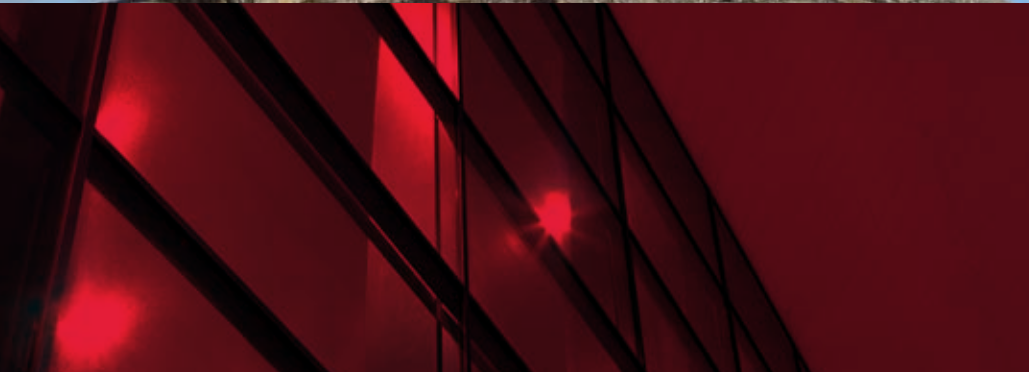




CREATING  
VALUE THROUGH  
SUSTAINABILITY



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The information in this report relates to our UK and Continental European operations between 1 January 2010 and 31 December 2010. It is structured in line with our most material sustainability impacts, identified through a process of stakeholder dialogue and review.

We welcome your feedback on our approach  
and performance at **[sustainability@SEGRO.com](mailto:sustainability@SEGRO.com)**

# INTRODUCTION

## TALKING SUSTAINABILITY

OUR FOCUS ON DEVELOPING SUSTAINABLE BUILDINGS AND MANAGING THEM EFFICIENTLY HELPS OUR CUSTOMERS TO ACHIEVE COST EFFICIENCIES FROM LOWER ENERGY AND WATER BILLS, AT THE SAME TIME AS REDUCING THEIR CARBON FOOTPRINT.

We strive not only to make our buildings sustainable but to ensure that the estates on which they are located are well-connected to their local communities, either by proximity or through good public transport links. Locations such as the Slough Trading Estate and IQ Winnersh serve both local and international businesses, providing high-quality buildings in a sustainable environment, with excellent transport links and comprehensive regeneration programmes.

All of our buildings are undergoing energy-efficiency assessments to identify where upgrading or refurbishment is required and, in the UK, to meet the CRC Energy Efficiency Scheme. This systematic approach will ensure that all buildings, both new and old, meet customer requirements.

Our sustainability strategy is encouraging us to develop more efficient buildings and identify opportunities to improve our existing stock. It is also helping us to get closer to our occupiers, as we work with them on Green Leases and Memoranda of Understanding.

Sustainability reporting and implementation are now more embedded in our day-to-day business operations. For instance, the Sustainability Framework for Developments is now integrated into the approvals process for capital expenditure. At Energy Park Vimercate near Milan, we are targeting a LEED Silver environmental rating, with the development well positioned to deal with the impacts of potential energy supply restrictions, increasingly stringent environmental regulation and climate change.



**IAN COULL,**  
**CHIEF EXECUTIVE**  
(2003 TO APRIL 2011)

We have continued to make good progress this year on our journey to embed sustainability into every aspect of our business. This includes improvements to our data collection systems which will help ensure we have the data we need to more effectively measure the impact of our sustainability efforts.

We are pleased to have consistently stayed ahead of environmental regulation, as well as anticipating demand from occupiers and investors. At the same time, we recognise that this agenda is constantly evolving and continue our efforts to drive performance.



**DAVID SLEATH,**  
**CHIEF EXECUTIVE**  
(FROM APRIL 2011)

We have come a long way over the last two years, developing and implementing a comprehensive sustainability strategy, measuring performance and seeing real progress against our sustainability targets. This has only been made possible by the way in which members of our team, at all levels, have taken on responsibility for a range of sustainability initiatives, reporting on data across our managed portfolio and changing how they think about the way we do business.

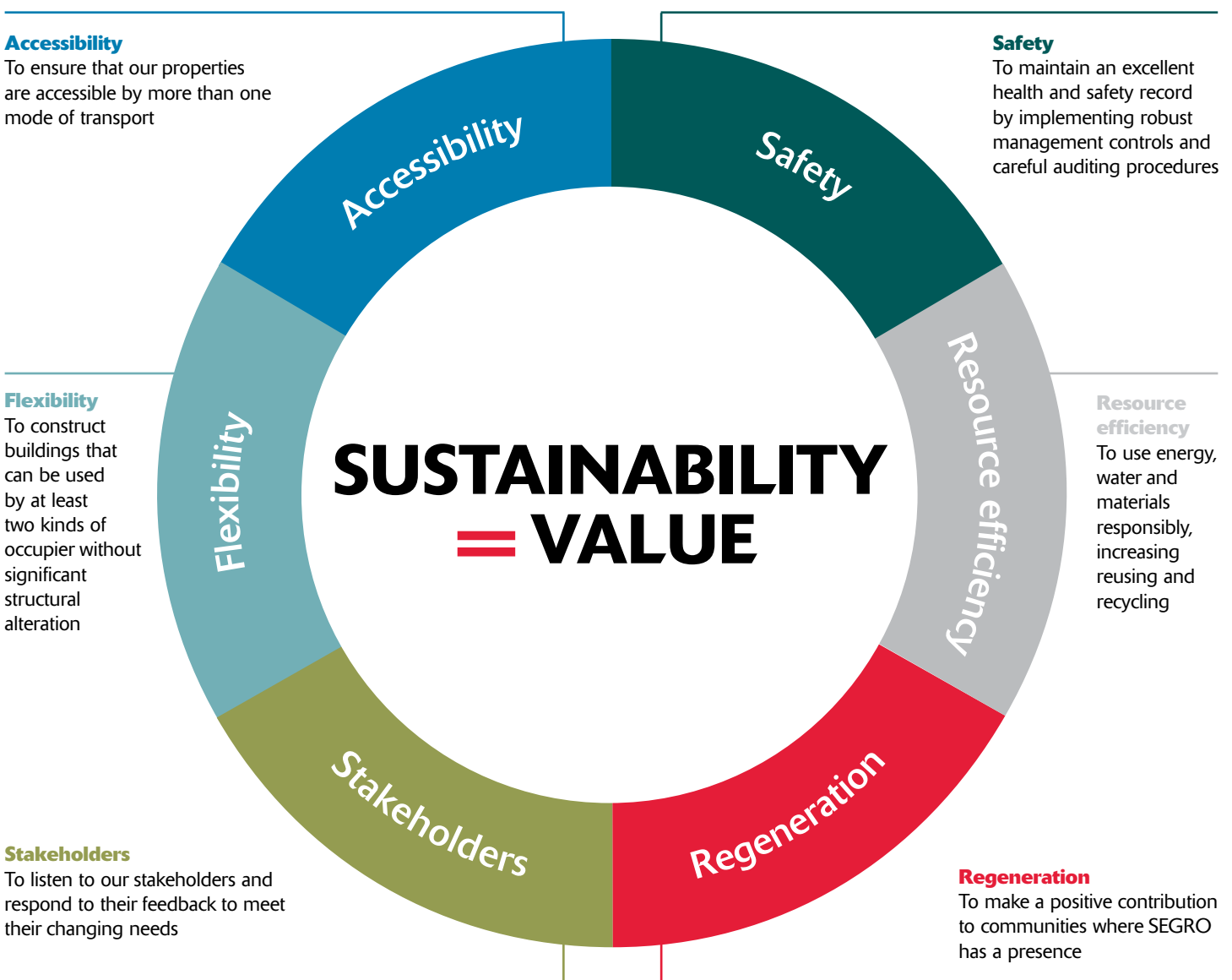
In 2011, we will continue our efforts to drive forward the sustainability agenda, working with people across our business and beyond to cut energy and water costs for our occupiers, and make a positive local contribution where we have a presence. We recognise that we have more to do, and are stepping up our efforts to deliver more sustainable buildings and manage our properties more efficiently, without significant additional costs. I look forward to continuing this journey and overcoming the challenges we encounter.

# INTRODUCTION

## OUR STRATEGY

OUR FIVE-YEAR STRATEGY, DEVELOPED IN 2009, SETS OUT OUR MATERIAL ISSUES AND OBJECTIVES: SAFETY, RESOURCE EFFICIENCY, REGENERATION, STAKEHOLDERS, FLEXIBILITY AND ACCESSIBILITY.

Our strategy was informed by an independent survey of our customers, discussions with our employees and major stakeholders, and consultation with experts.



# INTRODUCTION

## SUMMARY OF OUR 2010 PERFORMANCE

### SUMMARY OF OUR PROGRESS AGAINST OUR 2014 TARGETS.

For more information, please see pages 7 to 20.

SEGRO has over 1,700 customers and the majority of our buildings are let on the basis that the occupier is directly responsible for the electricity, gas and water bills. Reflecting this, we have reported energy usage, water consumption and carbon data on 1.6 million sq m, which is approximately 30 per cent of our portfolio by area and relates to our own offices, common parts, vacant properties and the relatively small number of properties where we have multi-lets or it is local market practice for the landlord to recharge the utility bills via the service charge. Our larger customers report energy and water usage and carbon emissions for the buildings they occupy in their own sustainability reports.

Our portfolio contrasts with the majority of our listed peers with predominantly retail and office portfolios. Here the majority of occupiers pay their utility bills via the service charge and the energy use is reported by the landlord.

#### SAFETY

##### **MAINTAIN A ZERO FATALITY RATE THROUGHOUT GROUP OPERATIONS.**

There were no fatalities across our operations. (See page 7.)

##### **ENSURE NO HEALTH AND SAFETY PROSECUTIONS OR ENFORCEMENT ACTION THROUGHOUT GROUP OPERATIONS.**

We had zero reported instances of non-compliance with regulations concerning customer health and safety in connection with our operations, including penalties and fines. (See page 7.)

#### ENERGY

##### **IMPROVE OUR ENERGY EFFICIENCY BY 30 PER CENT.**

We reduced energy intensity by 8 per cent per sq m in the multi-let buildings we manage. (See page 8.)

##### **CONSTRUCT BUILDINGS WITH 30 PER CENT BETTER ENERGY EFFICIENCY THAN BASE BUILD.**

Our current developments are forecast, when completed, to achieve 51 per cent better energy efficiency on average than current standards in the UK, and 10 per cent better in Continental Europe. (See page 10.)

##### **INVESTIGATE THE FEASIBILITY OF RENEWABLE ENERGY FOR EVERY DEVELOPMENT SITE.**

We investigated the feasibility of renewable energy sources at all of our new developments. At the latest phase of our office development at IQ Winnersh, completed in the first quarter of 2010, one MWh will be generated from ground-source heat pumps. (See page 10.)

#### WATER

##### **REDUCE WATER USE BY 20 PER CENT.**

Reported water usage reduced to 68,680 cubic metres (2009: 93,729 cubic metres, which included a large proportion of estimated data for UK water use). (See page 11.)

##### **CONSTRUCT BUILDINGS WITH 20 PER CENT BETTER WATER EFFICIENCY THAN BASE BUILD.**

The installation of water-efficiency measures and water recycling means that our current developments are forecast, when completed, to use 10 per cent less mains water on average than current standards. (See page 11.)

We are continuing to work to reduce energy intensity and water use in relation to our own consumption and the consumption which is recharged to occupiers. However, we recognise that we can have a more material impact on energy consumption across our portfolio through improving the energy efficiency of our developments and existing buildings to reduce the amount of resources consumed by our occupiers and this is a key focus of our ongoing sustainability efforts.

In 2010, we made significant improvements in our data collection and measurement systems. This, together with the inclusion of the first full year of the former Brixton portfolio in our dataset, has led to an increase in our reported carbon footprint and energy consumption. We have also restated 2009 data where appropriate. However, with such a large number of buildings and diverse portfolio, reporting our energy data remains challenging and there are still improvements to be made in our reporting processes and data capture to improve the accuracy and completeness of our data. We are continuing to work on this in 2011.

#### WASTE

##### **REUSE OR RECYCLE 80 PER CENT OF DEVELOPMENT WASTE.**

We reused or recycled 90 per cent of all non-hazardous construction and demolition waste. (See page 11.)

##### **REDUCE THE WEIGHT OF DEVELOPMENT WASTE TO LANDFILL BY 70 PER CENT.**

We reduced the weight of non-hazardous construction and excavation waste to landfill to 794 tonnes, from 1,005 tonnes in 2009. (See page 11.)

#### REGENERATION

##### **INVEST IN COMMUNITIES WHERE WE HAVE A MAJOR PRESENCE.**

We invested more than £1.2 million in good causes, through money, time and donation of business space and we invested in local communities around eight of our largest business locations in the UK. (See page 12.)

##### **ENSURE COMMUNITY ENGAGEMENT PLANS ARE IN PLACE WHERE WE HAVE A MAJOR PRESENCE.**

We maintained Community Engagement Plans at two of our largest locations in the UK (Slough Trading Estate and IQ Winnersh). (See page 12.)

#### STAKEHOLDERS

##### **ENGAGE WITH A SIGNIFICANT NUMBER OF CUSTOMERS TO IMPROVE SUSTAINABILITY.**

We engaged with 64 customers (representing £49 million of annualised rental income) with the aim of reducing energy and water costs. (See page 14.)

#### ACCESSIBILITY

##### **ALL APPROPRIATE DEVELOPMENTS AND MANAGED ESTATES TO HAVE A TAILORED TRAVEL PLAN.**

We maintained Green Travel Plans at three of our largest locations in the UK (Slough Trading Estate, IQ Winnersh and Heywood Distribution Park). (See page 18.)

## RESOURCE EFFICIENCY CARBON

In October 2010, we published our full carbon footprint for the first time, covering 2009 emissions from the energy we purchased both for our own use and on behalf of our customers. Our total carbon footprint for 2010 was 19,300 tonnes (2009: 13,700 tonnes). This increase was due to significant improvements in data comprehensiveness and accuracy, combined with an increase in the number of vacant properties, following our acquisition of Brixton plc in August 2009. During 2010, we reduced the vacancy rate in the former Brixton portfolio to 18.6 per cent from 22.1 per cent. We also worked with occupiers to reduce carbon emissions.



Energy Park Vimercate near Milan is targeting a LEED Silver environmental rating, with 37 per cent lower forecast carbon emissions and energy bills than standard buildings, thanks to sustainability initiatives such as ground-source heating and cooling.

## RESOURCE EFFICIENCY ENERGY COSTS

We are working with our customers to reduce energy costs, for instance by replacing traditional light bulbs with energy-efficient alternatives, improving building insulation, and installing motion and daylight sensors. SEGRO purchased £4.4 million of electricity and gas in 2010 (2009: £3.8 million).



By reviewing energy usage and costs across our portfolio, our property teams identified opportunities to negotiate better rates and improve efficiency, for instance saving over £50,000 at two of our buildings at IQ Winnersh in Reading.

## RESOURCE EFFICIENCY WATER COSTS

We are working with our customers to reduce water costs, for instance by installing dual-flush toilets, low-flow taps and automatic urinal flushing, as well as introducing rainwater harvesting schemes. In 2010, SEGRO purchased £351,100 of water (2009: £342,700).



At Aéroпарк Gonesse in Paris, we are targeting Haute Qualité Environnementale (HQE) for our new logistics building, with proposed sustainability features including rainwater harvesting, photovoltaic panels and a heat recovery system. This follows our awards for Marly la Ville in Paris and Portes de France in Saint Denis (pictured).

## RESOURCE EFFICIENCY WASTE MANAGEMENT

We reused or recycled 6,900 tonnes of development waste (2009: 24,200 tonnes) primarily as a result of the lower level of development activity. In 2011, we will be working with our property management teams and waste contractors to gather waste data from across our managed portfolio and encourage recycling.



## FLEXIBILITY

### FLEXIBLE PLANNING

At Heywood Distribution Park in Manchester, we secured the creation of the first new Simplified Planning Zone in the UK since 1998, giving the flexibility to develop a range of commercial buildings, without requiring separate planning applications.



## SAFETY

### SAFETY AWARD

Our high standards in managing health and safety risks were recognised with a British Safety Council International Safety Award, for the second year running.



## REGENERATION

### COMMUNITIES

In 2010, we invested £1.2 million to support community projects and charitable causes through money, time and donation of business space. Our employees spent some 2,000 hours on volunteering, fundraising and managing community initiatives, equivalent to almost one day for each employee.



Our partnership with LandAid, the property industry charity, created a new learning centre set to support 400 homeless and vulnerable young people each year. We funded this extension to a supported accommodation facility provided by St Basils youth agency in Birmingham, near to our Kings Norton Business Centre and Meteor Park.



We donated almost £120,000 to ActionAid, our Charity of the Year, comprising money raised by employees and match-funding by SEGRO.

## STAKEHOLDERS

### GREEN ENGAGEMENT

SEGRO was one of the first developers to introduce Green Leases for industrial buildings in Europe, as well as Green Memoranda of Understanding for existing occupiers. Throughout the year, we engaged with 64 customers, of which 61 per cent comprised ongoing engagement from 2009. We have signed 97 Green Leases and Memoranda of Understanding over the last few years.

## STAKEHOLDERS

### EMPLOYEE SATISFACTION

In 2010, we commissioned an independent and confidential employee engagement survey across the Group, achieving an excellent 89 per cent response rate.

Of our employees, 82 per cent are willing to go beyond the requirements of their role to help SEGRO succeed and are confident SEGRO will be successful in the future. A further 79 per cent reported a sense

of personal accomplishment from their work and 73 per cent stated they have clearly-defined performance objectives. These results are reflected in our employee retention rates, which continue to be high in 2010, at 87 per cent.

## STAKEHOLDERS

### CUSTOMER SATISFACTION

73 per cent of our UK customers surveyed in 2010 rated their overall satisfaction as an occupier as 'good' or 'excellent', significantly outperforming the industry average. However, this was a slight reduction on our 2008 satisfaction levels, and so we are stepping up our efforts to meet our customers' needs during a challenging time for many businesses.

We are focusing on encouraging communication, working more closely with occupiers to understand their changing business needs, and responding to requests quickly and efficiently, as well as providing good value, particularly around service charges.

**// IN 2010, OUR CONTINENTAL EUROPEAN TEAM STARTED THE ROLLOUT OF A PROACTIVE CUSTOMER RELATIONSHIP MANAGEMENT ACTION PLAN, APPOINTING CUSTOMER CHAMPIONS IN EACH REGION AND IMPLEMENTING CUSTOMER-FOCUSED KEY PERFORMANCE MEASURES. //**

**Stijn Peeters**  
SEGRO Customer Services Manager, Continental Europe

# SAFETY

**OBJECTIVE:** TO MAINTAIN AN EXCELLENT HEALTH AND SAFETY RECORD BY IMPLEMENTING ROBUST MANAGEMENT CONTROLS AND CAREFUL AUDITING PROCEDURES.

## HEALTH AND SAFETY

In 2010, our high standards in managing health and safety risks were recognised with a British Safety Council International Safety Award, for the second year running. We review our policies, procedures and standards on a regular basis to ensure that our properties and developments offer a safe environment for our employees, customers and suppliers, as well as for other visitors.

**// HEALTH AND SAFETY IS A HIGH PRIORITY FOR SEGRO. IN 2010, WE CONTINUED TO IMPLEMENT IMPROVEMENTS TO OUR HEALTH AND SAFETY PROGRAMMES THROUGHOUT THE UK AND CONTINENTAL EUROPE. THIS INCLUDED INCREASING THE LEVEL OF IN-HOUSE TRAINING AND ENHANCING REPORTING PROCEDURES. //**

**Martin Winstone**  
SEGRO Group Health and Safety Manager

### 2010 TARGET

Maintain a zero fatality rate throughout Group operations.

Ensure no health and safety prosecutions or enforcement action throughout Group operations.

Update our UK health and safety management system to reflect minor issues identified through our 2009 audit, make UK employees aware of the new system and upload information to the intranet.

Review provision of health and safety training in the UK, prepare a training matrix and set up training opportunities.

Work with the senior management team in Continental Europe to ensure availability of approved local health and safety advisers.

Work with property managers in Continental Europe to introduce consistent vacant building health and safety management procedures.

### PROGRESS

There were no work-related fatalities in connection with our operations.

There were no reported instances of non-compliance with regulations concerning customer health and safety in connection with our operations, including penalties and fines.

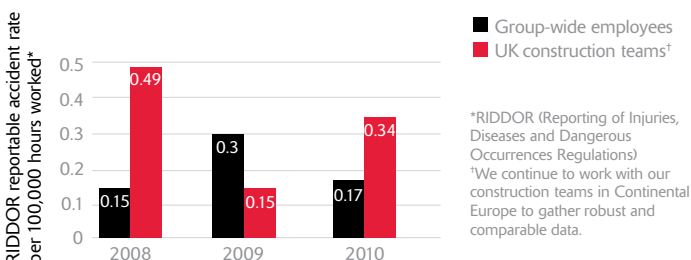
We updated our health and safety management system to reflect minor issues identified through our 2009 audit. This system has been designed to be accredited to ISO 18001 standards and was externally audited by our health and safety advisers. We informed all employees about the changes, uploading this information to the intranet, together with a range of risk assessments covering common tasks. We also implemented changes to enhance the user-friendliness and accessibility of information available to employees online.

We reviewed health and safety training in the UK, prepared a training matrix, and arranged training sessions for all levels of employees. We also continued to offer access to computer-based training to all employees.

We appointed health and safety consultants in Belgium, France, Germany, Italy and Poland. Consultants will be appointed in the Czech Republic and The Netherlands in 2011.

We introduced new audit and reporting procedures for vacant buildings to ensure that hazards in the property are fully understood, and removed or reduced as far as reasonably practical, and that access to properties with risks is appropriately managed.

### Accident frequency rate



### 2011 TARGETS

- Maintain zero fatality rate throughout Group operations.
- Ensure no health and safety prosecutions or enforcement action throughout Group.
- Implement assessment and training requirements for the Group-wide Driving for Work Policy.



# RESOURCE EFFICIENCY

**OBJECTIVE:** TO USE ENERGY, WATER AND MATERIALS RESPONSIBLY, REDUCING, REUSING AND RECYCLING.

## ENERGY AND CARBON

**2014 TARGET:** IMPROVE OUR ENERGY EFFICIENCY BY 30 PER CENT. WE REDUCED ENERGY INTENSITY BY 8 PER CENT PER SQ M IN THE MULTI-LET BUILDINGS WE MANAGE.

We are working closely with our property management teams and development teams to improve energy intensity. Recent initiatives include replacing traditional lightbulbs with energy-efficient alternatives, improving building insulation, and installing motion and daylight sensors.

In total, we purchased 36 million kWh of energy, of which 68 per cent was consumed in the UK and 32 per cent in Continental Europe. Our total energy use and energy costs increased in 2010 due in part to the increase in sq m that we were reporting as a result of including a full year of data for the former Brixton portfolio, which we acquired in August 2009, and to the significant improvements in data capture that we made over the year.

**// WE TAKE SUSTAINABILITY ISSUES SERIOUSLY. WE ARE CONSTANTLY SEEKING TO UPGRADE OUR EXISTING STOCK SO THAT WE CAN IMPROVE THE ENERGY EFFICIENCY OF OUR BUILDINGS. //**

**Anthony Hynes**  
SEGRO Property Services Manager, UK

Energy intensity (kWh)	2010	2009
SEGRO-managed multi-let buildings (per sq m)	<b>14.9</b>	16.2
Vacant light industrial buildings (per sq m)	<b>67.1</b>	67.3
SEGRO-occupied offices (per sq m)	<b>195.4</b>	170.4
External common areas (per ha)	<b>1,739.1</b>	4,180.4

Total energy costs (£)	2010	2009
SEGRO-managed multi-let buildings	<b>£2,556,895</b>	£2,388,656
Vacant light industrial buildings	<b>£1,714,480</b>	£1,239,714
SEGRO-occupied offices	<b>£138,681</b>	£159,535
External common areas	<b>£30,812</b>	£36,647
<b>Total</b>	<b>£4,440,869</b>	£3,824,552

Total energy use (kWh)	2010	2009
SEGRO-managed multi-let buildings	<b>21,404,765</b>	19,921,325
Vacant light industrial buildings	<b>12,978,042</b>	6,114,148
SEGRO-occupied offices	<b>1,213,507</b>	1,512,968
External common areas	<b>672,016</b>	1,718,162
<b>Total</b>	<b>36,268,330</b>	29,266,603

Data notes: This data covers all SEGRO-purchased electricity and gas, including where costs are passed on to customers through service charges. Significant improvements to our data collection and measurement systems, together with the inclusion of the first full year of the former Brixton portfolio in our dataset, has led to an increase in our reported energy consumption. 2009 data has been restated as appropriate. SEGRO-managed multi-let buildings comprise offices and distribution centres. Where energy use in external common areas could not be clearly identified within SEGRO-managed multi-let building consumption, they have remained within that category.



At Railway Triangle in Portsmouth, we replaced all the external lightbulbs with energy-efficient alternatives. These are set to cut energy costs for occupiers by 70 per cent, as well as reducing maintenance costs.



During our refurbishment of Jupiter House in London, improvements to insulation levels and the installation of roof lights enhanced the Energy Performance Certificate rating, despite the introduction of heating and extra lighting to improve the working environment for occupier Universal Packing Specialists.



At Trafford Park in Manchester, we are working with occupier AKW Group to reduce carbon emissions by improving insulation on 5,500 sq m of roof space, as well as installing automatic motion sensors on lighting.

// IN 2010, SEGRO EMBARKED ON THE AMBITIOUS PROJECT OF GATHERING AND ANALYSING ALL SEGRO-PURCHASED ENERGY AND WATER USE ON A QUARTERLY BASIS. THIS WILL ALLOW THEM TO UNDERSTAND CONSUMPTION PATTERNS, TARGET EFFICIENCIES AND IMPROVE THE ACCURACY OF REPORTING. //

**Sam Carson**  
Sustainability Consultant at Jones Lang LaSalle

Last year, we expanded the scope of our carbon reporting to encompass emissions from the energy that we purchase, whether for our own use or on behalf of our occupiers. This data is helping us to identify opportunities to save energy, cut utility costs and prepare for increasingly stringent regulation and environmental taxation such as the UK Government's CRC Energy Efficiency Scheme.

Our total carbon footprint was 19,300 tonnes, compared to 13,700 tonnes in 2009. As with energy use and costs, our total carbon footprint increase in 2010 was due in part to the increase in sq m that we were reporting as a result of including a full year of data for the former Brixton portfolio, which we acquired in August 2009, and to the significant improvements in data capture that we made over the year.

We have participated in the investor-led Carbon Disclosure Project since 2007, ranking third amongst UK Real Estate Investment Trusts in 2010, with a score of 73 per cent, up from 65 per cent in 2009. We use the Greenhouse Gas Protocol methodology to calculate our carbon footprint.



At Pegasus Park in Brussels, we are replacing traditional lighting with energy-efficient LED alternatives.



At Komorniki in Poland, installing energy-efficient LED lighting and motion sensors is set to reduce energy use by 30 per cent, with a projected payback period of 18 months, benefiting occupier ARJO Huntleigh.

Total carbon footprint (tonnes CO <sub>2</sub> -e)	2010	2009
SEGRO-managed multi-let buildings	<b>10,328</b>	8,515
Vacant light industrial buildings	<b>7,570</b>	3,128
SEGRO-occupied offices	<b>732</b>	875
External common areas	<b>413</b>	963
SEGRO business travel	<b>258</b>	258
<b>Total</b>	<b>19,300</b>	<b>13,738</b>

Average carbon intensity (kg CO <sub>2</sub> -e)	2010	2009
SEGRO-managed multi-let buildings (per sq m)	<b>7.17</b>	6.92
Vacant light industrial buildings (per sq m)	<b>39.15</b>	34.44
SEGRO-occupied offices (per sq m)	<b>117.84</b>	98.51
External common areas (per ha)	<b>0.25</b>	0.72

Data notes: This data covers all emissions from SEGRO-purchased electricity and gas consumed on site, including where energy costs are passed on to customers through service charges. In some areas, 2010 carbon intensity has increased relative to 2009, whilst energy intensity has decreased. This is largely due to the higher proportion of electricity consumption, which typically is more carbon-intensive than gas. 2009 data has been restated as appropriate. 2010 transport data is based on a representative sample. SEGRO-managed multi-let buildings comprise offices and distribution centres. Where emissions from energy use in external common areas could not be clearly identified within SEGRO-managed multi-let building consumption, they have remained within that category.

**2014 TARGET: CONSTRUCT BUILDINGS WITH 30 PER CENT BETTER ENERGY EFFICIENCY THAN BASE BUILD.** OUR CURRENT DEVELOPMENTS ARE FORECAST, WHEN COMPLETED, TO ACHIEVE 51 PER CENT BETTER ENERGY EFFICIENCY ON AVERAGE THAN CURRENT STANDARDS IN THE UK, AND 10 PER CENT BETTER IN CONTINENTAL EUROPE.

In the UK, we measured energy efficiency against carbon emissions standards set by Building Regulations 2006 Part L2A. As the Government moves towards zero carbon, regulations are becoming more stringent. To ensure that we always anticipate and exceed legal requirements, going forward, we will target energy efficiency at least 5 per cent better than current UK Building Regulations. From 2011, we will therefore measure energy efficiency against Building Regulations 2010.

We achieved savings by specifying energy-efficient technologies, heat recovery systems and renewable energy sources. This will cut costs for our occupiers and protect capital value, as well as being good for the environment. In the UK, all three of our new developments certified with Energy Performance Certificates (EPC) achieved above-average ratings, with both of our new developments certified in Continental Europe achieving average ratings. In the UK, above-average is an A or B. In Continental Europe, the relevant national standards are applied. We are working with our project teams in Continental Europe to improve performance.



On the Slough Trading Estate, we signed an agreement with an occupier, AZUR Solar, to install 189 sq m of photovoltaic panels. These are expected to generate 22,000 kWh of clean power per year, enough to run three average homes for a year, saving 14 tonnes of carbon emissions.

**// OUR SUSTAINABILITY FRAMEWORK IS NOW PART OF THE CAPITAL EXPENDITURE APPROVALS PROCESS FOR ALL MAJOR DEVELOPMENT PROJECTS IN THE UK AND CONTINENTAL EUROPE. //**

**Julien Millett**  
SEGRO Technical Project Manager, France

**2014 TARGET: INVESTIGATE THE FEASIBILITY OF RENEWABLE ENERGY FOR EVERY DEVELOPMENT SITE.** WE INVESTIGATED THE FEASIBILITY OF RENEWABLE ENERGY SOURCES AT ALL OF OUR NEW DEVELOPMENTS. AT OUR OFFICE DEVELOPMENT AT IQ WINNERSH, COMPLETED IN THE FIRST QUARTER OF 2010, ONE MWH WILL BE GENERATED FROM GROUND-SOURCE HEAT PUMPS.

Photovoltaic roof panels on our existing properties generated 376,000 kWh of clean power this year, enough to run around 50 average homes for a year, saving almost 200 tonnes of carbon emissions.

Feed-in tariffs in Belgium, the Czech Republic, France, Germany and the UK now provide us with an additional incentive to rent roof space for photovoltaic panels.

In 2010, we evaluated the feasibility of installing photovoltaic panels at a number of properties. The payback period was generally eight to 11 years, with an overall return on investment of around 8 to 10 per cent, making this a viable option.



At our Neckermann site in Frankfurt, 7,000 sq m of photovoltaic panels installed through an agreement with Juwi Solar generated 150,000 kWh, providing us with rental income and our occupier Neckermann with access to clean power at preferential rates.

## WATER

**2014 TARGET: REDUCE WATER USE BY 20 PER CENT.** REPORTED WATER USAGE REDUCED TO 68,680 CUBIC METRES (2009: 93,729 CUBIC METRES, WHICH INCLUDED A LARGE PROPORTION OF ESTIMATED DATA FOR UK WATER USE).

In 2010, we gathered complete water usage data for the first time, thanks to significant improvements to our data collection and measurement systems. We will therefore use 2010 intensity as the baseline for our target of reducing water consumption by 20 per cent by 2014. In 2010, total water usage in the UK was 23 million litres and water intensity was 95 litres per sq m. In Continental Europe, total water usage was 46 million litres and water intensity was five litres per sq m. There are clearly significant differences in how water is used at

different properties. During 2011, we will be working to improve our understanding of usage further, with the aim of identifying reduction opportunities.

The total water bill was £351,000 compared to £342,700 in 2009. We are working with occupiers to reduce these costs.

**2014 TARGET: CONSTRUCT BUILDINGS WITH 20 PER CENT BETTER WATER EFFICIENCY THAN BASE BUILD.** THE INSTALLATION OF WATER-EFFICIENCY MEASURES AND WATER RECYCLING MEANS THAT OUR CURRENT DEVELOPMENTS ARE FORECAST, WHEN COMPLETED, TO USE 10 PER CENT LESS MAINS WATER ON AVERAGE THAN CURRENT STANDARDS.

On our developments, we achieve better water efficiency than base-build by installing dual-flush toilets, low-flow taps and automatic urinal flushing, as well as introducing rainwater harvesting and bore-hole water schemes. We base our performance on each water-saving appliance or design feature improving water efficiency by 5 per cent.



Following the success of rainwater harvesting schemes at La Courneuve (pictured), Gonesse and Marly La Ville, we are incorporating a similar scheme for our new logistics building at Gonesse.

## WASTE

**2014 TARGET: REUSE OR RECYCLE 80 PER CENT OF DEVELOPMENT WASTE.** WE REUSED OR RECYCLED 90 PER CENT OF ALL NON-HAZARDOUS CONSTRUCTION AND DEMOLITION WASTE (2009: 96 PER CENT).

**2014 TARGET: REDUCE THE WEIGHT OF DEVELOPMENT WASTE TO LANDFILL BY 70 PER CENT.** WE REDUCED THE WEIGHT OF NON-HAZARDOUS CONSTRUCTION AND EXCAVATION WASTE TO LANDFILL TO 794 TONNES, FROM 1,005 TONNES IN 2009.

The reduction in waste to landfill is due to the lower level of development activity. We are reviewing ways to normalise and benchmark our performance.

We have been implementing Site Waste Management Plans on all our developments since 2006, two years ahead of the UK legislative requirement. We have partnerships with our cladding suppliers to take back waste material, packaging and all pallets for reuse, diverting waste from landfill. In 2011, we will be working with our property management teams and waste contractors to gather waste data from across our managed portfolio and encourage recycling.



During our reconstruction of Abbeydale Road in Wembley, we used a steel framework and cladding system understood to be the world's first carbon neutral building envelope, with high levels of recycled content. The system's end of life performance is also strong, with 84 per cent reusable or recyclable steel content and 100 per cent recyclable composite steel panels.

# REGENERATION

**OBJECTIVE:** TO MAKE A POSITIVE CONTRIBUTION TO COMMUNITIES WHERE SEGRO HAS A PRESENCE.

## COMMUNITIES

**2014 TARGET:** INVEST IN COMMUNITIES WHERE WE HAVE A MAJOR PRESENCE.

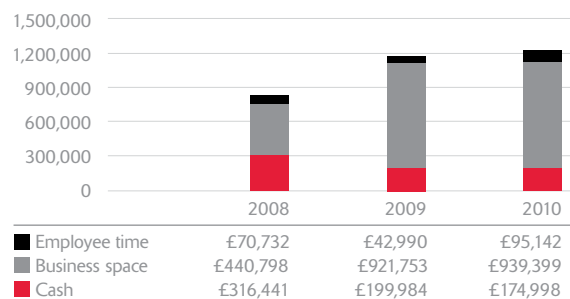
WE INVESTED MORE THAN £1.2 MILLION IN GOOD CAUSES, THROUGH MONEY, TIME AND DONATION OF BUSINESS SPACE AND WE INVESTED IN LOCAL COMMUNITIES AROUND EIGHT OF OUR LARGEST BUSINESS LOCATIONS IN THE UK.

Charitable giving and community support remain an integral part of our operations. We engage with local communities to make a positive contribution where we have a presence.

In 2010, our employees spent some 2,000 hours on volunteering, fundraising and managing community initiatives, equivalent to almost one day for each employee. We encourage volunteering by giving employees one work day each year to dedicate to community projects or help a charity.

Good causes that we provided with free accommodation included Age Concern, East Berkshire Women's Aid, Fara Enterprises, Hope and Aid Direct, and Skill Force. Since moving to the Slough Trading Estate, award-winning charity, Berkshire East and South Buckinghamshire Women's Aid has been able to support four times as many victims of domestic violence, thanks to improved facilities.

**Community investment 2008 - 2010 (£)**



**2014 TARGET:** ENSURE COMMUNITY ENGAGEMENT PLANS ARE IN PLACE WHERE WE HAVE A MAJOR PRESENCE. WE MAINTAINED COMMUNITY ENGAGEMENT PLANS AT TWO OF OUR LARGEST LOCATIONS IN THE UK (SLOUGH TRADING ESTATE AND IQ WINNERSH).

In 2010, as part of our commitment to community engagement, we appointed Neil Impiazzi as Partnership Development Manager, a new role for our business. Neil is now working with local authorities, education and training providers, community groups and residents to

identify local issues around our major investments and consider how we can help to address these, making a positive, ongoing difference to local communities.



SEGRO employees chose ActionAid as their Charity of the Year for 2010, participating in a wide range of fundraising initiatives to support street children from the Andhra Pradesh region in India. These included marathons, Olympic-distance triathlons and the Three Peaks Challenge, as well as a Charity Golf Challenge and Charity Sailing Day.

// WORKING WITH SEGRO THROUGHOUT 2010 HAS BEEN A REAL PLEASURE, AND A TREMENDOUS SUCCESS. WE'VE BEEN CONTINUALLY INSPIRED BY THE EXTRAORDINARY LENGTHS THEIR EMPLOYEES HAVE GONE TO WHICH, TOGETHER WITH SEGRO MATCH-FUNDING, HAS RAISED OVER £119,000 TO SUPPORT INDIA'S STREET CHILDREN. THEIR LEVEL OF ENERGY, ENTHUSIASM AND COMMITMENT HAS EXCEEDED OUR EXPECTATIONS. WE WOULD LIKE TO THANK SEGRO AND CONGRATULATE THEM FOR ALL THAT WE'VE ACHIEVED TOGETHER. //

**Richard Turner**  
Director of Fundraising at ActionAid

**// SEGRO, THROUGH LANDAID, HAS DONATED SKILLS, TIME AND RESOURCES TO PROVIDE US WITH THIS FANTASTIC 'FOUNDATIONS FOR LIFE' CENTRE. WE ARE ENORMOUSLY GRATEFUL TO THEM AND ARE DELIGHTED THAT THEY ARE KEEN TO FOLLOW THE LEARNING AND SUCCESS OF THE YOUNG PEOPLE WHO WILL BENEFIT FROM THE FACILITIES THE CENTRE OFFERS. //**

**Jean Templeton**  
Chief Executive of St Basils, Birmingham



Thanks to our funding, 25 young people local to Heywood Distribution Park in Manchester and Slough Trading Estate, participated in Outward Bound Trust adventures.



At IQ Winnersh in Reading, we hosted the launch event for the Wokingham Business Academy, which will offer young entrepreneurs and business start-ups access to practical advice from established businesses and experienced individuals.



Our volunteers participated in Business in the Community's Give and Gain Day in July, supporting projects in Camberwell and Maidenhead. Business in the Community is a business-led charity that advises, supports and challenges organisations to create a sustainable future for people and the planet and to improve business performance.



In Slough, we participated in a pilot project to help ten unemployed local graduates to develop their employability skills and gain work experience. The eight-week programme was led by local charity Career Velocity in partnership with Slough Borough Council, SEGRO, East Berkshire College, IBM, Kinnarps, Mattel and Regis.



At Heywood Distribution Park in Manchester, eight local charities shared a £4,000 bursary to celebrate the Park's 40th anniversary. The recipients were selected by a judging panel comprising representatives from Rochdale Metropolitan Borough Council, Heywood Advertiser and SEGRO. (Photo provided by MEN Media)



Around our London portfolio, we donated £12,000 to the Hitz rugby programme, which aims to reduce crime and anti-social behaviour amongst youngsters from deprived inner-city areas, breaking down barriers between police and young people. It is delivered by Premiership clubs in partnership with rugby-based charity Wooden Spoon, the Metropolitan Police, the Rugby Football Union and London Active Communities.



In Slough, our Chief Executive, Ian Coull, officially opened the new business and enterprise suite at Westgate School. A longstanding supporter of the school, we also funded an interactive whiteboard and donated a series of business-related artworks.

# STAKEHOLDERS

**OBJECTIVE:** TO LISTEN TO OUR STAKEHOLDERS AND RESPOND TO THEIR FEEDBACK TO MEET THEIR CHANGING NEEDS.

## CUSTOMERS

73 PER CENT OF OUR UK CUSTOMERS SURVEYED IN 2010 RATED THEIR OVERALL SATISFACTION AS AN OCCUPIER AS 'GOOD' OR 'EXCELLENT', SIGNIFICANTLY OUTPERFORMING THE INDUSTRY AVERAGE.

This was a slight reduction on our 2008 satisfaction levels, so we are stepping up our efforts to meet our customers' needs during a challenging time for many businesses.

Some of our initiatives to address the challenges previously identified by customers have demonstrated positive results. For instance, 60 per cent of customers now rate security as 'good' or 'excellent', compared to 54 per cent in 2008 and 40 per cent in 2007.

IN CONTINENTAL EUROPE, WE ARE WORKING MORE CLOSELY WITH OUR CUSTOMERS, AS WE SEEK TO RAISE PROPERTY MANAGEMENT STANDARDS, IMPROVE CONSISTENCY AND DELIVER VALUE.

Our Continental European customer champions are responsible for ensuring that our local teams maintain good relationships with our occupiers in each region, coordinating activities which affect occupiers and encouraging a proactive approach to understanding our customers' needs.

This is part of our efforts to stay close to our customers and achieve our 2011 targets:

- To improve customer satisfaction with our understanding of their business needs from 57 per cent in 2009, by focusing on customer relationship management, as measured through our 2011 survey.
- To continue to improve consistency in satisfaction levels between countries, as measured through our 2011 survey, by implementing smart, efficient customer service procedures.

**// THE ISSUES WE WILL FOCUS ON IN THE UK INCLUDE ENCOURAGING COMMUNICATION, WORKING MORE CLOSELY WITH OCCUPIERS TO UNDERSTAND THEIR CHANGING BUSINESS NEEDS, AND RESPONDING TO REQUESTS QUICKLY AND EFFICIENTLY, AS WELL AS PROVIDING GOOD VALUE, PARTICULARLY AROUND SERVICE CHARGES. //**

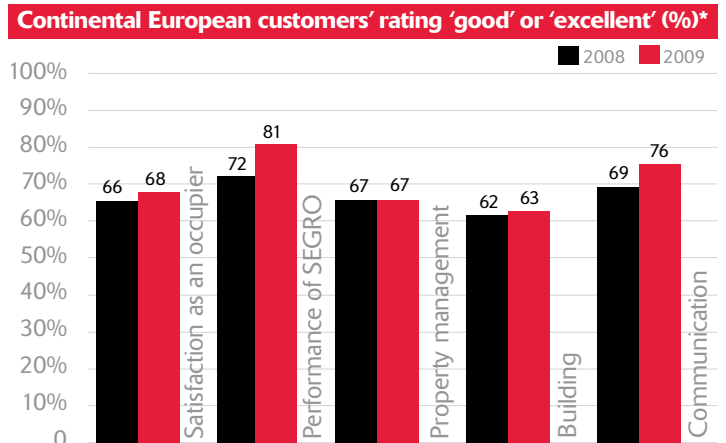
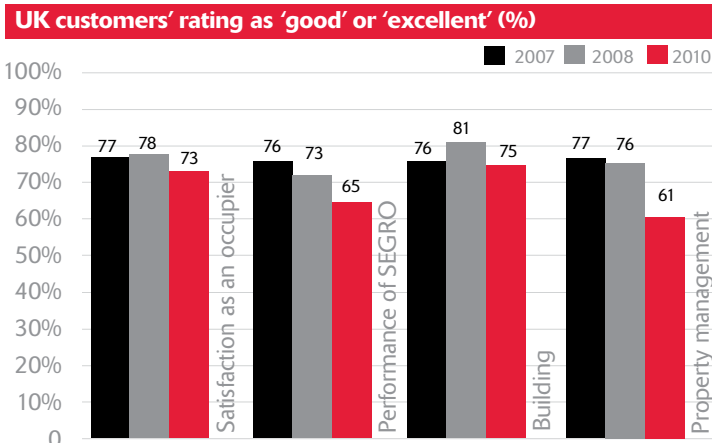
**Graham Brown**  
SEGRO Operations Support Manager, UK

**// WE INTRODUCED NEW CUSTOMER-FOCUSED KEY PERFORMANCE INDICATORS BASED ON FEEDBACK FROM OUR OCCUPIERS ABOUT WHAT WAS IMPORTANT TO THEM, SUCH AS BUSINESS CONTINUITY, COST EFFICIENCY AND PERSONAL APPROACH, AS WELL AS RESPECTING HEALTH AND SAFETY AND LEGAL REQUIREMENTS. //**

**Stijn Peeters**  
SEGRO Customer Services Manager, Continental Europe

Based on occupier feedback, we have introduced:

- A new operations and procurement strategy to improve how we manage our estates and to identify cost savings.
- Operations Managers to become a key customer contact point and drive improvements across each estate.
- A Customer Care Committee to champion our Customer Care Policy, setting high standards and driving new initiatives.
- A range of leases to deliver maximum flexibility between both owners and occupiers.



\*There will be a further independent survey of our Continental European customers in 2011.

# EMPLOYEES

WE AIM TO ATTRACT AND RETAIN THE BEST PEOPLE BY CREATING THE RIGHT ENVIRONMENT FOR OUR PEOPLE TO FLOURISH.

## OUR PEOPLE

SEGRO has a diverse and talented workforce of just under 300 people employed in the UK and across Continental Europe. Our success depends on attracting, developing and retaining the best people and we, therefore, believe passionately in creating the right environment for our people to flourish.

SEGRO has developed a strong, distinctive personality built around a core set of values which we believe set us apart and are integral to making SEGRO a great place to work. These are:

**Respect** for each other and the diversity each individual brings to SEGRO;

Strong **Partnership Principles** which encourage the flow of ideas, knowledge and skills amongst our teams;

A dynamism and **Energy** that sets our people apart from our competitors; and

A deep sense of **Responsibility** and ownership for our work, our teams and the community in which we work.

We are committed to supporting professional and personal development, promoting equal opportunities and providing regular opportunities for open employee engagement.

Our 2010 employee survey has helped to shape our people agenda going forward and, in 2011, we will be focusing our efforts in those areas identified for change by our employees by improving career development opportunities, simplifying work processes and providing clearer training paths.

Throughout the year, we communicate with employees through a variety of mediums including face-to-face briefings at weekly and monthly meetings, a weekly Friday Notice Board update, access to a Group-wide intranet and, for the first time, in 2010 we introduced Group-wide webinar sessions. Each year we hold a Group Conference for our Senior Executives and cascade our agreed actions from the conference through our management teams.

## DIVERSITY AND EQUALITY

**We believe that diversity is good for business and aim to ensure that SEGRO provides equal opportunities in how we recruit new employees and develop and promote existing employees.**

We are committed to offering equal opportunities to all people with disabilities, ensuring that we do not discriminate in recruitment, promotion, training or working conditions. If an employee becomes disabled whilst in our employment, we will offer appropriate support, retraining, equipment and facilities to enable them to continue in their role with SEGRO.

## ENGAGEMENT

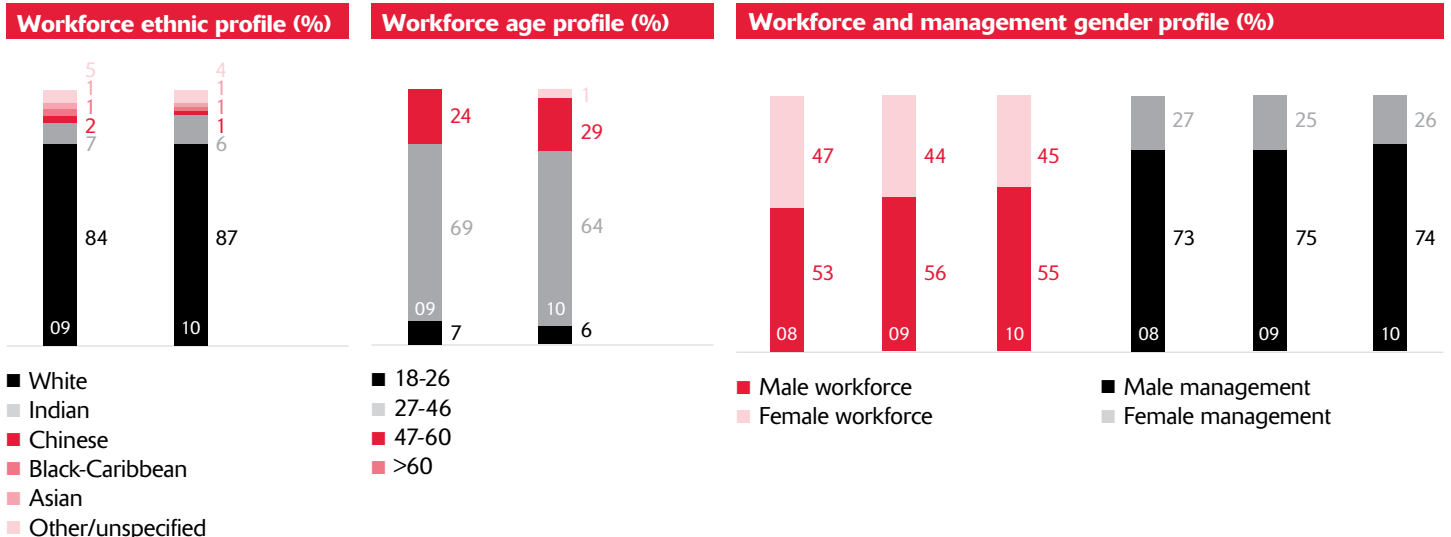
**Regular, two-way communication is key to building meaningful employee engagement through the business.**

In 2010, we conducted an independent and confidential employee engagement survey across the Group and achieved an excellent 89 per cent response rate. Highlights of the survey showed that 82 per cent of our employees are willing to go beyond the requirements of their role to help SEGRO succeed and are confident SEGRO will be successful in the future. A further 79 per cent of employees reported a sense of personal accomplishment from their work whilst 73 per cent of employees believe that they have clearly-defined performance goals and objectives. We believe that these results are reflected in the high employee retention rate of 87 per cent that we achieved in 2010 (2009:86 per cent).

## BUSINESS CHANGES

During the year, we conducted a review of our Continental European portfolio and have now put in place a plan to refocus the Continental European business in key geographies. We managed the change successfully and in consultation with those affected. The reorganisation resulted in some redundancies but has also created new roles and opportunities for promotion in some countries.

We also successfully restructured our Business Information Systems team, outsourcing our operations to a third party supplier whilst retaining key strategic and systems management roles in-house.







SEGRO volunteers on the Three Peaks Challenge in June 2010, raising money for ActionAid. Our community programme energises us all to come up with innovative ways to help others and, at the same time, to encourage teamwork and creativity.

## EMPLOYEE DEVELOPMENT

**In 2010, we provided more than 2,800 hours of training to our employees, the equivalent of more than one day per individual.**

As a result of the feedback from our employee survey, we undertook a strategic review of our talent processes, including our development offer. Whilst our employees believed that we were committed to training, they felt that we needed to be more focused, transparent and timely with the training we offered. The review identified the need for a structured development offering at each level in the business, linked to individual development plans. A new development offer was launched at the Group Conference in December 2010, and will be delivered to the business in 2011.

## SUPPLIERS

**WE AIM TO BUILD CLOSER RELATIONSHIPS WITH A SMALLER NUMBER OF SUPPLY PARTNERS WHO SHARE OUR RESPONSIBLE APPROACH TO BUSINESS.**

In 2010, we identified opportunities to rationalise our supply chain, so that we can manage procurement more efficiently. In the UK, we reduced the number of suppliers we deal with directly by over two-thirds. Over 200 suppliers have reported back to us on topics such as

health and safety, environmental standards and customer satisfaction, as well as commercial factors. We will continue to roll out our new procurement policy during 2011, extending this formal partnership approach to Continental Europe.

## INVESTORS

**WE ARE COMMITTED TO THE HIGHEST STANDARDS OF INVESTOR RELATIONS.**

We encourage open dialogue and build long-term relationships with investors. In 2010, we attended over 140 meetings with investors. We attended roadshows in London, Edinburgh, Amsterdam and

Paris and nine investor conferences in the US, UK, Japan and The Netherlands. In addition, we arranged a number of site visits to our assets in the UK and Continental Europe.

## PEERS

**WE ACTIVELY ENGAGE WITH OUR PEERS AND INDUSTRY EXPERTS.**

Members of our senior management continued to actively engage with our peers and industry experts through involvement in, and holding committee positions on, a number of sector associations, including the British Property Federation (BPF), European Public Real Estate

Association (EPRA), Investment Property Forum, Property Industry Alliance (PIA) and UK Green Building Council (UK GBC), as well as holding Board and advisory positions with the Corporate Responsibility Group, Greenwich Science School and Sustain Magazine.

# ENGAGEMENT

**2014 TARGET:** ENGAGE WITH A SIGNIFICANT NUMBER OF CUSTOMERS TO IMPROVE SUSTAINABILITY. WE ENGAGED WITH 64 CUSTOMERS (REPRESENTING £49 MILLION OF ANNUALISED RENTAL INCOME) WITH THE AIM OF REDUCING ENERGY AND WATER COSTS.

## CUSTOMERS

SEGRO was one of the first developers to introduce Green Leases for industrial buildings in Europe, as well as Green Memoranda of Understanding for existing occupiers. Since 2008, all our new leases in Germany have included green clauses covering environmental topics.

These agreements are non-prescriptive, so that we can work with our occupiers to improve energy efficiency, cut carbon emissions, save water and reduce waste to landfill in the most appropriate way at each individual property. We are now rolling out Green Leases and Memoranda of Understanding at many of our properties, with 97 agreements signed across our portfolio.

Occupiers who signed these commitments include Cargo Partners, CMS and Trost at Tulipan Park in Prague, as well as Stanley Black & Decker, Decathlon, Plastic Omnium, Pregis and Schenker at Tulipan Park Gliwice in Poland. We are also working closely with other occupiers, and have sent out our 'Ecoefficiency Guide' to occupiers in Belgium, the Czech Republic and Poland.



At Energy Park Vimercate near Milan, technology firm SAP signed our Green Memorandum of Understanding.

## EMPLOYEES

In December, nine members of our management team participated in a workshop on the implications of sustainability for our business, now and in the future. The session was hosted by Head of Tax, Octavia Peters, who is also Acting Head of Sustainability while Claudine Blamey is on maternity leave. Octavia presented the findings to the delegates at our Group Conference in Paris. Focus areas for the future included further embedding sustainable practices across our business and supply chain.

Later in December, our UK Environmental Manager, Brendan Fogarty, ran two sustainability workshops attended by more than 20 people, including two Regional Directors and four Operation Managers, as well as others involved in property management and leasing. The sessions began with a review of our approach to sustainability, benchmarking our performance against our peers, before looking at recent initiatives across our portfolio. WSP Group also gave an update on the changing external context, looking at how environmental regulation is becoming increasingly stringent.

## SUPPLIERS

In April 2010, we hosted a sustainability workshop for around 20 contractors, as well as members of our development team from the UK and Continental Europe.

Divisional Director of Energy and Sustainability at hurleypalmerflatt, Stuart Bowman, gave a presentation on the implications of the new UK Building Regulations for carbon efficiency. Research and Development Engineer at Kingspan, Peter Turley, gave a presentation on the opportunities presented by energy panels.

Other topics discussed included our Sustainability Framework, 2014 targets and approach to reporting, as well as our expectations around external environmental certification models such as BREEAM and LEED.

# FLEXIBILITY

**OBJECTIVE:** TO CONSTRUCT BUILDINGS THAT CAN BE USED BY AT LEAST TWO KINDS OF OCCUPIER WITHOUT SIGNIFICANT STRUCTURAL ALTERATION.

## FLEXIBLE BUSINESS SPACE

We design and build space that can easily be adapted, so that it is easier for customers to do business with us as we can meet their changing occupational needs. Our flexible business space is clustered in key locations, making it possible for us to accommodate occupiers' changing needs.



At Tulipan Lodz (pictured), we are developing our first small business unit facility in Poland. Individual units can be adjusted easily to suit occupiers' specific requirements, whether they operate in services, trade, distribution, warehousing or manufacturing.

## FLEXIBLE PLANNING

At Heywood Distribution Park in Manchester, we secured the creation of the first new Simplified Planning Zone in the UK since 1998, working in partnership with Rochdale Metropolitan Borough Council and consulting with local people.

The Simplified Planning Zone status, which will operate over a ten-year period, grants planning consent for specific building uses so we have the flexibility to develop a range of commercial buildings on the Park, without requiring separate planning applications.

This will provide planning certainty and speed up the development process, helping to stimulate economic growth, encourage investment and bring new jobs to the area.

The permission followed two public consultation exercises, each lasting six weeks. These were designed to help the local community to understand our proposals and the potential benefits that these could bring to the area, at the same time as seeking their feedback.

SEGRO also benefits from the only two other Simplified Planning Zones in the UK, Kings Norton Business Centre in Birmingham and Slough Trading Estate.

**// WE HAVE WORKED CLOSELY WITH THE COUNCIL AND THE LOCAL COMMUNITY ON THE SIMPLIFIED PLANNING ZONE APPLICATION FOR HEYWOOD DISTRIBUTION PARK, WHICH WILL BRING NEW EMPLOYERS TO THE AREA AND ALLOW EXISTING COMPANIES TO EXPAND ON THE PARK WITH EASE. //**

**Chris Billington**  
SEGRO Development Manager

# ACCESSIBILITY

**2014 TARGET:** ALL APPROPRIATE DEVELOPMENTS AND MANAGED ESTATES TO HAVE A TAILORED TRAVEL PLAN. WE MAINTAINED GREEN TRAVEL PLANS AT THREE OF OUR LARGEST LOCATIONS IN THE UK (SLOUGH TRADING ESTATE, IQ WINNERSH AND HEYWOOD DISTRIBUTION PARK).



In addition, at IQ Farnborough, we run two free shuttle buses which meet every peak-time train at the three local rail stations. In addition, an on-request lunchtime bus service runs to and from the town centre.



IQ Winnersh in Reading is located within an integrated transport network with its own dedicated railway station.

# ADVISOR'S STATEMENT



JONES LANG  
LASALLE®

Jones Lang LaSalle has been asked to provide an Advisor's Statement for the SEGRO Sustainability Report 2010 on resource efficiency and customer engagement data and on progress towards the 2014 targets. Given that Jones Lang LaSalle has been SEGRO's advisor on energy and water asset performance data since 2009, this Statement does not represent independent verification. However, this Statement does provide an external perspective on progress made by SEGRO to improve the quality of its voluntary sustainability reporting and to drive sustainability performance during 2010.

For the 2010 Sustainability Report, Jones Lang LaSalle was requested to review the data for the eight long-term targets which address energy, water, waste and customers. We performed the target assessment on the basis of data submitted by SEGRO employees as evidence of progress against each target. We are not yet requiring additional documented evidence but we suggest that this should be required on a sample basis for the 2011 Report. As all targets have a deadline of 2014, for this reporting season, it was Jones Lang LaSalle's role to ensure that the quantitative data is being collected, validated and aggregated as consistently as possible across the UK and Continental European portfolios, and to assess SEGRO's initial progress towards meeting these targets.

On the basis of our review of the data, we have the following observations to make:

- **Green engagement target:**

SEGRO is demonstrating considerable progress in its engagement with customers through its Green Leases, Memoranda of Understanding, discussions on photovoltaic panel installations and other forms of sustainability engagement. In 2010, SEGRO engaged with 64 customers, representing £49 million of annualised rental income, of which 61% represented ongoing engagement from 2009. From our perspective, it would be helpful for SEGRO to begin benchmarking its engagement with peer companies in order to understand what will represent 'significant engagement' in the real estate industry by 2014 and how reductions in its customers' energy and water costs can be measured.

- **Waste construction targets:**

SEGRO is already exceeding the 2014 target of reusing or recycling 80 per cent of development waste. There has also been a reduction in absolute waste sent to landfill, although this should be understood in the context of a small number of new developments. The next step for 2011 will be to achieve a meaningful normalisation for development waste data so that this target can be assessed regardless of the scale of the Company's development pipeline.

- **Energy, water and renewable design targets:**

SEGRO's Sustainability Framework for Developments has been in place for nearly two years and is already driving high energy and water performance standards for new developments, with the UK developments exceeding the 30% target against the 2006 Building Regulations. Furthermore, all developments are investigating the feasibility of renewable energy, especially in light of the current financial incentives of feed-in tariffs. In light of this progress, from our perspective a key aspiration for 2011 should be for the SEGRO development teams to share best practice between the UK and Continental European regions with a view to ensuring all developments are exceeding the design targets by 2014 and renewable opportunities are maximised.

- **Energy and water asset reduction targets:**

As at 31 December 2010, SEGRO has 5.6 million sq m of built space, including 268 estates and 1,960 hectares of estate area in ten European countries. This built space is comprised of a mixture of logistics warehouses, light industrial warehouses and offices. In 2010, and in line with SEGRO's desire to offer flexible business space to its customers, many units moved from vacant to leased, and vice versa. All of these factors, as well as the acquisition of Brixton in 2009, have made the accurate recording of energy and water consumption data, as well as building floor and estate areas, challenging.

In this context, we are, therefore, encouraged to note significant improvements in energy and water performance data quality in 2010 which have been achieved, in part, through investment in central, quarterly sustainability reporting and a substantial programme of staff engagement. As this Report demonstrates, SEGRO is already undertaking a programme of energy reduction measures, ranging from energy-efficient renovation of existing assets to signing Green Leases with customers. Improving data quality further and enhancing feedback to the property managers will enable lessons learnt from better performing assets to be spread swiftly across the portfolio and will put the Company on track to achieve the 2014 targets for energy and water reductions.

**SOPHIE WALKER**  
**ASSOCIATE DIRECTOR**  
Upstream Sustainability Services  
Jones Lang LaSalle

**SAM CARSON**  
**CONSULTANT**  
Upstream Sustainability Services  
Jones Lang LaSalle

# METHODOLOGICAL STATEMENT

## ENERGY, CARBON AND WATER PERFORMANCE DATA

### BROAD ASSET CATEGORIES AND INTENSITY METRICS FOR THE SEGRO PORTFOLIOS

In terms of energy and water consumed in SEGRO's buildings and estates, the following hierarchy applies:

**1 Occupied light industrial buildings.** For the majority of SEGRO's assets, the units are fully and singly let. For these units, it is the occupier, rather than SEGRO, which buys the electricity and gas and controls their consumption. SEGRO does not have access to consumption data for these assets and, therefore, this consumption is universally excluded from the target baseline, although the Company does recognise its responsibility to develop highly-efficient buildings and to work with its customers to ensure efficient use of its buildings.

**2 Vacant light industrial buildings.** At any point in time, there will be a proportion of SEGRO assets which are vacant. These buildings are predominantly light industrial buildings, which still consume nominal amounts of energy. This consumption will vary with the number of voids. The status of voids can change rapidly and it is important to separate voids from more routine consumption to account for this. This consumption data is under SEGRO's control and is, therefore, included in the target baseline.

**3 SEGRO-managed multi-let buildings.** These buildings comprise both logistics centres and office buildings, and they are assets for which SEGRO purchases a proportion of the energy and water. How SEGRO purchases this energy and water is dependent upon regional European legislation and market practice, and varies by each individual asset. For this reason, no single intensity metric currently works for each consumption scenario. SEGRO plans to investigate splitting this category into more appropriate intensity metrics for logistics centres and offices in 2011.

**4 External common areas.** SEGRO's estates have external common area services which can include street lighting, security huts or sewerage pumps. This consumption is spread over large areas and is not directly comparable by estate but falls directly under SEGRO's control.

**5 SEGRO-occupied offices.** These buildings are occupied by SEGRO staff for corporate activities and may be owned by SEGRO or by another investor. Energy and water is consumed in these buildings and will be a joint responsibility between SEGRO and the landlord in the case of leased offices.

### INTENSITY METRICS TO ASSESS TARGET PERFORMANCE

SEGRO has defined the following four energy intensity metrics to enable consumption to be assessed on a five-year basis to 2014.

- Vacant light industrial buildings (energy – kWh per sq m; water – litres per sq m)
- SEGRO-managed multi-let buildings (energy – kWh per sq m; water – litres per sq m)
- SEGRO-occupied offices (energy – kWh per sq m; water – litres per sq m)
- External common areas (energy – kWh per hectare; water – cubic metre per hectare)

It should be noted that more sophisticated and representative intensity metrics will be possible in future due to increased sub-metering by SEGRO and increased sharing of data between SEGRO and its customers through the recently-signed Green Leases. SEGRO plans to investigate splitting SEGRO-managed multi-let buildings in to more appropriate intensity metrics for logistics centres and offices in 2011.

### ENERGY CONSUMPTION DATA

Data coverage is for 100% of assets for which SEGRO purchases energy. Data is SEGRO-obtained energy excluding that which is metered for exclusive customer consumption. Data is based on a combination of meter readings and estimates provided by property managers through the SEGRO in-house data collection system. The 2010 total was compared to the total energy spend, as collated by the finance team. Managed-asset electricity was calculated to have a unit price of 11p/kWh, and vacant industrial units had a unit price of 13p/kWh. This unit price check is a helpful sense check for the consumption totals, as both unit prices are reasonable and expected.

As anticipated in the 2009 Report, the ability to compare two years of full environmental performance data for the first time, as well as continually improving monitoring systems, has led to restatements of all 2009 energy consumption data.

Jones Lang LaSalle has been working with SEGRO on internal quarterly reporting process. Every quarter, all consumption information is collated, checked and then reported back to the business. This process is designed to improve data quality but also provide a management tool to SEGRO to better address consumption and reduce energy costs.

## ENERGY COST DATA

Energy cost data for the UK for 2009 and 2010 was supplied by the SEGRO finance team, and reflects the cost of energy and water as paid by SEGRO. The cost figures reported in the 2009 Report were estimates based on a unit cost calculation. In 2010, it was possible to get this information from the accounting systems and, therefore, 2009 UK cost information has been restated.

Energy cost data for Continental Europe was supplied by asset managers alongside consumption data from each country. In Belgium, the Czech Republic, Germany and The Netherlands, cost information was not supplied to the extent required, and an estimate was made based on unit price. The unit price was derived from those assets where information was available. For Continental Europe, 2009 and 2010 cost data does not directly correlate. We expect to restate cost data figures for 2009 and 2010 for Continental European assets in the future. A rate of €1.17 per £1 was used as an annual 2010 exchange rate; a rate of €1.13 per £1 was used as an annual 2009 exchange rate.

## CARBON EMISSIONS

### References

- The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)
- 2009 Defra/DECC Guidelines on Greenhouse Gas Conversion Factors for Company Reporting

### Organisational boundary

We currently report using the operational control approach. This includes SEGRO's assets, as well as joint ventures where SEGRO manages the operation of the asset. The consumption reported here is where SEGRO purchases energy and water for use in the asset, and does not recharge it on a metered basis. Consumption which is recharged on a metered basis is excluded.

For some business units, such as Spain, Hungary and Italy, the present status of leases or property investment meant that no emissions were reported under the operational control boundary.

## EMISSION FACTORS

- Non-UK factors were supplied within the Defra greenhouse gas conversion factors spreadsheet, but were originally International Energy Agency Data Services factors from 2006 and 2008.

Emissions factors	Fuel	Factors
UK	Electricity Grid	<b>0.61707</b>
Belgium	Electricity Grid	<b>0.31941</b>
The Czech Republic	Electricity Grid	<b>0.66262</b>
France	Electricity Grid	<b>0.09939</b>
Germany	Electricity Grid	<b>0.51931</b>
Italy	Electricity Grid	<b>0.54067</b>
Poland	Electricity Grid	<b>0.80845</b>
The Netherlands	Electricity Grid	<b>0.52631</b>
Universally-applied gas emissions factor	Natural Gas	<b>0.20322</b>

## WATER CONSUMPTION

The intention is that data coverage is for 100% of assets for which SEGRO purchases water. However, water is a difficult utility to report consistently, especially when it is used for external landscaping and internal building consumption purposes. In 2010, SEGRO water usage has been a part of the quarterly internal reporting process and this has enabled full water consumption to be reported for the first time and backdated for 2009 where feasible. However, as 2010 water consumption in Continental Europe is significantly less than 2009, we still consider that there may be issues of data quality to be addressed in 2011.

## WATER COSTS

As with the UK energy costs, UK data for 2009 and 2010 has been collated from cost information from the central SEGRO finance team. This reflects what SEGRO has paid for during the year and includes both water and sewage costs.

In Continental Europe, water cost data has been supplied by asset managers along with water consumption on a quarterly basis. However, this information is inconsistent with 2009 data, and it is possible that this information will be required to be restated in the future.

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To download our Sustainability Report,  
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To let us know your views,  
please email **[sustainability@SEGRO.com](mailto:sustainability@SEGRO.com)**



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