SCHRODERS CAPITAL
UK REAL ESTATE FUND

Annual Report and Consolidated Financial Statements

For the year ended 31 March 2023

For professional advisers and employee benefits consultants only

Schroders capital

About us

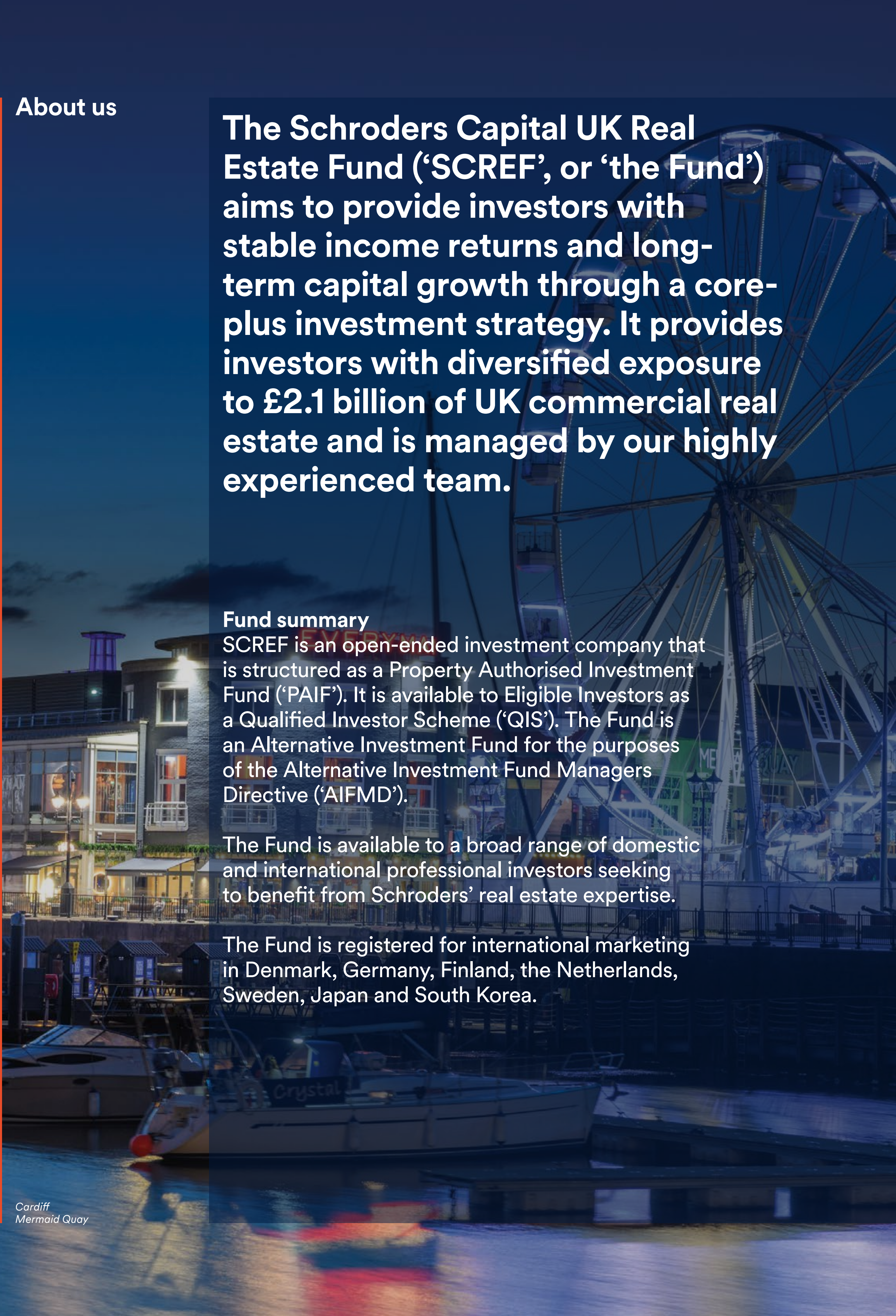
The Schroders Capital UK Real Estate Fund ('SCREF', or 'the Fund') aims to provide investors with stable income returns and long-term capital growth through a core-plus investment strategy. It provides investors with diversified exposure to £2.1 billion of UK commercial real estate and is managed by our highly experienced team.

Fund summary

SCREF is an open-ended investment company that is structured as a Property Authorised Investment Fund ('PAIF'). It is available to Eligible Investors as a Qualified Investor Scheme ('QIS'). The Fund is an Alternative Investment Fund for the purposes of the Alternative Investment Fund Managers Directive ('AIFMD').

The Fund is available to a broad range of domestic and international professional investors seeking to benefit from Schroders' real estate expertise.

The Fund is registered for international marketing in Denmark, Germany, Finland, the Netherlands, Sweden, Japan and South Korea.



Cardiff Mermaid Quay

Highlights
As at 31 March 2023

SCREF seeks to provide investors with a blend of income and capital growth through investment in UK real estate.

Its investment objective is to generate a total return 0.5% per annum (net of fees) above its benchmark[1] over rolling three-year periods.

SCREF overview as at 31 March 2023

One-year absolute return for the Fund[2]
-16.3%
(Benchmark -14.5%)

Portfolio NAV
£2.1 billion

Three-year absolute return for the Fund[2]
1.3% per annum
(Benchmark 2.6%)

Number of assets in portfolio
52

Five-year absolute return for the Fund[2]
1.7% per annum
(Benchmark 2.5%)

Number of tenants
660

One-year property level return[3]
-14.0%
(Benchmark -14.6%)

Gross distribution yield[4]
3.9%

Three-year property level return[3]
3.8% per annum
(Benchmark 3.5%)

Void rate for the Fund
6.4%

Five-year property level return[3]
3.8% per annum
(Benchmark 3.3%)

Weighted average unexpired lease term ('WAULT') to break
8.4 years

1 MSCI/AREF UK Quarterly All Balanced Open-Ended Property Fund Index.
2 Performance is calculated on a net asset value (NAV) to NAV price basis plus income distributed, compounded monthly, net of fees and based on an unrounded NAV per share.
3 Total return for the portfolio and benchmark is calculated as the change in capital value, less any capital expenditure incurred, plus net income, expressed as a percentage of capital employed over the period concerned. Performance is calculated gross of Fund fees.
4 12-month backward looking distribution yield (%).

Highlights continued

Strategic highlights

Income growth per annum for the year[1]

£2.8m

(Including £2.3m in agreement for leases as at 31 March 2023)

Property level net initial yield

5.4%

(2022: 4.5%)

Portfolio allocation to UK Winning Cities[2]

95%

(2022: 94%)

Property level net reversionary yield

6.2%

(2022: 5.6%)

RPI-linked leases by contracted income

15.1%

(2022: 16.1%)

Portfolio weighting towards London and South East

70%

(2022: 78%)

Percentage of standing investments with sustainability certifications[3]

41.1%

Percentage of office income from government and higher education occupiers

30.7%

Percentage of office portfolio with sustainability certifications[4]

83.3%

GRESB[3] score, 4 stars

80

(2021: 3 stars, 77)

1 Income growth p.a. for the year figure provided is like for like and does not include assets sold during the period.
2 UK Winning Cities are defined will be the fastest predicted growing cities over the next 10 years.
3 Please note this figure has been calculated on an asset valuation basis, whereas figures in the INREV sustainability report are calculated on a floor space basis. % exclusive of major refurbishment and/or under construction.
4 Global Real Estate Sustainability Benchmark.

Portfolio overview

Asset concentration
(% Net Asset Value ('NAV'))

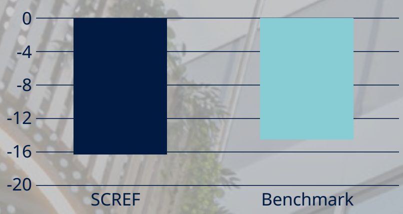
Croydon, Building 1, Ruskin Square	8.5%
London N1, Wenlock Works (Shepherdess Walk)	6.0%
Crayford, Acorn Industrial Estate	4.8%
Hartlebury, Hartlebury Trading Estate	4.5%
Bracknell, Bracknell Town Centre	4.4%
London, X2	3.8%
Hammersmith, One Lyric	3.7%
Manchester, City Tower Unit Trust	3.3%
Woking, Woking Business Park	3.2%
London W14, Kensington Village	2.7%
Self Storage	2.6%
Wolverhampton, Steelpark	2.5%
London, Romford Property Unit Trust	2.5%
London E1, Mile End Road	2.4%
London WC1, Chenies Street	2.4%
Other assets	42.7%

Tenant concentration
(% contracted rent)

The Secretary of State	8.3%
The Office Group	4.6%
Checkout Limited	4.0%
Arrival	3.3%
Tata Steel UK Ltd	3.0%
Lloyds TSB Bank Plc	2.4%
Marketing VF Limited	2.2%
Queen Mary University of London	2.1%
Stay City Heathrow Limited	2.0%
University of Law	1.9%
Other tenants	66.0%

Performance
Fund total returns to 31 March 2023

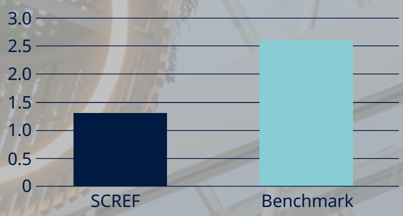
1 year performance
%



SCREF performance
-16.3%

Relative performance[1]
-2.2%

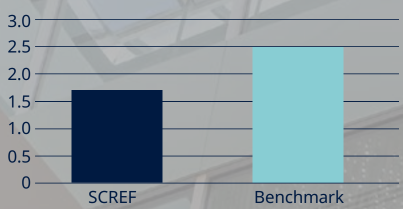
3 year performance
%



SCREF performance
1.3% per annum

Relative performance[1]
-1.3% per annum

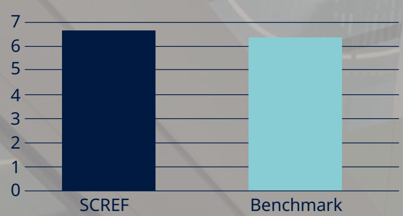
5 year performance
%



SCREF performance
1.7% per annum

Relative performance[1]
-0.8% per annum

10 year performance
%



SCREF performance
6.7% per annum

Relative performance[1]
+0.2% per annum

SCREF **Benchmark**

1 Relative performance to benchmark: MSCI/AREF UK Quarterly All Balanced Open-Ended Property Fund Index.

Portfolio overview continued

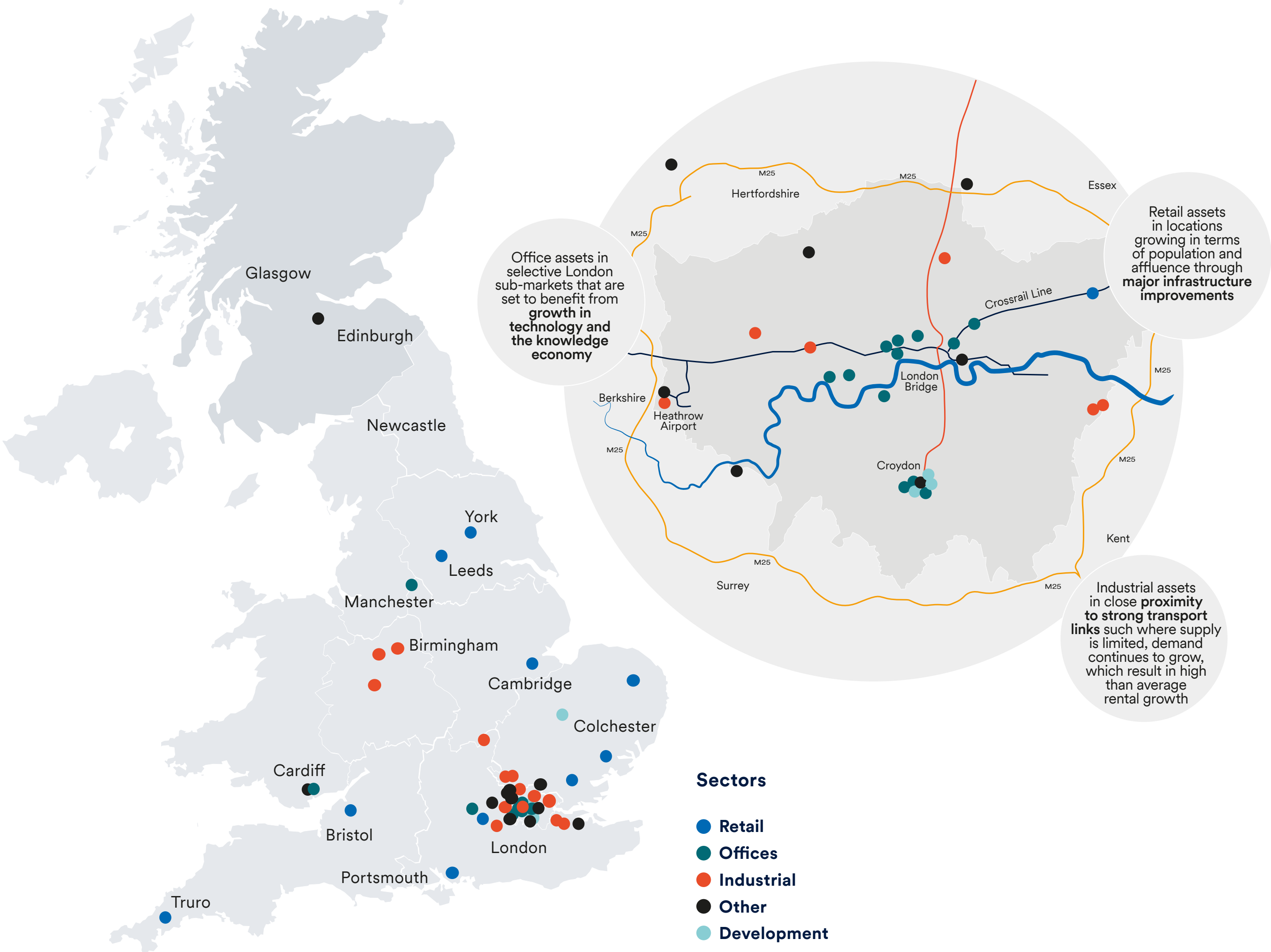
Properties
52

Fund NAV
£2.1 billion

Portfolio located in UK Winning City locations
95%

DIVERSIFIED HIGH-QUALITY UK REAL ESTATE FUND

SCREF owns a diversified portfolio of commercial real estate across the UK. The Fund invests in the office, industrial and retail sectors and, increasingly, into alternative sectors where structural demand is distinct from wider economic cycles.



Sectors

Office

One Ruskin Square, Croydon

The Fund's office sector makes up 36.6% of SCREF's portfolio. 30.7% of SCREF's office income is generated from lettings to the UK government or university tenants. SCREF's high-quality office assets remain well positioned to benefit from continued polarisation in the sector between prime and secondary buildings, with 83.3% of SCREF's standing office investments benefiting from sustainability certifcations[1].

Industrial

Hartlebury Trading Estate, West Midlands

SCREF's focus is on multi-let industrial estates that have greater potential for consistent and steady growth, through more regular active asset management opportunities and lease events compared to large, single-let logistics assets. The Fund is delivering industrial growth through progressing inherent opportunities at existing sites to develop sustainable, best-in-class industrial units, whilst capturing rental growth through regular leasing activity at existing estates.

Retail

The Lexicon, Bracknell

The retail market is experiencing divergence between sub-sectors, with retail warehousing outperforming relative to shops and shopping centres over the past 12 months. SCREF's retail strategy is focused on affordable rents, a convenience focus and customer experience, helping to ensure that retailers trade well and remain profitable at our schemes. We continue to work closely with our retail tenants to improve the offer and tenant mix as a key part of our asset business plans to maximise footfall and minimise vacancy.

Other

The Self Storage Company, Hemel Hempstead

Other sector exposures include serviced apartments, hotels, self storage and leisure properties. The Fund's allocation to the alternative sectors is focused on operational real estate and assets benefiting from structural drivers of return that are independent of the wider economy. SCREF is actively seeking to increase its alternative sector exposure through strategic acquisitions and development activity.

	Weighting %	
Segment	SCREF	Benchmark[2]
Offices – Central London	10.1	11.6
Offices – South East	22.8	7.4
Offices – Rest of UK	3.8	5.0
Industrial – South East	19.5	24.3
Industrial – Rest of UK	9.0	13.5
Standard retail – South East	3.5	4.7
Standard retail – Rest of UK	1.7	1.4
Shopping centres	0.5	0.9
Retail warehouses	8.4	11.8
Other	9.1	12.1
Cash	11.6	7.2

1 Please note this figure has been calculated on an asset valuation basis, whereas figures in the INREV sustainability report are calculated on a floor space basis.
2 MSCI/AREF UK Quarterly All Balanced Open-Ended Property Fund Index.

Fund Manager's Statement

SCREF's core strategy remains focused on active management of a high-quality, sustainable portfolio to deliver and grow resilient income.

Since 1971 SCREF has provided institutions with exposure to high-quality UK commercial real estate that balances income, income growth and capital appreciation through the real estate cycle.

"SCREF targets long-term performance by allocating capital in-line with structural and demographic trends, whilst actively managing the portfolio to maximise income resilience"

Rob Cosslett
SCREF Fund Manager

Rob Cosslett
SCREF Fund Manager

Eleanor Jukes
SCREF Portfolio Manager

Oakwood Business Park
London

Portfolio activity
Over the year to end 31 March 2023, the SCREF team completed 143 leasing transactions, including 85 new lettings, 47 lease renewals and 11 rent reviews, leading to a 2.5% increase in like-for-like contracted rent. SCREF has continued to enhance sustainability credentials across the portfolio and was awarded a 4* Global Real Estate Sustainability Benchmark ('GRESB') rating in October 2022, the highest GRESB rating the Fund has received to date.

SCREF's portfolio consists of 52 high-quality and well located assets, underpinning a low vacancy rate of only 6.4% as at 31 March 2023. However, despite the strong leasing activity and the well managed, sustainable characteristics of our assets, SCREF was not immune to the wider valuation decline experienced across the UK commercial real estate market in the second half of 2022. Value declines occurred across all commercial sectors, the result of rapid outward movement in valuation yields that were a reaction to the rise in the cost of debt and the increase in the UK bond yield. For the 12 months to 31 March 2023, SCREF recorded a decline in capital values at property level of 17.8%, resulting in an absolute total return for the year of -16.3% at NAV level.

SCREF has made two disposals over the year to 31 March 2023. Both disposals were offices, reducing SCREF's office sector exposure to 36.6% at year end. Jubilee House in Stratford was sold in December 2022, generating net proceeds of £62.3 million to SCREF, in line with the most recent valuation and a 27.9% premium above the valuation 12 months prior as at December 2021. The disposal realised a total return of 24% per annum during SCREF's ownership and followed completion of the asset business plan: securing planning permission for redevelopment alongside exchanging a 25-year Agreement for Lease with the London Academy of Excellence. In March 2023, Two Ruskin Square in Croydon was sold, generating net proceeds of £222.7 million, a 13% premium to valuation and crystallising an ungeared internal rate of return ('IRR') of 13% per annum since commencement of the project in January 2017. The disposal followed completion of the business plan, with the entirety of the 336,724 sq ft office space let to the Secretary of State for 25 years and development of the building approaching completion at the point of sale.

The two sales enabled SCREF to partially repay drawn debt facilities, partially meet outstanding redemptions and invest into capital expenditure initiatives to further enhance the quality of the portfolio.

The disposal of these significant office holdings is in-line with SCREF's strategic objective to adjust portfolio weightings towards higher-growth sectors, including multi-let industrial assets and alternative investments such as self storage, student accommodation and hotels. The Schroders Capital team benefits from in-house operational expertise and maintains a hospitality-led approach in our day-to-day management of the portfolio. This approach results in a strong landlord and tenant / customer relationship, curated through regular engagement with our occupiers to ensure that SCREF buildings remain fit-for-purpose and continue to meet occupier needs. Collaboration with our occupiers has helped SCREF achieve 98.6% rent collection in the first quarter of 2023, maintain a low level of vacancy across the portfolio and deliver sustainability-related improvements.

Looking ahead, there are multiple inherent opportunities within the portfolio to deliver future income growth and capital return, through development activity and active management. The Fund currently has 221,257 sq ft of development under construction as at the 31 March 2023, alongside smaller refurbishment projects that will enhance both rental tone and sustainability credentials.

Strategy
SCREF's strategy targets long-term performance and resilient income, whilst making measurable sustainability improvements as part of the Fund's alignment to Sustainable Finance Disclosures Regulation ('SFDR') Article 8. SCREF continues to adopt a research-led, top-down investment philosophy, targeting sectors and locations that are most likely to benefit from evolving structural and demographic trends. This investment strategy, combined with a business plan led asset management approach, sets a blueprint for identifying opportunities to maximise asset performance. We remain disciplined in maintaining the quality of the portfolio and our underlying tenant base whilst recycling capital from assets where the business plans have been completed into assets with greater opportunity for value creation.

Recent market trends informing the Fund's strategic planning include:
- **Sustainability** is increasingly driving the performance of individual assets. Occupiers and investors are prepared to pay more for "green" buildings and the premium will grow as extreme weather becomes more frequent and the government raises the minimum EPC rating and potentially introduces a carbon tax. Some buildings in markets where capital values are low will become stranded assets, because it will not be economic to upgrade them.
- **Importance of a hospitality led, operation focus,** to encourage a more collaborative and profitable relationship with occupiers and ensure assets are fit for purpose.
- **Technology** including building sensors & apps, e-commerce, life sciences, and social media will continue to change how people use buildings and create additional demand for data centres, laboratories, last mile logistics and studios.
- **Demographic trends** including an ageing population and a static workforce will increase demand for healthcare and senior living and add to pressure on employers to provide high quality workplaces in central locations in order to attract and retain staff.
- **Social change and evolving consumer habits** will continue to drive demand for convenience retail, leisure experiences, out-of-town retail parks and self-storage.
- **Urbanisation.** Cities with a high proportion of residents who are graduates and which have knowledge intensive industries are likely to see superior economic and population growth and hence stronger demand for real estate.

Positioning the portfolio in line with these trends, whilst facilitating the disposal of assets in sectors forecast to underperform, SCREF will remain well positioned to create future growth and long-term, secure income.

The defensive and resilient characteristics of SCREF's assets, tenant base and income streams remain a focal point for the Fund, providing stability throughout market cycles. This was demonstrated in the Fund's income performance over the 12 months to Q1 2023, with SCREF's income return higher than benchmark at 4.6% versus 4.0% respectively at the property level.

Other significant attributes include:
- A geographic distribution weighted towards higher growth locations, with 69.9% of SCREF's assets located in London and the South East and 95% of assets located in Winning Cities across the UK.
- Income security is delivered through 30.7% of the Fund's office portfolio being let to government or higher education tenants and 17.6% of contracted income benefiting from index-linked reviews, which means the portfolio is well hedged against inflation.
- A persistently low void rate, which ensures resilient rental revenue generation. In Q1 2023, just 6.4% of lettable units in the portfolio were vacant, and this figure has remained remarkably static over recent years despite the impacts of Covid, testament to the quality of our assets and the efforts of the asset management team.
- There are no retailers within the Top 10 tenants of the Fund.
- A long unexpired lease term of 8.4 years to earliest termination, which assists with building longer-term resilience into the Fund's income return, whilst lease expiries are well phased with only 33% of contracted rent expiring over the next three years (compared to 39% in the benchmark).
- SCREF's rent collection process, led by CBRE on behalf of the Fund, is particularly impressive. At the culmination of the Q1 2023 rent collection period, 98.6% of rent had been successfully collected. The outstanding rental arrears across the portfolio have also improved to less than 1% of expected revenue.

Fund Manager's Statement continued

Asset management highlights

- One Ruskin Square, Croydon: At One Ruskin Square, SCREF secured a significant rental uplift of £1.14 million per annum, following the settlement of a Retail Price Indexed ('RPI') linked rent review with the Secretary of State. The revised rent of £7.3 million per annum increased the SCREF total contracted rent generated by the Secretary of State to 9.5%.
- Revolution Park, Wolverhampton: SCREF secured a pre-let to DPD for the 58,320 sq ft unit for a term of 25 years, with no option to break at £962,280 per annum The rent is to be reviewed every fifth year to Open Market Rent Review. The unit has been built to an institutional specification, including Building Research Establishment Environmental Assessment Method ('BREEAM') Excellent, Energy Performance Certificate ('EPC') A+ and Net Carbon Zero.
- Edmonton: In the third quarter ('Q3') of 2022, the Estate became fully let for the first time during SCREF's ownership, following a new letting at Unit 3 Edmonton. The letting was agreed 2% ahead of ERV and 31% ahead of the Estimated Rental Value ('ERV') assumed at acquisition in October 2021.
- One Cambridge Square, Cambridge North: The 100,000 sq ft development at One Cambridge Square is targeting practical completion in Q3 2023. The SCREF team secured a pre-let in Q1 2023 to Samsung for 33,980 sq ft of grade-A office space, occupying three floors. There is further strong letting interest ahead of acquisitions underwrite from tech and professional services operators. The asset benefits from strong sustainability credentials, including BREEAM Excellent, solar roof panels and 550 sq m of biodiverse brown roof.
- Battersea Studios: Five new leasing transactions took place in Q2 2022 at Battersea Studios, securing a combined £170,631 per annum of income at the scheme, 5.5% ahead of the total valuation ERV for the five office suites.

Sustainability and impact investing is embedded within Schroders Capital Real Estate's investment philosophy and active asset management. Underpinned by the value drivers of Environmental, Social and Governance ('ESG'), over the year the team has proactively sought to implement sustainability initiatives to help deliver positive change across the Fund:

- SCREF adopts a people-led and place experience approach, enabled by the digital platform S:Connect (a mobile app) to help drive occupier engagement across the Fund. Active engagement with tenants through the adoption of an operational strategy, strengthens the landlord and tenant relationship and encourages regular discussion between both parties. The current economic climate calls for greater collaboration, whilst wellbeing initiatives and community engagement is a clear USP for SCREF assets.
- Deepki was selected as the new digital sustainability platform for the identification, monitoring and management of asset and portfolio sustainability performance and associated improvement actions. Part of the rationale behind the Deepki selection decision was the ability to leverage off the tenant data collection capabilities of the system which will enable a deeper appreciation of asset performance supporting SCREF's decarbonisation ambitions. Fund and asset level dashboards are available, clearly highlighting actions, data statistics and data gaps.
- We continue to enhance the sustainability credentials across the Portfolio, with 89% of units now holding an EPC[1]. Our conviction in sustainability driving long-term performance is also demonstrated through our ongoing dedication to increasing green building certification coverage.

Income growth per annum for the year totalling

£2.83million*

* Income growth p.a. for the year figure provided is like for like and does not include assets sold during the period.

1 Remaining footprint without EPCs relates to assets where improved works have been scheduled.

X2
London

Battersea Studios
London

Recognising our fiduciary duty, we believe that incorporating sustainability risk factors into our decision-making generates long-term resilient returns for our clients, increasing the performance of our assets whilst creating positive change within the local community. SCREF has continued to demonstrate measurable improvement in its sustainability credentials, achieving its highest GRESB (4*) accreditation to date, notably receiving full marks for management process and governance. Please refer to our Sustainability and Impact Investment section on page 18 for more information.

Liquidity management

2022 – 2023 was characterised by a period of unprecedented volatility in the UK real estate sector, due, in part, to issues in the capital markets and wider economy. As has been clearly communicated to existing SCREF investors, the level of redemption requests received by the Fund has been higher during the period to end-March 2023 than in recent years. This was also experienced by UK peer group funds.

As at 31 March 2023, the Fund has satisfied all redemptions relating to the April 2022, July 2022 and October 2022 dealing days. In December 2022, SCREF elected to defer January 2023 redemptions (redemptions received in Q3 2022) in full. Investors were subsequently notified in March 2023 that a partial payment towards these redemptions would be made on the April 2023 dealing day, following completion of the sale of Two Ruskin Square, Croydon. All outstanding January 2023 redemptions and April 2023 redemptions were deferred. The decision to defer redemptions has been taken to protect the best interests of all clients, including to preserve sufficient liquidity in order to progress asset management initiatives and performance enhancing business plans.

SCREF has continued to adopt a prudent approach to liquidity management over the 12 months to 31 March 2023. Since the third quarter ('Q3') of 2022, in light of redemptions received, the Fund has implemented a liquidity management strategy in order to manage liquidity in the best interest of all investors. The strategy is focused on meeting outstanding redemptions, managing our capital expenditure pipeline and reducing debt interest exposure. The strategy includes selective disposal of assets, actively promoting the secondary market to enhance liquidity and continuously monitoring our revolving credit facility as the Fund progresses asset management and development initiatives across the portfolio.

Disposals are focused on assets where business plans are complete, where the asset is expected to underperform in the future and/or where the sale is in line with strategic portfolio allocation objectives. The disposals of Jubilee House, Stratford and Two Ruskin Square, Croydon were both progressed following completion of the asset business plan and contributed to SCREF's sector allocation targets through a reduction in the Fund's office weighting.

The Fund seeks to maintain an active secondary market as part of the liquidity management strategy, with £111.3 million transacted over the year to 31 March 2023 (representing 5.1% of the total shares in issue). This demonstrates the continued liquidity and appeal of the Fund, despite current market and pricing volatility. SCREF has maintained a stable investor base throughout and is focused upon broadening this base domestically and internationally to maximise future liquidity.

Following Brexit in January 2021, SCREF has secured marketing passports in several key jurisdictions in order to continue marketing the Fund internationally and further diversify the Fund's investor base. The Fund has marketing permissions in three European jurisdictions (the Nordics, Netherlands and Germany) and two countries in Asia Pacific (Japan and Korea).

Successfully progressing asset disposals, completing multiple trades on the secondary market and the availability of a significant revolving credit facility have ensured SCREF maintains a robust liquidity position. The Fund is therefore able to manage both investor redemptions and capital expenditure initiatives, in the best interests of all investors.

Outlook

SCREF's activity over the period has maintained the Fund's defensive positioning and has continued to generate stable and resilient income return for investors. Over the 12 months to 31 March 2023, the Fund has seen a reduction in vacancy rate, stronger sustainability credentials achieved, growth in net operating income and an increase in distribution yield.

Priorities over the next 12-18 months include:

– Continue to **build and protect** income through delivering key asset management initiatives, remaining focused on asset quality and targeting enhanced sustainability credentials.
– **Align the portfolio allocation towards growth sectors** expected to deliver higher than average return and generate resilient income, including multi-let industrial, alternatives and retail warehousing.
– **Capitalise on inherent opportunities** within the Fund to deliver capital value growth, including completing development at One Cambridge Square and Revolution Park in Wolverhampton.
– **Progress the liquidity management strategy** in the best interests of all investors, including the disposal of assets and crystallising profit where the business plans have completed and where the asset is forecast to underperform. Proceeds will be allocated towards redemptions, payment of the drawn Revolving Credit Facility ('RCF') and capital expenditure initiatives across the portfolio.
– Maintain a **liquid secondary market** and continue to diversify the Fund's investor base both domestically and overseas.

Market conditions undoubtedly remain challenging over the near term, however the quality of SCREF's portfolio and the resilience of the Fund's income stream mean that we believe SCREF is defensively positioned, and will benefit from the occupational flight to quality as the team continue to actively manage and invest into assets across the Fund.

Rob Cosslett
SCREF Fund Manager

* Please note that the Company remains compliant with MEES regulations.

Team Update

With effect from 1 August 2023, Eleanor Jukes will be named SCREF Deputy Fund Manager. Since joining the SCREF team as portfolio manager in July 2022, Eleanor has worked closely with Jessica Berney and Rob Cosslett, SCREF Fund Managers, to develop an in-depth understanding of SCREF's portfolio, long-term fund strategy and investor base. Eleanor joined the SCREF team from Legal & General Capital ("LGC") where she was Head of Transactions within the Urban Regeneration team, leading complex investment transactions often involving public/private stakeholders across the commercial and residential asset classes. Prior to LGC, Eleanor was a Senior Strategist at LGC IM Real Assets and prior to that, was an analyst at Schroders. Succession planning remains a crucial part of SCREF's long-term resourcing strategy and Eleanor brings a strong set of skills and 15 years' experience to the SCREF team. In her new position, Eleanor will play an important role in assisting with the formulation and execution of SCREF fund strategy, as the Fund seeks to adjust portfolio weightings towards higher growth sectors whilst continuing to improve sustainability credentials.

The wider SCREF team remains well resourced, with multiple new hires over the past 12 months. Carine Packer joined as SCREF Product Manager in Q3 2022 and Madeleine Mitchell joined as a Graduate Analyst in Q4 2022. The asset management team has been strengthened over the year with Rebecca Gates joining Schroders Capital as Head of UK Asset Management along with five new asset managers joining the team over the year. Meanwhile, the sustainability team has welcomed Lina Makrodimitri as Energy and Carbon Lead, and Craig Morey as Climate Lead.

Portfolio Performance

PERFORMANCE ANALYSIS

Performance attribution over the past year

Capital value growth

SCREF saw valuation decline in the second half of 2022, driven by rapid outward movement in valuation yields in response to the increased cost of debt and rise in UK bond yields. Despite SCREF's active asset management, the Fund saw total capital value decline at property level of 17.8% over the year to 31 March 2023.

Income

SCREF maintains a high-quality portfolio, both in terms of property fundamentals and income profile. Income growth has been a key focus for SCREF over recent years and remains a strategic objective looking forward. SCREF's property level income differential to the benchmark has reduced by 70 basis points ('bps') per annum and now exceeds the benchmark. Over the year to end 31 March 2023, the Fund has seen growth in like for like operating income of £2.83m[1]. At the property level, SCREF's portfolio continues to offer future growth, with a reversionary yield of 6.2%, 80bps ahead of the current net initial yield of 5.4%. This reversionary potential also excludes development sites, resulting in additional upside in future income generation as asset business plans are progressed.

As we experience a high inflation environment, SCREF is well positioned with 17.6% of the portfolio by contracted income linked to Retail Price Indexed ('RPI') or Consumer Prices Index ('CPI').

Rental growth

Rents across the portfolio offer strong reversionary potential across SCREF's assets, whilst continuing to provide affordability for tenants – a key driver for the currently low void rate across the portfolio. Our preference for multi-let properties allows us to actively manage the portfolio, capturing rental growth at lease expiry or at rent review.

Yield impact

Outward yield movement of -22.3% across the portfolio was the primary driver behind SCREF's capital value decline of 17.8% for the year. The yield impact had the most significant impact across the prime industrial and prime office sectors, where yields were lowest and saw the greatest proportional increases. The three assets that saw the most significant impact on value as a result of yield movement were Tetris in Greenford, Jubilee House in Stratford and Acorn Industrial Estate in Crayford.

Income residual

Income residual is the change in capital value that is not attributable to either rental growth or yield impact. This may be due to factors such as unanticipated changes in income (from new lettings or vacancies), abnormal lease terms or over-renting that may distort the impact of changes in market rental values.

Source: Sources of relative return, three years per annum to March 2023 (%). The principal drivers and detractors of performance have been independently calculated by MSCI. Please note that the portfolio performance data below are property-level returns. This is calculated gross of fees and differs from SCREF's Fund-level return which is net of all costs.

1 Including £2.3 million in agreement for leases as at 31 March 2023.

12-month asset level total return

Portfolio **-14.0%**
Benchmark **-14.6%**
Relative **0.7%**[2]

Attribution of relative return[1]

ALLOCATION %
Fund -1.2

SELECTION %
Fund **1.9**

1 Attribution of property level total returns provided over 12 months per annum to 31 March 2023.
2 The relative returns are calculated using the geometric relative.

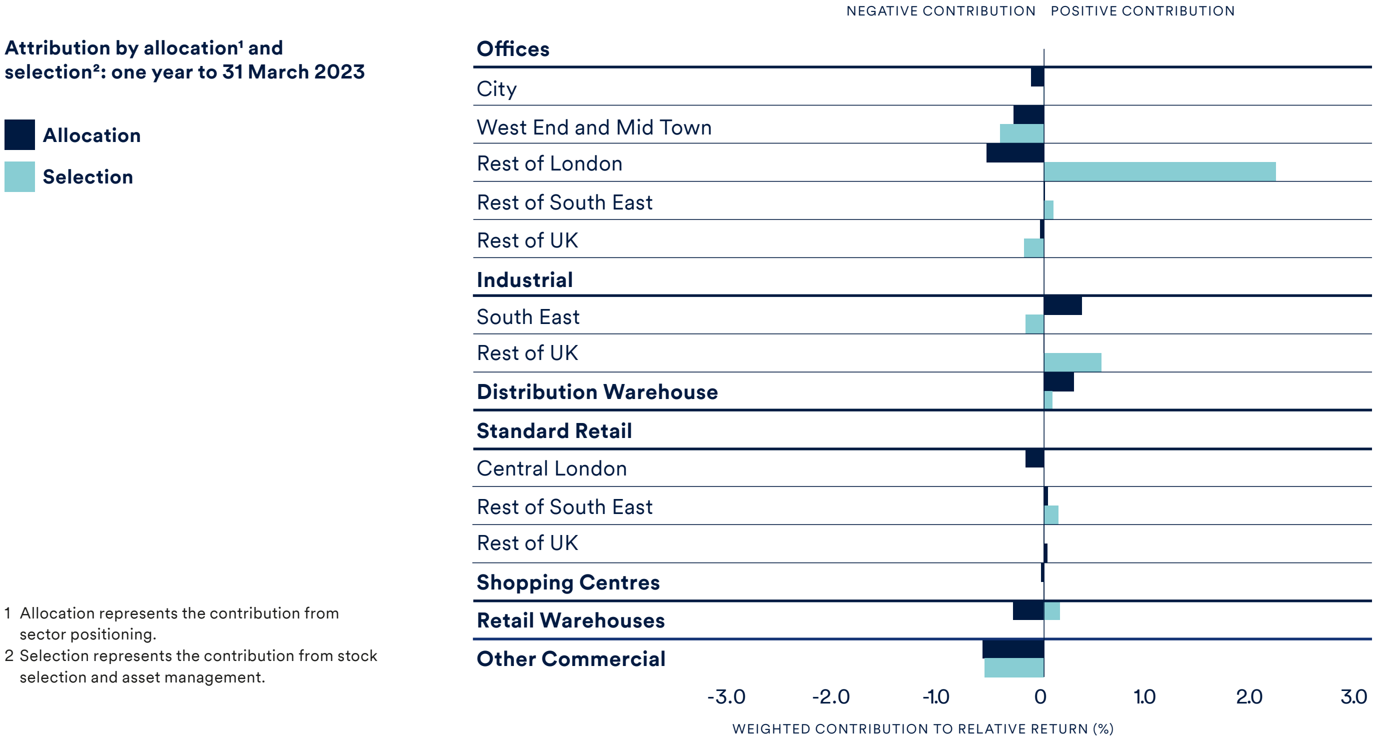
Total return for the portfolio and benchmark is calculated as the change in capital value, less any capital expenditure incurred, plus net income, expressed as a percentage of capital employed over the period concerned. Performance is calculated gross of Fund fees. Multi-period capital growth and income return may not sum perfectly to total return due to the cross product that occurs when capital and income returns are combined within compounded total return.

Portfolio-level total return % relative to benchmark

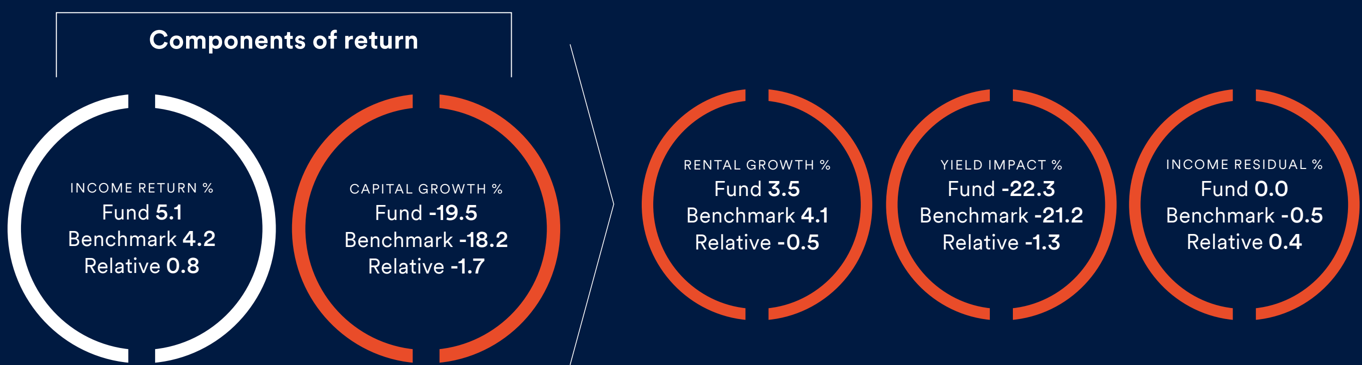
	SCREF portfolio total return per annum (%)			MSCI Index total return per annum (%)			Relative per annum (%)		
All assets	12 months	3 years	5 years	12 months	3 years	5 years	12 months	3 years	5 years
Retail	-7.1	-1.9	-4.4	-8.9	1.0	-1.8	2.0	-2.9	-2.7
Office	-12.2	1.5	3.2	-12.7	-2.3	0.4	0.6	3.8	2.8
Industrial	-19.9	12.4	11.7	-20.9	10.3	10.1	1.2	1.9	1.5
Other	-10.6	-1.7	0.0	-2.5	2.1	3.3	-8.3	-3.7	-3.1
All property	-14.0	3.8	3.8	-14.6	3.5	3.3	0.7	0.3	0.5

Note: According to MSCI methodology, the relative return is calculated as the ratio of total return achieved by the portfolio against its benchmark. This is not calculated as the difference between the two data points. The above table reports property level returns. The SCREF Total Expense Ratio ('TER') is taken into account in net asset value ('NAV') level returns, which therefore explains the performance differential between property and NAV level returns.

Attribution by allocation[1] and selection[2]: one year to 31 March 2023



1 Allocation represents the contribution from sector positioning.
2 Selection represents the contribution from stock selection and asset management.



Market Overview

Current market, outlook and review of 2022

Edmonton
London

“The UK has re-priced faster than other real estate markets”

UK Real Estate Market in 2022
The invasion of Ukraine put an end to hopes of a quick return to the pre-Covid-19 era of low inflation and low interest rates and triggered a widespread fall in asset prices. After a strong start to the year, UK real estate capital values fell by 20% in the second half of 2022, the sharpest correction since the failure of Lehman Brothers in 2008. Total returns on UK real estate weakened to -7.6% in 2022, their lowest since the Global Financial Crisis (‘GFC’) and a sharp reversal from 15.5% in 2021.

The immediate cause was a jump in the all property initial yield from 4.2% in June to 5.1% in December, but the real driver was an adverse shift in investor sentiment, as higher interest rates impeded debt-backed buyers and the fall in equity and bond prices left some institutions over-allocated to real estate. The yield on ten year government bonds rose from 1% at the start of 2022 to 3.8% by the end and the total cost of hedged bank debt on good quality assets doubled to 6.25%. Liquidity dropped sharply and the total value of investment deals in the fourth quarter (‘Q4’) of 2022 was only slightly higher than in the middle of 2020, during the pandemic. The one positive was that occupier demand held up better than investor demand and rental values rose by 3.8% in 2022, albeit by less than inflation.

Looking in more detail at the market, last year saw a switch in the relative fortunes of the three main sectors. Retail was the best performing sector for the first time since 2010 with total returns of -3.5%, while industrial, which had been the star performer through 2016-2021, was the weakest with returns of -14.2%. Offices were in the middle with returns of -9.1% in 2022. In simple terms this switch can be explained by yield movements, as retail which had seen a steady rise in equivalent yields since 2018 saw the smallest increase (0.4%), whereas industrial, which had enjoyed a favourable decline in equivalent yields over the previous five years, suffered the biggest increase (1.4%). This in turn reflected a recognition among investors that a lot of the future decline in town centres rents was now priced into retail yields and that, conversely, industrial rental growth was unlikely to continue at the 10% per annum seen during the pandemic, when a surge in online sales boosted demand.

Outside the three main sectors, the best performing parts of the market in 2022 were student halls and healthcare. The former enjoyed a rebound in demand once Covid-19 restrictions were lifted and students returned to university, and the latter benefited from index-linked rents.

Market outlook
The first four months of 2023 saw a degree of stabilisation. The all property initial yield only rose by a further 0.2% to 5.3% in April and rental values continued to see modest growth. Consequently, the fall in capital values slowed to 1% in the first four months of the year. Update with MSCI UK Monthly Index when published next week.

Is the UK real estate market now at a turning point? On a positive note, we are seeing a revival in interest from international investors, particularly from Asia. In part this is because the

The Self Storage Company
Hemel Hempstead

“Outside the major sectors, we favour selfstorage, student halls and hotels. Self-storage is benefiting from the growth in households, e-commerce and de-cluttering as people work more from home”

Source: MSCI UK Annual Index

In office, we continue to see good demand for high quality offices in city centres with strong knowledge based economies"

The first four months of 2023 saw a degree of stabilisation. The all property initial yield only rose by a further 0.2% to 5.3% in April and rental values continued to see modest growth"

UK has re-priced faster than other real estate markets, and in part it is because sterling has stabilised since Rishi Sunak became prime minister. In addition, we do not expect to see a repeat of the vicious circle of bank repossessions, distressed sales and falling values which marked the GFC. UK and European banks (if not US regional banks) are better capitalised than they were 15 years ago and investors have less debt. The average Loan-To-Value ('LTV') today across the whole market is around 33% compared with 55% in 2008.

However, on the flipside, there remains a lot of uncertainty about the future path of inflation and interest rates. Although inflation is slowing, it remains way above the Bank of England's central target of 2% and there are fears that the acceleration in wage awards to 6% per annum will pump up the prices of domestically produced goods and services. Schroders expects a further increase in base rate to 5% in August, and ten year bond yields and all-in finance costs have risen by 0.5% and 0.25%, respectively, since the start of 2023. As a result, the current gap between ten year bonds and the all property initial yield is less than compelling for UK institutions and debt backed investors are still struggling to meet their target returns. We therefore expect that many investors will wait until it is clear that interest rates have reached a ceiling before making acquisitions and that capital values will be broadly flat through the second half of 2023 and then start to recover in 2024.

Which will be the best performing parts of the market over the next three years? In industrial, the jump in yields since last June means that we are starting to see value again in good-quality estates outside London. Initial yields are back to 4.5-5.0% and the combination of solid demand, limited development and low vacancy should support rental growth of 3.6% per annum through 2023-2025. In retail, we favour convenience retail and retail parks with a low exposure to fashion. Both types offer relatively high yields and although the fall in discretionary spending will hit bulky goods retailers in the short term, the most important set of retailers on retail parks are now grocery chains (for example Aldi, Lidl, M&S Food). Retail parks are also benefiting from the growth of drive-throughs. In office, we continue to see good demand for high-quality offices in city centres with strong knowledge-based economies including Bristol, Edinburgh, Leeds, London, Manchester and the Oxford-Cambridge Arc. While occupiers are generally downsizing when their lease ends, they are simultaneously upgrading, in order to attract staff back into the office and meet sustainability targets.

We are more cautious on town centre retail, given the current squeeze on discretionary spending and the high level of structural vacancy. 14% of High Street shops and 18% of shopping centre units were empty at March 2023. We would also avoid out-of-town offices which lack amenities and offices with poor sustainability features (see below) in markets with low capital values.

Outside the major sectors, we favour self-storage, student halls and hotels. Self-storage is benefiting from the growth in households, e-commerce and de-cluttering as people work more from home, and we expect net operating income to grow by 3-4% per annum The student hall market is more mature, but demand from domestic and international students is increasing, the stock of student houses owned by buy-to-let landlords is declining and there is a shortage of student accommodation in Bristol, Cambridge Durham, London, Oxford and Manchester. We also see opportunities at the luxury end of the hotels market. The end of Covid-19 restrictions in China has boosted the number of oversea visitors and the need to raise fresh capital for refurbishments, and the increase in interest rates means that some private hotel groups need to sell.

Finally, in addition to cities and types, another key dimension of future performance will be sustainability. We estimate that energy efficient 'green' buildings already command a premium of 10-15% over 'polluting' buildings and we expect this premium to increase, as occupiers attach more importance to the environment and as regulations are tightened. Over 80% of companies in the FT 100 have now pledged to cut their greenhouse gas emissions to net zero by 2050. In April, the government banned the letting of commercial units with an EPC rating of F, or G and it proposes to tighten the ban in stages so that by April 2030 only units with an A, or B Energy Performance Certificate ('EPC') rating can be let.

However, energy efficiency is only one facet of sustainability. In order to be sustainable, buildings also need to be able to cope with extreme weather events (for example heatwave, storms, surface water flooding) and to provide a healthy working environment in terms of air quality, biophilia, daylight and noise. We believe that sustainable buildings are likely to out-perform their local market over the medium term. Buildings which lack these qualities and are in markets with low capital values are at risk of becoming stranded assets, because it will not be viable to upgrade them.

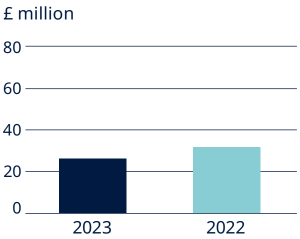
One Cambridge
Cambridge

Portfolio Statement

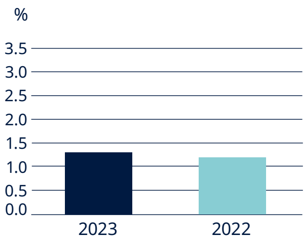
Direct properties total market value up to £10 million

Crayford
Crayford Industrial Park

Market value at 31 March



Net asset value

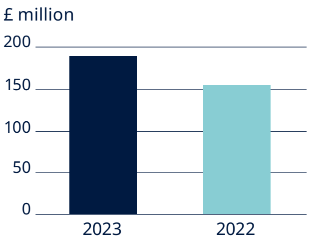


	Sector
Bristol – Maggs House	Standard Retail
Crayford – Crayford Industrial Park	Industrial
Livingston – Limefields, Land Site	Industrial
Shipley – 20-40 Market Square	Standard Retail
Southsea – 2-42 Palmerston Road	Standard Retail

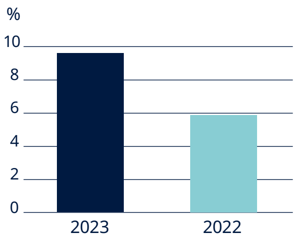
Direct properties total market value from £10 million to £25 million

Hertfordshire
Radlett – DPD

Market value at 31 March



Net asset value

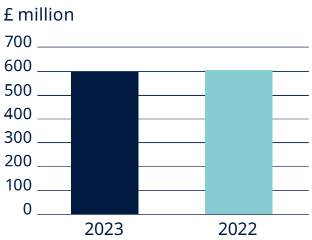


	Sector
Cardiff – St William House	Offices
Chatham – Maritime	Other – Leisure
Chelmsford – Meadows Retail Park	Retail Warehouse
Croydon – Car Park	Other – Car Park
Croydon – Sites 2-4 (Residential), Ruskin Square	Residential
Croydon – Sites 2-5 (Commercial), Ruskin Square	Offices
London WC2 – 53 Parker Street	Offices
Birmingham – Hams Hall National Distribution Park	Industrial
Park Royal – Oakwood Business Park	Industrial
Hertfordshire, Radlett – DPD	Industrial
Spalding – Retail Parks	Retail Warehouse

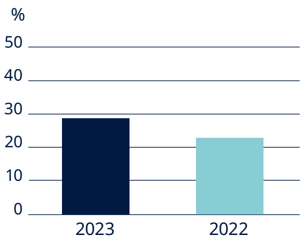
Direct properties total market value from £25 million to £50 million

Hayes Stay City
Serviced Apartments

Market value at 31 March



Net asset value

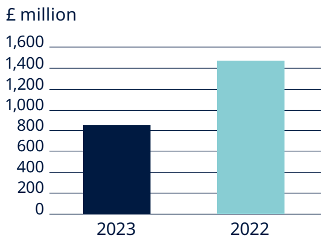


	Sector
Cambridge – One Cambridge Square	Offices
Northampton – Brackmills Industrial Estate	Industrial
Cardiff – Mermaid Quay	Other – Leisure
Colchester – Turner Rise	Retail Warehouse
Croydon – Amp House	Offices
Dunstable – Arenson Centre	Industrial
Dunstable – Chiltern Park	Industrial
Edmonton – 14 Advent way	Industrial
Norwich – Hall Road Retail Park	Retail Warehouse
Reading – Davidson House	Offices
Hayes Stay City Serviced Apartments	Other – Serviced apartment
Truro – Lemon Quay	Standard Retail
London E1 – Dept. W, Mile End Road	Offices
London UB6 – Greenford	Industrial
London WC1 – Chenies Street	Offices
London – Battersea Studios	Offices

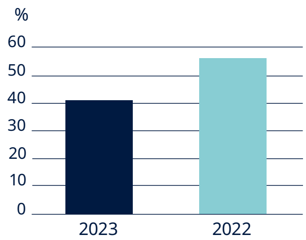
Direct properties total market value greater than £50 million

Crayford
Acorn Industrial Estate

Market value at 31 March



Net asset value



	Sector
Self-Storage portfolio	Other – Self-Storage
Crayford – Acorn Industrial Estate	Industrial
Croydon – Building 1, Ruskin Square	Offices
Hartlebury Trading Estate	Industrial
London N1 – Wenlock Works (Shepherdess Walk)	Offices
London W14 – Kensington Village	Offices
London W5 – One Lyric	Offices
Woking – Woking Business Park	Industrial
Wolverhampton – Steelpark	Industrial
Heathrow – X2	Industrial

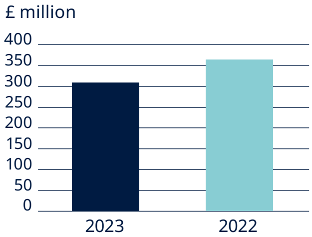
Portfolio Statement continued

Rent with >15-year unexpired term

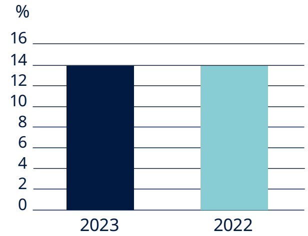
20.8%

Joint ventures

Market value at 31 March



Net asset value



	SCREF ownership	Sector
Bracknell – Bracknell Town Centre	49.1%	Retail and Office
London E14 – West India Quay	50.0%	Other – Leisure
Manchester – City Tower Unit Trust	50.0%	Mixed Use
Romford Property Unit Trust	50.0%	Retail Warehouse
Store Unit Trust	50.0%	Offices
York – Monks Cross	25.0%	Retail Warehouse
City of London Office Unit Trust ('CLOUT') Offices	25.0%	Offices

Collective investment schemes

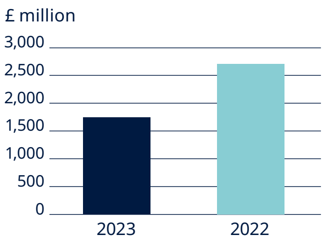
	Sector
Nuveen Real Estate UK Retail Warehouse Fund	Retail Warehouse

Percentage of contracted rent expiring

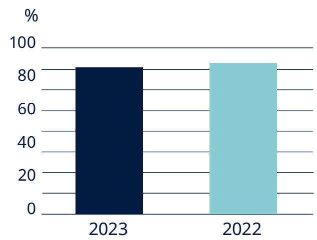
	SCREF	Benchmark
Up to 5 years	48.6%	50.4%
5–10 years	20.3%	28.2%
10–15 years	10.3%	10.1%
Over 15 years	20.8%	11.6%

Summary

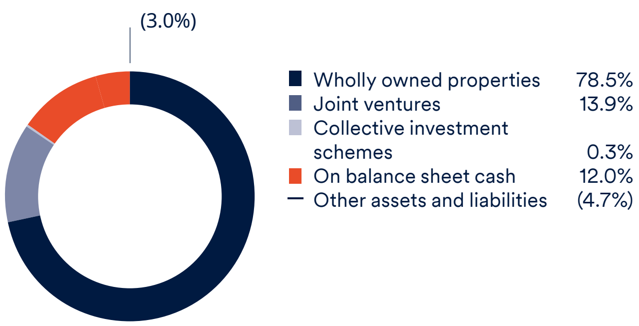
Total direct properties



Total net asset value



SCREF net assets at 31 March 2023



Purchases and Sales

Two Ruskin Square
Croydon

Transaction volume

£286 million

Purchases

Quarter	Date	Property	Sector	Ownership	Price in millions (£)
n/a					
				Total purchases	£0

Sales

Quarter	Date	Property	Sector	Ownership	Net proceeds in millions (£)
Q4 2022	15 December 2022	Jubilee House, Stratford	Office	100%	£62.3
Q1 2023	20 March 2023	Two Ruskin Square, Croydon	Office	99.6%	£222.7

Sustainability and Responsible Investment

Our approach to sustainability

The ACD deems the Company as being a financial product that promotes environmental or social characteristics (and is therefore equivalent to products falling within Article 8 of the SFDR).

Progress with the Company's sustainability commitments under EU SFDR are presented in the periodic disclosure in the Appendix page 76).

The Investment Manager believes 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 Fund 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 is presented within the INREV Sustainability Report from page 57.

Key achievements

Progress towards Net Zero Carbon by 2050 or sooner	-14% reduction in whole building operational GHG intensity (between 2019/20 and 2021/2022)
Improved GRESB score	4-star status; improved score to 80; 6th in peer group (out of 80)
Improving sustainability certification profile of the portfolio (Total no. assets with sustainability certifications)	4 sustainability certification assessments undertaken: 3 BREEAM In-Use and 1 WiredScore* (15 assets total) * includes recertification
Improved EPC performance	– 100% MEES compliant – EPC coverage = 89%* – EPCs above C rating = 66%* * % of total floor area
Launch of S:Connect occupier engagement app	Initial roll-out across 9 sites
Maintain EU SFDR Article 8 alignment	Progress made against all commitments
Sustainability Linked Loan tied to RCF	2 out of 3 KPIs achieved

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 pursuing a decarbonisation strategy with the aim to reduce greenhouse gas emissions of the Company to net zero by 2050 (see 'Pathway to Net Zero Carbon' on page 20) 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. Additional measures in response to such risks include the installation of rain water and grey water recycling systems. Further information is provided within our Task Force on Climate-related Financial Disclosures ('TCFD') response on page 25.

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 Fund 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.

ESG characteristics are key to the long-term success of the Fund and a successful sustainable investment programme should deliver enhanced returns to investors"

Charlie Jacques
Head of Real Estate Sustainability and Impact Investing

Performance against objectives

	Goal	FY23 outcome
Environmental	Net Zero Carbon (Scopes 1, 2 and 3) by 2050 or sooner	-14% reduction in operational 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	– Energy = 6% increase* – GHG emissions = -1% reduction * annual like-for-like performance negatively impacted by impact of Covid-19 on occupancy in previous reporting period 2021.
	Increase use of on-site renewable energy and source 100% of landlord electricity through renewable tariffs by 2025	– 7 assets with on-site solar PV – 86% of the Fund's landlord procured electricity was on a renewable tariff.
	Annual reduction in landlord like-for-like water consumption	32% increase * annual like-for-like performance negatively impacted by impact of Covid-19 on occupancy in previous reporting period 2021.
	Send zero waste to landfill and prioritise waste recycling	– Zero waste directly to landfill – 33% of waste was recycled, 56% was incinerated with energy recovery and 11% was anaerobically digested
	Maintain 100% MEES compliance and improve proportion of assets with EPC ratings B or above (% floor area)	– EPC coverage = 89%* – EPCs above C rating = 66% – EPCs above B rating = 23% * Remaining footprint without EPCs relates to assets where improved works have been scheduled. Please note that the Company remains compliant with MEES regulations.
	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	Biodiversity opportunities continue to be assessed across all standing investments where we retain management responsibilities as well as for all new developments and refurbishment projects.

Sustainability and Responsible Investment continued

Protecting our planet (Environmental) continued

Revolution Park
Wolverhampton

Case Study: Sustainable Sheds
Revolution Park, Wolverhampton is a 58,320 sq ft industrial unit. Construction work commenced over Phase 1 Revolution Park during November 2022 and is due to complete in Q4 2023. The site offers easy access to the national motorway network, whilst being just 2.2 miles from Wolverhampton City Centre.

Aligning with Schroders wider sustainability standards, the development will consist of a state-of-the-art low site cover parcel hub within a 10.5 acre site. The unit will be built to an institutional specification, targeting; BREEAM Excellent, EPC A+ and operational Net Zero Carbon. Initiatives contributing to the Net Zero Carbon pathway include: rooftop solar photovoltaic (PV) panels to generate on-site renewable energy; thermal insulation; high-performance glazing; sustainable lighting technology; and reduced water flow rates. The development will also deliver first class health and wellbeing measures including breakout; sustainable transport infrastructure including cycle storage facilities; electric vehicle (EV) charging points; and biodiversity initiatives.

Pathway to Net Zero Carbon

According to the World Green Building Council (WGBC) buildings are responsible for 39% of global energy related carbon emissions. 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 Agreement[2].

The Manager recognises its responsibility to embark on a journey to Net Zero Carbon ('NZC')[3] 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 Commitment[4] 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 Fund who last year, as part of its work to achieve EU Sustainable Finance Disclosure Regulations ('SFDR') Article 8 equivalent status, committed to 'pursuing a decarbonisation strategy with the aim to reduce greenhouse gas emissions of the Company to net zero by 2050.'

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 Fund which was determined in 2021 (using FY 2020 data). Please note that whilst decarbonisation pathways have been developed for 56% of assets (by Gross Property value ('GPV'), assets in-scope of the portfolio's Fund level targets currently represent 38% by GPV.

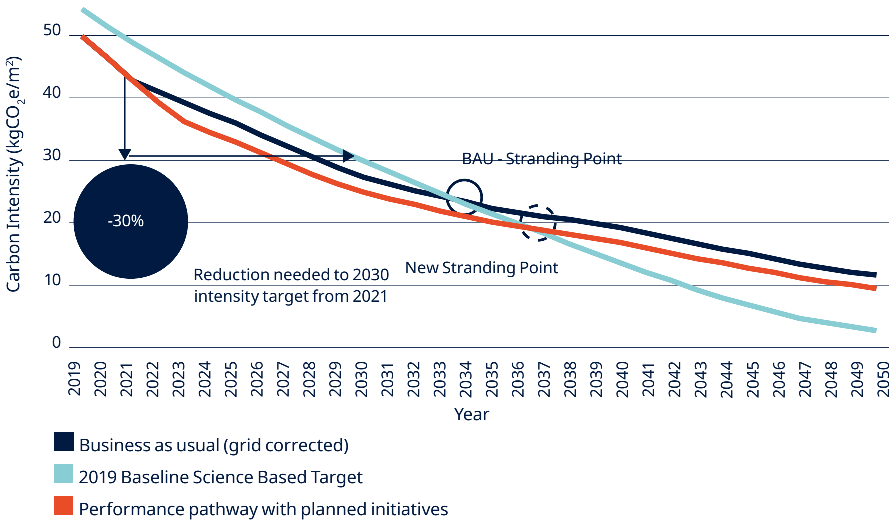
Between FY 2020 and FY 2022 the Fund – through continued improvement initiatives including Heating, Ventilation and Air-Conditioning ('HVAC') upgrades and LED lighting improvements – has made good progress towards its energy and greenhouse gas ('GHG') intensity targets achieving reductions of 10% and 14% respectively. The current trajectory indicates the Fund may strand – the point at which the GHG intensity of the portfolio is above the CRREM derived target – in 2034. This may be delayed by three years (2037) through identified improvement actions indicating further works required to meet the Fund's decarbonisation commitments. Figure 1 and table 1 on the next page present further details of the outcome of this assessment.

Table 1: 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/m²)	183	-10%	138	-25%	2034
GHG Intensity ($kgCO_2e/m^2$)	42.6	-14%	29.8	-30%	

1 World Green Building Council: Bringing Embodied Carbon Upfront. https://worldgbc.org/article/bringing-embodied-carbon-upfront/
2 Intergovernmental Panel on Climate Change (IPCC): Sixth Assessment Report. https://www.ipcc.ch/assessment-report/ar6/
3 '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.
4 Better Buildings Partnership Climate Commitment available here: https://www.betterbuildingspartnership.co.uk/member-climate-commitment

Figure 1: 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 (-30%).



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 Manager recognises that works will be needed to improve building energy and carbon performance in order to reduce the risk of stranded assets.

Mermaid Quay
Cardiff

Sustainability and Responsible Investment continued

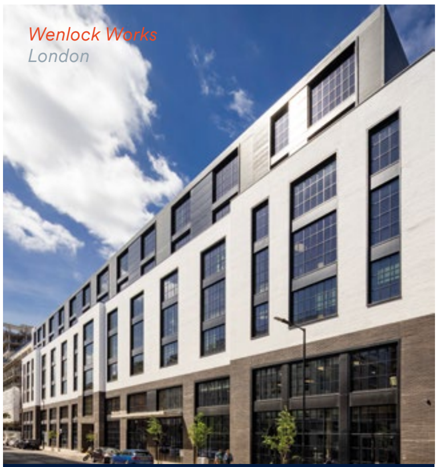
Supporting people and places (Social)

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 well-being, 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 Manager is 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 doing so can help to attract and retain occupiers.

Furthermore the Manager recognises 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, across a number of sites public access to water refilling stations has been improved and encouraged. We have also supported the installation of publicly accessible defibrillators in case of emergency.

The UK government has implemented a number of policies and initiatives aimed at promoting sustainable transport and the Manager understand that real estate has a significant role to play in supporting this. The Fund 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.



Wenlock Works
London

Case Study: Digital building communities
S:Connect developed jointly with CBRE and Schroders adopts a people-led and place experience approach, enabled by a digital platform (an app) to help drive occupier engagement across the Fund. The app has been rolled out across 2022 at 9 of our assets. Each site has access to an individually tailored app, with bespoke content promoting on-site and local businesses. S:Connect activates the 'S' in ESG through driving community activities, promoting wellbeing opportunities and provides occupiers with a direct way to contact the site management team to raise any issues. S:Connect is regularly updated to ensure that it remains helpful to the tenants and relevant to the surrounding area. S:Connect contributes to SCREF's sustainability strategy by enhancing occupier and community engagement, creating social value for SCREF assets. There are 391 users across the sites as at May 2023, with users increasing across each site.

Performance against objectives

	Goal	FY23 outcome
Social	Ensure the health, safety and wellbeing of building occupiers and users	100% of managed assets where Health and Safety assessments were completed
	Improve proportion of assets where occupier engagement activities are implemented	100% of occupiers engaged on sustainability
	Engage with local communities	Site teams continued to support local communities through initiatives such as hosting charity events, volunteering and providing space for networking activities.
	Improve availability of low carbon transport (active transport facilities; EV charging etc.) facilities	To further increase the provision of electric vehicle charging, a provider has been selected following a tender process to carry out EV feasibility studies across the portfolio. Low carbon transport facilities have been actively incorporated into new developments; One Cambridge 27 EV charging bays and 2 Ruskin Square extensive bicycle infrastructure.

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 Fund's commitments, for example our Sustainability Linked Loan agreement.

Compliance
The Investment Manager continues to monitor requirements and guidance in relation to managing and reporting environmental matters and developments in legislation at all stages of the investment life cycle – from acquisition, through ownership, to disposal. This process is supported by a legal register within the EMS, as well as through appropriate devolution of responsibility to key personnel involved in the day-to-day operation of buildings, including asset, property and facilities' managers.

EU Sustainable Finance Disclosure Regulations ('SFDR')
The Company is not subject to the SFDR in the United Kingdom. However, the ACD deems the Company as being a financial product that promotes environmental or social characteristics (and is therefore equivalent to products falling within Article 8 of the SFDR). Progress with the Company's sustainability commitments under EU SFDR are presented in the periodic disclosure from page 76.

Performance against objectives

	Goal	FY23 outcome
Governance	Improve GRESB rating	– 4-star status – Improved score to 80 – 6th in peer group
	Improve coverage and quality of sustainability certifications (e.g. BREEAM) across portfolio	15 assets with sustainability certifications (4 assessments undertaken in reporting year: 3x BREEAM In-Use; 1x WiredScore (including recertifications)) Fitwel (re)certification in progress for 3 assets
	Maintain EU SFDR Article 8 alignment	Progress made against all identified sustainability commitments (see periodic disclosure presented on page 76).
	Sustainability Linked Loan tied to RCF agreed with RBS and Santander	2 out of 3 KPIs achieved

Responsible business (Governance) continued

Sustainability Linked Loan
SCREF further underlined its commitment to sustainability over the course of year, establishing a £200m sustainability linked loan tied to its revolving credit facility ('RCF'). A key element to the updated agreement with Santander and RBS is the selection of three key performance indicators which will be used to assess SCREF's sustainability performance and determine the margin rate applied to the loan as outlined in the table below. The first KPI reporting period will be the financial year ending 31 March 2023.

Energy Savings Opportunity Scheme ('ESOS')
The Fund is in scope of the Energy Savings Opportunity Scheme and a completed notification was submitted for phase one in 2015 and the second phase in December 2019. The Investment Manager will also manage compliance with the phase three requirements. The audits required under the scheme support our programme to identify and implement improvement initiatives across the portfolio.

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 Fund has participated in the annual real estate survey for the past eleven years.

Employees
The Fund has no direct employees. The Investment Manager is part of Schroders PLC which has responsibility for the employees that support the Fund. Schroders believes diversity of thought and an inclusive workplace are key to creating a positive environment for their people. The Investment Manager's real estate team have a sustainability objective within their annual objectives.

Further information on Schroders' principles in relation to people including diversity and inclusion, gender pay gap, values, employee satisfaction survey, wellbeing and retention can be found on the dedicated Schroders webpage here: https://www.schroders.com/en/about-us/people-and-culture/.

Slavery and Human Trafficking Statement
The Fund 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 Fund, 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/.

KPIs	Baseline year	Baseline year performance	First year performance against KPIs
1. 5% annual reduction in like-for-like energy consumption across landlord procured energy supplies within the portfolio	2019–2020 (2019 calendar year data)	20,987,067 kWh	19,705,213.44 kWh (6% reduction)
2. 5% annual increase in the number of assets holding a building certification	2021–2022	15 assets (out of 57*)	15 assets (out of 56*) (0.5% increase)
3. 4 star or above GRESB rating	2021–2022	3-star GRESB rating	4-star GRESB rating

* number of assets here differs from the total presented elsewhere in the report due to the separating out of vehicles presented as a single asset but which constitute separate buildings (e.g. Self Storage portfolio)

Task Force on Climate-related Financial Disclosures ('TCFD')

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.	Schroders Capital Real Estate's ('SCRE') Investment Committee reviews performance, including ESG related activity on a quarterly basis. 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. 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.
Describe management's role in assessing and managing climate-related risks and opportunities.	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. Schroder's Head of 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 Fund, which include climate-related metrics and support the Manager and Board's monitoring of performance and progress towards climate-related goals and targets.

One Lyric
London

Sustainability and Responsible Investment continued

Task Force on Climate-related Financial Disclosures ('TCFD') continued

TCFD Recommendation	Approach
Governance	
continued/	During the financial year ending 31 March 2023 the Manager's sustainability team was bolstered with the recruitment of an Energy and Carbon Lead alongside a Climate Lead who maintain oversight of the Manager's climate resilience programme. Engagement is a critical component of the Manager's climate resilience programme with regular touch-points with the Schroders Capital Sustainability & Impact working groups ensuring alignment of frameworks and approaches across the business and benefiting from this extensive pool of resource. 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 actioned as necessary.
Strategy	
Describe the climate-related risks and opportunities the Fund has identified over the short, medium, and long term.	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. 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. The Fund 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. In the short, medium and longer term, the physical effects of changing climate also present potential material financial impacts to the Fund. Using a third-party physical risk database the Manager has identified the highest risks as follows: Extra-tropical cyclone, storm surge, drought stress, heat stress, heating degree days, air pollution, water pollution and water stress.
Describe the impact of climate-related risks and opportunities on the Fund's businesses, strategy, and financial planning.	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). 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 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. 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 Fund 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. 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.

TCFD Recommendation	Approach
Strategy	
Describe the resilience of the Fund's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Since 2016, assets of the Fund 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 Fund's Net Zero Carbon commitments, during 2022, the Manager reviewed the Fund'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 Fund's approach to Net Zero Carbon are presented on page 20 above. On physical risk, Schroder's 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. 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. An occupier engagement application – S:Connect – has also been launched across an initial 10 assets to help foster improved occupier relationships. 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.
Risk Management	
Describe the Fund's processes for identifying and assessing climate-related risks.	Schroder's 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. The Fund's processes for climate-related (including transition and physical risks) risk management are as defined in the 'Strategy' section above.
Describe the Fund's processes for managing climate-related risks.	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. On physical risk, the strategy utilises a 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. During the reporting year the Manager developed an ESG Scorecard to help quantify the sustainability performance of the its real estate assets and manage opportunities for improvement. The Fund will seek to roll this out universally starting with mandatory adoption for all new acquisitions.

City Tower
Manchester

Sustainability and Responsible Investment continued

Task Force on Climate-related Financial Disclosures ('TCFD') continued

TCFD Recommendation	Approach
Risk Management	
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the Fund'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 actioned as necessary.
Metrics and Targets	
Disclose the metrics used by the Fund to assess climate-related risks and opportunities in line with its strategy and risk management process.	In the 'INREV Sustainability Report (unaudited)' and the Streamlined Energy and Carbon Report ('SECR') sections 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). The Manager's subscription to a third-party physical risk database enables the Fund to quantify its exposure to physical risks at the asset and portfolio level including weighted averages based on Gross Asset Value.
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas ('GHG') emissions, and the related risks.	Scope 1 and Scope 2 emissions for operational energy usage for the reporting year are disclosed in the 'INREV Sustainability Report (unaudited)'. Scope 3 emissions are not currently presented in the 'INREV Sustainability Report (unaudited)'. However, where available, those associated with tenant energy data have been included within the Manager's operational Net Zero Carbon baseline.
Describe the targets used by the Fund to manage climate-related risks and opportunities and performance against targets.	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' 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 30% reduction in GHG emissions to be achieved by 2030. The Fund 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 December 2022 the Company can report 86% of landlord electricity as being procured through renewable tariffs. The Company continues to measure its exposure to physical climate risks using a third-party data provider.

Streamlined Energy and Carbon Reporting

The Schroders Capital UK Real Estate Fund (the "Fund") is an open-ended investment company which is a Property Authorised Investment Fund ('PAIF') and is authorised by the Financial Conduct Authority.

The Fund is not within the scope of the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ('Regulations'). However, the Investment Manager, in recognition of the importance it places on sustainability, has voluntarily included a report for the Fund, aligned with the SECR Regulations, on its UK energy use, associated Scope 1 (direct) and 2 (energy indirect) greenhouse gas ('GHG') emissions, an intensity metric and, where applicable, global energy use. This reporting is also referred to as SECR.

This Energy and Carbon Report applies for the Fund'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 fund invested in UK property, energy consumption and emissions result from the operation of buildings. The reporting boundary has been scoped to those held properties where the Fund retained operational control: where the Fund 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 Fund can influence operational procedures and, ultimately, sustainability performance. This incorporates consumption in tenant areas, where the landlord procures energy for the whole building. As at 31 December 2022, there were 39 managed properties within the portfolio. This compares to 31 managed properties in the portfolio during 2021 which have been included in reporting. All Fund assets are located in the UK.

The Fund is not directly responsible for any GHG emissions/energy usage at single let/FRI assets nor at multi-let assets where the tenant is counterparty to the energy contract. These emissions form part of the wider value chain (i.e. 'Scope 3') emissions, which are not monitored at present. As a Fund invested in UK property with no direct employees or Fund 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.

In addition to reporting absolute energy consumption and GHG emissions, the Fund has reported separately on performance within the 'like-for-like' portfolio, as well as providing intensity ratios, where appropriate. The like-for-like portfolio includes buildings where each of the following conditions is met:

- Owned for the full 24-month period (sales / acquisitions are excluded)
- No major renovation or refurbishment has taken place
- At least 24 months' data is available
- Note: buildings where tenant voids may have led to additional utility responsibility being temporarily met by the Landlord are also excluded.

For the intensity ratios, the denominator determined to be relevant to the business is square metres of gross internal area for most sectors, including Office: Corporate: High/Mid/Low Rise Offices, Other: Self-Storage and Mixed use: Other. The most relevant denominator for Mixed use: Office/Retail, Retail: Restaurants/Bars, Retail: Retail Centres: Shopping Centre and Retail: Retail Centres: Strip Mall is the common parts area. The most relevant denominator for Industrial: Distribution Warehouse, Industrial: Industrial Park and Retail: Retail Centres: Warehouse is also the common parts area. There is a notable exception in the Retail: High Street sector where exterior parts energy consumption (kWh) is divided by the outdoor/exterior area.

The intensity ratio is expressed as:

- Energy: kilowatt hours per metre square (gross internal area, common parts area or exterior area) per year, or, $kWh/m^2/yr$.
- GHG: kilograms carbon dioxide equivalent per metre square (gross internal area, common parts area or exterior area) per year, or, $kgCO_2e/m^2/yr$.

Energy Consumption and Greenhouse Gas Emissions
The table below sets out the Fund's energy consumption for the 12 months to 31 December 2022.

	Absolute Energy (kWh)		Like for Like Energy (kWh)		
	2021	2022	2021	2022	% change
Gas	6,599,870	7,423,597	5,975,238.21	6,844,073.53	15%
Electricity	13,453,853	13,741,323	12,567,920.31	12,861,139.91	2%
Total	20,053,723	21,164,920	18,543,158.52	19,705,213.44	6%

Streamlined Energy and Carbon Reporting continued

Energy Consumption and Greenhouse Gas Emissions continued

The table below sets out the Fund's greenhouse gas emissions for the 12 months to 31 December 2022.

	Absolute Emissions (tCO_2e)		Like for like Emissions (tCO_2e)		
	2021	2022	2021	2022	% change
Scope 1 (Direct emissions from gas consumption)	1,209	1,355	1,094	1,249	14%
Scope 2 (Indirect emissions from electricity)	2,857	2,657	2,669	2,487	-7%
Total	4,066	4,012	3,763	3,736	-1%

The like for like energy consumption for the 2022 calendar year for the managed assets held within the Fund has increased by 6%, the greenhouse gas emissions have decreased by 1%. Please note, changes in occupancy and building operations during the Covid-19 period will have had an impact on performance in 2021 and so the 2022 reporting year is not directly comparable to 2021. However, energy performance improvement opportunities continued to be considered across the portfolio. Initiatives undertaken during the reporting year include upgrades to Automatic Meter Readers for improved energy monitoring, LED lighting upgrades and installation of occupancy sensors for lighting. There is also energy demand monitoring software in place across several sites to improve the efficiency of managing large amounts of data flows.

The table below sets out the Fund's like for like energy and greenhouse gas emissions intensities by sector.

	Energy Intensities (kWh per m^2)		Emissions Intensities (tCO_2e per m^2)	
	2021	2022	2021	2022
Retail: Retail Centers: Warehouse	69	54	14.6	10.4
Office: Corporate: Low-Rise Office	226	269	45.1	50.7
Office: Corporate: Mid-Rise Office	168	194	33.1	36.2
Retail: Restaurants/Bars	129	154	27.4	29.8
Industrial: Industrial Park	16	15	3.4	2.8
Industrial: Distribution Warehouse	0	0	0.0	0.0
Retail: High Street	4	3	0.8	0.5
Office: Corporate: High-Rise Office	150	141	29.5	26.6
Mixed use: Office/Retail	27	21	5.7	4.0
Retail: Retail Centers: Strip Mall	567	513	120.4	99.1
Retail: Retail Centers: Shopping Center	93	94	19.6	18.1
Mixed use: Other	89	103	19.0	19.9
Other: Parking (Indoors)	0	0	0	0
Other: Self-Storage	27	23	5.7	4.5

Methodology

- All energy consumption and GHG emissions reported occurred at the Fund 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 Fund's share of asset ownership, where relevant.
- The sustainability content located on pages 57 to 70 of the SCREF annual report for the year ending 31 December 2022 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 Fund's GHG emissions are calculated according to the principles of the Greenhouse Gas (GHG) Protocol Corporate Standard.
  - The Fund's Greenhouse Gas Emissions are reported as tonnes of carbon dioxide equivalent (tCO_2e), which includes the following emissions covered by the GHG Protocol (where relevant and available greenhouse gas emissions factors allow): carbon dioxide (CO_2), methane (CH_4), hydrofluorocarbons (HFCs), nitrous oxide (N_2O), perfluorocarbons (PFCs), sulphur hexafluoride (SF_6) and nitrogen triflouride (NF_3).
  - GHG emissions from electricity (Scope 2) are reported according to the 'location-based' approach.
  - The following greenhouse gas emissions conversion factors and sources have been applied:

Country	Emissions Source	GHG Emissions Factor	Emissions Factor Data Source
United Kingdom	Electricity 2021	0.2123kg CO_2e	Department for Energy Security and Net Zero (DESNZ) 2021 & 2022
	Electricity 2022	0.1934kg CO_2e	
	Gas 2021	0.1832kg CO_2e	
	Gas 2022	0.1825kg CO_2e	

Energy Efficiency Actions

Environmental data management system and quarterly reporting

Environmental data for the Fund 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

The Investment Manager has an energy and greenhouse gas emissions performance reduction target to achieve 31.5% reduction in SCREF landlord-controlled energy intensity by 2030 (2019 baseline). This is accompanied by a target of 40.3% reduction in landlord-controlled greenhouse gas emissions intensity by 2030 (2019 baseline); this target is inclusive of decarbonisation of the UK electricity grid over recent years.

The Investment Manager, together with sustainability consultants Evora Global and property managers CBRE and Savills, looks to identify and deliver energy and greenhouse gas emissions reductions on a cost-effective basis. The programme involves reviewing all managed assets within the Fund 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 boiler replacements/upgrades, wall and roof insulation upgrades, upgrades to Automatic Meter Readers for improved energy monitoring, LED upgrades and installation of lighting and ventilation occupancy sensors. Energy audits to identify opportunities and to support the Energy Savings Opportunity Scheme compliance and energy demand monitoring programmes.

Recognising the need for the real estate industry to address its carbon impact the Investment Manager joined other members of the Better Buildings Partnership (BBP) in September 2019 to sign the Member Climate Change Commitment, and in December 2020, published its 'Pathway to Net Zero Carbon' – which can be found here (https://www.schroders.com/en/sysglobalassets/email/uk/realestate/2020/schroder-real-estate-net-zero-carbon-pathway-december-2020_1621372_v1.pdf).

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 Fund, by 2025. As at 31 December 2022, 86% of the Fund's landlord-controlled electricity was on renewable tariffs. No carbon offsets were purchased during the reporting period.

Edmonton
London

Report of the Authorised Corporate Director and Statement of Responsibilities

The Financial Statements

We are pleased to present the Audited Report and Consolidated Financial Statements of the Schroders Capital UK Real Estate Fund for the year ended 31 March 2023.

The Fund

The Schroders Capital UK Real Estate Fund ('SCREF', or 'the Fund') is an investment fund with variable capital incorporated in England and Wales under registered number IC000945 and authorised by the Financial Conduct Authority ('FCA') with effect from 31 July 2012. The Fund has an unlimited duration. The shareholders are not liable for any debts of the Fund.

The investment objective of the Fund is to undertake real estate investment business and to manage cash raised from investors for investment in the real estate investment business, with the intention of achieving a blend of income and capital growth. The Fund's target return is to achieve 0.5% per annum (net of all fees and expenses) above the benchmark (the MSCI/AREF UK Quarterly All Balanced Property Fund Index) over rolling three-year periods. The Fund will seek to diversify risk by holding a mixed portfolio of retail, office, industrial and other real estate throughout the UK.

The policy for achieving these objectives is that the Fund will invest in UK real estate. The Fund may also invest in transferable securities (including REITs, government bonds and unquoted companies), units in collective investment schemes, units in unregulated collective investment schemes (which may include unauthorised property unit trusts and limited partnerships), money market instruments, deposits, cash and cash equivalents.

Authorised status

From 31 July 2012 the Fund was authorised as an Open-Ended Investment Fund under Regulation 12 of the Open-Ended Investment Companies Regulations 2001. The Fund is authorised as a Qualified Investor Scheme ('QIS').

Annual General Meetings

The Fund will not be holding any Annual General Meetings.

Statement of Responsibilities of the Authorised Corporate Director

The FCA's Collective Investment Schemes sourcebook ('COLL') requires the Authorised Corporate Director ('ACD') to prepare accounts for each annual and half-yearly accounting period, in accordance with United Kingdom Generally Accepted Accounting Practice, which give a true and fair view of the financial position of the Fund and of its net revenue and the net capital gains on the property of the Fund for the year.
In preparing the accounts, the ACD is required to:

- select suitable accounting policies and then apply them consistently;
- comply with the disclosure requirements of the Statement of Recommended Practice for UK Authorised Funds issued by the IMA in June 2017;
- follow generally accepted accounting principles and applicable accounting standards;
- prepare the accounts on the basis that the Fund will continue in operation unless it is inappropriate to do so;
- keep proper accounting records which enable it to demonstrate that the accounts as prepared comply with the above requirements; and
- make judgements and estimates that are prudent and reasonable.

The ACD is responsible for the management of the Fund in accordance with its Instrument of Incorporation, Prospectus and COLL and for taking reasonable steps for the prevention and detection of fraud, error and non-compliance with law or regulations.

So far as the ACD is aware, there is no relevant audit information of which the Group and the Fund's auditors are unaware, and the ACD has taken all the steps that he or she ought to have taken as an ACD in order to make himself or herself aware of any relevant audit information and to establish that the Group and the Fund's auditors are aware of that information.

The ACD's Annual Report and Consolidated Financial Statements for the year ended 31 March 2023 were signed on 28 July 2023 on behalf of the ACD by:

P. Chislett

P. Truscott

Schroder Unit Trusts Limited
28 July 2023

AIFMD remuneration disclosures for Schroder Unit Trusts Limited ('SUTL')

For the year to 31 December 2022

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 SUTL are individuals whose roles within the Schroders Group can materially affect the risk of SUTL 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 SUTL are responsible for the adoption of the remuneration policy and periodically reviewing its implementation in relation to SUTL. 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 SUTL 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 SUTL to its staff was nil as SUTL has no employees. SUTL has two independent Non Executive Directors who receive fees in respect of their role on the Board of SUTL[1]. Employees of other Schroders Group entities who serve as Directors of SUTL receive no additional fees in respect of their role on the Board of SUTL.
- The following disclosures relate to AIF MRTs of SUTL. Most of 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 SUTL AIF MRT. The aggregate total remuneration paid to the 153 AIF MRTs of SUTL in respect of the financial year ended 31 December 2022 is £86.04 million, of which £40.21 million was paid to senior management, £41.35 million was paid to MRTs deemed to be taking risk on behalf of SUTL or the AIF funds that it manages and £4.48 million was paid to Control Function MRTs.

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

1 The fees are not disclosed due to confidentiality and data protection considerations. The amount is not material to SUTL.

Investment Manager's Statement of Responsibility

The Authorised Corporate Director ('ACD') has delegated to the Investment Manager the function of managing the investment and reinvestment of the assets of the Fund.

On 31 July 2012, the ACD appointed Schroder Property Investment Management Limited to provide investment management, property management and advisory services to the ACD. On 24 November 2014, Schroder Property Investment Management Limited was renamed Schroder Real Estate Investment Management Limited ('Schroder Real Estate'). Schroder Real Estate is a member of the same Group (Schroders plc) as the ACD.

The Investment Manager has discretionary responsibility for implementing investment policy and is responsible to investors for the performance of the Fund. Adherence to such policies is monitored quarterly through reporting by the Investment Manager to the Real Estate Investment Risk Committee, which is an integral part of the Schroders Investment Risk Framework ('SIRF'). The Investment Manager is also responsible for marketing the Fund, pricing and accounting for the Fund, providing all relevant information to valuers, managing agents and for providing performance information to MSCI. All delegated appointments by the Investment Manager are on an advisory basis.

Subject to the investment objectives and restrictions contained in the OEIC Regulations and Collective Investment Schemes Sourcebook ('COLL') and the investment and borrowing guidelines contained in the Prospectus, the Investment Manager has discretion to take decisions in relation to the management of the Fund, without prior reference to the ACD. As required by COLL, the Investment Manager must obtain the consent of the Depositary for the acquisition or disposal of immovable property.

Legal and product limits
The Prospectus, which has been approved by the FCA, sets out the nature of permitted investments and the broad parameters within which the Fund must be managed. If one of these is breached, depending on the nature of the breach, they are reportable to the FCA and subject to agreed remedies. These are shown as legal limits in the table below.

The Investment Manager confirms that these limits have not been breached in the year to 31 March 2023.

Other risk controls, such as product limits shown in the table below, are also monitored as part of SIRF, which is a Group-wide control process designed to ensure that products and portfolios are managed in a manner that is consistent with their performance objectives and corresponding risk profiles.

From time to time the Investment Manager may propose revisions to the product limits in order to better control the risks which may impact the Fund's ability to achieve its objectives. Any changes will require the approval of SIRF and ACD.

Legal limits	Product limits
Minimum 60% assets (NAV) must form part of its Property Investment Business	Sector exposure: Maximum absolute load difference +/-50% vs benchmark. Maximum divergence of Central London +/-10% Maximum divergence in alternatives +/-10%
Minimum 60% income must come from the Property Investment Business	Investment in a single indirect vehicle: 15% NAV
Maximum aggregate investment in indirect vehicles: 40% NAV	Aggregate investment in indirect vehicles: 35% NAV
Maximum 15% of the NAV invested in a single asset	Aggregate investment in joint ventures: 35% NAV
Maximum 20% of the NAV committed to development (on/off balance sheet)	Investment in UK property-related listed securities: aggregate 10% NAV – individual 2.5% NAV
Maximum borrowing (on/off balance sheet): 25% NAV	Maximum investment in undeveloped and non-income producing land: 10% NAV
Investment on and off balance sheet in shorter/medium-term leaseholds (less than 50 years): 20% NAV	Maximum on and off balance sheet percentage income from non-government tenant: 10%
Maximum speculative development: 15% NAV	Maximum on balance sheet uncommitted cash: 10% NAV
	Maximum on and off balance sheet debt: 25% NAV

Independent Property Valuers' Report

SCREF's portfolio is valued by three different independent valuers. BNP Paribas value the majority (approximately 95% by value). CBRE and Jones Lang LaSalle valuing a single asset JV and self storage assets respectively. Statement from the largest independent property valuer is included below.

BNP Paribas Real Estate
As Standing Independent Valuer for the Fund, we have valued immovables held by the Fund as at 3 April 2023 in accordance with IFRS 13, FRS 102 and the RICS Valuation – Global Standards 2021, (the 'Red Book') and in accordance with the COLL 8.4.13R of the Collective Investment Schemes Sourcebook. Schroder Unit Trusts Limited, as Authorised Corporate Director of the Fund, has been provided with a full valuation certificate and report. The immovables have been valued on the basis of Market Value as defined by the RICS Valuation Standards subject to existing leases.

Details of the nature and extent of the immovables, the tenure and tenancies, permitted uses, town planning consents and related matters, have been supplied by the Investment Manager, Schroder Real Estate Investment Management Limited. We have generally been provided with copies of leases but we have not examined the title documents and we have therefore assumed that the Fund's interests are not subject to any onerous restrictions, to the payment of any unusual outgoings or to any charges, easements or rights of way, other than those to which we have referred in our reports. We rely upon the Investment Manager to keep us advised of any changes that may occur in the investments. We are not instructed to carry out structural surveys nor test any of the service installations. Our valuations therefore have regard only to the general condition of the properties evident from our inspections. We have assumed that no materials have been used in the buildings which are deleterious, hazardous or likely to cause structural defects. We are not instructed to carry out investigations into pollution hazards which might affect the properties and our valuations assume the properties are not adversely affected by any form of pollution. In our opinion the aggregate of the market values of the 38 immovables owned by the Fund as at 3 April 2023 is £1,424,600,000. This figure represents the aggregate of the values attributable to the individual immovables and should not be regarded as a valuation of the portfolio as a whole in the context of a sale as a single lot.

In the case of the immovables in the course of development, our valuations reflect the stage reached in construction and the costs already incurred at the date of valuation. We have had regard to the contractual liabilities of the parties involved in the developments and any cost estimates which have been prepared by professional advisers. No allowance is made in our valuations for the costs of realisation, any liability for tax which might arise on the event of disposal or for any mortgage or similar financial encumbrance over the property. Our valuations exclude VAT.

Market conditions explanatory note: Novel Coronavirus (Covid-19)
Following the outbreak of Covid-19 in 2020, the start of the war in Ukraine in February 2022 and global supply chain challenges, there have been some significant changes impacting many aspects of daily life and the global economy.

In the United Kingdom, we are experiencing a period of historically high inflation, notably increasing energy prices, and significant increases in both gilt and interest rates. These are key drivers in respect of asset values and as a result the level of transactions and asset pricing, including the real estate market, are currently subject to higher than usual levels of volatility. Nevertheless, as at the valuation date, property markets are functioning and there is an adequate quantum of market evidence which exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

For the avoidance of doubt, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the above, we highlight the importance of the valuation date.

BNP Paribas Real Estate
3 April 2023

Depositary's Report and Statement of Responsibilities

Statement of the Depositary's Responsibilities and Report of the Depositary to the Shareholders of Schroder UK Real Estate Fund (''the Company'') for the Year Ended 31 March 2023.

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Investment Funds Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) (the OEIC Regulations), as amended, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Company's Instrument of Incorporation and Prospectus (together "the Scheme documents") as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depositary must ensure that:
- the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares in the Company is calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and
- the instructions of the Alternative Investment Fund Manager ("the AIFM") are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the AIFM:

(i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Regulations and the Scheme documents of the Company, and
(ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

Yours

Kevin Woodcock
Assistant Director External Monitoring
NatWest Trustee & Depositary Services

Independent auditors' report to the Shareholders of Schroders Capital UK Real Estate Fund

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements of Schroders Capital UK Real Estate Fund (the "Group and Fund"):

- give a true and fair view of the financial position of the Group and Fund as at 31 March 2023 and of the net revenue and the net capital losses on the scheme property of the Group and Fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

Schroders Capital UK Real Estate Fund (the "Fund") is an Open-Ended Investment Company ('OEIC'). We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated and Fund Balance Sheets as at 31 March 2023; the Consolidated and Fund Statements of Total Return, the Consolidated and Fund Statements of Changes in Net Assets Attributable to Shareholders and the Consolidated and Fund Cash Flow Statements for the year then ended; the distribution table; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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 and the Fund's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Authorised Corporate Director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group and the Fund's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Authorised Corporate Director with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Authorised Corporate Director is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on our work undertaken in the course of the audit, the Collective Investment Schemes sourcebook requires us also to report certain opinions as described below.

Report of the Authorised Corporate Director

In our opinion, the information given in the Report of the Authorised Corporate Director for the financial year for which the financial statements are prepared is consistent with the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the Authorised Corporate Director for the financial statements

As explained more fully in the Statement of Responsibilities of the Authorised Corporate Director, the Authorised Corporate Director is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Authorised Corporate Director is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Authorised Corporate Director is responsible for assessing the Group and the Fund's and its sub-fund'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 Authorised Corporate Director either intends to wind up or terminate the Group or Fund, or has no realistic alternative but to do so.

Independent auditors' report to the Shareholders of Schroders Capital UK Real Estate Fund continued

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Based on our understanding of the Group and industry in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to breaches of the Collective Investment Schemes sourcebook, and we considered the extent to which non-compliance might have a material effect on the financial statements, in particular those parts of the sourcebook which may directly impact on the determination of amounts and disclosures in the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to manipulation of financial data or intentional bias in estimation with respect to the valuation of investment properties and development property, building licence agreement; and the carrying value of investments in subsidiaries, investments in joint ventures, and collective investment schemes. Audit procedures performed included:
- Discussions with the Authorised Corporate Director, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Understanding and evaluating management's internal controls designed to prevent and detect irregularities;
- Reviewing relevant meeting minutes, including those of the Authorised Corporate Director's board of directors;
- Identifying and testing journal entries, including those journals posted with unusual account combination;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing;
- Obtaining management information and external market data to validate the inputs into the calculation of the valuation of investment property, and the building licence agreement and challenging assumptions made, where appropriate; and
- Obtaining management information and third party supporting information where relevant to assess and challenge the carrying value of investments in subsidiaries, investments in joint ventures, and collective investment schemes

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report
This report, including the opinions, has been prepared for and only for the Fund's shareholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook as required by paragraph 67(2) of the Open-Ended Investment Companies Regulations 2001 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Opinion on matter required by the Collective Investment Schemes sourcebook
In our opinion, we have obtained all the information and explanations we consider necessary for the purposes of the audit.

Collective Investment Schemes sourcebook exception reporting
Under the Collective Investment Schemes sourcebook we are also required to report to you if, in our opinion:
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London
28 July 2023

Consolidated and Fund Statements of Total Return

For the year ended 31 March 2023

	Notes	**Consolidated Year ended 31 March 2023 £'000**	**Fund Year ended 31 March 2023 £'000**	Consolidated Year ended 31 March 2022 £'000	Fund Year ended 31 March 2022 £'000
Income					
Net capital (losses)/gains	4	**(497,693)**	**(497,693)**	349,909	349,909
Revenue	5	**120,686**	**118,331**	103,004	101,283
Gain attributable to non-controlling interest		**26**	**–**	27	–
Expenses	6	**(44,812)**	**(42,431)**	(36,040)	(34,292)
Net revenue before taxation		**75,900**	**75,900**	**66,991**	**66,991**
Taxation	8	**–**	**–**	–	–
Net Revenue after taxation		**75,900**	**75,900**	**66,991**	**66,991**
Total return before distribution		**(421,793)**	**(421,793)**	416,900	416,900
Finance costs: distributions	7	**(84,224)**	**(84,224)**	(75,393)	(75,393)
Change in net assets attributable to shareholders from investment activities		**(506,017)**	**(506,017)**	**341,507**	**341,507**

Consolidated and Fund Statements of Changes in Net Assets Attributable to Shareholders

For the year ended 31 March 2023

	Consolidated Year ended 31 March 2023 £'000	**Fund Year ended 31 March 2023 £'000**	Consolidated Year ended 31 March 2022 £'000	Fund Year ended 31 March 2022 £'000
Opening net assets attributable to shareholders	**2,621,109**	**2,621,109**	**2,262,833**	**2,262,833**
Amounts receivable on creation of shares	**22,595**	**22,595**	46,382	46,382
Amounts payable on redemption of shares	**(65,050)**	**(65,050)**	(29,613)	(29,613)
Change in net assets attributable to shareholders from investment activities	**(506,017)**	**(506,017)**	341,507	341,507
Closing net assets attributable to shareholders	**2,072,637**	**2,072,637**	**2,621,109**	**2,621,109**

Consolidated and Fund Balance Sheets

As at 31 March 2023

	Notes	Consolidated As at 31 March 2023 £'000	Fund As at 31 March 2023 £'000	Consolidated Restated as at 31 March 2022 £'000	Fund Restated as at 31 March 2022 £'000
ASSETS					
Non-current assets					
Investment assets					
Investment property and development property	10	**1,641,571**	**1,385,821**	2,232,748	1,782,648
Building licence agreement	20	**–**	**–**	7,335	–
Investment in collective investment schemes	20	**6,918**	**6,918**	7,052	7,052
Investment in subsidiaries	9	**–**	**471,762**	–	483,146
Investment in joint ventures		**272,722**	**272,425**	350,629	350,297
Total investment assets		**1,921,211**	**2,136,926**	**2,597,764**	**2,623,143**
Non -current debtors	11	**36,395**	**36,395**	37,385	37,385
Total non-current assets		**1,957,606**	**2,173,321**	**2,635,149**	**2,660,528**
Current assets					
Debtors	11	**35,211**	**34,225**	42,320	35,410
Building licence agreement	20	**1,952**	**–**	–	–
Bank deposits	12	**–**	**–**	11	11
Cash and bank balances	12	**249,703**	**31,668**	74,493	44,234
Total other assets		**286,866**	**65,893**	**116,824**	**79,655**
Total assets		**2,244,472**	**2,239,214**	**2,751,973**	**2,740,183**
LIABILITIES					
Creditors	13	**33,038**	**29,191**	40,090	29,928
Bank loan	14	**131,000**	**131,000**	82,000	82,000
Distribution payable		**6,386**	**6,386**	7,146	7,146
Net assets attributable to non-controlling interests		**1,411**	**–**	1,628	–
Total liabilities		**171,835**	**166,577**	**130,864**	**119,074**
Net assets attributable to shareholders		**2,072,637**	**2,072,637**	**2,621,109**	**2,621,109**

Consolidated and Fund Cash Flow Statements

For the year ended 31 March 2023

	Notes	Consolidated Year ended 31 March 2023 £'000	Fund Year ended 31 March 2023 £'000	Consolidated Year ended 31 March 2022 £'000	Fund Year ended 31 March 2022 £'000
Net cash inflow from operating activities	17	**87,704**	**88,391**	**76,666**	**69,979**
Interest received		**761**	**444**	51	47
Total cash generated from operating activities		**88,465**	**88,835**	**76,717**	**70,026**
Investing activities					
Purchases in subsidiaries		**–**	**(59,993)**	–	(49,309)
Disposals/(purchases) in joint ventures		**22,549**	**22,549**	(86,148)	(86,148)
Cash received in respect of building licence agreement		**3,891**	**–**	3,152	–
Purchases of investment and development property		**–**	**–**	(215,918)	(215,918)
Sales of investment and development property		**273,497**	**72,350**	184,481	184,481
Net cost movement in investment property		**(131,751)**	**(54,866)**	(87,454)	(38,942)
Total cash generated from/(used in) investing activities		**168,186**	**(19,960)**	**(201,887)**	**(205,836)**
Financing activities					
Amounts received on issue of shares		**22,595**	**22,595**	46,382	46,382
Amounts paid out on redemption of shares		**(65,050)**	**(65,050)**	(29,613)	(29,613)
Distributions paid		**(84,984)**	**(84,984)**	(73,765)	(73,765)
Debt drawn		**49,000**	**49,000**	82,000	82,000
Interest paid on debt		**(3,013)**	**(3,013)**	–	–
Total cash (used in)/generated from financing activities		**(81,452)**	**(81,452)**	**25,004**	**25,004**
Increase/(decrease) in cash in the year		**175,199**	**(12,577)**	**(100,166)**	**(110,806)**
Net cash at the start of the year		**74,504**	**44,245**	**174,670**	**155,051**
Net cash at the end of the year	16	**249,703**	**31,668**	**74,504**	**44,245**

Notes to the Financial Statements

1. Accounting policies

(a) General Information

SCREF is an open-ended investment company which is structured as a Property Authorised Investment Fund ('PAIF'). The financial statements of the Fund and its subsidiaries, joint ventures and collective investment schemes ('the Group') are for the year ended 31 March 2023.

Basis of accounting

The financial statements have been prepared under the historic cost basis, as modified by the revaluation of investment assets, and in accordance with the Statement of Recommended Practice for UK Authorised Funds ('SORP') issued by the Investment Management Association ('IMA') in June 2017 and in accordance with the Scheme and the Collective Investment Schemes Sourcebook and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland").

Consolidation

Consolidated financial statements have been prepared in accordance with FRS 102 'Accounting for Subsidiary Undertakings'. The Consolidated Statement of Total Return, Consolidated Statement of Changes in Net Assets Attributable to Shareholders, Consolidated Balance Sheet and Consolidated Cash Flow Statement include the financial statements of each sub-fund and its subsidiary undertakings. Intra-group transactions are eliminated fully on consolidation.

The interest of non-controlling interest shareholders in the acquiree is measured at their proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Going concern

The financial statements have been prepared on a going concern basis in accordance with the historical cost convention, as modified by the revaluation of investment assets, and in accordance with applicable United Kingdom accounting standards and the Prospectus.

As at 31 March 2023, the Fund has net current liabilities of £100.7 million (2022: £39.4 million) and net assets of £2,072.6 million (2022: £2,621.1 million). The Fund has cash at bank of £31.7 million as at 31 March 2023 (2022: £44.2 million) and with external bank loan of £131.0 million (2022: £82.0 million).

The Authorised Corporate Director ("ACD") has prepared cash flow forecasts for at least 12 months from the date of approval of these consolidated financial statements which indicate that, taking account of severe but plausible downsides, that the Group and the Fund will have sufficient funds to meet its liabilities as they fall due. On 03 April 2023 SCREF received a £189.6 million capital distribution from its subsidiary Croydon Gateway Unit Trust.

The ACD has examined significant areas of possible financial risk, including risks attached to the collection of rent and service charge and possible impact on cash flow forecasts. For the March quarter rent collection was at 98% and service charge collection at 91% (as at 28 April 2023). Rent collection is being closely monitored by the managing agents and asset managers with a number of bespoke solutions having been agreed with tenants including monthly rents, rent deferments and re-gear opportunities. Cash flow forecasts based on severe but plausible downside scenarios has led the ACD to conclude that the Fund will have sufficient cash reserves to continue in operation for the foreseeable future.

The bank loan facility has been complied with throughout the reporting period, and the ACD does not anticipate any covenant breaches for future periods based on its assessments; please refer to note 14 for more information.

The ACD has also considered the impact of redemptions on the cash flow forecasts and, where possible, has worked to offset redemptions with subscriptions for the same quarter to minimise impact on cash reserves. As at the date of the financial statements, pending redemptions of £227.3 million, £55.7 million, £36.1 million and £27.9 million have been identified for the quarters ending January 2023, April 2023, July 2023 and October 2023 respectively, and shareholder movements will continue to be closely monitored.

After due consideration, the ACD has not identified any material uncertainties which would cast significant doubt on the Fund's ability to continue as a going concern for a period of not less than 12 months from the date of the approval of the consolidated financial statements.

Restatement of comparatives

Debtors of £37.4 million have been restated from current to non-current assets.

Use of estimates and judgements

The preparation of financial statements in conformity with FRS 102 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 year in which the estimates are revised and in any future years affected.

The most significant estimates made in preparing these financial statements relate to the carrying value of investment and development properties, collective investment schemes and the building licence agreement. The Group uses external professional valuers to determine the fair value of investment and development properties. Collective investment schemes are valued at the net asset value ('NAV') price per unit as provided by the relevant managers and the building licence agreement is fair valued using a discounted cash flow model. Judgements made by management in the application of FRS 102 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 20 under the heading 'Fair value measurement'.

Sensitivity analysis has been included within note 10 for the directly held properties within the Fund and within notes 9 and 20 for the CIS and JV properties within the Group.

(b) Basis of valuation of investments

(i) Properties owned by the Group, including investments in properties owned through partnerships and trusts for land, are independently valued on a market value basis in accordance with Royal Institution of Chartered Surveyors guidance. Development properties in the course of development are independently valued having regard to the stage reached in the construction and taking account of any agreed letting and of any contractual liabilities to advance further monies.
(ii) Collective investment schemes are valued at the bid price as provided by the relevant managers, in accordance with industry practice.
(iii) Subsidiaries (on a Fund basis) and joint ventures are valued at the NAV price as provided by the relevant managers, which is the best estimate of fair value in accordance with industry practice.
(iv) The building licence agreement is fair valued using a discounted cash flow model, based on valuations provided by the pricing risk department internally, and approved by the Real Estate Local Pricing Committee.
(v) Joint Ventures are equity accounted for which is based on the Net Asset Value price as provided by the relevant managers.

(c) Property purchases and sales

Acquisitions and disposals of investment properties and collective investment schemes are recognised where, by the end of the accounting period, there is a legally binding, unconditional and irrevocable contract.

(d) Recognition of revenue and expenses

Rental income is recognised in the Consolidated and Fund Statements of Total Return on a straight-line basis, including a best estimate for unsettled rent reviews. Provisions are made where, in the opinion of the ACD, amounts are deemed likely to be irrecoverable. Service charge income and expenses are included in revenue and other property operating expenses respectively.

Benefits to lessees in the form of rent-free periods are treated as a reduction in the overall return on the leases and, in accordance with FRS 102, are recognised on a straight-line basis over the lease term. Rent-free periods granted to lessees as a consequence of Covid-19 where no other terms of the lease have been amended have been expensed in accordance with FRS 102. Capital contributions paid to tenants are shown as a debtor and amortised over the lease term. The valuation of the investment property is reduced by all lease incentives.

Deposit interest, interest receivable and payable, income from collective investment schemes and other revenue are accounted for on an accruals basis.

(e) Treatment of management expenses

Fees are recognised on an accruals basis and are charged in full to the Consolidated and Fund Statements of Total Return. The ACD has allocated 50% of the management fees to income and the remaining 50% to capital for the calculation of distributable income.

(f) Treatment of development and acquisition expenses

Development and acquisition expenses have been treated as costs of purchasing property investments and are accordingly treated as capital.

(g) Receivables and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at their transaction price. An impairment provision is created for receivables when there is objective evidence that the Group will not be able to collect in full.

(h) Cash flow statement

In accordance with the requirements of FRS 102 and the SORP as issued by IMA, a Consolidated Cash Flow Statement has been provided.

(i) Tax

The Fund qualifies as a PAIF for tax purposes. Accordingly, the income generated by its property investment business will be exempt from tax. Any dividend income it receives from United Kingdom companies or, in general, from non-United Kingdom companies will also be exempt from tax.

The Fund would, however, be subject to corporation tax in the event that there should be a net balance of other income, which will generally consist of interest but could include other property income, less deductible expenses (including interest distributions).

Under the PAIF regulations, the Fund makes distributions gross to the sole share class in issue during the year.

(j) Cash and cash equivalents

Cash and cash equivalents include cash in hand, other short-term highly liquid investments with original maturities of three months or less, including deposits held at call with banks, please see note 12.

(k) Loans and borrowings

Borrowings are recognised initially at the 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 profit and loss over the period of the borrowings on an effective interest basis.

Borrowing costs such as arrangement fees are capitalised and amortised over the loan term.

(l) Redemptions

All shares issued to shareholders are classified as a debt as shareholders have a right to redeem shares in SCREF by giving notice of redemption and SCREF is obliged to make distributions of income.

Notes to the Financial Statements continued

2. Distribution policies

(a) Basis of distribution

Revenue is generated by the Fund's investments during each accounting period. Where revenue exceeds expenses, the net income of the Fund is available to be distributed to shareholders. All income is distributed, at share class level, to the shareholders in accordance with the Fund's Prospectus on a monthly basis. Income equalisation will not apply to the Fund as it is not a daily dealing Fund. Revenue attributable to accumulation shareholders is retained at the end of the distribution period and represents a reinvestment of revenue.

(b) Apportionment to multiple share classes

The allocation of revenue and expenses to each share class is based on the proportion of the Fund's assets attributable to each share class on the day the revenue is earned or the expenses are suffered.

(c) Expenses

In determining the net revenue available for distribution, expenses related to the purchase and sale of investments are capitalised and do not reduce distributions.

3. Risk management policies

(a) Market risk and valuations of property

The exposure to market risk arising from the prevailing general economic conditions and market sentiment may affect the balance sheet and total return of the Fund. Immovable property and immovable property-related assets are inherently difficult to value due to the individual nature of each property. As a result, valuations are subject to uncertainty and are a matter of an independent valuer's opinion. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price even where a sale occurs shortly after the valuation date.

Market risk is reduced through holding a geographically diversified portfolio that invests across various property sectors. The ACD adheres to the investment guidelines and investment and borrowing powers established in the Prospectus, scheme particulars and in the rules governing the operation of open-ended investment companies.

The ACD has assessed the impact of changes in unobservable inputs on the fair value of the underlying properties within SCREF. For sensitivity analysis refer to note 10. SCREF also invests in funds holding real estate assets. The ACD has also assessed the impact of changes in unobservable inputs on the fair value of the underlying property portfolios with SCREF's subsidiaries. For sensitivity analysis refer to notes 9 and 20.

(b) Credit and liquidity risk

The Fund can be exposed to credit risk arising from the possibility that another party fails to fulfil its obligations and liquidity risk surrounding its capacity to meet its liabilities.

Rent receivables, net of provision for bad or doubtful debts, for the year to 31 March 2023 amounted to £10.4 million for the Group and £10.2 million for the Fund (31 March 2022: £12.3 million and £10.2 million) and the provision for doubtful debts for the year ended 31 March 2023 for the Group and the Fund of £6.1 million (31 March 2022: £7.3 million).

The Fund considered the impact of Covid-19 on the recoverability of its assets including trade and other receivables and adjusted the bad debt provision to provide for tenants on a case-by-case basis. Management will continue to monitor the ability of tenants to pay in the future and the bad debt provision will be monitored accordingly. Management has been closely monitoring the ability of tenants to pay their rent with a range of bespoke solutions for tenants being determined on a case-by-case basis including monthly rents, rent deferments and re-gear opportunities.

Investments in immovable property are relatively illiquid and more difficult to realise than most equities or bonds. If an asset cannot be liquidated in a timely manner then it may be harder to attain a reasonable price. The liquidity risk, derived from the liability to shareholders, is minimised through holding cash and regular monitoring and monthly review of funds held in deposit accounts which can meet the usual requirements of share redemptions.

The robust liquidity position held by the Fund and the ability to match outstanding redemption requests on the secondary market leaves the Fund well placed to meet all outstanding redemptions when these become payable. Refer to note 15 for the redemptions payable at year-end.

The Investment Manager's policy for managing this risk is to:
1. Operate a strict unit redemption policy such that unitholders need to serve notice prior to the end of each quarter for payment of redemptions to be made three months subsequent to the quarter's end.
2. Raise sufficient cash resources within the Fund to finance a limited number of redemptions.
3. Review the need for and maintain as appropriate a borrowing facility, and reserve the right to defer payment of redemptions.

(c) Currency risk

All financial assets and financial liabilities of the Fund are in sterling, thus the Fund has no exposure to currency risk at the balance sheet date.

(d) Interest rate risk

The Fund has the ability to access debt facilities and as at 31 March 2023 drew down in aggregate £131 million, split as to £100 million of debt from the Santander Revolving Credit Facility and £31 million from the RBS Revolving Credit Facility. The Revolving Credit Facilities are a low margin flexible source of funding with margins of 1.15% and 1.45% plus 3-month SONIA respectively and it is considered by management that the carrying value of the loan is equal to its fair value (sum of £131.0 million drawn as at year end).

There were no changes to the risk management policies during the year to 31 March 2023.

4. Net capital (losses)/gains

	Consolidated Year ended 31 March 2023 £'000	Fund Year ended 31 March 2023 £'000	Consolidated Year ended 31 March 2022 £'000	Fund Year ended 31 March 2022 £'000
(Losses)/gains for the year on direct properties	**(442,237)**	**(370,601)**	344,129	276,323
(Losses)/gains for the year on collective investment schemes	**(134)**	**(134)**	1,877	1,877
(Losses)/gains for the year on subsidiaries	**–**	**(71,636)**	–	67,806
(Losses)/gains for the year on joint ventures	**(55,322)**	**(55,322)**	3,903	3,903
Net capital (losses)/gains	**(497,693)**	**(497,693)**	**349,909**	**349,909**

For the year ended 31 March 2023, total realised gains of £47.8 million were recognised by the Fund over the holding period of disposed assets and £545.5 million of losses were unrealised (2022: £129.8 million of gains were realised and £220.1 million of losses were unrealised). For the Group, total realised gains of £109 million were recognised over the holding period of disposed assets and £606.7 million of net losses were unrealised (2022: £121.0 million were realised gains and £356.0 million were unrealised gains). Where realised gains include amounts arising in previous periods, a corresponding (loss)/gain is included in unrealised gains.

5. Revenue

	Consolidated Year ended 31 March 2023 £'000	Fund Year ended 31 March 2023 £'000	Consolidated Year ended 31 March 2022 £'000	Fund Year ended 31 March 2022 £'000
Rental revenue	**90,338**	**77,824**	84,319	73,842
Income from collective investment schemes	**16,242**	**28,007**	8,073	17,540
Service charge income	**10,683**	**10,764**	8,760	8,975
Bank, deposit and loan interest	**761**	**444**	51	47
Other income	**2,662**	**1,292**	1,801	879
Total revenue	**120,686**	**118,331**	**103,004**	**101,283**

6. Expenses

	Consolidated Year ended 31 March 2023 £'000	Fund Year ended 31 March 2023 £'000	Consolidated Year ended 31 March 2022 £'000	Fund Year ended 31 March 2022 £'000
Authorised Corporate Director and associates				
Investment Management fees	**14,604**	**14,508**	14,532	14,442
Depositary				
Depositary fee	**353**	**353**	349	349
Other				
Valuers' fee	**432**	**334**	583	475
Audit fee	**349**	**265**	333	276
Service charge expenses	**10,683**	**10,764**	8,760	8,975
Non-recoverable service charge expense	**2,254**	**1,733**	2,293	1,609
Other non-investment expenses	**6,952**	**6,059**	3,071	2,351
Other property operating expenses	**9,185**	**8,415**	6,119	5,815
Total other	**29,855**	**27,570**	**21,159**	**19,501**
Total expenses	**44,812**	**42,431**	**36,040**	**34,292**

The audit fee for the Schroders Capital UK Real Estate Fund Feeder Trust is borne by Schroders Capital UK Real Estate Fund. For the year to 31 March 2023 this was £30,150 (2022: £28,376). Other than audit fees PricewaterhouseCoopers costs included tax compliance fees which amounted to £53,488 for the year to 31 March 2023 (2022: £20,775) for the Fund and £12,650 (2022: £12,650) for the Schroders Capital UK Real Estate Fund Feeder Trust.

Notes to the Financial Statements continued

7. Finance costs: distributions

	Consolidated Year ended 31 March 2023 £'000	**Fund Year ended 31 March 2023 £'000**	Consolidated Year ended 31 March 2022 £'000	Fund Year ended 31 March 2022 £'000
March (prior year)	**7,225**	**7,225**	5,510	5,510
April	**6,975**	**6,975**	5,554	5,554
May	**6,590**	**6,590**	5,928	5,928
June	**8,560**	**8,560**	5,815	5,815
July	**6,901**	**6,901**	5,368	5,368
August	**5,959**	**5,959**	5,699	5,699
September	**7,106**	**7,106**	6,458	6,458
October	**7,348**	**7,348**	6,469	6,469
November	**6,586**	**6,586**	7,245	7,245
December	**7,547**	**7,547**	6,410	6,410
January	**8,044**	**8,044**	6,572	6,572
February	**6,316**	**6,316**	6,650	6,650
March	**6,292**	**6,292**	7,225	7,225
Gross distribution for the year	**84,224**	**84,224**	**75,393**	**75,393**

The difference between net revenue after taxation and the distribution paid is analysed as follows:

	Consolidated Year ended 31 March 2023 £'000	**Fund Year ended 31 March 2023 £'000**	Consolidated Year ended 31 March 2022 £'000	Fund Year ended 31 March 2022 £'000
Net revenue after taxation for the year	**75,874**	**75,874**	66,991	66,991
Expenses charged to capital	**8,350**	**8,350**	8,402	8,402
Gross distribution	**84,224**	**84,224**	**75,393**	**75,393**

8. Taxation

The Fund qualifies as a PAIF for tax purposes. Accordingly, the income generated by its real estate investment business will be exempt from tax. Any dividend income it receives from United Kingdom companies or, in general, from non-United Kingdom companies will also be exempt from tax.

The Fund would, however, be subject to corporation tax in the event that there should be a net balance of other income, which will generally consist of interest but could include other real estate income, less deductible expenses.

Under the PAIF regulations, the Fund makes real estate income distributions and interest distributions net of basic rate income tax except where the investor is entitled to gross payment. As at 31 March 2023 and 2022 the Fund had two authorised share classes: the gross share class on which distributions were made without deduction of income tax, and the net share class on which distributions were made with deduction of income tax.

(a) Analysis of charge in year

	Consolidated Year ended 31 March 2023 £'000	**Fund Year ended 31 March 2023 £'000**	Consolidated Year ended 31 March 2022 £'000	Fund Year ended 31 March 2022 £'000
Analysis of charge in year	**–**	**–**	–	–
Corporation tax at 20%	**–**	**–**	–	–
Current tax charge	**–**	**–**	**–**	**–**

(b) Factors affecting the current tax charge for the year

Taxable income is charged at the standard rate of income tax withheld on property income distributions for authorised funds of 20% (31 March 2022: 20%).

The reconciliation of the income statement tax charge to the standard rate on profits before tax is set out below:

	Consolidated Year ended 31 March 2023 £'000	**Fund Year ended 31 March 2023 £'000**	Consolidated Year ended 31 March 2022 £'000	Fund Year ended 31 March 2022 £'000
Total return before distribution	**(421,793)**	**(421,793)**	416,900	416,900
Corporation tax at 20%	**(84,359)**	**(84,359)**	83,380	83,380
Effects of:				
Revenue not subject to taxation	**84,359**	**84,359**	(83,380)	(83,380)
Current tax charge	**–**	**–**	**–**	**–**

(c) Provision for deferred tax

There was no provision required for deferred tax at the balance sheet date.

9. Investment in subsidiaries

	Ownership by SCREF at 31 March 2023 %	Valuation at 1 April 2022 £'000	Capital contributions £'000	Capital distributions £'000	Net capital gains £'000	Valuation at 31 March 2023 £'000
Croydon Gateway Unit Trust	**99.6**	423,910	67,466	–	(75,251)	**416,125**
Hackbridge Unit Trust	**99.0**	9,733	76	(7,688)	(167)	**1,954**
Hackbridge Limited	**100.0**	–	–	–	–	**–**
Self-Storage Unit Trust	**100.0**	49,503	400	–	3,780	**53,683**
		483,146	67,942	(7,688)	(71,638)	**471,762**

At 31 March 2023, SCREF's holding in each of Hackbridge Unit Trust and Self-Storage Unit Trust stood at 99%. The Fund owns two shares in Hackbridge Limited representing 100% of the shares in issue. Hackbridge Limited is a Jersey-registered limited company incorporated on 1 May 2005. Hackbridge Limited holds the remaining 1% interests in Hackbridge Unit Trust and Self-Storage Unit Trust. The Fund's holding in Croydon Gateway Unit Trust stood at 99.6%, with a minority interest of 0.4% held by an external investor.

The Fund held 100% of the shares in MP Kings Lyric S.á.r.l., which is a Luxembourg-registered company, until 30 March 2022 when the entity was liquidated.

On 8 August 2017, Self-Storage Unit Trust was set up to acquire all the shares in Meadow Holdings Limited. These were acquired on 10 August 2017 for a consideration of £44.4 million. Meadow Holdings Limited owned five self-storage units across London and the South East. There was no goodwill recognised as the consideration equalled the fair value of the investment properties.

The ACD has performed a sensitivity analysis to illustrate the impact on the NAV of a change in the fair value of SCREF's subsidiaries. Based on the valuation as at 31 March 2023, a decrease of between 10% and 20% in the value of the subsidiaries would have resulted in a decrease of between £47.2 million and £94.4 million (2022: £48.3 million and £96.7 million). An increase by the same percentages would result in the same movement positively.

10. Investment property and development property

	Consolidated			Fund		
	Development property £'000	**Investment property £'000**	**Total £'000**	**Development property £'000**	**Investment property £'000**	**Total £'000**
Opening balance as at 1 April 2022	239,666	1,993,082	2,232,748	24,173	1,758,475	1,782,648
Purchases	–	–	–	–	–	–
Disposals at cost	(140,195)	(14,515)	(154,710)	–	(14,515)	(14,515)
Additions to existing property	93,888	19,794	113,682	17,777	18,304	36,081
Reclassifcation of reserves on disposals of development property	(78,291)	(39,410)	(117,701)	–	(39,410)	(39,410)
Unrealised (losses)/gains	(33,718)	(398,730)	(432,448)	(100)	(378,883)	(378,983)
Closing balance as at 31 March 2023	**81,350**	**1,560,221**	**1,641,571**	**41,850**	**1,343,971**	**1,385,821**
Unamortised tenant incentives	**–**	**38,779**	**38,779**	**–**	**38,779**	**38,779**
Market valuation as at 31 March 2023	**81,350**	**1,599,000**	**1,680,350**	**41,850**	**1,382,750**	**1,424,600**

The ACD has reviewed the ranges used in assessing the impact of changes in unobservable inputs on the fair value of the Fund's property portfolio, a +/-10% for ERV, and +/-50bps for net initial yield ('NIY') has been used for these key valuation assumptions. The results of this analysis are detailed in the sensitivity table as below.

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 Fund'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 (NIY)	Decrease	Increase
Equivalent yield	Decrease	Increase

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

Notes to the Financial Statements continued

10. Investment property and development property continued

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

Estimated movement in fair value of Fund investment property at 31 March 2023	Office £'000	Retail £'000	Industrial £'000	Leisure £'000	Total £'000
Increase in ERV by 10%	42.8	10.5	58.6	5.0	**116.9**
Decrease in ERV by 10%	(42.3)	(9.8)	(56.5)	(4.8)	**(113.4)**
Increase in NIY by 0.50%	(45.7)	(10.7)	(63.2)	(6.4)	**(126.0)**
Decrease in NIY by 0.50%	55.2	12.5	78.4	7.6	**153.7**

Estimated movement in fair value of Fund development property at 31 March 2023	£'000
Increase in developer's profit and cost by 10%	(1.2)
Increase in developer's profit and cost by 5%	(0.6)
Decrease in developer's profit and cost by 5%	0.6
Decrease in developer's profit and cost by 10%	1.2

Material assets held by subsidiaries consist of 1 Ruskin Square. It's sensitivities are as follows:

Building 1, Ruskin Square

Estimated movement in fair value of the investment property at 31 March 2023	£'000
Increase in ERV by 10%	6,475
Decrease in ERV by 10%	(6,475)
Increase in net initial yield (NIY) by 0.50%	(14,925)
Decrease in net initial yield (NIY) by 0.50%	18,575

11. Debtors

	Consolidated As at 31 March 2023 £'000	**Fund As at 31 March 2023 £'000**	Consolidated Restated as at 31 March 2022 £'000	Fund Restated as at 31 March 2022 £'000
Rent receivable net of provision for doubtful debts	**10,396**	**10,169**	12,323	10,189
Distributions due from property-related investments	**4,250**	**6,619**	4,998	6,998
Tenant deposits	**8,322**	**8,322**	7,618	7,618
Unamortised tenant incentives	**3,911**	**3,911**	2,533	2,533
Monies due from managing agents	**417**	**–**	3,001	–
VAT Receivable	**–**	**–**	43	–
Amounts due on properties	**287**	**1,049**	–	–
Other debtors and prepayments	**7,628**	**4,155**	11,804	8,072
Total current debtors	**35,211**	**34,225**	**42,320**	**35,410**
Unamortised tenant incentives	**34,868**	**34,868**	35,874	35,874
Unamortised leasing fees	**1,527**	**1,527**	1,511	1,511
Total non-current debtors	**36,395**	**36,395**	**37,385**	**37,385**

Provision for doubtful debts for the Fund and Group as at 31 March 2023 was £6.1 million (2022: £7.3 million).

12. Cash and bank balances

	Consolidated As at 31 March 2023 £'000	**Fund As at 31 March 2023 £'000**	Consolidated As at 31 March 2022 £'000	Fund As at 31 March 2022 £'000
Cash and bank balances	**249,703**	**31,668**	74,493	44,234
Deposits	**–**	**–**	11	11
Total cash and bank balances	**249,703**	**31,668**	**74,504**	**44,245**

13. Creditors

	Consolidated As at 31 March 2023 £'000	**Fund As at 31 March 2023 £'000**	Consolidated As at 31 March 2022 £'000	Fund As at 31 March 2022 £'000
Trade creditors	**2**	**–**	2	–
Deferred rental income	**17,678**	**15,959**	15,439	14,011
Tenant deposits	**8,322**	**8,322**	7,618	7,618
VAT payable	**1,250**	**2,227**	–	804
Amounts due on properties	**–**	**–**	4,072	3,157
Accrued Fund investment management fee	**1,233**	**1,233**	1,726	1,726
Other creditors and accruals	**4,553**	**1,450**	11,233	2,612
Total creditors	**33,038**	**29,191**	**40,090**	**29,928**

14. Bank loan

The Fund entered into two loan facilities with RBS and Santander on 28 July 2020 each for £100 million. In September 2022, the RBS facility was extended to £200 million, with £50 million expiring on 31 December 2023, and the remaining £150 million in September 2025. The Santander facility expires on 27 July 2023. On 24 July 2023, the Directors agreed to extend the Santander facility for a period of three further years. As at 31 March 2023, the Fund had drawn down £100 million on the Santander facility and £31 million on the RBS facility (31 March 2022 the Fund had drawn down £82.0 million on the Santander facility).

The Fund has been compliant with terms of the loan covenants throughout the reporting period.

15. Contingent liabilities, commitments and redemptions

As at 31 March 2022 the Fund has no contingent liabilities (2022: £nil).

The Fund has projected spend of £11.9 million until June 2024 (£16.8 million until April 2024) on its development at One Cambridge Square (2022: £26.9 million until April 2023). As the main unitholder of Croydon Gateway Property Unit Trust, as part of the sale agreement on 2 Ruskin Square, the Fund has will deploy the remaining £18.9 million to complete the construction works by June 2023 (2022: £92.9 million was forecast to be incurred to April 2023). The fund has £16.2 million committed to complete Wolverhampton Steelpark by October 2023 (2022: £12.0 to April 2023) and £0.8 million on One Lyric by August 2023 (2022; £0.3 million). The Fund has further capital commitments of £2.6 million across 11 other investments Funding for all of these costs will be through cash held by the Fund and will be made upon receipt of invoices billed after completion of works throughout the various projects.

As at 31 March 2023 the Fund had received redemption requests of £347.0 million. £101.0 million was paid on 6 April 2023. (2022: the Fund had received no redemption requests). As at 30 June 2023 the Fund has received redemption requests for £246.0m worth of shares.

16. Reconciliation of movement in net cash

	Consolidated Year ended 31 March 2023 £'000	**Fund Year ended 31 March 2023 £'000**
Cash and cash equivalents		
As at 1 April 2022	**74,504**	**44,245**
Increase/(decrease) in cash	**175,199**	**(12,577)**
As at 31 March 2023	**249,703**	**31,668**

	Consolidated Year ended 31 March 2022 £'000	Fund Year ended 31 March 2022 £'000
Cash and cash equivalents		
As at 1 April 2021	174,670	155,051
Decrease in cash	(100,166)	(110,806)
As at 31 March 2022	**74,504**	**44,245**

Notes to the Financial Statements continued

17. Reconciliation of net revenue before taxation to net cash inflow from operating activities

	Consolidated Year ended 31 March 2023 £'000	Fund Year ended 31 March 2023 £'000
Net revenue before taxation	**75,900**	**75,900**
Add back: capitalised management fees and interest	**7,589**	**7,906**
Decrease in debtors	**8,471**	**2,309**
Add back: interest on debt	**3,875**	**3,875**
Decrease in creditors	**(8,131)**	**(1,599)**
As at 31 March 2023	**87,704**	**88,391**

	Consolidated Year ended 31 March 2022 £'000	Fund Year ended 31 March 2022 £'000
Net revenue before taxation	66,991	66,991
Add back: capitalised management fees and interest	8,326	8,354
(Increase)/decrease in debtors	(87)	24
Increase/(decrease) in creditors	1,436	(5,390)
As at 31 March 2022	**76,666**	**69,979**

18. Related parties

(a) Fees receivable by the Depositary

As Depositary, NatWest Trustee & Depositary Services Limited is entitled to a fee equivalent to 0.0224% per annum on the first £500 million of the Fund's NAV and 0.0125% per annum on any excess over £500 million of the Fund's NAV. During the year to 31 March 2023, Schroders Capital UK Real Estate Fund incurred a fee of £0.35 million (2022: £0.35 million); this was charged in full to the Statement of Total Return and deducted from distributions.

(b) Fees receivable by the ACD and the Investment Manager

The remuneration of the ACD (Schroder Unit Trusts Limited) and the Investment Manager (Schroder Real Estate Investment Management Limited) is set out within the Company Prospectus. These fees are charged in full to the Statement of Total Return. 50% of such fees are allocated to capital and not deducted from distributions for the purpose of determining the value of such distributions. The fee for the year to 31 March 2023 amounted to £14.6 million consolidated and £14.5 million for the Fund (31 March 2022: £14.5 million and £14.4 million). The amount allocated to capital was £7.3 million for the consolidated and £7.2 million for the Fund (2022: £7.3 million and £7.2 million).

The Investment Manager also earns commission from individual shareholders of the Fund which utilise its matched bargain service. Such commission is not included in these financial statements.

(c) Outstanding balances due to the following which are considered to be related parties

	Consolidated and Fund as at 31 March 2023 £'000	Consolidated and Fund as at 31 March 2022 £'000
NatWest Trustee & Depositary Services Limited	**26**	179
Schroder Real Estate Investment Management Limited	**1,144**	1,447
Schroder Unit Trusts Limited	**88**	111

(d) Distributions

Gross distributions were receivable in the year from the following investments which are considered related parties under FRS 102 as they are managed or administered by a related party of the ACD.

Received in the year	Consolidated and Fund year ended 31 March 2023 £'000	Consolidated and Fund year ended 31 March 2022 £'000
Bracknell Property Unit Trust	**5,714**	3,903
Croydon Gateway Property Unit Trust	**7,864**	5,849
City Tower Unit Trust	**3,974**	2,253
Store Unit Trust	**1,689**	1,644
Self-Storage Unit Trust	**2,092**	1,593
Romford Property Unit Trust	**3,922**	–

Receivable as at year end	Consolidated and Fund as at 31 March 2023 £'000	Consolidated and Fund as at 31 March 2022 £'000
Bracknell Property Unit Trust	**1,027**	2,662
Croydon Gateway Property Unit Trust	**1,715**	1,375
City Tower Unit Trust	**986**	1,099
Store Unit Trust	**385**	413
Self-Storage Unit Trust	**675**	414
Romford Property Unit Trust	**1,006**	500

(e) Schroders Capital UK Real Estate Fund Feeder Trust
The ACD of the Schroders Capital UK Real Estate Fund Feeder Trust, which invests solely into the SCREF, is part of the same group as the ACD of the SCREF. During the year to 31 March 2023, the Schroders Capital UK Real Estate Fund Feeder Trust was paid gross distributions totalling £6.2 million (2022: £5.2 million); as at year end £0.5 million was payable (2022: £0.4 million). The Schroders Capital UK Real Estate Fund Feeder Trust incurred an audit fee during the year to 31 March 2023 of £30,150 (2022: £28,376) and tax compliance fees of £12,650 (2022: £12,650), which were borne in full by the Schroders Capital UK Real Estate Fund.

19. Financial instruments
The primary financial instruments held by the Fund and at a Group level at 31 March 2023 were property-related investments, cash, short-term assets and liabilities to be settled in cash. The Fund did not hold, and was not a counterparty to, any derivative instruments either during the year or at the year end.

The policies applied to the management of the financial instruments are set out in note 3. The fair values of the Fund's and the Group's assets and liabilities are represented by the values shown in the balance sheets. There is no material difference between the carrying value of the financial assets and liabilities, as shown in the balance sheets, and their fair value.

20. Fair value hierarchy

	Group as at 31 March 2023			
Assets	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Collective investment schemes	–	–	**6,918**	**6,918**
Building licence agreement	–	–	**1,952**	**1,952**
Investment property and Development property	–	–	**1,641,571**	**1,641,571**
Joint venture	–	–	**272,722**	**272,722**
	–	–	**1,923,163**	**1,923,163**

	Group as at31 March 2022			
Assets	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Collective investment schemes	–	–	7,052	7,052
Building licence agreement	–	–	7,335	7,335
Investment property and Development property	–	–	2,232,748	2,232,748
Joint venture	–	–	350,629	350,629
	–	–	2,597,764	2,597,764

Fair value measurement
The fair values of financial assets and liabilities are not materially different from their carrying values 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).

Investment and development properties
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 and development properties held by the Group. The fair value hierarchy of investment property is Level 3.

Increases/(decreases) in the ERV (per sq m per annum) and rental growth per annum in isolation would result in a higher/(lower) fair value measurement. Increases/(decreases) in the long-term vacancy rate and discount rate (and exit or yield) in isolation would result in a lower/(higher) fair value measurement. Refer to note 10 for sensitivity analysis.

Notes to the Financial Statements continued

20. Fair value hierarchy continued

Collective investment schemes and joint ventures

The inputs for the values of the assets are not based on observable market data and are estimated using valuation techniques. These techniques rely on the underlying property valuations received from the independent valuers and the asset managers of the underlying funds. The fair value hierarchy of property-related investments is Level 3.

The ACD has performed a sensitivity analysis to illustrate the impact on the net asset value of a change in the fair value of SCREF's investment in joint ventures. Based on the valuation at the year ended 31 March 2023, a decrease of between 10% and 20% in the value of joint ventures would have resulted in a decrease to NAV of between £27.3 million and £54.5 million (2022: £35.1m and £70.2 million).

Building licence agreement

The agreement is a development and disposal agreement with BDW Trading Limited dated 1 October 2015. As part of the agreement Hackbridge sold land to the Company in order to facilitate the redevelopment of the land in exchange for annual payments which will be received until 2023. Fair value is based on valuations provided by the pricing risk department within Schroders, and approved by the Real Estate Local Pricing Committee. These values were determined after having taken into consideration the future value of capital and the interest rate and credit risk associated with the building licence. The fair value hierarchy of the building licence agreement is Level 3.

21. Portfolio transaction costs

£'000	2023 Sales	Legal fees	%	Agents' fees	%	Other fees	%	Total costs	%
Direct property	273,497	(607)	(0.22)	(11,320)	(4.14)	–	–	(11,927)	(4.37)
Property holding vehicles	–	–	–	–	–	–	–	–	–
Collective investment schemes	–	–	–	–	–	–	–	–	–
Subsidiary	–	–	–	–	–	–	–	–	–
Joint ventures	–	–	–	–	–	–	–	–	–
Total	**273,497**	**(607)**		**(11,320)**		**–**		**(11,927)**	
Total net of transaction costs	**261,570**								

£'000	2022 Sales	Legal fees	%	Agents' fees	%	Other fees	%	Total costs	%
Direct property	184,250	223	0.12	868	0.47	–	–	1,091	0.59
Property holding vehicles	2,350	–	–	–	–	–	–	–	–
Collective investment schemes	–	–	–	–	–	–	–	–	–
Subsidiaries	–	–	–	–	–	–	–	–	–
Joint ventures	975	26	2.67	15	1.54	–	–	41	4.21
Total	**187,575**	**249**		**883**		**–**		**1,132**	
Total net of transaction costs	**186,443**								

Purchases

£'000	2023 Purchases	Legal fees	%	Agents' fees	%	Other fees	%	Total costs	%
Direct property	–	–	–	–	–	–	–	–	–
Property holding vehicles	–	–	–	–	–	–	–	–	–
Collective investment schemes	–	–	–	–	–	–	–	–	–
Subsidiary	–	–	–	–	–	–	–	–	–
Joint ventures	–	–	–	–	–	–	–	–	–
Total	**–**	**–**		**–**		**–**		**–**	
Total including transaction costs	**–**								

£'000	2022 Purchases	Legal fees	%	Agents' fees	%	Stamp duty	%	Total costs	%
Direct property	205,125	202	0.10	850	0.41	10,245	5.00	11,297	5.51
Property holding vehicles	–	–	–	–	–	–	–	–	–
Collective investment schemes	–	–	–	–	–	–	–	–	–
Subsidiary	–	–	–	–	–	–	–	–	–
Joint ventures	81,000	148	0.18	16	0.02	4,042	5.00	4,206	5.19
Total	**286,125**	**350**		**866**		**14,287**		**15,503**	
Total including transaction costs	**270,622**								

Total direct transaction costs as a percentage of the Fund's NAV were as follows:

Consolidated year ended 31 March 2023	0.508%
Schroders Capital UK Real Estate Fund year ended 31 March 2023	0.428%
Consolidated year ended 31 March 2022	0.681%
Schroders Capital UK Real Estate Fund year ended 31 March 2022	0.507%

No transaction costs were incurred on purchases or sales of collective investment schemes.
As at the balance sheet date the average portfolio dealing spread was 6.30% (2022: 5.77%).

	For the year ended 31 March 2023	
	£'000 DIRECT	£'000 INDIRECT
Purchases in the year before transaction costs	–	–
Stamp Duty	–	–
Legal Fees	–	–
Agents Fees	–	–
Other fees	–	–
Total Purchase costs	–	–
Gross Purchase total	–	–

	For the year ended 31 March 2023	
	£'000 DIRECT	£'000 INDIRECT
Analysis of total sales costs		
Gross sales in the year before transaction costs	**273,497**	–
Legal Fees	**(607)**	–
Agents Fees	**(11,320)**	–
Other Fees	–	–
Total Sales costs	**(11,927)**	–
Total sales net of transaction costs	**261,570**	–

The Group leases all of its investment properties under operating leases. The future minimum rentals receivable under non-cancellable operating leases are as follows:

Fund as at:	**31 March 2023 £'000**	31 March 2022 £'000
Less than one year	**89,653**	90,623
Between two and five years	**276,957**	295,155
More than five years	**473,723**	506,236
	840,333	892,014

Group as at:	**31 March 2023 £'000**	31 March 2022 £'000
Less than one year	**99,143**	100,112
Between two and five years	**314,684**	333,032
More than five years	**604,170**	646,023
	1,017,997	1,079,167

22. Units in issue reconciliation

	Number of units in issue at 31 March 2022	Number of units issued	Number of units redeemed	Number of units converted	**Number of units in issue at 31 March 2023**
Schroders Capital UK Real Estate Fund gross units	45,000,115.18	427,686.27	(1,432,937.63)	(122,096.06)	**43,872,767.76**
Schroders Capital UK Real Estate Fund net units	3,673,194.48	15,176.35	(10,628.52)	122,096.06	**3,799,838.37**

23. Post balance sheet events

On 03 April 2023 SCREF received a £189.6 million capital distribution from its subsidiary Croydon Gateway Unit Trust. These proceeds were paid from Croydon Gateway Unit Trust after the sale of one of its underlying properties on 21 March 2023. £101 million was used to fund redemptions with shareholders and £88.8 million was used as a repayment on the Rolling Credit Facility balance outstanding at 31 March 2023.

A further £6.0 million was drawn on the Rolling Credit facility in April 2023.

On 30 June 2023, the Fund completed on the sale of Hams Hall for a sale price of £25.0 million. Funds received were used to make a partial repayment on the Rolling credit facility.

On 24 July 2023, the Directors approved to extend the Santander facility for a period of three further years.

Distribution Table

Monthly distributions payable for the year ended 31 March 2023 in pence per unit. There were two share classes at 31 March 2023, a gross share class and a net share class.

	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22
Gross income shares						
Gross revenue	14.321494	13.522413	17.553250	14.165810	12.218143	14.563367
Income tax	–	–	–	–	–	–
Net revenue	14.321494	13.522413	17.553250	14.165810	12.218143	14.563367
Final distribution payable	14.321494	13.522413	17.553250	14.165810	12.218143	14.563367

	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
Gross income shares						
Gross revenue	15.097757	13.521611	15.482862	16.904748	13.260265	13.180614
Income tax	–	–	–	–	–	–
Net revenue	15.097757	13.521611	15.482862	16.904748	13.260265	13.180614
Final distribution payable	15.097757	13.521611	15.482862	16.904748	13.260265	13.180614

	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22
Net income shares						
Gross revenue	14.321494	13.522413	17.553250	14.165810	12.218143	14.563367
Income tax	(2.459915)	(2.291119)	(3.102958)	(0.972118)	(0.972118)	(2.507682)
Net revenue	11.861579	11.231294	14.450292	13.193692	11.246025	12.055685
Final distribution payable	11.861579	11.231294	14.450292	13.193692	11.246025	12.055685

	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
Net income shares						
Gross revenue	15.097757	13.521611	15.482862	16.904748	13.260265	13.180614
Income tax	(2.629158)	(2.332227)	(2.731096)	(2.985115)	(2.591992)	(2.483432)
Net revenue	12.468599	11.189384	12.751766	13.919633	10.668273	10.697182
Final distribution payable	12.468599	11.189384	12.751766	13.919633	10.668273	10.697182

Monthly distributions payable for the year ended 31 March 2022 in pence per unit. There were two share classes at 31 March 2022, a gross share class and a net share class.

	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21
Gross income shares						
Gross revenue	11.619233	12.394149	12.148994	11.211675	11.894726	13.472355
Income tax	–	–	–	–	–	–
Net revenue	11.619233	12.394149	12.148994	11.211675	11.894726	13.472355
Final distribution payable	11.619233	12.394149	12.148994	11.211675	11.894726	13.472355

	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22
Gross income shares						
Gross revenue	13.487377	14.928129	13.198221	13.520221	13.671541	14.843859
Income tax	–	–	–	–	–	–
Net revenue	13.487377	14.928129	13.198221	13.520221	13.671541	14.843859
Final distribution payable	13.487377	14.928129	13.198221	13.520221	13.671541	14.843859

	Apr-21	May-21	Jun-21	Jul-22	Aug-22	Sep-22
Net income shares						
Gross revenue	11.619233	12.394149	12.148994	11.211675	11.894726	13.472355
Income tax	-2.058963	-2.158187	-2.100694	-1.916315	-1.916315	-2.180647
Net revenue	9.560270	10.235962	10.048300	9.295360	9.978411	11.291708
Final distribution payable	9.560270	10.235962	10.048300	9.295360	9.978411	11.291708

	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22
Net income shares						
Gross revenue	13.487377	14.928129	13.198221	13.520221	13.671541	14.843859
Income tax	-2.355569	-2.630132	-2.267017	-2.313572	-2.376781	-2.237423
Net revenue	11.131808	12.297997	10.931204	11.206649	11.294760	12.606436
Final distribution payable	11.131808	12.297997	10.931204	11.206649	11.294760	12.606436

Leverage Disclosure (unaudited)

In accordance with the AIFMD, the Fund is required to make available to investors information in relation to leverage. Under the AIFMD, leverage is any method by which the exposure of the Fund is increased through 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 Fund 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 Fund'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 Fund and calculated the actual leverages as at 31 March 2023 as shown below:

	Maximum limit set	**Actual as at 31 March 2023**
Gross leverage	175%	**107%**
Commitment leverage	175%	**108%**

There were no breaches of the maximum levels during the financial reporting period.

INREV Sustainability Report (unaudited)

Sustainability Performance Measures (Environmental) (unaudited)
Schroders Capital UK Real Estate Fund ('SCREF') reports sustainability information in accordance with INREV reporting guidelines 2016 for the 12 months 1 January 2022 – 31 December 2022, presented with comparison against 2021. As permitted by the INREV 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 SCREF has operational control: managed properties where SCREF 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 SCREF can influence operational procedures and, ultimately, sustainability performance. The operational control approach is the most commonly applied within the industry.

In 2022, out of the total assets held by SCREF at 31 December 2022, 39 were within the operational control reporting boundary of the Company (i.e. 'managed' with some internal utilities procured directly by the landlord). In 2021, there were 31 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. Historic consumption data have been restated where more complete and or accurate records have become available. Where required, missing consumption data has been estimated by pro-rating data from other periods using recognised techniques.

SCREF does not contain any managed assets that consume energy from district heating or cooling sources. Furthermore, SCREF does not have any direct employees; it is served by the employees of the Investment Manager (Schroders Real Estate Investment Management Ltd.) This report has been prepared by the 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 for the 12 months to 31 December 2022, located within the SCREF annual report for the year ending 31 March 2023. The full Assurance Statement is available on request.

Total energy consumption (Elec-Abs; DH&C-Abs; Fuels-Abs)
The table below sets out the total landlord obtained energy consumption from the Company's managed portfolio by sector.

	Total electricity consumption (kWh)		Total fuel consumption (kWh)		Total district heating/cooling consumption (kWh)	
Sector	2021	**2022**	2021	**2022**	2021	**2022**
Retail: Retail Centers: Warehouse	964,028	**669,312**	624,609	**560,469**	–	**–**
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**	–	**–**
Office: Corporate: Low-Rise Office	1,819,253	**2,073,033**	1,376,760	**1,739,254**	–	**–**
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**	–	**–**
Office: Corporate: Mid-Rise Office	2,736,362	**2,784,260**	2,912,245	**3,480,613**	–	**–**
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**	–	**–**
Retail: Restaurants/Bars	211,300	**305,910**	251,640	**313,573**	–	**–**
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**	–	**–**
Industrial: Industrial Park	417,949	**395,878**	46,581	**66,181**	–	**–**
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**	–	**–**
Industrial: Distribution Warehouse	2,058,246	**1,821,008**	–	**–**	–	**–**
Coverage (landlord-procured consumption)	100%	**100%**	–	**–**	–	**–**
Retail: High Street	39,044	**26,992**	–	**–**	–	**–**
Coverage (landlord-procured consumption)	100%	**100%**	–	**–**	–	**–**
Office: Corporate: High-Rise Office	1,284,301	**1,296,272**	1,378,189	**1,259,068**	–	**–**
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**	–	**–**
Mixed use: Office/Retail	28,828	**21,490**	–	**–**	–	**–**
Coverage (landlord-procured consumption)	100%	**100%**	–	**–**	–	**–**
Retail: Retail Centers: Strip Mall	450,280	**410,408**	–	**–**	–	**–**
Coverage (landlord-procured consumption)	100%	**100%**	–	**–**	–	**–**
Retail: Retail Centers: Shopping Center	346,014	**363,473**	9,846	**4,440**	–	**–**
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**	–	**–**

INREV Sustainability Report (unaudited) continued

	Total electricity consumption (kWh)		Total fuel consumption (kWh)		Total district heating/cooling consumption (kWh)	
Sector	2021	**2022**	2021	**2022**	2021	**2022**
Mixed use: Other	3,098,249	**3,573,287**	–	**–**	–	**–**
Coverage (landlord-procured consumption)	100%	**100%**	–	**–**	–	**–**
Other: Parking (Indoors)	–	**–**	–	**–**	–	**–**
Coverage (landlord-procured consumption)	–	**–**	–	**–**	–	**–**
Other: Self-Storage	699,012	**607,554**	–	**–**	–	**–**
Coverage (landlord-procured consumption)	100%	**100%**	–	**–**	–	**–**
Total	13,453,853	**13,741,323**	6,599,870	**7,423,597**	–	**–**
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**	0%	**0%**
Total electricity, fuels and district heating	20,053,723	**21,164,920**				
Coverage (landlord-procured consumption)	100%	**100%**				
Renewable electricity %	85%	**86%**				
Coverage (landlord-procured consumption)	100%	**100%**				

- Consumption data relates to the managed portfolio only:
  - Industrial: Industrial Park: common areas, outdoor/exterior areas, tenant space
  - Office: Corporate: High-Rise Office: whole building
  - Office: Corporate: Mid-Rise Office: whole building, tenant space
  - Retail: Retail Centers: Shopping Center: common areas, outdoor/exterior areas
  - Mixed use: Office/Retail: common areas
  - Mixed use: Other: whole building
  - Office: Corporate: Low-Rise Office: whole building
  - Retail: High Street: common areas
  - Retail: Restaurants/Bars: common areas, shared services, tenant space, outdoor/exterior areas
  - Retail: Retail Centers: Strip Mall: common areas
  - Industrial: Distribution Warehouse: whole building, common areas, outdoor/exterior areas
  - Retail: Retail Centers: Warehouse: common areas, shared services, outdoor/exterior areas, tenant space
  - Other: Parking (Indoors): outdoor/exterior areas
  - Other: Self-Storage: whole building

Energy procured directly by tenants is not reported.
- 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 sources). The renewables percentage of standard (non ‘green tariff’) energy supplies are not currently known and therefore has not been included within this number.
- All energy was procured from a third-party supplier. No ‘self-generated’ renewable energy was reported 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; DH&C-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.

	Total electricity consumption (kWh)			Total fuel consumption (kWh)			Total district heating consumption (kWh)			Like for Like Energy Intensity (kWh /m²)		
Sector	2021	**2022**	% Change	2021	**2022**	% Change	2021	**2022**	% Change	2021	**2022**	% Change
Retail: Retail Centers: Warehouse	189,350.21	**158,201.56**	–16%	–	**–**	–	–	**–**	–	69	**54**	–22%
Coverage (landlord-procured consumption)	100%	**100%**		–	**–**		–	**–**		150%	**150%**	
Office: Corporate: Low-Rise Office	1,819,252.80	**2,073,033.20**	14%	1,376,760.36	**1,739,253.83**	26%	–	**–**	–	226	**269**	19%
Coverage (landlord-procured consumption)	100%	**100%**		100%	**100%**		–	**–**		100%	**100%**	
Office: Corporate: Mid-Rise Office	2,736,362.26	**2,694,964.26**	–2%	2,912,223.42	**3,474,171.89**	19%	–	**–**	–	168	**194**	15%
Coverage (landlord-procured consumption)	100%	**100%**		100%	**100%**		–	**–**		100%	**100%**	
Retail: Restaurants/ Bars	207,149.53	**237,574.97**	15%	251,639.58	**313,572.73**	25%	–	**–**	–	129	**154**	20%
Coverage (landlord-procured consumption)	100%	**100%**		100%	**100%**		–	**–**		100%	**100%**	
Industrial: Industrial Park	378,589.73	**364,518.88**	–4%	46,580.63	**53,567.13**	15%	–	**–**	–	16	**15**	–8%
Coverage (landlord-procured consumption)	100%	**100%**		100%	**100%**		–	**–**		100%	**100%**	
Industrial: Distribution Warehouse	1,991,656.85	**1,644,098.67**	–17%	–	**–**	–	–	**–**	–	0	**0**	–
Coverage (landlord-procured consumption)	100%	**100%**		–	**–**		–	**–**		–	**–**	
Retail: High Street	39,043.75	**26,992.10**	–31%	–	**–**	–	–	**–**	–	4	**3**	–31%
Coverage (landlord-procured consumption)	100%	**100%**		–	**–**		–	**–**		100%	**100%**	
Office: Corporate: High-Rise Office	1,284,301.20	**1,296,271.50**	1%	1,378,188.72	**1,259,067.75**	–9%	–	**–**	–	150	**141**	–5%
Coverage (landlord-procured consumption)	100%	**100%**		100%	**100%**		–	**–**		100%	**100%**	

INREV Sustainability Report (unaudited) continued

	Total electricity consumption (kWh)			Total fuel consumption (kWh)			Total district heating consumption (kWh)			Like for Like Energy Intensity (kWh /m²)		
Sector	2021	**2022**	% Change	2021	**2022**	% Change	2021	**2022**	% Change	2021	**2022**	% Change
Mixed use: Office/Retail	27,671.71	**21,488.70**	–22%	–	**–**	–	–	**–**	–	27	**21**	–22%
Coverage (landlord-procured consumption)	100%	**100%**		–	**–**		–	**–**		100%	**100%**	
Retail: Retail Centers: Strip Mall	450,280.00	**407,235.41**	–10%	–	**–**	–	–	**–**	–	567	**513**	–10%
Coverage (landlord-procured consumption)	100%	**100%**		–	**–**		–	**–**		100%	**100%**	
Retail: Retail Centers: Shopping Center	346,013.50	**363,473.37**	5%	9,845.50	**4,440.20**	–55%	–	**–**	–	93	**94**	1%
Coverage (landlord-procured consumption)	100%	**100%**		100%	**100%**		–	**–**		100%	**100%**	
Mixed use: Other	3,098,248.76	**3,573,287.29**	15%	–	**–**	–	–	**–**	–	89	**103**	15%
Coverage (landlord-procured consumption)	100%	**100%**		–	**–**		–	**–**		100%	**100%**	
Other: Parking (Indoors)	–	**–**	–	–	**–**	–	–	**–**	–	0	**0**	–
Coverage (landlord-procured consumption)	–	**–**		–	**–**		–	**–**		–	**–**	
Other: Self-Storage	699,012.36	**607,553.50**	–13%	–	**–**	–	–	**–**	–	27	**23**	–13%
Coverage (landlord-procured consumption)	100%	**100%**		–	**–**		–	**–**		100%	**100%**	
Total	12,567,920.31	**12,861,139.91**	2%	5,975,238.21	**6,844,073.53**	15%	–	**–**				
Coverage (landlord-procured consumption)	100%	**100%**		100%	**100%**		0%	**0%**				
Total electricity, fuels and district heating	18,543,158.52	**19,705,213.44**	6%									
Coverage (landlord-procured consumption)	100%	**100%**										
Renewable electricity %	88%	**92%**										
Coverage (landlord-procured consumption)	100%	**100%**										

Like for Like Energy Consumption continued

- 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 managed portfolio only:
  - Industrial: Industrial Park: common areas, outdoor/exterior areas, tenant space
  - Office: Corporate: High-Rise Office: whole building
  - Office: Corporate: Mid-Rise Office: whole building, tenant space
  - Retail: Retail Centers: Shopping Center: common areas, outdoor/exterior areas
  - Mixed use: Office/Retail: common areas
  - Mixed use: Other: whole building
  - Office: Corporate: Low-Rise Office: whole building
  - Retail: High Street: common areas
  - Retail: Restaurants/Bars: common areas, shared services, tenant space, outdoor/exterior areas
  - Retail: Retail Centers: Strip Mall: common areas
  - Industrial: Distribution Warehouse: whole building, common areas, outdoor/exterior areas
  - Retail: Retail Centers: Warehouse: common areas, shared services, outdoor/exterior areas, tenant space
  - Other: Parking (Indoors): outdoor/exterior areas
  - Other: Self-Storage: whole building
- Energy procured directly by tenants is not reported.
- 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: An intensity measure is reported for assets within the like for like portfolio. Numerators / denominators are aligned at the sector level as follows:

  - Retail Centers: Shopping Center; Retail: Retail Centers: Strip Mall; Retail: Restaurants/Bars; Mixed Use: Office/Retail: Common areas energy consumption (kWh) divided by common areas area (m^2)
  - Industrial: Distribution Warehouse; Industrial: Industrial Park; Retail: Retail Centers: Warehouse: outdoor/exterior areas energy consumption (kWh) divided by common areas area (m^2)
  - All other sectors: Common areas and shared services or whole building energy consumption (kWh) divided by gross internal area (m^2)
- 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

Commentary is provided for those sectors showing the most significant variances between 2021 and 2022:

- The notable decrease in like for like energy intensity for Retail: High Street sector is attributed to the asset Truro Lemon Quay seeing a significant reduction in electricity usage due to LED light upgrades and the installation of occupation sensors.
- The notable decrease in like for like energy intensity for Mixed use: Office/Retail sector can be explained by the asset Bristol Maggs House seeing a significant reduction in energy usage due to a reduction in tenant occupancy.
- The notable increase in like for like energy intensity for the Office: Corporate: Low-Rise Office sector can largely be explained by the asset London Battersea Studios seeing a significant increase in occupation numbers in combination with higher occupancy levels.
- The notable increase in like for like energy intensity for Retail: Restaurants/Bars sector is attributed to the asset West India Quay, where minimal electricity was used in 2021 due to intermittent lockdowns to keep regulatory processes in the building running.

INREV Sustainability Report (unaudited) continued

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.

	Absolute emissions (tCO_2e)		Like for like emissions (tCO_2e)			Like for Like Intensity (kg CO_2e /m²)		
Sector	2021	**2022**	2021	**2022**	% Change	2021	**2022**	% Change
Retail: Retail Centers: Warehouse								
Scope 1	114	**102**	–	**–**	–			
Scope 2	205	**129**	40	**31**	–24%	14.6	**10.4**	–29%
Scopes 1 & 2	319	**232**	40	**31**	–24%			
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**		100%	**100%**	
Office: Corporate: Low-Rise Office								
Scope 1	252	**317**	252	**317**	26%			
Scope 2	386	**401**	386	**401**	4%	45.1	**50.7**	13%
Scopes 1 & 2	638	**718**	638	**718**	13%			
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**		100%	100%	
Office: Corporate: Mid-Rise Office								
Scope 1	533	**635**	533	**634**	19%			
Scope 2	581	**538**	581	**521**	–10%	33.1	**36.2**	9%
Scopes 1 & 2	1,114	**1,174**	1,114	**1,155**	4%			
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**		100%	**100%**	
Retail: Restaurants/Bars								
Scope 1	46	**57**	46	**57**	24%			
Scope 2	45	**59**	44	**46**	4%	27.4	**29.8**	9%
Scopes 1 & 2	91	**116**	90	**103**	15%			
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**		100%	**100%**	
Industrial: Industrial Park								
Scope 1	–	**–**	–	**–**	–			
Scope 2	437	**352**	423	**318**	–25%	0.0	**0.0**	–
Scopes 1 & 2	437	**352**	423	**318**	–25%			
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**		–	**–**	
Industrial: Distribution Warehouse								
Scope 1	–	**–**	–	**–**	–			
Scope 2	8	**5**	8	**5**	–37%	0.8	**0.5**	–37%
Scopes 1 & 2	8	**5**	8	**5**	–37%			
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**		100%	**100%**	
Retail: High Street								
Scope 1	–	**–**	–	**–**	–			
Scope 2	8	**5**	8	**5**	–37%	0.8	**0.5**	–37%
Scopes 1 & 2	8	**5**	8	**5**	–37%			
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**		100%	**100%**	
Office: Corporate: High-Rise Office								
Scope 1	252	**230**	252	**230**	–9%			
Scope 2	273	**251**	273	**251**	–8%	29.5	**26.6**	–10%
Scopes 1 & 2	525	**481**	525	**481**	–8%			
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**		100%	**100%**	

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

	Absolute emissions (tCO_2e)		Like for like emissions (tCO_2e)			Like for Like Intensity (kg CO_2e /m²)		
Sector	2021	**2022**	2021	**2022**	% Change	2021	**2022**	% Change
Mixed use: Office/Retail								
Scope 1	–	**–**	–	**–**	–			
Scope 2	6	**4**	6	**4**	–29%	5.7	**4.0**	–29%
Scopes 1 & 2	6	**4**	6	**4**	–29%			
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**		100%	**100%**	
Retail: Retail Centers: Strip Mall								
Scope 1	–	**–**	–	**–**	–			
Scope 2	96	**79**	96	**79**	–18%	120.4	**99.1**	–18%
Scopes 1 & 2	96	**79**	96	**79**	–18%			
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**		100%	**100%**	
Retail: Retail Centers: Shopping Center								
Scope 1	2	**1**	2	**1**	–55%			
Scope 2	73	**70**	73	**70**	–4%	19.6	**18.1**	–8%
Scopes 1 & 2	75	**71**	75	**71**	–6%			
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**		100%	**100%**	
Mixed use: Other								
Scope 1	–	**–**	–	**–**	–			
Scope 2	658	**691**	658	**691**	5%			5%
Scopes 1 & 2	658	**691**	658	**691**	5%	19.0	**19.9**	
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**		100%	**100%**	
Other: Parking (Indoors)								
Scope 1	–	**–**	–	**–**	–			
Scope 2	–	**–**	–	**–**	–			
Scopes 1 & 2	–	**–**	–	**–**	–	0.0	**0.0**	–
Coverage (landlord-procured consumption)	–	**–**	–	**–**		–	**–**	
Other: Self-Storage								
Scope 1	–	**–**	–	**–**	–			
Scope 2	148	**117**	148	**117**	–21%	5.7	**4.5**	–21%
Scopes 1 & 2	148	**117**	148	**117**	–21%			
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**		100%	**100%**	
Total Scope 1	1,209	**1,355**	1,094	**1,249**	14%			
Total Scope 2	2,857	**2,657**	2,669	**2,487**	–7%			
Total Scope 1 & 2	4,065	**4,012**	3,763	**3,736**	–1%			
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: Scope 1 GHG emissions relate to the use of onsite natural gas only. 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 (tCO^2e) 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 taken from UK government's Greenhouse Gas Reporting Factors for Company Reporting (2021 and 2022).

INREV Sustainability Report (unaudited) continued

- Emissions data relates to the managed portfolio only:
  - Industrial: Industrial Park: common areas, outdoor/exterior areas, tenant space
  - Office: Corporate: High-Rise Office: whole building
  - Office: Corporate: Mid-Rise Office: whole building, tenant space
  - Retail: Retail Centers: Shopping Center: common areas, outdoor/exterior areas
  - Mixed use: Office/Retail: common areas
  - Mixed use: Other: whole building
  - Office: Corporate: Low-Rise Office: whole building
  - Retail: High Street: common areas
  - Retail: Restaurants/Bars: common areas, shared services, tenant space, outdoor/exterior areas
  - Retail: Retail Centers: Strip Mall: common areas
  - Industrial: Distribution Warehouse: whole building, common areas, outdoor/exterior areas
  - Retail: Retail Centers: Warehouse: common areas, shared services, outdoor/exterior areas, tenant space
  - Other: Parking (Indoors): outdoor/exterior areas
  - Other: Self-Storage: whole building
- Emissions associated with energy procured directly by tenants is not reported.
- Intensity: An intensity measure is reported for assets within the like for like portfolio. Numerators / denominators are aligned at the sector level as follows:
  - Retail Centers: Shopping Center; Retail: Retail Centers: Strip Mall; Retail: Restaurants/Bars; Mixed Use: Office/Retail: Common areas energy consumption (kWh) divided by common areas area (CPA m^2)
  - Industrial: Distribution Warehouse; Industrial: Industrial Park; Retail: Retail Centers: Warehouse: outdoor exterior areas energy consumption (kWh) divided by common areas area (CPA m^2)- All other sectors: Common areas and shared service or whole building energy consumption (kWh) divided by gross internal area (GIA m^2)
- 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
Commentary is provided for those sectors showing the most significant variances between 2021 and 2022:
- The notable decrease in like for like energy intensity for Retail: High Street sector is attributed to the asset Truro Lemon Quay seeing a significant reduction in electricity usage due LED light upgrades and the installation of occupation sensors.
- The notable decrease in like for like energy intensity for Mixed use: Office/Retail sector can be explained by the asset Bristol Maggs House seeing a significant reduction in energy usage due to a reduction in tenant occupancy.

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 (m^3)		Like for Like Water consumption (m^3)			Like for Like Intensity (m^3/m^2)		
Sector	2021	**2022**	2021	**2022**	% Change	2021	**2022**	% Change
Retail: Retail Centers: Warehouse	7,076	**10,705**	2,685	**4,333**	61%	0.00	**0.00**	–
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**		100%	**100%**	
Office: Corporate: Low-Rise Office	5,760	**19,202**	2,578	**2,447**	–5%	0.18	**0.17**	–5%
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**		100%	**100%**	
Office: Corporate: Mid-Rise Office	10,145	**9,326**	9,973	**8,305**	–17%	0.32	**0.27**	–17%
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**		100%	**100%**	
Retail: Restaurants/Bars	6,242	**27,748**	6,242	**9,656**	55%	0.08	**0.06**	–25%
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**		100%	**100%**	
Industrial: Industrial Park	1,585	**1,380**	1,000	**466**	–53%	0.31	**0.14**	–53%
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**		100%	**100%**	
Industrial: Distribution Warehouse	5,561	**7,832**	5,561	**7,613**	37%	0.20	**0.28**	37%
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**		100%	**100%**	
Retail: High Street	–	**–**	–	**–**	–	0.00	**0.00**	–
Coverage (landlord-procured consumption)	–	**–**	–	**–**		–	**–**	
Office: Corporate: High-Rise Office	911	**634**	911	**634**	–30%	0.20	**0.14**	–30%
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**		100%	**100%**	
Mixed use: Office/Retail	4,799	**6,108**	4,799	**6,108**	27%	0.77	**0.98**	27%
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**		100%	**100%**	
Retail: Retail Centers: Strip Mall	–	**3,805**	–	**2,259**	–	0.00	**0.00**	–
Coverage (landlord-procured consumption)	–	**100%**	–	**100%**		–	**100%**	
Retail: Retail Centers: Shopping Center	3,326	**4,801**	3,326	**4,801**	44%	1.03	**1.51**	47%
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**		100%	**100%**	
Mixed use: Other	3,981	**7,453**	3,981	**7,453**	87%	0.11	**0.21**	87%
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**		100%	**100%**	
Other: Parking (Indoors)	–	**1,097**	–	**–**	–	0.00	**0.00**	–
Coverage (landlord-procured consumption)	–	**100%**	–	**–**		–	**–**	
Other: Self-Storage	–	**–**	–	**–**	–	0.00	**0.00**	–
Coverage (landlord-procured consumption)	–	**–**	–	**–**		–	**–**	
Total	49,385	**100,091**	41,055	**54,073**	32%			
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 managed portfolio only:
  - Industrial: Industrial Park: common areas, tenant space
  - Office: Corporate: High-Rise Office: whole building
  - Office: Corporate: Mid-Rise Office: whole building, common areas
  - Retail: Retail Centers: Shopping Center: common areas, outdoor exterior areas
  - Mixed use: Office/Retail: whole building
  - Mixed use: Other: whole building
  - Office: Corporate: Low-Rise Office: whole building, tenant space
  - Retail: Restaurants/Bars: whole building, shared services, common areas, tenant space
  - Industrial: Distribution Warehouse: whole building, common areas
  - Retail: Retail Centers: Warehouse: common areas, shared services, tenant space
  - Other: Parking (Indoors): outdoor/exterior areas
  - Other: Self-Storage: whole building
- 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.

INREV Sustainability Report (unaudited) continued

- Intensity: An intensity measure is reported for assets within the like for like portfolio. Numerators/denominators are aligned as follows:
- Retail: Retail Centers: Strip Mall; Retail: Retail Centers: Shopping Center; Industrial: Industrial Park: Common areas water consumption (m^3) divided by common areas area (CPA m^2).
- All other sectors: Whole building water consumption (m^3) divided by gross internal area (GIA m^2).
- 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

Commentary is provided for those sectors showing the most significant variances between 2021 and 2022:

- The notable increase in like for like water intensity for the Retail: Retail Centers: Shopping Center sector be explained by the common areas water meter for the asset Bracknell Princess Square The Lexicon, the only asset that comprises this sector, which has had a steady increase in consumption since the end of 2021 due to increasing footfall as shoppers returned after the coronavirus.
- The notable increase in like for like water intensity for the Mixed use: Other sector is attributed to the asset Manchester City Tower, which is the only asset comprising this sector having increased occupancy throughout 2022 as coronavirus lockdowns had completely ceased compared to 2021.
- The notable decrease in like for like water intensity for the Industrial: Industrial Park sector is attributed to a large water leak which occurred at the asset Hartlebury Trading Estate which saw a large reduction in the use of the vehicle wash onsite by tenants.

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
Retail: Retail Centers: Warehouse	Recycled	299.60	35.2%	**264.28**	**28.7%**	299.60	35.2%	**264.28**	**28.7%**	-11.8%
	Incineration with energy recovery	412.66	48.5%	**569.16**	**61.8%**	412.66	48.5%	**569.16**	**61.8%**	37.9%
	Unknown	138.71	16.3%	**87.36**	**9.5%**	138.71	16.3%	**87.36**	**9.5%**	-37.0%
	Landfill	0.00	0.0%	**0.00**	**0.0%**	0.00	0.0%	**0.00**	**0.0%**	–
	Total	850.97		**920.80**		850.97		**920.80**		8.2%
	Coverage (landlord-procured consumption)	–		**100%**		–		**100%**		
Office: Corporate: Low-Rise Office	Recycled	26.37	80.2%	**16.77**	**59.1%**	0.00	–	**0.00**	**–**	–
	Incineration with energy recovery	4.81	14.6%	**10.85**	**38.2%**	0.00	–	**0.00**	**–**	–
	Unknown	1.68	5.1%	**0.74**	**2.6%**	0.00	–	**0.00**	**–**	–
	Landfill	0.00	0.0%	**0.00**	**0.0%**	0.00	–	**0.00**	**–**	–
	Total	32.86		**28.36**		0		**0.00**		–
	Coverage (landlord-procured consumption)	–		**100%**		–		**–**		
Office: Corporate: Mid-Rise Office	Recycled	33.79	50.2%	**61.92**	**52.5%**	0.00	–	**0.00**	**–**	–
	Incineration with energy recovery	33.21	49.3%	**51.49**	**43.7%**	0.00	–	**0.00**	**–**	–
	Unknown	0.32	0.5%	**4.47**	**3.8%**	0.00	–	**0.00**	**–**	–
	Landfill	0.00	0.0%	**0.00**	**0.0%**	0.00	–	**0.00**	**–**	–
	Total	67.31		**117.88**		0		**0.00**		–
	Coverage (landlord-procured consumption)	100%		**100%**		–		**–**		
Retail: Restaurants/ Bars	Recycled	126.76	29.0%	**316.10**	**38.5%**	105.43	28.9%	**298.71**	**38.8%**	183.3%
	Incineration with energy recovery	270.43	62.0%	**419.26**	**51.1%**	220.18	60.4%	**386.73**	**50.3%**	75.6%
	Unknown	39.18	9.0%	**85.34**	**10.4%**	39.18	10.7%	**84.04**	**10.9%**	114.5%
	Landfill	0.00	0.0%	**0.00**	**0.0%**	0.00	0.0%	**0.00**	**0.0%**	–
	Total	436.37		**820.70**		364.79		**769.48**		110.9%
	Coverage (landlord-procured consumption)	–		**100%**		100%		**100%**		

Waste (Waste-Abs; Waste-LfL) continued

		Absolute tonnes				Like for like tonnes				
		2021		**2022**		2021		**2022**		
		Tonnes	%	**Tonnes**	**%**	Tonnes	%	**Tonnes**	**%**	% Change
Industrial: Industrial Park	Recycled	25.95	24.0%	**6.32**	**6.1%**	25.95	24.0%	**6.32**	**6.1%**	-75.7%
	Incineration with energy recovery	82.02	76.0%	**97.17**	**93.9%**	82.02	76.0%	**97.17**	**93.9%**	18.5%
	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	107.98		**103.48**		107.97		**103.48**		-4.2%
	Coverage (landlord-procured consumption)	100%		**100%**		100%		**100%**		
Industrial: Distribution Warehouse	Recycled	0.00	0.0%	**0.00**	**–**	0.00	–	**0.00**	**–**	–
	Incineration with energy recovery	1.59	100.0%	**0.00**	**–**	0.00	–	**0.00**	**–**	–
	Unknown	0.00	0.0%	**0.00**	**–**	0.00	–	**0.00**	**–**	–
	Landfill	0.00	0.0%	**0.00**	**–**	0.00	–	**0.00**	**–**	–
	Total	1.59		**0.00**		0		**0.00**		–
	Coverage (landlord-procured consumption)	100%		**–**		–		**–**		
Retail: High Street	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)	–		**–**		–		**–**		
Office: Corporate: High-Rise Office	Recycled	8.28	26.2%	**34.00**	**40.4%**	8.28	26.2%	**34.00**	**40.4%**	310.6%
	Incineration with energy recovery	21.75	68.7%	**40.77**	**48.4%**	21.75	68.7%	**40.77**	**48.4%**	87.5%
	Unknown	1.62	5.1%	**9.38**	**11.2%**	1.62	5.1%	**9.38**	**11.2%**	479.3%
	Landfill	0.00	0.0%	**0.00**	**0.0%**	0.00	0.0%	**0.00**	**0.0%**	–
	Total	31.65		**84.16**		31.65		**84.16**		165.9%
	Coverage (landlord-procured consumption)	100%		**100%**		100%		**100%**		
Mixed use: Office/Retail	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)	–		**–**		–		**–**		

INREV Sustainability Report (unaudited) continued

		Absolute tonnes				Like for like tonnes				
		2021		**2022**		2021		**2022**		
		Tonnes	%	**Tonnes**	**%**	Tonnes	%	**Tonnes**	**%**	% Change
Retail: Retail Centers: Strip Mall	Recycled	219.45	36.7%	**183.56**	**25.9%**	219.45	36.7%	**183.56**	**25.9%**	-16.4%
	Incineration with energy recovery	249.44	41.7%	**328.90**	**46.4%**	249.44	41.7%	**328.90**	**46.4%**	31.9%
	Unknown	129.80	21.7%	**196.70**	**27.7%**	129.80	21.7%	**196.70**	**27.7%**	51.5%
	Landfill	0.00	0.0%	**0.00**	**0.0%**	0.00	0.0%	**0.00**	**0.0%**	–
	Total	598.69		**709.16**		598.69		**709.16**		18.5%
	Coverage (landlord-procured consumption)	100%		**100%**		100%		**100%**		
Retail: Retail Centers: Shopping Center	Recycled	21.20	14.0%	**133.74**	**29.2%**	21.20	14.0%	**133.74**	**29.2%**	530.8%
	Incineration with energy recovery	130.28	86.0%	**324.32**	**70.8%**	130.28	86.0%	**324.32**	**70.8%**	148.9%
	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	151.48		**458.06**		151.48		**458.06**		202.4%
	Coverage (landlord-procured consumption)	100%		**100%**		100%		**100%**		
Mixed use: Other	Recycled	167.29	58.1%	**166.46**	**57.5%**	167.29	58.1%	**166.46**	**57.5%**	-0.5%
	Incineration with energy recovery	120.85	41.9%	**122.93**	**42.5%**	120.85	41.9%	**122.93**	**42.5%**	1.7%
	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	288.15		**289.39**		288.14		**289.39**		0.4%
	Coverage (landlord-procured consumption)	100%		**100%**		100%		**100%**		
Other: Parking (Indoors)	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)	–		**–**		-		**–**		
Other: Self-Storage	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)	–		**–**		–		**–**		

		Absolute tonnes				Like for like tonnes				
		2021		**2022**		2021		**2022**		
		Tonnes	%	**Tonnes**	**%**	Tonnes	%	**Tonnes**	**%**	% Change
Total	Recycled	928.69	36.18%	**1183.15**	**33.5%**	847.20	35.4%	**1087.07**	**32.6%**	28.3%
	Incineration with energy recovery	1327.05	51.70%	**1964.84**	**55.6%**	1237.19	51.7%	**1869.98**	**56.1%**	51.1%
	Unknown	311.30	12.13%	**384.00**	**10.9%**	309.31	12.9%	**377.49**	**11.3%**	22.0%
	Landfill	0.00	0.00%	**0.00**	**0.0%**	0.00	0.0%	**0.00**	**0.0%**	–
	Total	2,567		**3,532**		2,394		**3,335**		39.3%
	Coverage (landlord-procured consumption)	100%		**100%**		100%		**100%**		

- Whilst zero waste is sent directly to landfill, a residual component of the 'recycled' and 'incineration with energy recovery' waste streams may end up in landfill.
- Like for like excludes assets that were purchased, sold, under 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
Commentary is provided for those sectors showing the most significant variances between 2021 and 2022:

- The notable increase in waste generated within the Retail: Retail Center: Shopping Center sector is attributed to the asset Bracknell Princess Square The Lexicon producing a much higher proportion of general waste in 2022 as the business was considerably damaged from lower footfall numbers in 2021 due to Covid.
- The notable increase in waste production within the Office: Corporate: High-Rise Office sector is attributed to the asset Croydon Amp House seeing a marked increase in occupier usage in 2022.
- The most significant changes are within the Retail and Office Sectors of the fund. These sectors broadly saw large increases in both recycled & general waste produced on site which in turn led to higher recycling and incineration rates. This is in line with expectations as these sectors benefited from large increase in customer/worker occupation with the re-opening of the economy from Q2 2021 onwards.

INREV Sustainability Report (unaudited) continued

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 In Use | Pass	2.5%
BREEAM In Use | Acceptable	0.3%
BREEAM In Use | Good	1.9%
BREEAM In Use | Very Good	4.4%
BREEAM In Use | Excellent	3.1%
BREEAM In Use Coverage	12.3%
BREEAM/New Construction | Very Good	1.4%
BREEAM/New Construction | Excellent	2.8%
BREEAM/New Construction | Outstanding	0.2%
BREEAM New Construction Coverage	4.4%
BREEAM/Refurbishment and Fit-Out | Excellent	2.5%
BREEAM Refurbishment and Fit-Out Coverage	6.1%
WiredScore/Occupied | Gold	2.8%
WiredScore/Occupied | Silver	1.0%
WiredScore/Occupied | Platinum	3.6%
WiredScore Occupied Coverage	7.4%
Fitwel/Fitwel – Built | 1 Star	1.1%
Fitwel Built Coverage	1.1%
Total Portfolio Coverage	**21%**

- Green building certificate records for the Company are provided as at 31 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), certificate coverage NLA has been adjusted to reflect the Company's share of ownership.
- For any assets that have multiple certificates, although all certificates have been included into the coverage by certificate count, only one of the certificates has been factored into the total coverage for the Fund to avoid overstating coverage.

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	5%
B	18%
C	43%
D	15%
E	7%
F	0%
G	0%
Exempt	2%
No EPC	11%
Total EPC Coverage	**89%**

- 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), certificate coverage NLA has been adjusted to reflect the Company's share of ownership.

General Information (unaudited)

Net share class

Change in net assets per unit	**2023**	2022	2021
Opening net asset value per unit	**£53.85**	£46.73	£46.02
Return before operating charges*	**(£8.14)**	£9.07	£2.36
Operating charges	**(£0.48)**	(£0.39)	(£0.36)
Return after operating charges*	**(£8.62)**	£8.68	£2.00
Distribution on income units	**(£1.75)**	(£1.56)	(£1.29)
Closing net asset value per unit	**£43.48**	£53.85	£46.73
Retained distributions on accumulation units			
*After direct transaction costs of	**£0.25**	£0.25	£0.04
Performance			
Return after charges	**(16.3)%**	18.8%	4.5%
Other information			
Closing net asset value	**£165,203,613**	£197,805,407	£177,764,144
Closing number of units	**3,799,838**	3,673,194	3,804,292
Operating charges	**1.09%**	0.72%	0.78%
Direct transaction costs	**0.42%**	0.46%	0.09%
Prices			
Highest unit price	**£54.71**	£53.85	£46.73
Lowest unit price	**£43.48**	£47.17	£45.23

Gross share class

Change in net assets per unit	**2023**	2022	2021
Opening net asset value per unit	**£53.85**	£46.73	£46.02
Return before operating charges*	**(£8.14)**	£9.07	£2.36
Operating charges	**(£0.48)**	(£0.39)	(£0.36)
Return after operating charges*	**(£8.62)**	£8.68	£2.00
Distribution on income units	**(£1.75)**	(£1.56)	(£1.29)
Closing net asset value per unit	**£43.48**	£53.85	£46.73
Retained distributions on accumulation units			
*After direct transaction costs of	**£0.25**	£0.25	£0.04
Performance			
Return after charges	**(16.3)%**	18.8%	4.5%
Other information			
Closing net asset value	**£1,907,433,678**	£2,423,303,783	£2,085,068,857
Closing number of units	**43,872,768**	45,000,115	44,614,894
Operating charges	**1.09%**	0.72%	0.78%
Direct transaction costs	**0.42%**	0.46%	0.09%
Prices			
Highest unit price	**£54.71**	£53.85	£46.73
Lowest unit price	**£43.48**	£47.17	£45.23

* After direct transaction costs.

General Information (unaudited) continued

Portfolio profile
For the years to 31 March 2023, 31 March 2022 and 31 March 2022, the Fund had two share classes: net and gross. These classes have price parity and the summary information in the table below applies to both class of shares.

	As at/for the year to 31 March 2023	As at/for the year to 31 March 2022	As at/for the year to 31 March 2021
Financial information			
Gross asset value ('GAV')	**£2,246.3m**	£2,737.1m	£2,229.5m
Net asset value ('NAV')	**£2,072.6m**	£2,621.1m	£2,262.8m
NAV per share	**£43.48**	£53.85	£46.73
Number of shares in issue	**47,672,606**	48,673,310	48,419,187
Gross annual distribution per share	**£1.750698**	£1.56390	£1.29360
Distribution yield (gross share class)	**3.66%**	3.05%	2.80%
Total NAV of scheme property	**£1,962.1m**	£2,661.8m	£2,098.5m
Highest price per share in the year	**£54.71**	£53.85	£46.73
Lowest price per share in the year	**£43.48**	£47.17	£45.23
Portfolio details			
Gearing (% NAV)	**7.7%**	3.3%	0.4%
Average unexpired lease length to first break	**8.4 years**	8.5 years	9.3 years
Average unexpired lease length	**9.7 years**	9.8 years	10.6 years
Void rate	**6.4%**	7.0%	6.1%
Benchmark – void rate	**10.0%**	10.0%	10.0%
Net initial yield	**5.0%**	4.5%	4.2%
Reversionary value yield	**6.2%**	5.6%	5.6%
Portfolio turnover ratio	**4.6%**	4.7%	2.3%
Performance			
Annual total return	**(16.3)%**	18.8%	4.50%
Benchmark total return	**(14.5)%**	23.1%	2.50%
Total expense ratio	**1.03%**	0.85%	0.82%
Liquidity			
Annual number of shares subscribed for	**432,234**	896,916	120,272
Annual value of subscriptions	**£22.6m**	£46.4m	£5.8m
Annual number of shares redeemed	**1,432,938**	642,793	1,286,008
Annual value of shares redeemed	**£65.1m**	£29.6m	£57.4m
Annual number of shares matched on the secondary market	**4,398,070**	4,029,651	2,542,981

The Schroders Capital UK Real Estate Fund (the 'Fund') is an investment company with variable capital incorporated in England and Wales under registered number IC000945 and authorised by the FCA with effect from 31 July 2012. The Fund has an unlimited duration. Shareholders are not liable for the debts of the Fund.

Accordingly, the information in this document is directed at eligible counterparties, authorised persons, professional clients, existing investors in the Fund and clients and newly accepted clients of other firms within the Schroder Group, where appropriate steps have been taken to ensure that investment in the Fund is suitable, where necessary. This material should not be relied upon by persons of any other description. In any case, a recipient who is in any doubt about investment in the Fund should consult an authorised person who specialises in investments of this nature.

The Fund's past performance is not a guide to the future.

Liquidity
The Fund invests in real estate, the value of which is generally a matter of a valuer's opinion. There is no recognised market for shares in the Fund and an investment is not readily realisable. It may be difficult to trade in the shares or to sell them at a reasonable price. The price of shares and the income from them may fluctuate upwards or downwards and cannot be guaranteed.

Purchase of shares
Shares can be purchased in the Fund through the primary or secondary market. Depending on the type of investor, the purchase of shares will be through either the Schroders Capital UK Real Estate Fund or the Schroders Capital UK Real Estate Fund Feeder Trust. Corporate bodies (excluding nominees acquiring shares) may only invest in the Schroders Capital UK Real Estate Fund indirectly through the Feeder Fund. Shares in the Schroders Capital UK Real Estate Fund can be transferred between corporate and non-corporate bodies through the Feeder Fund on the secondary market.

The dealing day for subscription for shares is the first business day of each month. Application forms, top-up forms and cleared funds must be received by the Registrar before the cut-off point for subscriptions.

Forms received after this time will be carried forward to the following dealing day for subscription. Applicants may amend or withdraw an application form or a top-up form at any time up until the cut-off point for subscriptions. Thereafter, applicants have no right to amend or withdraw their application. Settlement for primary subscriptions is due by midday on the business day before the relevant dealing day for subscription.

Applicants are required to transfer funds via CHAPS or another form of electronic payment unless the Registrar agrees to an alternative method of payment. The Investment Manager has the power to limit the creation of new shares having regard to the amount of unallocated cash being held in the Fund from time to time.

Purchase of shares continued

Details of the investors' waiting list is to be found in the SCREF Prospectus in section 2.1 and has been summarised below:

Applicants may be placed on a waiting list prior to the issue of shares. The ACD may elect to limit the number of shares issued on any dealing day for subscription, and if so, shares will be allocated to valid applicants pro rata to the number of shares applied for. Where applicants do not receive shares to satisfy their full application, the unallocated application will be carried forward to the next dealing day for subscription at which shares are issued.

Where the issue of shares is limited at any dealing day for subscriptions applicants may instruct the ACD to seek to arrange for the shortfall in the application to be met on the secondary market for such time until the next dealing day for subscription.

If the shortfall in shares applied for is not met on the secondary market, shares will be issued in line with the allocation made at the dealing day for subscription on which shares are issued, with orders carried over from previous dealing days taking priority.

Redemption of shares

Redemption forms must be received by the Registrar before the relevant cut-off point for redemptions, that is midday on the date falling three months prior to the business day before the relevant dealing day for redemption. Once a redemption form has been received, this can be settled either by cancelling shares or placing on the secondary market. Either way, redeeming shareholders will receive the prevailing bid price, unless an alternative acceptable price is specified by the redeeming shareholder. Valid instructions will be processed by the Registrar at the bid price on the relevant dealing day for redemption (that falls three months after the relevant cut-off point for redemption), except in the case where dealing has been suspended as set out in section 2.21 of the Prospectus.

Where the ACD considers it to be in the best interests of the shareholders, the ACD may defer redemptions on a dealing day to any one or more of the subsequent eight dealing days for redemption i.e. the deferral period is a maximum of 24 months from the original dealing day for redemption.

A redemption will be deferred within this timeline to a dealing day for redemption when the Fund has sufficient liquidity to enable it to meet the redemption, providing it is in the best interests of the shareholders to do so.

The ACD can, in extreme market circumstances, as set out within section 6.5 of the Prospectus, fair value any assets within the Fund to a realisable value.

The management of SCREF's liquidity will at all times comply with the binding terms included in the Fund's Prospectus and Instrument of Incorporation.

Secondary market

The ACD has appointed the Secondary Market Facilitator ('SMF'), Schroder Real Estate Investment Management Limited, to facilitate transfers of shares on the secondary market in accordance with the following:

– shareholders or potential investors wishing to buy shares on the secondary market should complete an application form (prospective investors) or top-up form (existing shareholders), detailing their secondary market requirement in the investment details section;
– shareholders wishing to sell shares should complete a redemption form specifying they wish to sell via the secondary market. All completed forms should be provided to the SMF via the Registrar; and
– potential investors should also provide the Registrar with any documents required for anti-money laundering purposes. The forms are available from www.schroders.com/SCREF or from the Investment Manager.

Pursuant to section 2.9 of the Fund's Prospectus, the SMF, at its discretion, has the right to charge commission at a rate of 0.20% on secondary market trades to both the buyer and seller of shares. Commission is payable on the net consideration of the trade, subject to a minimum of £50 for each and every trade. Where applicable, stamp duty reserve tax is payable by the buyer on the net consideration at the prevailing rate.

Where the SMF is conducting matching of redemption orders on the secondary market, the seller will not be charged commission. Commission may be applicable for the buyer where secondary market trades are used to match redemption orders. The redeeming shareholder will be responsible for costs in connection with the transfer of its shares, such as the preparation and execution of relevant documentation and taxation.

The SMF operates a share matching service between sellers and buyers of shares. A waiting list of sellers and buyers is kept and matching operated on the following basis:

a. First, price: shares available from sellers seeking the lowest price per share will be offered to buyers by order of the date of receipt of the relevant form.
b. Secondly, notification date: where there are multiple sellers looking to sell for any given price, preference will be given to sellers by order of the date of receipt of the relevant form.

Where there are multiple buyers looking to buy at the same price, for which relevant forms were received on the same date, matching will be allocated pro rata to the number of shares applied for. In all cases matching will be allocated subject to the minimum economic trading limit in accordance with section 2.14 of the Fund's Prospectus, and any minimum trade requirements stipulated by a party.

The SMF, when matching shares, may apply a minimum economic trade at its discretion, which is shares to the value of £50,000 or such other amount as the SMF determines from time to time.

The SMF will arrange the exchange of shares between sellers and buyers prior to the cut-off point for subscription, which is midday on the business day prior to the monthly dealing days for subscription. The SMF will contact the seller and buyer to obtain confirmation that the terms of the arrangement are acceptable before proceeding with the transaction.

The seller and buyer are required to confirm acceptance of the terms by return email within 24 hours.

Investors may wish to note that other matching services are provided by third-party brokers. All trades are however subject to registration on the terms set out above.

		Value of units (£) traded
Year ended 31 March	2023	£111,293,153
	2022	£194,231,953
	2021	£111,871,593
	2020	147,404,941
	2019	111,513,532
	2018	102,119,810
	2017	138,437,617
	2016	88,496,273
	2015	99,569,983
	2014	162,380,082
	2013	103,939,165
	2012	52,267,505

Distributions

The income of the Fund, after deduction of all expenses and liabilities (actual, estimated or contingent) of the Fund including any deductions in respect of taxes, is distributed to shareholders in proportion to the number of shares held by them. Distributions are calculated on a monthly basis, with the distributions paid to shareholders on the last working day of the following month.

General Information (unaudited) continued

During the period all distributions were paid gross of UK tax to investors in the gross share class and net of the applicable UK basic rate income tax to investors in the net share class.

The Prospectus does not provide the ability for either the ACD or Investment Manager to defer or suspend distributions.

Schroders Capital UK Real Estate Fund Feeder Trust
The Schroders Capital UK Real Estate Fund Feeder Trust is an umbrella unit trust whose objective is to achieve a blend of income and capital growth by investing solely in the Schroders Capital UK Real Estate Fund. Investors into the Feeder Trust receive monthly distributions. The Feeder Trust is subject to corporation tax on property and interest distributions it receives from the Schroders Capital UK Real Estate Fund at the prevailing rate.

Management fees and other expenses
Details of fees and expenses incurred by the Fund are set out within section 5 of the Fund Prospectus and further in notes 6 and 18 of the audited Annual Report and Financial Statements. In summary:

The annual management charge is 0.7% on NAV per annum.

The annual management charge is allocated 50% to income and 50% to capital.

The Depositary receives 0.0224% per annum of the first £500 million of NAV and 0.0125% of the balance.

The Standing Independent Valuer will receive an initial fee of 0.03% of the first valuation of a property on purchase, capped at £20,000, and thereafter a fee of 0.0195% of the valuation per annum.

The Registrar is paid a transaction-based fee subject to a minimum of £75,000 per annum.

The Investment Manager bears the cost of employing managing agents to collect rents and perform the usual property manager's duties as delegated by the Investment Manager.

Bid/offer spreads
As at 31 March 2023, the offer spread was set at a premium 5.16% premium to NAV. The bid spread was set at a premium 1.46% discount to NAV. Our key principles when setting bid and offer prices are to review prices regularly, to treat shareholders equitably and to adopt a consistent approach.

Our assumption, when calculating the offer price, is that new money will be invested in line with strategy, principally into direct property at full purchase cost. An allowance is made for capital expenditure to maintain the existing portfolio. Capital expenditure may vary from time to time. The bid price assumes full sale costs are incurred on direct assets, while indirect assets are marked to market. Cash is priced at a zero spread.

Fees payable to the Manager
During the past year, Schroder Real Estate has been entitled to receive fees of £104,561 in relation to its role as Secondary Market Facilitator.

Schroder Real Estate has an agreement with PropertyMatch to share fees earned on secondary market transfers facilitated by either party.

Units valued at £111.3 million were traded on the secondary market over the 12-month period. This represents 5.06% of the shares in issue at the end of the period under review.

Expense ratios (as defined by AREF Code of Practice) at March 2023

Fees and expenses		% NAV
(A)	Fund Management Fees	0.72%
(B)	Fund Operating Fees	0.31%
(C)	Total Expense Ratio (A+B)	1.03%
(D)	Property Expense Ratio	0.59%
(E)	Real Estate Expense Ratio (C+D)	1.63%
(F)	Transaction Costs	0.50%
(G)	Performance Fees	N/A

Insurance and service charge rebates
The managing agents, as employed by the Investment Manager, receive service charge remuneration as part of their overall remuneration. Insurance commission rebates (if any) are calculated on an annual basis and distributed to tenants and shareholders as applicable.

Valuation and pricing policy
A detailed explanation of our pricing methodology is contained within the Prospectus and further information is available upon request from the Investment Manager. The Fund Prospectus, along with the notes to the financial statements, sets out:

- the methodology used to value the properties and other investments of the Fund; and
- the valuation of direct properties having to be undertaken monthly.

It should further be noted that the Fund's investment in the Nuveen UK Real Estate UK Retail Warehouse Fund is held at a stale price one month in arrears on account of the receipt of the NAV of this investment being received after the valuation date of the Fund.

Co-investment
There are no express terms in the Fund's Prospectus concerning shareholders' rights over co-investments. However, the Manager's policy is to treat all investors fairly and, at its discretion, it may offer shareholders the opportunity to participate in co-investments.

Key persons
There are no named key individuals.

Preferential terms and fee rebates
The management fee is applied at the same rate to all shareholders and no rebates of this fee have been agreed with any investor.

Change of Depositary
From November 2018, the Fund's Depositary was changed from National Westminster Bank plc to NatWest Trustee & Depositary Services Limited.

PAIF ownership limit on single corporate investors
Under the PAIF regime, tax penalties may be imposed if there is direct investment in SCREF of 10% or more by any single corporate investor. In 2018 the Fund's Prospectus was amended to limit the maximum holding of a corporate investor in SCREF to 9%. The use of a 'soft limit' is in line with market practice and should help ensure that the statutory 10% threshold is not breached. The FCA has also confirmed that this change will not affect SCREF's authorisation. SCREF's new Prospectus can be found on SCREF's website (www.schroders.com/SCREF).

Capital gains tax
Royal Assent was granted for the Finance Act 2019 on 12 February 2019, confirming the introduction of capital gains tax for non-resident investors in UK real estate. This came into effect on 6 April 2019. We have reviewed the implications of the legislation and guidance, and do not expect the tax status or the structure of SCREF to materially change, and there should be no material impact on capital returns or distributions whether in respect of property held directly or indirectly.

Capital gains tax continued

As SCREF is considered a ‘UK property rich’ entity and a ‘collective investment vehicle’, the new Schedule 5AAA of the Taxation of Chargeable Gains Act 1992 provides that overseas investors in SCREF, depending on their tax status, may be liable to capital gains tax (or corporation tax) upon disposal of their holding after 6 April 2019, based on gains accruing after that date. This will include a requirement for such investors to file tax returns and make payment. Investors who qualify as exempt (including overseas qualifying pension funds, charities and sovereign wealth funds) will benefit from full exemption. Please note that investors should seek their own tax advice on this matter.

US investors

In the first quarter of 2019, Schroders revised its US marketing strategy and decided to permit US investors to invest directly in SCREF, instead of via a US Feeder Fund. The launch of a US Feeder Fund was notified to shareholders in 2018 and incorporated into a revised Fund Prospectus which was issued on 24 December 2018. The potential benefits for existing investors of permitting US investors into SCREF include enhanced Fund liquidity and diversification of the investor base. Schroders may in the future launch a dedicated US Feeder Fund, but this will only be in response to a specific investor requirement and subject to any required notifications and approvals. A new Fund Prospectus was issued during 2019 which confirms this further amendment. The latest Prospectus is available on the Fund’s website, www.schroders.com/SCREF.

Fund documentation

A copy of all Fund documentation including the Prospectus and regular reports is available at www.schroders.com/SCREF or available from the Investment Manager upon request.

A copy of Schroders AAF controls report which has been externally audited is available from the Investment Manager upon request.

Conflicts of interest

The Investment Manager is responsible for identifying all conflicts of interest and for referring such matters to Schroder Group Compliance or such other parties in accordance with the Group’s conflict of interest policy.

Disaster recovery

Schroder Group has a disaster recovery plan which is audited, externally, on an annual basis as part of the AAF controls report.

AREF Code of Practice

The Fund is a member of the Association of Real Estate Funds (‘AREF’). The aim of the Code of Practice is to achieve high standards of transparency across the unlisted sector and promote consistency of reporting to allow investors to compare different funds. The Fund completes the MSCI/AREF Pooled Property Questionnaire each quarter, which is made available to all investors and which forms the basis of its entry in the MSCI/AREF Property Fund Vision handbook. SCREF’s page on the AREF website can be found at https://www.aref.org.uk/funds/schroder-uk-real-estate-fund.html.

SCREF has been awarded AREF’s Corporate Governance Quality Mark recognising its high levels of transparency and corporate governance. The Mark is awarded to funds that are compliant with the AREF Code of Practice across three categories: fund governance, fund operation, and unit dealing and performance reporting. For more information please visit www.aref.org.uk.

Fund codes Gross share class

Bloomberg: SCEXPUT LN ISIN: GB00B8215Z66
Sedol: B8215Z6

Net share class

ISIN: GB00B8FPXR30
Sedol: B8FPXR3
Prices for the Schroders Capital UK Real Estate Fund can be obtained from www.schroders.com/SCREF.

Additional information

The Fund may be suitable for professional investors who wish to hold a direct property portfolio but do not want to commit the considerable executive time and expertise necessary to organise and supervise such a portfolio and/ or are not of a sufficient size to obtain a viable property portfolio with an appropriate spread of risk. The property in the Fund is professionally and actively managed by chartered surveyors employed by the Investment Manager, Schroder Real Estate Investment Management Limited.

We welcome the opportunity to meet shareholders, potential shareholders and their advisers to explain more fully the strategy and progress of the Fund. Please contact the Investment Manager who can also provide copies of the Prospectus, application forms and latest share prices, at the address below.

Schroders Capital UK Real Estate Fund
Schroder Real Estate Investment Management Limited
1 London Wall Place
London EC2Y 5AU
Tel: +44 (0)20 7658 6000
www.schroders.com/en/uk/schroders-capital-uk-real-estate-fund

Schroder Real Estate Investment Management Limited is authorised and regulated by the Financial Services Authority.

Manager contacts

For general information and queries on secondary market availability, please contact:

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+44 (0)20 7658 7616

For valuations, to place trades, tax reclaims, dividend/distribution information, please contact the Registrar:

HSBC Bank Plc
Schroders Investor Services
Schroder UK Real Estate Fund
PO Box 1402
Sunderland
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+44 1397 436 966 (overseas)
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Email: SCREF@hsbc.com

Appendix – Annex IV – Article 8 SFDR (unaudited)

ANNEX IV

Template periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Product name: Schroders Capital UK Real Estate Fund
Legal entity identifier: N/A

Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?	
☐ **Yes**	☒ **No**
☐ It made **sustainable investments with an environmental objective:** ___%	☐ It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of ___% of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☐ with a social objective
☐ It made **sustainable investments with a social objective:** ___%	☒ It promoted E/S characteristics, but **did not make any sustainable investments**

To what extent were the environmental and/or social characteristics promoted by this financial product met?

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

The Investment Manager deems the Company's ('SCREF' or 'Fund') as being a financial product that promotes environmental or social characteristics (and is therefore equivalent to products falling within Article 8 of the SFDR). The Fund seeks to reduce the energy consumption, carbon footprint and climate impact of its portfolio. In managing the portfolio, the Manager considers environmental and social responsibility towards key stakeholders including investors, employees, tenants, suppliers, communities and the environment. In order to deliver the Company's sustainability commitments, the Investment Manager is committed to:

1. Improving the proportion of the Company's assets rated under sustainability related building certification standards, when measured over any three year period;
2. Improving the energy performance rating profile of the Company's assets (both in terms of coverage and of rating of energy performance certificates (EPCs)), when measured over any three year period; and
3. Pursuing a decarbonisation strategy with the aim to reduce greenhouse gas emissions of the Company to net zero by 2050.

The Fund's sustainability objectives are measured over any three year period, and the Fund has made progress towards meeting its objectives over the 12 months to 31 March 2023 when compared to the previous reporting period. The proportion of assets certified under third-party building certification standards has increased by 0.5%. There has also been an improvement in the Fund's energy performance rating profile (measured using Energy Performance Certificates ('EPCs')) due to improvement initiatives undertaken across a number of assets. The Fund has recorded an increase in coverage from 64% to 89% on a like-for-like basis and the proportion of the Fund by floor area with an EPC rating of C or above has increased from 42% to 66%.

The Fund has continued to progress on its journey to Net Zero Carbon by 2050, including refinement of its strategy alongside the Schroders Capital Sustainability team. SCREF has reviewed learnings from initial analysis and worked with the property and asset management teams to initiate mitigatory measures as required. During the reporting year the Manager has been assessing progress against the operational NZC baseline for the Fund which was determined in 2021 (using FY 2020 data). The Company has made good progress towards its energy and greenhouse gas ('GHG') intensity targets achieving reductions of 10% and 14% respectively.

How did the sustainability indicators perform?

Improving the proportion of the Company's assets rated under sustainability-related building certification standards, when measured over any three year period.

The Fund is committed to improving the proportion of its assets with sustainability-related building certification standards, which in the UK are known as Green Building Certificates. These accreditations help the team better understand the green characteristics of our assets alongside areas for improvement, whilst providing a tangible measure of the sustainability performance of our portfolio that can be tracked over time.

The proportion of the Company's assets rated under sustainability certification schemes has increased from 26.3% to 26.8% (0.5%) between 31 December 2021 and 31 March 2023. Coverage of the office portion of the portfolio now stands at 83.3% at 31 March 2023 (% GPV of standing investments i.e. excl. major renovations / development). As a further demonstration of performance at 31 March 2022, 36.2% of the Fund property portfolio (as a % of GPV) had a Green Building Certificate, which increased to 41.1% of standing investments as at 31 March 2023 (excluding major renovations / developments). This positive figure validates the Fund's binding commitment to improving the proportion of assets with sustainability-related building certification standards during the Period.

Within the UK, there are different types of Green Building Certificates that can be used to assess and measure sustainability-metrics of commercial property assets. This includes BREEAM ratings, which reflect the specification, design, construction and use of a building. SCREF now has 14 BREEAM ratings across the portfolio (N.B in some circumstances an assets may hold multiple building certifications), which can be further divided into a number of specific categories including 'In-use' (7), 'construction' (4) and refurbishment (3).

Physical assets can also be certified under Fitwel. This certification is for assets that implement, track, and benchmark actions and strategies that impact human health and wellbeing. This accreditation supports the overall sustainability objective for the Fund to improve lives of our occupiers and communities. During the Period, SCREF has progressed with a Fitwel accreditation for Battersea

Appendix – Annex IV – Article 8 SFDR (unaudited) continued

Studios and Mile End Road. The Fund has also commissioned a Fitwel accreditation for Hartlebury Trading Estate, the largest multi-let industrial park within the Fund.

Finally, and notably, the Fund has been awarded a portfolio-wide accreditation as a 'WiredScore portfolio', having surpassed the threshold of 70% of its offices with a WiredScore accreditation. This award highlights the quality and resilience of the digital connectivity of SCREF's office portfolio, which provides a great environment for our customers.

SCREF is committed to improving the sustainability characteristics of its portfolio, which in time will be reflected in the coverage and ratings of sustainability-related building certification standards.

Improving the energy performance rating profile of the Company's assets (both in terms of coverage and of rating of energy performance certificates (EPCs)), when measured over any three year period

EPC coverage and an appropriate ratings profile for assets across the Fund, one which exceeds regulatory expectations, remain an important focus for SCREF. The Fund team is working closely with Schroders Capital's real estate sustainability team, its managing agents and appointed EPC consultants to ensure that coverage and levels of attainment are maximised.

The coverage and profile of EPCs for the SCREF portfolio are regularly reviewed for alignment against the 2015 Minimum Energy Efficiency Standards (England and Wales) legislation. This legislation brought in a minimum EPC standard of 'E' for new leases and renewals for non-domestic buildings from 1 April 2018; this minimum standard applies to all leases from 1 April 2023.

As at 31 December 2021, by floor area, 64% of the portfolio had a valid EPC with this figure rising to 89% as at 31 March 2023. Recognising the trajectory towards higher minimum standards over the same period the Fund also improved the proportion of the total portfolio floor area with a 'C' rating or higher from 42% to 66%. These positive figures validate the Fund's commitments to improving its energy performance rating profile and coverage within the Period.

The Fund, Asset and Sustainability teams continue to work together to take proactive steps to improve the EPC rating of each asset, through both operational improvements and applying minimum requirements for development and refurbishment projects. 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 at a number of assets. Assets with these demonstrable improvements include; Spalding Retail Park, Lemon Quay Truro Retail Park and the Self Storage portfolio.

As at 31 March 2023, no units within the SCREF portfolio have had an 'F'- or 'G'-rated EPC lodged, which is testament to both the inherent sustainability qualities of the portfolio and the efforts of the asset management team over the years. The Fund is in 100% compliance with the Minimum Energy Efficiency Standards (England and Wales) legislation.

Pursuing a decarbonisation strategy with the aim to reduce greenhouse gas emissions of the Company to net zero by 2050

Pathway to Net Zero Carbon
According to the World Green Building Council (WGBC) buildings are responsible for 39% of global energy related carbon emissions . 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 Agreement.

The Manager recognises its responsibility to embark on a journey to Net Zero Carbon ('NZC') 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 Commitment 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 Fund who last year, as part of its work to achieve EU Sustainable Finance Disclosure Regulations ('SFDR') Article 8 equivalent status, committed to 'pursuing a decarbonisation strategy with the aim to reduce greenhouse gas emissions of the Company to net zero by 2050'.

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 Fund which was determined in 2021 (using FY 2020 data). Please note that whilst decarbonisation pathways have been developed for 56% of assets (by Gross Property value ('GPV')), assets in-scope of the portfolio's Fund level targets currently represent 38% by GPV.

Between FY 2020 and FY 2022 the Fund – 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 14% respectively. The current trajectory indicates the Fund may strand – the point at which the GHG intensity of the portfolio is above the CRREM derived target – in 2034. This may be delayed by three years (2037) through identified improvement actions indicating further works required to meet the Fund's decarbonisation commitments.

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 Manager recognises that works will be needed to improve building energy and carbon performance in order to reduce the risk of stranded assets.

This positive improvement validates the Fund's binding commitment to pursuing a decarbonization strategy, with the aim to reduce greenhouse gas missions to net zero by 2050.

…and compared to previous periods?

N/A. This is the first time we have provided a periodic report.

What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?

N/A

Appendix – Annex IV – Article 8 SFDR (unaudited) continued

How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?

N/A

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

How were the indicators for adverse impacts on sustainability factors taken into account?

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the Union criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the Union criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

N/A

Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

N/A

How did this financial product consider principal adverse impacts on sustainability factors?

N/A

What were the top investments of this financial product?

During the reference period the top 15 investments were:

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: as at 31 March 2023

Largest Investments	Sector	% Assets	Country
Building 1, Ruskin Square	Offices	8.5%	UK
Wenlock Works (Shepherdess Walk)	Offices	6.0%	UK
Acorn Industrial Estate	Industrial	4.8%	UK
Hartlebury Trading Estate	Industrial	4.5%	UK
Bracknell	Retail and Office	4.4%	UK
X2	Industrial	3.8%	UK
One Lyric	Offices	3.7%	UK
City Tower Unit Trust	Offices	3.3%	UK
Woking Business Park	Industrial	3.2%	UK
Kensington Village	Offices	2.7%	UK
Self Storage	Other	2.6%	UK
Steelpark	Industrial	2.5%	UK
Romford Property Unit Trust	Retail Warehouse	2.5%	UK
Mile End Road	Offices	2.4%	UK
Chenies Street	Offices	2.4%	UK

Source: Schroders as at 31 March 2023. % of assets has been provided as a % of total NAV.

What was the proportion of sustainability-related investments?

N/A

What was the asset allocation?

Asset allocation describes the share of investments in specific assets.

The Investment Manager will seek to manage all UK properties to deliver the binding sustainability commitments and as such considers 100% of real estate assets to align to the E/S characteristics. The Company may, however, invest in Other investments (as defined below) on a temporary basis. As a result, the investment aligned with E/S characteristics shall be equal to or exceed 80% of NAV while the cash management investments shall be equal to or less than 20% of NAV.

As at 31 March 2023, 88.4% of GAV was invested into real estate and 11.6% in cash.

The Fund remains committed to embedding sustainability initiatives across the portfolio and delivering upon its commitments. Each asset has in place business plans which consider E/S characteristics. Impact Sustainability and Action Plans which include sustainability objectives and targets for each asset, as well as pathways to Net Zero Carbon are available for all managed assets as a minimum. Fund and asset sustainability reviews are carried out at least six monthly with the investment and sustainability team to ensure the Fund is working towards these objectives demonstrating our firm commitment to the long-term performance that sustainable investments will achieve.

“Other Investments”

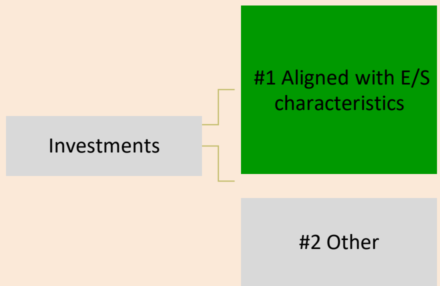
In addition to UK properties, the Company is also permitted to hold, as needed, cash management investments (such as money market instruments, deposits, cash and near cash) held for cash management purposes or as an intermediary investment prior to investment in accordance with the investment strategy.

Appendix – Annex IV – Article 8 SFDR (unaudited) continued

Derivatives may be used for the purposes of Efficient Portfolio Management (including to hedge the risk of interest rate movements in relation to any borrowing of the Company). The aim of reducing risks or costs will allow the Investment Manager to enter into exposures on permissible assets using derivatives or forwards as an alternative to selling or purchasing underlying assets. These exposures may continue for as long as the Investment Manager considers that the use of derivatives continues to meet the original aim. The aim of generating additional capital allows the Investment Manager to take advantage of any pricing imperfections in relation to the acquisition and disposal (or disposal and acquisition) of rights relating to assets the same as, or equivalent to which, the Company holds or may hold.

Cash management investments and derivatives will not contribute or count towards the sustainability commitments and shall not exceed at any point in time 20% of NAV.

Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflects the "greenness" of investee companies today.
- **capital expenditure** (CapEx) shows the green investments made by investee companies, relevant for a transition to a green economy.
- **operational expenditure** (OpEx) reflects the green operational activities of investee companies.



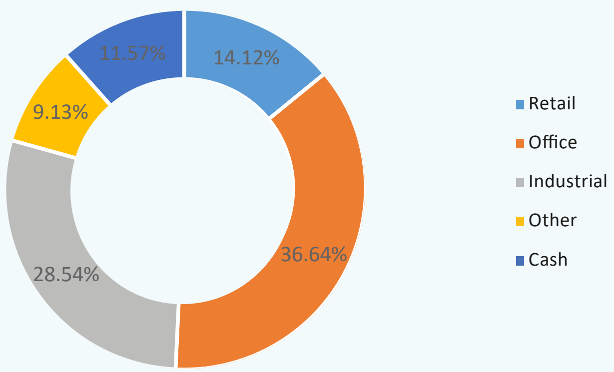
#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:
- The sub-category **#1A Sustainable** covers environmentally and socially sustainable investments.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

In which economic sectors were the investments made?

The Fund invests in offices, retail, industrial and alternatives across the UK. Please see a breakdown of SCREFs investment by sector as a % of GAV.



Source: Schroders as at 31 March 2023.

To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

N/A

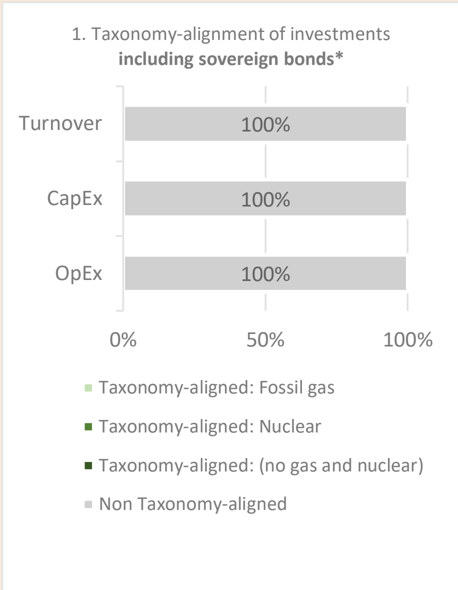
Appendix – Annex IV – Article 8 SFDR (unaudited) continued

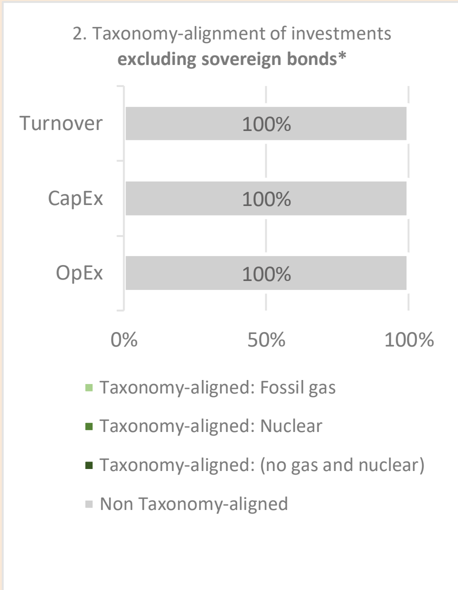
Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.





For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

What was the share of investments made in transitional and enabling activities?

N/A

How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?

N/A

What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

N/A

What was the share of socially sustainable investments?

N/A

What investments were included under "other", what was their purpose and were there any minimum environmental or social safeguards?

In addition to UK properties, the Company is also permitted to hold, as needed, cash management investments (such as money market instruments, deposits, cash and near cash) held for cash management purposes or as an intermediary investment prior to investment in accordance with the investment strategy.

Derivatives may be used for the purposes of Efficient Portfolio Management (including to hedge the risk of interest rate movements in relation to any borrowing of the Company). The aim of reducing risks or costs will allow the Investment Manager to enter into exposures on permissible assets using derivatives or forwards as an alternative to selling or purchasing underlying assets. These exposures may continue for as long as the Investment Manager considers that the use of derivatives continues to meet the original aim. The aim of generating additional capital allows the Investment Manager to take advantage of any pricing imperfections in relation to the acquisition and disposal (or disposal and acquisition) of rights relating to assets the same as, or equivalent to which, the Company holds or may hold.

No minimum environmental or social safeguards are applied to cash management investments of derivatives.

What actions have been taken to meet the environmental and/or social characteristics during the reference period?

Enhanced sustainability processes are now fully embedded into the life cycle of every asset across the portfolio. Sustainability is integral to the investment process and is actioned and reviewed for funds and assets throughout the process .

During the period, the Fund has undertaken development, refuribishments and asset management initiatives which are accretive to performance and also provides opportunities to improve upon the environmental and social characteristics of the assets.

Due diligence/monitoring
Prior to acquiring an asset, an Impact and Sustainability Review is required which is reviewed by the Real Estate Investment Committee. The Impact and Sustainability review includes impact contribution, compliance to existing and emerging regulations, green building certifications, EPC ratings, due diligence and key sustainability risks with mitigating actions.

Sustainability Risks continue to be assessed and managed through the real estate investment lifecycle with support from external property managers, technical consultants and sustainability advisers as appropriate. The assessment captured in our Impact and Sustainability Review is migrated to an Action Plan which acts as a management tool to identify risks, including transition and physical risks, and manage opportunities for improvement. The assessment of risks is also represented in our annual asset business plans and fund strategy statements which are reviewed by the Investment Committee.

Appendix – Annex IV – Article 8 SFDR (unaudited) continued

Development and refurishments
The Investment Manager seeks to deliver developments and refurbishments to sustainable standards and deliver good performance against building certifications, including EPCs. Standards required are set for each project in the context for the asset and the Investment Manager's guiding principles.

The Investment Manager has developed a Sustainable Development and Refurbishment Guide which the investment team and external contractors must follow. The guide requires project targets including energy and carbon to support net zero carbon ambitions; specifies minimum standards for EPC ratings and Green Building Certifications; and encourages the use of local suppliers and apprenticeships to create employment where our assets are located.

Over the period the team have undertaken work on the development of an asset Revolution Park, an Industrial Asset in Wolverhampton. The scheme will be a 58,320 sq ft industrial unit which is due to complete in Summer 2023. The scheme will be delivered to BREEAM excellent, EPC A+ and net zero carbon specification in operation. Initiatives contributing to net zero carbon include on-site renewable energy; EV charging; thermal insulation; high-performance glazing; sustainable lighting technology; reduced water flow rates; health and wellbeing commitments; and biodiversity initiatives.

Asset Management
The Fund invests in direct real estate which is actively managed. Impact Sustainability and Action Plans are completed for all assets and include sustainability objectives and targets. In order to achieve these objectives, the Fund has rolled out smart meters across assets to increase data coverage and is collaborating with our property managers to deliver our sustainable objectives, property managers now have KPIs set in the SCRE Requirements document in order to assist in achieving our targets and objectives. Progress against targets is monitored and Fund and asset sustainability reviews are carried out at least six monthly with the investment and sustainability team.

The team have undertaken a number of asset management initiatives throughout the period, which include a pathway to improve sustainability and impact of assets. At Oakwood Business Park, as a result of tenant lease regear conversations, we are installing electric vehicle charging points to support occupiers' transition to fossil-fuel free transport solutions. The tenant is committed to reducing their impact on the environment and having recently invested in their fleet of electric vehicles, Schroders have agreed to install x3 7kW EV charging points at their unit. This was crucial to securing the tenant for an additional 5-years and had we not been able to offer this solution, it is highly likely that they would've considered alternative units in the area that provided on-site EV charging. Not only does this investment support our occupiers but also helps to build investment resilience.

Engagement
Engagement forms a continuous part of our active asset management approach integrated into all aspects of the real estate investment management life-cycle, requiring regular engagement with occupiers and built environment professionals. Sustainability is considered as part of such engagements and examples include occupier sustainability forums which cover a range of topics from energy efficiency to health and wellbeing, as well as regular engagements with Property Managers to improve asset environmental efficiency. The Investment Manager has also provided occupiers with an Occupier Guide and Sustainable Fitout Guide.

Schroders has developed the S:Connect app alongside CBRE. The app adopts a people-led and place-experience approach to help drive occupier engagement across the Fund. S:Connect has been rolled out across 2022 at 9 assets and seeks to actively promotes engagement with tenants, strengthens the landlord and tenant relationship and encourages regular discussion between both parties.

place-experience approach to help drive occupier engagement across the Fund. S:Connect has been rolled out across 2022 at 9 assets and seeks to actively promotes engagement with tenants, strengthens the landlord and tenant relationship and encourages regular discussion between both parties.

S:Connect activates the 'S' in ESG through driving community activities, promoting wellbeing opportunities and providing a direct way to contact the site management team to raise any issues. S:Connect will help to ensure that SCREF assets provide suitable, fit-for-purpose space that meets evolving tenant needs.

How did this financial product perform compared to the reference benchmark?

N/A

- ***How does the reference benchmark differ from a broad market index?***
- ***How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?***
- ***How did this financial product perform compared with the reference benchmark?***
- ***How did this financial product perform compared with the broad market index?***

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

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The terms of all appointments, including remuneration and termination provisions, can be made available upon request.

Fund Structure as at 31 March 2023

Source: Schroders, 25 May 2022

1 Unit Trusts owned by two unitholders: SCREF (99.0%) and British Overseas Nominees Limited, acting as SCREF's Nominee (1.0%).

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