 years
Max 250% 3 years, 2 year holding period Targets: TSR, TPR, TAR	LONG TERM INCENTIVE PLAN	Leadership team and senior managers 3 years, No holding period Targets: TSR, TPR, TAR
20% cash	PENSION BENEFIT	(UK) 12% matched contribution or 10% cash
Max £3,000 Min 3 year hold	SHARE INCENTIVE PLAN	Max £3,000 Min 3 year hold
£500/month 3 year savings period	SHARESAVE	(UK) £500/month 3 year savings period

EMPLOYEE SHARE OWNERSHIP

SEGRO is proud to operate two types of all-employees share scheme which encourage employees to own shares in the Company and aligns the interests of employees with shareholders. As at 31 December 2019, 83 per cent of the workforce participate in one or more all-employee share scheme.

In 2019, all eligible employees across the Group received the maximum award of £3,000 worth of shares in SEGRO through the SIP or GSIP. A total of 121,164 shares were awarded to 276 employees under these schemes, representing 98 per cent of the eligible workforce at the time of award.

In the UK, Sharesave is offered on an annual basis and employees can save up to £500 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. 66 per cent of UK employees participate in Sharesave, saving on average £317 per month.

As at 31 December 2019, 8,515,522 shares were under award in employee share schemes, representing 0.78 per cent of SEGRO's issued share capital.

GOVERNANCE

DIRECTORS' REMUNERATION REPORT CONTINUED

STAKEHOLDER ENGAGEMENT

The Committee has three primary stakeholders:

- shareholders;
- Directors whose pay and benefits are within its remit; and
- the Company's workforce.

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.

Further information on shareholder engagement during the recent consultation exercise on the Policy can be found in the Chair's letter on page 97.

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. Every employee is eligible for an annual bonus; the maximum award is based on role and seniority with a quarter of the award being calculated on the basis of personal performance, while the other three metrics are the same as those for the Executive Directors. Those in the Leadership team are subject to bonus deferral and, along with senior managers, they are eligible for LTIP awards, which are subject to the same performance conditions as the Executive Directors.

The Company offers all-employee share schemes to encourage employee share ownership. See page 109 for further information.

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.

EXECUTIVE DIRECTORS' SHAREHOLDINGS

POLICY ON SHAREHOLDING GUIDELINES (AUDITED)

The Chief Executive is expected to build a shareholding in the Company equivalent to 300 per cent of the value of his base salary calculated by reference to the share price as at 31 December 2019. The other Executive Directors are expected to hold shares equivalent to 250 per cent of their base salaries.

All Executive Directors are required to retain half of their LTIP and DSBP shares post vesting until the above guidelines have been met and maintained.

In 2019 the shareholding guidelines were updated to include a post-cessation element requiring Executive Directors to retain their shareholding, up to the amount required by the guidelines, for two years after leaving the Company.

CHART 11: EXECUTIVE DIRECTORS' SHAREHOLDING AND SHAREHOLDING REQUIREMENTS

DAVID SLEATH
CHIEF EXECUTIVE OFFICER

810,441 shares
VALUE: £7,271,278
SHARES REQUIRED TO MEET POLICY: 231,101
POLICY MET

ACTUAL 1,051%
POLICY 300%

SOUMEN DAS
CHIEF FINANCIAL OFFICER

205,495 shares
VALUE: £1,843,705
SHARES REQUIRED TO MEET POLICY: 136,643
POLICY MET

ACTUAL 376%
POLICY 250%

ANDY GULLIFORD
CHIEF OPERATING OFFICER

582,738 shares
VALUE: £5,228,326
SHARES REQUIRED TO MEET POLICY: 126,096
POLICY MET

ACTUAL 1,155%
POLICY 250%

PHIL REDDING
CHIEF INVESTMENT OFFICER

446,023 shares
VALUE: £4,001,719
SHARES REQUIRED TO MEET POLICY: 126,096
POLICY MET

ACTUAL 884%
POLICY 250%

Value of shares calculated using a share price of 897.2 pence, as at 31 December 2019.

CHART 12: EXECUTIVE DIRECTORS' OVERALL INTEREST IN SHARES

	Beneficial interests[1] (including SIP shares) as at 01.01.2019	Beneficial interests[1] (including SIP shares) as at 31.12.2019	Subject to deferral under DSBP	Subject to achievement of performance conditions under LTIP	Options outstanding under Sharesave	Total overall interest in shares as at 31.12.2019	Shares which contribute to shareholding guidelines as at 31.12.2019[2]
David Sleath	691,854	692,293	222,921	961,537	4,914	1,881,665	810,441
Soumen Das	153,345	145,581	113,046	751,320	4,914	1,014,861	205,495
Andy Gulliford	481,809	511,647	134,134	629,499	4,265	1,279,545	582,738
Phil Redding	345,094	374,932	134,134	629,499	3,616	1,142,181	446,023

1 Beneficial interests in Chart 12 above 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 2019 and 13 February 2020, there were no changes in respect of the Executive Directors' shareholdings. The Trustees of the SIP held a non-beneficial interest in 472,175 shares as at 1 January 2019, 454,256 shares as at 31 December 2019 (2018: 472,175) and 453,940 shares as at 13 February 2020. The Trustees of the SEGRO plc Employees' Benefit Trust held 432,924 shares as at 1 January 2019 and 345,210 shares as at 31 December 2019 (2018: 432,924). There was no change in their holdings between 31 December 2019 and 13 February 2020. As with other employees, Executive Directors are deemed to have a potential interest in these shares, being beneficiaries under these two Trusts.

2 The numbers of shares which contribute towards the shareholding requirement in Chart 11 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.

GOVERNANCE

DIRECTORS' REMUNERATION REPORT CONTINUED

EXECUTIVE DIRECTORS' SHARE SCHEME HOLDINGS (AUDITED)

CHART 13: DSBP AWARDS OUTSTANDING

	Date of Grant	No. of shares under award 01.01.19	No. of shares over which awards were granted during the year[1]	Share price on grant (pence)[2]	Face value of award made in 2019 (£)	No. of shares released during the year	Share price on date of release (pence)	No. of shares under award 31.12.19	End of holding period
DAVID SLEATH									
2015 DSBP	26.05.16	105,935	–	431.1	–	105,935	685.5	–	28.04.19
2016 DSBP	28.06.17	90,271	–	495.5	–	–	–	90,271	28.04.20
2017 DSBP	28.06.18	69,920	–	664.0	–	–	–	69,920	28.04.21
2018 DSBP[4]	28.06.19	–	62,730	718.6	450,778	–	–	62,730	28.04.22
TOTAL		**266,126**						**222,921**	
SOUMEN DAS[3]									
Replacement Award	02.05.17	31,577	–	434.0	–	31,577	661.0	–	01.03.19
Replacement Award	02.05.17	72,999	–	434.0	–	72,999	661.0	–	01.03.19
2016 DSBP	28.06.17	14,474	–	495.5	–	–	–	14,474	28.04.20
2017 DSBP	28.06.18	51,957	–	664.0	–	–	–	51,957	28.04.21
2018 DSBP[4]	28.06.19	–	46,615	718.6	334,975	–	–	46,615	28.04.22
TOTAL		**171,007**						**113,046**	
ANDY GULLIFORD									
2015 DSBP	26.05.16	55,471	–	431.1	–	55,471	685.5	–	28.04.19
2016 DSBP	28.06.17	47,283	–	495.5	–	–	–	47,283	28.04.20
2017 DSBP	28.06.18	45,779	–	664.0	–	–	–	45,779	28.04.21
2018 DSBP[4]	28.06.19	–	41,072	718.6	295,143	–	–	41,072	28.04.22
TOTAL		**148,533**						**134,134**	
PHIL REDDING									
2015 DSBP	26.05.16	55,471	–	431.1	–	55,471	685.5	–	28.04.19
2016 DSBP	28.06.17	47,283	–	495.5	–	–	–	47,283	28.04.20
2017 DSBP	28.06.18	45,779	–	664.0	–	–	–	45,779	28.04.21
2018 DSBP[4]	28.06.19	–	41,072	718.6	295,143	–	–	41,072	28.04.22
TOTAL		**148,533**						**134,134**	

1 Awards are granted in the form of a provisional allocation of shares.

2 The share price of shares on grant is based on the mid-market quotation price for the day before the award, with the exception of the Replacement Awards granted to Soumen Das in 2017 where the share price on grant was determined by the Committee to reflect the fair value of the awards he forfeited on leaving his previous employer.

3 In order to recruit Soumen Das, it was necessary to buy out his 2016 bonus entitlement and the share awards he forfeited upon leaving his previous employer. Further details are available on page 96 of the 2016 Annual Report. These awards are subject to the same performance conditions as the other LTIP Awards.

4 Executive Directors were awarded 141 per cent of salary in respect of the 2018 Bonus, 50 per cent of which was deferred into shares under the 2018 DSBP.

CHART 14: LTIP AWARDS OUTSTANDING

	Date of Grant	No. of shares under award 01.01.19	No. of shares over which awards were granted during the year[1]	Share price on grant (pence)[2]	Face value of award made in 2019 (£)	No. of shares lapsed/not released during the year	No. of shares released during the year	Share price on date of release (pence)	No. of shares under award 31.12.19	End of performance period over which performance conditions have to be met
DAVID SLEATH										
2015 LTIP	22.05.15	280,500	–	422.5	–	–	280,500	717.8	–	31.12.18
2016 LTIP	07.04.16	290,152	–	420.7	–	–	–	–	290,152	31.12.19
2017 LTIP	28.04.17	243,813	–	493.0	–	–	–	–	243,813	31.12.19[5]
2018 LTIP	26.04.18	196,892	–	628.8	–	–	–	–	196,892	31.12.20
2019 LTIP[6]	29.05.19	–	230,680	691.0	1,593,999	–	–	–	230,680	31.12.21
TOTAL		**1,011,357**							**961,537**	
SOUMEN DAS[3]										
2015 LTIP	02.05.17	87,498	–	434.0	–	–	87,498	717.8	–	31.12.18
2016 LTIP	02.05.17	153,674	–	434.0	–	–	–	–	153,674	31.12.19
2017 LTIP	28.04.17	279,918[4]	–	493.0	–	–	–	–	279,918	31.12.19[5]
2018 LTIP	26.04.18	146,310	–	628.8	–	–	–	–	146,310	31.12.20
2019 LTIP[6]	29.05.19	–	171,418	691.0	1,184,498	–	–	–	171,418	31.12.21
TOTAL		**667,400**							**751,320**	
ANDY GULLIFORD										
2015 LTIP	22.05.15	183,600	–	422.5	–	–	183,600	717.8	–	31.12.18
2016 LTIP	07.04.16	189,916	–	420.7	–	–	–	–	189,916	31.12.19
2017 LTIP	28.04.17	159,634	–	493.0	–	–	–	–	159,634	31.12.19[5]
2018 LTIP	26.04.18	128,913	–	628.8	–	–	–	–	128,913	31.12.20
2019 LTIP[6]	29.05.19	–	151,036	691.0	1,043,659	–	–	–	151,036	31.12.21
TOTAL		**662,063**							**629,499**	
PHIL REDDING										
2015 LTIP	22.05.15	183,600	–	422.5	–	–	183,600	717.8	–	31.12.18
2016 LTIP	07.04.16	189,916	–	420.7	–	–	–	–	189,916	31.12.19
2017 LTIP	28.04.17	159,634	–	493.0	–	–	–	–	159,634	31.12.19[5]
2018 LTIP	26.04.18	128,913	–	628.8	–	–	–	–	128,913	31.12.20
2019 LTIP[6]	29.05.19	–	151,036	691.0	1,043,659	–	–	–	151,036	31.12.21
TOTAL		**662,063**							**629,499**	

1 Awards are granted in the form of provisional allocation of shares.

2 The share price of shares on grant is based on the mid-market quotation price for the day before the award, with the exception of the Replacement Awards granted to Soumen Das in 2017 where the share price on grant was determined by the Committee to reflect the fair value of the awards he forfeited on leaving his previous employer.

3 In order to recruit Soumen Das, it was necessary to buy out the share awards he forfeited upon leaving his previous employer. Further details are available on page 96 of the 2016 Annual Report. These awards are subject to the same performance conditions as the other LTIP Awards.

4 As part of his recruitment package, Soumen Das was awarded 300 per cent of salary in respect of the 2017 LTIP.

5 Following the approval of the 2017 Remuneration Policy at the 2017 AGM, LTIP awards made after the 2017 AGM 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.

6 Executive Directors were awarded 250 per cent of salary in respect of the 2019 LTIP.

GOVERNANCE

DIRECTORS' REMUNERATION REPORT CONTINUED

CHART 15: SHARESAVE OPTIONS OUTSTANDING

	Date of grant	No. of shares under option 01.01.19	Options granted during the year	Option price (pence)	Options exercised during the year	Options lapsed during the year	No. of shares under option 31.12.19	Period in which options can be exercised
DAVID SLEATH								
2017 Sharesave	02.05.17	4,914	–	366.24	–	–	4,914	01.06.20 – 31.11.20
TOTAL		**4,914**					**4,914**	
SOUMEN DAS								
2017 Sharesave	02.05.17	4,914	–	366.24	–	–	4,914	01.06.20 – 31.11.20
TOTAL		**4,914**					**4,914**	
ANDY GULLIFORD								
2017 Sharesave	02.05.17	2,457	–	366.24	–	–	2,457	01.06.20 – 31.11.20
2018 Sharesave	18.04.18	1,808	–	497.76	–	–	1,808	01.06.21 – 31.11.21
TOTAL		**4,265**					**4,265**	
PHIL REDDING								
2018 Sharesave	18.04.18	3,616	–	497.76	–	–	3,616	01.06.21 – 31.11.21
TOTAL		**3,616**					**3,616**	

CHART 16: SIP SHARES HELD IN TRUST

	No. of shares in trust 01.01.19	Shares awarded during the year	No. of shares in trust 31.12.19
David Sleath	7,887	439	8,326
Soumen Das	468	439	907
Andy Gulliford	8,704	439	9,143
Phil Redding	7,840	439	8,279

Further information about the share schemes can be found in Note 19 to the Financial Statements on pages 178 to 179.

HIGHEST AND LOWEST SHARE PRICES

The highest and lowest share prices during the year were 899.60 pence and 597.60 pence respectively.

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):

CHART 17: DILUTION HEADROOM

CHAIR AND NON-EXECUTIVE DIRECTORS

NON-EXECUTIVE DIRECTORS' SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED)

CHART 18: INDEPENDENT NON-EXECUTIVE DIRECTORS' SINGLE TOTAL FIGURE OF REMUNERATION FOR 2019 (AUDITED)

		TOTAL FEES	
		2019 £000	2018 £000
Gerald Corbett	Chair	**250**	250
Mary Barnard[1]		**50**	–
Sue Clayton[2]		**60**	35
Carol Fairweather[3]	Chair of the Audit Committee (since 18 April 2019)	**71**	60
Christopher Fisher	Chair of the Remuneration Committee	**75**	75
Martin Moore	Senior Independent Director (since 19 April 2018)	**75**	70
Doug Webb[4]	Chair of the Audit Committee (until 18 April 2019)	**50**	75

1 Mary Barnard was appointed as a Director on 1 March 2019.
2 Sue Clayton was appointed as a Director on 1 June 2018.
3 Carol Fairweather was appointed as a Director on 1 January 2018 and 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 do not receive taxable benefits.

NON-EXECUTIVE DIRECTORS' FEES (AUDITED)

The fees paid to the Chair are within the remit of the Committee, whilst the Non-Executive Directors' fees are a matter for the Board in the absence of the Non-Executive Directors. Both the fees for the Chair and the Non-Executive Directors were reviewed during 2019.

The Chair's fee was reviewed for the first time since his appointment in 2016, and from 1 January 2020 he will receive £275,000 per annum (2019: £250,000 per annum).

From 1 January 2020, the Non-Executive Directors will receive a base fee of £63,600 per annum (2019: £60,000 per annum), 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. Non-Executive Directors' fees were last increased in January 2018.

The increase in the fees paid to the Chair and the Non-Executive Directors represents a rise of three per cent per annum which is aligned with the annual average all-employee salary increase over the same time period. Future fee increases will be reviewed annually, taking account of the average all-employee increase.

The Chair and Non-Executive Directors do not participate in any of the Company's share-based incentive schemes nor do they receive any other benefits or rights under the pension scheme.

Chart 18 above shows the total remuneration received by each of the Chair and the Non-Executive Directors during the year.

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 2019.

CHART 19: NON-EXECUTIVE DIRECTORS' BENEFICIAL INTERESTS IN SHARES AND SHAREHOLDING REQUIREMENTS

	Beneficial Interests			Shareholding Requirements	
	31.12.2019 Ordinary 10p shares	01.01.2019 Ordinary 10p shares	Value of shares held 31.12.2019[2] (£)	Shareholding as a percentage of annual fees as at 31.12.2019 (%)	Shareholding requirements met
Gerald Corbett	63,960	63,960	573,849	230	✓
Mary Barnard[1]	–	–	–	–	–
Sue Clayton	7,000	–	62,804	105	✓
Carol Fairweather	12,000	12,000	107,664	144	✓
Christopher Fisher	20,592	20,592	184,751	246	✓
Martin Moore	17,442	17,442	156,490	209	✓

1 Mary Barnard was appointed as a Director on 1 March 2019.
2 Value of shares calculated using share price of 897.2 pence as at 31 December 2019.
There was no change in Directors' holdings between 31 December 2019 and 13 February 2020.

GOVERNANCE

DIRECTORS' REMUNERATION REPORT CONTINUED

EXTERNAL APPOINTMENTS

David Sleath was appointed as a Non-Executive Director of Electrocomponents Plc on 1 June 2019. During the year, he received a fee of £39,166 for his role.

EXIT PAYMENTS AND ARRANGEMENTS (AUDITED)

No exit payments were made to Directors during the year.

REMUNERATION STATEMENT IN RELATION TO PHIL REDDING PURSUANT TO SECTION 430(2B) COMPANIES ACT 2006

Further to the RNS announcement made on 28 January 2020, and in accordance with section 430(2B) Companies Act 2006, the following remuneration arrangements will apply in respect of Phil Redding ceasing to be a director of SEGRO plc and the termination of his employment due to redundancy.

Mr Redding stepped down from the Board on 31 January 2020 and his employment will end on 30 April 2020. The remuneration aspects of his departure are in line with the Policy approved by shareholders at the 2019 AGM.

- Salary and benefits

  Mr Redding will be paid 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.

  Following the termination of his employment, Mr Redding will receive a payment in lieu of the remaining nine months of his notice period in the amount of £422,409. This amount will be paid in monthly instalments over the period from 1 May 2020 until 31 January 2021. The monthly instalments will be reduced by any income Mr Redding earns from alternative employment or self-employment in the relevant period.

  Mr Redding will also receive a Statutory Redundancy Payment of £13,125.

- Bonus and DSBP

  Mr Redding will be eligible for consideration for a payment of bonus in respect of the 2019 financial year, subject to achievement of the performance conditions as approved by the Committee. In accordance with the Policy, 50 per cent of any cash bonus award will be deferred in shares for three years under the rules of the DSBP.

  In accordance with the DSBP rules, he will be entitled to receive shares awarded under the DSBP in 2016, 2017 and 2018, together with any DSBP award made for his 2019 bonus, in full on their respective vesting dates.

  Any shares awarded under the DSBP will continue to accumulate dividends and remain subject to malus and clawback provisions. Mr Redding will not be eligible for a bonus for 2020.

- LTIP

  Mr Redding will be treated as a good leaver under the rules of the LTIP. He will be eligible to receive shares, subject to the satisfaction of the performance conditions, and approval by the Committee, for his 2016, 2017, 2018 and 2019 awards. When these awards vest, they will be pro-rated up to the date that Mr Redding ceased to be an employee of the Company. The awards will continue to accumulate dividends until they are released and will be subject to the malus and clawback provision in the LTIP rules.

  Mr Redding will not be eligible for an LTIP award in 2020.

- All employee share scheme awards

  In line with other employees, Mr Redding will be treated as a good leaver in accordance with the HMRC and shareholder approved Sharesave scheme and SIP rules.

- Further information

  Mr Redding will receive a maximum contribution of £5,000 (plus VAT) towards his legal fees in connection with the termination of his employment. The Company will also offer outplacement services. He will be required to hold shares in the Company to the value of 250 per cent of his salary for a period of two years from 31 January 2020. Any payments made to Mr Redding will be subject to deductions for income tax and national insurance where applicable.

  No other remuneration payments or payment for loss of office has been or are due to be made.

FORMER DIRECTORS (AUDITED)

Ex gratia payments totalling £29,242 (2018: £44,930) were made during the year to two former Directors, 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 2019, Korn Ferry continued to assist with the shareholder consultation on the Remuneration Policy, provided advice on Executive Directors' remuneration, market and best practice guidance, including the new provisions of the Code. Its total fees for advice to the Committee in 2019 were £85,413 (2018: £106,983), 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.

Kepler Associates, a brand of Mercer, provided benchmark information to the Committee and the Company about Non-Executive Director fees. Its total fees for advice to the Committee in 2019 were £5,000 (2018: £18,820), calculated on a time-cost basis. Aon and Lane Clark & Peacock provided information to the Company in respect of pension-related matters. During the year, Slaughter and May provided advice to the Company in respect of its share-based incentive schemes as well as regulatory and pension matters.

SHAREHOLDER VOTING

Chart 20 below shows the results of the advisory vote on the 2018 Remuneration Report and the binding vote on the Remuneration Policy at the Company's AGM on 18 April 2019.

CHART 20: 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 2018	437,531,605	53.30	383,403,396	46.70	820,935,001	41,305,324
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.

A statement was made 18 April 2019 with respect to the votes cast against the 2018 Directors' Remuneration Report at the 2019 AGM and, in October 2019, a further update was published on our website, www.SEGRO.com. Further information is available in the Chair's letter on page 97.

This report was approved by the Board on 13 February 2020 and signed on its behalf by

CHRISTOPHER FISHER
CHAIR OF THE REMUNERATION COMMITTEE

GOVERNANCE

DIRECTORS' REMUNERATION POLICY – EXTRACT

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 an extract from the 2018 SEGRO Annual Report and Accounts. Chart 5, which outlined the potential remuneration in 2019 has been removed.

The full Remuneration Policy as approved by shareholders is available at www.SEGRO.com.

REMUNERATION POLICY

The key aim of the Remuneration Policy is to align the interests of Executive Directors with those of the shareholders by supporting the delivery of strategy. The structure of the remuneration framework is designed to reflect the strategic direction of the business and to align it with the Company's KPIs. In setting the Remuneration Policy, the Committee takes into consideration, amongst other matters, investor guidelines and the maximum amount of remuneration the Executive Directors could receive should all targets be met. The Executive Directors' remuneration is set within a remuneration framework which applies to all employees across the Group. Each of the key elements of the remuneration package is designed to drive the creation of long-term shareholder value, without encouraging Executive Directors to take inappropriate risk.

Each year, with the support of external advisers, the Committee undertakes a review of the remuneration of the Executive Directors. It has oversight of the remuneration of the Leadership team, who are the senior managers immediately below Board level. It considers the responsibilities, experience and performance of the Executive Directors and pay across the Group.

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.

GOVERNANCE

DIRECTORS' REMUNERATION POLICY – EXTRACT CONTINUED

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.

ADDITIONAL NOTES

Remuneration Policy: the policy for the Executive Directors is designed with regard to the pay and benefits for employees across the Group. All employees are eligible for an annual Bonus on the same performance measures which are consistent with those of the Executive Directors save that those below Board level have a fourth target based on their personal performance. The maximum Bonus opportunity is fixed according to seniority banding across the Company. The LTIP performance conditions are the same for all participants and the size of awards are determined by seniority.

Subject to consultation with major shareholders, the Committee retains the ability to adjust and/or to set different LTIP and Bonus performance measures if events occur (such as a change in strategy, a material acquisition and/or divestment of a Group business, or change in prevailing market conditions) which cause the Committee to determine that the measures are no longer appropriate and that amendment is required so that they achieve their original purpose.

Payments from existing awards: Executive Directors are eligible to receive payment from any award made prior to the approval and implementation of the Remuneration Policy.

CHART 2: REMUNERATION POLICY TABLE: CHAIR AND NON-EXECUTIVE DIRECTORS

Element	Strategic purpose	Operation	Maximum potential value	Performance metrics
Fees	To attract high-calibre Non-Executive Directors and provide market appropriate fees.	Fees are reviewed 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 increases in the fees of the Chair or the Non-Executive Directors will be based upon changes in roles and responsibilities and market data.	—

POLICY ON SERVICE CONTRACTS EXECUTIVE DIRECTORS

The Company may terminate the Executive Directors' service contract on up to 12 months notice, with no liquidated damages provisions.

NON-EXECUTIVE DIRECTORS

The Chair and the Non-Executive Directors have letters of appointment which set out their duties and anticipated time commitment to the Company. They are required to disclose to the Board any changes to their other significant commitments. The Non-Executive Directors are appointed for an initial term of three years. The appointments may be extended for further three-year periods on the recommendation of the Nomination Committee and subject to the Board's agreement. The Non-Executive Directors' letters of appointment contain a three-month notice period and the Chair's contains a six-month notice period. Further details are set out in Chart 3.

CHART 3: DATES OF APPOINTMENT AND CONTRACTUAL NOTICE PERIOD

Name	Date of appointment	Notice period
Gerald Corbett[1]	1 March 2016	6 months
David Sleath[2]	1 January 2006	12 months by the Company, 6 months by the Director
Soumen Das	16 January 2017	12 months by the Company, 6 months by the Director
Andy Gulliford	1 May 2013	12 months by the Company, 6 months by the Director
Phil Redding	1 May 2013	12 months by the Company, 6 months by the Director
Sue Clayton	1 June 2018	3 months
Carol Fairweather	1 January 2018	3 months
Christopher Fisher	1 October 2012	3 months
Martin Moore	1 July 2014	3 months
Doug Webb	1 May 2010	3 months

1 Appointed as Chair on 22 April 2016.
2 Appointed as Chief Executive on 28 April 2011.

GOVERNANCE

DIRECTORS' REMUNERATION POLICY – EXTRACT CONTINUED

POLICY ON RECRUITMENT

In determining appropriate remuneration for a new Executive Director, the Committee will take into consideration all relevant factors to ensure that arrangements are in the best interests of both the Company and its shareholders. The Committee may make an award in respect of a new appointment to 'buy out' incentive arrangements forfeited on leaving a previous employer. In doing so, the Committee will take account of relevant factors, including any performance conditions attached to these awards, the likelihood of those conditions being met, and the proportion of the vesting period remaining, and will seek to do no more than match the fair value of awards foregone. In limited circumstances where employees are awarded benefits for which Executive Directors are not eligible, such as share retention awards, the Committee would consider honouring existing awards should these employees be appointed to the Board.

CHART 4: RECRUITMENT POLICY

Component	Approach	Maximum opportunity
Base salary	The base salaries of new appointees will be determined taking into account the experience and skills of the individual, pay across the Group, relevant market data and their previous salary	—
Bonus	The structure set out in the Remuneration Policy table will apply to new appointees with the relevant maximum being pro-rated for their first year of employment	150 per cent of salary
DSBP	The structure set out in the Remuneration Policy table will apply to new appointees	50 per cent of the bonus awarded will be deferred
LTIP	New appointees will be eligible for awards under the LTIP on the same terms as the other Executive Directors	250 per cent of salary
Pension	New appointees will be offered membership of the SEGRO plc Group Personal Pension Plan or a cash alternative	The level provided to the majority of the UK workforce

POLICY ON TERMINATION PAYMENTS

The Company retains the right to terminate the service contract of any Executive Director subject to contractually agreed payments in lieu of notice which are limited to annual salary plus any specified benefits. Payments are normally phased over the 12-month notice period, based on the principle of a Director's duty to seek alternative employment and thereby mitigate their loss.

The Committee reserves the right to make additional exit payments where such payments are made in good faith, for example: in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment. In determining compensation, the Committee will take into account the circumstances of the departure, best practice and the provisions of the Code, and will take legal advice on the Company's liability to pay compensation.

Under the rules of the LTIP and the DSBP, the Committee has discretion to declare a Director leaving the Company to be a 'good leaver' as defined under the respective rules of the schemes. In respect of LTIP, this would normally allow the Directors, who the Committee determines to be good leavers, to receive their shares at the end of the holding period, subject to the achievement of performance conditions, with any vesting pro-rated in accordance with the proportion of the vesting period served. In respect of DSBP, this would normally allow the Directors, who the Committee determines to be good leavers, to receive their shares, in full, at the end of the holding period.

Where a Director may be entitled to pursue a claim against the Company in respect of their statutory employment rights or any other claim arising from the employment or its termination, the Company will be entitled to negotiate settlement terms (financial or otherwise) with the Director that the Committee considers to be reasonable in all the circumstances and in the best interests of the Company and to enter into a Settlement Agreement with the Director to effect both the terms agreed under the Service Agreement and any additional statutory or other claims, including bonus and/or share awards, in line with the policies described above.

In the event of a change of control of the Company, the Employee Benefit Trust, in consultation with the Company, has the discretion to determine whether, and the extent to which, awards vest. Financial performance and institutional guidelines would be taken into account in exercising this discretion.

Non-Executive Directors are not entitled to any compensation on loss of office.

POLICY ON EXECUTIVE DIRECTORS' EXTERNAL APPOINTMENTS

With the support of the Chair and Chief Executive, the Executive Directors may normally be permitted to take one non-executive directorship outside the Group, as these roles can broaden the experience brought to the Board. Such appointments require Board approval and the time commitment the appointment will require is taken into consideration. Executive Directors may retain fees for external appointments.

Any outstanding share awards made in accordance with a previous Remuneration Policy will remain in effect and will vest in accordance with the terms under which they were granted.

CONSIDERATION OF CONDITIONS ELSEWHERE IN THE GROUP

The Remuneration Policy for the Executive Directors is designed with regard to the policy for the workforce as a whole. The Committee now approves the remuneration of the Executive Committee. The Committee is kept updated through the year on general employment conditions and it approves the budget for annual salary increases. The Company did not consult with employees in formulating the Remuneration Policy.

CONSIDERATION OF SHAREHOLDER VIEWS

The Committee remains committed to open dialogue with shareholders on remuneration. When determining remuneration, the Committee takes into account the guidance of investor bodies and shareholder views. In 2019, it consulted with shareholders on the proposed changes to the 2019 Policy covered in the Chair's letter.

The Chair of the Remuneration Committee is available for meetings with shareholders should they have any concerns about remuneration matters which they wish to discuss.

GOVERNANCE

DIRECTORS' REPORT

SHARE CAPITAL

The issued share capital for the year is set out on page 178.

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.

DIVIDENDS

Subject to approval by shareholders at the 2020 AGM, a final dividend of 14.4 pence per share will be paid (2018: 13.25 pence) bringing the total dividend for 2019 to 20.7 pence (2018: 18.8 pence). The final dividend will be paid as a Property Income Distribution. The Board proposes to offer a scrip dividend option for the 2019 final dividend.

The ex-dividend date for the final dividend will be 19 March 2020, the record date will be 20 March 2020 and the payment date will be 1 May 2020.

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.

SECTION 172: STAKEHOLDER ENGAGEMENT

Please see page 23 for details of how the Directors have:

- engaged with employees;
- had regard to employee interests and the effect of that regard, including on the principal decisions taken by the Company during the year; and
- had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Company during the year.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

The following major interests, amounting to 3 per cent or more of the ordinary issued share capital have been notified to the Company.

	As at 31 December 2019	
Shareholder	Number of shares	Percentage of Issued Share Capital %
BlackRock Inc	116,496,919	10.62
ABP (Algemen Burgerlijk PSF)	68,893,654	6.28
State Street Corporation	54,981,456	5.01
The Vanguard Group, Inc	47,961,017	4.37
Legal & General Group	37,054,791	3.38
Affiliated Managers Group	35,249,821	3.21

No further announcements were made to the Company between 31 December 2019 and 13 February 2020.

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.

DIRECTORS' REPORT DISCLOSURES

Certain Directors' Report disclosures have been made in the Strategic Report so as to increase their prominence. These disclosures include those relating to: greenhouse gas emissions; financial instruments and certain financial risks; employee involvement; the employment, training and advancement of disabled persons; the review of the Group's business during the year and any future developments.

AUDITOR OF THE COMPANY

A resolution to reappoint PricewaterhouseCoopers LLP as auditor of the Company is to be proposed at the 2020 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 he ought to have taken as a Director in order to make himself 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
13 FEBRUARY 2020

GOVERNANCE

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration 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 Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the 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 the Company and of the profit or loss of the Group and the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group and the Company Financial Statements, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

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 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 IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group and 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
13 FEBRUARY 2020

SOUMEN DAS
CHIEF FINANCIAL OFFICER
13 FEBRUARY 2020

FINANCIAL STATEMENTS

In this section we present our Financial Statements for the year, presented in accordance with International Financial Reporting Standards, as adopted by the European Union.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SEGRO PLC	128
GROUP INCOME STATEMENT	135
GROUP STATEMENT OF COMPREHENSIVE INCOME	135
BALANCE SHEETS	136
STATEMENTS OF CHANGES IN EQUITY	137
CASH FLOW STATEMENTS	139
NOTES TO THE FINANCIAL STATEMENTS	140
FIVE-YEAR FINANCIAL RESULTS	199
FINANCIAL INFORMATION	200
ANALYSIS OF SHAREHOLDERS	200
SHAREHOLDER INFORMATION	201
GLOSSARY OF TERMS	202

FINANCIAL STATEMENTS

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 2019 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company's Financial Statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

We have audited the Financial Statements, included within the Annual Report & Accounts 2019 (the "Annual Report"), which comprise: the Group and Company Balance Sheets as at 31 December 2019; 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.

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

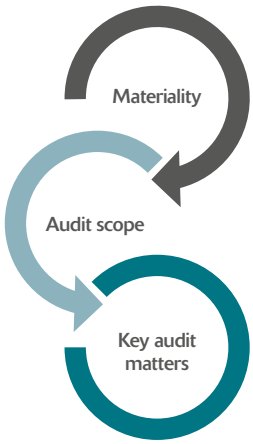
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities 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 from 1 January 2019 to 31 December 2019.

Our audit approach

Overview



- Overall Group materiality: £100.9 million (2018: £91.7 million), based on 1% of total assets.
- Overall Company materiality: £76.4 million (2018: £72.6 million), based on 1% of total assets.
- Specific materiality: £13.3 million (2018: £12.1 million), based on 5% of adjusted profit before tax, for items within adjusted profit before tax.

- 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 local auditors.
- Specified procedures performed by local auditors.
- Over 86% coverage of Assets, Liabilities, Income and Expenditure of the Group.

- Valuation of investment properties – Group and Company.
- Large and/or complex transactions – Group and 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

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 (see page 157 of the Annual Report), and we considered the extent to which non-compliance might have a material effect on the Financial Statements of the Group and Company. We also considered those laws and regulations that have a direct impact on the Financial Statements of the Group and Company such as the Companies Act 2006, the UK tax legislation and equivalent local laws and regulations applicable to significant components, and we considered the extent to which non-compliance might have a material effect on the Financial Statements. 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 amount of journals in the period.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Financial Statements, the less likely we would become aware of it. 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. This is not a complete list of all risks identified by our audit.

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SEGRO PLC CONTINUED

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties – Group and Company Refer to page 94 (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 £8,401.7 million as at 31 December 2019 and a total (realised and unrealised) property gain of £489 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 Spain, the Netherlands and the Czech Republic. The portfolio includes completed investments and properties under construction. The methodology applied in determining the valuation is set out in Notes 13 and 27 of the Financial Statements. 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. For development properties, 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 Ltd (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 also impacts 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, focusing 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 to 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 original construction contracts. For development properties, capitalised expenditure was tested on a sample basis to invoices, and budgeted costs to complete were compared to 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** Based on the work performed we found that the assumptions were supported by evidence we obtained.

Key audit matter	How our audit addressed the key audit matter
Large and/or complex transactions Refer to page 94 (Audit Committee Report) and the Financial Statements (including notes to the Financial Statements; Note 1, Significant accounting policies; Note 13, Properties; and Note 19, Share capital and share-based payments). **Group** There was a large disposal of a portfolio of big box warehouse assets in the UK. This was the largest property transaction in the current year. This warranted additional audit focus due to the magnitude of the transaction. **Group and Company** The equity placement during the year 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. **Significant disposal** We tested the disposal of this portfolio of UK big box warehouses by examining: – Sale and Purchase Agreements and completion statements; – Bank statements to agree consideration received; and – Examined the accounting treatment surrounding the transaction. **Equity placement** We tested the equity placement by examining: – Placement Agreement; – Submissions to the London Stock Exchange and Companies House; – Bank statements to agree funds received **Overall outcome** No material issues were identified as a result of our testing.

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. 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 geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

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 audited by the Group audit team from the UK, using Computer Assisted Audit Techniques for the work on rental income. 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.

The SELP Joint Venture was included as being in scope for a full scope audit, with the work on rental income and valuation of investment properties for the Joint Venture performed by the Group audit team.

Throughout the audit process, the Group audit team has had various interactions with the audit teams on location in each business unit to oversee the audit process. 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	99% coverage
Liabilities	99% coverage
Income	99% coverage
Expenditure	86% 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.

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SEGRO PLC CONTINUED

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:

	Group financial statements	Company financial statements
Overall materiality	£100.9 million (2018: £91.7 million).	£76.4 million (2018: £72.6 million).
How we determined it	1% of total assets.	1% of total assets.
Rationale for benchmark applied	The primary measurement attribute of the Group is the carrying value of property investments. On this basis, we set an overall Group materiality level based on total assets.	The primary measurement attribute of the Company is the carrying value of investments in subsidiaries. On this basis, we set an overall Company materiality level based on total assets.

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 £50 million and £85 million. In addition, we set a specific overall materiality level of £13.3 million (2018: £12.1 million), equating to 5 per cent of adjusted profit before tax, for items impacting adjusted profit before tax. In arriving at this judgement we had regard to the fact that the adjusted profit before tax is a secondary financial indicator of the Group (refer to Note 2 of the Financial Statements on pages 147 and 148 where the term is defined in full). Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £5 million (Group audit) (2018: £4.6 million) and £3.8 million (Company audit) (2018: £3.6 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Financial Statements and the Directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the Financial Statements.	We have nothing material to add or to draw attention to. As not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's and Company's trade, customers, suppliers and the wider economy.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to 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, Directors' Report and Corporate Governance Statement, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

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 2019 is consistent with the Financial Statements and has been prepared in accordance with applicable legal requirements. (CA06)

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. (CA06)

Corporate Governance Statement

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 73 to 126) about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA ("DTR") is consistent with the Financial Statements and has been prepared in accordance with applicable legal requirements. (CA06)

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 this information. (CA06)

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 73 to 126) with respect to the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR. (CA06)

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Company. (CA06)

The Directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 67 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 69 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 126, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 92 to 96 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- 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.

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. (CA06)

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SEGRO PLC CONTINUED

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 set out on page 126, 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.

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 received 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 4 years, covering the years ended 31 December 2016 to 31 December 2019.

JOHN WATERS (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF PRICEWATERHOUSECOOPERS LLP
CHARTERED ACCOUNTANTS AND STATUTORY AUDITORS
LONDON
13 FEBRUARY 2020

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £m	2018[1,2] £m
Revenue	4	**432.5**	369.0
Costs	5	**(123.9)**	(76.5)
		308.6	292.5
Administration expenses	6	**(51.5)**	(44.1)
Pension buy-out costs	2, 18	**–**	(51.8)
Share of profit from joint ventures after tax	7	**203.1**	124.2
Realised and unrealised property gain	8	**489.2**	852.6
Operating profit		**949.4**	1,173.4
Finance income	9	**65.3**	33.4
Finance costs	9	**(112.7)**	(107.7)
Profit before tax		**902.0**	1,099.1
Tax	10	**(41.4)**	(33.0)
Profit after tax		**860.6**	1,066.1
Attributable to equity shareholders		**857.9**	1,062.6
Attributable to non-controlling interests		**2.7**	3.5
Earnings per share (pence)			
Basic	12	**79.3**	105.4
Diluted	12	**78.9**	104.8

1 The prior period comparatives have been re-presented to reflect the presentation adopted in the current period. See Note 1.

2 The Group adopted IFRS 16 'Leases' on 1 January 2019 using the modified retrospective approach to transition and in accordance with the standard the Group's financial results for the prior periods have not been restated. See Note 1.

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £m	2018 £m
Profit for the year		**860.6**	1,066.1
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain on defined benefit pension schemes	18	**–**	11.0
		–	11.0
Items that may be reclassified subsequently to profit or loss			
Foreign exchange movement arising on translation of international operations		**(110.2)**	29.4
Fair value movements on derivatives and borrowings in effective hedge relationships		**57.6**	(12.6)
		(52.6)	16.8
Tax on components of other comprehensive (expense)/income		**–**	–
Other comprehensive (expense)/income		**(52.6)**	27.8
Total comprehensive income for the year		**808.0**	1,093.9
Attributable to equity shareholders		**804.7**	1,090.5
Attributable to non-controlling interests		**3.3**	3.4

FINANCIAL STATEMENTS

BALANCE SHEETS

AS AT 31 DECEMBER 2019

	Notes	GROUP 2019 £m	GROUP 2018 £m	COMPANY 2019 £m	COMPANY 2018 £m
Assets					
Non-current assets					
Intangible assets		**2.5**	3.9	**–**	–
Investment properties	13	**8,401.7**	7,801.4	**–**	–
Other interests in property		**28.3**	15.4	**–**	–
Property, plant and equipment		**23.0**	13.3	**1.0**	0.9
Investments in subsidiaries	7	**–**	–	**7,516.5**	7,188.1
Investments in joint ventures	7	**1,121.4**	999.9	**–**	–
Other investments		**27.5**	23.6	**–**	–
Other receivables	14	**110.6**	26.8	**–**	–
Derivative financial instruments	17	**59.7**	25.7	**59.7**	25.7
		9,774.7	8,910.0	**7,577.2**	7,214.7
Current assets					
Trading properties	13	**20.2**	51.7	**–**	–
Trade and other receivables	14	**146.6**	128.7	**7.7**	5.2
Derivative financial instruments	17	**8.7**	11.7	**8.7**	11.7
Cash and cash equivalents	16	**132.5**	66.5	**60.7**	32.3
		308.0	258.6	**77.1**	49.2
Total assets		**10,082.7**	9,168.6	**7,654.3**	7,263.9
Liabilities					
Non-current liabilities					
Borrowings	16	**1,943.5**	2,243.5	**1,940.9**	2,240.3
Deferred tax liabilities	10	**53.2**	26.9	**–**	–
Trade and other payables	15	**102.9**	26.2	**1,747.4**	1,688.6
Derivative financial instruments	17	**–**	2.9	**–**	2.9
		2,099.6	2,299.5	**3,688.3**	3,931.8
Current liabilities					
Trade and other payables	15	**298.6**	261.9	**29.0**	26.1
Derivative financial instruments	17	**1.7**	2.8	**1.7**	2.8
Tax liabilities		**5.2**	40.4	**–**	–
		305.5	305.1	**30.7**	28.9
Total liabilities		**2,405.1**	2,604.6	**3,719.0**	3,960.7
Net assets		**7,677.6**	6,564.0	**3,935.3**	3,303.2
Equity					
Share capital	19	**109.6**	101.3	**109.6**	101.3
Share premium	20	**2,554.3**	2,047.7	**2,554.3**	2,047.7
Capital redemption reserve	20	**113.9**	113.9	**113.9**	113.9
Own shares held	21	**(2.6)**	(2.0)	**(2.6)**	(2.0)
Other reserves	20	**199.5**	246.2	**226.1**	223.8
Retained earnings brought forward		**4,056.9**	3,150.2	**818.5**	866.9
Profit for the year attributable to owners of the parent		**857.9**	1,062.6	**328.8**	108.8
Other movements		**(211.9)**	(155.9)	**(213.3)**	(157.2)
Retained earnings		**4,702.9**	4,056.9	**934.0**	818.5
Total equity attributable to owners of the parent		**7,677.6**	6,564.0	**3,935.3**	3,303.2
Non-controlling interests		**–**	–	–	–
Total equity		**7,677.6**	6,564.0	**3,935.3**	3,303.2
Net assets per ordinary share (pence)					
Basic	12	**700**	648		
Diluted	12	**697**	644		

The Financial Statements of SEGRO plc (registered number 167591) on pages 135 to 192 were approved by the Board of Directors and authorised for issue on 13 February 2020 and signed on its behalf by:

DJR SLEATH DIRECTOR **S DAS** DIRECTOR

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to owners of the parent										
					Other reserves						
Group[1]	Ordinary share capital £m	Share premium £m	Capital redemption reserve[2] £m	Own shares held £m	Share-based payments reserves £m	Translation, hedging and other reserves £m	Merger reserve £m	Retained earnings £m	Total equity attributable to owners of the parent £m	Non-controlling interests[3] £m	Total equity £m
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[3]	–	–	–	–	–	–	–	(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 The format of the statement of changes in equity has been changed from that disclosed in the Annual Report & Accounts 2018 for better presentation and to reconcile total comprehensive income for the year.

2 See Note 20.

3 Non-controlling interests relate to Vailog S.r.l.

FOR THE YEAR ENDED 31 DECEMBER 2018

	Attributable to owners of the parent										
					Other reserves						
Group[1]	Ordinary share capital £m	Share premium £m	Capital redemption reserve[2] £m	Own shares held £m	Share-based payments reserves £m	Translation, hedging and other reserves £m	Merger reserve £m	Retained earnings £m	Total equity attributable to owners of the parent £m	Non-controlling interests[3] £m	Total equity £m
Balance at 1 January 2018	100.3	1,998.6	113.9	(3.3)	18.7	37.9	169.1	3,150.2	5,585.4	(1.2)	5,584.2
Profit for the year	–	–	–	–	–	–	–	1,062.6	1,062.6	3.5	1,066.1
Other comprehensive income	–	–	–	–	–	16.9	–	11.0	27.9	(0.1)	27.8
Total comprehensive income for the year	–	–	–	–	–	16.9	–	1,073.6	1,090.5	3.4	1,093.9
Transactions with owners of the Company											
Issue of shares	0.2	0.4	–	–	–	–	–	–	0.6	–	0.6
Own shares acquired	–	–	–	(1.1)	–	–	–	–	(1.1)	–	(1.1)
Equity-settled share-based transactions	–	–	–	2.4	3.6	–	–	3.0	9.0	–	9.0
Dividends	0.8	48.7	–	–	–	–	–	(169.9)	(120.4)	–	(120.4)
Movement in non-controlling interest[3]	–	–	–	–	–	–	–	–	–	(2.2)	(2.2)
Total transaction with owners of the Company	1.0	49.1	–	1.3	3.6	–	–	(166.9)	(111.9)	(2.2)	(114.1)
Balance at 31 December 2018	101.3	2,047.7	113.9	(2.0)	22.3	54.8	169.1	4,056.9	6,564.0	–	6,564.0

1 The format of the statement of changes in equity has been changed from that disclosed in the Annual Report & Accounts 2018 for better presentation and to reconcile total comprehensive income for the year.

2 See Note 20.

3 Non-controlling interests relate to Vailog S.r.l.

FINANCIAL STATEMENTS

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

					Other reserves				
Company[1]	Ordinary share capital £m	Share premium £m	Capital redemption reserve[2] £m	Own shares held £m	Share-based payments reserves £m	Translation, hedging and other reserves £m	Merger reserve £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 The format of the statement of changes in equity has been changed from that disclosed in the Annual Report & Accounts 2018 for better presentation and to reconcile total comprehensive income for the year.

2 See Note 20.

FOR THE YEAR ENDED 31 DECEMBER 2018

					Other reserves				
Company[1]	Ordinary share capital £m	Share premium £m	Capital redemption reserve[2] £m	Own shares held £m	Share-based payments reserves £m	Translation, hedging and other reserves £m	Merger reserve £m	Retained earnings £m	Total equity attributable to equity shareholders £m
Balance at 1 January 2018	100.3	1,998.6	113.9	(3.3)	6.8	47.4	169.1	866.9	3,299.7
Profit for the year	–	–	–	–	–	–	–	108.8	108.8
Other comprehensive income	–	–	–	–	–	–	–	11.0	11.0
Total comprehensive income for the year	–	–	–	–	–	–	–	119.8	119.8
Transactions with owners of the Company									
Issue of shares	0.2	0.4	–	–	–	–	–	–	0.6
Own shares acquired	–	–	–	(1.1)	–	–	–	–	(1.1)
Equity-settled share-based transactions	–	–	–	2.4	0.5	–	–	1.7	4.6
Dividends	0.8	48.7	–	–	–	–	–	(169.9)	(120.4)
Total transaction with owners of the Company	1.0	49.1	–	1.3	0.5	–	–	(168.2)	(116.3)
Balance at 31 December 2018	101.3	2,047.7	113.9	(2.0)	7.3	47.4	169.1	818.5	3,303.2

1 The format of the statement of changes in equity has been changed from that disclosed in the Annual Report & Accounts 2018 for better presentation and to reconcile total comprehensive income for the year.

2 See Note 20.

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	GROUP 2019 £m	GROUP 2018 £m	COMPANY 2019 £m	COMPANY 2018 £m
Cash flows from operating activities	26(i)	**291.6**	235.1	**(9.5)**	(5.8)
Interest received		**47.1**	44.1	**145.9**	140.2
Dividends received		**33.3**	28.6	**210.3**	145.8
Interest paid		**(91.7)**	(99.2)	**(88.7)**	(99.2)
Cost of early close out of interest rate derivatives and new derivatives transacted		**(11.4)**	–	**(11.4)**	–
Proceeds from early close out of interest rate derivatives		**6.9**	–	**6.9**	–
Cost of early close out of debt		**(18.6)**	(5.7)	**(18.6)**	(5.7)
Tax paid		**(46.9)**	(2.6)	**–**	–
Net cash received from operating activities		**210.3**	200.3	**234.9**	175.3
Cash flows from investing activities					
Purchase and development of investment properties		**(602.9)**	(637.1)	**–**	–
Sale of investment properties		**412.4**	480.4	**–**	–
Acquisition of other interest in property		**(13.3)**	(2.0)	**–**	–
Purchase of plant and equipment and intangibles		**(2.7)**	(1.6)	**(1.0)**	(0.9)
Acquisition of other investments		**(1.2)**	(18.6)	**–**	–
Investment in subsidiary undertakings		**–**	–	**(46.7)**	(132.4)
Loan advances paid to subsidiary undertakings		**–**	–	**(244.1)**	(121.0)
Investment and loans to joint ventures		**(148.6)**	(200.2)	**–**	–
Divestment and repayment of loans from joint ventures		**136.4**	101.0	**–**	–
Net cash used in investing activities		**(219.9)**	(278.1)	**(291.8)**	(254.3)
Cash flows from financing activities					
Dividends paid to ordinary shareholders		**(141.7)**	(120.4)	**(141.7)**	(120.4)
Proceeds from borrowings		**10.2**	264.1	**10.2**	264.1
Repayment of borrowings		**(251.1)**	(102.0)	**(250.5)**	(102.0)
Principal element of lease payments		**(0.9)**	–	**–**	–
Settlement of foreign exchange derivatives		**26.9**	(6.4)	**26.9**	(6.4)
Purchase of non-controlling interest		**(7.9)**	–	**–**	–
Proceeds from issue of ordinary shares		**444.0**	0.6	**444.0**	0.6
Purchase of ordinary shares		**(3.4)**	(1.1)	**(3.4)**	(1.1)
Net cash generated from financing activities		**76.1**	34.8	**85.5**	34.8
Net increase/(decrease) in cash and cash equivalents		**66.5**	(43.0)	**28.6**	(44.2)
Cash and cash equivalents at the beginning of the year		**66.5**	109.3	**32.3**	76.4
Effect of foreign exchange rate changes		**(0.5)**	0.2	**(0.2)**	0.1
Cash and cash equivalents at the end of the year	16	**132.5**	66.5	**60.7**	32.3

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. SIGNIFICANT ACCOUNTING POLICIES

General information

SEGRO plc (the Company) is a public limited company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on the inside back cover.

The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in the Strategic Report on pages 20 to 23.

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 Financial Reporting Standards (IFRS) as adopted by the EU, IFRS Interpretations Committee (IFRS IC) interpretations, and the Companies Act 2006 applicable to companies reporting under IFRS. The Group's Financial Statements also comply with Article 4 of the EU IAS Regulations. 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.

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. This is discussed in the Financial Review on page 35.

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.

Following recent discussions with the Financial Reporting Council's ("FRC") Corporate Reporting Review team, the format of the Group Income Statement has been changed to improve the presentation of the Financial Statements. The sub headings 'Gross rental income', 'Net rental income' and 'Joint venture fee income' previously presented have been removed from the Group Income Statement. The line item 'Costs' is now presented. A breakdown of 'Costs' is shown in Note 5 where a reconciliation to 'Property operating expenses' as reported in the 2018 Group Income Statement is provided. The prior-year comparatives have been represented to reflect this change. There is no change in 'Operating profit', 'Profit before tax' or 'Profit after tax' as a result of the change in presentation.

New and amended standards adopted by the Group

In the current year, the Group has applied a number of amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2019.

The following standards and amendments have been adopted by the Group and the Company for the first time for the financial year beginning on 1 January 2019:

- IFRS 16, 'Leases'
- IFRIC 23, 'Uncertainty over income tax'
- Annual improvements to IFRSs 2015-2017 Cycle
- Amendments to IFRS 9, 'Financial instruments' relating to prepayment features
- Amendments to IAS 28, 'Investment in associates' relating to long-term interests
- Amendments to IAS 19, 'Employee benefits' relating to plan amendments, curtailment or settlement

The impact of the adoption of the IFRS 16 leasing standard on the Group as a lessee is disclosed further below. There is no significant impact on the Group as a lessor.

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.

IFRS 16 Leases – as a lessee

The Group has applied IFRS 16, 'Leases' on 1 January 2019. In accordance with the transition provisions in IFRS 16, the new rules have been adopted retrospectively, with the cumulative effect of initially applying the new standard recognised on 1 January 2019. Comparatives for the 2018 financial year have not been restated. The Group and the Company had to update its Leases and Investment properties accounting policies following the adoption of IFRS 16.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17. Until the 2019 financial year, the payments made under the operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

The Group holds two types of significant 'operating leases':

- Head leases: A small proportion of the investment properties held by the Group are situated on land held through leasehold arrangements, as opposed to the Group owning the freehold. The remaining lease terms for the leasehold arrangements range between 11 and 47 years. Under the lease terms with tenants the head lease payments are directly recoverable.
- Office leases: Office space occupied by the Group's operations.

Upon initial recognition the lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The associated right-of-use ("ROU") assets were measured equal to the lease liability. As a result there is no impact on opening retained earnings at 1 January 2019.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to the portfolio of offices leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

Whilst judgement and estimates were required in applying IFRS 16, these were not deemed to be significant. The potential exposure to future cash outflows not reflected in the measurement of the lease liabilities are not expected to be significant.

The Balance Sheet impact of recognising the lease liabilities and associated ROU asset upon adoption at 1 January 2019 and subsequently at 31 December 2019 is set out below.

Head leases*:

Balance Sheet caption	1 January 2019 £m	31 December 2019 £m
Investment property (ROU asset)	75.2	70.2
Non-current Trade and other Payables (lease liabilities)	74.8	69.8
Current Trade and other Payables (lease liabilities)	0.4	0.4

* The head leases are held in the Southern Europe Business Unit and are denominated in euros.

As the head leases meet the definition of investment property, they are initially recognised in accordance with IFRS 16, and then subsequently accounted for as investment property in accordance with IAS 40 and the Group's accounting policy. After initial recognition the ROU head lease asset is subsequently carried at fair value and the valuation gains and losses recognised within 'Realised and unrealised property gain' in the Income Statement.

The incremental borrowing rate applied to lease liabilities on 1 January 2019 has been estimated on an individual lessee basis and range from 3 per cent to 4 per cent. The weighted average lessees incremental borrowing rate on 1 January 2019 was 3.9 per cent.

Office leases:
The impact upon recognition was not significant. As at 31 December 2019, a lease liability of £7.6 million has been recognised within non-current and current trade and other payables, and a ROU asset of £7.5 million recognised within Property, plant and equipment.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Measurement of lease liabilities:
Below sets out a reconciliation between the operating lease commitments presented under IAS 17 at 31 December 2018 (see Note 24) and the opening lease liability recognised under IFRS 16 on 1 January 2019 at the date of application.

	£m
Office lease commitments as at 31 December 2018	4.9
Head lease commitments as at 31 December 2018	156.3
Total lease commitments based on gross cash flows as at 31 December 2018	**161.2**
Discounted using lessee's incremental borrowing rate at the date of initial application	79.6
(Less): short-term leases not recognised as a liability	(2.5)
(Less): low-value leases not recognised as a liability	(1.9)
IFRS 16 lease liability recognised as at 1 January 2019	**75.2**

Impact on earnings per share from the adoption of IFRS 16:
Profit after tax for the year ended 31 December 2019 decreased by £0.05 million following the adoption of IFRS 16 and Adjusted profit after tax increased by £0.4 million following the adoption. There was no impact on EPS or Adjusted EPS.

New standards and amendments not yet adopted
Certain new accounting amendments are effective for annual periods beginning after 1 January 2019, and have not been applied in preparing these Financial Statements:

- Amendments to IFRS 3, 'Business combinations', definition of a business
- Amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimated and errors', definition of material
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Amendments to References to the Conceptual Framework in IFRS Standards

Amendments to IFRS 3 Business Combinations (subject to EU endorsement) and effective for financial years commencing on or after 1 January 2020 provides a revised framework for evaluating a business and introduces and optional 'concentration test'. The amendment will impact the assessment and judgements used in determining whether future 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 Group is assessing the recent IFRS IC conclusion on determining the lease term under IFRS 16, which is not expected to have a material impact.

The other 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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

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 2019 are:

Balance Sheet: £1 = €1.18 (31 December 2018: £1 = €1.11). Income Statement: £1= €1.14 (2018: £1 = €1.13).

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 independent professional valuers. Lease liabilities associated with leasehold properties are accounted for under IFRS 16, see 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 Properties, 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.

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 include an equity investment in an entity whose primary business activity is property investment. The 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.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 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 in 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.

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 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.

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 right-of-use asset ("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 details the Group's calculation for measuring ECLs.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 Revenue, 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 input and processes along with the ability to create outputs.

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.

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 2019. In the period to 31 December 2018, £51.8 million of pension buy-out costs incurred in respect of the SEGRO Pension Scheme following the commitment to buy-out the scheme during the year, were excluded from the calculation of Adjusted profit, see Note 18 for further details. There was no tax effect of this item in the period to 31 December 2018.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

2. ADJUSTED PROFIT CONTINUED

	Notes	2019 £m	2018 £m
Gross rental income	4	**362.0**	323.2
Property operating expenses	5	**(80.7)**	(75.6)
Net rental income		**281.3**	247.6
Joint venture fee income	4	**20.4**	44.9
Administration expenses	6	**(51.5)**	(44.1)
Share of joint ventures' Adjusted profit after tax[1]	7	**54.0**	39.0
Adjusted operating profit before interest and tax		**304.2**	287.4
Net finance costs (including adjustments)	9	**(36.7)**	(45.9)
Adjusted profit before tax		**267.5**	241.5
Adjustments to reconcile to IFRS:			
Adjustments to the share of profit from joint ventures after tax[1]	7	**149.1**	85.2
Realised and unrealised property gain	8	**489.2**	852.6
Gain on sale of trading properties	13	**6.9**	–
Cost of early close out of debt	9	**(18.6)**	(6.4)
Net fair value gain/(loss) on interest rate swaps and other derivatives	9	**7.9**	(22.0)
Pension buy-out costs[2]	18	**–**	(51.8)
Total adjustments		**634.5**	857.6
Profit before tax		**902.0**	1,099.1
Tax			
On Adjusted profit	10	**(3.2)**	(4.4)
In respect of adjustments	10	**(38.2)**	(28.6)
Total tax adjustments		**(41.4)**	(33.0)
Profit after tax before non-controlling interests		**860.6**	1,066.1
Non-controlling interests:			
Less: share of adjusted profit attributable to non-controlling interests		**(0.2)**	(0.6)
: share of adjustments attributable to non-controlling interests		**(2.5)**	(2.9)
Profit after tax and non-controlling interests		**857.9**	1,062.6
Of which:			
Adjusted profit after tax and non-controlling interests		**264.1**	236.5
Total adjustments after tax and non-controlling interests		**593.8**	826.1
Profit attributable to equity shareholders		**857.9**	1,062.6

1 A detailed breakdown of the adjustments to the share of profit from joint ventures is included in Note 7.

2 Non-EPRA related adjustment referred to in the third paragraph above.

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 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**

31 December 2018	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	71.2	65.1	–	65.1	1,638.5	–	20.3
National Logistics	31.4	29.2	(0.2)	29.0	999.0	3.7	170.1
Greater London	134.0	118.7	–	118.3	3,724.5	–	50.4
Northern Europe	24.2	14.0	22.7	41.3	505.7	507.2	79.2
Southern Europe	51.2	30.8	20.3	53.3	837.2	611.8	348.7
Central Europe	11.2	4.8	18.8	28.2	148.2	397.0	31.2
Other[1]	–	(15.0)	(22.6)	(47.8)	–	(519.8)	1.6
Total	323.2	247.6	39.0	287.4	7,853.1	999.9	701.5

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. The 'Other' category includes non-property related spend, primarily IT.

Revenues from the most significant countries within the Group were UK £312.4 million (2018: £236.8 million), France £47.9 million (2018: £31.5 million), Germany £29.1 million (2018: £25.7 million) and Poland £15.8 million (2018: £16.3 million).

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

4. REVENUE

	2019 £m	2018 £m
Rental income from investment and trading properties	**306.9**	282.8
Rent averaging	**25.1**	12.5
Service charge income*	**27.6**	25.5
Management fees*	**1.4**	1.3
Surrender premiums and dividend income from property related investments	**1.0**	1.1
Gross rental income[1]	**362.0**	323.2
Joint venture fees – management fees	**20.4**	18.7
– performance fees	**–**	26.2
Joint venture fee income*	**20.4**	44.9
Proceeds from sale of trading properties*	**50.1**	0.9
Total revenue	**432.5**	369.0

* The above income streams reflect revenue recognition under IFRS 15 Revenue from Contracts with Customers and total £99.5 million (2018: £72.6 million).

1 Net rental income of £281.3 million (2018: £247.6 million) is calculated as gross rental income of £362.0 million (2018: £323.2 million) less total property operating expenses of £80.7 million (2018: £75.6 million) shown in Note 5.

5. COSTS

	2019 £m	2018 £m
Vacant property costs	**4.8**	5.1
Letting, marketing, legal and professional fees	**8.5**	8.0
Loss allowance and impairment of receivables	**1.0**	0.3
Service charge expense	**27.6**	25.5
Other expenses	**10.5**	10.3
Property management expenses	**52.4**	49.2
Property administration expenses[1]	**35.6**	31.0
Costs capitalised[2]	**(7.3)**	(4.6)
Total property operating expenses	**80.7**	75.6
Trading properties cost of sales	**43.2**	0.9
Total costs	**123.9**	76.5[3]

1 Property administration expenses predominantly relate to the employee staff costs of personnel directly involved in managing the property portfolio.

2 Costs capitalised primarily relate to internal employee staff costs directly involved in developing the property portfolio.

3 Total 2018 Costs of £76.5 million consists of: Property operating expenses of £50.1 million which was reported and presented as a line item in the 2018 Group Income Statement, service charge expense of £25.5 million and trading properties costs of sales of £0.9 million.

6. ADMINISTRATION EXPENSES

6(i) – Total administration expenses

	2019 £m	2018 £m
Directors' remuneration	**9.2**	9.0
Depreciation	**3.4**	2.9
Other administration expenses	**38.9**	32.2
Total administration expenses	**51.5**	44.1

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

	2019 £m	2018 £m
Audit services:		
Parent company	**0.6**	0.5
Subsidiary undertakings	**0.3**	0.2
Total audit fees	**0.9**	0.7
Audit related assurance services	**0.1**	0.1
Audit and audited related assurance services	**1.0**	0.8
Other fees:		
Other	**–**	–
Total other fees	**–**	–
Total fees in relation to audit and other services	**1.0**	0.8

In addition to the above, the Group's auditors were paid £0.7 million being £0.6 million in respect of the audit of SEGRO European Logistics Partnership (SELP) for the year ended 31 December 2019 (2018: £0.5 million) and £0.1 million of other fees in respect of SELP (2018: £0.2 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.

	2019 £m	2018 £m
Wages and salaries	**38.7**	34.0
Social security costs	**6.0**	5.5
Pension costs	**1.5**	1.4
Share scheme costs	**12.5**	11.1
Total	**58.7**	52.0
Average number of Group employees	**323**	308
– Direct property	**208**	195
– Indirect property and administration	**115**	113

Disclosures required by the Companies Act 2006 on Directors' remuneration, including salaries, share options, pension contributions and pension entitlement and those specified by the Listing Rules of the Financial Conduct Authority are included on pages 97 to 117 in the Remuneration Report and form part of these Financial Statements.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

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% 2019 £m**	At 100% 2018 £m	**At 50% 2019 £m**	At 50% 2018 £m
Revenue[1]	**213.0**	**7.2**	**3.3**	**223.5**	195.1	**111.8**	97.6
Gross rental income	**213.0**	**1.1**	**–**	**214.1**	195.1	**107.1**	97.6
Property operating expenses:							
– underlying property operating expenses	**(8.4)**	**–**	**(0.1)**	**(8.5)**	(8.1)	**(4.2)**	(4.1)
– vacant property costs	**(2.1)**	**–**	**–**	**(2.1)**	(1.8)	**(1.1)**	(0.9)
– property management fees	**(17.1)**	**–**	**–**	**(17.1)**	(13.9)	**(8.6)**	(7.0)
– service charge expense	**(44.1)**	**–**	**–**	**(44.1)**	(44.2)	**(22.1)**	(22.1)
– performance fees	**–**	**–**	**–**	**–**	(26.2)	**–**	(13.1)
Net rental income	**141.3**	**1.1**	**(0.1)**	**142.3**	100.9	**71.1**	50.4
Administration expenses	**(3.3)**	**–**	**–**	**(3.3)**	(2.6)	**(1.6)**	(1.3)
Finance costs (including adjustments)	**(19.9)**	**–**	**(0.2)**	**(20.1)**	(15.3)	**(10.0)**	(7.6)
EPRA profit/(loss) before tax	**118.1**	**1.1**	**(0.3)**	**118.9**	83.0	**59.5**	41.5
Tax	**(10.9)**	**–**	**–**	**(10.9)**	(5.0)	**(5.5)**	(2.5)
Adjusted profit/(loss) after tax	**107.2**	**1.1**	**(0.3)**	**108.0**	78.0	**54.0**	39.0
Adjustments:							
(Loss)/profit on sale of investment properties	**(1.1)**	**–**	**–**	**(1.1)**	15.2	**(0.6)**	7.6
Valuation surplus on investment properties	**437.0**	**–**	**–**	**437.0**	187.0	**218.6**	93.5
Impairment of other interests in properties	**–**	**(9.7)**	**–**	**(9.7)**	–	**(4.9)**	–
Profit on sale of trading properties	**–**	**–**	**2.1**	**2.1**	–	**1.1**	–
Tax in respect of adjustments	**(130.2)**	**–**	**–**	**(130.2)**	(31.7)	**(65.1)**	(15.9)
Total adjustments	**305.7**	**(9.7)**	**2.1**	**298.1**	170.5	**149.1**	85.2
Profit/(loss) after tax	**412.9**	**(8.6)**	**1.8**	**406.1**	248.5	**203.1**	124.2
Other comprehensive income	**–**	**–**	**–**	**–**	–	**–**	–
Total comprehensive income/(expense) for the year	**412.9**	**(8.6)**	**1.8**	**406.1**	248.5	**203.1**	124.2

1 Total revenue at 100% of £223.5 million (2018: £195.1 million) includes: Gross rental income £214.1 million (2018: £195.1 million) and proceeds from sale of trading properties £9.4 million (2018: £nil). 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.

Trading properties held by joint ventures were externally valued resulting in no increase in provision (2018: £nil). Based on the fair value at 31 December 2019, the Group's share of joint ventures' trading property portfolio has unrecognised surplus of £0.9 million (2018: £0.9 million). There was no other comprehensive income included in the Group Statement of Comprehensive Income (2018: £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% 2019 £m	At 100% 2018 £m	At 50% 2019 £m	At 50% 2018 £m
Investment properties	**3,796.7**	**–**	**–**	**3,796.7**	3,133.9	**1,898.3**	1,566.9
Other interests in property	**–**	**16.6**	**–**	**16.6**	10.9	**8.3**	5.4
Total non-current assets	**3,796.7**	**16.6**	**–**	**3,813.3**	3,144.8	**1,906.6**	1,572.3
Trading properties	**–**	**1.9**	**–**	**1.9**	4.8	**1.0**	2.4
Other receivables	**118.9**	**5.9**	**2.5**	**127.3**	159.9	**63.7**	80.0
Cash and cash equivalents	**37.6**	**2.9**	**1.5**	**42.0**	47.6	**21.0**	23.8
Total current assets	**156.5**	**10.7**	**4.0**	**171.2**	212.3	**85.7**	106.2
Total assets	**3,953.2**	**27.3**	**4.0**	**3,984.5**	3,357.1	**1,992.3**	1,678.5
Borrowings	**(1,338.4)**	**–**	**–**	**(1,338.4)**	(1,120.4)	**(669.2)**	(560.2)
Deferred tax	**(243.2)**	**–**	**–**	**(243.2)**	(123.5)	**(121.6)**	(61.8)
Total non-current liabilities	**(1,581.6)**	**–**	**–**	**(1,581.6)**	(1,243.9)	**(790.8)**	(622.0)
Borrowings	**(50.1)**	**–**	**–**	**(50.1)**	–	**(25.1)**	–
Other liabilities	**(90.5)**	**(19.5)**	**–**	**(110.0)**	(113.4)	**(55.0)**	(56.6)
Total current liabilities	**(140.6)**	**(19.5)**	**–**	**(160.1)**	(113.4)	**(80.1)**	(56.6)
Total liabilities	**(1,722.2)**	**(19.5)**	**–**	**(1,741.7)**	(1,357.3)	**(870.9)**	(678.6)
Net assets	**2,231.0**	**7.8**	**4.0**	**2,242.8**	1,999.8	**1,121.4**	999.9

On 13 June 2019 SELP issued a 7.5 year, €500 million unsecured bond at an annual coupon of 1.5 per cent as discussed further in the Finance Review on page 34.

The external borrowings of the joint ventures are non-recourse to the Group. At 31 December 2019, the fair value of £1,388.5 million (2018: £1,120.4 million) of borrowings was £1,427.4 million (2018: £1,104.3 million). This results in a fair value adjustment decrease in EPRA triple net asset value of £38.9 million (2018: £16.1 million increase), at share £19.4 million (2018: £8.0 million increase), see Note 12.

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.

No additional performance fee has been recognised by SEGRO in the 2019 Income Statement (and no additional performance fee expense has been recognised by SELP). In the prior year SELP paid a £52.4 million performance fee including the amount subject to clawback. 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 (see Note 4). The 50 per cent subject to clawback (which is denominated in euros) has been recognised as a contract liability within Trade and other payables at 31 December 2019 and 31 December 2018 (see Note 15).

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

7. INVESTMENTS IN JOINT VENTURES AND SUBSIDIARIES CONTINUED

7(iii) – Investments by the Group

	2019 £m	2018 £m
Cost or valuation at 1 January	**999.9**	792.0
Exchange movement	**(65.2)**	17.4
Net investments[1]	**16.9**	99.2
Disposals	**–**	(4.3)
Dividends received[2]	**(33.3)**	(28.6)
Share of profit after tax	**203.1**	124.2
Cost or valuation at 31 December	**1,121.4**	999.9

1 Net investments represent the net movement of capital injections, loans and divestments with joint ventures during the period.

2 Dividends received from SELP.

7(iv) – Investments by the Company

	2019 £m	2018 £m
Cost or valuation of subsidiaries at 1 January	**7,188.1**	6,672.9
Exchange movement	**(51.6)**	12.2
Additions	**46.7**	132.4
Loan movement	**304.1**	339.9
Decrease in provision for investments in and loans to subsidiaries	**29.2**	30.7
Cost or valuation at 31 December	**7,516.5**	7,188.1

Included in cost or valuation of subsidiaries at 31 December 2019 are investments of £2,691.7 million (2018: £2,484.2 million) and non-current loans of £4,824.8 million (2018: £4,703.9 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

	2019 £m	2018 £m
Profit on sale of investment properties	**7.2**	56.5
Valuation surplus on investment properties[1]	**476.7**	791.4
Decrease in provision for impairment of trading properties	**1.4**	–
Increase in provision for impairment of other interests in property	**(0.4)**	–
Valuation surplus on other investments	**4.3**	4.7
Total realised and unrealised property gain	**489.2**	852.6

1 Includes £477.1 million valuation surplus on investment properties (2018: £791.4 million) less £0.4 million valuation loss on head lease ROU asset (2018: £nil).

Total valuation surplus on investment and trading properties total £696.7 million (2018: £884.9 million). This comprises £476.7 million from investment properties (2018: £791.4 million), £1.4 million from trading properties (2018: £nil) and £218.6 million from joint ventures at share (2018: £93.5 million).

Details of realised gains on sale of trading properties are given in Note 13.

9. NET FINANCE COSTS

Finance income	2019 £m	2018 £m
Interest received on bank deposits and related derivatives	**32.0**	29.9
Fair value gain on interest rate swaps and other derivatives	**33.1**	2.6
Net interest income on defined benefit pension asset	**–**	0.9
Exchange differences	**0.2**	–
Total finance income	**65.3**	33.4

Finance costs	2019 £m	2018 £m
Interest on overdrafts, loans and related derivatives	**(71.8)**	(82.3)
Cost of early close out of debt	**(18.6)**	(6.4)
Amortisation of issue costs	**(2.3)**	(3.4)
Interest on lease liabilities	**(3.0)**	–
Total borrowing costs	**(95.7)**	(92.1)
Less amounts capitalised on the development of properties	**8.2**	9.2
Net borrowing costs	**(87.5)**	(82.9)
Fair value loss on interest rate swaps and other derivatives	**(25.2)**	(24.6)
Exchange differences	**–**	(0.2)
Total finance costs	**(112.7)**	(107.7)
Net finance costs	**(47.4)**	(74.3)

Net finance costs (including adjustments) in Adjusted profit (Note 2) are £36.7 million (2018: £45.9 million). This excludes net fair value gains and losses on interest rate swaps and other derivatives of £7.9 million gain (2018: £22.0 million loss) and the cost of early close out of debt of £18.6 million (2018: £6.4 million).

The interest capitalisation rates for 2019 ranged from 1.8 per cent to 2.3 per cent (2018: 2.5 per cent to 3.0 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.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

10. TAX

10(i) – Tax on profit

	2019 £m	2018 £m
Tax:		
On Adjusted profit	**(3.2)**	(4.4)
In respect of adjustments	**(38.2)**	(28.6)
Total tax charge	**(41.4)**	(33.0)
Current tax		
United Kingdom		
Current tax credit	**0.3**	–
Total UK current tax credit	**0.3**	–
Overseas		
Current tax charge	**(12.0)**	(40.5)
Adjustments in respect of earlier years	**(0.3)**	(0.6)
Total overseas current tax charge	**(12.3)**	(41.1)
Total current tax charge	**(12.0)**	(41.1)
Deferred tax		
Origination and reversal of temporary differences	**(6.1)**	(1.6)
Released in respect of property disposals in the year	**4.7**	20.5
On valuation movements	**(39.2)**	(9.9)
Total deferred tax in respect of investment properties	**(40.6)**	9.0
Other deferred tax	**11.2**	(0.9)
Total deferred tax (charge)/credit	**(29.4)**	8.1
Total tax charge on profit on ordinary activities	**(41.4)**	(33.0)

10(ii) – Factors affecting tax charge for the year

The tax charge is lower than (2018: lower than) the standard rate of UK corporation tax. The differences are:

	2019 £m	2018 £m
Profit on ordinary activities before tax	**902.0**	1,099.1
Exclude valuation surplus in respect of UK properties not taxable	**(242.4)**	(687.9)
	659.6	411.2
Multiplied by standard rate of UK corporation tax of 19.0 per cent (2018: 19.0 per cent)	**(125.3)**	(78.1)
Effects of:		
REIT & SIIC exemption on income and gains	**71.0**	38.5
Non-deductible items	**–**	(0.1)
Joint venture tax adjustment	**38.6**	23.6
Higher tax rates on international earnings	**(23.6)**	(15.8)
Adjustment in respect of prior years	**(0.3)**	(0.4)
Adjustment in respect of assets not recognised	**(1.8)**	(0.7)
Total tax charge on profit on ordinary activities	**(41.4)**	(33.0)

10. TAX CONTINUED

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.

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 – 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**

Group – 2018	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	33.0	0.4	(0.1)	(8.1)	25.2
Deferred tax asset on revenue losses	(1.2)	(0.1)	0.1	(0.2)	(1.4)
Others	2.8	0.1	–	0.2	3.1
Total deferred tax liabilities	34.6	0.4	–	(8.1)	26.9

The Group has recognised revenue tax losses of £0.5 million (2018: £1.4 million) available for offset against future profits. Further unrecognised tax losses of £734.2 million also exist at 31 December 2019 (2018: £790.9 million) of which £37.5 million (2018: £41.3 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.

The standard rate of UK corporation tax is due to fall to 17 per cent by 2020. This is unlikely to significantly impact the Group's tax charge.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

11. DIVIDENDS

	2019 £m	2018 £m
Ordinary dividends paid		
Interim dividend for 2019 @ 6.30 pence per share	**68.9**	–
Final dividend for 2018 @ 13.25 pence per share	**143.7**	–
Interim dividend for 2018 @ 5.55 pence per share	**–**	56.1
Final dividend for 2017 @ 11.35 pence per share	**–**	113.8
Total dividends	**212.6**	169.9

The Board recommends a final dividend for 2019 of 14.4 pence which is estimated to result in a distribution of up to £157.9 million. The total dividend paid and proposed per share in respect of the year ended 31 December 2019 is 20.7 pence (2018: 18.8 pence).

The total dividend in 2019 of £212.6 million (2018: £169.9 million) was paid; £141.7 million as cash (2018: £120.4 million) and £70.9 million in scrip dividends (2018: £49.5 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 (2018: 0.7 million) being the average number of shares held on trust for employee share schemes and net assets per share calculations exclude 0.6 million shares (2018: 0.7 million) being the actual number of shares held on trust for employee share schemes at year end.

12(i) – Earnings per ordinary share (EPS)

	2019			2018		
	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Basic EPS	**857.9**	**1,081.3**	**79.3**	1,062.6	1,008.6	105.4
Dilution adjustments:						
Share and save as you earn schemes	**–**	**5.8**	**(0.4)**	–	5.8	(0.6)
Diluted EPS	**857.9**	**1,087.1**	**78.9**	1,062.6	1,014.4	104.8
Basic EPS	**857.9**	**1,081.3**	**79.3**	1,062.6	1,008.6	105.4
Adjustments to profit before tax[1]	**(634.5)**		**(58.7)**	(857.6)		(85.0)
Tax in respect of Adjustments	**38.2**		**3.6**	28.6		2.8
Non-controlling interest on adjustments	**2.5**		**0.2**	2.9		0.2
Adjusted Basic EPS	**264.1**	**1,081.3**	**24.4**	236.5	1,008.6	23.4
Adjusted Diluted EPS	**264.1**	**1,087.1**	**24.3**	236.5	1,014.4	23.3

1 Details of adjustments are included in Note 2.

12. EARNINGS AND NET ASSETS PER SHARE CONTINUED

12(ii) – Net assets per share (NAV)

	2019			2018		
	Equity attributable to ordinary shareholders £m	**Shares million**	**Pence per share**	Equity attributable to ordinary shareholders £m	Shares million	Pence per share
Basic NAV	**7,677.6**	**1,096.1**	**700**	6,564.0	1,012.8	648
Dilution adjustments:						
Share and save as you earn schemes	**–**	**6.0**	**(3)**	–	5.9	(4)
Diluted NAV	**7,677.6**	**1,102.1**	**697**	6,564.0	1,018.7	644
Fair value adjustment in respect of interest rate derivatives – Group	**(50.5)**		**(5)**	(35.0)		(3)
Fair value adjustment in respect of trading properties – Group	**–**		**–**	2.2		–
Fair value adjustment in respect of trading properties – Joint ventures	**0.9**		**–**	0.9		–
Deferred tax in respect of depreciation and valuation surpluses – Group	**51.9**		**5**	26.4		3
Deferred tax in respect of depreciation and valuation surpluses – Joint ventures	**121.1**		**11**	61.8		6
EPRA NAV[1]	**7,801.0**	**1,102.1**	**708**	6,620.3	1,018.7	650
Fair value adjustment in respect of debt – Group	**(233.3)**		**(21)**	(17.4)		(1)
Fair value adjustment in respect of debt – Joint ventures	**(19.4)**		**(2)**	8.0		1
Fair value adjustment in respect of interest rate swap derivatives – Group	**50.5**		**5**	35.0		3
Deferred tax in respect of depreciation and valuation surpluses – Group	**(51.9)**		**(5)**	(26.4)		(3)
Deferred tax in respect of depreciation and valuation surpluses – Joint ventures	**(121.1)**		**(11)**	(61.8)		(6)
EPRA triple net NAV (NNNAV)[1]	**7,425.8**	**1,102.1**	**674**	6,557.7	1,018.7	644

1 EPRA NAV and NNNAV is an alternative metric that is calculated in accordance with the Best Practices Recommendations of the European Public Real Estate Association (EPRA) to provide a transparent and consistent basis to enable comparison between European property companies. See Table 1 of the Supplementary Notes for further details.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

13. PROPERTIES

13(i) – Investment properties

	Completed £m	Development £m	Total £m
At 1 January 2018	5,892.1	778.5	6,670.6
Exchange movement	20.0	5.9	25.9
Property acquisitions	73.5	120.2	193.7
Additions to existing investment properties	23.9	461.8	485.7
Disposals	(385.7)	(45.8)	(431.5)
Transfers on completion of development	506.6	(506.6)	–
Transfers to trading properties	–	(19.3)	(19.3)
Revaluation surplus during the year	697.4	94.0	791.4
At 31 December 2018	6,827.8	888.7	7,716.5
Add tenant lease incentives, letting fees and rental guarantees	84.9	–	84.9
Total investment properties at 31 December 2018	6,912.7	888.7	7,801.4

	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)	**70.2**	**–**	**70.2**
Total investment properties at 31 December 2019	**7,593.8**	**807.9**	**8,401.7**

Investment properties are stated at fair value as at 31 December 2019 based on external valuations performed by professionally qualified valuers. The Group's wholly-owned and joint venture property portfolio is valued by CBRE Ltd on a half-yearly basis (apart from two assets valued by Knight Frank). The valuations conform to International Valuation Standards and were arrived at by reference to market evidence of the transaction prices paid for similar properties. In estimating the fair value of the properties, the valuers consider the highest and best use of the properties. There has been no change to the valuation technique during the year.

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. The firm advises us that the total fees paid by the Group represent less than 5 per cent of its total revenue in any year.

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.

During 2019 a plot of land with a carrying value of £3.1 million was transferred to trading properties following the agreement in the year which led to the development of the asset with a view to sell the asset on completion (2018: £19.3 million). No trading properties were transferred to investment properties during 2019 (2018: £nil).

At 31 December 2019 the carrying value of investment properties was adjusted by £70.2 million to reflect head lease liabilities (2018: £nil) which have been recognised upon adoption of IFRS 16 on 1 January 2019. Head lease liabilities are held within Trade and other payables. See Note 1 for further details. The carrying value of investment properties situated on land held under leaseholds is £151.5 million (excluding head lease ROU assets) (2018: £120.3 million).

Further details on property valuation techniques and related quantitative information is set out in Note 27.

13. PROPERTIES CONTINUED

13(ii) – Trading properties

	2019 £m	2018 £m
At 1 January	**51.7**	12.5
Exchange movement	**(1.2)**	0.3
Additions	**8.4**	20.5
Disposals[1]	**(43.2)**	(0.9)
Decrease in provision for impairment during the year	**1.4**	–
Transfer from investment properties	**3.1**	19.3
At 31 December	**20.2**	51.7

1 Gain on sale of trading properties of £6.9 million in the year (2018: £nil) have been generated from total proceeds of £50.1 million (2018: £0.9 million), see Note 4, less costs of £43.2 million (2018: £0.9 million), see Note 5.

Trading properties were externally valued, as detailed in Note 13(i), resulting in a decrease in the provision for impairment of £1.4 million (2018: £nil). Based on the fair value at 31 December 2019, the portfolio has unrecognised surplus of £nil million (2018: £2.2 million). Further information on valuation techniques and related quantitative information is given in Note 27.

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Current				
Trade receivables[1]	**33.3**	25.6	**–**	–
Other receivables[2]	**75.7**	75.8	**7.5**	5.0
Prepayments	**23.1**	12.5	**0.2**	0.2
Amounts due from related parties	**14.5**	14.8	**–**	–
Total current trade and other receivables	**146.6**	128.7	**7.7**	5.2
Non-current				
Other receivables[3]	**110.6**	26.8	**–**	–
Total non-current other receivables	**110.6**	26.8	**–**	–

1 Note 17 (vi) details of the Group's credit risk management and loss allowances held for trade receivables.

2 Group other current receivables mainly includes VAT recoverable and tenant deposits. Also included is tax recoverable of £2.7 million (2018: £0.3 million).

3 Group non-current other receivables relate to an advance payment for the future acquisition of land of £35.2 million (2018: £26.8 million) and deferred proceeds from the disposal of investment properties of £75.4 million (2018: £nil). The receivable from the disposal of investment properties of £75.4 million is guaranteed by an irrecoverable standby letter of credit of matched duration, issued by a bank with an AA credit rating.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

15. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 £m	2018 £m	**2019 £m**	2018 £m
Due within one year				
Trade payables	**2.7**	2.0	**–**	–
Other payables	**62.0**	47.9	**2.4**	2.2
Non-capital accruals[1]	**65.0**	59.7	**26.6**	23.9
Capital creditors and capital accruals	**97.3**	94.5	**–**	–
Rent in advance	**70.1**	57.8	**–**	–
Lease liabilities[2]	**1.5**	–	**–**	–
Total trade and other payables due within one year	**298.6**	261.9	**29.0**	26.1
Due after one year				
Contract liabilities[4]	**25.0**	26.2	**–**	–
Other payables	**1.6**	–	–	–
Lease liabilities[2]	**76.3**	–	**–**	–
Loans due to subsidiaries[3]	**–**	–	**1,747.4**	1,688.6
Total other payables due after one year	**102.9**	26.2	**1,747.4**	1,688.6

1 Includes accrued interest payable on borrowings for Group and Company of £19.5 million (2018: £21.0 million).

2 Lease liabilities recognised upon adoption of IFRS 16 on 1 January 2019, see Note 1 for details.

3 Loans due to subsidiaries are unsecured and incur interest at market rates.

4 Contract liabilities primarily relate to amounts received in respect of the performance fee from SELP (see Note 7 for further details).

16. NET BORROWINGS

16(i) – Net borrowings by type

	Group		Company	
	2019 £m	2018 £m	**2019 £m**	2018 £m
Secured borrowings:				
Euro mortgages	**2.6**	3.2	**–**	–
Total secured (on land, buildings and other assets)	**2.6**	3.2	**–**	–
Unsecured borrowings:				
Bonds				
5.625% bonds 2020	**–**	250.0	**–**	250.0
6.75% bonds 2021	**79.3**	79.3	**79.3**	79.3
7.0% bonds 2022	**39.1**	39.1	**39.1**	39.1
6.75% bonds 2024	**81.9**	81.7	**81.9**	81.7
2.375% bonds 2029	**346.8**	346.4	**346.8**	346.4
5.75% bonds 2035	**198.6**	198.5	**198.6**	198.5
2.875% bonds 2037	**395.2**	394.8	**395.2**	394.8
	1,140.9	1,389.8	**1,140.9**	1,389.8
Private placement notes				
1.77% notes 2027	**338.4**	359.6	**338.4**	359.6
1.82% notes 2028	**84.4**	89.7	**84.4**	89.7
2.00% notes 2029	**126.9**	134.9	**126.9**	134.9
2.27% notes 2032	**84.6**	89.9	**84.6**	89.9
2.37% notes 2033	**168.7**	179.4	**168.7**	179.4
	803.0	853.5	**803.0**	853.5
Bank loans and overdrafts	**(3.0)**	(3.0)	**(3.0)**	(3.0)
Total unsecured	**1,940.9**	2,240.3	**1,940.9**	2,240.3
Total borrowings	**1,943.5**	2,243.5	**1,940.9**	2,240.3
Cash and cash equivalents	**(132.5)**	(66.5)	**(60.7)**	(32.3)
Net borrowings	**1,811.0**	2,177.0	**1,880.2**	2,208.0

16. NET BORROWINGS CONTINUED

The maturity profile of borrowings is as follows:

	Group		Company	
Maturity profile of borrowings	**2019 £m**	2018 £m	**2019 £m**	2018 £m
In one year or less	**–**	–	**–**	–
In more than one year but less than two	**79.3**	250.0	**79.3**	250.0
In more than two years but less than five	**120.6**	115.9	**118.0**	115.4
In more than five years but less than ten	**896.5**	533.8	**896.5**	531.1
In more than ten years	**847.1**	1,343.8	**847.1**	1,343.8
In more than one year	**1,943.5**	2,243.5	**1,940.9**	2,240.3
Total borrowings	**1,943.5**	2,243.5	**1,940.9**	2,240.3
Cash and cash equivalents	**(132.5)**	(66.5)	**(60.7)**	(32.3)
Net borrowings	**1,811.0**	2,177.0	**1,880.2**	2,208.0

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 34.

Bank loans and overdrafts include capitalised finance costs on committed facilities which were undrawn at both year ends.

During the year the Group undertook a debt refinancing exercise and redeemed £250 million of sterling bonds due 2020 at a cost of £18.6 million above carrying value (see Note 9). The debt refinancing is discussed in more detail in the Finance Review on page 34.

	Group		Company	
Maturity profile of undrawn borrowing facilities	**2019 £m**	2018 £m	**2019 £m**	2018 £m
In one year or less	**8.5**	14.0	**8.5**	9.0
In more than one year but less than two	**–**	–	**–**	–
In more than two years but less than five	**1,032.2**	1,097.3	**1,032.2**	1,097.3
Total available undrawn borrowing facilities	**1,040.7**	1,111.3	**1,040.7**	1,106.3

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

16. NET BORROWINGS CONTINUED

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:

	2019						
Interest rate profile – Group	**Fixed rate %**	**Fixed period years**	**Fixed debt £m**	**Capped strike %**	**Capped debt £m**	**Variable debt/cash £m**	**Total £m**
Borrowings	**Weighted average after derivative instruments**						
Sterling	**4.36**	**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**

	2018						
Interest rate profile – Group	Fixed rate %	Fixed period years	Fixed debt £m	Capped strike %	Capped debt £m	Variable debt/cash £m	Total £m
Borrowings	Weighted average after derivative instruments						
Sterling	4.72	35.3	380.9	2.00	150.0	228.7	759.6
Euros	1.91	10.2	583.2	1.00	225.2	675.5	1,483.9
Total borrowings	3.02	20.1	964.1	1.40	375.2	904.2	2,243.5
Cash and cash equivalents							
Sterling						(59.4)	(59.4)
Euros						(6.6)	(6.6)
US dollars						(0.5)	(0.5)
Total cash and cash equivalents						(66.5)	(66.5)
Net borrowings			964.1		375.2	837.7	2,177.0

16. NET BORROWINGS CONTINUED

	2019						
Interest rate profile – Company	**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**

	2018						
Interest rate profile – Company	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	4.72	35.3	380.9	2.00	150.0	228.7	759.6
Euros	1.91	10.2	583.2	1.00	225.2	672.3	1,480.7
Total borrowings	3.02	20.1	964.1	1.40	375.2	901.0	2,240.3
Cash and cash equivalents							
Sterling						(32.3)	(32.3)
Total cash and cash equivalents						(32.3)	(32.3)
Net borrowings			964.1		375.2	868.7	2,208.0

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

17. FINANCIAL INSTRUMENTS AND FAIR VALUES

17(i) Derivative instruments

The Group and Company holds the following derivative instruments:

Derivative assets

	Group		Company	
	2019 £m	2018 £m	**2019 £m**	2018 £m
Current				
Fair value of interest rate swaps – non-hedge	**2.5**	9.3	**2.5**	9.3
Fair value of forward foreign exchange and currency swap contracts – non-hedge	**6.2**	2.0	**6.2**	2.4
Fair value of forward foreign exchange and currency swap contracts – hedge	**–**	0.4	**–**	–
Total current derivative assets	**8.7**	11.7	**8.7**	11.7
Non-current				
Fair value of interest rate swaps – non-hedge	**42.5**	24.5	**42.5**	24.5
Fair value of interest rate caps – non-hedge	**5.5**	1.2	**5.5**	1.2
Fair value of forward foreign exchange and currency swap contracts – non-hedge	**11.7**	–	**11.7**	–
Total non-current derivative assets	**59.7**	25.7	**59.7**	25.7

Derivative liabilities

	Group		Company	
	2019 £m	2018 £m	**2019 £m**	2018 £m
Current				
Fair value of forward foreign exchange and currency swap contracts – non-hedge	**0.3**	2.2	**1.7**	2.8
Fair value of forward foreign exchange and currency swap contracts – hedge	**1.4**	0.6	**–**	–
Total current derivative liabilities	**1.7**	2.8	**1.7**	2.8
Non-current				
Fair value of forward foreign exchange and currency swap contracts – non-hedge	**–**	2.9	**–**	2.9
Total non-current derivative liabilities	**–**	2.9	**–**	2.9

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:

		Group		Company	
	Notes	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Financial assets					
Financial assets at amortised cost					
Loans due from subsidiaries	7	**–**	–	**4,824.8**	4,703.9
Trade receivables	14	**33.3**	25.6	**–**	–
Other current receivables[1]	14	**65.2**	57.2	**7.5**	5.0
Other non-current receivables	14	**110.6**	26.8	**–**	–
Cash and cash equivalents	16	**132.5**	66.5	**60.7**	32.3
Financial assets at fair value through profit or loss (FVPL)					
Other investments		**27.5**	23.6	**–**	–
Derivative financial instruments					
Used for hedging at FVOCI	17	**–**	0.4	**–**	–
Non-hedge at FVPL	17	**68.4**	37.0	**68.4**	37.4
		437.5	237.1	**4,961.4**	4,778.6
Financial liabilities					
Liabilities at amortised cost					
Trade and other payables[1]	15	**329.8**	230.3	**1,776.4**	1,714.7
Borrowings	16	**1,943.5**	2,243.5	**1,940.9**	2,240.3
Derivative financial instruments					
Used for hedging at FVOCI	17	**1.4**	0.6	**–**	–
Non-hedge at FVPL	17	**0.3**	5.1	**1.7**	5.7
		2,275.0	2,479.5	**3,719.0**	3,960.7

1 Group excludes non-financial assets of £48.1 million (2018: £45.9 million) included within total other receivables per Note 14 and non-financial liabilities of £71.7 million (2018: £57.8 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 issues and unsecured US Private Placement notes classified as borrowings. At 31 December 2019, the fair value of £1,140.9 million of unsecured bonds issued was £1,311.4 million (2018: £1,389.8 million compared with £1,463.0 million fair value). At 31 December 2019, the fair value of £803.0 million of unsecured US Private Placement notes was £865.8 million (2018: £853.5 million compared with £797.7 million fair value). This results in a fair value adjustment decrease in EPRA triple net asset value of £233.3 million (2018: £17.4 million decrease), see Note 12.

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.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

17. FINANCIAL INSTRUMENTS AND FAIR VALUES CONTINUED

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 in keeping with our long-term mid-cycle LTV target of 40 per cent. 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.

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. The business 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 35.

The Group's and Company's Balance Sheet translation exposure (including the impact of derivative financial instruments) is summarised below:

	2019			2018		
	Euros £m	**US Dollars £m**	**Total £m**	Euros £m	US Dollars £m	Total £m
Group						
Gross currency assets	**3,064.8**	**–**	**3,064.8**	2,770.2	0.5	2,770.7
Gross currency liabilities	**(1,989.3)**	**–**	**(1,989.3)**	(1,850.6)	–	(1,850.6)
Net exposure	**1,075.5**	**–**	**1,075.5**	919.6	0.5	920.1
Company						
Gross currency assets	**1,047.2**	**–**	**1,047.2**	1,197.1	–	1,197.1
Gross currency liabilities	**(2,023.2)**	**–**	**(2,023.2)**	(1,879.9)	–	(1,879.9)
Net exposure	**(976.0)**	**–**	**(976.0)**	(682.8)	–	(682.8)

2019 Group gross currency liabilities include €1,151.7 million (£976.0 million) designated as net investment hedges.

2018 Group gross currency liabilities include €758.0 million (£682.9 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 is £97.8 million (2018: £83.6 million). The sensitivity of the Group to a 10 per cent depreciation in the value of sterling against the euro is £119.5 million (2018: £102.2 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 2019 by £42.8 million (2018: decrease £25.6 million). 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 2019 by £52.3 million (2018: increase £31.3 million).

For the Company, the sensitivity of the net assets to a 10 per cent appreciation in the value of sterling against the euro is £88.7 million (2018: £62.1 million). The sensitivity of the net assets to a 10 per cent depreciation in the value of sterling against the euro is £108.4 million (2018: £75.9 million).

17. FINANCIAL INSTRUMENTS AND FAIR VALUES CONTINUED

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 £52.2 million exchange loss (2018: £11.7 million gain) arising on intercompany debt funding arrangements discussed above resulting in a gain on exchange differences of £0.2 million gain (2018: £0.2 million loss) 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 December 2019) and 100 per cent. At 31 December 2019, the Group had gross foreign currency assets, which were 65 per cent hedged by gross foreign currency denominated liabilities (31 December 2018: 67 per cent). During the year the foreign currency denominated liabilities of the Group were predominantly the currency leg of foreign exchange and currency swap contracts (both those designated as net investment hedges and those which are effectively cash flow hedges) and the application of this policy is the main economic purpose of these instruments.

Further details are provided within the Foreign Currency Translation Risk section of the Financial Review on page 35.

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	
	2019	2018	**2019 m**	2018 m	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Group								
Economic cash flow hedges								
Sell euros (buy sterling)	**1.15**	1.12	**963.3**	638.4	**837.4**	571.1	**17.8**	(4.3)
Buy euros (sell sterling)	**1.17**	1.12	**40.1**	215.9	**34.2**	193.3	**(0.2)**	1.2
Net investment hedges								
Sell euros (buy sterling)	**1.19**	1.11	**201.7**	273.7	**169.6**	246.4	**(1.4)**	(0.2)
Total							**16.2**	(3.3)
Company								
Economic cash flow hedges								
Sell euros (buy sterling)	**1.16**	1.12	**1,165.0**	912.1	**1,007.0**	817.4	**16.4**	(4.5)
Buy euros (sell sterling)	**1.17**	1.12	**40.1**	215.9	**34.2**	193.3	**(0.2)**	1.2
Total							**16.2**	(3.3)

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 2019 (2018: US dollar and euro denominated contracts).

There was no ineffectiveness to be recorded from net investments in foreign entity hedges in 2019 and 2018 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.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

17. FINANCIAL INSTRUMENTS AND FAIR VALUES CONTINUED

Euro forward foreign exchange

	Group	
	2019 £m	2018 £m
Carrying amount	**–**	–
Notional amount	**–**	–
Maturity date	**–**	–
Hedge ratio	**–**	–
Change in discounted spot value of hedging instruments since 1 January – gain/(loss)	**5.8**	(5.5)
Change in value of hedged item used to determine hedge effectiveness – (loss)/gain	**(5.8)**	5.5
Weighted average hedged rate for the year (including forward points)	**1.13**	1.13

US dollar forward foreign exchange

	Group	
	2019 £m	2018 £m
Carrying amount	**–**	–
Notional amount	**–**	–
Maturity date	**–**	–
Hedge ratio	**–**	–
Change in discounted spot value of hedging instruments since 1 January – (loss)	**–**	(1.0)
Change in value of hedged item used to determine hedge effectiveness – gain	**–**	1.0
Weighted average hedged rate for the year (including forward points)	**–**	1.33

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 2019 and 2018 from currency swap contracts is shown in the table below.

Euro currency swaps

	Group	
	2019 £m	2018 £m
Carrying amount – (liability)	**(1.4)**	(0.2)
Notional amount	**169.6**	246.4
Maturity date	**Jun 2020**	Jan and Jun 2019
Hedge ratio	**1.1**	1:1
Change in discounted spot value of hedging instruments since 1 January – gain/(loss)	**12.1**	(2.4)
Change in value of hedged item used to determine hedge effectiveness – (loss)/gain	**(12.1)**	2.4
Weighted average hedged rate for the year (including forward points)	**1.12**	1.13

US private placement notes

There was no ineffectiveness to be recorded from net investments in foreign entity hedges in 2019 and 2018 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	
	2019 £m	2018 £m
Carrying amount of Private placement notes (Note 16)	**803.0**	853.5
Carrying amount of Private placement notes designated as net investment hedging instruments	**803.0**	436.5
Hedge ratio	**1:1**	1:1
Change in carrying amount of USPP notes as a result of foreign currency movement since 1 January, recognised in OCI – gain/(loss)	**39.7**	(3.7)
Change in value of hedged item used to determine hedge effectiveness – (loss)/gain	**(39.7)**	3.7
Weighted average hedged rate for the year (including forward points)	**1.14**	1.12

17. FINANCIAL INSTRUMENTS AND FAIR VALUES CONTINUED

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 2019 would decrease/increase by £8.8 million (2018: decrease/increase by £10.7 million). This is attributable to the Group's exposure to interest rates on its variable rate borrowings and cash deposits. Fixed rate debt issues are held at amortised cost and are not re-valued in the Balance Sheet to reflect interest rate movements.

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to manage the interest rate risk of the Group's borrowings. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the yield curves at the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts, based on their contractual maturities, outstanding as at the reporting date:

	Average contract – fixed interest rate		Notional principal amount		Fair value	
	2019 %	2018 %	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Receive fixed, pay floating contracts:						
Group						
In one year or less	**5.63**	6.41	**250.0**	181.0	**2.5**	9.3
In more than one year but less than two	**6.75**	5.63	**100.0**	250.0	**5.8**	3.5
In more than two years but less than five	**2.57**	2.61	**578.0**	578.0	**12.3**	18.8
In more than five years	**2.19**	2.19	**254.2**	270.3	**24.4**	2.2
Total			**1,182.2**	1,279.3	**45.0**	33.8
Company						
In one year or less	**5.63**	6.41	**250.0**	181.0	**2.5**	9.3
In more than one year but less than two	**6.75**	5.63	**100.0**	250.0	**5.8**	3.5
In more than two years but less than five	**2.57**	2.61	**578.0**	578.0	**12.3**	18.8
In more than five years	**2.19**	2.19	**254.2**	270.3	**24.4**	2.2
Total			**1,182.2**	1,279.3	**45.0**	33.8

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.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

17. FINANCIAL INSTRUMENTS AND FAIR VALUES CONTINUED

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	
	2019 %	2018 %	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Group						
In one year or less	**–**	–	**–**	–	**–**	–
In more than one year but less than two	**–**	–	**–**	–	**–**	–
In more than two years but less than five	**1.41**	1.40	**361.9**	375.2	**0.1**	1.2
In more than five years	**1.50**	–	**423.7**	–	**5.4**	–
Total			**785.6**	375.2	**5.5**	1.2
Company						
In one year or less	**–**	–	**–**	–	**–**	–
In more than one year but less than two	**–**	–	**–**	–	**–**	–
In more than two years but less than five	**1.41**	1.40	**361.9**	375.2	**0.1**	1.2
In more than five years	**1.50**	–	**423.7**	–	**5.4**	–
Total			**785.6**	375.2	**5.5**	1.2

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.

17. FINANCIAL INSTRUMENTS AND FAIR VALUES CONTINUED

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 5 per cent of rental income. Trade receivables were less than 1 per cent of total assets at 31 December 2019 and at 31 December 2018. The Directors are of the opinion that the credit risk associated with unpaid rent is low. In excess of 95 per cent of rent due is generally collected within 21 days of the due date.

Ageing of past due gross trade receivables and the carrying amount net of loss allowances were as follows:

	2019			2018		
	Gross amount £m	**Loss allowance £m**	**Net carrying amount £m**	Gross amount £m	Loss allowance £m	Net carrying amount £m
0–30 days	**0.8**	**(0.1)**	**0.7**	1.6	(0.1)	1.5
30–60 days	**0.5**	**–**	**0.5**	0.8	–	0.8
60–90 days	**0.7**	**–**	**0.7**	0.7	(0.2)	0.5
90–180 days	**1.1**	**(0.5)**	**0.6**	0.9	(0.1)	0.8
>180 days	**0.1**	**(0.1)**	**–**	1.1	(0.7)	0.4
Past due	**3.2**	**(0.7)**	**2.5**	5.1	(1.1)	4.0
Not due	**33.1**	**(2.3)**	**30.8**	23.0	(1.4)	21.6
Total trade receivables	**36.3**	**(3.0)**	**33.3**	28.1	(2.5)	25.6

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. To measure ECLs trade receivables have been grouped by geographic Business Unit to reflect the shared credit risk characteristics. Expected loss rates are based on the historic credit loss experienced for each Business Unit and adjusted for current and forward information affecting the ability of the individual customers to settle receivables. Trade receivables are written off when there is no reasonable expectation of recovery.

The Group held a loss allowances for trade receivables as at 31 December 2019 of £3.0 million (2018: £2.5 million). Loss allowances, amounts written off and recoveries of amounts previously written off are accounted in property operating expenses within operating profit, these amounts were not material in 2019 and 2018 (see Note 5).

The other financial assets held by the Group have been considered for impairment and no material loss allowances are held against these assets at 31 December 2019 (2018: £nil). The non-current receivable relating to deferred proceeds from the disposal of investment properties of £75.4 million (see Note 14) is guaranteed by an irrecoverable 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 34.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

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.

	2019						2018					
	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]		**207.5**	**–**	**25.0**	**–**	**232.5**		183.1	–	26.2	–	209.3
Lease liabilities	**3.9**	**4.8**	**4.9**	**14.8**	**129.6**	**154.1**	–	–	–	–	–	–
Fixed rate debt instruments	**3.1**	**61.0**	**139.7**	**278.7**	**1,806.3**	**2,285.7**	3.4	76.1	325.2	288.9	1,975.5	2,665.7
Derivative financial instruments:												
Gross settled foreign exchange												
– Forward and currency swap contracts												
– Inflowing		**(279.7)**	**–**	**–**	**–**	**(279.7)**		(536.6)	–	–	–	(536.6)
– Outflowing		**280.3**	**–**	**–**	**–**	**280.3**		542.8	–	–	–	542.8
Total		**273.9**	**144.6**	**318.5**	**1,935.9**	**2,672.9**		265.4	325.2	315.1	1,975.5	2,881.2

	2019						2018					
	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]		**9.5**	**1,747.4**	**–**	**–**	**1,756.9**		5.1	1,688.6	–	–	1,693.7
Fixed rate debt instruments	**3.1**	**61.0**	**139.7**	**276.0**	**1,806.3**	**2,283.0**	3.4	76.1	325.1	288.2	1,972.5	2,661.9
Derivative financial instruments:												
Gross settled foreign exchange												
– Forward and currency swap contracts												
– Inflowing		**(279.7)**	**–**	**–**	**–**	**(279.7)**		(536.6)	–	–	–	(536.6)
– Outflowing		**280.3**	**–**	**–**	**–**	**280.3**		542.8	–	–	–	542.8
Total		**71.1**	**1,887.1**	**276.0**	**1,806.3**	**4,040.5**		87.4	2,013.7	288.2	1,972.5	4,361.8

1 Group trade and other payables disclosed as financial liabilities in Note 17(ii) of £329.8 million, (2018: £230.3 million) includes accrued interest of £19.5 million (2018: £21.0 million) and lease liabilities of £77.8 million (2018: £nil). 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 £1,776.4 million (2018: £1,714.7 million) includes accrued interest of £19.5 million (2018: £21.0 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 pension 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. Other than market and demographic risks, which are common to most retirement benefit schemes and have been substantially removed now as described below, there are no specific risks in the Scheme which the Group considers to be significant or unusual.

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 2020. At this point a final true up payment may be due from the Group to the insurer (or vice versa) and a process to wind-up the Scheme will begin. The transaction, which was funded from the assets of the Scheme and did not require any additional cash contributions from the Group, substantially reduced the risk to the Group and the administrative burden of managing it. In 2018, pension buy-out costs of £51.8 million were recognised in the Income Statement in conjunction with this process, as shown in Note 2. There were no additional buy-out costs recognised in the Income Statement for the year ended 31 December 2019.

The IAS 19 valuation of the Scheme has been based on the most recent actuarial valuation at 31 March 2016, updated to the accounting date by an independent qualified actuary in accordance with IAS 19. Given the transaction described above a further actuarial valuation is not anticipated as the Scheme is expected to commence winding up.

Following the transaction described above, the Scheme's assets solely comprise Insured Pensions and in line with the accounting standard 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.

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.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

18. RETIREMENT BENEFIT SCHEMES CONTINUED

The major assumptions used were as follows:	2019 %	2018 %
Discount rate for scheme liabilities	**2.0**	2.8
Rate of inflation (RPI/CPI)	**3.2/2.1**	3.4/2.3
Rate of increase to pensions in payment in excess of Guaranteed Minimum Pension (GMP):		
Before April 2003	**4.2**	4.3
From April 2003 to October 2005	**3.1**	3.2
After October 2005	**2.1**	2.1

Composition of Scheme's assets	Analysis of assets 2019 £m	Analysis of assets 2018 £m
Insured Pensions	**262.0**	235.6
TOTAL	**262.0**	235.6

The life expectancies at age 65 are as follows:

	2019		2018	
	Male	Female	Male	Female
Current pensioners	**24.9**	**26.0**	24.8	25.9
Future pensioners (in 20 years' time)	**27.1**	**28.3**	27.0	28.2

Both life expectancy estimates use the standard S2PA (2018: S2PA) base tables with a scaling factor of 80 per cent for males and 90 per cent for females (2018: 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. (2018: CMI 2014 projections with an assumed long-term rate of improvement of one and a half per cent p.a.).

(Charges)/credits on the basis of the assumptions were:	2019 £m	2018 £m
(Charge)/credit to Group Income Statement		
Operating profit: Current service cost	**–**	–
Past service costs	**–**	–
Buy-out costs of insurance contract	**–**	(51.8)
Net finance income: Net interest income	**–**	0.9
Net charge to the Group Income Statement	**–**	(50.9)
Credit to Group Statement of Comprehensive Income	**–**	11.0

All actuarial gains and losses are recognised immediately and relate to continuing operations. The cumulative recognised actuarial losses are £19.3 million (2018: £19.3 million).

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:

		2019 £m	2018 £m
Movement in assets			
1 January		**235.6**	305.8
Interest on scheme assets		**6.5**	7.1
Actuarial gains		**29.5**	(7.1)
Employer cash contributions		**–**	1.2
Benefits paid		**(9.6)**	(19.6)
Buy-out of the SEGRO Scheme		**–**	(51.8)
31 December		**262.0**	235.6
Movement in liabilities			
1 January		**235.6**	267.1
Interest cost		**6.5**	6.2
Actuarial losses/(gains)	• changes in demographic assumptions	**–**	–
	• changes in financial assumptions	**31.3**	(17.0)
	• changes due to liability experience	**(1.8)**	(1.1)
Benefits paid		**(9.6)**	(19.6)
31 December		**262.0**	235.6
Analysis of net assets:			
Market value of schemes' assets		**262.0**	235.6
Present value of funded schemes' liabilities		**262.0**	235.6
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 £36.0 million (2018: £nil).

The average duration of the benefit obligations at the end of the reporting period is 18 years (2018: 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 35 per cent (2018: 32 per cent) to deferred and 65 per cent (2018: 68 per cent) to retired members.

The expected employer's contributions to be paid in the year ending 31 December 2020 are £nil (2019: £nil).

The Group also has a number of defined contribution schemes for which £1.5 million has been recognised as an expense (2018: £1.4 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 (£21.7m)/£24.9m
Life expectancy	Increase/decrease by 1 year	Increase/(decrease) by £13.0m/(£13.0m)
Rate of inflation (CPI and RPI)	Increase/decrease by 0.5%	Increase/(decrease) by £9.8m/(£9.1m)

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.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019	**1,013.5**	**101.3**
Issue of shares – placing	**71.0**	**7.1**
Issue of shares – scrip dividend	**10.3**	**1.0**
Issue of shares – other	**1.9**	**0.2**
Ordinary shares of 10p each at 31 December 2019	**1,096.7**	**109.6**

On 15 February 2019 the Company announced the placing of 71 million ordinary shares of 10 pence each in the capital of the Company at a price of 635 pence per share. The Company raised £450.9 million, before £7.5 million expenses and as a result the Company's share capital increased by £7.1 million and share premium by £436.3 million (see Note 20).

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 119. 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.

	2019 number	2018 number
At 1 January	**1,297,793**	1,169,064
Shares granted DSBP	**296,546**	478,295
Shares vested	**(500,375)**	(324,592)
Shares lapsed	**(7,222)**	(24,974)
At 31 December	**1,086,742**	1,297,793

The 2018 DSBP grant was made on 28 June 2019, based on a 27 June 2019 closing mid-market share price of 718.6 pence.

19(ii) – Long Term Incentive Plan (LTIP)
The LTIP is a discretionary employee share scheme for Executive Directors and senior managers. Vesting of awards is subject to three or four-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 120.

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.

	2019 number	2018 number
At 1 January	**6,711,683**	7,860,391
Shares granted LTIP	**1,565,907**	1,382,474
Shares vested	**(1,713,915)**	(2,190,430)
Shares expired/lapsed	**(30,836)**	(340,752)
At 31 December	**6,532,839**	6,711,683

The 2019 LTIP award was made on 29 May 2019. The calculation of the award was based on a share price of 691.0 pence, the closing mid-market share price on 28 May 2019. No consideration was paid for the grant of any award.

19. SHARE CAPITAL AND SHARE-BASED PAYMENTS CONTINUED

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	22 May 2015	7 April 2016	28 April 2017	26 April 2018	**29 May 2019**
Market price used for award	422.5p	420.7p	493.0p	628.8p	**691.0**
Risk-free interest rate	1.0%	0.5%	0.1%	0.9%	**0.6%**
Dividend yield	3.6%	3.7%	3.3%	2.6%	**2.7%**
Volatility	20.0%	19.0%	21.5%	20.6%	**15.7%**
Term	4 years	4 years	3 years	3 years	**3 years**
Fair value per share	366.1p	362.6p	446.1p	580.8p	**482.1p**

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 120. The total share-based payment charge for the schemes recognised in the 2019 Income Statement was £0.6 million (2018: £0.5 million). The total number of outstanding options for the schemes as at 31 December 2019 was 895,941 (2018: 923,006).

20. SHARE PREMIUM AND OTHER RESERVES

Share premium

GROUP AND COMPANY	**2019 £m**	2018 £m
Balance at 1 January	**2,047.7**	1,998.6
Premium arising on the issue of shares – equity placing	**436.3**	–
Premium arising on the issue of shares – scrip dividend	**69.9**	48.7
Premium arising on the issue of shares – other	**0.4**	0.4
Balance at 31 December	**2,554.3**	2,047.7

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 £1.6 million (2018: £54.8 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.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

21. OWN SHARES HELD

	Group		Company	
	2019 £m	2018 £m	**2019 £m**	2018 £m
Balance at 1 January	**2.0**	3.3	**2.0**	3.3
Shares purchased	**3.4**	1.1	**3.4**	1.1
Disposed of on exercise of options	**(2.8)**	(2.4)	**(2.8)**	(2.4)
Balance at 31 December	**2.6**	2.0	**2.6**	2.0

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	**2019 £m**	2018 £m
Properties	**222.6**	189.1

In addition, commitments in the Group's joint ventures at 31 December 2019 (at share) amounted to £41.6 million (2018: £36.6 million). The Group also has a £6.5 million commitment to a property related investment fund at 31 December 2019 (2018: £7.8 million).

23. CONTINGENT LIABILITIES

The Group has given performance guarantees to third parties amounting to £63.5 million (2018: £32.2 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 2019 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 Active Asset Management section on page 26. 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**	**2019 £m**	2018 £m
Not later than one year	**280.1**	**80.6**	**360.7**	333.7
Later than one year but not later than five years	**824.6**	**243.7**	**1,068.3**	991.8
Later than five years	**1,263.0**	**135.9**	**1,398.9**	1,268.2
Balance at 31 December	**2,367.7**	**460.2**	**2,827.9**	2,593.7

There are no significant levels of contingent rent in the current or prior year.

24. LEASES CONTINUED

The Group as lessee

As set out in Note 1 the Group leases various offices under non-cancellable operating leases. From the 1 January 2019, under IFRS 16 Leases, the Group has recognised a right-of-use asset for these leases, except for short-term and low value leases. The future aggregate minimum lease payments on non-cancellable operating leases at 31 December 2018 under IAS 17 were:

	2019 £m	2018 £m
Not later than one year	**–**	2.5
Later than one year but not later than five years	**–**	2.4
Total	**–**	4.9

The above table excludes head lease payments which are directly recovered from the tenant. The ground rent charge for year ended 31 December 2018 was £3.4 million and the expiry of the leases are between 11 to 47 years. The following additional IAS 17 disclosure has been given this year: The total future aggregate minimum payments on non-cancellable head leases at 31 December 2018 under IAS 17 were £156.3 million, of which £3.4 million was due not later than one year, £14.0 million was due later than one year but not later than five years and £138.9 million was due later than five years.

25. RELATED PARTY TRANSACTIONS

Group

Transactions during the year between the Group and its joint ventures are disclosed below:

	2019 £m	2018 £m
Dividends received	**33.3**	28.6
Assets sold to joint ventures[1]	**221.0**	242.0
Management and performance fee income	**20.4**	44.9

1 During the year investment properties with a carrying value of £221.0 million were sold to SELP (2018: £242.0 million). Total proceeds (and total cash proceeds) received by SEGRO was £229.0 million (2018: £251.6 million). The transaction resulted in the net assets of the Group increasing by £8.0 million (2018: £9.6 million increase). The net cash impact on a proportionally consolidated basis was an inflow of £114.5 million (2018: inflow £125.8 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 2019 of £1,121.4 million disclosed in Note 7 (2018: £999.9 million) includes shareholder loans of £125.3 million (2018: £173.2 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 74 to 75. Key management personnel compensation is shown in the table below:

	2019 £m	2018 £m
Salaries and short-term benefits	**5.4**	5.2
Post-employment benefits	**0.4**	0.4
Share-based payments	**3.4**	3.4
Total remuneration	**9.2**	9.0

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 97 to 117.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

26. NOTES TO THE CASH FLOW STATEMENTS

26(i) – Reconciliation of cash generated from operations

	Group		Company	
	2019 £m	2018 £m	**2019 £m**	2018 £m
Operating profit	**949.4**	1,173.4	**220.3**	107.3
Adjustments for:				
Depreciation of property, plant and equipment	**3.4**	2.9	**0.9**	1.4
Share of profit from joint ventures after tax	**(203.1)**	(124.2)	**–**	–
Profit on sale of investment properties	**(7.2)**	(56.5)	**–**	–
Revaluation surplus on investment properties	**(476.7)**	(791.4)	**–**	–
Valuation gain on other investments	**(4.3)**	(4.7)	**–**	–
Dividends and other income	**–**	–	**(210.3)**	(145.8)
Pension buy-out costs (see Note 18)	**–**	51.8	**–**	51.8
Other provisions	**8.2**	6.1	**3.1**	3.0
Decrease in impairment of subsidiaries	**–**	–	**(29.2)**	(30.7)
	269.7	257.4	**(15.2)**	(13.0)
Changes in working capital:				
Decrease/(increase) in trading properties	**30.9**	(19.5)	**–**	–
(Increase)/decrease in debtors and tenant incentives	**(59.3)**	(13.7)	**0.1**	5.1
Increase in creditors	**50.3**	10.9	**5.6**	2.1
Net cash inflow/(outflow) generated from operations	**291.6**	235.1	**(9.5)**	(5.8)

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.

		Cash movements		Non-cash movements				
	At 1 January 2019 £m	Cash inflow[2] £m	Cash outflow[3] £m	Exchange movement £m	Fair value changes £m	Cost of early close out of debt £m	Other non-cash adjustments[1] £m	**At 31 December 2019 £m**
Group								
Bank loans and loan capital	2,259.7	10.2	(269.7)	(60.5)	–	18.6	–	1,958.3
Capitalised finance costs	(16.2)	–	(0.9)	–	–	–	2.3	(14.8)
Total borrowings	**2,243.5**	**10.2**	**(270.6)**	**(60.5)**	**–**	**18.6**	**2.3**	**1,943.5**
Cash in hand and at bank	(66.5)	(66.5)	–	0.5	–	–	–	(132.5)
Net debt	**2,177.0**	**(56.3)**	**(270.6)**	**(60.0)**	**–**	**18.6**	**2.3**	**1,811.0**
Company								
Bank loans and loan capital	2,256.7	10.2	(269.1)	(60.5)	–	18.6	–	1,955.9
Capitalised finance costs	(16.4)	–	(0.9)	**–**	–	–	2.3	(15.0)
Total borrowings	**2,240.3**	**10.2**	**(270.0)**	**(60.5)**	**–**	**18.6**	**2.3**	**1,940.9**
Cash in hand and at bank	(32.3)	(28.6)	–	0.2	–	–	–	(60.7)
Net debt	**2,208.0**	**(18.4)**	**(270.0)**	**(60.3)**	**–**	**18.6**	**2.3**	**1,880.2**

1 The other non-cash adjustment relates to the amortisation of issue costs. See Note 9.

2 Proceeds from borrowings of £10.2 million.

3 Group cash outflow of £270.6 million (Company: £270.0 million), comprises the repayment of borrowings of £251.1 million (Company: £250.5 million), cash settlement for early repayment of debt of £18.6 million (Company: £18.6 million) and capitalised issue costs of £0.9 million (Company: £0.9 million).

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 2019

			Cash movements		Non-cash movements					
Group	At 1 January 2019 £m	Recognised on adoption of IFRS 16 (see Note 1)	Cash inflow £m	Cash outflow £m	Acquisition of leases £m	Exchange movement[1] £m	Fair value changes[2] £m	Cost of early close out of debt £m	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.

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.

For the year ended 31 December 2018

		Cash movements		Non-cash movements				
Group	At 1 January 2018 £m	Cash inflow £m	Cash outflow £m	Exchange movement[3] £m	Fair value changes[4] £m	Cost of early close out of debt £m	Other non-cash adjustments £m	At 31 December 2018 £m
Total borrowings (Note 16)	2,063.5	264.1	(110.1)	16.2	–	6.4	3.4	2,243.5
Derivatives: (Net) Fair value of forward foreign exchange and currency swap contracts (Note 17)	1.4	–	(6.4)	8.3	–	–	–	3.3
Total net financial liabilities arising from financing activities	2,064.9	264.1	(116.5)	24.5	–	6.4	3.4	2,246.8

3 Exchange movement of £24.5 million from borrowings and forward foreign exchange and currency swap contracts consists of: Foreign exchange losses on effective hedge relationships recognised in OCI of £12.6 million and foreign exchange losses recognised within the Income Statement of £11.9 million. See Note 17.

4 Total net fair value loss of £22.0 million arising from derivatives per Note 9 also includes fair value losses from interest rate swaps and caps of £22.0 million.

Company

The Company's financial liabilities and assets arising from financing activities excluding lease liabilities are materially the same as those shown for the Group for the year ended 31 December 2019 and 31 December 2018.

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 2019 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 – £10.8 million (2018: £0.1 million – £7.3 million) for the UK and £0.1 million – £3.9 million (2018: £0.1 million – £4.1 million) for Continental Europe.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

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. 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
2019	**9,316.9**	**(495.5)**	**398.8**	**259.4**	**(412.4)**
2018	8,349.4	(394.4)	393.6	314.4	(312.0)

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 below table 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			
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 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 £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.

27. PROPERTY VALUATION TECHNIQUES AND RELATED QUANTITATIVE INFORMATION CONTINUED

	Valuation			Inputs			
2019 By geography	**Completed £m**	**Land & development[1] £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**
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.

	Valuation			Inputs			
2018 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	1,075.0		1,075.0	48.7	32.4–147.5	5.3	4.1–6.9
Big box warehouses < 35,000 sq m	1,528.3		1,528.3	51.8	32.4–127.1	5.4	4.3–7.1
Urban warehouses > 3,500 sq m	3,173.1		3,173.1	103.9	27.0–280.2	5.0	3.9–10.6
Urban warehouses < 3,500 sq m	2,352.8		2,352.8	155.0	54.0–279.9	4.5	3.9–8.3
High value and other uses of industrial land[4]	220.2		220.2	117.2	36.5–226.0	6.2	4.6–9.9
	8,349.4	1,073.0	9,422.4	74.4	27.0–280.2	5.1	3.9–10.6
By ownership							
Wholly-owned[5]	6,916.4	936.7	7,853.1	108.2	27.0–280.2	5.0	3.9–10.6
Joint ventures	1,433.0	136.3	1,569.3	45.6	32.4–97.3	5.6	4.4–7.1
Group Total	8,349.4	1,073.0	9,422.4	74.4	27.0–280.2	5.1	3.9–10.6

1 Land and development valuations by asset type are not available as land sites are not categorised by asset type. Combined property portfolio column will not cast down but row does cast across.

2 On a fully occupied basis.

3 In relation to the completed properties only.

4 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 £481.8 million; big box < 35,000 sq m £729.6 million; urban warehouses > 3,500 sq m £3,132.0 million; urban warehouses < 3,500 sq m £2,352.8 million; and other uses £220.2 million.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

27. PROPERTY VALUATION TECHNIQUES AND RELATED QUANTITATIVE INFORMATION CONTINUED

	Valuation			Inputs			
2018 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	3,585.5	139.0	3,724.5	150.6	45.8–280.2	4.6	3.9–9.4
Thames Valley	1,526.2	112.3	1,638.5	143.5	61.9–236.8	5.0	4.5–6.6
National Logistics	662.1	338.7	1,000.8	72.4	57.6–127.1	5.2	4.8–6.0
Northern Europe							
Germany/Austria	799.4	140.7	940.1	56.6	32.4–137.7	5.3	4.3–8.3
Belgium/Netherlands	101.8	18.7	120.5	52.9	36.5–90.7	5.9	5.0–10.6
Southern Europe							
France	812.7	32.9	845.6	55.6	33.1–119.8	5.5	4.5–9.5
Italy/Spain	322.0	256.0	578.0	45.2	27.0–72.1	5.7	4.6–9.9
Central Europe							
Poland	472.2	23.1	495.3	41.9	32.4–140.2	6.7	6.2–7.0
Other	67.5	11.6	79.1	50.5	45.1–91.9	6.0	5.6–6.2
Group Total	8,349.4	1,073.0	9,422.4	74.4	27.0–280.2	5.1	3.9–10.6

Investment properties – Group (Note 13(i))	7,801.4
Investment properties – Joint ventures (Note 7(ii))	1,566.9
Trading properties – Group (Note 13(ii))	51.7
Trading properties – Joint ventures (Note 7(ii))	2.4
	9,422.4

1 On a fully occupied basis.

2 In relation to the completed properties only.

28. RELATED UNDERTAKINGS

A list of the Group's related undertakings as at 31 December 2019 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 accounts by virtue of Section 479A of the Act. These subsidiaries are depicted by ** in the table below.

Certain UK partnerships are exempt from the requirements to prepare, publish and have audited individual accounts by virtue of regulation 7 of The Partnerships (Accounts) Regulations 2008. The results of these partnerships are consolidated within these Group accounts. These partnerships are depicted by *** 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***	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 p.l.c.**	England and Wales		Direct	1 New Burlington Place, London, W1S 2HR, United Kingdom
Bonsol S.R.L.	Italy	95%	Indirect	Strada 3 Palazzo B3, 20090 Assago Milanofiori, Milan, Italy
Brixton (Axis Park) Limited	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Brixton (Fairway Units 7-11) 1 Limited**	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 8 (Jersey) Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Nominee 9 (Jersey) Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Nominee 26 (Jersey) Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Nominee 27 (Jersey) Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Nominee 38 (Jersey) Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Nominee 39 (Jersey) Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Nominee 40 (Jersey) Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Nominee 41 (Jersey) Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Nominee Axis Park 1 Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Nominee Axis Park 2 Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Nominee Polar Park 1 Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Nominee Polar Park 2 Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Nominee Premier Park 1 Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Nominee Premier Park 2 Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Northfields (Wembley 1) Limited**	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

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

28. RELATED UNDERTAKINGS CONTINUED

Company Name	Jurisdiction	% effective holding if not 100%	Direct/ Indirect	Registered Office
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
B-Serv Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
CHR Holdings II LLC[5]	Delaware		Indirect	2711, 400 Centerville Road, Wilmington, New Castle, Delaware, 19808, United States
CHR Holdings LLC	Delaware		Indirect	1209 Orange Street, Wilmington, United States
Coventry & Warwickshire Development Partnership LLP	England and Wales	25%	Indirect	Lumonics House Valley Drive, Swift Valley, Rugby, Warwickshire, CV21 1TQ, United Kingdom
De Hoek-Noord S-Park B.V.	Netherlands		Indirect	Gustav Mahlerplein 62, ITO-toren, 8th Floor, 1082MA Amsterdam, Netherlands
Devon Nominees (No. 1) Limited	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
Europa Magnesium S.R.L.	Italy		Indirect	Via Vittor Pisani 16, cap 20124, Milan, Italy
Gateway Rugby Management Company Limited**	England and Wales	91.85%	Indirect	Lumonics House Valley Drive, Swift Valley, Rugby, Warwickshire, CV21 1TQ, United Kingdom
Granby Investment 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
Helios Northern Limited[1]**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
HelioSlough Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Holbury Investments Sp. z.o.o.	Poland		Indirect	Pl. Andersa 3, 61-894 Poznań, Poland
Howbury Park GP Limted	England and Wales	50%	Indirect	Lumonics House Valley Drive, Swift Valley, Rugby, Warwickshire, CV21 1TQ
Howbury Park SPV Limited	England and Wales	50%	Indirect	Lumonics House Valley Drive, Swift Valley, Rugby, Warwickshire, CV21 1TQ
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 Ingatlanforgalmazó Korlátolt Felelösségü Társaság	Hungary		Indirect	1024 Budapest, Lövőház u.39, Hungary
Lynford Investments Sp z.o.o.	Poland		Indirect	Zielna 37, 00-108 Warszawa Mazowieckie, Poland
M0M4 Üzleti Park Ingatlanfejlesztö Korlátolt Felelösségü Társaság	Hungary		Indirect	1024 Budapest, Lövőház u.39, Hungary
Nivindus NV	Belgium	50%	Indirect	Boulevard Louis Schmidt 87, 1040 Etterbeek, Belgium
Ozarow 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	England and Wales	50%	Indirect	Lumonics House Valley Drive, Swift Valley, Rugby, Warwickshire, CV21 1TQ, United Kingdom
Roxhill (Coventry) Limited	England and Wales	50%	Indirect	Lumonics House Valley Drive, Swift Valley, Rugby, Warwickshire, CV21 1TQ, United Kingdom
Roxhill (Junction 15) Limited	England and Wales	50%	Indirect	Lumonics House Valley Drive, Swift Valley, Rugby, Warwickshire, CV21 1TQ, United Kingdom
Roxhill (Maidstone) Limited	England and Wales	50%	Indirect	Lumonics House Valley Drive, Swift Valley, Rugby, Warwickshire, CV21 1TQ, United Kingdom
Roxhill Management Rugby Limited	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Roxhill Warth 2 Limited	England and Wales	25%	Indirect	Lumonics House Valley Drive, Swift Valley, Rugby, Warwickshire, CV21 1TQ, United Kingdom
Roxhill Warth 3 Limited	England and Wales	50%	Indirect	Lumonics House Valley Drive, Swift Valley, Rugby, Warwickshire, CV21 1TQ, United Kingdom
Roxhill-SEGRO (Rugby Gateway) LLP[1]	England and Wales	50%	Indirect	Lumonics House Valley Drive, Swift Valley, Rugby, Warwickshire, CV21 1TQ, United Kingdom
SEGRO (225 Bath Road) 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 (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
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 (Den Bosch) B.V.	Netherlands		Indirect	Gustav Mahlerplein 62, ITO-toren, 8th Floor, 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 (EMG Management Company) Limited[3]**	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) 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	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, 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 (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

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

28. RELATED UNDERTAKINGS CONTINUED

Company Name	Jurisdiction	% effective holding if not 100%	Direct/ Indirect	Registered Office
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
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, 8th Floor, 1082MA Amsterdam, Netherlands
SEGRO (Westway Estate) Limited	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO Achte Grundbesitz GmbH	Germany		Indirect	Fichtenstraße 33, 40233 Düsseldorf, Germany
SEGRO Achtzehnte Grundbesitz GmbH	Germany		Indirect	Fichtenstraße 33, 40233 Düsseldorf, Germany
SEGRO Administration Limited	England and Wales		Direct	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO APP 1 Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO APP 2 Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO APP 3 Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO APP 4 Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO APP Management Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO Asset Management Limited**	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO B.V.	Netherlands		Indirect	Gustav Mahlerplein 62, ITO-toren, 8th Floor, 1082MA Amsterdam, Netherlands
SEGRO Belgium NV	Belgium		Indirect	Boulevard Louis Schmidt 87, 1040 Etterbeek, Belgium
SEGRO Benelux B.V.[4]	Netherlands		Indirect	Gustav Mahlerplein 62, ITO-toren, 8th Floor, 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, 8th Floor, 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.à 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

28. RELATED UNDERTAKINGS CONTINUED

Company Name	Jurisdiction	% effective holding if not 100%	Direct/ Indirect	Registered Office
SEGRO France SA	France		Indirect	20 Rue Brunel, 75017 Paris, France
SEGRO Fünfte Grundbesitz GmbH	Germany		Indirect	Fichtenstraße 33, 40233 Düsseldorf, Germany
SEGRO Fünfundzwanzigste Grundbesitz GmbH	Germany		Indirect	Fichtenstraße 33, 40233 Düsseldorf, Germany
SEGRO Fünfzehnte Grundbesitz GmbH	Germany		Indirect	Fichtenstraße 33, 40233 Düsseldorf, Germany
SEGRO Gennevilliers (SCI)	France		Indirect	20 Rue Brunel, 75017 Paris, France
SEGRO Germany GmbH	Germany		Indirect	Fichtenstraße 33, 40233 Düsseldorf, Germany
SEGRO Glinde B.V.	Netherlands		Indirect	Gustav Mahlerplein 62, ITO-toren, 8th Floor, 1082MA Amsterdam, Netherlands
SEGRO 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, 8th Floor, 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	Callee Conde de Aranda 22 5º Izquierda, 28001, Madrid, Spain
SEGRO Italy S.R.L.	Italy		Indirect	Milano (MI), via Maurizio Gonzaga 7, cap 20123, 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, Luxembourg, 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 Lyon 2 SCI	France		Indirect	20 Rue Brunel, 75017 Paris, France
SEGRO Lyon Holding SAS	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, 8th Floor, 1082MA Amsterdam, Netherlands
SEGRO Netherlands Holding B.V.	Netherlands		Indirect	Gustav Mahlerplein 62, ITO-toren, 8th Floor, 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 Plessis (SCI)	France		Indirect	20 Rue Brunel, 75017 Paris, France
SEGRO Poland Sp. z.o.o.	Poland		Indirect	Pl. Andersa 3, 61-894 Poznań, Poland
SEGRO Properties Limited	England and Wales		Direct	1 New Burlington Place, London, W1S 2HR, United Kingdom
SEGRO Properties Spain SL	Spain		Direct	Callee Conde de Aranda 22 5º Izquierda, 28001, Madrid, Spain
SEGRO plc French Branch	France		Direct	20 Rue Brunel, 75017 Paris, France
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	Callee Conde de Aranda 22 5º Izquierda, 28001, Madrid, Spain
SEGRO Spain Spare 1 S.L.	Spain		Direct	Avenida Diagonal, 467 - 08036, Barcelona, Spain
SEGRO Spain Spare 2 S.L.	Spain		Direct	Avenida Diagonal, 467 - 08036, Barcelona, Spain
SEGRO Spain Spare 3 S.L.	Spain		Direct	Avenida Diagonal, 467 - 08036, Barcelona, Spain
SEGRO Trading (France) SNC	France		Indirect	20 Rue Brunel, 75017 Paris, France
SEGRO Urban Logistics PR1 SCI	France		Indirect	20 Rue Brunel, 75017 Paris, France
SEGRO Urban Logistics PR2 SCI	France		Indirect	20 Rue Brunel, 75017 Paris, France
SEGRO Vierte Grundbesitz GmbH	Germany		Indirect	Fichtenstraße 33, 40233 Düsseldorf, Germany
SEGRO Vierundzwanzigste Grundbesitz GmbH	Germany		Indirect	Fichtenstraße 33, 40233 Düsseldorf, Germany

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

28. RELATED UNDERTAKINGS CONTINUED

Company Name	Jurisdiction	% effective holding if not 100%	Direct/ Indirect	Registered Office
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.à r.l.	Luxembourg	50%	Indirect	283 Route d'Arlon, L-8011 Strassen, Luxembourg
SELP (Alpha JV) S.à r.l.	Luxembourg	50%	Indirect	283 Route d'Arlon, L-8011 Strassen, Luxembourg
SELP Finance S.à r.l.	Luxembourg	50%	Indirect	35-37 avenue de la Liberté, L-1931 Luxembourg
SELP Investments S.à 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
SG Austria Brunnerstrasse GmbH	Austria		Indirect	c/o ECOVIS, Austrail Wirtschaftsprufungs, und Steuerberatungsgesellschaft m.b.H., 1060 Wien, Schmalzhofgasse 4, Austria
Slough Trading Estate Limited	England and Wales		Direct	1 New Burlington Place, London, W1S 2HR, United Kingdom
Steamhouse Group Limited	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Tenedor S.R.L.	Italy		Indirect	Milano (MI), via Maurizio Gonzaga 7, cap 20123, Italy
The Howbury Park Limited Partnership	England and Wales	50%	Indirect	Lumonics House Valley Drive, Swift Valley, Rugby, Warwickshire, CV21 1TQ, United Kingdom
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	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***	England and Wales		Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Vailog Colleferno 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
Valpar B.V.	Netherlands	95%	Indirect	Herengracht 298d, 1016 BL Amsterdam, Netherlands
Woodside GP Limited	England and Wales	33%	Indirect	1 New Burlington Place, London, W1S 2HR, United Kingdom
Zinc One S.R.L.	Italy		Indirect	Strada 3 Palazzo B3, 20090 Assago Milanofiori, Milan, Italy
Zinc Two S.R.L.	Italy		Indirect	Strada 3 Palazzo B3, 20090 Assago Milanofiori, Milan, Italy
Zinc Three S.R.L.	Italy		Indirect	Strada 3 Palazzo B3, 20090 Assago Milanofiori, Milan, Italy
Zinc Four S.R.L.	Italy		Indirect	Strada 3 Palazzo B3, 20090 Assago Milanofiori, Milan, Italy
Zinc Five S.R.L.	Italy		Indirect	Strada 3 Palazzo B3, 20090 Assago Milanofiori, Milan, Italy
Zinc Six S.R.L.	Italy		Indirect	Strada 3 Palazzo B3, 20090 Assago Milanofiori, Milan, Italy
Zinc Seven S.R.L	Italy		Indirect	Strada 3 Palazzo B3, 20090 Assago Milanofiori, Milan, Italy

1 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 Company in liquidation.

SUPPLEMENTARY NOTES NOT PART OF AUDITED FINANCIAL STATEMENTS

Table 1: EPRA performance measures summary

		2019		2018	
	Notes	£m	Pence per share	£m	Pence per share
EPRA Earnings	Table 4	**264.1**	**24.4**	184.7	18.3
EPRA NAV[1]	Table 3	**7,801.0**	**708**	6,620.3	650
EPRA NNNAV[2]	12	**7,425.8**	**674**	6,557.7	644
EPRA net initial yield	Table 5		**3.8%**		3.9%
EPRA topped-up net initial yield	Table 5		**4.3%**		4.3%
EPRA vacancy rate	Table 6		**4.0%**		5.2%
EPRA cost ratio (including vacant property costs)	Table 7		**22.9%**		36.9%
EPRA cost ratio (excluding vacant property costs)	Table 7		**21.5%**		35.3%

1 EPRA NAV: Net assets adjusted to include trading properties at fair value and exclude the fair value of interest rate derivatives and deferred tax in respect of depreciation and valuation surpluses as detailed in Note 12.

2 EPRA NNNAV: Net assets adjusted to include trading properties and debt at fair value as detailed in Note 12.

Table 2: Income Statement, proportionally consolidated

		2019			2018		
	Notes	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m
Gross rental income	2,7	**362.0**	**107.1**	**469.1**	323.2	97.6	420.8
Property operating expenses	2,7	**(80.7)**	**(27.4)**	**(108.1)**	(75.6)	(27.1)	(102.7)
Net rental income		**281.3**	**79.7**	**361.0**	247.6	70.5	318.1
Joint venture fee income[1]	2	**20.4**	**(8.6)**	**11.8**	44.9	(20.1)	24.8
Administration expenses	2,7	**(51.5)**	**(1.6)**	**(53.1)**	(44.1)	(1.3)	(45.4)
Adjusted operating profit before interest and tax		**250.2**	**69.5**	**319.7**	248.4	49.1	297.5
Net finance costs (including adjustments)	2,7	**(36.7)**	**(10.0)**	**(46.7)**	(45.9)	(7.6)	(53.5)
Adjusted profit before tax		**213.5**	**59.5**	**273.0**	202.5	41.5	244.0
Tax on adjusted profit	2,7	**(3.2)**	**(5.5)**	**(8.7)**	(4.4)	(2.5)	(6.9)
Adjusted earnings		**210.3**	**54.0**	**264.3**	198.1	39.0	237.1
Non-controlling interest on adjusted profit	2,7	**(0.2)**	**–**	**(0.2)**	(0.6)	–	(0.6)
Adjusted earnings after tax and non-controlling interests (A)		**210.1**	**54.0**	**264.1**	197.5	39.0	236.5
Number of shares	12			**1,081.3**			1,008.6
Adjusted EPS, pence per share				**24.4**			23.4
Number of shares	12			**1,087.1**			1,014.4
Adjusted EPS, pence per share – diluted				**24.3**			23.3
EPRA earnings							
Adjusted earnings after tax and non-controlling interests (A)		**210.1**	**54.0**	**264.1**	197.5	39.0	236.5
Pension buy-out costs	2,18	**–**	**–**	**–**	(51.8)	–	(51.8)
EPRA earnings after tax and non-controlling interests		**210.1**	**54.0**	**264.1**	145.7	39.0	184.7
Number of shares				**1,081.3**			1,008.6
EPRA EPS, pence per share				**24.4**			18.3
Number of shares				**1,087.1**			1,014.4
EPRA EPS, pence per share – diluted				**24.3**			18.2

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.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

SUPPLEMENTARY NOTES NOT PART OF AUDITED FINANCIAL STATEMENTS CONTINUED

Table 3: Balance Sheet, proportionally consolidated

		2019			2018		
	Notes	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m
Investment properties	13,7	**8,401.7**	**1,898.3**	**10,300.0**	7,801.4	1,566.9	9,368.3
Trading properties	13,7	**20.2**	**1.0**	**21.2**	51.7	2.4	54.1
Total properties		**8,421.9**	**1,899.3**	**10,321.2**	7,853.1	1,569.3	9,422.4
Investment in joint ventures	7	**1,121.4**	**(1,121.4)**	**–**	999.9	(999.9)	–
Other net liabilities		**(54.7)**	**(104.6)**	**(159.3)**	(112.0)	(33.0)	(145.0)
Net borrowings	16,7	**(1,811.0)**	**(673.3)**	**(2,484.3)**	(2,177.0)	(536.4)	(2,713.4)
Total shareholders' equity[1]		**7,677.6**	**–**	**7,677.6**	6,564.0	–	6,564.0
EPRA adjustments	12			**123.4**			56.3
EPRA NAV	12			**7,801.0**			6,620.3
Number of shares, million	12			**1,102.1**			1,018.7
EPRA NAV, pence per share	12			**708**			650

1 After non-controlling interests.

Note: Loan to value of 24.2 per cent is calculated as net borrowings of £2,484.3 million divided by total properties (excluding head lease ROU asset of £70.2 million) of £10,251.0 million (2018: 28.8 per cent; £2,713.4 million net borrowings; £9,422.4 million total properties).

The portfolio valuation uplift of +7.5 per cent shown on page 25 of the Strategic Report is not directly derivable 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 £696.7 million (see Note 8) and property value of £10,251.0 million (paragraph above) giving a valuation uplift of 7.3 per cent. The primary differences are that the uplift excludes the impact of rent free incentives (£26.7 million, +0.3 per cent) and other movements (-£5.3 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 £12,220.5 million (2018: £10,991.8 million) includes Group total properties of £8,421.9 million and 100 per cent of total properties owned by joint ventures of £3,798.6 million (see Note 7 (ii), investment properties of £3,796.7 million and trading properties of £1.9 million) (2018: Group: £7,853.1 million, joint ventures: £3,138.7 million).

Table 4: EPRA Earnings

	Notes	2019 Group £m	2018 Group £m
Earnings per IFRS income statement		**857.9**	1,062.6
Adjustments to calculate EPRA Earnings, exclude:			
Valuation surplus on investment properties	8	**(476.7)**	(791.4)
Profit on sale of investment properties	8	**(7.2)**	(56.5)
Gain on sale of trading properties	13	**(6.9)**	–
Decrease in provision for impairment of trading properties	8	**(1.4)**	–
Increase in provision for impairment of other interests in property	8	**0.4**	–
Valuation surplus on other investments	8	**(4.3)**	(4.7)
Tax on profits on disposals[1]		**9.2**	36.8
Cost of early close out of debt	9	**18.6**	6.4
Net fair value (gain)/loss on interest rate swaps and other derivatives	9	**(7.9)**	22.0
Deferred tax charge/(credit) in respect of EPRA adjustments[1]		**29.0**	(8.2)
Adjustments to the share of profit from joint ventures after tax	7	**(149.1)**	(85.2)
Non-controlling interests in respect of the above	2	**2.5**	2.9
EPRA earnings		**264.1**	184.7
Basic number of shares	12	**1,081.3**	1,008.6
EPRA Earnings per Share (EPS)		**24.4**	18.3
Company specific adjustments:			
Pension buy-out costs	2	**–**	51.8
Adjusted earnings		**264.1**	236.5
Adjusted EPS	12	**24.4**	23.4

1 Total tax charge in respect of adjustments per Note 2 of £38.2 million (2018: £28.6 million charge) comprises tax charge on profits on disposals of £9.2 million (2018: £36.8 million charge) and deferred tax charge of £29.0 million (2018: £8.2 million credit).

SUPPLEMENTARY NOTES NOT PART OF AUDITED FINANCIAL STATEMENTS CONTINUED

Table 5: EPRA net initial yield and topped-up net initial yield

Combined property portfolio including joint ventures at share – 2019	Notes	UK £m	Continental Europe £m	Total £m
Total properties per financial statements	Table 3	**6,626.0**	**3,695.2**	**10,321.2**
Add valuation surplus not recognised on trading properties[1]		**0.9**	**–**	**0.9**
Less head lease ROU assets	13	**–**	**(70.2)**	**(70.2)**
Combined property portfolio per external valuers' reports		**6,626.9**	**3,625.0**	**10,251.9**
Less development properties (investment, trading and joint ventures)		**(424.5)**	**(510.5)**	**(935.0)**
Net valuation of completed properties		**6,202.4**	**3,114.5**	**9,316.9**
Add notional purchasers' costs		**416.8**	**152.9**	**569.7**
Gross valuation of completed properties including notional purchasers' costs	A	**6,619.2**	**3,267.4**	**9,886.6**
		£m	**£m**	**£m**
Income				
Gross passing rent[2]		**242.1**	**147.7**	**389.8**
Less irrecoverable property costs		**(4.0)**	**(6.1)**	**(10.1)**
Net passing rent	B	**238.1**	**141.6**	**379.7**
Adjustment for notional rent in respect of rent frees		**30.0**	**18.6**	**48.6**
Topped up net rent	C	**268.1**	**160.2**	**428.3**
Including fixed/minimum uplifts[4]		**10.7**	**1.0**	**11.7**
Total topped up net rent		**278.8**	**161.2**	**440.0**

Yields – 2019		UK %	Continental Europe %	Total %
EPRA net initial yield[3]	B/A	**3.6**	**4.3**	**3.8**
EPRA topped-up net initial yield[3]	C/A	**4.1**	**4.9**	**4.3**
Net true equivalent yield		**4.6**	**5.2**	**4.8**

1 Trading properties are recorded in the Financial Statements at the lower of cost and net realisable value, therefore valuations above cost have not been recognised.

2 Gross passing rent excludes short-term lettings and licences.

3 In accordance with the Best Practices Recommendations of EPRA.

4 Certain leases contain clauses which guarantee future rental increases, whereas most leases contain five-yearly, upwards only rent review clauses (UK) or indexation clauses (Continental Europe).

Table 6: EPRA vacancy rate

	2019 £m	2018 £m
Annualised potential rental value of vacant premises	**19.2**	23.1
Annualised potential rental value for the completed property portfolio	**474.2**	441.3
EPRA vacancy rate	**4.0%**	5.2%

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

SUPPLEMENTARY NOTES NOT PART OF AUDITED FINANCIAL STATEMENTS CONTINUED

Table 7: Total cost ratio/EPRA cost ratio

Total cost ratio	Notes	2019 £m	2018 £m
Costs			
Property operating expenses[1]	5	**80.7**	75.6
Administration expenses	6	**51.5**	44.1
Share of joint venture property operating and administration expenses[2]	7	**37.6**	35.4
Less:			
Joint venture property management fee income, service charge income, management fees and other costs recovered through rents but not separately invoiced[3]		**(74.6)**	(70.6)
Total costs (A)		**95.2**	84.5
Gross rental income			
Gross rental income	4	**362.0**	323.2
Share of joint venture property gross rental income	7	**107.1**	97.6
Less:			
Service charge income, management fees and other costs recovered through rents but not separately invoiced[3]		**(54.2)**	(51.9)
Total gross rental income (B)		**414.9**	368.9
Total cost ratio (A)/(B)		**22.9%**	22.9%
Total costs (A)		**95.2**	84.5
Share-based payments	6	**(12.5)**	(11.1)
Total costs after share-based payments (C)		**82.7**	73.4
Total cost ratio after share-based payments (C)/(B)		**19.9%**	19.9%

EPRA cost ratio			
Total costs (A)		**95.2**	84.5
Pension buy-out costs	18	**–**	51.8
EPRA total costs including vacant property costs (D)		**95.2**	136.3
Group vacant property costs	5	**(4.8)**	(5.1)
Share of joint venture vacant property costs	7	**(1.1)**	(0.9)
EPRA total costs excluding vacant property costs (E)		**89.3**	130.3
Total gross rental income (B)		**414.9**	368.9
Total EPRA cost ratio (including vacant property costs) (D)/(B)		**22.9%**	36.9%
Total EPRA cost ratio (excluding vacant property costs) (E)/(B)		**21.5%**	35.3%

1 Property operating expenses are net of costs capitalised in accordance with IFRS of £7.3 million (2018: £4.6 million) (see Note 5 for further detail on the nature of costs capitalised).

2 Share of joint venture property operating and administration expenses after deducting costs related to performance and other fees.

3 Total deduction of £74.6 million (2018: £70.6 million) from costs includes: joint venture management fees income of £20.4 million (2018: £18.7 million), service charge income including joint ventures of £49.7 million (2018: £47.6 million) and management fees and other costs recovered through rents but not separately invoiced, including joint ventures, of £4.5 million (2018: £4.3 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 £362.0 million (2018: £323.2 million) does not include joint venture management fees income of £20.4 million (2018: £18.7 million) and are not included in the total deduction to income of £54.2 million (2018: £51.9 million).

SUPPLEMENTARY NOTES NOT PART OF AUDITED FINANCIAL STATEMENTS CONTINUED

Table 8: EPRA capital expenditure analysis

	2019			2018		
	Wholly owned £m	**Joint ventures £m**	**Total £m**	Wholly owned £m	Joint ventures £m	Total £m
Acquisitions	**233.9[1]**	**164.1**	**398.0[7]**	193.7	162.0	355.7
Development[4]	**345.2[2]**	**63.5**	**408.7**	482.3	65.9	548.2
Completed properties[6]	**25.2[3]**	**5.6**	**30.8**	23.9	6.4	30.3
Other[5]	**44.7**	**10.6**	**55.3**	16.6	6.2	22.8
Total	**649.0**	**243.8**	**892.8**	716.5	240.5	957.0

1 Being £233.9 million investment property and £nil trading property (2018: £193.7 million and £nil respectively) see Note 13.

2 Being £336.8 million investment property and £8.4 million trading property (2018: £461.8 million and £20.5 million respectively) see Note 13.

3 Being £25.2 million investment property and £nil trading property (2018: £23.9 million and £nil million respectively) see Note 13.

4 Includes wholly-owned capitalised interest of £8.2 million (2018: £9.2 million) as further analysed in Note 9 and share of joint venture capitalised interest of £0.8 million (2018: £0.8 million).

5 Tenant incentives, letting fees and rental guarantees and other items.

6 Capital expenditure on completed properties in 2019 did not create additional lettable space.

7 Total acquisitions completed in 2019 shown on page 25 of the Strategic Report of £283.5 million excludes share of assets acquired by SELP from SEGRO of £114.5 million (of which £113.0 million was completed property and £1.5 million was land, see Note 25).

Total disposals completed in 2019 of £442.4 million shown on page 25 of the Strategic Report includes: Carrying value of investment properties disposed by SEGRO Group of £473.3 million (see Note 13) and profit generated on disposal of £7.2 million (see Note 8); proceeds from the sale of trading properties by SEGRO Group of £50.1 million (see Note 4); share of joint venture disposal proceeds of £18.3 million; carrying value of lease incentives, letting fees and rental guarantees disposed by SEGRO Group and joint venture (at share) of £8.0 million; and excludes 50 per cent of the disposal proceeds for assets sold by SEGRO to SELP JV of £114.5 million (see Note 25).

Table 9: Like-for-like net rental income

(including JVs at share)	**2019 £m**	2018 £m	Change %
UK	**203.5**	192.6	5.7
Continental Europe	**90.6**	87.9	3.1
Like-for-like net rental income	**294.1**	280.5	4.8
Other[1]	**(6.5)**	(5.7)	
Like-for-like net rental income (after other)	**287.6**	274.8	4.7
Development lettings	**40.6**	11.7	
Properties taken back for development	**(0.2)**	1.4	
Like-for-like net rental income plus developments	**328.0**	287.9	
Properties acquired	**5.7**	0.8	
Properties sold	**10.7**	18.2	
Net rental income before surrenders, dilapidations and exchange	**344.4**	306.9	
Lease surrender premiums and dilapidation income	**0.5**	1.2	
Other items and rent lost from lease surrenders	**16.1**	8.6	
Impact of exchange rate difference between periods	**–**	1.4	
Net rental income (including joint ventures at share)	**361.0**	318.1	
SEGRO share of joint venture management fees	**(8.6)**	(7.0)	
SEGRO share of joint venture performance fees	**–**	(13.1)	
Net rental income after SEGRO share of joint venture fees	**352.4**	298.0	

1 Other includes the corporate centre and other costs relating to the operational business which are not specifically allocated to a geographical Business Unit.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

SUPPLEMENTARY NOTES NOT PART OF AUDITED FINANCIAL STATEMENTS CONTINUED

Table 10: Top 10 estates as at 31 December 2019 (by value, including joint ventures at share)

UK	Ownership	Location	Lettable area (100%) sq m	Headline rent £m	Vacancy by ERV %	WAULT years[1]	Asset type
Slough Trading Estate	100	Slough	534,982	74.7	2.5	9.5	Multi-let urban warehouse estate
SLP East Midlands Gateway	100	Midlands	199,525	12.5	0.0	17.1	Big-box warehouse park
Shoreham Rd Cargo Area	100	Heathrow	93,704	16.4	0.0	4.0	Multi-let cargo facility
Premier Park	100	Park Royal	78,428	10.9	4.9	4.0	Multi-let urban warehouse estate
Greenford Park	100	Park Royal	79,509	10.2	2.8	5.3	Multi-let urban warehouse estate
North Feltham Trading Estate	100	Heathrow	65,948	8.9	3.5	4.2	Multi-let urban warehouse estate
Axis Park	100	Heathrow	61,753	8.1	0.0	8.1	Multi-let urban warehouse estate
Metropolitan Park	100	Park Royal	69,972	7.7	6.5	2.5	Multi-let urban warehouse estate
Rugby Gateway	100	Midlands	113,413	8.6	0.0	8.8	Big box warehouse park
BA World Cargo Centre	100	Heathrow	n/a	Conf.[2]	0.0	31.3	Single-let cargo facility
Continental Europe							
SEGRO Logistics Park Aulnay	100	France	47,288	4.4	0.0	9.8	Big box warehouse park
SEGRO Logistics Park Krefeld-Süd	50	Germany	201,851	4.9	1.4	5.0	Big box warehouse park
SEGRO Airport Park Berlin	50/100	Germany	119,610	5.0	6.8	5.9	Multi-let urban warehouse estate and big box estate
SEGRO Park Düsseldorf-Sud	100	Germany	79,915	4.9	1.9	6.4	Multi-let urban warehouse estate
VAILOG CSG Logistics Park	50/100	Italy	239,022	4.4	0.5	7.2	Big box warehouse park
SEGRO Logistics Gennevilliers	100	France	75,232	5.3	0.0	6.6	Multi-let urban warehouse estate
SEGRO Logistics Park Stryków	50	Poland	301,550	5.1	5.8	4.7	Big box warehouse park
SEGRO CityPark Düsseldorf	100	Germany	50,318	3.5	24.2	6.8	Multi-let urban warehouse estate
SEGRO Logistics Park Prague	50	Czech Republic	169,514	3.9	3.0	3.9	Big box warehouse park
SEGRO Business Park Blanc Mesnil	100	France	34,992	3.6	0.0	1.8	Multi-let urban warehouse estate

1 Weighted average unexpired lease term to earlier of break of expiry.

2 Confidential.

FIVE-YEAR FINANCIAL RESULTS

	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Group Income Statement					
Net rental income	**281.3**	247.6	220.7	180.6	173.0
Joint venture fee income	**20.4**	44.9	24.3	18.6	17.0
Administration expenses	**(51.5)**	(44.1)	(39.7)	(31.4)	(28.5)
Share of joint ventures' Adjusted profit after tax	**54.0**	39.0	47.6	55.4	44.4
Net finance costs (including adjustments)	**(36.7)**	(45.9)	(58.7)	(68.7)	(67.3)
Adjusted profit before tax[1]	**267.5**	241.5	194.2	154.5	138.6
Adjustments to the share of profit from joint ventures after tax	**149.1**	85.2	60.5	29.7	112.1
Profit on sale of investment properties	**7.2**	56.5	17.0	16.4	23.0
Valuation surplus on investment and owner occupied properties	**476.7**	791.4	872.4	231.3	439.8
Profit/(loss) on sale of trading properties	**6.9**	–	(0.4)	0.3	(0.1)
Decrease/(increase) in provision for impairment of trading properties and other interests in property	**1.0**	–	–	(2.0)	(1.2)
Other investment income	**4.3**	4.7	–	–	6.6
Goodwill and other amounts written off on acquisitions and amortisation of intangibles	**–**	–	(0.6)	(0.2)	(3.8)
Net fair value gain/(loss) on interest rate swaps and other derivatives	**7.9**	(22.0)	(21.5)	(2.6)	(23.7)
Net loss on early close out of debt	**(18.6)**	(6.4)	(145.3)	(1.0)	–
Pension buy-out costs	**–**	(51.8)	–	–	(4.8)
Profit before tax	**902.0**	1,099.1	976.3	426.4	686.5
Group Balance Sheet					
Investment properties (including assets held for sale)	**8,401.7**	7,801.4	6,745.4	4,714.4	4,424.0
Trading properties	**20.2**	51.7	12.5	25.4	37.6
Total directly owned properties	**8,421.9**	7,853.1	6,757.9	4,739.8	4,461.6
Property, plant and equipment	**23.0**	13.3	14.7	16.1	16.4
Investments in joint ventures	**1,121.4**	999.9	792.0	1,066.2	867.3
Other assets	**383.9**	235.8	261.2	254.6	202.8
Cash and cash equivalents	**132.5**	66.5	109.3	32.0	16.4
Total assets	**10,082.7**	9,168.6	7,935.1	6,108.7	5,564.5
Borrowings	**(1,943.5)**	(2,243.5)	(2,063.5)	(1,630.4)	(1,822.9)
Deferred tax provision	**(53.2)**	(26.9)	(34.6)	(16.3)	(12.6)
Other liabilities and non-controlling interests	**(408.4)**	(334.2)	(251.6)	(279.9)	(239.1)
Total equity attributable to owners of the parent	**7,677.6**	6,564.0	5,585.4	4,182.1	3,489.9
Total movement in equity attributable to owners of the parent					
Profit attributable to equity shareholders	**857.9**	1,062.6	952.7	417.7	682.5
Other equity movements	**255.7**	(84.0)	450.6	274.5	(81.4)
	1,113.6	978.6	1,403.3	692.2	601.1
Data per ordinary share (pence)					
Earnings per share					
Basic earnings per share[2]	**79.3**	105.4	98.5	51.6	87.7
Adjusted earnings per share – basic[2]	**24.4**	23.4	19.9	18.8	17.6
Net assets per share basic					
Basic net assets per share[2]	**700**	648	557	483	447
EPRA NAV per share – diluted[2]	**708**	650	556	478	443
Dividend per share[2]	**20.7**	18.8	16.6	15.7	14.9

1 There are no differences between the Adjusted profit before tax and the previously reported EPRA profit before tax for the years 2016, 2017 and 2019.

2 Earnings per share, net assets per share and dividend per share for 2016 and earlier have been re-presented for a bonus factor of 1.046.

FURTHER INFORMATION

FINANCIAL INFORMATION

FINANCIAL CALENDAR AND SHAREHOLDER INFORMATION

FEBRUARY 2020		
Announcement of year end results:		14 February 2020
Payment:	6¾ per cent bonds 2024 interest	24 February 2020
MARCH 2020		
Payment:	7 per cent bonds 2022 interest	16 March 2020
Ex-dividend date for final dividend:	Property Income Distribution	19 March 2020
Record date:	Property Income Distribution	20 March 2020
APRIL 2020		
Final date for SCRIP election:	Property Income Distribution	8 April 2020
Annual General Meeting:		21 April 2020
MAY 2020		
Payment:	Property Income Distribution	1 May 2020
Payment:	6¾ per cent 2021 interest	26 May 2020
JUNE 2020		
Payment:	5¾ per cent bonds 2035 interest	22 June 2020
JULY 2020		
Announcement of Half year results:		30 July 2020
AUGUST 2020		
Payment:	6¾ per cent bonds 2024 interest	24 August 2020
SEPTEMBER 2020		
Payment:	7 per cent bonds 2022 interest	14 September 2020
OCTOBER 2020		
Payment:	Property Income Distribution and/or Dividend	October
Payment:	2⅜ per cent bonds 2029 interest	12 October 2020
Payment:	2⅞ per cent bonds 2037 interest	12 October 2020
NOVEMBER 2020		
Payment:	6¾ per cent bonds 2021 interest	23 November 2021

ANALYSIS OF SHAREHOLDERS – 31 DECEMBER 2019

Shareholder analysis

Range	Holders	% of holders	Shares	% of shares
1–1,000	4,015	58.09	965,292	0.09
1,001–10,000	1,822	26.37	6,040,364	0.55
10,001–100,000	551	7.97	20,469,494	1.87
100,001–1,000,000	367	5.31	129,417,497	11.80
1,000,001+	156	2.26	939,752,778	85.69
Totals	6,911	100.00	1,096,645,425	100.00

Category analysis

Category	Holders	% of holders	Shares	% of shares
Individual (certificated)	4,919	71.18	9,275,452	0.85
Individual (uncertificated)	65	0.94	369,484	0.03
Nominee and Institutional Investors	1,927	27.88	1,087,000,489	99.12
Totals	6,911	100.00	1,096,645,425	100.00

SHAREHOLDER INFORMATION

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.

Shareholder enquiries

If you have any questions about your shareholding or if you require further guidance (e.g. to notify a change of address) please contact our Registrar, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, telephone +44 (0)371 384 2186. 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 2020 AGM will be held on 21 April 2020 at RSA House, 8 John Adam Street, London WC2N 6EZ.

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 4th Floor Rear, 67/68 Jermyn Street SW1Y 6NY, 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.

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.

Subject to the Board deciding to offer a SCRIP, the SCRIP runs for three years ending on the earlier of 18 April 2021 and the 2021 AGM.

It allows shareholders who elect to receive the SCRIP, to take their final and interim dividends in shares rather than cash. Details of the SCRIP together with information on how shareholders can elect to receive it are available on the Company's website www.SEGRO.com.

FURTHER INFORMATION

GLOSSARY OF TERMS

APP: Airport Property Partnership, formerly a 50-50 joint venture between SEGRO and Aviva Investors, which was dissolved in 2017 when SEGRO acquired Aviva's 50 per cent interest in the portfolio.

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 the IPD indices of real estate performance around the world.

Net initial yield: Passing rent less non-recoverable property expenses such as empty rates, divided by the property valuation plus notional purchasers' costs. This is in accordance with EPRA's Best Practices Recommendations.

Net rental income: Gross rental income less ground rents paid, net service charge expenses and property operating expenses.

Net true equivalent yield: The internal rate of return from an investment property, based on the value of the property assuming the current passing rent reverts to ERV and assuming the property becomes fully occupied over time. It assumes that rent is received quarterly in advance.

Passing rent: The annual rental income currently receivable on a property as at the Balance Sheet date (which may be more or less than the ERV). Excludes rental income where a rent free period is in operation. Excludes service charge income (which is netted off against service charge expenses).

Pre-let: A lease signed with an occupier prior to commencing construction of a building.

REIT: A qualifying entity which has elected to be treated as a Real Estate Investment Trust for tax purposes. In the UK, such entities must be listed on a recognised stock exchange, must be predominantly engaged in property investment activities and must meet certain ongoing qualifications. SEGRO plc and its UK subsidiaries achieved REIT status with effect from 1 January 2007.

Rent-free period: An incentive provided usually at commencement of a lease during which a customer pays no rent. The amount of rent free is the difference between passing rent and headline rent.

Rent roll: See Passing Rent.

SELP: SEGRO European Logistics Partnership, a 50-50 joint venture between SEGRO and the Public Sector Pension Investment Board (PSP Investments) established in 2013 to own big box warehouses in Continental Europe.

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.

REGISTERED OFFICE

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REGISTERED IN ENGLAND AND WALES
REGISTERED NUMBER 167591

The printer and paper mill are both accredited with ISO14001 Environmental Management System and are both Forest Stewardship Council® certified.

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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.

OTHER PUBLICATIONS

Additional disclosures on our property portfolio can be found in the 2019 Property Analysis Report at www.SEGRO.com.

Our CSR 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. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority), SEGRO does not undertake to update forward-looking statements to reflect any changes in events, conditions or circumstances on which any such statement is based. Past share performance cannot be relied on as a guide to future performance. Nothing in this Annual Report should be construed as a profit 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 any other investment activities.

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