Schroder Real Estate Investment Trust Limited

Annual Report and Consolidated Financial Statements

For the year ended 31 March 2021

For professional advisers and employee benefits consultants only

Schroders

About Us

Schroder Real Estate Investment Trust Limited aims to provide shareholders with an attractive level of income together with the potential for income and capital growth through investing in UK commercial property.

Company summary

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

The Company is a Real Estate Investment Trust ('REIT') and benefits from the various tax advantages offered by the UK REIT regime. The Company continues to be declared as an authorised closed-ended investment scheme by the Guernsey Financial Services Commission under section 8 of the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended and the Authorised Closed-ended Investment Schemes Rules 2008.

Objective

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

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

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

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

Investment strategy

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

Highlights
As at 31 March 2021

- Sustained total return outperformance of the real estate portfolio comprising +2.8% versus the MSCI Benchmark Index (the 'Benchmark') over the past 12 months, +2.4% per annum over the past three years and +1.1% per annum since IPO in July 2004[1]
- Net asset value ('NAV') total return of 3.9%[2] for the year to 31 March 2021
- Active asset management strategy, leveraging sector specialist capabilities, completing 80 new lettings, renewals and reviews from 1 April 2020 to 2 June 2021, which totalled £7.9 million per annum of rental income
- Share buyback programme undertaken with £9.5 million of shares purchased during the financial year, delivering 1.3 pence per share ('pps') of accretion to shareholders
- 88% of the portfolio located in Winning Cities and Regions[3]
- 73% of the portfolio weighted to the industrial and office sectors (2020: 68%), with a below Benchmark retail weighting and no shopping centres
- First in peer group of UK Diversified Listed Companies in terms of sustainability performance, retaining three Green Stars in the 2020 Global Real Estate Sustainability Benchmark ('GRESB') survey
- Loan to Value[4] ('LTV'), net of all cash, of 32.3% at a low average cost of 2.4% per annum

1 Source: MSCI property level returns gross of fees on a like-for-like basis including direct and indirect property investments. Past performance is not a guide to future performance and may not be repeated.
2 This is an APM; please see page 83 for details.
3 Winning Cities defined as higher growth locations – Source: Oxford Economics/Schroders.
4 This is an APM; please see page 83 for details.

Key highlights

Net asset value of

£296.8m

(2020: £309.8m)

NAV total return of

3.9%

(2020: -1.5%[1])

Amount spent on shares repurchased of

£9.5m

(2020: £nil)

Value of property assets and share of joint ventures[2]

£438.8m

(2020: £406.2m)

Net asset value per share of

60.4p

(2020: 59.7p)

Underlying earnings of[3]

£11.6m

(2020: £12.7m)

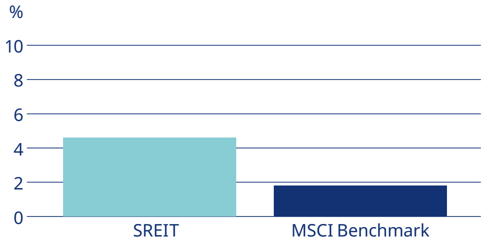
1 Excluding one-off refinancing costs related to the Canada Life loan of £27.4 million in the year ended 31 March 2020.
2 As reconciled to valuation reports from Knight Frank for the portfolio and BNP for the joint ventures. Does not include any IFRS adjustments for lease incentives nor the fair value of leasehold adjustments.
3 Adjusted EPRA earnings is an Alternative Performance Measure and please see page 83 for details.

Portfolio total return[1]

One year

4.6%

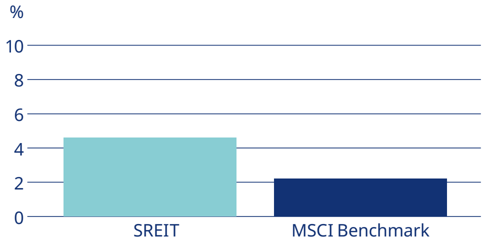
(Benchmark: 1.8%)



Three years per annum

4.6%

(Benchmark: 2.2%)

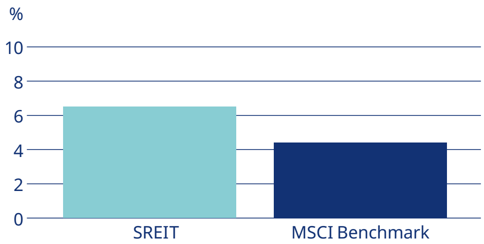


Portfolio income return[1]

One year

6.5%

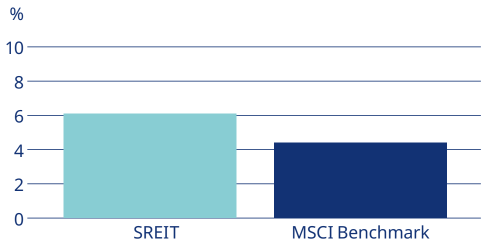
(Benchmark: 4.4%)



Three years per annum

6.1%

(Benchmark: 4.4%)



1 Source: MSCI property level returns gross of fees on a like-for-like basis including direct and indirect property investments. Past performance is not a guide to future performance and may not be repeated.

Portfolio Overview

At a glance

The investment policy of the Company is to own a diversified portfolio of UK real estate underpinned by good fundamental characteristics.

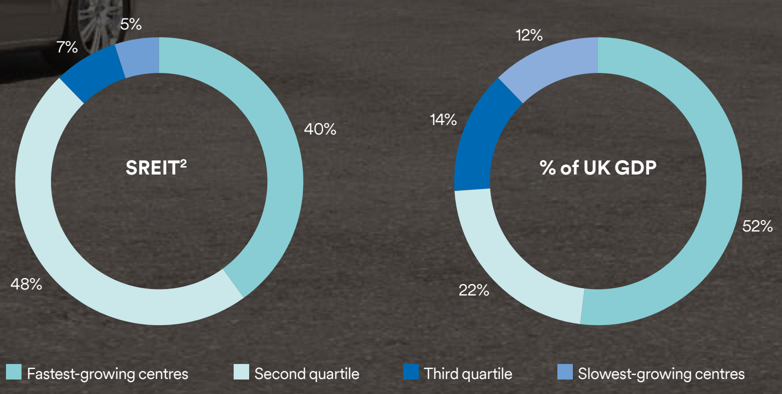
The Group invests principally in the industrial, office and retail sectors and will also consider other sectors including mixed-use, residential, hotels, healthcare and leisure.

Top ten properties

The top ten properties, including the share of the joint venture properties at City Tower in Manchester and Store Street in Bloomsbury, are set out below and comprise 66% of the portfolio value:

	Property	Value (£m)[1]
1	Milton Keynes, Stacey Bushes Industrial Estate	46.0 (10.5%)
2	Leeds, Millshaw Industrial Estate	41.8 (9.5%)
3	Manchester, City Tower (25% share)	40.2 (9.2%)
4	London, Store Street, Bloomsbury (50% share)	39.4 (9.0%)
5	Bedford, St. John's Retail Park	26.6 (6.1%)
6	Leeds, Headingley Central	24.0 (5.5%)
7	Chippenham, Langley Park Industrial Estate	19.8 (4.5%)
8	Norwich, Union Park Industrial Estate	18.9 (4.3%)
9	Cheadle, Stanley Green Trading Estate	18.0 (4.1%)
10	Uxbridge, 106 Oxford Road	16.0 (3.6%)

% of the portfolio by value in higher growth locations



1 As per third-party valuation reports unadjusted for IFRS lease incentive amounts.
2 Source: Oxford Economics/Schroders March 2021.

Sector weightings

1 Industrial

Stanley Green, Cheadle

The Company owns a range of industrial warehouses, the largest being multi-let estates in the densely populated urban areas of Leeds, Manchester and Milton Keynes which are positively impacted by structural trends and where there are significant asset management opportunities to capture rental growth.

2 Offices

Century House, Northampton

The Company owns offices with good fundamentals in terms of specification and location in those Winning Cities and Regions that are attractive to a diverse occupier base. The largest office investments are in London (Bloomsbury and Uxbridge), Manchester and Edinburgh.

3 Retail

St. John's Retail Park, Bedford

The retail assets in the portfolio are predominantly well managed, bulky goods retail warehouses let at sustainable rents, and convenience retail as part of mixed-use assets which are complementary to broader schemes and have multiple uses such as offices and hotels. The Company does not own any shopping centres.

4 Other

Headingley Central, Leeds

Other sectors are hotels and leisure properties. At present, the apportioned value of the hotels at City Tower, Manchester and Headingley Central, Leeds and a leisure scheme in Luton represent the Other weighting in the portfolio.

Sector weightings by value	2021 (%)	2020 (%)
Offices	38.8	28.6
Industrial	34.4	39.6
Retail	20.0	24.6
Retail warehouse	11.3	12.8
Retail part of mixed-use	5.0	6.6
Retail single-use	3.7	5.2
Other	6.8	7.2

Investment Philosophy

A disciplined approach to investment

Schroder Real Estate Investment Trust aims to provide shareholders with an attractive level of income, with the potential for income and capital growth, from owning a diversified portfolio focused on higher growth assets benefiting from structural changes which are evident across the economy and real estate markets.

The portfolio is managed in accordance with an investment philosophy centred on consistent principles which are to invest in strong asset fundamentals and to actively manage assets in order to enhance value.

Mega themes

Long-term performance of real estate assets will be driven by structural changes or 'mega themes' arising from demographic changes, urbanisation, technological change, environmental and social changes and other factors that are outside of the normal real estate market cycle. These include:

Climate Change and Decarbonisation: The world is not yet on course to meet the Paris targets. The 'Pathway to Net Zero Carbon' at asset and fund level is a key priority.

Urbanisation: The decline of retail stores will create opportunities for more mixed-use development in town and city centres.

Demographics: The UK population is ageing. The number of people over 80 years old will increase by a third by 2030.

Technology: Covid-19 will accelerate the growth of life sciences in the UK and benefit cities and town with strong universities and knowledge-based economies.

Emerging markets: Beijing now has more billionaires than New York. China is forecast to be the biggest economy by 2030 with likelihood of growing demand for UK real estate.

Impact investing: Positively impacting the environment and society with the potential to benefit investment returns.

High quality research

Research is focused on cyclical and structural trends in order to determine market strategy and exploit mispricing. In addition, to better understand real estate fundamentals, our research focuses on occupational demand at a town and city level and other factors such as construction starts, infrastructure investment and pricing relative to other assets.

Business plan-led approach

Every asset is managed as a business with a detailed plan that is the key focal point for identifying and implementing active management strategies that will maximise returns.

Responsible and Positive Impact Investment

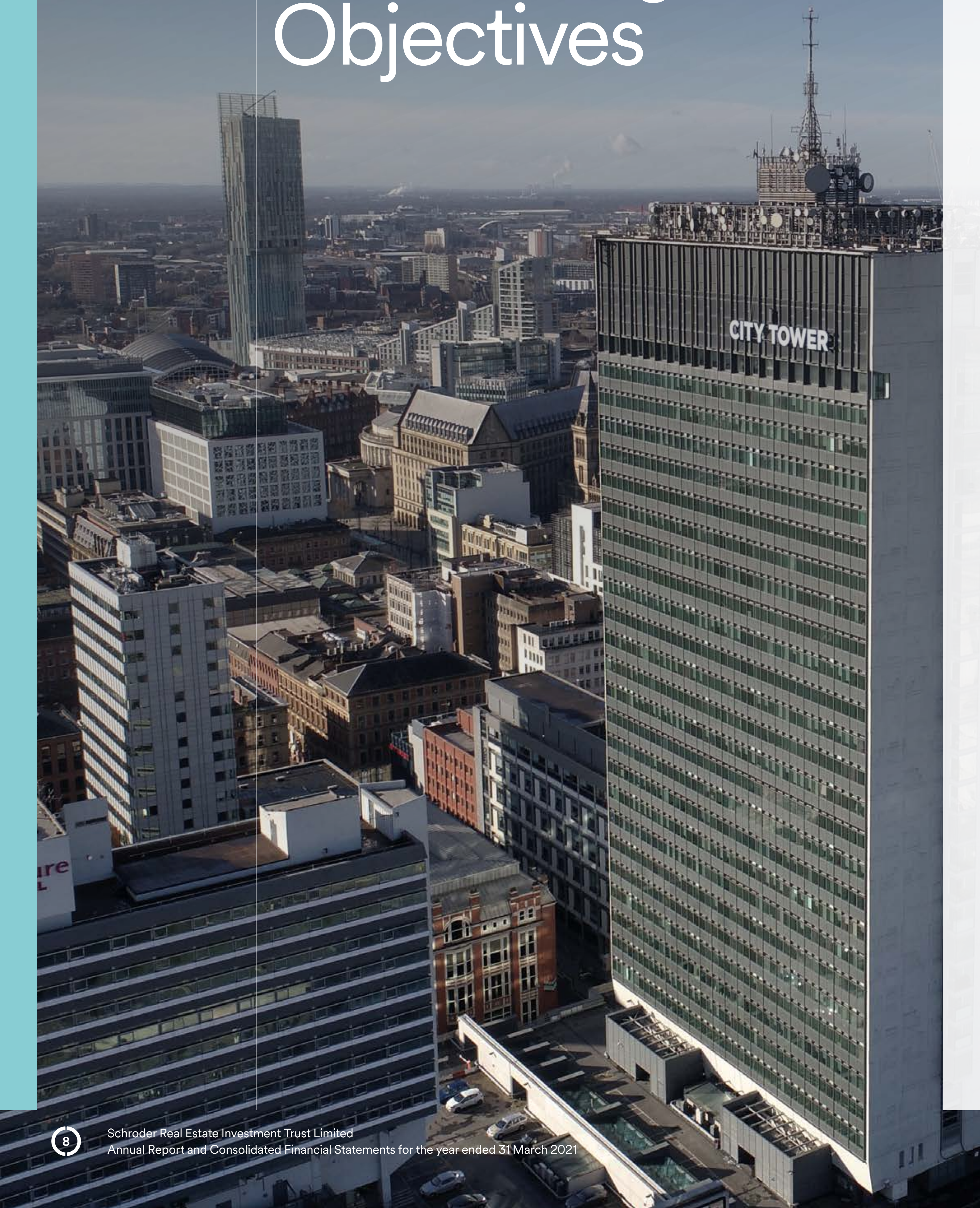
Sustainability, Environmental, Social and Governance ('ESG') and Impact Investment considerations are integral to good investment management and should generate better long-term returns, contribute to our tenants' business performance and create tangible benefits to the communities where we are invested. The Company's work in this area was recognised by an EPRA Gold award for Sustainability Best Practice Reporting in the 2020 year-end accounts and retention of Three Green Stars in the 2020 Global Real Estate Sustainability Benchmark ('GRESB') survey.

Winning Cities and Regions

Occupier demand is increasingly concentrated in 'Winning Cities and Regions', those that offer a competitive advantage in terms of higher levels of GDP, employment and population growth; differentiated local economies with higher value industries; well-developed infrastructure; and places where people want to live and work. Winning Cities and Regions will change over time and investments will be made in other locations where we see higher rates of future growth that could lead to mispricing opportunities.

- Differentiated economy: globally facing, financial services, TMT hubs, life sciences and value add manufacturing.
- Infrastructure improvements: transport, distribution, energy and technology.
- Employment growth: high-value new jobs, wealth effect and population growth.
- Environment: live and work, tourism and amenities, universities, cathedral cities, dominant retail and leisure.

Our Strategic Objectives



Exposure to Winning Cities and Regions experiencing higher levels of GDP, employment and population growth

The strategy focuses on Winning Cities and Regions which offer a competitive advantage in terms of higher levels of GDP per capita, employment and population growth; differentiated local economies with higher value industries; well-developed infrastructure; and places where people want to live and work.

Increasing net income through transactions and asset management

Disciplined acquisition strategy focused on investing primarily in industrial and regional office assets in Winning Cities and Regions, combined with active asset management initiatives and operational excellence to drive net income growth and dividend cover. The intention is to pursue a progressive dividend policy.

Increasing exposure to assets and sectors with strong fundamentals

Post completion of asset business plans, the Company will seek to dispose of assets where strong returns have been crystallised and that are expected to underperform, in order to reinvest in assets with stronger fundamentals. A more active approach to selling smaller, non-core assets on completion of business plans, with proceeds reinvested into larger, more resilient assets in higher growth sectors which offer a high standard of operational and sustainability performance, should deliver more sustainable income and total returns over the long term.

Managing portfolio risk in order to enhance the portfolio's defensive qualities

The Company has a diversified tenant base of 299 occupiers and an average weighted lease term of 5.3 years. Priority is given to continue efforts to let the vacant space, improve covenants and increase the average lease length through new lettings and lease restructurings, alongside prudent management of our balance sheet, targeting a Loan to Value ratio of between 25% and 35%.

The Company remains focused on delivering sustainable and growing income and total returns

The key strategic steps are:

1. Deliver a progressive dividend policy together with attractive and sustainable total returns
2. Maintain the long-term track record of outperformance of the underlying portfolio
3. Increase exposure to assets with strong fundamentals in higher growth locations
4. Provide climate change leadership with ESG fully integrated and relevant to the strategy
5. Actively manage the Company and its assets to maximise shareholder returns
6. Evolve the Company's active asset management approach to include a hospitality mindset and operational excellence
7. Maintain a strong balance sheet

Performance Summary

Property performance

	31 March 2021	31 March 2020
Value of property assets and joint venture assets[1]	£438.8m	£406.2m
Annualised rental income[2]	£28.3m	£24.9m
Estimated open market rental value[3]	£31.2m	£29.5m
Underlying portfolio total return	4.6%	1.9%
MSCI Benchmark total return[4]	1.8%	0.2%
Underlying portfolio income return	6.5%	6.1%
MSCI Benchmark income return	4.4%	4.4%

Financial summary

	31 March 2021	31 March 2020
Net Asset Value ('NAV')	£296.8m	£309.8m
NAV per Ordinary Share	60.4p	59.7p
EPRA Net Tangible Assets[5]	£296.8m	£309.8m
Profit/(loss) for the year	£4.5m	(£32.5m)
EPRA earnings[6]	£11.6m	£12.7m
Dividend cover[7]	145%	90%

Capital values

	31 March 2021	31 March 2020
Share price	39.9p	38.9p
Share price discount to NAV	(33.9%)	(34.8%)
NAV total return[8]	3.9%	(1.5%)
FTSE All-Share Index	3,831.05	3,107.42
FTSE EPRA/NAREIT UK Real Estate Index	1,635.89	1,402.39

1 Reconciles to the valuation reports from Knight Frank for the direct portfolio and BNP for the Joint Ventures. Does not include any IFRS adjustments for lease incentives nor the fair value of the leasehold adjustment for The Galaxy, Luton.
2 Represents the annualised contracted income as at 31 March 2021 of the portfolio, including rents from joint venture assets.
3 Represents the ERV of the portfolio as estimated by the valuers, including rents for the joint venture assets.
4 Source: MSCI Quarterly Version of Balanced Monthly Index Funds including joint venture investments on a like-for-like basis as at 31 March 2021.
5 This is an Alternative Performance Measure ('APM'). EPRA calculations are included in the EPRA Performance Measures section on page 81.
6 This is an APM. EPRA calculations are included in the EPRA Performance Measures section on page 81.
7 This is an APM. Details are included in the APM section on page 83.
8 This is an APM. Details are included in the APM section on page 83. The prior year figure represents the NAV total return excluding one-off refinancing costs of £27.4m. NAV total return including finance costs in the prior year of -9.4%.

Earnings and dividends

	31 March 2021	31 March 2020
EPRA earnings (pps)[1]	2.3	2.5
Dividends paid (pps)	1.59	2.72
Annualised dividend yield on 31 March share price	4.0%	7.0%

Bank borrowings

	31 March 2021	31 March 2020
On-balance sheet borrowings[2]	£154.1m	£129.6m
Loan to Value ratio ('LTV'), net of all cash[3]	32.3%	23.7%

Ongoing charges

	31 March 2021	31 March 2020
Ongoing charges (including fund and property expenses)[3]	2.5%	2.3%
Ongoing charges (including fund only expenses)[3]	1.4%	1.4%

From 1 July 2021, the Board and the Manager have agreed a change to the Manager's fees which will result in an initial saving of approximately £600,000 per annum, with tiering providing scope for a further ad valorem fee reduction with growth of the Company. Pro forma, this equates to a 0.2% reduction in the ongoing charges shown above for the period to 31 March 2021.

1 This is an APM. EPRA calculations are included in the EPRA Performance Measures section on page 81.
2 On-balance sheet borrowings reflect the loan facilities with Canada Life and RBS without the deduction of unamortised finance costs of £0.7 million.
3 This is an APM. Details are included in the APM section on page 83.

Chairman's Statement

The Board and Manager expect the Company to build on the resilience of the past year, underpinned by its strong balance sheet, exposure to higher growth assets and balance sheet capacity to invest and deliver attractive returns.

Lorraine Baldry
Chairman

Overview

The past year has been a tumultuous period for the global economy, dominated by the financial and societal impact of the Covid-19 pandemic. In response to the pandemic, governments and central banks have provided significant policy support together with unprecedented levels of investment in public health and vaccination programmes. As a result, the global economy is emerging from a deep recession, with expectations of a strong recovery reflected in elevated financial markets.

Levels of expected growth are predicated on the rollout of vaccines and the UK is currently benefiting from being at a more advanced stage compared with the majority of other economies. Activity levels have also improved during the recent UK lockdown as companies and households found ways of coping with restrictions, leading to improved business confidence and household spending. As a result, real UK Gross Domestic Product growth is forecast to be above 5% for both 2021 and 2022, with this bounce back in stark contrast to the period following the global financial crisis.

Against this backdrop, our strategy over the financial year to 31 March 2021 was initially focused on mitigating the impact of the pandemic and improving the portfolio's defensive qualities. As the effects and impact of the pandemic were better understood, the strategy focused on selective higher yielding acquisitions and maximising shareholder returns through active asset management and the share buyback programme.

The underlying property portfolio continued to deliver strong relative performance compared with its peer group, with an underlying portfolio total return of 4.6% for the financial year to 31 March 2021, compared with the MSCI Benchmark Index (the 'Benchmark') of 1.8%. The portfolio's performance comprised a 6.5% income return and a 1.8% decline in capital values, with both components outperforming the Benchmark. The portfolio is now ranked on the 13th percentile of the Benchmark since its launch in 2004.

The outperformance was driven by an above average income return as result of active asset management by the Manager's sector specialist teams focused on rental collection and delivering long-term sustainable income. As a result of this activity, the Company's void rate is at historic lows and the strongly performing industrial sector now represents the portfolio's largest weighting.

The portfolio also performed best in its peer group of UK Diversified Listed Companies in terms of sustainability performance, retaining Three Green Stars in the 2020 GRESB survey.

The successful delivery of the strategy resulted in a net asset value ('NAV') of £296.8 million or 60.4 pence per share ('pps') at 31 March 2021, an increase of 1.2% compared with 59.7 pps as at 31 March 2020. This resulted in a NAV total return, including dividends paid of 1.5 pps, of 3.9%. During the year £9.5 million was invested in the share buyback programme which contributed 1.3 pps to the NAV.

NAV of

£296.8m

NAV total return of

3.9%

for full year to 31 March 2021

Strategy
The immediate focus in response to the pandemic was on the safety and wellbeing of our occupiers, suppliers and other stakeholders, whilst protecting shareholders' long-term interests. The Investment Manager worked with the Government and other industry participants to bring forward the Covid-19 Code of Practice for commercial property, which set out the principles of behaviour and responses to tenant difficulties in a proportionate and measured way. These principles have been applied consistently and, alongside extensive occupier engagement, supported a collection rate of 90% of rents due over the financial year, a figure that we expect to increase in line with the roll out of the vaccination programme and easing of lockdown restrictions. As government measures protecting tenants for non-payment of rent are lifted, it is important that any further intervention fairly treats the interests of both landlords and tenants. This is important such that parties can work towards mutually beneficial solutions, securing sustainable long-term income and value for all stakeholders.

The pandemic has accelerated structural changes such as the penetration of online retail and adoption of flexible working practices. This has driven polarisation in performance across real estate sectors, with strong demand for warehousing during lockdowns contrasting with a challenging environment for high street retail and shopping centres. Whilst the rate of this polarisation will slow down as the economy opens up and social distancing restrictions ease, continued divergence in returns is expected. At the same time, cities and regions with knowledge-based economies, which has been a central component of our strategy, will benefit disproportionally from stronger occupational demand. These Winning Cities and Regions should also benefit from the Government's 'levelling up' strategy and increased fiscal spending to boost growth.

The steps taken by the Company during the past few years mean that the underlying portfolio is well positioned to benefit from these structural changes, with an above average and growing exposure to the industrial sector, and significant office holdings in Winning Cities such as London and Manchester. In addition, the portfolio has a below average weighting to retail, with the majority of our retail weighting comprised of retail warehousing, which has proven to be a more resilient retail format during the pandemic. The Company also has no exposure to shopping centres, the most challenging part of the retail market. Overall, the portfolio comprises high-quality, multi-let assets which, together with a strong income return, offer scope to add value through asset management and capital expenditure.

Whilst it is too early to make accurate predictions regarding the long-term impact of the pandemic on occupational demand, we retain a strong conviction that physical offices will remain core to future plans of businesses of all shapes and sizes. However, it is clear that occupiers require greater levels of flexibility in terms of service levels and contract terms. This means that real estate will become increasingly operational. Landlords will therefore be required to think innovatively around services to be offered within the assets, invest in new technologies to reduce energy consumption and deliver operational excellence. Schroders, as Manager, is increasing investment in these areas and has specialist asset management teams focused on delivering increased service levels to occupiers. An example of this is City Tower in Manchester, where fitted out office space is being leased on flexible terms to drive higher revenue growth compared with more traditional office lettings.

More broadly, the most significant structural change that the pandemic serves to highlight is the required level of global coordination to address climate change and the transition to net zero. This presents both a significant challenge and an opportunity for the real estate industry, which is widely considered to be responsible for approximately 40% of global carbon emissions. The Company's approach to sustainability is outlined on the next page.

Langley Park
Chippenham

Chairman's Statement continued

Sustainability

The Board and Manager believe that focusing on sustainability throughout the real estate life cycle will deliver enhanced long-term returns for shareholders as well as a positive impact to the environment and the communities where the Company is investing. As a result, key sustainability objectives have been agreed for the current financial year, which include the Company issuing its own 'Pathway to Net Zero Carbon'. Work has already begun in this area with a proposed operational Net Zero Carbon industrial development at Stanley Green, Manchester, the first of its type in the North West. Further detail is contained within the Manager's report.

During the current financial year the Board and Manager also intend to align the Company's sustainability objectives with the principles contained within the EU Sustainable Finance Disclosure Regulation, or 'SFDR'. This is a new investment disclosure standard applying in the European Union which is expected to be replicated in the UK by the FCA, during 2021 or 2022. SFDR requires complying companies to report on the extent to which sustainability risk is part of the investment considerations. The reporting is intended to include both the considered risk of climate change on the portfolio itself as well the intended impact of the investment strategy. The Board and Manager expect to be able to demonstrate, based on current activity, that these considerations are fully integrated and relevant to the Company's strategy. This will include binding commitments relating to the portfolio's environmental and social characteristics, as well as demonstrating good governance.

Share buybacks

In September 2020 the Company announced a share buyback due to the prevailing share price offering attractive value for shareholders. During the financial year, 27.1 million shares were acquired for £9.5 million, which reflected an average price of 35.1 pps and an average discount to the last prior financial year end NAV of -41%. This resulted in NAV accretion of 1.3 pps. Since the financial year end a further 340,000 shares have been acquired at an average discount to the March 2021 NAV of -33%.

Since the start of the buyback in September, the share price has increased by 53% to 46.15 pps as at 28 May 2021, which now reflects a discount of 24% to the latest reported NAV. The share buyback is one of a range of measures that the Board has undertaken to address the share price discount to NAV, with others including the major refinancing in 2019 which reduced the average financing costs by £2.5 million. The Board will review the potential for further buybacks in the future depending on movements in the share price and alternative uses for the Company's investment capacity.

Dividend

In April 2020, due to uncertainty relating to the pandemic, the Board withheld the dividend payment originally due to be paid in June 2020. We are pleased that progress with rent collection and implementing the strategy enabled dividends to be reinstated and progressively increased to 0.625 pps for the dividend paid in the quarter ended 31 March 2021. As a result, during the financial year, dividends totalling £8 million or 1.59 pps were paid, reflecting dividend cover of 145% based on EPRA earnings.

The Board and Manager have prudently considered both EPRA and cash earnings as part of determining dividend payments, with the latter impacted as a result of tenant incentives and arrears. The Board's objective is to deliver a sustainable and progressive dividend policy and therefore, adopting this approach, the Company has today announced a further 5% increase in the dividend to 0.656 pps, to be paid in the quarter ending 30 June 2021.

Debt

The Company has two loan facilities, a £129.6 million term loan with Canada Life and a £52.5 million revolving credit facility ('RCF') with Royal Bank of Scotland International ('RBSI') of which £24.5 million was drawn at 31 March 2021. These facilities provide a low all-in average cost of debt of 2.4% and a blend of maturities in 2023, 2032 and 2039, reducing refinancing risk.

In addition to the properties secured against the Canada Life and RBSI loan facilities, the Company has unsecured properties with a value of £39.4 million and cash and undrawn debt of approximately £40 million. The Company has significant headroom on all debt covenants. The Company's Loan to Value ratio, net of cash, is 32%, within the long-term strategic range of 25% to 35%.

The Investment Manager

The Board and the Manager have agreed a change to the Manager's fees which will result in an initial saving of approximately £600,000 per annum, with tiering providing scope for a further ad valorem fee reduction with growth of the Company. This is in the process of being documented and will take effect from 1 July 2021. The Board are pleased with the performance of the management team over the financial year and are satisfied that they have the necessary skills and resources to deliver the future strategy.

Nick Montgomery is the Fund Manager of the Company, supported by the Manager's specialist asset management teams and Group infrastructure. In July 2020, the Company announced that Duncan Owen had decided to step down from his role as Joint Fund Manager of the Company and Global Head of Real Estate at Schroder Real Estate. Since 1 January 2021, Sophie van Oosterom has been appointed as Global Head of Real Estate of Schroder Real Estate, and Duncan Owen has acted as Special Advisor to the Board.

Outlook

Despite the severe financial and societal impacts of the global pandemic, the outlook for the Company is positive. This is due to the UK's faster than expected economic recovery, the underlying quality of the portfolio and its tenant base, and the steps taken to minimise the impact of Covid-19 and maximise shareholder returns during the financial year. This activity included a successful share buyback programme which, combined with attractively priced new investments, enabled dividends to be reinstated in a progressive manner. Looking forward, the objective is to deliver a progressive dividend policy together with attractive and sustainable total returns supported by asset management.

Whilst the recovery from the pandemic will be uneven and have a differential impact on sectors within the economy, the Board and Manager expect the Company to build on the resilience of the past year, underpinned by its strong balance sheet, exposure to higher growth assets and balance sheet capacity to invest and deliver attractive returns. Furthermore, the Company is well placed to capitalise on the trends that have accelerated as a result of the pandemic, including responding to changes in occupier demand, a focus on operational excellence and ensuring that sustainability priorities are fully integrated within the Company's investment process.

Lorraine Baldry
Chairman
Schroder Real Estate Investment Trust Limited
1 June 2021

Stacey Bushes Industrial Estate
Milton Keynes

Investment Manager's Review

"The Company has a good quality, diversified portfolio that is weighted towards higher growth parts of the UK real estate market. The Manager is focused on capitalising on the acceleration in structural changes and emerging occupier trends due to the pandemic through four focus areas; ESG leadership, hospitality mindset and operational excellence, reinvestment into larger assets offering more sustainable income and total returns, and through leveraging our sector specialist capabilities to benefit a balanced portfolio.

Nick Montgomery
Fund Manager

Good progress has been made during the financial year to 31 March 2021 delivering on the strategy against the backdrop of significant volatility and uncertainty caused by the Covid-19 pandemic. At the outset of the pandemic, and across the first half of the financial year, our efforts were focused on mitigating the effects of the pandemic on our portfolio, tenants and wider stakeholders. The second half of the financial year has been characterised by a high level of positive activity, including new investments, active asset management and evolving the strategy to deliver sustainable outperformance as the economy reopens and real estate markets adjust to a new normal.

The Company's Net Asset Value ('NAV') as at 31 March 2021 was £296.8 million or 60.4 pence per share ('pps'), which reflects an increase over the financial year of 0.7 pps or 1.2%, and a NAV total return of 3.9%. A detailed analysis of the NAV is set out opposite.

Portfolio value in industrial assets

39%

Value in top 10 assets

66%

Stanley Green
Cheadle

The underlying portfolio, including joint ventures and the impact of capital expenditure, decreased in value by -1.8% over the 12 months to March 2021, which compared favourably with the MSCI Benchmark (the 'Benchmark') of -2.5%. The pandemic had a negative impact on values during the first half of the financial year, with a capital value decline of -3.4% (Benchmark -3.4%) comparing with a capital value increase of 1.7% over the second half (Benchmark +1.0%).

This capital value movement includes the dilutive impact of acquisitions costs, totalling £2.3 million, associated with the purchase of two industrial estates in Manchester and Chippenham in December for £36.5 million. These acquisitions reflected an above average net initial yield of 6.8% and were revalued to £37.8 million as at March 2021, an uplift of £1.3 million or 4%.

Net revenue for the year totalled £11.6 million, or 2.3 pps, which was 8% below the previous financial year and due to the impact of the pandemic on rent collection rates, which were 90% of rents due for the financial year.

This figure also reflects what we believe was a prudent approach to recognising bad debt provisions, which totalled £1.1 million at the year end.

Dividends totalled £8 million for the financial year comprising of three payments, with the first interim dividend withheld due to pandemic-related uncertainty. The subsequent payments comprised £2 million (0.39 pps) for the quarter ended September 2020, £2.9 million (0.575 pps) for the quarter ended December 2020 and £3.1 million (0.625 pps) for the quarter ended March 2021. This reflected dividend cover of 145% based on EPRA earnings.

As part of determining dividend payments, the Board and Manager prudently considered both EPRA and cash earnings, with the latter lower as a result of smoothing tenant incentives and arrears. On a cash basis, the dividend cover over the financial year was fully covered. Cash dividend cover over the next financial year should be boosted by the recovery of arrears and the potential reversal of bad debt provisions.

	£m	pps
NAV as at 31 March 2020	**309.8**	**59.7**
Unrealised change in valuation of direct real estate portfolio and joint ventures[1]	2.5	0.5
Capital expenditure[2]	(7.1)	(1.4)
Acquisition costs	(2.3)	(0.4)
Realised gains on disposals	0.1	–
Net revenue/EPRA earnings	11.6[3]	2.3
Dividends paid	(8.0)	(1.5)
Others	(0.3)	(0.1)
NAV as at 31 March 2021 (excluding the share buyback)	**306.3**	**59.1[4]**
Share buyback	(9.5)	1.3
NAV as at 31 March 2021	**296.8**	**60.4[5]**

1 Please note that this is net of all capital expenditure, acquisition costs and movement in IFRS 16 lease incentives.
2 Includes £0.5m relating to JV capital expenditure.
3 Net revenue is equal to EPRA earnings as per the reconciliation on page 81.
4 Calculation of pence per share is based on shares in issue as at 31 March 2020 to enable comparison to 31 March 2020 data.
5 Calculation of pence per share is based on shares in issue as at 31 March 2021.

Investment Manager's Review continued

Headingley Central
Leeds

During the year £9.5 million was invested buying back shares at an average discount to the 31 March 2020 NAV of 41.2%. This added 1.3 pps to the NAV as well as enhancing the dividend cover by reducing the number of shares in issue (excluding shares held in treasury) from 518.5 million to 491.4 million.

Review of strategy and activity during the financial year

The strategy and activity over the financial year focused on delivering the following key objectives:

- Mitigating the impact of the Covid-19 pandemic on the portfolio, tenants and wider stakeholders;
- Delivering attractive and sustainable shareholder income and total returns;
- Outperforming the MSCI Benchmark at an underlying portfolio level over one and three years, including generating an above average income return;
- Increasing exposure to higher growth sectors in Winning Cities and Regions;
- Delivering best-in-class Environmental, Social and Governance ('ESG') performance; and
- Maintaining a strong balance sheet with significant headroom on loan covenants.

Good progress has been made executing this strategy, reflected in the highlights below:

- High level of occupier engagement resulted in robust rent collection rates and new lease agreements, with a small number of tenants most adversely impacted by the pandemic;
- NAV total return of 3.9% supported by a high level of activity across the portfolio as well as share buybacks and efficient balance sheet management. A recovery in capital values contributed to a NAV total return of 3.8% for the quarter to March 2021, with acquisitions and improving rent collection rates supporting a further 5% increase in the dividend to be paid in the quarter ending June 2021;
- The underlying portfolio delivered a total return of 4.6% over the financial year compared with the Benchmark of 1.8%. Over three years the portfolio also delivered a total return of 4.6% per annum compared with the Benchmark of 2.2% per annum. The outperformance over the year was driven by an income return of 6.5% (Benchmark 4.4%), an above average weighting to the industrial sector and active management across the portfolio;
- During the financial year steps were taken to increase exposure to higher growth sectors. This is reflected in an increase in the portfolio's industrial weighting, now the highest sector exposure, to 38.8% (March 2020: 28.6%), a reduction in the single-use retail weighting to 15% (March 2020: 18%) and a reduction in the void rate to 4.8% (March 2020: 7.3%);
- The Company achieved a Three Star rating in the GRESB sustainability survey and was top of its peer group of UK Diversified Listed Companies. The Company also achieved a GRESB Public Disclosure A Rating and the EPRA Best Practice Sustainability Reporting Gold Award for the third consecutive year; and
- The Company has a strong and stable balance sheet with a net loan to value of 32%, an average interest cost of 2.4%, and a long weighted maturity profile of 13 years. The Company, factoring in cash and unsecured properties, could withstand a valuation decline in the underlying portfolio of approximately 42% before breaching covenants.

This activity means the Company is well positioned to continue delivering attractive returns for shareholders whilst evolving the strategy in response to the structural changes and occupier trends emerging following the pandemic. These are outlined in more detail following the market overview below.

Market overview

The impact of the pandemic has been polarised across the real estate sectors, with an average capital value decline of -2.5% for the MSCI Benchmark over the year to March 2021, masking a historically high divergence between the three main sectors of offices, industrial and retail. This is illustrated by the best performing subsector, south east industrial, enjoying a capital value increase of 10.9%, compared with shopping centres as the worst subsector which experienced a -9.8% capital value decline. Whilst polarisation in performance is expected to continue, the divergence is likely to narrow and capital values are starting to recover. By the end of September 2020, overall UK commercial real estate had seen negative capital growth for 23 consecutive months. Since then, the market has seen positive capital growth for seven consecutive months. By the end of April 2021 (the latest available data point) the rolling three-month capital growth of 1.5% was the highest the market had seen since February 2018. All three main sectors of offices, industrial and retail delivered a positive total return during the quarter to March 2021.

Portfolio net initial yield

6.0%

Portfolio reversionary yield

7.1%

The Promenade
Cheltenham

Whilst unprecedented Government and central bank policy support has kept interest rates low and supported real estate values and asset prices more generally, government intervention has enabled tenants to withhold rental payments and diluted income returns. This has been accompanied by corporate insolvency measures enabling tenants to restructure landlord liabilities. The retail and leisure sectors have been most adversely impacted by the pandemic, to which the Company has a low weighting. It is important that as measures to protect tenants are lifted, any proposals relating to the treatment of historic arrears fairly treats the interests of both landlords and tenants.

Assuming the successful completion of the vaccine rollout programme and a reopening of the economy, UK GDP should return to its pre-virus level in the second half of 2022. The main driver will be consumer spending, with consumers accumulating an extra £150 billion in savings during lockdown. In addition, 2021 should see a recovery in business investment and the Chancellor has postponed tax rises until 2022. The rebound in energy and food prices means that inflation is likely to accelerate to 2.5% in the next few months, before easing to 1.5% next year. Higher unemployment as the furlough scheme ends should limit inflationary pressures, with base rates remaining at 0.1% until the end of 2022.

The pandemic response will change Government policy in a number of areas, notably with greater emphasis on 'levelling up', which came to prominence after the 2019 general election. In its broadest terms, levelling up is a commitment to address regional inequalities with a focus on visible infrastructure projects such as road-building and high-street regeneration. Whilst this will benefit poorer areas of the UK, the £4.8 billion fund will also be targeted at higher multiplier industries which is likely to benefit stronger regional cities such as Manchester and Leeds, where the Company has significant investments.

The biggest beneficiary of the acceleration in structural trends during the pandemic was the industrial sector, with record demand for warehousing due to online sales growth and stockpiling ahead of a possible no-deal Brexit. While the latter will unwind, demand from Amazon, traditional retailers and parcels companies has remained strong in 2021. This year should see a recovery in demand from manufacturers as the economy improves and the Government's announcement of eight new freeports could attract more inward investment over the long term. We expect industrial rental growth to average 2% per annum over the next three years, with multi-let estates seeing faster growth than regional distribution and big box warehouses, because of more constraints on new development. Following recent acquisitions in Manchester and Chippenham, the Company's largest sector exposure is to multi-let industrial estates, which offer significant potential for income and capital growth from asset management, refurbishment and development.

The shift to online retailing during the pandemic means that in-store retail sales are unlikely to return to pre-virus levels. At the same time, retailer insolvencies and the closure of stores by John Lewis, banks and restaurant chains have reduced the attractiveness of many retail destinations. 15% of retail units across the UK were empty at the end of 2020, and vacancy in many less affluent towns was over 20%, reflecting fewer independent retailers and the fact that house prices and commercial values are too low to make redevelopment viable. Shopping centre rental values could fall by a further 20% over the next three years, and the Company will continue to benefit from having no exposure to this segment of the market. More interestingly, sentiment towards retail warehousing is improving, particularly bulky goods retail parks that have been preferred by shoppers during the pandemic. These parks are expected to be more resilient due to lower rental levels and the ability to support multi-channel retailing through click and collect as well as last mile delivery. The majority of the Company's remaining single-use retail exposure comprises retail warehousing with these characteristics in good locations such as Bedford, Salisbury and Chester.

The office market continues to assess the relative merits of being in the office and working from home with little consensus. While occupiers such as BP and HSBC have decided to cut their office space, others such as BT, Goldman Sachs, Google and major law firms have signed new leases or reaffirmed their commitment to their existing offices. In the short term, demand will remain subdued with an increase in sub-let space suppressing rental values. However, demand is polarising and we expect rents on well specified, modern offices in city centres and close to leading universities to recover from 2022 onwards. The key driver will be an increase in employment in IT, life sciences, media and professional services. A low volume of new office buildings will also be supportive but we expect tenants to require greater flexibility as the economy recovers. By contrast, rents on older, out of town offices and back office space will

Investment Manager's Review continued

continue to decline as administrative functions such as call centres are disrupted by changing working patterns and technology. The Company's office weighting now represents 34.4% of portfolio value with a focus on assets offering the above-mentioned strong fundamentals in London and stronger regional centres including Manchester, Edinburgh and Leeds.

Future strategy

Whilst there remain risks and uncertainties relating to the pandemic, the Company has a good-quality, diversified portfolio that is weighted towards higher growth parts of the UK real estate market. The Company's cash and undrawn credit facilities also provide balance sheet capacity to make further investments and deliver capital expenditure initiatives to enhance total returns.

Whilst the Company is therefore well placed, the pandemic has provided an opportunity to reassess the strategy in light of the acceleration in structural changes and emerging occupier trends. This will lead to greater focus on the four areas below:

1

Environmental, Social and Governance ('ESG') leadership

While the Company has made significant progress delivering sustainability performance over recent years, the pandemic has increased focus on climate change and the requirement to act on net zero commitments and evidence positive social impact. The Company came first in its peer group of UK Diversified Listed Companies in the 2020 GRESB rating and has an opportunity to consolidate its leadership in this area which should enhance long-term returns for shareholders, and deliver a positive impact to the environment and the communities where the Company is investing. Alongside continued participation in GRESB, a range of ESG-related objectives have been agreed with the Board which include the Company issuing its own net zero pathway and alignment with more demanding regulations that are set out in more detail below. The Company benefits from the Manager's dedicated Sustainability team and broader Schroders Group infrastructure and will continue to leverage this resource and thought-leadership to support the management and sector specialist teams.

2

Hospitality mindset and operational excellence

The pandemic has accelerated pre-existing trends such as the growth of e-commerce and changed occupier behaviour. Examples include altered working habits driving growth in flexible working concepts, changing health considerations affecting user-density and ESG regulation impacting building development, operation and reporting requirements. In response to these trends, real estate owners must adapt and innovate in order to attract and retain tenants. An active management approach has driven the Company's long-term outperformance but, looking forward, an increasingly hospitality-driven approach will be required which optimises the building services to cater to the tenant's business model and sustainability objectives. The level of flexibility and services required will, in turn, govern the contractual terms between landlord and tenant.

1-year outperformance vs MSCI Benchmark

2.8%

3-year outperformance vs MSCI Benchmark

2.3% p. a.

Outperformance vs MSCI Benchmark since listing in 2004

1.1% p. a.

Millshaw Industrial Estate
Leeds

The sharing of cost and data with tenants will be key to delivering operational excellence and facilitate improvements such as ensuring the optimal usage of space and minimising the scarce use of resources like electricity and water. This will require more specialist real estate resource to drive operational performance, closer management of supply chains and investment in new technologies. Schroders as Manager is increasing investment in these areas and adapting business plans to provide greater levels of flexibility and service, best illustrated by the Elevate concept at City Tower in Manchester, explained in more detail in the case study on page 27.

3

Reinvestment into larger assets offering more sustainable income and total returns

The Company's top ten assets represent 66% of portfolio value and offer strong fundamentals in terms of location and specification, with opportunities to add value through active management. The balance of the portfolio comprises 29 assets, of which 15 are valued at below £5 million.

Whilst these smaller assets provide diversification benefits, the Company's larger assets, often with multiple competing uses, typically offer higher returns from active management due to being multi-let with a range of lease expiries. These assets are more likely to include corporate occupiers demanding higher service levels and sustainability performance, creating more opportunities to improve assets and deliver sustainable earnings growth.

For example, during the financial year the Company sold two office and retail assets for £6.6 million and increased its industrial weighting through two attractively priced acquisitions totalling £36.5 million in the multi-let industrial sector with significant asset management potential. The Company delivered outperformance from its larger multi-let estates by implementing phased refurbishments and new developments. This is reflected in the performance of the Company's industrial assets over the financial year which generated a total return of 14.9%, including the dilutive impact of acquisition costs, compared with the Benchmark's industrial average of 14.2%.

A more active approach to selling smaller, non-core assets on completion of business plans, with proceeds reinvested into larger, more resilient assets in higher growth sectors which offer a high standard of operational and sustainability performance, should deliver more sustainable income and total returns over the long term.

4

Balanced portfolio, specialist capabilities

Looking forward, whilst the industrial portfolio should continue to deliver attractive returns, the divergence in performance between the main sectors is expected to narrow and create opportunities to invest in sectors that are currently out of favour. This should present an opportunity for the Company which, as a diversified strategy, can invest across all parts of the UK market to maximise returns through the cycle. Applying Schroders' sector specialist resources, who have a deep understanding of their respective investment and occupier markets to larger assets has, and should continue to, drive the long-term outperformance of the underlying portfolio.

These four areas highlighted represent an evolution of the current strategy which, whilst remaining income focused, will place greater emphasis on sustainable total returns. This, together with the Company's other strategy objectives, are set out below:

- Deliver a progressive dividend policy together with attractive and sustainable total returns;
- Maintain the long-term track record of outperformance of the underlying portfolio;
- Increase exposure to assets with strong fundamentals in higher growth locations;
- Actively manage the Company and its assets to maximise shareholder returns;
- Provide climate change leadership with ESG fully integrated and relevant to the strategy;
- Evolve the Company's active asset management approach to include a hospitality mindset and operational excellence; and
- Maintain a strong balance sheet.

Investment Manager's Review continued

Real estate portfolio
As at 31 March 2021 the portfolio comprised 39 properties valued at £438.8 million. This includes the Company's share of joint venture properties at City Tower in Manchester (25% share) and Store Street in Bloomsbury, London (50% share).

The portfolio produces an annualised rental income of £28.3 million per annum, reflecting a net initial income yield of 6.0% which compares with the MSCI Benchmark at 4.4%. The portfolio also benefits from fixed contractual annual rental uplifts of £1.8 million over the next 24 months. The independent valuers' estimate that the current rental value of the portfolio is £31.2 million per annum, reflecting a reversionary income yield of 7.1%, which compares with the Benchmark at 5.2%. The Company's void rate is 4.8%, calculated as a percentage on estimated rental value, with a weighted average lease length to the earlier of lease expiry or break of 5.3 years.

The data tables below summarise the portfolio information as at 31 March 2021:

	Weighting (% of portfolio)	
Sector weightings by value	SREIT	Benchmark
South East	11.3	17.9
Industrial Rest of UK	27.5	10.2
Industrial	**38.8**	**28.1**
City	0.0	3.7
Mid-town and West End	9.0	7.2
Rest of South East	6.2	8.7
Office Rest of UK	19.2	7.7
Offices	**34.4**	**27.3**
South East	0.9	7.9
Rest of UK	7.8	4.3
Shopping centres	0.0	3.2
Retail warehouse	11.3	9.2
Retail	**20.0**	**24.6**
Other	**6.8**	**20.0**

	Weighting (% of portfolio)	
Regional weightings by value	SREIT	Benchmark
Central London[1]	9.0	21.1
South East excluding Central London	20.3	33.3
Rest of South	11.8	14.5
Midlands and Wales	23.7	12.4
North	32.6	13.8
Scotland	2.6	4.5
Northern Ireland	0.0	0.2

During the financial year the Company sold two non-core assets for £6.6 million which generated a small profit of £0.1 million, after adjusting for disposal costs.

1 Note Central London is defined by MSCI as City, Mid-Town, West End and Inner London.

The top ten properties, including the share of the joint venture properties at City Tower in Manchester and Store Street in Bloomsbury, are set out below and comprise 66% of the portfolio value:

Top ten properties		Sector	Value (£m)	(% of portfolio)
1	Milton Keynes, Stacey Bushes Industrial Estate	Industrial	46.0	10.5
2	Leeds, Millshaw Industrial Estate	Industrial	41.8	9.5
3	Manchester, City Tower (25% share)	Office/mixed-use	40.2	9.2
4	London, Store Street, Bloomsbury (50% share)	Office	39.4	9.0
5	Bedford, St. John's Retail Park	Retail warehouse	26.6	6.1
6	Leeds, Headingley Central	Mixed-use	24.0	5.5
7	Chippenham, Langley Park Industrial Estate	Industrial	19.8	4.5
8	Norwich, Union Park Industrial Estate	Industrial	18.9	4.3
9	Cheadle, Stanley Green Trading Estate	Industrial	18.0	4.1
10	Uxbridge, 106 Oxford Road	Office	16.0	3.6
	Total as at 31 March 2021		**290.7**	**66.3**

The Company's income is diverse with 299 tenants of which the top 20 tenants represent 41.2% of the portfolio as a percentage of annual rent:

Top 20 tenants		Rent p.a. (£m)	(% of portfolio)
1	University of Law Limited	2.00	7.1
2	Buckinghamshire New University	1.15	4.1
3	Siemens Mobility Limited	0.97	3.4
4	The Secretary of State	0.88	3.1
5	Matalan Retail Limited	0.57	2.0
6	Express Bi-folding Doors Limited	0.53	1.9
7	TJX UK Limited (T/A Homesense)	0.51	1.8
8	Jupiter Hotels Limited (T/A Mercure)	0.46	1.6
9	Premier Inn Hotels Limited	0.42	1.5
10	Lidl	0.42	1.5
11	Geldards LLP	0.41	1.5
12	Schneider Electric Limited	0.41	1.4
13	Wickes Building Supplies Limited	0.40	1.4
14	Sportsdirect.com Retail Limited	0.40	1.4
15	Morgan Sindall Construction & Infrastructure Limited	0.38	1.3
16	Cineworld Cinema Properties Limited	0.37	1.3
17	The Gym Limited	0.36	1.3
18	IXYS UK Limited	0.36	1.3
19	Lloyds Banking Group	0.35	1.2
20	Pilgrim's Pride Limited	0.34	1.2
	Total as at 31 March 2021	**11.69**	**41.2**

Portfolio performance

A high level of asset management has led to continued outperformance of the underlying property portfolio compared with the MSCI Benchmark Index. The table below shows the performance to 31 March 2021 with the portfolio ranked on the 13th percentile of the Benchmark since IPO in 2004:

	SREIT total return p.a. (%)			MSCI/IPD Benchmark Index total return p.a. (%)			Relative p.a. (%)		
Period to 31 March 2021	One year	Three years	Since IPO[1]	One year	Three years	Since IPO	One year	Three years	Since IPO
Office	3.6	5.2	7.8	-0.5	3.0	7.1	4.1	2.2	0.6
Industrial	14.9	14.0	9.9	14.2	11.1	9.0	0.6	2.6	0.8
Retail	-5.1	-5.7	3.8	-6.7	-6.0	3.2	1.7	0.3	0.6
Other	-11.8	-5.0	1.9	-0.6	3.1	7.3	-11.2	-7.9	-5.1
All sectors	**4.6**	**4.6**	**7.2**	**1.8**	**2.2**	**6.0**	**2.8**	**2.4**	**1.1**

1 The Company listed in July 2004.

Investment Manager's Review continued

Portfolio activity

Following a more cautious investment approach during the initial stage of the pandemic, two significant new industrial acquisitions were completed in December 2020 that are summarised below. Over the next 12 to 24 months the Company intends to continue to actively recycle smaller non-core assets into larger assets in growth sectors and regions with strong sustainability credentials.

1

Industrial acquisition

Manchester, Cheadle, Stanley Green Trading Estate

On 17 December 2020 the Company acquired Stanley Green Trading Estate ('the Estate') together with an adjoining development site ('the Site') in Cheadle, South Manchester, for a total consideration of £17.25 million, reflecting a blended net initial yield of 5.2%. As at 31 March 2021 the asset is independently valued at £18 million.

Asset overview

The freehold Estate and Site are located in a prime South Manchester location at the junction of the A34 and the A555 which is the recently upgraded Manchester Airport Eastern Link Road (Ringway Road). This provides a direct link to Manchester city centre, Manchester Airport, and the M60 orbital motorway. The local road network also connects to affluent suburbs such as Cheadle, Bramhall, Wilmslow and Alderley Edge. The Estate is located close to established major grocery stores and retail parks.

The Estate comprises approximately 150,000 sq ft of warehouse accommodation across 14 units on a nine-acre site and is fully let to 13 tenants generating a total contracted rent of £960,000 per annum or an average rent of £6.55 per sq ft. The estimated market rental value ('ERV') is approximately £1.1 million per annum. The average unexpired lease term, assuming all tenant breaks are exercised, is three years. 100% of the rent due during the financial year has been collected, reflecting the resilience of the occupier base. The apportioned price for the Estate of £14.4 million reflected a net initial yield of 6.3% and a reversionary yield, based on the acquisition ERV, of 7.1%.

The Estate has a strong tenant line-up of local, regional and national trade occupiers including Apex Self Storage Limited (19% of rental income), Howden Joinery Properties Limited (9.4% of rental income), Screwfix Direct Limited (7.3% of rental income) and Toolstation Limited (7.1% of rental income).

The site comprises a 3.4-acre, regular-shaped and serviced plot which is currently non-income producing. The apportioned site price was £2.85 million. The site has a historic planning consent for 48,000 sq ft of trade counter and warehouse space and is allocated for industrial development in the local development plan.

Asset strategy

The strategy identified on acquisition for the existing Estate was to work closely with the occupiers to align their occupation with various estate management improvements. The strategy for the site is to obtain an improved planning consent and develop a high-quality trade centre and warehouse units during 2021.

Key activity

- Submitted a planning application for a reconfigured, 85,000 sq ft operational Net Zero Carbon ('NZC') warehouse scheme with a decision expected in July 2021. This will be the first operational NZC in the North West.
- Scheme fully designed and tendered with estimated construction costs of approximately £8 million.
- Subject to planning consent being achieved, the intention is to start on-site in the summer and deliver a completed scheme during mid-2022.
- Target rent for the new scheme of approximately £950,000 per annum with marketing to commence for pre-lets once work starts on-site. This could generate an attractive yield on cost, including the apportioned site price, of approximately 7.5%.
- Progressing re-gear discussions on the existing Estate which may lead to phased refurbishments to deliver higher rents.

2

Industrial acquisition
Chippenham, Langley Park Industrial Estate

On 18 December 2020 the Company acquired Langley Park Industrial Estate in Chippenham for £19.25 million, reflecting an attractive net initial yield of 8.2%. As at 31 March 2021 the asset is independently valued at £19.75 million.

Asset overview

The asset is located in Chippenham town centre close to the railway station and four miles south of junction 17 of the M4 motorway. It is near to the cities of Bristol and Bath and serves both metropolitan areas. The estate comprises approximately 400,000 sq ft of warehouse and ancillary office accommodation on a 28-acre site, equating to a low site cover of approximately 30%. Langley Park is let to five tenants generating a total net rent of £1.68 million per annum or an average rent of £4.21 per sq ft. 100% of the rent due during the Covid-19 pandemic has been collected. The estimated market rental value is approximately £1.8 million per annum. The average unexpired lease term, assuming all tenant breaks are exercised, is four years.

The largest tenant is Siemens Mobility Limited, representing 53% of the rental income, which employs approximately 800 people at the site. Langley Park is the global headquarters for Siemens Mobility who, through corporate acquisitions, have occupied the site for over 85 years as a facility for manufacturing and servicing rail technology and traffic systems. Siemens pays a net rent of £965,000 per annum with a lease expiry in June 2026. Other tenants include a UK subsidiary of Littelfuse Inc., a global manufacturer of power systems for the transport industry (20% of rental income), Schneider Electric Limited (11% of rental income) and NHS Property Services Limited (8% of rental income).

Asset strategy

The strategy identified on acquisition was to work closely with the occupiers to align their occupation with various estate management improvements. The current low site density also supported the creation of new accommodation. Longer term, it was considered that several large-scale infrastructure and related investments in Chippenham, including rail improvements and additional housing allocations, should support alternative use values and improve the desirability of the surrounding area.

Key activity

- Targeting lease re-gear opportunities to rationalise investment and improvements to the existing quality of accommodation.
- Ongoing discussions with Siemens and Littelfuse regarding lease re-gears in return for carrying out building and energy efficiency improvements.
- Carrying out initial viability studies of development options to increase massing and potentially provide a small unit warehouse scheme. Part of the site could also be reconfigured for alternative uses.
- Exploring the installation of additional photo-voltaic ('PV') panels and electric vehicle charging points to enhance the overall quality of the estate from a sustainability perspective.

Investment Manager's Review continued

Portfolio activity continued

3

Industrial
Leeds, Millshaw Industrial Estate

Asset strategy
The strategy over the year was to refurbish units to drive a higher rental income return and explore the potential for acquiring adjoining interests and change of use over the longer term.

Asset overview and performance
463,400 sq ft multi-let industrial estate in a prominent location comprising 27 units strategically located south of Leeds city centre close to the M62 and M621 motorways. The estate is the largest, single-owned industrial estate in Leeds with a range of unit sizes from 2,000 to 50,000 sq ft and a low site cover of only 37%. As at 31 March 2021, the asset was valued at £41.8 million, reflecting a net initial income yield of 5.1% and a reversionary yield of 5.5%. During the year to 31 March 2021, the property delivered a 24.5% total return comprising an income return of 5.7% and capital growth of 17.9%.

Key activity
- Reletting of the refurbished units to set a higher rental tone has boosted returns and ensured Millshaw remains the dominant multi-let industrial estate in Leeds.
- Eight leasing transactions completed since March 2020 at rents up to £7 per sq ft, which compares with the average rent and rental value as at March 2021 of £4.92 per sq ft ('psf') and £5.25 psf respectively. This contributed to strong rental growth of 18.7% over the financial year which compared with the MSCI Benchmark industrial average of 9.6%.
- 34,446 sq ft unit under refurbishment and being marketed. There is strong interest and targeting a rent of £207,000 per annum which compares with the March 2021 rental value of £155,000 per annum.
- LED lighting has been incorporated into refurbishments and there is potential to increase the number of EV charging points across the estate.

4

Office
50% share
London, University of Law

Asset strategy
The strategy over the year was to agree the outstanding rent review from December 2019 and develop a feasibility study for a future redevelopment.

Asset overview and performance
86,000 sq ft of educational space across two freehold buildings that are let to The University of Law on a lease expiring December 2026. The buildings are located in an area of Central London benefiting from Crossrail and surrounding developments at Tottenham Court Road, as well as public realm improvements as part of the West End Project. As at 31 March 2021, the Company's share of the asset was valued at £39.4 million, reflecting a net initial income yield of 4.4% and a reversionary yield of 4.7%. During the year to 31 March 2021, the property delivered an 11.6% total return comprising an income return of 4.8% and capital growth of 6.5%.

Key activity
- The rent review with the University of Law completed at a new rent of £1.85 million per annum or £42 per sq ft delivering a £415,500 or 30% increase (the Company's 50% share); and
- The feasibility study also commenced with the appointment of a design team. There is also continued engagement with the adjoining building owners to explore the opportunities for a wider site assembly.

5

Office and Mixed-Use
25% share
Manchester, City Tower

Asset strategy
The office strategy over the year was to refurbish and re-let vacant office space on conventional leases as well as explore a more flexible, hybrid leasing strategy. The retail, hotel and leisure strategy remains focused on repositioning the ground floor space to attract more complementary operators.

Asset overview and performance
City Tower comprises a 610,000 sq ft mixed-use office, convenience retail and hotel asset on a three-acre site in Manchester city centre. As at 31 March 2021, the Company's share of the asset was valued at £40.2 million, reflecting a net initial income yield of 5.5% and a reversionary yield of 7.0%. During the year to 31 March 2021 the property delivered a 2.8% total return, comprising an income return of 5.9% and capital growth of -2.9%.

Key activity
- Launch of Elevate, a Schroder-managed 'plug-and-play' flexible office strategy, which includes a tenant lounge, event space and meeting rooms on the 28th floor. The first phase of Elevate has been completed with 12,400 sq ft delivered and 8,400 sq ft let or under offer.
- Ground floor retail line-up being improved to provide mix of leisure and retail operators more suited to the current office tenant requirements.
- Negotiations underway with Jupiter Hotels for a lease extension which may support a refurbishment programme and hotel rebrand. A lease extension could involve Jupiter taking additional space on the ground floor for a new reception and the basement to create a new wellness facility.
- As the largest energy consuming asset in the Company's portfolio, sustainability objectives are focused on identifying ways to save energy. This is done by ensuring refurbishment works fully incorporate energy saving technologies, continued engagement with tenants and ongoing upgrade of energy metering infrastructure.
- Tenants are encouraged to travel in a green and active way. A new cycle facility was recently opened which provides upgraded cycle storage, showers and changing facilities.
- City Tower achieved a Building Research Establishment Environmental Assessment Methodology ('BREEAM') In-Use certification of Good for Part 2 Building Management and is rated WiredScore Platinum.

6

Retail Warehouse
Bedford, St. John's Retail Park

Asset strategy
The strategy over the year was to improve the retailer mix and to negotiate new longer leases in order to preserve the rental income and manage void risk. A key element of the continuing strategy was to work with existing tenants to minimise the impact of Covid-19 and to ensure continued income generation.

Asset overview and performance
St. John's Retail Park comprises a 130,000 sq ft retail warehouse park 1.5 miles from the town centre underpinned by income from strong covenants including Lidl, Home Bargains, Costa and TK Maxx. As at 31 March 2021, the asset was valued at £26.6 million, reflecting a net initial income yield of 5.1% and a reversionary yield of 6.6%. During the year to 31 March 2021, the property delivered a -3.7% total return comprising an income return of 5.3% and capital growth of -8.5%.

Key activity
- Completed new 15-year leases with Lidl (£335,000 per annum/£15.50 per sq ft) and Home Bargains (£190,000 per annum or £13.62 per sq ft) in September 2020. Sustainability factors were included in the Landlord's shell works for these tenants' units.
- Simultaneously surrendered the Majestic Wine lease and completed a new ten-year letting to Easy Bathrooms at the existing passing rent of £64,200 per annum or £22.00 per sq ft.

Investment Manager's Review continued

Sustainability and Responsible Investment
Sustainability and responsible investment are integral to Schroder Real Estate Investment Management's investment process. We believe that by understanding, managing and measuring the impact of Environmental, Social and Governance ('ESG') considerations, we will deliver enhanced long-term returns for shareholders as well as deliver a positive impact to the environment and the communities where the Company is investing.

In November 2020, the Company issued a Sustainability Guide which sets out how sustainability considerations, risks and opportunities are integrated within the investment process. This was followed in December 2020 by Schroders publishing its own 'Pathway to Net Zero Carbon' by 2050.

Good progress has been made during the financial year with the Company achieving a three star rating in the GRESB sustainability survey, which placed it top in its GRESB peer group of UK Diversified Listed Companies. The Company also achieved a GRESB Public Disclosure A Rating and the EPRA Best Practice Sustainability Reporting Gold Award for the third consecutive year.

The Board and Manager have agreed updated sustainability objectives for the Company during the current financial year, which are set out in the table opposite. These are summarised below together with the strategy for delivering the objectives and details of how performance will be monitored.

Objective	Management Strategy	Initial Reporting Metrics
Governance and Oversight	The Manager's process includes oversight on sustainability by its Investment Committee and Group Investment Risk Committee. The Board reviews the objectives and progress of the sustainability programme at least annually. This includes maintaining good health & safety and managing compliance with regulations.	– Manager's Investment Risk Report – Annual Report – Number of assets where health & safety impacts assessed/reviewed/improved – Number of incidents of non-compliance with regulations and/or voluntary codes identified – Compliance assurance from property managers at building level
Net zero Carbon ('NZC')	Determine portfolio alignment with NZC and Paris Agreement to limit climate change to 1.5C. Asset analysis to determine energy/carbon targets and offsetting. Determine new energy and carbon targets to 2022, 2025 and 2030 through Impact and Sustainability Action Plans ('ISAPs') for buildings to assess understanding of improvement and opportunities and Net Zero analysis to enable target setting. Improve collaboration with occupiers to support whole building performance. Assess 'whole life carbon' on major projects. Use Schroders Refurbishment and Development brief on projects to set and manage ambitions. Use NABERS UK Design for Performance to support improved operational in-use outcomes. Procure 100% landlord-controlled electricity on certified green tariffs by 2022 (December 2020 at 97%). Assess potential for on-site renewable energy generation. Purchase independently verified offsets that align with best practice industry guidance. Reduce the use of offsets to zero over appropriate time frame.	– % of assets under management Paris Aligned – Energy and carbon targets set for assets and portfolio – Investment in energy efficiency initiatives – Energy intensity (kWh/m²/yr) – Carbon intensity (CO_2e/m²/yr) – % of occupied occupier space with green lease clauses (by floor area) – % of occupied occupier space with data – kgCO_2e/m²/year modelled during design – kWh/m²/year modelled during design – kgCO_2e/m²/year achieved during early operation – kWh/m²/year achieved during early operation – % kWh landlord-procured electricity from green tariff – kWh on-site renewable energy generated – tCO_2e offset – £ or €/tCO_2e unit cost per offset

Objective	Management Strategy	Initial Reporting Metrics
Third-Party Verification	GRESB – Continue to target opportunities to improve the GRESB score year on year. Data assurance – Continue to obtain third-party assurance of sustainability data in line with the independent assurance process. Asset certification – Obtain third-party certification to validate Net Zero Carbon or related energy/ carbon efficiency claims or health and wellbeing. EPRA reporting – Maintain EPRA Gold Sustainability Best Practice Reporting Award. SDG alignment – Integrate into annual reporting for 2022 by mapping social and environmental contributions to the Schroder Real Estate Investment Management Limited ('SREIM') Pillars of Impact and UN SDGs and set targets for improvement.	– GRESB star rating and % score achieved – % data assured – % portfolio certified through third-party scheme – EPRA Gold Award – Annual report SDG aligned
Climate Risk and TCFD	Determine a climate risk profile, adaptation strategy and reporting in line with TCFD through asset and portfolio scenario analysis.	– Portfolio climate risk profile
Operational excellence	Set standards for operational excellence for managed assets incorporating the hospitality mindset in our strategy at each asset. Improve BREEAM In-Use ('BIU') certification across the portfolio to support improvement across nine aspects: Management, Health and Wellbeing, Energy, Transport, Water Resources, Resilience, Land Use and Ecology and Pollution. Improve the EPC profile of the portfolio through asset management including refurbishment. Potential to adopt NABERS Energy for Offices which rates base building actual energy efficiency. Assess the approach to monitor indoor environment quality ('IEQ') and set a new standard. Promote and facilitate our occupiers' use of bicycles, buses and electric vehicles as transport methods to our assets. Minimise water demand in line with best practice industry benchmarks. Provide dedicated space for waste/ recycling segregation and storage. Integrate biophilic design into assets.	– Net Promoter Score – Occupier satisfaction surveys – % assets with BIU certification – % assets with Good/Very Good/ Excellent ratings – % assets with EPCs – % assets with A to E ratings – % assets where IEQ assessed – % assets with good bicycle provisions (storage, repair stations, electric charging) – % assets with electric vehicle charging – % assets with green travel plan – Water consumed by assets managed by the Company m^3 per year – Tonnes waste produced per year – % waste recycled per year – % of schemes with waste management plans – % of schemes with waste storage and separation site – % of schemes with green space available to occupiers, on-site and in close proximity

Investment Manager's Review continued

Stanley Green
Cheadle

Finance

The Company has two loan facilities, a £129.6 million term loan with Canada Life and a £52.5 million revolving credit facility ('RCF') with Royal Bank of Scotland International ('RBSI'), of which £24.5 million was drawn at 31 March 2021. In addition to the properties secured against the Canada Life and RBSI loan facilities, the Company has unsecured properties with a value of £39.4 million and cash at 31 March 2021 of £12.2 million. This results in a Loan to Value ratio, net of cash, of 32.3% at an average interest cost of 2.4%, and a long weighted maturity profile of 13 years.

£129.6 million term loan with Canada Life

The loan is fully compliant with all covenants as summarised below:

Lender	Loan (£m)	Maturity	Total interest rate (%)	Asset value (£m)	Loan to Value ('LTV') ratio[1] (%)	LTV ratio covenant (%)	Interest cover ratio ('ICR') (%)[2]	ICR ratio covenant (%)	Projected interest cover ratio (%)[3]	Projected ICR ratio covenant (%)
Canada Life	129.6	50%: 15/10/2032 50%: 15/10/2039	2.5[4]	273.6	47.4 (47.4 net of cash in facility)	65	562	185	423	185

The Company has significant headroom with its LTV and ICR covenants summarised below:

- The net LTV on the secured assets against this loan is 47.4%. On this basis the properties charged to Canada Life could fall in value by 27% prior to the 65% LTV covenant being reached.
- The interest cover ratio is 562% based on actual net rents for the quarter to March 2021. A 67% fall in net income could be sustained prior to the loan covenant of 185% being breached.
- After utilising available cash and uncharged properties, the valuation and actual net rents could fall by 42% and 74% respectively prior to either the LTV or interest cover ratio covenants being breached.

£52.5 million RCF with RBSI

The RCF is an efficient source of funding that can be repaid and redrawn as often as required. At 31 March 2021, £24.5 million was drawn of the £52.5 million RCF. The loan is fully compliant with its covenants as summarised below:

Lender	Loan (£m)	Maturity	Total interest rate (%)	Asset value (£m)	LTV ratio[5] (%)	LTV ratio covenant (%)	Interest cover ratio ('ICR') (%)[6]	ICR ratio covenant (%)	Projected interest cover ratio (%)[7]	Projected ICR ratio covenant (%)
RBS RCF	24.5[8]	03/07/2023	1.7[9]	125.9	19.5	65[10]	1,151	185	864	250

The Company has significant headroom within its LTV and ICR covenants. This is summarised below:

- The net LTV on the secured assets against this loan is 19.5%. On this basis the properties charged to RBSI could fall in value by 70% prior to the 65% LTV covenant being reached.
- The interest cover ratio is 1,151% based on actual net rents for the quarter to March 2021. A 78% fall in net income could be sustained prior to the loan covenant of 185% being breached.

Outlook

Whilst uncertainty relating to the pandemic will continue, the efficient vaccine programme in the UK should lead to the economy successfully reopening during 2021. This should lead to a surge in consumer spending and business investment which will support a strong economic recovery. Whilst inflationary pressures are building, fiscal and monetary policy should support real asset prices and we expect average real estate values to continue their current trajectory and increase over the current financial year.

Other trends include real estate becoming increasingly operational, with technology arguably increasing a building's physical life whilst limiting its economic life. This could increase obsolescence and therefore favour buildings in mixed-use, densely populated urban areas that can be adapted to new technologies and changing occupier trends. Occupiers will also require more personalised service levels and increased engagement with landlords so that both can deliver their sustainability objectives. The Manager is seeking to further position the Company's portfolio to benefit from these trends.

Performance between the main sectors is likely to remain polarised over the short term, with industrial expected to be the best performing of the three main sectors and retail the weakest. However, the divergence will narrow. Regional offices are benefiting from a phased return to work and government policy seeking to address imbalances through the levelling up agenda. There is also a nascent recovery in more resilient parts of the retail market, most notably retail warehousing. The Company is therefore well positioned in this context and further recycling of smaller properties into larger, mixed-use assets in Winning Cities and Regions will further support the resilience of the portfolio.

Nick Montgomery
Fund Manager
Schroder Real Estate Investment Management Limited
1 June 2021

1. Loan balance divided by property value as at 31 March 2021.
2. For the quarter preceding the Interest Payment Date ('IPD'), ((rental income received – void rates, void service charge and void insurance)/interest paid).
3. The projected ICR covenant for contracted rent for the four quarters following the IPD deducting assumed non-recoverable costs (void rates, void service charge and void insurance)/interest paid) based on average of the past four quarters.
4. Fixed total interest rate for the loan term.
5. Loan balance divided by property value as at 31 March 2021.
6. For the quarter preceding the IPD, ((rental income received – void rates, void service charge and void insurance)/interest paid).
7. The projected ICR covenant for contracted rent for the four quarters following the IPD deducting assumed non-recoverable costs (void rates, void service charge and void insurance)/interest paid) based on average of the past four quarters.
8. Facility drawn at 31 March 2021 from a total available facility of £52.5 million.
9. Total interest rate as at 31 March 2021 comprising three months LIBOR of 0.09% and the margin of 1.6% at an LTV below 60% and a margin of 1.90% above 60% LTV.
10. This covenant drops to 60% after year three of the five-year term.

Sustainability Report

The Investment Manager has evolved its investment philosophy to incorporate 'positive impact' investing

The Board and the Investment Manager believe that corporate social responsibility is key to long-term future business success and that a successful sustainable investment programme should deliver enhanced returns to investors, improved business performance to tenants and tangible positive impacts to local communities, the environment and wider society.

The importance of environmental and social changes are investment factors that the Board and Investment Manager must understand to protect Company assets from depreciation and optimise the portfolio's value potential.

Offering occupiers resource-efficient and flexible space is critical to ensure our investments are fit for purpose and sustain their value over the long term. As a landlord, we have the opportunity to help reduce running costs for our occupiers, increase employee productivity and wellbeing, and contribute to the prosperity of a location through building design and public realm. Ignoring these issues when considering asset management and investments would risk the erosion of income and value as well as missing opportunities to enhance investment returns.

Through its construction, use and demolition, the built environment accounts for more than one-third of global energy use and is the single largest source of greenhouse gas emissions in many countries.

The industry's potential to cost-efficiently reduce emissions and the consumption of depleting resources, combined with the political imperative to tackle issues such as climate change, means the property sector will remain a prime target for policy action. This presents new challenges and opportunities for the real estate industry with profound implications for both owners and occupiers.

The national lockdowns have had a direct impact on energy use and greenhouse gas ('GHG') emissions, water consumption and waste performance, and has resulted in significant reductions. Therefore 2020 environmental performance should be evaluated in the context of the pandemic.

The Investment Manager has evolved its investment philosophy to incorporate 'positive impact' investing, which aims to proactively take action to improve social and environment outcomes. Its four pillars of impact are referenced to the UN Sustainable Development Goals and used to consider impacts for funds and assets.

A good investment strategy must incorporate environmental, social and governance factors alongside traditional economic considerations. The Board and the Investment Manager believe a complete approach should be rewarded by improved investment decisions and performance.

Further information on the Investment 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/

Environmental Management System

The Investment Manager operates an Environmental Management System ('EMS'), which in January 2021 achieved external certification in accordance with ISO 14001 for the asset management of direct real estate investments in the UK and across Europe.

The EMS provides the framework for how sustainability principles (environmental and social) are managed throughout all stages of its investment process including acquisition due diligence, asset management, property management provided by third parties, refurbishments and developments.

The Investment Manager reviews its Sustainability Policy annually and which is approved by the Investment Committee. Key aspects of the Policy and its objectives, and progress during 2020, as well as objectives and targets for the year ahead, are set out below.

Schroders' investment management process requires annual fund strategy statements and business plans to include sustainability considerations and an Impact and Sustainability Action Plan to be prepared for all acquisitions.

Property Manager Sustainability Requirements

Property managers play an integral role in supporting the sustainability programme. The Investment Manager has established a set of Sustainability Requirements for property managers to adhere to in the course of delivering their property management services. This includes a set of key performance indicators ('KPIs') to help improve the property manager's sustainability-related services to the Company and which are assessed on a six-monthly and annual basis.

The Investment Manager is pleased to report that MAPP, its principal property manager, performed well against the targets set for both the six-monthly and annual indicators.

Objectives and Targets

Net zero Carbon

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.

The Investment Manager's 'Pathway to Net Zero Carbon' includes a commitment to Net Zero Carbon by 2050 or sooner, in line with the Paris Agreement – to pursue efforts to limit global warming to 1.5°C. The Pathway involves beginning to set new energy and carbon targets during 2021 to include interim milestones, and to replace existing targets which come to an end in March 2021. The pathway will evolve over time as the Investment Manager and the wider industry develop their understanding of how to address the carbon impact of real estate activities and as regulatory initiatives develop. It is widely expected that policy requirements will become more stringent and society will increasingly demand all market participants to actively demonstrate their carbon responsibility to support the delivery of a low carbon society.

Schroders plc, in recognition of the importance of climate change and its responsibilities as a global asset manager, became a founding member of the Net Zero Asset Managers Initiative in December 2020. The initiative commits us to working with asset owner clients, setting and regularly reviewing targets for assets aligned with and ultimately achieving the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C.

Impact assessment

The Investment Manager evolved its investment philosophy to incorporate 'positive impact' investing, with the aim to proactively take action to improve social and environmental outcomes, and established four pillars of impact: people, place, planet and prosperity with key performance indicators for each pillar. The pillars are referenced to the UN Sustainable Development Goals: 8 Decent work and Economic Growth, 11 Sustainable Cities and Communities and 13 Climate Action.

The Investment Manager has developed an impact measurement framework to assess impacts within portfolios. This framework supports analysis of social aspects for which examples include tenant satisfaction, selection of suppliers, enhancements to amenities at and around buildings and community support and involvement together with environmental aspects – for example, energy reduction and use of renewables. This initial baselining exercise was completed in 2020 and the results were reviewed to identify risks and opportunities in order to set improvement targets for the Company. Progress against these targets will be reviewed in 2021.

Energy and Greenhouse Gas Emissions

Active management of energy consumption and greenhouse gas emissions is a key component of responsible asset and building management. Improving energy efficiency and reducing energy consumption 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. Therefore, where the landlord retains operational control responsibilities, the Investment Manager monitors the Company's energy usage and efficiency on a quarterly basis.

The Investment Manager has an energy and greenhouse gas emissions performance reduction target to achieve an 18% reduction in landlord-controlled energy consumption by 2020/21 (2015/16 baseline) across all UK-managed assets. This is accompanied by a target of a 32% reduction in landlord-controlled greenhouse gas ('GHG') emissions by 2020/21 (2015/16 baseline); this target is inclusive of decarbonisation of the UK electricity grid over recent years.

In support of achieving these targets and improving the efficiency of the portfolio, the Investment Manager has continued to work with sustainability consultants Evora Global and property manager MAPP to identify and deliver energy and greenhouse gas emissions' reductions on a cost-effective basis. The programme involves reviewing all managed assets within the Company and identifying and implementing improvement initiatives, where viable.

The Investment Manager can report for the 2020 calendar year for the managed assets held within the Company a reduction in landlord-procured energy consumption of 20% on a like-for-like basis. This translates to a Scope 1 and Scope 2 GHG emissions reduction of 26% on a like-for-like basis. Please note, changes in occupancy and building operations during the Covid-19 period will have had an impact on performance and so the 2020 reporting year is not directly comparable to 2019. Energy performance improvement initiatives continued to be considered across the portfolio. Initiatives undertaken during the reporting year include replacement and upgrades to boilers and hot water systems, wall and roof insulation upgrades, upgrades to Automatic Meter Readers for improved energy monitoring, LED lighting upgrades and the installation of lighting and ventilation occupancy sensors.

For detailed energy performance data covering the reporting period and the prior year, please see the EPRA Sustainability Reporting Performance Measures.

Net Zero Carbon is a natural next step to our energy and carbon programme. The Investment Manager's targets expired in March 2021 and new energy and carbon targets will be set for the Company in the context of Net Zero Carbon.

The Investment Manager also has an objective to procure 100% renewable electricity for landlord-controlled supplies by 2025. At December 2020, 97% of the Company's landlord-controlled electricity was on renewable tariffs.

Energy Performance Certificates ('EPCs') for the portfolio are regularly reviewed for alignment with the 2015 Minimum Energy Efficiency Standards (England and Wales) legislation. The Investment Manager is actively managing the potential risk of this legislation to the portfolio. 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

Sustainability Report continued

1 April 2023. The EPC profile for the portfolio is set out within the EPRA Sustainability Reporting Performance Measures.

Water
Fresh water is a finite resource of increasing importance for the environment and society and reductions in consumption can deliver operational cost efficiencies. The Investment Manager monitors water consumption where the landlord has supply responsibilities and encourages active management of asset-level consumption. Where the Company had such responsibilities, a 28% reduction in like-for-like water consumption is reported for the calendar year 2020 compared to the calendar year 2019. Please note, changes in occupancy and building operations during the Covid-19 period will have had an impact on performance and so the 2020 reporting year is not directly comparable to 2019.

Waste
Effective waste management decreases pollution and resource consumption, as well as improving operational efficiency and associated costs. To this end, waste should be minimised and disposal should be as sustainable as possible. The Investment Manager therefore has set an objective to send zero waste directly to landfill and to achieve optimal recycling. During 2020 the Company sent zero waste directly to landfill, 53% of waste was recycled and 47% was incinerated with energy recovery. Please note, changes in occupancy and building operations during the Covid-19 period will have had an impact on performance and so the 2020 reporting year is not directly comparable to 2019.

Improvements, Refurbishments and Green Building Certifications
The Investment Manager seeks to deliver developments and refurbishments to sustainable standards and deliver good performance against building certifications, including EPCs and BREEAM (the Building Research Establishment Environmental Assessment Methodology: an environmental assessment method and rating system for buildings). Standards required are set for each project in context for the asset and the Investment Manager's guiding principles.

BREEAM In-Use
BREEAM In-Use is a performance-based assessment method for the certification of existing buildings. BREEAM In-Use helps assess operational performance against nine categories: Management; Health & Wellbeing; Energy; Transport; Water; Resources; Resilience; Land Use and Ecology; and Pollution. The framework supports the overall sustainability programme for the Company with improvement actions integrated into the responsibilities of the Investment Manager and property managers.

During 2020, the Investment Manager commissioned two BREEAM In-Use assessments for the Company.

Health, wellbeing and productivity
The real estate industry has a good appreciation of the importance of the built environment on human health and wellbeing. There has been considerable development in understanding on what building aspects matter as well as how certification schemes, including the Well Building

Headingley Central
Leeds

and Fitwel Certifications, can support landlords and tenants to address these. The Investment Manger has developed a Health and Wellbeing Framework to identify improvements across managed assets and within refurbishments and developments. This framework is being applied to the Company assets with improvements incorporated into property management plans.

Stakeholder Engagement and Community
The Investment Manager seeks active engagement with tenants to ensure a good occupational experience to help retain and attract tenants. As the day-to-day relationship is with the Property Manager, the Property Manager Sustainability Requirements include a key performance indicator on tenant engagement. Tenant engagement initiatives undertaken by the Property Manager include incorporating sustainability as an agenda item during tenant meetings and where a tenant handbook exists include information on sustainability. At City Tower, Manchester the Property Manager held an Environmental Awareness Week to address and engage with tenants on issues such as waste management, sustainable transport, fair trade products and clothes recycling and hosted an International Women's Day breakfast event with a guest speaker. At City Tower, the property manager has also rolled out the interactive occupier and community engagement platform 'Locale' to help deliver a best-in-class customer experience.

SREIM believes in the importance of understanding a building's relationship with the community and its contribution to the wellbeing of society. Positively impacting on 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. SREIM looks to understand and develop the community relationship to ensure investments provide sustainable social solutions for the long term.

Sustainability in Action (Case Studies)

The Promenade, Cheltenham
The Promenade is a 32,500 sq ft multi-let office located in a prime location in Cheltenham town centre. Understanding the needs and expectations of existing and prospective tenants is essential to maintaining occupiers and attracting higher rental levels. A comprehensive review focusing on sustainability credentials has been undertaken.

The review included building efficiencies in terms of electricity and water usage, ventilation and tenant facilities. Identified improvements have been implemented including:

- **Promoting green behaviours:** new shower facilities to promote green and active travel.
- **Energy efficiency:** The decommissioning of two existing large floor standing boilers which were oversized for the requirement and downsizing to correctly sized efficient boilers and point-of-use solutions. Replacements and upgrades to the boiler and hot water systems are estimated to produce savings in excess of 25% on energy consumption. In addition, passive infrared sensors ('PIR') for lighting and ventilation and new LED fittings are being installed throughout the toilet areas and to the new showers to reduce electricity consumption.
- **Water efficiency:** non-concussive basin taps, dual toilet flushing systems, solenoid water shut-off values and PIR sensor urinals with flushing linked to usage to increase water usage efficiency.
- **Disability facilities:** revamped disabled access WC to improve the facilities and accessibility. We continue to develop our understanding of the tenants' sustainability experience to further improve the efficiency of the building and sustainability credentials.

Headingley Central, Leeds
Headingley Central is a 125,000 sq ft multi-let hotel, retail, leisure and office property located in a densely populated suburb of Leeds. Sustainability and impact reviews form a key part of major capital expenditure projects. At Headingley Central, 24,000 sq ft of office accommodation was converted into a shell and core configuration suited to use by a gym operator, providing additional amenity to the local community and complementary to the other occupiers on-site including retail, restaurants, office and hotel uses.

This project incorporated various works to enhance the sustainability of the unit and neighbouring parts of the property. These included:

- Energy efficiency: Insulation to thermal elements, including the external walls and roof, was upgraded to a level that surpassed the requirements of current building regulations. Where replaced, external lighting comprise sensor controlled LED fixtures.
- Recycling: During the removal of the previous tenant's fit-out by the landlord, a deliberate focus was maintained on correctly segregating materials for recycling, to minimise waste sent to landfill.
- Water efficiency: The works provided an opportunity in which inefficient water pumps serving the adjoining office accommodation were replaced with modern, lower consumption units.
- Repurposing and ethically sourcing: Where possible, components, such as timber joists, were repurposed for use on-site and all new timber specified was PEFC labelled, to help ensure sourcing from environmentally well managed forests.
- Promoting green behaviours: A dozen electric vehicle charging points have been introduced to the outdoor car park.

We continue to review sustainability and impact initiatives across major capital expenditure projects to ensure the assets are performing to their best ability and to identify any gaps where further progress on sustainability credentials could be made.

Sustainability Report continued

Compliance with Legislation

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.

Streamlined Energy and Carbon Reporting ('SECR')

An Energy and Carbon Report for the Company, aligned with the UK Streamlined Energy and Carbon Reporting regulations, is included on page 94.

Energy Savings Opportunity Scheme

The Company did not qualify for participation in the 2015 Phase 1 of the Energy Savings Opportunity Scheme and did not fall within scope of the Scheme's 2019 Phase 2 requirements.

Industry Initiatives

EPRA Sustainability Reporting Performance Measures

The Company Report includes environmental performance indicator data for the portfolio. The disclosures are aligned with EPRA Best Practices Recommendations on Sustainability Reporting 2017 and are included in the Company EPRA Performance Measures report. The Company was awarded an EPRA Gold Award for Sustainability Reporting in 2020, for the third consecutive year.

Sustainability Assurance Statement

Schroders' sustainability consultants, Evora Global, have prepared an Assurance Statement in relation to the sustainability matters reported in this Annual Report. The full statement can be found on the following link; please see the Sustainability page for full assurance statement: https://www.schroders.com/en/uk/adviser/fund-centre/funds-in-focus/investment-trusts/schroders-investment-trusts/schroder-real-estate-investment-trust/sustainability/.

Global Real Estate Sustainability Benchmark ('GRESB')

The Investment Manager has participated in GRESB, the dominant global standard for assessing ESG performance for real estate funds and companies, since 2011. Through its annual questionnaire, GRESB evaluates the sustainability performance of reporting entities against seven sustainability aspects and contains approximately 50 indicators.

The Company has participated in GRESB for the past five years. In 2020 the Company achieved a score of 71 (out of 100), came first in its peer group (1st out of 9), secured a 3-star status (out of 5 stars) and maintained its Green Star rating. A Green Star rating is achieved where the scores for the two components of Management and Performance both score higher than 50% of the points allocated to each component.

The Investment Manager intends to participate in the survey on behalf of the Company in 2021 with the objective of continual improvement to its score, as well as retaining its Green Star rating.

The Investment Manager continues to work with third-party Property Management providers to improve sustainability performance across all assets.

UNPRI (United Nations Principles for Responsible Investment)
Schroders plc has been a signatory to UNPRI since 2007 and intends to remain an active and engaged member for the PRI and to meet its ongoing membership commitments. Schroders achieved the highest possible ESG score of A+ in 2020, for the sixth year running, for its overarching ESG approach from the Principles for Responsible Investment. Schroders has completed the Direct Property Segment for four years achieving an A rating in all four years. Schroders' public UNPRI Transparency Report is available here:
https://www.unpri.org/signatory-directory/schroders/1746.article.

Industry Participation
Schroders supports, and collaborates with, several industry groups, organisations and initiatives including the United Nations Global Compact and Net Zero Asset Managers Initiative (of which it is a founding member). Further details of Schroders' industry involvement are listed at pages 44 to 47 of Schroders 2020 Annual Sustainable Investment Report:
(https://publications.schroders.com/view/1010922180/44/).

Langley Park
Chippenham

The Investment 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 GRESB.

Employee Policies and Corporate Responsibility

Employees
The Company is an externally managed real estate investment trust and has no direct employees. The Investment Manager is part of Schroders plc, which has responsibility for the employees that support the Company. 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/working-here/our-people/.

Corporate Responsibility
Schroders' commitment to corporate responsibility is to ensure that its commitment to act responsibly, support clients, deliver value to shareholders and make a wider contribution to society is embedded across its business in all that it does.

Full information about Schroder's corporate responsibility approach including its economic contribution, environmental impacts and community involvement, can be found here:
https://www.schroders.com/en/sustainability/corporate-responsibility/.

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

SREIM, the Investment Manager to the Company, is part of Schroders plc, whose statement on Slavery and Human Trafficking has been published in accordance with the Modern Slavery Act 2015 (the 'Act'). It sets out the steps that Schroders plc and other relevant group companies ('Schroders' or the 'Group') have made during 2020 and plans for 2021 to prevent any form of modern slavery and human trafficking from taking place in our business, supply chain and investments. SREIM is part of the Schroders Group.

Schroders' Slavery and Human Trafficking Statement can be found here:
https://www.schroders.com/en/sustainability/corporate-responsibility/slavery-and-human-trafficking-statement/.

Task Force for Climate-Related Financial Disclosure ('TCFD')

The Task Force on Climate-related Financial Disclosure ('TCFD') aims to mainstream reporting on climate-related risks and opportunities in an organisation's annual financial filings.

Launched in 2017, TCFD has so far been a voluntary framework. However, it becomes mandatory in the UK across a range of market participants on a phased timeline beginning in 2021. The Company is expected to be captured by this regulation in the near future.

The TCFD recommendations are structured around four themes: Governance, Strategy, Risk Management, and Metrics and Targets. Key concepts within the framework include so-called 'transition' and 'physical' risks. The former encapsulates the risks arising from society's transition to a low carbon economy (changing regulation and market expectations, new technologies, etc), and the latter relates 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 the 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 the scenario analysis for climate-related issues is a relatively new concept and that practices will evolve over time.

In 2020, the Investment Manager, SREIM, completed a review of 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, Schroders 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 opposite.

Union Park
Norwich

Governance

In investing for the long term, we recognise the increasing importance of both a forward-looking assessment of the potential impacts of climate change and the likely action necessary to support the assets and cities in which we invest resilience as we transition to a low carbon economy. In line with the Schroders' Investing with Impact approach, we are also seeking to promote a fair and socially conscious low carbon transition, that supports social, as well as economic and physical, resilience within local communities. As real estate investment time horizons can be relatively long term, we have a responsibility and opportunity to affect real change in preparing the Company and its assets to build resilience to climate change.

Climate change is an established component of our sustainability programme. Responsibility for the 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 Investment Manager's annual Sustainability Policy and Objectives, which are reviewed and approved by the Investment Committee. The Investment 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 requires approval by the Investment Committee. The Investment Manager also prepares the Annual Report and financial accounts for the Company, which include climate-related metrics and supports the Investment Manager and Board's monitoring of performance and progress towards climate-related goals and targets.

We are reviewing our approach to ensure climate-related metrics and targets are sufficiently forward-looking and cover the full range and depth of climate-related issues. For example, we are in the process of assessing all managed assets against Paris Aligned 1.5°C carbon and energy intensity performance benchmarks, to the year 2050 using the Carbon Risk Real Estate Monitor ('CRREM') tool[1] as well as physical climate risks to support a net zero pathway for the Company.

We will continue to evolve our approach to ensure oversight and management of exposure to material risks, together with identifying opportunities, across the asset life cycle to support resilient long-term returns.

1 The Carbon Risk Real Estate Monitor ('CRREM') tool converts internationally agreed climate change mitigation goals (e.g. Paris Agreement) into geography and sector-specific carbon emission and energy intensity minimum performance benchmarks.

St. John's Retail Park
Bedford

Task Force for Climate-Related Financial Disclosure ('TCFD') continued

Strategy

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.

In the short term, energy and carbon emissions performance of our assets is a critical climate-related strategic issue. We recognise the need and opportunity presented by climate change to improve operational efficiency, maintenance costs and generate new income streams (e.g. on-site energy) and which all support asset values. These actions also support the Company with increasing investor expectations in relation to climate action and preparing portfolio assets for new and emerging energy efficiency regulations, increases in energy costs, carbon taxes, changing tenant preferences and valuation considerations. In the short, medium and longer term, the physical effects of changing climate also present potential material financial impacts to the Company, for example in relation to heating or cooling buildings in changing climates, weather events and availability of water.

Since 2016, assets of the Company have been included in the Investment Manager's UK energy consumption and carbon emission reduction targets for assets where landlord operational control is retained. As signatories of the Better Buildings Partnership ('BBP')[1] Member Climate Change Commitment, the Investment Manager has committed to achieving Net Zero Carbon by 2050 at the latest. Schroder Real Estate published its 'Pathway to Net Zero Carbon' in 2020, which is available here: https://www.schroders.com/en/sysglobalassets/email/uk/realestate/2020/schroder-real-estate-net-zero-carbon-pathway-december-2020_1621372_v1.pdf.

As part of implementing the Net Zero Carbon strategy, the Investment Manager is working to set new portfolio and asset energy and carbon emissions targets to align with 'science-based' Paris Aligned benchmarks using the CRREM tool[2].

The Investment Manager's acquisition and asset business planning processes include consideration of climate-related issues, and will include a 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).

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 in 2020 launched Schroders Sustainable Occupier and Fit Out Guides for tenants.

Scenario analysis has begun to feature in our energy and carbon performance analyses through use of the 1.5°C reduction pathways set out in the CRREM tool.

Risk Management

The existing portfolio-wide sustainability programme covers the life cycle of assets and enables systematic and continual appraisal of potentially material climate-related risks. Risk criteria assessed within acquisition due diligence inform our investment decisions (e.g. Energy Performance Certificates and Flood Risk), as well as featuring in business and sustainability plans such as building technology upgrades. Pre-acquisition assessment of Paris Alignment using the CRREM tool, where information permits, will also support consideration of so called 'stranding risk' from increasing energy efficiency regulation and changing market expectations.

For existing investments, potential 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 the 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.

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.

On physical risk, Schroders has licenced a proprietary physical risk database through a third-party provider. The tool assesses vulnerability to physical risk hazards, including those related to climate change. The strategy will be to use this 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.

1 The BBP is an industry association of leading UK commercial property owners committed to improving building sustainability.
2 The Carbon Risk Real Estate Monitor ('CRREM') tool converts internationally agreed climate change mitigation goals (e.g. Paris Agreement) into geography and sector-specific carbon emission and energy intensity minimum performance benchmarks.

Our understanding of the future potential impacts and risks from climate change is constantly evolving. Therefore, we are seeking to further embed the forward-looking identification and assessment of climate-related issues into our research process. This will support ongoing monitoring of emerging risks and identify possible enhancements to core components of our investment process, such as our risk assessment and management framework.

Metrics & Targets

In the 'EPRA Sustainability Reporting Performance Measures (unaudited)' and the 'Streamlined Energy and Carbon Reporting' sections of this report, we report detailed performance trend data, intensity ratios and assessment methodologies covering energy consumption, GHG emissions, water consumption and waste generation. Measuring energy, GHG emissions, water and waste supports our assessment and management of risks from transitioning to a low carbon economy (e.g. efficiency regulation) and to a new climate (e.g. increased water scarcity).

As also referenced in 'EPRA Sustainability Reporting Performance Measures (unaudited)' section of this report, we have ambitious energy and GHG emissions reduction targets against which we have made good progress. These targets expired in March 2021 and we are assessing the outcomes of these targets, noting that Covid-19 has had an impact on our ability to properly identify improvements in building performance due to interruptions to building operation and occupation. During 2021, we will use the science-based CRREM analysis to develop asset level Paris Aligned targets to 2025 and 2030. These asset-level targets will then be compiled to create portfolio reduction targets for the Company.

Historically we have focused on monitoring and targeting reductions where we have operational control – i.e. landlord-procured energy consumption only (so called 'Scope 1 and 2' GHG emissions). As the transition to a low carbon economy presents risks and opportunities for entire assets – i.e. landlord and tenant-controlled areas – we are reviewing how we may also support performance improvement in tenant-controlled areas (so called 'Scope 3' GHG emissions). Similarly, we are exploring opportunities to reduce GHG emissions associated with building materials consumed during construction and fit-out (so called 'embodied' 'Scope 3' GHG emissions).

All investment staff of the Investment Manager are required to have ESG-related performance objectives.

Stanley Green
Cheadle

Business Model

The investment objective and purpose of the Company is to provide shareholders with an attractive level of income together with the potential for income and capital growth from owning and actively managing a diversified portfolio of real estate.

Company's business

The Company is a real estate investment company with a premium listing on the Official List of the Financial Conduct Authority and whose shares are traded on the premium segment of the Main Market of the London Stock Exchange. On 1 May 2015 the Company converted to a Real Estate Investment Trust ('REIT') which means that it is able to benefit from exemptions from UK tax on profits and gains in respect of certain qualifying property rental business activities. The Company continues to be an authorised closed-ended investment scheme registered in Guernsey.

The Board

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

The Company has no executive directors or employees.

Investment objective and purpose

The investment objective and purpose of the Company is to provide shareholders with an attractive level of income together with the potential for income and capital growth from owning and actively managing a diversified portfolio of real estate. Corporate social responsibility is deemed to be key to long-term business success together with overseeing positive stakeholder relationships.

The portfolio is principally invested in the three main UK commercial real estate sectors of office, industrial and retail, and may also invest in other sectors including office, retail, and industrial and will also invest in other sectors including mixed-use, residential, hotels, healthcare and leisure. Over the real estate market cycle the portfolio aims to generate an above average income return with a diverse spread of lease expiries.

Relatively low levels of debt are used to enhance returns for shareholders with the level of debt dependent on the real estate cycle and the outlook for future returns.

Investment strategy

The current investment strategy is to grow income and enhance shareholder returns through proactive asset management by our specialist teams, selective acquisitions and disposals of smaller properties on completion of the asset business plan.

Our objective is to own a portfolio of larger properties in Winning Cities and Regions with high growth, diversified local economies, sustainable occupational demand and favourable supply and demand characteristics. These properties should offer good long-term fundamentals in terms of location and specification, be let at affordable rents with the potential for income and capital growth from good stock selection and asset management, and offer a high standard of operational and sustainability performance. The issuance of new shares will also be considered if this is consistent with the strategy.

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

Diversification and asset allocation

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

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

Borrowings

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

Interest rate exposure

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

Investment restrictions

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

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

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

Performance

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

1. NAV total return

For the year to 31 March 2021 the Company delivered a NAV total return of 3.9% (-1.5%[1] for the year to 31 March 2020).

2. Underlying property portfolio performance relative to peer group Benchmark

The performance of the Company's property portfolio is measured against a specific Benchmark defined as the MSCI (formerly Investment Property Databank) UK Balanced Portfolios Quarterly Property Index (the 'Benchmark'). As at 31 March 2021 the Benchmark Index comprised 183 member funds.

Underlying property portfolio performance

Total return for 12 months to 31 March 2021		Total return for 12 months to 31 March 2020	
SREIT (%)	MSCI Benchmark Index (%)	SREIT (%)	MSCI Benchmark Index (%)
4.6%	1.8%	1.9%	0.2%

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

3. Share price performance

The Board monitors the level of the share price compared to the NAV. As at 31 March 2021, the share price of 39.9 pence per share ('pps') was at a 33.9% discount to the NAV of 60.4 pps. Where appropriate on investment grounds, the Company may from time to time repurchase its own shares, but the Board recognises that movements in the share price premium or discount are driven by numerous factors, including investment performance, gearing and market sentiment. Accordingly, we focus our efforts principally on addressing the sources of risk and return as the most effective way of producing long-term value for shareholders.

1 Excludes refinancing costs of £27.4m.

Schroders UK headquarters
1 London Wall Place
London

* Asset not owned by Schroders Real Estate Investment Trust Limited.

Our Stakeholders

The Board is focused on ensuring that the Company delivers on its strategic objectives, while taking into account the impact on its stakeholders as a whole.

Section 172 statement

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

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

Shareholders

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

Occupiers

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

Communities

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

Environment

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

Stanley Green
Cheadle

Service providers
As an externally managed real estate investment trust, the Board is reliant on a range of service providers who have a direct working or contractual relationship or share a mutual interest with the Company. This includes, but is not limited to, the Manager, property managers, Company Secretary and administrator, depositary, auditor, tax advisers, solicitors, property valuers and banks. The Company regularly reviews these relationships as part of its commitment to transparency and corporate best practice.

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

Decision making
The Board makes decisions on, among other things, the principal matters set out under the paragraph headed 'Role of the Board' on page 54.

Risks and Uncertainties

The Board is responsible for the Company's system of risk management and internal control and for reviewing its effectiveness.

The Board has carried out a robust assessment of the principal risks and emerging risks facing the Company including those that would threaten its business model, future performance, solvency or liquidity. A framework of internal controls has been designed and established to monitor and manage those risks. This internal control framework provides a system to enable the Directors to mitigate these risks as far as possible, which assists in determining the nature and extent of the significant risks the Board is willing to take in achieving its strategic objectives.

Although the Board believes that it has a robust framework of internal controls in place this can provide only reasonable, and not absolute, assurance against material financial misstatement or loss and is designed to manage, not eliminate, risk.

A summary of the principal risks and uncertainties faced by the Company, many of which have remained unchanged throughout the year ended 31 March 2021, and actions taken by the Board to manage and mitigate these risks and uncertainties, are set out below.

Key risks	Mitigation of risk
Investment policy and strategy An inappropriate investment strategy, or failure to implement the strategy, could lead to underperformance and the share price being at a larger discount, or smaller premium, to NAV than the property market generally. This underperformance could be caused by incorrect sector and geographic weightings or a loss of income through tenant failure, both of which could lead to a fall in the value of the underlying portfolio. This fall in values would be amplified by the Company's external borrowings.	The Board seeks to mitigate these risks by: – Diversification of its property portfolio through its investment restrictions and guidelines which are monitored and reported on by the Investment Manager. – Determining a borrowing policy and the Investment Manager operates within borrowing restrictions and guidelines. – Receiving from the Investment Manager timely and accurate management information including performance data, attribution analysis, property-level business plans and financial projections. – Monitoring the implementation and results of the investment process with the Investment Manager with a separate meeting devoted to strategy each year.
Investment management The Investment Manager's investment strategy, if inappropriate, may result in the Company underperforming the market and/or peer group companies, leading to the Company and its objectives becoming unattractive to investors.	Review of the Investment Manager's compliance with the agreed investment restrictions, investment performance and risk against investment objectives and strategy; relative performance; the portfolio's risk profile; and appropriate strategies employed to mitigate any negative impact of substantial changes in markets, including any potential disruption to capital markets.
Economic and property market risk The performance of the Company could be affected by economic and property market risk. In the wider economy this could include inflation or deflation, economic recessions, movements in interest rates, Brexit impact or other external shocks. The performance of the underlying property portfolio could also be affected by structural or cyclical factors impacting particular sectors or regions of the property market.	The Board considers economic conditions and the uncertainty around political events when making investment decisions. The Board mitigates property market risk through the review of the Group's strategy on a regular basis and discussions are held to ensure the strategy is still appropriate or if it needs updating.
Covid-19 and emerging risks The global pandemic has accentuated the economic and property market risks, highlighted above.	The Investment Manager is in close contact with all the property managers and tenants with a continued focus on rent collection, reducing risk and implementing new property management procedures to ensure tenants can return safely to our buildings.
Gearing and leverage The Company utilises credit facilities. These arrangements increase the funds available for investment through borrowing. While this has the potential to enhance investment returns in rising markets, in falling markets the impact could be detrimental to performance.	Gearing is monitored and strict restrictions on borrowings have been imposed.

Key risks	Mitigation of risk
Accounting, legal and regulatory The risk that the NAV and financial statements could be inaccurate.	The Investment Manager has robust processes in place to ensure that accurate accounting records are maintained and that evidence to support the financial statements is available to the Board and the auditors. The Investment Manager operates established property accounting systems and has procedures in place to ensure that the quarterly NAV and gross asset value are calculated accurately. The Board has appointed the Investment Manager as Alternative Investment Fund Manager ('AIFM') in accordance with the Alternative Investment Fund Managers Directive ('AIFMD'). The quarterly and annual NAV has numerous levels of reviews including by the Board. Additional support is produced by the Fund Accountants to ensure financial data is complete and accurate. An internal controls review is performed by Ernst & Young in accordance with ISAE 3402 annually to provide assurance on Schroders' service organisations' control procedures and an external audit is completed to provide an opinion on the financial statements which have been reviewed by the Board of Directors. The Administrator monitors legal requirements to ensure that adequate procedures and reminders are in place to meet the Company's legal requirements and obligations. The Investment Manager undertakes full legal due diligence with advisers when transacting and managing the Company's assets. All contracts entered into by the Company are reviewed by the Company's legal and other advisers. Processes are in place to ensure that the Company complies with the conditions applicable to property investment companies set out in the Listing Rules. The Administrator attends all Board meetings to be aware of all announcements that need to be made and the Company's advisers are aware of their obligations to advise the Administrator and, where relevant, the Board of any notifiable events. Finally, the Board is satisfied that the Investment Manager and Administrator have adequate procedures in place to ensure continued compliance with the regulatory requirements of the Financial Conduct Authority ('FCA') and the Guernsey Financial Services Commission.
Valuation risk Property valuations are inherently subjective and uncertain. This uncertainty is heightened due to the Covid-19 pandemic.	External valuers provide independent valuation of all assets. Members of the Audit Committee meet with the external valuers to discuss the basis of their valuations and their quality control processes.
Tax risk The Group is exposed to changes in the tax regime affecting the cost of corporate tax, VAT, Stamp Duty and Stamp Duty Land Tax. The UK's exit from the EU creates uncertainty over the future UK tax and regulatory environment. The Group is exposed to potential tax penalties, or loss of its REIT status, by failing to comply with the REIT legislation.	We regularly monitor proposed and actual changes in tax legislation with the help of Deloitte, and through direct liaison with HMRC, to understand and, if possible, mitigate their impact. HMRC has designated the Group as having a low-risk tax status, and we hold regular meetings with them. We carry out detailed planning ahead of any future regulatory and tax changes using Deloitte as our tax advisers. The Group has internal monitoring procedures in place to ensure that the appropriate REIT rules and legislation are complied with. To date, all REIT regulations have been complied with, including projected tests.
Service providers The Company has no employees and has delegated certain functions to a number of service providers. Failure of controls and poor performance of any service provider could lead to disruption, reputational damage or loss.	Service providers are appointed subject to regular reviews and with clearly documented contractual arrangements detailing service expectations. Regular reporting by key service providers and monitoring of the quality of services provided. Review of internal controls reports from key service providers, including confirmation of business continuity and cyber security arrangements.

Board of Directors

Lorraine Baldry (Chairman)
Status: Independent Non-Executive Director

Date of appointment: 13 January 2014

Aged 72, Lorraine is Chair of Hydroxyl Technologies Limited and Inventa Partners Limited. She has also been the Chair of London & Continental Railways and Sellafield Limited, a Governor at The University of the Arts London and a Director of Thames Water Utilities Limited. She was Chief Executive of Chesterton International plc and prior to that held various senior positions at Prudential Corporation, Morgan Stanley and Regus. She is also an Honorary Member of the Royal Institution of Chartered Surveyors and a Past President of the British Property Federation.

Current remuneration: £50,000 per annum

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

Graham Basham
Status: Independent Non-Executive Director

Date of appointment: 11 September 2015

Aged 63, Graham is a director of a number of Investment and Fiduciary regulated companies in Guernsey. He also sits on the boards of the SREIT subsidiaries, a position he has held for more than ten years. He has more than 40 years' experience in fiduciary and fund work, most of these spent in several offshore locations. He was Group partner and Head of Guernsey for Aspida Group Limited, prior to retiring in May 2021. He holds a Trustee Diploma as an Associate of Chartered Institute of Banks and is a member of both the Society of Trust and Estate Practitioners and the Institute of Directors.

Current remuneration: £30,000 per annum

Material interests in any contract which is significant to the Company's business:
Was a Director of Computershare Services (Guernsey) Ltd, which acts as Registrar to the Fund, resigning in May 2021.

Stephen Bligh (Chairman of the Audit Committee)

Status: Independent Non-Executive Director

Date of appointment: 28 April 2015

Aged 64, Stephen was previously with KPMG for 34 years, specialising in the audit of FTSE 350 companies in property and construction. He is a fellow of the Institute of Chartered Accountants in England & Wales and was previously a non-executive Board Member of the Department of Business, Innovation & Skills.

Current remuneration: £35,000 per annum

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

Alastair Hughes (Senior Independent Director)

Status: Independent Non-Executive Director

Date of appointment: 26 April 2017

Aged 55, Alastair has over 25 years of experience in real estate markets and currently holds directorships with British Land PLC, Tritax Big Box and Quad Real Property Group. He was previously the Managing Director of Jones Lang LaSalle ('JLL') in the UK before becoming the CEO for Europe, Middle East and Africa and then latterly becoming the CEO for Asia Pacific. Alastair is a Chartered Surveyor and sat on the Global Executive Board of JLL.

Current remuneration: £35,000 per annum

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

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

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

Report of the Directors

The Directors of the Company and its subsidiaries, together the 'Group', present the Annual Report and audited consolidated financial statements of the Group for the year ended 31 March 2021 (the 'Annual Report and Consolidated Financial Statements'). The Company is incorporated in Guernsey, the Channel Islands under The Companies (Guernsey) Law, 2008 (the 'Companies Law').

Results and dividends

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

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

Dividend for quarter ended	Date paid	Rate
30 June 2020	18 August 2020	0.38575 pence per share
30 September 2020	11 December 2020	0.575 pence per share
31 December 2020	12 March 2021	0.625 pence per share

Subject to the solvency test provided for in the Companies Law being satisfied, all dividends were declared and paid as interim dividends. The Directors recommend a final dividend for the year ended 31 March 2021 of 0.656 pence per share.

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

Share capital

As at 31 March 2021 the Company had 565,664,749 (2020: 565,664,749) Ordinary Shares in issue of which 74,246,108 Ordinary Shares (representing 13.1% of the Company's total issued share capital) were held in treasury (2020: 47,151,340). Further to the share buyback programme which commenced in September 2020, the total number of voting rights of the Company was 491,418,641 at the year end (2020: 518,513,409) and this figure may be used by shareholders as the denominator for the calculations by which they will determine if they were required to notify their interest in, or a change in their interest of, the Company, under the Disclosure Guidance and Transparency Rules as at the year end.

Key services providers

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

Investment Manager

The Board reviews the Investment Manager's performance at its quarterly Board meetings. In addition, the Board conducted its annual Strategic Review with the Investment Manager in May 2021 to consider the portfolio strategy and the Investment Manager's capabilities in more depth. Subsequently, the Directors formally discussed the performance of the Investment Manager at a meeting of the Management Engagement Committee.

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

The Investment Manager received a fee of 1.1% per annum of the Company's NAV during the financial year for providing investment management and accounting services. The fee is payable monthly in arrears. There is no performance fee. The Investment Management Agreement can be terminated by either party on not less than nine months' written notice or on immediate notice in the event of certain breaches of its terms or the insolvency of either party.

The Management Engagement Committee has agreed a revision to the Investment Management Agreement, whereby the Investment Manager has reduced its fee to 0.9% on NAV up to £500 million, 0.8% on NAV between £500 million to £1 billion and 0.7% on NAV over £1 billion.
The termination notice period has increased from nine to twelve months, with effect from 1 July 2021.

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

Administration

The Board appointed Northern Trust International Fund Administration Services (Guernsey) Limited as the administrator to the Company (the 'Administrator'). The Administrator is entitled to an annual fee of £120,000. Northern Trust (Guernsey) Limited has been appointed by the Board to provide depositary services, as required under the AIFM Directive, at an annual fee of £40,000.

Going concern

The Directors have examined significant areas of possible financial risk including the non-collection of rent and service charges as a result of the Covid-19 pandemic; considered potential falls in property valuations; reviewed cash flow forecasts; and have analysed forward-looking compliance with third-party debt covenants, in particular the Loan to Value covenant and interest cover ratios.

Overall, after utilising available cash, excluding the cash balance undrawn against the RBS facility, and uncharged properties and units in joint ventures, and based on the reporting period to 31 March 2021, property valuations would have to fall by 42% before the relevant Canada Life Loan to Value covenants were breached, and actual net rental income would need to fall by 74% before the interest cover covenants were breached. Furthermore, the properties charged to RBSI could fall in value by 70% prior to the 65% LTV covenant being reached and, based on actual net rents for the quarter to March 2021, a 78% fall in net income could be sustained prior to the RBSI loan covenant of 185% being breached.

As at the financial year end, the undrawn capacity of the RBS facility was £28 million. This facility is an efficient and flexible source of funding due to the margin of 1.6% and its ability to be repaid and redrawn as often as required. It is noted that this facility expires in July 2023.

The Board and Investment Manager continue to closely monitor the ongoing impact that the Covid-19 pandemic may have on the Company's rental collection and the requirement to distribute dividends in accordance with the REIT regulations. All future dividends will be kept under constant review to ensure the Company's liquid resources will be sufficient to cover any working capital requirements.

The Directors have not identified any matters which would cast significant doubt on the Group's ability to continue as a going concern for the period to 1 June 2022. In addition to the matters described above, in arriving at their conclusion the Directors have also considered:
- The current cash balance at 1 June 2021 of £13.5 million;
- The nature and timing of the Company's income and expenses; and
- That the Investment Manager and Administrator have successfully invoked their business continuity plans to help ensure the safety and wellbeing of their staff thereby retaining the ability to maintain the Company's business operations over the course of the financial year and to date.

The Directors have satisfied themselves that the Group has adequate resources to continue in operational existence for at least the next twelve months from the date of approval of the financial statements. After due consideration, the Board believes it is appropriate to adopt the going concern basis in preparing the financial statements.

Viability statement

The Board has assessed the viability of the Company, which considers the Company's current position and principal risks and uncertainties together with an assessment of future prospects.

The Board conducted this review over a five-year time horizon which was deemed appropriate as it matches the period over which the Board monitors and reviews its financial performance and forecasting and the Investment Manager prepares five-year total return forecasts for the UK commercial real estate market. The Investment Manager uses its forecasts as part of analysing acquisition opportunities as well as for its annual asset-level business planning process. At the annual Strategic Review the Board receives an overview of the asset-level business plans which the Investment Manager uses to assess the performance of the underlying portfolio and to therefore make investment decisions such as disposals and investing in capital expenditure. The Company's principal borrowings are for a weighted duration of 15 years and the average unexpired lease term, assuming all tenants vacate at the earliest opportunity, is 5.3 years.

The Board's assessment of viability considers the principal risks and uncertainties faced by the Company and, in the current period specifically, the additional risks arising as a result of Covid-19, as detailed on page 46 of the Strategic Report, which could negatively impact its ability to deliver the investment objective, strategy, liquidity and solvency of the Company. This includes considering a cash flow model prepared by the Manager that analyses the sustainability of the Company's cash flows, dividend cover, compliance with bank covenants, REIT compliance and general liquidity requirements for the five-year period to 31 March 2026.

These metrics are subject to a sensitivity analysis which involves flexing a number of the main assumptions including macroeconomic scenarios, delivery of specific asset management initiatives, rental growth and void/re-letting assumptions.

The Board has considered, and will continue to monitor, the downside risks arising from the ongoing Covid-19 pandemic and expects to remain compliant with all banking covenants throughout the viability period, assuming rental collection rates return to their pre-Covid levels later in 2021. It is assumed that the revolving debt facility, which is due to expire in 2023, will be successfully renegotiated during the viability assessment period with the calculation assuming the same covenant conditions as previously.

Based on its assessment, the Board has formed the reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years.

Anti-bribery policy

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

Directors

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

Director	Number of ordinary shares	Percentage (%)
Lorraine Baldry	100,597	Less than 0.1
Graham Basham	–	–
Stephen Bligh	100,000	Less than 0.1
Alastair Hughes	101,518	Less than 0.1

Substantial shareholdings

As at 31 March 2021, the Directors were aware that the following shareholders each owned 3% or more of the issued Ordinary Shares of the Company.

	Number of ordinary shares	Percentage (%)
Investec Wealth & Investment (UK)	79,994,009	16.3
Schroders PLC	68,183,737	13.9
Witan Investment Trust (UK)	38,750,000	7.9
Embark Investment Services (UK)	34,207,624	7.0
Premier Miton Investors (UK)	25,889,263	5.3
BlackRock Inc	22,042,890	4.5
Hargreaves Lansdown Asset Management (UK)	15,640,577	3.2

Independent auditors

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

The Audit Committee's evaluation of the Auditors is described in the Report of the Audit Committee on page 57.

Disclosure of information to auditors

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

Status for taxation

The Director of Income Tax in Guernsey has granted the Company exemption from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 and the income of the Company may be distributed or accumulated without deduction of Guernsey Income Tax. Exemption under the above-mentioned Ordinance entails the payment by the Company of an annual fee of £1,200.

The Group's tax charge remains low because it has tax exempt status in the UK as a UK Real Estate Investment Trust ('REIT'). The Group has been a UK REIT since 2015 and the Group's property income and gains are exempt from UK corporate taxes provided a number of conditions in relation to the Group's activities are met including, but not limited to, distributing at least 90% of the Group's UK tax exempt profit as PIDs. As far as the Directors are aware, the Group remains in full compliance with the REIT requirements.

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

Key information document

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

AIFMD remuneration disclosures for Schroder Real Estate Investment Management Limited ('SREIM') for the year to 31 December 2020.

Quantitative remuneration disclosures to be made in this Annual Report in accordance with FCA Handbook rule FUND 3.3.5 are published on the following website:
https://www.schroders.com/en/investor-relations/results-and-reports/annual-report-and-accounts-2020/.

Statement of Directors' Responsibilities

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

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

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

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

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

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

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

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

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

Responsibility Statement of the Directors in respect of the Annual Report

We confirm to the best of our knowledge:

- The Consolidated Financial Statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group and the undertakings included in the consolidation taken as a whole and comply with the Companies Law; and
- The Strategic Report on pages 12 to 47 and Governance Report on pages 48 to 58 include a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties it faces. The Directors consider that the Annual Report and Consolidated Financial Statements, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

By order of the Board

Lorraine Baldry
Chairman
1 June 2021

Resolutions at 2021 Annual General Meeting

THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about the contents of this section of the document or the action you should take, you are recommended to seek immediately your own personal financial advice from an appropriately qualified independent adviser authorised pursuant to the Financial Services and Markets Act 2000 (as amended).

If you have sold or otherwise transferred all your shares in the Company, please send this document (including the Notice of AGM) and the accompanying documents at once to the purchaser, transferee, or to the stockbroker, bank or other person through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. However, such documents should not be distributed, forwarded or transmitted in or into the United States, Canada, Australia or Japan or into any other jurisdiction if to do so would constitute a violation of applicable laws and regulations in such other jurisdiction.

The Notice of the Annual General Meeting of Shareholders is set out on pages 98 to 99. The following paragraphs explain the resolutions to be put to the AGM.

Ordinary Resolutions 1–8

Ordinary Resolutions 1–8 are being proposed to approve the ordinary business of the Company to: (i) consider and approve the consolidated Annual Report and the remuneration report of the Company for the year ended 31 March 2021; (ii) re-elect the Directors; and (iii) appoint the Auditors and to authorise the Directors to determine the Auditor's remuneration.

Ordinary Resolution 9: Approval of the Company's dividend policy

The Company's dividend policy is to pay a sustainable level of quarterly dividends to shareholders (in arrears). It is intended that successful execution of the Company's strategy will enable a progressive dividend policy.

The Company's objective and strategy, outlined in the Chairman's Statement and Investment Manager's Report, is to deliver sustainable net income growth in due course through active management of the underlying portfolio. Any future decision to increase the dividend will be determined by factors including whether it is sustainable over the long term, current and anticipated future market conditions, rental values and the potential impact of any future debt refinancing.

As the Company is a REIT, the Board must also ensure that dividends are paid in accordance with the requirements of the UK REIT regime (pursuant to part 12 of the UK Corporation Tax Act 2010) in order to maintain the Company's REIT status. Shareholders should note that the dividend policy is not a profit forecast and dividends will only be paid to the extent permitted in accordance with the Companies Law and the UK REIT regime.

The Board acknowledges that the dividend policy is fundamental to shareholders' income requirements as well as the Company's investment and financial planning. Therefore, in accordance with the principles of good corporate governance and best practice relating to the payment of interim dividends without the approval of a final dividend by a company's shareholders, a resolution to approve the Company's dividend policy will be proposed annually for approval.

Special Resolution 1: Authority to repurchase shares

The Board recognises that movements in the ordinary share price, premium or discount, are driven by numerous factors, including investment performance, gearing and market sentiment. Accordingly, it focuses its efforts principally on addressing sources of risk and return as the most effective way of producing long-term value for Shareholders.

However, the Directors may consider repurchasing ordinary shares if they believe it to be in Shareholders' interests as a whole and as a means of correcting any imbalance between supply and demand for the ordinary shares. The making and timing of any repurchase of ordinary shares will be at the absolute discretion of the Board, although the Board will have regard to the effects of any such repurchase on long-term shareholders in exercising its discretion. Any repurchase of ordinary shares will be subject to compliance with the Companies Law and within any guidelines established from time to time by the Board.

During the year ended 31 March 2021 the Company repurchased 27,094,768 shares (5,713,017 were repurchased between 8 September 2020 and the date of the prior AGM on 25 September 2020 and a further 21,381,751 shares were purchased between 26 September 2020 and 31 March 2021). Further details of the buyback, its impact and rationale are disclosed on page 14.

Annually the Company passes a resolution granting the Directors general authority to purchase in the market up to 14.99% of the number of shares in issue. The Directors intend to seek a renewal of this authority from the Shareholders at the AGM.

In the event that the Board decides to repurchase ordinary shares, purchases will only be made through the market for cash at prices not exceeding the prevailing NAV of the ordinary shares (as last calculated) where the Directors believe such purchases will enhance shareholder value. Such purchases will also only be made in accordance with the Listing Rules and the Disclosure Guidance and Transparency Rules which provide that the maximum price to be paid for each ordinary share must not be more than the higher of: (i) 5% above the average mid-market value of the ordinary shares for the five business days before the purchase is made; and (ii) an amount equal to the higher of (a) the price of the last independent trade; and (b) the highest current independent bid for an ordinary share on the trading venues where the market purchases by the Company pursuant to the authority conferred by that resolution will be carried out. The Companies Law also provides, among other things, that any such purchase is subject to the Company passing the solvency test contained in the Companies Law at the relevant time. Any ordinary shares purchased under this authority may be cancelled or held in treasury.

This authority will expire at the conclusion of the Annual General Meeting of the Company to be held in 2022 unless varied, revoked or renewed prior to such date by ordinary resolution of the Company.

Special Resolution 2: Authority to disapply pre-emption rights

The Directors require specific authority from shareholders before allotting new ordinary shares for cash (or selling shares out of treasury for cash) without first offering them to existing shareholders in proportion to their holdings. Special Resolution 2 empowers the Directors to allot new ordinary shares for cash or to sell ordinary shares held by the Company in treasury for cash, otherwise than to existing shareholders on a pro rata basis, up to such number of ordinary shares as is equal to 10% of the ordinary shares in issue (including treasury shares) on the date the resolution is passed. No ordinary shares will be issued without pre-emption rights for cash (or sold out of treasury for cash) at a price less than the prevailing NAV per ordinary share at the time of issue or sale from treasury.

The Directors do not intend to allot or sell ordinary shares other than to take advantage of opportunities in the market as they arise and will only do so if they believe it to be advantageous to the Company's existing shareholders and when it would not result in any dilution of the NAV per ordinary share (owing to the fact that no ordinary shares will be issued or sold out of treasury for a price less than the prevailing NAV per ordinary share).

This authority will expire on the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2022 or on the expiry of 15 months from the passing of this Special Resolution 2.

The Board considers that the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company's shareholders as a whole. The Board therefore recommends unanimously to shareholders that they vote in favour of each of the resolutions, as they intend to do in respect of their own beneficial holdings.

Lorraine Baldry
Chairman
1 June 2021

Corporate Governance

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

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

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

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

Statement of compliance

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

The UK Corporate Governance Code includes provisions relating to:
- The role of the chief executive;
- Executive directors' remuneration; and
- Internal audit function.

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

Role of the Board

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

Board decisions

The Board makes decisions on, among other things, the principal matters set out under the paragraph above headed 'Role of the Board'. Issues associated with implementing the Company's strategy are generally considered by the Board to be non-strategic in nature and are delegated either to the Investment Manager or the Administrator, unless the Board considers there will be implementation matters significant enough to be of strategic importance to the Company and should be reserved to the Board. Generally these are defined as:
- Large property decisions affecting 10% or more of the Company's assets;
- Large property decisions affecting 5% or more of the Company's rental income; and
- Decisions affecting the Company's financial borrowings.

Evaluation of the Board and Audit Committee

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

In the spring of 2021 the Board carried out an internal evaluation of the Board and its Chairman, which involved questionnaires being completed by Non-Executive Directors, representatives of the Investment Manager and the Company Secretary. It was concluded that the Board and its Chairman both operate effectively and constructively. Ongoing consideration continues to be given towards succession planning, relationships with key shareholders and the format and length of board papers.

Non-Executive Directors, rotation of Directors and Directors' tenure

The UK Corporate Governance Code recommends that Directors should be appointed for a specified period. The Board has resolved in this instance that Directors' appointments need not comply with this requirement as all Directors are non-executive and their respective appointments can be terminated at any time without penalty. The Board has approved a policy that all Directors will stand for re-election annually and it is the intention that no Director will serve for more than nine years.

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

Board composition and diversity

The Board currently consists of four non-Executive Directors. The Chairman is Lorraine Baldry. Alastair Hughes is the Senior Independent Director. The biography of each of these Directors is set out on pages 48 and 49 of the report. The Board considers each of the Directors to be independent.

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

Board Committees
The Board has delegated certain of its responsibilities to its Audit, Nomination, and Management Engagement Committees. Each of these committees has formal terms of reference established by the Board which are available on the Company's website. The Board believes that its committees have an appropriate composition and blend of backgrounds, skills and experience to discharge their duties effectively.

Audit Committee
Details of the Audit Committee are set out in the Report of the Audit Committee.

Nomination Committee
The role of the Nomination Committee, chaired by Lorraine Baldry, is to consider and make recommendations to the Board on its composition and with regard to any adjustments that may be appropriate, including in connection with the re-election of the Board, so as to maintain an appropriate balance of skills, experience and diversity, including gender, and to ensure progressive refreshing of the Board. On individual appointments, the Nomination Committee leads the process and makes recommendations to the Board.

Before the appointment of a new director, the Nomination Committee prepares a description of the role and capabilities required for a particular appointment. While the Nomination Committee is dedicated to selecting the best person for the role, it aims to promote diversification and the Board recognises the importance of diversity. The Board agrees that its members should possess a range of experience, knowledge, professional skills and personal qualities as well as the independence necessary to provide effective oversight of the affairs of the Company.

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

Management Engagement Committee
A Management Engagement Committee has been established to review the performance and terms of engagement of, in particular, the Investment Manager, as well as the Administrator, Depositary, Valuers and other service providers (other than the Auditors, who are the responsibility of the Audit Committee).

Following discussions with the Investment Manager, the Investment Manager has agreed to reduce its annual management fee from 1.1% of NAV to 0.9% up to £500 million of NAV, to 0.8% for NAV between £500 million to £1 billion and to 0.7% for NAV over £1 billion. The termination notice period has been extended from nine to twelve months, with effect from 1 July 2021. Further details are disclosed on page 80.

Board meetings and attendance
The Board meets at least four times each year. Additional meetings are also arranged as required and regular contact between Directors, the Investment Manager and the Administrator is maintained throughout the year. Representatives of the Investment Manager and Company Secretary attend each Board meeting and other advisers also attend when requested to do so by the Board. At least once a year the Board carries out a site visit to properties owned by the Company.

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

	Board	Audit Committee
Lorraine Baldry (Chairman)	4/4	3/3
Alastair Hughes	4/4	3/3
Graham Basham	4/4	3/3
Stephen Bligh	4/4	3/3
Number of meetings during the year	4	3

In addition to its regular quarterly meetings, the Board met on 16 other occasions during the year, attended by all or the majority of Directors.

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

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

Directors' and Officers' liability insurance
During the year, the Company has maintained insurance cover for its Directors under a liability insurance policy.

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

The Board believes that the Annual General Meeting provides an appropriate forum for investors to communicate with the Board and it encourages participation. The Notice of the next Annual General Meeting on page 98 sets out the business of the Annual General Meeting to be held on 9 September 2021.

Remuneration Report

The Company's Articles currently limit the aggregate fees payable to the Board of Directors to a total of £250,000 per annum. Subject to this overall limit, it is the Board's policy to determine the level of Directors' fees having regard to the fees payable to non-executive directors in the industry generally, the role that individual directors fulfil in respect of Board and Committee responsibilities, and time committed to the Company's affairs.

Directors receive a base fee of £30,000 per annum, and the Chairman receives £50,000 per annum. The Chairman of the Audit Committee and the Senior Independent Director each receive an additional fee of £5,000 respectively. The fees were reviewed by an external consultant during 2015, which led to the recommendation adopted and the current level of fees taking effect from 1 October 2015.

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

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

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

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

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

Performance

The performance of the Company is described on page 43 in the Business Model Report.

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

Director	**31 March 2021 (£)**	31 March 2020 (£)
Lorraine Baldry (Chairman)	50,000	50,000
Stephen Bligh#	35,000	35,000
Graham Basham##	30,000	30,000
Alastair Hughesα	35,000	35,000
Total	**150,000**	**150,000**

α Senior Independent Director.
Chairman of the Audit Committee.
Graham Basham remains a director of a majority of the subsidiary companies; £23,000 was paid to his former employer, Aspida Group Limited, for its provision of another director for the subsidiaries. Mr Basham owned 13% of Aspida Group Limited during that time. However, this holding has now been sold following his retirement.

Information to be disclosed in accordance with Listing Rule 9.8.4R

Listing Rule 9.8.4C requires the Company to include certain information about the Company in a single identifiable section of this Annual Report or a cross-reference table indicating where the information required under Listing Rule 9.8.4R is set out.

The Directors confirm that there are no disclosures to be made in this regard.

Lorraine Baldry
Chairman
1 June 2021

Report of the Audit Committee

Composition
The Audit Committee is chaired by Stephen Bligh with Graham Basham and Alastair Hughes as members. The Board considers that Stephen Bligh's professional experience makes him suitably qualified to chair the Audit Committee, and his continuing professional commitments provide him with recent relevant financial experience. The Company's Chairman is invited to attend all meetings.

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

Work of the Audit Committee
The Audit Committee meets no less than twice a year. If required, meetings are also attended by the Investment Manager, the Administrator and the Auditor. During the year under review, the Audit Committee met on three occasions to consider:
- The contents of the interim and annual financial statements and to consider whether, taken as a whole, they were fair, balanced and understandable and provided the information necessary for shareholders to assess the Company's performance, business model and strategy;
- The effectiveness of the Company's system of internal control;
- The external Auditor's terms of appointment, audit plan, half-year review findings and year-end report;
- The management representation letters to the Auditors;
- The effectiveness of the audit process;
- The independence, effectiveness and objectivity of the external Auditor;
- The risk assessment of the Company; and
- Compliance with the UK REIT regime.

As noted in the Corporate Governance report, an evaluation of the Audit Committee was completed by Stogdale St James in early 2020, in which "the overall performance of the Audit Committee was very highly rated". In 2021, the Audit Committee performed an internal evaluation of its performance, which it considers continues to be very satisfactory.

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

Matter	Action
Property valuation Property valuation is central to the business and is a significant area of judgement which is inherently subjective, although the valuations are performed by independent firms of valuers: Knight Frank LLP and BNP Paribas Real Estate UK for the two joint ventures. Errors in valuation could have a material impact on the Company's net asset value.	The Audit Committee reviewed the outcomes of the valuation process throughout the year and discussed the detail of each quarterly valuation with the Investment Manager at the Board meetings. Members of the Audit Committee met with Knight Frank LLP and BNP Paribas Real Estate UK to discuss the process, assumptions, independence and communication with the Investment Manager. Their approach to the 31 March 2021 valuations in light of the current Covid-19 pandemic was also discussed and the Committee was satisfied that both firms had taken a considered approach.
Impact of Covid-19 on ongoing rent collection and Going Concern There is a risk that the ongoing Covid-19 pandemic may impact Company liquidity and investment returns in the short to medium term which could impact the Going Concern assumption and the viability of the Group.	The Audit Committee has been closely monitoring rent collections over the course of the financial year. The Investment Manager and property managing agents have taken a proactive approach to tenants who have had cash flow difficulties and have agreed amended terms where possible. The Audit Committee has also considered the potential reduction in 2021 rentals and its impact on the Company's liquidity, and the prospects for the next five years. As disclosed in the Going Concern and Viability Statements on pages 50 and 51, the Audit Committee has considered various stress tests and sensitivities to the normal cash flow forecasts, and is confident that the Company will be able to continue in operation and meet its liabilities as they fall due over the five-year period of its assessment.

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

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

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

Report of the Audit Committee continued

Internal audit

The Audit Committee considered the need for an internal audit function and concluded that this function is provided by the Schroders Group's Internal Audit reviews, which cover the functions provided by the Investment Manager, Schroder Real Estate Investment Management Limited.

In addition, the Investment Manager prepares an ISAE 3402/AAF 01/06 Internal Controls Report which includes the Company within the scope of the review. This report is reviewed by Ernst & Young LLP ('EY') which issued an unqualified opinion for the year ended December 2020. The Audit Committee has considered both the Investment Manager's internal Controls Report and the review by EY.

External Auditor remuneration, independence and effectiveness

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

Effectiveness of the independent audit process

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

Non-audit services

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

During the year, the non-audit services fees paid to Ernst & Young were £17,525 in relation to the interim review.

Stephen Bligh
Director
1 June 2021

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

Opinion
We have audited the consolidated financial statements (the 'financial statements') of Schroder Real Estate Investment Trust Limited (the 'Company') and its subsidiaries (together the 'Group') for the year ended 31 March 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRS').

In our opinion, the financial statements:
- give a true and fair view of the state of the Group's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards; and
- have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. To evaluate the Directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting, we have:
- obtained an understanding of the process followed by management to make its going concern assessment;
- obtained the cash flow forecasts which support the Directors' assessment of going concern and have challenged the sensitivities and assumptions used in the forecasts and evaluated the impact of these forecasts on the Group's ability to continue to meet financial covenants and financial commitments as they fall due;
- challenged the stress testing performed and validated the static data assumptions used by agreement to supporting documentation;
- recalculated the debt covenants on external loans to validate compliance within the accounting period;
- held discussions with the Audit Committee and the Investment Manager to determine whether, in their opinion, there is any material uncertainty regarding the Group's ability to pay liabilities and commitments as they fall due and challenged this assessment through our audit procedures in relation to the liquidity assessment; and
- assessed the disclosures in the Annual Report and Financial Statements relating to going concern to ensure they were fair, balanced and understandable and in compliance with IAS 1.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for the period to 1 June 2022 from when the financial statements are authorised for issue.

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

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

Overview of our audit approach

Audit scope	– We have audited the financial statements of the Group for the year ended 31 March 2021.
Key audit matters	– Risk of misstatement in the fair value of directly or indirectly held investment property portfolio. – Risk of incomplete or inaccurate rental revenue recognition and related year-end receivables.
Materiality	– Overall Group materiality of £3.0m which represents 1% of equity.

An overview of the scope of our audit
Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Group. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of group-wide controls and changes in the business environment when assessing the level of work to be performed.

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

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

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee

Risk of misstatement in the fair value of directly or indirectly held investment property portfolio
 	
Refer to the Report of the Audit Committee (page 57);
 	
Significant accounting policies (page 68); and
 	
Note 11 of the Financial Statements (pages 72 to 74).
 	
The Group's investment property portfolio consists of UK properties held directly and through joint ventures, with a combined fair value of £438.8 million (2020: £406.2 million).
 	
There is a risk of incorrect valuation of the property portfolio which could result in the Consolidated Statement of Financial Position and the Consolidated Statement of Comprehensive Income being materially misstated.
	We have performed the following procedures:
	– Obtained an understanding of the process and controls surrounding property valuation by performing our walkthrough procedures and evaluating the implementation and design effectiveness of controls;
	– Assessed the independence and competence of the independent valuers as required by auditing standards;
	– Read the valuation report provided by the Group's independent valuers to agree the appropriateness and suitability of the reported values and the changes in value from the previous accounting period;
	– Engaged our EY property valuation specialists to perform a review of a judgmentally selected sample of property valuations to assess whether the reported value fell within a range of reasonable outcomes, which included:
	  – validating the assumptions used by the independent valuers in undertaking their valuation and assessment of the valuation methodologies adopted;
	  – challenging the key inputs and assumptions relating to equivalent yield and rental rates with reference to published market data and comparable transaction evidence through market activity;
	  – assessing the appropriateness of market-related inputs and reasonableness of valuation methods, by comparing against our own market data and understanding of the property market;
	– Performed analytical review procedures across the portfolio of investments, focusing on correlations with market data and any significant movements;
	– With respect to key objective inputs to the valuation, comprising rental income and length of lease, agreed the inputs to lease agreements or rent review schedules on a sample basis;
	– Verified that the fair values derived by the Group's independent valuers for the entire portfolio were correctly included in the financial statements; and
	– Assessed the adequacy of the additional disclosures of estimates and valuation assumptions as disclosed in the notes were made in accordance with IFRS 13 – Fair Value Measurement.
		The results of our procedures are:
		Based on our procedures performed over the risk of misstatement in the fair value of directly and indirectly held investment property portfolio, we concluded that the methodology applied was appropriate and that the external valuations were a reasonable assessment of the fair value of the directly and indirectly held investment properties at 31 March 2021.
		
		The disclosure set out in the notes to the financial statements are fundamental to users' understanding of this matter. We conclude that the balances and disclosures in the financial statements and notes appropriately reflect the risk factors identified.
		
		In relation to the specific properties that were selected for testing by our EY property valuation specialists, we have concluded that the assessment of fair values performed by the valuers are within an acceptable range.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Risk of incomplete or inaccurate rental revenue recognition and related year-end receivables Refer to the Significant accounting policies (pages 68 to 70) in the Financial Statements. Revenue is earned in the form of rental income from the investment properties and is recognised on an accrual basis. During the year, the Group recognised £21.5 million of rental income (2020: £22.2 million) and rent receivable of £4.1 million (2020: £2.4 million). There is a risk of incomplete or inaccurate rental revenue recognition and related year-end receivables through failure to recognise proper income entitlements or to apply the appropriate accounting treatment. The recoverability of year-end receivable is based on a number of assumptions.	**We have performed the following procedures:** – Obtained an understanding of the process and controls for each revenue stream by performing our walkthrough procedures and evaluating the implementation and design effectiveness of controls; – Performed substantive analytical review procedures over rental revenue for each property. We formed an expectation of the rental income for each property, and compared this expectation to the actual revenue recognised during the year; – Agreed a sample of rental rates to tenancy agreements and recalculated rental revenue earned by the property for the period; – Recalculated a sample of lease incentives based on the terms within the lease agreement to assess the appropriateness of the amount recorded; this included, on a sample basis, verifying lease modifications through agreement of the updated terms to amended and restated lease agreements and performing an independent assessment as to whether they have been appropriately treated in accordance with IFRS 16 – Leases ('IFRS 16'); – Reviewed management's assessment of the recoverability of the overdue rent receivables, and challenged the judgments involved. For a sample of tenants, we have inspected the cash receipt subsequent to the year-end date; and – Tested the risk of management override of controls, we tested a sample of rental revenue journals to identify unauthorised or inappropriate journals. We enquired as to the nature of each transaction sampled and obtained corroborating evidence to conclude on whether the journals were reasonable and in line with our expectations. We selected journals by applying criteria and thresholds based on our professional judgment.	**The results of our procedures are:** Based on our procedures performed over the risk of incomplete or inaccurate rental revenue recognition and related year-end receivables, we concluded that revenue and related year-end receivables are fairly stated.

Prior year comparison
In the prior year, our auditor's report included a key audit matter in relation to the 'Impact of Covid-19 on Going Concern'. This is not considered to be a key audit matter in the current year as the impact of Covid-19 on the Group is less uncertain given the changes in the external environment since the last reporting date.

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

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

We determined materiality for the Group to be £3.0 million (2020: £3.1 million), which is 1% (2020: 1%) of equity. We believe that equity provides us with a materiality aligned to the key measurement of the Group's performance.

During the course of our audit, we reassessed initial materiality and considered there to be no change from the basis determined at the audit planning stage, we have updated the value based on equity as at 31 March 2021.

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

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2020: 50%) of our planning materiality, namely £2.2 million (2020: £1.6 million). We have used a higher threshold than in our first-year audit because we now have prior experience as to the likelihood of misstatements and the effectiveness of the control environment and accounting processes.

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.15 million (2020: £0.16 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information
The other information comprises the information included in the Annual Report set out on pages 1 to 58 and pages 81 to 100, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report.

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

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- proper accounting records have not been kept by the Group; or
- the financial statements are not in agreement with the Group's accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

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

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 50;
- Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 50;
- Directors' statement on fair, balanced and understandable set out on page 52;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 46 to 47;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 57; and
- The section describing the work of the audit committee set out on pages 57 and 58.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 52, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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

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

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

Other matters we are required to address

- Following the recommendation from the Audit Committee we were appointed by the Company on 5 November 2019 to audit the financial statements for the year ending 31 March 2020 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is two years, covering the years ending 2020 to 2021.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group and we remain independent of the Group in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

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

Richard Geoffrey Le Tissier
for and on behalf of Ernst & Young LLP
Guernsey, Channel Islands
1 June 2021

Consolidated Statement of Comprehensive Income

	Notes	31/03/2021 £000	31/03/2020 £000
Rental income		21,458	22,160
Other income	4	205	1,333
Property operating expenses	5	(3,038)	(2,248)
Net rental and related income, excluding joint ventures		**18,625**	**21,425**
Share of net rental income in joint ventures		*2,452*	*2,567*
Net rental and related income, including joint ventures		*21,077*	*23,812*
Profit on disposal of investment property	11	**121**	**1,897**
Net unrealised valuation loss on investment property	11	**(8,286)**	**(17,364)**
Expenses			
Investment management fee	3	(2,906)	(3,470)
Valuers' and other professional fees		(1,698)	(1,629)
Administrators' fee	3	(120)	(120)
Auditor's remuneration	6	(150)	(140)
Directors' fees	7	(150)	(150)
Other expenses	7	(278)	(303)
Total expenses		**(5,302)**	**(5,812)**
Net operating profit/(loss) before net finance costs		**5,158**	**(34)**
Refinancing costs	16	–	(27,364)
Finance costs		(4,203)	(5,271)
Net finance costs		**(4,203)**	**(32,635)**
Share of net rental income in joint ventures	12	2,452	2,567
Share of valuation gain/(loss) in joint ventures	12	1,135	(2,357)
Profit/(loss) before taxation		**4,542**	**(32,459)**
Taxation	8	–	–
Profit/(loss) and total comprehensive income for the year attributable to the equity holders of the parent		**4,542**	**(32,459)**
Basic and diluted earnings/(loss) per share	9	**0.9p**	**(6.3p)**

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

Consolidated Statement of Financial Position

	Notes	31/03/2021 £000	31/03/2020 £000
Investment property	11	351,776	321,382
Investment in joint ventures	12	79,120	77,985
Non-current assets		**430,896**	**399,367**
Trade and other receivables	13	17,028	15,115
Cash and cash equivalents	14	12,175	33,051
Current assets		**29,203**	**48,166**
Total assets		**460,099**	**447,533**
Issued capital and reserves	15	332,811	336,258
Treasury shares	15	(35,967)	(26,452)
Equity		**296,844**	**309,806**
Interest-bearing loans and borrowings	16	153,370	128,667
Lease liability	11	1,988	2,416
Non-current liabilities		**155,358**	**131,083**
Trade and other payables	17	7,897	6,644
Current liabilities		**7,897**	**6.644**
Total liabilities		**163,255**	**137,727**
Total equity and liabilities		**460,099**	**447,533**
Net asset value per Ordinary Share	18	60.4p	59.7p

The financial statements on pages 64 to 67 were approved at a meeting of the Board of Directors held on 1 June 2021 and signed on its behalf by:

Lorraine Baldry
Chairman

Stephen Bligh
Director

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

Consolidated Statement of Changes in Equity

	Notes	Share premium £000	Treasury share reserve £000	Revenue reserve £000	Total £000
Balance as at 31 March 2019		**219,090**	**(26,452)**	**163,738**	**356,376**
Loss for the year		–	–	(32,459)	(32,459)
Dividends paid	10	–	–	(14,111)	(14,111)
Balance as at 31 March 2020		**219,090**	**(26,452)**	**117,168**	**309,806**
Share buyback	18	–	(9,515)	–	(9,515)
Profit for the year		–	–	4,542	4,542
Dividends paid	10	–	–	(7,989)	(7,989)
Balance as at 31 March 2021		**219,090**	**(35,967)**	**113,721**	**296,844**

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

Consolidated Statement of Cash Flows

	31/03/2021 £000	31/03/2020 £000
Operating activities		
Profit/(loss) for the year	4,542	(32,459)
Adjustments for:		
Profit on disposal of investment property	(121)	(1,897)
Net valuation loss on investment property	8,286	17,364
Share of profit of joint ventures	(3,587)	(210)
Net finance cost	4,202	32,635
Operating cash generated before changes in working capital	**13,322**	**15,433**
Increase in trade and other receivables	(1,923)	(1,645)
Increase/(decrease) in trade and other payables	1,254	(2,743)
Cash generated from operations	**12,653**	**11,045**
Finance costs paid	(3,990)	(5,698)
Cash flows from operating activities	**8,663**	**5,347**
Investing activities		
Proceeds from sale of investment property	6,409	80,034
Acquisition of investment property	(36,500)	–
Additions to investment property	(8,896)	(6,504)
Addition to joint ventures	–	(496)
Capital redemptions in joint ventures	–	319
Net income distributed from joint ventures	2,452	2,567
Cash flows from investing activities	**(36,535)**	**75,920**
Financing activities		
Additions/(repayments) to debt	24,500	(29,000)
Refinancing fees paid	–	(26,147)
Dividends paid	(7,989)	(14,111)
Share buyback	(9,515)	–
Cash flows used in financing activities	**6,996**	**(69,258)**
Net (decrease)/increase in cash and cash equivalents for the year	**(20,876)**	**12,009**
Opening cash and cash equivalents	**33,051**	**21,042**
Closing cash and cash equivalents	**12,175**	**33,051**

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

Notes to the Financial Statements

1. Significant accounting policies

Schroder Real Estate Investment Trust Limited ('the Company') is a closed-ended investment company registered in Guernsey. The consolidated financial statements of the Company for the year ended 31 March 2021 comprise the Company and its subsidiaries (together referred to as the 'Group').

Statement of compliance

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

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

Basis of preparation

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

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

Going concern

The Directors have examined significant areas of possible financial risk, including the non-collection of rent and service charges as a result of the Covid-19 pandemic; have considered potential resulting falls in property valuations; have reviewed cash flow forecasts; and have analysed forward-looking compliance with third-party debt covenants, in particular the Loan to Value covenant and interest cover ratios.

Overall, after utilising available cash, excluding the cash undrawn against the RBS facility, and uncharged properties and units in joint ventures, and based on the reporting period to 31 March 2021, property valuations would have to fall by 42% before the relevant Canada Life Loan to Value covenants were breached, and actual net rental income would need to fall by 74% before the interest cover covenants were breached. Furthermore, the properties charged to RBSI could fall in value by 70% prior to the 65% LTV covenant being reached and, based on actual net rents for the quarter to March 2021, a 78% fall in net income could be sustained prior to the RBSI loan covenant of 185% being breached.

As at the financial year end the undrawn capacity of the RBS facility was £28 million. This facility is an efficient and flexible source of funding due to the margin of 1.6% and its ability to be repaid and redrawn as often as required.

The Board and Investment Manager are closely monitoring the potential impact the Covid-19 pandemic may have on the Company's rental collection and the requirement to distribute dividends in accordance with the REIT regulations. All future dividends will be kept under constant review to ensure the Company's liquid resources will be sufficient to cover any working capital requirements.

The Directors have not identified any matters which would cast significant doubt on the Group's ability to continue as a going concern for the period to 1 June 2022 . In addition to the matters described above, in arriving at their conclusion the Directors have also considered:
- The current cash balance at 1 June 2021 of £13.5 million;
- The nature and timing of the Company's income and expenses; and
- That the Investment Manager and Administrator have successfully invoked their business continuity plans to help ensure the safety and wellbeing of their staff thereby retaining the ability to maintain the Company's business operations.

The Directors have satisfied themselves that the Group has adequate resources to continue in operational existence for at least the next twelve months from the date of approval of the financial statements. After due consideration, the Board believes it is appropriate to adopt the going concern basis in preparing the financial statements.

Use of estimates and judgements

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

The most significant estimates made in preparing these financial statements relate to the carrying value of investment properties, including those within joint ventures, which are stated at fair value. The Group uses external professional valuers to determine the relevant amounts. Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are disclosed in note 19.

Another significant estimate is the amount of expected credit losses as per IFRS 9 from rent demanded during the period which has not yet been collected. Management has considered rental debtors on a quarterly basis and made provisions and write-offs where it has been deemed that these amounts are irrecoverable. As at 31 March 2021 total provisions of £1.1 million were recognised and rental debtors are shown net of this provision in notes 13 and 19. In addition to bad debt provisions recognised relating to rent recognised during the period, an additional judgement has been made relating to rent demanded at the end of March relating to the subsequent quarter from April and to June. Any amounts which are deemed to be potentially irrecoverable have been removed from the deferred income and rental debtor balances reported as at 31 March.

1. Significant accounting policies continued

Basis of consolidation

Subsidiaries

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

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

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

Joint ventures

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

Transactions eliminated on consolidation

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

Investment property

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

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

After initial recognition, investment properties are measured at fair value, with unrealised gains and losses recognised in the statement of comprehensive income. Realised gains and losses on the disposal of properties are recognised in the statement of comprehensive income in relation to carrying value. Fair value is based on the market valuations of the properties as provided by a firm of independent chartered surveyors at the reporting date. Market valuations are carried out on a quarterly basis.

As disclosed in note 20, the Group leases out all owned properties on operating leases. A property held under an operating lease is classified and accounted for as an investment property where the Group holds it to earn rentals, capital appreciation, or both. Any such property leased under an operating lease is classified as an investment property and carried at fair value.

Leases

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

Financial instruments

Non-derivative financial instruments

Financial assets

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

Cash and cash equivalents

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

Financial liabilities

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

Loans and borrowings

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

Trade and other payables

Trade and other payables are stated at amortised cost.

Share capital

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

Share buyback

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

Notes to the Financial Statements continued

1. Significant accounting policies continued

Dividends
Dividends are recognised in the period in which they are paid.

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

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

Impairment
Financial assets
Financial assets at amortised cost are subject to impairment.

The Group's significant financial assets that are subject to IFRS 9's expected credit loss model are trade receivables from the leasing of investment properties. The credit risk associated with unpaid rent has increased due to Covid-19 and management have done a detailed analysis over the recoverability of expected rents. Rents received in advance have been closely monitored and any rents deemed irrecoverable discussed by management. Note 19 provides further details on the measurement of the loss allowance and amount recognised at 31 March 2021.

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

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

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

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

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

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

Expenses
All expenses are accounted for on an accruals basis. The costs recharged to occupiers of the properties are presented net of the service charge income as management considers that the property agent acts as principal in this respect.

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

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

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

2. New standards and interpretations

Standards, interpretations and amendments to published standards that are not yet effective

Annual improvements cycle – effective date of 2018–2020
On 14 May 2020, the IASB issued 'Annual Improvements to IFRS Standards 2018–2020'. The pronouncement contains amendments to four International Financial Reporting Standards ('IFRSs') as result of the IASB's annual improvements project. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

It is management's expectation that there will be no material impact on the financial statements when these amendments become effective.

Management are satisfied that there are no other standards that are published and not yet effective that will have a material effect on the accounts.

3. Material agreements

Schroder Real Estate Investment Management Limited is the Investment Manager to the Company. The Investment Manager is entitled to a fee together with reasonable expenses incurred in the performance of its duties. The fee is payable monthly in arrears at one-twelfth of the aggregate of 1.1% of the NAV of the Company. The Investment Management Agreement can be terminated by either party on not less than nine months written notice or on immediate notice in the event of certain breaches of its terms or the insolvency of either party. The total charge to the Consolidated Statement of Comprehensive Income during the year was £2,906,000 (2020: £3,470,000). At the year end £20,000 (2020: £295,000) was outstanding. As noted in the Report of the Directors, the terms of the Investment Management Agreement have been revised with effect from 1 July 2021.

Northern Trust International Fund Administration Services (Guernsey) Limited is the Administrator to the Company. The Administrator is entitled to an annual fee equal to £120,000 (2020: £120,000) of which £nil (2020: £nil) was outstanding at the year end. In addition to this £40,000 (2020: £40,000) was paid for depository fees of which £3,000 (2020: £nil) was outstanding at year end.

4. Other income

	31/03/2021 £000	31/03/2020 £000
Dilapidations	192	482
Surrender premiums	–	840
Miscellaneous income	13	11
	205	**1,333**

5. Property operating expenses

	31/03/2021 £000	31/03/2020 £000
Agents' fees	122	81
Repairs and maintenance	92	130
Advertising	33	97
Rates – vacant	400	342
Service charge, insurance and utilities on vacant units	1,445	933
Ground rent	109	137
Bad debt provisions and write-offs	837	528
	3,038	**2,248**

6. Auditor's remuneration

The total expected audit fees for the year are £122,475 (2020: £116,500) and £17,525 (2020: £16,500) for the half-year interim review of the financial statements. An additional £10,000 was paid to the auditors during the year ended 31 March 2021 in respect of additional costs incurred during the 2020 audit, primarily as a result of the Covid-19 pandemic.

7. Other expenses

	31/03/2021 £000	31/03/2020 £000
Professional fees	248	235
Other expenses	30	68
	278	**303**

Directors' fees

Directors are the only officers of the Company and there are no other key personnel. The Directors' annual remuneration for services to the Group was £150,000 (2020: £150,000), as set out in the Remuneration Report on page 56.

8. Taxation

	31/03/2021 £000	31/03/2020 £000
Tax expense in year	–	–
Reconciliation of effective tax rate		
Profit/(loss) before tax	4,542	(32,459)
Effect of:		
Tax using the UK corporation tax rate of 19%	863	(6,167)
Revaluation loss not taxable	1,574	3,299
Share of profit of associates and joint ventures not taxable	(682)	(40)
Profit on disposal of investment property not taxable	(23)	(360)
UK REIT exemption	(1,732)	3,268
Current tax expense in the year	**–**	**–**

Notes to the Financial Statements
continued

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

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

9. Basic and diluted earnings per share
The basic and diluted earnings per share for the Group are based on the profit for the year of £4,542,000 (2020: loss of £32,459,000) and the weighted average number of Ordinary Shares in issue during the year of 508,699,880 (2020: 518,513,409).

10. Dividends paid

In respect of	Ordinary Shares	Rate (pence)	31/03/2021 £000
Q/e 30 June 2020 (dividend paid 18 August 2020)	518.51 million	0.38575	**2,002**
Q/e 30 September 2020 (dividend paid 11 December 2020)	503.30 million	0.575	**2,894**
Q/e 31 December 2020 (dividend paid 12 March 2021)	495.00 million	0.625	**3,093**
		1.59	**7,989**

In respect of	Ordinary Shares	Rate (pence)	31/03/2020 £000
Q/e 31 March 2019 (dividend paid 7 June 2019)	518.51 million	0.65	3,370
Q/e 30 June 2019 (dividend paid 16 August 2019)	518.51 million	0.65	3,370
Q/e 30 September 2019 (dividend paid 18 December 2019)	518.51 million	0.65	3,370
Q/e 31 December 2019 (dividend paid 11 March 2020)	518.51 million	0.77	4,001
		2.72	**14,111**

A dividend for the quarter ended 31 March 2021 of 0.656 pence per share was approved and will be paid on the 25 June 2021.

11. Investment property

	Leasehold £000	Freehold £000	Total £000
Fair value as at 31 March 2019	**39,822**	**331,275**	**371,097**
Additions	34	6,470	6,504
Gross proceeds on disposals	–	(43,168)	(43,168)
Realised gain on disposals	–	1,897	1,897
Fair value leasehold adjustment*	2,416	–	2,416
Net unrealised valuation loss on investment property	(5,454)	(11,910)	(17,364)
Fair value as at 31 March 2020	**36,818**	**284,564**	**321,382**
Additions	8,856	40	8,896
Acquisitions	–	36,500	36,500
Gross proceeds on disposals	(4,116)	(2,293)	(6,409)
Realised gain on disposals	65	56	121
Fair value leasehold adjustment movement	(428)	–	(428)
Net unrealised valuation loss on investment property	(4,819)	(3,467)	(8,286)
Fair value as at 31 March 2021	**36,376**	**315,400**	**351,776**

* Relates to the fair value of the leasehold element of The Galaxy, Luton. The corresponding lease liability is included on the balance sheet under non-current liabilities.

11. Investment property continued

The balance above includes:

	Leasehold £000	Freehold £000	Total £000
Investment property	34,388	315,400	349,788
Fair value leasehold adjustment	1,988	–	1,988
Fair value as at 31 March 2021	**36,376**	**315,400**	**351,776**

	Leasehold £000	Freehold £000	Total £000
Investment property	34,402	284,564	318,966
Fair value leasehold adjustment	2,416	–	2,416
Fair value as at 31 March 2020	**36,818**	**284,564**	**321,382**

No investment properties have been deemed to meet the criteria of a held for sale asset at the year end (31 March 2020: £nil).

The fair value of investment properties, as determined by the valuer, totals £359,300,000 (2020: £328,300,000). In addition to this, £9,512,000 (2020: £9,334,000) relating to lease incentives is included within trade and other receivables.

The fair value of investment property has been determined by Knight Frank LLP, a firm of independent chartered surveyors, who are registered independent appraisers. The valuation has been undertaken in accordance with the RICS Valuation – Professional Standards global January 2019, issued by the Royal Institution of Chartered Surveyors (the 'Red Book') including the International Valuation Standards.

The properties have been valued on the basis of 'fair value' in accordance with the RICS Valuation – Professional Standards VPS4(7.1) Fair Value and VPGA1 Valuations for Inclusion in Financial Statements which adopt the definition of fair value used by the International Accounting Standards Board. The properties have been valued individually and not as part of a portfolio.

The valuation has been undertaken using an appropriate valuation methodology and the Valuer's professional judgement. Consistent with the prior year, the Valuer's opinion of fair value was primarily derived using recent comparable market transactions on arm's length terms, where available, and appropriate valuation techniques (The Investment Method).

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

Quantitative information about fair value measurement using unobservable inputs (Level 3) as at 31 March 2021

31 March 2021		Industrial[1]	Retail (incl. retail warehouse)	Office	Other	Total
Fair value (£000)		170,400	87,050	85,350	16,500	359,300
Area ('000 sq ft)		1,963	506	414	177	3,060
Net passing rent per sq ft per annum	Range	£4.20–£8.36	£0–£32.85	£0–£29.10	£0–£13.00	£0–£32.85
	Weighted average	£5.16	£11.46	£16.46	£6.95	£7.55
Gross ERV per sq ft per annum	Range	£3.50–£13.00	£7.40–£32.85	£12.00–£24.00	£2.10–£13.00	£2.10–£32.85
	Weighted average	£5.70	£13.40	£17.59	£7.98	£8.40
Net initial yield[1]	Range	4.40%–7.02%	2.72%–9.45%	5.77%–11.00%	4.75%–9.27%	2.72%–11.00%
	Weighted average	5.57%	6.24%	7.47%	7.00%	6.25%
Equivalent yield	Range	5.10%–7.41%	5.80%–10.04%	5.72%–9.25%	4.75%–8.96%	4.75%–10.04%
	Weighted average	6.16%	7.38%	7.74%	7.25%	6.65%

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

Notes to the Financial Statements continued

11. Investment property continued
Quantitative information about fair value measurement using unobservable inputs (Level 3) as at 31 March 2020

31 March 2020		Industrial[1]	Retail (incl. retail warehouse)	Office	Other	Total
Fair value (£000)		116,150	98,400	95,100	18,650	328,300
Area ('000 sq ft)		1,398	527	463	177	2,565
Net passing rent per sq ft per annum	Range Weighted average	£0–£10.00 £4.64	£0–£38.50 £11.72	£0–£29.10 £15.02	£0–£13.00 £8.22	£0–£38.50 £8.22
Gross ERV per sq ft per annum	Range Weighted average	£3.75–£10.00 £5.50	£4.30–£31.80 £14.36	£10.00–£26.00 £17.05	£2.10–£13.00 £8.49	£2.10–£31.80 £9.61
Net initial yield[1]	Range Weighted average	4.75%–6.52% 5.23%	0%–11.50% 5.88%	5.36%–9.58% 6.85%	4.85%–8.31% 7.33%	0%–11.50% 6.01%
Equivalent yield	Range Weighted average	5.30%–6.75% 6.25%	5.71%–9.82% 6.97%	5.56%–9.93% 7.48%	4.85%–7.99% 6.84%	4.85%–9.93% 6.87%

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

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

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

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

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

Estimated movement in fair value of investment properties at 31 March 2021	**Industrial £000**	**Retail £000**	**Office £000**	**Other £000**	**All sectors £000**
Increase in ERV by 5%	8,119	2,536	3,822	706	15,183
Decrease in ERV by 5%	(7,955)	(3,497)	(3,809)	(501)	(15,762)
Increase in net initial yield by 0.25%	(7,320)	(3,355)	(2,763)	(569)	(13,821)
Decrease in net initial yield by 0.25%	8,008	3,635	2,954	611	14,973

Estimated movement in fair value of investment properties at 31 March 2020	Industrial £000	Retail £000	Office £000	Other £000	All sectors £000
Increase in ERV by 5%	5,611	4,238	4,520	638	15,007
Decrease in ERV by 5%	(5,589)	(3,894)	(4,221)	(392)	(14,096)
Increase in net initial yield by 0.25%	(5,303)	(4,015)	(3,347)	(615)	(13,107)
Decrease in net initial yield by 0.25%	5,836	4,371	3,600	659	14,245

12. Investment in joint ventures ('JV')

	£000
Closing balance as at 31 March 2019	80,165
Purchase of interest in City Tower Unit Trust	496
Capital distribution from Store Unit Trust	(319)
Valuation loss on JV	(2,357)
Closing balance as at 31 March 2020	**77,985**
Valuation gain on JV	1,135
Closing balance as at 31 March 2021	**79,120**

Summarised joint venture financial information not adjusted for the Group's share – City Tower Unit Trust	**31/03/2021 £000**	31/03/2020 £000
Investment properties	160,700	163,750
Other assets	1,494	3,270
Total liabilities[1]	(3,240)	(2,745)
Revenues for the year	8,271	8,313
Total comprehensive rental income	4,769	5,397
Net asset value attributable to the Group	39,739	41,069
Total comprehensive income attributable to the Group	1,266	1,349

1 Liabilities are non-recourse to the Group.

Summarised joint venture financial information not adjusted for the Group's share – Store Street Unit Trust	**31/03/2021 £000**	31/03/2020 £000
Investment properties	78,725	73,900
Other assets	241	38
Total liabilities[1]	(203)	(106)
Revenues for the year	2,922	2,882
Total comprehensive rental income	2,395	2,497
Net asset value attributable to Group	39,381	36,916
Total comprehensive income attributable to the Group	1,186	1,249

1 Liabilities are non-recourse to the Group.

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

The fair value of investment property owned by the two joint ventures has been determined by BNP Paribas Real Estate, who are registered independent appraisers. The two valuations were undertaken on the same basis as that described under note 11, Investment Property.

13. Trade and other receivables

	31/03/2021 £000	31/03/2020 £000
Rent receivable	4,094	2,365
Other debtors and prepayments	12,934	12,750
	17,028	**15,115**

Other debtors and prepayments includes £9,512,000 (2020: £9,334,000) in respect of lease incentives.

As per note 1 the rent receivable balance at 31 March 2021 included a bad debt adjustment relating to rent demanded at the end of March 2021 relating to the April to June 2021 quarter of £354,000 (2020: £nil).

14. Cash and cash equivalents
As at 31 March 2021 the Group had £12.2 million (2020: £33.1 million) in cash and none of this amount is held with Canada Life (2020: £22.7 million).

15. Issued capital and reserves
Stated capital
The share capital of the Company is represented by an unlimited number of Ordinary Shares of no par value. As at the date of this report, the Company has 565,664,749 Ordinary Shares in issue (2020: 565,664,749) of which 74,246,108 Ordinary Shares are held in treasury (2020: 47,151,340). The total number of voting rights of the Company was 491,418,641 (2020: 518,513,409) at the financial year end.

Treasury capital
74,246,108 (2020: 47,151,340) Ordinary Shares, which represent 13.1% (2020: 8.3%) of the Company's total issued share capital, are held in treasury.

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

Notes to the Financial Statements continued

16. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate risk, see note 19.

	31/03/2021 £000	31/03/2020 £000
Non-current liabilities		
Loan facility	154,085	129,585
Unamortised arrangement fees	(715)	(918)
	153,370	**128,667**

The Group has in place a £129.6 million loan facility with Canada Life. This has been in place since 16 April 2013 and has been refinanced several times, most recently in October 2019. As part of this most recent refinancing, a break fee of £25.8 million was paid and all previously unamortised finance costs of £1.6 million were written off.

The loan is split in to two equal tranches of £64.8 million as follows:
- Facility A matures in October 2032 and attracts an interest rate of 2.36%.
- Facility B matures in October 2039 and attracts an interest rate of 2.62%.

The Company also has in place a revolving credit facility ('RCF') with Royal Bank of Scotland International. In January 2019 the RCF limit was increased from £32.5 million to £52.5 million. As at 31 March 2021 there was a balance of £24.5 million drawn (2020: £nil). This facility expires on 3 July 2023.

The interest rate is based on the Loan to Value ratio as set out below:
- LIBOR + 1.60% if the Loan to Value is less than or equal to 60%; and
- LIBOR + 1.85% if the Loan to Value is greater than 60%.

During both the current and prior year, the Loan to Value has remained less than 60%. Since this loan has variable interest, an interest rate cap for £32.5 million of the loan was entered into and this comes into effect if GBP three-month LIBOR reaches 1.5%. As at the reporting date GBP three-month LIBOR has not reached 1.5%.

The Canada Life facility has a first charge security over all the property assets in the ring-fenced Security Pool (the 'Security Pool') which at 31 March 2021 contained properties valued at £273.6 million (2020: £262.8 million). Various restraints apply during the term of the loan although the facility has been designed to provide significant operational flexibility.

The RBS facility has a first charge security over all the property assets held in SREIT No.2 Limited which at 31 March 2021 contained properties valued at £125.9 million (2020: £105.3 million).

The principal covenants for Canada Life and RBS are that the loan should not comprise more than 65% of the value of the assets in the Security Pool nor should estimated rental and other income arising from assets in the Security Pool, calculated on any interest payment date and one year projected from any interest payment date, comprise less than 185% of the interest payments.

As at the Interest Payment Date, the Canada Life interest cover, calculated in accordance with the ICR covenant was 562% (2020: 548%) and the forward-looking interest cover was 423% (2020: 436%), with the Loan to Value ratio of 47.4% (47.4% net of all cash) (2020: 49.3%, 40.7% net of all cash).

As at the Interest Payment Date, the RBS interest cover, calculated in accordance with the ICR covenant was 1,151% (2020: 2,135%) and the forward-looking interest cover was 864% (2020: 1,712%), with the Loan to Value ratio of 19.5% (2020: 0%).

Please see a reconciliation of financing movements for the year below split in to cash and non-cash items:

	31/03/2021 £000
Loan balance brought forward	**128,667**
Drawdown on RBS RCF (cash)	37,000
Repayment of RBC RCF (cash)	(12,500)
Movement in fair value	203
Loan balance carried forward	**153,370**

17. Trade and other payables

	31/03/2021 £000	31/03/2020 £000
Deferred income	3,701*	3,885
Rental deposits	1,448	1,166
Interest payable	780	728
Other trade payables and accruals	1,968	865
	7,897	**6,644**

* As per note 1 this balance includes a bad debt adjustment relating to rent demanded at the end March for the April to June quarter of £354k.

18. NAV per Ordinary Share and share buyback

On 8 September 2020 the Company announced that it was commencing a share buyback programme. From 8 September 2020 to 31 March 2021 the Company purchased a sum of 27,094,768 shares for a sum of £9.52 million and at an average price of 35 pence per share.

As a consequence of the buyback the number of Ordinary Shares in issue fell from 518,513,409 to 491,418,641 during the reporting period.

The NAV per Ordinary Share is based on the net assets of £296,844,000 (2020: £309,806,000) and 491,418,641 (2020: 518,513,409) Ordinary Shares in issue at the reporting date.

19. Financial instruments, properties and associated risks

Financial risk factors

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

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

Market price risk

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

The Directors monitor the market value of investment properties by having independent valuations carried out quarterly by a firm of independent chartered surveyors. Note 11 sets out the sensitivity analysis on the market price risk. Concentration risk, based on industry and geography, is set out in the tables on pages 22 and 23. Included in market price risk is interest rate risk which is discussed further below.

Credit risk

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

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

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

	31/03/2021 Carrying amount £000	31/03/2020 Carrying amount £000
Office	545	468
Industrial	1,916	973
Retail	3,100	1,443
	5,561*	**2,884***

* Note that this is the gross rental debtors; this is shown in note 13 as £4,094k (2020: £2,365k) which is the above figure net of bad debt provision of £1,113k (2020: £519k) and deferred income adjustment of £354k (2020: £nil) as per note 1 Significant estimates and judgements.

Rent receivables which are past their due date were:

	31/03/2021 Carrying amount £000	31/03/2020 Carrying amount £000
0–30 days	2,952	2,490
31–60 days	77	92
61–90 days	201	38
91 days plus	2,331	64
	5,561*	**2,884***

* Note that this is the gross rental debtors; this is shown in note 13 as £4,094k (2020: £2,365k) which is the above figure net of bad debt provision of £1,113k (2020: £519k) and deferred income adjustment of £354k (2020: £nil) as per note 1 Significant estimates and judgements.

Notes to the Financial Statements
continued

19. Financial instruments, properties and associated risks continued
Management has considered rental debtors on a quarterly basis and made provisions where it has been deemed that these amounts are unrecoverable. As at 31 March 2021 total provisions of £1.1 million were recognised and rental debtors are shown net of this provision in the balance sheet.

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

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

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

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

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

As at 31 March 2021	Carrying amount £000	Expected cash flows £000	6 mths or less £000	6 mths – 2 years £000	2–5 years £000	More than 5 years £000
Financial liabilities						
Interest-bearing loans and borrowings and interest	153,370	204,800	1,813	5,438	35,377*	162,173
Leasehold liability	1,988	10,717	46	139	278	10,254
Trade and other payables	3,416	3,416	1,968	–	–	1,448
Total financial liabilities	**158,774**	**218,934**	**3,827**	**5,577**	**35,655**	**173,875**

* Please note that this assumes that the £24.5 million facility is repaid in 2023.

As at 31 March 2020	Carrying amount £000	Expected cash flows £000	6 mths or less £000	6 mths – 2 years £000	2–5 years £000	More than 5 years £000
Financial liabilities						
Interest-bearing loans and borrowings and interest	129,395	181,533	1,614	4,840	9,680	165,399
Leasehold liability	2,416	13,442	57	173	346	12,866
Trade and other payables	2,031	2,031	865	–	–	1,166
Total financial liabilities	133,842	197,006	2,536	5,013	10,026	179,431

Interest rate risk
Exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations and to interest earned on cash balances. As interest on the Group's long-term debt obligations is payable on a fixed-rate basis the Group is not exposed to interest rate risk in relation to this loan facility. As at 31 March 2021 the fair value of the Group's £129.6 million loan with Canada Life was £128.4 million (2020: £131.1 million).

The RBS revolving credit facility is a low margin flexible source of funding with a margin of 1.6% above three-month LIBOR and it is considered by management that the carrying value is equal to fair value (sum of £24.5 million drawn as at year end).

A 1% increase or decrease in short-term interest rates would increase or decrease the annual income and equity by £122,000 based on the cash balance as at 31 March 2021.

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

The fair value hierarchy levels are as follows:
- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the assets or liability that are not based on observable market data (unobservable inputs).

There have been no transfers between Levels 1, 2 and 3 during the year (2020: none).

19. Financial instruments, properties and associated risks continued

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

Investment property – Level 3
Fair value is based on valuations provided by an independent firm of chartered surveyors and registered appraisers. These values were determined after having taken into consideration recent market transactions for similar properties in similar locations to the investment properties held by the Group. The fair value hierarchy of investment property is Level 3. See note 11 for further details.

Interest-bearing loans and borrowings – Level 2
Fair values are based on the present value of future cash flows discounted at a market rate of interest. Issue costs are amortised over the period of the borrowings. As at 31 March 2021, the fair value of the Group's £129.6 million loan with Canada Life was £128.4 million (2020: £131.1 million).

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

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

	31/03/2021 £000	31/03/2020 £000
Debt		
Fixed-rate loan facility	129,585	129,585
Floating rate loan facility*	24,500	–
	154,085	**129,585**
Equity		
Called-up share capital	183,123	192,638
Reserves	113,721	117,168
	296,844	**309,806**
Total debt and equity	**450,929**	**439,391**

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

* This amount refers to the amount drawn. The total facility as at 31 March 2021 was £52.5 million (2020: £52.5 million).

20. Operating leases

The Group leases out its investment property under operating leases. At 31 March 2021 the future minimum lease receipts under non-cancellable leases are as follows:

	31/03/2021 £000	31/03/2020 £000
Less than one year	24,623	20,916
Between one and five years	69,917	62,642
More than five years	58,123	61,871
	152,663	**145,429**

The total above comprises the total contracted rent receivable as at 31 March 2021.

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

Notes to the Financial Statements
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21. List of subsidiary and joint venture undertakings
The companies listed below are those which were part of the Group at 31 March 2021 and 31 March 2020:

Undertaking	Category	Country of incorporation	Ultimate ownership
SREIT No.2 Ltd	Subsidiary	Guernsey	100%
SREIT Holding (No.2) Ltd	Subsidiary	Guernsey	100%
SREIT Holding Company Limited	Subsidiary	Guernsey	100%
SREIT Property Ltd	Subsidiary	Guernsey	100%
SREIT (Portergate) Ltd	Subsidiary	Guernsey	100%
SREIT (Victory) Ltd	Subsidiary	Guernsey	100%
SREIT (Uxbridge) Ltd	Subsidiary	Guernsey	100%
SREIT (City Tower) Ltd	Subsidiary	Guernsey	100%
SREIT (Store) Ltd	Subsidiary	Guernsey	100%
SREIT (Bedford) Ltd	Subsidiary	Guernsey	100%
SREIT Holding Company (No.3) Limited	Subsidiary	Guernsey	100%
SREIT No.3 Finance Limited	Subsidiary	Guernsey	100%
City Tower Unit Trust	Joint venture	Jersey	25%
Store Unit Trust	Joint venture	Jersey	50%

The registered address for all 100% owned entities is the same as for the Group and can be found on page 100.

22. Related party transactions
Material agreements and transactions with the Investment Manager are disclosed in note 3. Transactions with regard to joint ventures are disclosed in note 12. Transactions with the Directors are shown in the Directors' Remuneration Report.

23. Capital commitments
As at 31 March 2021 the Group had capital commitments of £3.2 million (2020: £6.0 million).

24. Post balance sheet events
Between the period of 1 April and 12 April 2021, the Company purchased a further 338,340 shares pursuant to its buyback programme, to be held in treasury, for a sum of £136,000 at an average price of 40.3 pence per share.

As noted in the Chairman's Statement, the Board and Investment Manager have agreed a change to the Investment Manager's fees which will result in an initial saving of approximately £600,000 per annum. This will take effect from 1 July 2021.

The current annual investment management fee is 1.1% of net asset value ('NAV') and equates to an annualised fee, based on the audited NAV as at 31 March 2021, of £3.3 million per annum. The fee covers all of the appointed services of the Investment Manager and there are standard provisions for reimbursement of expenses. Additional fees can be agreed for out of scope services on an ad hoc basis. The new fee agreement includes a blended (not cliff edge), tiered fee structure as follows:

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

Based on the most recent NAV at 31 March 2021, the impact of this fee reduction would be to reduce the current annualised fee from £3.3 million to £2.7 million per annum, a reduction of £600,000 per annum or 18%. In consideration for agreeing the fee reduction, the notice period for non-fault termination of the Investment Manager's appointment will be increased from nine to 12 months.

EPRA Performance Measures (unaudited)

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

EPRA performance measures: summary table

	31/03/2021	31/03/2020
EPRA earnings	£11,572,000	£12,729,000
EPRA earnings per share	2.3pps	2.5pps
EPRA Net Tangible Assets	£296,844,000	£309,806,000
EPRA Net Tangible Assets per share	60.4pps	59.7pps
EPRA Net Disposal Value	£297,806,000	£308,253,000
EPRA Net Disposal Value per share	60.6pps	59.4pps
EPRA Net Initial Yield	5.4%	5.3%
EPRA 'topped-up' Net Initial Yield	5.7%	5.6%
EPRA vacancy rate	4.8%	7.3%
EPRA cost ratios – including direct vacancy costs	34.6%	32.2%
Adjusted EPRA cost ratios – including direct vacancy costs	26.8%	27.2%
EPRA cost ratios – excluding direct vacancy costs	34.6%	32.2%
Adjusted EPRA cost ratios – excluding direct vacancy costs	26.8%	27.2%

a. EPRA earnings and EPS
Total comprehensive income or loss excluding realised and unrealised gains and losses on investment property, share of profit or loss on joint venture investments and changes in the fair value of financial instruments, divided by the weighted average number of shares.

	31/03/2021 £000	31/03/2020 £000
IFRS profit/(loss) after tax	4,542	(32,459)
Adjustments to calculate EPRA earnings:		
Profit on disposal of investment property	(121)	(1,897)
Net valuation loss on investment property	8,286	17,364
Share of valuation (gain)/loss in associates and joint ventures	(1,135)	2,357
Refinancing costs	–	27,364
EPRA earnings	**11,572**	**12,729**
Weighted average number of Ordinary Shares	508,699,880	518,513,409
IFRS earnings/(loss) per share (pence)	**0.9**	**(6.3)**
EPRA earnings per share (pence)	**2.3**	**2.5**

b. EPRA Net Tangible Assets per share
The IFRS equity attributable to shareholders adjusted for items including deferred tax, the fair value of financial instruments and intangible assets.

	31/03/2021 £000	31/03/2020 £000
IFRS NAV per financial statements	296,844	309,806
EPRA Net Tangible Assets	296,844	309,806
Shares in issue at the end of the year	491,418,641	518,513,409
IFRS NAV per share (pence)	**60.4**	**59.7**
EPRA Net Tangible Assets per share (pence)	**60.4**	**59.7**

c. EPRA Net Disposal Value per share
The IFRS equity attributable to shareholders adjusted for items including goodwill as a result of deferred tax, intangibles and the fair value of fixed interest rate debt.

	31/03/2021 £000	31/03/2020 £000
IFRS NAV per the financial statements	296,844	309,806
Adjustments to calculate EPRA Net Disposal Value:		
The fair value of fixed interest rate debt	962	(1,553)
EPRA Net Disposal Value	**297,806**	**308,253**
EPRA Net Disposal Value per share (pence)	**60.6**	**59.4**

EPRA Performance Measures (unaudited) continued

d. EPRA Net Initial Yield
Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the grossed-up market value of the complete property portfolio. The EPRA 'topped-up' NIY is the EPRA NIY adjusted for unexpired lease incentives.

	31/03/2021 £000	31/03/2020 £000
Investment property – wholly-owned	359,300	328,300
Investment property – share of joint ventures and funds	79,538	77,888
Complete property portfolio	**438,838**	**406,188**
Allowance for estimated purchasers' costs	25,453	23,559
Grossed-up completed property portfolio valuation	**464,291**	**429,747**
Annualised cash passing rental income	28,327	24,878
Property outgoings	(3,041)	(2,251)
Annualised net rents	**25,286**	**22,627**
Notional rent expiration of rent free periods[1]	1,165	1,518
Topped-up net annualised rent	**26,451**	**24,145**
EPRA NIY	**5.4%**	**5.3%**
EPRA 'topped-up' NIY	**5.7%**	**5.6%**

1 The period over which rent free periods expire is two years (2020: two years).

e. EPRA cost ratios
Administrative and operating costs as a percentage of gross rental income calculated including and excluding direct vacancy costs.

	31/03/2021 £000	31/03/2020 £000
Administrative/property operating expense line per IFRS income statement	8,340	8,059
Ground rent costs	(110)	(138)
EPRA costs (including direct vacancy costs)	**8,230**	**7,921**
Direct vacancy costs	(1,844)	(1,232)
EPRA costs (excluding direct vacancy costs)	**6,386**	**6,689**
Company adjustments	–	–
Adjusted EPRA costs (including company adjustment costs)	**8,230**	**7,921**
Direct vacancy costs	(1,844)	(1,232)
Adjusted EPRA costs (excluding direct vacancy costs)	**6,386**	**6,689**
Gross rental income less ground rent costs	21,349	22,022
Share of joint ventures income less ground rent costs	2,452	2,567
Gross rental income	**23,801**	**24,589**
EPRA cost ratio (including direct vacancy costs)	34.6%	32.2%
EPRA cost ratio (excluding direct vacancy costs)	26.8%	27.2%
EPRA vacancy rate	4.8%	7.3%
Adjusted EPRA cost ratio (including company adjustment costs)	34.6%	32.2%
Adjusted EPRA cost ratio (excluding direct vacancy costs)	26.8%	27.2%

Alternative Performance Measures (unaudited)

The Company uses the following Alternative Performance Measures ('APMs') in its Annual Report, financial statements and notes to the financial statements. The APMs are reconciled to the financial statements through the narrative below. The Board believes that each of the APMs provides additional useful information to the shareholders in order to assess the Company's performance.

Dividend cover – the ratio of EPRA earnings (page 81) to dividends paid (note 10) in the period.

Dividend yield – the dividends paid, expressed as a percentage relative to its share price.

EPRA earnings – the earnings excluding all capital components not relevant to the underlying net income performance of the portfolio, such as the realised and unrealised fair value gains or losses on investment properties. See page 81 for a reconciliation of this figure.

EPRA Net Tangible Assets – the IFRS equity attributable to shareholders adjusted for items including deferred tax, the fair value of financial instruments and intangible assets.

Gross LTV – the value of the external loans unadjusted for unamortised arrangement costs (note 16) expressed as a percentage of the market value of property investments as at the balance sheet date. The market value of property investments includes joint venture investments and are as per external valuations and have not been adjusted for IFRS lease incentive debtors nor the fair value of the head lease at Luton.

LTV net of cash – the value of the external loans unadjusted for unamortised arrangement costs (note 16) less cash held (note 14) expressed as a percentage of the market value of the property investments as at the balance sheet date. The market value of property investments includes joint venture investments and are as per external valuations and have not been adjusted for IFRS lease incentive debtors or the fair value of the head lease at Luton.

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

Ongoing charges including Fund and property expenses – all operating costs expected to be regularly incurred and that are payable by the Company expressed as a percentage of the average quarterly NAVs of the Company for the financial period. Any capital costs, including capital expenditure and acquisition/disposal fees, are excluded as costs, as well as interest costs and any other costs considered to be non-recurring. In the current period the material non-recurring costs include non-cash bad debt expenses of £0.8 million.

Share discount/premium – the share price of an Investment Trust is derived from buyers and sellers trading their shares on the stock market. This price is not identical to the NAV per share of the underlying assets less liabilities of the Company. If the share price is lower than the NAV per share, the shares are trading at a discount. Shares trading above the NAV per share are said to be at a premium. The discount/premium is calculated as the variance between the share price as at the balance sheet date and the NAV per share (page 65) expressed as a percentage.

NAV total return – the return to shareholders calculated on a per share basis by adding dividends paid (note 10) in the period on a time-weighted basis to the increase or decrease in the NAV per share (page 65).

AIFMD Disclosures (unaudited)

The Alternative Investment Fund Managers Directive ('AIFMD') remuneration and leverage disclosures for Schroder Real Estate Investment Manager ('SREIM') for the year to 31 December 2020

Remuneration disclosures

These disclosures form part of the non-audited section of this Annual Report and Consolidated Financial Statements and should be read in conjunction with the Schroders plc Remuneration Report on pages 75 to 102 of the 2020 Annual Report & Accounts (available on the Group's website – https://www.schroders.com/en/investor-relations/results-and-reports/annual-report-and-accounts-2020/), which provides more information on the activities of our Remuneration Committee and our remuneration principles and policies.

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

The Remuneration Committee of Schroders plc has established a remuneration policy to ensure the requirements of the AIFM Directive are met for all AIF MRTs. The Remuneration Committee and the Board of Schroders plc review remuneration strategy at least annually. The Directors of SREIM are responsible for the adoption of the remuneration policy, for reviewing its general principles at least annually, for overseeing its implementation and for ensuring compliance with relevant local legislation and regulation. During 2020 the remuneration policy was reviewed to ensure compliance with the UCITS/AIFMD remuneration requirements and no significant changes were made.

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

The total spend on remuneration is determined based on a profit share ratio, measuring variable remuneration charge against pre-bonus profit, and from a total compensation ratio, measuring total remuneration expense against net income. This ensures that the interests of employees are aligned 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 2020.

- The total amount of remuneration paid by SREIM to its staff is nil as SREIM has no employees. Employees of SREIM or other Schroders Group entities who serve as Directors of SREIM receive no additional fees in respect of their role on the Board of SREIM.
- The following disclosures relate to AIF MRTs of SREIM. Those AIF MRTs were employed by and provided services to other Schroders Group companies and clients. In the interests of transparency, the aggregate remuneration figures that follow reflect the full remuneration for each SREIM AIF MRT. The aggregate total remuneration paid to the 76 AIF MRTs of SREIM in respect of the financial year ended 31 December 2020 is £56.30 million, of which £36.33 million was paid to senior management, £14.75 million was paid to MRTs deemed to be taking risk on behalf of SREIM or the AIF funds that it manages and £5.22 million was paid to other AIF MRTs including control function MRTs.

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

Leverage disclosure

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

The Investment Manager has set the expected maximum leverage percentages for the Company and calculated the actual leverages as at 31 December 2020 as shown below (the Company calculates and externally reports its leverage one quarter in arrears):

	Maximum limit set	Actual as at 31.12.2020
Gross leverage	195	152
Commitment leverage	220	160

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

Sustainability Performance Measures (Environmental) (unaudited)

SREIT reports sustainability information in accordance with EPRA Best Practice Recommendations on Sustainability Reporting ('sBPR') 2017, 3rd Edition for the 12 months, 1 January 2020 – 31 December 2020, presented with comparison against 2019. As permitted by the EPRA Sustainability Reporting Guidelines, environmental data has been developed and presented in line with the Global Real Estate Sustainability Benchmark ('GRESB').

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

As at 31 December 2020, there were 25 managed properties within the portfolio of which two properties were purchased towards the end of the reporting period and so have not been captured in the reported data. This compares to 22 managed properties in the portfolio during 2019 which have been included in the reporting.

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

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

There have been significant reductions in consumption due to the Covid-19 pandemic which has affected the majority of the 2020 reporting year. The reductions are due to changes in occupancy and building operations during the Covid-19 period.

This report has been prepared by Evora Global, retained sustainability and energy management consultants to Schroder Real Estate Investment Management. The Sustainability Performance Measures have been assured in accordance with AA1000 to provide a Type 2 Moderate Assurance unqualified audit of the sustainability content located within the SREIT Annual Report for the year ending 31 December 2020. The full assurance statement can be found on the following link; please see the Sustainability page for the full assurance statement: https://www.schroders.com/en/uk/adviser/fund-centre/funds-in-focus/investment-trusts/schroders-investment-trusts/schroder-real-estate-investment-trust/sustainability/.

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

	Total electricity consumption (kWh)		Total fuel consumption (kWh)		Energy intensity (kWh/m²)	
Sector	2019	**2020**	2019	**2020**	2019	**2020**
Industrial, Distribution Warehouse	87,758	134,716	105	21,021	0.8	1.4
Coverage	5/5	6/6	2/2	4/4	5/5	6/6
Leisure	268,140	218,056	72,697		24.6	15.7
Coverage	1/1	1/1	1/1		1/1	1/1
Mixed-use, Office/Retail	285,074	279,179			121.7	119.2
Coverage	1/1	1/1			1/1	1/1
Mixed-use, Other	2,528,805	1,795,726	1,234		109.8	77.9
Coverage	2/2	2/2	1/1		2/2	2/2
Office, Low-Rise	2,106,939	1,699,887	1,819,356	1,514,969	135.3	110.8
Coverage	10/10	10/10	9/9	9/9	10/10	10/10
Office, Mid-Rise	308,871	279,792	431,247	378,210	184.0	163.6
Coverage	1/1	1/1	1/1	1/1	1/1	1/1
Retail High Street	17,618	16,795			9.2	8.8
Coverage	1/1	1/1			1/1	1/1
Retail Warehouse	39,377	63,987		23,955	3.4	7.7
Coverage	1/1	1/1		1/1	1/1	1/1
Sub-total	**5,642,582**	**4,488,140**	**2,324,640**	**1,938,154**		
Coverage	22/22	23/23	14/14	15/15		
Total (Electricity and fuel)	**7,967,222**	**6,426,294**				
Coverage	22/22	23/23				
Renewable electricity %	98%	97%				
Coverage	22/22	23/23				

Sustainability Performance Measures (Environmental) (unaudited) continued

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

- Consumption data relates to the managed portfolio only:
  - Industrial, Distribution Warehouse: Tenant Space and Outdoor/Exterior Area/Parking;
  - Leisure: Common Areas, Tenant Space and Outdoor/Exterior Area/Parking;
  - Mixed-use, Office/Retail: Whole Building;
  - Mixed-use, Other: Whole Building, Common Areas, Tenant Space;
  - Office, Low-Rise: Whole Building, Shared Services, Common Areas, Tenant Space and Outdoor/Exterior/Parking;
  - Office, Mid-Rise Office: Shared Services;
  - Retail High Street: Common Areas; and
  - Retail Warehouse: Tenant Space and Outdoor/Exterior Area/Parking
- Energy procured directly by tenants is not reported.
- Estimation: 0% electricity and gas data have been estimated through prorating.
- Where appropriate (for relevant assets) consumption data has been adjusted to reflect the Company's share of asset ownership
- Coverage relates to the number of managed assets for which data is reported.
- Renewable electricity (%) is calculated according to the attributes of energy supply contracts as at 31 December 2020 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. As far as we know, no renewable fuel was consumed during the reporting period and therefore a percentage renewable fuel figure is not presented here.
- All energy was procured from a third-party supplier. No 'self-generated' renewable energy was consumed during the reporting period and is therefore not presented here.
- Intensity: An energy intensity kWh/m² is reported for assets. The numerator is landlord-managed energy consumption and the denominator is net lettable floor area (m²). For Retail High Street, common parts' energy consumption is divided by common parts area (m²).
- Please see the Objectives and targets section in the CSR Report page 33 for narrative commentary on historical trends and programmes in place to improve performance.

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

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

	Total electricity consumption (kWh)			Total fuel consumption (kWh)			Energy intensity (kWh/m²)	
Sector	2019	**2020**	% change	2019	**2020**	% change	2019	**2020**
Mixed-use, Office/Retail	285,074	279,179	-2%				121.7	119.2
Coverage	**1/1**	**1/1**						**1/1**
Mixed-use, Other	2,424,786	1,690,178	-30%				169.5	118.2
Coverage	**1/1**	**1/1**						**1/1**
Office, Low-Rise	1,994,121	1,620,182	-19%	1,758,557	1,477,145	-16%	129.4	106.8
Coverage	**9/9**	**9/9**		**8/8**	**8/8**			**10/10**
Office, Mid-Rise	308,871	279,792	-9%	431,247	378,210	-12%	184.0	163.6
Coverage	**1/1**	**1/1**		**1/1**	**1/1**			**1/1**
Retail, High Street	17,618	16,795	-5%				9.2	8.8
Coverage	**1/1**	**1/1**						**1/1**
Retail, Warehouse								
Coverage								
Sub-total	**5,030,471**	**3,886,127**	**-23%**	**2,189,805**	**1,855,355**	**-15%**		
Coverage	13/13	13/13		9/9	9/9			
Total (Electricity and fuel)	**7,220,275**	**5,741,482**	**-20%**					
Coverage	14/14	14/14						
Renewable electricity %	100%	100%						
Coverage	14/14	14/14						

- 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, Distribution Warehouse: Tenant Space and Outdoor/Exterior Area/Parking;
  - Leisure: Common Areas, Tenant Space and Outdoor/Exterior Area/Parking;
  - Mixed-use, Office/Retail: Whole Building;
  - Mixed-use, Other: Whole Building, Common Areas, Tenant Space;
  - Office, Low-Rise: Whole Building, Shared Services, Common Areas, Tenant Space and Outdoor/Exterior/Parking;
  - Office, Mid-Rise Office: Shared Services;
  - Retail High Street: Common Areas; and
  - Retail Warehouse: Tenant Space and Outdoor/Exterior Area/Parking

- Estimation: 0% electricity and gas data have been estimated through prorating.
- Where appropriate (for relevant assets), consumption data has been adjusted to reflect the Company's share of ownership.
- Coverage relates to the number of managed assets for which data is reported.
- Intensity: An energy intensity kWh/m² is reported for assets within the like-for-like portfolio. The numerator is landlord-managed energy consumption and the denominator is net lettable floor area (m²). For Retail High Street, common parts energy consumption is divided by the common parts area (m²).

Refer to the Objectives and targets section in the CSR Report on page 33 for narrative commentary on historical trends and programmes in place to improve performance.

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

The table below sets out the Company's greenhouse gas emissions by sector.

	Absolute emissions (tCO_2e)		Like-for-like emissions (tCO_2e)		Absolute intensity (kg CO_2e/m^2)			Like-for-like intensity (kg CO_2e/m^2)	
Sector	2019	**2020**	2019	**2020**	2019	**2020**	% change	2019	**2020**
Industrial, Distribution Warehouse									
Scope 1		3.9	0.2	0.3					
Scope 2	22.5	31.4							
Coverage	**5/5**	**6/6**	**5/5**	**6/6**					
Leisure									
Scope 1	13.4		5.9	3.7					
Scope 2	68.6	50.9							
Coverage	1/1	1/1	1/1	1/1					
Mixed-use, Office/Retail									
Scope 1			31.2	27.8				31.2	27.8
Scope 2	73.0	65.1			73.0	65.1	-11%		
Coverage	**1/1**	**1/1**	**1/1**	**1/1**	**1/1**	**1/1**			**1/1**
Mixed-use, Other									
Scope 1	0.2		28.1	18.2				43.4	27.6
Scope 2	647.4	419.0			620.7	394.3	-36%		
Coverage	**2/2**	**2/2**	**2/2**	**2/2**	**1/1**	**1/1**			**1/1**
Office, Low-Rise									
Scope 1	334.8	278.8	30.1	23.3	323.6	271.8	-16%	28.8	22.4
Scope 2	539.4	396.6			510.5	378.0	-26%		
Coverage	**10/10**	**10/10**	**10/10**	**10/10**	**10/10**	**10/10**			**10/10**
Office, Mid-Rise									
Scope 1	79.3	69.6	39.4	33.5	79.3	69.6	-12%	39.4	33.5
Scope 2	79.1	65.3			79.1	65.3	-17%		
Coverage	**1/1**	**1/1**	**1/1**	**1/1**	**1/1**	**1/1**			**1/1**
Retail, High Street									
Scope 1			2.4	2.1				2.4	2.1
Scope 2	4.5	3.9			4.5	3.9	-13%		
Coverage	**1/1**	**1/1**	**1/1**	**1/1**	**1/1**	**1/1**			**1/1**
Retail, Warehouse									
Scope 1		4.4	0.9	1.7					
Scope 2	10.1	14.9							
Coverage	**1/1**	**1/1**		**1/1**					
Total Scope 1	**428**	**357**			**403**	**341**	**-15%**		
Total Scope 2	**1,445**	**1,047**			**1,288**	**907**	**-30%**		
Total Scope 1 & 2	**1,872**	**1,404**			**1,691**	**1,248**	**-26%**		
Coverage	**22/22**	**23/23**			**14/14**	**14/14**			

Sustainability Performance Measures (Environmental) (unaudited) continued

Greenhouse gas emissions (GHG-Dir-Abs; GHG-Indir-Abs; GHG-Int) 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.
- Scope 1 GHG emissions relate to the use of on-site natural gas.
- Scope 2 GHG emissions relate to the use of electricity.
- The Company's greenhouse gas ('GHG') inventory has been developed as follows:
  - Fuels/electricity GHG emissions factors taken from the UK Government's Greenhouse Gas Reporting Factors for Company Reporting (2019 and 2020).
  - 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 ($kgCO_2e$), where available greenhouse gas emissions conversion factors allow.
- Emissions data relates to the managed portfolio only:
  - Industrial, Distribution Warehouse: Tenant Space and Outdoor/Exterior Area/Parking
  - Leisure: Common Areas, Tenant Space and Outdoor/Exterior Area/Parking
  - Mixed-use, Office/Retail: Whole Building
  - Mixed-use, Other: Whole Building, Common Areas, Tenant Space
  - Office, Low-Rise: Whole Building, Shared Services, Common Areas, Tenant Space and Outdoor/Exterior/Parking
  - Office, Mid-Rise Office: Shared Services
  - Retail High Street: Common Areas
  - Retail Warehouse: Tenant Space and Outdoor/Exterior Area/Parking
- Emissions associated with energy procured directly by tenants is not reported.
- Estimation: 0% electricity and gas data have been estimated through prorating.
- Where appropriate (for relevant assets), emissions data has been adjusted to reflect the Company's share of asset ownership.
- Coverage relates to the number of managed assets for which data is reported.
- Intensity: An intensity $kgCO_2e/m^2$ is reported for absolute consumption and for assets within the like-for-like portfolio. The numerator is landlord-managed GHG emissions from energy consumption and the denominator is net lettable floor area (m^2). For Retail High Street, GHG emissions from common parts energy consumption is divided by common parts area (m^2).
- Refer to the Objectives and targets section in the CSR Report on page 34 for the narrative commentary on historical trends and programmes in place to improve performance.

Water (Water-Abs; Water-LfL; Water-Int)
The table below sets out water consumption for assets managed by the Company.

	Absolute water (m^3)		Absolute intensity (m^3/m^2)		Like-for-like water (m^3)		Like-for-like intensity (m^3/m^2)		
Sector	2019	**2020**	2019	**2020**	2019	**2020**	% change	2019	**2020**
Leisure	144	136	0.06	0.05	144	136	-6%	0.06	0.05
Coverage	1/1	1/1	1/1	1/1	1/1	1/1			1/1
Mixed-use, Other	5,644	4,280	0.30	0.30	5,644	4,280	-24%	0.39	0.30
Coverage	2/2	1/1	2/2	1/1	1/1	1/1			1/1
Office, Low-Rise	13,231	9,726	0.63	0.47	13,231	9,726	-26%	0.63	0.47
Coverage	8/8	8/8	8/8	8/8	8/8	8/8			8/8
Office, Mid-Rise	13	143	0.00	0.04					
Coverage	1/1	1/1	1/1	1/1					
Retail, High Street	2,309	1,194	1.21	0.62	2,309	1,194	-48%	1.21	0.62
Coverage	1/1	1/1	1/1	1/1	1/1	1/1			1/1
Retail, Warehouse		129		0.01					
Coverage		1/1		1/1					
Total	**21,342**	**15,608**			**21,328**	**15,337**	**-28%**		
Coverage	13/13	13/13			11/11	11/11			

- 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:
  - Leisure: Common Areas
  - Mixed-use, Other: Whole Building and Common Areas
  - Office, Low-Rise: Whole Building, Tenant Space and Common Areas
  - Office, Mid-Rise: Tenant Space
  - Retail, High Street: Common Areas
  - Retail, Warehouse: Tenant Space
- Estimation: 0.8% water data have been estimated through prorating.
- Where appropriate (for relevant assets), consumption data has been adjusted to reflect the Company's share of ownership.
- Coverage relates to the number of managed assets for which data is reported.
- Intensity: An intensity m^3/m^2 is reported for absolute consumption and for assets within the like-for-like portfolio. For Office, Mid-rise, and Retail, Warehouse the numerator is landlord-managed whole building water consumption and the denominator is net lettable floor area (m^2). For Mixed-use, Other and Office, Low Rise landlord-managed whole building or common parts water consumption is divided by net lettable area or common parts area (m^2). For Leisure and Retail, High Street landlord-managed common parts water consumption is divided by common parts area (m^2).

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

- 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.
- Refer to the Objectives and targets section in the CSR Report on page 33 for the narrative commentary on historical trends and programmes in place to improve performance.

Waste (Waste-Abs; Waste-LfL)

The table below sets out waste managed by the Company by reported disposal route and sector.

		Absolute tonnes				Like-for-like tonnes				
		2019		2020		2019		2020		
		Tonnes	%	Tonnes	%	Tonnes	%	Tonnes	%	% change
Leisure	Recycled	143.9	44.8%	85.1	44.5%	143.9	44.8%	85.06	44.5%	-40.9%
	Incineration with energy recovery	177.0	55.2%	106.0	55.5%	177.0	55.2%	106.0	55.5%	-40.1%
	Unknown	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0%
	Landfill	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0%
	Total	**320.9**		**191.0**		**320.9**		**191.0**		**-40.5%**
	Coverage	**1/1**		**1/1**		**1/1**		**1/1**		
Mixed-use, Office/ Retail	Recycled	0.2	4.0%	3.2	31.4%	0.2	4.0%	3.20	31.4%	2033.3%
	Incineration with energy recovery	3.6	96.0%	7.0	68.6%	3.6	96.0%	7.00	68.6%	94.4%
	Landfill									
	Total	**3.8**		**10.2**		**3.8**		**10.2**		**172.0%**
	Coverage	**1/1**		**1/1**		**1/1**		**1/1**		
Mixed-use, Other	Recycled	284.2	45.8%	204.4	51.9%	284.2	45.8%	204.4	51.9%	-28.1%
	Incineration with energy recovery	336.0	54.2%	189.6	48.1%	336.0	54.2%	189.6	48.1%	-43.6%
	Landfill									
	Total	**620.16**		**394.0**		**620.1**		**394.0**		**-36.5%**
	Coverage	**2/2**		**2/2**		**2/2**		**2/2**		
Office, Low-Rise	Recycled	63.5	40.2%	54.1	54.4%	63.5	40.2%	54.1	54.4%	-14.9%
	Incineration with energy recovery	94.7	59.9%	45.3	45.6%	94.7	59.8%	45.3	45.6%	-52.1%
	Landfill									
	Total	**158.2**		**99.4**		**158.22**		**99.4**		**-37.2%**
	Coverage	**9/9**		**9/9**		**9/9**		**9/9**		
Office, Mid-Rise	Recycled	18.2	70.3%	20.6	69.5%					
	Incineration with energy recovery	7.7	29.7%	9.1	30.5%					
	Landfill									
	Total	**25.9**		**29.6**						
	Coverage	**1/1**		**1/1**						
Retail, High Street	Recycled	82.9	96.5%	49.8	83.1%	82.9	96.5%	49.8	83.1%	-39.9%
	Incineration with energy recovery	3.00	3.5%	10.2	16.9%	3.00	3.5%	10.2	16.9%	239.7%
	Landfill									
	Total	**85.9**		**60.0**		**85.9**		**60.0**		**-30.2%**
	Coverage	**1/1**		**1/1**		**1/1**		**1/1**		
Total	Recycled	592.8	48.8%	417.1	53.2%	574.6	48.3%	396.5	52.5%	-31.0%
	Incineration with energy recovery	621.9	51.2%	367.1	46.8%	614.2	51.7%	358.1	47.5%	-41.7%
	Landfill									
	Total	**1,215**		**784**		**1,189**		**755**		**-36.5%**
	Coverage	**15/15**		**15/15**		**14/14**		**14/14**		

Sustainability Performance Measures (Environmental) (unaudited) continued

Waste (Waste-Abs; Waste-LfL) continued

- 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.
- The Company has no waste management responsibilities for Industrial or Retail, Warehouse.
- Where appropriate (for relevant assets), waste data has been adjusted to reflect the Company's share of asset ownership.
- Coverage relates to the number of managed assets for which data is reported.
- Reported data relates to non-hazardous waste only. Hazardous waste is not reported as due to the low volumes produced it is not considered material. Furthermore, robust tonnage data on the small quantities that are produced is not available.
- Refer to the Objectives and targets section in the CSR Report on page 34 for the narrative commentary on historical trends and programmes in place to improve performance.

Sustainability certification (Cert-Tot): green building certification

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 (%)
Mixed-use, Other (BREEAM Fit-Out/Refurbishment, BREEAM In-Use)	3%
Offices, Low and Mid-rise (BREEAM In-Use)	6%
All other sectors	0%
Total	9%
Coverage	**100%**

- Green building certificate records for the Company are provided as at 31 March 2021 by portfolio floor area.
- Data provided includes managed and non-managed assets (i.e. the whole portfolio), excluding two assets that were bought at the end of the reporting period, which will be onboarded and captured in next year's reporting.
- Where appropriate (for relevant assets), floor area coverage data has been adjusted to reflect the Company's share of ownership.

Sustainability certification (Cert-Tot): Energy Performance Certificates

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

Energy Performance Certificate Rating	Portfolio by floor area (%)
A	1
B	4
C	31
D	25
E	9
F	2
G	1
Exempt	2
No EPC	25
Coverage	**100%**

- Energy Performance Certificate ('EPC') records for the Company are provided as at 31 March 2021 by portfolio floor area.
- Data provided includes managed and non-managed assets (i.e. the whole portfolio), excluding two assets that were bought at the end of the reporting period, which will be onboarded and captured in next year's reporting.
- Where appropriate (for relevant assets), floor area coverage data has been adjusted to reflect the Company's share of asset ownership, including 25% of the net lettable area of City Tower, Manchester (reflecting the Company's 25% ownership share) and 50% of Store Street, London (reflecting the Company's 50% ownership share).
- EPCs are available for 76% of the portfolio by floor area. In general terms, since the introduction of the EPC Regulations in 2008, EPCs are required for the letting of units or buildings or the sale of buildings. In addition, the UK Minimum Energy Efficiency Standards regulations ('MEES') came into force for commercial buildings on 1 April 2019 and require a minimum EPC rating of E for new lettings; the rules apply to all leases from 1 April 2023. The EPCs for the portfolio will be managed to ensure compliance with the MEES regulations. The F&G EPCs relate to six units in six assets. These are being reviewed in 2021 and 2022 to improve the EPC ratings where feasible.

Sustainability Performance Measures (Social)

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

The Schroders Annual Report and Accounts for the 12 months to 31 December 2020 supports the performance measures in relation to the Investment Manager as set out below. Schroder's principles in relation to people including diversity, gender pay gap, values, employee satisfaction survey, wellbeing and retention can be found at:

- https://www.schroders.com/en/sysglobalassets/annual-report/2020/documents/Schroders_2020AnnualReport.pdf
- https://www.schroders.com/en/working-here/inclusion-and-diversity/
- https://www.schroders.com/en/working-here/inclusion-and-diversity/gender-pay-gap-report-2020/

Employee gender diversity (Diversity-Emp)
As at 31 March 2021 the Company Board comprised of four members: 1 (25% female); 3 (75% male).

For further information on Schroders employee gender diversity, covering more employee categories, please refer to Schroders 2020 Annual Report and Accounts (page 37):
https://www.schroders.com/en/sysglobalassets/annual-report/2020/documents/Schroders_2020AnnualReport.pdf

Gender pay ratio (Diversity-Pay)
The remuneration of the Company Board is set out on page 56 of this Report and Accounts document.

Schroders female representation and gender pay report can be found in Schroders 2020 Annual Report and Accounts (pages 37, 87 and 93):
https://www.schroders.com/en/sysglobalassets/annual-report/2020/documents/Schroders_2020AnnualReport.pdf

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

- https://www.schroders.com/en/people/diversity-and-inclusion
- https://www.schroders.com/en/working-here/inclusion-and-diversity/gender-pay-gap-report-2020/

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

Training and development (Emp-Training)
Schroders requires employees to complete mandatory internal training. Schroders encourages all staff with professional qualifications to maintain the training requirements of their respective professional body.

Employee performance appraisals (Emp-Dev)
The Schroders' performance management process requires annual performance objective setting and annual performance reviews for all staff. The Investment Manager confirms that performance appraisals were completed for 100% of investment staff relevant to the Company in 2020.

The following are reported for Schroders:

Employee turnover and retention (Emp-Turnover)
For Schroders' turnover and retention rates please refer to Schroders Annual Report and Accounts (page 22):
https://www.schroders.com/en/sysglobalassets/annual-report/2020/documents/Schroders_2020AnnualReport.pdf

Employee health and safety (H&S-Emp)
Schroders does not include employee health and safety performance measures in its Annual Report and Accounts.

The following are reported in relation to the assets held in the Company's portfolio over the reporting period to 31 December 2020:

Asset health and safety assessments (H&S-Asset)
The table below sets out the proportion of the Company's total portfolio where health and safety impacts were assessed or reviewed for compliance or improvement.

	Portfolio by floor area (%)	
	2019	**2020**
All sectors	100%	100%

Sustainability Performance Measures (Social) continued

Asset health and safety compliance (H&S-Comp)
The table below sets out the number of incidents of non-compliance with regulations/and or voluntary codes identified.

	Number of incidents	
	2019	**2020**
All sectors	0	0

Community engagement, impact assessments and development programmes (Comty-Eng)
The table below sets out the proportion of the Company's total portfolio that completed local community engagement, impact assessments and/or development programmes.

	Portfolio by number assets (%)	
	2019	**2020**
Industrial, Distribution Warehouse	0%	7.5%
Mixed-use, Other	2.5%	2.5%
Office, Low-rise	12.5%	12.5%
Office, Mid-rise	0%	2.5%
All other sectors	0%	0%
Total	**15%**	**25%**

Sustainability Performance Measures (Governance)

Composition of the highest governance body (Gov-Board)
The Board of the Company comprised four Non-Executive independent Directors (0 executive board members) for the 12 months to 31 March 2021.
- The average tenure of the four Directors to 31 March 2021 is five years and ten months; and
- The number of Directors with competencies relating to environmental and social topics is two and their experience can be seen in their biographies.

Nominating and selecting the highest governance body (Gov-Select)
The role of the Nomination Committee, chaired by Lorraine Baldry, is to consider and make recommendations to the Board on its composition so as to maintain an appropriate balance of skills, experience and diversity, including gender, and to ensure progressive refreshing of the Board. On individual appointments, the Nomination Committee leads the process and makes recommendations to the Board.

Before the appointment of a new director, the Nomination Committee prepares a description of the role and the capabilities required for a particular appointment. While the Nomination Committee is dedicated to selecting the best person for the role, it aims to promote diversification and the Board recognises the importance of diversity. The Board agrees that its members should possess a range of experience, knowledge, professional skills and personal qualities as well as the independence necessary to provide effective oversight of the affairs of the Company.

Process for managing conflicts of interest (Gov-Col)
The Company's Conflicts of Interest Policy sets out the policy and procedures of the Board and the Company Secretary for the management of conflicts of interest.

Streamlined Energy and Carbon Reporting

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

The Company is a Real Estate Investment Trust ('REIT') and benefits from the various tax advantages offered by the UK REIT regime. The Company continues to be declared as an authorised closed-ended investment scheme by the Guernsey Financial Services Commission under section 8 of the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended and the Authorised Closed-ended Collective Investment Schemes Rules 2008.

The Board and Investment Manager, in recognition of the importance it places on sustainability, has voluntarily included a report for the Company aligned with the UK Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, (the 'Regulations') on its UK energy use, associated Scope 1 and 2 greenhouse gas ('GHG') emissions, an intensity metric and, where applicable, global energy use. This reporting is also referred to as Streamlined Energy and Carbon Reporting ('SECR').

This Energy and Carbon Report applies for the Company's Annual Report for the 12 months to 31 March 2021. The statement has, however, been prepared for the calendar year, the 12 months to 31 December 2020, to report annual figures for emissions and energy use for the available period for which such information is available. In addition, the regulations advise providing a narrative on energy efficiency actions taken in the previous financial year.

As a property company, energy consumption and emissions result from the operation of buildings. The reporting boundary has been scoped to those held properties where the Company retained operational control: where the Company is responsible for operating the entire building, shared services (e.g. common parts' lighting, heating and air conditioning), external lighting and/or void spaces. 'Operational control' has been selected as the reporting boundary (as opposed to 'financial control' or 'equity share') as this reflects the portion of the portfolio where the Company can influence operational procedures and, ultimately, sustainability performance. This incorporates consumption in tenant areas, where the landlord procures energy for the whole building. As at 31 December 2020, there were 25 managed properties within the portfolio, of which two properties were purchased at the end of the reporting period and so have not been captured in the reported data. This compares to 22 managed properties in the portfolio during 2019 which have been included in the reporting. All Company assets are located in the UK.

The Company is not directly responsible for any GHG emissions/energy usage at single-let/FRI assets nor at multi-let assets where the tenant is a 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 real estate company with no direct employees or company owned vehicles as at 31 December 2020, there is no energy consumption or emissions associated with travel or occupation of corporate offices to report. Fugitive emissions associated with refrigerant losses from air conditioning equipment are widely understood by the industry to be less material than other sources of emissions and data is often not collected. The Company received fugitive emissions data for the reporting year and this confirmed that they are de minimis and consequently these have been excluded from the reporting.

In addition to reporting absolute energy consumption and GHG emissions, the Company has reported separately on performance within the 'like-for-like' portfolio, as well as providing intensity ratios, where appropriate. The like-for-like portfolio includes buildings where each of the following conditions is met:
- Owned for the full 24-month period (sales/acquisitions are excluded);
- No major renovation or refurbishment has taken place;
- At least 24 months data is available;

Note also that 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 net lettable area for most sectors, including Industrial Distribution Warehouses, Leisure, Mixed-use, Offices and Retail Warehouses. For Retail High Street, the most relevant denominator is the common parts area. The intensity ratio is expressed as:
- Energy: kilowatt hours per metre squared (net lettable area or common parts area) per year or kWh/m²/yr.
- GHG: kilograms carbon dioxide equivalent per metre square (net lettable area or common parts area) per year or $kgCO_2e/m^2/yr$.

Energy consumption and greenhouse gas emissions
The table below sets out the Company's energy consumption.

	Absolute energy (kWh)		Like-for-like energy (kWh)		
	2019	**2020**	2019	**2020**	% change
Gas	2,324,640	1,938,154	2,189,805	1,855,355	-15%
Electricity	5,642,582	4,488,140	5,030,471	3,886,127	-23%
Total	**7,967,222**	**6,426,294**	**7,220,275**	**5,741,482**	**-20%**

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

	Absolute emissions (tCO_2e)		Like-for-like emissions (tCO_2e)		
	2019	**2020**	2019	**2020**	% change
Scope 1 (Direct emissions from gas consumption)	428	357	403	341	-15%
Scope 2 (Indirect emissions from electricity)	1,445	1,047	1,288	907	-30%
Total	**1,872**	**1,404**	**1,691**	**1,248**	**-26%**

The like-for-like energy consumption for the 2020 calendar year for the managed assets held within the Company has decreased by 20%; the greenhouse gas emissions have decreased by 26%. Please note, changes in occupancy and building operations during the Covid-19 period will have had an impact on performance and so the 2020 reporting year is not directly comparable to 2019. However, energy performance improvement opportunities continued to be considered across the portfolio. Initiatives undertaken during the reporting year include boiler and hot water system replacements/upgrades, wall and roof insulation upgrades, LED lighting upgrades and installation of lighting and ventilation occupancy sensors. Automatic Meter Readers are also being rolled out to all landlord electricity supplies for improved energy monitoring.

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

	Energy intensities (kWh per m^2)		Emissions intensities (tCO_2e per m^2)	
	2019	**2020**	2019	**2020**
Industrial Distribution Warehouses	0.8	1.4	0.2	0.3
Leisure	24.6	15.7	5.9	3.7
Mixed-use, Office/Retail	121.7	119.2	31.2	27.8
Mixed-use, Other	109.8	77.9	28.1	18.2
Office, Low-Rise	135.3	110.8	30.1	23.3
Office, Mid-Rise	184	163.6	39.4	33.5
Retail High Street	9.2	8.8	2.4	2.1
Retail Warehouse	3.4	7.7	0.9	1.7

Methodology

- All energy consumption and GHG emissions reported occurred at the Company assets, all of which are located in the UK.
- Energy consumption data is reported according to automatic meter readings, manual meter readings or invoice estimates. Historic energy and consumption data have been restated where more complete and/or accurate records have become available. Where required, missing consumption data has been estimated through pro rata extrapolation. Data has been adjusted to reflect the Company's share of asset ownership, where relevant.
- The sustainability content located on throughout the SREIT Annual Report for the year ending 31 December 2020 has been assured in accordance with AA1000. The same data set has been used to compile this data report. The full Assurance Statement can be found at the following link: https://www.schroders.com/en/uk/adviser/fund-centre/funds-in-focus/investment-trusts/schroders-investment-trusts/schroder-real-estate-investment-trust/sustainability/.
- The Company's GHG emissions are calculated according to the principles of the Greenhouse Gas ('GHG') Protocol Corporate Standard.
  - The Company's Greenhouse Gas emissions are reported as tonnes of carbon dioxide equivalent (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_20), perfluorocarbons (PFCs), sulphur hexafluoride (SF6) and nitrogen trifluoride (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 2019	0.2560kgCO_2e	UK Government's GHG Conversion Factors for Company Reporting (2019)
	Electricity 2020	0.2333kgCO_2e	UK Government's GHG Conversion Factors for Company Reporting (2020)
	Gas	0.184kgCO_2e	

Energy efficiency actions

Environmental data management system and quarterly reporting

Environmental data for the Company is collated by sustainability consultants Evora Global, supported by their proprietary environmental data management system SIERA. Energy, water, waste and greenhouse gas emissions' 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 an 18% reduction in landlord-controlled energy consumption by 2020/21 (2015/16 baseline) across all UK-managed assets which includes assets of the Company. This is accompanied by a target of a 32% reduction in landlord-controlled greenhouse gas emissions by 2020/21 (2015/16 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 manager MAPP, 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 Company and identifying and implementing improvement initiatives, where viable. The process is of continual review and improvement.

Energy performance improvement initiatives undertaken at several assets during the reporting period include 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.

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.

New energy and carbon targets will be established for the Company in 2021 in the context of a Net Zero Carbon ambition.

Renewable electricity tariffs and carbon offsets

The Investment Manager has an objective to procure 100% renewable electricity for all landlord-controlled supplies for which it has responsibility, which includes the assets of the Company, by 2025. As at 31 December 2020, 97% of the Company's landlord-controlled electricity was on renewable tariffs. No carbon offsets were purchased during the reporting period.

Report of the Depositary to the Shareholders

Northern Trust (Guernsey) Limited has been appointed as Depositary to Schroder Real Estate Investment Trust Limited (the 'Company') in accordance with the requirements of Article 36 and Articles 21(7), (8) and (9) of the Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (the 'AIFM Directive').

We have enquired into the conduct of Schroder Real Estate Investment Management Limited (the 'AIFM') for the year ending 31 March 2021, in our capacity as Depositary to the Company.

This report, including the review provided below, has been prepared for and solely for the Shareholders in the Company. We do not, in giving this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown.

Our obligations as Depositary are stipulated in the relevant provisions of the AIFM Directive and the relevant sections of Commission Delegated Regulation (EU) No 231/2013 (collectively the 'AIFMD legislation').

Amongst these obligations is the requirement to enquire into the conduct of the AIFM and the Company and their delegates in each annual accounting period.

Our report shall state whether, in our view, the Company has been managed in that period in accordance with the AIFMD legislation. It is the overall responsibility of the AIFM to comply with these provisions. If the AIFM or their delegates have not so complied, we as the Depositary will state why this is the case and outline the steps which we have taken to rectify the situation.

The Depositary and its affiliates is or may be involved in other financial and professional activities which may on occasion cause a conflict of interest with its roles with respect to the Company. The Depositary will take reasonable care to ensure that the performance of its duties will not be impaired by any such involvement and that any conflicts which may arise will be resolved fairly and any transactions between the Depositary and its affiliates and the Company shall be carried out as if effected on normal commercial terms negotiated at arm's length and in the best interests of Shareholders.

Basis of Depositary Review

The Depositary conducts such reviews as it, in its reasonable discretion, considers necessary in order to comply with its obligations and to ensure that, in all material respects, the Company has been managed:

(i) in accordance with the limitations imposed on its investment and borrowing powers by the provisions of its constitutional documentation and the appropriate regulations; and

(ii) otherwise in accordance with the constitutional documentation and the appropriate regulations. Such reviews vary based on the type of Company, the assets in which a Company invests and the processes used, or experts required, in order to value such assets.

Review

In our view, the Company has been managed during the year, in all material respects:

(i) in accordance with the limitations imposed on the investment and borrowing powers of the Company by the constitutional document; and by the AIFMD legislation; and

(ii) otherwise in accordance with the provisions of the constitutional document and the AIFMD legislation.

For and on behalf of
Northern Trust (Guernsey) Limited

Glossary

Articles	means the Company's articles of incorporation, as amended from time to time.
Companies Law	means The Companies (Guernsey) Law, 2008.
Company	is Schroder Real Estate Investment Trust Limited.
Directors	means the Directors of the Company as at the date of this document whose names are set out on pages 48 and 49 of this document and 'Director' means any one of them.
Disclosure Guidance and Transparency Rules	means the disclosure guidance and transparency rules contained within the FCA's Handbook of Rules and Guidance.
Earnings per share ('EPS')	is the profit after taxation divided by the weighted average number of shares in issue during the period. Diluted and adjusted EPS are derived as set out under NAV.
Estimated rental value ('ERV')	is the Group's external valuers' reasonable opinion as to the open market rent which, on the date of the valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.
EPRA	is the European Public Real Estate Association.
EPRA Net Tangible Assets	is the IFRS equity attributable to shareholders adjusted for items including deferred tax, the fair value of financial instruments and intangible assets.
EPRA Net Disposal Value	is the IFRS equity attributable to shareholders adjusted for items including goodwill as a result of deferred tax and the fair value of interest rate debt.
FCA	is the UK Financial Conduct Authority.
Gearing	is the Group's net debt as a percentage of adjusted net assets.
Group	is the Company and its subsidiaries.
Initial yield	is the annualised net rents generated by the portfolio expressed as a percentage of the portfolio valuation.
Interest cover	is the number of times Group net interest payable is covered by Group net rental income.
Listing Rules	means the listing rules made by the FCA under Part VII of the UK Financial Services and Markets Act 2000, as amended.
Market Abuse Regulation	means regulation (EU) No.596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse.
MSCI	(formerly Investment Property Databank or 'IPD') is a Company that produces an independent benchmark of property returns.
Net asset value and NAV per share	is shareholders' funds divided by the number of shares in issue at the period end.
NAV total return	is calculated taking into account both capital returns and income returns in the form of dividends paid to shareholders.
Net rental income	is the rental income receivable in the period after payment of ground rents and net property outgoings.
REIT	is a Real Estate Investment Trust.
Reversionary yield	is the anticipated yield which the initial yield will rise to once the rent reaches the estimated rental value.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at 1 London Wall Place, EC2Y 5AU on 9 September 2021 at 11a.m

The Board takes the wellbeing of its Shareholders and colleagues seriously and has been closely monitoring the evolving Covid-19 pandemic. At present it is the intention of the Board to hold this meeting with Shareholders given the option of attending in person. In the event that the UK Government's guidance on social distancing and public gatherings nearer to the time of the AGM does not permit this, the Board will make such arrangements as it deems necessary to the format of the AGM to comply with Government guidance and regulations.

Resolution on		Agenda
Form of Proxy	1.	To elect a Chairman of the Meeting.
		To consider and, if thought fit, pass the following Ordinary Resolutions:
Ordinary Resolution 1	2.	To receive, consider and approve the Consolidated Annual Report and Financial Statements of the Company for the year ended 31 March 2021.
Ordinary Resolution 2	3.	To approve the Remuneration Report for the year ended 31 March 2021.
Ordinary Resolution 3	4.	To re-elect Ms Lorraine Baldry as a Director of the Company.
Ordinary Resolution 4	5.	To re-elect Mr Stephen Bligh as a Director of the Company.
Ordinary Resolution 5	6.	To re-elect Mr Alastair Hughes as a Director of the Company.
Ordinary Resolution 6	7.	To re-elect Mr Graham Basham as a Director of the Company.
Ordinary Resolution 7	8.	To appoint Ernst and Young LLP as Auditor of the Company until the conclusion of the next Annual General Meeting.
Ordinary Resolution 8	9.	To authorise the Board of Directors to determine the Auditor's remuneration.
Ordinary Resolution 9	10.	To receive and approve the Company's Dividend Policy which appears on page 53 of the Annual Report.
		To consider and, if thought fit, pass the following Special Resolutions:
Special Resolution 1	11.	That the Company be authorised, in accordance with section 315 of The Companies (Guernsey) Law, 2008, as amended (the 'Companies Law'), to make market acquisitions (within the meaning of section 316 of the Companies Law) of Ordinary Shares in the capital of the Company ('Ordinary Shares') either for retention as treasury shares, insofar as permitted by the Law or cancellation, provided that:
	a.	the maximum number of Ordinary Shares hereby authorised to be purchased shall be 14.99% of the issued Ordinary Shares on the date on which this resolution is passed;
	b.	the minimum price which may be paid for an Ordinary Share shall be £0.01;
	c.	the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall be an amount equal to the higher of (i) 5% above the average of the mid-market value of the Ordinary Shares (as derived from the regulated market on which the repurchase is carried out) for the five business days immediately preceding the date of the purchase; and (ii) the higher of (a) the price of the last independent trade; and (b) the highest current independent bid at the time of purchase, in each case on the regulated market where the purchase is carried out;
	d.	such authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2022 unless such authority is varied, revoked or renewed prior to such date of the general meeting; and
	e.	the Company may make a contract to purchase Ordinary Shares under such authority prior to its expiry which will or may be executed wholly or partly after its expiration and the Company may make a purchase of Ordinary Shares pursuant to any such contract.
Special Resolution 2	12.	That the Directors of the Company be and are hereby empowered to allot Ordinary Shares of the Company for cash as if the pre-emption provisions contained under Article 13 of the Articles of Incorporation did not apply to any such allotments and to sell Ordinary Shares which are held by the Company in treasury for cash on a non-pre-emptive basis provided that this power shall be limited to the allotment and sales of Ordinary Shares:
	a.	up to such number of Ordinary Shares as is equal to 10% of the Ordinary Shares in issue (including treasury shares) on the date on which this resolution is passed;
	b	at a price of not less than the net asset value per share as close as practicable to the allotment or sale; provided that such power shall expire on the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2022 or on the expiry of 15 months from the passing of this Special Resolution, except that the Company may before such expiry make offers or agreements which would or might require Ordinary Shares to be allotted or sold after such expiry and notwithstanding such expiry the Directors may allot or sell Ordinary Shares in pursuance of such offers or agreements as if the power conferred hereby had not expired. Close of Meeting.

By Order of the Board

For and on behalf of
Northern Trust International Fund Administration Services (Guernsey) Limited
Secretary
1 June 2021

Notes

1. To be passed, an ordinary resolution requires a simple majority of the votes cast by those shareholders voting in person or by proxy at the AGM (excluding any votes which are withheld) to be voted in favour of the resolution.
2. To be passed, a special resolution requires a majority of at least 75% of the votes cast by those shareholders voting in person or by proxy at the AGM (excluding any votes which are withheld) to be voted in favour of the resolution.
3. A member who is entitled to attend and vote at the meeting is entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and vote instead of him or her. A proxy need not be a member of the Company. More than one proxy may be appointed provided that each proxy is appointed to exercise the rights attached to different shares held by the member.
4. A form of proxy is enclosed for use at the meeting and any adjournment thereof. The form of proxy should be completed and sent, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, so as to reach the Company's Registrars, Computershare Investor Services (Guernsey) Limited, at The Pavilions, Bridgwater Road, Bristol, BS99 6ZY at least 48 hours before the time of the AGM (excluding any part of a day that is not a working day).
5. Completing and returning a form of proxy will not prevent a member from attending in person at the meeting and voting should he or she so wish.
6. To have the right to attend and vote at the meeting or any adjournment thereof (and also for the purpose of calculating how many votes a member may cast on a poll) a member must have his or her name entered on the register of members not later than at close of business of 7 September 2021.
7. Pursuant to Article 41 of the Uncertificated Securities (Guernsey) Regulations 2009, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the register of members of the Company at close of business on 7 September 2021. Changes to entries in the register of members of the Company after that time shall be disregarded in determining the rights of any member to attend and vote at such meeting.

Corporate Information

Registered Address
PO Box 255
Trafalgar Court
Les Banques
St. Peter Port
Guernsey GY1 3QL

Directors (all non-executive)
Lorraine Baldry (Chairman)
Graham Basham
Stephen Bligh
Alastair Hughes

Investment Manager and Accounting Agent
Schroder Real Estate Investment Management Limited
1 London Wall Place
London EC2Y 5AU

Secretary and Administrator
Northern Trust International Fund Administration Services (Guernsey) Limited
PO Box 255
Trafalgar Court
Les Banques
St. Peter Port
Guernsey GY1 3QL

Depositary
Northern Trust (Guernsey) Limited
PO Box 255
Trafalgar Court
Les Banques
St. Peter Port
Guernsey GY1 3QL

Solicitors to the Company
as to English Law:
Stephenson Harwood LLP
1 Finsbury Circus
London EC2M 7SH

as to Guernsey Law:
Mourant Ozannes
Royal Chambers
St. Julian's Avenue
St. Peter Port
Guernsey GY1 4HP

FATCA GIIN
5BM7YG.99999.SL.831

Independent Auditor
Ernst & Young LLP
PO Box 9
Royal Chambers
St. Julian's Avenue
St. Peter Port
Guernsey GY1 4AF

Property Valuer
Knight Frank LLP
55 Baker Street
London W1U 8AN

Sponsor and Brokers
J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London E14 5JP

Tax Advisers
Deloitte LLP
2 New Street Square
London EC4A 3BZ

Receiving Agent and UK Transfer/Paying Agent
Computershare Investor Services (Guernsey) Limited
13 Castle Street
St. Helier
Jersey
JE1 1ES

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Schroders

Schroder Real Estate Investment Manager Limited
1 London Wall Place
London EC2Y 5AU
United Kingdom
Tel: +44 (0)20 7658 6000

schroders.com
@schroders