SCHRODER EUROPEAN REAL ESTATE **INVESTMENT TRUST PLC**

Annual Report and Consolidated Financial Statements

For the year ended 30 September 2021

Schroders

About us

Investment objective and purpose

Schroder European Real Estate Investment Trust plc (the ‘Company’/‘SEREIT’) aims to provide shareholders with a regular and attractive level of income together with the potential for income and capital growth through investing in commercial real estate in Continental Europe.

Company summary

SEREIT invests in European growth cities and regions. It is a UK closed-ended real estate investment company incorporated on 9 January 2015. The Company has a premium listing on the Official List of the UK Listing Authority and its shares have been trading on the Main Market of the London Stock Exchange (ticker: SERE) since 9 December 2015. It also has a secondary listing on the Main Board of the Johannesburg Stock Exchange (ticker: SCD).

For professional advisers and employee benefits consultants only

Rennes, France

Highlights

For the 12 month period to 30 September 2021

€9.5m/7.1cps

Ordinary dividends declared of €9.5 million/7.1 euro cps for the financial year. Reinstatement of pre-Covid dividend since Q1 2021

€45.7m

Strong balance sheet with significant cash reserves and potential investable fire power exceeding €50 million incl. debt

€6.5m/4.75cps

Additional special dividend of €6.5 million/4.75 euro cps declared with the intention for a second special dividend of €6.5 million over the next nine months

16%

LTV net of cash of 16% /LTV gross of cash 28%

€215.7m[1]

Like for like portfolio valuation increase of 1.7%, or €3.5 million

€6.2m

IFRS profit of €6.2 million

Why Invest

- **A unique and compelling opportunity to invest in a diversified portfolio of commercial Continental European real estate**
- **The Company aims to deliver an annual dividend of 7.4 euro cps**
- **A c.6% dividend yield based on the share price as at 1 December 2021**
- **Dividend yield enhanced by special dividends to be paid**
- **Significant investable firepower with local teams across Europe with specialist sector and country knowledge**
- **100% of the portfolio by value located in higher-growth regions**
- **A track record of successfully executing on asset management initiatives to generate strong shareholder returns**

GRESB
★★★☆☆ 2021

Global Real Estate Sustainability Benchmark ('GRESB') three green star rating achieved for 2021

1 Calculated on a proportional basis. Includes the Group's 50% share in the Seville property.

At a glance

INVESTING IN EUROPEAN **GROWTH CITIES**

Investment strategy
The strategy is focused on Winning Cities and Regions, being locations experiencing higher levels of GDP, employment and population growth, with diversified local economies, sustainable occupational demand and favourable supply and demand characteristics.

The Company targets office, retail, logistics/light industrial and assets which offer the potential for multiple uses. The risk profile of the investments will be focused on core/core plus real estate (c.70%) with the remaining 30% in value-add opportunities e.g. refurbishments, changes of use etc. The current portfolio is consistent with the strategy, generating strong income whilst also providing asset management opportunities which can be implemented through the experts in the local offices of the Investment Manager.

Investment policy
The Company owns a diversified portfolio of commercial real estate in Continental Europe with good property fundamentals. The Company may invest directly in real estate assets (both listed and unlisted) or through investment in special purpose vehicles, partnerships, trusts or other structures.

Diversification
The Company invests in a portfolio of institutional grade income-producing properties with low vacancy and creditworthy tenants. The portfolio is diversified by location, sector, size, lease duration and tenant concentration.

The value of any individual property at the date of its acquisition will not exceed 20% of the Company's gross assets.

A preference is given to multi-let properties over single-occupier properties to diversify exposure to underlying tenant risk.

Asset class and geographic restrictions
The Company has the ability to invest in any country in Continental Europe, although preference will be given to mature and liquid markets. The Company's primary focus is on the core cities in France and Germany where the Investment Manager believes there are positive growth prospects and real estate markets which are considered to be well established, mature and liquid.

The Company invests principally in the office, retail, logistics and light industrial property sectors. It may also invest in other sectors including, but not limited to, leisure, residential, healthcare, hotels and student accommodation.

Other restrictions
The Company will not undertake the development of new property. However, completed newly developed properties may be acquired under forward commitments where such acquisitions do not expose the Company to underlying development risk.

The Company may also refurbish or improve existing properties with such refurbishments and improvements typically covering the replacing, improving or reconfiguring of a property that is already in existence and would typically be internal and within the existing envelope of that property.

Any more substantial refurbishment or improvement of an existing property exposing the Company to development risk would not exceed 20% of the Company's gross assets.

The Company intends to invest cash held in cash deposits and cash equivalents for cash management purposes.

Berlin, Germany

At a glance
Highlights

Strategic highlights[1]

Portfolio by value located in higher-growth regions

100%

(2020: 100%)

Occupancy

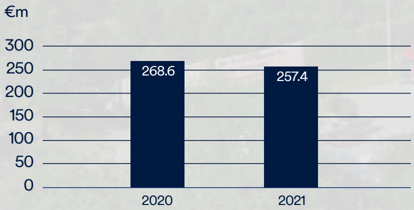
95%

(2020: 96%)

Portfolio value including cash[2]

€257.4m

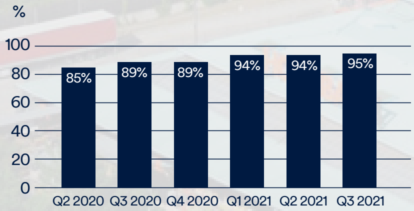
(2020: €268.6m)



Average rent collection over the financial year

93%

(2020[3]: 87%)



Average unexpired lease term to expiry

5.3years

(2020: 5.5 years)

Financial highlights

Net asset value ('NAV') total return

1 year	3 years (p.a.)
3.2%	7.7%
(2020: 16.2%)	(2020: 9.2%)

IFRS profit after tax

€6.2m

(2020: profit of €28.4m[4])

IFRS NAV

€199.5m

(2020: €201.8m)

Loan to value (net of investable cash/gross of cash)

16%/28%

(2020: 24% / 28%)

Performance highlights

Portfolio total return

1 year	3 years (p.a.)
6.6%	9.9%
(2020: 15.7%)	(2020: 11.4%)

Portfolio income return

1 year	3 years (p.a.)
4.9%	6.1%
(2020: 6.2%)	(2020: 7.0%)

1 Relates to the Company's share only and excludes the non-controlling interests in the Company's subsidiaries. This refers to the Company's 50% share in the Seville property. Reference to 2020 numbers relate to those published in the Company's 30 September 2020 report and accounts unless stated otherwise.
2 Current portfolio (Q3 2021) comprises investable cash of €41.7 million (internally calculated) and includes the first tranche of the proceeds from the sale of Paris, Boulogne-Billancourt. The comparable 2020 portfolio figure does not comprise investable cash amounts because the Paris, Boulogne-Billancourt asset was still held on the balance sheet and cash balances including operating buffer were only €10-15 million.
3 Relates to the six-month period end of March 2020–end of September 2020. This was the period most impacted by Covid-19 in the 2020 financial year.
4 September 2020 IFRS profit included one-off development profit for Paris Boulogne-Billancourt.

At a glance
Portfolio Overview

The Company owns a diversified portfolio of commercial real estate in Continental Europe with favourable property fundamentals. The Company has targeted assets located in Winning Cities and Regions and in high growth sectors. Winning Cities and Regions are those that are expected to generate higher and more sustainable levels of economic growth, underpinned by themes such as urbanisation, demographics, technology and infrastructure improvements.

Number of properties

13

Valued at[1,2]

€257.4m

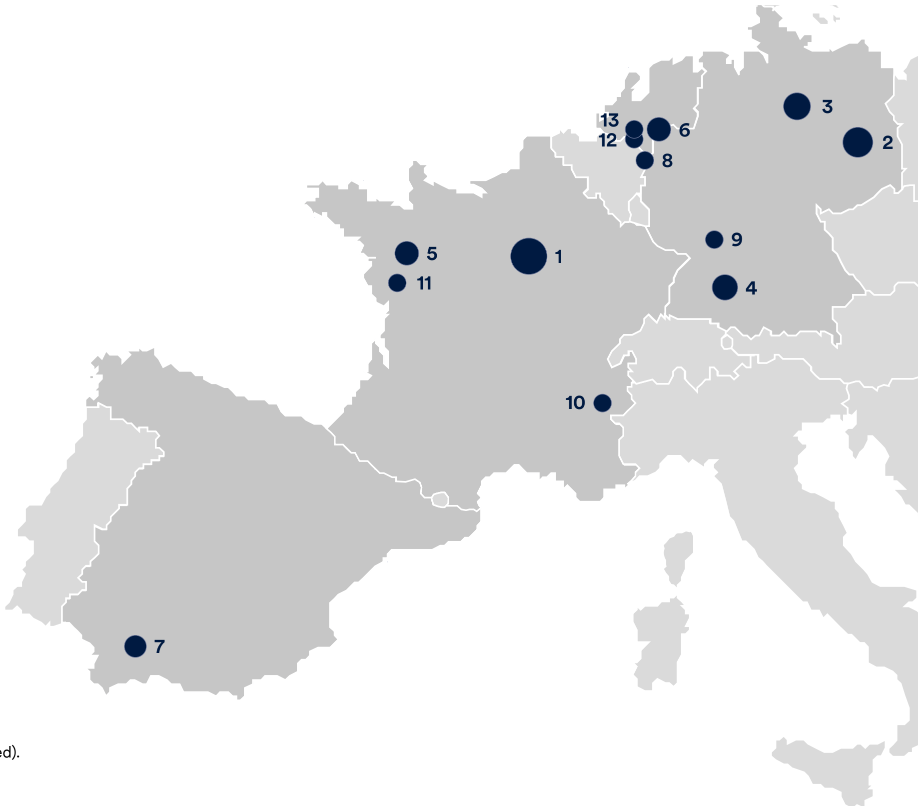
Number of tenants

83

Occupancy[1]

95%

1 Includes the Company's 50% share in the Seville property.
2 Includes investable cash of €41.7 million (internally calculated).



Top ten properties

	Property	Sector	Value (€m / % portfolio incl. cash)
1	France, Paris (Saint-Cloud)	Office	€42.0m / 16%
2	Germany, Berlin	Retail / DIY	€29m / 12%
3	Germany, Hamburg	Office	€23.1m / 9%
4	Germany, Stuttgart	Office	€20.6m / 8%
5	France, Rennes	Industrial	€18.9m / 7%
6	Netherlands, Apeldoorn	Mixed	€18.05m / 7%
7	Spain, Seville (50%)	Retail / Shopping Centre	€14.6m / 6%
8	Netherlands, Venray	Industrial	€11.4m / 4%
9	Germany, Frankfurt	Retail / Grocery	€11.2m / 4%
10	France, Rumilly	Industrial	€9.8m / 4%

Remaining three properties shown on the map are:
11 Nantes, France, Industrial
12 Houten, Netherlands, Industrial
13 Utrecht, Netherlands, Industrial

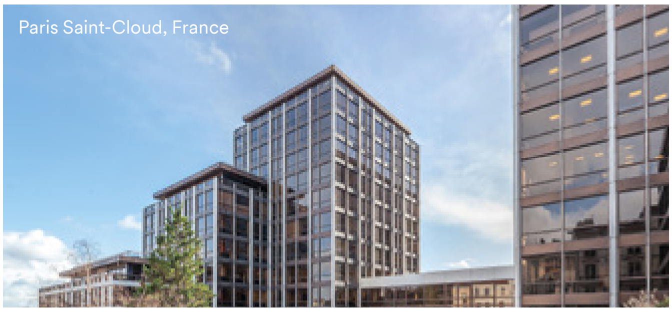
Sector allocation

Sector	Weighting
Office	**33%**
Industrial	**22%**
Retail	**21%**
DIY and Grocery	15%
Shopping Centre	6%
Mixed/Data Centre	**7%**
Cash	**16%**

Sectors[1,2]

Office

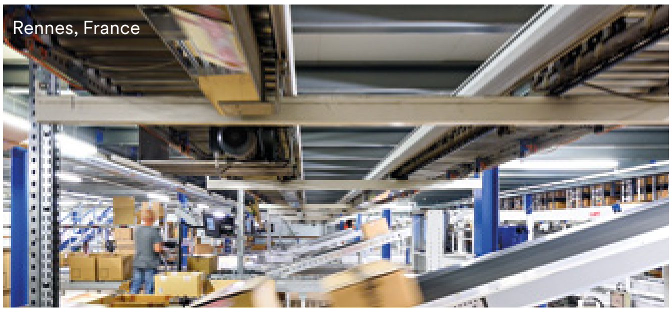
33% (2020: 53%)


Paris Saint-Cloud, France

The Company focuses on sub-markets that are: supply constrained; benefiting from competing demands for uses; and where rents are modest and sustainable. Our office exposure is in the established sub-markets of Paris, Hamburg and Stuttgart, where vacancy rates are modest, providing for above-average rental growth.

Industrial warehousing

22% (2020: 18%).


Rennes, France

The Company's investments comprise both logistics and industrial warehousing, leased to a variety of tenants in manufacturing, services and third-party logistics. All assets are in established warehouse locations such as Venray, Houten and Utrecht in the Netherlands and Rumilly, Nantes and Rennes in France which benefit from supply constraints and rental growth prospects.

Retail

21% (2020: 22%)


Berlin, Germany

The Company's retail exposure consists of three urban retail assets (including one shopping centre) located in the following growth cities: Berlin, Frankfurt and Seville. The focus is on assets in the 'convenience' and 'experience' sectors. All assets are in strong residential growth areas, with our largest exposure (Berlin) comprising four hectares of land with multiple alternative use potential. Grocery and DIY exposure represents 15% of the portfolio.

Mixed

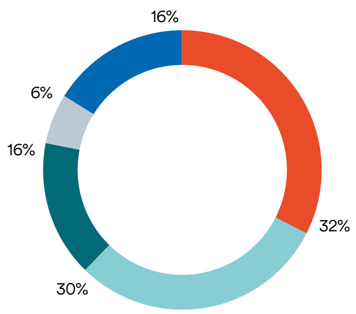
7% (2020: 7%)


Apeldoorn, Netherlands

The Company owns a mixed-use data centre and office building located in Apeldoorn, one hour from Amsterdam. The asset provides stable income from a long-term lease let to a strong covenant and options to redevelop for an alternative use.

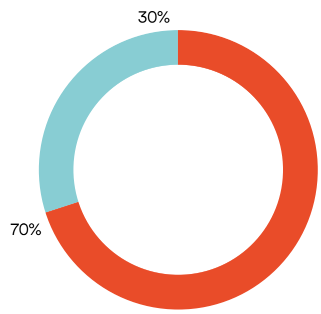
1 Includes the Company's 50% share in the Seville property.
2 Includes investable cash of €41.7 million (internally calculated).

Portfolio country allocation[1,2]



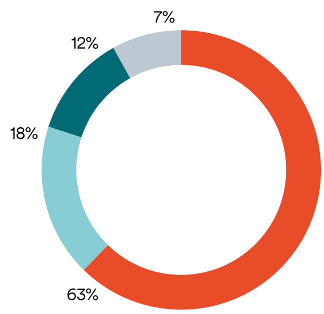
Germany
France
Netherlands
Spain
Cash

% SEREIT capital value



Fastest growing regions
Second quartile

% Investment universe capital value



Fastest growing regions
Second quartile
Third quartile
Slowest growing regions

Investment Approach

A DISCIPLINED **INVESTMENT APPROACH**

We recognise that long-term returns from commercial real estate are driven principally by good-quality income and income growth.

Our investment approach combines three principal factors:
(1) Integrated research to identify those regions, sectors and investment themes which are expected to generate attractive returns;
(2) A detailed business plan-led approach which aims to unlock value from each portfolio asset; and
(3) A sustainable investment approach which is beneficial to our tenants, local communities, and thereby portfolio performance.

Mega themes

1. Rapid urbanisation
2. Demographics
3. Technology
4. Resources and infrastructure
5. Shift from West to East
6. Impact investment

We expect that the long-term impact of Covid-19 for commercial real estate will be to accelerate certain structural changes which were already underway, including e-commerce, technology advances, operational importance, the review of supply chain management and the adoption of flexible office working. We believe the relevance of cities will continue to thrive in the longer term and achieve stronger growth.

Stuttgart, Germany

Research

Research is focused on cyclical and structural trends in order to determine market strategy and exploit mispricing. Occupier demand is increasingly concentrated in 'Winning Cities and Regions' that offer a competitive advantage in terms of higher levels of Gross Domestic Product ('GDP') and should, therefore, generate higher real estate returns.

Thematic investment

Thematic investment driven by macro-trends but focused on segments where a hospitality mindset, coupled with local operational asset management expertise, can deliver impact, sustainability and alpha.

- Operational – hospitality mindset, business understanding, flexibility
- Flexibility – flexible leases, shorter-term, turnover rents
- Rise of e-commerce and changing consumption – last mile industrial/warehousing close to major cities

Sustainable investment

Schroder Real Estate is committed to acting in a responsible way for the good of clients, employees and the wider community in order to secure a long-term sustainable future. We believe that a sustainable investment programme should deliver enhanced returns to investors, improved business performance to tenants and tangible positive impacts to local communities and wider society.

Environmental, social and governance ('ESG') and sustainability are embedded within our investment process and apply to all aspects of real estate investment, including acquisition due diligence, asset management, property management provided by third parties, refurbishments and developments. Schroder Real Estate has developed its 'Sustainable Real Estate with Impact' investment programme. This programme links our key impact pillars to the UN Sustainable Development Goals. We use these pillars to consider impacts for funds and assets.

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.

Business plan-led approach

Our starting point is our annual fund strategy statement which defines our activities over the coming three to five years and identifies key objectives at both fund and asset level. Our aim is to deliver incremental outperformance year-on-year.

We aim to generate the majority of the target outperformance through good stock selection and active asset management. Each asset is managed in accordance with its individual business plan. The business plan is the focal point for identifying and implementing the active management strategies that will maximise returns.

OUR STRATEGIC **OBJECTIVES**

Hamburg, Germany

Our strategic priorities:

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

100% of the portfolio is located in higher growth regions and the strategy will continue to focus on Winning Cities and Regions where GDP, employment and the population are forecast to grow faster than respective domestic economies.

Value-enhancing active asset management

Asset management delivered via the Investment Manager's local teams, on the ground across Europe, is a key driver of returns. An example is the leasing of all vacant office space at the Hamburg investment, improving liquidity and generating €200,000 of annual income which has assisted in valuation growth of €4.7 million over the period. In addition, the value created from the asset management and sale of the Paris Boulogne-Billancourt office investment provides an opportunity for shareholders to benefit via special dividends.

Increasing exposure to high growth sectors whilst maintaining portfolio diversification

The recent Nantes logistics acquisition has provided further diversification into the high growth industrial sector whilst further diversifying city, tenant, sector and income exposure. We have further capacity to invest which provides the ability to diversify further into the higher-yielding sectors such as light industrial and warehousing.

Disciplined growth

We have a disciplined approach to growing the Company in a way that will improve shareholder returns. We remain patient in our deployment of investable cash with a focus on growth cities/regions and investments that are consistent with the strategy.

Continuing to deliver on the investment strategy will support maximising income and long-term capital value growth for the Company

The key strategic steps are:

1. **Redeployment of investable cash into new earnings enhancing initiatives including new investments that will further diversify the portfolio, maintain the dividend and move dividend cover to 100%**
2. **Focus on delivering an asset management programme that strengthens portfolio quality, income and shareholder returns**
3. **Maintain investment discipline, considering opportunities for sales and reinvestment to optimise and diversify the real estate portfolio**
4. **Asset modelling of net zero carbon pathways and initiatives that will reduce building and occupier energy and carbon footprint**
5. **Keep under review potential options for growing the Company in a way that will enhance shareholder returns**

Performance Summary

Property performance[1]	30 September 2021	30 September 2020
Value of property assets (excluding Paris Boulogne-Billancourt for 30 September 2021)	**€215.7m**	€268.6m
Annualised rental income (excluding Paris Boulogne-Billancourt for 30 September 2021)	**€15.8m**	€17.2m
Estimated market rental value (excluding Paris Boulogne-Billancourt for 30 September 2021)	**€15.6m**	€18.6m
Underlying portfolio total return in the reporting period	**6.6%**	15.7%
Underlying portfolio income return in the reporting period	**4.9%**	6.2%

Financial summary	30 September 2021	30 September 2020
NAV	**€199.5m**	€201.8m
NAV per ordinary share (euro)	**149.2c**	150.9c
NAV total return (euro)	**3.2%**	16.2%
IFRS profit after tax	**€6.2m**	€28.4m
EPRA earnings[1]	**€6.6m**	€8.6m
Dividend cover	**69%**	112%

Capital values[2]	30 September 2021	30 September 2020
Share price	**104.0 pps/ZAR 21.8**	62.0 pps/ZAR 13.9
IFRS NAV per share	**128.2 pps/ZAR 25.9**	136.9 pps/ZAR 29.7

Earnings and dividends[3]	30 September 2021	30 September 2020
IFRS earnings	**4.7 cps**	21.2 cps
EPRA earnings	**4.9 cps**	6.4 cps
Headline earnings	**4.9 cps**	6.4 cps
Ordinary dividends declared	**7.1 cps**	5.7 cps
Special dividend declared	**4.8 cps**	–

Bank borrowings	30 September 2021	30 September 2020
External bank debt (excluding costs)[1]	**€80.7m**	€80.7m
Loan to value ratio based on GAV net of cash/gross of cash	**16%/28%**	24%/28%

Ongoing charges[4]	30 September 2021	30 September 2020
Ongoing charges (fund operating expenses only)	**2.12%**	2.09%
Ongoing charges (fund and property operating expenses)	**2.54%**	2.74%

1 Relates to the Company's share only and excludes the non-controlling interests in the Company's subsidiaries. This refers to the Company's 50% share in the Seville property.
2 pps refers to pence per share.
3 cps refers to euro cents per share.
4 Ongoing charges are calculated in accordance with the AIC recommended methodology as a percentage of the average NAV over a given period.

Rent collection update

As at 30 September 2021	Office		Industrial		Retail[1,2]		Mixed		Total portfolio[1]	
	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2
Paid	99.7%	100.0%	93.5%	99.7%	75.3%	81.0%	100.0%	100.0%	91.6%	94.8%
Deferred	0.0%	0.0%	6.2%	0.3%	0.3%	0.0%	0.0%	0.0%	1.5%	0.1%
Renegotiated/Outstanding[2]	0.3%	0.0%	0.3%	0.0%	24.4%	19.0%	0.0%	0.0%	6.9%	5.1%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Note: H1 refers to Q4 2020 and Q1 2021. H2 refers to Q2 2021 and Q3 2021.

1 Calculated on a proportional basis. Includes the Company's 50% share in the Seville property.

2 Primarily relates to the Metromar shopping centre in Seville.

Rumilly, France

Chairman's Statement

DIVERSIFYING **THE PORTFOLIO**

Company well positioned to benefit from accelerated growth as European cities return to normal

Sir Julian Berney Bt.
Chairman

Overview

These past 18 months have been a difficult time for everyone; particularly for those who have lost family and friends or have struggled with maintaining their health and businesses. Whilst society continues to learn to live with the Covid-19 virus, the success of the vaccination programme has markedly improved the outlook over the last six months. This has given a shot in the arm to the European economy, to the point where confidence has recovered and we expect the rate of economic growth to dramatically improve over the coming quarters. This will be a welcome boost to real estate markets, provided new variants of the virus do not become dominant and result in further lockdowns.

As at 30 September 2021, the Company's diversified property portfolio was valued at €215.7 million. In addition, the Company has substantial cash reserves (circa €45m) as a result of the successful forward funding sale of the Paris office building in Boulogne-Billancourt ('Paris BB'). Over the period the portfolio was enhanced by the acquisitions of a logistics investment in Nantes, France and a further office floor in the Company's existing Saint-Cloud office investment in Paris. The portfolio now comprises 13 investments across four Western European countries in cities including Paris, Berlin, Frankfurt, Hamburg and Stuttgart. In addition, the industrial exposure has increased to 22%, focused in strong sub-markets in France and the Netherlands. The majority of the retail exposure is grocery and DIY, two segments classified as necessities which have been beneficiaries of the pandemic.

The Board is pleased with the portfolio performance during the pandemic and the Investment Manager's efforts in delivering on its asset management programme. Along with ongoing tenant engagement, this has led to valuation growth and improving rent collection. It has allowed for the dividend to be reinstated to its pre-pandemic level and for a special dividend to be declared, allowing shareholders to benefit from exceptional asset management profits.

During the period the portfolio increased on a like-for-like basis by €3.5 million, or 1.7%, and by €2.6 million, or 1.0%, post capital expenditure. Excluding the write down of the Company's sole shopping centre exposure, the portfolio value increased by €10.2 million, or 5.6%. Rent collection has steadily improved, from 89% in the first quarter to 95% in the most recent quarter. As previously flagged, the exposure to the Seville shopping centre has been materially impacted by the pandemic. As a result of the uncertainty in this sector we have written off the equity interest to nil, meaning there is no further exposure to the business. We have commenced a disposal process for the asset.

The Company's largest asset management exposure is the Paris BB office, where in September 2020 it agreed a forward sale subject to concluding a refurbishment. It is pleasing that, despite Covid-19, the refurbishment remains on programme for completion by Q2 2022 and within cost. As a result of the refurbishment meeting certain construction milestones, €1.6 million of the remaining €6.5 million pre-tax profit has been reflected in the 30 September 2021 net asset value. As previously announced, this exceptional asset management initiative has resulted in the ability to share some of the overall €28 million pre-tax profit with investors via special dividends, with the first 4.75 euro cents announced with these annual results. The intention is to declare a further special dividend in the region of 4.75 euro cents per share alongside the next interim results, which are likely to be announced in June 2022.

The remaining purchase price of Paris BB will be received in instalments over the refurbishment period. The Company has considerable investment capacity and continues to pursue suitable income orientated investment opportunities that will improve the income profile and further diversify the portfolio.
Other key asset management initiatives completed during the period included the successful leasing of the Hamburg office investment at rents significantly above expected rental value which took the office occupancy from 80% to 100%, coupled with leasing

agreements in Saint-Cloud. In addition, ESG initiatives have been advanced that have allowed the portfolio to maintain its three green star Global Real Estate Sustainability ('GRESB') rating.

Strategy

The long-term strategy remains to replicate the success we have achieved to date and grow the real estate portfolio, further diversifying it by location, sector, size, lease duration and tenant concentration. Identifying 'Winning Cities and Regions', coupled with the use of the Investment Manager's local expertise to source and manage investments in micro locations that will benefit from supply constraints, competing demands for uses, transport infrastructure improvements and real estate that is leased off affordable and sustainable rents, has been key to the real estate returns delivered to date.

The pandemic has heightened the need for flexibility in our strategy. As a result, the weighting we give to, and the influence of, certain themes is evolving. For example, changes to traditional office use to cater to a hybrid work from home basis have necessitated a broadened critique of the optimum office that will remain relevant. In addition, we have witnessed technological and social change fast track the need for convenience, which has impacted the retail and logistics sectors to wide degrees. At the same time, environmental, social and governance considerations are increasingly shaping portfolio management. The Company is well positioned to benefit from these changes, particularly given the quality and location of the portfolio and the strong balance sheet and cash position deriving from the Paris BB office disposal.

We continue to work with the Investment Manager in the deployment of capital into new investments and earnings enhancing initiatives to further diversify the portfolio and move the dividend cover back to 100%. We will continue to employ a highly disciplined and patient approach.

Financial results

NAV total return was 3.2% over the year based on an IFRS profit of €6.2 million. Returns were driven primarily by an increase in the valuation of our industrial and DIY assets, together with the German office portfolio, which was offset by the writedown of the Seville exposure to €nil. In addition €1.6 million of the Paris BB development pre-tax profit has been released as a result of the refurbishment remaining on cost and programme. Underlying EPRA earnings were €6.6 million, compared to €8.6 million in 2020. Earnings will further increase with the redeployment of the Paris BB sale proceeds, and as rent collection improves. The Company's NAV as at 30 September 2021 decreased marginally by €2.3 million, to €199.5 million, or 149.2 euro cents per share, over the period, almost entirely driven by the Seville writedown.

Balance sheet and debt

Third-party debt totalled €80.7 million, representing a loan to value ('LTV') net of cash of 16% against the overall gross asset value of the Company. This compares to a net LTV cap of 35%. The Company has seven loans secured by individual assets or groups of assets, with no cross-collateralisation between loans. The average weighted total interest rate of the loans is 1.4% per annum. The weighted average duration of the loans is 2.9 years, with the earliest loan maturity in 2023. All loans except Seville are in compliance with their default covenants. The Seville loan remains in cash trap and is being managed under an LTV covenant waiver to facilitate a sale. More detail of the individual loans is provided in the Investment Manager's Report. We have received approximately 50% of the Paris BB forward funding disposal proceeds with the remaining sale price due as we meet refurbishment milestones through to completion in the second quarter of 2022. These funds offer the Company significant flexibility and provide additional €55 million investment capacity (including debt) post funding of the refurbishment.

Dividends

The Company has continued to pay dividends throughout the pandemic. Improvements in rent collection, coupled with asset management successes in Hamburg and Paris, have given the Board confidence in maintaining the quarterly dividend at 1.85 euro cents per share. In addition, as previously announced, the Board expects to allocate some of the net sale proceeds from the forward sale of Paris BB. In this regard the Board is announcing a special dividend of 4.75 euro cents per share in addition to the quarterly dividend. The quarterly dividend of 1.85 euro cents is 67% covered from income received over the quarter. As announced previously, it is expected that dividends from net income will remain uncovered whilst the refurbishment of Paris BB is being undertaken. The Board expects to allocate some of the net sale proceeds from the forward funding disposal towards covering the shortfall in income from Paris BB whilst it is being refurbished and pending the reinvestment of the remainder of the sale proceeds. Total quarterly dividends declared relating to the year are 7.12 euro cents per share, with a dividend cover for the year of 69%. Including the special dividend, total dividends more than doubled to 11.87 euro cents per share versus the previous financial year.

Share price

The shares continue to trade at a discount, which as at 1 December 2021 reflected a c.20% discount to NAV. The Board remains frustrated that the share price has not reflected the recent reinstatement of the dividend to pre-pandemic levels or the intention to release approximately 9.5 euro cents per share as special dividends. Annualising the 1.85 euro cents per share quarterly dividend (to 7.4 euro cents per annum) provides an attractive 6% dividend yield based on current share price. We do not believe that the share price reflects the strength of the Company's balance sheet, proven asset management value creation and real estate exposure in growth European cities. Given the healthy cash position, the Board will continue to review the discount and its discretion to execute a share buyback programme as well as new acquisitions consistent with its 'Winning Cities and Regions' strategy.

Responsible and impact investment

Responsible and impact investment sits alongside economic and financial considerations and is reflected in the Company's values. We have maintained our three green star rating in the annual GRESB survey for 2021. We continue to review sustainability initiatives to improve on this rating. In addition, the Investment Manager has outlined a programme to work with tenants regarding their sustainability agenda and in particular data collection around water, gas, electricity and waste, which will be key to modelling each asset's respective carbon pathway.

Governance

Mainly in response to the Covid-19 pandemic, some principal changes are proposed to be introduced in the Articles, most importantly, giving flexibility to hold general meetings by electronic means, thereby enabling all stakeholders to attend and participate in general meetings at one or more satellite meeting places. The principal changes proposed to be introduced in the Articles, and their effect, are set out in more detail on pages 98 and 99.

Outlook

Confidence within the Eurozone has improved and expectations are for economies to move back to their pre-Covid GDP levels during 2022. Near term, markets are dealing with increasing energy costs and supply constraints, particularly regarding materials and labour, which are collectively heightening inflationary concerns. As a result, there is a risk that the European Central Bank ('ECB') will move to control inflation via an increase in interest rates, albeit we see this risk as modest. Despite this, both the Board and the Investment Manager are confident in the outlook of the Company, given the strong cash position, diversification characteristics, exposure to higher growth cities and local management expertise. Whilst we remain committed to scaling the Company and are acutely aware of the benefits that this will bring, patience will remain in our critique of new investments to improve income cover and diversification. The Company continues to be a unique and compelling proposition for investors and is well placed to benefit from the trends that have accelerated as a result of the pandemic. These include changes in occupier demand, delivering operational excellence and ensuring that sustainability priorities are instilled within the Company's investment process.

Sir Julian Berney Bt.
Chairman

6 December 2021

Investment Manager's Report

Results
The net asset value ('NAV') as at 30 September 2021 stood at €199.5 million (£171.4 million), or 149.2 euro cents (128.2 pence) per share, resulting in a NAV total return of 3.2% over the 12 months to 30 September 2021.

The table below provides an analysis of the movement in NAV during the reporting period as well as a corresponding reconciliation in the movement in the NAV euro cents per share.

NAV movement	€m[1]	cps[2]	% change per cps[3]
Brought forward as at 1 October 2020	**201.8**	**150.9**	**–**
Unrealised gain in the valuation of the real estate portfolio	14.8	11.1	7.4
Capital expenditure	(5.1)	(3.8)	(2.5)
Transaction costs	(0.9)	(0.7)	(0.5)
Boulogne-Billancourt, Paris post-tax development profit	1.1	0.8	0.5
Movement on the Seville JV investment	(8.2)	(6.1)	(4.0)
EPRA earnings[4]	6.6	4.9	3.2
Non-cash/capital items	(2.0)	(1.5)	(1.0)
Dividends paid	(8.6)	(6.4)	(4.2)
Carried forward as at 30 September 2021	**199.5**	**149.2**	**(1.1)**

1 Management reviews the performance of the Company principally on a proportionally consolidated basis. As a result, figures quoted in this table include the Company's share of the Seville joint venture on a line-by-line basis.
2 Based on 133,734,686 shares.
3 Percentage change based on the starting NAV as at 1 October 2020.
4 EPRA earnings as reconciled on page 78 of the financial statements.

Strategy
The strategy over the period ended 30 September 2021 remained focused on the following key objectives:
- Growing the share price and eliminating the discount to NAV;
- Enhanced operational management to mitigate the impact of the Covid-19 pandemic on the portfolio, tenants and wider stakeholders;
- Executing asset management initiatives to enhance both the income profile and individual asset values;
- Ensuring compliance with contractual obligations particularly in respect of the refurbishment of Paris Boulogne-Billancourt ('Paris BB');
- Improving the Company's net income profile and occupancy to allow for the reinstatement of the dividend to pre-Covid levels;
- Allocating capital to enhance diversification whilst maintaining exposure to higher growth sectors in Winning Cities and Regions; and
- Managing portfolio risk in order to enhance the portfolio's defensive qualities.

Progress was made in executing the strategy and activity, which has delivered:
- Reinstatement of quarterly dividend to 1.85 euro cents per share in line with the pre-pandemic level;
- Favourable and improving rent collection over the period of 93%, increasing to 95% for the quarter ended 30 September 2021;
- Asset management of the Paris BB office refurbishment remains on budget and programme;
- Declaration of a 4.75 euro cents per share special dividend relating to part of the Paris BB profit with the intention to declare a second special dividend targeting approximately the same amount over the next nine-month period;
- Concluded 11 new leases and re-gear events (including Hamburg) across the portfolio at a weighted unexpired lease term of four years;
- Securing two new lease agreements in Hamburg resulting in full occupation and highlighting the continued demand for offices located in mixed-use areas that are accessible and affordable;
- Maintained a high occupancy level of 95%, with an average portfolio unexpired lease term of 5.3 years and 4.5 years to break;
- Acquisition of two investments: a €6.2 million logistics warehouse in Nantes, France, reflecting a 5.5% net initial yield, and an additional office floor (level 7) in the Saint-Cloud, France office investment for €2.6 million, reflecting a 7.5% net initial yield;
- Maintained a prudent gearing approach with a loan to value ('LTV') of 16% and 28% net of cash, well within the target of 35%;
- Increased the portfolio's BREEAM (the Building Research Establishment Environmental Assessment Methodology) coverage via undertaking an assessment of the Berlin asset over the year;
- Improved the portfolio's environmental characteristics via use of 100% renewable energy in Germany, increased tenant data collection and viability studies of renewable energy (e.g. solar panels at Houten);
- Issued Schroders' Sustainable Occupier Guide to all tenants across France, the Netherlands and Spain to proactively advise occupiers on low cost initiatives to achieve reduced environmental footprints, operating costs and enhanced user wellbeing.

Covid-19 impact
- Over the last six to nine months, most European countries have made significant progress with their vaccination programmes, helping to control the levels of infection, and most crucially avoiding large scale hospitalisation. Today, depending on country, around 60-80% of the population has received two jabs of a vaccine and governments have started to roll out booster jabs to prepare for winter. While some restrictions remain in place, it has allowed most countries to reopen their economies. On the back of that, economic sentiment has seen a significant uplift and high frequency indicators like mobility data show people returning to offices and going out to consume and use services.

– Whilst events of recent days have demonstrated that we must remain vigilant to pandemic challenges, it is hoped that the positive recent economic sentiment and high frequency indicators like mobility data showing people returning to offices and going out to consume and use services remains the direction of travel.
– What is clear is that the pandemic has accelerated longer term structural trends that we were already witnessing. Advancement in technology and ESG are increasingly shaping how we live, demographics and the use of real estate. The pressures around convenience, real time gratification and supply chain management have influenced logistics. Changing consumer patterns have impacted certain retail, particularly fashion and leisure, that have historically been the key points of difference for shopping centre dominance. Convenience retail such as drive through food and beverages, grocery and DIY have been favoured,with market share dramatically increasing. The optimum use of an office remains polarised across occupiers. However, as cities have reopened, we have seen an increasing shift back to the use of offices, on a hybrid work from home basis. Offices that are accessible and provide efficient use of utilities, live data, agile working and wellness elements will prosper.
– The Company's diversification has proven indispensable in navigating the pandemic. Active tenant engagement, coupled with exposure to resilient sectors such as logistics, DIY, grocery, data centres and accessible office locations, has resulted in healthy rent collection and valuation resilience. We continue to focus on the safety and well-being of our tenants, suppliers and other stakeholders, whilst also protecting shareholders' long-term interests.

Market overview

Economic outlook

Recent developments notwithstanding, the Eurozone has made a rapid recovery since most restrictions were lifted in April/May. The economy is currently on track to return to its pre-virus level by the end of this year and Schroders' forecasts that it will grow by 5% in 2022 and 2% in 2023, though regional differences remain. The main driver will be consumer spending, as households spend some of the excess savings built up during lockdown. In addition, investment is expected to grow strongly, thanks to the rebound in exports and the EU Recovery Fund. On the downside, it is possible that the jump in inflation to over 3% sparks a wage-price spiral and forces the European Central Bank ('ECB') to hike interest rates. While possible, it seems more likely that inflation will drop to 2% by the end of 2022, as supply chains normalise and the spike in energy prices falls out of the annual comparison. As such, the ECB is expected to cut quantitative easing, but to leave the refinance rate at zero until the end of 2023. For the moment however, it should be noted, that the strong recovery and increase in demand for goods on a global level has triggered a significant increase in costs for construction materials with some input materials even being temporarily unavailable. This will in the short-term impact construction activity and could cause delays or a squeeze on margins for projects under development.

Inflation and real estate yields

A key question is how might higher inflation impact European real estate? While the tighter fiscal policies of eurozone governments mean that the risk of inflation becoming stuck at 3-5% is lower than in the USA, it cannot be ruled out. On a positive note, most rents in Continental Europe are index linked, so faster inflation should feed through to rental income, albeit with a short lag on those leases which specify a cumulative percentage increase in prices before rents can be reset.

Offices

In the office market there are signs that demand is stabilising following a sharp fall in 2020. Take-up across Europe in the first half of 2021 was similar to 2009, the low point during the Global Financial Crisis ('GFC'), but leasing volumes started to recover in Q3 2021. And whereas prime office rents fell on average by 10% in the GFC, prime office rents in most cities have been stable over the last 18 months or even showed small growth. The difference reflects two factors. First, the last few years have seen less office construction than in the run up to the GFC, so vacancy rates have been lower, particularly in German, Dutch and Nordic cities. Second, occupier demand is polarising further and while secondary space is struggling, there is good demand for high-quality offices in city centres close to amenities that provide plenty of space for people to meet and collaborate. At the aggregate level, we expect that office demand will start to gain sustained momentum again from late 2021 and throughout 2022. Looking across different cities, we think that Brussels, Dusseldorf, and Rome are likely to see the weakest recoveries due to a combination of slower office employment growth in the medium term, longer commutes (Brussels, Rome) and older offices with poorer facilities. Conversely, using the same variables, we expect that Luxembourg, Lyon and Madrid will see the strongest recovery in demand over the next few years.

Retail

The outlook for the sector remains challenging. Mid-market fashion brands (e.g. H&M, Zara) are closing stores as they shift more of their business online and the slow recovery in international travel is hurting luxury retailers who rely on Asian and American tourists. Whilst several discounters are in expansion mode, they are unable to afford the same rent as mid-market brands and prefer fringe locations, or retail parks. Overall, we expect that prime shopping centre rents in Continental Europe will fall by 10% over the next two years, while retail park rents will be broadly flat. By contrast, food stores will likely see rental growth of 1.5-2% p.a. through 2022/23. Online accounts for less than 5% of food sales in most European countries and there is good demand for mid-sized units in town centres.

Logistics/industrial

Warehouse take-up in Continental Europe is on course to hit a new record in 2021. The main driver is the growth in online retail as both internet retailers and traditional retailers add more capacity and shorten delivery times. In addition, although the immediate impact is limited, we think that the current disruption of supply chains and the risk of growing geopolitical tensions will encourage companies to hold slightly higher levels of stocks and reshore some manufacturing to Europe. However, development is also on course to hit a new record this year. While two thirds of the space under construction is pre-let, the high level of new building means that rental growth in the logistics sector is likely to continue running at 2-3% through 2022/23, rather than move up a gear. Multi-let industrial estates will likely see slightly faster rental growth, due to less new supply.

Real estate portfolio

Following the sale of Paris BB, the Company owns a portfolio of 13 institutional grade properties valued at €215.7 million[1]. The portfolio is 95% let and located across those Winning Cities and Regions in France, Germany, Spain and the Netherlands. All investments are 100% owned except for the Metromar shopping centre, Seville, where the Company holds a 50% interest.

The table below shows the top ten properties:

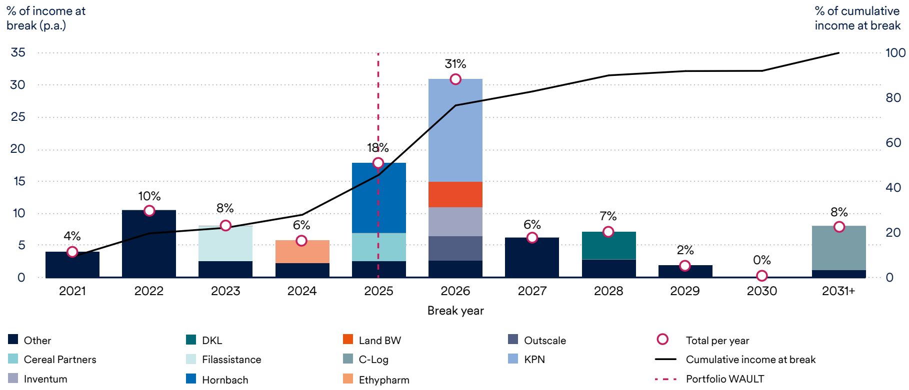
Rank	Property	Country	Sector	€m[1]	% of total[1]
1	Paris (Saint-Cloud)	France	Office	42.0	16
2	Berlin	Germany	Retail/DIY	29.0	12
3	Hamburg	Germany	Office	23.1	9
4	Stuttgart	Germany	Office	20.6	8
5	Rennes	France	Industrial	18.9	7
6	Apeldoorn	Netherlands	Mixed	18.1	7
7	Seville (50%)	Spain	Retail/Shopping Centre	14.6	6
8	Venray	Netherlands	Industrial	11.4	4
9	Frankfurt	Germany	Retail/Grocery	11.2	4
10	Rumilly	France	Industrial	9.8	4
Top ten properties				**198.7**	**77**
11–13	Remaining three properties	Netherlands/France	Industrial/Logistics	17.0	7
Total portfolio value				**215.7**	**84**
	Investable cash			41.7	16
Adjusted GAV				**257.4**	**100**

1 Reflects the Company's 50% share of the Seville property valued at €14.6 million as at 30 September 2021.

Investment Manager's Report
Continued

The table below sets out the top ten tenants, which are from a diverse range of industry segments and represent 64% of the portfolio:

Rank	Tenant	Industry	Property	Contracted rent €m	Contracted rent % of total	WAULT break (yrs)	WAULT expiry (yrs)
1	KPN	Telecom	Apeldoorn	2.5	16	5.3	5.3
2	Hornbach	DIY	Berlin	1.7	11	4.3	4.3
3	C-Log	Logistics	Rennes	1.1	7	9.4	9.4
4	Filassistance	Insurance	Paris (Saint-Cloud)	0.9	6	2.3	5.3
5	Land BW	Government	Stuttgart	0.7	4	4.8	4.8
6	Cereal Partners	Consumer staples	Rumilly	0.7	4	3.6	4.6
7	DKL	Logistics	Venray	0.7	4	7.0	7.0
8	Outscale	IT	Paris (Saint-Cloud)	0.6	4	4.5	7.5
9	Inventum Industrial	Manufacturing	Houten	0.6	4	4.7	4.7
10	Ethypharm	Pharmaceutical	Paris (Saint-Cloud)	0.6	4	2.7	5.3
Total top ten tenants				**10.1**	**64**	**5.0**	**5.7**
Remaining tenants				5.7	36	3.6	4.7
Total				**15.8**	**100**	**4.5**	**5.3**



The rent collection associated with the top ten tenants over the 12-month period stood at 99.2%. The portfolio generates €15.8 million p.a. in contracted income. The average unexpired lease term is 4.5 years to first break and 5.3 years to expiry.

The lease expiry profile to earliest break is shown below. The near-term lease expiries provide asset management opportunities to: renegotiate leases; extend weighted average unexpired lease terms; improve income security; and generate rental growth. In turn, this activity benefits NAV total return.

Transactions

A key target for the Company over the remainder of 2021/22 is to redeploy the Paris BB proceeds in line with the stated objective of targeting income-producing commercial real estate in Winning Cities and Regions of Continental Europe. We have been seeking to further diversify the Company's portfolio by both number of assets and tenants, as well as increase its allocation to the high growth industrial sector.

During the third quarter of 2021, the Company completed two purchases totalling approximately €9 million:
- A €6.2 million logistics investment in Nantes, reflecting a net initial yield of 5.5% and an unexpired lease term of approximately seven years; and
- An additional floor at the Paris Saint-Cloud office complex for €2.6 million at a net initial yield of 7.5%.

Portfolio performance

Over the last 12 months the underlying property portfolio generated a total property return of 6.6%. The portfolio income return amounted to 4.9% and the portfolio capital return to 1.5% net of capital expenditure.

The strongest contributors to portfolio performance during the financial year were:
- The Hamburg office property delivering a +29% total return: favourable leasing activity and strong local investment markets resulted in a valuation increase of €4.2 million;
- The Stuttgart office property delivering a +19% total return with the asset seeing a valuation increase of €2.6 million due to improved ERV growth and yield re-rating of the Stuttgart office market;
- The Berlin DIY property and the industrial portfolio delivering an average 12% total return due to stable income and positive capital returns;
- The Seville shopping centre returns was -29% as the value of the Company's 50% interest declined by €6.7 million over the period. The value of the Company's investment in the Seville shopping centre was written down to €nil in the financial year. This reflects the recent increase in vacancy, declining rental values and increase in the risk to trading at shopping centres from the pandemic in general, which increased the pressure on the yield of the asset. This is the only asset in the portfolio where the valuers continue to adopt a material valuation uncertainty clause; and

– Most of the strong positive performance impact from the Paris BB lease re-gear and forward funded sale was taken into account in the previous year's financial returns. In the current financial year an additional pre-tax profit of €1.6 million was recognised, resulting in an additional 3% property return for this asset during the financial year. There remains approximately a further €4.8m of pre-tax development profit which could be recognised in the 30 September 2022 financial year end should certain key milestones be achieved regarding the completion of the refurbishment, expected in Q2 2022, and subsequent tenant occupation.

Finance

As at 30 September 2021, the Company's total external debt was €80.7 million, across seven loan facilities. This represents a loan to value ('LTV') net of cash of 16% against the Company's gross asset value (gross of cash LTV is 28%). Cash levels are high, as the Company has received approximately 50% from the agreed sale price of Paris BB. There is a net of cash LTV cap of 35% that restricts concluding new external loans if the Company's net LTV is above 35%. An increase in leverage above 35% as a result of a valuation decline is excluded from this cap. The current blended all-in interest rate is 1.4% and the average remaining loan term is 2.9 years.

The individual loans are detailed in the table below. Each loan is held at the property-owning level instead of the group level and is secured by the individual properties noted in the table. There is no cross-collateralisation between loans. Each loan has specific LTV and income default covenants. We detail the headroom against those covenants in the latter two columns of the table below.

Lender	Property	Maturity date	Outstanding principal	Interest rate	Headroom LTV default covenant (% decline)	Headroom net income default covenant (% decline)
BRED Banque Populaire	Paris (Saint-Cloud)	15/12/2024	€17.00m	3M Eur +1.34%	-29%	-29%
Deutsche Pfandbriefbank AG	Berlin/Frankfurt	30/06/2026	€16.50m	1.31%	-33%	-41%
Deutsche Pfandbriefbank AG	Stuttgart/Hamburg	30/06/2023	€14.00m	0.85%	-37%	-36%
Münchener Hypothekenbank eG	Seville (50%)[1]	22/05/2024	€11.68m	1.76%	In breach[2]	In cash trap
HSBC Bank Plc	Utrecht, Venray, Houten	27/09/2023	€9.25m	3M Eur +2.15%	-33%	-51%
Landesbank SAAR	Rennes	28/03/2024	€8.60m	3M Eur +1.40%	-24%	-74%
Landesbank SAAR	Rumilly	30/04/2023	€3.70m	3M Eur +1.30%	-28%	-84%
Total			**€80.73m**			

1 Includes the Company's 50% share of external debt in the Seville joint venture of €11.7 million and excludes unamortised finance costs.
2 Temporary waiver for breach of LTV covenant in Seville agreed with the lender.

For the Seville shopping centre, a reduction in rental income has resulted in a requirement under the loan to retain all excess income generated by the Seville property in the property-owning special purpose vehicle. The Seville loan is being managed under an LTV covenant waiver to facilitate a sale. The loan is secured solely against the Seville investment, with no recourse back to the Company or any other entity within the Group.

The German and Spanish loans are fixed rate for the duration of the loan term. The French and Dutch loans are based on a margin above three-month Euribor. The Company has acquired interest rate caps to limit future potential interest costs if Euribor were to increase. The strike rates on the interest rate caps are between 0.25% p.a. and 1.25% p.a.

The Company entered into a revolving credit facility in relation to the Paris BB refurbishment. The maximum amount that can be drawn down is €13.6 million. €1.8 million was drawn down as at the financial year end.

Outlook

The portfolio is in a strong position to continue to deliver attractive and stable income and growth. Being exposed to a diversified portfolio that is biased towards growth European cities such as Paris, Berlin, Hamburg, Stuttgart and Frankfurt provides comfort as we expect these cities to quickly return to growth.

The resilient portfolio performance during the period has been led by our diversified, local expertise and Winning Cities and Regions strategy. As such, we are well prepared and positioned in the event of further short term Covid-19 pressures. Our strategy is therefore not changing; however, we are conscious of evolving thematic investment driven by macro-trends. There is an increasing move to a hospitality mindset and greater flexibility, particularly around office utilisation. Whilst for retail and logistics, changes in technology and social needs are heightening the need for convenience and real time gratification. This is shaping how we invest and manage real estate to deliver outperformance. Having local, multi-sector expertise will increasingly become more important, particularly as we work with our partners to deliver on sustainability initiatives. In this regard, it is pleasing to report on Schroders PLC's recent growth within the Netherlands with the acquisition of a specialist real estate team comprising 26 professionals. This ties in well with the strategy and commitment to specialist, local management.

The strength of the Company's balance sheet provides significant operational and financial flexibility. We remain active and disciplined in sourcing new investments that will diversify the portfolio whilst increasing exposure to growth sectors and Winning Cities and Regions. We expect to see more investment product over the medium term and the strengthening of local teams positions us well to continue to focus on key markets such as France, Germany and the Netherlands.

Jeff O'Dwyer
Fund Manager
Schroder Real Estate Investment Management Limited

6 December 2021

Strategy in Action

BUSINESS PLAN-LED ***APPROACH***

TriTowers Hamburg (office)

1 Asset management initiative

- TriTowers is a freehold c.7,000 sqm office building located in Hamburg's centre south office sub-market
- The area is one stop from the city centre and has been one of the stronger performing sub-markets given its mixed-use nature, accessibility and affordability
- Rents in the sub-market are at a c.50% discount to the central business district
- In 2018, terms were agreed with the main tenant, City BKK, to surrender its lease in return for a cash payment to the Company of €3.9 million
- Entering into the pandemic the investment had four vacant floors. All floors have now been leased to a diversified mix of tenants at a combined rent that is approximately 20% above target
- New lease signed with AGT for the fourth floor, highlighting their commitment to the premises where they have extended their existing lease on the sixth floor
- New lease signed for the seventh floor with Joblinge, a tenant engaged in tackling youth unemployment across Germany
- The leasing success highlights that well-located assets that are accessible, either by foot, cycle, or road transport will continue to be in demand, particularly where rents are affordable
- Value has increased from an initial purchase price of €14.4 million to €23.1 million as at Q3 2021
- Looking forward there is scope to improve the asset's sustainability and building profile which will assist in driving rental growth and occupier demand. To date initiatives include:
  - 100% renewable electricity contracts in place
  - Improved LED lighting, toilet flushing efficiency, low flow taps and lighting sensors
  - Waste performance monitoring, including recycling programme and hazardous materials separation
  - Tenant engagement, including satisfaction survey, green clauses and Schroders' Sustainable Occupier Guide
  - Procurement of local service providers thereby enhancing local employment

TriTowers Hamburg property returns last three years

15.1% p.a.

TriTowers Hamburg uplift against purchase price and surrender premium

€12.6m/+87%

Rumilly, France

Identifying and implementing active management strategies to maximise returns

Venray (industrial)

2 Asset management initiative

- A freehold 15,290 sqm warehouse located within the established Venlo-Venray logistics corridor
- Good infrastructure links with four international airports within 65km and direct access to the A-73 motorway and the N-270 which connects the city both from north to south and east to west
- Strong micro-location in the Smakterheide industrial park, the largest park in Venray spanning 150 hectares with 3PLS occupying the premises
- Well-constructed premises with a 9.5m clear height and 1:1,000 sqm loading dock provision
- The tenant, DKL, specialises in road transportation and logistics services
- Undertook a study exploring the viability of solar panels on the roof. Currently there is no capacity on the grid however there is the opportunity to revisit this in the future
- Working with the tenant to collect and understand energy consumption data
- Seeking to undertake a BREEAM (the Building Research Establishment Environmental Assessment Methodology) assessment in Q1 2022 and improve the asset's sustainability and building profile based on the results
- The energy label for the office space is A which already meets the minimum expected requirement for the Netherlands in 2030
- Value has increased to €11.4 million from an initial purchase price of €9.5 million

Venray property returns last three years

12.6% p.a.

Venray uplift against purchase price

€1.9m/+20%

Frankfurt (retail)

3 Asset management initiative

- 4,525 sqm multi-let convenience retail centre situated in Rödelheim, a growing and densely populated urban location of Frankfurt that is easily accessible. Current density of Rödelheim is 3,760 inhabitants per sq km which compares favourably with Frankfurt's average of 3,100
- Excellent public transport connectivity with the nearest metro station five minutes walking distance, connecting directly to the city centre
- The grocery sector has been a strong performer throughout the Covid-19 pandemic with the anchor tenant, Lidl, expressing their interest in a longer-term lease and more space
- Seeking to undertake a BREEAM assessment in Q1 2022 to improve the asset's sustainability and building profile
- Further longer-term upside in using the site for residential, subject to planning. Residential capital values for new construction in the region are approximately €7,500 per sqm versus retail at €2,475 per sqm
- Post period-end, new lease signed for approximately 400 sqm with Cervus Bike for storing bicycle parts underlining the demand for storage accommodation in urban locations

Frankfurt property income returns last three years

5.6% p.a.

Frankfurt uplift against purchase price

€0.2m/+1.2%

BUSINESS **OVERVIEW**

The following pages set out the Company's strategy for delivering the investment objective (set out on the inside front cover), the business model, the risks involved, and how the Board manages and mitigates those risks. It also details the Company's purpose, values and culture, how it interacts with shareholders, and its approach to sustainability.

Business model

The Board has appointed the Investment Manager, Schroder Real Estate Investment Management Limited, to implement the investment strategy and to manage the Company's assets in line with the appropriate restrictions placed on it by the Board, set out further below. The terms of the appointment are described more completely in the Directors' Report. The Investment Manager also promotes the Company using its sales and marketing teams. The Board and the Investment Manager work together to deliver the Company's investment objective, as demonstrated by the diagram below. The investment and promotion processes set out in the diagram are described in more detail over the following pages.

Investment

Investment strategy and objectives

Details of the Company's investment strategy are set out on pages 2 and 9 and in the Chairman's Report on page 12 and the Investment Manager's Report on page 14.

Diversification and asset allocation

The Board believes that in order to maximise the stability of the Company's income and value, the optimal strategy for the Company is to invest in a portfolio of institutional grade income-producing assets diversified by location, use, asset size, lease duration and tenant concentration with low vacancy rates and creditworthy tenants. The value of any individual asset at the date of its acquisition may not exceed 20% of gross assets. From time to time the Board may also impose limits on sector, location and tenant types together with other activity such as development.

Borrowings

The Company utilises gearing with the objective of improving shareholder returns. Borrowings are non-recourse and secured against individual assets or groups of assets and, at the time of borrowing, gross debt (net of cash) shall not exceed 35% of the Company's gross assets. Where borrowings are secured against a group of assets, such group of assets shall not exceed 25% of the Company's gross assets in order to ensure that investment risk remains suitably spread.

Apeldoorn, Netherlands

The Board determines the appropriate level and structure of gearing for individual assets or groups of assets on a deal-by-deal basis, and gearing against individual assets or groups of assets may exceed 35% LTV at the time of borrowing, provided total gearing of the Company does not exceed 35% LTV overall. Higher gearing will only be considered against individual assets or groups of assets if the Board considers the particular characteristics of those assets would be suitable for higher gearing.

Interest rate exposure and currency hedging
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.

The Company does not currently intend to take any currency hedging in respect of the capital value of its portfolio of investments, but may choose to do so if the Board considers it appropriate in the future.

The Board has concluded that, based on the current cost of currency hedging, the Company will not hedge dividend payments in currencies other than euro. The Board will continue to keep this under review.

Investment restrictions and spread of investment risk
The Company invests and manages its assets with the objective of spreading risk and in accordance with its published investment policy. The Company ensures that the objective of spreading risk has been achieved by seeking to diversify its portfolio of assets by location, use, size, lease duration and tenant concentration. The properties in the Company's portfolio described in the Investment Manager's Report demonstrate how the objective of spreading risk has been achieved.

The Company will not invest more than 10% of its gross assets in other listed closed-ended investment funds, except that this restriction shall not apply to investments in listed closed-ended investment funds which themselves have stated investment policies to invest no more than 15% of their gross assets in other listed closed-ended investment funds. Further, the Company will not itself invest more than 15% of its gross assets in other listed closed-ended investment funds. If the Company invests in other companies or closed-ended investment funds, which in turn invest in a portfolio of investments, the Company will ensure that the policies and objectives of the investee conform to the principal objectives of the Company.

Promotion
The Company promotes its shares to a broad range of investors, including discretionary wealth managers, private investors, financial advisers and institutions, which have the potential to be long-term supporters of the investment strategy. The Company seeks to achieve this through its Investment Manager and corporate broker, which promote the shares of the Company through regular contact with both current and potential shareholders.

These activities consist of investor lunches, one-on-one meetings, regional roadshows and attendances at conferences for professional investors. In addition, the Company's shares are supported by the Investment Manager's wider marketing of investment companies targeted at all types of investors. This includes maintaining close relationships with adviser and execution-only platforms, advertising in the trade press, maintaining relationships with financial journalists and the provision of digital information on Schroders' website. The Board also seeks active engagement with investors and meetings with the Chairman are offered to professional investors where appropriate.

Business Overview
Continued

Key performance indicators

The Board measures the development and success of the Company's business through achievement of the Company's investment objective: to provide shareholders with a regular and attractive level of income together with the potential for income and capital growth through investing in commercial real estate in Continental Europe.

This is considered to be the most significant key performance indicator for the Company. The Board regularly reviews its ability to maintain the level of the dividend and regularly considers asset valuations and any movements. Comment on performance against the investment objective can be found in the Chairman's Statement.

The Board continues to review the Company's ongoing charges to ensure that the total costs incurred by shareholders in the running of the Company remain competitive when measured against peer group funds. An analysis of the Company's costs, including management fees, Directors' fees and general expenses, is submitted to each Board meeting. The management fee is reviewed at least annually.

Purpose, value and culture

The Company's investment objective and purpose is set out on the inside front cover. The Company's culture is driven by its values:

- Responsibility – recognising the importance of the Company's role as steward, ESG considerations are integrated into the investment process to the benefit of a range of stakeholders including shareholders, tenants and local communities.
- Rigour – high-quality research and detailed analysis form the basis of all investment decisions.
- Relationships – building long-term relationships with the Company's service providers, in a way that encourages collaboration and fosters deep understanding of the Company's business, is a priority for the Company.

As the Company acts through its service providers, its culture is represented by the values and behaviour of the Board and third parties to which it delegates. The Board aims to fulfil the Company's investment objective by encouraging a culture of constructive challenge with all key suppliers and openness with all stakeholders. The Board is responsible for embedding the Company's culture in the Company's operations.

The Board recognises the Company's responsibilities with respect to corporate and social responsibility and engages with its service providers to safeguard the Company's interests. As part of this ongoing monitoring, the Directors receive reporting from service providers on matters such as their anti-bribery and corruption policies; Modern Slavery Act 2015 statements; diversity policies; and greenhouse gas and energy usage reporting. The Management Engagement Committee reviews the Company's service providers. Its report is on page 41.

Corporate and social responsibility

Board gender diversity

As at 30 September 2021, the Board comprised three men and one woman. The Board has adopted a diversity and inclusion policy. Appointments and succession plans will always be based on merit and objective criteria and, within this context, the Board seeks to promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. It will encourage any recruitment agencies it engages to find a diverse range of candidates that meet the objective criteria agreed for each appointment. Appointments will always be based on merit. Candidates for Board vacancies are selected based on their skills and experience, which are matched against the balance of skills and experience of the overall Board taking into account the criteria for the role being offered.

Bribery and corruption

The Company continues to be committed to carrying out its business fairly, honestly and openly and continues to operate an antibribery and corruption policy, as well as seeking confirmations that the Company's service providers' policies are operating soundly.

Relations with shareholders

Shareholder relations are given high priority by both the Board and the Investment Manager. The Company communicates with shareholders through its webpages, the Annual and Half Year Reports and regular market communications which aim to provide shareholders with a clear understanding of the Company's activities and its results. In addition to the engagement and meetings held during the year, the Chairmen of the Board and its Committees attend the AGM and are available to respond to queries and concerns from shareholders.

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 Managers' 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 CBRE and Yxime, two if its principal property managers, performed well against the targets set for both the six-monthly and annual indicators.

Sustainability Report
Continued

Houten, Netherlands

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 develops its 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 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 futureproof 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 had an energy and greenhouse gas emissions performance reduction target to achieve a 3% reduction in landlord-controlled energy consumption and greenhouse gas emissions by 2020/21 (2017/18 baseline) across its German portfolio which includes assets of the Company. The Investment Manager is in the process of establishing targets for the Company's other assets and countries, where relevant (i.e. where there are landlord energy management responsibilities) in line with the Investment Manager's commitment to Net Zero Carbon.

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 third-party Property Managers 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 4% on a like-for-like basis. This translates to a Scope 1 and Scope 2 GHG emissions reduction of 5% 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 HVAC, electrical systems, LED lighting upgrades, installation of smart meters, low flow taps and lighting sensors. Other measures include the continuation in the procurement of 100% green electricity and gas across the German sub-portfolio and exploring the viability of renewable energy (e.g. solar panels at Houten).

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 31 March 2021, 27% of the Company's landlord-controlled electricity was on renewable tariffs.

Energy Performance Certificates ('EPCs') for the portfolio are regularly reviewed. The Investment Manager is actively managing the potential risk of this legislation to the portfolio. 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 33% 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, 14% of waste was recycled and 86% 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 one BREEAM In-Use assessment 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 and Fitwel Certifications, can support landlords and tenants to address these. The Investment Manager 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.

The Investment Manager believes in the importance of understanding a building's relationship with the community and its contribution to the well-being 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. The Investment Manager looks to understand and develop the community relationship to ensure investments provide sustainable social solutions for the long term. At Hamburg, Germany this includes procurement of local service providers for fit out works and facilities management, thereby enhancing local employment.

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 lifecycle 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 pages 92-94.

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.

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/sysglobalassets/uk-campaigns/sreit/sereit-full-assurance-statement-epra-report-2020-21-fv2.pdf.

Global Real Estate Sustainability Benchmark (GRESB)

The Investment Manager has participated in GRESB, the dominant global standard for assessing Environmental, Social and Governance (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 2021 the Company achieved a score of 74 (out of 100), came third in its peer group (out of 10), 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 2022 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.

UN PRI (Principles for Responsible Investment)

Schroders plc has been a signatory to UN PRI 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 UN PRI 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 (for 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/)

Sustainability Report
Continued


Utrecht, Netherlands

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 had one part-time direct employee at 31 March 2020; the relevant date for this reporting period. 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, well-being 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.

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') has 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. The Investment Manager 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 organisations' annual financial filings. Launched in 2017, TCFD is currently a voluntary framework for the company.

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

In 2020, the Investment Manager, Schroder Real Estate ('Schroders') 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, Schroder's believes it will be important to further integrate the assessment of climate-related risks and opportunities into decision-making and reporting processes. The outcome of our review and progress towards further alignment is set out below.

Governance

In investing for the long term, we recognise the increasing importance of both 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 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 require approval by the Investment Committee. The Investment Manager also prepares 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')[1] tool 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.

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. onsite energy) and which all support asset values. These actions also support the Company with increasing investor expectations in relation to climate action and preparing portfolio assets for new and emerging energy efficiency regulations, increases in energy costs, carbon taxes, changing 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')[2] 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 on: 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.

The Investment Manager's acquisition and asset business planning processes include consideration of climate-related issues, and will include forward-looking assessment of asset alignment to Paris Aligned energy and carbon performance benchmarks, where information permits. We are also reviewing our existing processes for screening acquisitions and standing investments for climate-related physical risks (e.g. flooding).

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 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, Schroder's 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.

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

On pages 81 to 88 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 on pages 92 to 94 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 the 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 focussed 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.

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.

2 The BBP is an industry association of leading UK commercial property owners committed to improving building sustainability.


kpn

Apeldoorn, Netherlands

Strategic Review – Governance

The Board's commitment to stakeholders – section 172 Companies Act 2006 statement
Directors take their responsibilities under section 172 of the Companies Act seriously and are committed to engaging with and, understanding the views of, the Company's stakeholders and to taking those views into account in the Board's decision-making process. This statement outlines this engagement and the impact on decision-making where appropriate, and cross-refers to the decisions made by the Board during the year, detailed elsewhere in this Report.

Key stakeholders
The Board has identified its key stakeholders, which are as follows:
Shareholders – Without investors, who are willing to commit capital in return for a regular and attractive level of income together with the potential for income and capital growth as per the Company's investment objective and purpose, the Company would not exist.

Service providers – As an externally managed investment trust, the Board is reliant on service providers who have a direct working or contractual relationship with the Company. This includes, but is not limited to, the Investment Manager, Depositary, corporate broker and tax advisors.

Lenders – Borrowing allows the Company's shareholders to increase exposure to Winning Cities and Regions and maximise returns in favourable markets at a low cost. They have a financial interest in the success of the Company.

Occupiers – The Company has a diverse range of tenants occupying space across the portfolio. This includes businesses that operate out of our office or industrial space and the retailers and shoppers who work at or visit our retail properties.

Local communities – Our assets are located across Continental Europe in a range of urban environments. The buildings and their occupiers are part of the fabric of local communities.

The environment – The Company is committed to using resources such as energy, water and materials in a sustainable manner for the prevention of GHG and mitigation of climate change.

Engagement with key stakeholders and impact on decisions
As detailed in 'Promotion' on page 21 and 'Relations with Shareholders' on page 22, the Company engages with its shareholders. The Board considered feedback by shareholders when making decisions relating to the dividend, particularly shareholder expectations in relation to the level of the dividend, having regard to the Paris Boulogne-Billancourt forward funding sale, the amount of cash available, rental income and values, and the ongoing impact of Covid-19.

As detailed in "Purpose, Values and Culture" on page 22, the Board engages with service providers, and receives regular reporting, either directly, or through the Investment Manager or Company Secretary, on performance and other matters. The effect of such engagement, if relevant, is detailed in the Chairman's Statement, Investment Managers' Report, Audit, Valuation and Risk Committee Report and Management Engagement Committee Report.

Active and constant engagement with occupiers, either directly by the Investment Manager or through property managers or agents, provides 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 individual asset management decisions as well as the longer-term strategic direction of the Company.

In terms of local communities and the environment, the Board expects the Investment Manager to engage with local communities, councils and individuals and that the Company's asset strategies are sensitive to the unique heritage of each location and take into account environmental considerations. Further information on the Investment Manager's approach to these matters is set out in the Sustainability Report on pages 23 to 26.

During the year, the Board declared four interim dividends in respect of the year ended 30 September 2021. The Directors considered the long-term consequences of paying up from the Company's distributable reserves, noted the financial position of the Company, and determined that the payment of the four interim dividends was in the best interests of its stakeholders. The Board also announced its intention to declare two further distributions with a target of approximately 4.75 euro cents per share each, by way of special dividend, over the coming months, allowing shareholders to benefit from the profit associated with the successful execution of the Paris, Boulogne-Billancourt business plan. Details of the first special dividend, payable on 14 January 2022 to shareholders on the Register on 24 December 2021, are set out on page 37.

From an asset acquisition perspective, the Board approved the Investment Manager's recommendation in relation to the acquisition of an additional asset in Nantes and an additional floor at the Paris Saint-Cloud office complex. The Board considered that these acquisitions would diversify and strengthen the Company's exposure to growth cities, regions and sectors to the benefit of all stakeholders. Further detail is set out in the Investment Manager's Report on pages 14 to 17.

In relation to gearing, the Board approved entry into a revolving credit facility for the Paris Boulogne-Billancourt refurbishment.
The Board took into account the impact that additional funds would have on successfully delivering the refurbishment to programme and cost and concluded that entry into the facility would be to the benefit of all stakeholders.
Overall, the Board has worked closely with its lenders, particularly in relation to the Seville asset, which is being managed under an LTV covenant waiver to facilitate sale. During the year, the Board also agreed that the value of this investment should be written down to nil.

In light of the outsourced business model (set out further in the Directors' Report on page 36), the impact of the Company's operations on occupiers, local communities and the environment is through the delivery of its service providers, in particular, the Investment Manager (in this respect see further the Sustainability Report at pages 23 to 26).

Principal 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 adopted a detailed matrix of principal risks affecting the Company's business as an investment trust and has established associated policies and processes designed to manage and, where possible, mitigate those risks, which are monitored by the Audit, Valuation and Risk Committee on an ongoing basis. This system assists the Board in determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives. Both the principal risks and the monitoring system are also subject to robust review at least annually. The last review took place in November 2021.

Although the Board believes that it has a robust framework of internal control 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.

From an emerging risk perspective, the Board continues to be mindful of the structural change the pandemic has the potential to expedite, which could affect the use and prospects of some real estate sectors, and is keeping this under review, particularly in connection with its decisions to re-deploy investable cash.

The principal risks and uncertainties faced by the Company have largely remained unchanged throughout the year. While the impact of the Covid-19 pandemic remains a concern from an economic and property market risk perspective, the Company's portfolio has proved to be resilient, as evidenced by rent collection levels during the year under review.

Actions taken by the Board and its Committees to manage and mitigate the Company's principal risks and uncertainties, are set out in the table below.

Risk	Mitigation and management
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. 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 borrowing policy, and ensuring 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 – Reviewing marketing and distribution activity and considering the use of a discount control mechanism as necessary – Working with tenants during the Covid-19 pandemic to support their ongoing trading
Implementation of investment strategy 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.	The Board regularly reviews: the Investment Manager's compliance with the agreed investment restrictions, investment performance and risk against investment objectives and strategy; relative performance; and the portfolio's risk profile. Appropriate strategies are employed to mitigate any negative impact of substantial changes in markets, including any potential disruption to capital markets. An annual review of the ongoing suitability of the Investment Manager is undertaken.
Economic and property market risk The performance of the Company could be affected by economic, currency and property market risk, such as that caused by the Covid-19 pandemic. In the wider economy this could include inflation or deflation, economic recessions, movements in foreign exchange and interest rates or other external shocks. The performance of the underlying property portfolio could also be affected by structural or cyclical factors impacting particular sectors (for example, retail) or regions of the property market. Deterioration in certain real estate markets may affect gearing covenants.	The Board considers economic conditions and the uncertainty around political events when considering investment decisions. The Board mitigates property market risk through the review of the Company's strategy on a regular basis and discussions are held to ensure the strategy is still appropriate or if it needs updating. Diversification of the majority of the portfolio across the office and industrial/logistics sectors in growth cities, and focus on functional and affordable space, provides defensive characteristics. The assets of the Company are denominated in non-sterling currencies, predominantly the euro. No currency hedging is planned for capital, but the Board periodically considers the hedging of dividend payments having regard to availability and cost. The Board monitors gearing covenants closely and, where it considers risk has increased, maintains an open dialogue with external debt providers. For example, in relation to the Seville asset, the Company is working closely with the lender to manage the asset under an LTV covenant waiver to facilitate sale. The loan is secured only by the asset and there is no recourse to the Company, or any other entity in the Group.
Custody Safe custody of the Company's assets may be compromised through control failures.	The Depositary verifies ownership and legal entitlement, and reports on safe custody of the Company's assets, including cash. The Depositary provides a quarterly report on its activities.

Strategic Review – Governance
Continued

Risk	Mitigation and management
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 at quarterly Board meetings and ad hoc as required and strict restrictions on borrowings imposed.
Accounting, legal and regulatory The NAV and financial statements could be inaccurate. Breaches of the UK Listing Rules, the Companies Act 2006 or other regulations with which the Company is required to comply could lead to a number of detrimental outcomes. Changes to law and regulation, including retrospective changes, could impact the Company's performance and position.	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 in accordance with the Alternative Investment Fund Managers Directive. 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 external audit is completed to provide an opinion on the financial statements which have been reviewed by the Board. The Investment Manager and Company Secretary monitor legal requirements to ensure that adequate procedures and reminders are in place to meet 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 and its subsidiaries are reviewed by the Company's legal and other advisers. Confirmation of compliance with relevant laws and regulations received from key service providers. Shareholder documents and announcements, including the Company's published Annual Report, are subject to stringent review processes. Procedures have been established to safeguard against unauthorised disclosure of inside information. The Board receives regular reporting on proposed changes to law and regulation which could affect the Group's structure.
Valuation Property valuations are inherently subjective and uncertain, due to the individual nature of each property.	External valuers provide independent valuation of all assets at least quarterly. The Audit, Valuation and Risk Committee includes two experienced chartered surveyors. Members of the Audit, Valuation and Risk Committee meet with the external valuers to discuss the basis of their valuations and their quality control processes on a quarterly basis. Matters discussed included the continued application of a material uncertainty clause to the Seville asset. Having regard to the LTV covenant waiver agreed with the lender in relation to the Seville asset to facilitate sale, the Board has agreed that the value of the investment should be written down to zero, so any further deterioration in the valuation will not impact the NAV.

Risk	Mitigation and management
Service provider The Company has delegated certain functions to a number of service providers. Failure of controls, including as a result of cyber-hacking, and poor performance of any service provider could lead to disruption, reputational damage or loss.	Service providers are appointed subject to due diligence processes and with clearly documented contractual arrangements detailing service expectations. Regular reporting by key service providers is received and the quality of services provided is monitored. A review of annual audited internal controls reports from key service providers, including confirmation of business continuity arrangements, is undertaken.
Health and safety Failure to implement appropriate health and safety measures could impact the safety and confidence of tenants and visitors.	The Investment Manager liaises with property managers to ensure appropriate health and safety arrangements are in place.

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

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

A full analysis of the financial risks facing the Company and its subsidiaries is set out in note 23 on pages 73 to 76.

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

The Board conducted this review over a five-year time horizon commencing from the date of this report which is selected to match the period over which the Board monitors and reviews its financial performance and forecasting. The Investment Manager prepares five-year total return forecasts for the Continental European commercial real estate market. The Investment Manager uses these forecasts as part of analysing acquisition opportunities as well as for its annual asset level business planning process. The Board receives an overview of the asset level business plans which the Investment Manager uses to assess the performance of the underlying portfolio and therefore make investment decisions such as disposals and investing capital expenditure. The Company's principal borrowings are for a weighted duration of 2.9 years and the average unexpired lease term, assuming all tenants vacate at the earliest opportunity, is 4.5 years.

The Board's assessment of viability considers the principal risks and uncertainties faced by the Company, as detailed in the Strategic Review on pages 31 to 33, which could negatively impact its ability to deliver the investment objective, strategy, liquidity and solvency. This includes consideration of scenario stress testing and a cash flow model prepared by the Investment Manager that analyses the sustainability of the Company's cash flows (taking into account any continued impact of Covid-19 on rent collection), dividend cover, compliance with bank covenants, general liquidity requirements and potential legal and regulatory change for a five-year period.

These metrics are subject to a sensitivity analysis which involves flexing a number of the main assumptions including macro-economic scenarios, delivery of specific asset management initiatives, rental growth and void/reletting assumptions. The Board also reviews assumptions regarding capital recycling and the Company's ability to refinance or extend financing facilities. Steps which are taken to mitigate these risks as set out in the Strategic Review on pages 31 to 33 are also taken into account.

Based on the assessment, and having considered in detail base and downside scenarios modelling the potential ongoing impact of Covid-19, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five-year period of their assessment.

Going concern
The Board believes it is appropriate to adopt the going concern basis in preparing the financial statements. A comprehensive going concern statement setting out the reasons the Board considers this to be the case is set out in note 1 on page 58.

By order of the Board

Sir Julian Berney Bt.
Chairman

6 December 2021

Board of Directors

Sir Julian Berney Bt.
Independent Non-Executive Chairman

Length of service : Six years – appointed as a Director and Chairman on 6 November 2015

Aged 69, has over 40 years' real estate experience. During this period he has worked on property investment portfolios in the UK, Scandinavia, and Continental Europe. In recent years he has assisted Cityhold, part of the National Pension Fund of Sweden, to acquire and manage its property investment portfolio in the UK and Continental Europe. Formerly he was a director at BNP Paribas Real Estate Investment Management with responsibilities to its European fund and with Aberdeen Property Investors to develop its property funds. A large part of his career was at Jones Lang LaSalle where he was an international director and held a number of senior appointments including chairman of the Scandinavian businesses, a director of the European business team, and a member of the European Capital Markets board. He is a Fellow of the Royal Institution of Chartered Surveyors.

Committee membership: Audit, Valuation and Risk; Management Engagement; and Nomination and Remuneration Committees (Chairman of the Nomination and Remuneration Committee)

Current remuneration: £50,000 per annum

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

Shared directorships with any other Director of the Company: None

Mr Mark Patterson
Independent Non-Executive Director

Length of service : Six years – appointed as a Director on 29 October 2015

Aged 67, is an international banker with over 30 years' experience in investment banking and strategic planning. He is presently a non-executive director of Union Bank of Nigeria plc, an operating partner with Corsair Capital and was formerly with Standard Chartered Bank where he was responsible for the development and execution of Standard Chartered's inorganic growth strategy and where he led a number of the bank's acquisitions and investments as well as its own equity fundraisings. He previously held senior investment banking positions with Australia and New Zealand Bank and with Deutsche Bank. He graduated from Oxford University, qualified as a solicitor and worked with Slaughter and May prior to his move into banking.

Committee membership: Audit, Valuation and Risk; Management Engagement; and Nomination and Remuneration Committees (Chairman of the Management Engagement Committee)

Current remuneration: £40,000 per annum

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

Shared directorships with any other Director of the Company: None

Mr Jonathan Thompson
Independent Non-Executive Director

Length of service : Six years – appointed as a Director on 29 October 2015

Aged 63, is the non-executive chairman of the Argent group of real estate regeneration, development and investment businesses. He is also a non-executive director and chair of the audit committee at Phoenix Spree Deutschland PLC, a non-executive director and chair of the audit and risk committee at The Government Property Agency and is an independent member of the investment advisory board to a family wealth fund. He is a past chairman of the Investment Property Forum and a past board member of the British Property Federation. An accountant by background, he spent 32 years at KPMG including 12 years as chair of KPMG's International Real Estate and Construction practice. He is a member of the Institute of Chartered Accountants and an Honorary Fellow of the Royal Institution of Chartered Surveyors.

Committee membership: Audit, Valuation and Risk; Management Engagement; and Nomination and Remuneration Committees (Chairman of the Audit, Valuation and Risk Committee)

Current remuneration: £40,000 per annum

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

Shared directorships with any other Director of the Company: None

Ms Elizabeth Edwards
Independent Non-Executive Director

Length of service : One year – appointed as a Director on 1 November 2020

Aged 64, is currently a non-executive director and audit and nominations committee member of CLS Holdings plc, a board trustee and audit committee chairman of The Salvation Army International Trustee Company and a trustee of Refuge. A chartered surveyor by background and a Fellow of the Royal Institution of Chartered Surveyors, she has worked in commercial property investment both in the UK and in Europe since 1980, with a focus on lending.

Committee membership: Audit, Valuation and Risk; Management Engagement; and Nomination and Remuneration Committees

Current remuneration: £40,000 per annum

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

Shared directorships with any other Director of the Company: None

Directors' Report

The Directors submit their report and the audited consolidated financial statements of the Company and its subsidiaries (together, the 'Group') for the year ended 30 September 2021.

Directors and officers

Chairman

The Chairman is an independent non-executive Director who is responsible for leadership of the Board and ensuring its effectiveness in all aspects of its role. The Chairman's other significant commitments are detailed on page 34. He has no conflicting relationships.

Company Secretary

Schroder Investment Management Limited provides company secretarial support to the Board and is responsible for assisting the Chairman with Board meetings and advising the Board with respect to governance. Shareholders wishing to lodge questions in advance of the AGM are invited to do so by writing to the Company Secretary at the address given on the inside back cover.

Role and operation of the Board

The Board is the Company's governing body; it sets the Company's strategy and is collectively responsible to shareholders for its long-term success. The Board is responsible for appointing and subsequently monitoring the activities of the Investment Manager and other service providers to ensure that the investment objective of the Company continues to be met. The Board also ensures that the Investment Manager adheres to the investment restrictions set by the Board and acts within the parameters set by it in respect of any gearing.

A formal schedule of matters specifically reserved for decision by the Board has been defined and a procedure adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

The Chairman ensures that all Directors receive relevant management, regulatory and financial information in a timely manner and that they 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.

Four Board meetings are usually scheduled each year to deal with matters including: the setting and monitoring of investment strategy; potential acquisitions and disposals; approval of borrowings; review of investment performance, the level of discount of the Company's shares to underlying NAV per share, promotion of the Company and services provided by third parties. In addition, a strategy meeting is held each year. Additional meetings of the Board are arranged as required.

The Board has approved a policy on Directors' conflicts of interest. Under this policy, Directors are required to disclose all actual and potential conflicts of interest to the Board as they arise for consideration and approval. The Board may impose restrictions or refuse to authorise such conflicts if deemed appropriate.

Committees

In order to assist the Board in fulfilling its governance responsibilities, it has delegated certain functions to Committees. The roles and responsibilities of these Committees, together with details of work undertaken during the year under review, are outlined over the next few pages.

The reports of the Audit, Valuation and Risk Committee, Management Engagement Committee and Nomination and Remuneration Committee are incorporated into, and form part of, the Directors' Report.

Key service providers

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

Investment Manager

The Company is an Alternative Investment Fund as defined by the Alternative Investment Fund Managers Directive and has appointed the Investment Manager to provide investment and asset management services to the Company and its subsidiaries and to act as its alternative investment fund manager ('AIFM') in accordance with the terms of an Investment Management Agreement. The Investment Management Agreement, which is governed by the laws of England and Wales, can be terminated by either party on 12 months' notice or on immediate notice in the event of certain breaches or the insolvency of either party.

The Investment Manager is authorised and regulated by the Financial Conduct Authority ('FCA') and provides portfolio management, risk management, accounting and company secretarial services to the Company under the Investment Management Agreement. The Investment Manager also provides general marketing support for the Company and manages relationships with key investors, in conjunction with the Chairman, other Board members or the corporate brokers as appropriate. The Investment Manager has delegated fund accounting and company secretarial services to another wholly owned subsidiary of Schroders plc, Schroder Investment Management Limited. The Investment Manager has in place appropriate professional indemnity cover.

The Schroders Group (being Schroders plc and its subsidiaries, including the Investment Manager) manages £716.9 billion (as at 30 September 2021) on behalf of institutional and retail investors, financial institutions and high net worth clients from around the world, invested in a broad range of asset classes across equities, fixed income, multi-asset and alternatives.

The Investment Manager is entitled to a fee at the rate of 1.1% of the EPRA (European Public Real Estate Association) NAV of the Group per annum where the EPRA NAV of the Group is less than or equal to £500 million. To the extent that the EPRA NAV of the Group is greater than £500 million, the rate to be applied to such excess shall instead be 1.0% of the EPRA NAV, in each case, exclusive of VAT.

The management fee payable in respect of the year ended 30 September 2021 amounted to €2,181,000 (2020: €1,945,000).

During the year ended 30 September 2021, the Investment Manager was entitled to receive a fee for secretarial and accounting services provided to the Company.

Details of all amounts payable to the Investment Manager are set out in note 5 on page 63.

The Board has reviewed the performance of the Investment Manager during the year under review and continues to consider that it has the appropriate capabilities required to allow the Company to achieve its investment objective, and believes that the continuing appointment of the Investment Manager is in the best interest of shareholders as a whole.

Depositary

Langham Hall UK Depositary LLP, which is authorised and regulated by the FCA, carries out certain duties of a Depositary specified in the AIFM Directive including, in relation to the Company, as follows:

- Safekeeping of the assets of the Company which are entrusted to it;
- Monitoring of the Company's cash flows; and
- Oversight of the Company and the Investment Manager.

The Company, the Investment Manager or the Depositary may terminate the Depositary Agreement at any time by giving to the other parties not less than three months' written notice. The Depositary may only be removed from office when a new Depositary is appointed by the Company.

Compliance with the AIC Code of Corporate Governance

The Board of the Company has considered the principles and provisions of the AIC Code of Corporate Governance, as published in February 2019 (the 'AIC Code'). The AIC Code addresses the principles and provisions set out in the UK Corporate Governance Code (the 'UK Code'), as well as setting out additional provisions on issues that are of specific relevance to the Company. The Board considers that reporting against the principles and provisions of the AIC Code, which has been endorsed by the Financial Reporting Council, provides more relevant information to shareholders. The AIC Code is available on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adopts the principles and provisions set out in the UK Code to make them relevant for investment companies. This is the first year the Board has reported against the principles and provisions of the AIC Code.

The FCA requires all UK listed companies to disclose how they have complied with the provisions of the UK Code. This statement, together with the Statement of Directors' Responsibilities set out on page 47 and the viability and going concern statements set out on pages 33 indicate how the Company has complied with the principles of good governance of the UK Code and its requirements on internal control. The Strategic Report and Directors' Report provide further details on the Company's internal controls (including risk management), governance and diversity policies.

The Company has complied with the principles and provisions of the AIC Code, save for the provision relating to the appointment of a senior independent director ('SID'), where departure from the Code is considered appropriate given the Company's position as an investment company. As the Board comprises entirely non-executive Directors, the appointment of a SID has not been considered necessary. However, the Chairman of the Audit, Valuation and Risk Committee effectively acts as the Senior Independent Director, leads the evaluation of the performance of the Chairman and is available to Directors and/or shareholders if they have concerns which cannot be resolved through discussion with the Chairman.

Also, the Nomination and Remuneration Committee is responsible for reviewing Directors' remuneration and, accordingly, there is no separate Remuneration Committee.

Dividend and dividend policy

Having already paid interim dividends amounting to 5.27 euro cents per share, the Board has declared a fourth interim dividend of 1.85 euro cents per share for the year ended 30 September 2021.

The Board has also declared a further special dividend of 4.75 euro cents per share to allow shareholders to benefit from the profit associated with the successful execution of the Paris, Boulogne-Billancourt business plan.

The combined interim dividend of 6.6 euro cents per share will be payable on 14 January 2022 to shareholders on the Register on 24 December 2021.

Thus, dividends declared in respect of the year ended 30 September 2021 amount to 11.87 euro cents (2020: 5.74 euro cents) per share.

As previously announced, the Board intends to declare a further special dividend with a target of approximately 4.75 euro cents per share over the next six months.

The Company targets to deliver an annual dividend of 7.4 euro cents per share.

In line with the Board's policy, it is expected that interim dividends on the Company's ordinary shares will continue to be declared and paid quarterly.

Other required Directors' Report disclosures under laws, regulations and the Code

Status

The Company carries on business as an investment trust. Its shares are listed and admitted to trading on the premium segment of the Main Market of the London Stock Exchange. It also has a secondary listing on the Main Board of JSE Limited. The Company has been approved by HM Revenue and Customs as an investment trust in accordance with section 1158 of the Corporation Tax Act 2010, by way of a one-off application and it is intended that the Company will continue to conduct its affairs in a manner which will enable it to retain this status.

The Company is domiciled in the UK and is an investment company within the meaning of section 833 of the Companies Act 2006. The Company is not a close company for taxation purposes.

It is not intended that the Company should have a limited life, and the Articles of Association do not contain any provisions for review of the future of the Company at specified intervals.

As at the date of this report, the Company had 17 subsidiaries, details of which are set out in note 15 on page 69, and a branch in France.

Share capital and substantial share interests

As at the date of this report, the Company had 133,734,686 ordinary shares of 10 pence each in issue. No shares are held in treasury. Accordingly, the total number of voting rights in the Company at the date of signing this report is 133,734,686. There have been no changes to the Company's share capital during the year under review.

The Company has received notifications in accordance with the FCA's Disclosure Guidance and Transparency Rule 5.1.2R of the below interests in 3% or more of the voting rights attaching to the Company's issued share capital:

Directors' Report
Continued

	Number of ordinary shares as at 30 September 2021	Percentage of total voting rights
Truffle Asset Management Pty Limited	13,374,389	10.00[1]
Investec Wealth and Investment Limited	13,334,600	9.97
Schroders plc	10,750,000	8.04
Close Asset Management Limited	6,775,921	5.07
Wesleyan Assurance Society	4,042,500	3.02

1. The Board is aware that, since the last notification made to the Company in March 2016, the investor's percentage of total voting rights has fallen below 3%.

There have been no notified changes to the holdings set out above as at the date of this report.

Provision of information to the auditors
The Directors at the date of approval of this report confirm that, as far as each of them is aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' attendance at meetings
The number of quarterly meetings of the Board and its Committees held during the financial year and the attendance of individual Directors is shown below. Whenever possible all Directors attend the Annual General Meeting.

	Board	Audit, Valuation and Risk Committee	Nomination and Remuneration Committee	Management Engagement Committee	Ad hoc
Sir Julian Berney Bt. (Chairman)	4/4	5/5	2/2	1/1	3/3
Jonathan Thompson	4/4	5/5	2/2	1/1	3/3
Mark Patterson	4/4	5/5	2/2	1/1	3/3
Elizabeth Edwards[1]	4/4	5/5	1/1	1/1	2/2

1 Elizabeth Edwards was appointed as a Director on 1 November 2020.

Directors' and officers' liability insurance and indemnity
Directors' and officers' liability insurance cover has been in place for the Directors throughout the year. The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as Directors, in which they are acquitted or judgement is given in their favour by the Court. This indemnity was in place throughout the year under review and to the date of this report. This is a qualifying third-party indemnity and was in place throughout the year under review for each Director and to the date of this report.

Streamlined Energy and Carbon Reporting
Streamlined Energy and Carbon Reporting disclosures, including details of the Company's greenhouse gas emissions, are set out in the Energy and Carbon Report on pages 92 to 94.

By order of the Board

Schroder Investment Management Limited
Company Secretary

6 December 2021

Audit, Valuation and Risk Committee Report

The responsibilities and work carried out by the Audit, Valuation and Risk Committee during the year under review are set out in the following report. The duties and responsibilities of the Committee, which include monitoring the integrity of the Company's financial reporting and internal controls, may be found in the terms of reference which are set out on the Company's webpages at www.schroders.co.uk/sereit. All Directors are members of the Committee. Jonathan Thompson is the Chairman of the Committee. The Board has satisfied itself that at least one of the Committee's members has recent and relevant financial experience.

The Committee met five times during the year ended 30 September 2021. Committee meetings were attended by all members. The Committee discharged its responsibilities by:
– Reviewing the property valuations prepared by Knight Frank LLP;
– Considering its terms of reference;
– Reviewing the Half Year and Annual Report and Accounts and related audit plans and engagement letters;
– Reviewing environmental, social and governance ('ESG') matters;
– Reviewing the independence of the auditors;
– Evaluating the auditors' performance; and
– Reviewing the principal risks faced by the Company and the system of internal control.

Annual Report and financial statements
During its review of the Company's financial statements for the year ended 30 September 2021, the Audit, Valuation and Risk Committee considered the following significant issues, including principal risks and uncertainties in light of the Company's activities, and issues communicated by the Auditors during its reporting:

Matter	Action
Property valuation Property valuation is central to the business and is a significant area of judgement. Although valued by an independent firm of valuers, Knight Frank LLP, the valuation is inherently subjective. Errors in valuation could have a material impact on the Group's NAV.	The Audit, Valuation and Risk 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 Committee meetings. The Audit, Valuation and Risk Committee met with Knight Frank LLP each quarter outside the formal meeting structure to discuss the process, assumptions, independence and communication with the Investment Manager. The valuation of the Seville asset was a particular area of discussion. Furthermore, as this is the main area of audit focus, the Auditors contact the valuers directly and independently of the Investment Manager. The Audit, Valuation and Risk Committee receives detailed verbal and written reports from the Auditors on this matter as part of their half year and year end reporting to the Audit, Valuation and Risk Committee. On the basis of the above, the Audit, Valuation and Risk Committee concluded that the valuations were suitable for inclusion in the financial statements.
Overall accuracy of the Half Year and Annual Report and Accounts	Consideration of the draft Half Year and Annual Report and Accounts and the letter from the Investment Manager in support of the letter of representation to the Auditors. Specific matters considered in relation to the Half Year Report and Accounts included IFRS15 revenue recognition in respect of Paris Boulogne-Billancourt, and impairment of the Seville joint venture under IFRS9. The extent of any ongoing impact from the Covid-19 was also taken into account.
Calculation of the investment management fee	Consideration of methodology used to calculate the fee, matched against the criteria set out in the Investment Management Agreement.
Internal controls and risk management	Consideration of several key aspects of internal control and risk management operating within the Investment Manager and other key service providers.
Compliance with the investment trust qualifying rules in section 1158 of the Corporation Tax Act 2010	Consideration of the Investment Manager's Report confirming compliance.

Audit, Valuation and Risk Committee Report
Continued

Effectiveness of the independent audit process
The Committee evaluated the effectiveness of the independent audit firm and process prior to making a recommendation on its reappointment at the forthcoming AGM. This evaluation involved an assessment of the effectiveness of the Auditors' performance against agreed criteria including: qualification; knowledge, expertise and resources; independence policies; effectiveness of audit planning; adherence to auditing standards; and overall competence. As part of the evaluation, the Committee considered feedback from the Investment Manager on the audit process and the year end report from the Auditors, which details compliance with regulatory requirements, on safeguards that have been established, and on their own internal quality control procedures. The members of the Committee also were given the opportunity to meet with the Auditors without representatives of the Investment Manager present.

Representatives of the Auditors attend the Committee meeting at which the draft Half Year and Annual Report and Accounts is considered. Having reviewed the performance of the Auditors as described above, the Committee considered it appropriate to recommend the firm's reappointment.

The Auditors are required to rotate the senior statutory auditor every five years. This is the fourth year that the senior statutory auditor, Saira Choudhry, has conducted the audit of the Company's financial statements.

There are no contractual obligations restricting the choice of external auditors.

Independent Auditors
PricewaterhouseCoopers LLP have indicated their willingness to continue in office. Accordingly, resolutions to reappoint PricewaterhouseCoopers LLP as Auditors to the Company and its subsidiaries, and to authorise the Directors to determine their remuneration will be proposed at the AGM.

Provision of non-audit services
The Audit, Valuation and Risk Committee has reviewed the Financial Reporting Council's Guidance on Audit Committees and has formulated a policy on the provision of non-audit services by the Company's Auditors. The Audit, Valuation and Risk Committee has determined that the Company's appointed Auditors may, if required, provide non-audit services; however, this will be judged on a case-by-case basis, prior to any such services being carried out.

During the year, the Auditors carried out an interim review which is an assurance related non-audit service. The interim review fee was €51,000 (2020: €51,000). The Auditors did not perform any other non-audit services during the year.

Internal audit
The Company does not have an internal audit function; it delegates to third parties most of its operations and only has one part-time employee. The Audit, Valuation and Risk Committee will continue to monitor the system of internal control in order to provide assurance that it operates as intended and the Committee members will annually review whether an internal audit function is needed. As part of this process, the Committee Chairman meets annually with the Schroders Group Head of Internal Audit.

Jonathan Thompson
Audit, Valuation and Risk Committee Chairman

6 December 2021

Recommendations made to, and approved by, the Board:
- As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 30 September 2021, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy, and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 47.
- That the Auditors be recommended for reappointment at the AGM.

Management Engagement Committee Report

The Management Engagement Committee is responsible for: (1) the monitoring and oversight of the Investment Manager's performance and fees, and confirming the Investment Manager's ongoing suitability; and (2) reviewing and assessing the Company's other service providers, including reviewing their fees. All Directors are members of the Committee. Mark Patterson is the Chairman of the Committee. Its terms of reference are available on the Company's webpages at www.schroders.co.uk/sereit.

Approach

Oversight of the Investment Manager	Oversight of other service providers
The Committee: – Reviews the Investment Manager's performance and suitability; – Considers the reporting it has received from the Investment Manager throughout the year, and the reporting from the Investment Manager to shareholders; – Assesses management fees on an absolute and relative basis, receiving input from the Company's corporate broker, including peer group and industry figures, as well as the structure of the fees; – Reviews the appropriateness of the Investment Manager's contract, including terms such as notice period; – Assesses whether the Company receives appropriate administrative, accounting, company secretarial and marketing support from the Investment Manager.	The Committee reviews the performance and competitiveness of the Company's service providers on at least an annual basis, including the Investment Manager, the Corporate Broker, the Valuers and the Registrars. The Committee noted the Audit, Valuation and Risk Committee's review of the Auditors.

Application during the year

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

Recommendations made to, and approved by, the Board:

– That the ongoing appointment of the Investment Manager on the terms of the Investment Management Agreement, including the fee, was in the best interests of shareholders as a whole.

– That the Company's service providers' performance remained satisfactory.

Nomination and Remuneration Committee Report

The Nomination and Remuneration Committee is responsible for: (1) the recruitment, selection and induction of Directors; (2) their assessment during their tenure; and (3) the Board's succession. Membership of the Committee is set out on pages 34 and 35. Its terms of reference are available on the Company's webpages at www.schroders.co.uk/sereit.

Oversight of Directors

Selection → Induction → Annual evaluation → Annual review of succession policy → Application of succession policy

Approach

Selection and induction	Board evaluation and fees	Succession
– Committee prepares a job specification for each role, and an independent recruitment firm is appointed. For the Chairman and the Chairs of Committees, the Committee considers current Board members too. – Job specification outlines the knowledge, professional skills, personal qualities and experience requirements. – Potential candidates assessed against the Company's diversity policy. – Committee discusses the long list, invites a number of candidates for interview and makes a recommendation to the Board. – Committee reviews the induction and training of new Directors.	– Committee assesses each Director annually. – Evaluation focuses on whether each Director continues to demonstrate commitment to their role and provides a valuable contribution to the Board during the year, taking into account time commitment, independence, conflicts and training needs. – Following the evaluation, the Committee provides a recommendation to shareholders with respect to the annual re-election of Directors at the AGM. – All Directors retire at the AGM and their re-election is subject to shareholder approval. – Committee reviews Directors' fees, taking into account comparative data and reports to shareholders. – Any proposed changes to the remuneration policy for Directors are discussed and reported to shareholders.	– The Board's succession policy is that Directors' tenure will be for no longer than nine years, except in exceptional circumstances, and that each Director will be subject to annual re-election at the AGM. – Committee reviews the Board's current and future needs at least annually. Should any need be identified the Committee will initiate the selection process. – Committee will oversee the handover process for retiring Directors.

For application see page 43

Application during the year		
Selection and induction	**Board evaluation and fees**	**Succession**
– During the prior year, the Committee discussed the need to appoint a new non-executive Director and agreed a job specification. Cornforth Consulting (a firm independent of the Company and its Directors) was appointed to run the search process. Candidates were interviewed in September 2020. – In October 2020, the Committee recommended the appointment of Elizabeth Edwards to the Board, and induction process was initiated.	– The annual board evaluation was undertaken in November 2020. – The Committee reviewed each Director's time commitment and independence by reviewing a complete list of appointments, including pro bono not for profit roles, to ensure that each Director remained free from conflict and had sufficient time available to discharge each of their duties effectively. All Directors were considered to be independent in character and judgement. – The Committee considered each Director's contributions, and noted that in addition to extensive experience as professionals and non-executive Directors, each Director had valuable skills and experience, as detailed in their biographies on pages 34 and 35. – Based on its assessment, the Committee provided individual recommendations for each Director's re-election. – The Committee reviewed Directors' fees, using external benchmarking, and recommended an increase in Directors' fees as detailed in the Remuneration Report.	– The Committee reviewed the succession policy and agreed it was still fit for purpose.

Recommendations made to, and approved by, the Board:

- That Elizabeth Edwards be appointed as a non-executive Director.
- That Director fees be increased to £50,000 for the Chairman and £40,000 for the other Directors, and that an additional £5,000 be paid to the Chairman of the Audit, Valuation and Risk Committee to reflect his additional responsibilities.
- That all Directors continue to demonstrate commitment to their roles, provide a valuable contribution to the deliberations of the Board and remain free from conflicts with the Company and its Directors, so should all be recommended for re-election by shareholders at the AGM.

Directors' Remuneration Report

Introduction
Save for the words underlined, the remuneration policy below is currently in force and is subject to a binding vote every three years. Shareholders last approved the policy at the AGM in 2020.

It is proposed that the policy be considered by shareholders at the forthcoming AGM in 2022 with a view to amending it to provide that the Chairman of the Audit, Valuation and Risk Committee may receive fees at a higher rate than other Directors to reflect his additional responsibilities (in line with market practice). Proposed amendments are underlined below. The current policy provisions will apply until the forthcoming AGM.

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

At the AGM held on 3 March 2020, 99.97% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the remuneration policy were in favour, while 0.03% were against. 178,503 votes were withheld.

At the AGM held on 3 March 2021, 99.97% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the Annual Report on Remuneration for the period ended 30 September 2020 were in favour, while 0.03% were against. 221,675 votes were withheld.

Directors' remuneration policy
The determination of the Directors' fees is considered by the Nomination and Remuneration Committee and the Board.

It is the Board's policy to determine the level of Directors' remuneration having regard to amounts 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, taking into account the aggregate limit of fees set out in the Company's Articles of Association. This aggregate level of fees is currently set at £500,000 per annum and any increase requires approval by the Board and the Company's shareholders.

The Chairman of the Board receives fees at a higher rate than the other Directors to reflect his additional responsibilities, <u>as may the Chairman of the Audit, Valuation and Risk Committee should the Board think it appropriate</u>. Directors' fees are set at a level to recruit and retain individuals of sufficient calibre, with the level of knowledge, experience and expertise necessary to promote the success of the Company in reaching its short and long-term strategic objectives.

The Board and its Committees exclusively comprise non-executive Directors. No Director past or present has an entitlement to a pension from the Company, and the Company has not, and does not intend to operate a share scheme for Directors or to award any share options or long-term performance incentives to any Director. No Director has a service contract with the Company. However, Directors have a letter of appointment. Directors do not receive exit payments and are not provided with any compensation for loss of office. No other payments are made to Directors other than the reimbursement of reasonable out-of-pocket expenses incurred in attending to the Company's business.

The terms of Directors' letters of appointment are available for inspection at the Company's registered office address during normal business hours and during the AGM at the location of such meeting.

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

As at the date of this report, the Company had one part-time employee. In light of the fact that the Company's Board is comprised entirely of non-executive Directors without entitlement to a pension, share scheme, share options or long-term performance incentives, the employee's pay and employment conditions were not taken into account when setting this remuneration policy, nor was the employee consulted in its construction.

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

Directors' Remuneration Report
This Report sets out how the Directors' remuneration policy was implemented during the year ended 30 September 2021.

Fees paid to Directors
During the year ended 30 September 2021, the Chairman was paid a fee of £40,000 and the other members of the Board were each paid a fee of £35,000.

The following amounts were paid by the Company to the Directors for services as non-executive Directors in respect of the year ended 30 September 2021 and the previous financial year. The euro equivalent of the Director's fees is disclosed in note 9.

	Fees		Taxable benefits[1]		Annual Total		Annual percentage change
Director	**2021 £**	2020 £	**2021 £**	2020 £	**2021 £**	2020 £	(%)
Sir Julian Berney Bt.	**40,000**	40,000	**–**	924	**40,000**	40,924	(2.3)
Jonathan Thompson	**35,000**	35,000	**–**	181	**35,000**	35,181	(0.5)
Mark Patterson	**35,000**	35,000	**–**	289	**35,000**	35,289	(0.8)
Elizabeth Edwards[2]	**32,083**	–	**–**	–	**32,083**	–	100
Total	**142,083**	110,000	**–**	1,394	**142,083**	111,394	27.5

1 Comprises amounts reimbursed for expenses incurred in carrying out business for the Company.
2 Appointed as a director on 1 November 2020.

The information in the above table has been audited (see the Independent Auditors' Report on pages 48 to 53).

Consideration of matters relating to Directors' remuneration
Directors' remuneration was last reviewed by the Board and the Nomination and Remuneration Committee in November 2021. The members of the Board and the Nomination and Remuneration Committee at the time that remuneration levels were considered were as set out on pages 34 and 35. Although no external advice was sought in considering the levels of Directors' fees, information on fees paid to Directors of other investment trusts managed by Schroders and peer group companies provided by the Investment Manager and corporate broker was taken into consideration.

Following this review, the Board agreed that, with effect from 1 October 2021, the fee paid to the Chairman would increase to £50,000 per annum and the fee paid to Directors would increase to £40,000 per annum. Directors' fees were last increased with effect from 1 October 2018.

Expenditure by the Company on remuneration and distributions to shareholders
The table below compares the expenditure by the Company on remuneration to distributions made to shareholders during the year under review and the prior financial year.

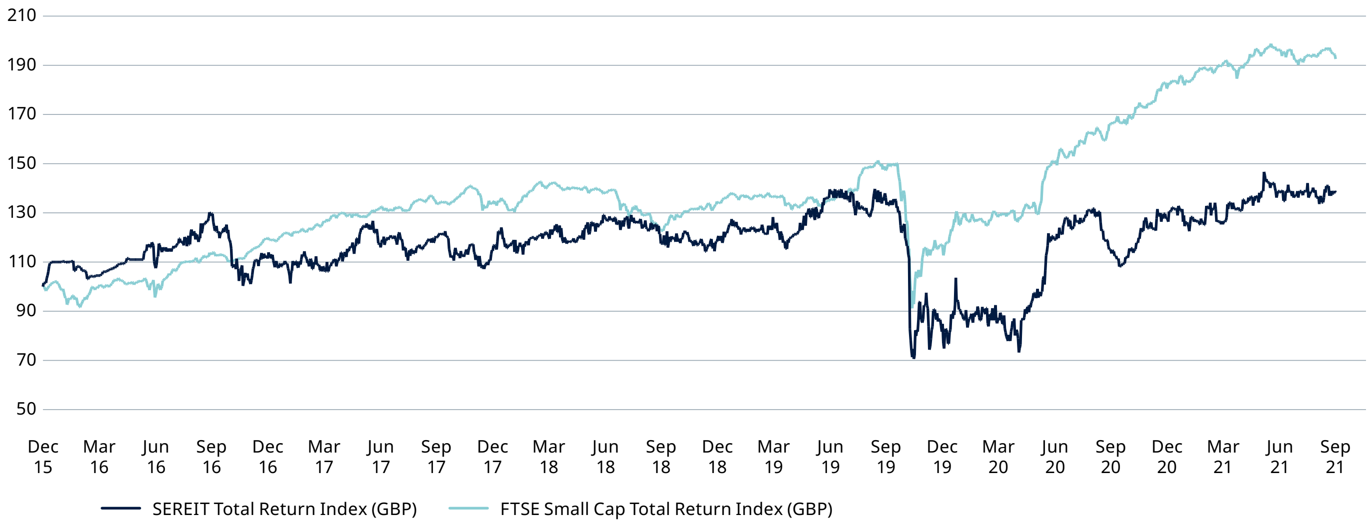
	Year ended 30 September 2021 (£'000)	Year ended 30 September 2020 (£'000)	Change (%)
Remuneration payable to Directors	**142**	111	27.5[1]
Remuneration payable to part-time employee	**21**	22	(4.5)
Dividends paid to shareholders	**7,476**	7,667	(2.5)

1 Reflects the appointment of an additional Board member (Elizabeth Edwards) on 1 November 2020, bringing the total number of Directors to four.

The information in the above table has been audited.

Directors' Remuneration Report
Continued

Share price total return
The graph below compares the Company's share price total return with the total return of the FTSE Small Cap Total Return Index, which is considered to be an appropriate index by which to assess the Company's relative performance.



Source: Thomson Reuters Datastream

Directors' share interests
The Company's Articles of Association do not require Directors to own shares in the Company. The interests of Directors, including those of connected persons, in the Company's ordinary shares of 10 pence each, at the beginning and end of the financial year under review are set out below.

Director	At 30 September 2021	At 1 October 2020
Sir Julian Berney Bt.	**19,840**	19,840
Jonathan Thompson	**25,469**	25,469
Mark Patterson	**10,000**	10,000
Elizabeth Edwards[1]	**–**	–

1 Appointed as a director on 1 November 2020.

The information in the above table reflects the number of shares held and has been audited.

There have been no changes to the interests of any of the Directors since the year end.

Sir Julian Berney Bt.
Chairman

6 December 2021

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and the Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the Directors to prepare the Group financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed for the Group financial statements and international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Investment Manager is responsible for the maintenance and integrity of the Company's webpages. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Directors' Report confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Company financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

On behalf of the Board

Sir Julian Berney Bt.
Chairman

6 December 2021

Independent Auditors' Report to the members of Schroder European Real Estate Investment Trust plc

Report on the audit of the financial statements

Opinion
In our opinion, Schroder European Real Estate Investment Trust plc's group financial statements and company financial statements (the "financial statements"):
- give a true and fair view of the state of the group's and of the company's affairs as at 30 September 2021 and of the group's and company's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 30 September 2021; the Consolidated and Company Statements of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, and the Consolidated and Company Statements of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit, Valuation and Risk Committee.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union
As explained in note 1 to the financial statements, the group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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

Independence
We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 7 of the financial statements, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach
Overview
Audit scope
- The group audit team carried out the audit of the consolidated financial statements of Schroder European Real Estate Investment Trust plc and has the overall responsibility over the audit of the group.
- For the subsidiaries of the group, we worked with component auditors in Luxembourg, who performed the audit of the Luxembourg holding and property companies and Dutch and German property companies, and PwC France, who performed the audit of the French holding and property companies.
- Taken together, the entities in the scope of the audit accounted for over 98% of the group's profit and assets.

Key audit matters
- Valuation of investment properties, either held directly or through joint ventures (group)
- Impairment assessment of investments in and loans to subsidiaries (parent)

Materiality
- Overall group materiality: €2.8 million (2020: €2.8 million) based on 1% of total assets.
- Specific group materiality: €0.5 million (2020: €1.5 million), based on 5% of the group's pre-tax profit.
- Overall company materiality: €1.8 million (2020: €1.6 million) based on 1% of total assets.
- Performance materiality: €2.1 million (group) and €1.4 million (company).

The scope of our audit
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

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

This is not a complete list of all risks identified by our audit.

The Impairment assessment of investments in and loans to subsidiaries is a new key audit matter this year for the parent Company as it was directly impacted by the valuation of investment properties within the group, and was previously addressed within the Covid-19 key audit matter. Covid-19, which was a key audit matter last year, is no longer included because of the improving market conditions across the territories in which the group holds investments, and the fact that the group has not been exposed to significant credit risk with their underlying tenants. The group has also fully impaired its investment and loan to its joint venture, reducing exposure to significantly impacted markets such as the retail industry. Consequently, the ongoing impact of Covid-19 on the group has reduced since the prior year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties, either held directly or through joint ventures (group) Refer to Audit, Valuation and Risk Committee Report, Notes to the financial statements – Note 13 Investment property and Note 1 Significant accounting policies. The group owns either directly or through a joint venture a portfolio of properties consisting of retail, industrial and office real estate, located in Germany, the Netherlands, France and Spain. The methodology applied in determining the valuations is set out in note 13 to the financial statements. The total property portfolio valuation for the group was €199.7 million and for the group's share in joint venture was €14.6 million as at 30 September 2021. Valuations are performed by a third party valuation firm, Knight Frank LLP (the "Valuers"). The Valuers used by the group have considerable experience of the markets in which the group operates. The valuer has included a material valuation uncertainty clause in its valuation report as at 30 September 2021 for the underlying property held by the joint venture only, and for no other assets. This clause highlights that less certainty, and consequently a higher degree of caution, should be attached to the valuation as a result of the Covid-19 pandemic. This represents a significant estimation uncertainty in relation to the valuation of investment property held by the joint venture. In determining the valuation of a property, the Valuers take into account property-specific information such as the current tenancy agreements and rental income. They apply assumptions for yields and estimated market rent, which are influenced by prevailing market yields and comparable market transactions, to arrive at the final valuation. The valuation of the group's property portfolio was identified as a key audit matter given the valuation is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental streams for that particular property. The wider challenges currently facing the real estate occupier and investor markets as a result of Covid-19 further contributed to the subjectivity for the year ended 30 September 2021. The significance of the estimates and judgements involved, coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement, warranted specific audit focus in this area. The estimates affecting the valuations included estimated yields and estimated rental value (as described in note 13 of the financial statements)	**Assessing the competence, capabilities and objectivity of the Valuers** The valuation firm used by the group is Knight Frank LLP. They are a well-known firm with considerable experience of the group's market. We assessed the competence and capabilities of Knight Frank LLP and checked their qualifications. Based on this work, we are satisfied that the firm remains competent and that the scope of their work was appropriate. **Assumptions and estimates used by the Valuer** We obtained details of each property held by the group and set an expected range for yield and capital value movements, determined by reference to published benchmarks and using our experience and knowledge of the market. We then obtained and read the Knight Frank LLP valuation reports which covers each property. We determined, based on our expertise and experience, that the valuation approach for each was in accordance with Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards guidance and applied to the financial statements in accordance with IAS 40. We compared the investment yields used by the Valuers to our expected range of yields and the year on year capital movement to our expected range. We also considered the reasonableness of other assumptions that are not so readily comparable with published benchmarks, such as Estimated Rental Value. Our work covered the valuation of each property. We met with the Valuers to understand and challenge their approach to the valuations, particularly in light of Covid-19, the key assumptions and their rationale behind the more significant valuation movements during the year. We also enquired of the Valuers as to how their valuations reflected the impact of climate change, where relevant. Where assumptions were outside our expected range or otherwise appeared unusual, and/or valuations showed unexpected movements, we undertook further investigations and, when necessary, held further discussions with the Valuers and obtained evidence to support the explanations received. The valuation commentaries provided by the Valuers and the supporting evidence, enabled us to consider the property specific factors that had or may have had an impact on value, including recent comparable transactions where appropriate. Our testing, which involved the use of our internal real estate valuation experts indicated that the estimates and assumptions used were appropriate in the context of the group's property portfolio and reflected the circumstances of the market at the year end. **Information and standing data** We performed testing on the standing data used in relation to the valuation of investment properties. We carried out procedures, on a sample basis, to satisfy ourselves of the accuracy of the property information supplied to the Valuers by management. **Material valuation uncertainty due to Covid-19 in the valuation of investment property held through the joint venture** We considered the adequacy of the disclosures made in notes 1 (Significant accounting policies – Use of estimates and judgements) and 16 (Investment in joint venture) to the consolidated financial statements. These notes explain that there is significant estimation uncertainty in relation to the valuation of the shopping centre, held through the joint venture, of €14.6 million as at 30 September 2021. We discussed with management and obtained sufficient appropriate audit evidence to demonstrate that management's assessment of the suitability of valuation and disclosures made in the financial statements was appropriate. **Overall outcome** We concluded that the assumptions used in the valuations by the Valuers were supportable in light of the evidence obtained and the disclosures in relation to the material valuation uncertainty, in respect of the underlying investment property held by the joint venture, within the financial statements are sufficient and appropriate to highlight the increased estimation uncertainty as a result of Covid-19.

Independent Auditors' Report to the members of Schroder European Real Estate Investment Trust plc
Continued

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of investments in and loans to subsidiaries (parent) Refer to Note 15 (Investments in subsidiaries) and Note 18 (trade and other receivables) of the financial statements. The Company holds investments in subsidiaries of €68.7m (2020: €108.8m), and loans to subsidiaries of €84.1m (2020: €50.4m). Whilst these eliminate on consolidation in the group financial statements, they are recorded in the Company financial statements. The impairment assessment of the parent company's investments and loans in subsidiaries was identified as a key audit matter given the assessment is impacted by the key judgements made in relation to the underlying valuation of investment property held by the subsidiaries. Management has concluded that an impairment of €7.3 million was required.	We obtained management's impairment assessment for the recoverability of investments and loans held in subsidiaries as at 30 September 2021 and verified that an impairment of €7.3 million has been made. We assessed the accounting policy for investments and loans in subsidiaries to ensure they were compliant with IFRS. We verified that the methodology used by the Directors in arriving at the carrying value of each subsidiary, and the expected credit loss for intercompany receivables, was compliant with IFRS. We performed testing over management's impairment calculation and validated the accuracy of the impairment booked. We identified the key judgement within the requirement for impairment of both the investments and loans to subsidiaries and investments in joint ventures to be the underlying valuation of investment property held by the subsidiaries and joint ventures. For details of our procedures over investment property valuations please refer to the related group key audit matter above. We have no issues to report in respect of this work.

How we tailored the audit scope
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

Schroder European Real Estate Investment Trust plc consolidates SEREIT Holdings S.a.r.l, OPPCI SEREIT France, SEREIT Holdings France SAS (SIIC) and SEREIT (Jersey) Limited. The group holds 12 properties across France, Germany and the Netherlands, as well as an investment in a 50/50 joint venture in Spain. These properties are held in 12 separate entities in Luxembourg and France. The Dutch and German subsidiaries are consolidated into SEREIT Holdings S.a.r.l. The French subsidiaries are consolidated into OPPCI SEREIT France and SEREIT Holdings France SAS (SIIC). The accounting for the French and Luxembourg sub-groups are performed in Luxembourg. The group consolidation is performed in the UK.

The group audit team carried out the audit of the consolidated financial statements of Schroder European Real Estate Investment Trust plc and has the overall responsibility over the audit of the group. For the subsidiaries of the group, we worked with component auditors at PwC Luxembourg, who performed the audit of the Luxembourg holding and property companies and German and Dutch property companies, and PwC France, who performed the audit of the French holding and property companies. Throughout the audit process, the group audit team has had regular interactions with the component audit teams to oversee the audit process and has also performed a review of component working paper remotely via video conferencing in light of the travel restrictions imposed by Covid-19. The audit of the Company financial statements was performed entirely by the group audit team in the UK.

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – group	*Financial statements – company*
Overall materiality	€2.8 million (2020: €2.8 million).	€1.8 million (2020: €1.6 million).
How we determined it	1% of total assets	1% of total assets
Rationale for benchmark applied	The key driver of the business and determinant of the group's value is direct property investments. Due to this, the key area of focus in the audit is the valuation of investment properties. On this basis, we set an overall group materiality level based on total assets. In addition, a number of key performance indicators of the group are driven by the statement of comprehensive income items and we therefore also applied a lower specific materiality for testing income statement balances except for the net valuation gain on investment property and derivatives, which is tested using the overall materiality.	The Company is a holding company for the property holding companies and does not have revenue. Its biggest asset is its investment in subsidiaries. It has a primary aim of creating capital gains and investment yield, and therefore its primary driver is total assets.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between €340,000 and €2,500,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

In addition, we set a specific materiality level of €0.5 million (2020: €1.5 million) for testing income statement balances except for the net valuation gain on investment property and derivatives, which is tested using the overall materiality. For 2021, the specific materiality equates to 5% of the profit before tax. In arriving at this judgment, we had regard to the fact that a number of the key performance indicators of the group are driven by the statement of comprehensive income.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to €2.1 million for the group financial statements and €1.4 million for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit, Valuation and Risk Committee that we would report to them misstatements identified during our audit above €140,050 (group audit) (2020: €139,000) and €90,756 (company audit) (2020: €81,900) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Corroborated key assumptions (eg liquidity forecasts and financing arrangements) to underlying documentation and ensured this was consistent with our audit work in these areas;
- Considered management's forecasting accuracy by comparing how the forecasts made at the half year compare to the actual performance in the second half of the year;
- Understood and assessed the appropriateness of the key assumptions used both in the base case and in the downside scenario, including assessing whether we considered the downside sensitivities to be appropriately severe;
- Tested the integrity of the underlying formulas and calculations within the going concern and cash flow models;
- Considered the appropriateness of the mitigating actions available to management in the event of the downside scenario materialising. Specifically, we focused on whether these actions are within the group's control and are achievable; and
- Reviewed the disclosures provided relating to the going concern basis of preparation and found that these provided an explanation of the directors' assessment that was consistent with the evidence we obtained.

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

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.

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

In relation to the directors' 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.

Reporting on other information

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

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

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 30 September 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Independent Auditors' Report to the members of Schroder European Real Estate Investment Trust plc
Continued

Directors' Remuneration
In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement
The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Directors' Report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:
- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, 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 and our knowledge obtained during the audit:
- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit, Valuation and Risk Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

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

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

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

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with section 1158 of the Corporation Tax Act 2010, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue and management bias in accounting estimates and judgemental areas of the financial statements such as the valuation of investment properties. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Understanding of management's internal controls designed to prevent and detect irregularities;
- Reviewing relevant meeting minutes, including those of the Board of Directors;
- Review of tax compliance with the involvement of our tax specialists in the audit;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing of expenses;
- Challenging assumptions and judgements made by management in their significant areas of estimation particularly in relation to the valuation of investment properties; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations and year end consolidation journal entries.

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

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit, Valuation and Risk Committee, we were appointed by the members on 29 October 2015 to audit the financial statements for the year ended 30 September 2016 and subsequent financial periods. The period of total uninterrupted engagement is 6 years, covering the years ended 30 September 2016 to 30 September 2021.

Saira Choudhry (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

6 December 2021

Consolidated and Company Statements of Comprehensive Income

For the year ended 30 September 2021

	Note	**Group year to 30/09/21 €'000**	Group year to 30/09/20 €'000	**Company year to 30/09/21 €'000**	Company year to 30/09/20 €'000
Rental and service charge income	3	**16,921**	19,235	**–**	–
Property operating expenses	4	**(3,887)**	(5,690)	**–**	–
Net rental and related income		**13,034**	13,545	**–**	–
Net gain from fair value adjustment on investment property	13	**8,573**	25,505	**–**	–
Development revenue	14	**9,806**	–	**–**	–
Development expense	14	**(8,265)**	–	**–**	–
Realised loss on foreign exchange		**(3)**	–	**(3)**	–
Net change in fair value of financial instruments at fair value through profit or loss		**(7)**	(21)	**–**	–
Management fee income	5	**–**	–	**1,690**	1,458
Provision of loan made to Seville joint venture	6	**(8,471)**	(2,622)	**–**	–
Provision of investment made in subsidiaries	15	**–**	–	**(7,279)**	–
Dividends received	8,16	**–**	67	**33,121**	3,710
Profit on disposal of shares in subsidiary		**–**	–	**25**	–
Expenses					
Investment management fee	5	**(2,181)**	(1,945)	**(2,181)**	(1,945)
Valuers' and other professional fees		**(714)**	(1,004)	**(306)**	(395)
Administrator's and accounting fees		**(410)**	(362)	**(193)**	(160)
Auditors' remuneration and assurance fees	7	**(391)**	(367)	**(356)**	(328)
Directors' fees	9	**(180)**	(139)	**(180)**	(139)
Other expenses	9	**(616)**	(551)	**(252)**	(129)
Total expenses		**(4,492)**	(4,368)	**(3,468)**	(3,096)
Operating profit		**10,175**	32,106	**24,086**	2,072
Finance income		**447**	730	**1,748**	581
Finance costs		**(1,209)**	(1,131)	**–**	–
Net finance (costs)/income		**(762)**	(401)	**1,748**	581
Share of loss from joint venture	16	**(60)**	(2,378)	**–**	–
Profit before taxation		**9,353**	29,327	**25,834**	2,653
Taxation	10	**(3,116)**	(925)	**(131)**	–
Profit for the year		**6,237**	28,402	**25,703**	2,653
Other comprehensive loss:					
Other comprehensive loss items that may be reclassified to profit or loss:					
Currency translation differences		**1**	(4)	**1**	(4)
Total other comprehensive profit/(loss)		**1**	(4)	**1**	(4)
Total comprehensive income for the year		**6,238**	28,398	**25,704**	2,649
Basic and diluted earnings per share attributable to owners of the parent	11	**4.7c**	21.2c	**–**	–

All items in the above statement are derived from continuing operations. The accompanying notes 1 to 29 form an integral part of the financial statements.

Consolidated and Company Statements of Financial Position

As at 30 September 2021

	Note	Group 30/09/21 €'000	Group 30/09/20 €'000	Company 30/09/21 €'000	Company 30/09/20 €'000
Assets					
Non-current assets					
Investment property	13	**199,727**	181,093	**–**	–
Investment in subsidiaries	15	**–**	–	**61,386**	108,769
Investment in joint venture	16	**–**	–	**–**	–
Loans to joint ventures	6,16	**–**	7,543	**–**	–
Non-current assets		**199,727**	188,636	**61,386**	108,769
Non-current assets held for sale	17	**–**	65,200	**–**	–
Current assets					
Trade and other receivables	18	**34,642**	6,967	**86,234**	51,137
Interest rate derivative contracts		**14**	20	**–**	–
Cash and cash equivalents		**45,717**	18,035	**33,891**	3,968
Current assets		**80,373**	25,022	**120,125**	55,105
Total assets		**280,100**	278,858	**181,511**	163,874
Equity					
Share capital	19	**17,966**	17,966	**17,966**	17,966
Share premium	19	**43,005**	43,005	**43,005**	43,005
Retained earnings/(accumulated losses)		**21,878**	24,173	**2,302**	(14,869)
Other reserves		**116,683**	116,682	**116,916**	116,915
Total equity		**199,532**	201,826	**180,189**	163,017
Liabilities					
Non-current liabilities					
Interest-bearing loans and borrowings	20	**68,589**	68,372	**–**	–
Deferred tax liability	10	**3,844**	1,924	**–**	–
Non-current liabilities		**72,433**	70,296	**–**	–
Current liabilities					
Trade and other payables	21	**7,545**	6,736	**1,322**	857
Current tax liabilities	10	**590**	–	**–**	–
Current liabilities		**8,135**	6,736	**1,322**	857
Total liabilities		**80,568**	77,032	**1,322**	857
Total equity and liabilities		**280,100**	278,858	**181,511**	163,874
Net asset value per ordinary share	22	**149.2c**	150.9c	**134.7c**	121.9c

The financial statements on pages 54 to 57 were approved at a meeting of the Board of Directors held on 6 December 2021 and signed on its behalf by:

Sir Julian Berney Bt.
Chairman

The accompanying notes 1 to 29 form an integral part of the financial statements.

Registered in England and Wales as a public company limited by shares
Company registration number: 09382477

Consolidated and Company Statements of Changes in Equity

For the year ended 30 September 2021

Group	Note	Share capital €'000	Share premium €'000	(Accumulated losses)/ Retained earnings €'000	Other reserves €'000	Total equity €'000
Balance as at 1 October 2019		**15,080**	**30,043**	**4,430**	**132,534**	**182,087**
Profit for the year		–	–	28,402	–	28,402
Other comprehensive loss for the year		–	–	–	(4)	(4)
Dividends paid	12	–	–	(8,659)	–	(8,659)
Adjustment to reflect change in accounting policy		2,886	12,962	–	(15,848)	–
Balance as at 30 September 2020		**17,966**	**43,005**	**24,173**	**116,682**	**201,826**
Profit for the year		**–**	**–**	**6,237**	**–**	**6,237**
Other comprehensive gain for the year		**–**	**–**	**–**	**1**	**1**
Dividends paid	12	**–**	**–**	**(8,532)**	**–**	**(8,532)**
Adjustment to reflect change in accounting policy		**–**	**–**	**–**	**–**	**–**
Balance as at 30 September 2021		**17,966**	**43,005**	**21,878**	**116,683**	**199,532**

Company	Note	Share capital €'000	Share premium €'000	(Accumulated losses)/ Retained earnings[1] €'000	Other reserves[1] €'000	Total equity €'000
Balance as at 1 October 2019		**15,080**	**30,043**	**(8,863)**	**132,767**	**169,027**
Profit for the year		–	–	2,653	–	2,653
Other comprehensive loss for the year		–	–	–	(4)	(4)
Dividends paid	12	–	–	(8,659)	–	(8,659)
Adjustment to reflect change in accounting policy		2,886	12,962	–	(15,848)	–
Balance as at 30 September 2020		**17,966**	**43,005**	**(14,869)**	**116,915**	**163,017**
Profit for the year		**–**	**–**	**25,703**	**–**	**25,703**
Other comprehensive gain for the year		**–**	**–**	**–**	**1**	**1**
Dividends paid	12	**–**	**–**	**(8,532)**	**–**	**(8,532)**
Balance as at 30 September 2021		**17,966**	**43,005**	**2,302**	**116,916**	**180,189**

1 These reserves form the distributable reserves of the Company (excluding any accumulated, unrealised profits) and may be used to fund distribution of profits to investors via dividend payments. See note 1 for further detail.

The accompanying notes 1 to 29 form an integral part of the financial statements.

Consolidated and Company Statements of Cash Flows

For the year ended 30 September 2021

	Note	Group 30/09/21 €'000	Group 30/09/20 €'000	Company 30/09/21 €'000	Company 30/09/20 €'000
Operating activities					
Profit before tax for the year		**9,353**	29,327	**25,834**	2,653
Adjustments for:					
Profit on disposal of shares in subsidiary		**–**	–	**(25)**	–
Net gain from fair value adjustment on investment property	13	**(8,573)**	(25,505)	**–**	–
Share of loss of joint venture	16	**60**	2,378	**–**	–
Realised foreign exchange loss		**3**	–	**3**	–
Provision of loan made to Seville joint venture	6	**8,471**	2,622	**–**	–
Provision of investment made in subsidiaries	15	**–**	–	**7,279**	–
Finance income		**(447)**	(730)	**(1,748)**	(581)
Finance costs		**1,209**	1,131	**–**	–
Net change in fair value of financial instruments through profit or loss		**7**	21	**–**	–
Dividends received from joint venture	16	**–**	(67)	**–**	–
Operating cash generated from before changes in working capital		**10,083**	9,177	**31,343**	2,072
Increase in trade and other receivables		**(10,896)**	(290)	**(836)**	(228)
(Decrease)/increase in trade and other payables		**(1,353)**	(2,093)	**464**	(26)
Cash (used in)/generated from operations		**(2,166)**	6,794	**30,971**	1,818
Finance costs paid		**(993)**	(1,153)	**–**	–
Finance income received		**2**	283	**1,690**	944
Tax paid		**(596)**	(984)	**(131)**	–
Net cash (used in)/generated from operating activities		**(3,753)**	4,940	**32,530**	2,762
Investing activities					
Proceeds from sale of investment property	14	**52,929**	–	**–**	–
Acquisition of investment property		**(8,750)**	–	**–**	–
Additions to investment property	13	**(5,990)**	(1,970)	**–**	–
Divestment/(investment) in subsidiaries	15	**–**	–	**40,129**	(10)
Loans to subsidiary companies		**–**	–	**(34,202)**	–
Loan repayment from subsidiary company		**–**	–	**–**	5,844
Investment in joint venture	16	**(60)**	–	**–**	–
Net cash generated from/(used in) investing activities		**38,129**	(1,970)	**5,927**	5,834
Financing activities					
Proceeds from borrowings	20,21	**1,840**	7,700	**–**	–
Interest rate cap purchased		**–**	(25)	**–**	–
Dividends paid	12	**(8,532)**	(8,659)	**(8,532)**	(8,659)
Net cash used in financing activities		**(6,692)**	(984)	**(8,532)**	(8,659)
Net increase/(decrease) in cash and cash equivalents for the year		**27,684**	1,986	**29,925**	(63)
Opening cash and cash equivalents		**18,035**	16,053	**3,968**	4,035
Effects of exchange rate change on cash		**(2)**	(4)	**(2)**	(4)
Closing cash and cash equivalents		**45,717**	18,035	**33,891**	3,968

The accompanying notes 1 to 29 form an integral part of the financial statements.

Notes to the Financial Statements

1. Significant accounting policies

Schroder European Real Estate Investment Trust plc (the 'Company') is a closed-ended investment company incorporated in the United Kingdom. The consolidated financial statements of the Company for the year ended 30 September 2021 comprise those of the Company and its subsidiaries (together referred to as the 'Group'). The Group holds a portfolio of investment properties in Continental Europe. The shares of the Company are listed on the London Stock Exchange (primary listing) and JSE Limited (secondary listing). The registered office of the Company is 1 London Wall Place, London, England EC2Y 5AU.

Statement of compliance

The consolidated financial statements of the Group have been prepared under 'international accounting standards in conformity with the Companies Act 2006'.

The financial statements give a true and fair view and are in compliance with applicable legal and regulatory requirements and the Listing Rules of the UK Listing Authority.

Basis of preparation

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and the Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the Directors to prepare the Group financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The financial statements are presented in euros, rounded to the nearest thousand. They are prepared on a going concern basis, applying the historical cost convention, except for the measurement of investment property and derivative financial instruments that have been measured at 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.

Going concern

The outbreak of Covid-19, declared by the World Health Organization as a 'Global Pandemic' on 11 March 2020, has and continues to impact many aspects of daily life and the global economy, with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel restrictions have been implemented by many countries and 'lockdowns' applied to varying degrees. Whilst restrictions have now been lifted in most cases, local lockdowns may continue to be deployed as necessary and the emergence of significant further outbreaks remains possible.

The Directors have examined significant areas of possible risk including: the ability of both the Investment Manager, and the Group's key suppliers, to continue to successfully implement business continuity plans during the pandemic; the non-collection of rent and service charges; the potential fall in property valuations; the refurbishment risk of the Boulogne-Billancourt, Paris asset together with future cash flow forecasts; and forward-looking compliance with third party debt covenants, in particular the loan to value covenant and interest cover ratios.

In spite of the ongoing pandemic, the portfolio's average rent collection for the financial year was very robust at 93%. Further detail is provided in the Investment Manager's Report on page 14.

Cash flow forecasts based on certain downside scenarios have led the Board to conclude that the Group will have sufficient cash reserves to continue in operation for the foreseeable future.

The Group has seven third party loans secured against individual assets, or groups of assets, with no cross-collateralisation. All but one of the loans are in compliance with their default covenants. The Seville loan has breached its loan to value covenant and there is a cash trap in operation. The Seville loan is non-recourse and the breach will have no further impact to the financial position of the Group with the investment already having been written down to nil. Further details of the individual loans, and headroom on both the loan to value and net income default covenants, is provided in the Investment Manager's Report on page 14.

After due and appropriate consideration, the Directors have not identified any material uncertainties which would cast significant doubt on the Group's ability to continue as a going concern for a period of not less than twelve months from the of the approval of the Annual Report and Consolidated Financial Statements.

Use of estimates and judgements

The preparation of financial statements under international accounting standards, in conformity with the Companies Act 2006, 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, as disclosed in note 13, including those within joint ventures, which are stated at fair value. The fair value of investment property is inherently subjective because the valuer makes assumptions which may not prove to be accurate. The Group uses an external professional valuer to determine the relevant amounts.

1. Significant accounting policies continued
The following are deemed to be the other key areas of judgement:

- Accounting for the disposal price of Paris, Boulogne-Billancourt: Management have deemed that the fair value of the asset, which was sold in December 2020, was equal to the third-party valuation of the asset which was undertaken in December 2020. The disposal price is deemed to be a fixed amount that the purchaser will pay for the asset and the remaining consideration under the sale agreement is judged to be development revenue (see below).
- Accounting for development revenue and variable consideration: When estimating an appropriate level of development revenue to be recognised in the reporting period, the Group considered the contractual penalties of not meeting certain criteria within the agreement; the total development costs incurred; the stage of completion of the refurbishment; the milestones achieved and still to be achieved; the timing of further future cash receipts from the purchaser; and the overall general development risk to form a considered judgement of revenue to be appropriately recognised in the financial statements. Further details of the estimated variable consideration are disclosed in note 14.
- Tax provisioning and disclosure: Management uses external tax advisors to monitor changes in tax laws in countries where the Group has operations. New tax laws that have been substantively enacted are recognised in the Group's and Company's financial statements. Where changes to tax laws give rise to a contingent liability, the Group discloses these appropriately within the notes to the financial statements (further details are disclosed in note 26).
- IFRS 9 expected credit losses: IFRS 9 became effective for accounting periods of entities beginning on or after 1 January 2018 and requires an impairment review to be made for certain financial assets held on the Group and Company's balance sheet using a forward-looking expected credit loss model. All receivables, inter-company and joint venture loans are considered to be such financial assets and must therefore be assessed at each reporting period for potential impairment. Where any impairment is required to be made, appropriate recognition is required in the consolidated statement of comprehensive income, together with appropriate disclosure and sensitivity analysis in the notes to the financial statements (further details are disclosed in note 6). The Seville joint venture loan has been calculated on the lifetime expected credit loss method. The following factors were considered when determining the probability of default used for the impairment provision calculation for the Seville joint venture loan: the property valuation and future potential movements; that there is an LTV breach and a cash trap in place; cash flow forecasts; the effects of the local lockdown measures in Spain on tenants and their trading; and rent collection rates. An evaluation of these factors has allowed management to make a judgement on the probability of default which is considered to be the key input for the impairment calculation. These estimates were also considered within the impairment in the investments held in subsidiaries for the parent company.

Basis of consolidation
Subsidiaries
The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries drawn up to 30 September each year. Subsidiaries are those entities, including special purpose entities, controlled by the Company. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. 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 is treated as an asset acquisition.

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. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

Joint arrangements
Under IFRS 11, Joint Arrangements, the Group's investments in joint arrangements are classified as joint ventures. Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost, in the consolidated statement of financial position.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity. Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

Acquisitions and disposals are recognised on an 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.

Notes to the Financial Statements
Continued

1. Significant accounting policies continued
After initial recognition, investment properties are measured at fair value with unrealised gains and losses recognised in profit or loss. Realised gains and losses on the disposal of properties are recognised in profit and loss in relation to the carrying value at the beginning of the accounting period. 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 24, the Group leases out all owned properties on operating leases which are 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.

Please refer to note 13 for disclosure of key inputs, assumptions and sensitivities with respect to the fair valuation of investment properties.

Prepayments
Prepayments are carried at cost less any accumulated impairment losses.

Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Rental income, including prepayments, received under operating leases (net of any incentives granted by the lessor) are recognised in the statement of comprehensive income on a straight-line basis over the period of the lease. Properties leased out under operating leases are included as investment properties in the consolidated statement of financial position (note 13).

Financial assets and liabilities
Non-derivative financial assets and liabilities
Non-derivative financial assets and liabilities comprise trade and other receivables, loans to joint venture, cash and cash equivalents, loans and borrowings, and trade and other payables. These are initially recognised at fair value and subsequently measured at amortised cost and discounted as appropriate. On initial recognition the Group calculates the expected credit loss for non-derivative assets and liabilities based on lifetime expected credit losses under the IFRS 9 simplified approach.

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 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.

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

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

Derivative financial assets and liabilities
Derivative financial assets and liabilities comprise interest rate caps for hedging purposes (economic hedge). These are initially recognised at cost and subsequently revalued at fair value, with the revaluation gains or losses immediately recorded in the statement of comprehensive income.

Share capital
Ordinary shares, including treasury shares, are classified as equity when there is no obligation to transfer cash or other assets. During the year ended 30 September 2020, the Company changed its accounting policy from retranslating its share capital using the closing exchange rate at the end of each reporting period to fixing the share capital at the spot rate at the date of issue, in accordance with IAS 21. The Company will no longer retranslate its share capital. This is a change in accounting policy for the Company.

Share premium
Share premium represents the excess of proceeds received over the nominal value of new shares issued. During the year ended 30 September 2020, the Company changed its accounting policy from retranslating its share premium using the closing exchange rate at the end of each reporting period to fixing the share capital at the spot rate at the date of issue, in accordance with IAS 21. The Company will no longer retranslate its share premium. This is a change in accounting policy for the Company.

Other reserves
Other reserves mainly consist of a share premium reduction reserve arising from the conversion of share premium into a distributable reserve.

Dividends
Final dividends to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

1. Significant accounting policies continued

Impairment

Non-financial assets

The carrying amounts of the Group's and Company's non-financial assets, other than investment property but including joint ventures and investments held in subsidiaries, 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.

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 profit and loss.

Revenue

Rental income

Rental income from operating leases is recognised on a straight-line basis over the lease term. When the Group provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

Where a rent incentive fits the definition of a lease modification under IFRS 16, the cost of incentives is recognised over the remaining lease term starting from the effective date of the lease modification, on a straight-line basis, as a reduction of rental income.

Revenue from forward funded sale contracts

Performance obligations of such contracts with a counterparty are identified at source.

The transaction price for the sale of the asset is determined with regard to the deemed fair value of the asset at the date of the transfer of the legal title to the purchaser.

Where a development obligation includes variable revenue, consideration is given to the sum of any contractual penalties; the percentage of the total development cost incurred and the stage of completion; the milestones successfully achieved and the likelihood of meeting further future milestones; the timing of future contractual receipts; and the wider overall risks attributable to the development at the end of the reporting period. A percentage of the total development revenue is then calculated with regard to these factors and recognised in the financial statements.

For specific further details with regards to the Paris, Boulogne-Billancourt forward funded sale agreement, see note 14.

Surrender premium income

Surrender premium income is recognised as revenue upon receipt.

Service charges

These include income in relation to service charges, directly recoverable expenditure and management fees. Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue from services is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided and recognised over time.

Finance income and costs

Finance income comprises interest income on funds invested that are recognised in the statement of comprehensive income. Finance income is recognised on an accruals basis.

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

Expenses

All expenses are accounted for on an accruals basis. They are recognised in the statement of comprehensive income in the year in which they are incurred on an accruals basis.

Taxation

The Company and its subsidiaries are subject to income tax on any income arising on investment properties after deduction of debt financing costs and other allowable expenses.

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Notes to the Financial Statements
Continued

1. Significant accounting policies continued
Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted, or substantially enacted, by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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, Continental Europe. The chief operating decision-maker is considered to be the Board of Directors who are provided with consolidated IFRS information on a quarterly basis.

Foreign currency translation
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency').

The functional currency of all the entities in the Group is the euro, as this is the currency in which the majority of investment takes place and in which the majority of income and expenses are incurred. The financial statements are also presented in euros.

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the statement of comprehensive income.

Assets and liabilities held at the end of the reporting period are translated into the presentation currency at the exchange rate prevailing at that date. Foreign exchange differences arising on translation to the presentation currency are recognised in other comprehensive income in the statement of comprehensive income.

2. New standards and interpretations
New standards and interpretations adopted by the Group
New standards, amendments or interpretations, effective for the first time for financial years beginning on or after 1 January 2020, have not had a material impact on the Group or Company.

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 October 2020:

IFRS 3 – Business combinations
Amendments to IFRS 3 Business combinations and effective for financial years commencing on or after 1 January 2020 provides a revised framework for evaluating a business and introduces an optional 'concentration test'. The amendment will impact the assessment and judgements used in determining whether future property transactions represent an asset acquisition or business combination. As a result of the amendment it is expected that future transactions are more likely to be treated as an asset acquisition.

3. Rental and service charge income

	Group 30/09/2021 €'000	Group 30/09/2020 €'000	**Company 30/09/2021 €'000**	Company 30/09/2020 €'000
Rental income	**13,264**	15,264	–	–
Service charge income	**3,657**	3,971	–	–
	16,921	19,235	–	–

4. Property operating expenses

	Group 30/09/2021 €'000	Group 30/09/2020 €'000	**Company 30/09/2021 €'000**	Company 30/09/2020 €'000
Repairs and maintenance	**1,471**	2,005	**–**	–
Service charge, insurance and utilities on vacant units	**702**	1,437	**–**	–
Real estate taxes	**1,295**	1,704	**–**	–
Property management fees	**244**	305	**–**	–
Other	**175**	239	**–**	–
	3,887	5,690	**–**	–

All the above amounts relate to service charge expenses which are all recoverable except for €230,000 (2020: €1,719,000). This amount is the difference between property expenses and service charge income (see note 3).

5. Material agreements

Schroder Real Estate Investment Management Limited ('SREIM') is the Investment Manager to the Company. The Investment Manager is entitled to a fee together with reasonable expenses incurred in the performance of its duties. The fee is payable monthly in arrears and shall be an amount equal to one 12th of the aggregate of 1.1% of the EPRA NAV of the Group. The Investment Management Agreement can be terminated by either party on not less than 12 months' written notice, such notice not to expire earlier than the third anniversary of admission, or on immediate notice in the event of certain breaches of its terms or the insolvency of either party. The total charge to profit and loss during the year was €2,181,000 (2020: €1,945,000). At the year end €706,000 (2020: €332,000) was outstanding.

SREIM provides accounting services to the Group with a minimum contracted annual charge of €81,000 (£70,000). The total charge to the Group was €110,000 (2020: €103,000). These are included in Administrator's and accounting fees in the consolidated statement of comprehensive income. At the year end €35,000 (2020: €25,000) was outstanding.

SREIM provides administrative and company secretarial services to the Group with a contracted annual charge of €58,000 (£50,000). The total charge to the Group was €58,000 (2020: €57,000). These are included in Administrator's and accounting fees in the consolidated statement of comprehensive income. At the year end €19,000 (2020: €14,000) was outstanding.

Details of Directors' fees are disclosed in note 9.

Details of loans to Urban SEREIT Holdings Spain S.L., a related party, are disclosed in note 16.

The Company received management fees of €1,690,000 (2020: €1,458,000) from subsidiary companies during the year. The amounts recharged to subsidiaries and outstanding are provided in the following table.

	Fees recharged in the year to 30 September €'000		Fees outstanding as at 30 September €'000	
Subsidiary	**2021**	2020	**2021**	2020
SCI SEREIT Rumilly	**62**	57	**31**	29
SCI 221 Jean Jaures	**468**	287	**236**	151
SEREIT Berlin DIY Sàrl	**182**	178	**90**	43
SEREIT Hamburg Sàrl	**135**	114	**99**	57
SEREIT Stuttgart Sàrl	**123**	115	**63**	28
SEREIT Frankfurt Sàrl	**72**	73	**35**	17
SCI SEREIT Directoire	**260**	258	**128**	127
SEREIT Apeldoorn Sàrl	**118**	126	**57**	29
SEREIT UV Sàrl	**141**	135	**70**	32
SCI SEREIT Pleudihen	**120**	115	**59**	57
SCI SEREIT Nantes	**9**	–	**9**	–
Total	**1,690**	1,458	**877**	570

Notes to the Financial Statements
Continued

6. Provision of loan made to Seville joint venture
As at 30 September 2021 the Group owned 50% of the Metromar JV, which owns a shopping centre in Seville, and had advanced €10 million as a loan and was owed interest of €1.1 million (2020: €1.0million). The loan carries a fixed interest rate of 4.37% per annum payable quarterly and matures in April 2024.

When considering an appropriate level of impairment, deemed to be a significant judgement, the Company primarily considered: the property valuation and future potential movements; debt covenant breaches; cash flow forecasts; the effects of the local lockdown measures in Spain on tenants and their trading; and rent collection rates.

A default rate of 100% has been applied to the above loan and unpaid interest at year end. The impairment provision booked during the year was €8.5 million (2020: €2.6 million) bringing the cumulative impairment to €11.1 million and the Group's investment with regard to Seville now stands at €nil.

7. Auditors' remuneration and assurance fees
The Group's total audit fees for the year are €340,000 (2020: €316,000) which includes the Group audit and the individual statutory audits. The Company's total audit fees for the year were €303,000 (2020: €277,000) which only covers the Group audit.

The interim review fee was €51,000 (2020: €51,000) which is an assurance related non-audit service and is included in the total Auditors' remuneration for the year. The auditors did not perform any other non-audit services for the Group during the year (2020: €nil).

8. Dividends received
During the year the Group did not receive any dividends from its joint venture operation Urban SEREIT Holdings Spain S.L. (2020: €67,000) (see note 15).

During the year the Company received dividends from its subsidiary undertakings. €30,385,000 (2020: €1,478,000) from OPPCI SEREIT France, €2,735,000 (2020: €1,650,000) was received from SEREIT Holdings Sàrl, €1,000 (2020: €2,000) from SCI SEREIT Directoire and €nil (2020: €580,000) from SEREIT (Jersey) Limited.

9. Other expenses

	Group 30/09/2021 €'000	Group 30/09/2020 €'000	**Company 30/09/2021 €'000**	Company 30/09/2020 €'000
Directors' and officers' insurance premium	**23**	10	**23**	10
Bank charges	**200**	79	**18**	8
Regulatory costs	**75**	75	**48**	50
Marketing	**48**	43	**48**	43
Other expenses	**270**	344	**115**	18
	616	551	**252**	129

Directors are the only officers of the Company and there are no other key personnel. The Group has one employee; for further details see note 28. The Directors' annual remuneration for services to the Group was €156,882 (2020: €125,637), as set out in the Directors' Remuneration Report on pages 44 to 46. The total charge for Directors' fees was €180,000 (2020: €139,000), which included employer's National Insurance contributions.

10. Taxation

	30/09/2021 €'000	30/09/2020 €'000
Current tax charge	**1,196**	522
Deferred tax charge	**1,920**	403
Tax expense in year	**3,116**	925
Reconciliation of effective tax rate		
Profit before taxation	**9,353**	29,327
Effect of:		
Tax charge at weighted average corporation tax rate of 16.49% (2020: 29.45%)	**1,542**	8,637
Tax exempt income	**(990)**	(9,274)
Tax adjustment on net revaluation loss	**794**	367
Current year loss for which no deferred tax is recognised	**394**	770
Tax adjustment of share of joint venture loss	**1,793**	605
Minimum Luxembourg tax charges	**46**	34
Withholding tax	**–**	157
Tax effect of property depreciation	**(302)**	(237)
Timing differences	**(243)**	(236)
Other permanent differences	**82**	102
Total tax expense in the year	**3,116**	925

10. Taxation continued
The effective tax rate is a weighted average of the applicable tax rates in the countries the Group has operations. A potential deferred tax asset of €394,000 (2020: €770,000) arose on tax losses which has not been provided for.

SEREIT Plc has elected to be treated as a société d'investissement immobilier cotée ("SIIC") for French tax purposes. Provided that SEREIT Plc meets certain requirements, the SIIC should be exempt from French CIT on net rental income and gains arising from interests in property. Management intends that the Group will continue to comply with the SIIC regulations for the foreseeable future. One of the conditions to maintain SIIC status requires SEREIT Plc to be listed on a regulated market complying with the requirements of the relevant EU directive (n°2004/39/CE). Following the UK's departure from the European Union effective from 1 January 2021, there is uncertainty regarding whether SEREIT Plc's listing on the London Stock Exchange would be recognised as satisfying this condition. If SIIC status were to be denied to SEREIT Plc, the estimated additional tax payable in respect of the period from 1 January 2021 to 30 September 2021 would be €1.4m.

The Group has a number of subsidiaries established in the European Union which are subject to local taxation laws and regulations. The Group continues to monitor updates to taxation laws and regulations and any potential impact on uncertain tax positions.

11. Earnings per share
Basic earnings per share
The basic earnings per share for the Group is calculated by dividing the net profit after tax attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	30/09/2021	30/09/2020
Net profit attributable to shareholders	**€6,237,000**	€28,402,000
Weighted average number of ordinary shares in issue	**133,734,686**	133,734,686
Basic earnings per share (cents per share)	**4.7**	21.2

Diluted earnings per share
The Group has no dilutive potential ordinary shares and hence the diluted earnings per share is the same as the basic earnings per share in both 2020 and 2021.

Headline earnings per share
The headline earnings and diluted headline earnings for the Group is 4.9 euro cents per share (2020: 6.4 euro cents per share) as detailed on page 80.

12. Dividends paid
Interim dividends of €8,532,000 (2020: €8,659,000) were paid to the shareholders of SEREIT Plc during the year as follows:

In respect of	**Ordinary shares**	**Rate (cents)**	**30/09/2021 €'000**
Interim dividend paid on 23 October 2020	**133,734,686**	**1.39**	**1,858**
Interim dividend paid on 25 January 2021	**133,734,686**	**1.57**	**2,100**
Interim dividend paid on 13 April 2021	**133,734,686**	**1.57**	**2,100**
Interim dividend paid on 16 August 2021	**133,734,686**	**1.85**	**2,474**
Total interim dividends paid			**8,532**

In respect of	Ordinary shares	Rate (cents)	30/09/2020 €'000
Interim dividend paid on 21 October 2019	133,734,686	1.85	2,474
Interim dividend paid on 27 January 2020	133,734,686	1.85	2,474
Interim dividend paid on 14 April 2020	133,734,686	1.85	2,474
Interim dividend paid on 31 July 2020	133,734,686	0.925	1,237
Total interim dividends paid			8,659

Notes to the Financial Statements
Continued

13. Investment property

Group	Freehold €'000
Fair value as at 1 October 2019	**218,896**
Additions	1,892
Net gain from fair value adjustment on investment property	25,505
Transfer to non-current assets held for sale	(65,200)
Fair value as at 30 September 2020	**181,093**
Acquisitions	8,750
Acquisition costs	903
Additions	847
Net gain from fair value adjustment on investment property	8,134[1]
Fair value as at 30 September 2021	**199,727**

1 Excludes €439,000 of unrealised gain on the asset held for sale – Paris, Boulogne-Billancourt – prior to completion in December 2020.

Additions of €5,990,000 shown on the group cash flow statement includes capital expenditure paid in relation to Paris, Boulogne-Billancourt prior to the asset being sold in December 2020.

In 2020 and 2021, the Group held one leasehold property. The value of the respective sectors held were as follows:

Sector	**2021 €'000**	2020 €'000
Industrial	**57,069**	47,640
Retail (including retail warehousing)	**40,200**	38,900
Offices	**102,458**	159,753
Total	**199,727**	246,293

The fair value of investment properties, as determined by the valuer, totals €201,075,000 (2020: €182,100,000) with the valuation amount relating to a 100% ownership share for all the assets in the portfolio.

None of this amount is attributable to trade or other receivables in connection with lease incentives. The fair value of investment properties per the consolidated financial statements of €199,727,000 includes a tenant incentive adjustment of €1,348,000 (30 September 2020: €1,007,000).

The net valuation gain on investment property of €8,134,000 (2020: €25,505,000) consists of net property revaluation gains of €8,475,000 (2020: €24,802,000) and a movement of the above mentioned tenant incentive adjustment of €341,000 (2020: €703,000).

As at 30 September 2021, the material valuation uncertainty clause has been removed from the valuation report for all directly held assets in the Group's investment property balance but still applies to the Seville shopping centre held in the joint venture investment. Please see note 16 for further details.

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 – Global Standards 2017, incorporating the International Valuations Standards, and RICS Professional Standards UK January 2014 (revised April 2015).

The properties have been valued on the basis of 'fair value' in accordance with the RICS Valuation – Professional Standards VPS4(1.5) Fair Value and VPGA1 Valuations for Inclusion in Financial Statements which adopt the definition of fair value used by the International Accounting Standards Board.

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

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

13. Investment property continued

The Group's total valuation fees for the year are €39,000 (2020: €41,000). The fee payable to Knight Frank LLP is less than 5% of its total revenue in any year.

All investment properties are categorised within Level 3 of the fair value hierarchy, 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 30 September:

2021		**Industrial**	**Retail (incl. retail warehouse)**	**Office**	**Total**
Fair value (€'000)[1]		**57,125**	**69,400**	**103,750**	**230,275**
Area ('000 sqm)		**77.434**	**44.350**	**54.580**	**176.364**
Net passing rent € per sqm per annum	Range Weighted average[2]	**40.90–111.34** **51.36**	**46.12–137.12** **83.86**	**103.56–165.10** **142.18**	**40.90-165.10** **102.07**
Gross ERV € per sqm per annum	Range Weighted average[2]	**39.00–89.61** **49.14**	**101.58–155.40** **131.94**	**79.93–224.34** **168.86**	**39.00-224.34** **128.04**
Net initial yield[3] (%)	Range Weighted average[2]	**5.16–8.29** **6.08**	**4.99–5.33** **4.32**	**3.44–13.23** **6.25**	**3.44–13.23** **5.63**
Equivalent yield (%)	Range Weighted average[2]	**5.05–6.84** **5.62**	**5.09–7.32** **6.11**	**3.43–11.54** **6.41**	**3.43–11.54** **6.12**

1 This table includes the joint venture investment property valued at €29.2 million which is disclosed within the summarised information within note 16 as part of total assets.
2 Weighted by market value.
3 Yields based on rents receivable after deduction of head rents and non-recoverables.

2020		Industrial	Retail (incl. retail warehouse)	Office	Total
Fair value (€'000)[1]		47,700	81,500	160,700	289,900
Area ('000 sqm)		68.821	44.365	61.110	174.296
Net passing rent € per sqm per annum	Range Weighted average[2]	40.39–92.46 48.61	65.28–141.26 85.79	6.41–150.04 77.39	6.41–150.04 75.01
Gross ERV € per sqm per annum	Range Weighted average[2]	38.00–89.40 48.98	101.58–180.25 150.17	79.93–462.87 285.23	38.00–462.87 208.39
Net initial yield[3] (%)	Range Weighted average[2]	5.54–7.23 6.26	3.30–5.24 4.21	0.07–12.54 3.67	0.07–12.54 4.24
Equivalent yield (%)	Range Weighted average[2]	5.38–6.58 6.08	5.15–7.45 6.49	4.06–9.86 6.04	4.06–9.86 6.18

1 This table includes the joint venture investment property valued at €42.6 million which is disclosed within the summarised information within note 16 as part of total assets.
2 Weighted by market value.
3 Yields based on rents receivable after deduction of head rents and 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

Notes to the Financial Statements
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13. Investment property continued
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 30 September 2021	Industrial €'000	Retail €'000	Office €'000	Total €'000
Increase in ERV by 10%	4,300	6,300	8,600	19,200
Decrease in ERV by 10%	(4,300)	(6,850)	(8,950)	(20,100)
Increase in net initial yield by 0.5%	(4,900)	(5,800)	(7,950)	(18,650)
Decrease in net initial yield by 0.5%	5,850	6,800	9,550	22,200

14. Realised gain/loss on sale of investment property
During the period the Group transferred the legal title of its office asset in Paris, Boulogne-Billancourt to a purchaser. As at 30 September 2020 this asset was recognised as held for sale at its fair value of €65.2 million.

The forward funded sale agreement which the Group entered into is comprised of two key performance obligations: i) to sell the asset as referenced above; and ii) to undertake a comprehensive refurbishment of the asset on behalf of the purchaser.

On 16 December 2020 the Group transferred, as part of the sale, the legal title to the purchaser for a deemed sale price of €69.8 million. In return, the Group received on the completion date an initial €52.9 million cash receipt from the purchaser and €16.9 million will be paid upon completion of certain milestones.

The forward funded sale contract also includes a development element whereby the Group will undertake a comprehensive refurbishment of the asset on behalf of the purchaser over an approximate 18 month period with completion expected in the second quarter of 2022. The amount of revenue the Group will receive for the development of the asset is variable as it is based on the Group achieving certain milestones.

When forming a judgement as to an appropriate level of development revenue to be recognised in the reporting period, the Group considered the contractual penalties of not meeting certain criteria within the agreement; the total development costs incurred; the stage of completion of the refurbishment; the milestones achieved and still to be achieved; the timing of further future cash receipts from the purchaser; and the overall general development risk.

The Group has estimated that it will receive a total development revenue of €25.5 million.

During the period €8.27 million of development cost, which is 34% of the total project expenditure, had been incurred and a sum of €9.81 million of development revenue has been recognised following consideration of the factors identified above; this was also due from the purchaser at period end. The remaining development revenue is expected to be predominantly recognised by 30 September 2022.

The total amount of the contract asset recognised by the Group that is due from the purchaser thereby totalled €26.7 million (September 2020: €nil) at the end of the financial year and is included in Trade and other receivables.

The below sensitivity table presents the change in the total development revenue expected from the purchaser if the variable consideration increases or decreases by 10%.

	-10%	0%	+10%
Fixed development revenue expected from the purchaser (€m)	16.9	16.9	16.9
Variable development revenue expected from the purchaser (€m)	10.4	11.6	12.7
Total development revenue expected from the purchaser (€m)	27.3	28.5	29.6

15. Investment in subsidiaries

Company	2021 €'000	2020 €'000
Balance as at 1 October	108,769	128,180
Additions	1,010	10
Disposals	(41,114)	–
Contribution in kind	–	(19,421)
Provision of investment made in subsidiaries	(7,279)	–
Balance as at 30 September	61,386	108,769

During the year, OPPCI SEREIT France repurchased €40,524,000 of its own shares from SEREIT Plc and SEREIT Holdings France SAS repurchased €590,000 of its own shares from SEREIT Plc. SEREIT Plc invested €1,010,000 in SEREIT France Invest SAS, a new wholly owned subsidiary of the Company.

15. Investment in subsidiaries continued

The Company made a full impairment for its investment in SEREIT (Jersey) Limited of €7,279,000 following the provision of loan made to the Seville joint venture which was held by SEREIT (Jersey) Limited (see note 6 for further details).

The subsidiary companies listed below are those which were part of the Group as at 30 September 2021. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group and the proportion of ownership of interests held equals the voting rights held by the Group.

Undertaking	Country of incorporation	Group ownership	Registered office address
SEREIT (Jersey) Limited	Jersey	100%	22 Grenville Street, Jersey, JE4 8PX
SEREIT Finance Sàrl	Luxembourg	100%	5, rue Höhenhof L-1736 Senningerberg
SEREIT Holdings Sàrl	Luxembourg	100%	5, rue Höhenhof L-1736 Senningerberg
OPPCI SEREIT France	France	100%	153 rue Saint Honoré, 75001 Paris
SCI SEREIT Rumilly	France	100%	8–10 rue Lamennais, 75008 Paris
SEREIT Berlin DIY Sàrl	Luxembourg	100%	5, rue Höhenhof L-1736 Senningerberg
SEREIT Hamburg Sàrl	Luxembourg	100%	5, rue Höhenhof L-1736 Senningerberg
SEREIT Stuttgart Sàrl	Luxembourg	100%	5, rue Höhenhof L-1736 Senningerberg
SEREIT Frankfurt Sàrl	Luxembourg	100%	5, rue Höhenhof L-1736 Senningerberg
SCI SEREIT Directoire	France	100%	8–10 rue Lamennais, 75008 Paris
SEREIT Apeldoorn Sàrl	Luxembourg	100%	5, rue Höhenhof L-1736 Senningerberg
SEREIT UV Sàrl	Luxembourg	100%	5, rue Höhenhof L-1736 Senningerberg
SEREIT Holdings France SAS (SIIC)	France	100%	8–10 rue Lamennais, 75008 Paris
SCI SEREIT Pleudihen	France	100%	8–10 rue Lamennais, 75008 Paris
SAS Clarity Development	France	100%	8–10 rue Lamennais, 75008 Paris
SEREIT France Invest SAS	France	100%	8–10 rue Lamennais, 75008 Paris
SCI SEREIT Nantes	France	100%	8–10 rue Lamennais, 75008 Paris

16. Investment in joint venture

The Group has a 50% interest in a joint venture called Urban SEREIT Holdings Spain S.L. The principal place of business of the joint venture is Calle Velazquez 3, 4th Madrid 28001 Spain.

Group	**2021 €'000**	2020 €'000
Balance as at 1 October	**–**	2,378
Investment in joint venture	**60**	–
Share of loss for the year	**(60)**	(2,311)
Dividends	**–**	(67)
Balance as at 30 September	**–**	–

Summarised joint venture financial information:	**2021 €'000**	2020 €'000
Total assets	**32,220**	45,717
Total liabilities	**(46,830)**	(46,488)
Net liabilities	**(14,610)**	(771)
Net asset value attributable to the Group	**–**	–
Revenues for the year	**3,146**	5,257
Total comprehensive loss	**(120)**	(4,622)
Total comprehensive loss attributable to the Group	**(60)**	(2,311)

As at 30 September 2021, the joint venture in Seville, of which SEREIT holds a 50% share, had total net liabilities of €14,610,000. The Group has therefore recognised a nil interest as its investment in the joint venture and would only recognise its share of net liabilities where certain legal or constructive obligations are in force. No such obligations exist with regard to the Seville joint venture.

Notes to the Financial Statements
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16. Investment in joint venture continued
A reduction in rental income has resulted in a requirement under the minimum net rental income covenant in the loan agreement for the lender to retain all excess rental income generated by the Seville property in the property-owning special purpose vehicle ("SPV"). This position will continue until the rental income increases sufficiently to meet the level required under the loan. A significant fall in valuation over the financial year has resulted in a 'Hard LTV' covenant breach which leads to an automatic increase in the interest margin. The bank have agreed a waiver for Q4 2021 of the additional interest margin.

In 2020 and 2021, within total liabilities of the joint venture, there is also a loan amount of €10.0 million owed to the Group. The Group has fully impaired the loan and interest receivable from the joint venture and further details are provided in note 6. The loan is expected to mature at the same time as the above-mentioned bank loan and carries a fixed interest rate of 4.37% per annum payable quarterly.

Due to Covid-19, the Group's valuer has included the following 'material valuation uncertainty' clause with respect to the Seville shopping centre in its valuation report as at 30 September 2021:

> *The outbreak of Covid-19, declared by the World Health Organisation as a 'Global Pandemic' on the 11th March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement and operational restrictions have been implemented by many countries. In some cases, 'lockdowns' have been applied to varying degrees and to reflect further 'waves' of Covid-19; although these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact.*
>
> *The pandemic and the measures taken to tackle Covid-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value.*
>
> *In respect of the Metromar Shopping Centre in Seville, Spain, as at the valuation date we continue to be faced with an unprecedented set of circumstances caused by Covid-19 and an absence of relevant/sufficient market evidence on which to base our judgements. Our valuation of this asset is therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, in respect of this valuation less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.*

Sensitivity analysis with respect to the estimated movement in fair value of investment properties, including the Group's share of the joint venture investment property at 30 September 2021, can be found in note 13.

For the avoidance of doubt this explanatory note, including the 'material valuation uncertainty' declaration, does not mean that the valuation cannot be relied upon. Rather, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of Covid-19 we highlight the importance of the valuation date.

17. Non-current assets held for sale
As at 30 September 2020, the Group had agreed a conditional pre-sale agreement in respect of the Boulogne-Billancourt asset in Paris.

On 16 December 2020, the Group signed a forward funded sale contract and transferred, as part of the sale, the legal title to the purchaser. The forward funded sale contract includes a development element whereby the Group will undertake a comprehensive refurbishment of the asset on behalf of the purchaser over an approximate 18 month period with completion expected in the second quarter of 2022.

See note 14 for further details of the forward sale agreement.

18. Trade and other receivables

	Group 2021 €'000	Group 2020 €'000	**Company 2021 €'000**	Company 2020 €'000
Rent and service charges receivable	**2,170**	2,452	**–**	–
Monies held by property managers	**–**	157	**–**	–
Amounts due from subsidiary undertakings	**–**	–	**85,562**	51,099
VAT receivable	**1,786**	(58)	**16**	–
Rental and security deposits	**1,364**	1,841	**–**	–
Proceeds receivable from sale[1]	**26,678**	–	**–**	–
Withholding tax receivable	**1,013**	1,013	**633**	–
Other debtors and prepayments	**1,631**	1,562	**23**	38
	34,642	6,967	**86,234**	51,137

1 Refer to note 14 for proceeds due from the sale of Boulogne-Billancourt in Paris.

Other debtors and prepayments includes tenant incentives of €1,348,000 (2020: €1,007,000). There were no provisions against the above amounts in 2021 (2020: Nil).

19. Share capital and share premium

	Group 30/09/2021 €'000	Group 30/09/2020 €'000	**Company 30/09/2021 €'000**	Company 30/09/2020 €'000
Ordinary share capital	**17,966**	17,966	**17,966**	17,966
Share premium	**43,005**	43,005	**43,005**	43,005

As at 30 September 2021, the share capital of the Company was represented by 133,734,686 ordinary shares (2020: 133,734,686 ordinary shares) with a par value of 10.00 pence.

Issued share capital
As at 30 September 2021, the Company had 133,734,686 ordinary shares (2020: 133,734,686) in issue (no shares were held in treasury). The total number of voting rights of the Company at 30 September 2021 was 133,734,686 (2020: 133,734,686).

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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20. 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 23.

	Group 2021 €'000	Group 2020 €'000	**Company 2021 €'000**	Company 2020 €'000
As at 1 October	**68,372**	60,692	**–**	–
Receipt of borrowings	**–**	7,700	**–**	–
Capitalisation of finance costs	**(21)**	(183)	**–**	–
Amortisation of finance costs	**238**	163	**–**	–
As at 30 September	**68,589**	68,372	**–**	–

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Bank loan – HSBC Bank Plc
The Group has a loan facility of €9.25 million with HSBC Bank Plc which was entered into during the year ended 30 September 2018.

The total amount has been fully drawn and matures on 27 September 2023. It carries an interest rate which is the aggregate of the applicable Euribor 3 months rate and a margin of 2.15% per annum payable quarterly. The facility was subject to a 1% arrangement fee which is being amortised over the period of the loan. The debt has a LTV covenant of 62.5% and the interest cover should be above 275%.

The lender has a charge over properties owned by the Group with a value of €22,225,000. A pledge of all shares in the borrowing Group company is in place.

Bank loan – BRED Banque Populaire
The Group entered into a loan facility totalling €13.0 million with BRED Banque Populaire which was entered into during the year ended 30 September 2018.

The total amount was fully drawn and matures on 15 December 2024. The loan carries an interest rate which is the aggregate of the applicable Euribor 3 months rate and a margin of 1.30% per annum payable quarterly. The facility was subject to an arrangement fee of €70,000 which is being amortised over the period of the loan. The debt has a LTV covenant of 60% and the ICR should be above 400%. The Group has purchased an interest rate cap to have risk coverage on the variation of the interest rate.

During the year ended 30 September 2020, the Group received a further €4.0 million of debt into SCI Directoire under its existing loan facility with BRED Banque Populaire. The additional loan amount carries an interest rate of 1.45% and was subject to a €30,000 arrangement fee which will be amortised over the period of the loan. The total loan facility stands at €17.0 million and matures on the original date of 15 December 2024.

The lender has a charge over property owned by the Group with a value of €42,000,000. A pledge of all shares in the borrowing Group company is in place.

Bank loan – Deutsche Pfandbriefbank AG
The Group has two loan facilities totalling €30.50 million with Deutsche Pfandbriefbank AG which were entered into during the year ended 30 September 2016.

Of the total amount drawn, €14.0 million matures on 30 June 2023 and carries a fixed interest rate of 0.85% per annum payable quarterly; the remaining €16.5 million matures on 30 June 2026 and carries a fixed interest rate of 1.31% per annum. An additional fixed fee of 0.30% per annum was payable until certain conditions relating to the Frankfurt property were fulfilled on 30 December 2016. The facility was subject to a 0.35% arrangement fee which is being amortised over the period of the loan. The debt has a LTV covenant of 65% and the debt yield must be at least 8%.

The lender has a charge over property owned by the Group with a value of €83,900,000. A pledge of all shares in the borrowing Group companies is in place.

Bank loan – Landesbank Saar
The Group entered into a loan facility of €8.6 million with Landesbank Saar on 27 March 2019.

The loan matures on 28 March 2024 and carries an interest rate of 1.40% plus Euribor 3 months per annum, payable quarterly. An additional 25bps is applied to the margin if the LTV is between 56% and 60%, or 50bps if the LTV is above 60%. The facility was subject to a €56,000 arrangement fee which is being amortised over the period of the loan. The debt has a LTV covenant of 64% and the interest cover should be above 220%. A pledge of all shares in the borrowing Group company is in place.

Bank loan – Landesbank Saar
On 25 November 2019, SCI Rumilly entered into a new loan facility with Landesbank Saar for €3.7 million.

20. Interest-bearing loans and borrowings continued

The loan matures on 30 April 2023 and carries an interest rate of 1.30% plus Euribor 3 months per annum payable quarterly. An additional 25bps is applied to the margin if the LTV is between 52% and 56%, or 50bps if the LTV is equal to or above 56%. The facility was subject to a €46,000 arrangement fee which is amortised over the period of the loan. The debt has a maximum LTV covenant of 60% and a minimum ICR covenant of 200%. A pledge of all shares in the borrowing Group company is in place.

21. Trade and other payables

	Group 30/09/2021 €'000	Group 30/09/2020 €'000	Company 30/09/2021 €'000	Company 30/09/2020 €'000
Rent received in advance	1,306	1,515	–	–
Rental deposits	1,382	1,844	–	–
Interest payable	56	56	–	–
Retention payable	2	2	–	–
Credit loan facility	1,840	–	–	–
Accruals	2,361	2,391	1,322	857
Trade payables	598	928	–	–
	7,545	6,736	1,322	857

All trade and other payables are interest free and payable within one year. Included within the Group's accruals are amounts relating to management fees of €706,000 (2020: €332,000) and property expenses of €395,000 (2020: €997,000).

The Group agreed a revolving credit loan facility of €13,600,000 with BRED Banque Populaire during the year of which €1,840,000 was drawn in August 2021 and was outstanding at year end. Borrowings under the credit facility carry an interest rate of 1.50% p.a. and are repayable on demand. The credit facility matures in December 2021.

22. Net asset value per ordinary share

The NAV per ordinary share of 149.2 euro cents per share (2020: 150.9 euro cents per share) is based on the net assets attributable to ordinary shareholders of the Group of €199,532,000 (2020: €201,826,000), and 133,734,686 ordinary shares in issue at 30 September 2021 (2020: 133,734,686 ordinary shares).

23. 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 caps when required to limit exposure to interest rate risks, but does not have any other derivative instruments. The financial risk profile of the Group has been heightened due to the outbreak of the Covid-19 virus.

The main risks arising from the Group's financial instruments and properties are market price risk, currency risk, credit risk, liquidity risk and interest rate 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 Board monitors the market value of investment properties by having independent valuations carried out quarterly by a firm of independent chartered surveyors.

The pandemic and the measures taken to tackle Covid-19 continue to affect economies and real estate markets globally as the uncertainty and low volume of market transactions have increased the inherent price risk. Nevertheless, as at the year end, some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of market value.

Included in market price risk is currency risk, credit risk and interest rate risk which are discussed further below.

Currency risk

The Group's policy is for Group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where Group entities have liabilities in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already in that currency will, where possible, be transferred from elsewhere within the Group. The functional currency of all entities in the Group is the euro. Currency risk sensitivity has not been shown due to the small values of non-euro transactions. The table below details the Group's exposure to foreign currencies at the year end:

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23. Financial instruments, properties and associated risks continued

Net assets	Group 30/09/2021 €'000	Group 30/09/2020 €'000	Company 30/09/2021 €'000	Company 30/09/2020 €'000
Euros	199,944	201,963	180,601	163,154
Sterling	(425)	(350)	(425)	(350)
Rand	13	213	13	213
	199,532	201,826	180,189	163,017

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.

With regard to trade and other receivables, no impairment was required for these at the balance sheet date since the average rent collection during the year was above 90% and sufficient provisions were made against aged tenant receivables where these were doubtful. Management will continue to monitor the ability of the tenants to pay in future.

With regard to the loan to the Seville joint venture, the Directors have assessed this for an expected credit loss under IFRS 9 and, consequently, have recognised an impairment against the receivable; see note 6 for further details.

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 and a loan to a joint venture, 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.

The table below shows the balance of cash and cash equivalents held with various financial institutions at the end of the reporting year.

Bank	Ratings as at 30/09/2021	Group balance at 30/09/2021 €'000	Company balance at 30/09/2021 €'000
HSBC Bank plc	A+	1,422	790
ING Bank N.V.	A+	7,423	–
BNP Paribas	A+	1,223	–
BRED Banque Populaire	A	9	–
Santander	A	32,810	32,800
Societe Generale SA	A	991	291
Commerzbank AG	BBB+	1,829	–
FirstRand Bank Limited	BB-	10	10
		45,717	33,891

Bank	Ratings as at 30/09/2020	Group balance at 30/09/2020 €'000	Company balance at 30/09/2020 €'000
HSBC Bank plc	A+	479	56
ING Bank N.V.	A+	8,824	–
BNP Paribas	A+	2,236	–
BRED Banque Populaire	A+	45	–
Santander	A+	3,730	3,700
Societe Generale SA	A	802	–
Commerzbank AG	BBB+	1,707	–
FirstRand Bank Limited	BB–	212	212
		18,035	3,968

23. Financial instruments, properties and associated risks continued

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

	30/09/2021 Carrying amount €'000	30/09/2020 Carrying amount €'000
Office	**1,233**	1,462
Retail (including retail warehousing)	**350**	312
Industrial	**521**	588
	2,104	2,362

Rent receivables which are past their due date, but which were not impaired at the reporting date, were:

	30/09/2021 Carrying amount €'000	30/09/2020 Carrying amount €'000
0–30 days	**2,170**	2,452
31–60 days	**–**	–
61–90 days	**–**	–
91 days plus	**–**	–
	2,170	2,452

Liquidity risk

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

The Group's investments comprise of Continental European 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's 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 undiscounted maturity analysis of the financial liabilities.

As at 30 September 2021	**Carrying amount €'000**	**Expected cash flows €'000**	**6 months or less €'000**	**6 months to 2 years €'000**	**2–5 years €'000**	**More than 5 years €'000**
Financial liabilities						
Interest-bearing loans and borrowings and interest	**69,050**	**71,768**	**460**	**28,285**	**43,023**	**–**
Trade and other payables	**7,488**	**7,488**	**7,488**	**–**	**–**	**–**
Total financial liabilities	**76,538**	**79,256**	**7,948**	**28,285**	**43,023**	**–**

As at 30 September 2020	Carrying amount €'000	Expected cash flows €'000	6 months or less €'000	6 months to 2 years €'000	2–5 years €'000	More than 5 years €'000
Financial liabilities						
Interest-bearing loans and borrowings and interest	69,050	72,692	460	1,387	54,183	16,662
Trade and other payables	6,680	6,680	6,680	–	–	–
Total financial liabilities	75,730	79,372	7,140	1,387	54,183	16,662

Notes to the Financial Statements
Continued

23. Financial instruments, properties and associated risks continued

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, or is capped, the Group has limited exposure to interest rate risk, but is exposed to changes in fair value of long-term debt obligations driven by interest rate movements. As at 30 September 2021, the fair value of the Group's loans was €69.1 million, which was equal to the carrying amount (2020: fair value and carrying amount €69.1 million).

A 1% increase or decrease in short-term interest rates would decrease or increase the annual income and equity by €0.1 million (2020: €0.2 million) based on the net of cash and variable debt balances as at 30 September 2021.

Fair values

The fair values of financial assets and liabilities approximate their carrying values in the financial statements.

The fair value hierarchy levels are as follows:
- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset 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).

The following summarises the main methods and assumptions used in estimating the fair values of financial instruments and investment property (which is a non-financial asset).

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 13 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 30 September 2021, the fair value of the Group's loans was equal to its book value.

Trade and other receivables/payables – Level 3

All receivables and payables are deemed to be due within one year and as such the notional amount is considered to reflect the fair value.

Derivatives – Level 2

Fair values of derivatives are based on current market conditions compared to the terms of the derivative agreements.

Capital management

The Board's policy is to maintain a strong capital base so as 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 return to its equity shareholders through an appropriate level of gearing.

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

	30/09/2021 €'000	30/09/2020 €'000
Debt		
Loan facilities	**68,645**	68,428
Equity		
Called-up share capital and share premium	**60,971**	60,971
Retained earnings and other reserves	**138,561**	140,855
Total equity	**199,532**	201,826
Total debt and equity	**268,177**	270,254

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

The Company's capital structure is comprised of equity only.

24. Operating leases
The Group leases out its investment property under operating leases. At 30 September 2021, the future minimum lease receipts under non-cancellable leases are as follows:

The Group as a lessor	**30/09/2021 €'000**	30/09/2020 €'000
Less than one year	**13,661**	15,953
Between one and five years	**43,076**	46,075
More than five years	**9,211**	19,472
	65,948	81,500

The total above comprises the total contracted rent receivable as at 30 September 2021.

25. Related party transactions
Material agreements are disclosed in note 5 and Directors' emoluments are disclosed in note 9. Loans to related parties are disclosed in the consolidated and company statements of financial position and other amounts due from related parties are disclosed in note 18.

Details of dividends received from the joint venture are disclosed in note 16.

Interest receivable from the joint venture was impaired during the year; refer to note 6 for further details.

26. Contingent liability
There are no contingent liabilities other than those disclosed in note 10.

27. Capital commitments
At 30 September 2021 the Group had capital commitments of €51,000 (2020: €360,000) with regards to its directly held portfolio.

The Group is expected to incur a further €12,150,000 of capital construction works with regards to the comprehensive refurbishment of the Paris, Boulogne-Billancourt asset. These costs will be fully funded by both existing cash holdings and further future cash receipts from the purchaser during the development programme.

28. Employees
The Group has one employee who is appointed by the French branch of the Company. The total charge for the employee during the year was €24,000.

29. Post balance sheet events
There were no significant events occurring after the balance sheet date.

EPRA and Headline Performance Measures (Unaudited)

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

a. EPRA earnings and earnings per share
Represents total IFRS comprehensive income excluding realised and unrealised gains/losses on investment property, share of capital profit on joint venture investments and changes in fair value of financial instruments, including the loan made to the joint venture, divided by the weighted average number of shares.

	Year to 30 September 2021 €000 (unaudited)	Year to 30 September 2020 €000 (audited)
Total IFRS comprehensive income	**6,238**	28,398
Adjustments to calculate EPRA earnings:		
Net (gain)/loss from fair value adjustment on investment property	**(8,573)**	(25,505)
Exchange differences on monetary items (unrealised)	**(1)**	4
Net development revenue	**(1,541)**	–
Share of joint venture loss on investment property	**554**	2,776
Deferred tax and tax on development and trading properties	**2,374**	403
Current tax – restructuring	**–**	–
Net change in fair value of financial instruments	**7**	21
Adjustment in respect of provision of internal loan made to Seville joint venture (excluding interest)	**7,543**	2,492
EPRA earnings	**6,601**	8,589
Weighted average number of ordinary shares	**133,734,686**	133,734,686
EPRA earnings per share (cents per share)	**4.9**	6.4
IFRS earnings per share (cents per share)	**4.7**	21.2

b. EPRA Net Reinstatement Value

	Year to 30 September 2021 €000 (unaudited)
IFRS equity attributable to shareholders	**199,532**
Deferred tax and tax on development and trading properties	**4,298**
Adjustment in respect of joint venture deferred tax	**–**
Adjustment for fair value of financial instruments	**(14)**
Adjustment in respect of real estate transfer taxes	**15,824**
EPRA Net Reinstatement Value	**219,640**
Shares in issue at end of period	**133,734,686**
EPRA NRV per share (cents per share)	**164.2**

c. EPRA Net Tangible Assets

	Year to 30 September 2021 €000 (unaudited)
IFRS equity attributable to shareholders	**199,532**
Deferred tax	**4,298**
Adjustment for fair value of financial instruments	**(14)**
EPRA Net Tangible Assets	**203,816**
Shares in issue at end of period	**133,734,686**
EPRA NTA per share	**152.4**

d. EPRA Net Disposal Value

	Year to 30 September 2021 €000 (unaudited)
IFRS equity attributable to shareholders	**199,532**
Adjustment for the fair value of fixed interest rate debt	**278**
EPRA Net Disposal Value	**199,810**
Shares in issue at end of period	**133,734,686**
EPRA NDV per share	**149.4**

e. EPRA comparatives

	EPRA NRV (€m)	EPRA NTA (€m)	EPRA NDV (€m)
IFRS NAV in the period	199,532	199,532	199,532
Exclude: deferred tax	4,298	4,298	–
Exclude: the fair value of financial instruments	(14)	(14)	–
Include: the fair value of fixed interest rate debt	–	–	278
Include: Real estate transfer tax	15,824	–	–
EPRA NAV totals	**219,640**	**203,816**	**199,810**

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EPRA and Headline Performance Measures (Unaudited)
Continued

f. Headline earnings reconciliation
Headline earnings per share reflect the underlying performance of the Company calculated in accordance with the Johannesburg Stock Exchange Listing requirements.

	Year to 30 September 2021 €000 (unaudited)	Year to 30 September 2020 €000 (unaudited)
Total IFRS comprehensive income	**6,238**	28,398
Adjustments to calculate headline earnings exclude:		
Net valuation (profit)/loss on investment property	**(8,573)**	(25,505)
Net development revenue	**(1,541)**	–
Share of joint venture loss on investment property	**554**	2,776
Deferred tax	**2,374**	403
Net change in fair value of financial instruments	**7**	21
Adjustment in respect of provision of internal loan made to Seville joint venture (excluding interest)	**7,543**	2,492
Headline earnings	**6,602**	8,585
Weighted average number of ordinary shares	**133,734,686**	133,734,686
Headline and diluted headline earnings per share (cents per share)	**4.9**	6.4

Sustainability Performance Measures (Environmental) (unaudited)

The Company reports sustainability information in accordance with EPRA Best Practice Recommendations on Sustainability Reporting (sBPR) 2017, 3rd Edition for the 12 months 1 April 2020 – 31 March 2021, presented with comparison against 2019/20. As permitted by the EPRA Sustainability Reporting Guidelines, environmental data has been developed and presented in line with the Global Real Estate Sustainability Benchmark ('GRESB').

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

In 2020/21, out of the total 12 assets held by the Company at 31 March 2021, six were within the operational control reporting boundary of the Company (i.e. 'managed'). In 2019/20, there were also six such managed assets within the portfolio.

Energy and water consumption data is reported according to automatic meter reads, manual meter reads or invoice estimates. Historic consumption data has been restated where more complete and or accurate records have become available. Where required, missing consumption data has been estimated by pro-rating data from other periods using recognised techniques. The proportion of data that is estimated is presented in the footnotes to the data tables.

The Company at 31 March 2021 had one part-time direct employee and is served by the employees of Schroder Real Estate Investment Management Limited ('SREIM') as Investment Manager to the Company. Accordingly, the EPRA Overarching Recommendation for companies to report on the environmental impact of their own offices is not relevant/material and not presented in this report. This report has been prepared by energy and sustainability consultants, EVORA Global.

The Sustainability Performance Measures have been assured in accordance with AA1000 to provide a Type 2 Moderate Assurance unqualified audit of the sustainability content located between pages 81 to 94 of this Annual Report. The full Assurance Statement can be found at the following link: https://www.schroders.com/en/sysglobalassets/uk-campaigns/sreit/sereit-full-assurance-statement-epra-report-2020-21-fv2.pdf.

Total energy consumption (Elec-Abs; DH&C-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)		Total district heating/cooling consumption (kWh)	
Sector	2019	**2020**	2019	**2020**	2019	**2020**
Industrial: Industrial Park	3,150	**2,719**	101,763	**37,398**	–	**–**
Coverage*	100%	**100%**	100%	**100%**	–	**–**
Office: Corporate: High-Rise Office	1,365,313	**1,271,566**	1,199,588	**1,004,893**	830,184	**702,150**
Coverage*	100%	**100%**	100%	**100%**	100%	**100%**
Office: Corporate: Mid-Rise Office	546,007	**729,404**	–	**–**	372,514	**555,111**
Coverage*	100%	**100%**	–	**–**	100%	**100%**
Retail: Retail Centres: Shopping Centre	1,103,784	**910,295**	–	**–**	–	**–**
Coverage*	100%	**100%**	–	**–**	–	**–**
Retail: Retail Centres: Warehouse	73,905	**63,979**	274,784	**387,862**	–	**–**
Coverage*	100%	**100%**	100%	**100%**	–	**–**
Total	3,092,158	**2,977,963**	1,576,135	**1,430,153**	1,202,698	**1,257,261**
Coverage*	100%	**100%**	100%	**100%**	100%	**100%**
Total electricity, fuels and district heating	5,870,992	**5,665,377**				
Coverage (landlord-procured consumption)	100%	**100%**				
Renewable electricity %	20%	**27%**				
Coverage*	100%	**100%**				

* Landlord-procured consumption.

Consumption data relates to the managed portfolio only:
– Industrial: Industrial Park: Whole Building
– Office: Corporate: High-Rise Office: common parts and shared services
– Office: Corporate: Mid-Rise Office: common parts, shared services and/or tenant space, where procured by the landlord
– Retail: Retail Centres: Shopping Centre: common parts
– Retail: Retail Centres: Warehouse: common parts and shared services

Energy procured directly by tenants is not reported.

Percentage of data estimated through pro-rating across both the 2019/20 and 2020/21 reporting periods: electricity 3.37%, gas 6.87%, district heating 7%.

Sustainability Performance Measures (Environmental) (unaudited)
Continued

Renewable electricity (%) is calculated according to the attributes of energy supply contracts as at 31 March 2021 and only reflects renewable electricity procured under a 100% 'green tariff' (i.e. where generation is from 100% renewable source). The renewables percentage of standard (non 'green tariff') energy supplies are not currently known and therefore have not been included within this number.

All energy was procured from a third-party supplier. No 'self-generated' renewable energy was consumed during the reporting period and therefore is not presented here.

Coverage (landlord-procured consumption) relates to the proportion of assets for which landlord obtained data has been reported.

Where appropriate (for relevant assets), consumption data and asset NLA/GIA has been adjusted to reflect the Company's share of ownership.

Like-for-like energy consumption (Elec-LfL; DH&C-LfL; Fuels-LfL; Energy-Int)
The table below sets out the like-for-like landlord obtained energy consumption from the Company's managed portfolio by sector.

	Total electricity consumption (kWh)			Total fuel consumption (kWh)			Total district heating consumption (kWh)			Like-for-like Energy intensity (kWh/m²)		
Sector	2019	2020	% Change	2019	2020	% Change	2019	**2020**	% Change	2019	**2020**	% Change
Industrial: Industrial Park	3,149.87	**2,719.24**	-14%	101,762.84	**37,398.32**	-63%	–	**–**	–	41	**16**	-62%
Coverage*	100%	**100%**		100%	**100%**		–	**–**		100%	**100%**	
Office: Corporate: High-Rise Office	1,365,313.09	**1,271,566.29**	-7%	1,199,588.44	**1,004,892.50**	-16%	830,184.13	**702,149.83**	-15%	215	**189**	-12%
Coverage*	100%	**100%**		100%	**100%**		100%	**100%**		100%	**100%**	
Office: Corporate: Mid-Rise Office	546,006.59	**729,404.10**	34%	–	**–**	–	372,514.26	**555,111.24**	49%	33	**45**	39%
Coverage*	100%	**100%**		–	**–**		100%	**100%**		100%	**100%**	
Retail: Retail Centres: Shopping Centre	1,103,783.50	**910,294.50**	-18%	–	**–**	–	–	**–**	–	283	**233**	-18%
Coverage*	100%	**100%**		–	**–**		–	**–**		100%	**100%**	
Retail: Retail Centres: Warehouse	73,905.32	**63,978.51**	-13%	274,783.61	**387,862.00**	41%	–	**–**	–	62	**80**	30%
Coverage*	100%	**100%**		100%	**100%**		–	**–**		100%	**100%**	
Total	3,092,158.37	**2,977,962.64**	-4%	1,576,134.89	**1,430,152.82**	-9%	1,202,698	**1,257,261**	5%			
Coverage*	100%	**100%**		100%	**100%**		100%	**100%**				
Total electricity, fuels and district heating	5,870,991.65	**5,665,376.53**	-4%									
Coverage*	100%	**100%**										
Renewable electricity %	20%	**27%**										
Coverage[1]	100%	**100%**										

* Landlord-procured consumption.

Like-for-like excludes assets that were purchased, sold, under refurbishment or subject to a significant change in the scope of reported data during the two years reported.

Consumption data relates to the managed portfolio only:
- Industrial: Industrial Park: Whole Building
- Office: Corporate: High-Rise Office: common parts and shared services
- Office: Corporate: Mid-Rise Office: common parts, shared services and/or tenant space, where procured by the landlord.
- Retail: Retail Centres: Shopping Centre: common parts
- Retail: Retail Centres: Warehouse: common parts and shared services
- Energy procured directly by tenants is not reported.
- Percentage of data estimated through pro-rating across both 2019/20 and 2020/21 reporting period: electricity 3.37%, gas 6.87%, district heating 7%
- Renewable electricity (%) is calculated according to the attributes of energy supply contracts as at 31 March 2021 and only reflects renewable electricity procured under a 100% 'green tariff' (i.e. where generation is from 100% renewable source). The renewables percentage of standard (non 'green tariff') energy supplies are not currently known and therefore has not been included within this number

- Intensity: An intensity measure is reported for assets within the like-for-like portfolio. Numerators/denominators are aligned at the sector level as follows:
- Retail Centres: Shopping Centre: Common areas energy consumption (kWh) divided by common parts area (CPA m²)
- All other sectors: Common areas, shared service and/or whole building energy consumption (kWh) divided by gross internal area (GIA m²)

All energy was procured from a third-party supplier. No 'self-generated' renewable energy was consumed during the reporting period and therefore is not presented here.

Coverage (landlord-procured consumption) relates to the proportion of assets for which landlord obtained data has been reported

Where appropriate (for relevant assets), consumption data and asset NLA/GIA has been adjusted to reflect the Company's share of ownership.

Greenhouse gas emissions (GHG-Dir-Abs; GHG-Indir-Abs; GHG-Int)
The table below sets out the Company's managed portfolio greenhouse gas emissions by sector.

	Absolute emissions (tCO_2e)		Like-for-like emissions (tCO_2e)			Like-for-like intensity (kg CO_2e /m²)		
Sector	2019	**2020**	2019	**2020**	% Change	2019	**2020**	% Change
Industrial: Industrial Park								
Scope 1	24	**9**	24	**9**	-63%			
Scope 2	1	**1**	1	**1**	-17%	10.2	**4**	-61%
Scopes 1 & 2	26	**10**	26	**10**	-61%			
Coverage[1]	100%	**100%**	100%	**100%**		100%	**100%**	
Office: Corporate: High-Rise Office								
Scope 1	288	**241**	288	**241**	-16%			
Scope 2	299	**250**	299	**250**	-17%	37.2	**31**	-16%
Scopes 1 & 2	587	**491**	587	**491**	-16%			
Coverage*	100%	**100%**	100%	**100%**		100%	**100%**	
Office: Corporate: Mid-Rise Office								
Scope 1	–	**–**	–	**–**	–			
Scope 2	321	**429**	321	**429**	34%	9.9	**13**	33%
Scopes 1 & 2	321	**429**	321	**429**	34%			
Coverage*	100%	**100%**	100%	**100%**		100%	**100%**	
Retail: Retail Centres: Shopping Centre								
Scope 1	–	**–**	–	**–**	–			
Scope 2	320	**237**	320	**237**	-26%	82.1	**60**	-26%
Scopes 1 & 2	320	**237**	320	**237**	-26%			
Coverage*	100%	**100%**	100%	**100%**		100%	**100%**	
Retail: Retail Centres: Warehouse								
Scope 1	66	**93**	66	**93**	41%			
Scope 2	31	**26**	31	**26**	-17%	17.1	**21**	22%
Scopes 1 & 2	97	**119**	97	**119**	22%			
Coverage[1]	100%	**100%**	100%	**100%**		100%	**100%**	
Total Scope 1	378	**343**	378	**343**	-9%			
Total Scope 2	972	**942**	972	**942**	-3%			
Total Scope 1 & 2	1,351	**1,285**	1,351	**1,285**	-5%			
Coverage*	100%	**100%**	100%	**100%**				

* Landlord-procured consumption.

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.

Sustainability Performance Measures (Environmental) (unaudited)
Continued

The Fund's greenhouse gas (GHG) inventory has been developed as follows:
- Scope 1 GHG emissions relate to the use of onsite natural gas only.
- Scope 2 GHG emissions relate to the use of electricity and district heating.
- 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.
- Electricity GHG emissions factors are taken from the CO_2 Emissions from Fuel Combustion, International Energy Agency (2019 and 2020).
- Natural gas GHG emissions factors are taken from JRC Technical Reports: Covenant of Mayors for Climate and Energy: Default emission factors for local emission inventories (2017).
- District heating GHG emissions factors are taken from the Process Data set: District heating mix, ÖKOBAUDAT, Federal Ministry of the Interior, Building and Community, Germany (2018).

Emissions data relates to the managed portfolio only:
- Industrial: Industrial Park: Whole Building
- Office: Corporate: High-Rise Office: common parts and shared services
- Office: Corporate: Mid-Rise Office: common parts, shared services and/or tenant space, where procured by the landlord
- Retail: Retail Centres: Shopping Centre: common parts
- Retail: Retail Centres: Warehouse: common parts and shared services
- Emissions associated with energy procured directly by tenants is not reported

Percentage of data estimated through pro-rating across both 2019/20 and 2020/21 reporting period: electricity 3.37%, gas 6.87%, district heating 7%.

Intensity: An intensity measure is reported for assets within the like for like portfolio. Numerators/denominators are aligned at the sector level as follows:

Retail Centres: Shopping Centre: Common areas energy consumption (kWh) divided by common parts area (CPA m^2).

All other sectors: Common areas, shared service and/or whole building energy consumption (kWh) divided by gross internal area (GIA m^2).

Coverage (landlord-procured consumption) relates to the proportion of assets for which landlord obtained data has been reported.

Where appropriate (for relevant assets), consumption data and asset NLA/GIA has been adjusted to reflect the Company's share of ownership.

Water (Water-Abs; Water-LfL; Water-Int)
The table below sets out water consumption from the Company's managed portfolio by sector.

	Absolute water consumption (m³)		Like-for-like water consumption (m³)			Like-for-like intensity (m³/m²)		
Sector	2019	**2020**	2019	**2020**	% Change	2019	**2020**	% Change
Industrial: Industrial Park	136	**87**	136	**87**	-36%	0.05	**0.03**	-36%
Coverage*	100%	**100%**	100%	**100%**		100%	**100%**	
Office: Corporate: High-Rise Office	21,069	**14,670**	21,069	**14,670**	-30%	1.34	**0.93**	-30%
Coverage*	100%	**100%**	100%	**100%**		100%	**100%**	
Office: Corporate: Mid-Rise Office	1,752	**1,644**	1,752	**1,644**	-6%	0.10	**0.10**	-6%
Coverage*	100%	**100%**	100%	**100%**		100%	**100%**	
Retail: Retail Centres: Shopping Centre	7,678	**4,032**	7,678	**4,032**	-47%	0.49	**0.26**	-47%
Coverage*	100%	**100%**	100%	**100%**		100%	**100%**	
Retail: Retail Centres: Warehouse	428	**455**	428	**455**	6%	0.08	**0.08**	6%
Coverage*	100%	**100%**	100%	**100%**		100%	**100%**	
Total	21,634	**20,888**	31,064	**20,888**	-33%			
Coverage*	100%	**100%**	100%	**100%**				

* Landlord-procured consumption.

Like-for-like excludes assets that were purchased, sold, under refurbishment or subject to a significant change in the scope of reported data during the two years reported.

Consumption data relates to the managed portfolio only:
– Industrial: Industrial Park: Whole Building
– Office: Corporate: High-Rise Office: Whole Building
– Office: Corporate: Mid-Rise Office: Whole Building
– Retail: Retail Centres: Warehouse: Whole Building
– Retail: Retail Centres: Shopping Centre: Whole Building

All water was procured from a municipal supply. As far as we are aware, no surface, ground, rainwater or wastewater from another organisation was consumed during the reporting period and therefore is not presented here.

Percentage of data estimated through pro-rating across both the 2019/20 and 2020/21 reporting periods: 0%.

Intensity: An intensity measure is reported for assets within the like-for-like portfolio. Numerators/denominators are aligned as follows:

Whole building water consumption (m³) divided by gross internal area (GIA m²).

Coverage (landlord-procured consumption) relates to the proportion of assets for which landlord obtained data has been reported.

Where appropriate (for relevant assets), consumption data and asset NLA/GIA has been adjusted to reflect the Company's share of ownership.

Sustainability Performance Measures (Environmental) (unaudited)

Continued

Waste (Waste-Abs; Waste-LfL)

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

		Absolute tonnes				Like-for-like tonnes				
		2019		**2020**		2019		**2020**		
		Tonnes	%	**Tonnes**	**%**	Tonnes	%	**Tonnes**	**%**	**% Change**
Industrial: Industrial Park	Recycled	0.00	–	**0.00**	**–**	0.00	–	**0.00**	**–**	–
	Incineration with energy recovery	0.00	–	**0.00**	**–**	0.00	–	**0.00**	**–**	–
	Unknown	0.00	–	**0.00**	**–**	0.00	–	**0.00**	**–**	–
	Landfill	0.00	–	**0.00**	**–**	0.00	–	**0.00**	**–**	–
	Total	0.00		**0.00**		0		**0.00**		–
	Coverage*		–		**–**		–		**–**	
Office: Corporate: High-Rise Office	Recycled	0.00	–	**0.00**	**–**	0.00	–	**0.00**	**–**	–
	Incineration with energy recovery	0.00	–	**0.00**	**–**	0.00	–	**0.00**	**–**	–
	Unknown	0.00	–	**0.00**	**–**	0.00	–	**0.00**	**–**	–
	Landfill	0.00	–	**0.00**	**–**	0.00	–	**0.00**	**–**	–
	Total	0.00		**0.00**		0		**0.00**		–
	Coverage*		–		**–**		–		**–**	
Office: Corporate: Mid-Rise Office	Recycled	18.95	24.4%	**10.37**	**15.8%**	18.95	24.4%	**10.37**	**15.8%**	**-45.3%**
	Incineration with energy recovery	58.72	75.6%	**55.08**	**84.2%**	58.72	75.6%	**55.08**	**84.2%**	**-6.2%**
	Unknown	0.00	0.0%	**0.00**	**0.0%**	0.00	0.0%	**0.00**	**0.0%**	–
	Landfill	0.00	0.0%	**0.00**	**0.0%**	0.00	0.0%	**0.00**	**0.0%**	–
	Total	77.67		**65.45**		77.67		**65.45**		**-15.7%**
	Coverage*		100%		**100%**		100%		**100%**	
Retail: Retail Centres: Shopping Centre	Recycled	0.00	–	**0.00**	**–**	0.00	–	**0.00**	**–**	–
	Incineration with energy recovery	0.00	–	**0.00**	**–**	0.00	–	**0.00**	**–**	–
	Unknown	0.00	–	**0.00**	**–**	0.00	–	**0.00**	**–**	–
	Landfill	0.00	–	**0.00**	**–**	0.00	–	**0.00**	**–**	–
	Total	0.00		**0.00**		0		**0.00**		–
	Coverage*		–		**–**		–		**–**	
Retail: Retail Centres: Warehouse	Recycled	0.00	0.0%	**0.00**	**0.0%**	0.00	0.0%	**0.00**	**0.0%**	–
	Incineration with energy recovery	8.49	100.0%	**8.46**	**100.0%**	8.49	100.0%	**8.46**	**100.0%**	**-0.4%**
	Unknown	0.00	0.0%	**0.00**	**0.0%**	0.00	0.0%	**0.00**	**0.0%**	–
	Landfill	0.00	0.0%	**0.00**	**0.0%**	0.00	0.0%	**0.00**	**0.0%**	–
	Total	8.49		**8.46**		8.49		**8.46**		**-0.4%**
	Coverage*		100%		**100%**		100%		**100%**	
Total	Recycled	18.95	21.99%	**10.37**	**14.0%**	18.95	22.0%	**10.37**	**14.0%**	**-45.3%**
	Incineration with energy recovery	67.21	78.01%	**63.54**	**86.0%**	67.21	78.0%	**63.54**	**86.0%**	**-5.5%**
	Unknown	0.00	0.00%	**0.00**	**0.0%**	0.00	0.0%	**0.00**	**0.0%**	–
	Landfill	0.00	0.00%	**0.00**	**0.0%**	0.00	0.0%	**0.00**	**0.0%**	–
	Total	86		**74**		86		**74**		**-14.2%**
	Coverage*		100%		**100%**		100%		**100%**	

* Landlord-procured consumption.

Whilst zero waste is sent direct to landfill, a residual component of the ‘recycled’ and ‘incineration with energy recovery’ waste streams may end up in landfill.

Like-for- like excludes assets that were purchased, sold, under refurbishment or subject to a significant change in the scope of reported data during the two years reported.

Waste data relates to the managed portfolio only.

Waste management procured directly by tenants is not reported.

Reported data relates to non-hazardous waste only; robust tonnage data on the small quantities of hazardous waste produced is not available.

German waste data protocol applies a standard waste tonnage based on the waste collection frequency.

Coverage (landlord-procured consumption) relates to the proportion of assets for which landlord obtained data has been reported.

Where appropriate (for relevant assets), consumption data and asset NLA/GIA has been adjusted to reflect the Company’s share of ownership.

Sustainability certification: Green building certificates (Cert-Tot)
The table below sets out the proportion of the Company’s total portfolio with a Green Building Certificate by floor area.

Rating	Portfolio by Floor Area
Office: Corporate: Mid-Rise Office (BREEAM In Use: Good)	16%
Retail Centres: Shopping Centre (BREEAM In Use: Very Good/Excellent)	8%
All other sectors	0%
Coverage*	**100%**

* Landlord-procured consumption.

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).

Where appropriate (for relevant assets), consumption data and asset NLA/GIA has been adjusted to reflect the Company’s share of ownership.

Sustainability Performance Measures (Environmental) (unaudited)
Continued

Sustainability Certification: Energy Performance Certificates (Cert-Tot)
The table below sets out the proportion of the Company's total portfolio with an Energy Performance Certificate by floor area.

Energy Performance Certificates

Rating	Portfolio by Floor Area
A+	0%
A	8%
B	22%
C	5%
D	27%
E	8%
F	0%
G	11%
Exempt	0%
No EPC	19%
Total	**100%**
Coverage*	**100%**

* Landlord-procured consumption.

Energy Performance Certificate ('EPC') records for the Company are provided for the portfolio as at 31 March 2021 by portfolio floor area.

Data provided includes the whole portfolio i.e. managed and non-managed assets.

German EPCs do not have a letter rating system used in certification, rather they are given an energy intensity measure and a comparable benchmark figure. An in-house conversion process has been applied to these outputs to give an indicative A-G rating. With this approach it has been possible to plot all EPCs on the same scale and provide an indication of the Company's EPC distribution.

The French EPC rating system operates on a scale of A to I.

Where appropriate (for relevant assets), consumption data and asset NLA/GIA has been adjusted to reflect the Company's share of ownership.

The underlying data for the EPC at Hornbach is incorrect and is being investigated. This is therefore not an accurate representation of the asset's performance.

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 had one part-time direct employee at 31 March 2021; the relevant date for this reporting period. A number of these social performance measures relate to entity employees; however, as there is only one part-time direct employee these measures are not material for reporting at the entity level. The Investment Manager to the Company, Schroder Real Estate Investment Management Limited, is part of Schroders PLC which has responsibility for the employees that support the Company. The Company aims to comply with EPRA's Guidelines and therefore has included Social and Governance Performance Measure disclosures in this report. However, these are presented as appropriate for the activities and responsibilities of Schroder European Real Estate Investment Trust Plc (the 'Company'), Schroders PLC or the Investment Manager, Schroder Real Estate Investment Management Limited.

The Schroders PLC Annual Report and Accounts for the 12 months to 31 December 2020 supports the performance measures in relation to the Investment Manager as set out below. Schroders PLC's principles in relation to people including diversity, gender pay gap, values, employee satisfaction survey, wellbeing and retention can be found at:
– 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 four members: 1 (25% female); 3 (75% male).

For further information on Schroders PLC 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 45 of this Report and Accounts document.

Schroders PLC female representation and gender pay report can be found in Schroders 2020 Annual Report and Accounts (page 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)
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 2020/21.

The following are reported for Schroders PLC:

Employee turnover and retention (Emp-Turnover)
For Schroders PLC 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

Sustainability Performance Measures (Social)
Continued

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

The following are reported in relation to the assets held in the Company's portfolio over the reporting period to 31 March 2021:

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

	Portfolio by floor area (%)	
	2019/20	**2020/21**
All sectors	100%	**100%**

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

	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 completed local community engagement, impact assessments and/or development programs.

	Portfolio by number assets (%)	
	2019/20[1]	**2020/21[2]**
Retail Centres: Shopping Centre	13%	**17%**
Industrial: Distribution Warehouse	0%	**9%**
Office: Corporate: Mid-Rise Office	0%	**5%**
Retail: Retail Centres: Warehouse	0%	**3%**
Total	13%	**34%**

1 Calculated using NLA
2 Calculated using GIA

Sustainability Performance Measures (Governance)

Composition of the highest governance body (Gov-Board)

The Board of the Company comprised four non-executive directors (0 executive board members) as at 30 September 2021:

– The average tenure of the four directors to 30 September 2021 is 4 years and 8 months
– The number of directors with experience relating to environmental and social topics is 4/4 and their experience can be seen in their biographies.

Nominating and selecting the highest governance body (Gov-Select)

The role of the Nomination and Remuneration Committee, chaired by Sir Julian Berney Bt., 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 and Remuneration Committee leads the process and makes recommendations to the Board.

Before the appointment of a new director, the Nomination and Remuneration Committee prepares a description of the role and capabilities required for a particular appointment. While the Nomination and Remuneration 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: https://www.schroders.com/en/identification-and-management-of-conflicts-of-interest/.

The Board has approved a policy on Directors' conflicts of interest. Under this policy, Directors are required to disclose all actual and potential conflicts of interest to the Board as they arise for consideration and approval. The Board may impose restrictions or refuse to authorise such conflicts if deemed appropriate.

Energy and Carbon Report

Schroder European Real Estate Investment Trust plc (the 'Company'/ 'SEREIT') invests in European growth cities and regions. It is a UK closed ended real estate investment company incorporated on 9 January 2015.

The Company has a premium listing on the Official List of the UK Listing Authority and its shares have been trading on the Main Market of the London Stock Exchange (ticker: SERE) since 9 December 2015. It also has a secondary listing on the Main Board of the Johannesburg Stock Exchange (ticker: SCD).

The Company is within the scope of the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, (the 'Regulations') and is required to report on its UK energy use, associated Scope 1 (direct) and 2 (indirect) greenhouse gas ('GHG') emissions, an intensity metric and, where applicable, global energy use (as defined in section 92 of the Climate Change Act 2008). This reporting is also referred to as Streamlined Energy and Carbon Reporting ('SECR'). In addition, the Regulations advise providing a narrative on energy efficiency actions taken in the previous financial year.

This Energy and Carbon Report applies for the Company's Annual Report for the 12 months to 30 September 2021. The statement has however been prepared for the 12 months to 31 March 2021, to report annual figures for emissions and energy use for the period for which such information is available. The usage for the period 1 April 2021 to 31 March 2022 will be included in the annual report for the 12 months to 30 September 2022.

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.

At 31 March 2021 the Company held six properties with operational control in total all of which are located in Continental Europe (i.e. outside of the UK and offshore area).

The Company is not directly responsible for any GHG emissions/energy usage at single let/Full Repairing and Insuring assets nor at multi-let assets where the tenant is counterparty to the energy contract. These emissions form part of the wider value chain (i.e. 'Scope 3') emissions, which are not required to be reported on and not monitored at present. As a real estate company with only one part time direct employee and no company owned vehicles as at 31 March 2021, energy consumption and emissions associated with travel and occupation of corporate offices is either not relevant or material to report. Fugitive emissions associated with refrigerant losses from air conditioning equipment are not typically collected and aggregated across portfolios by the industry, however over the next year will look to improve monitoring emissions associated with refrigerant losses.

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 and intensity ratios include 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 voids where utility responsibility may be temporarily met by the Landlord are 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 Offices and Retail Warehouses. For Retail Shopping Centres, the most relevant denominator is common parts area. The intensity ratio is expressed as:

- Energy: kilowatt hours per metre square (net lettable area or common parts area) per year, or, $kWh/m^2/yr$.
- 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)	
	2019/20	**2020/21**	2019/20	**2020/21**
Gas	1,576,135	**1,430,153**	1,576,135	**1,430,153**
Electricity	3,092,158	**2,977,963**	3,092,158	**2,977,963**
District heating	1,202,698	**1,257,261**	1,202,698	**1,257,261**
Total	5,870,992	**5,665,377**	5,870,992	**5,665,377**
Change in energy		**-4%**		**-4%**

	Absolute emissions (tCO_2e)		Like-for-like emissions (tCO_2e)	
	2019/20	**2020/21**	2019/20	**2020/21**
Scope 1 (Direct emissions from gas consumption)	378	**343**	378	**343**
Scope 2 (Indirect emissions from electricity)	972	**942**	972	**942**
Total	1,351	**1,285**	1,351	**1,285**
Change in emissions		**-5%**		**-5%**

The like for like energy consumption for the 2020 calendar year for the managed assets held within the Company has decreased by 4%, the greenhouse gas emissions have decreased by 5%. Energy performance improvement initiatives are considered for all directly managed assets; operational initiatives undertaken include LED upgrades.

The table below sets out the Company's like for like energy and GHG intensities by sector.

	Energy intensities (kWh per m²)		Emissions intensities (tCO_2e per m²)	
	2019/20	**2020/21**	**2019/20**	**2020/21**
Office: Corporate: High-Rise Office	215	**189**	37.2	**31.1**
Office: Corporate: Mid-Rise Office	33	**45**	9.9	**13.1**
Retail Centres: Warehouse	62	**80**	17.1	**21**
Retail Centres: Shopping Centre	283	**233**	82.1	**60.7**
Industrial: Industrial Park	41	**16**	10.2	**4**

Methodology

- All energy consumption and GHG emissions reported occurred at the Company's assets all of which are located in Continental Europe (i.e. outside UK and offshore area).
- Energy consumption data is reported according to automatic meter reads, manual meter reads or invoice estimates. Historic energy and consumption data have been restated where more complete and or accurate records have become available. Where required, missing consumption data has been estimated through pro-rata extrapolation. Data has been adjusted to reflect the Company's share of asset ownership, where relevant.
- Data reported aligns with that reported under the EPRA Sustainability Reporting Performance Measures also disclosed within the Company's Report and Accounts. EPRA Sustainability Reporting Performance Measures have been assured by an independent third party, in accordance with AA1000 Assurance Standard. The Assurance Statement can be found on page 95.
- 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 (CH4), hydrofluorocarbons ('HFCs'), nitrous oxide (N20), perfluorocarbons ('PFCs'), sulphur hexafluoride (SF6) and nitrogen triflouride (NF3).
  - GHG emissions from electricity (Scope 2) are reported according to the 'location-based' approach.
  - On the next page, the following greenhouse gas emissions conversion factors and sources have been applied:

Energy and Carbon Report
Continued

Country	Emissions source	GHG emissions factor	Emissions factor data source
France	Electricity 2019	0.069kgCO_2e	CO_2 Emissions from Fuel Combustion, International Energy Agency (2019), (2020)
	Electricity 2020	0.060kgCO_2e	
Germany	Electricity 2019	0.419kgCO_2e	CO_2 Emissions from Fuel Combustion, International Energy Agency (2019), (2020)
	Electricity 2020	0.400kgCO_2e	
	District heating	0.247kgCO_2e	Process Data set: District heating mix, ÖKOBAUDAT, Federal Ministry of the Interior, Building and Community, Germany (2018)
Netherlands	Electricity 2019	0.439kgCO_2e	CO_2 Emissions from Fuel Combustion, International Energy Agency (2019), (2020)
	Electricity 2020	0.420kgCO_2e	
Spain	Electricity 2019	0.290kgCO_2e	CO_2 Emissions from Fuel Combustion, International Energy Agency (2019), (2020)
	Electricity 2020	0.260kgCO_2e	
France, Germany, Netherlands	Gas	0.240kgCO_2e	JRC Technical Reports. Covenant of Mayors for Climate and Energy: Default emission factors for local emission inventories (2017)

Energy efficiency actions

Environmental data management system and quarterly reporting

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

Energy target, audits and improvement programme

The Investment Manager has an energy and greenhouse gas emissions performance reduction target to achieve a 3% reduction in landlord-controlled energy consumption and greenhouse gas emissions by 2020/21 (2017/18 baseline) across its German portfolio which includes assets of the Company. The Investment Manager, together with sustainability consultants EVORA Global and Property Managers, 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.

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

SREIM has an objective to procure 100% renewable electricity for landlord-controlled supplies. At 31 March 2021 27% of the Company's landlord controlled electricity was on renewable tariffs. No carbon offsets were purchased during the reporting period.

Assurance Summary Statement

EVORA Global Ltd. ("EVORA") was engaged by Schroder Real Estate Investment Management Limited ('SREIM') to provide assurance of the sustainability content of Schroder European Real Estate Investment Trust plc ('SEREIT') 2021 Annual Report for the reporting period of 1 April 2020 31 March 2021.

The assurance was provided in accordance with AccountAbility's AA1000 Assurance Standard V3 (AA1000AS) Type 2 moderate level and EPRA Best Practice Recommendations for Sustainability Reporting (sBPR) 2017 3rd Edition. EVORA's scope of assurance covered a series of indicators and assertions contained in the report including:

- Absolute and Like-For-Like:
  - Electricity Consumption (kWh)
  - District Heating (kWh)
  - Fuels Consumption (kWh)
  - Water Consumption (m^3)
  - Greenhouse Gas (GHG) Emissions (tCO_2e)
  - Waste (tonnes)
- Intensity Calculations:
  - Energy (kWh/m^2)
  - GHG ($kgCO_2e/m^2$)
  - Water (m^3/m^2)
- Energy rating coverage (%)
- Green Building Certification coverage (%)
- Alignment check of SEREIT's reporting against EPRA sBPR Guidelines 2017 across all the performance measures.

EVORA's full assurance statement includes certain limitations, findings and recommendations for improvement, adherence to AA1000 Accountability Principles, and a detailed assurance methodology.

The full assurance statement with EVORA's independent opinion can be found at https://www.schroders.com/en/sysglobalassets/uk-campaigns/sreit/sereit-full-assurance-statement-epra-report-2020-21-fv2.pdf.

EVORA

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Glossary

Admission	means the admission of the Company's ordinary shares to the premium segment of the Official List, to trading on the LSE's main market for listed securities, and to trading on the main board of the JSE on 9 December 2015.
AGM	means the Annual General Meeting of the Company.
Articles	means the Company's Articles of Association, as amended from time to time.
Companies Act	means the Companies Act 2006, as amended.
Company	is Schroder European Real Estate Investment Trust plc.
Directors	means the Directors of the Company as at the date of this document and their successors and 'Director' means any one of them.
Disclosure Guidance and Transparency Rules	means the disclosure guidance and transparency rules made by the FCA under Part VII of the UK Financial Services and Markets Act 2000, as amended.
Earnings per share ('EPS')	is the profit after taxation divided by the weighted average number of shares in issue during the period. Diluted and Adjusted EPS per share are derived as set out under NAV.
Estimated rental value ('ERV')	is the Group's external valuers' reasonable opinion as to the open market rent which, on the date of 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 earnings	represents the net income generated from the operational activities of the Group. It excludes 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, and debt instruments, and unrealised gains or losses on currency translation.
FCA	is the UK Financial Conduct Authority.
Gearing	is the Group's net debt as a percentage of 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.
IPO	is the initial placing and offer made pursuant to a prospectus dated 11 November 2015.
JSE	is JSE Limited.
Loan to value ('LTV')	is a ratio which expresses the gearing on an asset or within a company or Group by dividing the outstanding loan amount by the value of the assets on which the loan is secured.
LSE	is the London Stock Exchange.
Listing rules	means the listing rules made by the FCA under Part VII of the UK Financial Services and Markets Act 2000, as amended.
Net Asset Value ('NAV')	is the total assets' value minus total liabilities.
NAV total return	is calculated taking into account the timing of dividends, share buybacks and issuance.
Net rental income	is the rental income receivable in the period after payment of ground rents and net property outgoings.
Passing rent	is the annual rental income currently receivable on a property as at the Balance Sheet date. This excludes rental income for rent free periods currently in operation and service charge income.
WAULT	is the weighted average unexpired lease term. This is the average time remaining to the next lease break date or lease expiry date.

Alternative Performance Measures (unaudited)

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

Dividend Cover – the ratio of EPRA Earnings (page 78) to dividends paid (note 12) in the period. Earnings excludes capital items such as revaluation movements on investments and gains or losses on the disposal of investment properties.

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

EPRA Earnings – earnings excluding all capital components not relevant to the underlying net income performance of the Company, such as the unrealised fair value gains or losses on investment properties and any gains or losses from the sales of properties. See page 78 for a reconciliation of this figure.

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

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

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

Gross LTV – the value of the external loans unadjusted for unamortised arrangement costs (page 10) expressed as a percentage of the gross assets excluding cash as at the Balance Sheet date. The gross assets are calculated on a proportional basis and includes the Group's 50% share in the Seville joint venture.

LTV Net of Cash – the value of the external loans unadjusted for unamortised arrangement costs (page 10) less cash held (page 74) expressed as a percentage of the gross assets including cash as at the Balance Sheet date. The gross assets are calculated on a proportional basis and includes the Group's 50% share in the Seville joint venture.

Ongoing Charges (including fund only expenses) – all fund 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 or acquisition/disposal fees, are excluded.

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.

Share Discount/Premium – the share price of the Company 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 10) expressed as a percentage.

NAV total return – the return to shareholders calculated on a per share basis by adding dividends paid (note 12) in the period on a time-weighted basis to the increase or decrease in the NAV per share (page 10).

Explanation of Special Business

This section is important and requires your immediate attention.
If you are in any doubt about the action you should take, you should consult an independent financial adviser, authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all of your ordinary shares in the Company, please forward this document with its accompanying form of proxy at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

The AGM of the Company will be held on Tuesday, 8 March 2022 at 2.00 p.m. at 1 London Wall Place, London EC2Y 5AU. The formal Notice of Meeting is set out on pages 100 to 103. The following paragraphs explain the special business to be put to the AGM.

Resolution 2 – Directors' Remuneration Policy (ordinary resolution)
To reflect market practice, the Board is proposing to amend the Directors' Remuneration Policy to provide that the Chairman of the Audit Valuation and Risk Committee may receive fees at a higher rate that other Directors to reflect his additional responsibilities.

Resolution 11 – Directors' authority to allot ordinary shares (ordinary resolution) and Resolution 12 – Power to disapply pre-emption rights (special resolution)
The Investment Manager believes that there are ongoing opportunities to generate attractive risk-adjusted returns through investing in accordance with the Company's investment policy.

In order to facilitate further equity raises to fund such investment opportunities, the Directors are seeking authority to allot up to a specified number of ordinary shares for cash without first offering them to existing shareholders in accordance with statutory pre-emption procedures.

Appropriate resolutions will be proposed at the forthcoming AGM and are set out in full in the Notice of AGM. An ordinary resolution will be proposed to authorise the Directors to allot shares up to a maximum aggregate nominal amount of £1,337,346 (being 10% of the issued share capital as at the date of the Notice of the AGM). A special resolution will also be proposed to give the Directors authority to allot securities for cash on a non-pre-emptive basis up to a maximum aggregate nominal amount of £1,337,346 (being 10% of the Company's issued share capital as at the date of the Notice of the AGM). This authority includes shares that the Company sells or transfers that have been held in treasury. The Board has established guidelines for treasury shares and will only reissue shares held in treasury at a price equal to or greater than the Company's net asset value (inclusive of current year income) plus any applicable costs.

The Directors do not intend to allot shares pursuant to these authorities other than to take advantage of opportunities in the market as they arise and only if they believe it to be advantageous to the Company's existing shareholders to do so and when it would not result in any dilution of NAV per share.

If approved, both of these authorities will expire at the conclusion of the AGM in 2023 unless renewed, varied or revoked earlier.

Resolution 13 – Authority to make market purchases of the Company's own shares (special resolution)
At the AGM held on 3 March 2021, the Company was granted authority to make market purchases of up to 20,046,829 ordinary shares of 10 pence each for cancellation or holding in treasury. No ordinary shares have been bought back under this authority and the Company therefore has remaining authority to purchase up to 20,046,829 ordinary shares. This authority will expire at the forthcoming AGM.

The Directors believe it is in the best interests of the Company and its shareholders to have a general authority for the Company to buy back its ordinary shares in the market as they keep under review the share price discount to net asset value and the purchase of ordinary shares. A special resolution will be proposed at the forthcoming AGM to give the Company authority to make market purchases of up to 14.99% of the ordinary shares in issue as at the date of the Notice of the AGM. The Directors will exercise this authority only if the Directors consider that any purchase would be for the benefit of the Company and its shareholders, taking into account relevant factors and circumstances at the time. Any ordinary shares so purchased would be held in treasury. If renewed, the authority to be given at the 2022 AGM will lapse at the conclusion of the AGM in 2023 unless renewed, varied or revoked earlier.

Resolution 14 – Amendment to Articles (special resolution)
The Board is proposing to make amendments to the Articles to give the Company the flexibility to hold general meetings (wholly or partially) by electronic means and to enable members to attend and participate in general meetings at one or more satellite meeting places. In addition, the Board is proposing to amend the Articles to give it certain additional powers in respect of postponing or adjourning meetings in appropriate circumstances and the security arrangements at meetings. The amendments are being proposed in response to restrictions on social interactions during the Covid-19 pandemic which have, on occasion, made it impossible or impractical for shareholders to attend physical general meetings. The Board's aim in introducing these changes is to make it easier for shareholders to participate in general meetings through introducing electronic access for those not able to travel and to ensure appropriate security measures are in place for the protection and wellbeing of shareholders.

The Board is also proposing certain additional amendments to the Articles, including correcting typographical errors and updating legislative references.

The principal changes proposed to be introduced in the Articles, and their effect, are set out below.

(i) Electronic participation in general meetings
The Board will have the ability to determine the means of attendance and participation used in relation to general meetings of the Company, including whether the meeting shall be held physically (at one or more locations), through an electronic facility, or partly in one way and partly in another.

(ii) Adjournment of general meetings
The chairman of the meeting will have the ability to interrupt or adjourn general meetings to such time and with such means of attendance and participation as the chairman may determine without the consent of the meeting if it appears to the chairman that the facilities at any general meeting (including those conducted wholly or partly electronically) have become inadequate.

(iii)Postponement of general meeting
The Board's existing powers to postpone and/or move the location of a general meeting will be expanded to allow the Board to change a physical meeting to an electronic meeting and vice versa. The Board may exercise its ability to postpone a meeting if, in its absolute discretion, it considers that it is impractical or unreasonable for any reason to hold the meeting on the date or at the time or at any place specified in the notice calling the general meeting.

(iv) Documents available for inspection at a meeting
If, in the case of a general meeting which is held wholly or partly by means of an electronic facility, any document is required to be on display or available for inspection at that meeting (whether prior to and/or for the duration of the meeting), the Company shall ensure that it is electronically available to persons entitled to inspect it for at least the required period of time.

(v) Accommodation of members and security arrangements
The Board's existing powers to put in place security arrangements at meetings will be expanded to give the Board the ability to make such arrangements as the Board shall in its absolute discretion consider to be appropriate to ensure the security and orderly conduct of the meeting and to control the level of attendance at any meeting (including at any principal meeting place, satellite meeting place or electronic facility). Similarly, if a general meeting is held wholly or partly by means of an electronic facility, the Board may make any arrangement and impose any requirement or restriction that is necessary to ensure the identification of those taking part by way of such electronic facility and the security of electronic communication.

(vi) Method of voting at meetings conducted wholly or partly electronically
A resolution put to the vote at a general meeting held wholly or partly by means of an electronic facility or facilities shall be decided on a poll, with poll votes to be cast by such electronic means as the Board, in its sole discretion, deems appropriate for the purposes of the meeting.

(vii) Additional updates
The Board is also proposing certain additional amendments to the Articles, including updating legislative references in the definition of "Onerous Obligation", updating Article 191 (US Tax Matters) to enable the Board to require a member to declare whether a share held by them is a "Prohibited Share" and correcting certain typographical errors.

The proposed new Articles (marked to show the proposed changes) will be available for inspection on the Company's website at www.schroders.co.uk/sereit from the date of this Report and Accounts until the conclusion of the Annual General Meeting or may be obtained from the Company Secretary by requesting a copy using the address and details provided on the inside back cover. The proposed new Articles (marked to show the proposed changes) will also be available for inspection at the place of the forthcoming Annual General Meeting for at least 15 minutes before and during that Annual General Meeting.

Recommendation
The Board considers that the resolutions relating to the above items of special business and the other items of business set out in the Notice of Meeting, including the re-election of Directors, are in the best interests of shareholders as a whole. Accordingly, the Board unanimously recommends to shareholders that they vote in favour of the above resolutions and the other resolutions to be proposed at the forthcoming AGM, as they intend to do in respect of their own beneficial holdings.

Sir Julian Berney Bt.
Chairman

6 December 2021

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Schroder European Real Estate Investment Trust plc will be held on Tuesday, 8 March 2022 at 2.00 p.m. at 1 London Wall Place, London EC2Y 5AU to consider the following resolutions of which resolutions 1 to 11 will be proposed as ordinary resolutions and resolutions 12 to 14 will be proposed as special resolutions:

1. To receive the Report of the Directors and the audited accounts for the year ended 30 September 2021.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 30 September 2021.
4. To re-elect Sir Julian Berney Bt. as a Director of the Company.
5. To re-elect Mr Jonathan Thompson as a Director of the Company.
6. To re-elect Mr Mark Patterson as a Director of the Company.
7. To re-elect Mrs Elizabeth Edwards as a Director of the Company.
8. To re-appoint PricewaterhouseCoopers LLP as Auditors to the Company.
9. To authorise the Directors to determine the remuneration of PricewaterhouseCoopers LLP as Auditors to the Company.
10. To approve the Company's dividend policy as set out on page 37 of the Annual Report and Accounts for the year ended 30 September 2021.
11. To consider and, if thought fit, pass the following resolution as an ordinary resolution:

    'That in substitution for all existing authorities the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot relevant securities (within the meaning of section 551 of the Act) up to an aggregate nominal amount of £1,337,346 (being 10% of the issued ordinary share capital, at the date of this Notice) for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next Annual General Meeting of the Company, but that the Company may make an offer or agreement which would or might require relevant securities to be allotted after expiry of this authority and the Board may allot relevant securities in pursuance of that offer or agreement.'
12. To consider and, if thought fit, to pass the following resolution as a special resolution:
    'That, subject to and conditional on the passing of Resolution 11 set out above, the Directors be and are hereby empowered, pursuant to sections 570 and 573 of the Act, to allot or sell equity securities (including any ordinary shares held in treasury) (as defined in section 560(1) of the Act) pursuant to the authority given in accordance with section 551 of the Act by Resolution 11 and/or where such allotment constitutes an allotment of equity securities by virtue of section 560(2) of the Act as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £1,337,346 (representing 10% of the aggregate nominal amount of the share capital in issue at the date of this Notice); and provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry.'
13. To consider and, if thought fit, to pass the following resolution as a special resolution:
    'That the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Act to make market purchases (within the meaning of section 693 of the Act) of ordinary shares of 10 pence each in the capital of the Company ('Shares') at whatever discount the prevailing market price represents to the prevailing net asset value per Share provided that:
    a. The maximum number of Shares which may be purchased is 20,046,829, representing 14.99% of the Company's issued ordinary share capital as at the date of this Notice;
    b. The maximum price (exclusive of expenses) which may be paid for a Share shall not exceed the higher of:
        i. 105% of the average of the middle market quotations for the Shares as taken from the London Stock Exchange Daily Official List for the five business days preceding the date of purchase; and
        ii. the higher of the last independent bid and the highest current independent bid on the London Stock Exchange;
    c. The minimum price (exclusive of expenses) which may be paid for a Share shall be 10 pence, being the nominal value per Share;
    d. This authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company in 2023 (unless previously renewed, varied or revoked by the Company prior to such date);
    e. The Company may make a contract to purchase Shares under the authority hereby conferred which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract; and
    f. Any Shares so purchased will be cancelled or held in treasury.'
14. To consider and, if thought fit, to pass the following resolution as a special resolution:
    'That the amended Articles as set out in the printed document produced to the meeting (and initialled by the Chairman of the meeting for the purposes of identification) be and are hereby approved and adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, all existing Articles of Association.'

By order of the Board
For and on behalf of
Schroder Investment Management Limited
Registered Number: 09382477
Registered Office: 1 London Wall Place, London EC2Y 5AU
6 December 2021

Explanatory Notes to the Notice of Meeting

Information for shareholders on the UK register

1. Ordinary shareholders are entitled to attend and vote at the meeting and to appoint one or more proxies, who need not be a shareholder, as their proxy to exercise all or any of their rights to attend, speak and vote on their behalf at the meeting.

   A proxy form is attached. If you wish to appoint a person other than the Chairman as your proxy, please insert the name of your chosen proxy holder in the space provided at the top of the form. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account). Additional proxy forms can be obtained by contacting the Company's Registrars, Equiniti Limited, on 0800 032 0641 or +44 (0)121 415 0207 for overseas callers, or you may photocopy the attached proxy form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. Completion and return of a form of proxy will not preclude a member from attending the Annual General Meeting and voting in person.

   On a vote by show of hands, every ordinary shareholder who is present in person has one vote and every duly appointed proxy who is present has one vote. On a poll vote, every ordinary shareholder who is present in person or by way of a proxy has one vote for every share of which he/she is a holder.

   The 'Vote Withheld' option on the proxy form is provided to enable you to abstain on any particular resolution. However it should be noted that a 'Vote Withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.

   A proxy form must be signed and dated by the shareholder or his or her attorney duly authorised in writing. In the case of joint holdings, any one holder may sign this form. The vote of the senior joint holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder and for this purpose seniority will be determined by the order in which the names appear on the Register of Members in respect of the joint holding. To be valid, proxy form(s) must be completed and returned to the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, in the enclosed envelope together with any power of attorney or other authority under which it is signed or a copy of such authority certified notarially, to arrive no later than 48 hours before the time fixed for the meeting, or an adjourned meeting. Shareholders may also appoint a proxy to vote on the resolutions being put to the meeting electronically at www.sharevote.co.uk. Shareholders who are not registered to vote electronically will need to enter the Voting ID, Task ID and Shareholder Reference Number set out in their personalised proxy form. Alternatively, shareholders who have already registered with Equiniti's Shareview service can appoint a proxy by logging onto their portfolio at www.shareview.co.uk using their user ID and password. Once logged in click 'View' on the 'My Investments' page and click on the link to vote. The on-screen instructions give details on how to complete the appointment process. Please note that to be valid, your proxy instructions must be received by Equiniti no later than 2.00 p.m. on Friday, 4 March 2022. If you have any difficulties with online voting, you should contact the shareholder helpline on 0800 032 0641 (or +44 (0)121 415 0207 for overseas callers). If an ordinary shareholder submits more than one valid proxy appointment, the appointment received last before the latest time for receipt of proxies will take precedence.

   Shareholders may not use any electronic address provided either in this Notice of Annual General Meeting or any related documents to communicate with the Company for any purposes other than expressly stated.

   Representatives of shareholders that are corporations will have to produce evidence of their proper appointment when attending the Annual General Meeting.

2. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him or her and the shareholder by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

   The statement of the rights of ordinary shareholders in relation to the appointment of proxies in note 1 above does not apply to Nominated Persons. The rights described in that note can only be exercised by ordinary shareholders of the Company.

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered in the Register of members of the Company at 6.30 p.m. on Friday, 4 March 2022, or 6.30 p.m. two days prior to the date of an adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the Register of Members after 6.30 p.m. on Friday, 4 March 2022 shall be disregarded in determining the right of any person to attend and vote at the meeting.

4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual. The CREST manual can be viewed at www.euroclear.com. A CREST message appointing a proxy (a 'CREST proxy instruction') regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction previously given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time for receipt of proxy appointments.

Explanatory Notes to the Notice of Meeting
Continued

5. Copies of the terms of appointment of the non-executive Directors and a statement of all transactions of each Director and of his family interests in the shares of the Company, will be available for inspection by any member of the Company at the registered office of the Company during normal business hours on any weekday (English public holidays excepted) and at the Annual General Meeting by any attendee, for at least 15 minutes prior to, and during, the Annual General Meeting. During such period that Covid-19 restrictions are imposed, interested parties are invited to email the Company Secretary on amcompanysecretary@schroders.com to arrange access to these. None of the Directors has a contract of service with the Company.

6. The biography of the Directors offering themselves for re-election is set out in the Company's Annual Report and Accounts for the year ended 30 September 2021.

7. As at 6 December 2021, 133,734,686 ordinary shares of 10 pence each were in issue (no shares were held in treasury). Therefore the total number of voting rights of the Company as at 6 December 2021 was 133,734,686.

8. A copy of this Notice of meeting, which includes details of shareholder voting rights, together with any other information as required under section 311A of the Companies Act 2006, is available from the Company's webpage, www.schroders.co.uk/sereit.

9. Pursuant to section 319A of the Companies Act 2006, the Company must cause to be answered at the Annual General Meeting any question relating to the business being dealt with at the Annual General Meeting which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.

Information for shareholders on the South Africa register

Certificated shareholders and own-name registered dematerialised shareholders

1. Each shareholder is entitled to appoint one or more proxies (none of whom need be a shareholder of the Company) to attend, speak, vote or abstain from voting in place of that shareholder at the Annual General Meeting of shareholders.

2. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting 'the Chairman of the Meeting,' but any such deletion must be initialled by the shareholder. The person whose name stands first on the form of proxy and who is present at the Annual General Meeting of shareholders will be entitled to act as proxy to the exclusion of those whose names follow.

3. Forms of proxy must be lodged with or posted to the transfer secretaries, Computershare Investor Services (Pty) Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (Private Bag X9000, Saxonwold 2132, South Africa), faxed to +27 11 688 5238 or emailed to proxy@computershare.co.za to be received by no later than 2.00 p.m. (Johannesburg time) on Friday, 4 March 2022.

4. The completion and lodging of a form of proxy will not preclude the shareholder from attending the Annual General Meeting and speaking and voting in person to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

5. If the signatory does not indicate in the appropriate place on the face of the proxy how he/she wishes to vote in respect of any resolutions, his/her proxy shall be entitled to vote as he/she deems fit in respect of that resolution. The Chairman intends to vote all available undirected proxies in favour of all Resolutions.

6. The Chairman of the Meeting shall be entitled to decline to accept the authority of a person signing this form of proxy:
   - Under a power of attorney; or
   - On behalf of a company;

   unless the power of attorney or authority is deposited at the office of the Company's transfer secretaries, not less than 48 hours before the time appointed for the holding of the Annual General Meeting.

7. The Chairman of the Meeting may reject or accept any form of proxy, which is completed and/or received other than in accordance with these notes, provided that the Chairman is satisfied as to the manner in which the shareholder concerned wishes to vote.

8. Subject to note 2 above, a deletion of any printed matter and the completion of any blank spaces on the form of proxy need not be signed or initialled. Any alterations must be signed, not initialled.

9. If the shareholding is not indicated on the form of proxy, the proxy will be deemed to be authorised to vote the total shareholding registered in the shareholder's name.

10. A vote given in terms of an instrument of proxy shall be valid in relation to the Annual General Meeting, notwithstanding the death of the person granting it, or the revocation of the proxy, or the transfer of the shares in the Company in respect of which the vote is given, unless an intimation in writing of such death, revocation or transfer is received by the transfer secretaries no less than 48 hours before the commencement of the Annual General Meeting.

11. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to the form of proxy unless previously recorded by the Company or its transfer secretaries or waived by the Chairman of the Meeting.

12. Where a form of proxy is signed under power of attorney, such power of attorney must accompany this form of proxy, unless it has previously been registered with the Company or the transfer secretaries.

13. Where there are joint holders of shares and if more than one such joint holder is present or represented thereat, then the person whose name appears first in the register of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof.

14. Where shares are held jointly, all joint holders are required to sign.

15. A minor must be assisted by his/her parent or guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries of the Company.

Dematerialised shareholders who have not selected 'own-name' registrations

16. Dematerialised shareholders who have not selected 'own-name' registration and who wish to attend the Annual General Meeting or to vote by way of proxy, must advise their CSD Participant or broker who will issue the necessary letter of representation in writing, for a dematerialised shareholder or proxy to do so. Dematerialised shareholders who have not selected 'own-name' registration, who are unable to attend the Annual General Meeting and who wish to vote there at must provide their CSD Participant or broker with their voting instructions in terms of the custody agreement entered into between such shareholder and their CSD Participant or broker in the manner and time stipulated there in.

Shareholder Information

Webpages and share price information
The Company has dedicated webpages, which may be found at: www.schroders.co.uk/sereit. The webpages have been designed to be utilised as the Company's primary method of electronic communication with shareholders. They contain details of the Company's ordinary share price and copies of Annual Report and Accounts and other documents published by the Company as well as information on the Directors, terms of reference of Committees and other governance arrangements. In addition, the webpages contain links to announcements made by the Company to the market, Equiniti's shareview service and Schroders' website. There is also a section entitled 'How to Invest'.

Share price information may be found in the Financial Times and on the Company's webpages.

Association of Investment Companies
The Company is a member of the Association of Investment Companies. Further information on the Association can be found on its website: www.theaic.co.uk.

ISA status
The Company's shares are eligible for stocks and shares ISAs.

Non-mainstream pooled investments status
The Company currently conducts its affairs so that its shares can be recommended by IFAs to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The Company's shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Alternative Investment Fund Managers Directive ('AIFMD') disclosures
The AIFMD, as transposed into the FCA Handbook in the UK, requires that certain pre-investment information be made available to investors in Alternative Investment Funds (such as the Company) and also that certain regular and periodic disclosures are made. This information and these disclosures may be found either below, elsewhere in this Annual Report, or in the Company's AIFMD information disclosure document published on the Company's webpages.

Remuneration disclosures
The information required under the AIFMD to be made available to investors in the Company on request in respect of remuneration paid by the AIFM to its staff, and, where relevant, carried interest paid by the Company, can be found on the Company's webpages.

Publication of Key Information Document ('KID') by the AIFM
Pursuant to the Packaged Retail and Insurance Based Products ('PRIIPs') Regulation, the Investment Manager, as the Company's AIFM, is required to publish a short KID on the Company. KIDs are designed to provide certain prescribed information to retail investors, including details of potential returns under different performance scenarios and a risk/reward indicator. The Company's KID is available on its webpages. The calculation of figures and performance scenarios contained in the KID have been neither set nor endorsed by the Board.

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 June 2021 as shown below (the Company calculates and externally reports its leverage one quarter in arrears):

	Maximum limit set	Actual as at 30.06.21
Gross leverage	200	116
Commitment leverage	240	145

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.

Corporate Information

Directors
Sir Julian Berney Bt.
Jonathan Thompson
Mark Patterson
Elizabeth Edwards

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Company Secretary
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Riverside
London SE1 2RT

Property Valuers
Knight Frank LLP
55 Baker Street
London W1U 8AN

Dealing codes
ISIN: GB00BY7R8K77
SEDOL: BY7R8K7
Ticker (LSE): SERE
Ticker (JSE): SCD

Global Intermediary Identification Number (GIIN):
SU6VCJ.99999.SL.826

Legal Entity Identifier (LEI):
549300BHT1Z8NI4RLD52

JSE Sponsor
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Transfer Secretary
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Registrar
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Aspect House
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West Sussex BN99 6DA
Shareholder Helpline:
0800 032 0641[1]

Website: www.shareview.co.uk

1 Calls to this number are free of charge from UK landlines.

Communications with shareholders are mailed to the address held on the register. Any notifications and enquiries relating to shareholdings, including a change of address or other amendment should be directed to Equiniti Limited at the address above.

Schroders

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