



Schroder Real Estate Investment Trust Limited

Annual Report and Consolidated Financial Statements

for the year ended 31 March 2023

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Performance Summary

Property performance

	31 March 2023	31 March 2022
Value of Property Assets and Joint Venture Assets ¹	£470.4m	£523.5m
Annualised rental income ²	£29.3m	£30.1m
Estimated open market rental value ³	£37.8m	£33.8m
Underlying portfolio total return	(7.9%)	23.5%
MSCI Benchmark total return ⁴	(13.5%)	19.9%
Underlying portfolio income return	6.0%	6.3%
MSCI Benchmark income return	4.1%	3.9%

Financial summary

	31 March 2023	31 March 2022
Net Asset Value ('NAV')	£300.7m	£372.2m
NAV per Ordinary Share	61.5p	75.8p
EPRA Net Tangible Assets ⁵	£300.7m	£372.2m
EPRA Net Reinstatement Value ⁵	£332.2m	£407.3m
EPRA Net Disposal Value ⁵	£317.4m	£375.9m
IFRS (loss)/profit for the year	(£54.7m)	£89.4m
EPRA earnings ⁵	£16.0m	£15.7m
Dividend cover ⁶	101%	113%

Capital values

	31 March 2023	31 March 2022
Share price	43.6p	57.8p
Share price discount to NAV	(29.1%)	(23.7%)
NAV total return ⁷	(15.1%)	30.9%

¹ Reconciles to the valuation reports from CBRE for the direct portfolio and BNP for 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. Includes £4.0 million relating to the unconditional exchange of contracts before the year end to dispose of the Group's Rugby asset as per notes 12 and 23.

² Represents the annualised rental income as at 31 March 2023 of the portfolio, 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 2023.

⁵ This is an Alternative Performance Measure ('APM'). EPRA calculations are included in the EPRA Performance measures section on page 98.

⁶ This is an APM with further details on page 104.

⁷ This is an APM with further details on page 104.

Earnings and dividends

	31 March 2023	31 March 2022
EPRA earnings ⁵ (pps)	3.3	3.2
Dividends paid (pps)	3.22	2.83
Annualised dividend yield on the 31 March share price	7.4%	4.9%

Bank borrowings

	31 March 2023	31 March 2022
On-balance sheet borrowings ⁸	£177.90m	£162.25m
Loan to Value ratio ('LTV'), net of all cash ⁹	36.0%	28.6%

Ongoing charges

	31 March 2023	31 March 2022
Ongoing charges (including fund and property expenses) ¹⁰	2.28%	2.21%
Ongoing charges (including fund only expenses) ¹¹	1.32%	1.26%

⁸ On-balance sheet borrowings reflect the loan facilities with Canada Life and RBSI without the deduction of unamortised finance costs of £1.0m.

⁹ This is an APM. Details are included in the APM section on page 104.

¹⁰ This is an APM and calculated in accordance with the AIC recommended methodology. Details are included in the APM section on page 104.

¹¹ This is an APM and calculated in accordance with the AIC methodology. Details are included in the APM section on page 104.

Strategic Report

Chair's Statement

Overview

Schroder Real Estate Investment Trust Limited (the 'Company') today announces its audited results for the financial year to 31 March 2023, a challenging period that has seen financial market volatility, and a significant correction in UK real estate values. As expected, the rising interest rate environment has led to a re-rating in real estate yields, contributing to a -13.1% valuation decline in our underlying portfolio over the year. Whilst this compared favourably with the MSCI peer group Benchmark (the 'Benchmark') at -16.9% over the same period, the valuation movement resulted in a net asset value ('NAV') as at 31 March 2023 of £300.7 million, or 61.5 pence per share ('pps'), a decline of -18.9%.

More positively, a high level of portfolio activity contributed to an above average income return of 6.0% over the year, comparing favourably with the Benchmark at 4.1%. Earnings growth, underpinned by low cost, long-term, fixed rate debt, boosted the dividend to £15.8 million, a 14% increase compared with the prior financial year, and we are the only member of our peer group where the dividend is above the pre-pandemic level. Importantly, the dividend was fully covered by recurring earnings and, combined with the movement in the NAV, resulted in a NAV total return for the financial year of -15.1%.

As a result of income focused asset management activity, the Company has today separately announced a further 2% increase in its quarterly dividend to 0.836 pps, to be paid in June 2023. This reflects an attractive yield of 7.5% based on the share price of 44.35 pps as at close on 6 June 2023.

Whilst the decline in NAV over the financial year is, of course, unwelcome, it is encouraging that the underlying portfolio continues to deliver long term relative outperformance compared with the Benchmark, with an annualised total return of 6.0% per annum over the past three years, compared with the Benchmark at 1.9% per annum, placing the portfolio on the fifth percentile of its peer group.

Market context

My statement in the interim report highlighted the risk of average UK commercial real estate values falling 15% to 20% from the half year point, resulting in an overall decline from mid 2022 of approximately 20% to 25%. Average values have now fallen -17.7% between 1 July 2022 and 31 March 2023, with the Company's portfolio value falling by -14.1% over the same period.

The principal cause of this correction is more persistent core inflation, driven by high energy and food prices, leading to increasing interest rates, with the Bank of England base rate currently 4.5%, the highest level since October 2008. Tighter fiscal and monetary conditions, combined with a withdrawal of pandemic related business support programmes, have led to a rise in business insolvencies and a slowdown in consumer spending. In real estate markets, higher interest rates have impeded debt-backed buyers and increased refinance risk for many borrowers, with a related fall in equity and bond prices leaving some institutions over-allocated to real estate. This environment has led to weaker sentiment and a sharp fall in transaction volumes.

The resultant decline in values has increased average real estate net initial yields from 3.8% in June 2022 to 4.7% today, the highest level since June 2020, with our portfolio now yielding 5.8%. As expected, lower yielding, higher growth real estate sectors such as South East and London industrial have been most adversely impacted by this rerating, resulting in a reversal in the unprecedented polarisation of returns over recent years. Higher yielding sectors - such as retail warehousing, and offices in stronger regional centres - have been less adversely impacted, leading to a convergence in returns across the main sectors. Against this backdrop, our well diversified portfolio has outperformed the Benchmark due to the active management of the higher yielding, regional industrial estates, as well as higher-yielding retail warehousing and offices in stronger regional centres.

Occupational markets have, so far, remained more resilient, with average nominal rental value growth for UK real estate of 2.5% per annum since June 2022. Although below current inflation levels, there remains a strong positive long-term correlation between rental growth rates and inflation, with sectors benefiting from structural demand drivers and lower vacancy rates delivering rental growth well above the long-term average of approximately 0.9%. For example, in contrast with the sharp decline in capital values, average industrial rental values have increased by 5.9% since June 2022.

There are initial signs that the investment market is now stabilising, with a capital value decline from our underlying portfolio of -0.5% over the quarter to March 2023 (Benchmark: -1.3%), contrasting with -11.9% over the quarter to December (Benchmark: -13.2%). The extent of any subsequent recovery will depend on falling inflation, with the Bank of England currently forecasting a return to its target rate in 2024. In this seemingly benign scenario, interest rates should fall, but probably to a higher equilibrium rate of around 3%, above the ultra-low levels of the recent past. A gap of approximately 2% between property yields and 10 year gilts is approaching the long term average for fair value, which, combined with a more stable political backdrop and currency, should attract domestic and international capital flows back to the sector.

Looking forward, long term structural trends such as urbanisation, technological change, demographics and sustainability should continue to drive returns, with multi-let industrial estates, retail warehousing, certain London office sub-markets and some alternative sectors expected to outperform. These sectors should also benefit from limited new development. This contrasts with secondary office and weaker retail assets, where obsolescence, higher vacancy and lower levels of occupational demand will negatively impact returns.

Strategy

Our strategy is focused on delivering sustainable dividend growth and improving the quality of the underlying portfolio through a disciplined, research-led approach to transactions, capital investment and active management. This activity will be complemented by maintaining a robust balance sheet and continuing to manage costs efficiently. Furthermore, with a growing consensus that there is a meaningful rental premium for buildings with a green certification, which we are seeing across our own portfolio, we believe there is an opportunity to differentiate our strategy by placing even greater emphasis on how sustainability-led asset improvements will deliver enhanced returns for shareholders. This reflects our strong conviction that only by transforming less sustainable buildings into modern, fit for purpose assets, will we deliver these enhanced returns and the wider real estate industry reach its net zero carbon targets.

The relative outperformance of the underlying portfolio during the market correction has demonstrated the benefits of owning a diversified portfolio, with expertise to invest across all sectors. The portfolio remains diversified, but with a higher weighting to sectors and assets expected to deliver higher total returns and income growth. Approximately half the portfolio by value comprises multi-let industrial estates, and exposure to retail warehousing increased slightly to 11.6% during the year. The exposure to offices was unchanged at 27.5% and, although the occupational market remains more challenging, progress has been made reducing risk through lease extensions to retain existing tenants, targeted refurbishment programmes to improve letting prospects, including by improving environmental and social credentials, and to support potential disposals.

During the year, we acquired a higher yielding mixed-use office and retail building in Manchester and, post year end, a small adjoining ownership in Chelmsford. Three disposals completed or contracted totalling £12.6 million at a 13% average premium to the valuation at the start of the financial year, with one office asset having exchanged contracts at the year end, due to complete in June. 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. The ongoing development at Stanley Green Trading Estate in Manchester, the first operational net zero scheme in the North West, completed post year end, has contributed strongly to performance with approximately 40% already let or in legal. Other examples include pre-lettings to Starbucks for 'drive-thru's' at two retail warehouse assets which are currently under construction.

Successful implementation of the strategy means we are well positioned in terms of income characteristics. As noted in the overview, the portfolio generates a materially higher income return compared with the Benchmark, with the high reversionary yield of 8.0% also comparing favourably with the Benchmark at 5.7%. Furthermore, the portfolio is highly diversified, with 312 tenants across 41 assets.

The Manager's active approach, leveraging the wider Schroders Capital Real Estate platform of 42 sector and regional specialists, resulted in 65 lettings exchanging or completing since the start of the financial year, totalling £6.7 million of annualised rental income. Improving the portfolio's defensive qualities has been a key focus, with major lease agreements completed during the year with large corporate occupiers and educational providers such as Siemens, IXYS Westcode, and Buckinghamshire New University. This active approach has supported high rental collection rates, with 99% collected over the financial year and a reduction in the portfolio void rate on a like-for-like basis.

The market correction and weak investor sentiment means virtually all listed real estate owners are now trading at material discounts to asset value. Although our share price rating improved over the year, driven by a high, fully covered dividend, and a sector leading debt profile, the Board and Manager are highly focused on delivering a further improvement by clearly articulating the opportunities within the portfolio and attracting a more diverse shareholder base.

Sustainability

Our strategic focus on improving sustainability performance, where the Manager has a strong track record, has delivered positive results at both an asset and portfolio level. The Company achieved a further improvement in its Global Real Estate Sustainability Benchmark ('GRESB') score, placing it first amongst a group comprising seven diversified REITs. The EPC profile of the portfolio has improved markedly and the Company's first 'A+' ratings were achieved at the development at Stanley Green Trading Estate.

We are also making progress with our pathway to net zero commitments, with a 10% and 19% reduction in the Company's energy intensity and greenhouse gas intensity targets over the most recent reporting period. The Company also retained its Gold level compliance with the EPRA Sustainability Best Practice Recommendations for the fifth successive year.

Balance sheet

The average interest rate for total debt drawn at the year end was 2.9%, with an average maturity of 10.6 years, and 90% either fixed or hedged against movements in interest rates.

The debt refinancing with Canada Life in 2019 is now providing a significant benefit in a higher interest rate environment. This long term loan, that represented £129.6 million of the £177.9 million total borrowings at the year end, has an average loan maturity of 13.1 years, with a fixed average interest rate of 2.5%. At the year end, incremental positive fair value benefit of this fixed rate loan was £16.8 million, which is not reflected in the Company's NAV.

The balance of borrowings at the year end totalling £48.3 million comprised a revolving credit facility ('RCF') from RBSI. This is used as a tactical facility that can be drawn and repaid at any time. To provide additional capacity to invest into the portfolio and pursue market opportunities, during the year the total amount that can be drawn was increased to £75.0 million, with the loan maturity extended by 4.2 years to June 2027. £30.5 million of the RCF benefitted from an interest rate cap at 1.5%, which was due to expire in July 2023 and, together with the RCF margin of 1.65%, resulted in an average interest rate on the drawn RCF of 4.1% at the year end.

Since the year end, this cap has been replaced with a hedging instrument termed an interest rate 'collar' which applies to £30.5 million of the £48.3 million now drawn. The collar, which runs to the end of the RCF term in June 2027, 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%. After netting off the value of the interest rate cap, the net cost of the collar was £567,000.

Since the year end, the RCF has also been converted into a 'Sustainability Linked Loan', with criteria linked to reduced energy consumption, future improvements in the GRESB rating and building certification linked to building improvements.

At the year end, the Company had a net loan to value ('LTV') ratio of 36.0%, which is slightly above the long-term strategic target range of 25% to 35%. The Company has significant headroom against all loan covenants, but steps are being taken to bring the net LTV back in line with the target range, including contracted and further planned disposals, which are set out in the Manager's Report.

Board succession

Since Lorraine Baldry's retirement as Chair in July 2022, I have continued our comprehensive succession planning process. Following Graham Basham's subsequent retirement in November 2022, the Company appointed Alexandra Innes as an Independent Non-Executive Director. Alexandra has a strong track record across investment banking and investment management, with relevant non-executive roles at the Bank of England, Securities Trust of Scotland PLC and Knight Frank LLP. As part of the succession process, the Board asked the appointed specialist search firm to review Board remuneration levels, which were last reviewed and increased in 2015. This resulted in an aggregate increase of £20,000, or 13%. On behalf of my fellow directors and the Manager, we would like to thank Lorraine and Graham again for their service to the Company.

Independent valuers

It is expected that the Standards and Regulation Board of the Royal Institution of Chartered Surveyors (the 'RICS') will adopt the recommendations relating to governance and valuer rotation outlined in the independent review of January 2022, although final details are still to be confirmed by the RICS.

In preparation for these changes, and following a comprehensive tender process, CBRE Limited ('CBRE') have replaced Knight Frank LLP, the Company's principal independent valuer since 2004. CBRE prepared the valuation used within these accounts and have entered into a three year contract at a material fee saving. CBRE will also replace BNP Paribas as valuer of the Company's two joint venture investments with effect from 30 June 2023. On behalf of my fellow directors and the Manager, I would like to thank Knight Frank for their service to the Company.

Outlook

The UK economy continues to face headwinds this year as higher inflation and interest rates cause consumers to retrench, reducing disposable incomes and hitting household demand for goods and services. Although inflation pressures are expected to ease, and recent surveys indicate improved business confidence, an imbalanced UK labour market means wage growth remains a significant burden.

On a more positive note, there are signs that real estate values are stabilising, and approaching long term fair value. The attractive portfolio yield profile and pipeline of asset management activity should contribute to continued earnings and dividend growth, further improve the defensive qualities of the portfolio, and enhance returns as the market recovers.

Whilst a relaxation in monetary policy is expected in 2024, interest rates will remain elevated compared with recent past. The prudent balance sheet management implemented by the Company, resulting in the lowest cost, longest duration debt in the peer group, largely removes this risk to earnings, and provides a solid foundation to deliver future dividend growth.

Finally, as sustainability considerations become even more important for investors and occupiers, we are making good progress evolving our strategy, which we believe should clearly differentiate the Company and help to drive more sustainable, long-term returns. We anticipate providing further details on this later in the year.

Alastair Hughes

Chair

Schroder Real Estate Investment Trust Limited

7 June 2023

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 2023 was £300.7 million or 61.5 pence per share ('pps'), compared with £372.2 million, or 75.8 pps, as at 31 March 2022. This reflected a decrease over the financial year of -14.3 pps or -18.9%. During the period, dividends totalling £15.8 million were paid, which resulted in a NAV total return of -15.1%. A detailed analysis of the NAV movement is set out in the table below:

	£m	PPS
NAV as at 31 March 2022¹	372.2	75.8
Unrealised change in the valuations of the direct real estate portfolio and joint ventures ²	(61.1)	(12.4)
Capital expenditure ³	(10.2)	(2.1)
Acquisition costs	(1.0)	(0.2)
Realised gain on disposals, net of disposal costs	1.2	0.2
EPRA earnings ⁴	16.0	3.3
Dividends paid	(15.8)	(3.2)
Others	0.4	0.0
NAV as at 31 March 2023 (excluding the share buyback)	301.7	61.4
Share buyback	(1.0)	0.1
NAV as at 31 March 2023⁵	300.7	61.5

1. The calculation of pence per share is based on shares in issue as at 31 March 2022 of 491,080,301.
2. Prior to all capital expenditure, acquisition costs and movement in IFRS 16 lease incentives.
3. Comprises capital expenditure of £10.1 million on the directly held portfolio and £0.1 million invested for the joint ventures.
4. EPRA earnings as per the reconciliation on page 98.
5. The calculation of pence per share is based on shares in issue as at 31 March 2023 of 489,110,576.

The underlying portfolio, including joint ventures and net of capital expenditure, decreased in value by -13.1% on a like-for-like basis over the financial year to 31 March 2023.

£10.2 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. £7.5 million of this related to the operational net zero warehouse development at Stanley Green Trading Estate in Cheadle, Greater Manchester.

Acquisition costs totalling £900,000 were incurred relating to the acquisition of St. Ann's House, a mixed-use office and retail asset in Manchester for £14.7 million in May 2022. Acquisition costs totalling £58,792 were incurred relating to the acquisition of 68 High Street, Chelmsford, for £800,000, which adjoins an existing asset, where the rationale is to create a more liquid investment.

During the financial year two sales were completed for a combined price of £8.6 million, which was a 28.4% increase on the 31 March 2022 combined independent valuation of £6.7 million. After transaction costs of £200,000, the aggregate realised gain on disposal was £1.7 million. During the year unconditional contracts were exchanged to sell an office for £4.0 million which compared with a valuation at the start of the financial year of £4.5 million and £4.0 million at the year end.

EPRA earnings for the period totalled £16.0 million, or 3.3 pps, an increase of £300,000 or 1.9%, on the prior financial year of £15.7 million. This increase was driven by asset management-led rental value growth, a positive contribution from the off-market, higher yielding industrial portfolio acquired in December 2021, and the St. Ann's House acquisition.

Between 28 July 2022 and 15 September 2022 the Company acquired 1,969,725 shares under its share buyback programme for £1.0 million, which reflected an average cost of 50.6 pps and a discount to the 31 March 2022 NAV of 33%.

Our strategy

Investment objective

The Company aims to provide shareholders with an attractive level of income with the potential for long term, sustainable income and capital growth.

Investment strategy

The strategy to deliver this, 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 58.6% by value
- Increase exposure to larger assets with strong fundamentals and inherent opportunities for active management and development
 - Acquired St. Ann's House in Manchester, made significant investment into Stanley Green Trading Estate also in Manchester. Our top 15 assets now represent 78.5% of value.
- Sell smaller, secondary assets with higher sustainability performance risk
 - Sold three small assets (two completed, one unconditionally exchanged) at a 12.5% premium to the value at the start of the year, with further small disposals expected
- 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 use of scarce resources and waste)
 - Operationally net zero carbon developments at two industrial estates, collaborating with Starbucks to develop 'drive-thru' restaurants at two retail parks, negotiating regears with major tenants Buckinghamshire New University and University of Law in return for sustainability related asset improvements
- 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 Global Real Estate Sustainability Benchmark ('GRESB') score to 77 out of 100 in 2022 (2021: 75), achieving the maximum possible result for the management aspects of the assessment and placing SREIT first amongst a group comprising seven diversified REITs (2021: second of eight)

- Control costs
 - Ongoing charges (including fund and property expenses) of 2.28% broadly in line with 2.21% for the prior financial year and below the five year average of 2.30%
- 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 36.0% at the year end.

Portfolio performance

The underlying portfolio continues to deliver strong relative outperformance, with a total return for the financial year of -7.9% compared to -13.5% for the MSCI Benchmark (the 'Benchmark'). This relative outperformance was partly due to a stronger income return from the portfolio at 6.0% compared to 4.1% for the Benchmark.

Targeted capital expenditure in larger assets to improve sustainability performance and benefit from structural trends led to significantly stronger rental value growth for the portfolio at 9.2% compared to 3.4% for the Benchmark. A key example of this strategy is the operationally net zero carbon development at Stanley Green Trading Estate in Cheadle, Greater Manchester, which completed this May. A smaller proportionate increase in yields resulted in a lower fall in capital values of -13.1% for the portfolio compared to -16.9% for the Benchmark, which was mainly driven by the higher yielding regional industrial portfolio.

The table below shows performance to 31 March 2023.

Period to 31 March 2023	SREIT Total Return			MSCI Benchmark* Total Return			Relative		
	One year (%)	Three years (% p.a.)	Since IPO** (% p.a.)	One year (%)	Three years (% p.a.)	Since IPO** (% p.a.)	One year (%)	Three years (% p.a.)	Since IPO** (% p.a.)
Retail	-6.9	1.4	3.9	-8.1	-0.1	3.1	1.4	1.5	0.7
Office	-8.9	1.4	7.0	-12.7	-2.5	5.9	4.4	4.0	1.0
Industrial	-8.0	13.4	10.1	-21.0	8.3	8.6	16.4	4.7	1.4
Other	0.3	6.0	3.4	-6.4	1.0	6.5	7.2	4.9	-2.9
All sectors	-7.9	6.0	7.1	-13.5	1.9	5.6	6.4	4.0	1.5

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

**IPO in July 2004

Real estate portfolio

As at 31 March 2023, the portfolio comprised 41 properties valued at £470.4 million. This includes the share of joint venture properties at City Tower in Manchester and the University of Law in Bloomsbury, London. The portfolio generated rental income of £29.3¹² million per annum, reflecting a net initial yield of 5.8%, which compared with the Benchmark 4.8%. The portfolio also benefits from fixed contractual annualised rental income uplifts of £2.0 million per annum over the next 24 months. The independent valuers' estimated rental value ('ERV') of the portfolio is £37.8 million per annum, reflecting a reversionary income yield of 8.0%, which compares favourably with the Benchmark at 5.7%.

The portfolio is diverse and granular should support more resilient portfolio income in a weaker economic environment and a more challenging period for consumers and businesses. The portfolio is also both higher

¹² Represents the annualised rental income as at 31 March 2023 of the portfolio, including share of rents for the joint venture assets.

yielding with potential for more rental growth relative to the Benchmark which positions it well for a higher interest rate environment and where capital growth is muted in the short term.

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 that we have completed since the beginning of the financial year, where rents were agreed 24% higher than the previous level. 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 market which has seen a meaningful fall in vacancy since the pandemic and we expect continued rental growth.

At the period end the portfolio void rate was 11.1%, calculated as a percentage of estimated rental value. Excluding the recently completed Stanley Green Trading Estate developed units, the portfolio void rate reduced on a like for like basis from 8.6% to 7.9%, in the middle of the ten year range of 5-13% and compares with the Benchmark void rate of 8.0%. The portfolio weighted average lease length, calculated to the earlier of lease expiry or break, is 5.0 years.

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 12% 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 2023. The property values and weightings represent the year end valuations as determined by the independent valuers as at 31 March 2023:

Portfolio metric	SREIT 31 March 2023 (MSCI 31 March 2023)	SREIT 31 March 2022 (MSCI 31 March 2022)
Portfolio value (£m)	470.4	523.5
Number of properties	41	42
Number of tenants	312	315
Average lot size (£m)	11.5	12.5
Net initial yield (%)	5.8 (4.8)	5.4 (3.9)
Reversionary yield (%)	8.0 (5.7)	6.4 (4.6)
Annual rent (£m)	29.3	30.1
Estimated rental value (£m)	37.8	33.8
Annual rent with inflation linked uplifts (%)	11	15
Annual rent with fixed uplifts (%)	12	5
WAULT (years to earliest of break or expiry)	5.0 (11.2)	5.4 (11.4)
Void rate (%)	11.1 (8.0)	7.0 (7.8)

Top 15 properties by value		Sector	Value (£m) ¹³	% of portfolio value ¹⁴
1	Milton Keynes, Stacey Bushes Industrial Estate	Industrial	50.5	10.7
2	Leeds, Millshaw Park Industrial Estate	Industrial	45.5	9.7
3	London, Store Street, The University of Law Campus (50% share)	Office/university	37.8	8.0
4	Cheadle, Stanley Green Trading Estate	Industrial	35.5	7.5
5	Manchester, City Tower (25% share)	Office/hotel/retail/leisure/car park	34.0	7.2
6	Bedford, St. John's Retail Park	Retail warehouse	31.0	6.6
7	Chippenham, Langley Park Industrial Estate	Industrial	24.7	5.3
8	Norwich, Union Park Industrial Estate	Industrial	21.6	4.6
9	Leeds, Headingley Central	Retail/hotel/leisure	20.8	4.4
10	Manchester, St. Ann's House	Office/retail	12.6	2.7
11	Uxbridge, 106 Oxford Road	Office/university	12.5	2.7
12	Telford, Horton Park Industrial Park	Industrial	12.1	2.6
13	Birkenhead, Valley Park Industrial Estate	Industrial	12.0	2.6
14	Edinburgh, The Tun	Office	9.4	2.0
15	Milton Keynes, Matalan	Retail warehouse	9.4	2.0
Total as at 31 March 2023			369.4	78.5

¹³ As per third party valuation reports unadjusted for IFRS lease incentive amounts.

¹⁴ Column does not sum due to rounding.

	Sector weighting by value as at 31 March 2023		Like-for-like net of capex capital growth for the 12 month period ended 31 March 2023	
	SREIT ¹	Benchmark ¹	SREIT	Benchmark
South East	10.7%	19.6%		
Rest of UK	36.1%	11.7%		
Industrial	46.8%	31.2%	-12.6%	-23.8%
City	0.0%	3.6%		
Mid-town and West End	8.0%	6.9%		
Rest of South East	4.5%	7.3%		
Rest of UK	15.0%	7.3%		
Offices	27.5%	25.2%	-14.7%	-15.8%
Retail warehouse	11.8%	9.8%	-9.1%	-12.0%
South East	0.9%	6.7%		
Rest of UK	6.7%	3.0%		
Standard retail	7.7%	9.7%	-17.7%	-14.1%
<i>Standard retail by ancillary/single use</i>				
- Retail ancillary to main use	4.9%	-		
- Retail single use	2.8%	-		
Other	6.2%	18.1%	-9.5%	-10.3%
Shopping centres	-	2.1%		
Unattributed indirects	-	3.8%		

¹Note: columns do not sum due to rounding.

	Regional weighting by value as at 31 March 2023	
	SREIT	Benchmark
Central London	8.0%	17.1%
South East excluding Central London	18.2%	34.5%
Rest of South	10.5%	16.2%
Midlands and Wales	21.0%	13.2%
North	40.3%	14.4%
Scotland	2.0%	4.4%
Northern Ireland	0.0%	0.2%

Rental income is diverse and as at 31 March 2023 comprised 312 tenants, including the tenants of properties held by joint ventures. The largest and top 15 tenants represent 7.06% and 33.04% of the portfolio respectively, calculated as a percentage of annual rent, and there are only two tenants that represent more than 3% of annual rent.

Top 15 tenants by annual rent	Annual rent (£ million)	% of total annual rent
University of Law Limited	2.07	7.06%
Siemens Mobility Limited	1.22	4.16%
Express Bi Folding Doors Limited	0.65	2.22%
The Secretary of State	0.59	2.01%
Buckinghamshire New University	0.58	1.98%
Matalan Retail Limited	0.57	1.95%
Cineworld Cinema Properties Limited	0.52	1.77%
TJX UK t/a HomeSense	0.51	1.74%
IXYS UK Westcode Limited	0.47	1.60%
Jupiter Hotels Limited	0.46	1.57%
Premier Inn Hotels Limited	0.42	1.43%
Lidl Great Britain Limited	0.42	1.43%
Ingeus (UK) Limited	0.41	1.40%
Wickes Building Supplies Limited	0.40	1.37%
Balfour Beatty Group Limited	0.39	1.33%
Total as at 31 March 2023	9.68	33.04%

¹Note: column does not sum due to rounding.

Rent collection

The diversification and granularity of the underlying rental income, and a high level of occupier engagement, has supported improving rent collection rates with 99% of the contracted rents collected for the quarter to 31 March 2023. The breakdown between sectors is 100% of office rent collected, 100% of industrial rent collected and 97% of retail, leisure and other rent collected.

The Company has made good progress collecting historical arrears during the year which totalled £3.3 million, net of VAT, at the year end, of which £360,000 is provided against as a bad debt. This compares to £3.8 million and £900,000 respectively as at 31 March 2022.

Transactions

Manchester, St. Ann's House (Mixed-use office and retail)

St. Ann's House in Manchester was acquired on 27 May 2022 for a gross headline price of £14.7 million, reflecting a net initial yield of 7.8%, a reversionary yield of 9.1% and a low average capital value of £283 per sq ft. The mixed-use office and retail asset generates £1.22 million per annum of headline rent compared with an ERV of £1.33 million.

The freehold, 51,754 sq ft building, is 97% occupied by ERV and comprises 40,277 sq ft of office space over five upper floors with five retail units at the ground floor level and ancillary basement space. It is prominently located on St. Ann's Square, near to the prime retail core. St. Ann's Square features a listed church, the Royal Exchange theatre, a mix of office occupiers and high-quality luxury retail as well as leisure operators. The building benefits from its close proximity to two tram stations.

The office space is fully let to four office tenants at an average rent of £18.48 per sq ft, with the potential to increase rental levels through refurbishment and improving sustainability performance. There is also the opportunity to enhance income by offering fitted out office space.

The appeal of St. Ann's Square to high quality luxury retailers is reflected in the current tenant mix with complementary retailers located in close proximity. During the pandemic rents were rebased by the previous landlord and there are currently no arrears. At acquisition, the tenants were Watches of Switzerland, Russell & Bromley and Space NK. Since acquisition, we have let a unit to David M Robinson Limited, a north-west based retailer of luxury watches and jewellery, for £70,000 per annum, or £76.75 per sq ft.

The weighted average unexpired lease term is 2.2 years to earliest termination and 4.8 years to lease expiries. 58% of the property by floor area currently has an EPC rating of 'B' with the remainder rated 'C'.

The strategy is to undertake a rebranding of the building, introduce additional amenities for the offices such as bike and shower facilities and refurbish the property as floors become available with a focus on improving sustainability performance. This will increase the rental tone of the offices. We will aim to leverage the close proximity of luxury jewellers and watch retailers to attract similar occupiers to the subject asset at higher rents.

Chelmsford, 68 High Street (Retail)

In March 2023, 68 High Street in Chelmsford was acquired for £800,000, reflecting a net initial yield of 11.1%. This is an adjoining ownership to 67 High Street, with both units let to Esquire Retail on a lease expiring in September 2023. Simultaneously, an agreement for lease was reached with Co-operative Bank plc for them to take a new 10 year lease without breaks with effect from September at a new rent of £175,000. There will be 12 months rent free and we will make a capital contribution of £110,000. The acquisition and letting are expected to facilitate a profitable disposal of the combined units.

Portsmouth, Southlink (Industrial)

In June 2022 Southlink, a 26,975 sq ft single let industrial asset in Portsmouth, was sold for £6.5 million. The price compares with the 31 March 2022 independent valuation of £4.9 million and reflects a net initial yield of 3.2%.

Situated within the Walton Road Industrial area, Southlink was acquired in July 2004. The asset produced a net rent of £225,000 per annum with a lease term of 2.4 years. Based on the disposal price, the asset has generated an ungeared total return of 13.2% per annum since acquisition, compared with the All Property MSCI Benchmark for the same period of 6.8% per annum, and MSCI All Industrial for the same period of 10.6% per annum.

Rugby, Morgan Sindall House (Office)

In March 2023, contracts were exchanged to sell Morgan Sindall House, a 34,334 sq ft single let office asset in Rugby for £4.0 million. The price is in line with the year end independent valuation.

The asset produces a net rent of £375,378 per annum with a lease term of 5.9 years. Based on the disposal price, the asset has generated an ungeared total return of 7.2% per annum since acquisition, compared with the All Property MSCI Benchmark for the same period of 6.2% per annum, and MSCI All Office for the same period of 5.7% per annum.

Beech House, Fleet (Office)

Beech House, a 13,174 sq ft office asset in Fleet, was sold on 24 November 2022 for £2.1 million, 17% ahead of the 30 September 2022 independent valuation of £1.8 million and reflecting a net initial yield of 7.8%. The asset was acquired in 2004 as part of a bigger interest that has been broken up, and hence there is no asset level performance data.

Further disposals of lower value, non-core properties are under consideration and being progressed.

Active asset management

In aggregate, 65 new lettings, rent reviews and renewals completed since the start of the period totalling £6.7 million in annualised rental income and generating £2.3 million per annum of additional rent above the previous level.

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. Following completion of a new warehouse development this May, the asset comprises 233,730 sq ft of trade counter, self-storage and warehouse accommodation across 25 units on a nine acre site.

As at 31 March 2023 the valuation was £35.5 million, reflecting a net initial yield of 2.6% and a reversionary yield of 6.9%. Over the financial year the asset delivered a total return of 14.1% which compared with MSCI All Industrial over the same period of -21.0%.

Asset strategy

The strategy over the financial year was to crystallise higher rents, develop the 80,000 sq ft, operational net zero carbon ('NZC') scheme on the 3.4 acre site and begin marketing to pre-let the new accommodation.

Key activity

- The speculative development of 11 warehouse and trade units has completed with £8.1 million of capital expenditure incurred on the project from inception to the year end. The target rental income is £1.3 million per annum, or £16.41 per sq ft.
- The new units have achieved an 'A+' EPC rating and we are targeting a BREEAM Excellent accreditation.
- Approximately 40% of the new estate is already let or in legals. The objective is for the entire scheme to be let this calendar year.
- Negotiations are progressing with a number of occupiers to re-gear their leases across the original trading estate which should support continued income growth.

Chippenham, Langley Park Industrial Estate (Industrial)

Asset overview and performance

Langley Park Trading Estate in Chippenham was acquired in December 2020 for £19.3 million and comprises a multi-let industrial estate comprising 400,000 sq ft of warehouse and ancillary office accommodation on a large site of 28 acres located close to Chippenham town centre. As at 31 March 2023, the valuation of £24.7 million reflected a net initial yield of 6.5% and a reversionary yield of 8.4%. Over the financial year the asset delivered a total return of -3.4%, which compared with the MSCI All Industrial Benchmark over the same period of -21.0%.

Asset strategy

The strategy over the period was to drive net income growth, the average unexpired lease term, and quality of accommodation across the estate.

Key activity

- Siemens Mobility Limited ('Siemens') rent review completed in June 2022 at £1.2 million per annum or £4.64 per sq ft, reflecting a 26% increase in contracted rental income. Following completion of the rent review, which was backdated to June 2021, Siemens became the Company's second largest tenant.
- A new ten year lease renewal without breaks completed in May 2022 with IXYS UK Westcode Limited ('IXYS'), the UK subsidiary of Littelfuse, a global manufacturer which has provided a parent company guarantee. The rent is £465,000 per annum, or £5.50 per sq ft, reflecting a 31% increase over the previous contracted rent of £355,000 per annum. IXYS receive 12 months' rent free which ends in December 2023, and will receive a contribution to repair works up to the value of £250,000 if undertaken within two years of lease completion. The lease includes a rent review at year five to the higher of open market value or RPI, with a collar of 1% per annum and a cap of 5% per annum.
- The next phase of the business plan at Langley Park is to consider longer term development plans which could involve the creation of new space for existing tenants. Any development of new warehouse units would be to an operational net zero carbon ("NZC") standard and a pre-planning application to develop 130,000 sq ft of space has been submitted to Wiltshire County Council.

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 and Costa, with an average lease term, to the earlier of lease expiry or break, of 6.5 years. The asset benefits from an affluent catchment and has good parking. As at 31 March 2023, the asset was valued at £31.0 million reflecting a net initial income yield of 6.2% and a reversionary yield of 6.1%. Over the financial year the asset delivered a total return of -1.4% which compared with the MSCI All Retail Warehousing over the same period of -7.0%.

Asset strategy

The strategy over the year was to let vacant units, improve retailer mix and retain tenants by negotiating new longer term leases.

Key activity

- Resolution to grant planning consent has been received from Bedford Borough Council for a new 'drive thru' at St. John's Retail Park. As previously reported, a 15-year pre-let has completed with Starbucks Coffee Company UK Limited ('Starbucks') who are now constructing a new unit on the site and will receive a contribution towards construction costs capped at £850,000. The rent is £145,000 per annum, increasing by 10% of any construction cost in excess of £750,000, capped at an additional £10,000 of rent per annum. The yield on cost assuming the maximum construction cost, including the current site value of £1.3 million, is therefore 7.2%.
- Starbucks are required to deliver the restaurant to a minimum BREEAM rating of 'Very Good' and install electric vehicle charging points for customer usage.

Balance sheet

At the year end, the average interest rate for drawn debt was 2.9%, with an average loan term of 10.6 years, and 90% of total drawn debt was either fixed or hedged against movements in interest rates.

The debt refinancing with Canada Life in 2019 is now providing a significant benefit in a higher interest rate environment. This long term loan, that represented £129.6 million of the £177.9 million total borrowings at the year end, has an average loan maturity of 13.1 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 £16.8 million, which is not reflected in the Company's NAV.

The balance of drawn debt at the year end totalling £48.3 million comprised a revolving credit facility ('RCF') from Royal Bank of Scotland International ('RBSI').

At the year end, the Company had a net loan to value ('LTV') ratio of 36.0%, which is slightly above the long-term strategic target range of 25% to 35%. The Company has significant headroom against all loan covenants, but steps are being taken to bring the net LTV back in line with the target range, including contracted and further planned disposals.

Details of the loans are set out below, together with cover against covenants.

£129.6 million term loan with Canada Life

Lender	Loan (£m)	Maturity	Total interest rate (%)	Asset value (£m)	Cash (£m)	LTV ratio (%) ⁶	LTV ratio covenant (%) ⁶	ICR (%) ⁷	ICR covenant (%) ⁷	Projected ICR (%) ⁴	Projected ICR covenant (%) ⁴
Facility A	64.8	15/10/2032	2.4	271.8	2.0	46.9	65	480	185	449	185
Facility B	64.8	15/10/2039	2.6								
Canada Life Term Loan	129.6		2.5 ⁵								

- Net LTV on the secured assets against this loan is 46.9%. On this basis the properties charged to Canada Life could fall in value by 28% prior to the 65% LTV covenant being breached;
- The interest cover ratio is 480% based on actual net rents for the quarter to 31 March 2023. A 61% fall in net income could be sustained prior to the loan covenant of 185% being breached;
- The projected interest cover ratio is 449% based on projected net rents for the year to 31 March 2023. A 59% 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 40% and 66% respectively prior to either the LTV or interest cover ratio covenants being breached.

£75.0 million revolving credit facility ('RCF') with RBSI

The Company has headroom with both LTV and ICR covenants as summarised below:

Lender	Loan/ amount drawn (£m)	Maturity	Total interest rate (%)	Asset value (£m)	LTV ratio (%) ⁶	LTV ratio covenant (%) ⁶	Projected ICR (%) ⁸	Projected ICR covenant (%) ⁸
RBSI RCF	75.0/ 48.3 ⁹	06/06/2027	5.8 ¹⁰	160.8	30.0	60 ¹¹	351	250

- Net LTV on the secured assets against this loan is 30.0%. 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 351% based on actual net rents for the quarter to 31 March 2023. A 39% fall in net income could be sustained prior to the loan covenant of 250% being breached;
- After utilising available cash and uncharged properties, the valuation and actual net rents could fall by 69% and 51% respectively prior to either the LTV or projected interest cover ratio covenants being breached;
- At the year end, £30.5 million of the RCF benefited from an interest rate cap with a strike rate of 1.5%, which was due to expire on 3 July 2023 and, together with the RCF margin of 1.65%, resulted in an interest rate of 3.15% on the capped element of the RCF;
- At the year end, the uncapped element of the RCF was subject to the SONIA rate of 4.18% which, together with the RCF margin of 1.65%, resulted in an interest rate of 5.83% on the uncapped element of the RCF; and
- This resulted in an average interest rate on the drawn RCF of 4.1%.

Since the year end, the cap, which was due to expire on 3 July 2023, has been replaced with a hedging instrument termed an interest rate 'collar' which applies to £30.5 million of the £48.3 million now drawn. The collar, which runs to the end of the RCF term in June 2027, 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%. After netting off the value of the interest rate cap, the net cost of the collar was £567,000.

Since the year end, the RCF has also been 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;

- 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. Cash held at the balance sheet date includes £300,000 of cash that is held within the joint ventures.
2. Loan balance divided by the property values as at 31 March 2023.
3. For the quarter preceding the Interest Payment Date ('IPD'), (rental income received - void rates, void service charge and void insurance)/interest paid.
4. The projected ICR covenant for the contracted four quarters following the IPD deducting assumed non-recoverable costs (void rates, void service charge and void insurance)/interest paid, based on the average of the past four quarters.
5. Fixed total interest rate for the loan term.
6. Loan balance divided by the property values as at 31 March 2023.
7. For the quarter preceding the IPD, (rental income received - void rates, void service charge and void insurance)/interest paid.
8. The projected ICR covenant of the contracted four quarters following the IPD deducting assumed non-recoverable costs (void rates, void service charge and void insurance)/interest paid) based on the average of the past four quarters.
9. Facility drawn as at 31 March 2023 from a total available facility of £48.3 million.
10. Total interest rate as at 31 March 2023 comprising the SONIA rate of 4.18% and the margin of 1.65% at a LTV below 60%. Should the LTV be above 60%, the margin increases to 1.95%.
11. LTV ratio covenant of 65% for years one to three, then 60% for years four and five.

Outlook

The financial year was characterised by persistent inflation, rising interest rates, market volatility and lower levels of economic growth. This led to the sharpest correction in real estate values since the global financial crisis. Whilst our asset values were impacted, a diversified portfolio combined with good progress over the period delivering on the strategy resulted in sustained relative outperformance of the underlying portfolio and a further increase in the fully covered dividend level.

The strength of the balance sheet, with long term, mainly fixed rate, debt is a key competitive advantage and there will be limited impact on the Company from higher interest rates.

Looking forward, our programme of sustainability-led value add investments into the existing portfolio, and an active approach to asset management is leading to further income growth, with a pipeline of new opportunities under active consideration. We have a robust and diverse tenant base that we expect to be resilient in a weaker economic environment.

Against this backdrop, our combination of a clear strategy with increased emphasis on sustainability, a diversified portfolio and a strong balance sheet should enable us to maintain relative outperformance compared with our peers and continue delivering attractive income and total returns for shareholders.

Nick Montgomery

Fund Manager
7 June 2023

Sustainability Report

Key achievements

Progress towards net zero carbon by 2040	-19% reduction in whole building operational GHG intensity (between 2019/20 and 2021/22)
Improved GRESB score	3-star rating; 77 score (up from 75 in 2021); First in peer group
EPRA sBPR Awards for Sustainability Reporting	Gold Award for fifth year running
No. specialist sustainability audits	10
Increasing number of sustainability certifications completed in reporting year (Total no. assets with sustainability certifications)	+3 BREEAM In-Use and +2 WiredScore (Nine assets total)
Increasing no. assets with on-site renewables	Two assets with solar PV* <i>*Additional solar PV installed as part of Stanley Green development due to PC May 2023.</i>
Improved EPC performance	<ul style="list-style-type: none"> - 100% MEES compliance - EPC coverage = 97% - EPCs above C rating = 58%
Sustainability Linked Loan tied to RCF agreed with RBSI	

Our 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 Real Estate with Impact approach, and its Sustainability Policy: Real Estate with Impact, can be found here:

<https://www.schroders.com/en/uk/realestate/products--services/sustainability/>

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

performance data are presented with the EPRA sBPR aligned Sustainability Performance Measures sections from page 112.

Protecting our planet (environmental)

In the real estate sector climate change mitigation actions, such as reducing energy demand and implementing renewable energy systems, can collectively contribute to reducing the sector's impact on the climate crises but also have the potential to achieve wellbeing gains from improved indoor air quality and thermal comfort, reduced financial burden and increased productivity. A central focus of our real estate investment strategy is the response to this both in terms of resilience to physical impacts and working to ensure resilience as society transitions to a low-carbon economy.

As part of our commitment to net zero carbon ('NZC') by 2040 (see 'Pathway to Net Zero Carbon' on page 28) throughout the portfolio we have continued to undertake improvement initiatives including replacement and upgrades to heating, ventilation and air conditioning ('HVAC') systems, continued utility smart meter roll-out for improved energy monitoring, as well as continued upgrades to lighting systems, including installation of LEDs and passive infrared controls. Alongside the electrification of heating supplies, these measures are key contributors to the energy performance certificate ('EPC') improvements realised. Such measures also support the resilience of the strategy with respect to transition and physical climate risks which are detailed within our Taskforce on Climate-related Financial Disclosures ('TCFD') response on page 107.

Intrinsically linked to the climate crisis, the nature crisis also presents significant risks and opportunities to the real estate sector. As such, policy is rapidly evolving to mitigate and reverse negative impacts on nature including mandatory biodiversity net gain ('BNG') in the UK from November 2023 and the expected adoption of the Taskforce on Nature-related Financial Disclosures ('TNFD'). The Company has progressed with nature positive initiatives including the installation of bird boxes, beehives and bug hotels, as well as the protection of mature trees and planting of wildflowers during the reporting year across the portfolio.

Performance against objectives

	Goal	FY23 outcome
Environmental	Net Zero Carbon (Scopes 1, 2 and 3) by 2040	-19% reduction in whole building GHG intensity (between baseline year and 2021/2022)
	Annual reduction in landlord energy consumption and associated scope 1 and 2 greenhouse gas (GHG) emissions on a like-for-like basis	<ul style="list-style-type: none"> - Energy = <2% increase* - GHG emissions = -5% reduction <i>*annual like-for-like performance negatively impacted by impact of Covid-19 on occupancy in previous reporting period 2021.</i>
	Increase use of on-site renewable energy and to source 100% of landlord electricity through renewable tariffs by 2025	<ul style="list-style-type: none"> - 2 assets with solar PV <i>*Additional solar PV installed as part of the Stanley Green development due to PC in May 2023.</i> <ul style="list-style-type: none"> - 74% of the Company's landlord procured electricity was on a renewable tariff.
	Annual reduction in landlord like-for-like water consumption	27% increase <i>*annual like-for-like performance negatively impacted by impact of Covid-19 on occupancy in previous reporting period 2021.</i>

Send zero waste to landfill and prioritise waste recycling	<ul style="list-style-type: none"> - Zero waste directly to landfill - 54% of waste was recycled and 46% was incinerated with energy recovery.
Maintain 100% MEES compliance and improve proportion of assets with EPC ratings B or above (floor area)	<ul style="list-style-type: none"> - EPC coverage = 97%* - EPCs above C rating = 58% - EPCs above B rating = 18% <p><i>* Remaining footprint without EPCs relates to assets where improved works have been scheduled. Please note that the Company remains compliant with MEES regulations.</i></p>
Assess physical climate risk profiles for all assets and develop resilience strategies for all risks identified	Physical climate risk profile determined for all assets using third-party database.
Improve biodiversity opportunities across the portfolio	13 assets where biodiversity opportunities have been completed (including bird boxes, beehives or bug hotels).

Case study: Decarbonising the industrial sector

In October 2021, planning was secured for 80,000 sq ft of operationally Net Zero Carbon ('NZC') industrial, storage and distribution space across eleven units at the Stanley Green Trading Estate, Cheadle.

In line with the Company's commitment to incorporating high sustainability standards and building certifications across all new development activity, the scheme has been delivered to BREEAM Excellent, EPC A+ rating – a first for the Company – and operational NZC specification – another first for the Company and one of the first in the North West. Operational NZC as built has been achieved through utilising solar photovoltaics, insulated cladding to mitigate heat loss and installation of LED lighting. Electric vehicle charging and cycle storage facilities have been installed to promote active, low carbon travel. Through construction local suppliers have been used to boost local employment and partnership with local colleges have supported students in the area.

Pathway to net zero carbon

According to the World Green Building Council ('WGBC') buildings are responsible for 39% of global energy related carbon emissions¹⁵. 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 Agreement¹⁶.

The Board and Manager recognise that the Company has a responsibility to embark on a journey to net zero carbon ('NZC')¹⁷ 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 Commitment¹⁸ and we have 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 last year announced their 'Pathway to Net Zero Carbon' committing to:

- Operational whole buildings emissions to be aligned to a 1.5°C pathway by 2030.

¹⁵ World Green Building Council: Bringing Embodied Carbon Upfront. <https://worldgbc.org/article/bringing-embodied-carbon-upfront/>

¹⁶ Intergovernmental Panel on Climate Change (IPCC): Sixth Assessment Report. <https://www.ipcc.ch/assessment-report/ar6/>

¹⁷ '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.

¹⁸ Better Buildings Partnership Climate Commitment available here: <https://www.betterbuildingspartnership.co.uk/member-climate-commitment>

- 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.

Progress

Forward-looking NZC pathways have been developed, using the industry accepted Carbon Risk Real Estate Monitor ('CRREM'), to present the 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 assessing progress against the operational NZC baseline for the Company which was determined in 2021 (using 2019/2020 data). Please note that whilst decarbonisation pathways have been developed for 34% of assets (by Gross Property value ('GPV')), assets in-scope of the portfolio's fund level targets currently represent 29% by GPV.

Between 2019/2020 and 2021/2022 the Company, through continued improvement initiatives including heating, ventilation and air conditioning ('HVAC') upgrades and LED lighting improvements, has made good progress towards its energy and greenhouse gas ('GHG') intensity targets achieving reductions of 10% and 19% respectively. The current trajectory indicates the Company may strand – the point at which the GHG intensity of the portfolio is above the CRREM derived target – in 2033. This may be delayed by one year (2034) through identified improvement actions indicating further works required to meet the Company's 2040 net zero commitment. Figure A and the table below present further details of the outcome of this assessment.

Table: Current performance and reduction requirements to 2030 for both GHG and energy intensity.

	Current performance	% Progress against baseline period	2030 target	% Change required to reach 2030 target	Portfolio average year of stranding
Energy Intensity (kWh/m ²)	188.3	-10%	154.0	-18%	2033
GHG Intensity (kgCO ₂ e/m ²)	41.3	-19%	32.5	-21%	

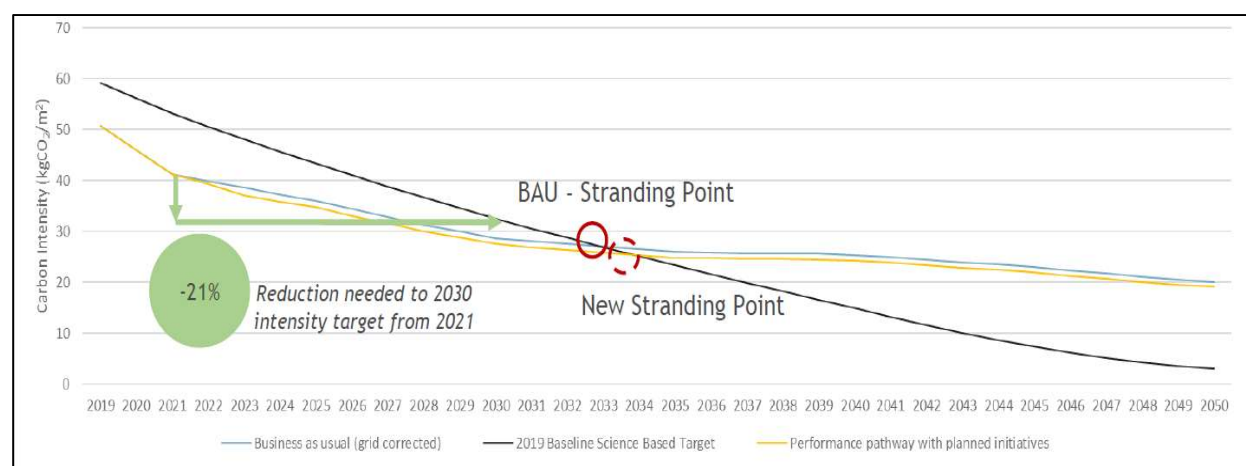


Figure A: Decarbonisation trajectory for the Company derived using the Carbon Risk Real Estate Monitor ('CRREM') which demonstrates the GHG intensity reduction required to align with CRREM at 2030 (-21%).

Next steps

The pathway will evolve over time as the Manager, and the wider industry, develop their understanding of how to address the carbon impact of real estate activities, physical risks to locations and assets, and as regulatory initiatives develop. Over time we will seek to bring more assets into scope (such as those on FRI leases) of our operational net zero carbon pathway, as well as account for additional operational scope 3 emissions (such as those associated with water and waste). A key next step will be to also assess, manage and reduce our embodied carbon associated with developments and refurbishments. Although this activity in the portfolio has historically been limited, the Board and Manager recognise that works will be needed to improve building energy and carbon performance to reduce the risk of stranded assets.

Supporting people and places (Social)

In recent years, there has been a growing recognition of the importance of considering social factors in real estate investment, as investors seek to create sustainable and socially responsible portfolios. Social factors, such as occupier and community wellbeing, can have a significant impact on the value and success of real estate investments.

It is widely reported that many now spend around 90% of their time indoors and so the spaces we create and manage have a significant influence over our physical and mental wellbeing. Additionally, a lack of access to amenities is often cited as a deterrent in the return to the workplace post-Covid. As such, the Board and Manager are committed to offering working environments which provide solutions to such issues. For example, the provision of outdoor breakout spaces and improved ventilation to optimise indoor environmental quality. We believe by doing so can help to attract and retain occupiers.

Furthermore, the Board and Manager recognise that a building is not located in isolation but rather stands as part of its local community. Improving opportunities for interacting with local communities helps create successful places that foster community relationships, contribute to local prosperity, attract building users and, ultimately, lead to better, more resilient investments. For example, offering rent-free space for local community groups such as food banks as was provided at our Norwich asset.

The UK government has implemented a number of policies and initiatives aimed at promoting sustainable transport and the Board and Manager understand that real estate has a significant role to play in supporting this. The Company is committed to improving the availability and quality of active transport facilities such as cycle storage and changing facilities, as well as the installation of electric vehicle charging points.

Performance against objectives

	Goal	FY23 outcome
	Ensure the health, safety and wellbeing of building occupiers and users	100% of managed assets where health and safety assessments were completed.
Social	Improve proportion of assets where occupier engagement activities are implemented	32 Company assets.
	Improve proportion of assets where community engagement activities are implemented	29% of Company assets.
	Improve availability of low carbon transport (active transport facilities; electric vehicle charging etc.) facilities	Support provision of bicycle infrastructure for 15 assets. Support provision of electric vehicle charging for six assets.

Case study: Creating social value

Located in the centre of the local community, Headingley Central seeks to add to and enrich the wider amenity offer in the local area for residents, business and visitors alike. Through the Manager's active asset management

approach, in collaboration with third-party property manager, MAPP, the team have worked to strengthen this mixed-use asset's sustainability credentials with a particular focus on social considerations over the reporting year including:

- Engaged with the local community via Headingley Development Trust – excellent feedback to lights in trees, general site improvements (cleaning and painting benches and paving);
- Formed a 'Town Team' for Headingley to work together to make Headingley a better place to visit and encourage spending into local businesses; and
- Worked with Leeds Art School students to dress vacant units and decorate concrete benches which was well received by the community.

Responsible business (Governance)

The Manager operates an environmental management system ('EMS') externally certified in accordance with 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 (environmental and social) are managed throughout all stages of its investment process and the Manager has provided a suite of tools to support the delivery of sustainability considerations at both asset and portfolio level including an ESG scorecard for acquisitions, Impact and sustainability action plan for standing investments, sustainable development brief for all projects and property manager sustainability requirements for use in all contractual property manager agreements.

The Manager continues to work towards enhancing its understanding of portfolio asset sustainability credentials, commissioning an increasing number of sustainability audits and certifications over the course of the reporting year which contribute towards improving performance in industry benchmarking platforms such as the Global Real Estate Sustainability Benchmark ('GRESB') and meeting the Company's commitments, for example our Sustainability Linked Loan agreement.

Performance against objectives

	Goal	FY23 outcome
Governance	Improve GRESB rating	<ul style="list-style-type: none"> - 1st in peer group - 3-star status - Improved score to 77
	Increase coverage of sustainability audits across portfolio	10 third-party audits commissioned
	Improve coverage and quality of sustainability certifications (e.g. BREEAM) across portfolio	9 assets with sustainability certifications* (+5 in reporting year: 3x BREEAM In-Use; 2x WiredScore) <i>* Does not include BREEAM Excellent secured for Stanley Green development due to PC May '23.</i>
	Maintain EPRA Gold Award for Sustainability Reporting	Gold Award for fifth year running
	Sustainability Linked Loan tied to RCF agreed with RBSI	Agreed in FY23

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 and compliance with UN PRI are listed at pages 51 – 56 of Schroders 2022 Annual Sustainable Investment Report here: <https://publications.schroders.com/view/119863317/>.

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'), British Council for Offices and the British Property Federation. It was a founding member of the UK Green Building Council in 2007 and in 2017 became a member of the Better Buildings Partnership and a Fund Manager Member of Global Real Estate Sustainability Benchmark ('GRESB') of which the Company has participated in the annual real estate survey for the past seven 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/>.

Case Study: Sustainability Audits

External auditors recently carried out a comprehensive audit of ten key assets within the Company's portfolio against the Investment Manager's proprietary ESG scorecard to help understand the current ESG performance of selected assets in the portfolio.

The review covered the range of topics from the scorecard (e.g. building fabric, services and utilities, energy and carbon, climate risk and resilience, water use and efficiency, waste management, biodiversity and green infrastructure, transport mobility, health and wellbeing, community and social integration) with each asset scored. Each audit comprised a desktop analysis and site inspection, which identified the current condition of the assets and identifiable improvement opportunity themes across the portfolio.

This recent audit programme helped to identify actions which would help to improve the understanding of buildings to drive change across the portfolio, as well as common asset-level improvement opportunities which include the following.

1. **Improving the building fabric:** Improve building fabric through the provision of better insulation and/or roof and cladding repairment to reduce the need for space heating whilst addressing overheating / overcooling concerns.
2. **Phasing out fossil fuels:** Replace inefficient and energy intensive heating systems fuelled by fossil fuels with new more efficient electric led systems.
3. **Installing on-site renewables:** Utilise roof space where solar PV panels can be installed to generate electricity on site, reduce emissions and energy bills.

The ESG scorecard will be used to manage, measure and monitor the ESG performance and progress of assets in the portfolio against the Company's sustainability objectives. This will also allow the Company to focus on realistic and achievable targets, and demonstrate the achievement of substantial positive impacts over time.

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 Company aims to provide shareholders with an attractive level of income and the potential for income and capital growth as a result of its investments in, and active management of, a diversified portfolio of UK commercial real estate.

The portfolio is principally invested in the three main UK commercial real estate sectors of industrial, office and retail, and may also invest in other sectors including mixed-use, residential, hotels, healthcare and leisure. The Company believes that a diversified portfolio by location, sector, size and tenant will outperform specialist strategies over the long term. Over the duration of the property market cycle, the portfolio aims to generate an above-average income return with a diverse spread of lease expiries.

The Board has established a gearing guideline for the Investment Manager, which seeks to target debt, net of cash, at a level reflecting a loan to value of between 25% to 35%. This relatively low level of gearing is used to enhance income and total returns for shareholders with the level dependent on the property cycle and the outlook for future returns.

The dividend policy adopted by the Board is to pay a sustainable level of quarterly dividends to shareholders. The Board keeps the dividend policy under active review with a view to ensuring the Company can deliver a sustainable level of cover whilst having due regard to current and anticipated future market conditions. It is intended that the successful execution of the Company's strategy will enable a progressive dividend policy.

Incorporating sustainability as a fundamental part of our strategy means we are committing to our own 'Pathway to Net Zero Carbon' which includes the following:

- 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.

Investment strategy

The Company's current strategy is to own and actively manage a diversified portfolio of properties located in the UK's Winning Cities and Regions.¹⁹ These locations are benefitting from higher economic growth resulting from structural changes such as urbanisation, rapid changes and growth of technology, changing demographics and social as well as positive impact themes. These locations have diversified local economies, sustainable occupational demand and favourable supply and demand characteristics. These properties offer good long-term fundamentals in terms of location, specification and sustainability performance, and are let at affordable rents, with the potential for income and capital growth due to good stock selection and asset management. We aim to grow income and enhance shareholder returns through active management and operational excellence. As discussed in the Chair's statement on page 8, and the Manager's review on page 12, the Board is looking to

¹⁹ Winning Cities defined as higher growth locations - Source: Oxford Economics/Schroders.

differentiate the Company's strategy by placing even greater emphasis on how sustainability-led asset improvements will deliver enhanced returns for shareholders.

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%. From time to time the Board may also impose limits on sector, location and tenant types together with other activity such as development.

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 Board has established a gearing guideline for the Investment Manager, which seeks to limit on-balance-sheet debt, net of cash, to 35% of on-balance-sheet assets while recognising that this may be exceeded in the short term from time to time. It should be noted that the Company's Articles limit borrowings to 65% of the Group's gross assets, calculated as at the time of borrowing. The Board keeps this guideline under review and the Directors may require the Investment Manager to manage the Group's assets with the objective of bringing borrowings within the appropriate limit while taking due account of the interests of shareholders. Accordingly, corrective measures may not have to be taken immediately if this would be detrimental to 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 and 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 2023 the Company delivered a NAV total return of -15.1% (30.9% for the year to 31 March 2022).

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 2023 the Benchmark comprised 168 member funds.

Underlying property portfolio performance

Total return for 12 months to 31 March 2023		Total return for 12 months to 31 March 2022	
SREIT (%)	MSCI Benchmark (%)	SREIT (%)	MSCI Benchmark (%)
-7.9%	-13.5%	23.5%	19.9%

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 2023, the share price of 46.2p was at a 24.9% discount to the NAV of 61.5 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 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

In 2019, the built environment was responsible for 31% of global carbon emissions, which places great responsibility on those companies that are direct or indirect contributors. 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 constantly reviews its approach to sustainable investing 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 in 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 48.

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.

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.

During the year, the Board has redefined certain of its principal risks, especially the emerging risk relating to the sustainability and ESG credentials of the portfolio as its sustainability becomes a greater focus for the Company. The Board no longer considers Covid-19 to be a principal risk as the property markets have adapted to the threats posed. The previously identified principal risks Accounting, Legal and regulatory and Tax have now been consolidated into a single Principal Risk, 'Regulatory Compliance'.

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
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.	<p><i>The Board seeks to mitigate these risks by:</i></p> <ul style="list-style-type: none"> – 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, Brexit impact, 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.	The Board considers economic conditions and the uncertainty around political 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 reviews the progress of implementing the strategy on a regular basis and provides the market with clear communications.

Key risks	Mitigation of risk
Sustainability	
<p>Sustainability considerations, including transition risks and physical risks (as defined by the Task Force on Climate-related Financial Disclosures ('TCFD'), explained further on page 107 of these accounts), 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).</p>	<p>The Manager's Investment Committee has a continued focus on sustainability to help ensure appropriate approvals are made.</p> <p>Impact and Sustainability Action Plans identify asset improvement requirements in context of the investment strategy.</p> <p>The Board regularly reviews the objectives and progress of the Sustainability programme.</p> <p>Evora has been appointed as a supplier to the Fund to help collate and provide key Sustainability data which is then reported to the Manager, Board and investors. Furthermore, the Board is provided with an assurance letter from Standard and Poor's with regard to the underlying work that it has conducted on behalf of the Company.</p>
Valuation/liquidity	
<p>Property valuations are inherently subjective and uncertain. This uncertainty is heightened by geo-political and macroeconomic factors such as high inflation and increasing interest rates.</p>	<p>External reputable valuers provide an independent quarterly valuation of all the property assets, including those held in joint ventures, which are reviewed at the quarterly Board meetings.</p> <p>The valuation process is reviewed by the Audit Committee every year and members of the Audit Committee directly meet with the valuers.</p> <p>External valuers are provided with copies of all transactions and lease events by SREIT's lawyers and with a quarterly updates by Asset Managers to ensure that information used to value the portfolio is complete, accurate and up-to-date.</p>
Gearing/leverage	
<p>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.</p>	<p>Gearing and compliance with covenants is monitored; at each Board meeting against strict restrictions set internally and by lenders, and is regularly announced to the market.</p>
Service provider	
<p>The Company has no employees and has delegated its operations to a number of service providers. Failure of controls and/or the poor performance of any service provider could lead to disruption, reputational damage, or loss.</p>	<p>Service providers subject to regular reviews by both the Investment Manager and the Management Engagement Committee against clearly documented contractual arrangements detailing service expectations, including confirmation of business continuity and cyber security arrangements.</p>

Regulatory compliance

The Company has to comply with a wide range of legislation and regulations, covering planning, health and safety, 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 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 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.

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 92 to 96.

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 13.1 years and the average unexpired lease term, assuming all tenants vacate at the earliest opportunity, is 4.7 years.

The Board's assessment of viability considers the principal risks and uncertainties faced by the Company, as detailed in the Strategic Review on pages 38 to 40, 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 38 to 40 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 2023, property valuations would have to fall by 28% before the relevant Canada Life Loan to Value covenants were breached, and actual net rental income would need to fall by 61% 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 2023, a 31% fall in net income could be sustained prior to the RBSI projected interest loan cover covenant of 250% being breached.

As at the financial year end the undrawn capacity of the RBSI facility was £26.7 million. This facility is an efficient and flexible source of funding due to its ability to be repaid and redrawn as often as required. Furthermore, this facility was refinanced in June 2022 with a new five-year term to 2027 and with an increase in the amount that can be drawn from £52.5m to £75.0m.

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 structural changes from Covid-19, together with the ongoing changing macroeconomic and geopolitical environments, on the Group.

The Board and Investment Manager have considered the impact of climate change risk as an emerging risk as set out on page 39. 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 forthcoming minimum energy efficiency standards. 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.

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 2024. In addition to the matters described above, in arriving at their conclusion the Directors have also considered:

- The cash balance at 2 June 2023 of £6.5 million; and
- The nature and timing of the Company's income and expenses.

The Directors have satisfied themselves that the Group has adequate resources to continue in operational existence for the period to 30 June 2024. 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

7 June 2023

Governance Report

Board of Directors

Alastair Hughes (Chair)

Status: Independent Non-Executive Chair

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: £55,000 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 of both 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.

Current remuneration: £40,000 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 at Cubico Sustainable Investments, and Non-Executive Director at Embark Group Limited and its regulated subsidiaries.

Priscilla previously held various senior positions at Janus Henderson, most latterly as Managing Director of the Private Equity business. She is also a Chartered Accountant and a member of the Chartered Accountants Australia and New Zealand.

Current remuneration: £40,000 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 ('Ali') Innes (Chair of the Management Engagement Committee)**Date of appointment: 16 November 2022**

Alexandra's executive career has 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 is a member of the Group Executive Board at Knight Frank LLP, a Non-executive Committee Member at the Bank of England, and a Non-executive Director of Dowlais Group plc, Securities Trust of Scotland plc, and Waverton Investment Management Limited. Alexandra is also Senior Independent Director of Facilities by ADF plc, and is a Non-executive Director of the UCI Cycling World Championships Ltd. Alexandra previously served on the board of the All England Lawn Tennis Club (Championships) Ltd and the AELT Ground plc.

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 Member of the Chartered Institute for Securities & Investments (Chartered MCSI), and holds the CFA Institute Certificate in ESG investing.

Current remuneration: £40,000 per annum

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

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

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.

Lorraine Baldry served as Chair of the Company during the year until 26 July 2022, and Graham Basham served as an Independent Non-Executive Director of the Company during the year, until 15 November 2022.

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 2023 (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 2022	30 June 2022	0.795 pence per share
30 June 2022	19 August 2022	0.803 pence per share
30 September 2022	9 December 2022	0.803 pence per share
31 December 2022	7 March 2023	0.819 pence per share

With the solvency test provided for in the Companies Law having been fully satisfied, all dividends were declared and paid as interim dividends. The Directors recommend a final dividend for the year ended 31 March 2023 of 0.836 pence per share to be paid on 30 June 2023.

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

Share capital

As at 31 March 2023 the Company had 565,664,749 (2022: 565,664,749) ordinary shares in issue of which 76,554,173 ordinary shares (representing 13.5% of the Company's total issued share capital) were held in treasury (2022: 74,584,448). The total number of voting rights of the Company was 489,110,576 at the year end (2022: 491,080,301) 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

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 May 2023 to consider the portfolio strategy and the Investment Manager's capabilities in more depth. Subsequently, the Directors formally discussed the performance of the Investment Manager at a 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 for providing investment management and accounting services during the financial year. The new investment management and fund accounting fee is now structured as follows: 0.9% on NAV up to £500 million; 0.8% on NAV between £500 million to £1 billion; and 0.7% on NAV over £1 billion. The fee is payable monthly in arrears. There is no performance fee. The Investment Management Agreement can be terminated by either party on not less than 12 month" written notice or on immediate notice in the event of certain breaches of its terms or the insolvency of either party.

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 £57,000 per annum and Langham Hall UK Depositary LLP is the Company's depositary for a fee of £39,000 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 Bribery Act.

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	0	Nil
Ali Innes	0	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. 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.

	Number of ordinary shares	Percentage (%)
Investec Wealth & Investment (UK)	78,375,224	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 Report of the Audit Committee on page 55.

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 £1,200.

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 2022

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/investor-relations/results-and-reports/annual-report-and-accounts-2022/>

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; and
- Internal audit function.

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. The Company has therefore not reported further in respect of these provisions.

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.

Evaluation of the Board and Audit Committee

In 2023 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 and its Chair both operate effectively and constructively. Ongoing consideration continues to be given towards succession planning, relationships with key shareholders and the format and length of board papers.

In January 2020 the Board appointed Stogdale St James Limited to independently oversee an external performance evaluation of the Board; there were no conflicts of interest identified. The composition of the Board, its dynamics, its oversight of strategy and the management of the Board meetings were all highly regarded.

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.

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 four Non-Executive Directors. The biography of each of these Directors is set out on pages 43 and 44 of the report. The Board considers each of the Directors to be independent. As at 31 March 2023, 50% of the individuals on the Board of Directors were women, exceeding the 40% target as set out in the Listing Rules, and at least one of the senior positions on the Board of Directors was held by a woman. There were no Board members from a minority ethnic background. This is due to the relatively small size of the Board.

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 2023 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	100	100
Mixed/Multiple Ethnic Groups	-	-	-
Asian/Asian British	-	-	-
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	2	50	1
Women	2	50	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 four 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 Audit and Nomination committees. Appointments and succession plans will always be based on merit and objective criteria and, within this context, the Board seeks to promote diversity of gender, social, ethnic, professional and educational backgrounds, sexual orientation, cognitive and personal strengths. 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-executives, 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. At least once a year the Board carries out a site visit to properties owned by the Company.

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 ²⁰	3/3	1/2	0/0	0/0
Alexandra Innes ²¹	1/1	0/1	0/0	0/0
Lorraine Baldry ²²	2/2	0/1	1/1	1/1
Graham Basham ²³	2/2	1/1	1/1	1/1
Number of meetings during the year	4	3	2	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

²⁰ Priscilla Davies was appointed as a Director on 7 June 2022, and therefore did not attend any meetings during the year held prior to her appointment.

²¹ Alexandra Innes was appointed as a Director on 16 November 2022, and therefore, did not attend any meetings during the year held prior to her appointment.

²² Lorraine Baldry was Chair of the Company until she retired as a Director on 26 July 2022.

²³ Graham Basham retired as a Director on 15 November 2022.

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 Board 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 1.30 p.m. on 27 September 2023, 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 137 of this document.

Audit Committee Report

Composition

The Audit Committee is chaired by Stephen Bligh with Alastair Hughes, Priscilla Davies, and Alexandra Innes 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. Its 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 and the interim review.

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, the Administrator 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 external Auditor's terms of appointment, audit plan, and year end report;
- The management representation letters to the Auditors;
- The effectiveness of the audit process;
- The independence, effectiveness and objectivity of the external Auditor;
- The risk assessment of the Company; and
- Compliance with the UK REIT regime.

As noted in the Corporate Governance report, an evaluation of the Audit Committee was completed by the Directors in May 2023 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 business and is a significant area of judgement which is inherently subjective, although the valuations are performed by independent firms of valuers: Knight Frank LLP (replaced by CBRE on 31 March 2023) for the Company's wholly-owned	The Audit Committee reviewed the outcomes of the valuation process throughout the year and discussed the detail of each quarterly valuation with the Investment Manager at the Board meetings.

portfolio of properties, and BNP Paribas Real Estate UK for the two joint ventures.

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

Members of the Audit Committee meet with CBRE to discuss the process, assumptions, independence and communication with the Investment Manager. Their approach to the 31 March 2023 valuations was discussed with CBRE in light of the impact of the pandemic and subsequent economic volatility, and 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 40 to 42, 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

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.

Internal audit

The Audit Committee considered the need for an internal audit function and concluded that this function is not required, as it is provided by the Schroders Group's Internal Audit reviews, which cover the functions provided by the Investment Manager, Schroder Real Estate Investment Management Limited.

In addition, the Investment Manager prepares an ISAE 3402/AAF 01/06 Internal Controls Report which includes the Company within the scope of the review. This report is reviewed by Ernst & Young LLP ('EY') which issued an unqualified opinion for the period ended September 2022. The Audit Committee has considered both the Investment Manager's internal controls report and the review by EY.

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.

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.

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.

Stephen Bligh

Director

7 June 2023

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 Management Engagement Committee. Alexandra Innes is the Chair of the Management Engagement 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 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 in Guernsey, 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:

- 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. The Committee is chaired by Alastair Hughes, and Stephen Bligh, Alexandra Innes, and Priscilla Davies are members. 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"> - Lorraine Baldry announced that she would resign as Chair of the Company in July 2022. A sub-committee comprised of Stephen Bligh and Graham Basham considered a number of candidates for the role of Chair with input from independent recruitment partners. Following this process, Alastair Hughes, the Senior Independent Director, was identified as the most suitable candidate. - The Nomination Committee identified suitable candidates for the role of Senior Independent Director, with support from independent executive search firm Russell Reynolds. Following this process, Priscilla Davies was recommended to be appointed as a Director of the Company and Senior Independent Director. - The Nomination Committee identified suitable candidates for the role of independent Director, with support from independent executive search firm Russell Reynolds. Following this process, Alexandra Innes was recommended to be appointed as a director of the Company. 	<ul style="list-style-type: none"> - The annual Board evaluation was undertaken in 2023. - 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 43 and 44. - 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 Priscilla Davies be appointed as a Non-Executive Director with effect from 7 June 2022.
- That Alastair Hughes be appointed as Chair of the Company with effect from 26 July 2022.
- That Alexandra Innes be appointed as a Non-Executive of the Company with effect from 16 November 2022.
- 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.

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 21 September 2022, the remuneration policy was approved by shareholders, with 99.71% of votes for, 0.29% of votes against, and 80,570 withheld.

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 21 September 2022, 99.72% 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 2022 were in favour, while 0.28% were against. 213,823 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 role that individual Directors fulfil in respect of Board and Committee responsibilities, and time committed to the Company's affairs.

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. The fees were reviewed during the year to ensure that they were competitive against peers with advice from Russell Reynolds as part of the Board Succession process.

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 2023.

Fees paid to Directors

The following amounts were paid by the Company for services as Non-Executive Directors:

Director	31 March 2023 (£)	31 March 2022 (£)
Alastair Hughes (Chair)	47,300	35,000
Stephen Bligh ²⁴	37,100	35,000
Priscilla Davies ²⁵	30,100	-
Alexandra Innes ²⁶	14,400	-
Lorraine Baldry ²⁷	16,700	50,000
Graham Basham ^{28, 26}	26,300	36,927
Total	171,900	156,927

Performance

The performance of the Company is described on page 35 in the Business Model Report.

Alastair Hughes

Chair

7 June 2023

²⁴ Chair of the Audit Committee.

²⁵ Senior Independent Director.

²⁶ Chair of the Management Engagement Committee.

²⁷ Lorraine Baldry was Chair of the Company until she retired as a director on 26 July 2022.

²⁸ Graham Basham retired as a director on 15 November 2022. He was a director of the subsidiary companies listed in note 20 for which he received no additional remuneration, either directly or indirectly.

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 6 to 10 and Governance Report on pages 43 to 52 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

7 June 2023

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 2023 which comprise the 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 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as issued by the International Accounting Standards Board ('IFRS').

In our opinion, the financial statements:

- ▶ give a true and fair view of the state of the Group's affairs as at 31 March 2023 and of its loss for the year then ended;
- ▶ have been properly prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; 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 Group 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 Group and we remain independent of the Group 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 Group'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 Group's ability to continue as a going concern for the period to 30 June 2024 from when the financial statements are authorised for issue.

In relation to the Group'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 Group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	<ul style="list-style-type: none"> • We have audited the financial statements of the Group for the year ended 31 March 2023.
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	<ul style="list-style-type: none"> • Overall Group materiality of £3.0m 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 Group. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Group 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 Group audit 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 are explained on page 108 in the Task Force for Climate related Financial Disclosures and on page 39 in the principal risks and uncertainties. They have also explained their climate commitments on page 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 the 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 statements. 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 53); Significant accounting policies (page 78); and Note 10 of the Financial Statements (pages 85 to 88)</p> <p>The Group's investment property portfolio consists of UK properties held directly and through joint ventures, with a combined fair value of £458.5m (2022: £515.2m).</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, CBRE Limited ('CBRE') and BNP Paribas Real Estate ('BNP') 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 being materially misstatement.</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 independent valuers as required by auditing standards. ▶ 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 (81% of the total value (2022: 80%)) to assess whether the reported value fell within a range of reasonable outcomes, which included: <ul style="list-style-type: none"> ▶ validating the assumptions used by the Group's independent valuers in undertaking their valuation and assessment of the 	<p>Based on the work performed we have no matters to report to the Audit Committee.</p>

	<p>valuation methodologies adopted;</p> <ul style="list-style-type: none"> ▶ 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 own market data and understanding of the property market. <p>▶ performed analytical review procedures across the portfolio of investments, focusing on correlations with market data and any significant movements;</p> <p>▶ 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 on a sample basis;</p> <p>▶ verified that the fair values derived by the Group's independent valuers for the entire portfolio were correctly included in the consolidated financial statements; and</p> <p>▶ 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>	
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<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 £25.2m of rental income (2022: £23.9m) and rent receivable of £3.9m (2022: £4.5m).</p> <p>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 number of judgments and estimates.</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 earned by the property for the period; ▶ 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 Schroder Real Estate Investment Management Limited (the "Asset Manager") assessing the recoverability of the overdue rent receivables, and challenged the judgments involved. For a sample of tenants, we have inspected the cash receipt subsequent to the year-end date; and 	<p>Based on the work performed, we have no matters to report to the Audit Committee.</p>
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	<p>► 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.</p>	
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Prior year comparison

There have been no changes to our assessment of key audit matters.

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 Group to be £3.0m (2022: £3.7m), which is 1% (2022: 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 based on equity as at 31 March 2023 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 Group's overall control environment, our judgement was that performance materiality was 75% (2022: 75%) of our planning materiality, namely £2.3m (2022: £2.8m).

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 £0.15m (2022: £0.19m), 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 3 to 62 and pages 98 to 141, 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
- ▶ 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 Group'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 41;
- ▶ Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 40;
- ▶ Director's statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on page 40;
- ▶ Directors' statement on fair, balanced and understandable set out on page 61;

- ▶ Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 38;
- ▶ The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 38; and
- ▶ The section describing the work of the audit committee set out on page 53.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 61, 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or 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 Group and Management.

- ▶ We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group 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 those charged with governance 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 of Directors.

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 3 years and 5 months, covering the period from initial appointment to 31 March 2023.

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
7 June 2023

Financial Statements

Consolidated Statement of Comprehensive Income

		31/03/2023	31/03/2022
	Notes	£000	£000
Rental income		25,171	23,859
Other income	3	58	558
Property operating expenses	4	(2,258)	(1,919)
Net rental and related income, excluding joint ventures		22,971	22,498
<i>Share of net comprehensive rental income in joint ventures</i>		<i>3,515</i>	<i>2,740</i>
<i>Net rental and related income, including joint ventures</i>		<i>26,486</i>	<i>25,238</i>
Profit on the disposal of investment property	10	1,184	3,165
Net unrealised valuation (loss)/gain on investment property	10	(60,107)	66,536
Expenses			
Investment management fee	2	(2,755)	(2,994)
Valuers' and other professional fees		(1,875)	(1,547)
Administrators' fees	2	(71)	(82)
Auditor's remuneration	5	(185)	(190)
Directors' fees	6	(172)	(157)
Other expenses	6	(346)	(422)
Total expenses		(5,404)	(5,392)
Net operating (loss)/profit before net finance costs		(41,356)	86,807
Refinancing costs	15	(247)	-
Finance costs		(5,114)	(4,139)
Net finance costs		(5,361)	(4,139)
Share of net comprehensive rental income in joint ventures	11	3,515	2,740
Share of valuation (loss)/gain in joint ventures	11	(11,513)	3,960
(Loss)/profit before taxation		(54,715)	89,368
Taxation	7	-	-
Profit and total comprehensive (loss)/income for the year attributable to the equity holders of the parent		(54,715)	89,368
Basic and diluted (loss)/earnings per share	8	(11.2p)	18.2p

All items in the above statement are derived from continuing operations. The accompanying notes 1 to 23 form an integral part of the financial statements.

Consolidated Statement of Financial Position

		31/03/2023	31/03/2022
	Notes	£000	£000
Investment property	10	388,030	433,486
Investment in joint ventures	11	72,187	83,700
Non-current assets		460,217	517,186
Trade and other receivables	12	21,626	16,169
Cash and cash equivalents	13	8,419	11,601
Current assets		30,045	27,770
Total assets		490,262	544,956
Issued capital and reserves	14	337,790	408,286
Treasury share reserve	14	(37,101)	(36,103)
Equity		300,689	372,183
Interest-bearing loans and borrowings	15	176,933	161,791
Lease liability	10	1,668	1,987
Non-current liabilities		178,601	163,778
Trade and other payables	16	10,972	8,995
Current liabilities		10,972	8,995
Total liabilities		189,573	173,670
Total equity and liabilities		490,262	544,956
Net asset value per ordinary share	17	61.5p	75.8p

The financial statements on pages 74 to 77 were approved at a meeting of the Board of Directors held on 7 June 2023 and signed on its behalf by:

Alastair Hughes, Chair

Stephen Bligh, Director

The accompanying notes 1 to 23 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 2021		219,090	(35,967)	113,721	296,844
Share buyback	17	-	(136)	-	(136)
Profit for the year		-	-	89,368	89,368
Dividends paid	9	-	-	(13,893)	(13,893)
Balance as at 31 March 2022		219,090	(36,103)	189,196	372,183
Share buyback	17	-	(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

The accompanying notes 1 to 23 form an integral part of the financial statements.

Consolidated Statement of Cash Flows

	31/03/2023	31/03/2022
	£000	£000
Operating activities		
(Loss)/profit for the year	(54,715)	89,368
Adjustments for:		
Profit on the disposal of investment property	(1,184)	(3,165)
Net valuation loss/(gain) on investment property	60,107	(66,536)
Share of loss/(profit) on joint ventures	7,998	(6,700)
Net finance cost	5,361	4,139
Operating cash generated before changes in working capital	17,567	17,106
(Increase)/decrease in trade and other receivables	(1,861)	859
Increase in trade and other payables	1,978	1,098
Cash generated from operations	17,684	19,063
Investing activities		
Proceeds from the sale of investment property	8,303	12,835
Acquisition of investment property	(16,058)	(19,850)
Additions to investment property	(10,133)	(4,924)
Additions to joint ventures	-	(620)
Net income distributed from joint ventures	3,638	2,598
Cash flows used in investing activities	(14,250)	(9,961)
Financing activities		
Repayment of debt	-	(13,000)
Additions to debt	15,600	21,200
Finance costs paid	(4,479)	(3,847)
Refinancing costs paid	(958)	-
Dividends paid	9 (15,781)	(13,893)
Share buyback	(998)	(136)
Cash flows used in financing activities	(6,616)	(9,676)
Net decrease in cash and cash equivalents for the year	(3,182)	(574)
Opening cash and cash equivalents	11,601	12,175
Closing cash and cash equivalents	8,419	11,601

The accompanying notes 1 to 23 form an integral part of the financial statements.

Notes to the Financial Statements

1. Significant accounting policies

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 2023 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 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 2023, property valuations would have to fall by 28% before the relevant Canada Life Loan to Value covenants were breached, and actual net rental income would need to fall by 61% 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 2023, a 31% fall in net income could be sustained prior to the RBS projected interest loan cover covenant of 250% being breached.

As at the financial year end the undrawn capacity of the RBSI facility was £26.7 million. This facility is an efficient and flexible source of funding due to its ability to be repaid and redrawn as often as required. Furthermore, this facility was refinanced in June 2022 with a new five-year term to 2027 and with an increase in the amount that can be drawn from £52.5m to £75.0m.

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 structural changes from Covid-19, together with the ongoing changing macroeconomic and geopolitical environments, on the Group.

The Board and Investment Manager have considered the impact of climate change risk as an emerging risk as set out on page 39. 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 forthcoming minimum energy efficiency standards. 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 41 and 42.

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 2024. In addition to the matters described above, in arriving at their conclusion the Directors have also considered:

- The cash balance at 2 June 2023 of £6.5 million; and
- The nature and timing of the Company's income and expenses.

The Directors have satisfied themselves that the Group has adequate resources to continue in operational existence for the period to 30 June 2024. After due consideration, the Board believes 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 consider aged debtors' analyses, the strength of tenant covenants, macroeconomic factors and any rental deposits. Management has considered rental debtors on a quarterly basis and made provisions and write offs where it has been deemed that these amounts are 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 carrying value. 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

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. The SPPI and Business model test have been met.

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 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.

The total charge to the Consolidated Statement of Comprehensive Income during the year was £2,755,000 (2022: £2,994,000). At the year end £Nil (2022: £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 £96,000 (2022: £157,000).

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 2022 to 31 March 2023 were £50,000 (2022: £50,000).

3. Other income

	31/03/2023	31/03/2022
	£000	£000
Dilapidations, surrender premiums and all other miscellaneous income	58	558
	58	558

4. Property operating expenses

	31/03/2023	31/03/2022
	£000	£000
Agents' fees	133	124
Repairs and maintenance	51	180
Advertising	70	78
Rates	369	323
Service charge, insurance and utilities on vacant units	1,657	1,269
Ground rent	68	95
Bad debt write offs, provisions and write backs	(90)	(150)
	2,258	1,919

5. Auditor's remuneration

The total expected audit fees are £185,000 for the financial year ended 31 March 2023 (2022: £170,000). Non-audit fees of £Nil (2022: £20,000). The prior year non-audit fee related to the interim review conducted for the period ended 30 September 2021. There was no interim review conducted for the period ended 30 September 2022.

6. Other expenses

	31/03/2023	31/03/2022
	£000	£000
Professional fees	285	356
Other expenses	61	66
	346	422

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 £171,900 (2022: £157,000), as set out in the Directors' Remuneration Report on pages 59 and 60.

7. Taxation

	31/03/2023	31/03/2022
	£000	£000
Tax expense in the year	-	-
Reconciliation of effective tax rate		
(Loss)/profit before tax	(54,715)	89,368
Effect of:		
Tax using the UK corporation tax rate of 19%	(10,396)	16,980
Revaluation loss/(gain) not taxable	11,420	(12,642)
Share of capital loss/(profit) of associates and joint ventures not taxable	2,187	(1,273)
Profit on the disposal of investment property not taxable	(225)	(601)
Loss on refinancing costs	47	-
UK REIT exemption	(3,033)	(2,464)
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 loss for the year of £54,715,000 (2022: profit of £89,368,000) and the weighted average number of ordinary shares in issue during the year of 489,951,223 (2022: 491,085,850)

9. Dividends paid

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

In respect of:	Ordinary shares	Rate (pence)	31/03/2022 £000
Q/e 31 March 2021 (dividend paid 25 June 2021)	491.08 million	0.656	3,222
Q/e 30 June 2021 (dividend paid 13 August 2021)	491.08 million	0.675	3,315
Q/e 30 Sept 2021 (dividend paid 17 December 2021)	491.08 million	0.726	3,565
Q/e 30 Dec 2021 (dividend paid 25 March 2022)	491.08 million	0.772	3,791
		2.829	13,893

A dividend for the quarter ended 31 March 2023 of 0.836 pence per share was approved and will be paid on the 30 June 2023.

10. Investment property

	Leasehold £000	Freehold £000	Total £000
Fair value as at 31 March 2021	36,376	315,400	351,776
Additions	118	3,669	3,787
Acquisition costs	-	1,138	1,138
Acquisitions		19,850	19,850
Disposal of asset held at fair value	-	(9,600)	(9,600)
Fair value leasehold movement	(1)	-	(1)
Net unrealised valuation gain on investment property	3,300	63,236	66,536
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

The balance above includes:

	Leasehold	Freehold	Total
	£000	£000	£000
Investment property	37,806	393,693	431,499
Fair value leasehold adjustment	1,987	-	1,987
Fair value as at 31 March 2022	39,793	393,693	433,486

	Leasehold	Freehold	Total
	£000	£000	£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

The fair value of investment properties, as determined by the valuer as at 31 March 2023, totals £398,560,000 (March 2022: £440,100,000). Of this total valuation, £4,000,000 relates to an unconditional exchange of contracts for Morgan Sindall House, Rugby which is included within trade and other receivables and which is due to complete to be sold in June 2023. In addition to this, £8,198,000 (2022: £8,602,000) 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 incorporate the International Valuation Standards, issued by the Royal Institution of Chartered Surveyors (the “Red Book”). CBRE replaced previous valuers Knight Frank with effect from March 2023 (see page 9 for further detail).

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 8, developments and refurbishments form a key element of the Groups commitment to sustainability. During the year the Group has spent £10.1m on capital expenditure. This sum included both capital works which 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 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 - £26.70	£0 - £32.85
	Weighted average	£4.84	£14.06	£12.87	£8.96	£7.22
Gross ERV per sq. ft per annum	Range	£2.50 - £17.50	£4.00 - £80.56	£8.47 - £27.00	£2.10 - £13.00	£3.50 - £32.85
	Weighted average	£6.88	£15.35	£18.57	£7.98	£9.51
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%

Note s:

(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 2022

31 March 2022		Industrial (1)	Retail (incl. retail warehouse)	Office	Other	Total
Fair value (£000)		248,950	97,450	75,450	18,250	440,100
Area ('000 sq. ft)		2,338	499	369	177	3,383
Net passing rent per sq. ft per annum	Range	£0 - £14.00	£0 - £32.85	£0 - £29.10	£1.00 -	£0 - £14.00
	Weighted average	£4.93	£12.77	£16.49	£13.00	£4.93
Gross ERV per sq. ft per annum	Range	£2.50 - £14.00	£7.40 - £29.83	£10.00 - £27.50	£2.10 -	£2.10 - £29.83
	Weighted average	£5.93	£13.86	£17.80	£13.00 £7.91	£8.50
Net initial yield ⁽¹⁾	Range	3.29% - 7.25%	0% - 9.26%	4.33% - 12.80%	4.75% -	3.29% - 7.25%
	Weighted average	4.34%	6.12%	7.56%	8.55%	4.34%
Equivalent yield	Range	4.20% - 7.76%	4.99% - 9.97%	5.79% - 9.36%	4.75% -	4.20% - 7.76%
	Weighted average	5.17%	6.37%	7.50%	9.21%	5.17%

Note s: (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 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

Estimated movement in fair value of investment properties at 31 March 2022	Industrial £000	Retail £000	Office £000	Other £000	All sectors £000
Increase in ERV by 5%	11,240	3,307	3,378	605	18,530
Decrease in ERV by 5%	(11,372)	(3,462)	(3,609)	(416)	(18,859)
Increase in net initial yield by 0.25%	(13,574)	(3,825)	(2,416)	(645)	(20,460)
Decrease in net initial yield by 0.25%	15,236	4,152	2,582	694	22,664

11. Investment in joint ventures

Closing balance as at 31 March 2021	79,120
Purchase of further units in City Tower Unit Trust	620
Valuation gain on joint venture	3,960
Closing balance as at 31 March 2022	83,700
Purchase of further units in City Tower Unit Trust	-
Valuation loss on joint venture	(11,513)
Closing balance as at 31 March 2023	72,187

Summarised joint venture financial information not adjusted for the Group's share – City Tower Unit Trust	31/03/2023 £000	31/03/2022 £000
Investment properties	136,100	163,450
Other assets	3,779	4,489
Total liabilities ¹	(2,070)	(3,120)
Revenues for the year	9,025	9,369
Total comprehensive rental income	7,570	4,219
Net asset value attributable to the Group	34,452	41,204
Total comprehensive income attributable to the Group	1,893	1,083

Summarised joint venture financial information not adjusted for the Group's share – Store Street Unit Trust	31/03/2023 £000	31/03/2022 £000
Investment properties	75,550	85,000
Other assets	446	691
Total liabilities ¹	(527)	(699)
Revenues for the year	3,700	3,728
Total comprehensive rental income	3,242	3,291
Net asset value attributable to Group	37,735	42,496
Total comprehensive income attributable to the Group	1,621	1,657

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 BNP Paribas Real Estate, 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

	31/03/2023 £000	31/03/2022 £000
Rent receivable	3,578	3,608
Other debtors and prepayments	14,048	12,561
Other capital debtors	4,000	-
	21,626	16,169

Other debtors and prepayments includes £8,198,000 (2022: £8,602,000) in respect of lease incentives.

Other capital debtors relates to the sale proceeds receivable of £4,000,000 for the post period completion of Rugby, Morgan Sindall House which unconditionally exchanged for sale in March 2023 and is due to complete on 23 June 2023.

As at 31 March 2023 total bad debt provisions of £0.4m (2022: £0.9m) had been recognised against rental debtors of £3.3m (2022: £3.8m) net of VAT.

13. Cash and cash equivalents

As at 31 March 2023 the Group held £8.4 million (2022: £11.6 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 (2022: 565,664,749) of which 76,554,173 Ordinary shares are held in treasury (2022: 74,584,448). The total number of voting rights of the Company was 489,110,576 (2022: 491,080,301) as at the financial year end.

Treasury capital

76,554,173 (2022: 74,584,448) ordinary shares, which represent 13.5% (2022: 13.2%) 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.

	31/03/2023 £000	31/03/2022 £000
Non-current liabilities		
Loan facilities	177,885	162,252
Unamortised arrangement fees	(952)	(461)
	176,933	161,791

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 2023 Interest Payment Date, the Canada Life interest cover ratio was 480% (2022: 650%) against a covenant of 185%; the forecast interest cover ratio was 449% (2022: 487%) against a covenant of 185%; and the Loan to Value ratio was 46.9% (2022: 40.1%) 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 2023 contained properties valued at £271.80 million (2022: £322.90 million). Various restraints apply during the term of the loan although the facility has been designed to provide significant operational flexibility.

On 6 June 2022 the Group successfully completed a refinancing of its facility with RBSI which had been due to expire in July 2023. The new five-year term will run to June 2027 and the maximum amount able to be drawn down has subsequently increased from £52.5m to £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. An interest rate cap for £30.5 million of the loan has been entered into and this comes into effect if the three-month SONIA rate reaches 1.5% and expires in July 2023.

As part of this refinancing process an amount of £247,000 previously unamortised loan fees were written off.

As at the April 2023 Interest Payment Date, the RBSI projected interest cover ratio was 411% (2022: 538%) against a covenant of 250% and the Loan to Value ratio was 30.0% (2022: 24.0%) against a covenant of 65%.

The RBSI facility has a first charge security over certain property assets which at 31 March 2023 contained properties valued at £160.8 million (2022: £136.5 million).

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

	31/03/2023 £000
Loan balance brought forward	161,791
Drawdown on RBSI RCF (cash)	15,600
Amortised cost adjustment	(458)
Loan balance carried forward	176,933
	31/03/2022 £000
Loan balance brought forward	153,370
Drawdown on RBSI RCF (cash)	21,200
Repayment of RBSI RCF (cash)	(13,000)
Amortised cost adjustment	221
Loan balance carried forward	161,791

16. Trade and other payables

	31/03/2023 £000	31/03/2022 £000
Deferred income	5,131	4,123
Rental deposits	1,850	1,744
Interest payable	1,101	840
Other trade payables and accruals	2,890	2,288
	10,972	8,995

17. NAV per Ordinary Share and share buyback

Between the 28 July 2022 to 15 September 2022 the Company purchased a further sum of 1,969,725 shares for a sum of £1.0m at an average price of 50.6 pence per share.

As a consequence of the buyback, the number of ordinary shares in issue fell from 491,080,301 to 489,110,576 during the reporting period.

The NAV per Ordinary Share is based on the net assets of £300,689,000 (2022: £372,183,000) and 489,110,576 (2022: 491,080,301) 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 contracts 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 16 to 17. 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:

	31/03/2023 Carrying amount £000	31/03/2022 Carrying amount £000
Office	568	445
Industrial	2,496	2,080
Retail, leisure and other	874	1,980
	3,938*	4,505*

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

Rent receivables which are past their due date were:

	31/03/2023 Carrying amount £000	31/03/2022 Carrying amount £000
0-30 days	2,940	2,274
31-60 days	62	118
61-90 days	4	193
91 days plus	932	1,920
	3,938*	4,505*

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 2023 total

provisions of £0.36m (2022: £0.9m) 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 consider aged debtors' analyses, the strength of tenant covenants, macroeconomic factors and any rental deposits held when considering this.

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 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*	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

As at 31 March 2022	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	161,791	208,490	1,880	5,105	42,558	158,946
Leasehold liability	1,987	11,401	50	149	298	10,904
Trade and other payables	5,769	5,769	4,025	-	-	1,744
Total financial liabilities	169,547	225,660	5,955	5,254	42,856	171,594

* Assumes that the £48.3 million 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 2023 the fair value of the Group's £129.6 million loan with Canada Life was £112.8 million (2022: £125.8 million).

The RBSI revolving credit facility is a low margin flexible source of funding with a margin of 1.65% plus 3-month SONIA and it is considered by management that the carrying value of the loan is equal to its fair value (sum of £48.3m drawn as at year end).

A 1% increase or decrease in short-term interest rates would increase or decrease the annual income and equity by £84,000 based on the cash balance as at 31 March 2023.

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 (2022: 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 2023, the fair value of the Group's £129.6 million loan with Canada Life was £112.8 million (2022: £125.8 million).

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:

	31/03/2023 £000	31/03/2022 £000
Debt		
Fixed-rate loan facility	129,585	129,585
Floating rate loan facility *	48,300	32,667
	177,885	162,252
Equity		
Called-up share capital	181,989	182,987
Reserves	118,700	189,196
	300,689	372,183
Total debt and equity	478,574	534,435

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 2023 was £75.0m (2022: £52.5m).

19. Operating leases

The Group leases out its investment property under operating leases. At 31 March 2023 the future minimum lease receipts under non-cancellable leases are as follows:

	31/03/2023 £000	31/03/2022 £000
Less than one year	22,850	22,435
Between one and five years	66,194	51,513
More than five years	58,829	39,531
	147,873	113,479

The total above comprises the total contracted rent receivable as at 31 March 2023.

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. List of subsidiary and joint venture undertakings

The companies listed below are those which were part of the Group as at 31 March 2023:

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 underlying property unit trust	100%
SREIT (Store) Limited	Subsidiary	Guernsey	Joint ownership of 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 141.

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

21. 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.

22. Capital commitments

As at 31 March 2023 the Group had capital commitments of £7.7 million (2022: £12.3 million).

23. Post balance sheet events

On 6 March 2023 the Group unconditionally exchanged contracts to dispose of Morgan Sindall House, Rugby for a gross sale price of £4.0m. Completion of the transaction will take place on 23 June 2023.

On 1 June 2023 the Group completed on the acquisition of an interest rate collar for a net price payable of £0.57m. This was to replace existing interest rate caps totalling £30.5m with RBSI, which mature in July 2023, and which come in to effect when the three-month SONIA rate exceeds 1.5%. The new interest rate collar is also for £30.5m of the loan and has a cap of 4.25% and a floor of 3.25% and will expire on 6 June 2027.

On 1 June 2023 the RBSI RCF was converted in to 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. Please see page 23 for further detail.

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

	31/03/2023	31/03/2022
EPRA earnings	£15,968,000	£15,707,000
EPRA earnings per share	3.3pps	3.2pps
EPRA Net Reinstatement Value	£332,178,000	£407,317,000
EPRA Net Reinstatement Value per share	67.9p	82.9p
EPRA Net Tangible Assets	£300,689,000	£372,183,000
EPRA Net Tangible Assets per share	61.5p	75.8p
EPRA Net Disposal Value	£317,448,000	£375,933,000
EPRA Net Disposal Value per share	64.9p	76.6p
EPRA Net Initial Yield	5.4%	5.0%
EPRA “topped-up” Net Initial Yield	5.8%	5.1%
EPRA vacancy rate	11.1%	7.0%
EPRA cost ratios - including direct vacancy costs	28.0%	30.5%
EPRA cost ratios - excluding direct vacancy costs	21.1%	24.7%
EPRA LTV	36.0%	28.6%

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.

	31/03/2023	31/03/2022
	£000	£000
(Loss)/profit per IFRS income statement	(54,715)	89,368
Adjustments to calculate EPRA Earnings:		
Profit on disposal of investment property	(1,184)	(3,165)
Net valuation loss/(gain) on investment property	60,107	(66,536)
Share of valuation loss/(gain) in associates and joint ventures	11,513	(3,960)
Refinancing costs	247	-
EPRA earnings	15,968	15,707
Weighted average number of ordinary shares	489,951,224	491,085,850
IFRS earnings per share (pence)	(11.2)	18.2
EPRA earnings per share (pence)	3.3	3.2

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.

	31/03/2023	31/03/2022
	£000	£000
IFRS equity attributable to shareholders	300,689	372,183
Adjustment in respect of real estate transfer taxes and costs	31,489	35,134
EPRA Net Reinstatement Value	332,178	407,317
Shares in issue at the end of the period	489,110,576	491,080,301
EPRA NRV per share (pence per share)	67.9p	82.9p

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.

	31/03/2023	31/03/2022
	£000	£000
IFRS equity attributable to shareholders	300,689	372,183
EPRA Net Tangible Assets	300,689	372,183
Shares in issue at the end of the year	489,110,576	491,080,301
IFRS NAV per share (pence)	61.5p	75.8p
EPRA Net Tangible Assets per share (pence)	61.5p	75.8p

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.

	31/03/2023	31/03/2022
	£000	£000
IFRS equity attributable to shareholders	300,689	372,183
<i>Adjustments to calculate EPRA Net Disposal Value:</i>		
The fair value of fixed-interest rate debt	16,759	3,750
EPRA Net Disposal Value	317,448	375,933
Shares in issue at the end of the year	489,110,576	491,080,301
EPRA Net Disposal Value per share (pence)	64.9p	76.6p

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.

	31/03/2023	31/03/2022
	£000	£000
Investment property – wholly-owned	398,560	440,100
Investment property – share of joint ventures and funds	71,800	83,363
Complete property portfolio	470,360	523,463
Allowance for estimated purchasers’ costs	31,489	35,134
Gross up completed property portfolio valuation	501,849	558,597
Annualised cash passing rental income	29,292	30,085
Property outgoings	(2,258)	(1,919)
Annualised net rents	27,034	28,166
Notional rent expiration of rent-free periods ⁽¹⁾	2,177	340
Topped-up net annualised rent	29,211	28,506
EPRA NIY	5.4%	5.0%
EPRA “topped-up” NIY	5.8%	5.1%

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

f. EPRA cost ratios

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

	31/03/2023	31/03/2022
	£000	£000
Administrative/operating expense line per IFRS income statement	7,662	7,311
Share of Joint Venture expenses	591	1,236
Less: Ground rent costs	(68)	(95)
Costs (including direct vacancy costs)	8,185	8,452
Direct vacancy costs	(2,026)	(1,592)
Costs (excluding direct vacancy costs)	6,159	6,860
Gross rental income less ground rent costs – per IFRS	25,103	23,764
Add share of Joint Ventures (Gross Rental Income less ground rent costs)	4,106	3,976
Gross rental income	29,209	27,740
EPRA cost ratio (including direct vacancy costs)	28.0%	30.5%
EPRA cost ratio (excluding direct vacancy costs)	21.1%	24.7%

There were no directly attributable overhead and operating costs capitalised during the year (2022: 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.

	31/03/2023	31/03/2022
	£000	£000
Estimated rental value of vacant space	4,192	2,356
Estimated rental value of the whole portfolio	37,843	33,800
EPRA vacancy rate	11.1%	7.0%

There were no significant or distorting factors in the above.

h. EPRA LTV

The gearing of the shareholder equity within the Company.

	31/03/2023	31/03/2022
	£000	£000
Borrowings from financial institutions	177,885	162,252
Cash and cash equivalents	(8,419)	(11,601)
Cash and cash equivalents – share of joint ventures	(302)	(859)
Net Debt	169,164	149,792
Investment properties at fair value – direct portfolio	398,560	440,100
Investment properties at fair value – share of joint ventures	71,800	83,363
Total Property Value	470,360	523,463
LTV	36.0%	28.6%

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)	16.1	-	16.1
Developments	9.6	-	9.6
Investment properties			
-Tenant incentives	0.3	-	0.3
-Other material non – allocated types of expenditure	0.2	0.1	0.3
Total Capital Expenditure	26.2	0.1	26.3

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 98) 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 98 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 £0.9m.

Share 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 75) 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 75).

AIFMD Disclosures (unaudited)

The Alternative Investment Fund Managers Directive ('AIFMD') remuneration and leverage disclosures for Schroder Real Estate Investment Management Limited ('SREIM') for the year to 31 December 2022

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 76 to 107 of the 2022 Annual Report & Accounts (available on the Group's website – <https://www.schroders.com/en/investor-relations/results-and-reports/annual-report-and-accounts-2022/>), 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 2022 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.

The ratio of total costs to net income through the market cycle 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, legal, compliance and internal audit matters from the heads of those areas.

The remuneration data that follows reflects amounts paid in respect of performance during 2022.

- 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 73 AIF MRTs of SREIM in respect of the financial year ended 31 December 2022 is £53.67 million, of which £33.91 million was paid to senior management, £16.68 million was paid to MRTs deemed to be taking risk on behalf of SREIM or the AIF funds that it manages and £3.08 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 2022 as shown below (the Company calculates and externally reports its leverage one quarter in arrears):

	Maximum limit set	Actual as at 31.12.2022
Gross leverage	195	158
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.

Task Force on Climate-related Financial Disclosures (‘TCFD’)

The Company reports sustainability information in accordance with EPRA Best Practice Recommendations on Sustainability Reporting (‘sBPR’) 2017, Third Edition for the 12 months 1 January 2022 – 31 December 2022, presented with comparison against 2021. 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 Task Force on Climate-related Financial Disclosure (‘TCFD’) aims to mainstream reporting on climate-related risks and opportunities in organisations’ annual financial filings. Launched in 2017, the TCFD recommendations have so far been a voluntary framework. However, it became mandatory in the UK across a range of market participants on a phased timeline beginning in 2021.

The TCFD recommendations are structured around four themes: Governance, Strategy, Risk Management, and Metrics and Targets. Key concepts within the framework include:

- ‘transition’ risks: arising from society’s transition to a low carbon economy (changing regulation and market expectations, new technologies etc) and;
- ‘physical’ risks: relating to the acute (storms, floods and wildfires etc) and chronic (rising sea levels, increasing heat stress etc) physical effects of a changing climate.

Additional principles within TCFD include the importance of forward-looking assessment of climate-related risks and opportunities, and ‘scenario analysis’. Scenario analysis is a process of identifying and assessing the potential implications of a range of plausible future states under conditions of uncertainty. The recommendations note that scenario analysis for climate-related issues is a relatively new concept and that practices will evolve over time.

In 2022, the Manager continued to review its policies and practices against TCFD criteria and developed a roadmap towards increased alignment. Building on our established consideration of sustainability within the investment process, Schroder’s believes it will be important to further integrate the assessment of climate-related risks and opportunities into decision-making and reporting processes. The outcome of our review and progress towards further alignment is set out below.

TCFD Recommendation	Approach
Governance	
Describe the board’s oversight of climate-related risks and opportunities.	<p>The Board formally reviews the Manager’s performance, including ESG-related activity, at quarterly Board meetings. A more detailed review of the Manager’s approach to ESG is carried out at the annual strategy review which includes but is not limited to (i) Fund level sustainability performance measured by both the Manager and third parties such as the Global Real Estate Sustainability Benchmark (‘GRESB’); (ii) asset level analysis; (iii) a review of the Manager’s ESG policies and procedures and (iv) presentations from sustainability specialists.</p> <p>The Manager reviews a materiality assessment annually to identify and assess material impacts, sustainability risks and opportunities arising from our sustainability aspects alongside severity, likelihood, and ability to influence. Impacts, risks and opportunities are also identified as originating from normal, abnormal or emergency conditions.</p>
Describe management’s role in assessing and managing climate-	Climate change is an established component of our sustainability programme. Responsibility for assessment and management of climate-related risk and opportunity is delegated to key members of the Investment Management team, supported by regular reporting to the Investment Committee. Schroders Head of

related risks and opportunities.	<p>Sustainability and Impact Investing recommends the Manager's annual Sustainability Policy and Objectives, which are reviewed and approved by the Investment Committee. The Manager incorporates climate-related considerations into key stages of the investment process, including acquisition proposals, annual Asset Business Plans and annual Fund Strategy Statements. Each of these steps of the investment process require approval by the Investment Committee. The Manager also prepares annual report and financial accounts for the Company, which include climate-related metrics and supports the Manager and Board's monitoring of performance and progress towards climate-related goals and targets.</p> <p>During the financial year ended 31 March 2023, the Manager's sustainability team was bolstered with the recruitment of an Energy and Carbon Lead, alongside a Climate Lead who maintains oversight of the Manager's climate resilience programme.</p> <p>Engagement is a critical component of the Manager's climate resilience programme with regular touchpoints with the Schroders Capital Sustainability & Impact working groups ensuring alignment of frameworks and approaches across the business and benefitting from this extensive pool of resource.</p> <p>The Manager includes ESG criteria, including climate-related risks, as part of its formal quarterly investment risk monitoring, which is overseen by Schroders Group Investment Risk function, the results of which are presented to the Company Board as part of the quarterly Board materials and discussed as necessary.</p>
Strategy	
Describe the climate-related risks and opportunities the Company has identified over the short, medium, and long term.	<p>Our investment philosophy and process is underpinned by fundamental research and an analytical approach that considers economic, demographic and structural influences on the market. We are considering how climate change may impact on these factors over time, as well as how government policies may enable mitigation of and adaption to climate change.</p> <p>Energy and carbon emissions performance of our assets is a critical climate-related strategic issue. As part of net zero carbon analysis utilising the industry standard Carbon Risk Real Estate Monitor ('CRREM') the Manager has identified those assets which may be exposed to potential stranding risk (including Carbon Value at Risk ('cVaR')) in the short, medium and longer term.</p> <p>The company continues to review asset ratings with respect to Energy Performance Certificates ('EPC') and sustainability certifications (e.g. BREEAM) in recognition of the legislative, policy and investor landscape continuing to strengthen over time in this regard.</p> <p>In the short, medium and longer term, the physical effects of changing climate also present potential material financial impacts to the Company. Using a third-party physical risk database the Manager has identified the highest risks as follows: Drought, Extra-tropical cyclone, Heating degree days, Heat stress, water pollution and water stress.</p>
Describe the impact of climate-related risks and opportunities on the Company's businesses, strategy, and financial planning.	<p>The Manager's acquisition and asset business planning processes include consideration of climate-related issues, and will include forward-looking assessment of asset alignment to Paris Aligned energy and carbon performance benchmarks, where information permits. We are also reviewing our existing processes for screening acquisitions and standing investments for climate-related physical risks (e.g. flooding).</p> <p>As part of the Net Zero Carbon project on standing investments actions identified in the asset business plans have been fed through, via the asset Impact and</p>

	<p>Sustainability Action Plans, into the forward looking decarbonisation pathways to present the impact of known interventions. Conversely this also identifies where more action is required to achieve decarbonisation goals.</p> <p>We recognise the need and opportunity presented by climate change to improve operational efficiency, maintenance costs and generate new income streams (e.g. onsite energy) and which all support asset values. These actions also support the Company with increasing investor expectations in relation to climate action and preparing portfolio assets for new and emerging energy efficiency regulations, increases in energy costs, carbon taxes, changing occupier preferences and valuation considerations.</p> <p>With respect to physical risk adaptations considerations will likely include water recycling, overheating and solar gain reduction, cooling load capacity and plant sizing, and suitable surface flooding mitigations should be reviewed moving forward.</p>
Describe the resilience of the Company's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	<p>Since 2016, assets of the Company have been included in the Manager's UK energy consumption and carbon emission reduction targets for assets where landlord operational control is retained. As part of the Manager and Company's Net Zero Carbon commitments, during 2022, the Manager reviewed the Company's progress against the baseline exercise conducted in 2021. Net Zero Carbon pathways have been developed using CRREM to present the decarbonisation requirements needed to achieve Net Zero Carbon by 2050 or sooner; aligned with a 'Paris Proof' decarbonisation trajectory to pursue efforts to limit global warming to 1.5°C. Further details on the Company's approach to Net Zero Carbon are presented on page 28 above.</p> <p>On physical risk, Schroders has licenced a physical risk database through a third-party provider. Heat stress, water stress, flood hazard, heating degree days and cooling degree days are presented as both current and future risk scenarios allowing for interpretation of increasing or decreasing exposure of the portfolio. These are aligned either with RCP4.5 or RCP8.5 scenarios, and range in timeframes from 2030, 2060 and 2100. Natural hazard vulnerability risks are present day assessments.</p> <p>Engaging tenants to collaborate to reduce building energy and carbon emissions is an increasingly important element of our sustainability and business strategy. We have green lease provisions within our standard lease agreement and have developed both a Schroders Sustainable Occupier Guide and Fit Out Guides for Tenants.</p> <p>The Manager continues to engage with the wider sector to determine and develop best practice with regards to climate resilience. One such example being the sponsorship of the ULI C-Change project. This aims to determine sector-level definitions and best practices in accounting for transitional risk cost implications for asset valuations, and inclusion of costs within business plan discounted cash flows.</p>
Risk Management	
Describe the Company's processes for identifying and assessing climate-related risks.	<p>Schroders Environmental Management System ('EMS') is certified to ISO 14001 and applies to the asset management of the Company's real estate assets. Key components of the EMS include a detailed materiality assessment of risks and opportunities, and a register to monitor existing and emerging regulatory requirements related to energy and carbon emissions. The EMS includes subscription to a third-party sustainability legal review partner which supports ongoing compliance and future resilience.</p>

	The Company's processes for climate-related (including transition and physical risks) risk management are as defined in the 'Strategy' section above.
Describe the Company's processes for managing climate-related risks.	<p>Climate-related risks are tracked and managed through ongoing monitoring (e.g. energy and greenhouse emissions trends), action plans (e.g. energy efficiency improvement measures), certification programmes (e.g. Energy Performance Certificates) and technical energy audits. Impact and Sustainability Action Plans also promote and track initiatives relating to climate opportunities (e.g. on site renewables and electric vehicle charging provision). Applying an assessment of Paris Alignment using the CRREM tool as part of our Net Zero Pathway enables consideration of 'stranding risk' which will also feed into our asset action plans for managed standing investments.</p> <p>On physical risk, the strategy is to third-party physical risk database to screen acquisitions, assess standing investment portfolios and identify required risk mitigation (i.e. enhanced defences, divestment), adaptation, or transfer (i.e. revised insurance policies) strategies.</p> <p>During the reporting year the Manager developed an ESG Scorecard to help quantify the sustainability performance of its real estate assets and manage opportunities for improvement. The Company has adopted this as part of its sustainability audits programme detailed on page 30 above and will seek to roll this out universally starting with mandatory adoption for all new acquisitions.</p>
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the Company's overall risk management.	The Manager includes ESG criteria, including climate-related risks, as part of its formal quarterly investment risk monitoring, which is overseen by Schroders Group Investment Risk function, the results of which are presented to the Company Board as part of the quarterly Board materials and discussed as necessary.
Metrics and Targets	
Disclose the metrics used by the Company to assess climate-related risks and opportunities in line with its strategy and risk management process.	<p>In the 'EPRA Sustainability Reporting Performance Measures (unaudited)' section of this report we report detailed performance trend data, intensity ratios and assessment methodologies covering energy consumption, GHG emissions, water consumption, waste generation, Energy Performance Certificate ('EPC') profiles and other sustainability certifications (e.g. BREEAM).</p> <p>The Manager's subscription to a third-party physical risk database enables the Company to quantify its exposure to physical risks at the asset and portfolio level including weighted averages based on Gross Asset Value.</p>
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	<p>Scope 1 and Scope 2 emissions for operational energy usage for the reporting year are disclosed in the 'EPRA Sustainability Reporting Performance Measures (unaudited)'.</p> <p>Scope 3 emissions are not currently presented in the 'EPRA Sustainability Reporting Performance Measures (unaudited)'. However, where available, those associated with tenant energy data have been included within the Manager's operational Net Zero Carbon baseline.</p>
Describe the targets used by the Company to manage	Net Zero Carbon pathways have been developed, using the Carbon Risk Real Estate Methodology ('CRREM') tool, to present the decarbonisation requirements needed to achieve Net Zero Carbon by 2050 or sooner; aligned with a 'Paris Proof'

climate-related risks and opportunities and performance against targets.	<p>decarbonisation trajectory to pursue efforts to limit global warming to 1.5°C and include interim milestones at 2030. At portfolio level this equates to a 21% reduction in GHG emissions to be achieved by 2030.</p> <p>The Company adopts the Managers target as part of Schroders PLC's RE100 commitment to source 100% of landlord electricity using renewable sources by 2025. As at 31 Dec 2022 the Company can report 74% of landlord electricity as being procured through renewable tariffs.</p> <p>The Company continues to measure its exposure to physical climate risks using a third-party data provider.</p>
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Sustainability Performance Measures (Environmental) (unaudited)

The Company reports sustainability information in accordance with EPRA Best Practice Recommendations on Sustainability Reporting ('sBPR') 2017, Third Edition for the 12 months 1 January 2022 – 31 December 2022, presented with comparison against 2021. 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: managed properties where the Company is responsible for payment of utility invoices and/or 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 2022, 45 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'). In 2021, 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 contain 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 energy and sustainability consultants, EVORA Global. 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 2023. The full Assurance Statement is available upon 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/m2)		
	2021	2022	2021	2022	2021	2022	% Change
Office: Corporate: Low-Rise Office	1,501,076	800,234	1,082,777	637,572	98	26	-74%
Coverage	100%	100%	100%	100%	100%	100%	
Retail: High Street	26,707	16,992	-	-	14	9	-36%
Coverage (landlord-procured consumption)	100%	100%	-	-	100%	100%	

Retail: Retail Centers: Warehouse	38,531	34,960	-	-	2	2	-10%
Coverage	100%	100%	-	-	100%	100%	
Mixed use: Other	1,886,725	1,911,974	-	-	101	103	2%
Coverage (landlord-procured consumption)	100%	100%	-	-	100%	100%	
Mixed use: Office/Retail	287,802	407,973	-	131,601	101	96	-5%
Coverage (landlord-procured consumption)	100%	100%	-	100%	100%	100%	
Industrial: Distribution Warehouse	1,412,447	1,401,413	1,002,455	1,075,277	0.6	0.6	3%
Coverage (landlord-procured consumption)	100%	100%	100%	100%	100%	100%	
Lodging, Leisure & Recreation: Other	239,163	311,299	-	-	69	75	9%
Coverage (landlord-procured consumption)	100%	100%	-	-	100%	100%	
Office: Corporate: Mid-Rise Office	277,019	268,733	496,144	448,859	192	178	-7%
Coverage (landlord-procured consumption)	100%	100%	100%	100%	100%	100%	
Total	5,669,470	5,153,578	2,581,376	2,293,309			
Coverage (landlord-procured consumption)	100%	100%	100%	100%			
Total electricity, fuels and district heating	8,250,846	7,446,887					
Coverage (landlord-procured consumption)	100%	100%					
Renewable electricity %	76%	74%					
Coverage (landlord-procured consumption)	100%	100%					

- Consumption data relates to the managed portfolio only:
 - o Industrial: Distribution 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
 - 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: shared services, tenant space, where procured by the landlord.
 - o Retail high street: common parts, tenant space, where procured by the landlord.
 - o Retail warehouse: 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 2021 and 2022: 0.3%.
- Renewable electricity (%) is calculated according to the attributes of energy supply contracts as at 31 December 2022 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 – External areas energy consumption (kWh) divided by the external area (m2)
 - 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.
- 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	Total electricity consumption (kWh)			Total fuel consumption (kWh)			Like for Like Energy Intensity (kWh /m2)		
	2021	2022	% Change	2021	2022	% Change	2021	2022	% Change
Office: Corporate: Low-Rise Office	680,420	629,791	-7%	738,697	637,572	-14%	17	12	-33%
Coverage (landlord-procured consumption)	100%	100%		100%	100%		100%	100%	
Retail: High Street	18,048	16,992	-6%	-	-	-	9	9	-6%
Coverage (landlord-procured consumption)	100%	100%		-	-		100%	100%	
Retail: Retail Centers: Warehouse	38,531	34,960	-9%	-	-	-	2	2	-10%
Coverage (landlord-procured consumption)	100%	100%		-	-		100%	100%	
Mixed use: Other	1,684,664	1,911,974	13%	-	-	-	77	88	15%
Coverage (landlord-procured consumption)	100%	100%		-	-		100%	100%	
Mixed use: Office/Retail	287,802	273,793	-5%	-	-	-	101	96	-5%
Coverage (landlord-procured consumption)	100%	100%		-	-		100%	100%	
Industrial: Distribution Warehouse	1,410,363	1,394,575	-1%	1,002,455	1,074,358	7%	0.4	0.5	3%
Coverage (landlord-procured consumption)	100%	100%		100%	100%		100%	100%	

Lodging, Leisure & Recreation: Other	239,163	311,299	30%	-	-	-	11	12	9%
Coverage (landlord-procured consumption)	100%	100%		-	-		100%	100%	
Office: Corporate: Mid-Rise Office	277,019	268,733	-3%	496,144	448,859	-10%	192	178	-7%
Coverage (landlord-procured consumption)	100%	100%		100%	100%		100%	100%	
Total	4,636,009	4,842,117	4%	2,237,297	2,160,790	-3%			
Coverage (landlord-procured consumption)	100%	100%		100%	100%				
Total electricity, fuels and district heating	6,873,306	7,002,906	1.9%						
Coverage (landlord-procured consumption)	100%	100%							
Renewable electricity %	71%	79%							

- Like for like excludes assets that were purchased, sold, under 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 Industrial: Distribution 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.
 - 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: shared services, tenant space, where procured by the landlord.
 - o Retail high street: common parts, tenant space, where procured by the landlord.
- Percentage of data estimated pro-rata across 2021 and 2022: 0.3%.
- Renewable electricity (%) is calculated according to the attributes of energy supply contracts as at 31 December 2022 and only reflects renewable electricity procured under a 100% "green tariff" (i.e. where generation is from 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 – External areas energy consumption (kWh) divided by the external area (m2).

- 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.
- 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 variance for the Mixed use: Other shows an increase in electricity. The increase here can be explained by the single asset which comprises this sector (Manchester City Tower) having higher consumption in 2022 due to an increase in occupancy.
 - The like-for-like variance for Lodging, Leisure & Recreation: Other shows an increase in electricity. The increase here can be explained by the single asset which comprises this sector (Luton The Galaxy) having higher consumption in 2022 due to an increase in occupancy.

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)		
	2021	2022	2021	2022	% Change	2021	2022	% Change	2021	2022	% Change
Office: Corporate: Low-Rise Office											
Scope 1	198	116	135	116	-14%	3.6	2.2	-38%	20.1	5.0	-75%
Scope 2	319	155	144	122	-16%						
Scopes 1 & 2	517	271	280	238	-15%						
Coverage (landlord-procured consumption)	100%	100%	100%	100%		100%	100%		100%	100%	
Retail: High Street											
Scope 1	-	-	-	-	-	2.0	1.7	-14%	3.0	1.7	-42%
Scope 2	6	3	4	3	-14%						
Scopes 1 & 2	6	3	4	3	-14%						
Coverage (landlord-procured consumption)	100%	100%	100%	100%		100%	100%		100%	100%	
Retail: Retail Centers: Warehouse											
Scope 1	-	-	-	-	-	0.5	0.4	-18%	0.5	0.4	-18%
Scope 2	8	7	8	7	-17%						
Scopes 1 & 2	8	7	8	7	-17%						
Coverage (landlord-procured consumption)	100%	100%	100%	100%		100%	100%		100%	100%	
Mixed use: Other											

Scope 1	-	-	-	-	-	16.3	17.1	5%	21.4	19.9	-7%
Scope 2	401	370	358	370	3%						
Scopes 1 & 2	401	370	358	370	3%						
Coverage (landlord-procured consumption)	100%	100%	100%	100%		100%	100%		100%	100%	
Mixed use: Office/Retail											
Scope 1	-	24	-	-	-	21.5	18.7	-13%	21.5	18.7	-13%
Scope 2	61	79	61	53	-13%						
Scopes 1 & 2	61	103	61	53	-13%						
Coverage (landlord-procured consumption)	100%	50%	100%	100%		100%	100%		100%	100%	
Industrial: Distribution Warehouse											
Scope 1	184	196	184	196	7%	0.1	0.1	-6%	0.1	0.1	-6%
Scope 2	300	271	299	270	-10%						
Scopes 1 & 2	484	467	483	466	-4%						
Coverage (landlord-procured consumption)	100%	100%	100%	100%		100%	100%		100%	100%	
Lodging, Leisure & Recreation: Other											
Scope 1	-	-	-	-	-	2.3	2.2	-1%	14.8	14.6	-1%
Scope 2	51	60	51	60	19%						
Scopes 1 & 2	51	60	51	60	19%						
Coverage (landlord-procured consumption)	100%	100%	100%	100%		100%	100%		100%	100%	
Office: Corporate: Mid-Rise Office											
Scope 1	91	82	91	82	-10%	37.2	33.3	-11%	37.2	33.3	-11%
Scope 2	59	52	59	52	-12%						
Scopes 1 & 2	150	134	150	134	-11%						
Coverage (landlord-procured consumption)	100%	100%	100%	100%		100%	100%		100%	100%	
Total Scope 1	473	419	410	394	-4%						
Total Scope 2	1,204	997	984	936	-5%						
Total Scope 1 & 2	1,677	1,415	1,394	1,331	-5%						
Coverage (landlord-procured consumption)	100%	100%	100%	100%							

- Like for like excludes assets that were purchased, sold, under 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.
 - 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 (2021 and 2022).
- Emissions data relates to the managed portfolio only:
 - o Industrial: Distribution 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.
 - 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: shared services.
 - o Retail high street: common parts.
 - o Retail warehouse: outdoor areas; tenant space, where procured by the landlord.
 - o Emissions associated with energy procured directly by tenants is not reported.
- Percentage of data estimated pro-rata across 2021 and 2022: 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 Centers: Warehouse-- Common areas GHG emissions divided by common parts area (CPA m²).
 - o Industrial: Distribution Warehouse & Retail: Retail Centers: Warehouse-- External areas GHG emissions divided by the External Area.
 - o All other sectors: Common areas, shared service and/or whole building GHG emissions 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.
- 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 There was a significant drop in the absolute intensity for the sector Office: Corporate: Low-Rise Office due to efficiency measures which include: a boiler replacement at lighting upgrades at Cheltenham, The Promenade but this reduction is mainly due to the asset 'The Arc Nottingham' being sold at the beginning of 2022 and therefore is excluded from the 2022 analysis.
 - o The decrease in absolute intensity for the sector Retail: High Street can be explained by a single electricity meter becoming inactive at the of 2021 and therefore consumption previously attributed to this meter is not factored into the analysis for 2022.
 - o There was a significant 18% decrease in the like-for-like emissions for the sector Retail: Retail Centers: Warehouse. The decrease here can be explained by the fact that the electricity & fuel

for the single asset which comprises this sector (St John's Retail Park) was lower in 2022 partly due to LED lighting upgrades.

- Carbon emissions factors for electricity have reduced in 2022 in the UK which has contributed to reductions in GHG intensity.

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

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

	Absolute Water consumption (m3)		Like for Like Water consumption (m3)			Like for Like Intensity (m³/m²)		
Sector	2021	2022	2021	2022	% Change	2021	2022	% Change
Office: Corporate: Low-Rise Office	7,652	5,793	3,448	4,029	17%	0.08	0.13	54%
Coverage (landlord-procured consumption)	100%	100%	100%	100%		100%	100%	
Retail: High Street	2,941	2,882	2,941	2,882	-2%	0.22	0.20	-11%
Coverage (landlord-procured consumption)	100%	100%	100%	100%		100%	100%	
Retail: Retail Centers: Warehouse	325	331	325	331	2%	0.00	0.00	0%
Coverage (landlord-procured consumption)	100%	100%	100%	100%		-	-	
Mixed use: Other	1,990	3,861	1,990	3,861	94%	0.11	0.22	94%
Coverage (landlord-procured consumption)	100%	100%	100%	100%		100%	100%	
Mixed use: Office/Retail	-	2,531	-	-	-	0.00	0.00	-
Coverage (landlord-procured consumption)	-	100%	-	0%		-	-	
Industrial: Distribution Warehouse	-	-	-	-	-	0.00	0.00	0%
Coverage (landlord-procured consumption)	-	-	-	-		-	-	
Lodging, Leisure & Recreation: Other	130	149	130	149	15%	0.01	0.01	15%
Coverage (landlord-procured consumption)	100%	100%	100%	100%		100%	100%	
Office: Corporate: Mid-Rise Office	42	114	-	-	-	0.00	0.00	0%
Coverage (landlord-procured consumption)	100%	100%	-	0%		-	-	
Total	13,080	15,662	8,835	11,252	27%			
Coverage (landlord-procured consumption)	100%	100%	100%	100%				

- Like for like excludes assets that were purchased, sold, under 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:
 - Industrial: Distribution warehouse: tenant space, where procured by the landlord.
 - Lodging, leisure & recreation: common parts.
 - Mixed use other: whole building; common parts.
 - Office low-rise: whole building; common parts; tenant space, where procured by the landlord.
 - Office mid-rise: tenant space, where procured by the landlord.
 - Retail high street: common parts; tenant space, where procured by the landlord.
 - Retail warehouse: tenant space, where procured by the landlord.

- 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 2021 and 2022: 0.3%.
- Intensity: Numerators / denominators are aligned as follows:
 - Office Corporate: Low-Rise Office, Mixed use: Other, Mixed use: Office/Retail & Lodging, Leisure & Recreation: Other-- Whole building water consumption (m3) divided by gross internal area (GIA m2).
 - Retail: High Street-- Common Areas water consumption (m3) divided by Common Parts Area (CPA m2).
 - For sectors Mixed use: Office/Retail, Industrial: Distribution Warehouse & Office: Corporate: Mid-Rise Office there was no water data available.
 - The sector Retail: Retail Centers: Warehouse sector is showing as 0 consumption due to insufficient data.
- 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.
- Variance Commentary:
 - The notable increase in like for like water intensity for the Office: Corporate: Low-Rise Office sector can largely be attributed to the asset Northampton, Century & Peterbridge. This is due to a catch up read received from the supplier for 2022 which was not based on estimates and showed higher consumption than 2021. As consumption at this meter is minimal, year on year variances can have an outsized impact.
 - The notable increase in like for like water intensity for the Mixed use: Other sector is attributed to the asset Manchester City Tower having increased occupancy in 2022 compared to 2021.

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				
		2021		2022		2021		2022		
		Tonnes	%	Tonnes	%	Tonnes	%	Tonnes	%	% Change
Office: Corporate: Low-Rise Office	Recycled	47.90	66.5%	50.50	64.6%	47.90	66.5%	50.50	64.6%	5.4%
	Incineration with energy recovery	24.12	33.5%	27.72	35.4%	24.12	33.5%	27.72	35.4%	14.9%
	Unknown	0.00	0.0%	0.00	0.0%	0.00	0.0%	0.00	0.0%	-
	Landfill	0.00	0.0%	0.00	0.0%	0.00	0.0%	0.00	0.0%	-
	Total	72.01		78.22		72.01		78.22		8.6%
	Coverage (landlord-procured consumption)	100%		100%		100%		100%		
Retail: High Street	Recycled	8.38	34.3%	14.04	40.8%	8.38	34.3%	14.04	40.8%	67.6%
	Incineration with energy recovery	16.03	65.7%	20.35	59.2%	16.03	65.7%	20.35	59.2%	27.0%

	Unknown	0.00	0.0%	0.00	0.0%	0.00	0.0%	0.00	0.0%	-
	Landfill	0.00	0.0%	0.00	0.0%	0.00	0.0%	0.00	0.0%	-
	Total	24.40		34.38		24.40		34.38		40.9%
	Coverage (landlord-procured consumption)	100%		100%		100%		100%		
Retail: Retail Centers: Warehouse	Recycled	0.00	-	0.00	0.0%	0.00	-	0.00	-	-
	Incineration with energy recovery	0.00	-	1.82	100.0%	0.00	-	0.00	-	-
	Unknown	0.00	-	0.00	0.0%	0.00	-	0.00	-	-
	Landfill	0.00	-	0.00	0.0%	0.00	-	0.00	-	-
	Total	0.00		1.82		0		0.00		-
	Coverage (landlord-procured consumption)	-		100%		-		-		
Mixed use: Other	Recycled	169.90	55.6%	168.95	55.6%	169.90	55.6%	168.95	55.6%	-0.6%
	Incineration with energy recovery	135.82	44.4%	135.06	44.4%	135.82	44.4%	135.06	44.4%	-0.6%
	Unknown	0.00	0.0%	0.00	0.0%	0.00	0.0%	0.00	0.0%	-
	Landfill	0.00	0.0%	0.00	0.0%	0.00	0.0%	0.00	0.0%	-
	Total	305.72		304.01		305.72		304.01		-0.6%
	Coverage (landlord-procured consumption)	100%		100%		100%		100%		
Mixed use: Office/Retail	Recycled	4.60	41.4%	10.40	36.0%	4.60	41.4%	2.40	22.0%	-47.8%
	Incineration with energy recovery	6.50	58.6%	18.50	64.0%	6.50	58.6%	8.50	78.0%	30.8%
	Unknown	0.00	0.0%	0.00	0.0%	0.00	0.0%	0.00	0.0%	-
	Landfill	0.00	0.0%	0.00	0.0%	0.00	0.0%	0.00	0.0%	-
	Total	11.10		28.90		11.10		10.90		-1.8%
	Coverage (landlord-procured consumption)	100%		100%		100%		100%		
Industrial: Distribution Warehouse	Recycled	0.00	-	0.00	-	0.00	-	0.00	-	-
	Incineration with energy recovery	0.00	-	0.00	-	0.00	-	0.00	-	-
	Unknown	0.00	-	0.00	-	0.00	-	0.00	-	-
	Landfill	0.00	-	0.00	-	0.00	-	0.00	-	-
	Total	0.00		0.00		0		0.00		-

	Coverage (landlord-procured consumption)	-	-	-	-	-	-	-	-	-
Lodging, Leisure & Recreation: Other	Recycled	128.19	52.4%	250.28	53.5%	128.19	52.4%	250.28	53.5%	95.2%
	Incineration with energy recovery	116.35	47.6%	217.84	46.5%	116.35	47.6%	217.84	46.5%	87.2%
	Unknown	0.00	0.0%	0.00	0.0%	0.00	0.0%	0.00	0.0%	-
	Landfill	0.00	0.0%	0.00	0.0%	0.00	0.0%	0.00	0.0%	-
	Total	244.54		468.12		244.54		468.12		91.4%
	Coverage (landlord-procured consumption)	100%		100%		100%		100%		
Office: Corporate: Mid-Rise Office	Recycled	20.93	69.7%	12.76	61.5%	20.93	69.7%	12.76	61.5%	-39.0%
	Incineration with energy recovery	9.09	30.3%	7.97	38.5%	9.09	30.3%	7.97	38.5%	-12.3%
	Unknown	0.00	0.0%	0.00	0.0%	0.00	0.0%	0.00	0.0%	-
	Landfill	0.00	0.0%	0.00	0.0%	0.00	0.0%	0.00	0.0%	-
	Total	30.02		20.73		30.02		20.73		-31.0%
	Coverage (landlord-procured consumption)	100%		100%		100%		100%		
Total	Recycled	379.89	55.23%	506.92	54.1%	379.89	55.2%	498.62	54.4%	31.3%
	Incineration with energy recovery	307.90	44.77%	429.96	45.9%	307.90	44.8%	417.44	45.6%	35.6%
	Unknown	0.00	0.00%	0.00	0.0%	0.00	0.0%	0.00	0.0%	-
	Landfill	0.00	0.00%	0.00	0.0%	0.00	0.0%	0.00	0.0%	-
	Total	688		936		688		916		33.2%
	Coverage (landlord-procured consumption)	100%		100%		100%		100%		

- Whilst zero waste is sent direct 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 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.
- Variance Commentary:
 - o Due to Covid-19 closures in early 2021, occupancy levels across the Fund were down but this generally increased across the Fund towards the latter half of 2021 and in many cases throughout 2022. Some assets have recorded modest decreases in waste. However, overall, there has been a 33.2% increase in like for like waste tonnage which can mainly be attributed due to higher occupancy levels across a number of assets.

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/Refurbishment and Fit-out Very Good	11.7%
BREEAM/ Refurbishment and Fit-out Coverage	11.7%
BREEAM In Use Very Good	1.1%
BREEAM In Use Good	3.7%
BREEAM In Use Acceptable	1.5%
BREEAM In Use Pass	0.1%
BREEAM/ In Use Coverage	6.4%
WiredScore Platinum	15.1%
WiredScore Silver	0.8%
WiredScore Certified	0.8%
WiredScore Coverage	16.7%
Total Portfolio Coverage	23%

- Green building certificate records for the Company are provided as at 31st March 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 NLA/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 certificate 'BREEAM/Refurbishment and Fit-out' as this relates to an asset which is already factored into the 'BREEAM In Us' portion of the analysis.

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%
B	15%
C	40%
D	28%
E	11%
F	0%
G	0%
Exempt	0%
No EPC	3%
Coverage	97%

- Energy Performance Certificate (EPC) records for the Company are provided for the portfolio as at 31 March 2023 by portfolio floor area.
- Data provided includes the whole portfolio i.e. managed and non-managed assets.
- Where appropriate (for relevant assets) asset NLA/GIA has been adjusted to reflect the Company's share of ownership.
- EPCs are known for 97% 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 twelve months to 31 March 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 2022 Annual Report and Accounts](#)
- <https://www.schroders.com/en/working-here/inclusion-and-diversity/>
- <https://prod.schroders.com/en/sysglobalassets/annual-report/2021/documents/schroders-workforce-diversity--gpg-report-2021.pdf>

Employee gender diversity (Diversity-Emp)

As at 31 December 2022 the Company Board comprised four members: 2 (50% female); 2 (50% male).

For further information on Schroders PLC employee gender diversity, covering more employee categories, please refer to Schroders 2022 Annual Report and Accounts (page 112):

- [Schroders 2022 Annual Report and Accounts](#)

Gender pay ratio (Diversity-Pay)

The remuneration of the Company Board is set out on page 44 of this Report and Accounts document.

Schroders PLC female representation and gender pay report can be found in the Schroders 2022 Annual Report and Accounts (page 43) and Schroders PLC Gender Pay Gap Report:

- [Schroders 2022 Annual Report and Accounts](#)
- <https://prod.schroders.com/en/sysglobalassets/annual-report/2021/documents/schroders-workforce-diversity--gpg-report-2021.pdf>

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

- <https://www.schroders.com/en/working-here/inclusion-and-diversity/>
- <https://prod.schroders.com/en/sysglobalassets/annual-report/2021/documents/schroders-workforce-diversity--gpg-report-2021.pdf>

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 2022.

The following are reported for Schroders PLC:

For Schroders PLC turnover and retention rates please refer to Schroders Annual Report and Accounts (page 32):

- [Schroders 2022 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 March 2023:

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

The table below sets out the proportion of the Company's total portfolio where health and safety impacts were assessed or reviewed for compliance or improvement.

	Portfolio by floor area (%)	
	2021	2022
All sectors	81%	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	
	2021	2022
All Sectors	1	1

In 2022, there was an issue with a fire panel at 1 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 (%)	
	2021	2022
Industrial, Distribution Warehouse	7%	2%
Mixed-use, Other	2%	4%
Office, Low-Rise	9%	11%
Office, Mid-Rise	0%	2%
All other sectors	10%	8%
Total	28%	29%

Community engagement initiatives are conducted on an asset-by-asset basis in collaboration with the relevant site team:

- All sectors have created employment opportunities for the local community. Industrial, Distribution Warehouse, Office, Low-Rise & Office, Mid-Rise: a number of assets within these sectors have also provided support for local charities such as the KidsOut campaign at The Tun, Edinburgh to The Island Charity at York Clifton Park, Shipton Rd and through support for the local food bank at Norwich, Fifers Lane.

Sustainability Performance Measures (Governance)

Composition of the highest governance body (Gov-Board)

The Board of the Company comprised four non-executive independent directors (no executive board members) as at 31 March 2023.

- The average tenure of the four directors to 31 March 2023 is 3 years and 9 months; and
- The number of directors with competencies relating to environmental and social topics is two 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 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, as amended and the Authorised Closed-ended Collective Investment Schemes Rules and Guidance, 2021.

The Board and Investment Manager, in recognition of the importance it places on sustainability, has voluntarily 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 2023. The statement has, however, been prepared for the calendar year, the 12 months to 31 December 2022, 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. In 2022, within the portfolio, there were 23 properties within the operational control reporting boundary and in 2021 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 2022, 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 the 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; and
- 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, Leisure, Mixed-Use, Offices and

Retail Warehouses. For Retail High Street, the most relevant denominator is the 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)		
	2021	2022	2021	2022	% Change
Gas	2,581,376	2,293,309	2,237,297	2,160,790	-3%
Electricity	5,669,470	5,153,578	4,636,009	4,842,117	4%
Total	8,250,846	7,446,887	6,873,306	7,002,906	1.9%

The table below sets out the Company's greenhouse gas emissions:

	Absolute Emissions (tCO ₂ e)		Like-for-Like Emissions (tCO ₂ e)		
	2021	2022	2021	2022	% Change
Scope 1 (Direct emissions from gas consumption)	473	419	410	394	-4%
Scope 2 (Indirect emissions from electricity)	1,204	997	984	936	-5%
Total	1,677	1,415	1,394	1,331	-5%

The like-for-like energy consumption for the 2022 calendar year for the managed assets held within the Company has slightly increased by 1.9% (due to occupancy changes following Covid-19 related closures), the greenhouse gas emissions have decreased by 5%. Energy performance improvement opportunities continued to be considered across the portfolio. Initiatives undertaken during the reporting year include boiler and hot water system replacements/upgrades, wall and roof insulation upgrades, window replacements/upgrades, LED lighting upgrades and installation of lighting and ventilation occupancy sensors. Automatic Meter Readers are consistently being rolled out to all landlord electricity supplies for improved energy monitoring.

The table below sets out the Company's energy and greenhouse gas emissions intensities by sector:

	Energy Intensities (kWh per ft ²)		Emissions Intensities (tCO ₂ e per ft ²)	
	2021	2022	2021	2022
Industrial Distribution Warehouses	0.6	0.6	0.1	0.1
Leisure	69.5	75.5	14.8	14.6
Mixed Use, Office/Retail	101.4	96.4	21.5	18.7
Mixed Use, Other	101.0	103.0	21.4	19.9

Office, Low-rise	98.3	25.9	20.1	5.0
Office, Mid-rise	192.2	178.4	37.2	33.3
Retail High Street	14.0	8.9	3.0	1.7
Retail Warehouse	2.3	2.1	0.5	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 in the Sustainability Performance Measures section of the SREIT annual report for the year ending 31 March 2023 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 upon 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; and
 - 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 2021	0.2123kgCO ₂ e	UK Government's GHG Conversion Factors for Company Reporting (2021)
	Electricity 2022	0.1934 kgCO ₂ e	UK Government's GHG Conversion Factors for Company Reporting (2022)
	Gas	0.1825kgCO ₂ e	

Energy Efficiency Actions

Environmental data management system and quarterly reporting

Environmental data for the Company is collated by sustainability consultants Evora Global supported by their proprietary environmental data management system SIERA. Energy, water, waste and greenhouse gas emission data are collected and validated for all assets where the portfolio has operational control on a quarterly basis.

Energy target, improvement programme and net zero carbon

In 2019 the Manager signed the Better Building Partnership's ('BBP') Climate Commitment 29 and we have 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 last year announced their '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. The Investment Manager, together with sustainability consultants Evora Global and property managers looks to identify and deliver energy and greenhouse gas emission 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/lighting upgrades, wall and roof insulation upgrades, upgrades to Automatic Meter Readers for improved energy monitoring, LED upgrades and window upgrades/replacements.

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 asset of the Company, by 2025. As at 31 December 2022 74% of the Company's landlord-controlled electricity was on renewable tariffs. No carbon offsets were purchased during the reporting period.

²⁹Better Buildings Partnership Climate Commitment available here: <https://www.betterbuildingspartnership.co.uk/member-climate-commitment>

Asset list

The table below summarises the portfolio information as at 31 March 2023, excluding post year end activity. The property values presented represent the year end valuations as determined by the independent valuers as at 31 March 2023:

Property	Sector	Region	Value range (£m) ³⁰
Milton Keynes, Stacey Bushes Industrial Estate	Industrial	South East	50-60
Leeds, Millshaw Park Industrial Estate	Industrial	Yorkshire & Humberside	40-50
Cheadle, Stanley Green Trading Estate	Industrial	North West	30-40
St John's Retail Park, Bedford	Retail Warehouse	Eastern	30-40
Chippenham, Langley Park Industrial Estate	Industrial	South West	20-30
Leeds, Headingley Central	Retail/mixed-use	Yorkshire & Humberside	20-30
Norwich, Union Park Industrial Estate	Industrial	Eastern	20-30
Telford, Hortonwood 7	Industrial	West Midlands	10-20
Uxbridge, 106 Oxford Road	Office	South East	10-20
Birkenhead, Valley Park Industrial Estate	Industrial	North West	10-20
Manchester, St. Ann's House	Other	North West	10-20
Salisbury, Churchill Way	Retail Warehouses	South West	0-10
Edinburgh, The Tun	Office	Scotland	0-10
Luton, The Galaxy	Other	Eastern	0-10
Cheltenham, The Promenade	Office	South West	0-10
Milton Keynes, Matalan	Retail Warehouses	South East	0-10
Chester, Sealand Road	Retail Warehouses	North West	0-10
Northampton, Century & Peterbridge	Office	East Midlands	0-10
Liverpool, 88-94 Church Street	Retail	North West	0-10
Cardiff, Haywood House	Office	Wales	0-10
Sheffield, Pinstone St	Retail	Yorkshire & Humberside	0-10
Warwick, 55/56 Heathcote Industrial Estate	Industrial	West Midlands	0-10
York, Clifton Park	Office	Yorkshire & Humberside	0-10
Haydock Industrial Estate	Industrial	North West	0-10
Leeds, Coverdale House	Office	Yorkshire & Humberside	0-10
Ilkeston, Albion Shopping Centre	Retail	East Midlands	0-10
Sandbach, Hall Lane	Industrial	North West	0-10
Warwick, Seton House	Office	West Midlands	0-10
Marlow, Pacific House	Office	South East	0-10
Swindon, 21/27 Stirling Court	Industrial	South West	0-10
Chelmsford, 24-25 High St	Retail	South East	0-10
Bedford, Howard House	Office	Eastern	0-10
Fareham, Delme Place, Cams Estate	Office	South East	0-10
Truro, 15/16 King Street	Retail	South West	0-10
Chelmsford, 67 & 68 High Street	Retail	South East	0-10
Leicester, East Gates	Retail	East Midlands	0-10
Sandbach, Moston Road	Industrial	North West	0-10

³⁰ 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\$110 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 ending 31 March 2023, our work included the review of two investment property acquisitions, two investment property disposals, one third party borrowing 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 43 and 44 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.
Net asset value and NAV per share	is shareholders' funds divided by the number of shares in issue at the 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.
Weighted average unexpired lease term ('WAULT')	Weighted average unexpired lease term assuming earlier of lease break or lease expiry.

Resolutions at 2023 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 138 to 139. 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 2023; (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 2024 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.

During the year ended 31 March 2023 the Company repurchased 1,969,725 shares.

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.

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 2024 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

7 June 2023

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 27 September 2023 at 1.30 p.m.

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 2023. |
| 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 2023. |
| Resolution 4 (Ordinary Resolution) | • To elect Alexandra ('Ali') Innes 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 Stephen Bligh as a Director of the Company. |
| Resolution 7 (Ordinary Resolution) | • To re-elect Priscilla Davies 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 33 of the Annual Report. |

To consider and, if thought fit, pass the following Special Resolutions:

- | | |
|-----------------------------------|--|
| Resolution 11(Special Resolution) | <p>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:</p> <p>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;</p> |
|-----------------------------------|--|

- 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 2024 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 ("Ordinary Shares") 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 2024 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
7 June 2023

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 notarially certified copy of such power or authority, so as to reach the Company's Registrars, Computershare Investor Services (Guernsey) Limited, at 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 25 September 2023.
8. Pursuant to Article 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 25 September 2023. 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)
Lorraine Baldry (resigned 26 July 2022)
Graham Basham (resigned 15 November 2022)
Stephen Bligh
Priscilla Davies (appointed 7 June 2022)
Alexandra Innes (appointed 16 November 2022)

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.