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Schroder Real Estate Investment Trust Limited

Annual Report and Consolidated Financial Statements

for the year ended 31 March 2024

Overview

Positive NAV total return and continued dividend growth driven by portfolio resilience and sector-leading debt profile

- Audited net asset value ('NAV') decreased to £287.4 million, or 58.8 pence per share ('pps') (31 March 2023: £300.7 million, or 61.5 pps)
- NAV movement driven by an underlying portfolio decline of 2.8% (MSCI Benchmark: -5.7%), with the underlying portfolio value unchanged over the most recent quarter to 31 March 2024 (MSCI Benchmark: -0.6%)
- 4% increase in dividends paid during the financial year to £16.4 million, or 3.34 pps (31 March 2023: £15.8 million, or 3.22 pps), fully covered by EPRA earnings
- Positive NAV total return of 1.1% (31 March 2023: -15.1%)
- Long average debt maturity profile of 9.7 years and a low current average interest cost of 3.5%, with 91% fixed or hedged against movements in interest rates
- Loan to value, net of all cash, of 37.1% (31 March 2023: 36.0%)
- Further 2% increase in the quarterly dividend to 0.853 pps for the quarter ended 31 March 2024, to be paid in June, reflecting a yield of 7.9% based on the share price of 43.4 pps at the close on 5 June 2024

High income return, beneficial sector allocations, and portfolio activity leading to long-term outperformance against the MSCI Benchmark and an improvement in defensive qualities

- Attractive underlying portfolio yield profile, with a net initial yield of 6.1% (MSCI Benchmark: 5.1%) and a reversionary yield of 8.4% (MSCI Benchmark: 6.1%)
- Portfolio total return for the financial year of 3.2% (MSCI Benchmark: -1.3%), supported by a high income return of 6.2% (MSCI Benchmark: 4.7%) and rental growth of 4.6% (MSCI Benchmark: 3.3%)
- Continued long-term outperformance of the underlying portfolio with a total return of 5.5% per annum on a rolling three-year basis (MSCI Benchmark Index: 0.8% per annum), with all main sectors outperforming over one and three years
- Increased allocation to higher growth sectors, with industrial, predominately multi-let estates, and value retail warehousing now comprising 61.5% by value (31 March 2023: 58.6%)
- 108 leasing transactions across 1.0 million sq ft completed since the start of the financial year, delivering strong rental growth, an increased average unexpired lease term, and lower void rate

Strategic evolution to place sustainability at the centre of the investment proposition

- Strategic evolution, with a sustainability improvement and decarbonisation strategy, focused on adapting existing buildings into those that are both modern and fit-for-purpose
- The new strategy should enable the Company to proactively respond to the UK's Net Zero Carbon objectives, whilst optimising portfolio performance to seek enhanced total returns for shareholders
- Further improvement in the 2023 GRESB score to 79 out of 100 (2022: 77), achieving a maximum score for management aspects, placing SREIT first amongst its GRESB peer group
- Range of projects ongoing to deliver improved sustainability performance in order to capture the 'Green Premium', most notably at Stanley Green Trading Estate in Manchester that made a significant contribution to portfolio outperformance

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Performance Summary

Property performance

	31 March 2024	31 March 2023
Value of Property Assets and Joint Venture Assets ¹	£459.3m	£470.4m
Annualised rental income ²	£29.8m	£29.3m
Estimated open market rental value ³	£38.8m	£37.8m
Underlying portfolio total return	3.2%	(7.9%)
MSCI Benchmark total return ⁴	(1.3%)	(13.5%)
Underlying portfolio income return	6.2%	6.0%
MSCI Benchmark income return	4.7%	4.1%

Financial summary

	31 March 2024	31 March 2023
Net Asset Value ('NAV')	£287.4m	£300.7m
NAV per Ordinary Share	58.8p	61.5p
EPRA Net Tangible Assets ⁵	£287.1m	£300.7m
EPRA Net Reinstatement Value ⁵	£318.4m	£332.2m
EPRA Net Disposal Value ⁵	£305.8m	£317.4m
IFRS profit/(loss) for the year	£3.0m	(£54.7m)
EPRA earnings ⁵	£16.3m	£16.0m
Dividend cover ⁶	100%	101%

Capital values

	31 March 2024	31 March 2023
Share price	41.9p	43.6p
Share price discount to NAV	(28.7%)	(29.1%)
NAV total return ⁷	1.1%	(15.1%)

¹ Reconciles to the valuation reports from CBRE for both the direct portfolio and the two Joint Ventures. Does not include any IFRS adjustments for lease incentives, nor the fair value of the leasehold adjustment for The Galaxy, Luton.

² Represents the annualised rental income of the portfolio as at 31 March 2024, including the share of rents from joint venture assets.

³ Represents the ERV of the portfolio as estimated by the valuers, including the share of rents for the joint venture assets.

⁴ Source: MSCI Quarterly Version of Balanced Monthly Index Funds including the share of rents for the joint venture assets on a like-for-like basis as at 31 March 2024.

⁵ This is an Alternative Performance Measure ('APM'). EPRA calculations are included in the EPRA Performance measures section on page 104.

⁶ This is an APM with further details on page 110.

⁷ This is an APM with further details on page 110.

Earnings and dividends

	31 March 2024	31 March 2023
EPRA earnings ⁵ (pps)	3.3	3.3
Dividends paid (pps)	3.34	3.22
Annualised dividend yield on the 31 March share price	8.0%	7.4%

Bank borrowings

	31 March 2024	31 March 2023
On-balance sheet borrowings ⁸	£176.59m	£177.90m
Loan to Value ratio ('LTV'), net of all cash ⁹	37.1%	36.0%

Ongoing charges

	31 March 2024	31 March 2023
Ongoing charges (including fund and property expenses) ¹⁰	2.53%	2.28%
Ongoing charges (including fund only expenses) ¹¹	1.19%	1.32%

⁸ On-balance sheet borrowings reflect the loan facilities with Canada Life and RBSI without the deduction of unamortised finance costs of £0.7m.

⁹ This is an APM. Details are included in the APM section on page 110.

¹⁰ This is an APM and calculated in accordance with the AIC recommended methodology. Details are included in the APM section on page 110.

¹¹ This is an APM and calculated in accordance with the AIC methodology. Details are included in the APM section on page 110.

Strategic Report

Chair's Statement

We are today announcing our audited financial results for the year ended 31 March 2024.

It has again been a challenging environment in the UK real estate market with weak economic growth, elevated interest rates and geopolitical uncertainty. More encouragingly, the UK economy appears to have avoided a more prolonged downturn, and occupational markets remain relatively resilient, with sustained levels of tenant demand and low levels of new development driving positive rental growth.

The uncertain macroenvironment contributed to a decline in the valuation of our underlying portfolio of 2.8% during the year. This was, however, better than our peer group MSCI Benchmark (the 'Benchmark') which showed a decline of 5.7%. The negative valuation movement resulted in a net asset value ('NAV') of £287.4 million, or 58.8 pence per share ('pps'), a decline of 2.7 pps or 4.4% over the year.

This resulted in a small increase in the Company's net loan-to-value ('LTV') from 36.0% to 37.1%, and further disposals are planned to bring the net LTV in line with our long-term target range of 25% to 35%.

We were pleased that a combination of a diverse tenant base and strong asset management enabled us to collect 99% of rents due during the year and this, together with a reduced void rate and 4.6% rental growth, drove an income return from the underlying portfolio of 6.2% compared to our Benchmark of 4.7%. This resulted in a positive total return of 3.2% compared with the Benchmark at -1.3%.

Higher income, tight management of costs and a sector-leading debt profile also enabled the Company to pay dividends of £16.4 million, or 3.34 pps, an increase of 4% over the prior year. Dividends were fully covered by earnings over the year and 105% covered by earnings over the most recent quarter. Combined with the movement in the NAV, this resulted in a positive NAV total return for the year of 1.1%.

This momentum continues and, because of more positive leasing activity since the year end, the Company has announced a further 2% increase in the quarterly dividend to 0.853 pps, to be paid in June 2024. This is 31% above the 2019 quarterly run-rate and reflects an annualised yield of 7.9% based on the share price of 43.4 pps at the close on 5 June 2024.

Despite the attractive level of dividend, and the potential for a real estate market recovery in 2025, the Company's shares, in common with other listed real estate funds, continue to trade at a discount to NAV. Over recent years the Company has taken proactive steps to address this discount, including a major refinancing in 2019, increased exposure to higher growth sectors, share buybacks, and continued best-in-class governance.

This activity has contributed to sustained outperformance compared with our peer group, with a three-year underlying portfolio total return of 5.5% per annum (Benchmark 0.8% per annum), a three-year net NAV total return of 4% per annum, and a three-year share price total return of 8.5% per annum. This has been accompanied by a high level of shareholder engagement and wider marketing of the Company.

The Company is focused on demonstrating best-in-class governance, for example rotating its independent valuer ahead of mandatory new rules from the Royal Institution of Chartered Surveyors (the 'RICS'), and the Manager advocating for changes to regulatory cost disclosure that creates a more level playing field which could attract new shareholders to the Company.

Looking forward, we should continue to benefit from a good quality portfolio overweight to sectors expected to deliver higher growth, a diverse and strong tenant mix, strong asset management skills and a market-leading debt profile. However, for the Company to remain compelling, the strategy needs to evolve in these changing times.

Last year we therefore decided to place sustainability at the centre of our investment decision-making. This was done to fully benefit from the Manager's commitments and capabilities in this area, with the aim of enhancing long-term returns for shareholders, further differentiating the Company and its strategy from peers, and to attract a wider shareholder base. We received strong support to this strategic evolution at the Extraordinary General Meeting in December, and the Manager makes more detailed comment on progress towards execution of this strategy below.

Finally, I would like to welcome Sanjay Patel as a new Non-executive Director and intended Chair of the Audit Committee, replacing Stephen Bligh. On behalf of my fellow Directors and the Manager, I would like to thank Stephen for his commitment and service over the past nine years.

Alastair Hughes

Chair
Schroder Real Estate Investment Trust Limited
5 June 2024

Investment Manager's Report

Financial results

Schroder Real Estate Investment Trust Limited's ('SREIT', or 'the Company') net asset value ('NAV') as at 31 March 2024 was £287.4 million or 58.8 pence per share ('pps'), compared with £300.7 million, or 61.5 pps, as at 31 March 2023. This reflected a decrease over the financial year of 2.7 pps or 4.4%. Dividends totalling £16.4 million were paid during the year, which resulted in a positive NAV total return of 1.1%. A detailed analysis of the NAV movement is set out in the table below:

	£m	PPS
NAV as at 31 March 2023¹	300.7	61.5
Unrealised net decrease in the valuations of the direct real estate portfolio and joint ventures ²	(3.6)	(0.7)
Capital expenditure ³	(9.1)	(1.8)
Realised gain on disposal, net of disposal costs	0.2	0.0
EPRA earnings ⁴	16.3	3.3
Dividends paid	(16.4)	(3.3)
Interest rate derivatives	(0.3)	(0.1)
Others	(0.4)	(0.1)
NAV as at 31 March 2024⁵	287.4	58.8

1. The calculation of pence per share is based on shares in issue as at 31 March 2023 of 489,110,576.
2. Prior to all capital expenditure, and movement in IFRS 16 lease incentives.
3. Comprises capital expenditure of £8.3 million on the directly held portfolio and £0.8 million invested across the two joint ventures.
4. EPRA earnings as per the reconciliation on page 104.
5. The calculation of pence per share is based on shares in issue as at 31 March 2024 of 489,110,576.

The underlying portfolio, including joint ventures and net of capital expenditure, decreased in value by 2.8% on a like-for-like basis over the financial year ended 31 March 2024.

£9.1 million of capital expenditure was invested in asset management and redevelopment projects, including joint ventures, that should drive capital growth and future rental increases over the medium to longer term.

Whilst two disposals completed during the financial year, one was recognised in the prior period as unconditional contracts had been exchanged. The disposal of Coverdale House in Leeds completed on 8 December 2023 for £3.8 million and reflected a 7.0% increase on the 31 March 2023 independent valuation of £3.6 million. After transaction costs of £52,000, the realised gain on disposal was £200,000.

EPRA earnings for the financial year totalled £16.3 million, or 3.3 pps, an increase of £300,000 or 1.9%, on the prior financial year of £16.0 million. Active asset management led to an increase in rent and other income compared to the prior financial year, partly offset by higher finance costs on the Company's revolving credit facility.

There was a 3.8% increase in the dividend paid in the financial year to £16.4 million from £15.8 million in the previous year.

UK Market Context

Since the recent UK real estate market cycle high of June 2022, average UK real estate values have fallen 25%, with the Company's underlying portfolio value falling by 18% over the same period. This is a significant correction and compares with a 44% average market decline during the 2007 to 2009 global financial crisis ('GFC'), and a 27% decline during the recession of the early 1990s.

Falling values and weak sentiment translated into a dearth of investment activity, with transactions in the final quarter of calendar year 2023 the lowest since the GFC. Furthermore, although debt levels in the real estate sector are low compared with the GFC period, lending for new acquisitions is the lowest since 2007 (Source: Bayes Business School). Low lending volumes also reflect the high cost of debt, with elevated interest rate swaps (five-year Sonia swap rate 4.1% as at 5 June) plus margin resulting in a total cost of approximately 6% for a good quality asset at a 40% loan to value ratio.

Given lower debt levels compared with past cycles, institutional investors are arguably more focused on the spread real estate offers over the risk-free rate, or the ten-year gilt. The MSCI Benchmark average net initial yield is now 5.2%, which compares with the net initial yield on the Company's underlying portfolio of 6.1%. This is the highest MSCI Benchmark net initial yield since 2014 and represents a premium of 1.0% over the prevailing 10-year gilt rate of 4.2%.

This is below the long-term premium of approximately 1.5% to 2%, indicating a further increase in real estate yields, or a fall in gilt yields, might be required for the sector to represent 'fair value'. However, this ignores the positive impact of rental growth on total returns, and in this respect the market is better placed now than in recent cyclical recoveries. For example, average nominal rents are now 6.6% higher than in June 2022, which compares with 3.4% lower over the equivalent 21-month period post-GFC. More materially, average industrial rents are now 12.9% higher than in June 2022, which compares with 0.1% post GFC. This performance illustrates both the structural factors that are driving demand for real estate in a market with relatively low levels of new supply, as well as the inflation-hedging quality of rental income.

Against this backdrop, market expectations that interest rates are peaking will be key to a recovery in sentiment towards real estate, together with increased availability of bank debt and reduced selling out of open-ended property funds.

The most significant and positive feature of the market is the above-average level of nominal rental growth, particularly for more structurally supported sectors such as industrial, retail warehousing, prime offices, and operational assets such as residential, self-storage and hotels. This rental growth, together with the potential for a future yield rerating, should going forward deliver total returns above the long run average, and lead to capital flows back to the sector. Our portfolio allocation and ongoing activity means we should be better placed to benefit from a recovery in sentiment.

Our strategy

Strategic evolution and changes to the investment objective and policy

The real estate industry accounts for approximately 40% of global energy related carbon emissions, and owners therefore have a responsibility to take a lead on tackling contributions to climate change. As most of today's stock will likely still be required and in use in 2050, it is only by transforming less sustainable buildings into modern, fit for purpose assets that the sector will reach Net Zero Carbon, and asset obsolescence resulting from enhanced regulations can be mitigated.

This strategic imperative, the Company's active approach, and Schroders specialist resources relating to sustainability and positive impact investing more generally, created an opportunity to formally place sustainability at the centre of the Company's investment proposition. This should enable the Company to proactively respond to the UK's Net Zero Carbon objectives and enhance long term total returns by focusing on

decarbonisation strategies that adapt existing buildings to achieve the 'Green Premium', which generally has two components:

- Evolving regulations and obligations mean tenants are demanding buildings that benefit from sustainable attributes including being more energy efficient, having enhanced natural resource management, promoting the health and well-being of occupants, offer access to high-quality green space and community facilities, as well as being capable of withstanding extreme weather events. As we are witnessing across the Company's portfolio, commercial occupiers will pay a higher rent for these more sustainable buildings because it helps them to meet their own sustainability targets, attract and retain staff, and cut their energy bills.
- Investors are prepared to pay higher prices for buildings that demonstrate some or all of these sustainable attributes because they tend to let more quickly at higher rents, suffer lower vacancy rates, require less capital expenditure in the long term and are less at risk of obsolescence due to more stringent future environmental regulation.

Following a shareholder consultation, the Company issued a Circular containing details of the strategic evolution, the rationale, and benefits of the new investment objective and policy, with this Circular available in the following link: <https://schro.link/sreitb2gcircular>. At the subsequent Extraordinary General Meeting held on 15 December 2023, the Company received strong support to the strategic evolution and the following revised investment objective:

'The investment objective of the Company is to provide shareholders with an attractive level of income and the potential for income and capital growth from owning and actively managing a diversified portfolio of UK commercial real estate, while achieving meaningful and measurable improvements in the sustainability profile of the majority of the portfolio's assets (considered against a range of objective environmental, social and governance metrics).'

The new investment policy includes specific sustainability key performance indicators linked to the proportion of the portfolio where relevant activity is ongoing, asset level improvement targets based on Schroders proprietary scorecard based approach, as well as progress delivering the Company's existing 'pathway to net zero' commitments. Further details on these are included within the Sustainability section of this Strategic Report.

Progress delivering the investment strategy

The strategy to deliver the new investment objective and policy, and progress made during the year and since year end, is set out below:

- Apply a research-led approach to determine attractive sectors and locations in which to invest in commercial real estate
 - Increased allocation to higher growth sectors, with industrial, predominately multi-let estates, and retail warehousing now comprising 61.5% by value (2023: 58.6%) because of capital expenditure in these assets and the disposal of two small offices.
- Increase exposure to larger, higher value, assets with strong fundamentals and inherent opportunities for active management and development
 - £9.1 million of capital expenditure invested during the year including £2.7 million relating to the development of 19 Hollin Lane, a single 18,203 sq ft operationally net zero carbon industrial unit at Stacey Bushes Industrial Estate in Milton Keynes, £1.5 million refurbishing the multi-let industrial estate Stirling Court in Swindon, and £1.0 million at Stanley Green Trading Estate in Manchester. Our top 15 assets now represent 80.5% of total portfolio value (2023: 78.5%).

- Sell smaller, secondary assets with higher sustainability performance risk
 - Completed the sale of two small office assets at a 3.3% premium to the aggregate value at the start of the year, with further disposals planned.
- Drive income and value growth through a hospitality approach in tenant management (optimising tenant services and lease terms) and operational excellence in all sectors (optimising operations in the assets, minimising the use of scarce resources and waste)
 - Asset management delivered rental growth through the year ahead of the MSCI Benchmark and there are ongoing regear negotiations with major tenants in return for sustainability related asset improvements.
 - Increase in the average unexpired lease term from 5.0 to 5.3 years, with ongoing activity to make a further positive contribution.
- Apply our integrated sustainability and ESG approach at all stages of the investment process and asset life cycle, targeting improvement in the sustainability performance of assets to manufacture the green premium for shareholders
 - Further improvement in the 2023 Global Real Estate Sustainability Benchmark ('GRESB') score to 79 out of 100 (2022: 77), achieving the maximum possible result for the management aspects of the assessment and placing SREIT first amongst a GRESB defined peer group comprising six diversified REITs (2022: first of seven).
 - 15 assets now have an ESG scorecard completed by an external consultant along with a sustainability audit or net zero carbon audit, these scores provide a baseline against which the relevant sustainability KPI in the investment policy can be measured and will inform future works to improve sustainability performance with the aim to increase the score for each asset.
- Control costs
 - Ongoing charges (including fund only expenses) of 1.19% are lower than 1.32% for the prior financial year.
- Maintain a strong balance sheet with a long-term strategic target loan to value, net of cash, within the range of 25% to 35%
 - The Company has a peer group leading debt profile, with a clear strategy to reduce the net LTV back to within the strategic range from 37.1% at the year end.

Portfolio performance

The underlying portfolio continues to deliver strong relative outperformance, with a positive total return for the financial year of 3.2% compared to -1.3% for the MSCI Benchmark (the 'Benchmark'). This relative outperformance was partly due to a stronger income return from the portfolio of 6.2% compared to 4.7% for the Benchmark.

Favourable sector weightings compared to the Benchmark contributed positively to relative performance. In particular, the Company's overweight position to the industrial sector, which is almost entirely multi-let industrial estates, was a key driver of outperformance. In contrast, the office sector continued to face headwinds and underperformed the overall Benchmark, therefore this allocation detracted from performance.

Active asset management generated most of the outperformance relative to Benchmark and was positive for all sectors. Capital expenditure in the previous and current financial year to develop the operationally net zero carbon development at Stanley Green Trading Estate in Cheadle, Greater Manchester, which completed in May

2023, contributed strongly as the new space was let. A regear that completed in December 2023 with the Company's largest tenant, the University of Law, who operate a campus in Bloomsbury, London, was also a key contributor.

The table below shows performance to 31 March 2024.

Period to 31 March 2024	SREIT Total Return			MSCI Benchmark* Total Return			Relative		
	One year (%)	Three years (% p.a.)	Five years (% p.a.)	One year (%)	Three years (% p.a.)	Five years (% p.a.)	One year (%)	Three years (% p.a.)	Five years (% p.a.)
Retail	4.2	4.6	0.1	-0.1	2.0	-1.8	4.3	2.5	1.9
Office	-3.3	-0.9	0.9	-10.2	-5.7	-3.0	7.7	5.1	4.0
Industrial	7.0	10.7	11.2	4.3	5.0	6.9	2.5	5.5	4.0
Other	3.6	11.8	3.2	-0.2	1.1	1.2	3.8	10.6	2.0
All sectors	3.2	5.5	4.6	-1.3	0.8	0.9	4.5	4.7	3.6

*MSCI Benchmark is formally 'MSCI UK Balanced Portfolios Quarterly Property Index (unfrozen)'

Real estate portfolio

As at 31 March 2024, the portfolio comprised 39 properties valued at £459.3 million. This includes the share of joint venture properties City Tower in Manchester (25% interest) and the University of Law in Bloomsbury, London (50% interest). The portfolio generated rental income of £29.8¹² million per annum, reflecting a net initial yield of 6.1%, which compared with the Benchmark's 5.2%. The portfolio benefits from fixed contractual annualised rental income uplifts of £2.9 million per annum over the next 24 months. The independent valuer's estimated rental value ('ERV') of the portfolio is £38.8 million per annum, reflecting a reversionary income yield of 8.4%, which compares favourably with the Benchmark at 6.1%.

The portfolio is overweight multi-let industrial estates where we consider supply and demand dynamics to be favourable given there has been relatively limited development. This is evidenced by the rent reviews and lease renewals completed since the beginning of the financial year, where rents were agreed 29% higher than the previous level, and we expect continued rental growth from our industrial portfolio. In addition, there is an overweight position in retail warehouses, where we have sustainable levels of rent and limited exposure to fashion. This is the only part of the retail sector which has seen a meaningful fall in vacancy since the pandemic and is also a sector in which we expect continued rental growth.

At the year end the portfolio void rate was 10.9%, calculated to the earlier of lease expiry or tenant break as a percentage of estimated rental value, which is within the ten-year range of 5% to 13% and compares with the Benchmark void rate of 8.1%. The portfolio weighted average lease length, calculated to the earlier of lease expiry or break, is 5.3 years, an increase from 5.0 years at the start of the financial year.

Approximately 11% of the portfolio by contracted rent is inflation linked, typically structured as five yearly reviews to either the Retail Price Index ('RPI') or the Consumer Price Index ('CPI'). In some cases, these inflation-linked leases can also be reviewed to open market value, if higher, or include fixed guaranteed increases. A further 14% of rent benefits from fixed uplifts without an inflation link. The proportion of the portfolio with inflation-linked leases should increase with ongoing asset management activity.

The tables below summarise the portfolio information as at 31 March 2024. The property values and weightings represent the year end valuations as determined by the independent valuers as at 31 March 2024:

¹² Represents the annualised rental income as at 31 March 2024 of the portfolio, including share of rents for the joint venture assets.

Portfolio metric	SREIT 31 March 2024 (MSCI Benchmark 31 March 2024)	SREIT 31 March 2023 (MSCI Benchmark 31 March 2023)
Portfolio value (£m)	459.3	470.4
Number of properties	39	41
Number of tenants	314	312
Average lot size (£m)	11.8	11.5
Net initial yield (%)	6.1 (5.2)	5.8 (4.8)
Reversionary yield (%)	8.4 (6.1)	8.0 (5.7)
Annual rent (£m)	29.8	29.3
Estimated rental value (£m)	38.8	37.8
Annual rent with inflation linked uplifts (%)	11	11
Annual rent with fixed uplifts (%)	14	12
WAULT (years to earliest of break or expiry)	5.3 (11.1)	5.0 (11.2)
Void rate (%)	10.9 (8.1)	11.1 (8.0)

Top 15 properties by value		Sector	Value (£m)¹³	% of portfolio value
1	Milton Keynes, Stacey Bushes Industrial Estate	Industrial	51.0	11.1
2	Leeds, Millshaw Park Industrial Estate	Industrial	45.1	9.8
3	Cheadle, Stanley Green Trading Estate	Industrial	40.0	8.7
4	London, Store Street, The University of Law Campus (50% share)	Office/university	38.4	8.4
5	Bedford, St. John's Retail Park	Retail warehouse	29.5	6.4
6	Manchester, City Tower (25% share)	Office/hotel/retail	29.4	6.4
7	Chippenham, Langley Park Industrial Estate	Industrial	25.2	5.5
8	Norwich, Union Park Industrial Estate	Industrial	22.6	4.9
9	Leeds, Headingley Central	Hotel/retail	20.9	4.6
10	Birkenhead, Valley Park Industrial Estate	Industrial	12.7	2.8
11	Telford, Horton Park Industrial Park	Industrial	12.6	2.7
12	Manchester, St Ann's House	Office/retail	11.8	2.6
13	Edinburgh, The Tun	Office	10.7	2.3
14	Uxbridge, 106 Oxford Road	Office/university	10.7	2.3
15	Milton Keynes, Watling Street	Retail warehouse	9.1	2.0
Total as at 31 March 2024			369.7	80.5

¹³ As per third party valuation reports unadjusted for IFRS lease incentive amounts. Column does not sum due to rounding.

	Sector weighting by value as at 31 March 2024		Like-for-like net of capex capital growth for the 12-month period ended 31 March 2024	
	SREIT	MSCI Benchmark ¹	SREIT	MSCI Benchmark
South East	11.1%	20.4%		
Rest of UK	38.9%	12.4%		
Industrial	50.0%	32.8%	1.7%	0.0%
City	0.0%	3.2%		
Mid-town and West End	8.4%	6.7%		
Rest of South East	4.0%	6.1%		
Rest of UK	12.6%	6.5%		
Offices	25.0%	22.5%	-9.7%	-13.8%
Retail warehouse	11.4%	9.3%	-5.5%	-4.2%
South East	0.0%	6.9%		
Rest of UK	7.7%	2.9%		
Standard retail	7.7%	9.8%	1.3%	-7.3%
<i>Standard retail by ancillary/single use</i>				
- Retail ancillary to main use	4.9%	-		
- Retail single use	2.8%	-		
Other	5.9%	19.7%	-5.6%	-4.9%
Shopping centres	-	1.9%		
Unattributed indirects	-	4.1%		

¹Note: column does not sum due to rounding.

	Regional weighting by value as at 31 March 2024	
	SREIT	MSCI Benchmark ¹
Central London	8.4%	16.7%
South East excluding Central London	17.1%	34.4%
Rest of South	10.8%	6.6%
Midlands and Wales	21.3%	23.4%
North	40.1%	14.4%
Scotland	2.3%	4.4%
Northern Ireland	0.0%	0.2%

¹Note: column does not sum due to rounding.

Rental income is diverse and comprised 314 tenants as at 31 March 2024, including the tenants of properties held by joint ventures. The largest and top 15 tenants represent 6.78% and 35.40% of the portfolio respectively, calculated as a percentage of annual rent, and there are only three tenants that represent more than 3% of annual rent.

Top 15 tenants by annual rent	Annual rent (£ million)	% of total annual rent
The University of Law Limited	2.02	6.78
Buckinghamshire New University	1.30	4.36
Siemens Mobility Limited	1.23	4.13
Public Sector	0.66	2.21
Express Bi Folding Doors Limited	0.65	2.18
Jupiter Hotels Limited	0.65	2.18
Matalan Retail Limited	0.57	1.91
TJX UK T/A Homesense	0.51	1.71
Premier Inn Hotels Limited	0.47	1.58
IXYS UK Westcode Limited	0.47	1.58
Lidl Great Britain Limited	0.42	1.41
Ingeus UK Limited	0.41	1.38
Wickes Building Supplies Limited	0.40	1.34
Sports Direct	0.40	1.34
Balfour Beatty Group Limited	0.39	1.31
Total as at 31 March 2024	10.55	35.40

Rent collection

The diversification and granularity of the underlying rental income, and a high level of occupier engagement, has supported rent collection rates with 99% of the contracted rents collected for the year ended 31 March 2024. The breakdown between sectors is 100% of office rent collected, 100% of other rent collected, 99% of retail and leisure rent collected and 98% of industrial rent collected.

Rent receivable totalled £2.3 million, net of VAT, at the year end, of which £360,000 is provided against as a bad debt. This reflects further progress collecting historical arrears during the financial year and compares to £3.3 million and £360,000 respectively as at 31 March 2023.

Transactions

Rugby, Morgan Sindall House (Office)

In March 2023, contracts were unconditionally exchanged to sell Morgan Sindall House, a 34,334 sq ft single let office asset in Rugby, for £4.0 million with the asset therefore treated as sold at the 31 March 2023 financial year end in line with the Group's accounting policy. The disposal completed on 22 June 2023 and the price was in line with the 31 March 2023 year-end independent valuation.

Leeds, Coverdale House (Office)

Coverdale House, a 32,355 sq ft multi-let office asset in Leeds, was sold on 8 December 2023 for £3.8 million reflecting a 7% premium to the 31 March 2023 independent valuation. At the time of sale, the asset generated a net rent of £157,860 per annum with a weighted average unexpired lease term of two years.

Further small disposals are being progressed on completion of asset management initiatives.

Active asset management

108 new lettings, rent reviews and renewals, across 1.0 million sq ft, have completed since 1 April 2023 totalling £10.4 million in annualised rental income, 7% ahead of 31 March 2023 ERV.

Set out below are examples of ongoing active asset management initiatives that should support continued outperformance of the underlying portfolio from both a financial and sustainability perspective.

Manchester, Cheadle, Stanley Green Trading Estate (Industrial)

Asset overview and performance

Stanley Green Trading Estate in Cheadle, Manchester was acquired in December 2020 for £17.3 million. At acquisition the asset comprised 150,000 sq ft of trade counter, self-storage and warehouse accommodation across 14 units on a nine-acre site, together with an adjoining 3.4-acre development site. SREIT subsequently completed a new, 11-unit, warehouse scheme on the development site at a cost of £9.0 million. The asset now comprises 241,366 sq ft of trade counter, self-storage and warehouse accommodation across 25 units.

As at 31 March 2024 the valuation was £40.0 million, reflecting a reversionary yield, assuming the new development is fully let, of 6.4%. The asset has been a strong performer since acquisition, generating a total return of 18.6% per annum to 31 March 2024 compared to the MSCI All Industrial over the same period of 6.7%. Over the 12-month period to 31 March 2024, the asset delivered a total return of 12.1% which compared with the MSCI All Industrial over the same period of 4.7%.

Key activity

- The speculative development of 11 warehouse and trade units completed in May 2023. The new units achieved an 'A+' EPC rating and BREEAM New Construction Excellent accreditation. The specification includes a photovoltaic system that we expect to generate more than 250 MWh of energy per annum, 24 electric vehicle charging points and an 800kVA substation to support the on-site renewables in powering the fully electric site.
- Seven units, or 56% of the development by estimated rental value, are now let at an aggregate 23% above the underwritten assumptions. A 4,000 sq ft unit on the existing estate with EPC 'C' was recently let at £14.00 per sq ft, whereas the comparable operationally Net Zero Carbon units with EPC 'A+' and have been let at around £19.50 per sq ft, reflecting a 39% premium. In addition, the Company's independent valuer has applied a 5.35% yield to the occupied operationally Net Zero Carbon units compared to 6.5% to 7.0% for the pre-existing asset. We believe these outcomes are largely driven by the superior sustainability credentials of the new units which serve as a proof of concept of the enhanced strategy adopted by the Company.

Strategy looking forward

- The objective is for the new development to be fully let during 2024, which would increase the net income from Stanley Green Trading Estate by approximately £600,000 per annum compared with 31 March 2024. One unit is under offer and in legals at £150,000 per annum, with encouraging interest in the remainder.
- The strategy for the pre-existing 150,000 sq ft of trade counter, self-storage and warehouse accommodation is to begin phased refurbishments to enhance the aesthetic and sustainability credentials of the units, with the aim of enabling us to attract and retain high quality tenants and increase the rental tone to more closely align with the rents achieved on the new estate.

Swindon, Stirling Court (Industrial)

Asset overview and performance

Stirling Court is comprised of three industrial units on an established industrial estate in Swindon. One of the units is let at £7.26 per sq ft until March 2033, with a break in March 2028, and the other two units have recently been refurbished at a total cost of £1.5 million.

As at 31 March 2024, the asset was valued at £7.9 million, reflecting a reversionary yield, assuming the two refurbished units are let, of 8.7%. Over the 12-month period to 31 March 2024, the asset delivered a total return of 0.8% which compared with the MSCI All Industrial over the same period of 4.7%.

Key activity

- The comprehensive, sustainability improvement -led refurbishment of two units reached practical completion on 8 December 2023. The units now benefit from LED lighting throughout, rooftop photovoltaic panels and EV charging points. The EPC rating for both units improved to a 'B' from a 'D' and a 'C' respectively.

Strategy looking forward

- Let the refurbished units targeting a rent of £8.00 per sq ft or total rent of £480,000 per annum, reflecting the enhanced specification. This would reflect a 28% increase on the previous average passing rent for the two units of £6.26 per sq ft.

Edinburgh, The Tun (Office)

Asset overview and performance

The Tun is a multi-let office building in Edinburgh city centre, located close to the Royal Mile and Scottish Parliament.

As at 31 March 2024, the asset was valued at £10.7 million, reflecting a net initial yield of 5.0% and a reversionary yield of 8.9%. Over the 12-month period to 31 March 2024, the asset delivered a total return of 3.4% which compared with the MSCI All Offices over the same period of -9.3%.

Key activity

- Completed an extensive refurbishment program of common areas, the roof and three vacant units at a cost of £2.1 million as at the year end. The works include end of journey facilities which will improve the sustainability credentials of the asset and help to attract high quality tenants. This led to the completion of three smaller lettings over the year.
- Works included a full Cat A refurbishment of the 7,343 sq ft part third floor including new, more efficient, M&E, new LED lighting, and improvements to natural light and fresh air. The unit achieved an EPC rating of 'A' having previously been a 'D'.
- An agreement for lease has exchanged with SLR Consulting Limited for the refurbished part third floor and 2,876 sq ft part fourth floor, which was surrendered by the European Parliament in return for a premium paid to the Company of £240,000. SLR Consulting Limited will pay a base rent of £290,293 per annum on a 10-year term. The tenant will benefit from four months of rent free and has a break option in year five. The Company will now carry out a Cat A refurbishment of the part fourth floor and a Cat B fit out on all space at a total cost of £1.0 million, with lease completion expected in October 2024. In

addition to the base rent, the tenant will pay an additional £135,095 per annum for the first five years of the term to reflect the Company carrying out the Cat B fit-out.

- Existing tenant, Vattenfall Wind Power Limited, completed a new five-year lease extension on 2,783 sq ft of space in return for sustainability improvements costing £150,000. The lease renewal commenced in May 2024 and the rent increases by 21% to £88,137 per annum or £31.67 per sq ft, 17% ahead of the estimated rental value as at 30 September 2023. The tenant will receive three months of rent free.
- Following the works and activity outlined above, the total contracted rent at The Tun will be £1.1 million per annum, compared with £616,190 per annum at the start of the financial year.

Strategy looking forward

- We are discussing regears with further tenants, where we will look to implement measures to improve the sustainability credentials of the asset whilst increasing rent to and beyond the new headline rents of £32 to £34 per sq ft.

London, University of Law Campus, Store Street, Bloomsbury (Office / University, 50% share)

Asset overview and performance (unless specified 100% ownership statistics shown below)

Freehold office and university campus located less than 500 metres from Tottenham Court Road in an area benefiting from infrastructure improvements such as the Elizabeth Live and Camden local authority 'West End Project', and a diverse range of 'knowledge-based' occupational demand including media, technology, life science, consumer brands and finance. The asset is let to the University of Law ('UoL') and currently has a low site density with 85,814 of lettable space on a site of 0.8 acres.

As at 31 March 2024, the Company's 50% interest in the asset was valued at £38.375 million, reflecting a net initial yield of 4.5%, a reversionary yield of 5.8%, and capital value equating to £894 per sq ft. Over the 12-month period to 31 March 2024, the asset delivered a positive total return of 6.5% which compared with the MSCI All Offices over the same period of -9.3%.

Key activity

- In December, the Company completed a new 85,814 sq ft lease with UoL that extended the lease from December 2026 to December 2029. As part of the lease extension the rent review dated December 2024 was pre-agreed at £2.36 million per annum, equating to £55.00 per sq ft, 28% above the prior rent. The new lease also benefits from a fixed rental increase in December 2026 to £2.43 million per annum equating to £56.65 per sq ft, and annual fixed uplifts of 3% per annum from December 2026, leading to rent of £2.58 million per annum or £60.10 per sq ft from December 2028, 39% above the rent prior to the new lease.

Strategy looking forward

- The next phase at Store Street is to progress plans for the longer-term potential re-development post 2029, with the objective to align with Camden's local plan, promoting sustainable characteristics and contributing positively to Bloomsbury's character and amenity. Consideration will also be given to the specific demands of occupiers in the life sciences, technology, and higher education sectors.

Bedford, St John's Retail Park (Retail Warehouse)

Asset overview and performance

St. John's Retail Park comprises a 120,000 sq ft retail warehouse scheme underpinned by income from tenants including Lidl, Home Bargains, Bensons for Beds, TK Maxx, Costa and now Starbucks, with an average lease term, to the earlier of lease expiry or break, of 7.0 years. The asset benefits from an affluent catchment and has good parking.

As at 31 March 2024, the asset was valued at £29.5 million reflecting a net initial yield of 6.7% and a reversionary yield of 6.5%. Over the 12-month period to 31 March 2024, the asset delivered a total return of 1.7%, in line with the MSCI All Retail Warehousing over the same period.

Key activity

- A 15-year lease without breaks completed with Starbucks Coffee Company UK Limited ('Starbucks') for a new 1,800 sq ft drive-thru unit, that they constructed on the site to extract economies of scale. The rent is £155,000 per annum which equates to £86.11 per sq ft, and the lease benefits from inflation-linked increases with a collar of 1% per annum and a cap of 3% per annum. Starbucks will receive a contribution towards construction costs of £850,000 and 12-months of rent free, which are assumed in the valuation at the year end. Starbucks are required to deliver the restaurant to a minimum BREEAM rating of 'Very Good' and install rooftop photovoltaic panels and electric vehicle charging points for customer usage. The drive-thru café has now opened for trade.
- Tenant break options were removed from several leases, Hobbycraft, Halfords and Bensons for Beds had break options removed in February 2025, May 2025 and October 2026 respectively in return for five months of rent free. In addition, a new 10-year lease without breaks was completed with Tapi Carpets. This activity has secured longer term income from the asset.

Strategy looking forward

- With large roof space and a large car park there is an opportunity to install further photovoltaic panels and electric vehicle charging points at the site to improve the sustainability credentials of the asset, and feasibility assessments are underway.
- There are several rent reviews due over the next 18-months, including with Costa dating from October 2023, who are currently paying £40.52 per sq ft. The recently achieved Starbucks rent of £86.11 per sq ft, being 113% higher, provides strong evidence for a material increase to the rent payable by Costa.

Salisbury, Churchill Way West (Retail Warehouse)

Asset overview and performance

50,000 sq ft, three-unit, retail warehouse terrace in a prominent location on Salisbury's northern ring road. The property adjoins a strongly performing Waitrose food and home store. The property is currently let to Smyths Toys (unit 1), Homesense (unit 2), and Sports Direct (unit 3) on a short-term basis paying £697,000 per annum, or an average rent of £13.90 per sq ft.

As at 31 March 2024, the asset was valued at £8.4 million, reflecting a net initial yield of 7.8% and a reversionary yield of 8.3%. Over the 12-month period to 31 March 2024, the asset delivered a total return of 1.9% which compared with the MSCI All Retail Warehousing over the same period of 1.7%.

Key activity

- Agreement exchanged with international discount retailer to occupy unit 1 and part of unit 2, totalling 22,206 sq ft, on a new 25-year lease (break at year 20) at £440,000 per annum or £19.81 per sq ft. The

tenant will receive nine months' rent free and the lease will be subject to five yearly, inflation linked reviews with a collar of 1% per annum and a cap of 3% per annum. Lease completion is subject to planning and the Company delivering a unit split and refurbishment at a cost of £1.2 million. The tenant is required to install photovoltaic panels to the roof in order that the overall project can achieve an EPC 'A'.

- A planning application for the unit split is being prepared and will be submitted shortly, with a view to works commencing in February 2025, when Smyths Toys and Homesense vacate.

Strategy looking forward

- Terms have been agreed for a new five lease to Sports Direct at £290,000 per annum or £14.50 per sq ft in return for the tenant receiving 12 months' rent free. This is in the process of being documented.
- The remaining vacant unit comprising the balance of unit 2, totalling 7,500 sq ft, will be marketed at a rent of £135,000 per annum or £18 per sq ft.
- Assuming the activity proceeds as planned, the combined new rent at Salisbury will be £865,000 per annum or £17.30 per sq ft, a 24% increase on the current level.

Leeds, Headingley Central (Hotel, Retail, Office)

Asset overview and performance

Mixed-use 129,000 sq ft prominently located town centre scheme anchored by core convenience retail and leisure operators including Premier Inn Hotels, Sainsbury's and The Gym Group.

As at 31 March 2024, the asset was valued at £20.9 million, reflecting a net initial yield of 6.7% and a reversionary yield of 7.8%. Over the 12-month period to 31 March 2024, the asset delivered a total return of 6.4% which compared with the MSCI All Retail over the same period of 0.0%.

Key activity

- Following success in the previous year bringing Rudy's Pizza and Burger King to the scheme, we have continued to drive rental growth by combining small units to create suitable space for national covenants. A 10-year lease without breaks completed with Greggs plc who expanded into the adjoining unit to create a 1,094 sq ft restaurant. The rent is £70,000 per annum, or £63.99 per sq ft which is 14% above their previous rent level. There is an upwards only rent review on the fifth anniversary and the tenant benefits from 12-months of free rent.
- A five-year lease without breaks completed with Superdrug Stores plc on their 7,345 sq ft store. The rent is £75,000 per annum, or £10.21 per sq ft and the tenant will benefit from three-months of rent free.

Strategy looking forward

- Following the success in previous years of converting office space at the scheme to a Premier Inn and space for The Gym, there is an opportunity to relet the final 12,524 sq ft of former office space for alternative, complementary use to the overall scheme.
- Implement sustainability initiatives including installing photovoltaic panels, adding further electric vehicle charging points, enhancement of green space, and water recycling to improve the sustainability performance of the asset.

Balance sheet

As at 31 March 2024, the average interest rate for drawn debt was 3.5%, with an average loan term of 9.7 years, and 91% of total drawn debt was either fixed or hedged against movements in interest rates. As at 31 March 2024, the Company had cash, including cash held in joint ventures, of £6.2 million and a net loan to value ('LTV') ratio of 37.1%, which is slightly above the long-term strategic target range of 25% to 35%. Details of the loans are set out below, together with cover against covenants.

Canada Life term loan

The debt refinancing with Canada Life in 2019 provides a significant benefit in a higher interest rate environment. This long-term loan, which represented £129.6 million of the £176.6 million total borrowings at the year end, has an average loan maturity of 12.0 years, with a fixed average interest rate of 2.5%. At the year end, the incremental positive fair value benefit of this fixed rate loan was £18.5 million, which is not reflected in the Company's NAV.

Lender	Loan (£m)	Maturity	Total interest rate (%)	Asset value (£m)	Cash (£m)	LTV ratio (%) ²	LTV ratio covenant (%) ²	ICR (%) ³	ICR covenant (%) ³	Projected ICR (%) ⁴	Projected ICR covenant (%) ⁴
Facility A	64.8	15/10/2032	2.4 ¹	262.2	1.3	48.9	65	497	185	482	185
Facility B	64.8	15/10/2039	2.6 ¹								
Canada Life Term Loan	129.6	Average loan maturity of 12.0 years	2.5 ¹								

- Net LTV on the secured assets against this loan is 48.9%. On this basis the properties charged to Canada Life could fall in value by 25% prior to the 65% LTV covenant being breached;
- The interest cover ratio is 497% based on actual net rents for the quarter to 31 March 2024. A 63% fall in net income could be sustained prior to the loan covenant of 185% being breached;
- The projected interest cover ratio is 482% based on projected net rents for the year ending 31 March 2025. A 62% fall in net income could be sustained prior to the loan covenant of 185% being breached; and
- After utilising available cash and uncharged properties, the valuation and actual net rents could fall by 37% and 65% respectively prior to either the LTV or interest cover ratio covenants being breached.

RBSI revolving credit facility ('RCF')

The balance of borrowings at the year-end totalling £47.0 million comprised a revolving credit facility ('RCF') from RBSI. This facility totals £75 million and can be drawn and repaid at any time up to maturity in June 2027.

Lender	Loan/ amount drawn (£m)	Maturity	Total interest rate (%)	Asset value (£m)	LTV ratio (%) ²	LTV ratio covenant (%) ²	Projected ICR (%) ⁴	Projected ICR covenant (%) ⁴
RBSI RCF	75.0/47.0 ⁵	06/06/2027	4.1 ⁶	157.6	29.8	65 ⁷	231	200

- The RCF benefits from an interest rate 'collar' which applies to £30.5 million of the £47.0 million now drawn. The collar runs to the end of the RCF term and allows the Company to benefit from future falls in interest

rates down to a 3.25% floor, whilst at the same time protecting the Company from rate increases above 4.25%.

- Net LTV on the secured assets against this loan is 29.8%. On this basis the properties charged to RBSI could fall in value by 54% prior to the 65% LTV covenant being breached;
- The projected interest cover ratio is 231% based on projected net rents for the year ending 31 March 2025. A 13% fall in net income could be sustained prior to the loan covenant of 200% being breached;
- After utilising available cash and uncharged properties, the valuation and actual net rents could fall by 68% and 26% respectively prior to either the LTV or projected interest cover ratio covenants being breached;

During the financial year the RCF was converted into a ‘Sustainability Linked Loan’ , with performance measured against KPIs, with each KPI having the potential to either reduce the margin by 1.65 basis points, increase it by 1.65 basis points or have no impact. The KPIs are:

- Change in landlord energy consumption (year on year)
 - A reduction by 5% or more: reduce the margin
 - No change or a reduction below 5%: no change
 - An increase: increase the margin
- GRESB rating
 - 4 stars or above: reduce the margin
 - 3 stars: no change
 - 2 stars or below: increase the margin
- Development or refurbishment projects that improve EPC or BREEAM rating to a minimum of EPC ‘B’ or BREEAM Very Good
 - If all new developments or major renovations of the properties meet the requirement: reduce the margin
 - If no property has been refurbished or developed: no change
 - If one or more new developments or major renovations of the properties carried out during the term of the facility does not meet the requirement: increase the margin

1. Fixed total interest rate for the loan term.
2. Loan balance less the amounts standing to the credit of the Sales Proceed Account and Remedy Account divided by the property values as at 31 March 2024.
3. This covenant is calculated by dividing the rental income received for the quarter preceding the Interest Payment Date (IPD), less void rates, void service charge and void insurance, by the interest paid in the same quarter.
4. This covenant is calculated by dividing the forecast contracted rent for the four quarters following the period end, less forecast void rates, void service charge and void insurance, by forecast interest paid.
5. Facility drawn as at 31 March 2024 from a total available facility of £75.0 million.
6. Total interest rate as at 31 March 2024 comprising applicable SONIA rate of 5.19% and the margin of 1.65% at a LTV below 60%. Should the LTV be above 60%, the margin increases to 1.95%.
7. LTV ratio covenant of 65% for years one to three, from post commencement on 6 June 2022, then 60% for years four and five.

Outlook

Having experienced a significant correction in values, and whilst uncertainty persists regarding the inflation outlook and the timing of interest rate cuts, the real estate sector should benefit from looser monetary policy

going into 2025. A nascent recovery is arguably reflected in the portfolio value remaining unchanged over the quarter to March 2024.

More positively, much of the real estate sector is now delivering an income return and nominal rental growth above the long run average due to the inflationary environment, a resilient occupational market and limited development. Alongside recovering industrial values, well located, fit-for-purpose offices and retail assets are benefiting from a gradual shift back to the office and more consumers switching back to in-store shopping. At the same time, there is increased demand for operational real estate assets such as hotels, self-storage, and data centres.

The Company is well placed to benefit in this environment due to our exposure to higher growth sectors, low-cost long-term debt, and significant potential to drive earnings growth from active management and a higher reversionary income profile compared with peers.

Finally, alongside these nearer-term factors, our strategy continues to reflect the impact of longer-term structural trends such as urbanisation, technological change, demographics and, arguably most critical for the real estate sector, sustainability. We therefore have conviction that our strategic evolution to place sustainability at the centre of our investment proposition should enhance our long-term total returns.

Nick Montgomery

Fund Manager
5 June 2024

Sustainability Report

Strategic evolution and changes to the investment objective and policy

At the EGM on 15 December 2023, shareholders voted to formally include sustainability at the centre of the Company’s investment proposition, with a sustainability improvement and decarbonisation strategy focused on adapting existing buildings into those that are both modern and fit for purpose, thereby taking a proactive position in response to the UK’s Net Zero Carbon objectives whilst optimising portfolio performance to seek enhanced total returns for Shareholders.

The Investment Manager has developed a proprietary "ESG Scorecard" which will be used to manage, measure, and monitor the ESG performance and progress of assets in the portfolio against the Company’s sustainability investment objectives. In addition, the Company has made Net Zero Carbon commitments which apply to the whole portfolio and complement the asset level monitoring. The Investment Manager has also invested in new software to increase the efficiency of collecting sustainability data which will support the ESG Scorecard and enhance the Investment Manager’s ability to analyse and report on assets and their ESG performance, as well as achieve the Net Zero Carbon commitments.

Progress against the new objective will be demonstrated annually by utilising the ESG Scorecard and Net Zero Carbon performance KPIs.

Sustainability KPI 1 ESG Scorecard (asset level)	Sustainability KPI 2 Net Zero Carbon commitments (portfolio level)
<p>The Company’s assets will be managed with a view to ensuring that at any given time during the Company’s ownership, at least 75% of the portfolio assets by value are being managed with a realistic and achievable plan to reach a score of at least 3 (out of a possible total score of 5), as measured on the ESG scorecard.</p> <p>For those 75% of the Company’s assets (by value), in each case where leases permit prompt commencement of works to improve their sustainability profile, the aim will be to take the asset to an improved score of at least 3 (out of a possible total score of 5) within five years from: (i) 1 April 2024 or, if later: (ii) the date it was acquired by the Company.</p>	<p>Further, the Company’s assets will also continue to be managed in line with the Company’s existing ‘pathway to net zero’ commitments, which in summary include seeking to attain the following:</p> <ul style="list-style-type: none"> • operational whole buildings emissions to be aligned to a 1.5°C global warming pathway by 2030; • embodied emissions for all new developments and major renovations to be net zero by 2030; • operational scope 1 and 2 (landlord) emissions (as defined in the Greenhouse Gas Protocol) to be net zero by 2030; and • operational and embodied whole building (scope 1, 2 and 3 (landlord and tenant)) emissions to be net zero by 2040.

ESG Scorecard

Over 75% (79%) of assets by value in the portfolio have been assessed using the ESG Scorecard which measures sustainability performance against a broad range of pre-defined real estate sustainability metrics. These fall within the following four pillars:

1. Environmental;
2. Social;
3. Certification and Ratings; and
4. Tenant Profile.

Within each of these pillars, there are sub-topics against which each asset will be assessed. For each of these sub-topics, the Investment Manager assigns a rating from 1 (low – significant improvements needed) to 5 (high – best in class or best industry practice). Many of the sub-topics are assessed on a quantitative basis, with some assessed on a qualitative basis. The justification provided against each rating will also indicate the timeline for expected improvements, and the determination of a target score. Each sub-topic is weighted to enable a weighted average asset level current and target score – between 1 and 5 – to be calculated.

The 15 assets scored to date all present the potential for their scores to be improved beyond the minimum 3 out of 5 set in the investment objective. Improvement plans will be set in the context of each asset's business plans, common themes and actions were identified as follows:

1. Improving metering of utility supplies: Roll out automated / smart metering and sub-metering of landlord and tenant supplies across the portfolio.
2. Phasing out fossil fuels: Replace inefficient and energy intensive heating systems fuelled by fossil fuels with modern, efficient electric based systems.
3. Improving building fabric: Improve building fabric through the provision of better insulation and/or roof and cladding repairs to reduce the need for space heating whilst addressing overheating and overcooling concerns.
4. Installing on-site renewable: Utilise roof space where solar PV panels can be installed to generate electricity on site, reduce emissions and energy bills.

The Investment Manager believes that measuring assets against its own proprietary scorecard in this manner will support consistent standardised portfolio-wide monitoring and enable it to define ambitious yet achievable asset-specific targets, ultimately helping to demonstrate the Company's ability to deliver the targeted positive change over time.

Table 1: Asset-level ESG Scorecard performance at 1 April 2024 and potential target score (scores out of 5) for 15 Company assets representing 79% of the property portfolio by Gross Property Value

Asset	ESG scorecard score at 1 April 2024	Target ESG scorecard score
Stacey Bushes Industrial Estate	2.2	4.0
Millshaw Park Industrial Estate	2.6	4.1
Stanley Green Trading Estate	2.5	4.1
The University of Law (50%)	2.8	4.5
St John's Retail Park	2.7	4.2
City Tower (25%)	2.9	4.0
Langley Park Way	2.8	4.2
Union Park Industrial Estate	2.6	4.1
Headingley Central	2.6	4.3
Horton Park Industrial Park	2.3	3.9
St Ann's House	2.3	3.2
The Tun	2.8	4.2

The Galaxy	2.5	4.2
Churchill Way West, Salisbury	2.4	3.6
Royscot House	2.9	4.1
Clifton Park	2.5	3.9
Total portfolio	79% of portfolio assessed by Gross Property Value	

Pathway to Net Zero Carbon

According to the World Green Building Council ('WGBC') buildings are responsible for 39% of global energy related carbon emissions¹⁴. In April 2022 the Intergovernmental Panel on Climate Change ('IPCC') identified that global carbon emissions must peak by 2025 at the very latest to effectively limit global temperature rise to 1.5°C, in line with the Paris Agreement¹⁵.

The Board and Manager recognise that the Company has a responsibility to embark on a journey to Net Zero Carbon ('NZC')¹⁶ and that an active approach to understanding and managing climate risks and opportunities is fundamental to delivering resilient investment returns and supporting the transition to a low carbon society.

In 2019 the Manager signed the Better Building Partnership's ('BBP') Climate Commitment¹⁷ and has a net zero ambition aligned to the Paris Agreement aim to limit warming to 1.5°C. The Manager's commitment was further underlined by the Company who in 2022 announced its 'Pathway to Net Zero Carbon' committing to:

- Operational whole buildings emissions to be aligned to a 1.5°C pathway by 2030;
- Embodied emissions for all new developments and major renovations to be net zero by 2030;
- Operational Scope 1 and 2 (landlord) emissions to be net zero by 2030; and
- Operational and embodied whole building (scope 1, 2 and 3 – landlord and tenant) emissions to be net zero by 2040.

Other commitments associated with the manager's overall NZC commitments are:

- Procure 100% renewable electricity for landlord-controlled supplies by 2025; and
- Minimise amount of operational waste sent to landfill.

Performance against objectives from the start of the financial year

In H1 2024, forward-looking NZC pathways were developed, using the industry adopted Carbon Risk Real Estate Monitor ('CRREM'), to present the operational energy associated decarbonisation requirements aligned with a 'Paris Proof' decarbonisation trajectory to pursue efforts to limit global warming to 1.5°C. During the reporting year, the Manager has been reviewing its NZC methodology to align with most recent developments in the CRREM tool, including the release of CRREM version 2 in 2023, and best practice accounting at the whole building level. This has led to the creation of a new baseline for SREIT's assets utilising calendar year 2023 data (replacing the original baseline of 2019 data). Decarbonisation pathways

¹⁴ World Green Building Council: Bringing Embodied Carbon Upfront. <https://worldgbc.org/article/bringing-embodied-carbon-upfront/>

¹⁵ Intergovernmental Panel on Climate Change (IPCC): Sixth Assessment Report. <https://www.ipcc.ch/assessment-report/ar6/>

¹⁶ 'Net Zero Carbon' is when the carbon emissions emitted as a result of all activities associated with the development, ownership and servicing of a building are zero or negative.

¹⁷ Better Buildings Partnership Climate Commitment available here: <https://www.betterbuildingspartnership.co.uk/member-climate-commitment>

have been developed for all of assets in the fund, which have been aggregated to Fund level to create the portfolio's targets.

Important note: Previous NZC analysis included only the portfolio's landlord-controlled assets. This year's reported analysis includes all assets within the portfolio. This means full repairing and insuring ('FRI') leased assets, including industrial assets¹⁸, have been accounted for and which have had an impact on the overall performance and associated energy and GHG intensity targets of the portfolio.

The 2024 NZC analysis indicates the Company will need to implement continued improvement initiatives to progress towards its energy and greenhouse gas ('GHG') intensity targets, requiring reductions of 44% and 52% to be achieved respectively by 2030 (interim target) over the 2023 baseline year. Table 2 below presents details of the Company's operational energy and carbon intensity.

The Company is working through modelling of energy conservation measures to identify the most relevant improvement actions required to meet the Company's 2040 net zero commitment. These measures have been determined through sustainability and NZC audits procured from external consultants. Dedicated NZC audits are necessary to build robust pathways and a database of energy conservation measures to inform more accurate decarbonisation pathways in terms of energy and carbon performance, and cost. The audits scope includes assessment of fugitive, operational and embodied carbon¹⁹, water and waste emissions and suggestions of how these can be managed for the audited assets.

Table 2: The Company's baseline performance and reduction requirements to 2030 for GHG and Energy Use Intensity.

	Baseline (2023) reflecting whole building level performance for whole year at full operation	2030 Target*	% Change required to reach 2030 target	2040 target	% Change required to reach 2040 target
Energy Intensity (kWh/m²)	161	90	-44%	63	-61%
GHG Intensity** (kgCO₂e/m²)	29	14	-52%	3	-90%

* The NZC interim targets are dynamic and depend on the year-on-year assets' performance and updates of CRREM pathways. The NZC analysis process is continual with annual reassessment of progress against targets, with audits providing more informed inputs to support target setting, and the actual effect of interventions being captured.

**GHG intensity includes both fugitive emissions (i.e. emissions associated with refrigerant gases used across assets) and carbon emissions occurring from energy consumption within the asset (covering both landlord and tenant areas).

¹⁸ Industrial assets are often characterised by large floor area but with relatively low sector specific CRREM targets, and so their inclusion in portfolio targets for the first time has brought about lower overall portfolio energy and carbon targets compared to the previous analysis.
¹⁹ Operational Carbon is the term used to describe the emissions of carbon dioxide and other greenhouse gases during the in-use operation of a building, most materially from energy use and refrigerants. Embodied Carbon refers to the carbon emissions emitted producing a building's materials, their transport and installation on site as well as their disposal at end of life.

Key Achievements over the financial year

Alongside the work developing and implementing the strategic evolution, good progress has been made delivering on the pre-existing sustainability ambitions, with key achievements during the financial year summarised below:

Progress towards Net Zero Carbon by 2040	New analysis undertaken to re-baseline portfolio against CRREM ²⁰ v2 and include 100% of Company assets. 5 detailed asset-level Net Zero Carbon audits commissioned.
Improved GRESB score	3-Star rating; 79 score (up from 77 in 2022); 1 st in peer group ²¹ . Maintained 'A' rating in GRESB Public Disclosure.
EPRA sBPR Awards for Sustainability Reporting	Gold Award for the sixth year running ²² .
No. of sustainability audits ²³	14
Increasing no. sustainability certifications completed in reporting year (Total no. assets with sustainability certifications)	+2 BREEAM New Construction 'Excellent' ratings. (10 assets total)
Increasing no. assets with on-site renewables	6 assets with solar PV (2022: 3 assets)
Improved EPC rating and coverage performance (% by floor area)	<ul style="list-style-type: none"> - 100% MEES compliance (2022: 100%) - EPC coverage = 99% (2022: 97%) - EPCs above C rating = 60% (2022: 58%) - 12 industrial units developed to EPC 'A+' standard (At 31 December 2023)
Investment strategy formally amended with focus on sustainability improvement, and which is effective from 1 April 2024.	

Note: All data is reported at 31 March 2024 unless otherwise stated.

²⁰ The Carbon Risk Real Estate Monitor (CRREM) is the leading global initiative for establishing targets for operational ("in use") carbon emissions for standing real estate investments consistent with the ambitions of the Paris agreement. It developed software (so called "CRREM-Tool" or Carbon Risk Assessment Tool) which derives carbon emission intensities as well as energy consumption intensities and demonstrates the 1.5-degree-readiness of each analysed property. Further information available here: Risk Assessment Tool – CRREM Project

²¹ GRESB 2023 Standing Investments Benchmark Report for the Company 1st out of 6 Peer Comparison for United Kingdom of Great Britain and Northern Ireland - Diversified - Listed - Tenant Controlled.

²² The EPRA Sustainability Best Practices Recommendations (sBPR) are intended to raise the standards and consistency of sustainability reporting for listed real estate companies across Europe. As with the EPRA financial BPR Awards, each year EPRA recognises companies which have issued the best-in-class annual sustainability performance report. Based on adherence to the EPRA sBPR in their public disclosure, companies are identified for Gold, Silver or Bronze Awards.

²³ Sustainability audits in line with Schroders Capital's scope, inclusive of third-party validated proprietary ESG Scorecard.

The Company's wider approach to sustainability

The Board and Manager believe that focusing on sustainability, and Environmental, Social and Governance ('ESG') considerations more generally, throughout the real estate life cycle, will deliver enhanced long-term returns for shareholders as well as have a positive impact on the environment and the communities where the Company is investing. A key part of our sustainability strategy is delivering operational excellence for occupiers as well as demonstrating continued improvements in sustainability performance.

The Manager's real estate investment strategy, which aims to proactively take action to improve social and environment outcomes, focuses on the pillars of 'People, Planet and Place' which are referenced to three core UN Sustainable Development Goals ('SDGs'): (8) Decent Work and Economic Growth; (13) Climate Action and (11) Sustainable Cities and Communities.

Active management of sustainability performance is a key component of responsible asset and building management. Reducing consumption, improving operational efficiency, and delivering higher quality, more sustainable spaces, will benefit tenants' occupational costs and may support tenant retention and attraction, in addition to mitigating environmental impacts and helping to future-proof the portfolio against future legislation.



Further information on the Manager's Sustainable Investment approach, and sustainable investment policy can be found [here](#).

This report seeks to present our approach to managing ESG considerations and performance against our sustainability objectives. Case studies highlighting ESG in practice are used throughout and detailed ESG performance data are presented with the EPRA sBPR aligned Sustainability Performance Measures sections from page 113.

Protecting our planet (environmental)

The Board and Manager considers the relationship between its real estate investments and the environment to be of strategic importance to the Company. By addressing risks related to the transition to a low-carbon economy such as compliance with current and future legislation and meeting market demands, and by embracing sustainable practices, such as energy-efficient building design, renewable energy integration, and climate resilience measures, we believe there is an opportunity to enhance property value, attract tenants, and reduce operational expenses.

As part of our commitment to achieving Net Zero Carbon (NZC) by 2040, over the reporting year we have implemented improvements such as replacing and upgrading Heating, Ventilation, and Air-Conditioning (HVAC) systems, upgrading lighting systems with low energy fittings and enhanced controls, and completed thermally efficient industrial units, which generate clean energy through on-site roof mounted solar photovoltaic (PV) systems. These measures have not only led to improvements in our Energy Performance Certificates (EPCs), contributing to the delivery of EPC 'A+' schemes at Stanley Green and 19 Hollin Lane, Stacey Bushes, but also the resilience of our strategy in the face of climate-related risks.

Risks and opportunities are also present in the interface between the built environment and nature. Nature provides essential ecosystem services, such as clean air, water, and climate regulation, which are fundamental to the well-being of communities and the functionality of built environments. Activity during the reporting year includes the commissioning of specialist ecological surveys, such as at Clifton Park, York, allowing the Manager to build out its understanding of the Company's relationship with nature, identifying how it may support local nature at an asset level including through the protection and provision of habitats which support nature such as wildflower planting for pollinators, and log piles for insects.

Performance against objectives from the start of the financial year

	Goal	FY24 outcome
Environmental	Net Zero Carbon (Scopes 1, 2 and 3) by 2040	New analysis undertaken to re-baseline portfolio against CRREM v2 and now including 100% of Company assets. 5 detailed asset-level Net Zero Carbon audits commissioned.
	Annual reduction in landlord energy consumption and associated scope 1 and 2 greenhouse gas (GHG) emissions on a like-for-like basis	- Energy = 1.5% increase± - GHG emissions = 8% increase (Calendar Year 23 vs. Calendar Year 22)
	Increase use of on-site renewable energy and source 100% of landlord electricity through renewable tariffs by 2025	- 6 assets with solar PV (2022: 3 assets) - 80% of the Company's landlord procured electricity was on a renewable tariff (2022: 74%)
	Annual reduction in landlord like-for-like water consumption	19% increase (Calendar Year 23 vs. Calendar Year 22)
	Send zero landlord waste to landfill and prioritise waste recycling	- Zero waste directly to landfill. - 56% of waste was recycled and 44% was incinerated with energy recovery.
	Maintain 100% MEES ²⁴ compliance and improve proportion of assets with EPC ratings 'B' or above (floor area)	- EPC coverage = 99%* (2022: 97%) - EPCs above C rating = 58% (2022: 58%) - EPCs above B rating = 21% (2022: 18%) - 12 industrial units developed to EPC 'A+' standard. <i>* Remaining footprint without EPCs relates to assets where improvement works have been scheduled and EPCs will be procured on completion of these works. Please note that the Company remains compliant with MEES regulations.</i> (At 31 December 2023)
	Assess physical climate risk profiles for all assets and develop resilience strategies where material risks identified	Physical climate risk profile maintained for all assets using third-party database. The Manager will begin to develop climate resilience strategies for higher risk assets during the course of the next reporting year.
	Improve biodiversity opportunities across the portfolio	16 assets where biodiversity opportunities have been completed (including installation of bird boxes, bee hives or bug hotels) Ecological Survey completed for one asset by qualified ecologist.

Note: All data is reported at 31 March 2024 unless otherwise stated.

²⁴ The Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 establish a minimum level of energy efficiency for rented property in England and Wales.

Supporting people and places (Social)

The importance of understanding real estate investment's positive and negative social impacts has increased over the last decade. There is a growing expectation from investors, building occupiers, governments, regulators, and the general public that built assets should not only mitigate disruption and negative externalities but also proactively maximise their positive impacts on people and places alike. Particularly in the UK, there is a variety of regulatory drivers, such as Social Value Assessments which are now required by many local authorities thus making social value a formal consideration in planning applications.

We now spend up to 90% of our time indoors²⁵, so the spaces we create and manage significantly influence our physical and mental well-being. Additionally, our immediate locale and the interactions within it affect the jobs we can access, the goods and services we make use of, our health and well-being, and our social capital and connections²⁶

We recognise that most buildings are not isolated but stand as part of their local communities. Improving opportunities for interacting with local communities helps create successful places that foster community relationships, contribute to local prosperity, and attract building users²⁷. Understanding and responding to the needs of building occupiers and local communities where possible aids us in creating vibrant and inclusive places which ultimately helps deliver making better, more resilient investments in the long run.

All site teams are encouraged to engage with local communities where this is appropriate to the asset. Examples of community initiatives undertaken in the reporting period include permitting the local model railway society to use part vacant space and supporting local and national charities such as 'KidsOut' children's Christmas appeal, and 'Let's Can Hunger' foodbank appeal. At Headingley Central, a monthly makers market is held, providing a platform for local craftspeople and businesses.

²⁵ [Indoor Air Quality](#) POST September 2023; [Translating research into practice](#) International WELL Building Institute, 2024.

²⁶ [Act Local: Empowering London's neighbourhoods](#) Joe Wills, Centre for London, September 2019.

²⁷ [Act Local: Empowering London's neighbourhoods](#) Joe Wills, Centre for London, September 2019

Performance against objectives from the start of the financial year

	Goal	FY24 outcome
	Ensure the health, safety and wellbeing of building occupiers and users	100% of managed assets where Health and safety assessments were completed (At 31 December 2023)
Social	Improve proportion of assets where occupier engagement activities are implemented	100% of Company assets. Initiatives including an occupier sustainability newsletter. (At 31 December 2023)
	Improve proportion of assets where community engagement activities are implemented	43% of Company assets. Initiatives including support for local charity groups and a “makers market” for local craftspeople. (At 31 December 2023)
	Improve availability of low carbon transport (active transport facilities; EV charging etc.) facilities	Active transport infrastructure in place for 21 assets. Support provision of electric vehicle charging for 14 assets.

Note: All data is reported at 31 March 2024 unless otherwise stated.

Responsible business (Governance)

The Manager operates an Environmental Management System ('EMS') aligned to ISO 14001, for the asset management of direct real estate investments in the UK and across Europe. This provides the framework for how sustainability principles are managed throughout all stages of its investment process and the Manager has developed a collection of proprietary tools to support the delivery at both asset and portfolio level including an ESG Scorecard for consistent assessment of asset sustainability performance, Impact and Sustainability Action Plans for continually improving standing investments, a Sustainable Development Brief for projects, and Property Manager Sustainability Requirements for use in contractual Property Manager Agreements.

The Manager continues to work towards enhancing its understanding of portfolio and asset sustainability credentials, having completed ESG Scorecards for 79% of the portfolio by Gross Property Value. Performance against the ESG Scorecard is a formal commitment of the Company's investment objective with effect from 1 April 2024 alongside its commitment to Net Zero Carbon.

Performance against objectives from the start of the financial year

	Goal	FY24 outcome
Governance	Improve Global Real Estate Sustainability Benchmark ('GRESB') rating	<ul style="list-style-type: none"> - 1st in peer group - 3-star status - Improved score to 79 (2022: 77) Maintained 'A' rating in GRESB Public Disclosure
	Increase coverage of sustainability audits across portfolio	ESG Scorecards completed for 79% of the portfolio by Gross Property Value 15 asset level ESG Scorecards completed (14 third-party audits; 1 internally completed) (2022: 10 audits)
	Improve coverage and quality of sustainability certifications (e.g. BREEAM) across portfolio	10 assets with sustainability certifications* (+2 BREEAM New Construction certificates for new industrial units at Stanley Green and Stacey Bushes (both rated 'Excellent')) (At 31 December 2023)
	Maintain EPRA Gold Award for Sustainability Reporting	Gold Award for the sixth year running
	Sustainability Linked Loan tied to RCF agreed with RBS	Agreed in 2023

Note: All data is reported at 31 March 2024 unless otherwise stated.

Sustainability-linked loan performance

Underlying its commitment to the sustainability performance of the Company, the Manager and Board have established a Sustainability-linked Loan ('SLL') tied to its revolving credit facility ('RCF'). A key element to the updated agreement with RBSI is the selection of three key performance indicators which will be used to assess the Company's performance and determine the margin rate applied to the loan. The KPIs are:

- KPI 1 refers to the like-for-like annual energy performance under landlord control;

- KPI 2 refers to the EPC and green building certificate standards at which new construction and major renovations are completed; and
- KPI 3 refers to the annual GRESB rating for the Company.

Task Force on Climate-Related Financial Disclosures

The Manager has previously provided a statement of alignment with the principles of the Task Force on Climate-Related Financial disclosures ('TCFD') in annual reports. However, in compliance with the requirements set out in chapter 2 of the Environmental, Social and Governance sourcebook ('ESG Sourcebook') of the FCA Handbook, this year the Manager will publish a mandatory product-level disclosure consistent with TCFD by 30th June 2024. This disclosure will be available on the Schroders Plc website. This will be in addition to the Schroders Real Estate Investment Management ('SREIM') entity-level TCFD disclosure published by 30th June 2024, and the Schroders plc Climate report 2023²⁸. These reports provide details on the approach to the consideration of climate-related risks and opportunities across Governance, Strategy, Risk management and Targets across Schroders Group and Schroders Capital real estate.

Industry engagement

Schroders supports, and collaborates with, several industry groups, organisations and initiatives including the United Nations Global Compact, United Nations Principles of Responsible Investment ('UN PRI') and Net Zero Asset Managers Initiative (of which it is a founding member). Further details of Schroders' industry involvement is available here: <https://www.schroders.com/en/global/individual/about-us/what-we-do/sustainable-investing/our-sustainable-investment-policies-disclosures-voting-reports/industry-involvement/> and compliance with UN PRI available here: <https://www.schroders.com/en/gb/uk/institutional/what-we-do/sustainable-investing/our-sustainable-investment-policies-disclosures-voting-reports/disclosures-and-statements/the-un-principles-for-responsible-investment/>.

The Manager is a member of several industry bodies including the European Public Real Estate Association ('EPRA'), INREV ('European Association for Investors in Non-Listed Real Estate Vehicles'), Urban Land Institute, British Council for Offices and the British Property Federation. It has been a member of the Better Buildings Partnership since 2017. It is a member of the Global Real Estate Sustainability Benchmark ('GRESB') of which the Company has participated in the annual real estate survey for the past eight years.

Slavery and Human Trafficking Statement

The Company is not required to produce a statement on slavery and human trafficking pursuant to the Modern Slavery Act 2015 as it does not satisfy all the relevant triggers under that Act that required such a statement.

The Manager to the Company, is part of Schroders plc and whose statement on Slavery and Human Trafficking has been published in accordance with the Modern Slavery Act 2015. Schroders' Slavery and Human Trafficking Statement can be found here: <https://www.schroders.com/en/sustainability/corporate-responsibility/slavery-and-human-trafficking-statement/>.

²⁸ [Schroders Climate \(TCFD\) Report 2023](#)

Business Model

Company's business

Schroder Real Estate Investment Trust Limited is a real estate investment company with a premium listing on the Official List of the Financial Conduct Authority and whose shares are traded on the premium segment of the Main Market of the London Stock Exchange (ticker: SREI).

The Company is a Real Estate Investment Trust ('REIT') and benefits from the various tax advantages offered by the UK REIT regime. The Company continues to be declared as an authorised closed-ended investment scheme by the Guernsey Financial Services Commission under section 8 of the Protection of Investors (Bailiwick of Guernsey) Law 2020, as amended and the Authorised Closed-Ended Investment Schemes Rules and Guidance, 2021.

Investment objective

The investment objective of the Company is to provide shareholders with an attractive level of income and the potential for income and capital growth from owning and actively managing a diversified portfolio of UK commercial real estate, while achieving meaningful and measurable improvements in the sustainability profile of the majority of the portfolio's assets (considered against a range of objective environmental, social and governance metric).

Investment policy

The investment policy of the Company is to own a diversified portfolio of UK commercial real estate assets which are underpinned by good fundamental characteristics, and whose sustainability profiles can be improved while they are owned by the Company. The Company may invest across the full range of commercial real estate sectors.

In order to spread investment risk, the Company will seek to invest in a portfolio that is diversified by location, sector, asset size, tenant exposure and lease expiry, and will focus on assets where making sustainability improvements will enhance total return.

The value of any individual asset at the date of its acquisition may not exceed 15% of gross assets and the proportion of rental income deriving from a single tenant may not exceed 10%.

More specifically in relation to sustainability-related activity:

- The Company will focus on sustainability improvement in the selection and active management of real estate assets. Real estate assets will be selected and actively managed with a view to achieving a meaningful improvement in their sustainability profile, as measured against the Investment Manager's scorecard of environmental, social, and governance ('ESG') metrics.
- Across the portfolio, the Company will focus on opportunities to improve the sustainability performance of buildings which may include improving their fabric, phasing out fossil fuel-based heating systems, improving operational energy efficiency, and installing means of on-site renewable energy generation such as photovoltaic panels.
- In addition to these energy and carbon efficiency-related opportunities, wider ESG considerations will also be taken into account when looking for ways to achieve meaningful improvement in the sustainability profile of real estate assets, and when demonstrating that such improvement is being achieved, including exposure to physical climate risks, access to green space and community facilities, building certifications, and tenant profile.
- The ESG scorecard used by the Company will therefore use objective metrics to capture the performance of assets (and the improvements in performance during ownership by the Company) in respect of a broad range of ESG factors.

Sustainability KPIs

- The Company's assets will be managed with a view to ensuring that at any given time during the Company's ownership, at least 75% of the portfolio assets by value are being managed with a realistic

and achievable plan to reach a score of at least 3 (out of a possible total score of 5), as measured on the ESG scorecard.

- For those 75% of the Company's assets (by value), in each case where leases permit prompt commencement of works to improve their sustainability profile, the aim will be to take the asset to an improved score of at least 3 (out of a possible total score of 5) within five years from: (i) 1 April 2024, or, if later: (ii) the date it was acquired by the Company.
- Further, the Company's assets will also continue to be managed in line with the Company's existing 'pathway to net zero' commitments, which in summary include seeking to attain the following:
 - operational whole buildings emissions to be aligned to a 1.5°C global warming pathway by 2030;
 - embodied emissions for all new developments and major renovations to be net zero by 2030;
 - operational scope 1 and 2 (landlord) emissions (as defined in the Greenhouse Gas Protocol) to be net zero by 2030; and
 - operational and embodied whole building (scope 1, 2, and 3 (landlord and tenant)) emissions to be net zero by 2040.

Investment strategy

The Company's strategy is focused on delivering sustainable dividend growth by improving the quality of its underlying portfolio through a disciplined, research-led approach to transactions and active asset management, focused on delivering sustainability improvements and operational excellence. This activity is complemented by maintaining a robust balance sheet and efficient management of costs.

The Company aims to own a diversified portfolio of properties delivering an above average income return and benefitting from structural changes driving income and capital growth such as urbanisation, innovation in technology and changing demographics. These properties may benefit from favourable supply and demand characteristics and by improving their environmental performance, the Company can capture the rental and valuation premium that buildings with genuine green credentials can command, sometimes called the 'Green Premium'.

The Board

The Board of Directors is responsible for the overall stewardship of the Company, including investment and dividend policies, corporate strategy, gearing, corporate governance and risk management.

The Company has no executive directors or employees.

Operations

The Board has delegated investment management and accounting services to the Investment Manager with the aim of delivering the Company's investment objective and strategy. Details of the Investment Manager's investment approach, along with other factors that have affected performance during the year, are set out in the Investment Manager's Report.

Diversification and asset allocation

The Board believes that in order to maximise the stability of the Group's income, the optimal strategy for the Group is to invest in a portfolio of assets diversified by location, sector, asset size and tenant exposure with low vacancy rates and creditworthy tenants. The value of any individual asset at the date of its acquisition may not exceed 15% of gross assets and the proportion of rental income deriving from a single tenant may not exceed 10%.

The Company's portfolio will be invested and managed in accordance with the Listing Rules of the Financial Conduct Authority ('Listing Rules' and 'FCA' respectively), taking into account the Company's investment objectives, policies and restrictions.

Borrowings

The Company's Articles limit borrowings to 65% of the Group's gross assets, calculated as at the time of borrowing.

The Board has established a gearing guideline for the Investment Manager, which seeks to limit Group on-balance-sheet debt, net of cash, of between 25% and 35% of Group portfolio value while recognising that this gearing may be exceeded in the short term from time to time. For these purposes, 'Group' refers to the Company along with its subsidiaries at any given time. The term 'Group portfolio value' signifies the fair market value of the Group's property portfolio as appraised by the Company's independent valuer. It's important to note that this valuation excludes the worth of other on-balance-sheet assets owned by the Group.

The Board actively monitors this guideline and possesses the authority to instruct the Investment Manager to adjust the management of the Group's assets. The objective here is to ensure that borrowings are maintained within a defined acceptable range. However, this directive takes into consideration the best interests of the shareholders. As a result, immediate action to correct deviations from this guideline may not be mandatory if such actions could negatively impact shareholder interests.

Interest rate exposure

It is the Board's policy to minimise interest rate risk, to the extent commercially appropriate, either by ensuring that borrowings are on a fixed-rate basis, or through the use of interest rate swaps/derivatives used solely for hedging purposes.

Investment restrictions

As the Company is a closed-ended investment fund for the purposes of the Listing Rules, the Group will adhere to the Listing Rules applicable to closed-ended investment funds. The Company and, where relevant, its subsidiaries will observe the following restrictions applicable to closed-ended investment funds in compliance with the current Listing Rules:

- neither the Company, nor any subsidiary, will conduct a trading activity which is significant in the context of the Group as a whole;
- the Group will not invest in other listed investment companies; and
- where amendments are made to the Listing Rules, the restrictions applying to the Company will be amended so as to reflect the new Listing Rules

In addition, the Board will ensure compliance with the UK REIT regime requirements.

Performance

The Board uses principal financial Key Performance Indicators ('KPIs') to monitor and assess the performance of the Company. These are the net asset value ('NAV') total return, the performance of the Company's underlying property portfolio relative to its MSCI Benchmark Index and the share price:

1. NAV total return

For the year to 31 March 2024 the Company delivered a NAV total return of 1.1% (-15.1% for the year to 31 March 2023).

2. Underlying property portfolio performance relative to peer group Benchmark

The performance of the Company's property portfolio is measured against a specific Benchmark defined as the MSCI (formerly Investment Property Databank) UK Balanced Portfolios Quarterly Property Index (the 'Benchmark'). As at 31 March 2024 the Benchmark comprised 152 member funds.

Underlying property portfolio performance

Total return for 12 months to 31 March 2024		Total return for 12 months to 31 March 2023	
SREIT (%)	MSCI Benchmark (%)	SREIT (%)	MSCI Benchmark (%)
3.2%	-1.3%	-7.9%	-13.5%

The analysis above has been prepared by MSCI and takes account of all direct property-related transaction costs.

3. Share price performance

The Board monitors the level of the share price compared to the NAV. As at 31 March 2024, the share price of 41.9p was at a 28.7% discount to the NAV of 58.8 pps. Where appropriate on investment grounds, the Company may from time to time repurchase its own shares, but the Board recognises that movements in the share price premium or discount are driven by numerous factors, including investment performance, gearing and market sentiment. Accordingly, we focus our efforts principally on addressing the sources of risk and return as the most effective way of producing long-term value for shareholders.

Our stakeholders

Section 172 statement

Although the Company is registered in Guernsey, in accordance with the guidance set out in the AIC code a Section 172 statement is required. Section 172 of the UK Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a director to have regard, among other matters, to: the likely consequences of any decision in the long term; the interests of the company's employees; the need to foster the company's business relationships with suppliers, customers and others; the impact of the company's operations on the community and the environment; the desirability of the company maintaining a reputation for high standards of business conduct; and the need to act fairly with members of the company. The Directors give careful consideration to the factors set out above in discharging their duties under section 172.

The Board is focused on ensuring that the Company delivers on its strategic objectives, while taking into account the impact on its stakeholders as a whole. It is our firm belief that prioritising positive stakeholder relationships is central to delivering long-term, sustainable returns. The Board is focused on ensuring that it understands its stakeholders' needs.

Shareholders

The Board is committed to maintaining high standards of corporate governance in order to protect shareholder interests. The Investment Manager undertakes an active investor relations schedule in London and the regions throughout the year, which includes one-on-one and group meetings with shareholders as well as regular presentations to the sell-side analyst community. Shareholder feedback is encouraged either through the broker or directly to the Investment Manager or Board.

Occupiers

The Company has a diverse range of tenants occupying space across the portfolio. This includes a wide range of businesses who operate out of our office or industrial space and the retailers and shoppers who work at or visit our retail and leisure properties. Active and constant engagement with these groups, either directly through site visits or through property managers or agents, is required to gather intelligence as to what is important to them. Understanding changing needs, both at an individual company level, as well as on a sectoral and broader economic level, is a key tenet informing both our individual asset management investment decisions as well as the longer-term strategic direction of the Company.

Communities

Our assets are located across the UK in a range of urban environments. The buildings and their occupiers are part of the fabric of local communities. The Company works hard to ensure that it is engaging with local communities, councils and individuals and that our asset strategies are sensitive to the unique heritage of each location.

Environment

The real estate industry accounts for approximately 40% of global energy related carbon emissions, which places a responsibility on those companies that are direct or indirect contributors, to act in a way which would seek to reduce carbon emissions. The Board is sensitive to the Company's role and is committed to continually improving and protecting the environment by using resources such as energy, water and materials in a sustainable manner for the prevention of greenhouse gas emissions and climate change mitigation. Environmental, Social and Governance ('ESG') considerations are integrated into the Company's investment processes and each individual asset benefits from specific ESG-related objectives. The Board reviews its approach to managing ESG considerations and believes that this is integral in delivering better long-term returns for our investors and for safeguarding the future of the environment that we live and work in.

Service providers

As an externally managed real estate investment trust, the Board is reliant on a range of service providers who have a direct working or contractual relationship or share a mutual interest with the Company. This includes, but is not limited to, Schroders as Investment Manager and Company Secretary, Property Managers, the Administrator, Depositary, Auditor, Tax advisors, Solicitors, Property Valuers and Banks. The Board has appointed the Management Engagement Committee to regularly review these relationships as part of its commitment to transparency and corporate best practice.

Lenders

Borrowing allows the Company's shareholders to increase exposure to assets consistent with the strategy and generate enhanced returns at a low cost. These lenders have a financial interest in the success of the Company.

Decision-making

The Board makes decisions on, among other things, the principal matters set out under the paragraph above headed 'Role of the Board' on page 52.

Risk and Uncertainties

The Board is responsible for the Company's system of risk management and internal control and for reviewing its effectiveness. The Board has carried out a robust assessment of the principal risks and emerging risks facing the Company including those that would threaten its business model, future performance, solvency or liquidity. A framework of internal controls has been designed and established to monitor and manage those risks. This internal control framework provides a system to enable the Directors to mitigate these risks as far as possible, which assists in determining the nature and extent of the significant risks the Board is willing to take in achieving its strategic objectives. Emerging risks are monitored as part of this assessment. The Board notes that it has a robust framework of internal controls in place this can provide only reasonable, and not absolute, assurance against material financial misstatement or loss and is designed to manage, not eliminate, risk.

During the year, there were no changes to the principal risks identified by the Board, or the likelihood or impact of such risks occurring.

A summary of the principal risks and uncertainties faced by the Company, and actions taken by the Board to manage and mitigate these risks and uncertainties, are set out below:

Key risks	Mitigation of risk
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Investment and strategy

An inappropriate investment strategy, or failure to implement the strategy, could lead to underperformance in the property portfolio compared to the property market generally by incorrect sector or geographic weightings or a loss of income through tenant failure, both of which could lead to a fall in the value of the underlying portfolio.

- The Board seeks to mitigate these risks by:*
- Diversification of its property portfolio through its investment restrictions and guidelines which are monitored and reported on by the Investment Manager.
 - Receiving from the Investment Manager timely and accurate management information including performance data, attribution analysis, property-level business plans and financial projections.
 - Monitoring the implementation and results of the investment process with the Investment Manager with a separate meeting devoted to strategy each year.
 - Determining a borrowing policy and the Investment Manager operates within borrowing restrictions and guidelines.

Economic and property market

The performance of the Company could be affected by economic and property market risk. In the wider economy this could include inflation, stagflation or deflation, economic recessions, movements in interest rates, political changes, the war in Ukraine and the Middle East, or other external shocks, such as a wider conflagration or pandemic. The performance of the underlying property portfolio could also be affected by structural or cyclical factors impacting particular sectors or regions of the property market.

The Board considers economic conditions and the uncertainty around political (including geopolitical) events when making investment decisions. The Board mitigates property market risk through the review of the Group's strategy on a regular basis and discussions are held to ensure the strategy is still appropriate or if it needs updating. The Board and Investment Manager review the progress of implementing the strategy on a regular basis and provides the market with clear communications.

Key risks

Mitigation of risk

Sustainability

Sustainability considerations, including transition risks and physical risks (as defined by the Task Force on Climate-related Financial Disclosures ('TCFD')), are not fully considered or properly understood in the acquisition and asset-planning processes leading to future issues (negative effect on price, valuation or saleability of assets, future costs to remediate, meeting the requirements of initiatives such as Net Zero Carbon/Climate Risk/ BREEAM /EPC profile/GRESB).

The Manager's Investment Committee has a continued focus on sustainability to help ensure appropriate approvals are made.

Impact and Sustainability Action Plans identify asset improvement requirements in context of the investment strategy.

The Board regularly reviews the objectives and progress of the Sustainability programme.

The Investment Manager to the Company works alongside third-party Property Managers, and commercial real estate ESG data intelligence platform providers, Deepki, to provide, collate and report key sustainability data which is then reported to the Manager, Board and investors. Furthermore, the Board is provided with an assurance letter on an annual basis from S&P Global with regard to the underlying work that it has conducted on behalf of the Company.

Valuation/liquidity

Property valuations are inherently subjective and uncertain. This uncertainty is heightened by geopolitical and macroeconomic factors such as high inflation and increasing interest rates.

An external reputable valuer provides an independent quarterly valuation of all the property assets, including those held in joint ventures, which are reviewed at the quarterly Board meetings.

The valuation process is reviewed by the Audit Committee every year and members of the Audit Committee directly meet with the valuers on at least an annual basis.

The Company's external valuer is provided with copies of all transactions and lease events by the Company's lawyers and quarterly updates by Asset Managers to ensure that information used to value the portfolio is complete, accurate and up-to-date. The Company follows RICS best practice regarding valuer rotation.

Gearing/leverage

The Company utilises credit facilities to increase the funds available for investment. While this has the potential to enhance investment returns in rising markets, in falling markets the impact may be detrimental to performance, and may also result in potential non-compliance with loan covenants.

Gearing, and compliance with covenants, is monitored at each Board meeting against restrictions set internally and by lenders and is regularly announced to the market.

Service provider

The Company has no employees and has delegated its operations to third party service providers. Failure of controls and/or the poor

Service providers are subject to regular reviews by both the Investment Manager and the Management Engagement Committee against clearly documented contractual arrangements detailing service expectations, including

Key risks

performance of any service provider could lead to disruption, reputational damage, or loss.

Mitigation of risk

confirmation of business continuity and cyber security arrangements.

Regulatory compliance

The Company must comply with a wide range of legislation and regulations, covering planning, health and safety, environmental regulations, company law, accounting, reporting, tax and listing rules.

The Board has appointed the Investment Manager as its Alternative Investment Fund Manager ('AIFM') in accordance with the Alternative Investment Fund Managers Directive ('AIFMD').

The Company Secretary monitors legal and other regulatory requirements to ensure that adequate procedures and reminders are in place to meet the Company's legal requirements and obligations. The Investment Manager undertakes full legal due diligence with advisors when transacting and managing the Company's assets. All contracts entered into by the Company are reviewed by the Company's legal and other advisors.

The Board is satisfied that the Investment Manager and local Administrator have adequate procedures in place to ensure continued compliance with the regulatory requirements of the Financial Conduct Authority and the Guernsey Financial Services Commission, the Listing Rules of the London Stock Exchange, and the UK REIT regulations to maintain the Company's REIT status for tax purposes.

Risk assessment and internal controls

Risk assessment includes consideration of the scope and quality of the systems of internal control operating within key service providers, and ensures regular communication of the results of monitoring by such providers to the Audit Committee, including the incidence of significant control failings or weaknesses that have been identified at any time and the extent to which they have resulted in unforeseen outcomes or contingencies that may have a material impact on the Company's performance or condition.

No significant control failings or weaknesses were identified from the Audit Committee's ongoing risk assessment which has been in place throughout the financial year and up to the date of this report. The Board is satisfied that it has undertaken a detailed review of the risks facing the Company.

A full analysis of the financial risks facing the Company and its subsidiaries is set out in note 18 on pages 97 to 100.

Viability statement

The Board is required to give a statement on the Company's viability which considers the Company's current position and principal risks and uncertainties together with an assessment of future prospects.

The Board conducted this review over a five-year time horizon commencing from the date of this report which is selected to match the period over which the Board monitors and reviews its financial performance and forecasting. The Investment Manager prepares five-year total return forecasts for the commercial real estate market. The Investment Manager uses these forecasts as part of analysing acquisition opportunities as well as for its annual asset level business planning process.

The Board receives an overview of the asset level business plans which the Investment Manager uses to assess the performance of the underlying portfolio and therefore make investment decisions such as disposals and investing capital expenditure.

The Company's principal borrowings with Canada Life are for a weighted duration of 12.0 years and the average unexpired lease term, assuming all tenants vacate at the earliest opportunity, is 4.9 years. The Company's revolving credit facility with RBSI expires in June 2027.

The Board's assessment of viability considers the principal risks and uncertainties faced by the Company, as detailed in the Strategic Review on pages 42 to 44, which could negatively impact its ability to deliver the investment objective, strategy, liquidity and solvency. This includes consideration of scenario stress testing and a cash flow model prepared by the Investment Manager that analyses the sustainability of the Company's cash flows, dividend cover, compliance with bank covenants, general liquidity requirements and potential legal and regulatory changes for a five-year period.

These metrics are subject to a sensitivity analysis which involves flexing a number of the main assumptions including macroeconomic scenarios, delivery of specific asset management initiatives, rental growth and void/reletting assumptions. The Board also reviews assumptions regarding capital recycling and the Company's ability to refinance or extend financing facilities.

Steps which are taken to mitigate these risks as set out in the Strategic Review on pages 42 to 44 are also taken into account. Based on the assessment, the directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five-year period of their assessment.

Going concern

The Directors have examined significant areas of possible financial risk including liquidity (with a view to both cash held and undrawn debt facilities); the rates of both rent and service charge collections from tenants; have considered potential falls in property valuations; have reviewed cash flow forecasts; have analysed forward-looking compliance with third party debt covenants and in particular the Loan to Value covenant and interest cover ratios; and have considered the Group's ongoing tax compliance with the REIT regime.

Overall, after utilising available cash, excluding the cash undrawn against the RBSI facility and uncharged properties and units in Joint Ventures, and based on the reporting period to 31 March 2024, property valuations would have to fall by 25% before the relevant Canada Life Loan to Value covenants were breached, and actual net rental income would need to fall by 63% before the interest cover covenants were breached.

Furthermore, the properties charged to RBSI could fall in value by 54%, prior to the 65% LTV covenant being breached, and based on projected net rents for the quarter to March 2024, a 13% fall in net income could be sustained prior to the RBSI projected interest loan cover covenant of 200% being breached.

As at the financial year end, the undrawn capacity of the £75.0m RBSI facility was £28.0 million. This facility is an efficient and flexible source of funding due to its ability to be repaid and redrawn as often as required and matures in June 2027.

Regarding the Canada Life loan of £129.6m, fifty per cent matures in 2032 and fifty per cent matures in 2039 respectively.

The Board and Investment Manager also continue to closely monitor the ongoing changing macroeconomic and geopolitical environments on the Group.

The Board and Investment Manager have considered the impact of sustainability risk as a principal risk as set out on page 43. In line with IFRS, investment properties are valued at fair value based on open market valuations as described in Note 10. The assessment of the open market valuation includes consideration of environmental matters and the condition of each property. The investment properties continue to be monitored by the Investment Manager and key considerations include EPC ratings and their impact on the properties' forecast compliance with the Minimum Energy Efficiency Standard regulations. Having assessed the impact of climate

change on the Group, the directors concluded that it is not expected to have a significant impact on the Group's going concern or viability assessment as described on pages 44 to 46.

The Directors have not identified any matters which would cast significant doubt on the Group's ability to continue as a going concern for the period to 30 June 2025 and have satisfied themselves that the Group has adequate resources to continue in operational existence for the period to 30 June 2025.

After due consideration, the Board believes it is appropriate to adopt the going concern basis in preparing the financial statements.

By order of the Board

Alastair Hughes

Chair

5 June 2024

Governance Report

Board of Directors

Alastair Hughes (Chair)

Status: Independent non-executive chair and chair of the Nomination Committee

Date of appointment: 26 April 2017

Alastair has over 30 years of experience in real estate markets and currently holds directorships with British Land PLC, Tritax Big Box, and Quad Real Property Group. He was previously the Managing Director of Jones Lang LaSalle (JLL) in the UK before becoming the CEO for Europe, Middle East and Africa, and then latterly becoming the CEO for Asia Pacific. Alastair is a Chartered Surveyor and sat on the Global Executive Board of JLL.

Current remuneration: £58,500 per annum

Material interests in any contract which is significant to the Company's business: None

Key skills and contributions to the Board: Alastair has extensive experience in real estate management, strategic leadership, and governance from his previous senior executive roles. His experience as a chartered surveyor assists with scrutiny of asset purchases and oversight of the Company's independent valuer.

Stephen Bligh (Chair of the Audit Committee)

Status: Independent non-executive director

Date of appointment: 28 April 2015

Stephen was previously with KPMG for 34 years, specialising in the audit of FTSE 350 companies in property and construction. He is a fellow of the Institute of Chartered Accountants in England & Wales and was previously a non-executive Board Member of the Department of Business, Innovation & Skills. After nine years in his role as the Audit Committee chair, Stephen will retire from the Board of directors, effective on 30 June 2024.

Current remuneration: £42,500 per annum

Material interests in any contract which is significant to the Company's business: None

Key skills and contributions to the Board: Stephen's experience as a property and construction audit partner enables him to effectively oversee the performance of the Investment Manager's fund accounting function, and the Company's Auditor. The Board considers Stephen to have recent and relevant financial expertise to chair the Audit Committee.

Priscilla Davies (Senior Independent Director)

Date of appointment: 7 June 2022

Priscilla has over 25 years of financial services experience across a range of sectors including asset management and alternative investments covering real estate, private equity, infrastructure, and renewables. She is currently a non-executive director and chair at UBS Asset Management UK Ltd, non-executive director and chair of Audit and Risk Committee at Cubico Sustainable Investments, and non-executive director at Bank of New York Mellon (International) Limited. Priscilla previously held various senior positions at Janus Henderson, most latterly as Managing Director of the Private Equity business and was a non-executive director at Embark Group Limited and its regulated subsidiaries. She is also a Chartered Accountant and a member of the Chartered Accountants Australia and New Zealand.

Current remuneration: £42,500 per annum

Material interests in any contract which is significant to the Company's business: None

Key skills and contributions to the Board: Priscilla brings extensive experience as a senior executive working for asset management businesses. She also has relevant and recent financial experience.

Alexandra Innes (Chair of the Management Engagement Committee)

Date of appointment: 16 November 2022

Alexandra's executive career spanned investment banking, global capital markets, and investment management, most latterly as Managing Director, Barclays plc, and prior to that as Director of Global Capital Markets at Bank of America Merrill Lynch.

Alexandra holds non-executive roles across finance, real estate and sport, including as a non-executive committee member at the Bank of England, and a non-executive director at Waverton Investment Management Group Ltd and STS Global Income and Growth Trust plc. Prior board roles include Knight Frank LLP, Dowlais Group plc, and the All England Lawn Tennis Club (Championships) Ltd.

Alexandra holds an M.A. Hons Economics from Cambridge University, and is a Fellow of Chapter Zero. She is a Green and Sustainable Finance Professional, Chartered Banking Institute (CCBI GSFP), a Chartered member of the CISI (MCSI), and holds the CFA Institute Certificate in ESG investing.

Current remuneration: £42,500 per annum

Material interests in any contract which is significant to the Company's business: None

Key skills and contributions to the Board: Alexandra brings experience as an economist, and in capital markets to the Board, alongside sustainability expertise.

Sanjay Patel

Date of appointment: 1 January 2024

Sanjay is a Chartered Accountant and is currently Chief Financial Officer and a Board member of Cadogan Group Limited, a large private real estate investment company. Prior to this role, Sanjay served as Group Finance Director on the Board of Strutt & Parker LLP. Sanjay is also a Member of the Audit and Risk Committee at London & Quadrant Housing Association.

Current remuneration: £37,000 per annum

Material interests in any contract which is significant to the Company's business: None

Key skills and contributions to the Board: Sanjay brings substantial experience in finance, accounting, and real estate, which enabled him to oversee and scrutinise the Manager's fund accounting function and the performance of the Company's Auditor. Sanjay also has recent and relevant financial expertise to succeed Stephen as Chair of the Audit Committee.

No Director has any entitlement to pensions and the Company has not awarded any share options or long-term performance incentives to any of them. No element of Directors' remuneration is performance related. There were no payments to Directors for loss of office.

No Director has a service contract with the Company. However, each of the Directors has a letter of appointment with the Company. The Directors' letters of appointment, which set out the terms of their appointments, are available for inspection at the Company's registered office address during normal business hours and will be available for inspection at the AGM.

Report of the Directors

The Directors of the Company and its subsidiaries, together the 'Group', present the annual report and audited consolidated financial statements of the Group for the year ended 31 March 2024 (the 'Annual Report and Consolidated Financial Statements').

Results and dividends

The results for the year under review are set out in the attached financial statements.

During the year the Company has declared and or paid the following interim dividends to its shareholders in accordance with the solvency test (contained in the Companies Law):

Dividend for quarter ended	Date Paid	Rate
31 March 2023	30 June 2023	0.836 pence per share
30 June 2023	25 August 2023	0.836 pence per share
30 September 2023	22 December 2023	0.836 pence per share
31 December 2023	28 March 2024	0.836 pence per share

The Directors recommend a dividend for the quarter ended 31 March 2024 of 0.853 pence per share to be paid on 28 June 2024. The dividend of 0.853 pps will be wholly designated as an interim property income distribution ('PID').

All dividends paid during the year were allocated and paid as full Property Income Distributions (PIDs).

Share capital

As at 31 March 2024 the Company had 565,664,749 (2023: 565,664,749) ordinary shares in issue of which 76,554,173 ordinary shares (representing 13.2% of the Company's total issued share capital) were held in treasury (2023: 76,554,173). The total number of voting rights of the Company was 489,110,576 at the year end (2023: 489,110,576) and this figure may be used by shareholders as the denominator for the calculations by which they will determine if they were required to notify their interest in, or a change in their interest of, the Company, under the Disclosure Guidance and Transparency Rules as at the year end.

Key services providers

The Board has adopted an outsourced business model and has appointed the following key service providers:

Investment Manager

Schroder Real Estate Investment Management Limited is the Investment Manager of the Company. The Board reviews the Investment Manager's performance at its quarterly Board meetings. In addition, the Board conducted its annual strategic review with the Investment Manager in February 2024 to consider the portfolio strategy and the Investment Manager's capabilities in more depth. Subsequently, the Directors formally discussed the performance and ongoing suitability of the Investment Manager at an annual meeting of the Management Engagement Committee.

On the basis of this review, the Board remains satisfied that the Investment Manager has the appropriate capabilities required to support the Company and believes that the continuing appointment of the Investment Manager under the terms of the current investment management agreement, the details of which are set out below, is in the interest of shareholders.

The Investment Manager received a fee of 0.9% of the Company's NAV up to but not including £500 million; 0.8% on the Company's NAV between £500 million up to and including £1 billion; and 0.7% on the Company's NAV over £1 billion. The fee is payable monthly in arrears. Whilst there is no performance fee, with effect from the financial year ending 31 March 2025, there is a potential increase/decrease of management fees payable to the Investment Manager equal to five basis points of Net Asset Value per annum dependent on both (i) delivering

the sustainability KPI targets in the revised investment policy to the Board's satisfaction, and (ii) the delivery of an income return ahead of the MSCI Benchmark, because the new strategy is designed to deliver more sustainable long-term income.

In recognition of the work undertaken by the Investment manager in the design and implementation of the formalisation of the sustainability objectives within the amended investment objective, policy, and strategy, the Company or the Investment manager may terminate the agreement on not less than twelve months' notice, such notice not to expire prior to the second anniversary of the passing of the resolution to adopt the new investment objective and policy of the Company at the Extraordinary General Meeting on 15 December 2023.

The Company has appointed the Investment Manager as its AIFM under the AIFM Directive. There is no additional fee paid to the Investment Manager for this service.

Administration

Schroder Investment Management Limited, an affiliate of the AIFM, is Company Secretary to the Company for which it is paid a fee of £50,000 per annum. Langham Hall (Guernsey) Limited was appointed as the Company Secretary to the Group's subsidiaries, and as Designated Manager, for a fee of £64,000 per annum and Langham Hall UK Depository LLP is the Company's depository for a fee of £52,000 per annum.

Anti-bribery policy

The Company continues to be committed to carrying out its business fairly, honestly and openly. Appropriate policies are considered to be in place to ensure compliance with the UK Bribery Act 2010.

Directors

The Directors of the Company, together with their beneficial interests in the Company's ordinary share capital as at the date of this report, are given below:

Director	Number of ordinary shares	Percentage (%)
Alastair Hughes	190,579	Less than 0.1
Stephen Bligh	165,000	Less than 0.1
Priscilla Davies	Nil	Nil
Alexandra Innes	Nil	Nil
Sanjay Patel	Nil	Nil

Substantial shareholdings

The Company has received notifications in accordance with the Financial Conduct Authority's ('FCA') Disclosure Guidance and Transparency Rule 5.1.2R of the below interests in 5% or more of the voting rights attaching to the Company's issued share capital as at 31 March 2024. The Company is reliant on investors to comply with these regulations, and certain investors may be exempted from providing these. As such, this should not be relied on as an exhaustive list of shareholders holding above 5% of the Company's voting rights.

Notifier	Number of ordinary shares	Percentage (%)
Rathbones Investment Management Ltd	78,184,021	16.0
Schroders PLC	67,842,383	13.8
Premier Fund Managers Limited	41,680,575	8.0
Embark Investment Services (UK)	34,207,624	7.0
Witan Investment Trust plc	32,250,000	6.2

Independent Auditors

Resolutions to reappoint Ernst & Young LLP, and to give the Directors authority to determine the Auditors' remuneration for the coming year, will be put to shareholders at the Annual General Meeting ('AGM') of the Company.

The Audit Committee's evaluation of the Auditors is described in the Audit Committee Report on page 59.

Disclosure of information to Auditors

The directors who held office at the date of approval of this directors' Report confirm that, as far as they are each aware, there is no relevant audit information of which the Company's Auditors are unaware and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Status for taxation

The Director of the Revenue Service in Guernsey has granted the Company exemption from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 and the income of the Company may be distributed or accumulated without deduction of Guernsey Income Tax. Exemption under the above-mentioned Ordinance entails the payment by the Company of an annual fee of £1,600.

The Group continues to pay no corporation or income tax because it has tax exempt status in the UK as a UK Real Estate Investment Trust ('REIT'). The Group has been a UK REIT since 2015 and the Group's property income and gains are exempt from UK corporate taxes provided a number of conditions in relation to the Group's activities are met including, but not limited to, distributing at least 90% of the Group's UK tax exempt profit as property income distributions ('PIDs'). As far as the directors are aware, the Group remains in full compliance with the REIT requirements.

Shareholders who are in any doubt concerning the taxation implications of a REIT should consult their own tax advisors.

Key information document

A Key Information Document ('KID') for the Company is published on at least an annual basis, in accordance with the Packaged Retail and Insurance-Based Investment Products Regulation ('PRIIPs'), and made available on the Company's website. The calculation of figures and performance scenarios contained in the KID are prescribed by PRIIPs and have neither been set nor endorsed by the Board. In fact, the Board is of the opinion that PRIIPs has been inconsistently applied by market participants and hence creates confusion amongst investors.

AIFMD remuneration disclosures for Schroder Real Estate Investment Management Limited ('SREIM') for the year to 31 December 2023

Quantitative remuneration disclosures to be made in this Annual Report in accordance with FCA Handbook rule FUND 3.3.5 are published on the following website: <https://www.schroders.com/en/global/individual/corporate-transparency/disclosures/>

Corporate Governance

The Directors are committed to maintaining high standards of corporate governance. Insofar as the Directors believe it to be appropriate and relevant to the Company, it is their intention that the Company should comply with best practice standards for the business carried on by the Company.

The Guernsey Financial Services Commission ('GFSC') states in the Finance Sector Code of Corporate Governance (the 'Code') that companies which report against the UK Corporate Governance Code or the Association of Investment Companies Code of Corporate Governance are deemed to meet the Code, and need take no further action.

The Board has considered the principles and recommendations of the Association of Investment Companies Code of Corporate Governance published in February 2019 ('AIC Code'), which applies to accounting periods beginning on or after 1 January 2019. The AIC Code addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance. A copy of the AIC Code can be found at www.theaic.co.uk.

It is the Board's intention to continue to comply with the AIC Code and we will continue to report the Company's compliance with the principles and recommendations of the AIC Code, which has been endorsed by the Financial Reporting Council ('FRC').

Statement of compliance

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below.

The UK Corporate Governance Code includes provisions relating to:

- The role of the chief executive;
- Executive directors' remuneration;
- Internal audit function; and
- the Chair's membership of the Audit and Risk Committee.

The Board considers that these provisions are not relevant to the Company, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. The provision in relation to the internal audit function is referred to in the Audit Committee report.

In line with common practice for investment companies, and considering the composition of the Audit Committee in terms its combination of skills, experience, and knowledge, it is considered appropriate for the Chair to be a member of the Audit Committee.

Role of the Board

The Board has determined that its role is to consider and determine the following principal matters which it considers are of strategic importance to the Company:

- The overall objectives of the Company, as described under the paragraph above headed 'Investment Policy and Strategy' and the strategy for fulfilling those objectives within an appropriate risk framework, in light of market conditions prevailing from time to time;
- The capital structure of the Company, including consideration of an appropriate policy for the use of borrowings both for the Company and in any joint ventures in which the Company may invest from time to time;
- The appointment of the Investment Manager, Administrator and other appropriately skilled service providers and to monitor their effectiveness through regular reports and meetings; and
- The key elements of the Company's performance including NAV growth and the payment of dividends.

Board decisions

The Board makes decisions on, among other things, the principal matters set out under the paragraph above headed 'Role of the Board'. Issues associated with implementing the Company's strategy are generally considered by the Board to be non-strategic in nature and are delegated either to the Investment Manager or the Administrator, unless the Board considers there will be implementation matters significant enough to be of strategic importance to the Company and should be reserved to the Board. Generally these are defined as:

- Large property decisions affecting 10% or more of the Company's assets;
- Large property decisions affecting 5% or more of the Company's rental income; and
- Decisions affecting the Company's financial borrowings.

Board evaluation

Within the financial year ended 31 March 2024, the Board carried out an internal evaluation of the Board and its Chair, which involved questionnaires being completed by non-executive directors. It was concluded that the Board performs well and has the relevant knowledge and experience as a whole.

The Chair is noted for his strong leadership, effective communication, and good stakeholder management.

Non-executive directors, rotation of directors and directors' tenure

The UK Corporate Governance Code recommends that directors should be appointed for a specified period. The Board has resolved in this instance that directors' appointments need not comply with this requirement as all Directors are non-executive and their respective appointments can be terminated at any time without penalty. The Board has approved a policy that all directors will stand for re-election annually and it is the intention that no Director will serve for more than nine years. As noted previously, Stephen Bligh, who was appointed in 2015, will retire from the Board of directors, effective on 30 June 2024.

The appointment and replacement of directors is governed by the Company's Articles, the Companies Law, related legislations and the Listing Rules. The Articles may only be amended by a special resolution of the shareholders. When a vacancy arises the Board selects the best candidate taking into account the skills and experience required, while taking into consideration board diversity as part of a good corporate governance culture.

Board composition and diversity

The Board currently consists of five non-executive directors. The biography of each of these Directors is set out on pages 47 to 48 of the report. The Board considers each of the directors to be independent. As at 31 March 2024, 40% of the individuals on the Board of Directors were women, at least one individual on the Board of directors was from a minority ethnic background, and at least one of the senior positions on the Board of directors was held by a woman. The Company has therefore met all of the relevant targets in relation to Board diversity as set out in the Listing Rules.

The Company believes in the benefits of diversity and places importance on broad diversity of the Board as part of its succession planning. The Company's diversity and inclusion policy, outlined below, was applied throughout the recruitment process for the two recent Board appointments.

The below tables set out the gender and ethnic diversity composition of the Board as at 31 March 2024 and at the date of this report.

	Number of Board members	Percentage of the Board (%)	Number of senior positions on the Board (Chair)
White British or other White (including minority-white groups)	4	80%	2
Mixed/Multiple Ethnic Groups	-	-	-
Asian/Asian British	1	20%	0
Black/African/Caribbean/Black British	-	-	-
Other ethnic group, including Arab	-	-	-
Not specified/prefer not to say	-	-	-

	Number of Board members	Percentage of the Board (%)	Number of senior positions on the Board (Chair)
Men	3	60	1
Women	2	40	1
Not specified/prefer not to say	-	-	-

Given that the Company is a real estate investment trust with no executive board members, the columns and references regarding executive management have not been included. The approach to collecting this data was consistent for the purposes of reporting under Listing Rule LR 9.8.6(9) and (10), and was consistent across all five individuals in relation to whom data is being reported, which was that all directors confirmed that the above disclosures were correct.

The Board has adopted a diversity and inclusion policy, which applies to both the Board and its committees. Appointments and succession plans will always be based on merit and objective criteria and, within this context, the Board seeks to promote diversity (including of gender, social, ethnic, professional and educational backgrounds, sexual orientation, cognitive and personal strengths), inclusion and equal opportunity. The Board will encourage any independent recruitment agencies it engages to find a range of candidates that meet the objective criteria agreed for each appointment. Candidates for Board vacancies are selected based on their skills and experience, which are matched against the balance of skills and experience of the overall Board taking into account the criteria for the role being offered.

The independence of each director is considered on a continuing basis. The Board has determined that all the directors are independent of the Investment Manager. The Board is satisfied that it is of sufficient size with an appropriate balance of skills and experience, independence and knowledge of both the Company and the wider investment company sector, to enable it to discharge its respective duties and responsibilities effectively and that no individual or group of individuals is, or has been, in a position to dominate decision making. Accordingly the Board approves the nomination for re-election of each of the directors at the forthcoming Annual General Meeting.

The Board also considers the diversity and inclusion policies of its key service providers.

Board committees

The Board has delegated certain of its responsibilities to its Audit, Nomination, and Management Engagement committees. Each of these committees has formal terms of reference established by the Board which are

available on the Company's website. The Board believes that its committees have an appropriate composition and blend of backgrounds, skills and experience to discharge their duties effectively. Details of the work of these committees are available in their respective reports.

As all the directors are non-executive, the Board has resolved that it is not necessary to have a Remuneration Committee.

Board meetings and attendance

The Board meets at least four times each year. Additional meetings are also arranged as required and regular contact between directors, the Investment Manager and the Administrator is maintained throughout the year. Representatives of the Investment Manager and Company Secretary attend each Board meeting and other advisors also attend when requested to do so by the Board.

Attendance records for the four quarterly Board meetings and committee meetings during the year under review are set out in the table below.

Director	Board	Audit Committee	Nomination Committee	Management Engagement Committee
Alastair Hughes	4/4	3/3	2/2	1/1
Stephen Bligh	4/4	3/3	2/2	1/1
Priscilla Davies	4/4	3/3	2/2	1/1
Alexandra Innes	4/4	3/3	2/2	1/1
Sanjay Patel ²⁰	1/1	1/1	0/0	0/0
Number of meetings during the year	4	3	1	1

In addition to its regular quarterly meetings, the Board met on three other occasions during the year, attended by all or the majority of directors.

Information flows

All directors receive, in a timely manner, relevant management, regulatory and financial information and are provided, on a regular basis, with key information on the Company's policies, regulatory requirements and internal controls. The Board receives and considers reports regularly from the Investment Manager and other key advisors and ad hoc reports and information are supplied to the Board as required.

Data protection and security

The Board has reviewed its systems and controls in light of the implementation of the General Data Protection Regulation (EU Regulation 2016/679) and the Data Protection (Bailiwick of Guernsey) Law, 2017 (the 'GDPR') in 2018 to ensure that the Company is compliant with the requirements of the GDPR. As part of that process the Board took steps to update its contracts and policies accordingly and is comfortable that it meets its obligations as a controller of personal data. The Board also requires its Investment Manager to have a robust information security and data protection environment in place. This is reviewed with the Investment Manager at the annual Manager's visit day. All Board communication of a confidential nature is managed via a secure application. The Company's privacy notice is available on its webpage.

Directors' and officers' liability insurance

During the year, the Company has maintained insurance cover for its directors under a liability insurance policy.

Relations with shareholders

The Board believes that the maintenance of good relations with both institutional and retail shareholders is important for the long-term prospects of the Company. The Board receives feedback on the views of shareholders from its corporate broker, the Investment Manager and from the Chair. Through this process the Board seeks to monitor the views of shareholders and to ensure an effective communication programme.

The Board believes that the Annual General Meeting, due to be held at 10.30 am. On 16 September 2024, provides an appropriate forum for investors to communicate with the Board and it encourages participation. The Notice of the next Annual General Meeting can be found on page 141 of this document.

Audit Committee Report

Composition

The Audit Committee is chaired by Stephen Bligh with Alastair Hughes, Priscilla Davies, Alexandra Innes and Sanjay Patel as members. The Board considers that Stephen Bligh's professional experience makes him suitably qualified to chair the Audit Committee, and his continuing professional commitments provide him with recent relevant financial experience. The Audit Committee's terms of reference are available on the Company's webpages.

Responsibilities

The Audit Committee ensures that the Company maintains the highest standards of integrity in financial reporting and internal control. This includes responsibility for reviewing the half-year and annual financial statements before their submission to the Board. In addition, the Audit Committee is specifically charged under its terms of reference to advise the Board, inter alia, on the terms and scope of the appointment of the Auditors, including their remuneration, independence, objectivity and reviewing with the Auditors the results and effectiveness of the audit.

Work of the Audit Committee

The Audit Committee meets no less than twice a year. If required, meetings are also attended by the Investment Manager and the Auditor. During the year under review, the Audit Committee met on three occasions to consider:

- The contents of the interim and annual financial statements and to consider whether, taken as a whole, they were fair, balanced and understandable and provided the information necessary for shareholders to assess the Company's performance, business model and strategy;
- The effectiveness of the Company's system of internal control;
- The management representation letters to the Auditors;
- The external Auditor's terms of engagement, audit plan, and year-end report;
- The independence, effectiveness and objectivity of the external Auditor;
- The independence of the Company's Valuers;
- The risk assessment of the Company; and
- Compliance with the UK REIT regime.

In the coming financial year the Audit Committee's work will also include a review of the reporting methodology being developed by the Investment Manager on progress with the brown-to-green strategy and a consideration of the level of audit review to verify the numbers to be reported.

As noted in the Corporate Governance report, an evaluation of the committees was completed by the Directors in March 2024 in which it was concluded that the Audit Committee continued to function effectively and to discharge the matters for which it is responsible under its terms of reference.

Significant matters considered by the Audit Committee in relation to the financial statements

Matter	Action
Property valuation	
Property valuation is central to the The Audit Committee reviewed the outcomes of the business and is a significant area of valuation process throughout the year and discussed the detail of judgement which is inherently subjective,	

although the valuations are performed by an independent firm of valuers, CBRE. each quarterly valuation with the Investment Manager at the Board meetings.

Errors in valuation could have a material impact on the Company's net asset value.

The Audit Committee met with CBRE to discuss the process, assumptions, independence and communication with the Investment Manager. The Committee was satisfied that the firm had taken a considered approach.

Market volatility

The performance of the Company could be affected by economic and property market risk. In the wider economy this could include inflation, stagflation or deflation, economic recessions, movements in interest rates, the war in Ukraine, or other external shocks. The performance of the underlying property portfolio could also be affected by structural or cyclical factors impacting particular sectors or regions of the property market.

As disclosed in the Going Concern and Viability Statements on pages 44 to 46, the Audit Committee has considered various stress tests and sensitivities to the normal cash flow forecasts, and is confident that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of its assessment. The Audit Committee considers that the Company is a going concern.

Internal control

The UK Corporate Governance Code requires the Board to conduct, at least annually, a review of the effectiveness of the Company's systems of internal control and to report to shareholders that it has done so. The Audit Committee, on behalf of the Board, also regularly reviews a detailed 'Risk Matrix' identifying significant strategic, investment-related, operational and service provider-related risks and ensures that risk management and all aspects of internal control are reviewed at least annually.

The Company's system of internal controls is substantially reliant on the Investment Manager's and the Administrator's own internal controls and internal audit processes due to the relationships in place.

Although the Board believes that it has a robust framework of internal controls in place, this can provide only reasonable and not absolute assurance against material financial misstatement or loss and is designed to manage, not eliminate, risk. No significant issues were identified from the internal controls review.

Property Accounting outsourcing to CBRE

The Investment Manager is responsible for maintaining the Company's accounting records. Effective 11 March 2024, the Investment Manager entered an outsourcing agreement with CBRE Global Investment Administration (UK) Limited, a subsidiary of CBRE, whereby CBRE Global Investment Administration (UK) Limited will maintain the Company's accounting records and produce both the Company's management accounts and statutory financial statements, although the responsibility for these will remain with the Investment Manager, who is also responsible for monitoring the services provided by CBRE Global Investment Administration (UK) Limited. Many of the accounting staff who maintained the Company's accounting records and prepared its financial statements

transferred to CBRE Global Investment Administration (UK) Limited on that date and continued in similar roles. The Audit Committee is satisfied that the transition has been well managed.

CBRE Limited, a separate subsidiary of CBRE, is the Company's independent valuer. The fees which will be paid to CBRE Global Investment Administration (UK) Limited for the provision of these accounting services will be considerably higher than the fees paid to CBRE Limited for valuing the Group's properties. The Audit Committee has considered whether the independent valuer's independence has been threatened by the appointment of another CBRE subsidiary to provide accounting services to the Company. The Audit Committee has discussed these arrangements with the Investment Manager, CBRE, the Company's Auditors and has taken independent advice. The Audit Committee has accepted that such arrangements are not uncommon; appropriate information barriers will be maintained between the two relevant CBRE subsidiaries; and that CBRE's independence as valuer has not been compromised.

Internal audit

The Audit Committee considered the need for an internal audit function and concluded that this function is not required, as the Company has no direct employees, and it outsources all day-to-day management and administrative functions. The Investment Manager has its own internal auditors. In the absence of an internal audit function, assurance was achieved by a review by the Committee of the Investment Manager's group ISAE 3402/AAF 01/06 Internal Controls Report, which had been reviewed by Ernst and Young LLP ('EY'). This report covered the activities of the Investment Manager, Schroder Real Estate Investment Management Limited, and included the Company within its scope. The Audit Committee has also considered similar Internal Controls Reports received from the Company's main property agent, MAPP, and the Company's Depositary, Langham Hall LLP.

External Auditors' remuneration, independence and effectiveness

Annually, the Audit Committee considers the remuneration and independence of the external auditor. The Audit Committee recommends the remuneration of the external auditor to the Board and keeps under review the ratio of audit to non-audit fees to ensure that the independence and objectivity of the external auditor are safeguarded.

This is the fifth and final year for EY's current audit engagement partner before he has to rotate off the engagement under the FRC's audit partner rotation rules. The Audit Committee has considered the succession plan proposed by EY and is satisfied that the audit partner whom EY has proposed will be responsible for the 2025 audit has appropriate sector knowledge and experience.

Effectiveness of the independent audit process

The Audit Committee evaluated the effectiveness of EY prior to making a recommendation on its reappointment at the forthcoming Annual General Meeting. As part of the evaluation, the Audit Committee considered feedback from the Investment Manager on the audit process and year end report from the Auditor, which details the auditor's compliance with regulatory requirements, on safeguards that have been established and their own internal quality control procedures. The Audit Committee had discussions with the audit partner on audit planning, accounting policies and audit findings, and met the audit partner both with and without representatives of the Investment Manager present. The Chair of the Audit Committee also had informal discussions with the audit partner during the course of the year. The Audit Committee is satisfied with the effectiveness of the auditors.

During the past year, the Financial Reporting Council's Audit Quality Review (AQR) team reviewed EY's audit of the Company's Financial Statements for the year ended 31 March 2023. The AQR report did not identify any Key or Other Findings and assessed the EY audit as 'Good', being the highest of four possible grades.

Non-audit services

In order to help safeguard the independence and objectivity of the auditor, the Audit Committee maintains a policy on the engagement of the external auditor to provide non-audit services. The Audit Committee's policy for the use of the external auditor for non-audit services recognises that there are certain circumstances where, due to EY's expertise and knowledge of the Company, it will often be in the best position to perform non-audit services. Under the policy, the use of the external auditor for non-audit services is subject to pre-clearance by the Audit Committee. Clearance will not be granted if it is believed it would impair the external auditor's independence or where provision of such services by the Company's auditor is prohibited. Prior to undertaking any non-audit service, EY also completes its own independence confirmation processes which are approved by the audit partner.

During the year, there were no non-audit services fees paid to EY.

Succession

I will be retiring as a Non-Executive Director and Chair of the Audit Committee at the end of June 2024, as I have now served on the Board for nine years. Sanjay Patel is expected to replace me as Audit Committee chair; the Board considers that Sanjay has the necessary current and relevant financial expertise to become Chair of the Audit Committee. I wish Sanjay well in his new role.

Stephen Bligh

Chair of the Audit Committee

5 June 2024

Management Engagement Committee Report

The Management Engagement Committee is responsible for: (1) the monitoring and oversight of the Investment Manager’s performance and fees, and confirming the Investment Manager’s ongoing suitability; and (2) reviewing and assessing the Company’s other service providers, including reviewing their fees. All directors are members of the committee. Alexandra Innes is the chair of the committee. Its terms of reference are available on the Company’s webpages.

Approach	
Oversight of the Investment Manager	Oversight of other service providers
<p>The Management Engagement Committee:</p> <ul style="list-style-type: none"> -Reviews the Investment Manager’s performance (including in relation to sustainability KPIs) and suitability; - Considers the reporting it has received from the Investment Manager throughout the year, and the reporting from the Investment Manager to shareholders; -Assesses management fees on an absolute and relative basis, receiving input from the Company’s corporate broker, including peer group and industry figures, as well as the structure of the fees; -Reviews the appropriateness of the Investment Manager’s contract, including terms such as notice period; and - Assesses whether the Company receives appropriate administrative, accounting, company secretarial and marketing support from the Investment Manager. 	<p>The Management Engagement Committee reviews the performance and competitiveness of the Company’s service providers on at least an annual basis including the Property Managers, the Depositary, the Administrator, the Tax Advisor, the Corporate Broker, the Valuer, the Solicitors and the Registrar.</p> <p>The Management Engagement Committee receives feedback from the Audit Committee on its review of the Auditors.</p>

Application during the year	
Oversight of the Investment Manager	Oversight of other service providers
<p>The Management Engagement Committee undertook a detailed review of the Investment Manager’s performance and agreed that it has the appropriate capabilities required to allow the Company to meet its investment objective. The Management Engagement Committee also reviewed the terms of the Investment Management Agreement and agreed they remained fit for purpose. The Management Engagement Committee reviewed the other services provided by the Investment Manager and agreed they were satisfactory.</p>	<p>The annual review of service providers was satisfactory. The Management Engagement Committee noted that the Audit Committee had undertaken a detailed evaluation of the Investment Manager, Depositary and Registrar’s internal controls.</p>

Recommendations made to, and approved by, the Board:
<ul style="list-style-type: none"> - That the ongoing appointment of the Investment Manager on the terms of the Investment Management Agreement, including the fee, was in the best interests of shareholders as a whole; and - That the Company’s service providers’ performance remained satisfactory.

Nomination Committee Report

The Nomination Committee is responsible for: (1) the recruitment, selection and induction of Directors; (2) their assessment during their tenure; and (3) the Board's succession. All directors are members of the committee. Alastair Hughes is the chair of the committee. Its terms of reference are available on the Company's webpages.

Approach		
Selection and induction	Board evaluation	Succession
<ul style="list-style-type: none"> - The Nomination Committee prepares a job specification for each role, and an independent recruitment firm is appointed. For the Chair and the chairs of committees, the Committee considers current Board members too. - Job specification outlines the knowledge, professional skills, personal qualities and experience requirements. - Potential candidates assessed against the Company's diversity policy. - The Nomination Committee discusses the long list, invites a number of candidates for interview and makes a recommendation to the Board. - The Nomination Committee reviews the induction and training of new directors. 	<ul style="list-style-type: none"> - The Nomination Committee assesses each director annually. - Evaluation focuses on whether each director continues to demonstrate commitment to their role and provides a valuable contribution to the Board during the year, taking into account time commitment, independence, conflicts and training needs. - Following the evaluation, the Nomination Committee provides a recommendation to shareholders with respect to the annual re-election of directors at the AGM. - All directors retire at the AGM and their re-election is subject to shareholder approval. 	<ul style="list-style-type: none"> - The Board's succession policy is that directors' tenure will be for no longer than nine years, except in exceptional circumstances, and that each director will be subject to annual re-election at the AGM. - The Nomination Committee reviews the Board's current and future needs at least annually. Should any need be identified the Nomination Committee will initiate the selection process. - The Nomination Committee will oversee the handover process for retiring directors.

Application during the year		
Selection and induction	Board evaluation	Succession
<ul style="list-style-type: none"> - Having served as a director on the Board for nine years, Stephen Bligh is expected to retire in 2024. The Board considered a number of candidates for the role of Audit Committee chair to succeed Stephen Bligh upon his retirement, with input from Russell Reynolds, an independent executive search firm. Other than for advice on Board positions, Russell Reynolds does not have any other relationship with the Company or individual directors. - Sanjay Patel was identified by the Nomination Committee as the most suitable candidate for the role. This appointment was approved by the Board and he was appointed on 1 January 2024. Following his appointment, a full induction was arranged. 	<ul style="list-style-type: none"> - The annual Board evaluation was undertaken in March 2024. - The Nomination Committee reviewed each Director's time commitment and independence by reviewing a complete list of appointments, including pro bono not-for-profit roles, to ensure that each Director remained free from conflict and had sufficient time available to discharge each of their duties effectively. All Directors were considered to be independent in character and judgement. - The Nomination Committee considered each Director's contributions, and noted that in addition to extensive experience as professionals and Non-executive Directors, each Director had valuable skills and experience, as detailed in their biographies on pages 47 to 48. - Based on its assessment, the Nomination Committee provided individual recommendations for each Director's re-election. 	<ul style="list-style-type: none"> - During the year, the Nomination Committee considered the need for orderly succession planning and a suitable plan was agreed.

Recommendations made to, and approved by, the Board:

- That Sanjay Patel be appointed as a non-executive director with effect from 1 January 2024.
- That all directors continue to demonstrate commitment to their roles, provide a valuable contribution to the deliberations of the Board, and remain free from conflicts with the Company and its directors, so should all be recommended for re-election by shareholders at the AGM, apart from Stephen Bligh who will retire prior to the AGM, having served on the Board for nine years.

Directors' Remuneration Report

Introduction

The below remuneration policy is in force and is subject to an advisory vote every three years. At the AGM held on 27 September 2023, the remuneration policy was approved by shareholders, with 99.69% of votes for, 0.31% of votes against, and 405,315 withheld. This policy, as amended, will be put to a vote at the forthcoming AGM.

The below Directors' Annual Report on Remuneration is subject to an annual advisory vote. An ordinary resolution to approve this report will be put to shareholders at the forthcoming AGM.

At the AGM held on 27 September 2023, 99.79% of the votes cast (including votes cast at the Chair's discretion) in respect of approval of the Annual Report on Remuneration for the year ended 31 March 2023 were in favour, while 0.21% were against. 417,315 votes were withheld.

The Board believes that the principles of Section D of the UK Corporate Governance Code relating to remuneration do not apply to the Company, except as outlined above, as the Company has no executive directors.

Directors' Remuneration Policy

The Company's Articles currently limit the aggregate fees payable to the Board of directors to a total of £250,000 per annum. Subject to this overall limit, it is the Board's policy to determine the level of directors' fees having regard to the fees payable to non-executive directors in the industry generally, the impact of inflation, the role that individual Directors fulfil in respect of Board and Committee responsibilities, and time committed to the Company's affairs. Generally, the Board seeks to increase fees in line with the rate of inflation measured by the UK consumer price index ('CPI'), with the level of directors' remuneration reviewed annually to ensure competitiveness within the peer group and attractiveness to potential candidates for director appointments.

For the financial year ended 31 March 2024, directors receive a base fee of £35,000 per annum, and the Chair receives £55,000 per annum. The Chair of the Audit Committee, the Chair of the Management Engagement Committee and the Senior Independent Director each receive an additional fee of £5,000 respectively.

No Director past or present has any entitlement to pensions and the Company has not awarded any share options or long-term performance incentives to any of them. No element of Directors' remuneration is performance related.

The Board did not seek the views of shareholders in setting this remuneration policy. Any comments on the policy received from shareholders would be considered on a case-by-case basis.

Directors' fees are reviewed periodically and take into account research from third parties on the fee levels of directors of peer group companies, as well as industry norms and factors affecting the time commitment expected of the directors. New directors are subject to the provisions set out in this remuneration policy.

No director has a service contract with the Company. However, each of the directors has a letter of appointment with the Company. The directors' letters of appointment, which set out the terms of their appointment, are available for inspection at the Company's registered office address during normal business hours and will be available for inspection at the AGM.

All directors are appointed for an initial term covering the period from the date of their appointment until the first AGM thereafter, at which they are required to stand for re-election in accordance with the Articles. When recommending whether an individual director should seek re-election, the Board will take into account the provisions of the UK Corporate Governance Code, including the merits of refreshing the Board and its Committees.

The Board has approved a policy that all directors will stand for re-election annually.

Directors' Remuneration Report

This Report sets out how the directors' remuneration policy was implemented during the year ended 31 March 2024.

Fees paid to Directors

The following amounts were paid by the Company for services as non-executive directors:

Director	31 March 2024 (£)	31 March 2023 (£)
Alastair Hughes (Chair)	55,000	47,300
Stephen Bligh ²⁹	40,000	37,100
Priscilla Davies ³⁰	40,000	30,100
Alexandra Innes ³¹	40,000	14,400
Sanjay Patel ³²	8,750	-
Lorraine Baldry (retired 26 July 2022)	-	16,700
Graham Basham (retired 15 November 2022)	-	26,300
Total	183,750	171,900

The Board carried out a review of directors' annual fees following the year end, taking into account the fees payable to non-executive directors in the industry and peer group, the rate of inflation, and the commitment required of directors of the Company to adequately discharge their roles and responsibilities. The review supported an increase of 5.8% across fees payable to directors, in line with the CPI rate of inflation between December 2022 and March 2024, this increase is effective 1 April 2024.

Following this review, directors receive a base fee of £37,000 per annum, and the Chair receives £58,500 per annum. The Chair of the Audit Committee, the Chair of the Management Engagement Committee and the Senior Independent Director each receive an additional fee of £5,500 respectively. The fees payable to directors from 1 April 2024 are set out below:

Director	From 1 April 2024 (£)
Alastair Hughes (Chair)	58,500
Stephen Bligh ³³	42,500
Priscilla Davies ³⁴	42,500
Alexandra Innes ³⁵	42,500
Sanjay Patel ³⁶	37,000
Total	223,000

²⁹ Chair of the Audit Committee.

³⁰ Senior Independent Director.

³¹ Chair of the Management Engagement Committee.

³² Sanjay Patel was appointed as a director effective on 1 January 2024.

³³ Chair of the Audit Committee, retiring on 30 June 2024.

³⁴ Senior Independent Director.

³⁵ Chair of the Management Engagement Committee.

³⁶ Sanjay Patel was appointed as a director effective on 1 January 2024.

Performance

The performance of the Company is described on page 36 under 'Business Model' in the Strategic Report.

Alastair Hughes**Chair**

5 June 2024

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and Consolidated Financial Statements in accordance with applicable law and regulations.

The Companies Law requires the directors to prepare the Annual Report and Consolidated Financial Statements for each financial year. Under the Companies Law the directors have elected to prepare the Annual Report and Consolidated Financial Statements in accordance with International Financial Reporting Standards and applicable law.

The Annual Report and Consolidated Financial Statements are required by law to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for the relevant period.

In preparing the Annual Report and Consolidated Financial Statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Assess the Company's ability to continue as a going concern, disclosing as applicable matters relating to going concern; and
- Use the going concern basis of preparation unless they intend to either liquidate the Company or cease operations or have no realistic alternative to do so.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Annual Report and Consolidated Financial Statements comply with the Companies Law. They also have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud, error and non-compliance with law and regulations.

As part of the preparation of the Annual Report and Consolidated Financial Statements, the directors have received reports and information from the Company's Administrator and Investment Manager. The directors have considered, reviewed and commented upon the Annual Report and Consolidated Financial Statements throughout the drafting process in order to satisfy themselves in respect of the content.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website and for the preparation and dissemination of the Annual Report and Consolidated Financial Statements.

Legislation in Guernsey governing the preparation and dissemination of the Consolidated Financial Statements may differ from legislation in other jurisdictions.

Responsibility Statement of the Directors in respect of the Annual Report

We confirm to the best of our knowledge:

- ▶ The Consolidated Financial Statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group and the undertakings included in the consolidation taken as a whole and comply with the Companies Law; and
- ▶ The Strategic Report on pages 5 to 46 and Governance Report on pages 47 to 68 include a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties it faces. The directors consider that the Annual Report and Consolidated Financial Statements, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

By order of the Board

Alastair Hughes, Chair

5 June 2024

Independent Auditor's Report to the members of Schroder Real Estate Investment Trust Limited

Opinion

We have audited the consolidated financial statements (the 'Financial Statements') of Schroder Real Estate Investment Trust Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 March 2024 which comprise Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes 1 to 24, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

In our opinion, the financial statements:

- ▶ give a true and fair view of the state of the Company's affairs as at 31 March 2024 and of its profit for the year then ended;
- ▶ have been properly prepared in accordance with International Financial Reporting Standards; and
- ▶ have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's 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 are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the UK FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting the audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding of the Director's going concern assessment process including engaging with the Investment Manager to understand the process they followed in supporting the going concern assessment prepared by the Directors;
- reviewing the factors and assumptions, including the cost of delivering the Group's sustainability strategy and the impact of external market factors, as applied to the revenue and expenses forecast which support the Directors' assessment of going concern. We have challenged the sensitivities and assumptions used in the forecasts and determined, through testing, that the methods, inputs and assumptions utilised were appropriate to be able to make an assessment for the Group;
- challenging the stress testing performed and validating the static data assumptions used by the Investment Manager by agreement to supporting documentation;
- in relation to the Group's borrowing arrangements, inspecting the Directors' assessment of the risk of breaching the debt covenants. We recalculated the debt covenants based on the stress scenarios assessed

by the Directors and reperformed reverse stress testing in order to identify what factors would lead to the Group breaching the financial covenants;

- holding discussions with the Audit Committee and the Investment Manager to determine whether, in their opinion, there is any material uncertainty regarding the Group's ability to pay liabilities and commitments as they fall due and challenging this assessment through our audit procedures in relation to the liquidity assessment;
- confirmed whether any subsequent events identified are adjusting or non-adjusting post balance sheet events and ensured the requisite disclosures are included in the Annual Report and Accounts; and
- assessing the disclosures in the Annual Report and Financial Statements relating to going concern to ensure they were fair, balanced and understandable and in compliance with IFRS.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 30 June 2025 from when the financial statements are authorised for issue.

In relation to the company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	<ul style="list-style-type: none"> ▶ Risk of misstatement in the fair value of directly or indirectly held investment property portfolio ▶ Risk of incomplete or inaccurate rental revenue recognition and related year-end receivables
Materiality	▶ Overall materiality of £2.9m which represents 1% of equity.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, changes in the business environment and the potential impact of climate change when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team which includes our real estate valuation specialists.

Changes from the prior year

There have been no significant changes in scope from the prior year audit.

Climate change

Stakeholders are increasingly interested in how climate change will impact the Group. The Group has determined that the most significant future impacts from climate change on their operations are explained on page 46 in the principal risks and uncertainties. They have also explained their climate commitments on pages 27. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on

these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

The Group has explained in note 1 and 10 how they have reflected the impact of climate change in their financial statements.

Our audit effort in considering the impact of climate change on the financial statements was focused on the adequacy of the disclosures in the Financial Statements and the conclusion that there was no further impact of climate change to be taken into account as the investment properties are valued at fair value based on open market valuations as described in Note 10.

The open market valuation assessment includes consideration of environmental matters and the condition of each property with detail on the fair value of properties provided within the notes to the financial statement. As part of this evaluation, we performed our own risk assessment to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work we have considered the impact of climate change on the financial statements to be a key audit matter or to impact certain key audit matters. Details of our procedures and findings are included in our explanation of key audit matters below.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our 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) that we identified. These matters included 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 were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Risk of misstatement in the fair value of directly or indirectly held investment property portfolio</p> <p>Refer to the Report of the Audit Committee (page 57); Significant accounting policies (page 85); and Note 10 of the Financial Statements (pages 91 to 94)</p> <p>The Group's investment property portfolio consists of UK properties held directly</p>	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> ▶ obtained an understanding of the process and controls surrounding property valuation by performing our walkthrough procedures and evaluating the implementation and design effectiveness of controls. ▶ assessed the independence and competence of the Group's 	<p>Based on the work performed we have no matters to report to the Audit Committee.</p>

<p>and through joint ventures, with a combined fair value of £459.3m (2023: £466.4m).</p> <p>The Group's accounting policy is for the fair value of the investment properties to be determined by independent real estate valuation experts using recognised valuation techniques. The fair values are based on recent real estate transactions with similar characteristics and locations to those of the Group's assets. The Group's accounting policy is for the valuation of investment properties to be reduced by the total of the unamortised lease incentive balances.</p> <p>There is a risk of incorrect valuation of the property portfolio which could result in the Consolidated Statement of Financial Position and the Consolidated Statement of Comprehensive Income to be materially misstated.</p>	<p>independent valuers as required by auditing standards.</p> <ul style="list-style-type: none"> ▶ read the valuation reports provided by the Group's independent valuers to agree the appropriateness and suitability of the reported values and the changes in value from the previous accounting period. ▶ performed enquiries of the Group's independent valuers to obtain an understanding of their valuation process methods and assumptions used in their analysis, including challenging them as to the extent to which market transactions and expected rental values take into account the impact of climate change; ▶ engaged our EY property valuation specialists to perform a review of a sample of property valuations (58% of the total value, 16 properties (2023: 81% of the total value, 20 properties)) to assess whether the reported value falls within a range of reasonable outcomes, which included: <ul style="list-style-type: none"> ▶ validating the assumptions used by the independent valuers and assessment of the valuation methodologies adopted; ▶ challenging the key inputs and assumptions relating to equivalent yield and rental rates with reference to published market data and comparable transaction evidence through market activity; and ▶ assessing the appropriateness of market related inputs and reasonableness of valuation methods, by comparing against our 	
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	<p>own market data and understanding of the property market.</p> <ul style="list-style-type: none"> ▶ performed analytical review procedures across the portfolio of investments, focusing on correlations with market data and any significant movements; ▶ on a sample basis, with respect to key objective inputs to the valuation, comprising rental income and length of lease, agreed the inputs to lease agreements or rent review schedules; ▶ verified that the fair values derived by the Group's independent valuers for the entire portfolio were correctly included in the consolidated financial statements. ▶ assessed the adequacy of the additional disclosures of estimates and valuation assumptions disclosed in the notes were made in accordance with IFRS 13 – Fair Value Measurement. 	
<p>Risk of incomplete or inaccurate rental revenue recognition and related year-end receivables</p> <p>Revenue is earned in the form of rental income from the investment properties and is recognised on an accrual basis. During the year, the Group recognised £25.6m of rental income (2023: £25.2m) and rent receivable of £3.2m (2023: £3.9m). There is a risk of incomplete or inaccurate rental revenue recognition and related year-end receivables through failure to recognise proper income entitlements or to apply the appropriate accounting treatment. The recoverability of year-end receivable is based on a</p>	<p>We have performed the following procedures</p> <ul style="list-style-type: none"> ▶ obtained an understanding of the process and controls for each revenue stream by performing our walkthrough procedures and evaluating the implementation and design effectiveness of controls; ▶ performed substantive analytical review procedures over rental revenue for each property. We formed an expectation of the rental income for each property, and compared this expectation to the actual revenue recognised during the year; ▶ agreed a sample of rental rates to tenancy agreements and recalculated rental revenue 	<p>Based on the work performed, we have no matters to report to the Audit Committee.</p>

<p>number of judgments and estimates</p>	<p>earned by the property for the period;</p> <ul style="list-style-type: none"> ▶ recalculated a sample of lease incentives based on the terms within the lease agreement to assess the appropriateness of the amount recorded; including, on a sample basis, verifying lease modifications through agreement of the updated terms to amended and restated lease agreements and performing an independent assessment as to whether they have been appropriately treated in accordance with IFRS 16 — Leases (‘IFRS 16’); ▶ reviewed the report prepared by the Schroder Real Estate Investment Management Limited (the “Asset Manager”) assessing the recoverability of the overdue rent receivables, and challenged the judgments involved including expected credit loss on the rent receivable balance as a whole. For a sample of tenants, we have inspected the cash receipt subsequent to the year-end date; and ▶ tested a sample of rental revenue journals to identify unauthorised or inappropriate journals to address the risk of management override. We enquired as to the nature of each transaction sampled and reviewed corroborating evidence to conclude on whether the journals were reasonable and in line with our expectations. We selected journals by applying criteria and thresholds based on our professional judgment. 	
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Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the company to be £2.9 million (2023: £3.0 million), which is 1% (2023: 1%) of equity. We believe that equity provides us with a materiality aligned to the key measurement of the Group's performance.

During the course of our audit, we reassessed initial materiality and adjusted our audit procedures accordingly.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that performance materiality was 75% (2023: 75%) of our planning materiality, namely £2.2m (2023: £2.3m). We have set performance materiality at this percentage due to this being a recurring audit with a low incidence of historical errors.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.14m (2023: £0.15m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 68 and pages 104 to 144 other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- ▶ proper accounting records have not been kept by the company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- ▶ the financial statements are not in agreement with the company's accounting records and returns; or
- ▶ we have not received all the information and explanations we require for our audit.

Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- ▶ Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 46;
- ▶ Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 44;
- ▶ Director's statement on whether it has a reasonable expectation that the company will be able to continue in operation and meets its liabilities set out on page 58;
- ▶ Directors' statement on fair, balanced and understandable set out on page 67;
- ▶ Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 42;
- ▶ The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 42; and;
- ▶ The section describing the work of the audit committee set out on page 57.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 67, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- ▶ We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the Companies (Guernsey) Law, 2008, the UK Corporate Governance Code, The 2019 AIC Code of Corporate Governance, REIT requirements set out in part 12 of the Corporation Tax Act (CTA) 2010 ('REIT rules') and the Listing Rules of the UK Listing Authority;
- ▶ We understood how the Group is complying with those frameworks by making enquiries of the Investment Manager, the Administrator and those charged with governance regarding:
 - ▶ their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the financial statements;
 - ▶ the Group's methods of enforcing and monitoring non-compliance with such policies
 - ▶ the Investment Manager's process for identifying and responding to fraud risks, including programs and controls the Group has established to address risks identified by the Group, or that otherwise prevent, deter and detect fraud; and
 - ▶ how the Group monitors those programs and controls.
- ▶ We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by:
 - ▶ obtaining an understanding of entity-level controls and considering the influence of the control environment;
 - ▶ obtaining the Group's assessment of fraud risks including an understanding of the nature, extent and frequency of such assessment documented in the Group's Risk Matrix;
 - ▶ making inquiries with those charged with governance, the Investment Manager, the Company Secretary and Administrator as to how they exercise oversight of identifying and responding to fraud risks and the controls established to mitigate specifically those risks the entity has identified, or that otherwise help to prevent, deter and detect fraud;
 - ▶ making inquiries of the Investment Manager and those charged with governance regarding how they identify related parties including circumstances related to the existence of a related party with dominant influence; and
 - ▶ making inquiries of the Investment Manager, the Company Secretary, Administrator and those charged with governance regarding their knowledge of any actual or suspected fraud or allegations of fraudulent financial reporting affecting the Group.
- ▶ Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved:
 - ▶ Through discussion, gaining an understanding of how the Board, the Company Secretary and Administrator and the Investment Manager identify instances of non-compliance by the Group with relevant laws and regulations;
 - ▶ Inspecting the relevant policies, processes and procedures to further our understanding;
 - ▶ Reviewing Board minutes and internal compliance reporting;
 - ▶ Inspected management's specialist's assessment of the Group's compliance with the REIT rules. We have tested through recalculating and corroborating, to supporting information, the Group's compliance with each of the REIT rules, including the proportion of dividend distributed in the form of property income distributions;
 - ▶ Inspecting correspondence with regulators; and

- ▶ Obtaining relevant written representations from the Board
- ▶ We obtained data from the general ledger and performed journal entry testing.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters we are required to address

- ▶ Following the recommendation from the audit committee, we were appointed by the company on 5 November 2019 to audit the financial statements for the year ending 31 March 2020 and subsequent financial periods.
- ▶ The period of total uninterrupted engagement including previous renewals and reappointments is 4 years and 6 months, covering the years ending 31 March 2020 to 31 March 2024.
- ▶ The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Richard Geoffrey Le Tissier
for and on behalf of Ernst & Young LLP
Guernsey, Channel Islands
5 June 2024

Financial Statements

Consolidated Statement of Comprehensive Income

		31/03/2024	31/03/2023
	Notes	£000	£000
Rental income		25,638	25,171
Other income	3	1,504	58
Property operating expenses	4	(2,154)	(2,258)
Net rental and related income, excluding joint ventures		24,988	22,971
<i>Share of net comprehensive rental income in joint ventures</i>		3,057	3,515
<i>Net rental and related income, including joint ventures</i>		28,045	26,486
Profit on the disposal of investment property	10	199	1,184
Net unrealised valuation loss on investment property	10	(8,044)	(60,107)
Gain on disposal of financial instruments	20	189	-
Net change in fair value of financial instrument at fair value	20	(547)	-
Expenses			
Investment management fee	2	(2,350)	(2,755)
Valuers' and other professional fees		(2,347)	(1,875)
Administrators' fees	2	(64)	(71)
Auditor's remuneration	5	(197)	(185)
Directors' fees	6	(184)	(172)
Other expenses	6	(276)	(346)
Total expenses		(5,418)	(5,404)
Net operating profit/(loss) before net finance costs		11,367	(41,356)
Refinancing costs	15	-	(247)
Finance costs		(6,349)	(5,114)
Net finance costs		(6,349)	(5,361)
Share of net comprehensive rental income in joint ventures	11	3,057	3,515
Share of valuation loss in joint ventures	11	(5,058)	(11,513)
Profit/(loss) before taxation		3,017	(54,715)
Taxation	7	-	-
Profit/(loss) and total comprehensive income/(loss) for the year attributable to the equity holders of the parent		3,017	(54,715)
Basic and diluted earnings/(loss) per share	8	0.6p	(11.2p)

All items in the above statement are derived from continuing operations. The accompanying notes 1 to 24 form an integral part of the financial statements.

Consolidated Statement of Financial Position

		31/03/2024	31/03/2023
	Notes	£000	£000
Investment property	10	384,606	388,030
Investment in joint ventures	11	67,366	72,187
Interest rate derivative contracts	20	219	-
Non-current assets		452,191	460,217
Trade and other receivables	12	19,837	21,626
Cash and cash equivalents	13	6,005	8,419
Current assets		25,842	30,045
Total assets		478,033	490,262
Issued capital and reserves	14	324,451	337,790
Treasury share reserve	14	(37,101)	(37,101)
Equity		287,350	300,689
Interest-bearing loans and borrowings	15	175,866	176,933
Lease liability	10	1,562	1,668
Non-current liabilities		177,428	178,601
Trade and other payables	16	13,255	10,972
Current liabilities		13,255	10,972
Total liabilities		190,683	189,573
Total equity and liabilities		478,033	490,262
Net asset value per ordinary share	17	58.8p	61.5p

The financial statements on pages 79 to 103 were approved at a meeting of the Board of Directors held on 5 June 2024 and signed on its behalf by:

Alastair Hughes, Chair

Stephen Bligh, Director

The accompanying notes 1 to 24 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

	Notes	Share premium £000	Treasury share reserve £000	Revenue reserve £000	Total £000
Balance as at 31 March 2022		219,090	(36,103)	189,196	372,183
Share buyback		-	(998)	-	(998)
Loss for the year		-	-	(54,715)	(54,715)
Dividends paid	9	-	-	(15,781)	(15,781)
Balance as at 31 March 2023		219,090	(37,101)	118,700	300,689
Profit for the year		-	-	3,017	3,017
Dividends paid	9	-	-	(16,356)	(16,356)
Balance as at 31 March 2024		219,090	(37,101)	105,361	287,350

The accompanying notes 1 to 24 form an integral part of the financial statements.

Consolidated Statement of Cash Flows

		31/03/2024	31/03/2023
	Notes	£000	£000
Operating activities			
Profit/(loss) for the year		3,017	(54,715)
Adjustments for:			
Profit on the disposal of investment property		(199)	(1,184)
Net valuation loss on investment property		8,044	60,107
Profit on disposal of financial instruments	20	(189)	-
Net change in fair value of financial instrument at fair value	20	547	-
Share of loss on joint ventures		2,001	7,998
Net finance cost		6,349	5,361
Operating cash generated before changes in working capital		19,570	17,567
Decrease/(increase) in trade and other receivables		2,022	(1,861)
Increase in trade and other payables		2,283	1,978
Cash generated from operations		23,875	17,684
Investing activities			
Proceeds from the sale of investment property		3,763	8,303
Acquisition of investment property		-	(16,058)
Additions to investment property	10	(8,290)	(10,133)
Additions to joint ventures	11	(237)	-
Net income distributed from joint ventures		2,761	3,638
Cash flows used in investing activities		(2,003)	(14,250)
Financing activities			
Repayment of debt	15	(2,300)	-
Additions to debt	15	1,000	15,600
Disposal of financial instrument	20	189	-
Purchase of financial instrument	20	(766)	-
Finance costs paid		(6,053)	(4,479)
Refinancing costs paid		-	(958)
Dividends paid	9	(16,356)	(15,781)
Share buyback		-	(998)
Cash flows used in financing activities		(24,286)	(6,616)
Net decrease in cash and cash equivalents for the year		(2,414)	(3,182)
Opening cash and cash equivalents		8,419	11,601
Closing cash and cash equivalents	13	6,005	8,419

The accompanying notes 1 to 24 form an integral part of the financial statements.

Notes to the Financial Statements

1. Material accounting policy information

Schroder Real Estate Investment Trust Limited (the 'Company') is a closed-ended investment company registered in Guernsey. The consolidated financial statements of the Company for the year ended 31 March 2024 comprise the Company and its subsidiaries (together referred to as the 'Group').

New standard and interpretations

The Company is satisfied that there are no standards that are published, and not yet effective, that will have a material effect on the accounts.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board (the 'IASB'), and interpretations issued by the International Financial Reporting Interpretations Committee.

The financial statements give a true and fair view and are in compliance with The Companies (Guernsey) Law, 2008, applicable legal and regulatory requirements and the Listing Rules of the UK Listing Authority.

Basis of preparation

The financial statements are presented in pound sterling, which is the Company's functional currency, rounded to the nearest thousand. They are prepared on the historical cost basis except that investment properties and derivative financial instruments are stated at their fair value.

The accounting policies have been consistently applied to the results, assets, liabilities and cash flows of the entities included in the consolidated financial statements and are consistent with those of the previous year.

Going concern

The Directors have examined significant areas of possible financial risk including liquidity (with a view to both cash held and undrawn debt facilities); the rates of both rent and service charge collections from tenants; have considered potential falls in property valuations; have reviewed cash flow forecasts; have analysed forward-looking compliance with third party debt covenants and in particular the Loan to Value covenant and interest cover ratios; and have considered the Group's ongoing tax compliance with the REIT regime.

Overall, after utilising available cash, excluding the cash undrawn against the RBSI facility and uncharged properties and units in Joint Ventures, and based on the reporting period to 31 March 2024, property valuations would have to fall by 25% before the relevant Canada Life Loan to Value covenants were breached, and actual net rental income would need to fall by 63% before the interest cover covenants were breached.

Furthermore, the properties charged to RBSI could fall in value by 54%, prior to the 65% LTV covenant being breached, and based on projected net rents for the quarter to March 2024, a 13% fall in net income could be sustained prior to the RBSI projected interest loan cover covenant of 200% being breached.

As at the financial year end, the undrawn capacity of the £75.0m RBSI facility was £28.0 million. This facility is an efficient and flexible source of funding due to its ability to be repaid and redrawn as often as required and matures in June 2027.

Regarding the Canada Life loan of £129.6m, fifty per cent matures in 2032 and fifty per cent matures in 2039 respectively.

The Board and Investment Manager also continue to closely monitor ongoing changing macroeconomic and geopolitical environments on the Group.

The Board and Investment Manager have considered the impact of sustainability risk as a principal risk as set out on page 43. In line with IFRS, investment properties are valued at fair value based on open market valuations

as described in Note 10. The assessment of the open market valuation includes consideration of environmental matters and the condition of each property. The investment properties continue to be monitored by the Investment Manager and key considerations include EPC ratings and their impact on the properties' forecast compliance with minimum energy efficiency standard regulations. Having assessed the impact of climate change on the Group, the Directors concluded that it is not expected to have a significant impact on the Group's going concern or viability assessment as described on pages 44 to 46.

The Directors have not identified any matters which would cast significant doubt on the Group's ability to continue as a going concern for the period to 30 June 2025 and have satisfied themselves that the Group has adequate resources to continue in operational existence for this period to 30 June 2025.

After due consideration, the Board believes that it is appropriate to adopt the going concern basis in preparing the financial statements.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. These estimates, and associated assumptions, are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. 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 estimates are revised and in any future periods affected.

The most significant estimates made in preparing these financial statements relate to the carrying value of investment properties, including those within joint ventures, which are stated at fair value. The Group uses external professional valuers to determine the relevant amounts. Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are disclosed in note 18.

Another significant estimate is the amount of expected credit losses as per IFRS 9 from rent demanded during the period which has not yet been collected. On initial recognition the Group calculates the expected credit loss for debtors based on the lifetime expected credit losses under the IFRS 9 simplified approach. Management considers aged debtors' analyses, the strength of tenant covenants, macroeconomic factors and any rental deposits held. Management has considered rental debtors on a quarterly basis and made provisions and write offs where it has been deemed that these amounts are potentially irrecoverable.

Basis of consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries drawn up to 31 March each year. Subsidiaries are those entities controlled by the Company. Control exists where the investor has the following;

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the entity to affect the amount of the investor's returns.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Where properties are acquired by the Group through corporate acquisitions, but the acquisition does not meet the definition of a business combination, the acquisition has been treated as an asset acquisition.

Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's share of profit or loss of jointly controlled entities on an equity accounted basis. When the Group's share of losses exceeds its interest in an entity, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or is making payments on behalf of an entity.

Transactions eliminated on consolidation

Intra-group balances, and any gains and losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Gains arising from transactions with joint ventures are eliminated to the extent of the Group's interest in the entity. Losses are eliminated in the same way as gains but only to the extent that there is no evidence of impairment.

Investment property

Investment property is land and buildings held to earn rental income together with the potential for capital growth.

Acquisitions and disposals are recognised on the unconditional exchange of contracts. Acquisitions are initially recognised at cost, being the fair value of the consideration given, including transaction costs associated with the investment property.

After initial recognition, investment properties are measured at fair value, with unrealised gains and losses recognised in the Statement of Comprehensive Income. Realised gains and losses on the disposal of properties are recognised in the Statement of Comprehensive Income in relation to their sale price, sale costs and the carrying value brought forward from the prior financial year. Fair value is based on the market valuations of the properties as provided by a firm of independent chartered surveyors at the reporting date. Market valuations are carried out on a quarterly basis.

As disclosed in note 19, the Group leases out all owned properties on operating leases. A property held under an operating lease is classified and accounted for as an investment property where the Group holds it to earn rentals, capital appreciation, or both. Any such property leased under an operating lease is classified as an investment property and carried at fair value.

Leases

For any material leases for which the Group is a lessee, the leasehold interest is measured at fair value and included in investment properties with the corresponding liability being shown as a non-current liability. The fair value is calculated as the present value of the future lease payments.

Financial instruments

Derivative financial instruments

This comprises the interest rate collar which is recognised at a fair value assessed by an independent third party.

Non-derivative financial instruments

Financial assets

Non-derivative financial instruments comprise trade and other receivables and cash and cash equivalents. These are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method less any impairment losses.

Cash and cash equivalents

Cash at bank, and short-term deposits that are held to maturity, are carried at cost. Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value. For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash in hand and short-term deposits at banks with an initial term of no more than three months.

Financial liabilities

Non-derivative financial liabilities comprise loans and borrowings and trade and other payables.

Loans and borrowings

Borrowings are recognised initially at fair value of the consideration received, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of Comprehensive Income over the period of the borrowings on an effective interest basis.

Trade and other payables

Trade and other payables are stated at amortised cost.

Share capital

Ordinary shares, including treasury shares, are classified as equity.

Share buyback

Shares purchased are recognised on the trade date and debited to the existing treasury reserve in the Statement of Changes in Equity. Any broker's fees relating to the share buyback are debited to other expenses.

Dividends

Dividends are recognised in the period in which they are paid. A final dividend will be paid following the period end.

Rental income

Rental income from investment properties is recognised on a straight-line basis over the term of ongoing leases and is shown gross of any UK income tax. Lease incentives are spread evenly over the lease term.

Surrender premiums and dilapidations are recognised in line with individual lease agreements when cash inflows are certain.

Impairment

Financial assets

Financial assets at amortised cost are subject to impairment.

The Group's significant financial assets that are subject to IFRS 9's expected credit loss model are trade receivables from the leasing of investment properties. The credit risk associated with unpaid rent has increased in recent years due to macroeconomic factors and the Company has undertaken a detailed analysis over the recoverability of expected rents. Deferred income has been closely monitored and any rents deemed irrecoverable discussed by management.

Non-financial assets

The carrying amounts of the Group's non-financial assets, being the investment in joint ventures, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash-generating unit').

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

Provisions

A provision is recognised in the Consolidated Statement of Financial Position when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Finance costs

Finance costs comprise interest expenses on borrowings that are recognised in the Statement of Comprehensive Income. Attributable transaction costs incurred in establishing the Group's credit facilities are deducted from the fair value of borrowings on initial recognition and are amortised over the lifetime of the facilities through the Statement of Comprehensive Income. Finance costs are accounted for on an effective interest basis.

Expenses

All expenses are accounted for on an accruals basis and the Company does not capitalise overheads and operating expenses. The costs recharged to occupiers of the properties are presented net of the service charge income as management consider that the property agent acts as principal in this respect.

Taxation

SREIT elected to be treated as a UK real estate investment trust ('REIT'). The UK REIT rules exempt the profits of SREIT and its subsidiaries' (the 'Group') UK property rental business from corporation tax. Gains on UK properties are also exempt from tax, provided they are not held for trading or sold in the three years after completion of development. The Group is otherwise subject to corporation tax.

As a REIT, SREIT is required to pay Property Income Distributions equal to at least 90% of the Group's exempted net income. To retain UK REIT status there are a number of conditions to be met in respect of the principal company of the Group, the Group's qualifying activity and its balance of business. The Group continues to meet these conditions.

Segmental reporting

The Directors are of the opinion that the Group is engaged in a single segment of business, being property investment, and in one geographical area, the United Kingdom. There is no one tenant that represents more than 10% of group revenues. SREIM acts as advisor to the Board, who then may make management decisions following their recommendations. As such the Board of Directors are considered to be the chief operating decision maker. A set of consolidated IFRS financial information is provided to the Board on a quarterly basis.

2. Material agreements

SREIM is the Investment Manager to the Company. The Investment Manager is entitled to a fee, together with reasonable expenses incurred in the performance of its duties. The current fee is payable monthly in arrears at one twelfth of the aggregate of 0.9% of the NAV of the Company (where NAV is less than £500 million).

The Investment Management Agreement can be terminated by either party on not less than twelve months written notice (such notice not to expire prior to the second anniversary of the effective date per the most recent agreement being 21 November 2023) or on immediate notice in the event of certain breaches of its terms or the insolvency of either party.

The tiered fee structure is as follows:

NAV	Management fee percentage per annum of NAV
<£500 million	0.9%
£500 million - £1 billion	0.8%
£1 billion+	0.7%

The fee covers all of the appointed services of the Investment Manager and there are standard provisions for the reimbursement of expenses. Additional fees can be agreed for out-of-scope services on an ad hoc basis.

With effect from the financial year ending 31 March 2025, the Company shall pay to the Investment Manager an additional management fee equal to 0.05 per cent of Net Asset Value per annum if:

- a) the Manager has delivered the sustainability-related key performance indicators contained within the Investment Policy, as may amended from time to time, to the satisfaction of the Board (acting reasonably); and
- b) the 12-month income return from the underlying Property Portfolio, to be calculated by MSCI, is ahead of the MSCI Benchmark.

The total charge to the Consolidated Statement of Comprehensive Income during the year was £2,350,000 (2023: £2,755,000). At the year end £500,000 (2023: £nil) was outstanding.

Langham Hall (Guernsey) Limited and Langham Hall UK Depositary LLP provide Administration, Designated Manager and Depositary services to the Group respectively. Administration fees during the year were £116,000 (2023: £96,000).

Schroder Investment Management Limited provides company secretarial services to the Company with an annual fee equal to £50,000. Company secretarial fees for the period 1 April 2023 to 31 March 2024 were £50,000 (2023: £50,000).

3. Other income

	31/03/2024	31/03/2023
	£000	£000
Dilapidations, surrender premiums and all other miscellaneous income	1,504	58
	1,504	58

4. Property operating expenses

	31/03/2024	31/03/2023
	£000	£000
Agents' fees	147	133
Repairs and maintenance	67	51
Advertising	38	70
Rates	290	369
Service charge, insurance and utilities on vacant units	1,492	1,657
Ground rent	113	68
Bad debt write offs, provisions and write backs	7	(90)
	2,154	2,258

5. Auditor's remuneration

The total expected audit fees are £197,000 for the financial year ended 31 March 2024 (2023: £185,000).

6. Other expenses

	31/03/2024	31/03/2023
	£000	£000
Professional fees	204	285
Other expenses	72	61
	276	346

Directors' fees

Directors are the only officers of the Company and there are no other key personnel. The Directors' annual remuneration for services to the Group was £183,750 (2023: £171,900), as set out in the Directors' Remuneration Report on pages 64 to 65.

7. Taxation

	31/03/2024	31/03/2023
	£000	£000
Tax expense in the year	-	-
Reconciliation of effective tax rate		
Profit/(loss) before tax	3,017	(54,715)
Effect of:		
Tax using the UK corporation tax rate of 25% (2023: 19%)	754	(10,396)
Revaluation loss on investment property not deductible	2,011	11,420
Revaluation loss on financial instrument not deductible	137	-
Share of capital loss of associates and joint ventures not deductible	1,265	2,187
Profit on the disposal of investment property not deductible	(50)	(225)
Profit on disposal of financial instrument not deductible	(47)	-
Loss on refinancing costs	-	47
UK REIT exemption	(4,070)	(3,033)
Current tax expense in the year	-	-

SREIT elected to be treated as a UK real estate investment trust ('REIT'). The UK REIT rules exempt the profits of SREIT and its subsidiaries' (the 'Group') UK property rental business from corporation tax. Gains on UK properties are also exempt from tax, provided they are not held for trading or sold in the three years after completion of development. The Group is otherwise subject to corporation tax.

As a REIT, SREIT is required to pay Property Income Distributions equal to at least 90% of the Group's exempted net income. To retain UK REIT status there are a number of conditions to be met in respect of the principal company of the Group, the Group's qualifying activity and its balance of business. The Group continues to meet these conditions.

8. Basic and diluted earnings per share

The basic and diluted earnings per share for the Group are based on the profit for the year of £3,017,000 (2023: loss of £54,715,000) and the weighted average number of ordinary shares in issue during the year of 489,110,576 shares (2023: 489,951,223).

9. Dividends paid

In respect of:	Ordinary shares	Rate (pence)	31/03/2024 £000
Q/e 31 March 2023 (dividend paid 30 June 2023)	489.11 million	0.836	4,089
Q/e 30 June 2023 (dividend paid 25 August 2023)	489.11 million	0.836	4,089
Q/e 30 Sept 2023 (dividend paid 22 December 2023)	489.11 million	0.836	4,089
Q/e 31 Dec 2023 (dividend paid 28 March 2024)	489.11 million	0.836	4,089
		3.344	16,356

In respect of:	Ordinary shares	Rate (pence)	31/03/2023 £000
Q/e 31 March 2022 (dividend paid 30 June 2022)	491.08 million	0.795	3,904
Q/e 30 June 2022 (dividend paid 19 August 2022)	491.02 million	0.803	3,943
Q/e 30 Sept 2022 (dividend paid 9 December 2022)	489.11 million	0.803	3,928
Q/e 31 Dec 2022 (dividend paid 7 March 2023)	489.11 million	0.819	4,006
		3.220	15,781

A dividend for the quarter ended 31 March 2024, of 0.853 pence per share, was approved and will be paid on the 28 June 2024.

10. Investment property

	Leasehold £000	Freehold £000	Total £000
Fair value as at 31 March 2022	39,793	393,693	433,486
Additions	32	10,101	10,133
Acquisitions	-	16,058	16,058
Disposal of assets held at fair value	-	(12,405)	(12,405)
Gain on the sale of assets	-	1,184	1,184
Fair value leasehold movement	(319)	-	(319)
Net unrealised valuation loss on investment property	(4,093)	(56,014)	(60,107)
Fair value as at 31 March 2023	35,413	352,617	388,030
Additions	720	7,570	8,290
Acquisitions	-	-	-
Disposal of assets held at fair value	-	(3,763)	(3,763)
Gain on the sale of assets	-	199	199
Fair value leasehold movement	(106)	-	(106)
Net unrealised valuation loss on investment property	(2,949)	(5,095)	(8,044)
Fair value as at 31 March 2024	33,078	351,528	384,606

The balance above includes:

	Leasehold £000	Freehold £000	Total £000
Investment property	33,745	352,617	386,362
Fair value leasehold adjustment	1,668	-	1,668
Fair value as at 31 March 2023	35,413	352,617	388,030

	Leasehold	Freehold	Total
	£000	£000	£000
Investment property	31,516	351,528	383,044
Fair value leasehold adjustment	1,562	-	1,562
Fair value as at 31 March 2024	33,078	351,528	384,606

The fair value of investment properties, as determined by the valuer as at 31 March 2024, totals £391,475,000 (March 2023: £398,560,000), of which a sum of £8,431,000 (2023: £8,198,000) relating to lease incentives is included within trade and other receivables.

The fair value of investment property has been determined by CBRE, a firm of independent chartered surveyors, who are registered independent appraisers (note 18). The valuation has been undertaken in accordance with the current RICS Valuation – Global Standards, which incorporates the International Valuation Standards, issued by the Royal Institution of Chartered Surveyors (the ‘Red Book’).

The properties have been valued on the basis of “Fair Value” in accordance with the RICS Valuation-- Professional Standards VPS4(7.1) Fair Value and VPGA1 Valuations for Inclusion in Financial Statements which adopt the definition of Fair Value used by the International Accounting Standards Board.

The valuation has been undertaken using appropriate valuation methodology and the Valuer’s professional judgement. The Valuer’s opinion of Fair Value was primarily derived using recent comparable market transactions on arm’s length terms, where available, and appropriate valuation techniques (The Investment Method).

The properties have been valued individually and not as part of a portfolio.

As highlighted within the Group’s investment management strategy on page 37, developments and refurbishments form a key element of the Group’s commitment to sustainability. During the year the Group has spent £8.3m on capital expenditure. This sum included both capital works which, in some cases, enhanced the environmental performance of the assets amongst other key strategies. The primary focus has been on optimising earnings across the existing portfolio through an extensive asset management and targeted capital expenditure programme, targeting growth areas and sustainability improvements.

All investment properties are categorised as Level 3 fair values as they use significant unobservable inputs. There have not been any transfers between Levels during the year. Investment properties have been classed according to their real estate sector. Information on these significant unobservable inputs per class of investment property is disclosed below:

Quantitative information about fair value measurement using unobservable inputs (Level 3) as at 31 March 2024

31 March 2024		Industrial (1)	Retail (incl. retail warehouse)	Office	Other	Total
Fair value (£’000)		229,750	83,775	59,225	18,725	391,475
Area (’000 sq ft)		2,400	446	358	198	3,402
Net passing rent psf per annum	Range	£2.36 - £19.46	£5.22	£2.99 - £76.75	£6.99 - £13.86	£1.05 - £76.75
	Weighted average			£32.93	£15.37	£7.58
				£7.95		

Gross ERV	Range	£2.50 - £19.25	£4.00 - £80.50	£8.47-	£2.00 -	£2.00 -
psf per annum	Weighted average	£7.25	£15.66	£34.00	£25.00	£80.50
				£20.58	£8.51	£9.83
Net initial yield (1)	Range	0.00% - 8.18%	4.99%	0.00% - 11.87%	0.00% - 6.55%	0.00% - 9.45%
	Weighted average			6.73%	13.19%	13.19%
				7.71%	7.68%	5.93%
Equivalent yield	Range	5.98% - 9.35%	6.93%	6.43% - 12.24%	8.03% - 6.80%	5.95% - 9.94%
	Weighted average			7.73%	14.00%	14.00%
				10.19%	8.78%	7.75%

Notes:

- (1) Yields based on rents receivable after deduction of head rents but gross of non-recoverables.

Quantitative information about fair value measurement using unobservable inputs (Level 3) as at 31 March 2023

31 March 2023		Industrial (1)	Retail (incl. retail warehouse)	Office	Other	Total
Fair value (£000)		220,110	85,850	72,950	19,650	398,560
Area ('000 sq. ft)		2,396	448	424	198	3,466
Net passing rent per sq. ft per annum	Range	£2.36 - £14.00	£2.99 - £70.39	£10.50- £26.14	£1.05 - £0 - £32.85	£7.22
	Weighted average	£4.84	£14.06	£12.87	£26.70	£8.96
Gross ERV per sq. ft per annum	Range	£2.50 - £17.50	£4.00 - £80.56	£8.47-£27.00	£2.10 - £3.50 - £32.85	£9.51
	Weighted average	£6.88	£15.35	£18.57	£13.00	£7.98
Net initial yield (1)	Range	3.00% - 13.12%	3.68% - 21.60%	4.90%-13.35%	6.00%- 10.82%	3.00% - 21.6%
	Weighted average	4.87%	6.71%	6.6%	8.06%	5.70%
Equivalent yield	Range	5.35% - 10%	5.50%-14.00%	7.25%-13.00%	6.04%- 11.35%	5.35%-14.00%
	Weighted average	6.53%	7.33%	9.38%	8.82%	7.51%

Notes: (1) Yields based on rents receivable after deduction of head rents but gross of non-recoverables.

Sensitivity of measurement to variations in the significant unobservable inputs

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy of the Group's property portfolio, together with the impact of significant movements in these inputs on the fair value measurement, are shown below:

Unobservable input	Impact on fair value measurement of significant increase in input	Impact on fair value measurement of significant decrease in input
Passing rent	Increase	Decrease
Gross ERV	Increase	Decrease
Net initial yield	Decrease	Increase
Equivalent yield	Decrease	Increase

There are interrelationships between the yields and rental values as they are partially determined by market rate conditions.

The sensitivity of the valuation to changes in the most significant inputs per class of investment property are shown below:

Estimated movement in fair value of investment properties at 31 March 2024	Industrial £000	Retail £000	Office £000	Other £000	All sectors £000
Increase in ERV by 5%	10,122	2,788	2,726	183	15,819
Decrease in ERV by 5%	(10,101)	(2,603)	(2,720)	(189)	(15,613)
Increase in net initial yield by 0.25%	(8,886)	(2,950)	(1,828)	(604)	(14,268)
Decrease in net initial yield by 0.25%	9,773	3,209	2,367	645	15,994

Estimated movement in fair value of investment properties at 31 March 2023	Industrial £000	Retail £000	Office £000	Other £000	All sectors £000
Increase in ERV by 5%	9,852	3,280	3,039	161	16,332
Decrease in ERV by 5%	(9,764)	(3,018)	(5,195)	(161)	(18,138)
Increase in net initial yield by 0.25%	(8,774)	(3,119)	(2,263)	(627)	(14,783)
Decrease in net initial yield by 0.25%	9,678	3,374	2,717	673	16,442

11. Investment in joint ventures

Closing balance as at 31 March 2022	83,700
Valuation loss on joint venture	(11,513)
Closing balance as at 31 March 2023	72,187
Purchase of further units in City Tower Unit Trust	187
Purchase of further units in Store Unit Trust	50
Valuation loss on joint venture	(5,058)
Closing balance as at 31 March 2024	67,366

Summarised joint venture financial information not adjusted for the Group's share – City Tower Unit Trust	31/03/2024 £000	31/03/2023 £000
Investment property	117,600	136,100
Other assets	1,069	3,779
Total liabilities ¹	(2,524)	(2,070)
Revenues for the year	10,182	9,025
Total comprehensive rental income	5,814	7,570
Net asset value attributable to the Group	29,036	34,452
Total comprehensive income attributable to the Group	1,454	1,893

Summarised joint venture financial information not adjusted for the Group's share – Store Street Unit Trust	31/03/2024 £000	31/03/2023 £000
Investment properties	76,750	75,550
Other assets	404	446
Total liabilities ¹	(494)	(527)
Revenues for the year	3,870	3,700
Total comprehensive rental income	3,206	3,242
Net asset value attributable to the Group	38,330	37,735
Total comprehensive income attributable to the Group	1,603	1,621

¹ Liabilities are non-recourse to the Group.

The Company owns 25% of City Tower Unit Trust and 50% of Store Unit Trust. The remaining units in the City Tower and Store Unit Trusts are owned by other Schroders' funds.

The fair value of investment property owned by the two Joint Ventures has been determined by CBRE, who are registered independent appraisers. The two valuations were undertaken on the same basis as that described under Note 10: Investment Property.

12. Trade and other receivables

	31/03/2024 £000	31/03/2023 £000
Rent receivable	3,172	3,578
Other debtors and prepayments	16,665	14,048
Other capital debtors	-	4,000
	19,837	21,626

Other debtors and prepayments include £8,431,000 (2023: £8,198,000) in respect of lease incentives.

As at 31 March 2024 total bad debt provisions of £0.4m (2023: £0.4m) had been recognised against rental debtors of £2.3m (2023: £3.3m) net of VAT.

13. Cash and cash equivalents

As at 31 March 2024 the Group held £6.0 million (2023: £8.4 million) in cash.

14. Issued capital and reserves

Stated capital

The share capital of the Company is represented by an unlimited number of ordinary shares of no par value. As at the date of this Report, the Company has 565,664,749 ordinary shares in issue (2023: 565,664,749) of which 76,554,173 Ordinary shares are held in treasury (2023: 76,554,173). The total number of voting rights of the Company was 489,110,576 (2023: 489,110,576) as at the financial year end.

Treasury capital

76,554,173 (2023: 76,554,173) ordinary shares, which represent 13.5% (2023: 13.5%) of the Company's total issued share capital, were held in treasury as at the financial year end.

Revenue reserve

This reserve represents an accumulated amount of the Group's prior earnings net of dividends.

15. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate risk, see note 18.

	31/03/2024	31/03/2023
	£000	£000
Non-current liabilities		
Loan facilities	176,585	177,885
Unamortised arrangement fees	(719)	(952)
	175,866	176,933

The Group has in place a £129.6 million loan facility with Canada Life. This has been in place since 16 April 2013 and has been refinanced several times, most recently in October 2019.

The loan is split into two equal tranches of £64.8 million as follows:

- Facility A matures in October 2032 and attracts an interest rate of 2.36%; and
- Facility B matures in October 2039 and attracts an interest rate of 2.62%.

As at the April 2024 Interest Payment Date, the Canada Life interest cover ratio was 497% (2023: 480%) against a covenant of 185%; the forecast interest cover ratio was 482% (2023: 449%) against a covenant of 185%; and the Loan to Value ratio was 49.4% (2023: 46.9%) against a covenant of 65%.

The Canada Life facility has a first charge of security over all the property assets in the ring-fenced security pool which at 31 March 2024 contained properties valued at £262.24 million (2023: £271.80 million). Various restraints apply during the term of the loan although the facility has been designed to provide significant operational flexibility.

The Group also has a revolving credit facility with RBSI, most recently refinanced in June 2022, with a five-year term which runs to June 2027, and the maximum amount able to be drawn is £75.0m. The facility carries an interest rate of a 1.65% margin, plus three-month SONIA rate, with a 0.64% non-utilisation fee. As at 31 March 2024, a sum of £47.0m was drawn down.

In June 2023 the Group also completed on the acquisition of an interest rate collar from RBSI, which has a floor of 3.25% and a cap of 4.25%; which will expire on 6 June 2027; and which is attributable to £30.5 million of the loan drawn sum of the RBSI revolving credit facility. Further details are disclosed in note 20.

As at the April 2024 Interest Payment Date, the RBSI projected interest cover ratio was 231% (2023: 411%) against a covenant of 200% and the Loan to Value ratio was 29.8% (2023: 30.0%) against a covenant of 65%.

The RBSI facility has a first charge security over certain property assets which at 31 March 2024 contained properties valued at £157.6 million (2023: £160.8 million).

A reconciliation of financing movements for the year is presented below split in to cash and non-cash items:

	31/03/2024 £000
Loan balance brought forward	176,933
Drawdown on RBSI RCF (cash)	1,000
Repayment of RBSI RCF (cash)	(2,300)
Non-cash amortisation of arrangement fees	233
Loan balance carried forward	175,866

	31/03/2023 £000
Loan balance brought forward	161,791
Drawdown on RBSI RCF (cash)	15,600
Non-cash amortisation of arrangement fees	(458)
Loan balance carried forward	176,933

16. Trade and other payables

	31/03/2024 £000	31/03/2023 £000
Deferred income	4,952	5,131
Rental deposits	2,442	1,850
Interest payable	1,328	1,101
Other trade payables and accruals	4,533	2,890
	13,255	10,972

17. NAV per Ordinary Share

The number of ordinary shares in issue was 489,110,576 as at 31 March 2024 (2023: 489,110,576).

The NAV per Ordinary Share is based on the net assets of £287,350,000 (2023: £300,689,000) and 489,110,576 (2023: 489,110,576) ordinary shares in issue as at the reporting date.

18. Financial instruments, properties and associated risks

Financial risk factors

The Group holds cash and liquid resources as well as having debtors and creditors that arise directly from its operations. The Group uses interest rate derivative contracts, the details of which are in note 20, when required to limit exposure to interest rate risks, but does not have any other derivative instruments.

The main risks arising from the Group's financial instruments and properties are market price risk, credit risk, liquidity risk and interest rate risk. The Group has no exposure to foreign currency exchange risk. The Board regularly reviews and agrees policies for managing each of these risks and these are summarised below:

Market price risk

Rental income, and the market value for properties, are generally affected by overall conditions in the economy, such as changes in gross domestic product, employment trends, inflation and changes in interest rates. Changes in gross domestic product may also impact employment levels, which in turn may impact the demand for premises. Furthermore, movements in interest rates may also affect the cost of financing for real estate companies. Both rental income and property values may also be affected by other factors specific to the real estate market such as competition from other property owners; the perceptions of prospective tenants of the attractiveness, convenience and safety of properties; the inability to collect rents because of bankruptcy or the insolvency of tenants; the periodic need to renovate, repair and re-lease space and the costs thereof; and the costs of maintenance and insurance, and increased operating costs.

The Directors monitor the market value of investment properties by having independent valuations carried out quarterly by a firm of independent chartered surveyors. Note 10 sets out the sensitivity analysis on the market price risk. Concentration risk, based on industry and geography, is set out in the tables on pages 12 to 15. Included in market price risk is interest rate risk which is discussed further below.

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group. In the event of default by an occupational tenant, the Group will suffer a rental income shortfall and incur additional costs, including legal expenses, in maintaining, insuring and re-letting the property. The Investment Manager reviews reports prepared by Dun & Bradstreet, or other sources, to assess the credit quality of the Group's tenants and aims to ensure there is no excessive concentration of risk and that the impact of any default by a tenant is minimised.

In respect of credit risk arising from other financial assets, which comprise cash and cash equivalents, exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments. In order to mitigate such risks, cash is maintained with major international financial institutions with high quality credit ratings. During the year, and at the reporting date, the Group maintained a relationship with branches and subsidiaries of HSBC. HSBC has a credit rating of A- (provided by Standard and Poor).

The maximum exposure to credit risk for rent receivables at the reporting date by type of sector was:

	31/03/2024 Carrying amount £000	31/03/2023 Carrying amount £000
Office	279	568
Industrial	2,190	2,496
Retail, leisure and other	779	874
	3,248*	3,938*

* Rental debtors gross of VAT and excluding bad debt provisions.

Rent receivables which are past their due date were:

	31/03/2024 Carrying amount £000	31/03/2023 Carrying amount £000
0-30 days	1,916	2,940
31-60 days	143	62
61-90 days	122	4
91 days plus	1,067	932
	3,248*	3,938*

Management has considered rental debtors on a quarterly basis and made provisions where it has been deemed that these amounts may be unrecoverable. As at 31 March 2024 total provisions of £0.36m (2023: £0.36m) were recognised and rental debtors are shown net of this provision in the Balance Sheet.

On initial recognition the Group calculates the expected credit loss for debtors based on the lifetime expected credit losses under the IFRS 9 simplified approach. Management considers aged debtors' analyses, the strength of tenant covenants, macroeconomic factors and any rental deposits held.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting obligations associated with its financial obligations.

The Group's investments comprise UK commercial property. Property and property-related assets are inherently difficult to value due to the individual nature of each property. As a result, valuations are subject to substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sale price even where such sales occur shortly after the valuation date. Investments in property are relatively illiquid. However, the Group has tried to mitigate this risk by investing in properties that it considers to be of good quality.

In certain circumstances, the terms of the Group's debt facilities entitle the lender to require early repayment and in such circumstances the Group's ability to maintain dividend levels and the net asset value could be adversely affected. The Investment Manager prepares cash flows on a rolling basis to ensure the Group can meet future liabilities as and when they fall due.

The following table indicates the maturity analysis of the financial liabilities.

As at 31 March 2024

	Carrying amount £000	Expected cash flows £000	6 months or less £000	6 months - 2 years £000	2-5 years £000	More than 5 years £000
Financial liabilities						
Interest-bearing loans and borrowings and interest ¹	175,866	226,102	3,226	9,679	60,713	152,484
Leasehold liability	1,562	11,533	51	154	307	11,021
Trade and other payables	7,729	7,729	5,594	-	-	2,135
Total financial liabilities	185,157	245,364	8,871	9,833	61,020	165,640

As at 31 March 2023

	Carrying amount £000	Expected cash flows £000	6 months or less £000	6 months - 2 years £000	2-5 years £000	More than 5 years £000
Financial liabilities						
Interest-bearing loans and borrowings and interest ¹	176,933	232,303	3,044	9,131	64,417	155,711
Leasehold liability	1,668	11,961	52	157	313	11,439
Trade and other payables	5,841	5,841	3,990	-	-	1,851
Total financial liabilities	184,442	250,105	7,086	9,288	64,730	169,001

¹ Assumes that the £47.0 million RBS revolving credit facility is repaid in 2027.

Interest rate risk

Exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations and to interest earned on cash balances. As interest on the Group's long-term debt obligations is payable on a fixed-rate basis, the Group is not exposed to near-term interest rate risk in relation to its Canada Life loan facility. As at 31 March 2024 the fair value of the Group's £129.6 million loan with Canada Life was £111.1 million (2023: £112.8 million).

The RBSI revolving credit facility is a low-margin and flexible source of funding with a margin of 1.65%, plus 3-month SONIA rate, and it is considered by management that the carrying value of the loan is equal to its fair value (sum of £47.0m (2023: £48.3 million) drawn as at the year end). In order to assist with mitigating interest rate risk on the RBSI facility, in June 2023 the Group acquired an interest rate collar from RBSI, which has a floor of 3.25% and a cap of 4.25%; which will expire on 6 June 2027; and which is attributable to £30.5 million of the loan drawn sum.

A 1% increase or decrease in short-term interest rates would increase or decrease the annual bank interest income, and equity, by £60,000 based on the cash balance as at 31 March 2024.

The Canada Life loan is fixed-rate, as above, and thus a 1% increase or decrease in interest rates would not impact the loan interest payable by the Fund.

The RBS revolving credit facility had a drawn balance of £47.0m as at the year end and an interest rate collar in place for £30.5m of the drawn sum. A 1% increase in interest rates would thereby increase the finance costs payable by £165,000 (assuming that the loan principal drawn remained the same).

Fair values

The fair values of financial assets and liabilities are not materially different from their carrying values, unless disclosed below, in the financial statements.

The fair value hierarchy levels are as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 – 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); and
- Level 3 – inputs for the assets or liability that are not based on observable market data (unobservable inputs).

There have been no transfers between Levels 1, 2 and 3 during the year (2023: none).

The following summarises the main methods and assumptions used in estimating the fair values of financial instruments and investment property:

Investment property – level 3

Fair value is based on valuations provided by an independent firm of chartered surveyors and registered appraisers. These values were determined after having taken into consideration recent market transactions for similar properties in similar locations to the investment properties held by the Group. The fair value hierarchy of investment property is level 3. See Note 10 for further details.

Interest-bearing loans and borrowings – level 2

Fair values are based on the present value of future cash flows discounted at a market rate of interest. Issue costs are amortised over the period of the borrowings. As at 31 March 2024, the fair value of the Group's £129.6 million loan with Canada Life was £111.1 million (2023: £112.8 million).

Financial Instruments

The Group's interest rate collar is recognised at its fair value via valuations provided by an independent firm, Chatham Financial.

Capital management

The Board's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The objective is to ensure that it will continue as a going concern and to maximise the return to its equity shareholders through an appropriate level of gearing. The Company's capital management process ensures it meets its financial covenants in its borrowing arrangements. Breaches in meeting the financial covenants could permit the lenders to immediately accelerate the repayment of loans and borrowings. The Company monitors as part of its quarterly board meetings that it will adhere to specific leverage, interest cover and rental cover ratios. There have been no breaches in the financial covenants of any loans and borrowings during the financial year.

The Company's debt and capital structure comprises the following:

	31/03/2024 £000	31/03/2023 £000
Debt		
Fixed-rate loan facility	129,585	129,585
Floating rate loan facility *	47,000	48,300
	176,585	177,885
Equity		
Called-up share capital	181,989	181,989
Reserves	105,361	118,700
	287,350	300,689
Total debt and equity	463,935	478,574

There were no changes in the Group's approach to capital management during the year.

* This amount refers to the amount drawn. The total facility as at 31 March 2024 was £75.0m (2023: £75.0m).

19. Operating leases

The Group leases out its investment property under operating leases. At 31 March 2024 the future minimum lease receipts under non-cancellable leases are as follows:

	31/03/2024 £000	31/03/2023 £000
Less than one year	23,400	22,850
Between one and five years	68,798	66,194
More than five years	54,918	58,829
	147,116	147,873

The total above comprises the total contracted rent receivable as at 31 March 2024.

The Group has entered into leases on its property portfolio. The commercial property leases typically have lease terms between 5 and 15 years and include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions. Some leases contain options to break before the end of the lease term.

20. Interest rate derivative contracts

In June 2023 the Group disposed of its interest cap, which had been due to expire in July 2023, and which was attributable to £30.5 million of the drawn loan sum of the RBSI revolving credit facility, for a sum of £0.19 million. This had previously been carried at a nil fair value and thus there was a gain on disposal of £0.19 million recognised in the financial year.

In June 2023 the Group also completed on the acquisition of an interest rate collar from RBSI, which has a floor of 3.25% and a cap of 4.25%; which will expire on 6 June 2027; and which is attributable to £30.5 million of the drawn loan sum of the RBSI revolving credit facility. The cost to acquire this financial instrument was £0.77 million, including fees, and as at the 31 March 2024 it had a deemed fair value of £0.22 million with an unrealised loss of £0.55m being recognised in the financial year.

21. List of subsidiary and joint venture undertakings

The companies listed below are those which were part of the Group as at 31 March 2024:

Undertaking	Category	Country of incorporation	Principal Activities	Ultimate ownership
SREIT No.2 Limited	Subsidiary	Guernsey	Property ownership with external finance	100%
SREIT Holding (No.2) Limited	Subsidiary	Guernsey	Holding Company	100%
SREIT Holding Company Limited	Subsidiary	Guernsey	Holding Company with external finance	100%
SREIT Property Limited	Subsidiary	Guernsey	Property ownership	100%
SREIT (Portergate) Limited	Subsidiary	Guernsey	Property ownership	100%
SREIT (Uxbridge) Limited	Subsidiary	Guernsey	Property ownership	100%
SREIT (City Tower) Limited	Subsidiary	Guernsey	Joint ownership of an underlying property unit trust	100%
SREIT (Store) Limited	Subsidiary	Guernsey	Joint ownership of an underlying property unit trust	100%
SREIT (Bedford) Limited	Subsidiary	Guernsey	Property ownership	100%
City Tower Unit Trust	Joint Venture	Jersey	Property ownership	25%
Store Unit Trust	Joint Venture	Jersey	Property ownership	50%

The registered addresses for all wholly-owned entities are the same as that of the parent company and can be found on page 144.

The registered address for both Joint Venture entities is 47 Esplanade, St Helier, Jersey, JE1 0BD, Channel Islands.

22. Related party transactions

Material agreements and transactions with the Investment Manager are disclosed in note 2. Transactions with regard to joint ventures are disclosed in note 10. Transactions with the directors are shown in the directors' remuneration report.

23. Capital commitments

As at 31 March 2024 the Group had capital commitments of £8.4 million (2023: £7.7 million).

24. Post balance sheet events

There are no post balance sheet events to report.

Other information (unaudited)

EPRA Performance Measures (unaudited)

As recommended by the European Public Real Estate Association, EPRA performance measures are disclosed in the section below.

EPRA performance measures: summary table

	31/03/2024	31/03/2023
EPRA earnings	£16,278,000	£15,968,000
EPRA earnings per share	3.3pps	3.3pps
EPRA Net Reinstatement Value	£318,360,000	£332,178,000
EPRA Net Reinstatement Value per share	65.1p	67.9p
EPRA Net Tangible Assets	£287,131,000	£300,689,000
EPRA Net Tangible Assets per share	58.7p	61.5p
EPRA Net Disposal Value	£305,808,000	£317,448,000
EPRA Net Disposal Value per share	62.5p	64.9p
EPRA Net Initial Yield	5.6%	5.4%
EPRA "topped-up" Net Initial Yield	6.1%	5.8%
EPRA vacancy rate	10.9%	11.1%
EPRA cost ratios-- including direct vacancy costs	29.6%	28.0%
EPRA cost ratios-- excluding direct vacancy costs	23.7%	21.1%
EPRA LTV	37.1%	36.0%

a. EPRA earnings and earnings per share

Earnings excluding all capital components not relevant to the underlying net income performance of the Company, such as the unrealised fair value gains or losses on investment properties and any gains or losses from the sales of properties.

	31/03/2024	31/03/2023
	£000	£000
Profit/(loss) per IFRS income statement	3,017	(54,715)
Adjustments to calculate EPRA Earnings:		
Profit on the disposal of investment property	(199)	(1,184)
Net unrealised valuation loss on investment property	8,044	60,107
Net change in the fair value of financial instruments	547	-
Gain on the disposal of financial instruments	(189)	-
Share of the valuation loss in associates and joint ventures	5,058	11,513
Refinancing costs	-	247
EPRA earnings	16,278	15,968
Weighted average number of ordinary shares	489,110,576	489,951,224
IFRS earnings per share (pence)	0.6	(11.2)
EPRA earnings per share (pence)	3.3	3.3

b. EPRA Net Reinstatement Value

IFRS equity attributable to shareholders adjusted to represent the value required to rebuild the entity and assumes that no selling of assets takes place.

	31/03/2024	31/03/2023
	£000	£000
IFRS equity attributable to shareholders	287,350	300,689
Adjustment in respect of real estate transfer taxes and costs	31,229	31,489
Adjustment in respect of the fair value of financial instruments	(219)	-
EPRA Net Reinstatement Value	318,360	332,178
Shares in issue at the end of the period	489,110,576	489,110,576
EPRA NRV per share (pence per share)	65.1p	67.9p

c. EPRA Net Tangible Assets per share

The IFRS equity attributable to shareholders adjusted to reflect a Company's tangible assets and assumes that no selling of assets takes place.

	31/03/2024	31/03/2023
	£000	£000
IFRS equity attributable to shareholders	287,350	300,689
Fair value of financial instruments	(219)	-
EPRA Net Tangible Assets	287,131	300,689
Shares in issue at the end of the year	489,110,576	489,110,576
IFRS NAV per share (pence)	58.8p	61.5p
EPRA Net Tangible Assets per share (pence)	58.7p	61.5p

d. EPRA Net Disposal Value per share

The IFRS equity attributable to shareholders adjusted to reflect the NAV under an orderly sale of business, where any deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability.

	31/03/2024	31/03/2023
	£000	£000
IFRS equity attributable to shareholders	287,350	300,689
<i>Adjustments to calculate EPRA Net Disposal Value:</i>		
The fair value of fixed-interest rate debt	18,458	16,759
EPRA Net Disposal Value	305,808	317,448
Shares in issue at the end of the year	489,110,576	489,110,576
EPRA Net Disposal Value per share (pence)	62.5p	64.9p

e. EPRA Net Initial Yield

Annualised rental income based on the cash rents passing at the Balance Sheet date (but adjusted as set out below), less non-recoverable property operating expenses, divided by the gross market value of the property.

The EPRA “topped up” NIY is the EPRA NIY in respect of the expiration of rent free periods.

	31/03/2024	31/03/2023
	£000	£000
Investment property – wholly-owned	391,475	398,560
Investment property – share of joint ventures and funds	67,775	71,800
Complete property portfolio	459,250	470,360
Allowance for estimated purchasers’ costs	31,229	31,489
Gross up completed property portfolio valuation	490,479	501,849
Annualised cash passing rental income	29,796	29,292
Property outgoings	(2,154)	(2,258)
Annualised net rents	27,642	27,034
Notional rent expiration of rent-free periods ⁽¹⁾	2,462	2,177
Topped-up net annualised rent	30,104	29,211
EPRA NIY	5.6%	5.4%
EPRA “topped-up” NIY	6.1%	5.8%

(1) The period over which rent free periods expire is one year for 2023 (2022: 1 year).

f. EPRA cost ratios

Administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income.

	31/03/2024	31/03/2023
	£000	£000
Administrative/operating expense line per IFRS income statement	7,572	7,662
Share of Joint Venture expenses	1,423	591
Less: Ground rent costs	(113)	(68)
Costs (including direct vacancy costs)	8,882	8,185
Direct vacancy costs	(1,782)	(2,026)
Costs (excluding direct vacancy costs)	7,100	6,159
Gross rental income less ground rent costs – per IFRS	25,525	25,103
Add share of Joint Ventures (Gross Rental Income less ground rent costs)	4,480	4,106
Gross rental income	30,005	29,209
EPRA cost ratio (including direct vacancy costs)	29.6%	28.0%
EPRA cost ratio (excluding direct vacancy costs)	23.7%	21.1%

There were no directly attributable overhead and operating costs capitalised during the year (2023: nil). The Company does not have a policy to capitalise such expenses (as per note 1).

g. EPRA vacancy rate

Estimated market rental value (ERV) of vacant space divided by the ERV of the whole portfolio.

	31/03/2024	31/03/2023
	£000	£000
Estimated rental value of vacant space	4,242	4,192
Estimated rental value of the whole portfolio	38,770	37,843
EPRA vacancy rate	10.9%	11.1%

There were no significant or distorting factors in the above.

h. EPRA LTV

The gearing of the shareholder equity within the Company.

	31/03/2024	31/03/2023
	£000	£000
Borrowings from Financial Institutions	176,585	177,885
Cash and cash equivalents	(6,005)	(8,419)
Cash and cash equivalents – share of joint ventures	(229)	(302)
Net Debt	170,351	169,164
Investment properties at fair value – direct portfolio	391,475	398,560
Investment properties at fair value – share of joint ventures	67,775	71,800
Total Property Value	459,250	470,360
LTV	37.1%	36.0%

i. EPRA capital expenditure

In accordance with EPRA's core recommendations, the Group's capital expenditure invested in the year can be broken down as follows:

	Group (excluding Joint Ventures) £m	Joint Ventures (proportionate share) £m	Total Group £m
Acquisitions (including transaction costs)	-	-	-
Developments and accretive works	8.3	0.8	9.1
Investment properties			
- Tenant incentives	-	-	-
- Other material non-allocated types of expenditure	-	-	-
Total Capital Expenditure	8.3	0.8	9.1

As per note 10, the Fund made no new acquisitions, and thus also incurred no additional transaction costs, during the financial year.

The capital expenditure invested in the year amounted to £8.3m on the directly held portfolio (also as per note 10).

The three largest capital expenditure investments made in the financial year were as follows: a) £2.8m at Stacey Bushes, Milton Keynes b) £1.5m at Stirling Court, Swindon (see page 18 for further details) and c) £1.4m at The Tun, Edinburgh (see page 18 for further details).

The £0.8m invested across joint ventures related solely to the Group's 25% share of underlying capital expenditure works undertaken at City Tower.

Alternative Performance Measures (unaudited)

The Company uses the following Alternative Performance Measures ('APMs') in its Annual Report and Consolidated Financial Statements. The Board believes that each of the APMs provides additional useful information to the shareholders in order to assess the Company's performance.

Dividend Cover – the ratio of EPRA Earnings (page 105) to dividends paid (note 9) in the period.

Dividend Yield - the dividends paid, expressed as a percentage relative to the Company's share price.

EPRA Earnings – earnings excluding all capital components not relevant to the underlying net income performance of the Company, such as the unrealised fair value gains or losses on investment properties and any gains or losses from the sales of properties. See page 105 for a reconciliation of this figure.

EPRA Net Tangible Assets – the IFRS equity attributable to shareholders adjusted to reflect a Company's tangible assets and assumes that no selling of assets takes place.

EPRA Net Disposal Value – the IFRS equity attributable to shareholders adjusted to reflect the NAV under an orderly sale of business, where any deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability.

EPRA Net Reinstatement Value – the IFRS equity attributable to shareholders adjusted to represent the value required to rebuild the entity and assumes that no selling of assets takes place.

Gross LTV – the value of the external loans unadjusted for unamortised arrangement costs (note 15) expressed as a percentage of the market value of property investments as at the Balance Sheet date. The market value of property investments includes joint venture investments and are as per external valuations and have not been adjusted for IFRS lease incentive debtors nor the fair value of the head lease at Luton.

LTV net of cash – the value of the external loans unadjusted for unamortised arrangement costs (note 15) less cash held (note 13) expressed as a percentage of the market value of the property investments as at the Balance Sheet date. The market value of property investments includes joint venture investments and are as per external valuations and have not been adjusted for IFRS lease incentive debtors or the fair value of the head lease at Luton.

Ongoing charges (including Fund expenses) – all operating costs expected to be regularly incurred and that are payable by the Company expressed as a percentage of the average quarterly NAVs of the Company for the financial period. No capital costs, including capital expenditure or acquisition/disposal fees, are included as costs.

Ongoing charges (including Fund and property expenses) – all operating costs expected to be regularly incurred and that are payable by the Company expressed as a percentage of the average quarterly NAVs of the Company for the financial period. Any capital costs, including capital expenditure and acquisition/disposal fees, are excluded as costs, as well as interest costs and any other costs considered to be non-recurring. In the current period the material non-recurring costs include non-cash bad debt expenses of £7k.

Share price discount/premium – the share price of an Investment Trust is derived from buyers and sellers trading their shares on the stock market. This price is not identical to the NAV per share of the underlying assets less liabilities of the Company. If the share price is lower than the NAV per share, the shares are trading at a discount. Shares trading above the NAV per share are said to be at a premium. The discount/premium is calculated as the variance between the share price as at the Balance Sheet date and the NAV per share (page 80) expressed as a percentage.

NAV total return – the return to shareholders calculated on a per share basis by adding dividends paid (note 9) in the period on a time-weighted basis to the increase or decrease in the NAV per share (page 80).

AIFMD Disclosures (unaudited)

The Alternative Investment Fund Managers Directive ('AIFMD') remuneration disclosures for Schroder Real Estate Investment Management Limited ('SREIM') for the year to 31 December 2023

Remuneration disclosures

These disclosures form part of the non-audited section of this annual report and accounts and should be read in conjunction with the Schroders plc Remuneration Report on pages 74 to 93 of the 2023 Annual Report & Accounts (available on the Group's website – www.schroders.com/ir) which provides more information on the activities of our Remuneration Committee and our remuneration principles and policies.

The AIF Material Risk Takers ('AIF MRTs') of SREIM are individuals whose roles within the Schroders Group can materially affect the risk of SREIM or any AIF fund that it manages. These roles are identified in line with the requirements of the AIFM Directive and guidance issued by the European Securities and Markets Authority.

The Remuneration Committee of Schroders plc has established a remuneration policy to ensure the requirements of the AIFM Directive are met for all AIF MRTs. The Remuneration Committee and the Board of Schroders plc review remuneration strategy at least annually. The directors of SREIM are responsible for the adoption of the remuneration policy and periodically reviewing its implementation in relation to SREIM. During 2023 the Remuneration Policy was reviewed to ensure compliance with the UCITS/AIFMD remuneration requirements and no significant changes were made.

The implementation of the remuneration policy is, at least annually, subject to independent internal review for compliance with the policies and procedures for remuneration adopted by the Board of SREIM and the Remuneration Committee. The most recent review found no fundamental issues but resulted in minor recommendations relating to process documentation.

Our ratio of operating compensation costs to net operating income guides the total spend on remuneration each year. This is recommended by the Remuneration Committee to the Board of Schroders plc. This approach aligns remuneration with Schroders financial performance. In determining the remuneration spend each year, the underlying strength and sustainability of the business is taken into account, along with reports on risk and compliance, legal and internal audit matters from the heads of those areas.

The remuneration data that follows reflects amounts paid in respect of performance during 2023.

- The total amount of remuneration paid by SREIM to its staff is nil as SREIM has no employees. Employees of SREIM or other Schroders Group entities who serve as Directors of SREIM receive no additional fees in respect of their role on the Board of SREIM; and
- The following disclosures relate to AIF MRTs of SREIM. Those AIF MRTs were employed by and provided services to other Schroders group companies and clients. In the interests of transparency, the aggregate remuneration figures that follow reflect the full remuneration for each SREIM AIF MRT. The aggregate total remuneration paid to the 77 AIF MRTs of SREIM in respect of the financial year ended 31 December 2023 is £51.85 million, of which £45.43 million was paid to senior management, £4.35 million was paid to MRTs deemed to be taking risk on behalf of SREIM or the AIF funds that it manages and £2.07 million was paid to control function MRTs.

For additional qualitative information on remuneration policies and practices see www.schroders.com/rem-disclosures.

Leverage disclosure

In accordance with AIFMD the Company is required to make available to investors information in relation to leverage. Under AIFMD, leverage is any method by which the exposure of the Company is increased through the borrowing of cash or securities, leverage embedded in derivative positions or by another means. It is expressed as a ratio between the total exposure of the Company and its net asset value and is calculated in accordance with the "Gross method" and the "Commitment method" as described in the AIFMD. The Gross method represents the aggregate of all the Company's exposures other than cash balances held in the base currency, while the Commitment method, which is calculated on a similar basis, may also take into account cash and cash equivalents, netting and hedging arrangements, as applicable.

The Investment Manager has set the expected maximum leverage percentages for the Company and calculated the actual leverages as at 31 December 2023 as shown below (the Company calculates and externally reports its leverage one quarter in arrears):

	Maximum limit set	Actual as at 31.12.2023
Gross leverage	195	163
Commitment leverage	220	161

There have been no changes to the maximum levels of leverage employed by the Company during the financial year nor any breaches of the maximum levels during the financial reporting period.

Sustainability Performance Measures (Environmental) (unaudited)

The Company reports sustainability information in accordance with EPRA Best Practice Recommendations on Sustainability Reporting (sBPR) 2017, 3rd Edition for the 12 months 1st January 2023 – 31st December 2023, presented with comparison against 2022. As permitted by the EPRA Sustainability Reporting Guidelines, environmental data has been developed and presented in line with the Global Real Estate Sustainability Benchmark (GRESB).

The reporting boundary has been scoped to where the Company has operational control being managed properties where the Company is responsible for the payment of utility invoices and/or the arrangement of waste disposal contracts. 'Operational control' has been selected as the reporting boundary (as opposed to 'financial control' or 'equity share') as this reflects the portion of the portfolio where the Company can influence operational procedures and, ultimately, sustainability performance. The operational control approach is the most commonly applied within the industry.

In 2023, 42 assets were held by the Company during the reporting year (including two sales). In total, 23 assets were within the operational control reporting boundary of the Company during the reporting year (i.e. 'managed'), following the sale of Leeds, Coverdale House. In 2022, there were 24 such managed assets within the portfolio.

Where data coverage is less than 100%, a supporting explanation is provided within the data notes immediately below the relevant table. Energy and water consumption data is reported according to automatic meter reads, manual meter reads or invoice estimates. Where required, missing consumption data has been estimated by prorating data from other periods using recognised techniques. The proportion of data that is estimated is presented in the footnotes to the data tables. Historic consumption data has been restated where more complete and/or accurate records have become available.

The Company does not hold any managed assets that consume energy from district heating or cooling sources. Therefore, the EPRA sBPR DH&C-Abs and DH&C-LfL indicators are not applicable and not presented in this report. Furthermore, the Company does not have any direct employees; it is served by the employees of the Investment Manager (Schroder Real Estate Investment Management Limited). Accordingly, the EPRA Overarching Recommendation for companies to report on the environmental impact of their own offices is not relevant/material and not presented in this report.

This report has been prepared by the Investment Manager to the Company, supported by energy and sustainability consultants, Deepki. The Sustainability Performance Measures have been assured in accordance with AA1000 to provide a Type 2 Moderate Assurance unqualified audit of the sustainability content within the SREIT annual report for the year ended 31 March 2024. The full Assurance Statement is available on request.

Total energy consumption (Elec-Abs; Fuels-Abs)

The table below sets out total landlord obtained energy consumption from the Company's managed portfolio by sector:

Sector	Total electricity consumption (kWh)		Total fuel consumption (kWh)		Absolute energy intensity (kWh/m ²)		
	2022	2023	2022	2023	2022	2023	% Change
Office: Corporate: Low-Rise Office	796,667	577,132	690,821	516,211	33	24	-26%
Coverage	88%	82%	85%	82%	87%	82%	
Retail: High Street	16,992	12,441	-	-	2	1	-27%

Coverage (landlord-procured consumption)	100%	100%	-	-	100%	100%	
Retail: Retail Centres: Warehouse	34,960	23,492	27,969	-	5	2	-63%
Coverage	100%	100%	-	-	100%	100%	
Mixed use: Other	1,911,974	1,943,117	-	-	23	23	2%
Coverage (landlord-procured consumption)	100%	100%	-	-	100%	100%	
Mixed use: Office/Retail	407,973	478,168	131,624	90,622	62	66	5%
Coverage (landlord-procured consumption)	100%	100%	-	100%	100%	100%	
Industrial: Distribution Warehouse: Non-Refrigerated Warehouse	1,380,606	1,519,872	392,249	436,386	16	17	10%
Coverage (landlord-procured consumption)	100%	100%	100%	100%	100%	100%	
Industrial: Distribution Warehouse: Refrigerated Warehouse	3,914	2,334	-	-	7	4	-40%
Coverage (landlord-procured consumption)	100%	100%	100%	100%	100%	100%	
Lodging, Leisure & Recreation: Other	205,193	207,994	-	-	59	60	1%
Coverage (landlord-procured consumption)	100%	100%	-	-	100%	100%	
Office: Corporate: Mid-Rise Office	268,733	277,276	448,859	396,963	149	140	-6%
Coverage (landlord-procured consumption)	100%	100%	100%	100%	100%	100%	
Total	5,027,012	5,041,826	1,691,522	1,440,182			
Coverage (landlord-procured consumption)	98%	97%	92%	88%			
Total electricity, fuels and district heating	6,718,533	6,482,008					
Coverage (landlord-procured consumption)	96%	95%					

Renewable electricity %	83%	80%
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- Consumption data relates to the managed portfolio only:
 - o Industrial: Distribution warehouse: Refrigerated Warehouse: whole building; outdoor areas; tenant space, where procured by the landlord;
 - o Industrial: Distribution warehouse: Non- Refrigerated Warehouse: whole building; outdoor areas; tenant space, where procured by the landlord;
 - o Lodging, leisure and recreation: common parts; outdoor areas; tenant space, where procured by the landlord;
 - o Mixed-use office/retail: shared services, common parts, tenant space, where procured by the landlord;
 - o Mixed-use: Other: whole building; common parts; tenant space, where procured by the landlord;
 - o Office low-rise: whole building; common parts; shared services; outdoor areas; tenant space, where procured by the landlord;
 - o Office mid-rise: whole building; common parts; shared services; outdoor areas; tenant space, where procured by the landlord;
 - o Retail high street: shared services, common parts, tenant space, where procured by the landlord;
 - o Retail warehouse: whole building; outdoor areas; tenant space, where procured by the landlord;
 - o Energy procured directly by tenants is not reported;
- Percentage of data estimated pro rata across 2022 and 2023: 0.3%;
- Renewable electricity (%) is calculated according to the attributes of energy supply contracts as at 31 December 2023 and only reflects renewable electricity procured under a 100% 'green tariff' (i.e. where generation is from a 100% renewable source). The renewables percentage of standard (non-'green tariff') energy supplies are not currently known and therefore has not been included within this number;
- Intensity: Numerators/denominators are aligned at the sector level as follows:
 - o Lodging, Leisure, & Recreation: Other, Retail: High Street & Retail: Retail Centres: Warehouse – Common areas energy consumption (kWh) divided by common parts area (CPA m2);
 - o Industrial: Distribution Warehouse: Refrigerated Warehouse, Industrial: Distribution Warehouse: Non-Refrigerated Warehouse – External areas energy consumption (kWh) divided by the external area (m2) or common parts area (m2) where known
 - o All other sectors – Common areas and shared service or whole building energy consumption (kWh) divided by gross internal area (GIA m2)
- All energy was procured from a third-party supplier. No 'self-generated' renewable energy was consumed during the reporting period and therefore is not presented here;
- Coverage (landlord-procured consumption) relates to the proportion of assets for which landlord obtained data has been reported:
 - o An asset in the 'Office: Corporate: Low-Rise Office' sector has been removed due to data quality issues which are under investigation with the supplier.
- Where appropriate (for relevant assets), consumption data and asset NLA/GIA has been adjusted to reflect the Company's share of ownership.

Like-for-like energy consumption (Elec-LfL; Fuels-LfL; Energy-Int)

The table below sets out the like-for-like landlord-obtained energy consumption from the Company's managed portfolio by sector.

Sector	Like-for-like electricity consumption (kWh)			Like-for-like fuel consumption (kWh)			Like-for-like Energy Intensity (kWh /m2)		
	2022	2023	% Change	2022	2023	% Change	2022	2023	% Change
Office: Corporate:	442,582	494,630	12%	370,050	297,325	-20%	26	25	-3%

Low-Rise Office									
Coverage (landlord-procured consumption)	82%	82%		78%	78%		80%	80%	
Retail: High Street	16,992	12,441	-27%	-	-	-	2	1	-27%
Coverage (landlord-procured consumption)	100%	100%		-	-		100%	100%	
Retail: Retail Centres: Warehouse	34,960	23,492	-33%	27,969	-	-100%	5	2	-63%
Coverage (landlord-procured consumption)	100%	100%		-	-		100%	100%	
Mixed use: Other	1,911,974	1,973,117	2%	-	-	-	23	23	2%
Coverage (landlord-procured consumption)	100%	100%		-	-		100%	100%	
Mixed use: Office/Retail	273,793	252,858	-8%	23	-	-100%	96	89	-8%
Coverage (landlord-procured consumption)	100%	100%		-	-		100%	100%	
Industrial: Distribution Warehouse: Non-Refrigerated Warehouse	1,380,606	1,519,872	10%	392,249	436,386	11%	16	17	10%
Coverage (landlord-procured consumption)	100%	100%		100%	100%		100%	100%	
Industrial: Distribution Warehouse: Refrigerated Warehouse	3,914	2,334	-40%	-	-		-	-	-
Coverage (landlord-procured consumption)	100%	100%		100%	100%		100%	100%	
Lodging, Leisure &	205,193	207,994	1%	-	-	-	59	60	1%

Recreation: Other									
Coverage (landlord- procured consumption)	100%	100%		100%	100%		100%	100%	
Office: Corporate: Mid-Rise Office	268,733	277,276	3%	448,859	396,963	-12%	149	140	-6%
Coverage (landlord- procured consumption)	100%	100%		100%	100%		100%	100%	
Total	4,333,554	4,556,020	5%	1,239,150	1,130,674	-9%			
Coverage (landlord- procured consumption)	97%	88%		97%	88%				
Total electricity, fuels and district heating	5,777,896	5,864,688	1.5%						
Coverage (landlord- procured consumption)	95%	95%							
Renewable electricity %	81%	79%							

- Like-for-like excludes assets that were purchased, sold, under major refurbishment or subject to a significant change in the scope of reported data during the two years reported.
- Consumption data relates to the managed portfolio only:
 - o Industrial: Distribution warehouse: Refrigerated Warehouse: whole building; outdoor areas; tenant space, where procured by the landlord.
 - o Industrial: Distribution warehouse: Non- Refrigerated Warehouse: whole building; outdoor areas; tenant space, where procured by the landlord.
 - o Lodging, leisure & recreation: common parts; outdoor areas; tenant space, where procured by the landlord.
 - o Mixed use office/retail: whole building; shared services, common parts, tenant space, where procured by the landlord.
 - o Mixed use: Other: whole building; common parts; tenant space, where procured by the landlord.
 - o Office low-rise: whole building; common parts; shared services; outdoor areas; tenant space, where procured by the landlord.
 - o Office mid-rise: whole building; common parts; shared services; outdoor areas; tenant space, where procured by the landlord.
 - o Retail high street: shared services, common parts, tenant space, where procured by the landlord.
 - o Retail warehouse: whole building; outdoor areas; tenant space, where procured by the landlord.
- Percentage of data estimated pro-rata across 2022 and 2023: 0.4%
- Renewable electricity (%) is calculated according to the attributes of energy supply contracts as at 31 December 2023 and only reflects renewable electricity procured under a 100% 'green tariff' (i.e. where generation is from a 100% renewable source). The renewables percentage of standard (non-'green tariff') energy supplies are not currently known and therefore has not been included within this number.

- Lodging, Leisure and Recreation: Other, Retail: High Street & Retail: Retail Centres: Warehouse – Common areas energy consumption (kWh) divided by common parts area (CPA m2)
 - Industrial: Distribution Warehouse: Refrigerated Warehouse, Industrial: Distribution Warehouse: Non-Refrigerated Warehouse – External areas energy consumption (kWh) divided by the external area (m2) or common parts area (m2) where known
 - All other sectors – Common areas and shared service or whole building energy consumption (kWh) divided by gross internal area (GIA m2)
- All energy was procured from a third-party supplier. No ‘self-generated’ renewable energy was consumed during the reporting period and therefore is not presented here.
 - Coverage (landlord-procured consumption) relates to the proportion of assets for which landlord obtained data has been reported.
 - An asset in the ‘Office: Corporate: Low-Rise Office’ sector has been removed due to data quality issues which are under investigation with the supplier.
 - Where appropriate (for relevant assets), consumption data and asset NLA/GIA has been adjusted to reflect the Company’s share of ownership.
- **Variance Commentary:**
 - The like-for-like reduction in fuel consumption for the Retail: Retail Centres: Warehouse sector can be explained by the single asset (St John’s Retail Park) having lower consumption in 2023 due to the removal of the landlord gas supply;
 - The like-for-like reduction in electricity consumption for the Retail: High Street sector can be explained by lighting system upgrades at The Albion Centre, Ilkeston;
 - The like-for-like reduction in electricity consumption for the Mixed-Use: Other sector can be in part explained by lighting system upgrades at Headingley Central;
 - The like-for-like reduction in fuel consumption for the Office: Corporate: Mid-Rise Office sector can be explained by optimisation works at The Tun, Edinburgh where all temperature settings were reduced via the BMS throughout the building; and
 - The like-for-like reduction in fuel consumption for the Office: Corporate: Low-Rise Office sector can be in part explained by occupancy changes at Clifton Park, York.

Greenhouse gas emissions (GHG-Dir-Abs; GHG-Indir-Abs; GHG-Int)

The table below sets out the Company’s managed portfolio greenhouse gas emissions by sector.

Sector	Absolute emissions (tCO ₂ e)		Like for like emissions (tCO ₂ e)			Like for Like Intensity (kg CO ₂ e /m ²)			Absolute Intensity (kg CO ₂ e /m ²)		
	2022	2023	2022	2023	% Change	2022	2023	% Change	2022	2023	% Change
Office: Corporate: Low-Rise Office											
Scope 1	126.1	94.4	67.5	54.4	-19%	4.85	4.97	2%	6.16	4.70	-24%
Scope 2	154.1	119.5	85.6	102.4	20%						
Scopes 1 & 2	280.2	213.9	153.1	156.8	2%						
Coverage (landlord-procured consumption)	88%	82%	80%	80%		88%	82%		80%	80%	
Retail: High Street											
Scope 1	-	-	-	-	-	0.39	0.31	-22%	0.39	0.31	-22%

Scope 2	3.29	2.58	3.3	2.6	-22%						
Scopes 1 & 2	3.3	2.6	3.3	2.6	-22%						
Coverage (landlord-procured consumption)	100%	100%	100%	100%		100%	100%		100%	100%	
Retail: Retail Centers: Warehouse											
Scope 1	5.1	-	5.1	-	-100%						
Scope 2	6.8	4.9	6.8	4.9	-28%	0.94	0.39		0.94	0.39	
Scopes 1 & 2	11.9	4.9	11.9	4.9	-59%			-59%			-59%
Coverage (landlord-procured consumption)	100%	100%	100%	100%		100%	100%		100%	100%	
Mixed-use: Other											
Scope 1	-	-	-	-	-						
Scope 2	369.74	402.37	369.7	402.4	9%	4.44	4.83		4.44	4.83	
Scopes 1 & 2	369.7	402.4	369.7	402.4	9%			9%			9%
Coverage (landlord-procured consumption)	100%	100%	100%	100%		100%	100%		100%	100%	
Mixed-use: Office/Retail											
Scope 1	24.0	16.6	0.0	-	-100%						
Scope 2	78.89	99.02	52.9	52.4	-1%	18.65	18.44		11.86	13.31	
Scopes 1 & 2	102.9	115.6	53.0	52.4	-1%			-1%			12%
Coverage (landlord-procured consumption)	100%	100%	100%	100%		100%	100%		100%	100%	
Industrial: Distribution Warehouse: Non-Refrigerated											
Scope 1	71.6	79.8	71.6	79.8	11%						
Scope 2	267.0	314.7	267.0	314.7	18%	2.97	3.46		2.97	3.46	
Scopes 1 & 2	338.6	394.6	338.6	394.6	17%			17%			17%
Coverage (landlord-procured consumption)	100%	100%	100%	100%		100%	100%		100%	100%	
Industrial: Distribution Warehouse: Refrigerated											
Scope 1	-	-	-	-	-						
Scope 2	0.8	0.5	0.8	0.5	-36%	1.38	0.88		1.38	0.88	
Scopes 1 & 2	0.8	0.5	0.8	0.5	-36%			-36%			-36%
Coverage (landlord-procured consumption)	100%	100%	100%	100%		100%	100%		100%	100%	
Lodging, Leisure & Recreation: Other											
Scope 1	-	-	-	-	-						
Scope 2	39.7	43.1	39.7	43.1	9%	11.46	12.44	9%	11.46	12.44	9%

Scopes 1 & 2	39.7	43.1	39.7	43.1	9%						
Coverage (landlord-procured consumption)	100%	100%	100%	100%		100%	100%		100%	100%	
Office: Corporate: Mid-Rise Office											
Scope 1	81.9	72.6	81.9	72.6	-11%						
Scope 2	52.0	57.42	52.0	57.4	10%	27.75	26.94		27.75	26.94	
Scopes 1 & 2	133.9	130.0	133.9	130.0	-3%			-3%			-3%
Coverage (landlord-procured consumption)	100%	100%	100%	100%		100%	100%		100%	100%	
Total Scope 1	308.8	263.5	226.2	206.8	-9%						
Total Scope 2	972.1	1044.0	877.7	980.3	12%						
Total Scope 1 & 2	1280.9	1307.5	1103.9	1187.6	8%						
Coverage (landlord-procured consumption)	98%	97%	97%	97%							

- Like-for-like excludes assets that were purchased, sold, under major refurbishment or subject to a significant change in the scope of reported data during the two years reported.
- The Fund's greenhouse gas (GHG) inventory has been developed as follows:
 - o Scope 1 GHG emissions relate to the use of onsite natural gas; and
 - o Scope 2 GHG emissions relate to the use of electricity.
- GHG emissions from electricity (Scope 2) are reported according to the 'location-based' approach.
- GHG emissions are presented as tonnes of carbon dioxide equivalent (tCO₂e) and GHG intensity is presented as kilograms of carbon dioxide equivalent (kgCO₂e), where available greenhouse gas emissions conversion factors allow.
- Fuels/electricity GHG emissions factors have been taken from the UK government's Greenhouse Gas Reporting Factors for Company Reporting (2022 and 2023).
- Emissions data relates to the managed portfolio only:
 - o Industrial: Distribution warehouse: Refrigerated Warehouse: whole building; outdoor areas; tenant space, where procured by the landlord;
 - o Industrial: Distribution warehouse: Non- Refrigerated Warehouse: whole building; outdoor areas; tenant space, where procured by the landlord;
 - o Lodging, leisure & recreation: common parts; outdoor areas; tenant space, where procured by the landlord;
 - o Mixed-use office/retail: whole building; shared services, common parts, tenant space, where procured by the landlord;
 - o Mixed-use: Other: whole building; common parts; tenant space, where procured by the landlord;
 - o Office low-rise: whole building; common parts; shared services; outdoor areas; tenant space, where procured by the landlord;
 - o Office mid-rise: whole building; common parts; shared services; outdoor areas; tenant space, where procured by the landlord;
 - o Retail high street: shared services, common parts, tenant space, where procured by the landlord;
 - o Retail warehouse: whole building; outdoor areas; tenant space, where procured by the landlord; and
 - o Emissions associated with energy procured directly by tenants is not reported.
- Percentage of data estimated pro-rata across 2022 and 2023: 0.3% for electricity and gas.
- Intensity: Numerators/denominators are aligned at the sector level as follows:
 - o Lodging, Leisure, & Recreation: Other, Retail: High Street & Retail: Retail Centres: Warehouse – Common areas energy consumption (kWh) divided by common parts area (CPA m²);

- Industrial: Distribution Warehouse: Refrigerated Warehouse, Industrial: Distribution Warehouse: Non-Refrigerated Warehouse – External areas energy consumption (kWh) divided by the external area (m2) or common parts area (m2) where known;
- All other sectors – Common areas and shared service or whole building energy consumption (kWh) divided by gross internal area (GIA m2)
- Coverage (landlord-procured consumption) relates to the proportion of assets for which landlord-obtained data has been reported.
 - An asset in the ‘Office: Corporate: Low-Rise Office’ sector has been removed due to data quality issues which are under investigation with the supplier.
- Where appropriate (for relevant assets), consumption data and asset NLA/GIA has been adjusted to reflect the Company’s share of ownership.
- **Variance Commentary:**
 - GHG emissions differences between 2022 and 2023 must be discussed in the context of marginally higher UK emissions factors for both electricity and natural gas between in 2023 compared to 2022;
 - The like-for-like reduction in Scope 1 emissions for the Retail: Retail Centres: Warehouse sector can be explained by the single asset (St John’s Retail Park) having lower consumption in 2023 due to the removal of the landlord gas supply;
 - The like-for-like reduction in Scope 2 emissions for the Retail: High Street sector can be explained by lighting system upgrades at The Albion Centre, Ilkeston;
 - The like-for-like reduction in Scope 2 emissions for the Mixed-Use: Other sector can be in part explained by lighting system upgrades at Headingley Central;
 - The like-for-like reduction in Scope 1 emissions for the Office: Corporate: Mid-Rise Office sector can be explained by optimisation works at The Tun, Edinburgh where all temperature settings were reduced via the BMS throughout the building; and
 - The like-for-like reduction in Scope 1 emissions for the Office: Corporate: Low-Rise Office sector can be in part explained by occupancy changes at Clifton Park, York.

Water (Water-Abs; Water-LfL; Water-Int)

The table below sets out water consumption from the Company’s managed portfolio by sector.

Sector	Absolute Water consumption (m ³)		Like-for-like Water consumption (m ³)			Like-for-like Intensity (m ³ /m ²)		
	2022	2023	2022	2023	% Change	2022	2023	% Change
Office: Corporate: Low-Rise Office	6,303	6,289	3,888	5,757	48%	0.1	0.2	48%
Coverage (landlord-procured consumption)	100%	100%	100%	100%		100%	100%	
Retail: High Street	2,862	2,936	2,862	2,936	3%	0.3	0.4	3%
Coverage (landlord-procured consumption)	100%	100%	100%	100%		100%	100%	
Retail: Retail Centers: Warehouse	299	301	299	301	0%	0.02	0.02	0%

Coverage (landlord-procured consumption)	100%	100%	100%	100%		100%	100%	
Mixed-use: Other	3,732	2,988	3,732	2,988	-20%	0.0	0.0	-20%
Coverage (landlord-procured consumption)	100%	100%	100%	100%		100%	100%	
Mixed-use: Office/Retail	3,003	5,909	440	1,381	214%	0.2	0.5	214%
Coverage (landlord-procured consumption)	100%	100%	100%	100%		100%	100%	
Lodging, Leisure & Recreation: Other	149	143	149	143	-4%	0.04	0.04	-4%
Coverage (landlord-procured consumption)	100%	100%	100%	100%	-	100%	100%	
Office: Corporate: Mid-Rise Office	-	-	-	-	-	-	-	-
Coverage (landlord-procured consumption)	0%	0%	0%	0%		0%	0%	
Total	16,349	18,566	11,371	13,506	19%			
Coverage (landlord-procured consumption)	97%	96%	96%	96%				

- Like-for-like excludes assets that were purchased, sold, under major refurbishment or subject to a significant change in the scope of reported data during the two years reported.
- Consumption data relates to the manage portfolio only:
 - o Lodging, leisure & recreation: common parts;
 - o Mixed-use: other: whole building; common parts;
 - o Mixed-use: office/retail: whole building; common parts;
 - o Office low-rise: whole building; common parts; tenant space, where procured by the landlord;
 - o Office mid-rise: whole building; common parts; tenant space, where procured by the landlord;
 - o Retail: high street: common parts; tenant space, where procured by the landlord;
 - o Retail warehouse: tenant space, where procured by the landlord; and
 - o Water procured directly by tenants is not reported.
- All water was procured from a municipal supply. As far as we are aware, no surface, ground, rainwater or wastewater from another organisation was consumed during the reporting period and therefore is not presented here.
- Percentage of data estimated pro-rata across both 2022 and 2023: 0%.
- Intensity: Numerators/denominators are aligned as follows:
 - o Lodging, Leisure and Recreation: Other, Retail: High Street & Retail: Retail Centres: Warehouse – Common areas energy consumption (kWh) divided by common parts area (CPA m²);
 - o Industrial: Distribution Warehouse: Refrigerated Warehouse, Industrial: Distribution Warehouse: Non-Refrigerated Warehouse – External areas energy consumption (kWh) divided by the external area (m²) or common parts area (m²) where known; and
 - o All other sectors – Common areas and shared service or whole building energy consumption (kWh) divided by gross internal area (GIA m²).

- Coverage (landlord-procured consumption) relates to the proportion of assets for which landlord-obtained data has been reported.
 - o An asset in the 'Office: Corporate: Mid-Rise Office' sector has been removed due to data quality issues which are under investigation with the supplier.
- Where appropriate (for relevant assets), consumption data and asset NLA/GIA has been adjusted to reflect the Company's share of ownership.
- Variance commentary:
 - o The notable increase in like-for-like water consumption for the Office: Corporate: Low-Rise Office sector can largely be attributed to the asset Northampton, Century & Peterbridge. This is due to increased occupancy in 2023 and several small water leaks that have since been fixed; and
 - o The notable increase in like-for-like water intensity for the Mixed-Use: Office/ Retail is because of water leaks at Liverpool, 88 – 94 Church Street.

Waste (Waste-Abs; Waste-LfL)

The table below sets out waste from the Company's managed portfolio by disposal route and sector.

		Absolute tonnes				Like-for-like tonnes				
		2022		2023		2022		2023		
		Tonnes	%	Tonnes	%	Tonnes	%	Tonnes	%	% Change
Office: Corporate : Low-Rise Office	Recycled	30.4	60.3%	23.0	42.6%	30.4	60.3%	23.0	42.6%	-24.3%
	Incineration with energy recovery	20.0	39.7%	31.0	57.4%	20.0	39.7%	31.0	57.4%	55%
	Unknown	-	-	-	-	-	-	-	-	-
	Landfill	-	-	-	-	-	-	-	-	-
Total		50.4		54.0	7.1%	50.4		54.0		7.1%
Coverage (landlord-procured consumption)		100%		100%		100%		100%		
Retail: High Street	Recycled	14.0	40.7%	24.8	55.0%	14.0	40.7%	24.8	55.0%	77.1%
	Incineration with energy recovery	20.3	59.0%	20.3	45.0%	20.3	59.0%	20.3	45.0%	0%
	Unknown	-	-	-	-	-	-	-	-	-
	Landfill	-	-	-	-	-	-	-	-	-
Total		34.4		45.1	31.1	34.4		45.1		31.1
Coverage (landlord-procured)		100%		100%		100%		100%		

	consumption)									
Retail: Retail Centers: Warehouse	Recycled		-		-		-		-	-
	Incineration with energy recovery	0.8	100%	2.8	100%	0.8	100%	2.8	100%	250%
	Unknown		-		-		-		-	-
	Landfill		-		-		-		-	-
	Total	0.8		2.8	250%	0.8		2.8		250%
	Coverage (landlord-procured consumption)	100%		100%		100%		100%		
Mixed-use: Other	Recycled	45.3	52.1%	45.8	48.8%	45.3	52.1%	45.8	48.8%	1.1%
	Incineration with energy recovery	41.7	47.9%	48	51.2%	41.7	47.9%	48.0	51.2%	15.1%
	Unknown		-		-		-		-	-
	Landfill		-		-		-		-	-
	Total	87.0		93.8	7.8%	87.0		93.8		7.8%
	Coverage (landlord-procured consumption)	100%		100%		100%		100%		
Mixed-use: Office/Retail	Recycled	10.4	34.2%	3.0	30.6%	10.4	34.2%	3.0	30.6%	-71.2%
	Incineration with energy recovery	20.0	65.8%	6.8	69.4%	20	65.8%	6.8	69.4%	-66%
	Unknown		-		-		-		-	-
	Landfill		-		-		-		-	-
	Total	30.4	-	9.8	67.8%	30.4		9.8		-67.8%
	Coverage (landlord-procured consumption)	100%		100%		100%		100%		

Lodging, Leisure & Recreation: Other	Recycled	274.7	58.7%	255.3	60.0%	274.7	58.7%	255.3	60.0%	-7.1%
	Incineration with energy recovery	193.4	41.3%	170.4	40.0%	193.4	41.3%	170.4	40.0%	-11.9%
	Unknown	-	-	-	-	-	-	-	-	-
	Landfill	-	-	-	-	-	-	-	-	-
	Total	468.1	-	425.7	-	468.1	-	425.7	-	-9.1%
	Coverage (landlord-procured consumption)	100%		100%		100%		100%		
Office: Corporate: Mid-Rise Office	Recycled	14.9	72.0%	13.8	76.2%	14.9	72.0%	13.8	76.2%	-7.4%
	Incineration with energy recovery	5.8	28.0%	4.3	23.8%	5.8	28.0%	4.3	23.8%	-25.9%
	Unknown	-	-	-	-	-	-	-	-	-
	Landfill	-	-	-	-	-	-	-	-	-
	Total	20.7	-	18.1	-	20.7	-	18.1	-	-12.6%
	Coverage (landlord-procured consumption)	100%		100%		100%		100%		
Total	Recycled	389.7	-	365.7	-	381.7	-	365.7	-	-4.2%
	Incineration with energy recovery	302.1	-	23.6	-	292.1	-	283.6	-	--2.9%
	Unknown	0.00	-	0.00	-	0.00	-	0.00	-	0%
	Landfill	0.00	-	0.00	-	0.00	-	0.00	-	0%
	Total	691.8		649.3		673.8		649.3		-3.6%
		100%		100%		100%		100%		

- Whilst zero waste is sent directly to landfill, a residual component of the 'recycled' and 'incineration with energy recovery' waste streams may end up in landfill;
- Like-for-like excludes assets that were purchased, sold, under major refurbishment or subject to a significant change in the scope of reported data during the two years reported;
- Waste data relates to the managed portfolio only;
- Waste management procured directly by tenants is not reported;
- Reported data relates to non-hazardous waste only, robust tonnage data on the small quantities of hazardous waste produced is not available;
- Coverage (landlord-procured consumption) relates to the proportion of assets for which landlord obtained data has been reported;
- Where appropriate (for relevant assets), consumption data and asset NLA/GIA has been adjusted to reflect the Company's share of ownership; and
- Variance Commentary:
 - o The increase in like-for-like tonnage for the Retail: High Street is attributed to Ilkeston Albion Centre where two additional waste streams were added in 2023.

Sustainability certification: Green building certificates (Cert-Tot)

The table below sets out the proportion of the Company's total portfolio with a Green Building Certificate by floor area:

Rating	Portfolio by floor area (%)
BREEAM/New Construction Excellent	2.5%
BREEAM/ Refurbishment and Fit-out Coverage	2.5%
BREEAM/Refurbishment and Fit-out Very Good	0.2%
BREEAM/ Refurbishment and Fit-out Coverage	0.2%
BREEM In Use Very Good	2.0%
BREEM In Use Good	3.2%
BREEM In Use Acceptable	0.8%
BREEAM/ In Use Coverage	6.0%
WiredScore Gold	2.3%
WiredScore Silver	0.8%
WiredScore/ Coverage	3.1%
Total Portfolio Coverage (excluding duplicates)	9.7%

- Green building certificate records for the Company are provided as at 31 December 2023 by portfolio net lettable floor area;
- Data provided includes managed and non-managed assets (i.e. the whole portfolio);
- Where appropriate (for relevant assets), asset GIA has been adjusted to reflect the Company's share of ownership;
- To avoid double counting, the Total Portfolio Coverage excludes the floor area for the BREEAM/Refurbishment and Fit-out at City Tower as there are additional certificates already included in the count; and
- In Q1 2024 the WiredScore for City Tower, Manchester was upgraded from a 'Gold' to a 'Platinum' rating.

Sustainability certification: Energy Performance Certificates (Cert-Tot)

The table below sets out the proportion of the Company's total portfolio with an Energy Performance Certificate by floor area:

Rating	Portfolio by Floor Area
--------	-------------------------

A+	2.7%
A	2.8%
B	15.1%
C	39.3%
D	27.0%
E	11.9%
F	0.0%
G	0.0%
N/A	0.0%
No EPC	1.1%
Coverage	100%

- Energy Performance Certificate (EPC) records for the Company are provided for the portfolio as at 31 December 2023 by portfolio floor area;
- Data provided includes the whole portfolio i.e. managed and non-managed assets;
- Where appropriate (for relevant assets) asset GIA has been adjusted to reflect the Company's share of ownership;
- EPCs are known for 99% of the portfolio by floor area. In general terms, since the introduction of the EPC Regulations in 2008, EPCs are required for the letting of units or buildings or the sale of buildings. In addition, the UK Minimum Energy Efficiency Standards regulations ('MEES') came into force for commercial buildings on 1 April 2018 and require a minimum EPC rating of 'E' for new lettings; the rules apply to all leases from 1 April 2023. The EPCs for the portfolio are managed to ensure compliance with the MEES regulations.

Sustainability Performance Measures (Social)

EPRA's Sustainability Best Practices Recommendations Guidelines 2017 ('EPRA's Guidelines') include Social and Governance reporting measures to be disclosed for the entity i.e. the Company. The Company is an externally managed real estate investment trust and has no direct employees. A number of these Social Performance measures relate to entity employees and therefore these measures are not relevant for reporting at the entity level. The Investment Manager to the Company, Schroder Real Estate Investment Management Limited, is part of Schroders PLC which has responsibility for the employees that support the Company. The Company aims to comply with EPRA's Guidelines and therefore has included Social and Governance Performance Measure disclosures in this report. However, these are presented as appropriate for the activities and responsibilities of the Schroder real Estate Investment Trust Limited (the 'Company'), Schroders plc or the Investment Manager, Schroder Real Estate Investment Management Limited.

The Schroders PLC Annual Report and Accounts for the 12 months to 31 December 2023 supports the performance measures in relation to the Investment Manager as set out below. Schroders PLC's principles in relation to people including diversity, gender pay gap, values, employee satisfaction survey, wellbeing and retention can be found at:

- [Schroders 2023 Annual Report and Accounts](#); and
- [Inclusion at Schroders Report 2023](#)

Employee gender diversity (Diversity-Emp)

As at 31 March 2024 the Company's Board comprised five members: 2 (40%) female; 3 (60%) male.

For further information on Schroders plc's employee gender and diversity, covering more employee categories, please refer to [Inclusion at Schroders Report 2023](#):
[Inclusion at Schroders Report 2023](#)

Gender pay ratio (Diversity-Pay)

The remuneration of the Company's Board is set out on pages 64 to 65 of this Report and Accounts document.

The Schroders plc female representation and gender pay report can be found in the Schroders 2023 Annual Report and Accounts (page 43) and [Inclusion at Schroders Report 2023](#):

- [Schroders 2023 Annual Report and Accounts](#); and
- [Inclusion at Schroders Report 2023](#)

Information on Diversity and Inclusion at Schroders can be found at:

- [Inclusion at Schroders Report 2023](#)

The following are reported for Schroders in relation to the Investment Management of the Company:

Training and development (Emp-Training)

Schroders requires employees to complete mandatory internal training. Schroders encourages all staff with professional qualifications to maintain the training requirements of their respective professional body.

Employee performance appraisals (Emp-Dev)

Schroders performance management process requires annual performance objective setting and annual performance reviews for all staff. The Investment Manager confirms that performance appraisals were completed for 100% of investment staff relevant to the Company in 2023.

The following are reported for Schroders PLC:

For commentary on Schroders PLC's turnover and retention rates please refer to the Schroders Annual Report and Accounts (page 18):

- [Schroders 2023 Annual Report and Accounts](#)

Employee health and safety (H&S-Emp)

Schroders PLC does not include employee health and safety performance measures in its Annual Report and Accounts.

The following are reported in relation to the assets held in the Company's portfolio over the reporting period to 31 Dec 2023:

Asset health and safety assessments (H&S-Asset)

The table below sets out the proportion of the Company's portfolio where operational control is retained, and where health and safety impacts were assessed or reviewed for compliance or improvement:

	Portfolio by floor area (%)	
	2022	2023
All sectors	100%	100%

Asset health and safety compliance (H&S-Comp)

The table below sets out the number of incidents of non-compliance with regulations/and or voluntary codes identified:

	Number of incidents	
	2022	2023
All Sectors	1	0

In 2022, there was an issue with a fire panel at one asset within the portfolio. The issue was rectified by replacing the panel.

Community engagement, impact assessments and development programmes (Comty-Eng)

The table below sets out the proportion of the Company's total portfolio which completed local community engagement, impact assessments and/or development programs:

	Portfolio by number assets (%)	
	2022	2023
Total	29%	43%

Community engagement initiatives are carried out where deemed relevant to individual assets, in collaboration with the relevant site team.

All site teams are encouraged to engage with local communities where this is appropriate to the asset. Examples of community initiatives undertaken in the year ended 31 December 2023 include permitting the local model railway society to use part vacant space and supporting local and national charities such as 'KidsOut' children's Christmas appeal, and 'Let's Can Hunger's' foodbank appeal. At Headingley Central, a monthly makers market is held, providing a platform for local craftspeople and businesses.

Sustainability Performance Measures (Governance)

Composition of the highest governance body (Gov-Board)

The Board of the Company comprised 5 non-executive independent directors (0 executive board members) as at 31 March 2024 and:

- The average tenure of the five directors to 31 March 2024 is 3 years and 10 months; and
- The number of directors with competencies relating to environmental and social topics is two, Alexandra Innes and Priscilla Davies, and their experience can be seen in their biographies.

Nominating and selecting the highest governance body (Gov-Select)

The role of the Nomination Committee, chaired by Alistair Hughes, is to consider and make recommendations to the Board on its composition so as to maintain an appropriate balance of skills, experience and diversity, including gender, and to ensure a progressive refreshing of the Board. On individual appointments, the Nomination Committee leads the process and makes recommendations to the Board.

Before the appointment of a new director, the Nomination Committee prepares a description of the role and capabilities required for a particular appointment. While the Nomination Committee is dedicated to selecting the best person for the role, it aims to promote diversification, and the Board recognises the importance of diversity. The Board agrees that its members should possess a range of experience, knowledge, professional skills and personal qualities as well as the independence necessary to provide effective oversight of the affairs of the Company.

Process for managing conflicts of interest (Gov-Col)

The Company's Conflicts of Interest Policy sets out the policy and procedures of the Board and the Company Secretary for the management of conflicts of interest.

Streamlined Energy and Carbon Reporting

Schroder Real Estate Investment Trust Limited (the 'Company') is a real estate investment company with a premium listing on the Official List of the UK Listing Authority and whose shares are traded on the Main Market of the London Stock Exchange (ticker: SREI).

The Company is a real estate investment trust ('REIT') and benefits from the various tax advantages offered by the UK REIT regime. The Company continues to be declared as an authorised closed-ended investment scheme by the Guernsey Financial Services Commission under section 8 of the Protection of Investors (Bailiwick of Guernsey) Law, 2020 and Authorised Closed-Ended Investment Schemes Rules and Guidance, 2021.

The Board and Investment Manager in recognition of the importance it places on sustainability has included a report for the Company aligned with the UK Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, (the Regulations) on its UK energy use, associated Scope 1 and 2 greenhouse gas ('GHG') emissions, an intensity metric and, where applicable, global energy use. This reporting is also referred to as Streamlined Energy and Carbon Reporting ('SECR').

This Energy and Carbon Report applies for the Company's annual report for the 12 months to 31 March 2024. The statement has however been prepared for the calendar year, the 12 months to 31 December 2023, to report annual figures for emissions and energy use the available period for which such information is available. In addition, the Regulations advise providing a narrative on energy efficiency actions taken in the previous financial year.

As a property company, energy consumption and emissions result from the operation of buildings. The reporting boundary has been scoped to those held properties where the Company retained operational control: where the Company is responsible for operating the entire building, shared services (e.g. common parts lighting, heating, and air conditioning), external lighting and/or void spaces. 'Operational control' has been selected as the reporting boundary (as opposed to 'financial control' or 'equity share') as this reflects the portion of the portfolio where the Company can influence operational procedures and, ultimately, sustainability performance. This incorporates consumption in tenant areas, where the landlord procures energy for the whole building and where recharges are not made directly (i.e. based on sub-metered kWh consumption). In 2023, within the portfolio, there were 23 properties within the operational control reporting boundary and in 2022 there were 24 such properties. All Company assets are located in the UK.

The Company is not directly responsible for any GHG emissions/energy usage at single let/FRI assets nor at multi-let assets where the tenant is responsible for procuring their own energy. These emissions form part of the wider value chain (i.e. 'Scope 3') emissions, which are not monitored at present. As a real estate company with no direct employees or company owned vehicles as at 31 December 2023, there is no energy consumption or emissions associated with travel or occupation of corporate offices to report. Fugitive emissions associated with refrigerant losses from air conditioning equipment are widely understood by the industry to be less material than other sources of emissions and data is often not collected. The Company received fugitive emissions data in previous reporting years, and this confirmed that they were de minimis and consequently have not been captured in current reporting.

In addition to reporting absolute energy consumption and GHG emissions, the Company has reported separately on performance within the 'like-for-like' portfolio, as well as providing intensity ratios, where appropriate. The like-for-like portfolio includes buildings where each of the following conditions is met:

- Owned for the full 24-month period (sales / acquisitions are excluded)
- No major renovation or refurbishment has taken place
- At least 24 months data is available

For the intensity ratios, the denominator determined to be relevant to the business is square metres of net lettable area for most sectors, including Industrial Distribution Warehouses (Refrigerated and Non-Refrigerated), Leisure, Mixed-Use, Offices and Retail Warehouses. For Retail: High Street, the most relevant denominator is common parts area. The intensity ratio is expressed as:

- Energy: kilowatt hours per metre square (net lettable area or common parts area) per year, or, kWh/m²/yr.
- GHG: kilograms carbon dioxide equivalent per metre square (net lettable area or common parts area) per year, or, kgCO₂e/m²/yr.

Energy Consumption and Greenhouse Gas Emissions

The table below sets out the Company's energy consumption.

	Absolute Energy (kWh)		Like-for-like Energy (kWh)		
	2022	2023	2022	2023	% Change
Gas	1,691,522	1,440,182	1,239,150	1,130,675	-9%
Electricity	5,027,011	5,041,826	4,538,747	4,734,014	4%
Total	6,718,533	6,482,008	5,777,897	5,864,689	1.5%

The table below sets out the Company's greenhouse gas emissions.

	Absolute Emissions (tCO ₂ e)		Like-for-like Emissions (tCO ₂ e)		
	2022	2023	2022	2023	% Change
Scope 1 (Direct emissions from gas consumption)	308.8	263.5	226.2	206.8	-9%
Scope 2 (Indirect emissions from electricity)	972.1	1,044	877.7	980.3	12%
Total	1,280.9	1,307.5	1,103.9	1,187.1	8%

The like-for-like energy consumption for the 2023 calendar year for the managed assets held within the Company has slightly increased by 1.5% primarily due to occupancy changes. The greenhouse gas emissions have increased by 8% partly due to changes to the DEFRA GHG emissions factors for both natural gas and electricity between 2022 and 2023. Energy performance improvement opportunities continued to be considered across the portfolio. Initiatives undertaken during the reporting year include Heating, Ventilation, and Air-Conditioning (HVAC) replacements/upgrades, roof insulation upgrades, window replacements, LED lighting upgrades and installation of lighting and ventilation occupancy sensors. Automatic Meter Reading (AMR) devices continue to be rolled out across all landlord electricity supplies for improved energy monitoring.

The table below sets out the Company's energy and greenhouse gas emissions intensities by sector on a like-for-like basis:

	Energy Intensities (kWh per m ²)		GHG Emission Intensities (kgCO ₂ e per m ²)	
	2022	2023	2022	2023
Industrial Distribution Warehouses (Refrigerated)	7	4	1.4	0.9
Industrial Distribution Warehouses (Non-Refrigerated)	16	17	3.0	3.5
Leisure	59	60	11.5	12.4
Mixed-Use, Office/Retail	96	89	18.7	18.4
Mixed-Use, Other	23	23	4.4	4.8
Office, Low Rise	26	25	4.9	5.0
Office, Mid Rise	149	140	27.7	26.9
Retail High Street	2	1	0.4	0.3
Retail Warehouse	5	2	0.9	0.4

Methodology

- All energy consumption and GHG emissions reported occurred at the Company assets all of which are located in the UK.
- Energy consumption data is reported according to automatic meter reads, manual meter reads or invoice estimates. Historic energy and consumption data have been restated where more complete and or accurate records have become available. Where required, missing consumption data has been estimated through pro-rata extrapolation. Data has been adjusted to reflect the Company's share of asset ownership, where relevant.
- The sustainability content located on pages 113 to 134 of the SREIT annual report for the year ending 31 March 2024 has been assured in accordance with AA1000. The same data set has been used to compile this data report. The full Assurance Statement is available on request.
- The Company's GHG emissions are calculated according to the principles of the Greenhouse Gas (GHG) Protocol Corporate Standard.
 - The Company's Greenhouse Gas Emissions are reported as tonnes of carbon dioxide equivalent (tCO₂e), which includes the following emissions covered by the GHG Protocol (where relevant and available greenhouse gas emissions factors allow): carbon dioxide (CO₂), methane (CH₄), hydrofluorocarbons (HFCs), nitrous oxide (N₂O), perfluorocarbons (PFCs), sulphur hexafluoride (SF₆) and nitrogen trifluoride (NF₃).
 - GHG emissions from electricity (Scope 2) are reported according to the 'location-based' approach.
 - The following greenhouse gas emissions conversion factors and sources have been applied:

Country	Emissions Source	GHG Emissions Factor	Emissions Factor Data Source
United Kingdom	Electricity 2022	– 0.1934 kgCO ₂ e	– UK Government's GHG Conversion Factors for Company Reporting (2022)
	– Gas 2022	– 0.1825kgCO ₂ e	
	Electricity 2023	0.2071 kgCO ₂ e	– UK Government's GHG Conversion Factors for Company Reporting (2023)
	Gas 2023	– 0.1829kgCO ₂ e	

Energy Efficiency Actions

Environmental data management system and quarterly reporting

Environmental data for the Company is collated by third-party Property Managers and sustainability consultants Deepki, supported by their proprietary commercial real estate ESG data intelligence platform, Deepki Ready. Energy, water, waste, and greenhouse gas emission data are collected and validated for all assets where the portfolio has operational control on at least a quarterly basis.

Energy target, improvement programme and net zero carbon

In 2019 the Manager signed the Better Buildings Partnership's ('BBP') Climate Commitment³⁷ which includes a net zero ambition aligned to the Paris Agreement aim to limit warming to 1.5°C. The Manager's commitment was further underlined by the Company who in 2022 announced its 'Pathway to Net Zero Carbon' committing to:

- Operational whole buildings emissions to be aligned to a 1.5°C pathway by 2030.
- Embodied emissions for all new developments and major renovations to be net zero by 2030.
- Operational Scope 1 and 2 (landlord) emissions to be net zero by 2030.
- Operational and embodied whole building (scope 1, 2 and 3 – landlord and tenant) emissions to be net zero by 2040.

³⁷Better Buildings Partnership Climate Commitment available here: <https://www.betterbuildingspartnership.co.uk/member-climate-commitment>

The Investment Manager together with third-party property managers look to identify and deliver energy and greenhouse gas emissions reductions on a cost-effective basis. The programme involves reviewing all managed assets within the Company and identifying and implementing improvement initiatives, where viable. The process is of continual review and improvement.

Energy performance improvement initiatives undertaken at several assets during the reporting period include HVAC upgrades, roof insulation and glazing upgrades, upgrades to AMR devices for improved energy monitoring, and lighting upgrades.

Renewable electricity tariffs and carbon offsets

The Investment Manager has an objective to procure 100% renewable electricity for all landlord-controlled supplies for which it has responsibility, which includes the assets of the Company, by 2025. As at 31 December 2023, 80% of the Company's landlord-controlled electricity was on renewable tariffs. No carbon offsets were purchased during the reporting period.

Asset list

The table below summarises the portfolio information as at 31 March 2024, excluding post year end activity. The property values presented represent the year end valuations as determined by the independent valuer as at 31 March 2024:

Property	Sector	Region	Value range (£m) ³⁸
Stacey Bushes Industrial Estate, MILTON KEYNES	Industrial	South East	50-60
Millshaw Park Industrial Estate, LEEDS	Industrial	Yorkshire & Humberside	40-50
Stanley Green Trading Estate, STOCKPORT	Industrial	North West	40-50
St John's Retail Park, BEDFORD	Retail Warehouse	Eastern	20-30
Langley Park Way, CHIPPENHAM	Industrial	South West	20-30
Union Park Industrial Estate, NORWICH	Industrial	Eastern	20-30
Headingley Central, HEADINGLEY	Mixed Use	Yorkshire & Humberside	20-30
Valley Park Industrial Estate, BIRKENHEAD	Industrial	North West	10-20
Horton Park Industrial Park, TELFORD	Industrial	West Midlands	10-20
St Ann's House, MANCHESTER	Mixed Use	North West	10-20
The Tun, EDINBURGH	Offices	Scotland	10-20
106 Oxford Road, UXBRIDGE	Offices	South East	10-20
Matalan, BLETCHLEY	Retail Warehouse	South East	0-10
The Galaxy Centre, LUTON	Leisure	Eastern	0-10
Churchill Way West, Salisbury, SALISBURY	Retail Warehouse	South West	0-10
21/27 Stirling Court, SWINDON	Industrial	South West	0-10
Royscot House, CHELTENHAM	Offices	South West	0-10
Wickes, CHESTER	Retail Warehouse	North West	0-10
Delme Place, FAREHAM	Offices	South East	0-10
Heathcote Industrial Estate, WARWICK	Industrial	West Midlands	0-10
88/94 Church Street, LIVERPOOL	Retail	North West	0-10
Haydock Industrial Estate, HAYDOCK	Industrial	North West	0-10
Haywood House, CARDIFF	Offices	Wales	0-10
The Lakes, NORTHAMPTON	Offices	East Midlands	0-10
Imperial House, SHEFFIELD	Retail	Yorkshire & Humberside	0-10
Hall Lane, SANDBACH	Industrial	North West	0-10
Clifton Park, YORK	Offices	Yorkshire & Humberside	0-10
The Albion Centre, ILKESTON	Other	East Midlands	0-10
Seton House, WARWICK	Offices	West Midlands	0-10
24/25 High Street, CHELMSFORD	Retail	South East	0-10
67/68 High Street, CHELMSFORD	Retail	South East	0-10
Pacific House, MARLOW	Offices	South East	0-10
The Orangery, Old & New Stables, FAREHAM	Offices	South East	0-10
12/14 East Gates, LEICESTER	Retail	East Midlands	0-10
Howard House, BEDFORD	Offices	Eastern	0-10
15/16 King Street, TRURO	Retail	South West	0-10
Moston Road, SANDBACH	Industrial	North West	0-10

³⁸ As per third party valuation reports unadjusted for IFRS lease incentive amounts.

Report of the Depositary to the Shareholders

Established in 2013, Langham Hall UK Depositary LLP is an FCA regulated firm that works in conjunction with the Manager and the Company to act as depositary. Consisting exclusively of qualified and trainee accountants and alternative specialists, the entity represents net assets of US\$140 billion and we deploy our services to over 120+ alternative investment funds across various jurisdictions worldwide. Our role as depositary primarily involves oversight of the control environment of the Company, in line with the requirements of the Alternative Investment Fund Managers Directive (AIFMD).

Our cash monitoring activity provides oversight of all the Company held bank accounts with specific testing of bank transactions triggered by share issues, property income distributions via dividend payments, acquisitions, and third-party financing. We review whether cash transactions are appropriately authorised and timely. The objective of our asset verification process is to perform a review of the legal title of all properties held by the Company, and shareholding of special purpose vehicles beneath the Company.

We test whether on an ongoing basis the Company is being operated by the Manager in line with the Company's prospectus, and the internal control environment of the Manager. This includes a review of the Company's and its subsidiaries' decision papers and minutes.

We work with the Manager in discharging our duties, holding formal meetings with senior staff on a quarterly basis and submit quarterly reports to the Manager and the Company, which are then presented to the Board of Directors, setting out our work performed and the corresponding findings for the period.

For the financial year ended 31 March 2024, our work included the review of two investment property disposals and four interim dividends. Based on the work performed during this period, we confirm that no issues came to our attention to indicate that controls are not operating appropriately.

Joe Hime

Head of Depositary

For and on behalf of:

Langham Hall UK Depositary LLP, London, UK

Langham Hall UK Depositary LLP is a limited liability partnership registered in England and Wales (with registered number OC388007).

Glossary

Alternative performance measure ('APM')	please see page 104 for full details of the key APMs used by the Company.
Annualised dividend yield	being the dividend paid during the period annualised and expressed as a percentage of the period end share price.
Articles	means the Company's articles of incorporation, as amended from time to time.
Companies Law	means The Companies (Guernsey) Law, 2008.
Company	is Schroder Real Estate Investment Trust Limited.
Directors	means the directors of the Company as at the date of this document whose names are set out on pages 47 to 48 of this document and "Director" means any one of them.
Disclosure Guidance and Transparency Rules	means the disclosure guidance and transparency rules contained within the FCA's Handbook of Rules and Guidance.
Earnings per share ('EPS')	is the profit after taxation divided by the weighted average number of shares in issue during the period. Diluted and adjusted EPS per share are derived as set out under NAV.
Estimated rental value ('ERV')	Is the Group's external valuers' reasonable opinion as to the open market rent which, on the date of the valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.
EPRA	is the European Public Real Estate Association.
EPRA Net Tangible Assets	is the IFRS equity attributable to shareholders adjusted for items including deferred tax, the fair value of financial instruments and intangible assets.
EPRA Net Disposal Value	is the IFRS equity attributable to shareholders adjusted for items including goodwill as a result of deferred tax and the fair value of interest rate debt
FCA	is the UK Financial Conduct Authority.
Gearing	is the Group's net debt as a percentage of adjusted net assets.
Group	is the Company and its subsidiaries.
GFSC	is the Guernsey Financial Services Commission.
Initial yield	is the annualised net rents generated by the portfolio expressed as a percentage of the portfolio valuation.
Interest cover	is the number of times Group net interest payable is covered by Group net rental income.
Listing Rules	means the listing rules made by the FCA under Part VII of the UK Financial Services and Markets Act 2000, as amended.
Market Abuse Regulation	means regulation (EU) No.596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse.
MSCI	(formerly Investment Property Databank or 'IPD') is a Company that produces an independent benchmark of property returns.
Manager/Investment Manager	means Schroder Real Estate Investment Management Limited
Net asset value and NAV per share	is shareholders' funds divided by the number of shares in issue at the financial year end.

NAV total return	is calculated taking into account both capital returns and income returns in the form of dividends paid to shareholders.
Net rental income	is the rental income receivable in the period after payment of ground rents and net property outgoings.
REIT	is a Real Estate Investment Trust.
Reversionary yield	is the anticipated yield which the initial yield will rise to once the rent reaches the estimated rental value.
SONIA	Sterling Overnight Indexed Average - an overnight rate, set in arrears, and based on actual transactions in overnight indexed swaps for unsecured transactions in the Sterling market.
Weighted average unexpired lease term ('WAULT')	Weighted average unexpired lease term assuming earlier of lease break or lease expiry.

Resolutions at 2024 Annual General Meeting

THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about the contents of this section of the document or the action you should take, you are recommended to seek immediately your own personal financial advice from an appropriately qualified independent advisor authorised pursuant to the Financial Services and Markets Act 2000 (as amended).

If you have sold or otherwise transferred all your shares in the Company, please send this document (including the Notice of AGM) and the accompanying documents at once to the purchaser, transferee, or to the stockbroker, bank or other person through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. However, such documents should not be distributed, forwarded or transmitted in or into the United States, Canada, Australia or Japan or into any other jurisdiction if to do so would constitute a violation of applicable laws and regulations in such other jurisdiction.

The Notice of the Annual General Meeting of Shareholders is set out on pages 141 to 142. The following paragraphs explain the resolutions to be put to the AGM.

Resolutions 1-9 (ordinary resolutions)

Resolutions 1-9 are being proposed to approve the ordinary business of the Company to: (i) consider and approve the consolidated Annual Report of the Company for the year ended 31 March 2024; (ii) consider and approve the Directors' remuneration policy and the remuneration report, (iii) elect or re-elect the Directors; and (iv) appoint the Auditors and authorise the Directors to determine the Auditor's remuneration.

Resolution 10: Approval of the Company's dividend policy (ordinary resolution)

The Company's dividend policy is to pay a sustainable level of quarterly dividends to shareholders (in arrears). It is intended that successful execution of the Company's strategy will enable a progressive dividend policy.

The Company's objective and strategy, outlined in the Chair's Statement and Investment Manager's Report, is to deliver sustainable net income growth in due course through active management of the underlying portfolio. Any future decision to increase the dividend will be determined by factors including whether it is sustainable over the long term, current and anticipated future market conditions, rental values and the potential impact of any future debt refinancing.

As the Company is a REIT, the Board must also ensure that dividends are paid in accordance with the requirements of the UK REIT regime (pursuant to part 12 of the UK Corporation Tax Act 2010) in order to maintain the Company's REIT status. Shareholders should note that the dividend policy is not a profit forecast and dividends will only be paid to the extent permitted in accordance with the Companies Law and the UK REIT regime.

The Board acknowledges that the dividend policy is fundamental to shareholders' income requirements as well as the Company's investment and financial planning. Therefore, in accordance with the principles of good corporate governance and best practice relating to the payment of interim dividends without the approval of a final dividend by a company's shareholders, a resolution to approve the Company's dividend policy will be proposed annually for approval.

Resolution 11: Authority to disapply pre-emption rights (special resolution)

The Directors require specific authority from shareholders before allotting new ordinary shares for cash (or selling shares out of treasury for cash) without first offering them to existing shareholders in proportion to their holdings. Resolution 11 empowers the Directors to allot new ordinary shares for cash or to sell ordinary shares held by the Company in treasury for cash, otherwise than to existing shareholders on a pro rata basis, up to such number of ordinary shares as is equal to 10% of the ordinary shares in issue (including treasury shares) on the date the resolution is passed. No ordinary shares will be issued without pre-emption rights for cash (or sold out of treasury for cash) at a price less than the prevailing net asset value per ordinary share at the time of issue or sale from treasury.

The Directors do not intend to allot or sell ordinary shares other than to take advantage of opportunities in the market as they arise and will only do so if they believe it to be advantageous to the Company

s existing shareholders and when it would not result in any dilution of the net asset value per ordinary share (owing to the fact that no ordinary shares will be issued or sold out of treasury for a price less than the prevailing net asset value per ordinary share).

This authority will expire on the earlier of the conclusion of the annual general meeting of the Company to be held in 2025 or on the expiry of 15 months from the passing of this Resolution 11.

Resolution 12: Authority to repurchase shares (special resolution)

The Board recognises that movements in the ordinary share price, premium or discount, are driven by numerous factors, including investment performance, gearing and market sentiment. Accordingly, it focuses its efforts principally on addressing sources of risk and return as the most effective way of producing long-term value for Shareholders.

However, the Directors may consider repurchasing ordinary shares if they believe it to be in Shareholders' interests as a whole and as a means of correcting any imbalance between supply and demand for the ordinary shares. The making and timing of any repurchase of ordinary shares will be at the absolute discretion of the Board, although the Board will have regard to the effects of any such repurchase on long-term shareholders in exercising its discretion. Any repurchase of ordinary shares will be subject to compliance with the Companies Law and within any guidelines established from time to time by the Board.

Annually the Company passes a resolution granting the Directors general authority to purchase in the market up to 14.99% of the number of shares in issue. The Directors intend to seek a renewal of this authority from the Shareholders at the AGM. No shares were repurchased under this authority.

In the event that the Board decides to repurchase ordinary shares, purchases will only be made through the market for cash at prices not exceeding the prevailing NAV of the ordinary shares (as last calculated) where the Directors believe such purchases will enhance shareholder value. Such purchases will also only be made in accordance with the Listing Rules and the Disclosure Guidance and Transparency Rules which provide that the maximum price to be paid for each ordinary share must not be more than the higher of: (i) 5 per cent above the average mid-market value of the ordinary shares for the five business days before the purchase is made; and (ii) an amount equal to the higher of (a) the price of the last independent trade; and (b) the highest current independent bid for an ordinary share on the trading venues where the market purchases by the Company pursuant to the authority conferred by that resolution will be carried out. The Companies Law also provides, among other things, that any such purchase is subject to the Company passing the solvency test contained in the Companies Law at the relevant time. Any ordinary shares purchased under this authority may be cancelled or held in treasury.

This authority will expire at the conclusion of the annual general meeting of the Company to be held in 2025 unless varied, revoked or renewed prior to such date by ordinary resolution of the Company.

The Board considers that the resolutions to be proposed at the AGM are in the best interests of the Company's shareholders as a whole. The Board therefore recommends unanimously to shareholders that they vote in favour of each of the resolutions, as they intend to do in respect of their own beneficial holdings.

Alastair Hughes, Chair

5 June 2024

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at 1 London Wall Place, EC2Y 5AU on 16 September 2024 at 10.30 am

Resolution

To consider and, if thought fit, pass the following Ordinary Resolutions:

- Resolution 1 (Ordinary Resolution) • To receive, consider and approve the Consolidated Annual Report and Financial Statements of the Company for the year ended 31 March 2024.
- Resolution 2 (Ordinary Resolution) • To approve the Directors' Remuneration Policy.
- Resolution 3 (Ordinary Resolution) • To approve the Remuneration Report for the year ended 31 March 2024.
- Resolution 4 (Ordinary Resolution) • To re-elect Priscilla Davies as a director of the Company.
- Resolution 5 (Ordinary Resolution) • To re-elect Alastair Hughes as a director of the Company.
- Resolution 6 (Ordinary Resolution) • To re-elect Alexandra Innes as a director of the Company.
- Resolution 7 (Ordinary Resolution) • To elect Sanjay Patel as a director of the Company.
- Resolution 8 (Ordinary Resolution) • To appoint Ernst and Young LLP as Auditor of the Company until the conclusion of the next Annual General Meeting.
- Resolution 9 (Ordinary Resolution) • To authorise the Board of directors to determine the Auditor's remuneration.
- Resolution 10 (Ordinary Resolution) • To receive and approve the Company's Dividend Policy which appears on page 139 of the Annual Report.

To consider and, if thought fit, pass the following Special Resolutions:

- Resolution 11(Special Resolution) That the directors of the Company be and are hereby empowered to allot ordinary shares of the Company for cash as if the pre-emption provisions contained under Article 13 of the Articles of Incorporation did not apply to any such allotments and to sell ordinary shares which are held by the Company in treasury for cash on a non-pre-emptive basis provided that this power shall be limited to the allotment and sales of ordinary shares:
 - a. up to such number of ordinary shares as is equal to 10% of the ordinary shares in issue (including treasury shares) on the date on which this resolution is passed;

- b at a price of not less than the net asset value per share as close as practicable to the allotment or sale;

provided that such power shall expire on the earlier of the conclusion of the annual general meeting of the Company to be held in 2025 or on the expiry of 15 months from the passing of this Special Resolution, except that the Company may before such expiry make offers or agreements which would or might require ordinary shares to be allotted or sold after such expiry and notwithstanding such expiry the Directors may allot or sell ordinary shares in pursuance of such offers or agreements as if the power conferred hereby had not expired.

Resolution 12 (Special Resolution)

That the Company be authorised, in accordance with section 315 of The Companies (Guernsey) Law, 2008, as amended (the 'Companies Law'), to make market acquisitions (within the meaning of section 316 of the Companies Law) of ordinary shares in the capital of the Company either for retention as treasury shares, insofar as permitted by the Companies Law or cancellation, provided that:

- a. the maximum number of ordinary shares hereby authorised to be purchased shall be 14.99% of the issued ordinary shares on the date on which this resolution is passed;
- b. the minimum price which may be paid for an ordinary share shall be £0.01;
- c. the maximum price (exclusive of expenses) which may be paid for an ordinary share shall be an amount equal to the higher of (i) 5% above the average of the mid-market value of the ordinary shares (as derived from the regulated market on which the repurchase is carried out) for the five business days immediately preceding the date of the purchase; and (ii) the higher of (a) the price of the last independent trade; and (b) the highest current independent bid at the time of purchase, in each case on the regulated market where the purchase is carried out;
- d. such authority shall expire at the conclusion of the annual general meeting of the Company to be held in 2025 unless such authority is varied, revoked or renewed prior to such date of the general meeting; and
- e. the Company may make a contract to purchase ordinary shares under such authority prior to its expiry which will or may be executed wholly or partly after its expiration and the Company may make a purchase of ordinary shares pursuant to any such contract.

By Order of the Board

For and on behalf of
Schroder Investment Management Limited
Company Secretary

5 June 2024

Notes

1. To be passed, an ordinary resolution requires a simple majority of the votes cast by those shareholders voting in person or by proxy at the AGM (excluding any votes which are withheld) to be voted in favour of the resolution.
2. To be passed, a special resolution requires a majority of at least 75% of the votes cast by those shareholders voting in person or by proxy at the AGM (excluding any votes which are withheld) to be voted in favour of the resolution.
3. A member who is entitled to attend and vote at the meeting is entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and vote instead of him or her. A proxy need not be a member of the Company. More than one proxy may be appointed provided that each proxy is appointed to exercise the rights attached to different shares held by the member.
4. If returned without an indication as to how the proxy shall vote on any particular matter, the proxy will exercise discretion as to whether, and if so how, to vote.
5. A form of proxy is enclosed for use at the meeting and any adjournment thereof. The form of proxy should be completed and sent, together with the power of attorney or other authority (if any) under which it is signed, or a notarial certified copy of such power or authority, so as to reach the Company's Registrars, Computershare Investor Services (Guernsey) Limited, c/o The Pavilions, Bridgwater Road, Bristol, BS99 6ZY at least 48 hours before the time of the AGM (excluding any part of a day that is not a working day).
6. Completing and returning a form of proxy will not prevent a member from attending in person at the meeting and voting should he or she so wish.
7. To have the right to attend and vote at the meeting or any adjournment thereof (and also for the purpose of calculating how many votes a member may cast on a poll) a member must have his or her name entered on the register of members not later than at close of business of 14 September 2024.
8. Pursuant to Regulation 41 of the Uncertificated Securities (Guernsey) Regulations 2009, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the register of members of the Company at close of business on 14 September 2024. Changes to entries in the register of members of the Company after that time shall be disregarded in determining the rights of any member to attend and vote at such meeting.
9. If all the shares have been sold or transferred by the addressee, the Notice of Annual General Meeting and any other relevant documents should be passed to the person through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Corporate Information

Registered Address

Town Mills
North Suite 2
Rue Du Pré
St Peter Port
Guernsey
GY1 1LT

Directors (all non-executive)

Alastair Hughes (Chair)
Stephen Bligh
Priscilla Davies
Alexandra Innes
Sanjay Patel (appointed 1 January 2024)

Investment Manager and Accounting Agent

Schroder Real Estate Investment Management Limited

1 London Wall Place
London
EC2Y 5AU

Company Secretary

Schroder Investment Management Limited

1 London Wall Place
London
EC2Y 5AU

Depository

Langham Hall UK Depository LLP

8th Floor
1 Fleet Place
London
EC4M 7RA

Solicitors to the Company

as to English Law:

Stephenson Harwood LLP

1 Finsbury Circus
London EC2M 7SH

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as to Guernsey Law:

Mourant Ozannes (Guernsey) LLP

Royal Chambers
St Julian's Avenue
St. Peter Port
Guernsey GY1 4HP

Independent Auditor

Ernst & Young LLP

PO Box 9
Royal Chambers
St. Julian's Avenue
St. Peter Port
Guernsey GY1 4AF

Property Valuer

CBRE Limited

Henrietta House
Henrietta Place
London
W1G 0NB

Sponsor and Brokers

J.P. Morgan Securities plc

25 Bank Street
Canary Wharf
London E14 5JP

Tax Advisors

Deloitte LLP

2 New Street Square
London EC4A 3BZ

Receiving Agent and UK Transfer/Paying Agent

Computershare Investor Services (Guernsey) Limited

13 Castle Street
St Helier
Jersey
JE1 1ES

The Company's privacy notice is available on its webpage.