

STRIDE

Contents

Financial Overview	2
Strategic Overview	4
Chair and CEO's Report	6
Board of Directors	10
People	12
Executive Team	14
Performance	16
Products	18
SPL Look-Through Portfolio	20
SPL Portfolio	21
Town Centres	22
Office	24
Industre	26
Investore	32
Diversified	36
Capital Management	38
Five Year Financial Summary	40
Financial Statements	42
Independent Auditor's Report	92
Corporate Governance	96
Statutory Disclosures	127
Implications of Investing in Stapled Securities	134
Glossary	135
Corporate Directory	136

This document comprises the Annual Report for each of Stride Investment Management Limited (SIML) and Stride Property Limited (SPL), which are members of Stride Property Group (Stride).

Each of SPL, SIML and Stride has been designated as "Non-Standard" (NS) by NZX. The implications of investing in stapled securities of Stride are set out at page 134 of this report.

A copy of the waivers granted by NZX in respect of SPL, SIML and Stride's "NS" designation can be found at www.nzx.com/companies/SPG/documents

Financial Overview

for the 12 months ended 31 March 2023 (FY23)

\$53.5m

profit before other (expense)/income and income tax¹

up \$7.0m from FY22 (\$46.5m)

\$(116.7)m

loss after income tax

(FY22: \$112.3m profit after income tax)

\$(109.7)m

loss before income tax

down from FY22 (\$124.7m profit) largely due to a net portfolio valuation reduction of \$(118.5)m compared with a net portfolio valuation gain of \$30.7m for FY22

\$57.6m

distributable profit² after current income tax

up \$3.5m (FY22: \$54.2m)

Assets under management

\$3.2bn

as at 31 March 2023, including \$2.3bn of external assets under management. Assets under management increase to \$3.4bn on a pro forma basis taking into account committed acquisitions, developments and disposals³

1. Profit before other (expense)/income and income tax is a non-GAAP measure. For more information see note 1.6 to the consolidated financial statements.

2. See glossary on page 135.

3. See page 19 for committed acquisitions, developments and disposals.

4. Excludes lease liabilities. Includes SPL's 51.7% interest in the joint operation component of the Indstre Property Joint Venture as at 31 March 2023 (for more information, see note 3.2 to the consolidated financial statements). Includes the value of Stride's offices at 34 Shortland Street, Auckland, and 22 The Terrace, Wellington, which are shown in the consolidated financial statements as 'Property, plant and equipment' and 'Assets classified as held for sale' respectively.

Portfolio Overview

as at 31 March 2023

\$1.3bn

portfolio value⁴

including \$1.1bn directly held office and town centre portfolio

SPL's look-through portfolio is valued at \$1.7bn, including its interests in the portfolios of each of Investore, Diversified and Indstre, which are managed by SIML

Strategic Overview

Stride is an active real estate investment manager

STRIDE

Stride has continued to focus on improving its office portfolio to ensure it has enduring demand. FY23 transactions have contributed to the transformation of the office portfolio to a more sustainable and high quality portfolio, and have led to a reduction in the weighted average age of SPL's office and town centre portfolio¹, to 9.8 years, down from 16.7 years as at 31 March 2020

investore

Stride has been active in managing the Investore portfolio, including negotiating arrangements with tenants to optimise existing assets, together with the acquisition of a development site at Hakarau Road, Kaiapoi, providing Investore with a strong development pipeline

INDUSTRE

Industre's portfolio focusses on strategically located industrial assets, often with development potential, providing opportunities for the future. Since 2019, Stride has completed 4 industrial developments, with a further development in progress. The Industre portfolio has 10 further properties with development potential, with total current estimated development costs in excess of \$300m

diversified

FY23 has seen the completion of the rebuild of part of Queensgate Shopping Centre that was damaged in the 2016 Kaikoura earthquake. The newly completed cinema and carpark have contributed to increased sales, with total centre sales for the year ended 31 March 2023 up 20% on the prior year. Stride has also undertaken a number of initiatives to reduce the LVR² of Diversified

Stride is conscious of the challenging economic climate and has taken proactive steps to manage the resulting risks

Cash dividend reduced to 8.0cps for FY23, representing a combined payout ratio of 75% of Stride's distributable profit², reflecting a prudent approach to capital management in the current macroeconomic environment

Refined dividend policy introduced, targeting a total cash dividend to shareholders that is between 80% and 100% of SPL's distributable profit² and between 25% and 75% of SIML's distributable profit, reflecting Stride's transition to a maturing real estate investment manager

Dividend reinvestment plan implemented, with approximately 40% of shares taking up the offer for the first dividend to which the plan applied

80% of SPL's drawn debt as at 31 March 2023 was hedged. Average remaining duration of SPL's hedging is 2.2 years

SPL cancelled \$75m of bank debt facilities, reducing costs

36.4% LVR² as at 31 March 2023, increasing to 37%-38% on a committed basis³

1. On a pro forma basis as at 31 March 2023, as if the acquisition of 110 Carlton Gore Road, Auckland, had settled as at that date. Excludes properties categorised as 'Development and Other' and 'Assets classified as held for sale' in the consolidated financial statements.

2. See glossary on page 135.

3. SPL commitments include: (1) the settlement of 110 Carlton Gore Road, Auckland; (2) upgrade works at 34 Shortland Street, Auckland; (3) various capital expenditure commitments contracted for; and (4) the estimated FY24 impact of capital management initiatives announced by Stride in November 2022, excluding the impact of any potential disposals.

Chair and CEO's Report

Dear Shareholders,

The Boards of Directors of Stride Property Limited (SPL) and Stride Investment Management Limited (SIML) (which together form Stride Property Group (Stride)) are pleased to deliver Stride's annual report for FY23. Stride has delivered positive underlying operating earnings for FY23, as its real estate investment management business continues to mature.

Stride is an active real estate investment manager, and continues to optimise the portfolios of its managed entities, Investore Property Limited (Investore), Industrie Property Joint Venture (Industre) and Diversified NZ Property Trust (Diversified) (together, the Stride Products). While market transactional activity has been lower recently due to the challenging macroeconomic conditions, Stride continues to deliver improvements to its assets under management, including new developments and refurbishments, pursuing sustainability objectives including obtaining green ratings, and ensuring the Stride Products are well positioned to manage the risks posed, and potential opportunities created, by the current economic conditions.

FY23 has been a mixed year for commercial property in New Zealand, largely due to the impact of the current inflationary environment. On one side, Stride and its managed funds have seen record growth in like-for-like market rentals, with like-for-like market rentals for Stride's own portfolio¹ up 7.1% over the 12 months to 31 March 2023, and for Stride's look-through portfolio² (which includes Stride's interests in the Stride Products) up 7.7%. Conversely, the rapid increase in the Official Cash Rate over the past year has resulted in softer capitalisation rates, corresponding lower valuations, and lower transactional activity across the group. These factors have influenced Stride's share price, along with the prices of other listed property companies, with Stride's current share price not reflective of the value of our net tangible assets. The Board remains confident in the value of our assets and our business, particularly given the strong occupancy market and the diversification in our income, which is derived from our portfolio of quality, directly held town centre and office assets, our investments in the Stride Products of Industrie, Investore and Diversified, and the fees earned from our real estate investment management business.

1. Excludes: (1) SPL's 51.7% interest in the joint operation component of the Industrie Property Joint Venture portfolio which is reported as part of the assets of SPL in the consolidated financial statements (see note 3.2 to the consolidated financial statements for further information); (2) properties categorised as 'Development and Other' and 'Assets classified as held for sale' in the consolidated financial statements.

2. Excludes properties categorised as 'Development and Other' and, where applicable, 'Assets classified as held for sale' in the consolidated financial statements.

3. See glossary on page 135.

Financial performance

Stride has delivered positive underlying earnings for FY23. Net rental income at \$71.1 million is \$5.2 million higher than FY22 (FY22: \$65.8 million). Some of this higher net rental income from the SPL portfolio was offset by lower management fee income, which at \$23.3 million was \$1.0 million lower than FY22 (FY22: \$24.3 million), largely due to no performance fees being received from Investore during FY23 which was partially offset by higher asset management fees of \$0.4 million.

While total corporate expenses were lower in FY23 than FY22 (FY23: \$23.7 million; FY22: \$27.4 million), net finance expenses were higher than FY22 (FY23: \$17.1 million; FY22: \$16.1 million) as a result of higher net bank borrowings due to the advances made to the vendor of the property at 110 Carlton Gore Road, Auckland, offset by debt repayments following the receipt of funds from the sale of four non-core office assets during FY23.

Overall, this led to profit before other (expense)/income and income tax of \$53.5 million, which is \$7.0 million higher than FY22 (FY22: \$46.5 million). The high inflationary environment, which has led to higher interest rates, has in part led to lower capitalisation rates for SPL's property portfolio, resulting in a net portfolio valuation reduction of \$(118.5) million for FY23, compared with a \$30.7 million net valuation gain for FY22. The softening capitalisation rates across the commercial property sector also impacted the portfolio values of the Stride Products, which has resulted in a share of loss in equity-accounted investments of \$(42.4) million for FY23, compared with a \$65.6 million share of profit in equity-accounted investments for FY22. This has contributed to a loss before income tax of \$(109.7) million, and while income tax expense was lower in FY23 than FY22 (FY23: \$7.0 million; FY22: \$12.4 million), this resulted in a loss after income tax of \$(116.7) million (FY22: \$112.3 million profit after income tax).

Distributable profit³ after current income tax, which Stride considers more closely aligns with its underlying and recurring earnings from its operations, was \$3.5 million higher than FY22 at \$57.6 million (FY22: \$54.2 million).

Portfolio

Stride's directly held portfolio comprises office and town centre properties. Stride's town centre properties are located in fast growing regions within Auckland – Silverdale Centre is located in the north of Auckland, near the regions of Silverdale, the Hibiscus Coast and Orewa, while NorthWest Shopping Centre is located in the west of

Auckland, near the rapidly growing suburbs of Whenuapai, Hobsonville and Red Hills. These locations have driven higher sales within the Stride town centre portfolio², with sales for FY23 up 16% from FY22. Higher sales are driving increased demand for space from retailers across the Stride town centre portfolio and other shopping centre assets managed by Stride, which supports growing rent levels. This is helping to at least partially offset increases in capitalisation rates for these assets, supporting asset values.

Stride has taken steps over the past two years to reposition its office portfolio to improve the resilience of this portfolio. During FY23 Stride sold four lower grade non-core office assets and committed to the acquisition of the premium grade property at 110 Carlton Gore Road, Auckland, which has recently been completed. Stride expects to settle the acquisition on 31 May 2023. On a pro forma basis as at 31 March 2023 including 110 Carlton Gore Road, Stride's office portfolio² has a value of \$748 million, a weighted average age of 10.2 years, 84% of the portfolio by value categorised as Prime or Grade A, and 74% of the portfolio by value having either a 4 star NABERSNZ rating or 5 Green Star rating or higher.

Stride will continue to explore improvement opportunities for its three office assets that have either no green rating or a low rating, to seek to achieve a minimum green rating over time of 4 star NABERSNZ or 5 Green Star. By way of example, the Stride Boards have recently committed to an upgrade of the office property at 34 Shortland Street, Auckland, including a refurbishment of the lobby, installation of end of trip facilities, and a mechanical upgrade. The Stride Boards approved additional expenditure to upgrade the mechanical services at the property in order to enable the building to achieve a 4 star NABERSNZ rating. Aligning the office portfolio towards newer, higher quality and more sustainable properties positions the portfolio to meet both tenant and investor demand, resulting in a more resilient office portfolio.

In addition to its directly held properties, Stride (through SPL) owns an interest in each of the Stride Products managed by SIML:

INDUSTRE

- Industrie invests solely in industrial properties, primarily in the Auckland region, and is a joint venture between JPMAM³ and SPL. SPL currently owns 51.7% of the joint venture, with this interest valued at \$268 million as at 31 March 2023

investore

- Investore is a listed entity, and invests solely in large format retail property. SPL owns 18.8% of Investore, with this equity interest valued at \$110 million as at 31 March 2023

diversified

- Diversified is an Australian trust which owns shopping centre properties in New Zealand. SPL owns 2.1% of Diversified, with this interest valued at \$5 million as at 31 March 2023

Taking SPL's interests in each of the Stride Products into account, Stride's look-through portfolio² is valued at \$1.4 billion, and is diversified across each of the core property sectors, with 39% office, 21% town centres, 14% large format retail and 26% industrial.

Real estate investment management business

Stride is an active real estate investment manager, tailoring its approach to the needs of each specific portfolio and business that it manages. While FY23 has required careful management of the risks posed by the current economic conditions for each entity, Stride has also sought to optimise the portfolios of each of the Stride Products. With Investore, this has involved the acquisition of land at Hakarau Road, Kaiapoi, where Stride is now managing the construction of a new Countdown supermarket, due for completion in late 2023. Stride has also, on behalf of Investore, negotiated an agreement with Countdown, Investore's largest tenant, to expand the customer amenity at Countdown, Rangiora, delivering a 7.5% per annum return on cost of up to \$1.0 million.

Stride's development team continues to deliver quality new projects for the Stride Products. In addition to the new Countdown for Investore, the Stride development team has also managed the development of a new industrial facility for Industrie at 439 Rosebank Road, Auckland, which was completed in February 2023. Stride is also managing the development of a new industrial building at 34 Airpark Drive, Auckland, due for completion in June 2023. This will be the fifth new industrial development managed by Stride for Industrie since 2019, with recent acquisitions providing a pipeline of further development opportunities.

The Stride development team has also been involved in the rebuild of part of the Queensgate Shopping Centre in Lower Hutt, Wellington, which is owned by Diversified. Part of this centre was demolished as a result of the 2016 Kaikoura earthquake, and the Stride team has managed the rebuild of the centre, together with the insurance claim. The carpark component was completed in late 2021, with the cinema reopening prior to Christmas 2022. The centre has benefited from additional customer visitation due to the cinema reopening, which has contributed to strong sales growth at the centre, with sales for FY23 up 20% on the prior year. This strong sales position has contributed to strong demand for the Diversified portfolio², with occupancy at 97.5% as at 31 March 2023. Stride has also undertaken a number of capital management initiatives on behalf of Diversified in order to strengthen Diversified's balance sheet, including the sale of Remarkables Park Town Centre, which settled on 14 April 2023.

Chair and CEO's Report

Capital Management

The Boards are conscious of the risks posed by the current macroeconomic environment, particularly inflation levels which are driving higher interest rates and putting pressure on capitalisation rates, impacting portfolio valuations. The Stride Boards have taken steps to seek to mitigate the impact of these risks on Stride's business, including maintaining a prudent hedging programme, reducing costs, and implementing initiatives to reduce Stride's LVR¹.

As at 31 March 2023, 80% of Stride's drawn debt was hedged, with a weighted average cost of debt of 3.96%. This represents an increase of 41 basis points since 31 March 2022, compared with a 375 basis point increase in New Zealand's Official Cash Rate over the same period. During FY23 Stride entered into a further \$80 million of forward start interest rate swaps for an average hedged term of 2.7 years and an average interest rate of 3.93%, helping to manage future interest rate volatility.

While Stride has strong interest rate hedging in place and a stable distributable profit profile, during FY23 the Boards implemented additional initiatives in order to reflect market conditions and Stride's prudent and proactive approach to cost and capital management, designed to protect shareholder value.

These initiatives included the implementation of a dividend reinvestment plan, with approximately 40% of Stride's issued capital taking up the offer in relation to the first dividend to which it applied, meaning that Stride was able to retain additional cash in the business or reduce bank debt. The Boards also updated the dividend policy to be more appropriate for Stride's transition to a maturing real estate investment management business. The refined policy is to target a total cash dividend to shareholders that is between 80% and 100% of SPL's distributable profit¹ and between 25% and 75% of SIML's distributable profit. Consistent with this refined policy, Stride updated its FY23 cash dividend guidance to 8.0 cents per share.

Aligned with these initiatives, Stride also reviewed its costs, including cancelling \$75 million of bank facilities during FY23, thereby avoiding fees in relation to these facilities. Stride also indicated it would consider disposals of selected properties of between \$30 million to \$60 million, and this initiative continues to progress.

People

Stride values its people highly, and the Boards focus on ensuring the retention of people, particularly in the current restricted labour market. We seek to do this through

supporting the wellbeing of our people, respecting their differences, recognising achievements and remunerating our people fairly. Wellbeing was a focus of our 2022 employment engagement survey. Stride already provides a number of benefits aimed at ensuring our people remain healthy and safe, including access to an Employee Assistance Programme, annual flu vaccinations, increased employer KiwiSaver contributions, and additional leave benefits. Stride is reviewing its wellbeing initiatives to ensure we have addressed all elements of wellbeing for our people – physical, mental, financial, social, environmental and career.

Over the past year we celebrated a significant achievement for five of our people who reached a milestone of having served 20 years with Stride. Stride began approximately 27 years ago, and so these five people have been with us for most of Stride's history, which we consider to be a great achievement. The Boards would like to take this opportunity to thank Jennifer, Jessica, Eve, Karen and David for their long and loyal service with our company.

Governance

The Stride Boards are conscious of the need to ensure continuity and experience in the oversight of the Stride business, while also recognising the value that fresh perspectives and thought can bring to the Stride Boards. The Boards conduct an ongoing refresh process to ensure this balance is maintained. As signalled at the 2022 Annual Shareholder Meetings, Philip Ling retired from the Stride Boards in April 2023, with a new Director, Tracey Jones, appointed upon Philip's retirement.

Philip has been a director of Stride since 2017, and his extensive property and funds management experience has proven extremely valuable to the Stride Boards over the past six years, a period of considerable development and change within our business, as Stride transitions to a more mature real estate investment manager. On behalf of the Boards, we would like to thank Philip for his significant contribution to the Stride business, and we wish him well in his retirement.

The Stride Boards also welcome Tracey as a Director. Tracey is a Chartered Accountant with a strong background in funds management, operations and finance, and has considerable experience in property. Tracey's skills complement the existing Board skills and we are confident that she will be a valuable addition to the Stride Boards.

Sustainability

Stride has made significant advances in its approach to sustainability during FY23, including obtaining green ratings for additional properties under management, and setting

a number of environmental and social targets, including reducing scope 1 and 2 greenhouse gas emissions by 42% by 2030 from the FY20 baseline year. Stride is conscious of the need to ensure that, when it sets targets, these are able to be achieved, and accordingly we have been progressing a decarbonisation plan for the office and shopping centre portfolios which will identify specific actions that can be taken to help meet our carbon reduction targets.

Further information on Stride's sustainability progress can be found in Stride's FY23 Sustainability Report, which for the first time is being presented as a separate report.

Outlook

While Stride has strong interest rate hedging in place and a stable distributable profit profile, we will continue to take a prudent approach to capital management given the current economic environment. Initiatives that have been implemented and which will continue include the dividend reinvestment programme, closely managing costs, and progressing the disposal of selected properties of between \$30 million and \$60 million.

As an active real estate investment manager, Stride will continue to focus on optimising the assets and portfolios managed by it, including the SPL portfolio of town centre and office properties. We will also continue to explore opportunities to progress the growth of our real estate investment management business.

The Boards confirm that they currently intend to pay a combined cash dividend for SPL and SIML for FY24 of 8.00 cents per share, which is consistent with the revised dividend for FY23.

On behalf of the Boards and staff, thank you for your continued support of Stride Property Group.



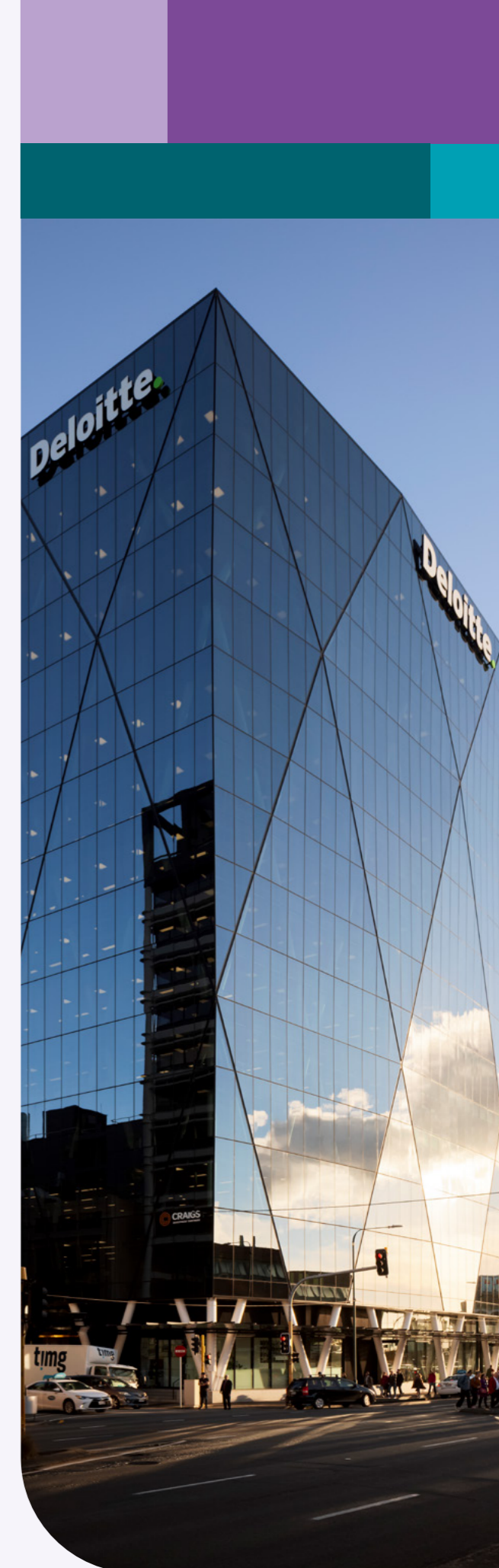

Tim Storey

Chair,
SPL and SIML




Philip Littlewood

Chief Executive Officer,
SPL and SIML



1. See glossary on page 135.

Board of Directors



Tim Storey

LLB, BA

Independent Director, Chair of the Boards and Chair of the Remuneration and Nomination Committee

Term of Office: Appointed to SPL on 1 April 2009 and to SIML on 16 February 2016; last elected 2022

Tim was appointed Chair of Stride in 2009. He has more than 30 years' experience across a range of sectors and has practiced as a lawyer in New Zealand and Australia, retiring from the Bell Gully partnership in 2006. Tim is a member of the Institute of Directors in New Zealand (Inc) and is chair of LawFinance Limited (ASX listed), a director of Investore Property Limited and of a number of private companies.



Ross Buckley

BBS, FCA, FCPA, CMIInstD

Independent Director and Chair of the Audit and Risk Committee

Term of Office: Appointed to SPL and SIML on 9 August 2021; elected 2021

Ross has a strong background in auditing and management, with 27 years as a partner at the global accounting and consulting firm KPMG, including nine years as Executive Chairman of KPMG in New Zealand and a member of KPMG's Asia Pacific Board and KPMG's Global Council. During his career with KPMG he managed the firm's Audit, Risk and Tax practices, in addition to the firms' People, Performance and Culture function. Ross currently chairs the Auckland Branch of the Institute of Directors, is a council member of Massey University, and is a member of the Audit Oversight Committee of the Financial Markets Authority. He is also a director of ASB Bank Limited and Investore Property Limited and independent chair of Service Foods NZ Limited.



Jacqueline Cheyne

BAcc, FCA, CMIInstD

Independent Director and Chair of the Sustainability Committee

Term of Office: Appointed to SPL and SIML on 13 March 2019; last elected 2022

Jacqueline has 25 years of experience in financial audit and advisory services, including 11 years as a partner at Deloitte in audit and assurance. Jacqueline led Deloitte's Corporate Responsibility and Sustainability services function for Deloitte New Zealand for nine years. Jacqueline is currently a Member of the External Reporting Board, a member of the Audit Oversight Committee of the Financial Markets Authority, chair of Snow Sports NZ, and a director of New Zealand Green Investment Finance Limited, PaySauce Limited and Pioneer Energy Limited.



Michelle Tierney

BA, MBA

Independent Director

Term of Office: Appointed to SPL on 17 July 2014 and to SIML on 16 February 2016; last elected 2020

Michelle has more than 30 years' experience in the property industry as a listed Non-Executive Director, and former Chief Operating Officer, and has a background in funds management, real estate investment, property and asset management, transformation, and sustainability. Michelle is currently a Non-Executive Director of Growthpoint Properties Australia and previously was Chief Operating Officer of ASX100 company Region Property Group (formerly SCA Property Group) in Australia. She was previously the General Manager of Business Development and Strategy for the National Australia Bank Global Institutional Bank, Fund Manager of the \$3.8bn GPT Wholesale Shopping Centre Fund and Head of Property and Asset Management for ASX50 company The GPT Group. Michelle is also a member of the Australian Institute of Company Directors and Women on Boards in Australia.



Tracey Jones

BCom, CA, CMIInstD

Independent Director

Term of Office: Appointed to SPL and SIML on 11 April 2023

Tracey has considerable experience in accounting and finance, as well as funds management and property. Tracey worked for 15 years with Tappenden Holdings Limited, including as Chief Operating Officer and Chief Financial Officer, managing a large investment portfolio including a number of property interests. Tracey moved into a governance career in 2016, and is currently an independent director of Partners Life and Punakaiki Fund Limited, as well as independent chair of Nikko Asset Management NZ Limited and director and chair of the audit and risk committee of Harmony Corp Limited.



Nick Jacobson

LLB, BCom

Independent Director

Term of Office: Appointed to SPL and SIML on 18 July 2019; last elected 2021

Nick has over 30 years' experience with leading global and investment banks and global financial services companies, specialising in real estate advisory and capital markets across Australia, Europe, and Asia. Nick is currently Managing Director at Wingate in Sydney, Australia, investing in significant CRE private credit transactions. Nick was previously Managing Director and Head of Investment Banking Services at Goldman Sachs in Sydney, and Chairman of Goldman Sachs' Real Estate Investment Banking division.

People

The Stride team works closely together, with team collaboration highly valued

We celebrate length of service at Stride and over the past year we have had five employees complete 20 years of service with Stride. This is a great achievement – Stride started approximately 27 years ago with around 30 employees and these five have been there for a large part of Stride’s history. Congratulations to our long-serving employees, Jennifer, Jessica, Karen, David and Eve.

At Stride we value our open and collaborative working environment which creates an atmosphere that enables us to think strategically and creatively, delivering solutions for Stride and each of the Stride Products. This is particularly evident in our focus on delivering growth for each of the Stride Products.

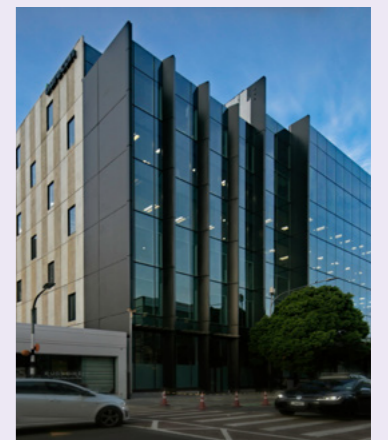
Growing the Industrie portfolio

Industrie acquired the property at 439 Rosebank Road, Auckland, in 2020. At the time the property comprised an old factory in fairly poor condition and with an asbestos roof. Following the acquisition Industrie considered refurbishing the factory to remove the asbestos, but ultimately decided to demolish the existing building and construct new industrial facilities. The acquisition was managed by the industrial team within SIML, and they worked closely with the SIML development team to design and construct a new industrial development on the site. During construction the industrial team negotiated a lease with Arnott’s for the largest of the factory spaces. The site also houses three additional industrial tenancies, which were all leased prior to the completion of the development in early 2023. This property is an excellent example of the SIML industrial and development teams working together to deliver a quality development for Industrie, which is fully leased at completion.



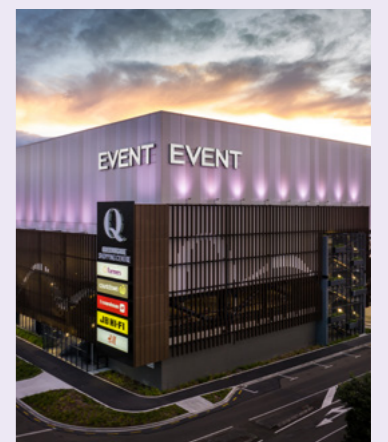
Adding to Stride’s quality office portfolio

Stride’s investment team initially managed the acquisition of the new office development at 110 Carlton Gore Road, Auckland, in 2021 from Mansons. This building was in the initial stages of construction at the time of the transaction, and the investment team worked closely with the office team and in-house counsel within Stride’s corporate services team to deliver this high quality acquisition. This building has achieved a 6 Green Star Design rating and is targeting a 6 Green Star As Built rating on completion. On settlement of the acquisition, the building will be 100% occupied¹ with a weighted average lease term of over 11 years, furthering Stride’s strategy of improving the overall quality and sustainability features of its office portfolio. A key member of Stride’s investment team for the acquisition, Jessica Rod, was subsequently appointed General Manager Office, and has remained closely involved with the construction of the new building, along with Stride’s development team. This high quality office building has now been completed, and Stride expects to settle the acquisition on 31 May 2023.



Delivering a quality rebuild for Diversified

Part of the Queensgate Shopping Centre in Wellington was demolished following the Kaikoura earthquake in 2016. The Stride shopping centre team capably managed to continue shopping centre operations during the demolition of part of the site and the subsequent rebuild process. This included navigating the loss of a carpark over several busy Christmas seasons, manoeuvring the changing access arrangements for the centre, and ensuring clear separation between construction and the public. The rebuild of part of the centre was overseen by the SIML development team, based in Auckland, who also managed the insurance claim process. Together, the shopping centre team and the development team delivered an excellent project, testament to the close and trusted working relationship between the two teams. The reopening of the cinema has attracted even more customer visitation to the centre, driving higher sales and generating additional leasing demand, contributing to an outstanding shopping centre.



1. The vendor has committed to take a lease of any remaining vacant space at settlement in accordance with commercial terms agreed between the parties.

Executive Team



Philip Littlewood

BProp, BCom, MBA

Chief Executive Officer

Philip joined Stride in 2014 and has led the team since 2017. Philip is responsible for the overall strategy and management of Stride. Philip has extensive experience in property investment, funds management, development, asset management and finance, in New Zealand and overseas, including roles with Morgan Stanley's merchant banking division (UK), a partnership in a large private-equity real estate firm (UK) and AMP Capital Investors (NZ).



Jennifer Whooley

CA

Chief Financial Officer

Jennifer is responsible for Stride's overall financial plans and policies, ensuring the compliance of its accounting practices. Jennifer is also responsible for the people and culture function within Stride. Jennifer has been with Stride for 20 years, and prior to joining Stride, she was Chief Accountant for Fletcher Property. Jennifer was named the EY CFO of the Year for 2018.



Mark Luker

Dip.Val.Prop

General Manager Development

Mark is responsible for Stride's development activities. He has over 25 years of experience in the property development and investment industry, acquired through complex large-scale retail and commercial development projects, both within New Zealand and Australia. Mark joined Stride from Kiwi Property Group, where he held the roles of General Manager Development and Project Director, Sylvia Park.



Louise Hill

BCom, LLB

General Manager Corporate Services

Louise has more than 20 years' legal experience and is responsible for a range of corporate functions within Stride, including legal, governance, compliance, IT, insurance, health and safety, sustainability and risk. Louise's previous roles included Head of Legal (NZ) for Fletcher Building and senior associate in the corporate/commercial team at Bell Gully.



Adam Lilley

BCom, LLB, CA

General Manager Investment | Investore Fund Manager

Adam has more than 10 years' experience in the property and finance industries, and was previously an Institutional Equities Research Analyst at Craigs Investment Partners, specialising in the New Zealand listed property sector. Prior to that, Adam was an Investment Manager at Stride and rejoined in 2021 to lead Stride's Investment team. In 2022 Adam also took responsibility for managing the Investore business as Investore Fund Manager.



Andrew Hay

BProp, MBA

General Manager Industrial

Andrew joined Stride in 2004 and has more than 25 years' property industry experience. Andrew is responsible for managing the business of Industrie, including overseeing and growing the industrial portfolio. Andrew is the immediate past president of the Auckland Branch of the Property Council.



Jessica Rod

BProp, BA

General Manager Office

Jessica is responsible for growing and managing Stride's office portfolio. Jessica has been with Stride for 20 years, and prior to her current role was an Investment Manager. Jessica has been responsible for a number of recent office acquisitions, including the acquisition of the property at 110 Carlton Gore Road.



Roy Stansfield

ACA

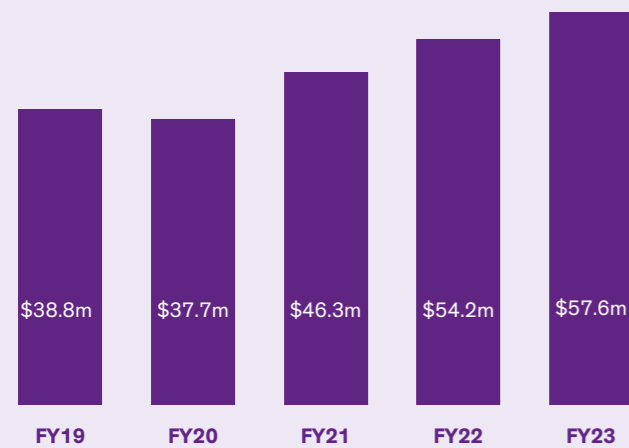
General Manager Shopping Centres

Roy is responsible for the shopping centre portfolios owned and managed by Stride. His role includes all aspects of asset management, retail leasing and planning. Roy has 30 years' experience in the retail shopping centre industry. Prior to joining Stride, he was employed by Challenge Properties, St Lukes Group and Kiwi Property Group.

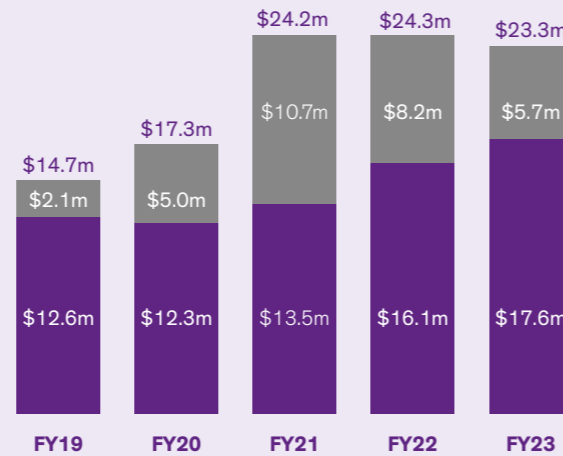
Performance

Stride continues to deliver growth in distributable profit, despite challenging market conditions

Distributable profit¹ growth



SIML management fees²

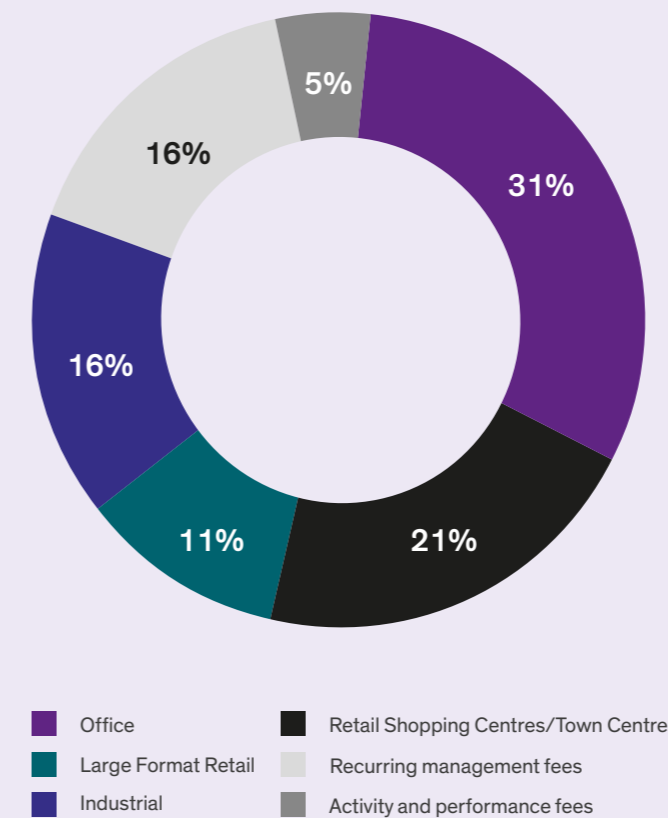


FY23 recurring management fees were \$17.6m, representing 9.5% growth on FY22. Activity fees were lower than FY22, due to economic conditions impacting market activity and lower performance fees

■ Activity and performance fees
■ Recurring fees

Stride benefits from diversification of its revenue sources, with revenue being delivered from its directly held portfolio, its investment in each of the Stride Products, and real estate investment management fees. SIML's real estate investment management fees represented 21% of Stride's FY23 look-through revenue.

FY23 look-through revenue sources³



Growing Stride's Real Estate Investment Management Business

Assets under management

\$3.2bn

as at 31 March 2023, including \$2.3bn of external assets under management

Pro forma assets under management

\$3.4bn

taking into account committed acquisitions, developments and disposals

1. See glossary on page 135.
2. Net of management fees received from SPL.
3. Stride's revenue comprises SIML management fees and SPL revenue. SPL revenue comprises income derived from SPL's directly held property plus revenue derived from its interests in the Stride Products which is calculated based on net Contract Rental on a look-through basis as at 31 March 2023. Management fees comprise FY23 management fees from Stride Products (i.e. excluding fees from SPL).

Products

The Stride Products comprise a range of listed and unlisted entities, which provide diversification of opportunities in different market conditions. Stride takes an active approach to management of the Stride Products, tailoring its activity to the property sector in which each Stride Product invests as well as the nature and objectives of the investors in each Product

STRIDE

Stride is a listed stapled entity which directly owns office and town centre assets and has an interest in each of the Stride Products. SIML, the manager of the Stride Products, forms part of Stride.

investore

Investore owns a portfolio of large format retail properties. Investore is listed on the NZX, with Stride owning 18.8%. The focus is on optimising the Investore portfolio and delivering successful portfolio improvement and development projects.

INDUSTRE

Industre is a joint venture between Stride and JPMAM¹ and owns a portfolio of industrial assets primarily located in the Auckland region. Industre's strategy is to grow a portfolio of strategically located industrial assets, often with development potential, providing future growth opportunities.

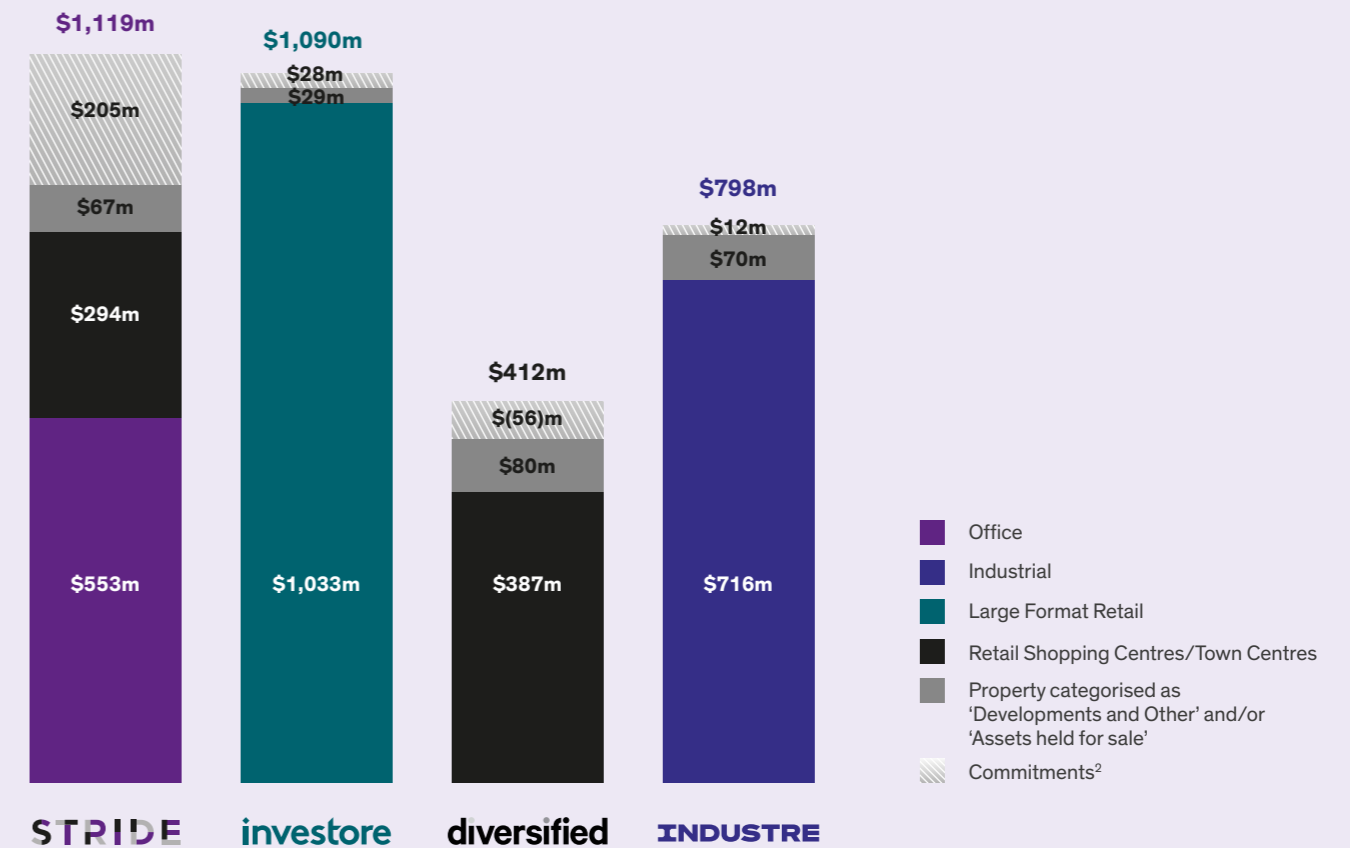
diversified

Diversified is a trust that is owned primarily by two Australian superannuation entities, with Stride owning 2.1%. Diversified owns shopping centre assets. The recent focus has been on completing the Queensgate Shopping Centre capital works and managing the balance sheet.

Stride will continue to build portfolios of assets within SPL that could be used for the establishment of future Products, when market and economic conditions are conducive.

While continuing to prepare for the establishment of one or more future Products, Stride focusses on growing and optimising the existing Stride Products.

Portfolio composition as at 31 March 2023



Number and value of properties managed by SIML as at 31 March 2023

	Value of investment properties (\$m)	Number of investment properties	SPL investment in Stride Products
Office and town centre portfolio ³	913	11 ⁴	100%
Investore	1,062	47	18.8%
Diversified	467	4 ⁴	2.1%
Industre	786	23	51.7%
Total	3,229	84	

Numbers may not add due to rounding.

- See glossary on page 135.
- Commitments include: (1) Stride: the settlement of 110 Carlton Gore Road, Auckland; building upgrades at 34 Shortland Street, Auckland; and various capital expenditure commitments contracted for (refer note 3.4 to the consolidated financial statements); (2) Investore: the development of the Countdown at Hakarau Road, Kaiapoi, and other capital expenditure commitments; (3) Diversified: the disposal of Remarkables Park Town Centre; and (4) Industre: estimated costs of construction for two committed developments.
- Excludes SPL's 51.7% interest in the joint operation component of the Industre Property Joint Venture as at 31 March 2023 (for more information, see note 3.2 to the consolidated financial statements). Includes the value of Stride's offices at 34 Shortland Street, Auckland, and 22 The Terrace, Wellington, which are shown in the consolidated financial statements as 'Property, plant and equipment' and 'Assets classified as held for sale' respectively.
- Includes Johnsonville Shopping Centre, which is owned 50:50 by SPL and Diversified.

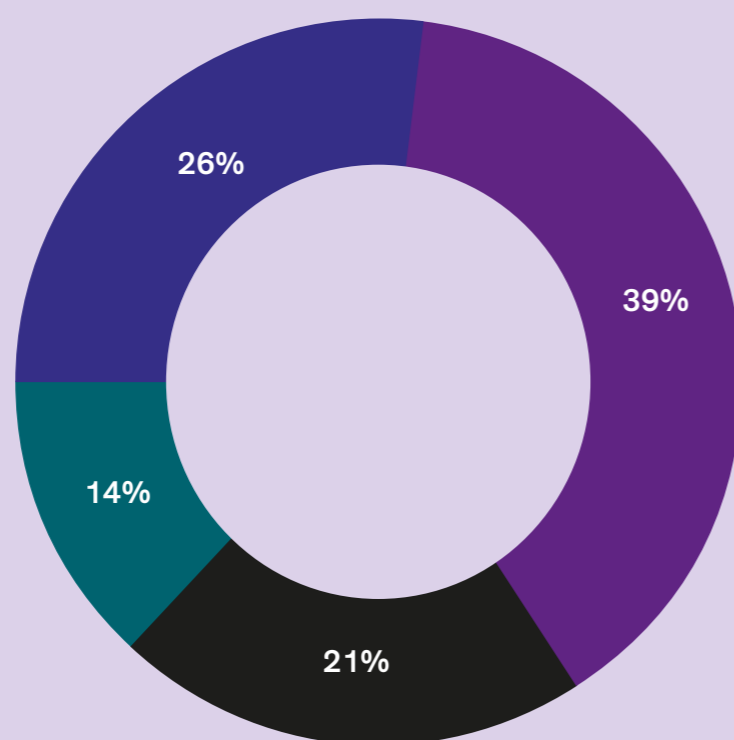
SPL Look-Through Portfolio

SPL owns a portfolio of town centre and office assets directly, as well as having an interest in each of the Stride Products. This ensures alignment of interests between Stride and each of the Stride Products and provides SPL with a diversified look-through portfolio¹ that is well balanced across each of the core property sectors, demonstrating strong metrics.

Look-through value ² (\$m)	1,419.7
Look-through WALT (years)	6.7
Look-through occupancy (%)	98.7

SPL's weighted look-through portfolio^{1,3} as at 31 March 2023

- Office
- Industrial
- Large Format Retail
- Retail Shopping Centres/Town Centres



SPL Portfolio

SPL's directly held portfolio comprises office and town centre properties with enduring demand.

	Pro forma ^{4,5} 31 March 2023	31 March 2023 ⁴	31 March 2022 ⁴
Properties (no.)	9	8	15 ⁶
Tenants (no.)	237	233	358
Net Lettable Area (sqm)	131,144	117,063	151,212
Net Contract Rental ⁷ (\$m)	62.7	51.9	63.0
WALT ⁷ (years)	6.5	5.5	5.6
Occupancy Rate (% by area)	97.6 ⁸	97.3 ⁸	96.1
Weighted Average Age (years)	9.8	12.0	13.3
Weighted Average Capitalisation Rate (%)	6.0	6.2	5.5
Portfolio Value ² (\$m)	1,041.9	846.6	1,062.8 ⁹

- All metrics relate to the stabilised investment portfolio, and exclude properties categorised as 'Development and Other' and 'Assets classified as held for sale' in the respective financial statements.
- Excludes lease liabilities. Includes the value of Stride's office at 34 Shortland Street, Auckland, which is shown in the consolidated financial statements as 'Property, plant and equipment'.
- As at 31 March 2023 and excluding committed acquisitions, developments and disposals, and excluding lease liabilities.
- Excludes: (1) SPL's interest in the joint operation component of the Industrie Property Joint Venture portfolio which is reported as part of the assets of SPL in the consolidated financial statements (see note 3.2 to the consolidated financial statements for further information); (2) in respect of 31 March 2023 only, properties categorised as 'Development and Other' and 'Assets classified as held for sale' in the consolidated financial statements.
- As at 31 March 2023, as if the acquisition of 110 Carlton Gore Road, Auckland, had occurred as at that date.
- Includes Johnsonville Shopping Centre, which is owned 50:50 by SPL and Diversified.
- See glossary on page 135.
- Occupancy has been calculated including casual licences with an initial term greater than three months, and excluding units held for committed redevelopment or remix works.
- Includes the Auckland properties at 7-9 Fanshawe Street, 80 Greys Avenue, 25 Teed Street and 35 Teed Street, shown in the consolidated financial statements as 'Investment properties classified as held for sale'.

Town Centres

Stride's town centres are located in fast-growing regions within Auckland, driving growth in sales and demand for space within the centres, delivering higher rental income and occupancy.

The Stride town centre portfolio¹ delivered sales growth of +16% over the 12 months to 31 March 2023 compared to the previous 12 months. This growth has supported Stride's town centre market rental and valuations given capitalisation rate softening resulting in part from the higher interest rate environment. While Silverdale Centre experienced capitalisation rate expansion of +38 basis points to 6.63%, a 13.5% increase in net market rent helped to achieve an overall 5.3% net valuation gain for the 12 months to 31 March 2023. Similarly, the capitalisation rate for NorthWest Shopping Centre and NorthWest Two (combined) increased by 93 basis points over the 12 months to 31 March 2023 to 7.24%. However, growth in market rental partly offset this movement, resulting in a (5.0)% net valuation movement for the 12 months. Overall, the Stride town centre portfolio achieved a \$(7.7)m or (2.4)% net valuation movement for FY23, with net market rents increasing by +8.6% over the prior year and partially offsetting the capitalisation rate movement.

This increase in market rental rates is evidenced in the rent reviews and renewals completed across the Stride town centre portfolio. Rent reviews and renewals were completed across 63% of the portfolio¹ by area during FY23, with an increase of +4.3% on the previous rentals. 46% of the portfolio¹ is subject to a rent review in FY24, with 24% subject to reviews linked to movements in the Consumer Price Index (CPI).

The sales growth experienced by the Stride town centre portfolio, which contributed to the growth in rentals achieved, is at least partly due to the growing locations in which the Stride town centres are located:

- Silverdale Centre is located in a high growth area of Auckland, the Hibiscus and Bays area, where the population is forecast² to grow by 1.7% per annum or roughly 2,400 extra people annually between 2018 and 2038
- NorthWest Shopping Centre is located in Auckland's west, near the rapidly growing urban areas of Red Hills and Whenuapai, which are anticipated to achieve population growth³ of 36,000 over the next 30 years

Sales growth¹ +16% over FY23

Gross occupancy costs⁴ for specialty tenants¹ have reduced from 12.8% in FY19 (pre Covid-19) to 11.0% in FY23

Rent reviews and renewals across 63% of the portfolio¹ by area achieved +4.3% increase on previous rentals

Town centre portfolio net valuation movement of \$(7.7)m or (2.4)% over the 12 months to 31 March 2023

Portfolio¹ occupancy 99.2%

Portfolio Overview

	31 March 2023 ¹	31 March 2022
Properties (no.)	3	4 ⁵
Tenants (no.)	160	231
Net Lettable Area (sqm)	58,679	65,526
Net Contract Rental ⁴ (\$m)	20.5	22.0
WALT ⁴ (years)	4.5	4.1
Occupancy Rate (% by area)	99.2 ⁶	96.7
Weighted Average Capitalisation Rate (%)	7.0	6.5
Portfolio Value ⁷ (\$m)	293.5	324.5



1. Metrics relate to the stabilised investment portfolio and exclude properties classified as 'Development and Other' in the consolidated financial statements.

2. Hibiscus and Bays Local Board Economic Overview 2020.

3. Auckland Plan 2050.

4. See glossary on page 135.

5. Includes Johnsonville Shopping Centre, which is owned 50:50 by SPL and Diversified.

6. Occupancy has been calculated including casual licences with an initial term greater than three months, and excluding units held for committed redevelopment or remix works.

7. Excludes lease liabilities.

Office

During FY23 Stride continued its strategy of repositioning its office portfolio to meet market demand for green rated, high quality buildings.

Four non-core office assets sold

Stride committed to the acquisition of 110 Carlton Gore Road, Auckland, a new office development which has achieved a 6 Green Star Design rating and is targeting a 6 Green Star As Built rating on completion

Stride has committed to \$8.4m of capital expenditure to upgrade 34 Shortland Street, Auckland, to meet market demand, including installing end of trip facilities, upgrading the lobby and improving the heating and cooling systems to be more energy efficient

Following the acquisition of 110 Carlton Gore Road, Auckland, 74% of office properties¹ by value will have 5 Green Star or 4 star NABERSNZ ratings or higher. Plans are in place to obtain ratings for two additional properties, including the works at 34 Shortland Street which are expected to enable the building to achieve a 4 star NABERSNZ rating

Net market rents for Stride's office portfolio increased 6.2%² over the 12 months to 31 March 2023. This increase in rental partially offset the softening in capitalisation rates, resulting in a total office portfolio net valuation movement of \$(86.8m) or (10.0)% over the 12 months to 31 March 2023

FY23: rent reviews and renewals completed across 75% of the office portfolio² by area, delivering +4.0% increase in passing rent on previous rentals

FY24: 71% of the office portfolio² subject to a rent review, with 20% subject to a CPI-linked review



Portfolio Overview

	Pro forma 31 March 2023 ¹	31 March 2023 ²	31 March 2022
Properties (no.)	6	5	11
Tenants (no.)	77	73	127
Net Lettable Area (sqm)	72,465	58,384	85,687
Net Contract Rental ³ (\$m)	42.3	31.4	40.9
WALT ³ (years)	7.5	6.2	6.4
Occupancy Rate (% by area)	96.3	95.4	95.4
Weighted Average Capitalisation Rate (%)	5.6	5.7	5.1
Portfolio Value ⁴ (\$m)	748.4	553.1	738.5 ⁵

- As at 31 March 2023, as if the acquisition of 110 Carlton Gore Road, Auckland had completed as at that date. Excludes properties classified as 'Development and Other' and 'Assets classified as held for sale' in the consolidated financial statements.
- Excludes properties classified as 'Development and Other' and 'Assets classified as held for sale' in the consolidated financial statements.
- See glossary on page 135.
- Excludes lease liabilities. Includes the value of Stride's offices at 34 Shortland Street, Auckland, which is shown in the consolidated financial statements as 'Property, plant and equipment'.
- Includes the Auckland office properties at 7-9 Fanshawe Street, 80 Greys Avenue, 25 Teed Street and 35 Teed Street, which are shown as 'Investment properties classified as held for sale' in the consolidated financial statements.

Industre's strategy is to build a portfolio of strategically located industrial properties with future growth potential

Industre invests in the industrial sector, primarily focussed on properties in the Auckland region. Industre has benefited from the ability of Stride to identify properties with growth potential.

Industre commenced following the redevelopment of 318 East Tamaki Road, Auckland, the award-winning Waste Management Auckland Headquarters, which was the cornerstone development for the joint venture. As a result of that successful collaboration with Waste Management, Industre has subsequently developed two further properties for Waste Management, with a further expansion planned. Industre has also acquired a property in Gisborne which is tenanted by Waste Management.

Since its inception, Industre has developed, or is in the process of developing, 5 properties, including 439 Rosebank Road, Auckland, which was recently completed and 34 Airpark Drive, Auckland, due to be completed in June 2023. Industre has 10 further properties with development potential, giving it the ability to continue to grow in a market where there is little available space. Stride is pleased to partner with JPMAM¹ to deliver growth in the portfolio, with SIML's active approach to portfolio management and local market expertise, together with JPMAM's available capital, contributing to growth in the portfolio, from \$398m on commencement of the joint venture, to \$786m as at 31 March 2023 (or \$716m excluding properties categorised as 'Development and Other' in the financial statements).

1. See glossary on page 135.

2. CBRE Auckland Industrial Space Market Trends report dated February 2023.

3. Excludes properties classified as 'Development and Other' in the financial statements.

4. Based on Industre's valuation reports as at 31 March 2023 and comparing passing rent to market rent on a face rental basis.

Portfolio Overview

Industrial space remains very much in demand, particularly in Auckland where 93% of the Industre portfolio (by value) is located. Auckland Grade A industrial property currently has no vacancy (overall Auckland industrial vacancy is 0.1%) as at December 2022², reflecting strong tenant demand and limited supply.

This strong demand for industrial property is contributing to higher market rental. Industre's Auckland portfolio³ has potential reversion to market rental of 16.1% or 15.1% for the portfolio as a whole. With 33.5% of Industre's portfolio³ by net Contract Rental¹ subject to market review or expiry in FY24 and FY25, this is expected to enable Industre to capture the higher market rents. Higher market rents across the industrial portfolio offset some of the capitalisation rate movement, resulting in a total net portfolio valuation movement for the 12 months to 31 March 2023 of \$(94.6)m or (10.7)%.

	31 March 2023 ³	31 March 2022
Properties (no.)	19	22
Tenants (no.)	70	67
Net Lettable Area (sqm)	185,049	176,689
Net Contract Rental ¹ (\$m)	33.3	31.2
WALT ¹ (years)	9.7	9.3
Occupancy Rate (% by area)	99.9	99.8
Weighted Average Capitalisation Rate (%)	5.2	4.3
Portfolio Value (\$m)	715.9	849.4



INDUSTRE

SIML's active approach to portfolio management, including its ability to identify well-located properties with development potential, has helped the Industre portfolio grow from \$398m on commencement of the joint venture, to \$716m as at 31 March 2023 (or \$786m when including properties categorised as 'Development and Other' in the consolidated financial statements). Since commencement, Industre has acquired additional properties which have a valuation of \$204m as at 31 March 2023, all of which have future development potential.



Industre Developments Completed or In Progress since 2019

Property	Original valuation ¹ (\$m)	Nature of development	Site area (sqm)	Net Lettable Area	Development completion date	Valuation 31 March 2023 (\$m)
318 East Tamaki Road	98.0	Office and workshop for Waste Management	52,452	9,784	Dec 2019	102.3
11 Selwood Road ²	50.6	Processing facility for Waste Management	21,664	4,253	Oct 2020	82.9
16 Wickham Street	16.8	Resource recovery centre for Waste Management	40,007	5,503	Nov 2020	38.9
439 Rosebank Road	8.0	Factory and logistics spaces	11,708	7,978	Feb 2023	32.8
34 Airpark Drive (under development)	8.5	Logistics facility	10,329	6,359	June 2023 (expected)	16.6
			Number of properties	Total cost of development (excluding land)		
Developments completed to date / under development			5	\$116m		
Future development potential			10	\$300m+		

1. The "original valuation" is the valuation at 1 July 2020 (being the commencement date of the Industre Property Joint Venture) or, where the property was not owned as at 1 July 2020, the purchase price of the property on the date of acquisition.

2. Valuations are for the entire property at 1 – 3 Selwood Road and 6 – 12 The Concourse, of which 11 Selwood Road forms part.



Summarised statement of financial position (\$000)

	Industre			SPL's interests		
	Joint Venture 2023	Joint Operations 2023	Total 2023	Joint Venture 2023	Joint Operations 2023	Total 2023
Assets						
Current assets	4,083	1,395	5,478	2,113	722	2,835
Investment properties	496,025	289,950	785,975	256,626	150,010	406,636
Other non-current assets	85,549	-	85,549	44,260	-	44,260
Total assets	585,657	291,345	877,002	302,999	150,732	453,731
Liabilities						
Current liabilities	(7,035)	(472)	(7,507)	(3,639)	(244)	(3,883)
Borrowings	(270,744)	(78,088)	(348,832)	(140,073)	(40,400)	(180,473)
Other non-current liabilities	(2,356)	-	(2,356)	(1,218)	-	(1,218)
Total liabilities	(280,135)	(78,560)	(358,695)	(144,930)	(40,644)	(185,574)
Net assets	305,522	212,785	518,307	158,069	110,088	268,157

Summarised statement of comprehensive income (\$000)

	Industre			SPL's interests		
	Joint Venture 2023	Joint Operations 2023	Total 2023	Joint Venture 2023	Joint Operations 2023	Total 2023
Income	21,646	15,557	37,203	11,199	8,049	19,248
Expenses	(16,111)	(8,754)	(24,865)	(8,335)	(4,529)	(12,864)
Net change in fair value of investment properties	(32,496)	(62,311)	(94,807)	(16,812)	(32,238)	(49,050)
Net loss*	(26,961)	(55,508)	(82,469)	(13,948)	(28,718)	(42,666)

Numbers may not add due to rounding.

*Relates to the year to 31 March 2023. SPL's share in Industre remained at 51.7% throughout the year. For further information refer to note 7.0 in the consolidated financial statements.

Investore's portfolio of large format retail properties delivered strong operational performance in FY23, although the value of its portfolio was impacted by the higher interest rate environment placing upwards pressure on property capitalisation rates.

\$60.3m

net rental income

up \$2.0m from FY22

\$(150.2)m

loss after income tax

due to a net investment property devaluation of \$(185.2)m in FY23

\$31.0m

distributable profit¹ after current income tax,

up \$1.2m from FY22

The Investore portfolio is valued at \$1.1bn as at 31 March 2023, representing a net valuation decrease of \$(185.2)m or (14.9)%. This decrease is primarily due to the average portfolio² capitalisation rate increasing to 5.7%, up 0.9% from 31 March 2022.

Investore continues to seek opportunities to grow and optimise its portfolio:

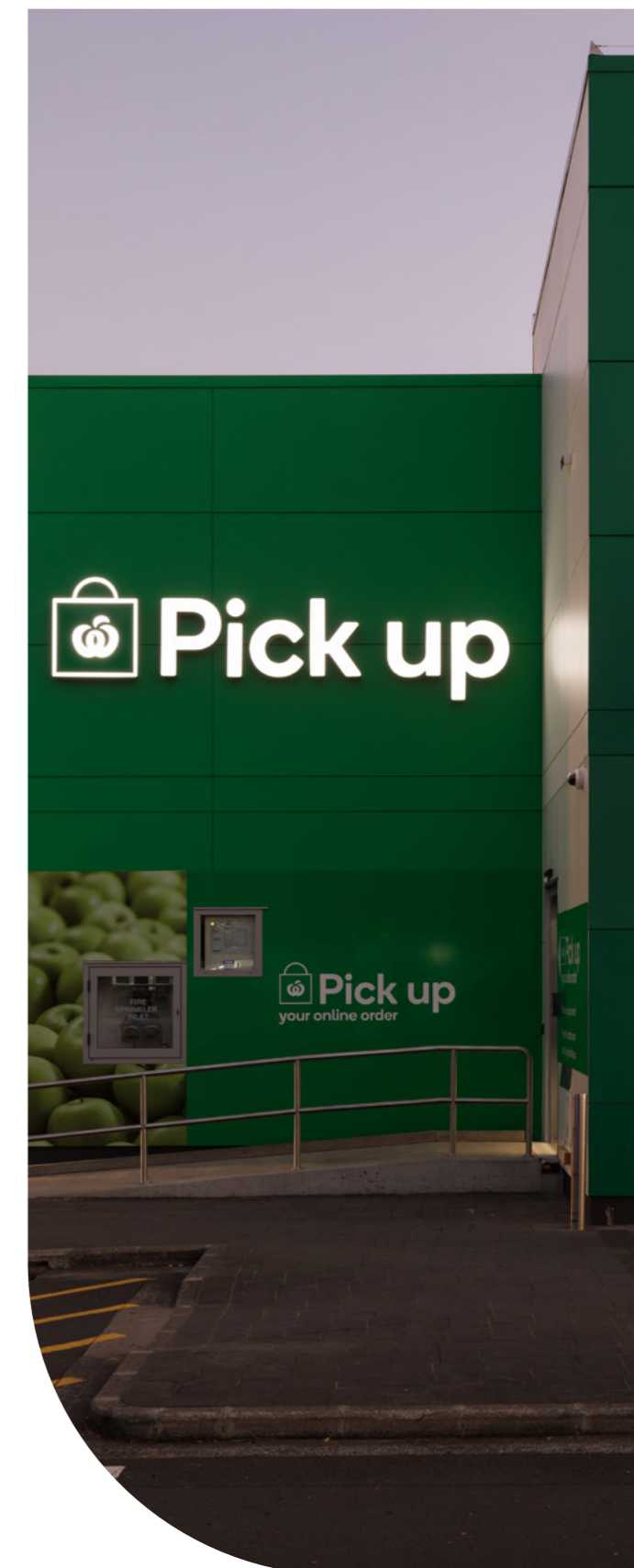
- Completed the acquisition of land at Hakarau Road, Kaiapoi, for \$10.1m, and commenced construction of a new Countdown on this site, targeting a 5 Green Star rating
- Acquisition of land at Countdown Papakura, which was previously held as leasehold land, giving Investore control and improved development options
- Agreement with Countdown to expand the customer amenity at Countdown Rangiora, including an online room and new pickup bays, delivering a 7.5% per annum return on cost of up to \$1.0m
- Completed 82 rent reviews during FY23 across 130,000 sqm, comprising over half of the portfolio Contract Rental³, delivering a rental increase of 3.3% on prior rentals
- 16 properties achieved Green Star Performance ratings in FY23

Portfolio Overview

Investore's portfolio² comprises 44 large format retail properties, from standalone supermarkets to large format retail centres, with a high concentration of nationally recognised brands and tenants that provide "everyday needs". This focus on everyday needs means Investore's tenants are resilient in challenging macroeconomic conditions, due to their products comprising non-discretionary categories of expenditure for consumers.

	As at 31 March 2023 ²	As at 31 March 2022
Properties (no.)	44	44
Tenants (no.)	143	143
Net Lettable Area (sqm)	249,906	249,829
Net Contract Rental ³ (\$m)	61.8	60.2
WALT ³ (years)	8.1	9.1
Occupancy Rate (% by area)	99.5 ⁴	99.7
Weighted Average Capitalisation Rate (%)	5.7	4.8
Land area (sqm)	611,077	611,077
Average site coverage (%)	41	41
Portfolio Value ⁵ (\$m)	1,033.2	1,201.3 ⁶

- Distributable profit is a non-GAAP measure and consists of (loss)/profit before income tax, adjusted for determined non-recurring and/or non-cash items (including non-recurring adjustments for incentives payable to anchor tenants for lease extensions) and current tax. Further information, including the calculation of distributable profit and the adjustments to (loss)/profit before income tax, is set out in note 3.2 to Investore's consolidated financial statements.
- Excludes properties classified as 'Development and Other' in the Investore consolidated financial statements.
- See glossary on page 135.
- Vacant tenancies with current or pending development works are excluded from occupancy statistics. As at 31 March 2023 metric excluded 2,947 sqm at Bay Central, Tauranga.
- Excludes lease liabilities.
- Excludes seismic works (\$3.0m) to be completed by SPL in relation to 2 Carr Road, Auckland, acquired by Investore from SPL and settled on 30 April 2020.



Proactive capital management

Investore continues to take a proactive and prudent approach to capital management which has insulated FY23 underlying earnings from the full effects of higher interest rates

92% Debt that is hedged or subject to a fixed rate of interest as at 31 March 2023

4.0% Weighted average cost of debt per annum as at 31 March 2023

3.0 years Weighted average maturity of debt facilities as at 31 March 2023

\$75m Bank facilities extended by two years

During FY23 Investore refinanced two bank facilities totalling \$75 million, extending their tenor by a further two years. During that process, Investore negotiated the removal of the weighted average lease term covenant, and agreed to lower the LVR¹ covenant from 65% to 52.5%.

Investore has a weighted average cost of debt of 4.0% per annum as at 31 March 2023, an increase of 24 basis points since 31 March 2022, which compares favourably with the increase in New Zealand's Official Cash Rate of 375 basis points over the same period. This relatively small movement in the weighted average cost of debt is due to the significant proportion of Investore's debt that is hedged or subject to a fixed rate of interest.

Investore has an LVR¹ of 36.5% as at 31 March 2023, with a committed LVR of 38.1%. Commitments include the Countdown supermarket at Kaiapoi and other smaller capital expenditure commitments.

Investore commenced an on-market share buyback programme of up to 5% of its ordinary shares in July 2022. As at the close of trading on 8 September 2022, when the programme was paused pending the release of Investore's interim results, Investore had acquired and cancelled 632,398 shares for a total cost of \$1.1 million (including transaction costs). The Investore board has now resolved to cancel the share buyback programme.

1. See glossary on page 135.

Following the refinancing of \$75m of bank debt facilities during FY23, Investore now has no debt maturing until FY25 and no bank debt maturing until FY26



diversified

Stride has delivered a number of vital projects for Diversified during FY23, which have benefited the portfolio through increased occupancy, higher rentals and an improved balance sheet

During FY23 SIML, on behalf of Diversified, completed the rebuild of part of the Queensgate Shopping Centre that was damaged during the 2016 Kaikoura earthquake, with EVENT Cinemas reopening prior to Christmas 2022. With the carpark and cinemas opened, the centre has benefited from increased visitation, with total sales for the year ended 31 March 2023 up 19.7% on the prior year, and up 18.4% on the year ended 31 March 2019 (pre Covid-19). This increased visitation is helping to drive leasing activity for the centre, resulting in higher rents, which has partially offset the softening of the capitalisation rate for this centre.

The increased leasing activity, as well as the current inflationary macroeconomic environment, is helping to drive increased rental for the Diversified portfolio¹, with 101 rent reviews completed during FY23 across 39% of the Diversified portfolio¹ by area resulting in +8.3% increase on previous rentals. Nearly half of the base rent in the Diversified portfolio¹ is due for rent review in FY24, with approximately 30% being CPI-linked reviews.

1. Excludes properties categorised as 'Development and Other' and 'Investment properties held for sale' in the financial statements.

2. See glossary on page 135.

3. Includes Johnsonville Shopping Centre, which is owned 50:50 by SPL and Diversified.

4. Occupancy has been calculated including casual licences with an initial term greater than three months, and excluding units held for committed redevelopment or remix works.

Due to the softening capitalisation rates across the Diversified portfolio, this has resulted in a net portfolio valuation movement for the 12 months to 31 March 2023 of \$(42.1)m or (8.3)%.

Higher sales across the Diversified centres, together with SIML's focus on costs, have resulted in gross occupancy costs² for specialty tenants across the portfolio¹ reducing to 13.0% in FY23, down from 13.9% in FY19 (prior to Covid-19).

SIML, on behalf of Diversified, resolved the insurance claim related to the rebuild of part of Queensgate Shopping Centre and the net proceeds were used to repay debt, reducing Diversified's LVR² and improving the balance sheet. In addition, Diversified entered into an unconditional agreement to sell Remarkables Park Town Centre in Queenstown, with settlement occurring post balance date on 14 April 2023. The net proceeds of this sale were used to repay debt, further reducing Diversified's LVR.

Portfolio Overview

	31 March 2023 ¹	31 March 2022
Properties (no.)	2	4 ³
Tenants (no.)	233	356
Net Lettable Area (sqm)	84,424	105,185
Net Contract Rental ² (\$m)	32.3	38.2
WALT ² (years)	2.9	3.0
Occupancy Rate (% by area)	97.5 ⁴	94.2
Weighted Average Capitalisation Rate (%)	7.8	6.9
Portfolio Value (\$m)	387.0	492.6

“EVENT Queensgate has been an instant success and customers are travelling far and wide to experience IMAX, our standard cinemas, the amazing food and beverage on offer, and the ever popular PLAY entertainment arcade. This saw EVENT Queensgate smash previous opening records. EVENT couldn't be more thrilled with how this complex has come together.”

CEO, EVENT NZ



Capital Management

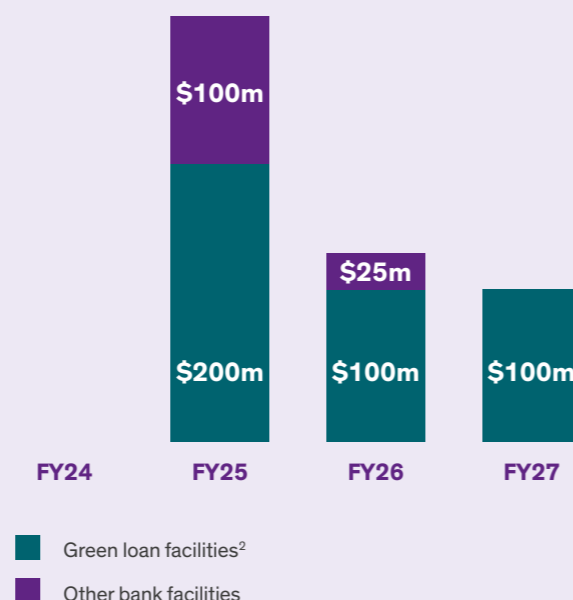
Stride takes a prudent approach to capital management, to mitigate against risks arising from high inflation, including rising interest rates and economic uncertainty. Stride undertook a number of initiatives during FY23 to manage these risks.

Dividend policy refined, targeting total cash dividend to shareholders that is between 80% and 100% of SPL's distributable profit¹ and between 25% and 75% of SIML's distributable profit

Dividend reinvestment plan implemented, with approximately 40% of shares taking up the offer for the first dividend to which it applied

\$75m of bank debt facilities cancelled, one of several measures taken to reduce costs

Debt maturity profile as at 31 March 2023



	31 March 2023	31 March 2022
Banking Facility Limit (\$m)	525	600
Debt Facilities Drawn (\$m)	402	306
Weighted Average Debt Maturity (years)	2.3	3.4
Weighted Average Cost of Debt (%)	3.96	3.55
Percentage of Drawn Debt Hedged (%)	80	110
LVR ³ (%) (Covenant: ≤ 50%)	36.4	28.7
Interest Cover Ratio (Covenant: ≥ 2.125x)	3.6x	3.4x
Weighted Average Lease Term ⁴ (years) (Covenant: >3.0 years)	4.9	5.2

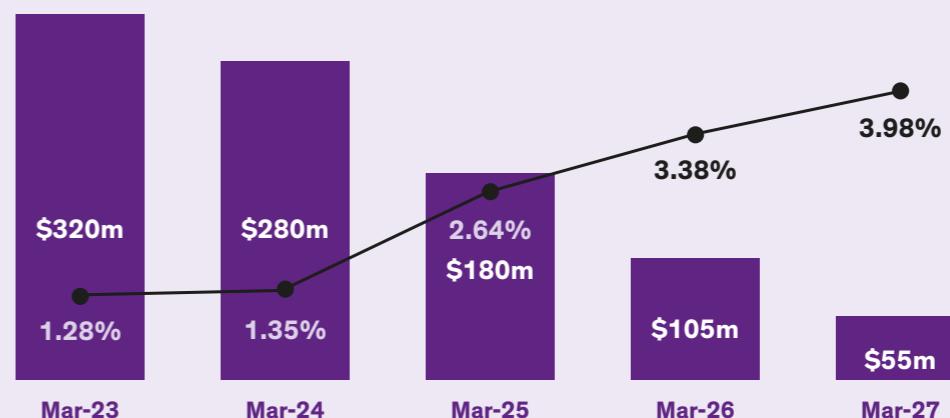
LVR and Interest Rate Management

SPL's bank LVR³ was 36.4% as at 31 March 2023, rising to 37%-38% on a committed basis⁵. However, this LVR only reflects SPL's directly held office and town centre properties, and does not take into account SPL's interests in the Stride Products. Taking these interests into account, SPL's committed gearing is approximately 37% on a look-through basis⁶ or around 28% on a balance sheet basis⁷ when taking into account SPL's equity interests in the Stride Products.

Stride takes a prudent approach to capital management, and accordingly as at 31 March 2023, 80% of drawn debt was hedged, or approximately 75% on a committed basis, to help manage interest rate risk. The weighted average cost of debt (including margin and line fees) is 3.96% per annum as at 31 March 2023, increasing 41 basis points since 31 March 2022, compared with a 375 basis point increase in New Zealand's Official Cash Rate over the same period.

During FY23 Stride entered into a further \$80m of forward start interest rate swaps for an average hedged term of 2.7 years and an average interest rate of 3.93% per annum, helping to manage future interest rate volatility by further extending Stride's interest rate hedging profile.

Fixed rate interest profile



- See glossary on page 135.
- Green loan facilities are made in accordance with the Green Finance Framework of Fabric Property Limited (Fabric, a wholly owned subsidiary of SPL), which requires that the value of Fabric's green assets (defined as properties rated at least 4 star NABERSNZ or 5 Green Star) exceeds the value of Fabric's green loans. The Framework complies with the Green Loan Principles published by the Asia Pacific Loan Market Association, the Loan Market Association and the Loan Syndication and Trading Association dated February 2021.
- Calculated as bank debt as a percentage of investment property. Includes: (1) SPL's office and retail properties; (2) debt associated with these properties; and (3) the 'as is' value of 110 Carlton Gore Road (in accordance with SPL's debt facility agreement); and excludes SPL's interest in the Industrie joint operation and associated bank debt which are reported as part of the assets and liabilities of SPL (see note 7.3 to the consolidated financial statements for further information).
- The unexpired lease term in a property or portfolio, assuming the property or portfolio is fully leased. This is weighted by the income applicable to each lease and a current market rental with nil term for vacant space.
- SPL commitments include: (1) the settlement of 110 Carlton Gore Road, Auckland; (2) upgrade works at 34 Shortland Street, Auckland; (3) various capital expenditure commitments contracted for; and (4) the estimated FY24 impact of capital management initiatives announced by Stride in November 2022, excluding the impact of any potential disposals.
- Look-through LVR includes SPL's directly held property (including loan to vendor of 110 Carlton Gore Road) and debt, as well as its proportionate share of the property and debt of each of the Stride Products.
- Balance sheet LVR includes SPL's office and town centre properties (including loan to vendor of 110 Carlton Gore Road) as well as the value of SPL's interests in each of the Stride Products, and SPL's direct debt.

Five Year Financial Summary

The five year financial summary table reflects the numbers in the consolidated financial statements for each respective year.

On 1 July 2020, Industrie commenced operations. Industrie is a joint arrangement between SPL and a group of international institutional investors, through a special purpose vehicle, advised by J.P. Morgan Asset Management (JPMAM). As at 31 March 2023, SPL held a 51.7% interest in Industrie (2022: 51.7%).

The accounting for the arrangements by SPL is a combination of a joint operation (proportionate share of assets, liabilities, revenue and expenses) and joint venture (equity accounted). Only JPMAM's special purpose vehicle's participating interest was treated as discontinued in respect of the joint operation as SPL retained a partial direct ownership interest in the properties. All of the financial performance and cash flows pertaining to the properties that were transferred to the Industrie joint venture were treated as discontinued. The financial performance for the discontinued operations are for the period ended 30 June 2020 (2021 column) and the year ended 31 March 2020 (2020 column) and have been presented as "(Loss)/profit from discontinued operations".

Five Year Financial Summary	2023 (\$m)	2022 (\$m)	2021 (\$m)	2020 (\$m)	2019 (\$m)
Net rental income ¹	71.1	65.8	50.7	50.4	57.3
Management fee income ¹	23.3	24.3	24.2	18.3	15.7
Profit before net finance expenses, other (expense)/income and income tax from continuing operations	70.7	62.7	53.9	46.3	53.7
Net finance expenses	(17.1)	(16.1)	(13.4)	(16.5)	(15.7)
Profit before other (expense)/income and income tax from continuing operations	53.5	45.6	40.4	29.8	38.0
Other (expense)/income	(163.3)	78.1	100.9	(28.9)	43.4
(Loss)/profit before income tax from continuing operations	(109.7)	124.7	141.3	0.9	81.4
Income tax expense	(7.0)	(12.4)	(9.4)	(1.0)	(5.2)
(Loss)/profit after income tax from continuing operations	(116.7)	112.3	132.0	(0.1)	76.2
(Loss)/profit from discontinued operations	-	-	(0.1)	25.4	-
(Loss)/profit attributable to shareholders	(116.7)	112.3	131.9	25.3	76.2
Basic earnings per share - weighted from continuing and discontinued operations	(21.6) cents	22.7 cents	32.99 cents	6.93 cents	20.86 cents
Distributable profit before income tax ²	68.1	62.6	52.4	47.7	45.8
Distributable profit after income tax	57.6	54.2	46.3	37.7	38.8
Basic distributable profit after income tax per share - weighted	10.66 cents	10.95 cents	11.58 cents	10.32 cents	10.62 cents
Property values ³	1,254.1	1,244.6	1,050.5	996.1	966.3
Total assets	1,590.5	1,642.3	1,383.6	1,150.3	1,076.4
Bank debt drawn	402.4	305.5	261.0	386.2	332.9
Loan to value ratio ⁴	36.4%	28.7%	29.3%	39.1%	34.3%
Total equity	1,075.7	1,231.1	1,017.8	698.2	704.2
NTA per share	\$1.98	\$2.28	\$2.15	\$1.91	\$1.92
Adjusted NTA per share ⁵	\$1.95	\$2.25	\$2.15	\$1.93	\$1.94

1 2021 figure has been restated to eliminate the building management fees charged from SIML to SPL.

2 Distributable profit definition is outlined in the glossary, see page 136.

3 Excludes lease liabilities. Includes assets classified as held for sale and SPL's 51.7% interest in the joint operation component of the Industrie Property Joint Venture. For more information, refer note 3.2 in the consolidated financial statements. Includes the value of Stride's offices located at 34 Shortland Street, Auckland, which is recognised in the consolidated financial statements as property, plant and equipment refer note 8.7.

4 Excludes lease liabilities and SPL's 51.7% interest in the joint operation component of the Industrie Property Joint Venture. Includes assets classified as held for sale and the value of Stride's offices located at 34 Shortland Street, Auckland, which is recognised as property, plant and equipment in the consolidated financial statements, refer note 8.7.

5 Excludes after tax fair value of interest rate derivatives.

STRIDE

Contents

This document comprises the Sustainability Report for each of Stride Investment Management Limited (SIML) and Stride Property Limited (SPL), which are members of Stride Property Group (Stride) for the year ended 31 March 2023 (FY23). Each of SPL, SIML and Stride has been designated as “Non-Standard” (NS) by NZX. For more information see the 2023 Annual Report for Stride, which is available at www.strideproperty.co.nz

Overview	2
Letter from Chair of Sustainability Committee	3
About Stride Property Group	4
Sustainability Strategy	7
Protect the Planet	8
Contribute to a Resilient Community	13
Develop Shared Prosperity	20
Climate Disclosures	24
Governance	25
Strategy	26
Risk Management	39
Metrics and Targets	40
Greenhouse Gas Inventory Report	45
Independent Assurance Report for Greenhouse Gas Inventory Report	57

Overview

Targets

Stride has set a number of sustainability targets, including reducing scope 1 and 2 greenhouse gas emissions by 42% by 2030 from the FY20 baseline year

This strategy is supported by:

- Decarbonisation plan for office and shopping centre assets in progress
- Use of internal price of carbon being trialled
- Reporting of greenhouse gas emissions inventory, enabling focus on material areas of emissions

Green Ratings

Stride seeks to obtain green ratings for properties it owns and manages where practicable

- 74% of SPL office properties¹ by value are rated 4 star NABERSNZ or 5 Green Star or better
- 42% of large format retail properties² by value owned by Investore³ achieved Green Star Performance ratings in FY23
- 44% of industrial properties² owned by Industrie⁴ by value have a Green Star rating
- Stride and the Stride Products⁵ complete the Global Real Estate Sustainability Benchmarking (GRESB) assessment, with scores increasing across all Stride Products in FY23

Climate Risk

FY23 has seen the impacts of climate change, and Stride is actively engaged in managing this risk

- No damage suffered by properties owned or managed by Stride from Auckland Anniversary floods
- Limited impact from Cyclone Gabrielle – one site impacted due to power surges
- Physical risk assessment utilising the S&P Global Climonomics platform in progress

People and Community

Stride continues to focus on its objective of supporting a connected and inclusive community

- Tenant engagement survey completed, setting a baseline for future actions
- Employee volunteer day introduced from FY24
- Employee engagement survey undertaken, with actions identified in response, including implementing a more formalised employee learning and development programme
- Stride continues to support the Graeme Dingle Foundation, a child and youth charity focussed on building resilience among children and young people

1. On a pro forma basis as at 31 March 2023, as if the acquisition of the property at 110 Carlton Gore Road, Auckland had settled as at that date. Excludes properties categorised as 'Development and Other' and 'Assets classified as held for sale' in the Stride FY23 consolidated financial statements.

2. Excluding properties categorised as 'Development and Other' in the respective financial statements.

3. Investore Property Limited (Investore), an NZX listed entity managed by SIML.

4. Industrie Property Joint Venture (Industre), a joint venture managed by SIML.

5. The Stride Products comprise Investore, Industrie and Diversified NZ Property Trust (Diversified).

Letter from Chair of Sustainability Committee

Dear Investors,

Stride Property Group (Stride) is pleased to present its Sustainability Report for FY23, the first standalone report it has prepared. During FY23 Stride made significant advances in developing its sustainability and climate change strategy, understanding its climate risks and opportunities, setting targets, and embedding sustainability considerations into its day to day operations.

Stride is committed to ensuring its business is built on a sustainable foundation, and FY23 has seen us strengthen that approach through setting sustainability targets which demonstrate our commitment to a low carbon future. These include reducing our scope 1 and 2 emissions by 42% by 2030 from our FY20 baseline year and achieving net zero in our scope 1 and 2 emissions by that date. The 42% emissions reduction target was set utilising science-aligned principles of the Science Based Targets Initiative.

While Stride considers this target to be ambitious, we have already commenced work intended to ensure we achieve this target. Stride has been working with Beca Limited (Beca) to develop a decarbonisation plan for its office and shopping centre assets, together with Queensgate Shopping Centre and Chartwell Shopping Centre, which are owned by Diversified NZ Property Trust (Diversified) and managed by Stride. This plan will identify how we can achieve our emissions reduction targets, which, based on an initial review of assets and emissions reduction options, are achievable. The plan includes switching gas-based boilers to electricity-based systems which will result in a material reduction in emissions, given New Zealand's aspirational target¹ of 100% renewal electricity by 2030.

Sustainability is also incorporated into the way we approach all business decisions, including major refurbishments and acquisitions. Stride has set an objective that all major refurbishments and developments will achieve a 5 star green rating, with a minimum 4 star rating. The acquisition of the property at 110 Carlton Gore Road, Auckland, which is currently being developed, exceeds this objective, having obtained a 6 Green Star Design rating and targeting a 6 Green Star As Built rating.

Sustainability also encompasses a social element, and we are pleased to report our progress on our commitment to our people and our community. During FY23 Stride completed its first tenant engagement

survey, which will set the basis for future actions. We also continue to demonstrate our support for the communities in which we operate through our shopping centre community involvement activities, as well as our support for the Graeme Dingle Foundation, the Keystone New Zealand Property Education Trust and the Tania Dalton Foundation. These organisations support education and sporting activities and build resilience among children and young people.

For FY23, Stride has voluntarily elected to report its climate disclosures using the principles of the Aotearoa New Zealand Climate Standards, which will become mandatory from FY24.

We look forward to continuing to progress our sustainability practices as we commit to a low carbon and climate resilient future for Stride and the Stride Products of Investore, Industrie and Diversified.



A handwritten signature in black ink that reads "Jacqueline Cheyne".

Jacqueline Cheyne

Independent Director and Chair of Sustainability Committee
Stride Property Limited and Stride Investment Management Limited

1. See Term of Reference New Zealand Energy Strategy, Ministry of Business, Innovation and Employment, October 2022.

About Stride Property Group

Stride Property Group (Stride) is listed on the NZX and is a real estate owner and manager. Stride Property Group consists of Stride Property Limited (SPL) which invests in commercial property, and Stride Investment Management Limited (SIML) which is a real estate investment manager.

Stride's strategy is to create a group of entities (or Products) in core commercial property sectors to grow its investment management business. SIML will manage each of the Stride Products, and SPL will continue to own an interest in each of the Stride Products. The current Stride Products are:

investore

An NZX listed entity which invests solely in large format retail property. SPL owns 18.8% of Investore.

INDUSTRE

A joint venture between Stride and JPMAM¹. Industrie owns a portfolio of industrial assets primarily located in the Auckland region. SPL owns 51.7% of Industrie.

diversified

An Australian trust that invests in shopping centre assets, and is owned primarily by two Australian superannuation entities, with SPL owning 2.1%.

In addition, SIML manages the portfolio of SPL, which comprises directly held office and town centre properties.

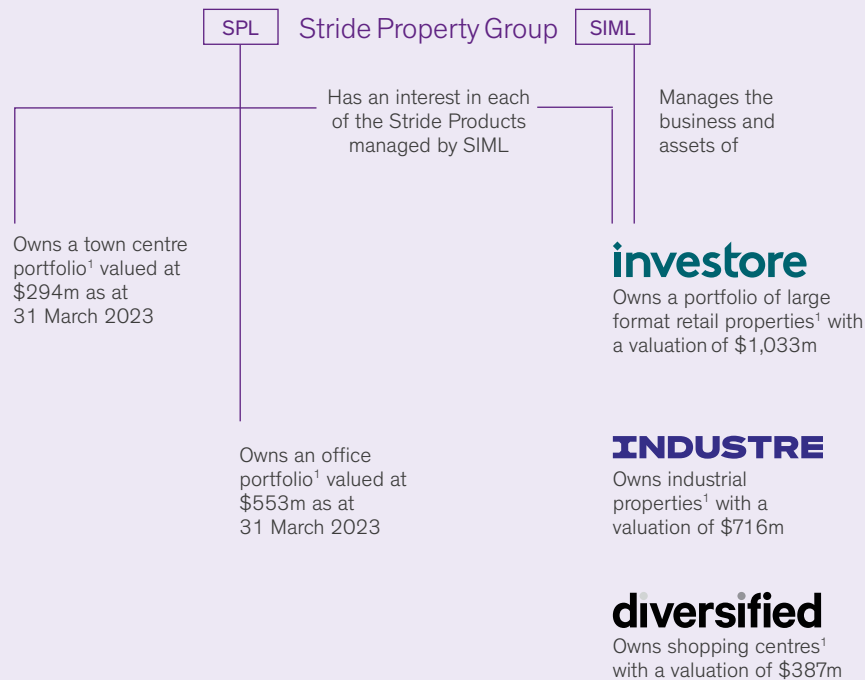
Stride will continue to build portfolios of assets within SPL that could be used for the establishment of future Products, when market and economic conditions are conducive.

1. A group of international institutional investors, through a special purpose vehicle, and advised by J.P. Morgan Asset Management.

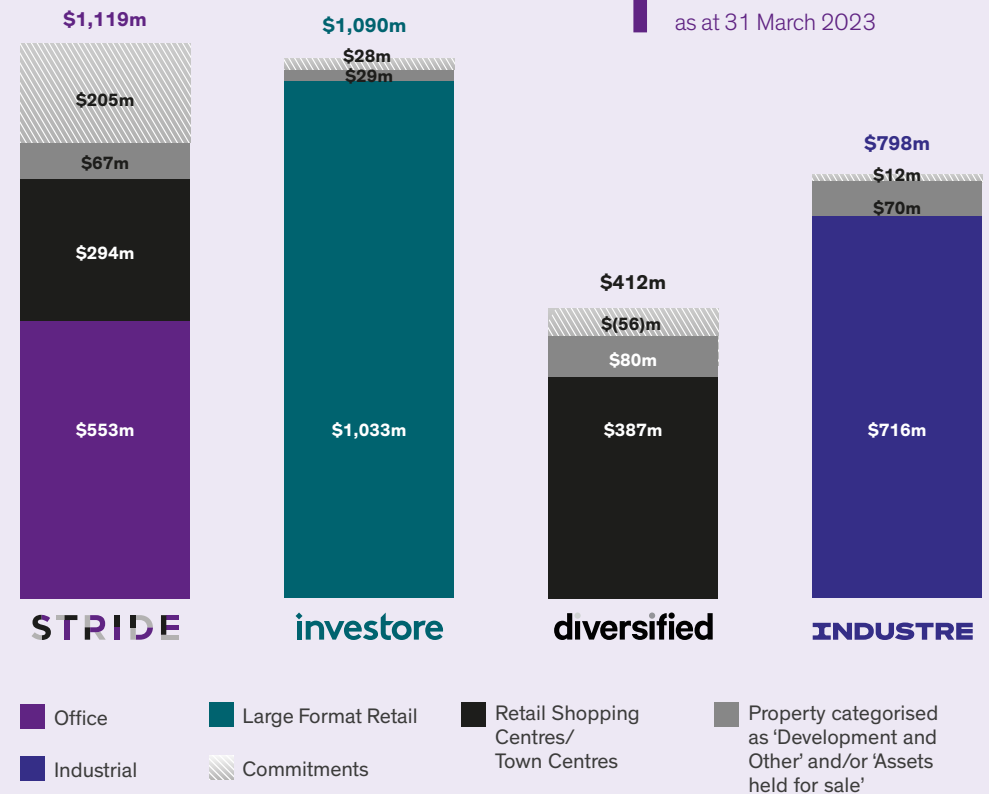


About Stride Property Group

Stride Property Group owns and manages commercial property with a total portfolio value of \$3.2bn as at 31 March 2023



Portfolio composition as at 31 March 2023

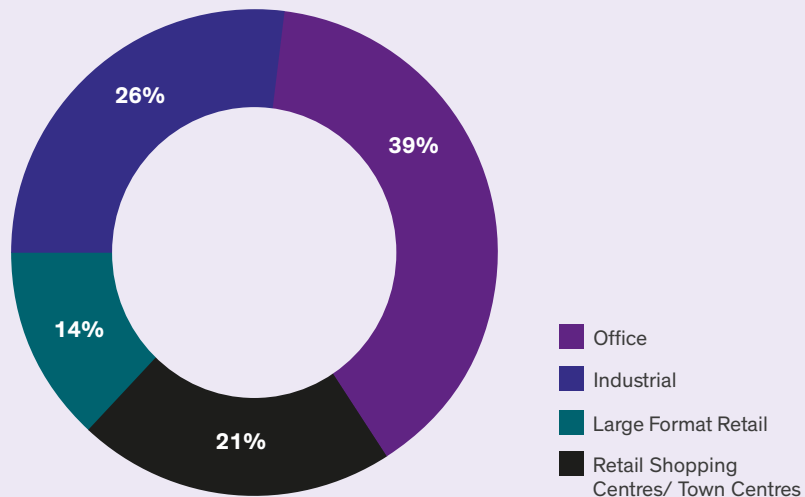


1. Excludes properties categorised as 'Development and Other' and, where applicable, properties categorised as 'Assets classified as held for sale' in the respective financial statements. Values exclude lease liabilities and are as at 31 March 2023.

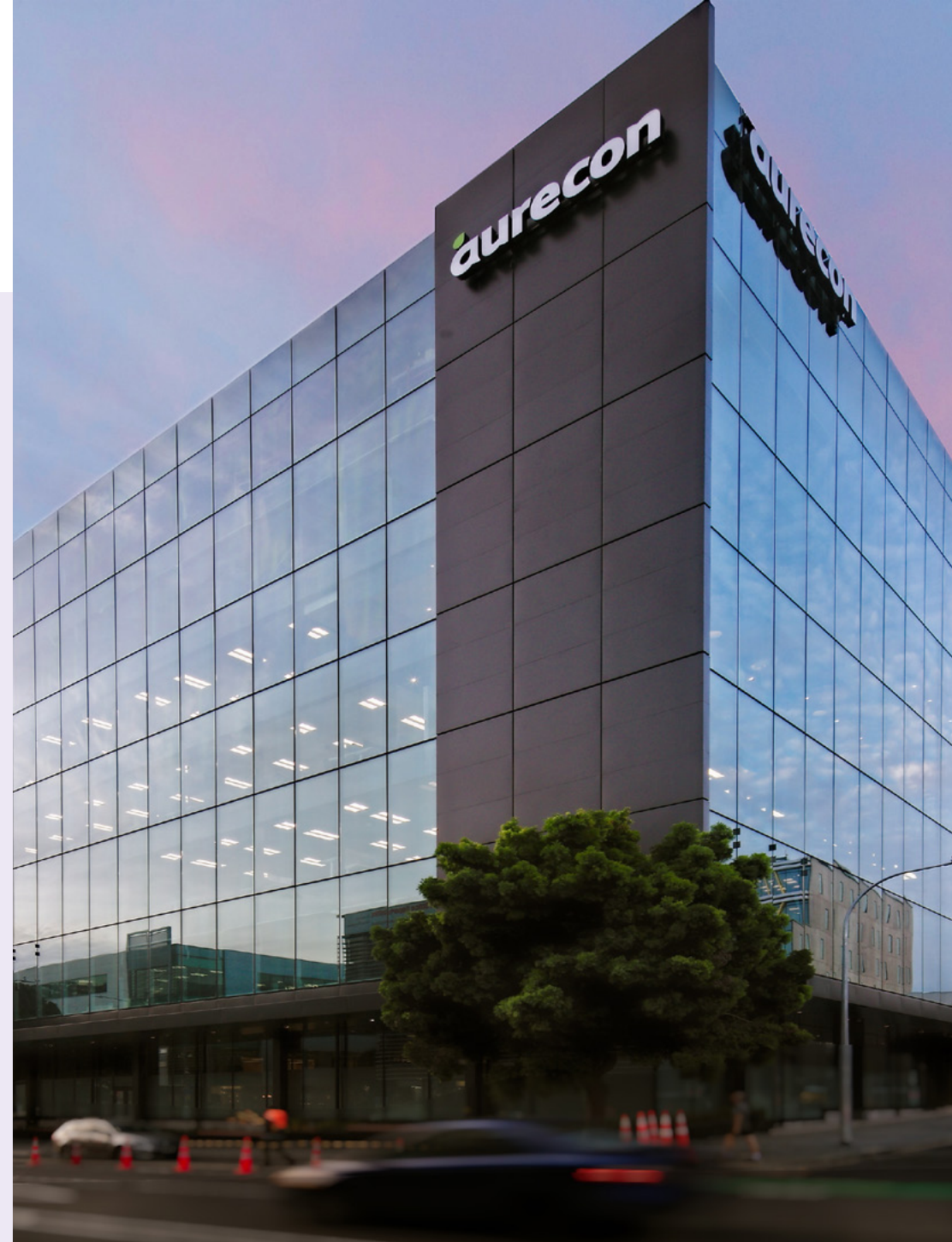
About Stride Property Group

SPL owns a portfolio of town centre and office assets directly, as well as having an interest in each of the entities managed by SIML (which are known as Stride Products). This ensures alignment of interests between Stride and each of the Stride Products and provides SPL with a diversified look-through portfolio well balanced across each of the core property sectors.

SPL's weighted look-through portfolio as at 31 March 2023¹



1. Excludes committed acquisitions, developments and disposals, and excludes lease liabilities.



Sustainability Strategy




During FY23 the Stride Boards reviewed the Stride Sustainability Strategy and reconfirmed their commitment to the strategic goals identified in that strategy, which address each of the environmental, social and governance components of an ESG strategy.



Protect the planet

Create efficient, climate-resilient places that deliver long term value and support a low carbon future

Protect the Planet

Goal	Create efficient, climate-resilient places that deliver long term value and support a low carbon future		
Focus Areas	Reduce environmental impacts		Take action on climate change
Progress	<ul style="list-style-type: none"> Emissions reduction targets set Decarbonisation plan across office and shopping centre assets in progress, to provide a roadmap to achieving emissions reduction targets Office portfolio repositioned with 74% of the portfolio¹ by value having a 4 star NABERSNZ or 5 Green Star rating or higher Physical risk assessments underway across all Stride managed properties to determine risks faced as a result of climate change 	<ul style="list-style-type: none"> Stride has obtained more green ratings for properties owned and managed by it during FY23, including Green Star Performance ratings achieved for 16 large format retail properties and 5 industrial properties Stride has committed expenditure to upgrade the 34 Shortland Street office property, targeting a minimum 4 star NABERSNZ rating Stride has an unconditional agreement to acquire a new office building under development at 110 Carlton Gore Road, Auckland, which is rated 6 Green Star Design and targeting a 6 Green Star As Built rating 	<ul style="list-style-type: none"> GRESB sustainability assessments completed for all Stride Products, with ratings improving across all Stride Products in FY23 Four years of greenhouse gas emissions data collected and reported, enabling trends to be identified Internal price of carbon programme to be trialled to support emissions reduction targets
Sustainable Development Goals			

1. On a pro forma basis as at 31 March 2023, as if the acquisition of the property at 110 Carlton Gore Road had settled as at that date. Excludes properties categorised as 'Development and Other' and 'Assets classified as held for sale' in the Stride FY23 consolidated financial statements.

Protect the Planet

Environmental targets

During FY23 the Stride Boards set sustainability targets to guide Stride's environmental actions. The targets are intended to ensure properties owned and managed by Stride reduce their impact on the environment and assist with the transition to a low carbon future.

1. Excluding gas for tenant operations.
 2. Embodied carbon refers to the emissions 'embodied' in both the building materials and the processes required to create and demolish buildings.

Reduce Greenhouse Gas Emissions	Address Climate Risks	Achieve Green Ratings	Improve energy and water efficiency	Reduce waste
<ul style="list-style-type: none"> Reduce scope 1 and 2 emissions by 42% by 2030 from FY20 baseline year Net carbon zero for scope 1 and 2 emissions by 2030 Remove gas¹ from all properties other than shopping centres by 2027, and from shopping centres by 2032 Target 10% reduction in embodied carbon² from developments compared with a reference building Develop plan to remove harmful refrigerants 	<ul style="list-style-type: none"> Complete physical risk assessments to understand potential value that may be at risk 	<ul style="list-style-type: none"> Target 5 star green rating for acquisitions and developments, with minimum 4 star Continue to progress green ratings across all Stride Products where practicable 	<ul style="list-style-type: none"> Feasibility of installing solar panels on shopping centre, large format retail and industrial properties to be investigated during FY24 	<ul style="list-style-type: none"> Reduce waste to landfill by 10% year on year Minimum 75% diversion of waste from landfill for development activities, target 90%

Protect the Planet

Our transition plan

Stride is conscious of the ongoing impacts of climate change and the need to reduce our carbon footprint. We have made considerable advances in our transition to a low carbon future during FY23.

Stride has committed to reduce its scope 1 and 2 emissions by 42% by 2030 from the FY20 baseline year. In order to achieve this target, Stride is developing a transition plan which comprises a number of initiatives, including a decarbonisation plan, which is being developed with the assistance of Beca. Our goal of reducing carbon emissions is also supported by Stride's objective of obtaining green ratings for properties.

Decarbonisation plan

Stride has been working with Beca to develop a high-level plan to reduce carbon emissions at our shopping centre and office properties. This plan provides Stride with a methodology and pathway for achieving our carbon reduction targets.

Beca's study analysed the operational carbon emissions profile of our properties and identified sources of emissions and opportunities for reducing emissions, including switching fuel away from gas boilers to highly efficient heatpumps, and energy efficiency improvements such as lighting upgrades, ventilation system upgrades and building controls upgrades.

While improving energy efficiency will deliver reductions in emissions, the majority of emissions reductions are driven through switching away from gas-powered systems to electricity-based systems, which will result in a material reduction in emissions, given New Zealand's aspirational target of 100% renewable electricity by 2030¹.

These carbon reduction strategies allow us to consider carbon in our asset replacement schedule and capital works strategy. They provide a carbon reduction lens to our capital works programme, allow us to understand the financial implications of different decarbonisation pathways, and prioritise capital works to align with a low carbon future.

Green ratings

Stride supports obtaining green ratings for buildings as a way of demonstrating the sustainability of a property.

During FY23 Stride progressed green ratings for properties managed by it:

- 16 large format retail properties owned by Investore (comprising standalone supermarkets and hardware stores) achieved Green Star Performance ratings.
- 5 industrial properties owned by Industrie achieved Green Star Performance ratings.
- New industrial development at 439 Rosebank Road, Auckland, targeting a 5 Green Star As Built rating on completion of the development.
- Investore is targeting a 5 Green Star Design & As Built rating for the new Countdown being developed on land acquired at Hakarau Road, Kaiapoi.

74% of office properties² by value are rated 4 star NABERSNZ or 5 Green Star or better

42% of Investore large format retail properties³ by value have Green Star Performance ratings

44% of Industrie industrial properties³ by value are green rated – Green Star Design or Green Star Performance

1. See Terms of Reference New Zealand Energy Strategy, Ministry of Business, Innovation and Employment, October 2022.

2. On a pro forma basis as at 31 March 2023, as if the acquisition of the property at 110 Carlton Gore Road had settled as at that date. Excludes properties categorised as 'Development and Other' and 'Assets classified as held for sale' in the Stride FY23 consolidated financial statements.

3. Excluding properties categorised as 'Development and Other' in the respective financial statements.

Upgrading properties

The Stride Boards recognise the need to ensure that properties remain sustainable and meet the needs of tenants. The Stride Boards have set a strategy which requires all new acquisitions to target a green rating of 5 stars (either NABERSNZ or Green Star), with a minimum 4 star rating. Where a property does not meet this requirement, then as part of the acquisition the Boards will consider the feasibility of upgrading the property to meet this target.

Stride will also consider improving the environmental sustainability of properties when upgrading or refurbishing a building. By way of example, the Stride Boards have recently approved capital expenditure to upgrade the lobby, install end of trip facilities and improve mechanical services within the office property owned by SPL at 34 Shortland Street, Auckland. The Boards approved additional expenditure on upgrading the mechanical services to enable the building to achieve a minimum 4 star NABERSNZ rating.



Artist's impression of lobby, 34 Shortland Street, Auckland

Contribute to a resilient community

Provide leading health and safety performance and support a connected and inclusive community

Contribute to a Resilient Community

Goal	Provide leading health and safety performance and support a connected and inclusive community	
Focus Areas	Ensure health, safety and wellbeing	Promote inclusivity and connectivity
Progress	Employee diversity, equity and inclusion committee established and strategic actions identified	Tenant engagement survey completed
	Employee engagement survey completed	Contributions to our communities continue to be provided through space and resources, primarily through shopping centres
	Security and safety training conducted at shopping centres to support our tenants and staff	Stride continues to support the Graeme Dingle Foundation, a charity focussed on building resilience among children and young people
	Employee volunteer day introduced	Stride also sponsors the Keystone New Zealand Property Education Trust and the Tania Dalton Foundation, providing education and sporting opportunities for young people
Sustainable Development Goals	  	

Contribute to a Resilient Community

Caring for our people

Stride values its people as they represent our business and enable Stride to continue to achieve its strategic objectives. We continually seek to support our people to ensure they feel valued and engaged.

Stride offers a number of benefits, focussed on wellbeing, recognition and reward, social benefits, and learning and development.

Free annual flu vaccinations offered to help keep employees healthy

5 weeks' annual leave every year for all permanent employees

1 weeks' paid parental leave for secondary carers

Employee Assistance Programme (EAP) available to all staff and their families, providing access to free, confidential and professional counselling

Stride believes that stronger teams are created through social interaction, and we regularly offer a number of sporting and other social activities for our people during the year

Stride contributes employer KiwiSaver contributions at 5% when an employee is contributing at or above 4% of earnings. For FY23, 92% of eligible employees qualified for the 5% employer contributions

Stride supports its people in their ongoing learning efforts through study support, including assistance with study fees and/or paid time off for study or exams

Stride encourages ongoing learning and development through internal and external learning opportunities, ability to work on projects outside an employee's normal team, and coaching and mentoring

Contribute to a Resilient Community

Ensuring our people are healthy and safe

The health and safety of our people and all people connected with our properties is a priority for the Stride Boards and management. Stride's goal is to ensure that everyone connected with the places we own and manage stay safe, healthy and well. To achieve this goal, we have four pillars of our health and safety strategy that guide our actions, and for each pillar we have established a series of key performance indicators and action plans.

People

We lead by example

Environment

Our places are safe & healthy

Resources

We have the skills and resources to keep improving

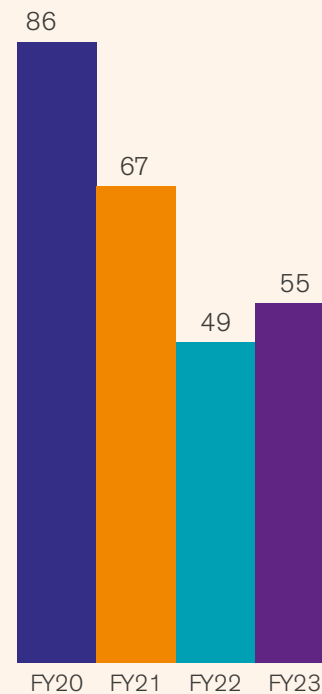
Communication

We talk about safety daily

As Stride operates shopping centres as part of its business, like many retail outlets in New Zealand, it has had to manage the ongoing challenges of thefts during FY23. In order to ensure that our people remain safe, Stride has implemented a number of initiatives, including installing bollards and fog cannons where practicable, liaising with New Zealand Police on how best to prevent incidents occurring, and undertaking training for tenants and staff on how to proactively remain safe in the climate of ongoing thefts. We have also undertaken resilience training for our staff who have had to manage the impacts of these types of events, to assist them to remain safe and well.

Stride's continued attention to eliminating risks and keeping people safe has resulted in a reduction in all injury incidents across properties managed by SIML since FY20, with the total number of injury incidents involving our people, the public, contractors and tenants rising slightly from FY22 to FY23. This is a positive outcome given that many properties managed by SIML were closed for parts of FY22 due to Covid-19 restrictions.

Incidents resulting in injury



Contribute to a Resilient Community

Diversity, equity and inclusion

Stride recognises that different perspectives, which often arise due to diverse experiences and backgrounds, contribute to a more successful business. The Stride Boards acknowledge that our approach to diversity and inclusion needs to be shaped by our people, and to that end has supported the establishment of an employee Diversity, Equity and Inclusion Committee.

The Committee has developed its strategic framework and actions for FY24, which will include a series of learning and development opportunities for Stride's people, to build on the unconscious bias training programme already implemented, a review of Stride's recruitment strategy and processes, and ongoing communication and collaboration with all members of the Stride team. In developing its strategic actions and furthering learning, Stride uses resources and assistance from Diversity Works.

Diversity metrics

50:50

gender representation at Board level (as at May 2023)

62.5% male
37.5% female

gender representation at executive level

39% male
61% female

gender representation across all employees

Employee engagement survey

Stride undertook an employee engagement survey during 2022. SIML management has spent time exploring the results of the engagement survey and have identified three key themes which will guide our actions to ensure an improvement in engagement among our people.

Communication and collaboration

We will improve communication and collaboration between teams to enable better achievement of our goals. Our executive team will spend more time at Stride shopping centres to ensure our shopping centre teams feel more connected.

Wellbeing

Stride is committed to employee wellbeing, and already provides a number of benefits aimed at ensuring our people remain healthy and safe. We are reviewing our wellbeing initiatives to ensure we have addressed all elements of wellbeing – physical, mental, financial, social, environmental and career wellbeing.

Learning and development

We are enhancing our learning and development programme to give our people the opportunity to continue their development. This includes both internal and external learning and development programmes.

Contribute to a Resilient Community

Supporting a connected and inclusive community

Stride seeks to actively engage with the communities in which it operates to create mutually beneficial outcomes.

Stride's Community Engagement Framework governs Stride's community investment activities. Stride aims to maximise the positive impacts of its business activities on the community through:

- Actively engaging in partnerships that address social issues which generate shared value for both Stride and the community at a national and local level
- Actively engaging with the communities in which Stride operates to create mutually beneficial outcomes

At a national level, Stride will focus on organisations, programmes and initiatives that provide opportunities for youth to access experiences that would not otherwise have been available to them and encourage continuing education. At the local level, Stride will focus on helping build the capacity of the communities in which we operate. We seek to provide spaces that facilitate social connection and cohesion, and work with those organisations seeking to create equality in the community.

Stride supports the Graeme Dingle Foundation, the Keystone New Zealand Property Education Trust and the Tania Dalton Foundation. These organisations support education and sporting activities among children and young people, aimed at promoting equal opportunities for development and education among all of New Zealand's young people.

Support of the Graeme Dingle Foundation

Stride supports the Graeme Dingle Foundation through sponsorship targeted towards activities in the areas in which Stride has operations, which aligns with our objective of engaging in partnerships that address social issues which generate shared value for Stride and the community. We partner with the Graeme Dingle Foundation to build stronger, more resilient communities in Auckland, Waikato and Wellington.

Established in 1995, the Graeme Dingle programmes are proven to reduce truancy, bullying, antisocial behaviours and youth offending; and increase self-belief, positive attitudes and behaviours, and academic outcomes. For every \$1 invested in the Graeme Dingle Foundation, \$7.80 is returned to the New Zealand economy¹ through a reduction in the costs associated with crime, and more young people in better health, better paying employment, and with a greater attachment to society.

The Graeme Dingle Foundation regularly provides reports on the outcomes of its activities to Stride.

100% of teachers

said the Graeme Dingle Kiwi Can programme for primary school aged children enhanced the school curriculum and supported Māori and Pasifika learner engagement

91% of participants

in the Project K programme which is targeted at year 10 students said the Community Challenge helped them to learn how to manage their time and recognise new opportunities

86% of students

participating in the Stars programme for years 7 and 8 students said they felt more confident about what they could achieve

1. For more information see the Graeme Dingle Foundation website: www.dinglefoundation.org.nz

Contribute to a Resilient Community

Supporting a connected and inclusive community

The shopping centres managed by Stride support their communities in a range of ways, from providing free space to community groups, to hosting Christmas gift wrapping facilities which raise money for charity.

Supporting our community

Being an engaging and active part of our community is important for our centres, who all spend time and resources on raising and collecting funds to support their communities. During FY23 gift wrapping stations collected funds for Whānau Āwhina Plunket and the Salvation Army, while the centres also collected gifts for Rotary Hutt Centre, the Wellington Children's Hospital, and for the Salvation Army to distribute.

NorthWest Shopping Centre regularly hosts an outdoor 'Movies in the Square' event, which returned in early 2023 after a two-year absence due to Covid-19. This event is very popular within the community, bringing people together to experience a family-friendly event.



Engaging the younger members of our community

The shopping centres managed by Stride regularly host events for the younger members of our communities. All centres host preschooler mornings, at which preschoolers, their parents, and caregivers can mingle, create crafts and be entertained.

Our centres also regularly provide free school holiday fun for children during the April, July, and October holidays. Activities have included an indoor ice-skating experience, rainbow science experiments, in-centre treasure hunts, under-the-sea activities, and a winter carnival.

Matariki



All of our centres hosted events to celebrate Matariki, including educational sessions, star displays, star hunts, community kapa haka performances, and a range of other Matariki-themed events designed to educate and promote engagement within our communities.



Develop shared prosperity

Invest in and manage outstanding places that reward everyone connected with them

Develop Shared Prosperity

Goal	Invest in and manage outstanding places that reward everyone connected with them	
Focus Areas	Drive a prosperous economy	Create sustainable products and places
Progress	Stride is an active real estate investment manager and strives to deliver sustainable outcomes for the portfolios it manages	As part of Stride's business as an active portfolio manager it regularly undertakes developments for the Stride Products, with a focus on delivering sustainable developments or refurbishments
	Stride has implemented a Modern Slavery Policy and Supplier Code of Conduct and continues to work with our suppliers to ensure our expectations regarding worker rights and the environment are met	Fabric Property Limited, an SPL subsidiary, has a green loan ¹ framework of up to \$400m in bank debt facilities
Sustainable Development Goals	 	

1. Green loans are loans made in accordance with the Green Finance Framework of Fabric Property Limited (Fabric, a wholly owned subsidiary of SPL), which requires that the value of Fabric's green assets (which are defined as properties rated at least 4 star NABERSNZ or 5 Green Star) exceeds the value of Fabric's green loans. The Framework complies with the Green Loan Principles published by the Asia Pacific Loan Market Association, the Loan Market Association and the Loan Syndication and Trading Association dated February 2021.

Develop Shared Prosperity

Drive a prosperous economy

FY23 has been a mixed year for commercial property in New Zealand, largely due to the impact of the current inflationary environment. On one side, Stride and its managed funds have seen record growth in like-for-like market rentals, with like-for-like market rentals for Stride's own portfolio¹ up 7.1% over the 12 months to 31 March 2023, and for Stride's look-through portfolio² (which includes Stride's interests in the Stride Products) up 7.7%. Conversely, the rapid increase in the Official Cash Rate over the past year has contributed to softer portfolio capitalisation rates, corresponding lower valuations, and lower transactional activity across the Stride Products.

Stride is an active real estate investment manager, and continues to optimise the portfolios of its managed entities, Investore, Industrie, and Diversified. While market transactional activity has been lower recently due to the challenging macroeconomic

conditions, Stride continues to deliver improvements to its assets under management, including new developments and refurbishments, pursuing sustainability objectives, and ensuring the Stride Products are well positioned to manage the risks posed, and potential opportunities created, by the current economic conditions.

Improving the environmental performance of properties, including obtaining green ratings, benefits both our investors and our tenants, as it enables us to deliver improvements in the energy efficiency of properties, which assists in optimising total occupancy costs for tenants.

Further information on Stride's financial performance for FY23 can be found in Stride's FY23 Annual Report, available on Stride's website, www.strideproperty.co.nz

1. Excludes: (1) SPL's 51.7% interest in the joint operation component of the Industrie Property Joint Venture portfolio which is reported as part of the assets of SPL in the Stride FY23 consolidated financial statements; (2) properties categorised as 'Development and Other' and 'Assets classified as held for sale' in the Stride FY23 consolidated financial statements.
2. Excludes properties categorised as 'Development and Other' and, where applicable, 'Assets classified as held for sale' in the respective financial statements.

Create sustainable products and places

The Stride Boards have set a strategy which requires all new acquisitions and major developments to achieve at least a 4 star green rating (NABERSNZ or Green Star), with a target of at least 5 stars. Where a property does not meet this requirement, then the Boards will consider the feasibility of upgrading the property to meet this target.

The major projects commenced or completed by Stride (including projects undertaken for

the Stride Products) during FY23 met this objective, with the exception of the rebuild of part of the Queensgate Shopping Centre following the Kaikoura earthquake in 2016, which was constrained due to the need to meet insurance requirements. As can be seen from the table below, all newly developed projects are targeting a 5 Green Star rating, with the existing building that is being refurbished targeting a 4 star NABERSNZ rating on completion.

Project	Description	Status	Green rating achieved/targeted
439 Rosebank Road, Auckland	New industrial development	Completed February 2023	Targeting 5 Green Star As Built rating
34 Shortland Street, Auckland	Refurbishment of existing office building	In progress, expected to be completed during FY24	Targeting minimum 4 star NABERSNZ rating on completion of works
34 Airpark Drive, Auckland	New industrial development	In progress, expected to be completed June 2023	Targeting 5 Green Star Design & As Built
110 Carlton Gore Road, Auckland	Acquisition of new office building under development	Unconditional acquisition, expected to be completed May 2023	6 Green Star Design rating achieved; targeting 6 Green Star As Built rating
Hakarau Road, Kaiapoi	New Countdown under construction for Investore	In progress, expected to be completed by December 2023	Targeting 5 Green Star Design & As Built
Queensgate Shopping Centre	Rebuild of part of shopping centre following Kaikoura earthquake 2016	Completed December 2022	

Develop Shared Prosperity

Create sustainable products and places – 439 Rosebank Road

During FY23, Stride developed an industrial property at 439 Rosebank Road, Auckland, on behalf of Indusre. This property had an old factory with an asbestos roof on the site, but was well located and with good development prospects. Stride, on behalf of Indusre, managed the demolition of the buildings that were on site, and the development of a new industrial facility with four separate tenancies.

Sustainability and recycling was a key consideration for the entire project. The demolition of the existing building on site resulted in 97% of all materials by weight being recycled, with only 3% by weight going to landfill. All of the concrete waste from the demolition was crushed and reused onsite, significantly reducing the impact of the demolition on the environment.

The building, which was completed in February 2023, is currently working through the Green Star As Built process and Stride expects the project to achieve 5 stars.

The warehouse roof has been designed with clearlite cladding to increase the amount of daylight, which is not only better for people working in the environment but also reduces the energy consumption of the building

During construction, the main contractor implemented programmes to support the mental health of workers and educate them on the project's sustainability initiatives

Energy efficient and water efficient fittings have been installed, along with a 30,000 litre tank to collect rainwater to be used on site

The concrete used on site was sourced from a sustainable supplier that can demonstrate lower emissions in the production of the concrete

All timber used on site was sustainably sourced, as certified by a forest certification scheme

Energy and water meters were installed which connect to a system that analyses consumption and assists in optimising energy and water use



Climate Disclosures

Stride has elected to report against the Aotearoa New Zealand Climate Standards (the Standards) for its climate disclosures for FY23. Stride is working towards being fully compliant with the Standards when they become mandatory in FY24.

Governance

This section enables an understanding of both the role the Stride Boards play in overseeing climate-related risks and opportunities, and the role management plays in assessing and managing those climate-related risks and opportunities.

The Stride Boards are ultimately responsible for the oversight of climate-related risks and opportunities within the Stride business, and to reflect the importance that Stride places on sustainability, Stride has established a Board Sustainability Committee to assist the Boards. The Sustainability Committee has a formal charter that governs its operations and sets out its purpose and responsibilities. The charter tasks the Committee with being responsible for, among other things, considering climate-related risks and initiatives and assessing how they may impact Stride's business.

The Sustainability Committee comprises three Board members, being Jacqueline Cheyne (Chair of the Committee), Tim Storey, and Michelle Tierney. In addition, Director Philip Ling was a member of the Committee prior to his retirement in April 2023. The Members of the Sustainability Committee are experienced in this area. The Chair, Jacqueline Cheyne, is well qualified to lead this Committee, given her role as Chair of the External

Reporting Board Steering Committee responsible for the development of climate reporting standards, her role as a director of New Zealand Green Investment Finance Limited, and her experience with sustainability matters during her time as a partner of Deloitte, where she led the Corporate Responsibility and Sustainability Services function for Deloitte New Zealand for nine years. Director Michelle Tierney has considerable experience in understanding and managing climate-related impacts on investment property through her previous role as chief operating officer at SCA Property Group in Australia (now Region Group).

The Sustainability Committee meets a minimum of two times per year and met four times in FY23. The SIML Chief Executive Officer, General Manager Corporate Services, and Safety & Sustainability Manager have a standing invitation to attend Committee meetings.

The Stride Boards, together with the Board of Directors of Investore, held a Sustainability Workshop in October 2022, where the Boards reviewed their sustainability strategy, had learning sessions with external speakers and SIML management, and considered the preparedness of each of Stride and Investore to report against the Standards. Further information on the role and responsibility of the Sustainability Committee can be found in the Corporate Governance section of Stride's FY23 Annual Report.

At each Sustainability Committee meeting, reports are provided in relation to progress against Stride's Sustainability Strategic Plan, including in relation to climate risks, metrics and targets. During FY23, Stride set a number of environmental targets and social objectives which are further described in this report. These targets were discussed and reviewed by the Sustainability Committee, before being submitted to the Boards for approval. For FY24 and following, it is intended that progress against targets will be reported to the Sustainability Committee at each Committee meeting.

The Stride Boards consider climate-related risks and opportunities when developing and overseeing implementation of Stride's strategy. By way of example, the Stride Boards have set a strategy which requires all new acquisitions to achieve a minimum 4 star NABERSNZ or Green Star rating, with a target of at least 5 stars. Where a property does not meet this target, the Boards will consider the feasibility of upgrading the property as part of the acquisition decision. The Stride Boards also consider environmental initiatives as part of all major upgrade or refurbishment decisions for properties. See pages 11 and 12 of this report for more information.

Management

Achieving Stride's sustainability objectives requires the whole organisation to be involved. The SIML Chief Executive Officer is ultimately responsible for meeting the expectations of the Boards in relation to sustainability, but we recognise the organisation as a whole must incorporate sustainability considerations into their actions in order for Stride to be successful. While SIML's General Manager Corporate Services and Safety & Sustainability Manager are primarily responsible for guiding Stride's sustainability actions, all SIML executives are involved in ensuring sustainability is considered as part of all key strategic decision-making at management level within the organisation.

For FY23 all SIML executives, including the Chief Executive Officer, had sustainability objectives included as part of the key performance indicators on which their short term incentive was based. Achievement of these objectives was considered as part of the end of year performance reviews and in determining any short term incentives awarded for FY23.

Strategy

This section is intended to enable an understanding of how climate change is currently impacting Stride and how it may do so in the future.

Stride's strategy

Stride's strategy is to create a group of entities (or Products) in core commercial property sectors to grow its investment management business. SIML will manage each of the Stride Products, and SPL will continue to own an interest in each of the Stride Products.

Information on the Stride business and Stride's strategy can be found on pages 4 and following of this report.

Current physical impacts of climate change

Stride is currently undertaking an assessment of the potential physical impacts of climate change across all properties owned and managed by Stride utilising the S&P Global Climonomics platform. It is expected that this will be completed during FY24 and will enable Stride to understand its likely financial exposure to different physical impacts from climate change.

The resilience of properties to withstand the impacts of climate change was tested for many properties, particularly in the Auckland and East Coast regions of New Zealand, during the Auckland Anniversary Weekend floods in January 2023 and Cyclone Gabrielle in February 2023. No property managed by Stride suffered damage during the Auckland Anniversary Weekend floods. One property suffered minor damage during Cyclone Gabrielle, and this was limited to damage to automatic door motors due to power surges. The losses as a result of this damage were covered by insurance, subject to a deductible.

Current transition impacts of climate change

Stride is conscious of the ongoing impacts of climate change and the need to reduce the carbon impact of the properties managed by Stride. Focussing on transitioning to a low carbon future is a part of decision-making within Stride and for the Stride Boards. Stride considers that its internal capital decision-making is aligned with its climate transition plan. The targets that have been set by Stride, including reducing scope 1 and 2 emissions by 42% by 2030 from the FY20 baseline year, reducing greenhouse gas emissions through initiatives such as phasing out gas usage at its properties (other than tenant load), replacing harmful refrigerants, and implementing a decarbonisation plan, are all consistent with decision-making and capital deployment within Stride. Examples of decision-making within Stride that demonstrate this commitment to transitioning to a low carbon future are set out on the following page.



Strategy

Stride is committed to implementing strategies to ensure it supports the transition to a low carbon future.

Targeting sustainable buildings

The Stride Boards recognise the need to ensure that properties owned and managed by Stride remain sustainable and meet the needs of tenants. The Stride Boards have set a strategy which requires all new acquisitions to target a green rating of at least 5 stars, with a minimum 4 star rating.

Properties developed by Stride will also target at least a 5 star NABERSNZ or Green Star rating, with a minimum rating of 4 stars. A description of recent developments and acquisitions and their green ratings (targeted and achieved) is set out on page 22.

Stride has recently transitioned its office portfolio to more sustainable, green rated properties, with 74% of the Stride office portfolio¹ by value having a rating of 4 star NABERSNZ or 5 Green Star or higher. Stride is taking steps to further improve the green ratings of its office portfolio, with the Stride Boards committing to additional capital expenditure as part of the upgrade of the office building at 34 Shortland Street, Auckland, to enable the building to achieve a minimum 4 star NABERSNZ rating.

Green ratings

Stride supports obtaining green ratings for buildings where practicable as a way of demonstrating the sustainability of a property.

During FY23 Stride progressed green ratings for properties managed by it, including obtaining Green Star Performance ratings for 16 large format retail properties and 5 industrial properties.

Obtaining green ratings for existing properties is challenging as the only tool currently available for properties other than offices is the Green Star Performance rating system, which can pose challenges for properties where benchmarks do not currently exist, including challenging data requirements. However, Stride will continue to explore additional green ratings where practicable and where supported by our tenants.

74% of office portfolio¹ by value

has a 4 star NABERSNZ or 5 Green Star rating or higher

44% of industrial portfolio² by value

owned by Industrie has a Green Star rating

42% of large format retail property² by value

owned by Investore has a Green Star rating

1. On a pro forma basis as at 31 March 2023, as if the acquisition of the property at 110 Carlton Gore Road had settled as at that date. Excludes properties categorised as 'Development and Other' and 'Assets classified as held for sale' in the Stride FY23 consolidated financial statements.

2. Excluding properties categorised as 'Development and Other' in the respective financial statements.

Strategy

Climate scenarios

The New Zealand External Reporting Board, which developed the Standards, has encouraged sectors to develop climate-related scenarios for specific sectors which will help achieve consistent and comparable disclosures across entities within a sector. Stride supports this process, and is pleased to have been involved in the development of the sector scenarios for the construction and property sector. The sector scenario analysis for the construction and property sector was led by the New Zealand Green Building Council, with involvement from entities across the value chain within the sector.

The three scenarios selected by the construction and property sector are:

An orderly 1.5°C scenario

where decarbonisation policies are enacted immediately and smoothly

A disorderly scenario

where significant decarbonisation is delayed until 2030, which leads to global warming being limited to <2°C by 2100

A hot house scenario

where global warming reaches >3°C above pre-industrial levels by 2100, due to no further decarbonisation policies being enacted and emissions continuing to rise

These scenarios were selected as they were considered to provide the greatest test of the strategy and approach of the participants in the sector. An outline of each of the scenarios is set out on the following pages, with more detailed descriptions of each scenario, as well as the sources of data used to construct each scenario, available on the New Zealand Green Building Council's website: www.nzgbc.org.nz

Climate-related scenarios are not intended to be probabilistic or predictive, or to identify the 'most likely' outcome of climate change. They are intended to provide an opportunity for entities to develop their internal capacity to better understand and prepare for the uncertain future impacts of climate change.

Stride has adopted the construction and property sector scenarios in considering the resilience of its business strategy under different climate change scenarios.

The time horizons considered in development of the scenarios are:

Short term: present – 2030

Medium term: 2031 – 2050










Long term: 2050 – 2100

While impacts beyond 2050 have been included in the scenarios and underlying data sources, the scenario narratives themselves have predominantly focussed on short to medium term timeframes (i.e. present - 2050) as these are the predominant focus for business strategy planning within the sector.

Stride has undertaken preliminary work to understand the implications of each of the scenarios for its business strategy.

Strategy

Climate scenarios

Description	Policy Ambition	Policy Reaction	Technology Change	Behaviour Change	Physical Risk	Transition Risk	Socio-political Instability
<p>An 'Orderly' 1.5°C scenario where globalisation policies are enacted immediately and smoothly (globally, in New Zealand, and within the sector). Whole of life carbon emissions reduction requirements for buildings is 90% by 2050.</p>	1.5°C	Immediate & smooth	Fast change	Fast change	Moderate 	Moderate 	Low/Moderate 
<p>A 'Disorderly' scenario where significant decarbonisation is delayed until 2030 (globally, in New Zealand, and within the sector). This leads to global warming being limited to ~2.0°C by 2100. The sector faces high transition risk after 2030 as entities rush to decarbonise.</p>	~2.0°C	Delayed	Slow/fast change	Slow/fast change	Moderate 	High 	Moderate 
<p>A "Hot House World" scenario where global warming reaches >3.0°C above pre-industrial levels by 2100. No further decarbonisation policies are enacted (globally, in New Zealand, or within the sector). Emissions continue to rise. The sector faces limited transition risks but extreme physical climate risks, particularly towards the end of the century.</p>	3.0°C	None – current policies	Slow change	Slow change	Extreme 	Low 	High 

Strategy

Orderly 1.5°C scenario

The world succeeds in limiting global temperature increase to 1.5°C above pre-industrial temperatures.

Global emissions decline steadily to achieve net zero CO₂ emissions globally by 2050. New Zealand climate policies are ambitious and in line with the rest of the world's, with the building and construction sector adopting and prioritising decarbonisation policies. The energy grid shifts rapidly away from fossil fuel use, with the New Zealand grid reaching 100% renewable by 2050. Alternative fuels are used as a backup, and renewables are utilised onsite instead of fossil fuels.

The shadow price of carbon increases dramatically to align with a 1.5°C trajectory, steadily rising to \$250/tCO₂e by 2050. As a result, the cost and lead-times for low carbon materials and products increase through the 2020s and 2030s, but they become more cost and time effective than traditional materials by 2040. The construction sector grows significantly as carbon-supporting infrastructure is replaced with greener, low carbon infrastructure.

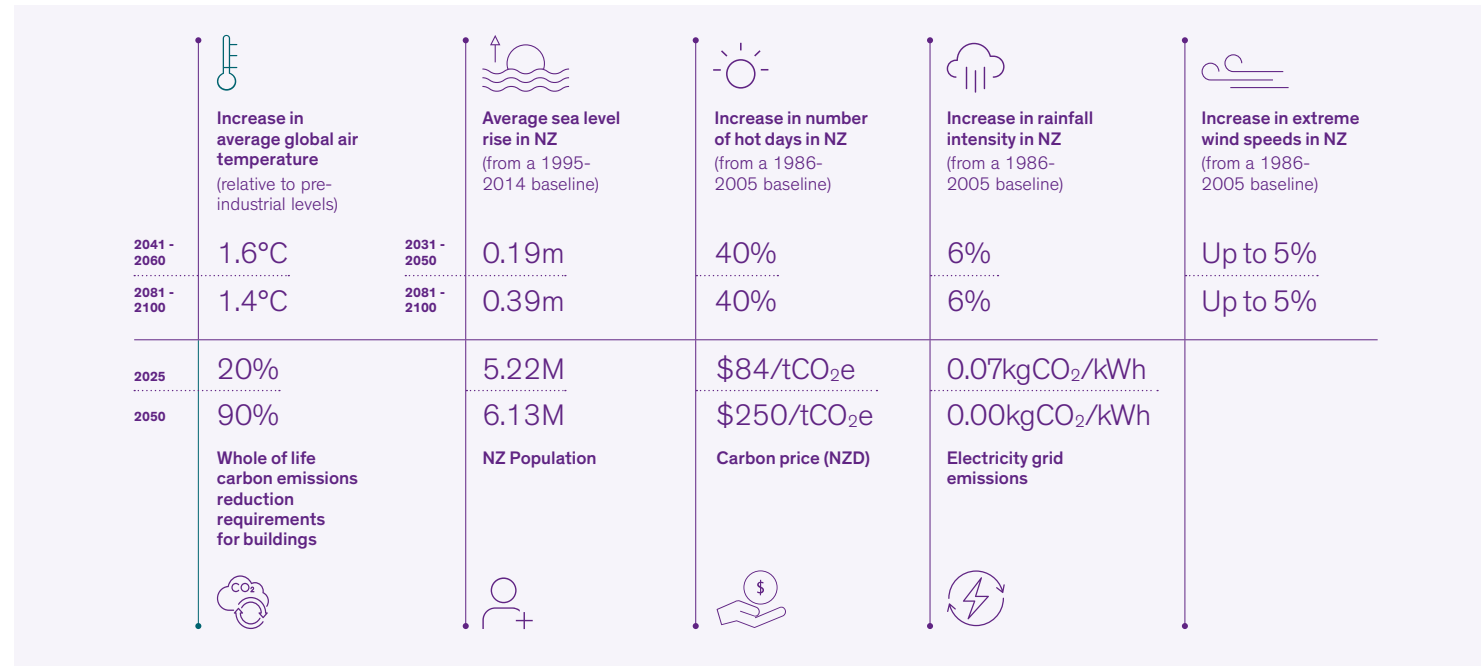
Regulatory changes for the property and construction sector include government procurement policies targeting recycled materials and circular economy principles. Stringent energy and carbon caps for new buildings are phased in rapidly. Existing buildings must disclose energy and carbon performance, take steps to remove all reliance on fossil fuels for operation, and scale up energy efficiency.

Pressures on centralised infrastructure increase with the demand for electrification, closing of fossil fuel power stations and direct climate impacts on storm and wastewater networks.

Modular, circular designs will take precedence, with existing building re-use being in demand rather than new builds. Rapid densification puts pressure on horizontal infrastructure, necessitating significant upgrades.

Significant behavioural change results in an increased demand for energy efficient buildings, increased pressures on public transport, the rise of circular business models and a higher consumer awareness regarding low carbon buildings.

The key risks faced under this scenario are transition risks due to the greater focus on reducing carbon.



Strategy

Disorderly scenario

Under this scenario there is a delayed transition, where policy, technology and behaviour changes remain slow up until 2030.

As global emissions continue to rise during the 2020s, concerns about meeting Paris Agreement Goals drives a sudden shift in global policy around 2030. Abrupt and stringent decarbonisation policies are enacted in the 2030s, succeeding in limiting global warming to below 2°C above pre-industrial levels by 2100.

New Zealand follows suit with the rest of the world, leading to abrupt policy and market changes for the property and construction sector post-2030. There is no initial increase in carbon price up to 2030, at which point price rapidly increases to reach \$250/tCO₂e by 2050.

During the 2020s there is a slow increase in demand for electricity, followed by a surge in demand in the 2030s as New Zealand rushes to electrify our transport networks. The electricity sector is unprepared for the sudden shift in demand at 2030, which causes a delay in adequate expansion of the grid during the 2030s and leads to supply constraints. These constraints result in more frequent blackouts and fluctuations in electricity prices.

During the 2020s, increased regulation within the sector attempts to address the need to decarbonise, but regulation is uneven and conflicting regulations lead to

uncertainty. At 2030 more stringent and more orderly regulatory changes are introduced.

During the 2020s there is less investment signalling for both new and retrofit low carbon buildings, which causes further uncertainty and lack of momentum until 2030. At 2030, significant regulatory changes demand an immediate step change in building energy and carbon requirements.

Limited investment during the 2020s means the spike in demand for low carbon materials, low energy technology and onsite generation in 2030 causes significant disruption for

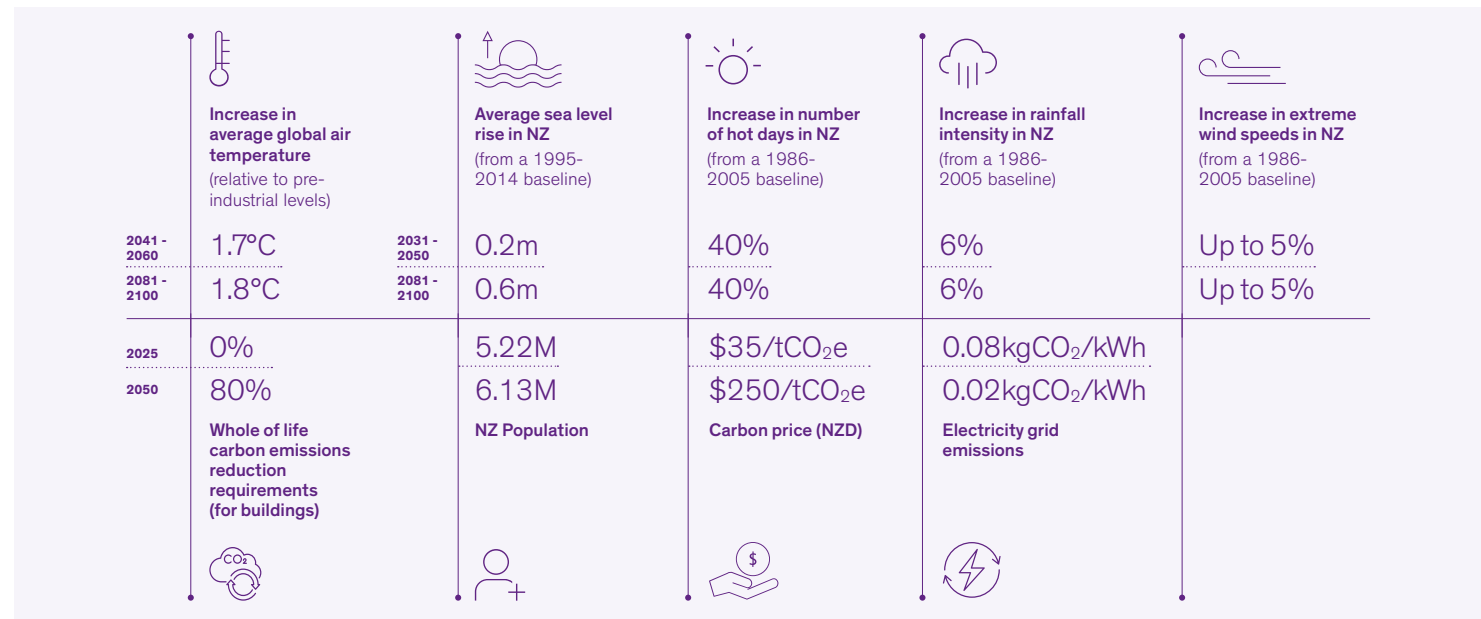
the sector. Competition for availability of products, materials, professional advice and competent installers impacts significantly on both new building and retrofit projects resulting in escalation in development costs.

Pressures on centralised infrastructure are compounded after 2030 due to increasing densification and the increasing impacts of physical climate risks. Spatial planning to prioritise decarbonisation and densification versus climate resilience and managed retreat is inconsistent across the country. This inconsistency leads to increasing uncertainty for the construction and property sector

regarding which assets are most likely to become stranded.

Initially the construction and property sector is slow to decarbonise, but 'fast movers' get the opportunity to utilise materials, capital, and knowledge while late movers are disadvantaged when demands peak post-2030.

This scenario presents more extreme transition risk, as the need to transition is more focused over a short time period. In addition, there will be some physical risk due to the delay in transitioning to a low carbon future.



Strategy

Hot house world scenario

This scenario involves a 'hot house world' where global emissions continue to grow. Global average temperature rises to greater than 3°C above pre-industrial levels by 2100.

New Zealand's climate change policy remains in keeping with the rest of the world. No further policies are introduced to curb emissions, with the building and construction sector following suit. Regulatory changes are slow and focus on adaptation and managing climate-driven immigration/refugees. The price of carbon remains at \$35/tCO₂e to 2050. Mandates are introduced to conserve energy for critical functions, as asset and infrastructure damage due to climate change are realised.

New Zealand's electricity grid is gradually decarbonised further in line with current policies. Emission grid factors remain at 0.06 kgCO₂/kWh by 2050 which means buildings wishing to achieve net zero carbon emissions must invest in their own zero carbon generation.

Existing low carbon materials are readily available due to low demand but there is little innovation beyond technologies and materials currently available. Investment is prioritised towards adaptation and climate resilience.

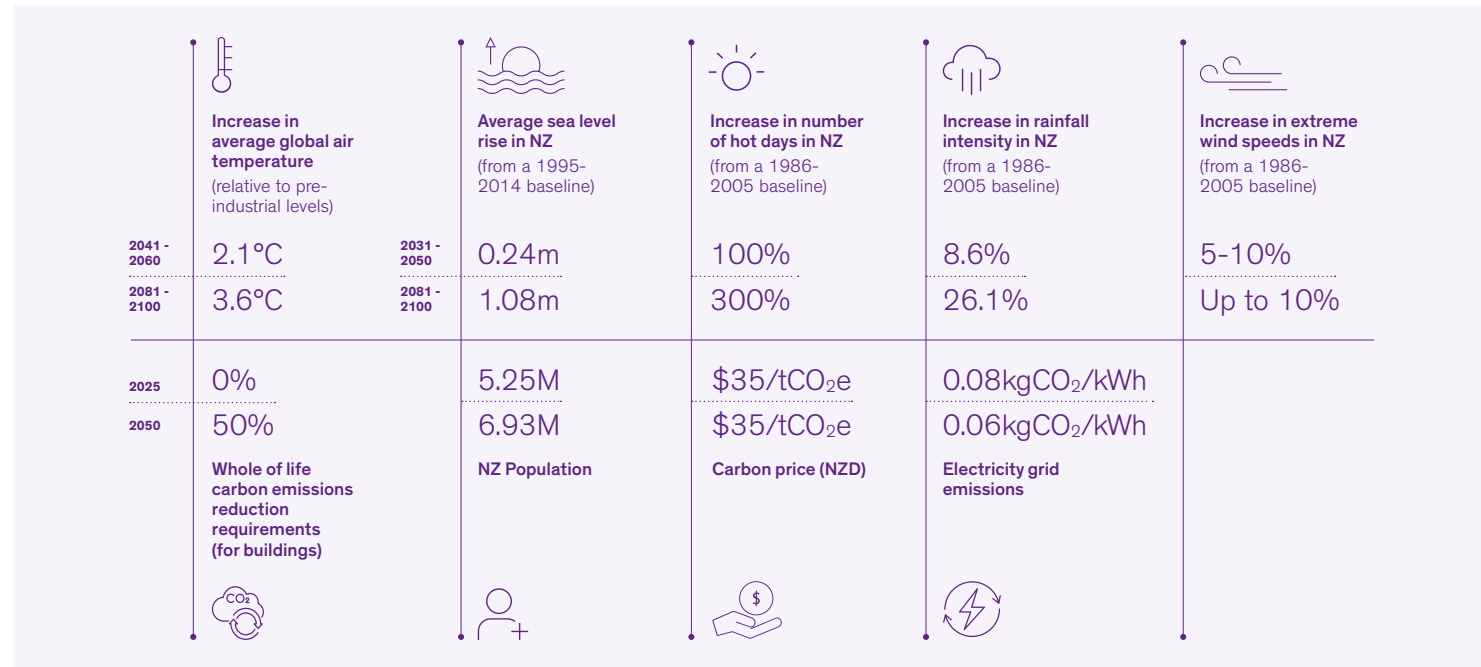
Some assets become stranded as building codes increasingly become more stringent regarding the need for buildings to withstand climate impacts (such as storm events, extreme rainfall, heatwaves, and floods).

Centralised infrastructure will show failures and stresses, with some assets becoming stranded due to the physical impacts of climate change. Consequently, local councils

increase rates to invest in protection and restoration of certain assets.

There are no incentives for meaningful behavioural change. A significant breakdown of social cohesion occurs, with heat stress and mental health impacts from climate change at record levels. Food insecurity and growing populations drive retreat from cities.

This scenario presents more extreme physical risk, with little transition risk.



Strategy

Impact of scenarios on Stride's strategy

Orderly 1.5°C scenario

Stride's preliminary view is that its business strategy is consistent with this scenario, as it has begun the process of transitioning its assets to a lower carbon future, including setting a number of targets intended to reduce emissions, undertaking an assessment of the decarbonisation options across the portfolio to achieve these targets, and continuing to progress green ratings across the properties owned and managed by Stride.

Disorderly scenario

Stride's preliminary assessment is that this scenario presents some risk to its strategy. Stride has begun the process of transitioning the properties managed by it to a low carbon future, and is well advanced with transitioning the office portfolio. However, further work is likely to be required for properties in all sectors managed by Stride.

If there is a sudden regulatory shift around 2030, which results in increased demand for low carbon materials and consultants to assist with upgrading properties, this could place challenges on those properties under Stride's control that have not yet completed their transition to a low carbon future.

Stride continues to work towards a low carbon future, and accordingly expects managing this risk to be within its control.

Hot House World scenario

While some work has been undertaken to prepare Stride's assets for the physical risks associated with climate change, further work is required to assess the resilience of Stride's assets to the physical implications of a hot house world scenario.

Stride has previously considered the vulnerability of its office portfolio to coastal inundation as a result of rising sea levels. The assessment was based on the following information:

- NIWA's extreme sea level elevations and their likelihood of occurrence in the Auckland Region prepared for Auckland Council in 2013, and the Auckland Council GIS topographic contour data.
- NIWA's storm surge and sea level rise modelling of the Wellington Region prepared for Greater Wellington Regional Council in 2017.

As a result of this assessment, Stride determined that all office properties are at very low risk of inundation over the short term (up to 20 years, assuming little change to present day water levels). All properties other than 1 Grey Street, Wellington, have very low risk of inundation over the medium term (20 – 50 years, assuming a 0.5m sea level rise over this period), with 1 Grey Street having a low risk, with no likely risk of internal flooding of the building.

We expect the assessment of the risks faced by Stride under the hot house scenario will be further informed by the results of the physical risk assessment being undertaken utilising the S&P Global Climamomics platform.

Strategy

Climate-related risks and opportunities

Stride has considered physical and transition risks to its business under each of the three scenarios described above, and across three time horizons:

Short term: present – 2030

Medium term: 2031 – 2040

Long term: 2041 – 2050

The scenario analysis undertaken considers the impacts beyond 2050, although the narratives predominantly focus on the timeframe out to 2050. While Stride has considered the longer term implications of the scenarios on its assets, it has elected to focus on the timeframe to 2050, as this is the longest timeframe for planning that is considered by Stride. The time horizons selected are consistent with Stride's strategic planning horizons as Stride plans in 10 year cycles for capital and maintenance expenditure on the buildings it owns and manages. While the life of a building can last beyond 2050, Stride considers this to be the long term horizon for its planning purposes, and accordingly has set 2050 as the longest timeframe considered for each of the risks assessed.

Stride considers climate-related risks as part of its decision-making for acquisitions, developments and upgrades of properties. Transition risks are reflected in decisions regarding upgrading plant and equipment, such as the decisions made in relation to the upgrade of 34 Shortland Street, Auckland, and in seeking further green ratings for properties, together with the decarbonisation plan that is currently in progress. Physical risks are considered as part of decision-making regarding acquisitions, and it is expected that further information will be available as a result of the physical risk assessment being undertaken utilising the S&P Global Climonomics platform.

Stride's preliminary assessment of its climate-related risks and their anticipated impact are set out on the following pages, with work on quantifying the risks yet to be completed. This table may not describe all of the climate-related risks faced by Stride – some risks may be unknown and other risks, currently believed to be immaterial, could turn out to be material. Stride has yet to integrate climate-related risks into its enterprise risk management framework, to assess the relative risk posed by climate-related risks when considered against business risks. Stride intends to undertake this work during FY24.

Strategy

Climate-related risks and opportunities

Risk	Impacts	Type	Scenario	Time Horizon	Anticipated Impact
Stricter regulatory requirements for energy efficiency of properties	Stricter regulations, including energy and carbon caps for existing and new buildings, could lead to higher capital expenditure for retrofitting buildings, as well as higher costs of developing new buildings, and the potential for stranded assets if the cost of upgrading is not feasible. Cascading impacts include the potential for low carbon materials which are needed to meet requirements not being available or only being available at very high cost.	Transition	Orderly	Present-2050	Major
			Disorderly	2030-2050	Major
			Hot house	Present-2050	Minor
Introduction of regulations requiring disclosure of energy and carbon performance for all properties	Introduction of regulations requiring mandatory disclosure of energy and carbon performance for all properties, leading to additional costs for having buildings assessed to obtain a performance certificate, as well as the costs of improving energy and carbon performance to meet tenant or market demands (or alternatively earn lower rents). There may also be a shortage of assessors, leading to a time lag and therefore potential inability to let the property during this time.	Transition	Orderly	Present-2050	Major
			Disorderly	2030-2050	Major
			Hot house	Present-2050	Minor
Increased costs of materials and building operations due to price of carbon	Increasing carbon price impacts cost of materials and increases costs of upgrading existing buildings to meet energy efficiency targets.	Transition	Orderly	Present-2050	Major
			Disorderly	2030-2050	Major
			Hot house	Present-2050	Minor
Increase in extreme weather events	Increase in frequency and severity of extreme weather events such as cyclones, storms, floods and resulting fires, which may lead to increased capital expenditure to retrofit buildings to improve their resilience to weather events, as well as increased operational costs from repairing damage. Downstream impacts may also include increased costs of insurance and potentially the inability to obtain insurance coverage in certain areas or for specific risks, as well as disruption to supply chains and tenant businesses, potentially resulting in inability to pay rent. Downstream impacts also result from damage to infrastructure and accelerated deterioration of building materials.	Physical	Orderly	Present-2050	Moderate
			Disorderly	2030-2050	Moderate
			Hot house	Present-2050	Major

● Major
 ● Moderate
 ● Minor
 ● Opportunity

Risk	Impacts	Type	Scenario	Time Horizon	Anticipated Impact
Reduced investor appetite due to not meeting expectations	Investors seek to exit or not invest due to inability to meet expectations or requirements, including where emissions reduction targets are not met or not seen as sufficiently ambitious. This could impact SIML's business as a real estate investment manager, particularly given SIML's growth objectives.	Transition	Orderly	Present-2050	●
			Disorderly	2030-2050	●
			Hot house	Present-2050	●
Demand for low carbon construction products and processes outstrips supply	Policy change requiring low carbon construction products and processes progresses faster than supply chains can adapt, resulting in project delays due to low carbon materials not being readily available and in high demand, and increased cost as demand outstrips supply. Cascading impacts results from delays in completing projects, delaying commencement of leases and cashflows.	Transition	Orderly	2030-2050	●
			Disorderly	2030-2050	●
			Hot house	Present-2050	●
Increased demand for electricity	Move to more renewable energy and increased demand due to electrification replacing fossil fuels potentially results in increased cost of electricity and more uncertainty of supply. Downstream impacts include impacts on tenant businesses, potentially impacting their ability to pay rent.	Transition	Orderly	Present-2050	●
			Disorderly	2030-2050	●
			Hot house	Present-2050	●
Litigation risk	Regulatory or litigation action against Stride as a result of not meeting regulatory requirements, resulting in a financial impact from defending the action and/or potential fines or damages. There may also be reputational impacts from not being seen as a responsible corporate citizen, which may impact on investor and/or tenant appetites, which would potentially impact SIML's business as a real estate investment manager.	Transition	Orderly	Present-2050	●
			Disorderly	2030-2050	●
			Hot house	Present-2050	●
Failure to meet technological advances and tenant expectations regarding energy efficiency and low carbon technology	Increased capital or operating expenditure due to upgrading buildings to be more energy efficient and meet changing market requirements, such as installation of electric vehicle infrastructure; potential reduced rental from property that fails to meet tenant expectations and therefore is less desirable to tenants; risk of stranded assets if they do not meet tenant expectations. If Stride Products suffer stranded assets due to not meeting investor expectations, then this could have the downstream implication of reducing SIML's assets under management and thus reducing recurring management fees.	Transition	Orderly	Present-2050	●
			Disorderly	2030-2050	●
			Hot house	Present-2050	●

● Major
● Moderate
● Minor
● Opportunity

Risk	Impacts	Type	Scenario	Time Horizon	Anticipated Impact
Risk to assets due to sea level rise and greater sea surge events	Damage to properties in exposed areas, as well as increased costs of maintenance and repair and the need to use more robust materials in the repair of buildings. Cascading impacts may also arise due to disruption to tenants' businesses and supply chains, increased costs of insurance, higher rates due to Council expenditure on infrastructure in affected areas, and potentially early retirement of affected assets.	Physical	Orderly	Present-2050	●
			Disorderly	2030-2050	●
			Hot house	2030-2050	●
Rising mean temperatures	Higher temperatures result in higher demand for cooling within properties, resulting in increased costs and greater load on plant and equipment which could lead to more frequent maintenance or a shorter life for equipment. Cascading impacts could also include an increased requirement by tenants for performance requirements, resulting in potential reduced revenue and higher costs from negative impacts on tenant workforce.	Physical	Orderly	2030-2050	●
			Disorderly	2030-2050	●
			Hot house	2030-2050	●
Increase in rainfall intensity	Changes in ground conditions and slope stability undermines assets and connected infrastructure, resulting in damage to or loss of assets. Downstream impacts may include damage to infrastructure servicing assets (even if the asset itself is not impacted) or stranded assets if ground instability occurs around assets. Development works may also be impacted through reduced time to undertake earthworks.	Physical	Orderly	2030-2050	●
			Disorderly	2030-2050	●
			Hot house	2030-2050	●
Increased compliance reporting	Risk of increased compliance reporting requiring more resource and therefore higher costs. Risk of limited availability of workers with appropriate knowledge, which may increase employment costs. Potential downstream impacts include regulatory censure if fail to meet obligations, which could result in negative investor perception, impacting share price and ability to raise capital to pursue business strategy.	Transition	Orderly	Present-2050	●
			Disorderly	2030-2050	●
			Hot house	2030-2050	●
Increase in drought conditions	Risk of increased water scarcity from more and/or longer drought conditions, leading to increased water costs. Flow on effects may include higher costs to tenant businesses from water consumption, impacting overall occupancy costs and potentially reducing capacity for rent, as well as increased rates due to the need for Councils to cover infrastructure upgrades.	Physical	Orderly	2030-2050	●
			Disorderly	2030-2050	●
			Hot house	2030-2050	●

● Major ● Moderate ● Minor ● Opportunity

Opportunity	Impacts	Type	Scenario	Time Horizon	Anticipated Impact
Increased urbanisation with move of population to main cities	Opportunity for assets located in urban areas, with increasing demand for properties from increased urbanisation of the population – Stride's office and town centre portfolio is well-located in urban areas. As cities become more highly populated, this could lead to higher demand for well-located assets	Opportunity	Orderly	Present-2050	●
			Disorderly	2030-2050	●
			Hot house	2040-2050	●
Demand for upgrading of properties driving need for real estate investment management services	The need to transition buildings to a low carbon future drives demand from property owners for assistance in managing the transition of buildings, creating opportunity for Stride as a real estate investment manager with demonstrated skill and experience in transitioning buildings to green rated, low carbon, resilient properties	Opportunity	Orderly	Present-2040	●
			Disorderly	2030-2050	●
			Hot house	Present-2050	●

● Major ● Moderate ● Minor ● Opportunity

Risk Management

This section is intended to describe how Stride's climate-related risks are identified, assessed, and managed and how those processes are integrated into existing risk management processes.

Traditionally, risk assessments are completed to understand the nature and determine the level of risk of actions or events. The level of risk is traditionally identified as a combination of consequence and likelihood of an action or event occurring. A risk assessment informs the actions or decisions to reduce risks or to take advantage of opportunities. All value chain stages are in scope for the identification and assessment of climate-related risks and opportunities.

To address the evolving impacts of climate change, risk is described as the combination between hazards, exposure and vulnerability. Climate change creates gradual impacts e.g. sea level rise, that occurs when an ongoing trend reaches various tipping points in relation to a process, system or activity. This requires more of an emphasis on consequences (i.e. what can happen and how severe could it be) rather than how likely it is to happen. The combination of hazard, exposure to the hazard, and the vulnerability of the system or process to the hazard, creates the risk.

The probability aspect of the impact of a climate-related hazard is assessed against the consequences at different timeframes and across different scenarios to determine the level of risk. Stride has used the timeframes short (present to 2030), medium (2031 -

2040) and long (2041 - 2050). These were felt to be the most appropriate for Stride's business planning processes. While Stride has considered the longer term implications of the scenarios on its assets, it has elected to focus more on the timeframe out to 2050, as this is the longest timeframe for planning that is considered by Stride. The time horizons selected are consistent with the Stride strategic planning horizons as Stride plans in 10 year cycles for capital and maintenance expenditure on the buildings it owns and manages. While the life of a building can last beyond 2050, Stride considers this to be the long term horizon for its planning purposes, and accordingly has set 2050 as the longest timeframe considered for each of the risks assessed.

Stride has reviewed climate risks on an annual basis to date, with SIML management reviewing the risks and presenting an assessment to the Sustainability Committee. While Stride considers an annual review to be appropriate, it would review more frequently should circumstances arise that required this, such as a material change in metrics.

The climate risk process has not yet been integrated into Stride's enterprise risk management processes, and accordingly we have not considered the relative importance of climate risks compared to key business risks. This will be a focus for FY24.

Metrics and Targets

This section is intended to describe how Stride measures and manages its climate-related risks and opportunities.

Greenhouse gas inventory - commentary

Set out on pages 45 and following is Stride's greenhouse gas (GHG) inventory report for FY23. Stride applies an operational control approach to identify and determine the boundary of its GHG inventory. Stride reports on its own emissions plus 100% of the emissions for each of the entities managed by SIML (being Industrie, Investore and Diversified) on the basis that SIML is the property and fund manager and therefore has "operational control". A company has operational control if it has the authority to introduce and implement operating policies. This consolidation approach allows us to focus on those emission sources over which we have operational control and can therefore implement management actions consistent with Stride's sustainability strategy.

For FY23, total scope 1 emissions have declined from FY22, and are lower than our baseline year of FY20. The two elements that are material for scope 1 emissions are natural gas and fugitive emissions from air conditioning systems. During FY23 Stride completed a project to allocate scope 1 and scope 3 natural gas between landlord and tenant at shopping centres and this is reflected in the reduction in natural gas scope 1 emissions for FY23.

Natural gas remains a material contributor to Stride's scope 1 emissions. In support of Stride's target of becoming scope 1 and 2 net carbon zero by 2030, Stride has engaged Beca to undertake a decarbonisation assessment, which has identified removal of gas from offices and the larger shopping centres as a key factor to assist Stride in meeting this target.

Within each entity, the fugitive emissions from air conditioning systems has a material impact on that entity's scope 1 emissions. Stride's targets include developing a plan to remove harmful refrigerants from properties, and this will assist with reducing overall scope 1 emissions.

Scope 2 emissions for Stride comprise electricity consumption (for common areas) and embedded network lines losses. Scope 2 emissions have increased from FY22 and are up from the baseline year of FY20.

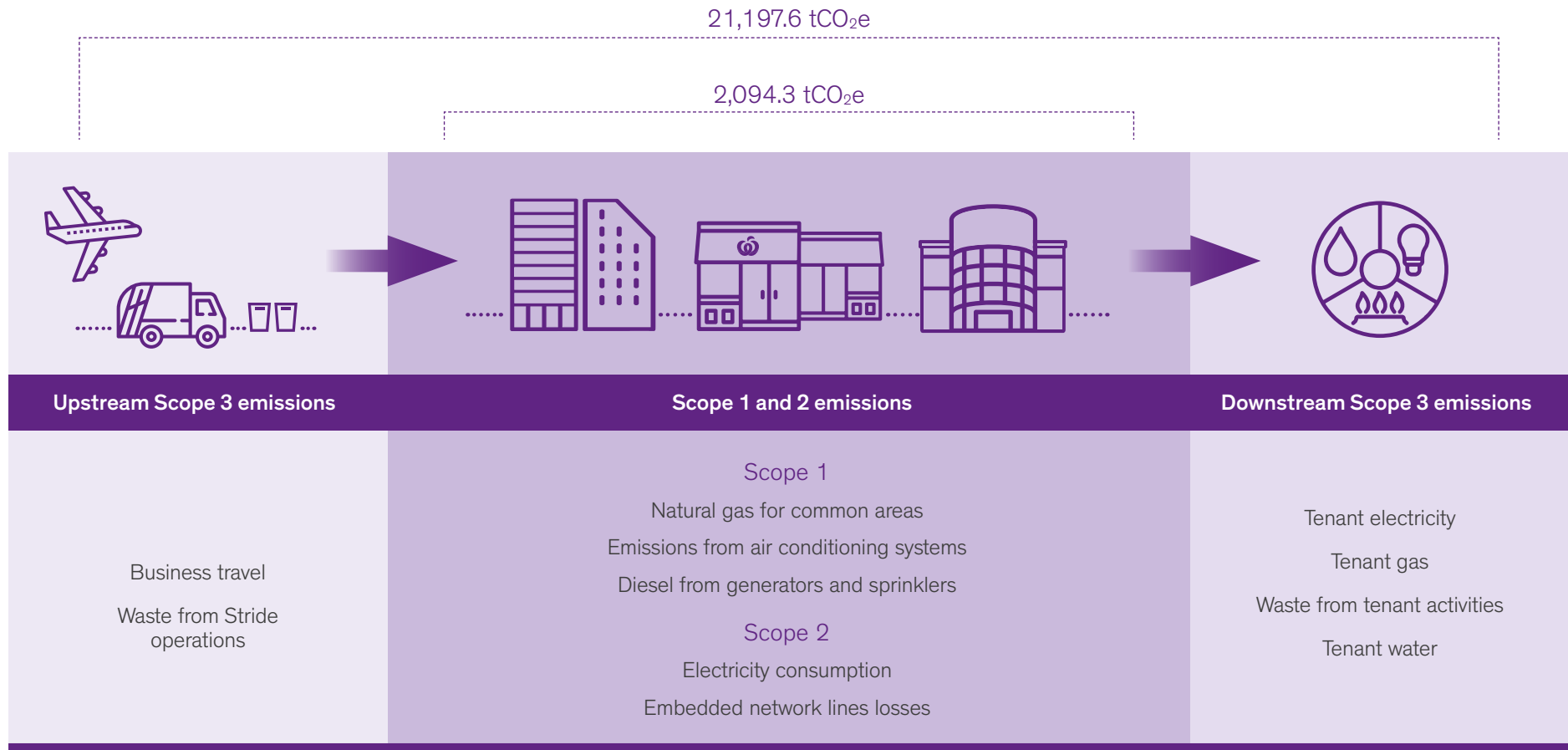
Stride's total scope 1 and 2 emissions have increased 3.7% from FY22, but are up materially from our baseline year of FY20. Stride considers the key driver for the increase in scope 2 emissions from FY22 is the impact of Covid-19 restrictions on building operations during FY22. Scope 2 emissions are materially higher than FY20 due primarily to changes in the portfolio.

Stride's work on implementing the decarbonisation plan developed by Beca is expected to assist with reducing scope 1 and 2 emissions, to help meet our emissions reduction target of reducing scope 1 and 2 emissions by 42% by 2030 from our FY20 baseline year.

For the first time, Stride is also reporting scope 3 (or indirect) emissions, which for Stride primarily consists of tenant electricity, tenant gas and tenant waste to landfill. Stride has undertaken significant work with its tenants during FY23 to obtain tenant consumption data to enable it to report on scope 3 emissions, although these still remain subject to some exclusions and limitations as set out in the report.

Metrics and Targets

Greenhouse gas emissions profile



Metrics

The key metrics that Stride considers are most relevant for its business, including those that Stride monitors as part of its regular assessment of performance against its sustainability strategic plan, are set out below.

Metric	FY23 Data	Commentary
Greenhouse gas emissions	Stride's GHG inventory is set out on pages 45 and following, including comparative figures for the last 3 financial years for scope 1 and 2 emissions	Stride's total scope 1 and 2 emissions are up 3.7% from FY22, but up materially from our baseline year of FY20. Stride's work on implementing the decarbonisation plan developed by Beca is expected to assist with reducing these emissions, in order to meet our scope 1 and 2 emissions reduction targets by 2030.
Greenhouse gas emissions intensity	Scope 1 and 2 GHG emissions per sqm NLA = 0.0031 tCO2e Scope 3 GHG emissions per sqm NLA = 0.0285 tCO2e Total GHG emissions per sqm NLA = 0.0316 tCO2e	Tracking emissions intensity will enable us to compare intensity year on year. We will also seek to identify benchmarks for comparison purposes going forwards.
Internal carbon price	\$60 per tCO2e (draft)	Stride has elected to trial an internal price of carbon policy for FY24, under which Stride will adopt a shadow carbon price set by reference to the spot price of carbon under the Aotearoa New Zealand Emissions Trading Scheme. This price was approximately \$60 per tCO2e on 1 April 2023, and accordingly is the price that we have provisionally adopted for FY24 for the purposes of trialling application of the policy. Stride will use the internal price of carbon to assist with quantifying the GHG emissions impact of decisions, including assessing feasibility of refurbishment or maintenance decisions, as well as for business travel, and will assess the impact of the draft policy during FY24.
Executive remuneration	<p>During FY23, the objectives of all executive team members, on which short term incentives are based, included sustainability objectives and measures. These objectives included:</p> <ul style="list-style-type: none"> Setting emissions reduction targets and other sustainability targets Progressing green ratings across office, large format retail and industrial asset classes Improving GHG emissions data coverage Completing tenant engagement surveys across all portfolio types 	Stride considers that achieving its sustainability objectives and targets requires the involvement of the whole Stride team, and accordingly sets sustainability objectives for each member of the executive team annually. The achievement of these objectives, along with other business objectives, forms part of an executive's annual performance review, upon which short term incentive assessments are based.

Metric	FY23 Data	Commentary
Percentage of eligible portfolio by value that has a green rating by property sector	<p>Office: 74% of office properties¹ by value are rated 4 star NABERSNZ or 5 Green Star or better</p> <p>Large format retail: 42% of Investore large format retail properties² by value have Green Star Performance ratings</p> <p>Industrial: 40% of Industrie industrial properties² by value are green rated – Green Star Design or Green Star Performance</p> <p>Shopping centre: 0% of shopping centre and town centre properties have a green rating</p>	<p>There has been considerable progress in achieving green ratings during FY23, primarily Green Star Performance ratings for 16 large format retail properties and 5 industrial properties.</p> <p>While Stride will continue to explore the feasibility of obtaining further green ratings, achieving ratings for additional industrial and large format retail properties may be more difficult, as the property types are not homogeneous which means each property would need to be rated individually, requiring considerable historical data (often tenant data), and management time and resource.</p>
Energy intensity – consumption as a percentage of total floor area	<p>Scope 1 & 2³ = 3.14 kWh per sqm NLA</p> <p>Scope 3⁴ = 150.08 kWh per sqm NLA</p>	Energy consumption intensity will allow us to track and compare intensity year on year. We will also seek to identify benchmarks for comparison purposes.
Energy consumption data coverage (actual data as a percentage of total data including estimated)	<p>Scope 1 & 2 = 97.99%</p> <p>Scope 3 = 85.42%</p>	This metric reports on our ability to collect data, as more accurate and complete data will enable more accurate reporting and consideration of achievement of targets.

1. On a proforma basis as at 31 March 2023, as if the acquisition of the property at 110 Carlton Gore Road, Auckland, had settled as at that date. Excludes properties categorised as 'Development and Other' and 'Assets classified as held for sale' in the Stride FY23 consolidated financial statements.

2. Excluding properties categorised as 'Development and Other' in the respective financial statements.

3. Includes actual and estimated scope 1 gas and scope 2 electricity (kWh).

4. Includes actual and estimated scope 3 electricity and scope 3 gas consumption (kWh).

Targets

During FY23 Stride set a number of key sustainability targets, with performance against these targets to be reported from FY24.

Reduce GHG emissions

- Reduce scope 1 and 2 emissions by 42% by 2030 from the FY20 baseline year
- Net carbon zero for scope 1 and 2 emissions by 2030
- Remove gas¹ from all properties (other than shopping centres) by 2027, and from shopping centres by 2032
- Target 10% reduction in embodied carbon from developments compared with a reference building
- Develop plan to remove harmful refrigerants

Address climate risks

- Complete physical risk assessments to understand value at risk

Achieve green ratings

- 5 star green rating target for acquisitions and developments, with minimum 4 star
- Continue to progress green ratings across all Stride Products where practicable

Improve energy and water efficiency

- Feasibility of installing solar panels on shopping centre, large format retail and industrial properties to be investigated during FY24

Reduce waste

- Reduce waste to landfill by 10% year on year
- Minimum 75% diversion of waste from landfill for development activities, target 90%

1. Excluding gas for tenant operations.

Greenhouse Gas Inventory Report
1 April 2022 - 31 March 2023

STRIDE

Introduction

This document is the annual greenhouse gas (GHG) report for Stride Investment Management Limited (SIML) and covers all managed entities including Stride Property Limited, Fabric Property Limited, Industrie Property Joint Venture, Diversified New Zealand Property Trust, Johnsonville Shopping Centre and Investore Property Limited. It covers the period 1 April 2022 to 31 March 2023 (FY23). While the GHG emissions are consolidated at the SIML level for all managed entities, this report identifies the emissions by scope for each SIML-managed entity.

This report has been written in accordance with The Greenhouse Gas Protocol - A Corporate Accounting and Reporting Standard, Revised Edition (Greenhouse Gas Protocol).

Greenhouse Gas Inventory (All Managed Entities) FY23

Table 1: SIML Greenhouse Gas Emissions Inventory Summary FY23

Scope 1 Emissions Tonnes of CO ₂ e ¹				
Category	FY23	FY22	FY21	FY20
Stationary diesel	10.71	0.41	0.42	0.00 ²
Natural gas	408.67	580.50	534.06	493.64
Fugitive emissions from air conditioning systems	220.26	221.62	229.54	273.92
Total Scope 1	639.64	802.53	764.02	767.56

Scope 2 Emissions Tonnes of CO ₂ e				
Category	FY23	FY22	FY21	FY20
Electricity consumption (location based) ³	1,392.73	1,164.36	996.46	961.23
Embedded network line losses	61.96	52.82	45.39	0.00 ⁴
Total Scope 2 (location based)	1,454.69	1,217.18	1,041.85	961.23
Scope 1 & 2 tCO ₂ e emissions (location based)	2,094.33	2,019.71	1,805.88	1,728.78
<i>Electricity consumption (market based)⁵</i>	<i>1,405.55</i>	<i>0</i>	<i>0</i>	<i>0</i>



- Scope 1 Emissions: Accounts for direct GHG emissions from sources that are operated or controlled by Stride. Estimates have been used where supplier records were unavailable at the time of reporting. The total estimated scope 1 emissions are 44.56 tCO₂e in relation to natural gas. Estimation methodology is detailed in Table 3.
- No properties under management in FY20 had a backup generator. Reliable records of the diesel used in sprinkler pumps for FY20 were also unavailable. This was an exclusion in FY20.
- Location based electricity contains Stride's full scope 2 inventory with the location-based approach (including sites where Ecotricity is the supplier). The emissions factor applied against the full scope 2 inventory is the grid factor of 0.000120086279 from MFE 2022 MFE 2022 Emission Factors Table 9: 2020. Factor is divided by 1,000 to get to tCO₂e.
- Embedded network losses: Reliable data was not available for FY20. This was an exclusion in FY20.
- Market electricity: For FY23 partial supply of scope 2 electricity was purchased from Ecotricity, a carbon zero certified electricity retailer. The consumption purchased from Ecotricity is measured at nil tCO₂e for scope 2 using a market based approach. Electricity emissions which are not part of this Ecotricity supply agreement used during FY23 are calculated using residual grid mix factors. Market based emissions are not included in the scope 2 total as this is an alternative method of reporting emissions from electricity consumption than location based reporting that Stride does not use. Market based reporting is broken down into 2 subsets:
 - Sites serviced by Ecotricity have an emissions factor of zero applied against them
 - Sites not serviced by Ecotricity have a residual factor of 0.000110770000 supplied by NZECS: Resources: Residual Supply 21/22 NZECS Residual Supply 21/22. The factor is divided by 1,000,000 to get kg CO₂e/MWh to tCO₂e /kWh. This residual factor has also been applied to the network losses.

Table 1: SIML Greenhouse Gas Emissions Inventory Summary FY23

Scope 3 Emissions Tonnes of CO ₂ e ¹				
Category	FY23	FY22	FY21	FY20
Business Travel (flights, accommodation, rental vehicles)	68.04	N/A	N/A	N/A
Transmission & Distribution Losses - Electricity	133.04			
Transmission & Distribution Losses - Stationary Energy	21.62			
Downstream Leased Assets – Tenant consumption ²	14,756.32			
Fleet Fuel	84.39			
Water ³	10.09			
Waste ⁴	4,029.78			
Total Scope 3	19,103.28			
Total Scope 1, 2 & 3 tCO₂e emissions (location based)	21,197.61			



1. Scope 3 Emissions: Accounts for indirect GHG emissions that occur in the company's value chain. Upstream leased assets (the SIML occupied offices) emissions are captured in Scope 2. Scope 3 exclusions are provided in Table 5.
2. Downstream leased assets include tenant consumption of natural gas and electricity. There is a component of estimated emissions for tenant electricity which total to 2,057.13 tCO₂e of the total 14,756.32 tCO₂e. Estimation methodology is detailed in Table 3.
3. Water data excludes data where this is not separately metered by the local Council. Where data is not available this has been estimated. Total estimated water emissions are 2.26 tCO₂e of the total 10.09 tCO₂e. Estimation methodology is detailed in Table 3.
4. Waste from operations. The data includes tenant waste but excludes construction waste. Where data is not available this has been estimated. Total estimated waste emissions are 875.05 tCO₂e of the total 4,029.78 tCO₂e. Estimation methodology is detailed in Table 3.

Greenhouse Gas Inventory FY23 (Split by Managed Entity)

Table 2: Greenhouse Gas Emissions Inventory Summary by Managed Entity for FY23

Scope 1 Emissions Tonnes of CO2e							
Category	Stride Property Limited	Fabric Property Limited	Industre Property Joint Venture	Diversified NZ Property Trust	Johnsonville Shopping Centre	Investore Property Limited	SIML
Stationary Diesel	2.72	1.18	5.44	0.48	0	0.89	N/A
Natural Gas	2.99	365.37	0	26.92	13.39	0	N/A
Fugitive Emissions from air conditioning systems	117.94	12.53	0	58.48	0	31.31	N/A
Total Scope 1	123.65	379.08	5.44	85.88	13.39	32.20	N/A
Scope 2 Emissions Tonnes of CO2e							
Category	Stride Property Limited	Fabric Property Limited	Industre Property Joint Venture	Diversified NZ Property Trust	Johnsonville Shopping Centre	Investore Property Limited	SIML
Electricity Consumption (location based)	186.74	485.73	3.13	649.24	39.89	18.27	9.73
Embedded network line losses	2.01	15.91	N/A	43.22	N/A	0.82	N/A
Total Scope 2 (location based)	188.75	501.64	3.13	692.46	39.89	19.09	9.73
Total Scope 1 & 2 tCO2e emissions (location based)	312.40	880.72	8.57	778.34	53.28	51.29	9.73
<i>Electricity Consumption (market based)</i>	<i>181.82</i>	<i>488.96</i>	<i>2.82</i>	<i>668.12</i>	<i>39.04</i>	<i>15.30</i>	<i>9.49</i>

Greenhouse Gas Inventory FY23 (Split by Managed Entity)

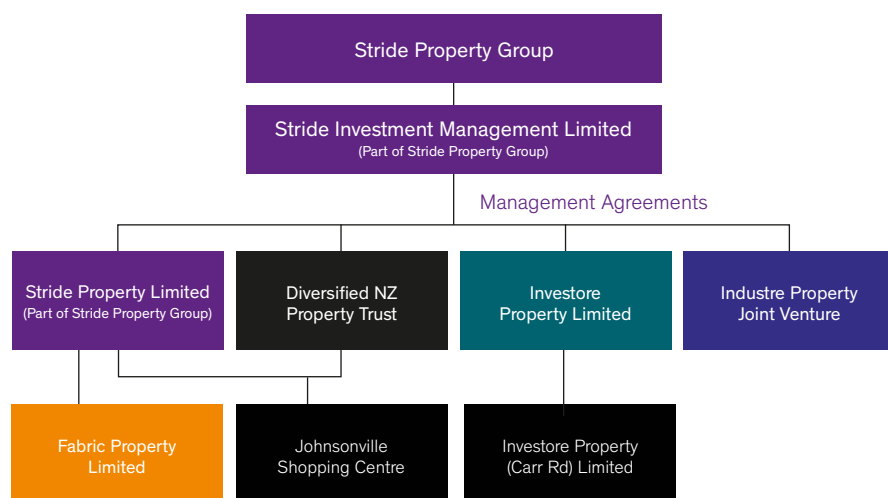
Table 2: Greenhouse Gas Emissions Inventory Summary by Managed Entity for FY23

Scope 3 Emissions Tonnes of CO2e							
Category	Stride Property Limited	Fabric Property Limited	Industre Property Joint Venture	Diversified NZ Property Trust	Johnsonville Shopping Centre	Investore Property Limited	SIML
Business Travel (flights, accommodation, rental vehicles) Accommodation	N/A	N/A	N/A	N/A	N/A	N/A	68.04
Transmission & Distribution Losses - Electricity	19.17	46.05	0.26	64.99	0	1.68	0.89
Transmission & Distribution Losses - Stationary Energy	0.52	19.1	0	2.00	0	0	N/A
Fleet Fuel	N/A	N/A	N/A	N/A	N/A	N/A	84.39
Downstream Leased Assets – Tenant consumption	1,952.00	512.26	2,120.78	2,064.66	200.92	7,905.70	N/A
Water	1.62	0.64	1.99	1.32	0.56	3.96	N/A
Waste generated in operations	432.97	39.50	N/A	534.86	73.02	2,949.34	N/A
Total Scope 3	2,406.28	617.55	2,123.03	2,667.53	274.50	10,860.77	153.32
Total Scope 1, 2 & 3 tCO2e emissions (location based)	2,718.68	1,498.27	2,131.60	3,446.17	327.78	10,912.06	163.05

Organisational Boundary

SIML's organisational boundary for GHG reporting encompasses the entities listed. Each entity reports on emissions generated by its activities, including the properties they own. SIML applies an operational control approach to identify and determine the boundary of SIML's GHG inventory. SIML will report on its own emissions plus 100% of the emissions for each SIML managed fund on the basis that SIML is the property and fund manager and therefore has "operational control". A company has operational control over an operation if it has the authority to introduce and implement operating policies at the operation. This consolidation approach allows us to focus on those emission sources over which we have operational control and can therefore implement management actions consistent with SIML's sustainability strategy.

FY23 (1 April 2022 - 31 March 2023)



Assets under Management for GHG reporting

	FY23
Total number of properties under management	80
Net lettable area under management	669,656

During FY23 four office properties in Auckland were sold by Fabric Property Limited and Investore purchased one property at 6 and 21 Hakarau Road, Kaiapoi.

Stride Investment Management Limited (SIML)	The manager of SPL, Investore, Industre, and Diversified and employer of staff for Stride.
Stride Property Limited (SPL)	An NZX listed company, SPL's shares are stapled with those of SIML to create Stride Property Group. SPL directly owns retail town centre and office assets and holds an interest in the other entities. Stride Holdings Limited is wholly owned by and included within SPL.
Fabric Property Limited (Fabric)	SPL's office-owning subsidiary which invests in office property within Wellington and Auckland. (Established 1 November 2020).
Diversified NZ Property Trust (Diversified)	An Australian trust majority owned by Australian superannuation entities which owns retail shopping centres in New Zealand.
Johnsonville Shopping Centre	Owned 50:50 by SPL and Diversified.
Investore Property Limited (Investore)	An NZX listed company which invests solely in large format retail property across New Zealand. Investore owns 100% of Investore Property (Carr Rd) Limited.
Industre Property Joint Venture (Industre)	A joint venture between Stride and a group of institutional investors advised by J.P. Morgan Asset Management (JPMAM) which invests solely in industrial properties. Includes Industre Property Nominee Limited, Industre Property Tahiti Limited and Industre Property Rua Limited (Established 1 July 2020).

Operational Boundary

The FY23 GHG emissions inventory report covers scope 1 and 2 emissions and, for the first time, the scope 3 emissions where the group has sufficiently reliable measurements for scope 3 categories (including emissions from tenant energy consumption). Improving the accuracy and extent of our scope 3 measurement is an ongoing area of focus for Stride, working towards reliable measurement of all material scope 3 emissions categories in FY24.

Scope 1 and 2 emissions include the “base build” emissions (refrigeration and natural gas associated with heating and cooling, and stationary diesel and electricity). Scope 3 emissions are indirect emissions and currently includes travel (flights, accommodation, and rental vehicles), electricity not in scope 2 (transmission and distribution losses and tenant electricity), fleet fuel (petrol and diesel in vehicles owned by employees and used on company business), stationary energy – natural gas (transmission and distribution losses and tenant gas), water and waste.

A summary of exclusions is included in Table 5 and uncertainties is provided in Table 3.

Baseline Year

The baseline year for SIML is 1 April 2019 to 31 March 2020 (FY20). This was chosen as the baseline year because it was the first year SIML understood, and had the data to support, its scope 1 and scope 2 emissions. In the FY22 GHG emissions report, SIML identified that if SIML's scope 1 and scope 2 emissions were to change by more than 10% due to company or portfolio acquisitions or divestments, a baseline year recalculation would be appropriate. SIML reviewed this requirement during the FY23 year and has concluded that rather than recalculate the baseline due to an increase or decrease of more than 10% of scope 1 and 2 emissions, it would be more appropriate for SIML to recalculate the baseline if SIML's NLA were to change by more than 10% due to company or portfolio acquisitions or divestments.

While there has been some movement in properties, including acquisitions and divestments, the 10% NLA threshold has not been met for FY23 and therefore a baseline recalculation or restatement is not required in accordance with our baseline policy and the GHG Protocol.

Methodologies and Uncertainties

Emissions for scope 1, scope 2 and scope 3 have been quantified using the calculation-based method based on activity multiplied by greenhouse gas emission factors. Emission factors have been sourced from the Ministry for the Environment. For market-based electricity reporting, the residual supply emissions factors have been sourced from the New Zealand Energy Certificate System (NZECS).

To minimise uncertainties in accuracy of this inventory, data has been sourced wherever possible from a verifiable source, as detailed in Table 3.

Assurance of GHG Inventory

Deloitte Limited has been appointed as the third-party independent assurance provider for the FY23 Greenhouse Gas Inventory Report.

A limited level of assurance has been given by Deloitte Limited over the scope 1, scope 2 and scope 3 emissions for FY23, included in this report.

Refer to Appendix 1 for the Assurance Report.

GHG Emissions Source Inclusions

SIML includes scope 1, 2 and 3 emissions from all relevant Kyoto Protocol gases in our carbon inventory. The emissions sources in Table 3 have been included in the GHG emissions inventory.

Table 3: Included Emission Sources, Data Source and Assumptions

Category	GHG Emissions Source	Data Source	Methodology, Data Quality, Uncertainty
Scope 1 Direct Emissions			
Stationary diesel ¹	Fuel used to “top up” generators for back up to essential building operations if the electricity supply fails	Records from suppliers	Emails from suppliers providing quantity used, in litres, during the year
	Fuel used to “top up” sprinkler pumps	Records from suppliers	Emails and spreadsheets from suppliers providing quantity used, in litres, during the year
Natural gas - stationary ²	Fuel used for heating and cooking within properties	Records from suppliers	Suppliers provide a summary of the consumption used by each ICP across all properties. Check meters at shopping centre sites provide readings for tenant consumption. Four properties had partial data missing during the year being due to certain months unable to be obtained from supplier at the time of reporting. Where supplier data was unavailable for a specific month or months of the year, an estimate was created based on other available supplier data for these properties to determine an average monthly estimate of consumption. The total estimated tCO ₂ e is 44.56 tCO ₂ -e of the total 408.67 tCO ₂ e scope 1 natural gas balance
Fugitive emissions from air conditioning systems ³	Leakage and replacement quantities	Record from suppliers of "top-up" amounts	Annual report for each property provided by suppliers
Scope 2 Indirect Emissions			
Electricity consumption ⁴	Electricity used in common parts of properties managed by SIML	Records from electricity suppliers and embedded network operators	Reliable records of electricity consumed from suppliers. Where supplier data was unavailable for a specific month or months of the year, an estimate was created based on other available supplier data for these properties to determine an average monthly estimate of consumption. The total estimated amount for FY23 is 5.43 tCO ₂ e of the 1,392.73 tCO ₂ e balance
Market electricity ⁵	Electricity provided by Ecotricity to a number of sites	Download from Ecotricity website	Reliable records of electricity consumed
Embedded network lines losses	Electricity losses from embedded network losses operated within properties	Records from embedded network suppliers	Reliable external report from embedded network suppliers

Footnotes on following page.

Category	GHG Emissions Source	Data Source	Methodology, Data Quality, Uncertainty
Scope 3 Indirect Emissions			
Waste generated in operations	Waste generated from operations in multi-tenanted properties and single-tenant sites	Data from waste contractors (spreadsheets and downloads from web portal) and data provided from tenants	Waste data received from waste contractors or tenants is considered reliable as it is sourced from an independent third-party. Where supplier data was unavailable for a specific month or months of the year, an estimate was created based on other available waste contractor or tenant data for these properties to determine an average monthly tonne of waste. Where no records were able to be obtained from the relevant waste contractor or tenant, this has been estimated based on the average known and verified emissions of similar property types owned by the group (i.e., supermarket, shopping centre, strip malls, hardware store, etc) and adjusted for the sqm of Net Lettable Area under management (NLA). The total estimated tCO2e for waste in this reporting period is 875.05 of the total waste emissions of 4,029.78 tCO2e
Water	Water used in properties owned by all funds	From local water provider in areas properties situated	For Auckland properties, a spreadsheet of consumption is provided from the supplier. All other sites, data is obtained from individual invoices. Where supplier data was unavailable for a specific month or months of the year, an estimate was created based on other available supplier data for these properties to determine an average monthly estimate of consumption. Where no records were able to be obtained from the relevant supplier, this has been estimated based on the average known and verified emissions of similar property types owned by the group (i.e., supermarket, shopping centre, strip malls, hardware store, etc). The estimated tCO2e is 2.26 tCO2e of the total 10.09 tCO2e
Business travel	Accommodation, flights, fuel & rental vehicles	Direct from provider	Spreadsheets of usage are provided direct from the relevant provider on a monthly or quarterly basis. Business travel is relevant to SIML only, as the managed funds do not have employees. This data currently excludes mileage, taxi and Uber data. Fleet fuel consists of consumption from Fuel cards provided to some employees and used in employee vehicles for business purposes
Upstream leased assets	SIML leases office space from managed funds where SIML employees are on site	Electricity data from suppliers	Reliable records of electricity consumed
Downstream leased assets	Tenant electricity, gas and waste	Data provided from tenants directly or permission requested from tenants to obtain data from relevant suppliers	Reliable data where this is provided by the supplier and/or tenant. Where supplier data was unavailable for a specific month or months of the year, an estimate was created based on other supplier data for these properties to determine an average monthly consumption. Where no records were able to be obtained from the supplier, this has been estimated based on the average known and verified emissions of similar property types owned by the group (i.e., supermarket, shopping centre, strip malls, hardware store, etc) and adjusted for the sqm of Net Lettable Area under management (NLA). The total estimated tCO2e for tenant electricity in this reporting period is 2,057.13 of the total tenant emissions of 14,756.32 tCO2e

1. Diesel used in building backup generators and sprinkler pumps: 34 Shortland Street is part of a body corporate. SIML's portion of the diesel consumption is 85.875% based on the allocation of costs between the two owners of the property using the generator services.
2. Natural gas: For Johnsonville Shopping Centre data is read on internal check meters and allocated to tenants accordingly. The remainder is landlord consumption for heating.
3. Fugitive emissions from air conditioning systems:
 - Refrigeration data is collected annually. Where a site has been sold, purchased, or transferred between entities, the total refrigeration for the year is divided by 12 and multiplied by the number of months the site was held by the respective entities as it is not known when the leakage occurred.
 - Scope 1 air conditioning refrigerant used in SIML managed properties includes: R134A, R22, R32, R404A, R410A.

4. Electricity: 34 Shortland Street is part of a body corporate. SIML's portion of the common parts electricity consumption is 85.875% based on the allocation of costs between the two owners of the property using the electricity for common parts of the building.
5. Market Electricity: In December 2022, Ecotricity was appointed as electricity supplier for several properties. Ecotricity is a carbon zero certified electricity retailer. The consumption for these sites is nil for scope 2 measured at a market based approach. The residual electricity emissions are calculated using the NZECS emissions factor.

Greenhouse Gas Inventory 2023

SIML includes scope 1, scope 2 and scope 3 emissions from all the six Kyoto Protocol gases in its inventory expressed as carbon dioxide equivalent (CO₂e). These gases are: Carbon Dioxide (CO₂), Methane (CH₄), Nitrous Oxide (N₂O) and hydro fluorocarbons (HFCs). SIML does not have any emissions of PFCs, NF₃ or SF₆.

The 2022 Ministry for the Environment emission factors used in this report can be found through this link [MfE 2022 Emissions Factors](#)

Table 4: Greenhouse Gas Emissions by Greenhouse Type FY23

Scope 1 Emissions CO ₂ e						
Source	Emissions (tonnes)					
	CO ₂ e	CO ₂	CH ₄	N ₂ O	HFCs	Other
Scope 1	639.64	418.34	0.81	0.23	220.26	0
Scope 2	1,454.69	1,418.20	33.69	2.80	0	0
Scope 3	19,103.28	14,699.26	4,348.17	54.46	0	1.39
Total	21,197.61	16,535.80	4,382.67	57.49	220.26	1.39

GHG Emissions Source exclusions

The following emissions sources have been excluded from the FY23 inventory.

Table 5 Emissions Source Exclusions

Scope	Category	GHG Emissions Source	Reason for Exclusion
Upstream (purchased goods & services)			
3	Purchased goods & services	Operational expenses related to activities – cradle to gate emissions - e.g. office supplies, legal, insurance, consultants, construction sites	Reliable calculation of emissions not available. Project for FY24 to determine these emissions
3	Capital goods (e.g. plant, property & equipment)	Upstream emissions from goods used to build/repair a building. Embodied carbon in development properties	Reliable calculation of emissions not available. Project for FY24 to determine these emissions
3	Transportation & distribution	Emissions from transportation of products purchased by company. This data will be included in the purchased goods & services and capital goods categories	Not applicable to Stride activities
3	Business travel	Mileage and Taxi/Uber	Reliable data is not available for FY23. Data will be provided in FY24
3	Employee commuting	Between home and work	A survey has been issued to all employees; however, final results were not available in time for the FY23 report
Downstream (sold goods and services)			
3	Downstream leased assets (properties)	Tenant refrigeration losses	Reliable data not available
3	End of Life Treatment of sold product/ Use of sold product		Not applicable to Stride activities
3	Investments		Not applicable to Stride activities
3	Franchises		Not applicable to Stride activities
3	Processing of sold products		Not applicable to Stride activities
3	Transportation & distribution		Not applicable to Stride activities



Prepared by: Sharyn Bramwell-Reweti
Safety & Sustainability Manager
Stride Investment Management Limited
26 May 2023



Approved by: Jacqueline Cheyne
Independent Director and Chair of Stride
Sustainability Committee
26 May 2023

Appendix 1
Independent Assurance Report

STRIDE



Independent Assurance Report on Stride Investment Management Limited's Greenhouse Gas Emissions Inventory Report

To The Board of Directors of Stride Investment Management Limited

Report on Greenhouse Gas Emissions ('GHG') Inventory Report

We have undertaken a limited assurance engagement relating to the Greenhouse Gas Emissions Inventory Report (the 'inventory report') of Stride Investment Management Limited (the 'Company') for the year ended 31 March 2023, comprising the Emissions Inventory and the explanatory notes set out on pages 46 to 56.

The inventory report provides information about the greenhouse gas emissions of the Company for the year ended 31 March 2023 and is based on historical information. This information is stated in accordance with the requirements of the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) ('the GHG Protocol') which can be accessed at <https://ghgprotocol.org/corporate-standard>.

Board of Directors' Responsibility

The Board of Directors are responsible for the preparation of the inventory report in accordance with the GHG Protocol. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of an inventory report that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a limited assurance conclusion on the greenhouse gas emissions within the inventory report based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (New Zealand) 3410: Assurance Engagements on Greenhouse Gas Statements ('ISAE (NZ) 3410'), issued by the New Zealand Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain limited assurance about whether the inventory report are free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE (NZ) 3410 involves assessing the suitability in the circumstances of the Company's use of the GHG Protocol as the basis for the preparation of the inventory report, assessing the risks of material misstatement of the inventory report whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the inventory report. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgement and included enquiries, observations of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- Through enquiries, obtained an understanding of the Company's control environment and information systems relevant to emissions quantification and reporting, but did not evaluate the design of particular control activities, obtain evidence about their implementation or test their operating effectiveness.
- Evaluated whether the Company's methods for developing estimates are appropriate and had been consistently applied. However, our procedures did not include testing the data on which the estimates are based or separately developing our own estimates against which to evaluate the Company's estimates.
- Undertook site visits at four sites to assess the completeness of the emissions sources, data collection methods, source data and relevant assumptions applicable to the sites. The sites selected for testing were chosen taking into consideration their emissions in relation to total emissions, emissions sources, and sites selected in prior periods. Our procedures did not include testing information systems to collect and aggregate facility data, or the controls at these sites.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether Stride Investment Management Limited's inventory report have been prepared, in all material respects, in accordance with the GHG Protocol.

Inherent Limitations

GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) ('PES-1') issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Other than this engagement and services related to the long-term incentive plan valuation services we have no relationship with, or interests in the Company.

The firm applies Professional and Ethical Standard 3: Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Use of Report

Our assurance report is made solely to the Board of Directors of the Company in accordance with the terms of our engagement. Our work has been undertaken so that we might state to the Board of Directors those matters we have been engaged to state in this assurance report and for no other purpose. We accept or assume no duty, responsibility or liability to any other party in connection with the report or this engagement, including without limitation, liability for negligence in relation to the opinion expressed in this report.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Stride Investment Management Limited's inventory report was not prepared, in all material respects, in accordance with the requirements of the GHG Protocol.

Deloitte Limited

Auckland, New Zealand
26 May 2023

Financial Statements

Consolidated Statement of Comprehensive Income	43
Consolidated Statement of Changes in Equity	44
Consolidated Statement of Financial Position	45
Consolidated Statement of Cash Flows	46
Notes to the Financial Statements	48
Independent Auditor's Report	92

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2023

	Notes	2023 \$000	2022 \$000
Gross rental income		94,600	89,025
Direct property operating expenses		(23,518)	(23,191)
Net rental income	3.1	71,082	65,834
Management fee income		23,312	24,272
Less corporate expenses			
Corporate overhead expenses	8.2	(18,311)	(17,469)
Administration expenses	8.2	(5,424)	(5,435)
Project costs relating to Fabric Property Limited		-	(4,533)
Total corporate expenses		(23,735)	(27,437)
Profit before net finance expense, other (expense)/income and income tax		70,659	62,669
Net finance expense	5.3	(17,116)	(16,136)
Profit before other (expense)/income and income tax		53,543	46,533
Other (expense)/income			
Net change in fair value of investment properties	3.2	(118,491)	30,662
Share of (loss)/profit in equity-accounted investments	7.2	(42,392)	65,607
Impairment of equity-accounted investment		-	(18,461)
Loss on disposal of investment properties		(2,038)	(930)
Hedge ineffectiveness of cash flow hedges	5.2	(369)	1,250
(Loss)/profit before income tax		(109,747)	124,661
Income tax expense	8.1	(7,000)	(12,369)
(Loss)/profit after income tax attributable to shareholders		(116,747)	112,292
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss			
Deferred tax on share based payment expense		(391)	(58)
Movement in cash flow hedges, net of tax	5.6	2,752	14,589
Changes in cash flow hedge reserve in equity-accounted investments		751	2,157
Items that will not be reclassified to profit or loss			
Revaluation (deficit)/surplus	8.7	(700)	400
Total other comprehensive income after tax		2,412	17,088
Total comprehensive (loss)/income after tax attributable to shareholders		(114,335)	129,380
Stride Property Limited (SPL) total comprehensive (loss)/income after tax attributable to shareholders		(123,156)	117,850
Stride Investment Management Limited (SIML) total comprehensive income after tax attributable to shareholders		8,821	11,530
Total comprehensive (loss)/income after tax attributable to shareholders		(114,335)	129,380
Earnings per share (EPS)	4.1		
Basic EPS (cents)		(21.60)	22.70
Diluted EPS (cents)		(21.60)	22.63

The attached notes form part of and are to be read in conjunction with these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2023

	Notes	Number of shares 000	Share capital \$000	Retained earnings \$000	Other reserves \$000	Total \$000
Balance at 31 Mar 22		540,189	858,740	355,454	16,890	1,231,084
Transactions with shareholders:						
Dividends paid	4.3	-	-	(46,667)	-	(46,667)
Q3 2023 dividend reinvestment	4.3	2,990	3,942	-	-	3,942
Transfer to share capital on vesting of employee incentive rights	5.6	142	627	-	(627)	-
Lapsed employee incentive rights	5.6	-	-	239	(239)	-
Forfeited employee incentive rights	5.6	-	-	-	(74)	(74)
Share based payment expense	5.6	-	-	-	1,787	1,787
Total transactions with shareholders		3,132	4,569	(46,428)	847	(41,012)
Total other comprehensive income		-	-	-	2,412	2,412
Loss after income tax		-	-	(116,747)	-	(116,747)
Total comprehensive (loss)/income		-	-	(116,747)	2,412	(114,335)
Balance at 31 Mar 23		543,321	863,309	192,279	20,149	1,075,737
Balance at 31 Mar 21		472,828	726,680	291,423	(317)	1,017,786
Transactions with shareholders:						
Dividends paid	4.3	-	-	(48,557)	-	(48,557)
Transfer to share capital on vesting of employee incentive rights	5.6	407	634	-	(634)	-
Lapsed employee incentive rights	5.6	-	-	296	(296)	-
Share based payment expense	5.6	-	-	-	1,049	1,049
New shares issued		66,954	131,426	-	-	131,426
Total transactions with shareholders		67,361	132,060	(48,261)	119	83,918
Total other comprehensive income		-	-	-	17,088	17,088
Profit after income tax		-	-	112,292	-	112,292
Total comprehensive income		-	-	112,292	17,088	129,380
Balance at 31 Mar 22		540,189	858,740	355,454	16,890	1,231,084

The attached notes form part of and are to be read in conjunction with these financial statements.

Consolidated Statement of Financial Position

As at 31 March 2023

	Notes	2023 \$000	2022 \$000
Current assets			
Cash at bank		16,833	20,621
Trade and other receivables	8.5	7,729	4,229
Prepayments		212	1,130
Derivative financial instruments	5.2	1,761	290
Other current assets		98	75
		26,633	26,345
Assets classified as held for sale	1.7	30,500	94,253
		57,133	120,598
Non-current assets			
Investment properties	3.2	1,233,767	1,171,317
Deposit and other prepayments on investment property		-	1,583
Equity-accounted investments	7.2	268,096	318,586
Loan to associate	8.4	3,398	3,398
Other investments		250	250
Property, plant and equipment	8.7	6,238	7,050
Derivative financial instruments	5.2	21,581	19,535
		1,533,330	1,521,719
Total assets		1,590,463	1,642,317
Current liabilities			
Trade and other payables	8.6	42,630	22,547
Lease liability	3.3	7	3
Current tax liability		1,880	1,076
		44,517	23,626
Lease liability associated with assets classified as held for sale		-	11,433
		44,517	35,059
Non-current liabilities			
Bank borrowings	5.1	401,769	304,395
Borrowings (joint operation participating interest)	7.3	40,400	39,857
Lease liability	3.3	15,903	15,910
Deferred tax liability	8.1	12,012	16,012
Derivative financial instruments	5.2	125	-
		470,209	376,174
Total liabilities		514,726	411,233
Net assets		1,075,737	1,231,084
Share capital		863,309	858,740
Retained earnings		192,279	355,454
Reserves	5.6	20,149	16,890
Equity		1,075,737	1,231,084
SPL equity		1,060,691	1,218,001
SIML equity (non-controlling interest)	5.5	15,046	13,083
Equity		1,075,737	1,231,084

For and on behalf of the Boards of Directors of SPL and SIML, dated 26 May 2023:



Tim Storey
Chair of the Boards



Ross Buckley
Chair of the Audit and Risk Committee

The attached notes form part of and are to be read in conjunction with these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2023

	Notes	2023 \$000	2022 \$000
Cash flows from operating activities			
Gross rental received		89,856	86,955
Management fee income		24,008	25,961
Bank interest received		422	1
Direct property operating and corporate expenses		(46,337)	(47,829)
Interest paid		(16,710)	(14,729)
Borrowings establishment costs		-	(1,226)
Finance expense - swap termination expense		-	(337)
Income tax paid		(11,371)	(12,467)
Net cash provided by operating activities		39,868	36,329
Cash flows from investing activities			
Dividend income from equity-accounted investments	8.4	9,032	9,443
Interest received in relation to the loan advance on 110 Carlton Gore Road, Auckland	1.7	6,859	-
Acquisition of investment properties	1.7	(177,865)	(152,307)
Net proceeds from disposal of investment properties	1.7	83,452	-
Capital expenditure on investment properties		(12,863)	(19,006)
Purchase price adjustment paid on disposal of investment property	1.7	(5,730)	-
Seismic and other works on investment properties disposed of		(604)	(2,345)
Deposit and other prepayments made on investment property		-	(1,583)
Property, plant and equipment purchased		(74)	(195)
Net cash applied to investing activities		(97,793)	(165,993)
Cash flows from financing activities			
Drawdown on bank borrowings		179,800	173,600
Repayment of bank borrowings		(82,900)	(129,100)
Lease liabilities payments		(38)	(108)
Dividends paid	4.3	(42,725)	(48,557)
Net proceeds from capital raise		-	131,426
Net cash provided by financing activities		54,137	127,261
Net decrease in cash and cash equivalents held		(3,788)	(2,403)
Opening cash and cash equivalents		20,621	23,024
Closing cash and cash equivalents		16,833	20,621

The attached notes form part of and are to be read in conjunction with these financial statements.

Consolidated Statement of Cash Flows (continued)

For the year ended 31 March 2023

Reconciliation of (loss)/profit after income tax attributable to shareholders to net cash provided by operating activities

	Notes	2023 \$000	2022 \$000
(Loss)/profit after income tax attributable to shareholders		(116,747)	112,292
(Less)/add non-cash items:			
Movement in deferred tax	8.1	(5,175)	3,702
Net change in fair value of investment properties		118,491	(30,662)
Share of loss/(profit) in equity-accounted investments		42,392	(65,607)
Impairment of equity-accounted investment		-	18,461
Loss on disposal of investment properties		2,038	930
Hedge ineffectiveness of cash flow hedges		369	(1,250)
Spreading of fixed rental increases		(1,052)	(1,437)
Capitalised lease incentives net of amortisation		485	(943)
Movement in loss allowance		(220)	372
Share based payment expense		1,787	1,049
Forfeited employee incentive rights		(74)	-
Depreciation and revaluation deficit recognised in profit and loss		211	203
Software asset expense		-	1,025
Borrowings establishment costs amortisation		474	1,261
Non-cash interest income received		(214)	(245)
Accrued interest movement in derivative financial instruments		(225)	(62)
		42,540	39,089
Less activity reclassified from operating activities:			
Movement in working capital items relating to investing activities		(20,954)	(2,127)
Movement in borrowings establishment costs classified as operating activities		-	(1,226)
		21,586	35,736
Movement in working capital:			
(Increase)/decrease in trade and other receivables		(3,500)	4,839
Decrease/(increase) in prepayments and other current assets		895	(848)
Increase in trade and other payables		20,083	402
Decrease/(increase) in current tax liability		804	(3,800)
Net cash provided by operating activities		39,868	36,329

The attached notes form part of and are to be read in conjunction with these financial statements.

Notes to the Financial Statements

For the year ended 31 March 2023

1.0	General Information	49
1.1	Reporting entity	49
1.2	Basis of preparation	49
1.3	New standards, amendments and interpretations	49
1.4	Significant judgements, estimates and assumptions	50
1.5	Fair value estimation	50
1.6	Non-GAAP measures	50
1.7	Significant events and transactions	50
2.0	Operating Segments	52
3.0	Property	54
3.1	Net rental income	54
3.2	Investment properties	56
3.3	Lease liabilities	62
3.4	Capital expenditure commitments contracted for	63
3.5	Assets classified as held for sale	63
4.0	Investor Returns	64
4.1	Basic and diluted earnings per share (EPS)	64
4.2	Distributable profit	65
4.3	Dividends paid	66
5.0	Capital Structure and Funding	67
5.1	Borrowings	67
5.2	Derivative financial instruments	69
5.3	Net finance expense	70
5.4	Share capital	71
5.5	SIML equity (non-controlling interest)	71
5.6	Reserves	72
5.7	Capital risk management	72
6.0	Risk Management	73
6.1	Financial instruments	73
6.2	Fair values	74
6.3	Financial risk management	74
6.4	Interest rate risk	74
6.5	Credit risk	75
6.6	Liquidity risk	75
7.0	Investments in Property Entities	76
7.1	Industre	76
7.2	Interests in associates and joint venture	76
7.3	Interest in joint arrangements	80
8.0	Other	82
8.1	Income tax	82
8.2	Total corporate expenses	84
8.3	Remuneration	84
8.4	Related party disclosures	86
8.5	Trade and other receivables	88
8.6	Trade and other payables	89
8.7	Property, plant and equipment	90
8.8	Investment in subsidiaries	90
8.9	Contingent liabilities	91
8.10	Subsequent events	91

1.0 General Information

This section sets out Stride Property Group's accounting policies that relate to the consolidated financial statements (financial statements) as a whole. Where an accounting policy is specific to a note, the policy is described within the note to which it relates.

1.1 Reporting entity

The financial statements presented are those of Stride Property Limited and its subsidiaries Stride Holdings Limited, Stride Industrial Property Limited and Fabric Property Limited (together referred to as SPL), and Stride Investment Management Limited (SIML), each of SPL and SIML being a "Stapled Entity", and together the Stride Property Group (Stride). For accounting purposes, stapling gives rise to the combination of the Stapled Entities into a consolidated group. For the purposes of financial reporting, one of the combining entities is required to be identified as the parent entity of the consolidated group. In the case of Stride, SPL has been identified as the parent for the purposes of preparing the financial statements and consequently SIML's equity is presented as the non-controlling interest in the financial statements.

SPL is principally involved in the ownership of investment properties in New Zealand and SIML is principally involved in the management of real estate investment entities in New Zealand. SPL and SIML are both domiciled in New Zealand, are both registered under the Companies Act 1993 and are both FMC reporting entities under Part 7 of the Financial Markets Conduct Act 2013.

Shares of SPL and SIML are stapled and quoted on the Main Board equity securities market of NZX under the ticker code SPG.

The financial statements were approved for issue by the Board of Directors of SPL (SPL Board) and the Board of Directors of SIML (SIML Board), together the "Boards", on 26 May 2023.

1.2 Basis of preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (GAAP). Stride is a for-profit entity for the purposes of financial reporting. The financial statements comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The financial statements also comply with International Financial Reporting Standards (IFRS). The financial statements were prepared in accordance with the Financial Markets Conduct (Stride Property Group) Exemption Notice 2022 and waivers granted to Stride from certain of the NZX Listing Rules on May 2020, which each permit SPL and SIML, subject to the conditions of the exemption notice and waivers (respectively), to prepare financial statements in respect of Stride in place of separate financial statements of each Stapled Entity. Stride notes that the Financial Markets Conduct (Stride Property Group) Exemption Notice 2022 came into force on 26 May 2022 and applies to Stride's accounting period ended 31 March 2022 and subsequent accounting periods, up to and including the accounting period ending 31 March 2026. The exemption notice is of the same effect as Stride's previous Financial Markets Conduct (Stride Property Group) Exemption Notice 2017, which expired on 6 April 2022.

The financial statements have been prepared under the historical cost basis except for assets and liabilities stated at fair value as disclosed. The financial statements have been presented in New Zealand dollars and have been rounded to the nearest thousand, unless stated otherwise.

1.3 New standards, amendments and interpretations

In October 2021, the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 was passed. It amends the Financial Markets Conduct Act 2013, the Financial Reporting Act 2013 and the Public Audit Act 2001, mandating certain entities to disclose climate-related information. Entities are expected to publish climate-related statements for annual financial periods commencing on or after 1 January 2023 based upon climate standards issued by the External Reporting Board (XRB). Stride's first climate-related statement will be required for the year ending 31 March 2024.

In December 2022 the XRB issued the following standards:

- Aotearoa New Zealand Climate Standard 1 Climate-related Disclosures (NZ CS 1);
- Aotearoa New Zealand Climate Standard 2 Adoption of Aotearoa New Zealand Climate Standards (NZ CS 2); and
- Aotearoa New Zealand Climate Standard 3 General Requirements for Climate-related Disclosures (NZ CS 3).

NZ CS 1 contains the climate-related disclosure requirements for each of the four thematic areas (Governance, Strategy, Risk Management and Metrics and Targets) and the assurance requirements for greenhouse gas emissions disclosures. NZ CS 2 provides optional adoption provisions. NZ CS 3 contains the principles, the underlying concepts such as materiality, and the general requirements.

At the date of approval of the financial statements, there were no relevant standards on issue but not applied.

1.0 General Information (continued)

1.4 Significant judgements, estimates and assumptions

In the application of NZ IFRS, the Boards and management are required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from the judgements, estimates and assumptions made by the Boards and management.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgements made by the Boards and management in the application of NZ IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements as follows:

- Investment properties (note 3.2);
- Lease liabilities (note 3.3);
- Derivative financial instruments (note 5.2);
- Investment in associates - Investore Property Limited (Investore) (note 7.2);
- Industrie joint venture (note 7.2); and
- Deferred tax (note 8.1).

1.5 Fair value estimation

Stride classifies its fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making measurements. The fair value hierarchy has the following levels:

Level 1	quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2	inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
Level 3	inputs for the asset or liability that are not based on observable market data.

1.6 Non-GAAP measures

The consolidated statement of comprehensive income includes two non-GAAP measures: Profit before net finance expense, other (expense)/income and income tax; and Profit before other (expense)/income and income tax. These non-GAAP measures have been presented to assist investors in understanding the different aspects of Stride's financial performance.

Note 4.2 sets out Stride's calculation of distributable profit and Adjusted Funds From Operations (AFFO) which are both non-GAAP measures. Distributable profit is presented to provide an earnings measure which more closely aligns to Stride's underlying and recurring earnings from its operations. AFFO is intended as a supplementary measure of operating performance. Cash spent during the period on capital expenditure as part of maintaining a building's grade/quality, but not expensed as part of distributable profit after current income tax, is adjusted to reflect cash earnings for the year.

These non-GAAP measures do not have a standard meaning prescribed by GAAP and therefore may not be comparable to information presented by other entities.

1.7 Significant events and transactions

The financial position and performance of Stride was affected by the following events and transactions that occurred during the year:

Dividend reinvestment plan (DRP)

On 24 November 2022, the Boards approved the adoption of a DRP. On 23 February 2023, the Boards approved the implementation of the DRP for the third quarter dividends for the period 1 October 2022 to 31 December 2022, with a 2% discount applied to the volume weighted average price on all sales of Stride Stapled Securities during the five trading days commencing on the ex-dividend date.

Revised dividend policy and dividend guidance

On 24 November 2022, the Boards refined the dividend policy to target a total cash dividend to shareholders that is between 80% and 100% of SPL's distributable profit and 25% and 75% of the distributable profit of SIML. The Boards also updated dividend guidance to 8.00cps combined cash dividend for SPL and SIML for the year ending 31 March 2023, down from 9.91cps, reflecting a prudent approach to capital management in the current macroeconomic environment.

1.0 General Information (continued)

1.7 Significant events and transactions (continued)

Acquisition of 110 Carlton Gore Road, Auckland

On 5 April 2022, SPL's wholly owned subsidiary, Fabric Property Limited (Fabric), entered into an unconditional agreement in relation to the acquisition of 110 Carlton Gore Road for \$213.0 million. Fabric has paid deposits totaling \$8.0 million, comprising \$1.0 million paid prior to 31 March 2022 recognised as deposit and other prepayments on investment property in the consolidated statement of financial position as at 31 March 2022, and \$7.0 million paid on the unconditional date.

As at 31 March 2023, this property was under development. This development has subsequently been completed and the acquisition is expected to settle on 31 May 2023. The final settlement price will be subject to building measure on completion. Fabric has advanced \$178.7 million, including the \$8.0 million deposits previously paid, to the vendor by way of a loan during the period of construction. The vendor pays interest on the amount outstanding at a rate of 5.0% p.a., with the loan amount to be set off against the purchase price on settlement. The remainder of the purchase price (less an amount of \$0.5 million) will be paid on settlement, with the final \$0.5 million paid following a defects liability period. The property will be fully leased on settlement, as the vendor has committed to take a lease of any remaining vacant space at settlement in accordance with commercial terms agreed between the parties.

For accounting purposes, the agreement to purchase 110 Carlton Gore Road and the loan agreement are considered as a single contract with the contractual substance being Fabric will pay (by way of loan drawdowns) to acquire control of the property from the unconditional date through to settlement date. Fabric is providing the funding for the development and has security over the property. As at 31 March 2023, the loan advanced to the vendor of \$178.7 million has been recognised as \$170.3 million of development investment property and \$8.4 million of interest (\$6.9 million received (refer note 4.2) and \$1.5 million receivable (refer note 8.5)). Interest receivable is recognised on each loan drawdown with an equivalent adjustment to the purchase price of the property. Interest payable by the vendor is recognised on an accrual basis, reducing the interest receivable asset. The interest received from the vendor is considered underlying earnings from operations and is included in distributable profit (refer note 4.2).

As at 31 March 2023, a payable of \$29.7 million has been recognised (refer note 8.6) and represents the difference between the total consideration payable of \$213.0 million, less the loan advanced of \$178.7 million and less the estimated cost to complete the construction of the property of \$4.6 million (refer note 3.4).

Divestment of investment properties

On 5 April 2022, Fabric entered into an unconditional agreement to sell four Auckland office properties, being 21-25 Teed Street, 35 Teed Street, 7-9 Fanshawe Street and 80 Greys Avenue, for an aggregate price of \$83.6 million, to Mansons CGR Limited. As part of the disposal, Fabric committed to undertake seismic upgrades at 35 Teed Street, the remaining cost of which is expected to be \$0.2 million as at 31 March 2023. In addition, Fabric has agreed to provide a rental guarantee for certain space at 80 Greys Avenue for a period of up to 12 months from 1 October 2022. A remaining rental guarantee provision of \$0.5 million has been recognised in trade and other payables in the consolidated statement of financial position (refer note 8.6). The sale of 25 Teed Street completed on 29 April 2022, 35 Teed Street completed on 15 July 2022, and 80 Greys Avenue and 7-9 Fanshawe Street both completed on 30 September 2022. As part of this transaction, the ground lease associated with the \$11.4 million right-of-use asset at 7-9 Fanshawe Street was novated to the purchaser.

Seismic works on investment property disposed of

In April 2020, SPL divested three large format retail properties, one being 2 Carr Road, Auckland, to Investore. Under the sale and purchase agreement, SPL was to complete certain seismic works in relation to the property. In March 2023, SPL paid Investore \$5.7 million as a purchase price adjustment as full and final settlement of SPL's obligations to undertake the seismic works. As at 31 March 2022, \$5.0 million had been recognised in the seismic work accrual (refer note 8.6). As at 31 March 2023, a further \$0.7 million has been recognised as loss on disposal of investment properties in the consolidated statement of comprehensive income.

Assets classified as held for sale

As at 31 March 2023, the office property located at 22 The Terrace, Wellington, with a total value of \$30.5 million has been reclassified from investment properties and property, plant and equipment to assets classified as held for sale (refer note 3.5).

Revaluation of investment properties

SPL undertook independent valuations of the portfolio as at 31 March 2023 which resulted in a net reduction in fair value of investment properties of \$(118.5) million (2022: \$30.7 million net gain) (refer note 3.2) and a revaluation deficit on property, plant and equipment of \$(0.7) million (2022: surplus of \$0.4 million) (refer note 8.7).

The investment properties held by Investore, Industrie Property Joint Venture (Industrie) and Diversified NZ Property Trust (Diversified) were also valued by independent valuers as at 31 March 2023. SPL's share of the valuation (loss)/gains are reflected in share of (loss)/profit in equity-accounted investments and, for those properties in the Industrie joint operation, reflected in net change in fair value of investment properties.

Impairment of equity-accounted investment - Investore

On 31 March 2023, the market value of SPL's investment in Investore, based on the closing quoted market price of Investore, was below the investment's carrying amount under the equity method of accounting. SPL assessed whether objective evidence of impairment exists, the outcome of which was that an impairment test has been performed. The result of the impairment test was that the investment's recoverable amount was greater than the carrying amount as at 31 March 2023 but less than the recoverable amount as at 31 March 2022, and therefore SPL has not recognised a reversal of previous impairment losses (2022: impairment loss of \$(18.5) million) (refer note 7.2).

2.0 Operating Segments

This section sets out how Stride's revenue streams are reported internally, reflecting the two operating segments, being SPL and SIML.

Accounting policy

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, identified as the respective Board of each of SPL and SIML, as each makes all key strategic resource allocation decisions.

SPL's revenue streams are earned from investment properties owned in Auckland and Wellington in New Zealand. Given SPL's diverse client base, no one tenant represents greater than 10% of the portfolio contract rental. SPL also generates income from its share of profit in equity associates being Investore, Industrie joint venture and Diversified (refer to note 7.2).

SIML's revenue streams are earned from the management of the real estate investments of Investore, Industrie, Diversified and SPL (including Fabric). For the revenue earned from Investore, Industrie joint venture and Diversified, refer to note 8.4 on related party disclosures and to note 7.3 on Industrie joint operation.

The following is an analysis of Stride's results, by reportable segments.

	SPL		SIML		2023
	SPL eliminations		SIML eliminations		
Segment profit	\$000	\$000	\$000	\$000	\$000
Net rental income	68,421	2,661	-	-	71,082
Management fee income	-	-	34,814	(11,502)	23,312
Total corporate expenses	(9,645)	7,318	(22,045)	637	(23,735)
Profit before net finance expense, other (expense)/income and income tax	58,776	9,979	12,769	(10,865)	70,659
Net finance expense	(17,358)	9	149	84	(17,116)
Profit before other (expense)/income and income tax	41,418	9,988	12,918	(10,781)	53,543
Other (expense)/income					
Net change in fair value of investment properties	(118,858)	367	-	-	(118,491)
Share of loss in equity-accounted investments	(42,392)	-	-	-	(42,392)
Loss on disposal of investment properties	(2,504)	466	-	-	(2,038)
Hedge ineffectiveness of cash flow hedges	(369)	-	-	-	(369)
(Loss)/profit before income tax	(122,705)	10,821	12,918	(10,781)	(109,747)
Income tax expense	(3,294)	-	(3,706)	-	(7,000)
(Loss)/profit after income tax attributable to shareholders	(125,999)	10,821	9,212	(10,781)	(116,747)
Total other comprehensive income/(loss) after tax	2,803	-	(391)	-	2,412
Total comprehensive (loss)/income after tax attributable to shareholders	(123,196)	10,821	8,821	(10,781)	(114,335)

Transactions between SPL and SIML include management fees and interest on the loan (refer note 8.4) charged from SIML to SPL and net rental income charged from SPL to SIML. These transactions are eliminated on consolidation (refer note 8.4 for details on the composition of the transactions).

2.0 Operating Segments (continued)

	SPL		SIML		2022
	SPL eliminations		SIML eliminations		
Segment profit	\$000	\$000	\$000	\$000	\$000
Net rental income	62,599	3,235	-	-	65,834
Management fee income	-	-	36,554	(12,282)	24,272
Total corporate expenses	(15,039)	7,484	(20,414)	532	(27,437)
Profit before net finance expense, other income/(expense) and income tax	47,560	10,719	16,140	(11,750)	62,669
Net finance expense	(16,115)	-	(123)	102	(16,136)
Profit before other income/(expense) and income tax	31,445	10,719	16,017	(11,648)	46,533
Other income/(expense)					
Net change in fair value of investment properties	29,671	991	-	-	30,662
Share of profit in equity-accounted investments	65,607	-	-	-	65,607
Impairment of equity-accounted investment	(18,461)	-	-	-	(18,461)
Loss on disposal of investment properties	(930)	-	-	-	(930)
Hedge ineffectiveness of cash flow hedges	1,250	-	-	-	1,250
Profit before income tax	108,582	11,710	16,017	(11,648)	124,661
Income tax expense	(7,940)	-	(4,429)	-	(12,369)
Profit after income tax attributable to shareholders	100,642	11,710	11,588	(11,648)	112,292
Total other comprehensive income after tax	17,146	-	(58)	-	17,088
Total comprehensive income after tax attributable to shareholders	117,788	11,710	11,530	(11,648)	129,380

	SPL	SPL	SIML	SIML	Total
Segment assets and liabilities	\$000	eliminations	\$000	eliminations	\$000
Balance at 31 Mar 23					
Total assets	1,580,045	-	20,048	(9,630)	1,590,463
Total liabilities	519,521	(8,096)	5,002	(1,701)	514,726
Balance at 31 Mar 22					
Total assets	1,624,670	-	19,873	(2,226)	1,642,317
Total liabilities	406,797	(435)	6,789	(1,918)	411,233

As at 31 March 2023, SPL had assets of \$271.5 million (2022: \$322.0 million) relating to equity-accounted investments (refer note 7.2) and loan to associate (refer note 8.4) which decreased by \$50.5 million from the prior financial year (2022: \$52.9 million increase).

3.0 Property

This section covers property assets which generate Stride's trading performance.

3.1 Net rental income

Accounting policy

Investment property is leased by SPL to tenants under operating leases with rent payable monthly. Rental income from investment properties is recognised on a straight-line basis over the lease term. Lease incentives provided in relation to letting the investment properties are capitalised to the respective investment properties or assets classified as held for sale in the consolidated statement of financial position and amortised on a straight-line basis over the non-cancellable portion of the lease to which they relate, as a reduction of net rental income. Where a lease provides for fixed rental increases over the term of the lease, they are amortised on a straight-line basis over the non-cancellable portion of the lease to which they relate.

Income generated from service charges recovered from tenants are included in gross rental income with the service charge expenses to tenants shown in the direct property operating expenses. Such revenue is recognised in the accounting period the underlying expenses are incurred in accordance with the contractual terms.

The recovery of employee expenses from SIML managed entities are included in the gross rental income (as service charges recovered from tenants) with the employee related expenses included in corporate overhead expenses.

SPL	2023	2022
	\$000	\$000
Gross rental income		
Rental income	74,547	69,485
Service charge income recovered from tenants	18,720	18,036
Spreading of fixed rental increases	1,052	1,437
Capitalised lease incentives	935	2,651
Lease incentives amortisation	(1,509)	(1,583)
Movement in rental income abatement provision due to COVID-19	855	(1,001)
Total gross rental income	94,600	89,025
Direct property operating expenses		
Rates and insurance	(12,749)	(11,695)
Property maintenance costs	(5,545)	(5,730)
Utilities	(1,957)	(1,809)
Other property operating expenses	(3,576)	(3,460)
Lease incentives capitalised	177	-
Lease incentives amortisation	(88)	(125)
Movement in loss allowance	220	(372)
Total direct property operating expenses	(23,518)	(23,191)
Net rental income	71,082	65,834

Other property operating expenses includes operating expenses not recoverable from tenants and property leasing expenses. Salaries and wages expenses of \$1.6 million (2022: \$1.5 million) charged by SIML to SPL have been eliminated in the direct property operating expenses.

3.0 Property (continued)

3.1 Net rental income (continued)

Accounting policy

Leases are classified at their inception as either an operating or finance lease based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Properties leased out under operating leases are included in investment properties and assets classified as held for sale as separately disclosed in the consolidated statement of financial position.

SPL has determined that it retains all significant risks and rewards of ownership of properties and has therefore classified the leases as operating leases.

The future aggregate minimum rentals receivable under non-cancellable operating leases (excluding the development property at 110 Carlton Gore Road, Auckland) are as follows:

	2023	2022
	\$000	\$000
Within one year	57,197	68,899
Between one and two years	49,374	61,053
Between two and three years	40,714	52,496
Between three and four years	34,596	42,804
Between four and five years	28,709	36,834
Later than five years	136,482	183,556
Future rentals receivable	347,072	445,642

3.0 Property (continued)

3.2 Investment properties

Accounting policy

Investment properties are held either to earn rental income or for capital appreciation or both. Investment property is initially stated at cost, including related transaction costs and then at fair value as determined at least every 12 months by an independent registered valuer. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to SPL and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed to the consolidated statement of comprehensive income during the period in which they are incurred.

The fair value of an investment property represents the estimated price for which a property could be sold at the date of valuation in an orderly transaction between willing market participants. The predominant methods for assessing the current fair value of an investment property are the Income Capitalisation and the Discounted Cash Flow approaches.

Any gain or loss arising from a change in the fair value of the investment property is recognised in the consolidated statement of comprehensive income within net change in fair value of investment properties.

Investment properties are de-recognised when they have been disposed of. The net gain or loss on disposal is calculated as the difference between the carrying amount at the time of the disposal and the net proceeds on the disposal and is included in the consolidated statement of comprehensive income in the reporting period in which the disposal occurs.

Right-of-use assets are measured on initial recognition as the initial lease liability, plus any initial indirect costs incurred, less any lease incentives received. Right-of-use assets that meet the definition of investment property are presented within investment properties and assets classified as held for sale at fair value.

Investment property is adjusted for cash flows relating to lease liabilities already recognised separately in the consolidated statement of financial position and also reflected in the investment property valuations.

SIML does not hold investment properties but provides management services over SPL's investment property portfolio.

SIML has offices located in the SPL owned office buildings at 34 Shortland Street, Auckland, and 22 The Terrace, Wellington. The value attributable to these floor areas has been recognised as property, plant and equipment (refer note 8.7) and assets classified as held for sale, respectively.

Valuations are performed by independent registered valuers who hold an annual practising certificate with the Valuers Registration Board and are members of the New Zealand Institute of Valuers. Valuers are engaged on terms ensuring that no valuer values the same investment property for more than three consecutive years. The investment properties were valued either by Jones Lang LaSalle Limited (JLL), CBRE Limited (CBRE), CVAS (NZ) Limited (CVAS (NZ)), CVAS (WLG) Limited (CVAS (WLG)), or Savills (NZ) Limited (Savills). In the prior year, some of the investment properties were valued by Bayleys Valuations Limited (Bayleys). All valuations are dated effective 31 March 2023.

At each reporting date, SIML's asset managers verify all major inputs to the independent valuation reports and assess property valuation movements when compared to the prior year valuation reports. SIML's executive team review the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to SIML's Chief Executive Officer. Discussions of valuation processes and results are held between members of SIML's executive team and the independent valuers. Discussions of valuation processes and results are also held between SIML's Chief Executive Officer and the Audit and Risk Committee, at least once every six months, in line with SPL's reporting dates. This review includes a review of specific independent valuations and discussions with the independent valuers as considered necessary. Ultimately, SPL's directors are responsible for reviewing and approving the investment property valuations.

Investment property measurements are categorised as Level 3 in the fair value hierarchy. There were no transfers of investment properties between levels of the fair value hierarchy (2022: nil transfers) during the year.

3.0 Property (continued)

3.2 Investment properties (continued)

SPL	Office \$000	Town Centre \$000	Industrial \$000	Development and Other \$000	Total \$000
Balance at 31 Mar 21	573,301	325,766	160,884	11,930	1,071,881
Addition	152,307	-	-	-	152,307
Recognition of prepayment in investment properties	1,684	-	-	-	1,684
Capital expenditure	3,702	885	46	15,955	20,588
Spreading of fixed rental increases	1,324	(253)	366	-	1,437
Capitalised lease incentives	541	189	73	87	890
Lease incentives amortisation	(365)	(308)	(7)	(5)	(685)
Capitalised lease incentives - COVID-19	180	1,543	38	-	1,761
Lease incentives amortisation - COVID-19	(189)	(825)	(2)	(7)	(1,023)
Reclassification	32,000	-	-	(32,000)	-
Disposals	-	-	(13,932)	-	(13,932)
Transfer to assets classified as held for sale	(94,253)	-	-	-	(94,253)
Net change in fair value	(21,182)	13,416	34,388	4,040	30,662
Balance at 31 Mar 22	649,050	340,413	181,854	-	1,171,317
Addition (refer note 1.7)	-	-	-	200,786	200,786
Capital expenditure	7,484	2,073	91	465	10,113
Spreading of fixed rental increases	980	(199)	282	(11)	1,052
Capitalised lease incentives	617	415	64	16	1,112
Lease incentives amortisation	(382)	(1,121)	(48)	(46)	(1,597)
Transfer to property, plant and equipment	(450)	-	-	-	(450)
Reclassification	(14,250)	(26,250)	-	40,500	-
Transfer to assets classified as held for sale (refer note 1.7)	(30,075)	-	-	-	(30,075)
Net change in fair value	(65,574)	(5,921)	(32,233)	(14,763)	(118,491)
Balance at 31 Mar 23	547,400	309,410	150,010	226,947	1,233,767
Comprised of:					
Investment properties at valuation	547,400	293,500	150,010	226,947	1,217,857
Lease liability (note 3.3)	-	15,910	-	-	15,910
Balance at 31 Mar 23	547,400	309,410	150,010	226,947	1,233,767

Stride is conscious of the need to identify the impact of climate risk on its business and assets. The independent valuers that valued SPL's investment properties have considered climate risk and environmental factors and the associated impact on the value of a property. The valuers are not climate risk experts but consider market transactional data as part of their valuation assessment and that market values may be impacted by climate risk factors, for example, higher green rated properties or properties with sustainable features or which are less vulnerable to climate risk potentially having higher market values than an equivalent property without such features. Accordingly, valuations can take these factors into account as part of the overall assessment of a property's market value. Apart from the consideration of the factors above, the valuers have made no explicit adjustment in respect of climate risks.

Capital expenditure consists of seismic strengthening, base-build fit-outs and other physical enhancements to the investment properties, with ownership of such capital amounts being retained by SPL.

The net reduction in fair value of \$(118.5) million (2022: \$30.7 million net gain) includes \$(3,000) (2022: \$(71,000)) in relation to the change in the value of the lease liability. A revaluation movement of \$0.4 million (2022: \$1.0 million) arising from the elimination of fees charged by SIML to SPL (refer note 2.0) has been reflected in the consolidated statement of comprehensive income.

The lease liability of \$15.9 million (2022: \$15.9 million) is in respect of the ground lease at NorthWest Shopping Centre, Auckland.

3.0 Property (continued)

3.2 Investment properties (continued)

The following tables provide a summary of the valuation of the individual investment properties, their net lettable area (NLA), market capitalisation rate (cap rate), contract yield, occupancy and weighted average lease term (WALT) for the purpose of providing further detail of the assets which are considered to be the most relevant to the operations of SPL.

The cap rate %, contract yield %, occupancy % and WALT years for the property class totals and the total of investment properties are weighted averages. For investment properties classified as Development and Other, the NLA, cap rate %, contract yield %, occupancy % and WALT years are not applicable. The totals may not sum due to rounding.

As at 31 Mar 23	Valuer	NLA m ²	\$000	Cap rate %	Contract yield %	Occupancy %	WALT years
Office							
34 Shortland Street, Auckland	JLL	8,121	49,300	6.13	5.02	68.7	1.6
46 Sale Street, Auckland	JLL	11,352	135,800	5.38	6.16	100.0	5.5
1 Grey Street, Wellington	CBRE	10,472	62,950	7.00	6.97	100.0	4.2
215 Lambton Quay, Wellington	CBRE	10,935	78,600	6.25	6.20	98.7	2.8
20 Customhouse Quay, Wellington	CBRE	17,505	220,750	5.25	4.99	100.0	10.2
Office total		58,384	547,400	5.71	5.68	95.4	6.2
Town Centre							
61 Silverdale Street, Auckland	CVAS (NZ)	23,008	106,000	6.63	6.82	100.0	5.0
NorthWest Shopping Centre, Auckland	JLL	27,766	145,500	7.38	7.11	98.4	4.5
NorthWest Two, Auckland	JLL	7,904	42,000	6.75	6.91	100.0	2.9
Town Centre total		58,679	293,500	7.02	6.98	99.2	4.5
Industrial (51.7% interest in Industrie (joint operation) refer note 7.3)							
30 Airpark Drive, Auckland	Savills	8,162	21,471	5.50	4.00	100.0	1.7
20 Rockridge Avenue, Auckland	JLL	4,488	14,176	5.38	4.04	100.0	1.5
25 O'Rorke Road and 15 Rockridge Avenue, Auckland	CVAS (NZ)	18,626	61,463	5.37	4.93	100.0	6.6
318 East Tamaki Road, Auckland	CVAS (NZ)	5,062	52,900	4.88	4.91	100.0	21.7
Industrial total		36,337	150,010	5.21	4.71	100.0	11.1
Development and Other							
110 Carlton Gore Road, Auckland	JLL		190,660				
55 Lady Elizabeth Lane, Wellington	CVAS (WLG)		11,750				
Johnsonville Shopping Centre, Wellington (50%)	JLL		24,537				
Development and Other total			226,947				
		153,400	1,217,857	6.02	5.91	98.0	6.2

3.0 Property (continued)

3.2 Investment properties (continued)

As at 31 Mar 22	Valuer	NLA m ²	\$000	Cap rate %	Contract yield %	Occupancy %	WALT years
Office							
34 Shortland Street, Auckland	JLL	8,128	57,000	5.50	4.27	67.0	2.6
46 Sale Street, Auckland	JLL	11,352	154,200	4.63	5.27	100.0	6.5
55 Lady Elizabeth Lane, Wellington	CVAS (WLG)	5,217	15,000	5.38	17.62	100.0	7.1
1 Grey Street, Wellington	CBRE	10,492	67,850	6.13	6.46	100.0	4.9
215 Lambton Quay, Wellington	CVAS (WLG)	10,934	91,000	5.40	5.39	98.3	3.2
20 Customhouse Quay, Wellington	CVAS (WLG)	17,505	232,000	4.50	4.55	100.0	11.2
22 The Terrace, Wellington	JLL	4,811	32,000	5.88	5.31	85.8	4.9
Office total		68,439	649,050	5.01	5.34	94.8	6.9
Town Centre							
61 Silverdale Street, Auckland	Savills	23,008	100,500	6.25	6.79	100.0	3.6
NorthWest Shopping Centre, Auckland	CVAS (NZ)	27,766	152,500	6.50	7.20	96.7	4.7
NorthWest Two, Auckland	CVAS (NZ)	7,904	44,000	5.63	6.11	100.0	3.8
Johnsonville Shopping Centre, Wellington (50%)	CBRE	6,847	27,500	8.38	5.63	82.0	2.3
Town Centre total		65,526	324,500	6.46	6.79	96.7	4.1
Industrial (51.7% interest in Industrie (joint operation) refer note 7.3)							
30 Airpark Drive, Auckland	Bayleys	8,162	24,054	4.50	3.50	100.0	2.7
20 Rockridge Avenue, Auckland	Savills	4,488	15,390	4.00	3.63	100.0	2.5
25 O'Rorke Road and 15 Rockridge Avenue, Auckland	Savills	18,626	77,259	3.87	3.76	100.0	6.9
318 East Tamaki Road, Auckland	JLL	5,047	65,151	3.88	3.88	100.0	22.8
Industrial total		36,322	181,854	3.96	3.76	100.0	11.9
		170,287	1,155,404	5.25	5.50	96.6	6.5

Breakdown of valuations by valuer	2023	2022
	\$000	\$000
JLL	601,973	308,351
CBRE	362,300	95,350
Savills	21,471	193,149
CVAS (NZ)	220,363	196,500
CVAS (WLG)	11,750	338,000
Bayleys	-	24,054
Investment properties per independent valuations	1,217,857	1,155,404

3.0 Property (continued)

3.2 Investment properties (continued)

A valuation is determined based on a range of unobservable inputs, which are not freely available or explicit in the market and are developed by analysing transactional data. Key unobservable inputs are the cap rate, discount rate, gross market rental, rental growth rates and terminal yield. The following table details the key unobservable inputs and the ranges adopted across the various investment property classes (excluding properties classified as Development and Other):

	Cap rate %	Discount rate %	Gross market rental \$/m ²	Rental growth rate %	Terminal yield %
As at 31 Mar 23					
Office	5.25-7.00	6.50-8.00	579-906	2.12-2.57	5.50-7.25
Town Centre	6.63-7.38	8.00-8.38	380-661	2.15-2.32	7.00-7.63
Industrial	4.88-5.50	7.13-7.35	162-209	2.94-3.05	5.63-5.79
Total portfolio	4.88-7.38	6.50-8.38	162-906	2.12-3.05	5.50-7.63
As at 31 Mar 22					
Office	4.50-6.13	6.00-7.25	519-800	2.13-2.79	4.88-6.38
Town Centre	5.63-8.38	7.13-8.00	338-647	(0.88)-2.40	5.00-6.63
Industrial	3.87-4.50	5.63-5.90	146-196	2.82-2.99	4.13-4.50
Total portfolio	3.87-8.38	5.63-8.00	146-800	(0.88)-2.99	4.13-6.63

The estimated sensitivity of the fair value of the total investment property portfolio to changes in the cap rate or discount rate, assuming the cap rate or discount rate move equally on all the properties (excluding properties classified as Development and Other) is provided below. The metrics chosen are those where movements are likely to have the most significant impact on fair value.

Impact on fair value	Cap rate %		Discount rate %	
	-0.25	+0.25	-0.25	+0.25
As at 31 Mar 23				
Change \$000	44,926	(41,365)	19,251	(18,682)
Change %	5	(4)	2	(2)
As at 31 Mar 22				
Change \$000	61,652	(58,360)	22,404	(21,818)
Change %	5	(5)	2	(2)

Predominant valuation methods used:

- **Income Capitalisation approach** - is based on the current contract and market rental and an appropriate market yield or return for the particular investment property. Adjustments are then made to the value to reflect under or over renting, pending capital expenditure, and upcoming expiries, including allowance for lessee incentives and leasing expenses.
- **Discounted Cash Flow approach** - adopts a ten-year investment horizon and makes appropriate allowances for rental income growth and leasing expenses on expiries, with an estimated terminal value at the end of the investment period. The terminal yield is used to derive the terminal value. Terminal yield rate estimates are based on comparable transaction data and also consider matters such as building age and the market environment at the end of the investment period. The present value reflects the market-based rental and expenditure projections, discounted at a rate of return referred to as a discount rate. In selecting the discount rate, many factors are considered, including the degree of apparent risk, market attitudes toward future inflation, the prospective rates of return for alternative investments and the rates of return earned by comparable properties in the past.

In deriving a market value under each approach, all assumptions are based, where possible, on market-based evidence and transactions for properties with similar locations, construction detail and quality of lessee covenant. The adopted market value is a combination of both the Income Capitalisation and the Discounted Cash Flow approaches.

Works are required to improve the seismic performance of the office property at 55 Lady Elizabeth Lane, Wellington. The works required are complex in nature, due to stabilisation required in the ground and a number of remedial options are being considered. The cost to complete stated in the 31 March 2023 valuation was determined by a registered quantity surveyor in March 2022 together with management estimates of the 'on cost' elements (design, consultant, legal and contingency allowances) and is the best available information at the date of valuation. The final cost could be higher or lower and this could impact on the fair value of the property. This property has been fair valued utilising the **Residual approach**, calculating what the property is expected to be worth on completion of the works and deducting all expected costs to complete the works, including a profit and risk allowance. SPL has discussed the seismic status of the building and the potential works required with tenants and the majority of the office tenants have surrendered or terminated their leases.

The **Residual approach** has also been utilised for the property at 110 Carlton Gore Road, Auckland, which was under development as at 31 March 2023 (refer note 1.7).

3.0 Property (continued)

3.2 Investment properties (continued)

The valuation for Johnsonville Shopping Centre, Wellington, utilises the **Land Value approach** as this approach reflects the highest and best use for the property, in addition to the **Income Capitalisation** and **Discounted Cash Flow** approaches.

All properties were valued on a consistent approach to 31 March 2022.

The significant inputs used to measure fair value of investment properties, along with their sensitivity to significant increase or decrease, are stated below:

Significant input	Description	Fair value measurement sensitivity to significant:		Valuation method
		Increase in input	Decrease in input	
Cap rate	The cap rate is applied to the market rental to assess an investment property's value. It is derived from detailed analysis of factors such as comparable sales evidence and leasing transactions in the open market, taking into account location, tenant covenant – lease term and conditions, WALT, size and quality of the investment property.	Decrease	Increase	Income Capitalisation
Discount rate	The discount rate is applied to future cash flows of an investment property to provide a net present value equivalent. The discount rate adopted takes into account recent comparable market transactions, prospective rates of return for alternative investments and apparent risk.	Decrease	Increase	Discounted Cash Flow
Gross market rental	The valuer's assessment of gross market rental for both occupied and vacant areas of the investment property.	Increase	Decrease	Income Capitalisation and Discounted Cash Flow
Rental growth rate	The rental growth rate applied to the market rental in the 10-year cash flow projection.	Increase	Decrease	Discounted Cash Flow
Terminal yield	The rate used to assess the terminal value of the property.	Decrease	Increase	Discounted Cash Flow
Forecast development costs	All costs associated with the development of the property. This cost typically includes construction costs, consultancy costs and financing.	Decrease	Increase	Residual
Profit and risk allowance	This allowance reflects the risk and surety surrounding cost of remedial works, timing of works as well as assumed future occupancy arrangements following completion of all required works.	Decrease	Increase	Residual

When calculating fair value using the Income Capitalisation approach, the gross market rental has a strong interrelationship with the adopted cap rate, given the methodology involves assessing the total gross market rental receivable from the investment property and capitalising this in perpetuity to derive a capital value. An increase in the gross market rental and an increase (softening) in the adopted cap rate could potentially offset the impact to the fair value. A decrease in the gross market rental and a decrease (tightening) in the adopted cap rate could also potentially offset the impact to fair value. A directionally opposite change in the gross market rental and the adopted cap rate could potentially magnify the impact on the fair value.

When assessing a discounted cash flow, the adopted discount rate and adopted terminal yield have a strong interrelationship in deriving a fair value, given the discount rate will determine the rate at which the terminal value is discounted to the present value. An increase (softening) in the adopted discount rate and a decrease (tightening) in the adopted terminal yield could potentially offset the impact to the fair value. A decrease (tightening) in the adopted discount rate and an increase (softening) in the adopted terminal yield could also potentially offset the impact to fair value. A directionally similar change in the adopted discount rate and the adopted terminal yield could potentially magnify the impact to the fair value.

3.0 Property (continued)

3.3 Lease liabilities

Accounting policy

Lease liabilities are measured based on the present value of the fixed and variable lease payments, less any cash lease incentives receivable. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant rate of interest on the remaining balance of the liability for each period.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in Stride, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

SIML has an operating lease for its offices at 34 Shortland Street, Auckland, and 22 The Terrace, Wellington, where SIML is the lessee and SPL is the lessor. SIML has recognised right-of-use assets within property, plant and equipment and corresponding lease liabilities within interest bearing liabilities in relation to these leases. For the 34 Shortland Street lease a 5.13% discount rate has been applied, being the estimated incremental borrowing rate as at 1 April 2019. For the 22 The Terrace lease, a 5.88% discount rate has been applied, being the estimated incremental borrowing rate as at 1 June 2022. These lease liabilities and right-of-use assets are eliminated in the financial statements.

SPL is committed under two operating leases where SPL is the lessee. The SPL leases relate to ground rent on leasehold properties and contain renewal and termination options exercisable only by SPL. There is one at each of the following properties:

- NorthWest Shopping Centre, Auckland; and
- 55 Lady Elizabeth Lane, Wellington.

Included in the 31 March 2023 balance of investment property at valuation is an implicit right-of-use asset of \$9.1 million (2022: \$11.4 million) in relation to a peppercorn ground lease at 55 Lady Elizabeth Lane, with an associated immaterial lease liability.

	2023	2022
	\$000	\$000
Right-of-use assets		
Opening balance	15,913	27,454
Reclassification	-	(11,433)
Depreciation	(3)	(108)
Closing balance	15,910	15,913
Lease liabilities		
Opening balance	15,913	27,454
Reclassification	-	(11,433)
Cash lease payments	(992)	(1,886)
Finance lease interest	989	1,778
Closing balance	15,910	15,913
Current liability	7	3
Non-current liability	15,903	15,910
Total lease liability	15,910	15,913

3.0 Property (continued)

3.4 Capital expenditure commitments contracted for

As at 31 March 2023, SPL has the following commitments (2022: \$6.3 million):

- \$34.3 million further loan advances and final settlement payments to be made in relation to the acquisition of 110 Carlton Gore Road, Auckland, of which \$29.7 million is included in trade and other payables (refer note 8.6). Subsequent to balance date, \$7.8 million of loan advance has been made (refer note 8.10)
- \$8.4 million for further building upgrades at 34 Shortland Street, Auckland
- \$1.5 million for various other capital expenditure to be undertaken

Stride has no other material capital commitments as at 31 March 2023.

3.5 Assets classified as held for sale

Accounting policy

Stride reclassifies an investment property to assets classified as held for sale when:

- the carrying value of the property is expected to be recovered through sale;
- the property is available for sale immediately subject only to terms that are usual and customary for such transactions; and
- the transaction is highly probable to occur.

The carrying value of the assets classified as held for sale is the contracted sale price, being the best indicator of fair value. If a contracted price is not available, the fair value is determined by an independent valuation.

Any gain or loss arising from a change in the fair value to the contracted price is recognised in the consolidated statement of comprehensive income within net change in fair value of investment properties.

During the year, the SPL Board approved disposing the office property located at 22 The Terrace, Wellington. Upon the change in intention from holding the investment property to disposing of it, SPL reclassified the property and its associated office space from investment properties and property, plant and equipment to assets classified as held for sale at a value of \$30.1 million and \$0.4 million respectively.

4.0 Investor Returns

This section sets out Stride's earnings per share, dividends paid and how distributable profit is calculated. Distributable profit is a non-GAAP measure and is used by Stride to calculate profit available for distribution to shareholders by way of dividends.

4.1 Basic and diluted earnings per share (EPS)

Accounting policy

Basic and diluted earnings per share amounts are calculated by dividing (loss)/profit after income tax attributable to shareholders by the weighted average number of shares on issue.

	2023 \$000	2022 \$000
(Loss)/profit after income tax attributable to shareholders	(116,747)	112,292
Weighted average number of shares for purpose of basic EPS (000)	540,407	494,726
Basic EPS - SPL	(23.30)	20.36
Basic EPS - SIML	1.70	2.34
Basic EPS - weighted (cents)	(21.60)	22.70
Weighted average number of shares for purpose of diluted EPS (000)	542,847	496,175
Diluted EPS - SPL	(23.30)	20.29
Diluted EPS - SIML	1.70	2.34
Diluted EPS - weighted (cents)	(21.60)	22.63

The movement in the weighted average number of shares over the comparable periods reflects the 66.95 million shares issued in November and December 2021 as part of an equity capital raise and the 2.99 million shares issued as part of the DRP in March 2023. Weighted average number of shares for the purpose of diluted EPS has been adjusted for 2.49 million (2022: 1.49 million) rights issued under SIML's employee incentive schemes.

SPL has reported a loss after income tax attributable to shareholders for the year ended 31 March 2023. As a loss after income tax attributable to shareholders results in an anti-dilutive position for SPL diluted EPS, the diluted EPS is reported as Basic EPS of (23.30) cents.

(Loss)/profit after income tax attributable to shareholders is lower in 2023 than 2022 by \$(229.0) million as a result of:

- lower net change in fair value of investment properties of \$(149.2) million over the comparable period;
- reduction in profit in equity-accounted investments of \$(108.0) million; partly offset by
- higher net rental income of \$5.2 million primarily due to the growth in the office investment property portfolio and lease surrender income recognised;
- project costs incurred in 2022 relating to the withdrawal of the proposed demerger and IPO of Fabric of \$4.5 million; and
- impairment of equity-accounted investment recognised in 2022 in relation to Investore of \$18.5 million.

4.0 Investor Returns (continued)

4.2 Distributable profit

Accounting policy

Stride's dividend policy is to target a total cash dividend to shareholders that is equivalent to the sum of 25% to 75% of SIML's distributable profit and 80% to 100% of SPL's distributable profit. Distributable profit is presented to enable investors to see an earnings measure which more closely aligns with Stride's underlying and recurring earnings from its operations. Distributable profit is a non-GAAP measure and consists of (loss)/profit before income tax, adjusted for determined non-recurring and/or non-cash items, share of (loss)/profit in equity-accounted investments, dividends received from equity-accounted investments and current tax.

Adjusted Funds From Operations (AFFO) is also a non-GAAP measure and is intended as a supplementary measure of operating performance. Although there is no standard meaning or measure per GAAP, AFFO has been determined based on guidelines established by the Property Council of Australia. Cash spent during the period on capital expenditure as part of maintaining a building's grade/quality, but not expensed as part of distributable profit after current income tax, is adjusted to enable investors to see the cash generating ability of the business.

	2023 \$000	2022 \$000
(Loss)/profit before income tax	(109,747)	124,661
Non-recurring, non-cash, and other adjustments:		
Net change in fair value of investment properties	118,491	(30,662)
Reversal of the lease liability movement in net change in fair value of investment properties	(39)	(71)
Share of loss/(profit) in equity-accounted investments	42,392	(65,607)
Impairment of equity-accounted investment	-	18,461
Loss on disposal of investment properties	2,038	930
Project costs relating to Fabric Property Limited	-	4,533
Project management and disposal fees eliminated in SIML	833	991
Dividend income from equity-accounted investments (refer note 8.4)	9,032	9,443
Interest received in relation to loan advance on 110 Carlton Gore Road, Auckland	6,859	-
Spreading of fixed rental increases	(1,052)	(1,437)
Capitalised incentives net of amortisation	485	(943)
Share based payment expense	1,787	1,049
Forfeited employee incentive rights	(74)	-
Software asset expense	-	1,025
Depreciation and revaluation deficit recognised in profit and loss	211	203
Lease liabilities for head office	-	(35)
Borrowings establishment costs amortisation	474	1,261
Non-cash interest income	(214)	(245)
Non-cash rental surrender income	(3,750)	-
Finance expense - swap termination expense	-	337
Hedge ineffectiveness of cash flow hedges	369	(1,250)
Distributable profit before current income tax	68,095	62,644
Current tax expense	(12,175)	(8,667)
Adjusted for:		
Tax expense on capitalised interest	-	(26)
Tax expense on depreciation recovered on disposal of investment properties	1,713	206
Distributable profit after current income tax	57,633	54,157
Adjustments to funds from operations:		
Maintenance capital expenditure	(1,802)	(2,693)
Incentives and associated landlord works	(4,256)	(1,407)
Adjusted Funds From Operations (AFFO)	51,575	50,057

4.0 Investor Returns (continued)

4.2 Distributable profit (continued)

	2023 \$000	2022 \$000
Weighted average number of shares for the purpose of basic distributable profit per share (000)	540,407	494,726
Basic distributable profit after current income tax per share - weighted (cents)	10.66	10.95
AFFO basic distributable profit after current income tax per share - weighted (cents)	9.54	10.12
Weighted average number of shares for the purpose of diluted distributable profit per share (000)	542,847	496,175
Diluted distributable profit after current income tax per share - weighted (cents)	10.62	10.91
AFFO diluted distributable profit after current income tax per share - weighted (cents)	9.50	10.09

4.3 Dividends paid

Accounting policy		
Dividends are recognised as a liability in the financial statements in the period in which the dividends are approved.		
	2023 \$000	2022 \$000
The following dividends were declared and paid by SPL during the year:		
Q4 2022 final dividend 1.8455 cents (Q4 2021 1.6075 cents)	9,972	7,607
Q1 2023 interim dividend 2.0702 cents (Q1 2022 1.9345 cents)	11,186	9,155
Q2 2023 interim dividend 1.39532 cents (Q2 2022 1.7475 cents)	7,539	8,270
Q3 2023 interim dividend 1.68083 cents (Q3 2022 1.9135 cents)	9,082	10,336
Total dividends paid - SPL	37,779	35,368
The following dividends were declared and paid by SIML during the year:		
Q4 2022 final dividend 0.632 cents (Q4 2021 0.87 cents)	3,415	4,117
Q1 2023 interim dividend 0.4073 cents (Q1 2022 0.543 cents)	2,201	2,570
Q2 2023 interim dividend 0.44552 cents (Q2 2022 0.73 cents)	2,407	3,455
Q3 2023 interim dividend 0.16 cents (Q3 2022 0.564 cents)	865	3,047
Total dividends paid - SIML	8,888	13,189
Total dividends paid - Stride	46,667	48,557

Supplementary dividends of \$0.56 million (2022: \$0.23 million) were paid to SPL shareholders not resident in New Zealand for which SPL received a foreign investor tax credit entitlement.

Supplementary dividends of \$0.22 million (2022: \$0.22 million) were paid to SIML shareholders not resident in New Zealand for which SIML received a foreign investor tax credit entitlement.

Dividends paid in relation to the Q3 2023 dividend of \$4.01 million (\$3.66 million in SPL and \$0.35 million in SIML) were reinvested in Stride as part of the dividend reinvestment plan (refer note 1.7) and 2,989,536 Stapled Securities were issued.

5.0 Capital Structure and Funding

Stride's capital structure includes debt and equity, comprising shares and retained earnings as shown in the consolidated statement of financial position. This section sets out Stride's funding exposure to interest rate risk and related financing costs (excluding borrowings within Industrie joint operations, refer note 7.3).

5.1 Borrowings

Accounting policy

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless SPL has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

	2023 \$000	2022 \$000
Non-current		
Bank facility drawn down	402,400	305,500
Unamortised borrowing establishment costs	(631)	(1,105)
Total net borrowings	401,769	304,395
Weighted average interest rate of debt (inclusive of current interest rate derivatives, margins and line fees) at balance date	3.96%	3.55%

	Expiry date	Total \$000	Undrawn facility \$000	Drawn amount \$000
31 Mar 23				
Facility A	15 Dec 2024	100,000	-	100,000
Facility B	15 Dec 2025	25,000	12,500	12,500
Facility F1	15 Dec 2024	100,000	-	100,000
Facility F2	15 Dec 2025	100,000	-	100,000
Facility F3	15 Dec 2026	100,000	10,100	89,900
Facility F4	15 Dec 2024	100,000	100,000	-
		525,000	122,600	402,400
31 Mar 22				
Facility A	15 Dec 2024	100,000	-	100,000
Facility B	15 Dec 2025	60,000	54,500	5,500
Facility C	15 Dec 2026	40,000	40,000	-
Facility F1	15 Dec 2024	100,000	-	100,000
Facility F2	15 Dec 2025	100,000	-	100,000
Facility F3	15 Dec 2026	100,000	100,000	-
Facility F4	15 Dec 2024	100,000	100,000	-
		600,000	294,500	305,500

SPL's bank borrowings are via syndicated senior secured facilities with ANZ Bank New Zealand Limited (ANZ), China Construction Bank Corporation (New Zealand Branch), Industrial and Commercial Bank of China Limited, Auckland Branch, MUFG Bank Limited (Auckland Branch), The Hongkong and Shanghai Banking Corporation Limited, incorporated in the Hong Kong SAR, acting through its New Zealand Branch, and Westpac New Zealand Limited. The bank security on the facilities is managed through a security agent who holds a registered first mortgage on all the investment properties directly owned by SPL, a registered second mortgage over the development property at 110 Carlton Gore Road, Auckland, (on which Fabric holds a registered first mortgage) and a registered first ranking security interest under a General Security Deed over substantially all the assets of SPL. SPL has been compliant with bank covenants during the respective periods.

Due to the net reduction in fair value of investment properties recognised by SPL's wholly owned subsidiary, Fabric, in respect of Fabric's office portfolio as at 31 March 2023, the total value of assets for Fabric were less than its total liabilities as at that date. This resulted in a deemed representation provided to the banking syndicate in respect of the bank facility agreement between SPL, Fabric and the banking syndicate on 1 April 2023 that the value of Fabric's assets is greater than its liabilities being incorrect. No action has been taken by the banking syndicate in respect of this deemed representation, and a waiver has been provided by the banking syndicate which disapplies this deemed representation for the period 31 March 2023 to 31 March 2024. On 23 May 2023, SPL subscribed for 150 million new shares in Fabric, for total consideration of \$150.0 million, which was set off against \$150.0 million of the intercompany loan owed by Fabric to SPL. This share issue provides further comfort that the assets of Fabric are greater than its liabilities at this time.

5.0 Capital Structure and Funding (continued)

5.1 Borrowings (continued)

The carrying amount of the bank borrowings is considered a reasonable approximation of fair value.

In November 2022, \$35.0 million of Facility B and the full \$40.0 million of Facility C were cancelled.

In accordance with the Green Finance Framework (Framework) of Fabric, \$400.0 million of the facilities are classified as green loan facilities. The Framework has been developed to be consistent with the Asia Pacific Loan Market Association (APLMA) Green Loan Principles (2021).

SIML does not have any bank borrowings (2022: \$ nil) however it does have a \$3.0 million overdraft facility with ANZ which has not been utilised during the current year.

Net debt reconciliation

Below sets out an analysis of net debt and the movements in net debt.

			2023	2022
			\$000	\$000
Cash and cash equivalents			16,833	20,621
Borrowings - non-current			(401,769)	(304,395)
Lease liability			(15,910)	(15,913)
Lease liability associated with assets classified as held for sale			-	(11,433)
Net debt			(400,846)	(311,120)

	Liabilities from financing activities			Cash	Total
	Borrowings	Leases	Sub-total		
	\$000	\$000	\$000	\$000	\$000
As at 31 Mar 21	(259,860)	(27,454)	(287,314)	23,024	(264,290)
Cash flows	(43,274)	108	(43,166)	(2,403)	(45,569)
Other changes	(1,261)	-	(1,261)	-	(1,261)
As at 31 Mar 22	(304,395)	(27,346)	(331,741)	20,621	(311,120)
Cash flows	(96,900)	38	(96,862)	(3,788)	(100,650)
De-recognition (refer note 1.7)	-	11,398	11,398	-	11,398
Other changes	(474)	-	(474)	-	(474)
As at 31 Mar 23	(401,769)	(15,910)	(417,679)	16,833	(400,846)

Other changes include borrowing establishment cost amortisation.

As at 31 March 2022, lease liabilities included the lease liability associated with assets classified as held for sale as disclosed in the consolidated statement of financial position.

5.0 Capital Structure and Funding (continued)

5.2 Derivative financial instruments

Accounting policy

Interest rate derivatives (derivative financial instruments) are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value at each reporting date. Fair value of over-the-counter derivatives, such as interest rate swaps, is determined using valuation techniques which maximise the use of observable data and rely as little as possible on entity-specific estimates.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

Hedge ineffectiveness for interest rate swaps may occur due to:

- the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan; and
- differences in critical terms between the interest rate swaps and loans.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within the consolidated statement of comprehensive income.

When a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss.

	2023	2022
	\$000	\$000
SPL		
Active interest rate derivative contracts	320,000	335,000
Forward dated interest rate derivative contracts	80,000	-
Total notional principal value of interest rate derivative contracts	400,000	335,000
Interest rate derivative assets - current	1,761	290
Interest rate derivative assets - non-current	21,581	19,535
Interest rate derivative liabilities - non-current	(125)	-
Fair values of interest rate derivative contracts	23,217	19,825
Fixed interest rates ranges on active interest rate derivative contracts (excluding margins and line fees)	0.53% - 1.80%	0.39% - 1.80%
Weighted average fixed interest rate on active interest rate derivative contracts (excluding margins and line fees)	1.28%	1.24%
Percentage of drawn debt fixed	80%	110%

SPL typically designates its interest rate derivatives as cash flow hedges of the interest flows on its variable rate borrowings. SPL enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount.

At 31 March 2023, SPL had interest rate derivative contracts with a notional value of \$20.0 million (2022: \$35.0 million) that had no drawn bank borrowings hedged against them. Consequently, the fair value movement of \$(0.4) million (2022: \$1.3 million) has been recognised in other income in the consolidated statement of comprehensive income.

5.0 Capital Structure and Funding (continued)

5.2 Derivative financial instruments (continued)

The fair values of interest rate derivatives are determined from valuations prepared by independent treasury advisors using valuation techniques classified as Level 2 in the fair value hierarchy (2022: Level 2). Judgement is involved in determining the fair value by the independent treasury advisors. The fair values are based on the present value of estimated future cash flows based on the terms and maturities of each contract and the current market interest rates as at balance date. Fair values also reflect the current creditworthiness of the derivative counterparties. The valuations were based on market rates at 31 March 2023 of between 5.23%, for the 90-day BKBM, and 4.30%, for the 10-year swap rate (2022: 1.61% and 3.41%, respectively). There have been no transfers between Level 1 and 2 during the respective periods. There were no changes to these valuation techniques during the reporting period. As at 31 March 2023, the fair value of the interest rate derivatives includes an accrued interest asset of \$0.3 million (2022: \$0.1 million).

The following sensitivity analysis represents the change in fair value of the interest rate derivatives and shows the effect on equity if the floating interest rates on the interest rate swaps had been 0.25% lower or higher, with other variables remaining constant.

	2023		2022	
	Gain/(loss) on -0.25%	Gain/(loss) on +0.25%	Gain/(loss) on -0.25%	Gain/(loss) on +0.25%
	\$000	\$000	\$000	\$000
Impact on equity	(1,773)	1,757	(2,011)	1,993
Impact on profit	(35)	35	(110)	109

SPL does not hold derivative financial instruments for trading purposes.

SIML does not hold any interest rate derivatives (2022: \$ nil).

5.3 Net finance expense

Accounting policy

Interest income is recognised on a time-proportional basis using the effective interest rate.

Where SPL borrows funds specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs capitalised are the actual borrowing costs incurred on that borrowing, less any investment income on the temporary investment of those borrowings. A qualifying asset is one that takes six months or longer to prepare for its intended use or sale. Where SPL borrows funds generally and uses them to fund a qualifying asset, the amount of borrowing costs capitalised is determined by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the period, other than borrowings made specifically for the purpose of funding a qualifying asset.

Other borrowing costs are expensed when incurred and are recognised using the effective interest method.

	2023	2022
	\$000	\$000
Finance income		
Bank interest income	422	1
Other finance income	214	245
	636	246
Finance expense		
Bank borrowings interest	(16,370)	(14,360)
Bank borrowings interest capitalised	-	93
Lease liabilities interest	(1,382)	(1,778)
Finance expense - swap termination expense	-	(337)
	(17,752)	(16,382)
Net finance expense	(17,116)	(16,136)

5.0 Capital Structure and Funding (continued)

5.4 Share capital

Accounting policy

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

There is only one class of shares, being ordinary shares, and they rank equally with each other. All issued shares are fully paid and have no par value. SPL and SIML shares are "stapled" and jointly listed on the NZX (Stapled Securities). Each of SPL and SIML has 543,320,476 shares on issue as at 31 March 2023 (2022: 540,188,683).

Stapling of shares is a contractual and constitutional arrangement between the two Stapled Entities whereby each Stapled Entity's equity securities are combined with (or stapled to) the equity securities issued by the other Stapled Entity. The Stapled Entities have the same shareholders, and their shares cannot be traded or transferred independently of one another. The Stapled Securities are traded as a single economic unit with a single quoted price.

In April 2022, the Boards of SPL and SIML issued 142,257 Stapled Securities pursuant to a special share award granted to executives on 16 December 2020.

In March 2023, 2,989,536 Stapled Securities were issued in accordance with the dividend reinvestment plan (refer note 1.7).

5.5 SIML equity (non-controlling interest)

	Notes	Total \$000
Balance 31 Mar 22		13,083
Transactions with shareholders:		
Dividends paid	4.3	(8,888)
Other movements in reserves		1,086
Transfer to share capital on vesting of employee incentive rights		627
Q3 2023 dividend reinvestment		317
Total transactions with shareholders		(6,858)
		(391)
Total other comprehensive loss		
Profit after income tax		9,212
Total comprehensive income		8,821
Balance 31 Mar 23		15,046
Balance 31 Mar 21		13,693
Transactions with shareholders:		
Dividends paid	4.3	(13,189)
Other movements in reserves		415
Issued capital net of capital raising expenses		634
Total transactions with shareholders		(12,140)
		(58)
Total other comprehensive loss		
Profit after income tax		11,588
Total comprehensive income		11,530
Balance 31 Mar 22		13,083

5.0 Capital Structure and Funding (continued)

5.6 Reserves

	2023	2022
	\$000	\$000
Reserves consist of the following Stride reserves		
Cash flow hedge reserve	15,792	13,040
Share option reserve	1,404	948
Associate reserve - cash flow hedge	2,953	2,202
Revaluation surplus	-	700
Closing balance	20,149	16,890
Cash flow hedge reserve - SPL		
Opening balance	13,040	(1,549)
Movement in fair value of interest rate derivatives	3,536	20,661
Deferred tax on fair value movements	(784)	(6,072)
Closing balance	15,792	13,040
Share option reserve - SIML		
Opening balance	948	887
Share based payment expense	1,787	1,049
Deferred tax on share based payment expense	(391)	(58)
Transfer to share capital on vesting of employee incentive rights	(627)	(634)
Lapsed employee incentive rights	(239)	(296)
Forfeited employee incentive rights	(74)	-
Closing balance	1,404	948
Associate reserve - cash flow hedge - SPL		
Opening balance	2,202	45
Changes in reserves of associate	751	2,157
Closing balance	2,953	2,202
Revaluation surplus - SPL		
Opening balance	700	300
Revaluation (deficit)/surplus	(700)	400
Closing balance	-	700

Gains and losses recognised in the cash flow hedge reserve on interest rate derivative contracts will be reclassified in the same period in which the hedged forecast cash flows affect profit or loss until the repayment of the bank borrowings.

5.7 Capital risk management

Stride's objectives when managing capital are to safeguard Stride's ability to continue as a going concern in order to provide returns for shareholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, Stride may adjust the amount of dividends paid to shareholders, return capital to shareholders, buy back shares, issue new shares or sell assets to reduce borrowings. As part of its capital risk management, SPL is required to comply with covenants imposed under its banking facilities. The SPL Board regularly monitors these covenants and provides six-monthly compliance certificates to the banking syndicate as part of this process. SPL has complied with these covenants during the relevant periods.

6.0 Risk Management

This section sets out Stride's exposure to financial assets and liabilities that potentially subject Stride to financial risk and how Stride manages those risks.

6.1 Financial instruments

Accounting policy

A financial instrument is recognised if Stride becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised if Stride's contractual rights to the cash flows expire, or if Stride transfers them without retaining control or substantially all risks and rewards of the asset. Financial liabilities are de-recognised if Stride's obligations specified in the contract are extinguished.

Stride classifies its financial assets and financial liabilities in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- those to be measured at amortised cost.

Depending on the purpose for which the assets were acquired, Stride classifies its assets as financial assets at fair value through profit or loss and financial assets at amortised cost. Classification is determined at initial recognition and this designation is re-evaluated at every reporting date.

Financial assets at amortised cost are those assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current assets.

On initial recognition of a financial asset, Stride assesses, on a forward-looking basis, the expected credit loss associated with its financial assets carried at amortised cost. At each reporting date, the credit risk on a financial asset, apart from trade and other receivables, is assessed to determine whether there has been a significant increase in the credit risk by considering both forward looking information and the financial history of counterparties to assess the probability of default or likelihood that full settlement is not received.

Financial liabilities at amortised cost are measured at amortised cost and include borrowings and trade and other payables.

	2023	2022
	\$000	\$000
Summary of financial instruments		
Financial assets at amortised cost		
Cash at bank	16,833	20,621
Trade and other receivables	7,729	4,229
NZX bond	75	75
Total financial assets at amortised cost	24,637	24,925
Financial assets at fair value through profit or loss		
Loan to associate	3,398	3,398
Total non-derivative financial assets at fair value through profit or loss	3,398	3,398
Derivative financial instruments		
Used for hedging	23,342	19,825
Total financial assets	51,377	48,148
Financial liabilities at amortised cost		
Trade and other payables recognised as financial liabilities	34,289	13,211
Lease liability	15,910	15,913
Lease liability associated with assets classified as held for sale	-	11,433
Borrowings (joint venture participating interest)	40,400	39,857
Bank borrowings	401,769	304,395
Total financial liabilities at amortised cost	492,368	384,809
Derivative financial instruments		
Used for hedging	125	-
Total financial liabilities	492,493	384,809

6.0 Risk Management (continued)

6.2 Fair values

The carrying value of the following financial assets and liabilities approximate their fair value: cash at bank, trade and other receivables, loan to associate, other current assets, deposit and other prepayments on investment property, trade and other payables, lease liabilities and bank borrowings.

6.3 Financial risk management

Stride's activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk. Stride's overall risk management strategy focuses on minimising the potential negative economic impact of unpredictable events on its financial performance.

Risk management is the responsibility of the Boards. The Boards identify and evaluate financial risks in close co-operation with management. The Boards provide written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investing excess liquidity.

6.4 Interest rate risk

As Stride has no significant interest bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates.

SPL's interest rate risk arises from bank borrowings (note 5.1) which are issued at variable rates and expose SPL to cash flow interest rate risk. The long term interest rate hedging policy provides bands that are applied on a rolling basis, which provide for both a high level of fixed interest rate cover over the near term, as well as a lengthy period of known fixed interest rate cover for a portion of term debt. SPL manages its cash flow interest rate risk by using floating to fixed interest rate derivatives which have the economic effect of converting borrowings from floating to fixed rates.

As at 31 March 2023, SPL had fixed 80% of its drawn debt (2022: 110%). As SPL holds interest rate derivatives, there is a risk that their economic value will fluctuate because of changes in market interest rates. The value of interest rate derivatives is disclosed in note 5.2.

SPL's exposure to interest rate fluctuations is limited to the extent of all the non-hedged portions of bank borrowings which at balance date was \$82.4 million (2022: \$ nil). If floating interest rates were 0.25% higher or lower, with other variables remaining constant, the impact on total comprehensive income after tax attributable to shareholders would be \$0.1 million (2022: higher or lower by \$ nil). SPL's exposure to variable interest rate risk and the weighted average interest rate for interest bearing financial assets and liabilities is as follows:

Interest rates applicable at balance date:	2023	2022
Cash at bank	0.00% - 4.25%	0.00% - 0.5%
NZX bond	4.95%	1.10%
Loan to associate	7.73%	4.05%
Bank borrowings	2.08%	1.20%
Borrowings (joint venture participating interest)	3.53%	1.59%
Weighted average interest rate for drawn debt (inclusive of current interest rate derivatives, margins and line fees) of the bank borrowings	3.96%	3.55%

Trade and other receivables and payables are interest free and have settlement dates within one year. In relation to the loan by Fabric of \$178.7 million to the vendor of investment property at 110 Carlton Gore Road, Auckland, the vendor pays interest on the amount outstanding at a rate of 5.0%. All other assets and liabilities are non-interest bearing.

6.0 Risk Management (continued)

6.5 Credit risk

Stride incurs credit risk from trade receivables, accrued income receivable, loan to associate and transactions with financial institutions including cash balances and interest rate derivatives. Stride is not exposed to any concentrations of credit risk apart from the loan to associate.

The risk associated with trade receivables is managed with a credit policy which includes performing credit evaluations on customers requiring credit and ensures that only those customers with appropriate credit histories are provided with credit. In addition, receivable balances are monitored on an ongoing basis, with the result that Stride's exposure to bad debts is not significant.

As SPL has a wide spread of tenants over different industry sectors, it is not exposed to any significant concentration of credit risk.

SPL's wholly owned subsidiary, Fabric, has a loan agreement in relation to 110 Carlton Gore Road, Auckland, in which it receives monthly interest payments calculated on the amount of loan advanced. As at 31 March 2023, a \$1.5 million interest receivable has been recognised (refer note 8.5). Subsequent to balance date, \$0.7 million of the interest was received (refer note 8.10).

The risk from financial institutions is managed by placing cash and deposits with high credit quality financial institutions only. Stride has placed its cash and deposits with ANZ Bank New Zealand Limited and Westpac New Zealand Limited, both AA- rated (Standard & Poor's).

With respect to the credit risk arising from interest rate swap agreements, there is limited risk as all counterparties are registered banks in New Zealand whose credit ratings are all AA- (Standard & Poor's).

The maximum exposure to credit risk is the carrying amount of each class of financial assets as reported in note 6.1.

6.6 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions. Stride's liquidity position is monitored on a regular basis and is reviewed quarterly by the Boards to ensure compliance with internal policies and banking covenants as per SPL's syndicated lending facility.

SPL generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has the bank facility available to cover potential shortfalls (refer note 5.1).

The following table outlines Stride's liquidity profile, as at 31 March, based on contractual non-discounted cash flows.

	Total \$000	0-6 mths \$000	6-12 mths \$000	1-2 yrs \$000	2-5 yrs \$000	>5 yrs \$000
As at 31 Mar 23						
Trade and other payables recognised as financial liabilities	34,289	34,289	-	-	-	-
Secured bank borrowings	437,479	5,929	5,929	211,088	214,533	-
Lease liability	90,359	599	601	1,206	3,481	84,472
Derivative financial instruments	21,459	2,044	3,617	6,498	9,300	-
	583,586	42,861	10,147	218,792	227,314	84,472
As at 31 Mar 22						
Trade and other payables recognised as financial liabilities	13,211	13,211	-	-	-	-
Secured bank borrowings	328,387	3,354	3,379	6,859	314,795	-
Lease liabilities associated with assets classified as held for sale	31,020	428	428	856	2,567	26,741
Lease liabilities	92,616	691	693	1,396	4,261	85,575
Derivative financial instruments	13,181	2,074	2,064	4,088	4,955	-
	478,415	19,758	6,564	13,199	326,578	112,316

SPL's portion of the borrowings in the Industrie joint operation are with Industrie Property Finance Limited (FinCo), which is part of the Industrie joint venture. This loan is on the same terms as the banking facility with FinCo, however is payable on demand if called on by FinCo (refer note 7.3).

7.0 Investments in Property Entities

This section sets out how the investments in property entities held by SPL are accounted for in Stride.

7.1 Industrie

Industre is a joint arrangement between SPL and a group of international institutional investors through a special purpose vehicle advised by J.P. Morgan Asset Management (JPMAM). As at 31 March 2023, SPL held a 51.7% interest in Industrie (2022: 51.7%). Over the long term, the strategy is for JPMAM to fund further portfolio growth until the respective economic contributions to the portfolio are 75%/25% (JPMAM/SPL).

The accounting for the arrangements by SPL is a combination of a joint venture (equity-accounted) (refer note 7.2) and a joint operation (proportionate share of assets, liabilities, revenue and expenses) (refer note 7.3). SIML is the manager of the joint arrangement.

7.2 Interests in associates and joint venture

Accounting policy

Interests in associates and the joint venture are accounted for using the equity method and are stated in the consolidated statement of financial position at cost, adjusted for the movement in SPL's share of their net assets and liabilities. Under this method, SPL's share of profits and losses after tax of associates and profit and loss before tax of the joint venture are included in SPL's profit before taxation. Adjustments to the carrying amount are also made for SPL's share of changes in the associates' and the joint venture's other comprehensive income. SPL's accounting policy is not to take account of the effects of transactions recorded directly in equity outside profit or loss and other comprehensive income.

Under the equity method, gain or loss resulting from transfer of investment properties to associates and the joint venture in exchange for cash or shares is recognised only to the extent of the other investors' interest in the associates or the joint venture, however when cash and shares are received, the portion of the gain or loss relating to cash is recognised in full.

At each reporting date, SPL assesses its equity-accounted investments to determine whether there is any indication of impairment. If any such indication exists, then the investments' recoverable amount is estimated as a single asset by comparing its recoverable amount with its carrying amount.

The recoverable amount is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, 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 the asset or cash generating unit. Fair value less costs of disposal is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date, less the costs of disposal and includes a strategic premium that is associated with collectively owning more than the sum of the individual shares.

If the carrying amount of an equity-accounted investment exceeds its recoverable amount, an impairment loss is recognised in profit or loss and is applied to the carrying amount of equity-accounted investment. Such impairment loss is not allocated to the underlying assets that make up the carrying amount of the equity-accounted investment. Impairment loss is subsequently reversed only to the extent that the recoverable amount of the investment subsequently increases.

Set out below are the associates and the joint venture of SPL as at 31 March 2023 which, in the opinion of the directors, are material to SPL.

Entity	Country of incorporation	Ownership	Ownership interest		Nature of relationship	Measurement method
			2023	2022		
Investore	New Zealand	Shares	18.8%	18.8%	Associate	Equity
Diversified	Australia	Units	2.1%	2.1%	Associate	Equity
Industre joint venture	New Zealand	Shares	51.7%	51.7%	Joint Venture	Equity
				2023		2022
				\$000		\$000
Equity-accounted investments						
Investore ¹				109,561		143,248
Diversified ²				1,334		1,287
Industre joint venture ²				157,201		174,051
				268,096		318,586

¹ Fair value based on Investore's quoted closing share price on the NZX Main Board on the last business day for the year ended 31 March 2023 was \$97.4 million (2022: \$119.0 million).

² These equity-accounted investments do not have quoted market prices as they are not listed.

The principal place of business for Investore, Diversified and Industre joint venture is New Zealand.

7.0 Investments in Property Entities (continued)

7.2 Interests in associates and joint venture (continued)

Investore

Given the extent of SPL's equity investment as at balance date of 18.8% (2022: 18.8%), the appointment of SIML as manager, and that two of SIML's current directors are also directors of Investore, the SPL Board has concluded that SPL has "significant influence" over Investore. As such, SPL's investment in Investore has been treated as an interest in an associate. SPL is not subject to any escrow arrangements that prevent it from selling or otherwise disposing of any shares that it holds.

On 31 March 2023, the market value of the investment in Investore, based on the quoted closing market price of Investore's ordinary shares of \$1.41, was below the investment's carrying amount under the equity method of accounting. SPL assessed whether objective evidence of impairment exists, the outcome of which was that an impairment test has been performed using the fair value less costs of disposal (FVLCD) valuation approach (2022: value in use (VIU) approach adopted).

The key inputs and assumptions in determining the recoverable amount of this investment through the FVLCD approach are a strategic investment premium of 17.5% (as determined by a third party), the quoted market price at 31 March 2023 and brokerage costs of 0.2%. The determination of the recoverable amount is considered to be Level 3 in the fair value hierarchy. The result of the impairment test was that the investment's recoverable amount was greater than the carrying amount as at 31 March 2023 but less than the recoverable amount as at 31 March 2022, and therefore SPL has not recognised a reversal of previous impairment losses.

The estimated sensitivity on the recoverable amount under the FVLCD approach, if the strategic investment premium and quoted closing market price of Investore's ordinary shares assumptions were to (decrease)/increase, is provided below:

As at 31 Mar 2023	Strategic investment premium %		Market share price (% change)	
	-2.50	+2.50	-2.50	+2.50
Change \$000	(2,439)	2,439	(2,866)	2,866
Change %	(2)	2	(3)	3

For the year ended 31 March 2022, the key inputs and assumptions in determining the recoverable amount of this investment through the VIU approach were a pre-tax discount rate of 6.3% and a terminal value growth rate of 2.25% from the year ended 31 March 2028 which resulted in an impairment loss of \$18.5 million against the carrying amount of the investment.

The estimated sensitivity on the recoverable amount under the VIU approach if the terminal value growth rate and pre-tax discount rate assumptions had (decreased)/increased is provided below:

As at 31 Mar 2022	Discount rate %		Growth rate %	
	-0.25	+0.25	-0.25	+0.25
Change \$000	9,688	(8,304)	(6,290)	8,304
Change %	7	(6)	(5)	6

Diversified

Given the appointment of SIML as manager, and that one of SIML's current directors is also on Diversified's Investment Committee, the SPL Board has concluded that SPL retains "significant influence" over Diversified. As such, SPL's investment in Diversified has been treated as an interest in an associate. As at 31 March 2023, SPL has an interest-bearing loan receivable of \$3.4 million (2022: \$3.4 million) with Diversified. This loan is due for repayment on 12 August 2026.

Industre joint venture

Industre joint venture comprises Industre Property Tahiti Limited (Tahi), Industre Property Rua Limited (Rua) and FinCo. SPL has rights to the net assets of these entities, and consequently these entities are classified as a joint venture.

Tahi and Rua hold legal and beneficial ownership of certain properties. FinCo is a funding vehicle established to obtain bank borrowings and on-lend the funds to Tahi, Rua and Industre joint operation. SPL's wholly owned subsidiary, Stride Industrial Property Limited (SIPL), is a guarantor under the Industre banking arrangements as SIPL is a beneficial owner of property owned through the unincorporated joint venture of Industre and as such is jointly and severally liable for Industre's bank borrowings. SIPL has the benefit of, and bears obligations under, a cross indemnity with JPMAM by way of the joint venture arrangements. As at 31 March 2023, the value of the financial guarantee was \$ nil (2022: \$ nil).

Tahi and Rua are eligible and have elected to be multi-rate Portfolio Investment Entities of which the income tax liability arises to the investors. Accordingly, SPL recognises current and deferred tax as part of its taxes in note 8.1 (rather than as part of the investment in the joint venture).

Summarised financial information for associates and joint venture

The following tables provide summarised financial information for the associates and the joint venture of SPL and reflect the amounts presented in the financial statements of the relevant associates, not SPL's share of those amounts.

SPL's share in the Industre joint venture remained at 51.7% for the year ended 31 March 2023 (2022: reduced from 56.3% to 51.7%). The net share of (loss)/profit is calculated on the weighted average participating interest over each year.

The difference between the closing carrying amount and share at carrying percentage for Industre joint venture relates to the \$(0.9) million loss on sale of properties in exchange for cash received from Industre joint venture in the financial year ended 31 March 2021. This difference has carried forward to the balance as at 31 March 2023 and will be recognised over time when there are future changes in the participating interest.

7.0 Investments in Property Entities (continued)

7.2 Interests in associates and joint venture (continued)

Summarised financial information for associates and joint venture (continued)

	Investore 2023 \$000	Industre joint venture 2023 \$000	Diversified 2023 \$000
Summarised statement of comprehensive income			
Net rental income	60,257	17,361	34,317
Corporate expenses	(8,855)	(4,310)	(5,711)
Finance income	92	34	102
Finance expense	(16,287)	(7,550)	(25,405)
Other (expense)/income	(185,279)	(32,496)	(4,099)
Income tax expense	(128)	-	(7,708)
Loss	(150,200)	(26,961)	(8,504)
Other comprehensive income	302	1,281	1,919
Total comprehensive (loss)/income	(149,898)	(25,680)	(6,585)

Summarised statement of financial position

	2023 \$000	2022 \$000	2021 \$000
Assets			
Current assets	8,280	4,083	72,328
Investment properties	1,070,451	496,025	411,538
Other non-current assets	1,557	85,549	3,733
	1,080,288	585,657	487,599
Liabilities			
Current liabilities	(9,052)	(7,035)	(22,283)
Borrowings - non-current	(385,037)	(270,744)	(229,821)
Other non-current liabilities	(11,179)	(2,356)	(170,572)
	(405,268)	(280,135)	(422,676)
Net assets	675,020	305,522	64,923

Reconciliation to carrying amounts

	2023 \$000	2022 \$000	2021 \$000
Opening net assets	855,042	338,093	63,545
Loss	(150,200)	(26,961)	(8,504)
Other comprehensive income	302	1,281	1,919
Reinvestment of unitholder funds	-	-	7,963
Share buyback	(1,074)	-	-
Dividends paid	(29,050)	(6,891)	-
Closing net assets	675,020	305,522	64,923

	Total 2023 \$000			
SPL's share in %	18.8%	51.7%	2.1%	
Share at carrying percentages	286,547	127,109	158,067	1,371
Opening carrying amount	318,586	143,248	174,051	1,287
Movement in cash flow hedges net of tax	751	46	663	42
Loss	(42,392)	(28,266)	(13,948)	(178)
Reinvestment of unitholder funds	183	-	-	183
Dividends paid	(9,032)	(5,467)	(3,565)	-
Closing carrying amount	268,096	109,561	157,201	1,334

7.0 Investments in Property Entities (continued)

7.2 Interests in associates and joint venture (continued)

Summarised financial information for associates and joint venture (continued)

	Investore 2022 \$000	Industre joint venture 2022 \$000	Diversified 2022 \$000
Summarised statement of comprehensive income			
Net rental income	58,274	16,660	32,767
Corporate expenses	(9,964)	(3,423)	(4,667)
Finance income	167	7	7
Finance expense	(14,212)	(4,495)	(16,754)
Other income	91,541	73,699	(21,440)
Income tax expense	(7,639)	-	342
Profit	118,167	82,448	(9,745)
Other comprehensive income	9	3,883	7,361
Total comprehensive income	118,176	86,331	(2,384)

Summarised statement of financial position

	2022 \$000	2021 \$000	2020 \$000
Assets			
Current assets	10,292	7,207	13,117
Investment properties	1,219,766	497,931	492,600
Other non-current assets	8,678	82,689	9,771
	1,238,736	587,827	515,488
Liabilities			
Current liabilities	(6,724)	(4,547)	(23,676)
Borrowings - non-current	(351,530)	(243,603)	(258,384)
Other non-current liabilities	(25,440)	(1,584)	(169,883)
	(383,694)	(249,734)	(451,943)
Net assets	855,042	338,093	63,545

Reconciliation to carrying amounts

	2022 \$000	2021 \$000	2020 \$000
Opening net assets	765,674	213,988	61,348
Profit	118,167	82,448	(9,745)
Other comprehensive income	9	3,883	7,361
Reinvestment of unitholder funds	-	-	4,581
Equity contribution	-	45,195	-
Dividends paid	(28,808)	(7,421)	-
Closing net assets	855,042	338,093	63,545

	Total 2022 \$000			
SPL's share in %	18.8%	51.7%	2.1%	
Share at carrying percentages	336,994	160,748	174,917	1,329
Opening carrying amount	265,707	144,923	119,557	1,227
Movement in cash flow hedges net of tax	2,291	(15)	2,155	151
Profit/(loss)	65,607	22,216	43,595	(204)
Reinvestment of unitholder funds	113	-	-	113
Equity contribution	2,494	-	2,494	-
Deemed equity contribution with a corresponding reduction in SPL's interest	10,278	-	10,278	-
Impairment of equity-accounted investment	(18,461)	(18,461)	-	-
Dividends paid	(9,443)	(5,415)	(4,028)	-
Closing carrying amount	318,586	143,248	174,051	1,287

7.0 Investments in Property Entities (continued)

7.3 Interest in joint arrangements

Accounting policy

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Industre joint operation

SPL holds a 51.7% interest in a joint arrangement with JPMAM relating to the investment properties as denoted in note 3.2. The Industre joint operation holds the beneficial ownership of these properties. The agreement between SPL and JPMAM in relation to their co-ownership requires unanimous consent from both parties for all relevant activities. The two parties have direct rights to the assets and are jointly and severally liable for the liabilities incurred in relation to the co-owned properties. This arrangement is therefore classified as a joint operation and SPL recognises its direct right to the jointly held assets, liabilities, revenues and expenses as described below. SIML is the manager of the joint arrangement.

	2023 100% \$000	2023 participating interest \$000	2022 100% \$000	2022 participating interest \$000
Summarised financial information				
Current assets	1,395	722	884	457
Investment properties	289,950	150,010	351,500	181,854
	291,345	150,732	352,384	182,311
Liabilities				
Current liabilities	(472)	(244)	(924)	(478)
Borrowings	(78,088)	(40,400)	(77,034)	(39,857)
	(78,560)	(40,644)	(77,958)	(40,335)
Net assets	212,785	110,088	274,426	141,976
Income	15,557	8,049	14,808	7,852
Expenses	(8,754)	(4,529)	(7,735)	(4,088)
Net change in fair value of investment properties	(62,311)	(32,238)	64,917	34,386
Net share of (loss)/profit*	(55,508)	(28,718)	71,990	38,150

*SPL's share in the Industre joint operation remained at 51.7% for the year ended 31 March 2023 (2022: reduced from 56.3% to 51.7%). The net share of (loss)/profit is calculated on the weighted average participating interest over each year.

SPL's portion of the borrowings in the Industre joint operation are with FinCo, which is part of the Industre joint venture. This loan is on the same terms as the banking facility with FinCo, however is payable on demand if called on by FinCo. As at 31 March 2023, SPL and JPMAM, as the participants, have agreed these borrowings will not be called by FinCo in the next 12 months, unless called on by FinCo's banking syndicate (which is a non-current borrowing). As such SPL's portion of the borrowings in the Industre joint operation have been classified as non-current in the consolidated statement of financial position.

The below fee income was earned by SIML from the Industre joint operation. It represents the participating interest held by the participant AP SG 17 Pte. Limited. The management fees paid from SPL to SIML are eliminated in the consolidated statement of comprehensive income. The balance receivable represents the participating interest held by the participant AP SG 17 Pte. Limited.

	2023 \$000	2022 \$000
Asset management fee income	661	599
Performance fee income	627	692
Leasing fee income	58	163
Other fee income	56	57
	1,402	1,511
Balance receivable	13	216

Other fee income includes building management, project management and maintenance fees.

7.0 Investments in Property Entities (continued)

7.3 Interest in joint arrangements (continued)

Johnsonville joint operation

SPL holds a 50% interest in a joint arrangement with Diversified relating to the investment property at Johnsonville Shopping Centre, Wellington. The agreement between SPL and Equity Trustees Limited (as trustee of Diversified) in relation to their co-ownership requires unanimous consent from all parties for all relevant activities. The two parties have direct rights to the asset and are jointly and severally liable for the liabilities incurred in relation to the co-owned asset. This arrangement is therefore classified as a joint operation and SPL recognises its direct right to the jointly held assets, liabilities, revenues and expenses as described below. SIML is the manager of the joint arrangement.

	2023 \$000	2022 \$000
Summarised financial information		
Assets		
Current assets	176	193
	176	193
Liabilities		
Current liabilities	(342)	(387)
	(342)	(387)
Net liabilities	(166)	(194)
Share of rental income	2,785	2,759
Share of expenses	(1,704)	(1,854)
Net share of profit	1,081	905

8.0 Other

This section contains additional information to assist in understanding the financial performance and position of Stride.

8.1 Income tax

Accounting policy

Income tax expense comprises current and deferred tax and is recognised in the consolidated statement of comprehensive income for the year. Current and deferred tax is calculated on the basis of the laws enacted or substantively enacted at the reporting date.

SPL is a listed Portfolio Investment Entity (PIE) for the purposes of the Income Tax Act 2007 and is required to pay tax to Inland Revenue in accordance with the Income Tax Act 2007.

	2023	2022
	\$000	\$000
Income tax		
Current tax	(12,175)	(8,667)
Deferred tax	5,175	(3,702)
Income tax expense per the consolidated statement of comprehensive income	(7,000)	(12,369)
(Loss)/profit before income tax	(109,747)	124,661
Prima facie income tax using the company tax rate of 28%	30,729	(34,905)
(Increase)/decrease in income tax due to:		
Net change in fair value of investment properties	(33,178)	8,586
Share of (loss)/profit in equity-accounted investments	(11,870)	18,369
Impairment of equity-accounted investment	-	(5,169)
Other adjustments	(130)	3
Assessable income	(2,369)	(866)
Depreciation	6,872	7,361
Depreciation recovered on disposal of investment properties	(1,713)	(206)
Non-deductible expenses	(1,150)	(1,859)
Expenditure deductible for tax	111	378
Temporary differences	317	(339)
Over/(under) provision in prior year	206	(20)
Current tax expense	(12,175)	(8,667)
Investment property depreciation	5,141	(4,719)
Other	34	1,017
Deferred tax charged to profit or loss	5,175	(3,702)
Income tax expense per the consolidated statement of comprehensive income	(7,000)	(12,369)
Imputation credits available for use in subsequent reporting periods	5,690	4,328

Income tax expense arising from the Industrie joint venture (Tahi and Rua) is \$0.3 million (2022: \$0.8 million).

Imputation credits available for use in subsequent reporting periods are based on a rate of 28% (2022: 28%) and represent the balance of the imputation account as at the end of the reporting period, adjusted for imputation credits arising from provisional income tax paid.

8.0 Other (continued)

8.1 Income tax (continued)

Accounting policy

Deferred tax is provided, using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Temporary differences include:

- tax liability arising from accumulated depreciation claimed on investment properties, where applicable;
- tax asset arising from the allowance for impairment;
- tax liability arising from certain prepayments and other assets; and
- tax asset/liability arising from the unrealised gains/losses on the revaluation of interest rate swaps.

For deferred tax liabilities or assets arising on investment property measured at fair value, it is assumed that the carrying amounts of the investment property will be recovered through sale. Investment properties are independently valued each year and the valuation includes a split between the land and building components. Deferred tax is provided on the depreciation claimed to date on the building component of the investment properties and this places reliance on the valuation split provided by the valuers.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

	2022	Recognised in profit or loss	Recognised in other comprehensive income	2023
	\$000	\$000	\$000	\$000
Deferred tax assets				
Other temporary differences	1,971	79	(391)	1,659
	1,971	79	(391)	1,659
Deferred tax liabilities				
Derivative financial instruments	(5,551)	(166)	(784)	(6,501)
Depreciation on investment properties	(11,883)	5,141	-	(6,742)
Other	(549)	121	-	(428)
	(17,983)	5,096	(784)	(13,671)
Net deferred tax liabilities	(16,012)	5,175	(1,175)	(12,012)
	2021			2022
	\$000	\$000	\$000	\$000
Deferred tax assets				
Other temporary differences	1,578	451	(58)	1,971
	1,578	451	(58)	1,971
Deferred tax liabilities				
Derivative financial instruments	601	(80)	(6,072)	(5,551)
Depreciation on investment properties	(7,164)	(4,719)	-	(11,883)
Other	(1,195)	646	-	(549)
	(7,758)	(4,153)	(6,072)	(17,983)
Net deferred tax liabilities	(6,180)	(3,702)	(6,130)	(16,012)

8.0 Other (continued)

8.2 Total corporate expenses

	2023	2022
	\$000	\$000
Corporate overhead expenses include:		
Salaries and other short-term benefits	15,606	14,617
Depreciation	186	203
Software asset expense	-	1,025
Administration expenses include:		
Auditors' remuneration		
- Audit and review of financial statements 2023	443	-
- Audit and review of financial statements 2022	15	487
- Audit and review of financial statements 2021	-	66
- Other assurance and related services - tenancy marketing, operating expenditure and performance fee calculation audits	21	43
	479	596
Share based payment expense	1,787	1,049
Forfeited employee incentive rights	(74)	-
Feasibility expenses	-	1,104
Project costs relating to Fabric Property Limited include:		
Auditors' remuneration		
- Performed an investigating accountant's role and issued a limited assurance report	-	455

8.3 Remuneration

	2023	2022
	\$000	\$000
Key management personnel expenses		
Salaries and other short-term benefits	3,760	3,994
Share based payment expense	1,596	977
Forfeited employee incentive rights	(74)	-
	5,282	4,971

Key management personnel includes the Chief Executive Officer and the members of the executive team. In the current year key management personnel received dividends of \$0.1 million (2022: \$0.1 million).

8.0 Other (continued)

8.3 Remuneration (continued)

Long term incentive plan

SIML operates a long term incentive plan for its executive team that is intended to align the interests of key employees with the interests of shareholders and provide a continuing incentive to key employees over the long term horizon. SIML receives services from the employees in exchange for the employees receiving share based payments only if specified hurdles, relating to the performance of Stride, are achieved.

SIML has a number of schemes in place. The table below summarises the types of schemes and movement of the share performance rights during the year:

	Schemes for performance rights issued (000)				
	FY21 (3 year)	FY22 (3 year)	FY23 (3 year)	2023 Total	2022 Total
Opening balance	545	664	-	1,209	951
Rights granted	-	12	762	774	664
Rights exercised	(50)	-	-	(50)	-
Rights forfeited	(41)	(51)	(57)	(149)	-
Rights lapsed	(454)	-	-	(454)	(406)
Closing balance	-	625	705	1,330	1,209

One executive team member ceased employment during the year and consequently the rights previously granted to them were forfeited.

The key features of the plans are as follows:

- the rights are granted for nil consideration and have a nil exercise price;
- rights do not carry any dividend or voting rights prior to vesting;
- each right that vests entitles the employee to receive one fully paid ordinary share in each of SPL and SIML. The shares issued on vesting carry full voting and dividend rights; and
- the individual must remain an employee of SIML as at the relevant vesting date for any rights to vest.

The rights under the FY21 scheme were subject to the performance conditions that Total Shareholder Return (TSR) hurdles (relative and absolute) were met before a right would vest. Only 10% of the performance conditions were met and consequently 10% of the rights were exercised and 90% lapsed.

Under the FY22 and FY23 schemes 50% of the rights are subject to a relative TSR hurdle and 50% are subject to an achievement of strategic initiatives hurdle to be met before they will vest.

The share performance rights are measured at fair value at grant date, which is in reference to the fair value of the instruments granted rather than the fair value of the services from the employees. The key features of the relative TSR performance conditions are as follows:

- the benchmark comparator is eight companies;
- the proportion of the rights subject to the relative TSR performance condition which vest is dependent on Stride's TSR performance relative to the TSR performance of the eight benchmarked companies making up the NZX Property Index; and
- the percentage of the TSR related rights which vest scales according to the relative ranking of Stride's TSR.

The fair value of rights granted in relation to the FY23 TSR performance proportion was independently determined using the Monte Carlo simulation model. The key assumptions adopted were:

- a risk free rate of 3.28%;
- a TSR testing start price of \$1.99 (being the average 20 day share price up to 1 April 2022, the start of the performance period);
- volatility (standard deviation) for Stride and the comparator companies was based on the annualised volatility for the three years prior to grant date with the volatility for Stride being 28.4% and the average for the comparator group being 23.2%; and
- all data used to derive the valuation was pre-tax (to Stride and the employee).

The key features of achievement of the strategic initiatives component of the FY23 scheme are as follows:

- the proportion of rights which vest is dependent on certain Key Performance Indicators (KPI) targets being met over the performance period; and
- the percentage of the strategic initiatives related rights which vest scales according to the level of KPI's achieved. A 70% probability of achieving this component has been assumed.

Further share performance rights under the long term incentive plan may be issued on an annual basis. However, the terms of the plan, eligible participants, and offers of further share performance rights may be modified by the SIML Board from time to time, subject to the requirements of the NZX Listing Rules and applicable laws.

Short term incentive plan

During the year, the SIML Board granted 914,458 rights to executives and other employees of SIML as part of the FY22 short term incentive compensation for these employees in connection with their performance during FY22. Of those rights granted, 80,500 were forfeited due to ceased employment. These rights will vest after 31 March 2024 balance date, if the relevant employee remains employed by SIML.

8.0 Other (continued)

8.4 Related party disclosures

Accounting policy

SIML's revenue streams are earned from the management of the real estate investments of Investore, Industrie, Diversified and SPL. Under the various management agreements SIML is entitled to receive management fees for various services performed including; asset management, building management, project management, transaction fees, leasing fees, accounting services fees and performance fees. In addition, SIML is entitled to certain acquisition fees under the Industrie management agreement.

SIML recognises all fees except performance fees, acquisition fees and disposal fees on a monthly basis in accordance with the pattern of service and as performance obligations are met. Acquisition and disposal fees are recognised on the settlement of the property transactions. Performance fees are recognised when earned in accordance with the contractual agreements.

	Diversified 2023 \$000	Investore 2023 \$000	Industre joint venture 2023 \$000	Diversified 2022 \$000	Investore 2022 \$000	Industre joint venture 2022 \$000
The following transactions with a related party took place:						
Asset management fee income	3,093	6,158	2,027	2,953	5,736	1,600
Salaries and wages recovery	2,518	-	-	2,297	-	-
Project management fee income	545	430	1,652	1,810	-	682
Building management fee income	1,783	440	72	1,740	438	72
Leasing fee income	1,281	46	191	419	92	113
Accounting fee income	175	250	-	175	250	-
Performance fee income	-	-	886	-	1,824	1,283
Acquisition fee income	-	-	-	-	-	877
Other fee income	70	97	23	70	315	15
Total fee income	9,465	7,421	4,851	9,464	8,655	4,642
Rent paid	(117)	-	-	(115)	-	-
Interest income received	214	-	-	144	-	-
Re-investment of unit holder interest	(183)	-	-	(118)	-	-
Re-investment of unit holder distributions	(131)	-	-	(348)	-	-
Dividend income	-	5,467	3,565	-	5,415	4,028
Consideration paid on the purchase price adjustment on the disposal of 2 Carr Road, Auckland	-	(5,730)	-	-	-	-
Interest expense	-	-	(1,854)	-	-	(1,452)
The following balances were receivable from/ (payable to) a related party:						
Related party receivable	109	258	164	152	31	1,087
Interest-bearing loan	3,398	-	-	3,398	-	-
Borrowings	-	-	(40,400)	-	-	(39,857)

Other fee income includes licensing, disposal, maintenance and sustainability fees (2022: licensing, disposal, maintenance, sustainability and bond issuance fees).

8.0 Other (continued)

8.4 Related party disclosures (continued)

The following table details the transactions between SPL and SIML, which are eliminated on consolidation (refer note 2.0).

	2023 \$000	2022 \$000
Charged from SIML to SPL:		
Building management fee	781	982
Asset management fee	6,396	6,462
Salaries and wages recovery	1,617	1,520
Project management fee	415	991
Performance fee	672	772
Maintenance fee	65	85
Leasing fee	888	1,219
Disposal fee	418	-
Accounting fee	250	250
Total fees charged	11,502	12,281
Interest on loan	9	-
Charged from SPL to SIML:		
Rental charge for head office	583	479
Service charge for head office	107	92
Total	690	571
The following balances were receivable between SPL and SIML:		
SPL - related party receivable (recognised in SIML)	96	435
SIML - related party payable (recognised in SPL)	(96)	(435)
SPL - related party loan receivable (recognised in SIML)	8,000	-
SIML - related party loan payable (recognised in SPL)	(8,000)	-

SIML provides ancillary services in accordance with the management agreement between SPL and SIML to ensure proper management and control of SPL. Payment for these services by SPL to SIML is included in the total asset management fee paid.

On 23 February 2023, the Boards approved SIML and SPL to enter into a loan agreement on commercial terms under which SIML will loan up to \$20.0 million to SPL. SPL will utilise the funds for general corporate purposes. The repayment date is the earlier of:

- 5 years from the effective date of the loan agreement;
- 5 business days after written demand by SIML to SPL; or
- on the date that SPL repays the loan in whole or in part, which it must notify to SIML in advance.

The interest rate is the NZD 90-day bank bill rate per quarter plus a market margin.

As at 31 March 2023, SIML had loaned \$8.0 million to SPL. The interest rate charged was 7.62% pa. On consolidation, the loan and interest earned/paid are eliminated.

Directors' benefits

Directors' fees recognised in administration expenses comprise the following:

	2023 \$000	2022 \$000
Directors' fees	524	563
Chair's fees	173	170
	697	733

In the current year Tim Storey, Jacqueline Cheyne, Nick Jacobson, Philip Ling and Ross Buckley received dividends of \$23,354 (2022: \$38,144 Tim Storey, John Harvey, Jacqueline Cheyne, Philip Ling and Ross Buckley).

No benefits (other than fees and dividends) have been provided by Stride to a Director for services as a Director or in any other capacity (2022: nil).

8.0 Other (continued)

8.5 Trade and other receivables

Accounting policy

Trade and other receivables are recognised at their fair value and subsequently measured at amortised cost using the effective interest rate method. Stride has applied the simplified approach to measuring expected credit loss as prescribed by NZ IFRS 9 *Financial Instruments*, which uses a lifetime expected loss allowance. A loss allowance is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that Stride will not be able to collect all of the amounts due under the original terms of the invoice.

	2023	2022
	\$000	\$000
Current		
Trade and other receivables	2,642	3,700
Less loss allowance	(703)	(923)
Trade and other receivables net of loss allowance	1,939	2,777
Interest receivable in relation to 110 Carlton Gore Road, Auckland (refer note 1.7)	1,496	-
Rental surrender income receivable	3,750	-
Related party receivable (refer notes 7.3 and 8.4)	544	1,452
	7,729	4,229
Less than 30 days overdue	6,951	2,807
Over 30 days overdue	778	1,422
Carrying amount	7,729	4,229
Movement in loss allowance		
Opening balance	(923)	(551)
Reduction in loss allowance	507	336
Additional loss allowance	(287)	(708)
Closing balance	(703)	(923)
Bad debts and movement in loss allowance in the consolidated statement of comprehensive income		
- Bad debts written off	(238)	(72)
- Movement in loss allowance	220	(372)
	(18)	(444)

8.0 Other (continued)

8.6 Trade and other payables

Accounting policy

Trade and other payables represent unsecured liabilities for goods and services provided to Stride prior to the end of the financial year which are unpaid. Trade and other payables are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are assumed to be the same as their fair values due to their short-term nature.

	2023	2022
	\$000	\$000
Unsecured liabilities		
Trade payables	1,458	2,952
Settlement payable - in relation to 110 Carlton Gore Road, Auckland (refer note 1.7)	29,693	-
Rental guarantee - in relation to 80 Greys Avenue, Auckland (refer note 1.7)	462	-
Development and capital expenditure payables and accruals	2,127	3,802
Seismic work accruals	162	5,178
Rental income abatement provision due to COVID-19	142	1,001
Retention accruals	209	739
Rent in advance	1,183	1,519
Operating expense recovery accruals	178	540
Tenant deposits held	736	831
Employee entitlements	2,339	2,302
Other accruals and payables	3,941	3,683
	42,630	22,547

Other accruals and payables include Goods and Services Tax, direct property operating expense accruals and other corporate expense accruals.

8.0 Other (continued)

8.7 Property, plant and equipment

Accounting policy

Land and buildings are recognised at fair value as determined at least every 12 months by an independent registered valuer. A revaluation surplus/(deficit) is credited/(debited) to other reserves in shareholders' equity. All other property, plant and equipment is recognised at historical cost less depreciation.

	2023	2022
	\$000	\$000
Property, plant and equipment	6,238	7,050

SIML has offices at 34 Shortland Street, Auckland, and 22 The Terrace, Wellington, (2022: 34 Shortland Street, Auckland) properties owned by SPL and therefore held as investment property (refer note 3.2) and assets classified as held for sale (refer note 3.5), respectively. The value attributable to these premises of \$6.1 million (2022: \$6.4 million) has been recognised as \$5.7 million of property, plant and equipment (2022: \$6.4 million) and \$0.4 million of assets classified as held for sale (2022: \$ nil) (refer note 1.7), with a revaluation deficit of \$(0.7) million (2022: surplus \$0.4 million) recognised within other comprehensive income in the consolidated statement of comprehensive income.

	Property, plant & equipment	Total 2023	Property, plant & equipment	Right-of-use asset	Total 2022
	\$000	\$000	\$000	\$000	\$000
Opening balance	7,050	7,050	6,621	37	6,658
Purchases	74	74	195	-	195
Depreciation	(186)	(186)	(166)	(37)	(203)
Revaluation (deficit)/surplus	(700)	(700)	400	-	400
Revaluation deficit recognised in profit and loss	(25)	(25)	-	-	-
Transfer from investment property	450	450	-	-	-
Transfer to assets classified as held for sale	(425)	(425)	-	-	-
Closing balance	6,238	6,238	7,050	-	7,050

	2023	2022
	\$000	\$000
Cost	1,940	1,866
Valuation	5,700	6,400
Accumulated depreciation	(1,402)	(1,216)
Net book value	6,238	7,050

8.8 Investment in subsidiaries

Accounting policy

A subsidiary is an entity controlled by the Parent whereby the Parent has power over the investee, 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 over the entity.

The financial statements of the subsidiaries are included in the financial statements of Stride from the date that control commences until the date that control ceases. The subsidiaries apply the same accounting policies as Stride. The acquisition method of accounting has been used to consolidate the subsidiaries of the Parent. All intra-group transactions and balances between group companies have been eliminated on consolidation.

Subsidiaries of Stride Property Limited

SPL has the following subsidiaries. They are 100% owned, have a 31 March balance date, and are principally involved in the ownership of investment properties.

- Stride Holdings Limited
- Stride Industrial Property Limited (SIPL)
- Fabric Property Limited

SIML does not have any subsidiaries.

8.0 Other (continued)

8.9 Contingent liabilities

SPL's wholly owned subsidiary, SIPL, is a guarantor under the Industrie banking arrangements as SIPL is a beneficial owner of property owned through the unincorporated joint venture of Industrie (refer note 7.2). The total facility under the Industrie banking arrangement is \$355.0 million (2022: \$355.0 million), and as at 31 March 2023 \$271.4 million of bank debt had been drawn down (2022: \$244.6 million).

Stride has no other contingent liabilities at balance date (2022: \$ nil).

8.10 Subsequent events

On 6 April 2023, Fabric advanced a further \$7.8 million in relation to the loan related to 110 Carlton Gore Road, Auckland, and on 28 April 2023, Fabric received \$0.7 million in relation to the interest receivable.

On 11 April 2023, Fabric entered into forward-starting three year fixed interest rate swap agreements with a total notional value of \$25.0 million and an effective date of 31 December 2024.

On 12 April 2023, the Boards of SIML and SPL resolved to issue 199,248 ordinary shares in each of them (i.e. 199,248 Stapled Securities) under the employee incentive schemes operated by SIML.

On 12 April 2023, the SIML Board resolved to grant 1,062,677 rights under the executive long term incentive scheme for FY24 (the period 1 April 2023 to 31 March 2026) and granted 483,331 rights to executives and other employees of SIML as part of the FY23 short term incentive compensation for these employees in connection with their performance during FY23. These rights vest after 31 March 2025 if the relevant employee remains employed by SIML at that time.

On 26 May 2023, SPL declared a cash dividend for the period 1 January 2023 to 31 March 2023 of 1.780830 cents per share, to be paid on 22 June 2023 to all shareholders on SPL's register at the close of business on 6 June 2023. At 1.780830 cents per share, the total dividend payment will be \$9,679,162. This dividend will carry imputation credits of 0.268362 cents per share. This dividend has not been recognised in the financial statements.

On 26 May 2023, SIML declared a cash dividend for the period 1 January 2023 to 31 March 2023 of 0.060 cents per share, to be paid on 22 June 2023 to all shareholders on SIML's register at the close of business on 6 June 2023. At 0.060 cents per share, the total dividend payment will be \$326,112. This dividend will carry imputation credits of 0.023333 cents per share. This dividend has not been recognised in the financial statements. SIML's equity (non-controlling interest) consists largely of retained earnings and the declared dividend represents 2% of SIML's equity as at 31 March 2023.

On 26 May 2023, the Boards of SIML and SPL resolved that the Dividend Reinvestment Plan will operate for the fourth quarter dividends for the period 1 January 2023 to 31 March 2023, with a 2% discount being applied when determining the issue price. The last date for receipt of an application for participation in the Dividend Reinvestment Plan in respect of this dividend is 5pm on 7 June 2023.

Independent auditor's report

To the shareholders of Stride Property Limited and Stride Investment Management Limited



Our opinion

In our opinion, the accompanying consolidated financial statements of Stride Property Group, which consists of Stride Property Limited and its controlled entities (SPL) and Stride Investment Management Limited (SIML) (together Stride), present fairly, in all material respects, the financial position of Stride as at 31 March 2023, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

Stride's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 March 2023;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of Stride in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out tenancy marketing and operating expenditure audits for Stride. In addition, certain partners and employees of our firm may deal with Stride on normal terms within the ordinary course of trading activities. The provision of these other services has not impaired our independence as auditor of Stride.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. We have one key audit matter, which is the valuation of investment property. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Independent auditor's report (continued)

To the shareholders of Stride Property Limited and Stride Investment Management Limited



Description of the key audit matter

Valuation of investment property

As disclosed in Note 3.2 of the consolidated financial statements, SPL's investment property portfolio comprising: office, town centre and industrial properties was valued at \$1,218 million (excluding lease liabilities and investment property classified as held for sale) as at 31 March 2023.

The valuation of SPL's investment property portfolio is inherently subjective due to, amongst other factors, the individual nature of each property, location and the expected future rental income for each property. A small percentage difference in any one of the key individual assumptions used in the property valuations, when aggregated, could result in a material misstatement of the overall valuation of investment properties and considering the significance of investment property to Stride, this is a key audit matter.

The valuations were performed by independent registered valuers, CBRE Limited, CVAS (NZ) Limited, CVAS (WLG) Limited, Jones Lang LaSalle Limited (JLL) and Savills (NZ) Limited (the Valuers) as engaged by SIML, the Manager. The Valuers engaged by SIML are experienced in the markets in which SPL operates and are rotated across the portfolio on a three-yearly cycle.

In determining a property's valuation, the Valuers predominantly used two approaches to determine the fair value of an investment property: the Income Capitalisation approach and the Discounted Cash Flow approach to arrive at a range of valuation outcomes, from which the Valuers derive a point estimate. For the properties at 55 Lady Elizabeth Lane, Wellington (Lady Elizabeth Lane) and 110 Carlton Gore Road, Auckland (Carlton Gore Road), the Residual approach has been used. For the Johnsonville Shopping Centre, Wellington, the Land value approach has been used.

For each property, the Valuers take into account property specific information such as the current tenancy agreements and rental income earned by the asset. They then apply assumptions in relation to capitalisation rate, discount rate, gross market rental, rental growth rate and terminal yield. For Lady Elizabeth Lane and Carlton Gore Road, the valuation incorporates deductions for estimated costs to complete and a profit and risk allowance (where applicable).

Due to the unique nature of each property, the assumptions applied take into consideration the individual property characteristics at a granular tenant by tenant level, as well as the qualities of the property as a whole.

How our audit addressed the key audit matter

The valuation of investment properties is inherently subjective given that there are alternative assumptions and valuation methods that may result in a range of values.

We held discussions with the Manager to understand the movements in SPL's investment property portfolio; changes in the condition of each property; the controls in place over the valuation process; and tenant occupancy risk arising from changes in the estimated churn on lease renewal.

In assessing the individual valuations, we read the valuation reports for all properties. We also held separate discussions with each of the Valuers in order to gain an understanding of the assumptions and estimates used and the valuation methodology applied. We also sought to understand and consider restrictions imposed on the valuation process (if any) and the market conditions at the balance date.

We confirmed that the valuation approach for each property was in accordance with accounting standards and suitable for use in determining the fair value of investment properties at 31 March 2023.

Our work over the assumptions focused on the largest properties in the portfolio where the assumptions used and/or year-on-year fair value movement suggested a possible outlier versus market data. We engaged our own in-house valuation expert to critique and independently assess the work performed and assumptions used by the Valuers on a sample basis. In particular, we obtained an understanding of the key inputs in the valuation, agreed contractual rental and lease terms to lease agreements with tenants, considered whether seismic assessments and/or capital maintenance requirements had been taken into account in the valuations with reference to supporting documentation and that changes in tenant occupancy risk were also incorporated. In addition, for Lady Elizabeth Lane and Carlton Gore Road, we obtained evidence to support the estimated cost to complete and assessed the reasonableness of profit and risk allowance (where applicable) deducted from the 'as if complete' valuation.

With regards to the impact of climate-related risks on the property valuations, while the Valuers confirmed in our discussions that these were considered, the Valuers made no explicit adjustments to their valuations as at 31 March 2023 in respect of climate-related matters.

We considered whether or not there was a bias in determining significant assumptions in individual valuations and found no evidence of bias.

We also assessed the Valuers' qualifications, expertise and their objectivity and we found no evidence to suggest that the objectivity of any Valuer, in their performance of the valuations, was compromised.

It was also evident from our discussions with the Manager and the Valuers and from our review of the valuation reports that close attention had been paid to each property's individual characteristics and its overall quality, geographic location and desirability as a whole.

We considered the appropriateness of disclosures made in the consolidated financial statements.

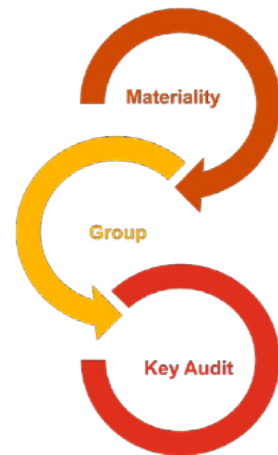
Independent auditor's report (continued)

To the shareholders of Stride Property Limited and Stride Investment Management Limited



Our audit approach

Overview



Overall group materiality: \$3.2 million, which represents approximately 5% of profit before tax excluding the net change in fair value of investment properties (including Stride's share of loss in equity-accounted investments arising from valuation movements of investment properties).

We applied this benchmark because, in our view, it is reflective of the metric against which the performance of Stride is most commonly measured by users.

We selected transactions and balances to audit based on the overall group materiality to Stride rather than determining the scope of procedures to perform by auditing only specific subsidiaries or entities.

As reported above, we have one key audit matter, being the valuation of investment property.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of Stride, the accounting processes and controls, and the industry in which Stride operates.

Independent auditor's report (continued)

To the shareholders of Stride Property Limited and Stride Investment Management Limited



Other information

The Directors of SPL and SIML respectively are responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the consolidated financial statements

The Directors of SPL and SIML respectively are responsible, on behalf of Stride, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors of SPL and SIML respectively are responsible for assessing Stride'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 SPL or SIML or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs 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 consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/>

This description forms part of our auditor's report.

Who we report to

This report is made solely to the shareholders of SPL and SIML, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Stride and the shareholders of SPL and SIML, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Samuel Shuttleworth.

For and on behalf of:

Chartered Accountants
26 May 2023

Auckland

Corporate Governance



Corporate Governance

The Boards of Stride Investment Management Limited (SIML) and Stride Property Limited (SPL) consider the highest standards of corporate governance are essential for sustainable long term performance.

This section of the Annual Report provides an overview of the corporate governance policies and practices adopted and followed by the Boards of Directors of SPL and SIML. This statement is current as at 1 May 2023.

Overview of Stride and its Governance Framework

SPL and SIML are both companies incorporated in New Zealand under the Companies Act. SPL and SIML are 'Stapled Entities', with the ordinary shares of SPL and SIML stapled together and quoted on the Main Board equity securities market of NZX under a single ticker code 'SPG'. This means that one share of SIML and one share of SPL must be traded together as a single parcel. SPL and SIML are together referred to as "Stride Property Group" or "Stride".

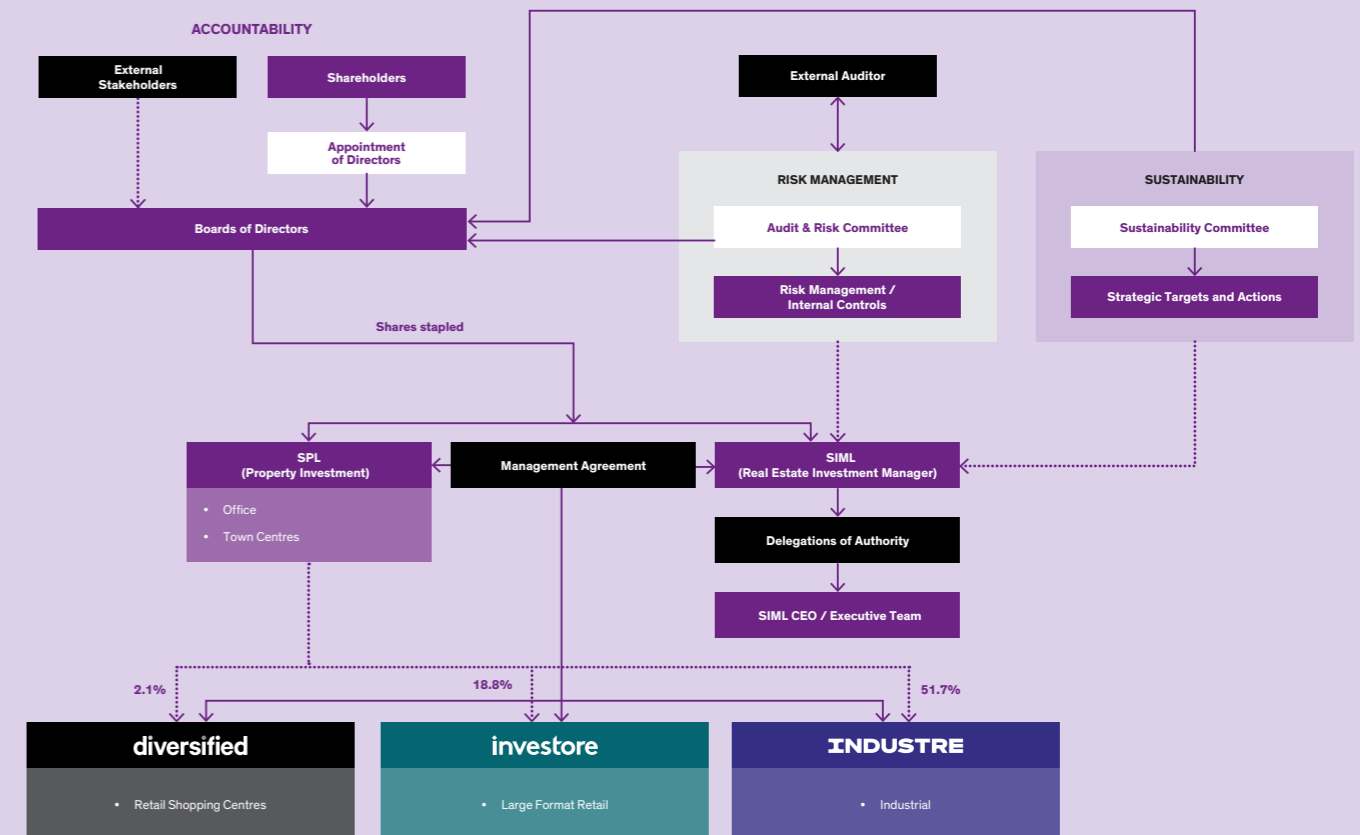
Stride has a 'non-standard' (NS) designation due to its stapled structure. The waivers from the Listing Rules that have been granted by NZX to give effect to that stapled structure are described on pages 132 and 133. The implications of investing in the stapled securities of SPL and SIML are described on page 134.

This section of the Annual Report provides an overview of Stride's corporate governance framework and includes commentary on how Stride complies with each of the eight corporate governance principles and recommendations of the NZX Corporate Governance Code (NZX Code) for the year ended 31 March 2023, together with other statutory disclosures. These disclosures report against the version of the NZX Code dated 17 June 2022, as that was the version that applied during the year ended 31 March 2023.

For the reporting period, Stride considers that its corporate governance practices are materially consistent with the NZX Code.

Stride's governance framework is set out in Diagram 1.

Diagram 1 – Governance Framework



Stride's Website

For additional information on the key corporate governance documents and policies of SIML and SPL, please refer to the Stride website at www.strideproperty.co.nz

NZX Principle 1: Code of Ethical Behaviour

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.

The Stride Boards set high standards of ethical behaviour which inform the overall corporate governance and business practices of SPL and SIML. There are four key behaviours that guide Stride's business operations and inform Stride's culture:

People centred

The success of every place we are involved with ultimately depends on satisfying the wants and needs of people. At Stride we imagine ourselves in our tenants' shoes and create the environment they will enjoy and prosper in.



Discipline driven

Stride people go to great lengths to do the basics of our business incredibly well. That means getting all the details right and having a rigorous process to evaluate every opportunity. We astutely navigate risk, managing downside and seizing opportunities.



Nimble performers

Our flat, tight structure and our size allow Stride and our people to be highly responsive to changing conditions and make fast decisions.



Fresh thinkers

Stride people are at the forefront of new thinking on capturing the optimum value for people from properties. Our feet are firmly on the ground while our heads continuously scan new horizons for better ways of doing things.



Stride celebrates employees who demonstrate these behaviours through regular "In Stride" awards at company-wide meetings. All employees are able to nominate their colleagues for an "In Stride" award, with the awards decided by the SIML Executive Team. This encourages employees to think about how these behaviours guide them and their colleagues in their work practices.

Code of Ethics

To support and reinforce the Stride behaviours, Stride has adopted a Code of Ethics which sets the standard expected by the Stride Boards and the employees of SIML when conducting Stride's business. The Code of Ethics sets the following standards for Directors and employees:

Act with honesty, integrity and fairness, and demonstrate respect for others

Adhere to all legal and compliance obligations

Protect Stride's assets and resources, including its confidential or sensitive information, and ensure this protection extends to the Stride Products

Make every effort to protect the reputation and brand of SPL and SIML and avoid a conflict between an individual's private activities and the business activities of Stride

Make health and safety a priority

The Code of Ethics is supported by other policies, including the Stride Conflicts Policy, Protected Disclosures Policy, Securities Trading Policy, Gifts and Hospitality Policy and Market Disclosure Policy.

Employees can access Stride's Code of Ethics on the company intranet, and are regularly provided with training in relation to the Code of Ethics and other supporting policies.

Conflicts Policy

Stride is conscious of the potential for conflicts of interest given its role as property investor and manager, and takes a conservative approach to conflicts of interest. The principles that govern the management of conflicts of interest are addressed in a number of governance documents, including the Constitution of each of SPL and SIML, the Stride Boards' charter, the Code of Ethics, and other internal policies.

The Boards have adopted a Conflicts Policy which guides Directors and SIML employees when a conflict of interest may arise and sets out procedures for managing conflicts of interest. The purpose of the Conflicts Policy is to protect the integrity of decision-making within SPL and SIML, as well as the Stride Products, the reputation of each of those entities, those who work within them, and those who own them. As part of the Conflicts Policy, SIML has adopted an Acquisition and Leasing Protocol which assists SIML management and employees in making decisions in the event of any conflict between the interests of the portfolios managed by SIML, being SPL, Investore, Diversified and Industrie.

All transactions in which SIML has, or may be perceived to have, a conflict of interest (which can include personal, related party and fund conflicts) will be conducted in accordance with the Conflicts Policy and established protocols. SIML's conflicts manager, who is the Company Secretary of SIML, oversees the application of the Conflicts Policy and reports to the SIML Board to ensure that all conflicts are managed in an appropriate manner.

Protected Disclosures Policy

Stride has a Protected Disclosures Policy which provides a safe process for employees to make an allegation of serious wrongdoing within Stride. This policy was updated during FY23 to reflect the introduction of the Protected Disclosures (Protection of Whistleblowers) Act 2022.

The following procedure is specified in the policy for employees to report wrongdoing:

- The wrongdoing is reported to the Disclosure Officer (the Company Secretary), or where the employee believes the Disclosure Officer is or may be involved in the wrongdoing or where it is inappropriate to make the disclosure to the Disclosure Officer due to the nature of the information, the information may be reported to the Chief Executive Officer or Chief Financial Officer of SIML, a Director of SPL or SIML, or to an appropriate authority such as the Police or Serious Fraud Office.

- The employee should specify that they believe on reasonable grounds that the information is true, that they wish to disclose the information so that the wrongdoing can be investigated, and that they wish the disclosure to be protected in terms of the policy.

All reports of wrongdoing will be investigated within 20 working days of the disclosure being made (where practicable) and the findings of the report will be communicated to the disclosing employee. The Disclosure Officer will use best endeavours to keep the identity of the disclosing employee confidential, subject to limited exceptions, such as where the disclosing employee consents to their identity being disclosed or where required for the investigation.

An employee who makes a disclosure of information in accordance with the policy will be protected from civil or criminal liability, disciplinary proceedings, or unfavourable treatment in respect of the disclosure, provided the disclosing employee acts in good faith and reasonably believes the information disclosed to be true.

During FY23 employees were provided with an overview of the updated policy, including training on the steps to be taken where employees wish to make a protected disclosure.

Securities Trading Policy

The Boards have adopted a Securities Trading Policy which governs trading in SPL and SIML stapled securities by Stride Directors and SIML employees. The Securities Trading Policy raises awareness about the insider trading provisions within the Financial Markets Conduct Act 2013 (FMCA) and reinforces those requirements with additional internal compliance requirements.

Stride Directors and employees of SIML who wish to trade in stapled securities of SPL and SIML must comply with the Securities Trading Policy, which sets limited trading windows and requires all persons to whom the policy applies to obtain approval prior to trading.

Speculative trading is not permitted, and Directors and employees are required to hold stapled securities for a minimum of six months, except in exceptional circumstances and with the prior approval of the Company Secretary.

Investore, a Stride Product, has also adopted a Securities Trading Policy, and Stride Directors and employees of SIML are also bound by this policy.

Employees are regularly reminded of the obligations regarding trading in financial products of both Stride and Investore, and given notification of the trading windows when applicable.

NZX Principle 2: Board Composition and Performance

To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives.

The Role of the Stride Boards

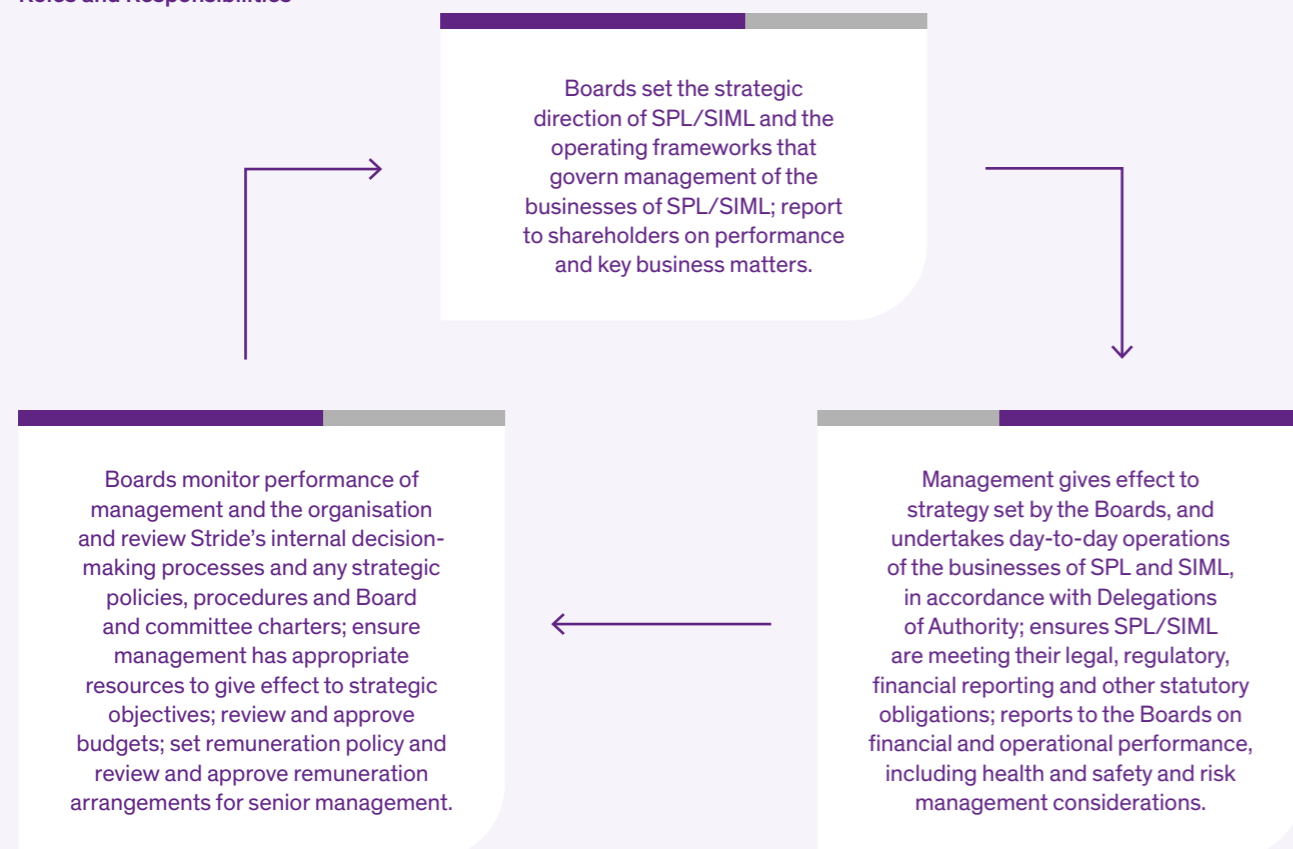
The SPL Board and the SIML Board are each responsible for overseeing the effective management and operation of SPL and SIML respectively. The Boards' role is to represent the interests of Stride's shareholders and ensure that the operations of Stride are managed so as to achieve Stride's strategic and business objectives, within a framework of regulatory and ethical compliance.

The Stride Boards have adopted a charter which sets out the Boards' roles and responsibilities. This charter is available on Stride's website. As part of the charter, each of the Stride Boards commit to maintaining the highest standards of governance, operational quality and accountability in order to promote investor confidence.

The Boards' charter notes that the Board of SPL has appointed SIML as its manager, and the Board of SIML has delegated authority to the Chief Executive Officer of SIML for the operations and administration of Stride, in accordance with the Delegations of Authority. Directors review the Boards' charter annually, to ensure it remains consistent with the Boards' objectives and responsibilities.

A summary of the principal responsibilities of the Boards and management and how they interact is set out in Diagram 2.

Diagram 2 – Boards and Management Roles and Responsibilities



Composition of the Boards and Director Appointment

The Constitution of each of SPL and SIML and the Boards' charter set out the parameters for the composition of each Board, which at all times will be identical due to the 'Stapled Entity' structure. The Boards must comprise a minimum of three Directors and a maximum of eight Directors, with at least two Independent Directors (as defined in the Listing Rules) and two Directors ordinarily resident in New Zealand.

The Boards' charter also requires that the Boards should comprise:

Directors with an appropriate range of skills and experience

Directors who have a proper understanding of, and skill set to deal with, current and emerging issues of the business

Directors who can effectively review and challenge the performance of SIML management and exercise independent judgement

All of the SPL and SIML Directors are considered to be 'Independent Directors' under the Listing Rules, which in summary means that they are free of any direct or indirect interest, position, association or relationship that could reasonably influence, or could reasonably be perceived to influence, in a material way, the Director's capacity to bring an independent view to decisions in relation to Stride, act in the best interests of Stride, and represent the interests of Stride's shareholders generally.

The Boards have reviewed the status of each of the Directors and, taking into account the waiver granted by NZX Regulation in relation to the independence of Directors that is summarised on page 132, confirm that, as at the date of the release of this Annual Report and after considering the relevant factors set out in the NZX Code, all Directors are 'Independent Directors'.

An overview of each of the Directors of SPL and SIML, their status and date of appointment is set out on pages 10 and 11, with their attendance at meetings set out on page 113.

In determining that all SPL and SIML Directors are 'Independent Directors', careful consideration has been given to the factors set out in the NZX Code:

- None of the Directors have been employed in an executive role by Stride
- None of the Directors currently or within the last 12 months have held a senior role in a provider of material professional services to Stride or any of its subsidiaries
- None of the Directors currently or within the last three years have had a material business relationship or material contractual relationship (other than as a Director) with Stride or any of its subsidiaries
- None of the Directors are substantial product holders of Stride or have any association with a substantial product holder of Stride
- None of the Directors have a material contractual relationship with Stride or any of its subsidiaries, other than as a Director
- None of the Directors have close family ties with any of the persons listed above
- None of the Directors have been Directors of Stride for a length of time that may compromise independence

Director Tim Storey has been a Director of SPL since 2009. The Boards have considered this length of tenure and do not consider that it prejudices the independence of Director Tim Storey given his governance experience and approach to Board duties. It is also noted that Tim Storey has indicated, as part of his re-election as a Director at the 2022 Annual Shareholder Meetings of SPL and SIML, that he intends to retire during the current term of his appointment.

Independence of Boards' Chair

The Chair of the Boards is Tim Storey, an independent Director. The Chief Executive Officer of SIML is Philip Littlewood, and accordingly there is separation between the Chair and the Chief Executive Officer.

Company Secretary

The Stride Company Secretary, Louise Hill, is an employee of SIML and a member of the Executive Team reporting directly to the Chief Executive Officer. As a member of the Executive Team, the Company Secretary participates in the SIML executive long term incentive scheme. The Company Secretary has a legal background and understands the need to apply impartiality in the role, including the need to ensure appropriate Board oversight of the business of SPL and SIML. The Company Secretary has direct access to the Boards' Chair and the Chair of the Audit and Risk Committee where needed.

Appointment of Directors

Potential candidates for appointment as a Director are nominated by the SIML Board or the Stride Remuneration and Nomination Committee or a SIML shareholder, and are voted on by the shareholders of SIML. Under SPL's Constitution, persons who are appointed as Directors of SIML are automatically appointed as Directors of SPL.

The Boards may appoint Directors to fill a casual vacancy, but where a Director is appointed to fill a casual vacancy, the Director is required to retire and stand for election at the first Annual Shareholder Meeting after his or her appointment. No Directors were appointed to fill a casual vacancy during FY23, although Stride notes that Director Tracey Jones was appointed as a Director of SIML and SPL on 11 April 2023, and she will retire and stand for election at the 2023 Annual Shareholder Meeting of SIML.

To be eligible for selection, candidates must demonstrate the appropriate qualities and experience for the role of Director and will be selected on a range of factors, including property industry knowledge, business acumen, financial markets, and governance experience. Other factors include background, professional expertise, and qualifications, measured against the Boards' assessment of its overall skills and needs at the time and having regard to the strategy of Stride and Director succession planning.

Before appointing a new director, the Boards undertake appropriate pre-appointment checks, including background checks on education, employment experience, criminal history, and bankruptcy.

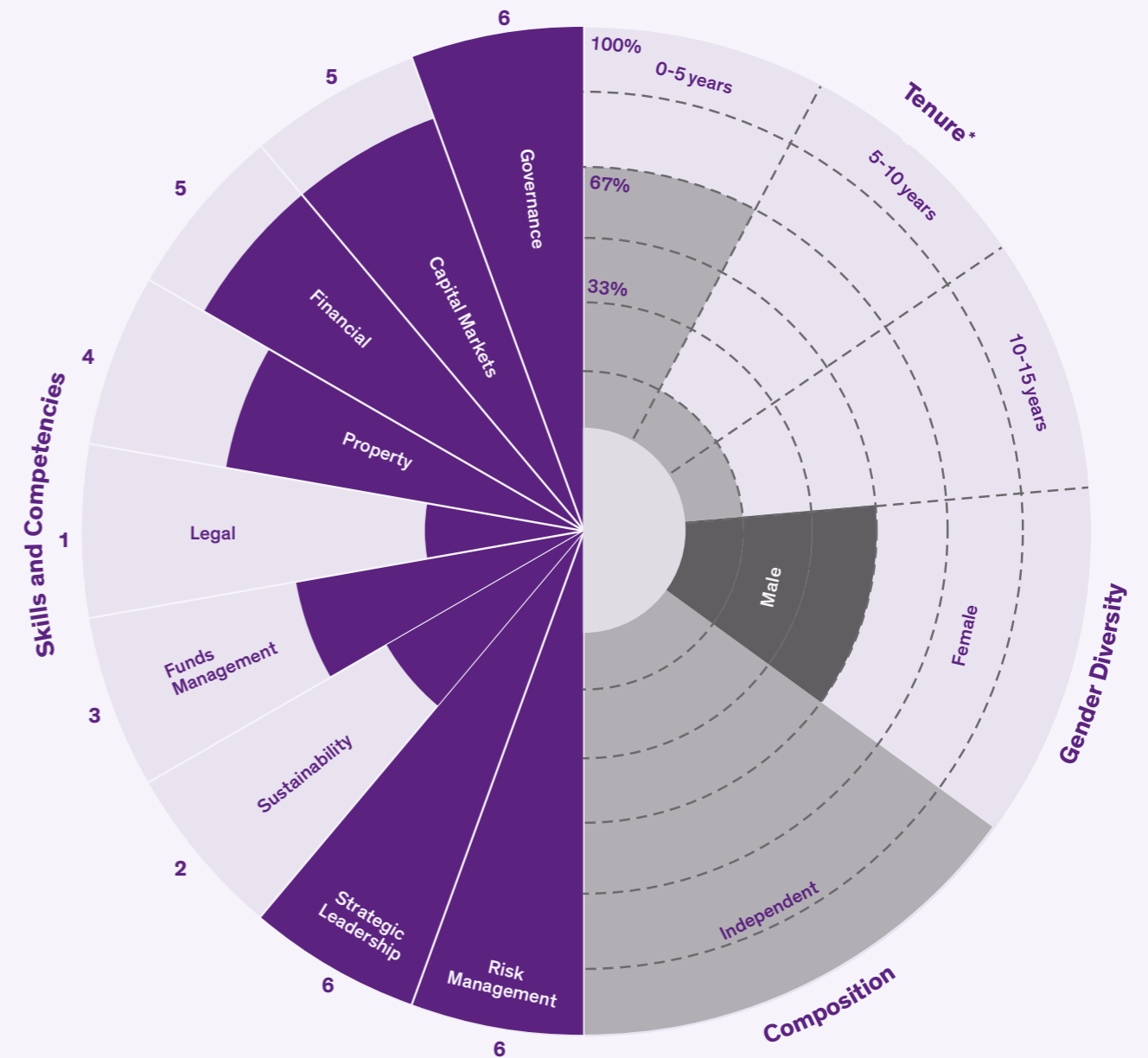
All new Directors are appointed by way of a formal letter of appointment setting out the key terms and conditions of their appointment, including expected time commitment, remuneration entitlements, and indemnity and insurance arrangements. The letter of appointment also requires Directors to comply with all corporate policies and charters, including the Boards' Charter, Code of Ethics, Securities Trading Policy, and Market Disclosure Policy, advises Directors of their right to access corporate information, and sets out confidentiality obligations. As part of their appointment process, new Directors are asked to advise of their interests to be entered into the Boards' interests register, and are advised of Stride's approach to conflicts of interest. New Directors are provided with an induction pack containing key governance information, policies and charters, and relevant information necessary to prepare new Directors for their role. New Directors also meet key members of management of SIML as part of an induction programme, designed to provide new Directors with an overview of Stride, its strategy and operations, and the markets in which it operates.

Directors' Skills and Experience

The Boards include Directors who collectively have a mix of skills, knowledge, experience, and diversity that enhance the Boards' operations and assist the Boards to meet their responsibilities. A balance is maintained between long serving Directors with experience and knowledge of the property sector and Stride's history, and new Directors who bring fresh perspective and insight.

Set out in Diagram 3 is a summary of the skills and experience among Directors of the Boards as at 1 May 2023, and therefore includes Director Tracey Jones, who was appointed as a Director on 11 April 2023, and does not reflect the skills and experience of Director Philip Ling, who retired from the Stride Boards with effect from 11 April 2023. Individual Director profiles are set out on the Stride website and on pages 10 and 11 of this Annual Report. Ownership interests of each Director are set out on page 130 and their attendance at meetings is set out on page 113.

Diagram 3 – Boards' Skills Matrix



* Tenure is determined by taking the earliest date of appointment across SPL and SIML.

Professional Development, Training and Independent Advice

The Boards understand the importance of ensuring they remain current in the knowledge and skills required to be a Director of SPL and SIML, particularly focussed on knowledge specific to the property industry, funds management business, macroeconomic factors and regulatory and governance practices, all of which may impact Stride's business and operations.

Director development and education is primarily focussed on briefings from senior SIML managers and industry experts. Directors also have access to external education and professional development training at Stride's expense.

Directors are entitled to access such information and to seek such independent advice as they individually or collectively consider necessary to fulfil their responsibilities and permit independent judgement in decision-making.

Boards' Review

The Boards undertake an annual evaluation of their performance. Following the external review undertaken in FY22, the Boards elected to undertake an internal review process for FY23, with the Chair conducting interviews with each Director based on a set of questions developed between the Company Secretary and Board Chair. The review focussed on the effectiveness of the entire Boards, the working relationship between Directors, the conduct of meetings of the Boards, whether the Boards are utilising Committees appropriately to assist it in fulfilling its duties and how well the Committees are operating, the current mix of skills and capabilities of Directors and whether these reflect the needs of the Stride Boards, and the effectiveness of the relationship between the Stride Boards and SIML senior management.

The recommendations have been reviewed by the Boards as a whole and are being implemented. The recommendations will assist the Boards in their ongoing development and in the effective functioning of the Boards.

Diversity

The Stride Boards recognise that different perspectives, which often arise due to diverse experiences and backgrounds, contribute to a more successful business. Stride is committed to promoting diversity on the SPL and SIML Boards and

SIML, which is the employing entity of Stride, is committed to promoting diversity within the workplace by attracting, recruiting, developing, promoting and retaining the best employees from a diverse pool of individuals.

Stride has adopted a Diversity Policy which sets out its commitment to diversity within the organisation. This policy was reviewed during FY23, including to reflect input on the policy from the SIML employee Diversity, Equity and Inclusion Committee.

Stride considers that diversity and inclusion embodies a wide range of individual attributes, including gender, experiences, capabilities, ethnicity, age, national origin, sexual orientation, disability, race, family and cultural heritage, and religious belief. Stride's Diversity Policy embraces four key principles:

Merit - Individuals are evaluated based on their individual skills, performance and capabilities

Fairness & Equality - Stride does not tolerate any discrimination or harassment in the workplace of any kind, including, but not limited to, in recruitment, promotion and remuneration

Promotion of Diverse Ideas - Stride values diversity in skills, backgrounds, and ideas which come from a diverse workforce

Culture - Stride believes that diversity is a strong contributor to a rich workplace culture, where individuals are free to be themselves and thrive within Stride

Stride has conducted its annual assessment of its diversity objectives for FY23 and its progress towards achieving these objectives. Stride believes that a focus on diversity and inclusion is an ongoing endeavour and will be a constant consideration and focus for the Stride Boards.

Table 1 – Diversity Objectives and FY23 Performance

Policy	Objective	FY23 Performance				
Stride is committed to promoting diversity on its Boards by attracting, developing and retaining the highest calibre of Directors from a diverse pool of individuals	Improve representation of women on the Boards	Gender split <table border="1"> <tr> <td>Male 67%</td> <td>Female 33%</td> </tr> </table> <p>(FY22: 71% Male / 29% Female)</p> <p>Following Director Philip Ling's retirement and the appointment of Director Tracey Jones, both of which were effective 11 April 2023, the Boards comprise 50% male and 50% female.</p> <p>In April 2023 Director Tracey Jones was appointed to the Boards following a thorough review of Board requirements and a comprehensive search. This appointment was made in anticipation of Director Philip Ling's retirement. In conducting a search for a new Director, Stride considers diversity as one of the key factors for consideration. Stride utilises a variety of channels to identify appropriate candidates, including external recruiting agencies and referrals. The Directors of Stride considered that Director Tracey Jones was the best candidate to fulfil its requirements, including appropriate skills and experience, and accordingly she was appointed on 11 April 2023, post balance date.</p>	Male 67%	Female 33%		
		Male 67%	Female 33%			
Executive Team: <table border="1"> <tr> <td>Male 62.5%</td> <td>Female 37.5%</td> </tr> </table> <p>(FY22: 67% Male / 33% Female).</p> <p>The Executive gender split has improved slightly as a result of the Executive Team reducing in size from 9 to 8 following the resignation of one male member of the team.</p> <p>Leadership Team:</p> <table border="1"> <tr> <td>Male 64%</td> <td>Female 36%</td> </tr> </table> <p>(FY22: 57% Male / 43% Female)</p> <p>The number of females in the Leadership Team has reduced due to one female member of the team resigning and the role not being replaced, and the role of People and Culture Manager being filled by a male candidate following the resignation of the female People and Culture Manager. A lengthy recruitment process was followed in relation to the appointment of the People and Culture Manager and while diversity was one factor considered as part of the recruitment, the best candidate was chosen for the role.</p> <p>Staff:</p> <table border="1"> <tr> <td>Male 39%</td> <td>Female 61%</td> </tr> </table> <p>(FY22: 36% Male / 64% Female)</p> <p>SIML comprises a head office and a number of staff based at shopping centres managed by SIML. The shopping centre teams have a higher proportion of female staff, with 23% male and 77% female, and with the centre managers comprising 33% male and 67% female. SIML believes that its gender split across staff largely aligns with the gender split across the leadership teams, when the head office is considered separately from the shopping centres.</p>	Male 62.5%	Female 37.5%	Male 64%	Female 36%	Male 39%	Female 61%
Male 62.5%	Female 37.5%					
Male 64%	Female 36%					
Male 39%	Female 61%					
Stride believes that diversity is an essential component of a successful business and acknowledges and values the role that diversity plays in strengthening Stride and its performance	Establish a diversity and inclusion programme to improve understanding of diversity in the workplace	During FY23 Stride established an employee Diversity, Equity and Inclusion Committee. This Committee has received diversity and inclusion training from Diversity Works and has reviewed and finalised the Committee charter. The Committee has also developed its strategy and prepared a programme of works for FY24. Unconscious bias training has been provided to all new employees during FY23 (all other employees received training in FY22), as well as for all Directors.				

SIML is committed to a fair and balanced approach when deciding reward and remuneration outcomes for employees. Methodologies adopted to enable a robustly tested and balanced outcome include:

- External benchmarking of salaries
- Completion of an internal equal pay assessment of selected comparative roles and levels
- SIML's performance management framework includes an objective review of KPIs and performance measures for individuals and teams, resulting in an overall performance rating for each employee

SIML is aware that diversity comprises more than simply gender. SIML has been working on gathering ethnicity data to support SIML's commitment to promoting and fostering diversity and inclusion.

Gender composition of the Boards and Officers of SPL and SIML

	As at 31 March 2023		As at 31 March 2022	
	Directors ¹	Officers ²	Directors	Officers ²
Male	4 (67%)	5 (63%)	5 (71%)	6 (67%)
Female	2 (33%)	3 (37%)	2 (29%)	3 (33%)

1. Subsequent to 31 March 2023, Director Philip Ling retired from the Boards and Director Tracey Jones was appointed, both effective 11 April 2023. As a result, the gender composition of the Boards is three male (50%) and three female (50%) as at 1 May 2023.

2. Officer is defined in Listing Rule 3.8.1(c) to mean a person, however designated, who is concerned or takes part in the management of the issuer's business and reports directly to the Board or a person who reports to the Board. Stride considers the executive team of SIML, which consists of the Chief Executive Officer (who reports directly to the Board) plus his direct reports to comprise the Officers of SIML.



NZX Principle 3: Board Committees

The board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility.

Committees play an important role in Stride's governance framework, allowing a subset of the Boards to focus on a particular area of importance for the Stride Boards, while still ensuring the Boards as a whole remain responsible for decision-making.

The Stride Boards have established three permanent Committees.



Audit and Risk Committee

Stride's Audit and Risk Committee operates under a written charter, which is reviewed regularly to ensure that it remains appropriate and current.

The charter requires that the Audit and Risk Committee is comprised solely of non-executive Directors, and has at least three members, with the majority of members being Independent Directors. The Chair of the Audit and Risk Committee is to be an Independent Director and may not be the Chair of the Boards. All Committee members must be financially literate and at least one member must have accounting or related financial management expertise. All Directors are members of the Audit and Risk Committee, with Director Ross Buckley the Chair of the Committee.

The Boards consider that the Audit and Risk Committee has the appropriate level of financial acumen and risk management experience necessary for the Committee to fulfil its responsibilities. The Chair of the Committee, Director Ross Buckley, has considerable audit experience and financial acumen suitable for this role, and has no prior relationship with PwC, Stride's auditor.

Meetings of the Audit and Risk Committee are held at least twice a year, and are generally held four times per year, having regard to Stride's reporting and audit cycle. Additional meetings are held at the discretion of the Chair, or if requested by any Audit and Risk Committee member, the Chief Executive Officer of SIML, the Chief Financial Officer of SIML, or the external auditor.

The NZX Code recommends that employees should only attend Audit and Risk Committee meetings at the invitation of the Committee. The Chief Executive Officer and senior management of SIML, and the external auditor, have a standing invitation to attend Audit and Risk Committee meetings. The Audit and Risk Committee are free to, and do, meet separately with the external auditor, without senior management of SIML present, to discuss audit matters. The Audit and Risk Committee provides assistance to the Boards in fulfilling their responsibility to investors in relation to the reporting

practices of Stride, and the quality, integrity and transparency of the financial reports of Stride, and overseeing the risk management framework implemented by SIML management to effectively identify, manage and monitor key business risks. The role and responsibilities of the Audit and Risk Committee are summarised in Diagram 4.

Diagram 4 – Role and Responsibilities of Audit and Risk Committee

Financial Reporting	Audit Functions	Risk Management
<ul style="list-style-type: none"> Review the financial statements of Stride with management and the external auditor and obtain the external auditor's views on the accuracy, disclosure and content of the financial statements to be presented to investors Review with management and the external auditor the results of analysis of significant financial reporting issues and practices, including changes of accounting principles Review judgements about the quality of accounting principles and clarity of financial disclosure used in Stride's financial reporting Review and recommend financial reports to the Boards 	<ul style="list-style-type: none"> Meet with the external auditor and SIML financial management to review the proposed scope of the audit and half year review and the procedures to be utilised Review the internal audit functions undertaken by SIML and receive a summary of findings from completed internal audits Report the results of the annual audit to the Boards, including whether the financial statements comply with legal and regulatory requirements Review the nature and scope of other professional services provided by the external auditor to consider the risk of these services to the auditor's independence Assess and confirm to the Boards the independence of the external auditor Recommend the appointment or discharge of the external auditor and establish the external auditor's fees, subject to shareholder approval 	<ul style="list-style-type: none"> Ensure that management has established a risk management framework to effectively identify, monitor, manage and report key business risks Review the procedures for identifying key business risks and controlling their financial impact Review management's reports on the effectiveness of systems for internal control, financial reporting and risk management Review key business risks and controls Review insurance policy terms and cover adequacy and recommend the adoption of cover to the Boards

Sustainability Committee

The Stride Boards have established a Sustainability Committee to identify and consider all relevant environmental, social and governance (ESG) matters as they relate to the business of Stride, and assist the Boards to integrate environmental and social principles into the governance of the business. The full Boards have retained responsibility for health and safety matters.

The Sustainability Committee comprises three Board members, being Jacqueline Cheyne (Chair of the Committee), Tim Storey and Michelle Tierney. Jacqueline Cheyne is well placed to lead this committee, given her role as Chair of the External Reporting Board Steering Committee responsible for the development of climate reporting standards, her role as a director of New Zealand Green Investment Finance

Limited, and her experience with sustainability matters during her time as a partner of Deloitte, where she led the Corporate Responsibility and Sustainability Services function for Deloitte New Zealand for nine years. Director Michelle Tierney also has considerable experience in sustainability aspects of property management given her prior roles, including as Chief Operating Officer for Region Property Group (formerly SCA Property Group) in Australia.

The Sustainability Committee meets at least twice a year, and meetings are generally held four times per year. Additional meetings are held at the discretion of the Chair, or if requested by any Committee member or the Chief Executive Officer of SIML. The primary roles of the Sustainability Committee are set out in Diagram 5.

Diagram 5 – Role and Responsibilities of Sustainability Committee



Remuneration and Nomination Committee

Stride's Remuneration and Nomination Committee has been established to assist the Boards with the determination, implementation and oversight of appropriate executive remuneration practices to enable the recruitment, motivation and retention of top talent at all levels, to assist the Boards in planning the Boards' composition and succession, and to identify and nominate for approval of the Boards external candidates to fill Board vacancies as they arise.

Role and Responsibilities of Remuneration and Nomination Committee

Remuneration

- Set and review the remuneration policies and practices of SIML and the Boards
- Set and review all components of the remuneration of the Chief Executive Officer and such other senior executives as the SIML Board may determine, including base salary, short and long term incentive plans, company share schemes and all other entitlements and benefits
- Set and review the short and long term incentive plans for employees, including share schemes
- Make recommendations to the Boards on setting and reviewing all components of the remuneration of non-executive Directors

Nomination

- Evaluate the balance of skills, knowledge and experience of the Boards and determine the skill set and capabilities required for a new Board appointment
- Identify and nominate potential candidates to fill Board vacancies
- Formulate succession plans for non-executive Directors
- Regularly review the structure, size and composition of the Boards and make recommendations to the Boards regarding any changes

The composition of the Committee, its purpose and responsibilities, and meeting procedures, are set out in the Remuneration and Nomination Committee charter, a copy of which is available on the Stride website, www.strideproperty.co.nz. Employees are only entitled to attend meetings at the invitation of the Committee.

The Committee comprises three Board members, being Tim Storey (Chair of the Committee), Ross Buckley and Tracey Jones. Philip Ling was a member of the Committee until his retirement on 11 April 2023, and following his retirement he has been replaced by Tracey Jones.

During FY23 the Committee was responsible for planning for the retirement of Director Philip Ling, who had indicated that he would be retiring during the 2023 calendar year, and recruiting an appropriate replacement. As part of this, the Committee considered the Board skills as a whole, which was informed by the external Board review undertaken during FY22, and identified the skill set and capabilities required for a new Board appointment. The Committee then engaged an external recruitment adviser to assist with identifying potential candidates and, following a thorough process, nominated Tracey Jones as a Director of the SIML and SPL Boards. It should be noted that Director Philip Ling did not take part in the process of identifying potential candidates for his replacement as a Director of the Stride Boards.



Boards and Committee Meetings and Attendance

The Boards' charter sets out the meeting requirements and process for each of SPL and SIML. Due to the nature of the business of each Board, different meeting frequencies are scheduled. The Board of SIML meets a minimum of 8 times per year and the Board of SPL a minimum of 5 times per year, with additional meetings and conference calls scheduled as deemed necessary throughout the year for Directors to undertake their duties.

Directors attend briefings with senior management of SIML on an ad-hoc basis and attend investor briefings in connection with their role as a Director of SPL and SIML. These attendances are not included in the disclosure in Table 2, but comprise an important element of Stride Director responsibilities.

At each Board meeting, the Boards receive written reports and presentations from SIML's Chief Executive Officer and senior management covering a review of operations and financial results for the period in review, an overview of matters for Board approval, an outline of key health, safety and sustainability matters and, as appropriate, risk and governance reports. The Boards regularly consider performance against strategy, set strategic plans and approve initiatives to meet each of SPL's and SIML's strategic objectives.

The number of Board and Committee meetings held during FY23 and details of Directors' attendance at those meetings are disclosed in Table 2. Note that this table does not include interviews with Director candidates or other ad hoc discussions of the Remuneration and Nomination Committee in connection with the recruitment of Director Tracey Jones during FY23.

Table 2 – Directors' Meeting Attendance for FY23

	SPL Board	SIML Board	Audit and Risk Committee	Sustainability Committee	Remuneration and Nomination Committee
Number of Meetings FY23	7	8	4	4	3
Tim Storey	7	8	4	4	3
Ross Buckley	7	8	4		3
Michelle Tierney ¹	7	8	4	3	
Jacqueline Cheyne	7	8	4	4	
Nick Jacobson	6	7	4		
Philip Ling	5	6	3	3	2
John Harvey ²	2	2	1		

1. Director Michelle Tierney joined the Sustainability Committee in August 2022.
2. Director John Harvey retired from the Stride Boards with effect from 31 May 2022.

NZX Principle 4: Reporting and Disclosure

The board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.

Market Disclosure Policy

Stride's Market Disclosure Policy ensures Stride meets its obligations to keep the market informed of all material information. Both SPL and SIML are committed to:

Ensuring that shareholders and the market are provided with full and timely information about their activities

Complying with the general and continuous disclosure principles contained in statute and in the Listing Rules

Ensuring that all market participants have equal opportunities to receive externally available information issued by Stride

The Market Disclosure Policy obliges all Directors of SPL and SIML and executive officers of SIML to inform the Chief Executive Officer of SIML or the SIML General Manager Corporate Services (who is also the Disclosure Officer under the Policy) of any potentially material information or proposal, immediately after the relevant person becomes aware of that information or proposal.

A Disclosure Committee, comprising the Stride Chair and SIML's Chief Executive Officer, Chief Financial Officer and General Manager Corporate Services, is responsible for making decisions about what information is material information and ensuring that appropriate disclosures are made in a timely manner to the market.

Stride reviewed its Market Disclosure Policy during FY23 and made a number of changes to ensure that the policy reflects best practice procedures, particularly in light of decisions of the NZ Markets Disciplinary Tribunal.

Availability of Key Governance Documents

The Boards' charter and the charters of the standing Board Committees, as well as annual and interim reports, announcements, key corporate governance policies and other investor-related material are available on the Stride website at www.strideproperty.co.nz. SIML does not presently include its remuneration policy on the Stride website, as the policy contains commercially sensitive information pertaining to how employees are remunerated.

Clear and Balanced Reporting

Stride is committed to maintaining appropriate financial and non-financial reporting, and adopts processes and procedures to ensure that reporting is clear and balanced.

Financial Reporting

Stride's Audit and Risk Committee is responsible for overseeing Stride's financial reporting, including ensuring that such reporting is balanced, clear and objective. Further information on the Audit and Risk Committee and its responsibilities is contained in the commentary on Principle 3.

Non-Financial Reporting

Develop shared prosperity

The Audit and Risk Committee has established processes to identify and consider the material business risks faced by Stride.

The Committee receives a risk update from SIML management twice annually, describing changing risk trends, emerging or critical risks, and compares current risk ratings against the Committee's stated risk appetite for key risks, enabling the Committee to monitor where risks may be diverging from the appetite of the Board and Committee for that particular risk.

The Board also regularly receives risk management reports and reviews key risks to the business of Stride and the controls implemented to manage exposure to those risks. All identified risks have specific mitigation strategies where appropriate, and the effectiveness of these strategies are regularly reviewed.

A high level summary of key risks to Stride's business as monitored by the Board is set out in the commentary on Principle 6.

Protect the planet

Stride is committed to ensuring that Environmental Sustainability, Social Responsibility and Corporate Governance (ESG) are key considerations in the operation and governance of its business.

The Sustainability Committee is responsible for overseeing Stride's sustainability strategic plan and implementation of its sustainability objectives, including the completion of a climate risk assessment, the outcome of which has been reported in Stride's FY23 Sustainability Report.

More information on the role and responsibilities of the Sustainability Committee is set out in the commentary on Principle 3.

More information on Stride's approach to sustainability, including its targets and objectives, climate risk disclosures, and greenhouse gas inventory, can be found in Stride's FY23 Sustainability Report, available on its website, www.strideproperty.co.nz.



NZX Principle 5: Remuneration

The remuneration of directors and executives should be transparent, fair and reasonable.

Directors' Remuneration

Directors are remunerated in the form of Directors' fees, approved by shareholders, including a higher level of fees for the Chair of the Boards, Chair of the Audit and Risk Committee, and Chair of the Sustainability Committee, to reflect the additional time and responsibilities that these positions involve.

Directors are paid through a contribution from both SIML and SPL. However, under waivers granted by NZX, there is no requirement that Directors' remuneration be authorised by separate resolutions of SPL and SIML.

The Boards are conscious of their obligation to ensure Directors' fees are set and managed in a manner which is fair, flexible and transparent. At the same time, the Boards seek to ensure that Directors' fees are set at an appropriate level to assist Stride to secure and maintain the skills and experience at Board level necessary to govern the business and enhance the long term value of Stride for shareholders.

The Boards have an allowance for additional work and attendance, which remains at the level that applied for the past 4 years of \$144,500. The Boards may determine the allocation of all or part of this allowance for additional work and attendances to remunerate Directors for significant extra attendances and work. For the year in review this allowance was not utilised.

No Director of SPL or SIML is entitled to any remuneration from Stride other than by way of Directors' fees and the reasonable reimbursement of travelling, accommodation and other expenses incurred in the course of performing their duties or exercising their role as a Director.

Directors do not participate in any Stride share or option plan. Directors have no retirement benefit and do not receive any share options or rights or other form of remuneration, except as set out in Table 3.

No director of a subsidiary company of Stride (a list of subsidiary companies and directors is set out in the Statutory Disclosures on page 129) received any remuneration or other benefits during the period in relation to their duties as directors of a subsidiary company.

All Directors of SPL and SIML and their subsidiary companies are entitled to the benefit of an indemnity from each of SPL and SIML and the benefit of insurance cover in respect of all liabilities (to the extent permitted by law) which arise out of the performance of their normal duties as Directors, subject to certain exceptions such as deliberate breach of duty.

Table 3 – Director Remuneration FY23

Director	Remuneration
Tim Storey (Chair)	\$172,500
Ross Buckley (Chair of Audit and Risk Committee)	\$108,750
Jacqueline Cheyne (Chair of Sustainability Committee)	\$105,000
Michelle Tierney	\$97,500
Philip Ling	\$97,500
Nick Jacobson	\$97,500
John Harvey (retired 31 May 2022)	\$18,500
Total	\$697,250

* Total Directors' fees exclude GST and reimbursed costs directly associated with carrying out Director duties. Total Directors' fees include fees paid by SPL and SIML.

Senior Management Remuneration

SIML is committed to a fair and reasonable remuneration framework for its Executive Team. In determining an executive's total remuneration, external benchmarking is undertaken by independent remuneration advisors every two years to ensure comparability and competitiveness, along with consideration of the individual's performance, skills, expertise and experience. Total executive remuneration can be made up of three components: fixed remuneration, a short term incentive scheme and an executive long term share incentive scheme.

It is SIML's policy to pay fixed remuneration at the market median, and for short and long term incentives to be set at or above the upper quartile, such that total potential remuneration is at the upper quartile. This enables SIML to attract and retain talented people, while also rewarding high performance when appropriate.



Fixed remuneration	Fixed remuneration consists of base salary, KiwiSaver and other benefits.
Short term incentive scheme	SIML operates a short term incentive scheme under which selected permanent, full time employees may be eligible to receive an incentive on an annual basis in addition to their base salary. Entitlement to the incentive is subject to pre-agreed hurdles being met, which are aligned to Stride's performance targets and sustainability objectives for the year.
Executive long term share incentive scheme	<p>SIML operates a long term share incentive scheme for the Executive Team, intended to align the interests of key employees with the interests of shareholders and provide a continuing incentive to key employees over the long term.</p> <p>Share performance rights under the SIML long term share incentive scheme may be issued on an annual basis at the discretion of the Board.</p> <p>The scheme provides for selected employees to be granted rights to be issued shares for nil consideration if certain performance hurdles are met. The key features of the plan for rights awarded in FY23 are as follows:</p> <ul style="list-style-type: none"> • The rights are granted for nil consideration and have a nil exercise price • Rights do not carry any dividend or voting rights prior to vesting • Each right that vests entitles the employee to receive one fully paid ordinary share in each of SPL and SIML. The shares issued on vesting carry full voting and dividend rights • The individual must remain an employee of SIML at the relevant vesting date for any rights to vest <p>Further details of the SIML long term share incentive scheme can be found in note 8.3 to the consolidated financial statements. Performance is determined over a three year vesting period, and the vesting of rights depends on certain hurdles being met. For the rights granted during FY23, those hurdles comprised:</p> <ul style="list-style-type: none"> • Relative Total Shareholder Return (TSR) – 50% of rights are subject to Stride's TSR growth performance, relative to constituents of the NZX Property Index. No rights for this component vest if Stride's TSR is negative at the end of the performance period. For vesting of rights to occur, Stride's TSR over the three year performance period would need to outperform the TSR of the bottom two constituents of the comparator group, at which point 20% of the rights to which the condition relates (i.e. 20% of 50% of the total rights) would vest. For 100% of the rights to which this condition relates to vest, Stride would need to have a TSR over the three year performance period equal to or greater than the TSR of the second best performer in the comparator group over the period • Achievement of Strategic Initiatives Condition – 50% of rights are subject to Stride achieving certain strategic initiatives during FY23. 50% of the rights to which this condition relates will vest if Stride achieves certain specified performance targets as set by the Board, with 100% vesting for outperformance. The strategic initiatives include growth targets (acquisitions and developments), strategically identified disposals, capital management initiatives, investment fund metrics, financial targets, and sustainability objectives <p>If an employee is made redundant due to a change of control event occurring in relation to SIML or the employee's role is restructured following such an event, all unvested rights at the relevant date will vest.</p>

KiwiSaver

All employees are eligible to contribute to KiwiSaver and receive SIML contributions. SIML contributes 5% of gross taxable earnings (including short-term incentives) providing employees are contributing at a rate of 4% or higher (which will increase to 5% should this be an option for employee contributions in the future). This increased benefit (well in excess of the statutory minimum of 3%) is intended to attract and retain the highest calibre of employees. For FY23, 92% of eligible employees are contributing at or above 4% of their gross taxable earnings and therefore qualify for SIML to contribute 5% of gross taxable earnings.

Chief Executive Officer Remuneration

The Chief Executive Officer remuneration detail provided in Table 4 relates to salary and other benefits paid, incentive payments accrued, KiwiSaver, and the value of share rights vesting in favour of Philip Littlewood in relation to the period ended 31 March 2023.

Table 4 – Chief Executive Officer Remuneration

	Year ended 31 March 2023	Year ended 31 March 2022 (1)
Philip Littlewood		
Salary	\$615,000	\$615,000
KiwiSaver	\$30,750	\$30,750
Other	\$9,309	\$10,674
Subtotal	\$655,059	\$656,424
Pay for performance – Short term		
Short Term Incentive	\$295,000	\$295,200
Short Term Incentive - share performance rights (2)	\$104,421	\$0
KiwiSaver	\$14,750	\$14,760
Subtotal	\$414,171	\$309,960
Pay for performance – Long term		
Executive Long Term Incentive* - share performance rights vested during the year (3)	\$26,883	\$78,601
Subtotal	\$26,883	\$78,061
Total remuneration	\$1,096,113	\$1,044,985

(1) The value of certain categories of remuneration for the year ended 31 March 2022 have been restated. These are: (1) Short Term Incentive – share performance rights, which has been restated to reflect the value of rights vesting in relation to the period ended 31 March 2022 (consistent with reporting for FY23); and (2) Executive Long Term Incentive, which has also been restated to reflect the value of rights vesting in relation to the period ended 31 March 2022 (consistent with reporting for FY23). These changes have been made as Stride considers this reflects a more accurate measure of Chief Executive Officer remuneration.

(2) Short term incentive share performance rights reflect the value of rights vesting in relation to the relevant period. Short term incentive performance rights vest two years after being granted, subject to continued employment.

(3) Executive Long Term Incentive reflects the value of rights vesting in relation to the relevant period. For FY23, 10% of rights (representing 20,366 shares prior to taxation) vested under the FY21 Share Scheme, with the remaining rights having lapsed.

NZX Principle 6: Risk Management

Table 5 - Breakdown of Chief Executive Officer pay for performance (FY23)

Philip Littlewood	Description	Performance measures	Percentage achieved
Short term incentive	Set at 80-120% of at-risk pay, with payout based on a combination of financial and non-financial performance measures	<ul style="list-style-type: none"> Advancing key strategic objectives Distributable profit and Adjusted Funds From Operations (AFFO) targets Investment management fund metrics Successful completion of treasury and capital management initiatives Delivery of development projects Delivery of key sustainability objectives 	53% of maximum potential incentive
Long term incentive	Vesting of rights granted under the long term incentive scheme for FY21, should the performance hurdles be met	<ul style="list-style-type: none"> Relative Total Shareholder Return (TSR) – 50% of rights vest subject to Stride's TSR growth performance, relative to constituents of the NZX Property Index. 20% of the rights to which this condition relates will vest if Stride's TSR outperforms the bottom two constituents of the comparator group, with straight line increases of 20% increments, and 100% of the rights to which this condition relates vesting when Stride's TSR equals or exceeds the second ranked comparator company Absolute TSR improvement, with nil vesting for TSR below 18% and 100% of the rights to which this condition relates vesting at 30%, and pro rata straight line vesting between the thresholds 	20% of the rights to which this condition related 0%

The Chief Executive Officer is not entitled to any redundancy, retirement or termination payments, except as may be provided to other staff. As noted in relation to the terms of the executive long term share incentive scheme, if the Chief Executive Officer is made redundant or his role restructured as a result of a change of control event of SIML, all unvested rights will vest. This term applies to all rights issued in accordance with the long term share incentive scheme and accordingly is not specific to the Chief Executive Officer.

Remuneration of employees

There were 56 SIML employees who received remuneration and benefits in excess of \$100,000 (not including Directors) in their capacity as employees during the year ended 31 March 2023, as set out in Table 6.

Table 6 – Remuneration Range*

	Number of employees		Number of employees		Number of employees
\$100,000-\$109,999	8	\$190,000-\$199,999	5	\$320,000-\$329,999	2
\$110,000-\$119,999	6	\$200,000-\$209,999	2	\$340,000-\$349,999	1
\$120,000-\$129,999	4	\$210,000-\$219,999	1	\$350,000-\$359,999	1
\$130,000-\$139,999	3	\$220,000-\$229,999	2	\$430,000-\$439,999	1
\$140,000-\$149,999	1	\$240,000-\$249,999	1	\$470,000-\$479,999	2
\$150,000-\$159,999	4	\$250,000-\$259,999	2	\$480,000-\$489,999	1
\$160,000-\$169,999	1	\$280,000-\$289,999	1	\$520,000-\$529,999	1
\$170,000-\$179,999	2	\$290,000-\$299,999	1	\$1,090,000-\$1,099,999	1
\$180,000-\$189,999	1	\$300,000-\$309,999	1		

*This includes salary and benefits paid, short term incentive earned for FY23, the value of short term incentive share rights vesting in relation to the period ended 31 March 2023, employer KiwiSaver contributions, and the value of share rights vesting in relation to the period ended 31 March 2023 under the executive long term incentive scheme.

Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.

Risk Management Framework

The Stride Boards consider effective management of risks to the operations and business of Stride to be an essential part of their responsibilities. The Boards are responsible for overseeing and approving the Stride risk management strategy and policies, as well as ensuring effective audit, risk management and compliance systems are in place. The Audit and Risk Committee assists the Boards in fulfilling their business risk management and audit responsibilities.

Stride has a business risk management framework in place, supported by a set of risk-based policies appropriate for the business, including a Treasury Policy, Conflicts Policy, Investment Mandates across each Stride Product where relevant, and Delegations of Authority. The principal purpose of this framework is to integrate risk management into Stride's operations, and to formalise risk management as part of Stride's internal control and corporate governance arrangements.

As part of the risk management framework, SIML management maintains a comprehensive business risk register for the Stride business and for each of the Stride Products, recording the key risks to the relevant business and operations, and assigning each risk a risk rating based on the likelihood and impact of the risk, as well as mitigation strategies and the risk rating after implementation of the mitigation strategies. All identified risks have specific mitigation strategies where appropriate, and the effectiveness of these strategies are regularly reviewed.

The Stride Boards receive a business risk update from SIML management twice annually, describing changing risk trends, emerging or critical risks, and comparing current risk ratings against the Boards' stated risk appetite for key risks, enabling the Boards to monitor where risks may be diverging from the appetite of the Boards for that particular risk.

A different approach is taken for the identification and categorisation of climate risks, as described in Stride's FY23 Sustainability Report, available on Stride's website, www.strideproperty.co.nz. The FY23 Sustainability Report also contains a description of the risks and opportunities identified by the Stride Boards following their preliminary assessment of climate risks, together with the anticipated impact of the climate risks. Stride has not yet integrated climate risks into its overall business risks and expects to undertake a project to further this during FY24.

Set out in Table 7 is a high level summary of key business risks faced by Stride that are reported to, and monitored by, the Audit and Risk Committee and the Stride Boards as part of Stride's risk management framework. This table does not set out all of the risks related to Stride. Some risks may be unknown and other risks, currently believed to be immaterial, could turn out to be material.



Key changes during FY23 include:

- Risk impacts arising from Covid-19 protection frameworks have decreased as New Zealand continues to operate normally with the virus.
- Risks flowing from the high inflationary environment, including rising interest rates, have become significantly more important.
- Risks due to retail theft, including ram raids, heightened during the early part of FY23. This risk was regularly reviewed during FY23 and its overall risk rating has recently been reduced due to the measures implemented by Stride to reduce risk to its managed portfolio, including bollards, fog cannons, regular Police patrols, and changes to shopping centre lighting.

Management of Health and Safety Risks

The Stride Boards acknowledge that effective governance of health and safety is essential for the continued success of Stride and its operations, and the wellbeing of our people and others who occupy or visit properties that are owned or managed by Stride.

Health and safety risks at all sites, whether owned or managed, are assessed and reported to the Boards, using the same risk assessment methodology used to assess and report on other risks. Health and safety risks are identified and considered in terms of their impact, likelihood and overall risk rating, with specific mitigating plans in place for each risk. SIML works closely with tenants and contractors to minimise and, where practicable, eliminate all property related risks.

Contractor management remains a key health and safety risk faced by Stride. Stride has implemented a comprehensive contractor management framework that seeks to embed the principles of consultation, cooperation and coordination in the management of risks related to works on SIML-managed sites. SIML continues to work with contractors to ensure that appropriate health and safety practices are employed, and that contractors are minimising risk to staff, public and tenants in undertaking their activities. For major developments SIML will engage an external firm to audit health and safety practices on site on a monthly basis, with the results of that review reported to the Board.

Further information on Stride's health and safety performance during FY23 can be found in Stride's FY23 Sustainability Report on its website, www.strideproperty.co.nz.

Table 7 – Key Risks to Stride's Business

Key Risk	Control
Risks arising due to higher interest rates as a result of the current inflationary environment	Stride is conscious of the impact of rising interest rates in the current environment and has taken a proactive approach to interest rate hedging, to manage the impact of this risk. As a result of higher interest rates, capitalisation rates for property are also softening, impacting valuations. Stride seeks to manage this risk through maximising rent, with higher rents offsetting some of the impact of higher capitalisation rates.
Rising costs due to current high inflation impacts Stride's operational costs as well as impacting tenants' total cost of occupancy	Stride seeks to manage the impact of rising costs where possible, particularly the costs of rates and insurance, which materially impact operating expenses for tenants.
Risk of reduced value of portfolios of Stride Products leading to lower asset management fees for SIML	Stride seeks to maximise rentals across all Stride Products which helps to offset capitalisation rate movements, thus supporting asset valuations on which SIML's asset management fees are calculated.
Online shopping impacts retailers, reducing demand for space and impacting ability of retailers to pay rent	Stride proactively monitors market and competitor activity and implements long term plans for shopping centres to maximise the retail performance of existing sites. Stride also takes a prudent approach to investments, investing in town centres that are located in areas of high population or strong population growth, thus ensuring ongoing demand.
Financing availability and cost	Stride has a policy of renewing its financing facilities at least 12 months before they are due to mature.
Inability to execute transactions, impacting growth aspirations, SIML reputation and transaction fees	SIML has roles focussed on executing transactions, and maintains contact with estate agents and property industry experts in order to maintain market knowledge. At the same time, SIML takes a measured approach to acquisitions, and will only complete transactions that it considers to be accretive or which provide growth opportunities.
Demand for office space reduces due to more people working from home	Stride has focussed on improving the quality of its office portfolio to meet what it considers are key demands from tenants for office space, in order to position its portfolio to attract the greatest demand. Stride is seeing a trend of more people returning to work in the office, although with more flexibility than prior to Covid-19.
Risk of portfolio requiring seismic strengthening due to changing assessment guidelines	Stride monitors changes in the approach by engineers to seismic assessments and seeks to ensure that its properties remain seismically resilient. Stride proactively obtains seismic assessments of its properties when it considers appropriate, which enables Stride to understand and manage this risk.
Health and safety risk	Stride is conscious of the impact of adverse health and safety outcomes and takes a conservative approach to this risk. SIML has a Safety and Sustainability Manager who implements processes to manage health and safety risk, together with a Health & Safety Advisor who monitors the implementation of Stride's health and safety processes to ensure documented procedures are being undertaken to manage this risk.

NZX Principle 7: Auditors

The board should ensure the quality and independence of the external audit process.

External Audit Function and Audit Independence

PwC is the auditor of Stride. The key framework for the relationship between the issuer and its external auditor is comprised in the Audit and Risk Committee charter, which includes the audit independence guidelines. These guidelines require compliance with the Listing Rules, which require rotation of the lead audit partner at least every five years. A new lead audit partner was appointed for the audit of the Stride financial statements for FY22, as the prior audit partner had been the audit partner for five years, and accordingly was due for rotation.

The Audit and Risk Committee has decided against implementing a policy of rotating Stride's audit firm, on the basis that there is a limited pool of external audit firms within New Zealand and Stride engages the other major firms for non-audit services, meaning they would be conflicted if approached to act as auditor.

The audit independence guidelines contain a description for determining the non-audit services that may be provided by the external auditor without compromising the external auditor's independence. The Audit and Risk Committee

regularly monitors non-audit services provided by the external auditor and confirms whether these services prejudice the maintenance of independence of the auditor. The purpose of the audit independence framework is to ensure that audit independence is maintained, both in fact and appearance, so that Stride's external financial reporting is reliable and credible. For FY23, PwC, as auditor, did not provide any services other than audit and review of financial statements and other assurance services.

During FY23 the Audit and Risk Committee elected to invite the auditor to every Committee meeting. Directors are also free to make direct contact with the external auditor as necessary to obtain independent advice and information. In the interests of encouraging active participation by shareholders at the Annual Shareholder Meetings, Stride's external auditor is in attendance to answer any questions shareholders may have in relation to the audit of the annual financial statements.

Internal Audit Function

Stride does not employ internal auditors. Instead, Stride adopts a process of project-specific internal audits, through engaging consultants to undertake internal reviews or assessments on a project-by-project basis. Selected consultants are engaged to assess, amongst other things, Stride's internal control systems, financial reporting system, risk management and the integrity of the financial information reported to the Boards. Project based reviews or assessments can operate both with and independently from management, with all findings reported to the relevant Board or Committee.

NZX Principle 8: Shareholder Rights and Relations

The board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.

Investor Communications

The Boards believe transparent and open communication with shareholders is important to ensure effective participation by shareholders in the business of Stride. Shareholders deserve to be provided with all relevant information about the performance of their investment and to be informed on any significant matters relating to their investment in Stride.

Stride is committed to notifying the market of any material information related to its operations as required by the Listing Rules. All announcements are posted on Stride's page on the NZX website, www.nzx.com. Following release on the NZX, copies of the announcements and information released to NZX are posted on Stride's website, www.strideproperty.co.nz.

Significant market announcements, including the announcement of the half year and full year results, the accounts for those periods and any advice of a change in earnings forecast, require prior review and approval of each Board.

In addition to these general disclosure obligations, Stride's Market Disclosure Policy requires Directors and management to regularly consider whether there is any information that may require disclosure in accordance with the Market Disclosure Policy, the Listing Rules, the FMCA and best practice in this area. Board agendas include a consideration of any matters for disclosure as the last item on the agenda, and the Boards turn their mind to whether anything that has arisen or been discussed during the meeting requires disclosure. Management and the Boards are also in contact between meetings as matters arise, and consideration is given to whether any matters are material and require disclosure.

The Stride website has copies of all presentations and reports released by Stride, and shareholders are encouraged to refer to the website www.strideproperty.co.nz for information on SPL and SIML. Stride's annual reports and interim reports are available electronically on Stride's website and investors can request hard copies (where available) by contacting Stride's Share Registrar (whose contact details can be found in the Corporate Directory at the back of this Annual Report). Stride encourages investors to receive investor communications by electronic means where possible.

Annual Shareholder Meetings

SPL and SIML hold their Annual Shareholder Meetings at the same time, with separate votes held in relation to shareholder resolutions of SIML and shareholder resolutions of SPL. SIML and SPL shareholders have one vote per share they hold in SIML and SPL respectively, and have the right to vote on major decisions in accordance with the Companies Act and the Listing Rules.

To enable shareholders to fully participate in shareholder meetings, the Boards will endeavour where possible to distribute the Notice of Meetings at least 20 working days prior to any shareholder meetings. Each notice of meeting for shareholder meetings and transcripts of those meetings are made available on Stride's website and on the NZX.

During FY23 shareholders were given at least 20 working days' notice of the Annual Shareholder Meetings of SPL and SIML held on 6 July 2022.

Shareholders are encouraged to attend the SIML and SPL Annual Shareholder Meetings and take the opportunity to meet the Stride Boards and SIML senior managers. All Directors and SIML senior managers attend the shareholder meetings and are available for questions. The Chair provides time for questions from the floor, and these are answered by the appropriate member of the Boards or SIML management. Stride's external auditor attends the meetings and is available to take questions on the preparation of the financial statements and the auditor's report.

Stride's 2023 Annual Shareholder Meetings are due to be held on 29 June 2023, and the Boards encourage shareholders to attend the meetings.



Statutory Disclosures



Disclosures of Interest

The general disclosures of interest made by Directors of the Boards during the period 1 April 2022 to 31 March 2023 pursuant to section 140 of the Companies Act 1993 are shown in Table 8. Directors' interests in shares are shown on page 130.

Table 8 – Interests Register Entries

Director	Company	Position
Tim Storey	Investore Property Limited	Director
	Prolex Limited	Director
	Prolex Investments Limited	Director
	Prolex Management Limited	Director
	LawFinance Limited	Chair
Ross Buckley	ASB Bank Limited	Director
	Service Foods NZ Limited	Chair
	Institute of Directors	National Council Member and Chair of Auckland Branch
	Massey University	Council Member
	Audit Oversight Committee of the Financial Markets Authority (1)	Member
	Investore Property Limited (1)	Director
Philip Ling	Skymark Capital Limited	Director / Shareholder
	Jones Lang LaSalle	Shareholder
Jacqueline Cheyne	Audit Oversight Committee of the Financial Markets Authority	Member
	Risk and Assurance Committee MBIE	Member
	Broader Perspectives Limited	Director
	Audit & Risk and Investment Committee of the Nikau Foundation (2)	Independent Member
	External Reporting Board	Member
	New Zealand Green Investment Finance Limited	Director
	Christchurch City Council Audit and Risk Management Committee	Independent Member
	Snow Sports NZ	Chair
	PaySauce Limited	Director
Pioneer Energy Limited (1)	Director	
Michelle Tierney	Nil	
Nick Jacobson	Atmos Capital Partners Pty Limited	Director
	Wingate Group and related entities	Director
	Saxonwold Pty Limited	Director
John Harvey	Investore Property Limited (2)	Director
	Pomare Investments Limited (2)	Director / Shareholder
	Kathmandu Holdings Limited (2)	Director
	Heartland Bank Limited (2)	Director
	Port of Napier Limited (2)	Director

(1) Entries added by notices given by Directors during the year ended 31 March 2023.

(2) Entries removed by notices given by Directors during the year ended 31 March 2023.

Directors of Subsidiary Companies

The subsidiaries of SPL and their directors as at 31 March 2023 are as set out in Table 9. All subsidiaries are wholly owned direct subsidiaries of SPL.

No additional fees were paid to any director of a subsidiary in respect of that directorship.

SIML had no subsidiaries as at 31 March 2023.

Table 9 – Stride Property Limited Subsidiaries and their Directors as at 31 March 2023

Subsidiary	Directors
Stride Holdings Limited	Tim Storey, Philip Ling, Michelle Tierney, Jacqueline Cheyne, Nick Jacobson, Ross Buckley, John Harvey (ceased 31 May 2022)
Stride Industrial Property Limited	Tim Storey, Philip Littlewood
Fabric Property Limited	Tim Storey, Jacqueline Cheyne

Indemnity and Insurance

In accordance with section 162 of the Companies Act and the Constitutions of each of SIML and SPL, each of SIML and SPL has entered into a deed of access, indemnity and insurance to indemnify its Directors and the Directors of its subsidiaries for liabilities or costs they may incur for acts or omissions in their capacity as a Director to the extent permitted under the Companies Act. The indemnity does not cover wilful default or fraud, criminal liability, liability for failure to act in good faith and in the best interests of the relevant company, or liabilities that cannot be legally indemnified.

SIML and SPL also have a Directors' and Officers' Liability Insurance Policy in place. Among other things, the Directors' and Officers' Liability Insurance Policy excludes cover for deliberate dishonesty, insider trading, fines and penalties (except for legally indemnifiable civil fines or civil penalties), liability arising out of a breach of professional duty other than as a professional director, and liability for which the insured is legally indemnified.

In authorising any insurance to be effected, each Director signs a certificate stating that, in their opinion, the cost of the insurance is fair to SIML and SPL.

Use of Group Information

No notices have been received by the SIML Board or SPL Board under section 145 of the Companies Act with regard to the use of Stride information received by Directors in their capacities as Directors of Stride or any subsidiary company of SPL.

Loans to Directors

There are no loans to Directors.

Disclosures of Director's Interest in Share Transactions

For the purposes of section 148(2) of the Companies Act, no disclosures were made by Directors in respect of changes in shareholdings in SPL or SIML or any SPL subsidiary during the period 1 April 2022 to 31 March 2023.

Directors' Interests in Shares

Directors disclosed the following relevant interests in shares in each of SIML and SPL as at 31 March 2023:

Director	Relevant interest held in ordinary shares
Tim Storey	159,916
Ross Buckley	25,000
Philip Ling	10,000
Jacqueline Cheyne	10,500
Nick Jacobson	65,000

Directors are not required to hold shares in Stride, but may choose to do so in order to demonstrate alignment of interests in the performance of Stride with shareholders.

Twenty Largest Registered Shareholders as at 31 March 2023

Name	Number of ordinary shares	% of ordinary shares
Accident Compensation Corporation – NZCSD	49,032,213	9.02
ANZ Wholesale Trans-Tasman Property Securities Fund – NZCSD	45,860,715	8.44
HSBC Nominees (New Zealand) Limited – NZCSD	37,773,111	6.95
Forsyth Barr Custodians Limited	28,283,481	5.21
JBWere (NZ) Nominees Limited	27,228,599	5.01
FNZ Custodians Limited	25,726,510	4.74
BNP Paribas Nominees (NZ) Limited – NZCSD	21,703,017	3.99
New Zealand Depository Nominee Limited	20,053,100	3.69
HSBC Nominees (New Zealand) Limited A/C State Street – NZCSD	19,976,425	3.68
Generate KiwiSaver Public Trust Nominees Limited – NZCSD	14,762,238	2.72
JPMorgan Chase Bank NA NZ Branch – NZCSD	14,672,156	2.70
Citibank Nominees (New Zealand) Limited – NZCSD	12,440,520	2.29
Custodial Services Limited	11,625,370	2.14
ANZ Wholesale Property Securities – NZCSD	10,320,136	1.90
TEA Custodians Limited Client Property Trust Account – NZCSD	9,605,244	1.77
MFL Mutual Fund Limited – NZCSD	9,399,708	1.73
National Nominees Limited – NZCSD	7,796,340	1.43
Hobson Wealth Custodian Limited	7,255,054	1.34
PT (Booster Investments) Nominees Limited	7,072,126	1.30
Mint Nominees Limited – NZCSD	5,696,719	1.05
Total	386,282,782	71.10

Substantial Product Holders as at 31 March 2023*

As at 31 March 2023, the names of all persons who are substantial product holders in SIML and SPL pursuant to sub-part 5 of part 5 of the FMCA are noted below:

	Date of substantial product holder notice	Number of shares held at date of notice	% of ordinary shares held at date of notice
Accident Compensation Corporation	3 October 2022	49,335,591	9.13
ANZ New Zealand Investments Limited and related bodies corporate	3 September 2021	53,921,364	11.39

* The number of ordinary shares listed in the table are as per the last substantial product holder notice filed by the relevant shareholder on or before 31 March 2023. As substantial product holder notices are required to be filed only if the total holding of a shareholder changes by 1% or more since the last notice filed, the number noted in this table may differ from that shown in the list of the 20 largest shareholdings.

Distribution of Ordinary Shares and Shareholdings as at 31 March 2023

Range	Total holders	% of holders	Shares	% of shares
1 - 499	68	1.32	13,893	0.00
500 - 999	47	0.91	34,015	0.01
1,000 - 1,999	178	3.45	264,400	0.05
2,000 - 4,999	715	13.86	2,440,808	0.45
5,000 - 9,999	1,239	24.02	8,790,354	1.62
10,000 - 49,999	2,323	45.03	50,552,499	9.30
50,000 - 99,999	369	7.15	24,910,836	4.58
100,000 - 499,999	175	3.39	30,828,361	5.67
500,000 - 999,999	13	0.25	9,298,327	1.71
1,000,000 and over	32	0.62	416,186,983	76.60
Total	5,159	100.00	543,320,476	100.00

Numbers may not sum due to rounding.

Donations

During FY23 neither SPL nor SIML made any donations.

SPL is a sponsor of the Graeme Dingle Foundation, and SIML is a sponsor of the Keystone New Zealand Property Education Trust.

During the year SPL paid \$70,000 in sponsorship to the Graeme Dingle Foundation. SIML paid \$10,000 to Keystone New Zealand Property Education Trust and \$5,000 to the Tania Dalton Foundation by way of sponsorship.

Credit Rating

As at the date of this Annual Report, Stride does not have a credit rating.

Exercise of NZX Disciplinary Powers

The NZX did not exercise any of its powers under Listing Rule 9.9.3 in relation to Stride during FY23.

Auditor's Fees

PwC has continued to act as auditor for Stride and the amounts payable by Stride and its subsidiaries to PwC for audit fees and non-audit work fees undertaken in respect of FY23 are set out in note 8.2 to the consolidated financial statements.



NZX Waivers

During FY23 Stride was granted or relied on certain waivers from the Listing Rules, which are described below. A copy of these waivers is available at www.nzx.com/companies/SPG/documents.

NZX Regulation Decision dated 28 May 2020 – Non-Standard Designation Waiver

Ruling on the Definition of “Associated Person”

A ruling that, for the purposes of the definition of “Associated Person” in the Listing Rules, Investore is not an “Associated Person” of SIML and accordingly, Investore is not a “Related Party” of SIML.

Ruling on definition of “Disqualifying Relationship”

A ruling that, for the purposes of the definition of “Disqualifying Relationship” in the Listing Rules, any reference to “Issuer” shall be a reference to the “Stapled Group” (Stride).

Listing Rules 2.2 to 2.5 and 2.7 to 2.8

This waiver permits:

- The SPL Board and the SIML Board to be made up of the same people;
- An SPL Board member to be deemed to be appointed (or removed) to the SPL Board if appointed to (or removed from) the SIML Board; and
- The SPL Board members to retire from the SPL Board by rotation at the same time as they retire from the SIML Board.

Listing Rule 2.10.1

This waiver permits the Directors of one Stride company to vote on matters in which they are “interested” due to being a Director of the other Stride company. Directors will not be permitted to vote on matters in which they are “interested” by virtue of a relationship or interest other than their directorship of the Stapled Entities.

Listing Rule 2.11

This waiver permits the pooling of Director remuneration for Stride, and the approval of Director remuneration by way of a single resolution of SIML shareholders.

Listing Rules 2.14.1, 2.14.2, 7.8 and 7.9

This waiver permits Stride to provide consolidated notices, reports and communications (including notices of meetings) to shareholders. This will not affect the obligation for each of SPL and SIML to hold separate meetings (albeit that they will occur one after the other).

Listing Rule 4.6.1

This waiver permits SPL to issue shares to SIML employees under a SIML employee share plan (if any), in order to ensure that the number of SPL shares on issue is the same as the number of SIML shares on issue at all times.

Listing Rules 3.13.1, 3.14.2 and 3.15

This waiver permits the Stride companies to announce, via NZX, issues, acquisitions, conversions or redemptions of securities on a consolidated basis. Dividends will be separately announced by each of SPL and SIML.

Listing Rule 5.2.1

This waiver permits:

- each of SPL and SIML to enter into one or more Material Transactions (as defined in the Listing Rules) for the purposes of enabling SPL and/or SIML to establish or acquire new property investment vehicles without shareholder approval; and
- SPL and SIML to enter into one or more “Material Transactions” for the purposes of enabling SIML to establish or acquire new property management opportunities without shareholder approval.

Ruling on definition of “Average Market Capitalisation” and “Average Market Price”

A ruling that the term “Issuer” in the definition of “Average Market Price” refers to the “Stapled Group” (Stride) and the term “Quoted Equity Securities” in the definition of “Average Market Capitalisation” refers to the stapled securities of SPL and SIML.

Ruling on the definition of “Material Information”

A ruling that the reference to “price of quoted financial products of the listed issuer” in the definition of “Material Information” should be read as applying to the price of the stapled securities of SPL and SIML. This ruling requires that any announcement must explain whether the information is material to SPL or SIML.

Listing Rules 3.5, 3.6.1(a), 3.7 and 3.8

This waiver permits the Stride companies to provide certain information required in annual and half year reports on a consolidated basis, rather than by and in respect of each Stride company individually. This waiver is subject to the additional condition that each of the Stride companies release individual financial statements to the extent required by applicable financial reporting legislation.

Listing Rule 8.3

This waiver permits the Stride companies to provide consolidated statements of shareholdings to shareholders which shows their overall Stride holding, rather than their shareholding in each Stride company separately.

Financial Reporting Exemption

The financial statements for each Stride company were prepared in accordance with the Financial Markets Conduct (Stride Property Group) Exemption Notice 2022. This exemption allows SPL and SIML, subject to conditions set out in the exemption notice, to prepare financial statements in respect of Stride, while they remain stapled (in place of separate financial statements for each company).

Implications of Investing in Stapled Securities

The practical implications of a shareholder holding a stapled security include that:

- The shareholder is a shareholder of both SPL and SIML
- In order to sell a SPL share or a SIML share, the corresponding SIML share or SPL share, as applicable, also needs to be sold to the same purchaser
- Market disclosures via NZX may be made in respect of the Stride companies as a whole, but each of SPL and SIML will continue to be obliged to make announcements under the Listing Rules according to the nature of the disclosure (for example, announcements about the declaration of a dividend or the passing of a resolution at a meeting of shareholders would be made by the relevant company)
- The only quoted price of a SPL share and/or a SIML share on the NZX Main Board will be the quoted price for the stapled security
- The materiality of “Material Information” for continuous disclosure purposes under the Listing Rules will be assessed against the potential effect on the price of stapled securities as there will not be a separate quoted price available for each of SPL and SIML. Any disclosure of “Material Information” made by Stride will explain whether the information is material to SPL and/or SIML
- New stapled security issues will result in equal numbers of SPL shares and SIML shares being issued
- Shareholders are entitled to attend, or vote by proxy, at separate meetings of shareholders of each of SPL and SIML. For some transactions involving both Stride companies (for example, an issuance of stapled securities being made with shareholder approval under the Listing Rules), resolutions might be required from shareholders in respect of the same matter. In that case, the relevant transaction will only be able to proceed if the respective resolutions are approved at shareholder meetings of both SPL and SIML
- Distributions will be received, to the extent declared, from each of SPL and SIML

Directors’ Statement

This Annual Report is dated 26 May 2023 and is signed for and on behalf of the Boards of Directors of Stride Property Limited and Stride Investment Management Limited by:



Tim Storey
Chair of
the Boards



Ross Buckley
Chair of the Audit and
Risk Committee

Glossary

Companies Act	Companies Act 1993
Contract Rental	Contract Rental is the amount of rent payable by each tenant, plus other amounts payable to SPL (or the relevant landlord) by that tenant under the terms of the relevant lease as at the relevant date, annualised for the 12-month period on the basis of the occupancy level for the relevant property as at the relevant date, and assuming no default by the tenant
Distributable Profit	Distributable profit is a non-GAAP measure and consists of (loss)/profit before income tax, adjusted for determined non-recurring and/or non-cash items, share of (loss)/profits in associates, dividends received from associates and current tax. Further information including the calculation of distributable profit and the adjustments to (loss)/profit before income tax, is set out in note 4.2 to the consolidated financial statements
Diversified	Diversified NZ Property Trust, a Stride Product
Fabric	Fabric Property Limited, a wholly owned subsidiary of SPL, formerly Stride Office Property Limited
FMCA	Financial Markets Conduct Act 2013
FY	The financial year ended on 31 March of the relevant year
Gross occupancy cost	Total gross occupancy costs (excluding GST) expressed as a percentage of moving annual turnover (including GST)
Industre or Industri Property Joint Venture	The joint venture between SPL (through its wholly owned subsidiary, Stride Industrial Property Limited) and JPMAM (through its special purpose vehicle, AP SG 17 Pte Ltd), which commenced on 1 July 2020. Industri is a Stride Product
Investore	Investore Property Limited, a Stride Product
JPMAM	A group of international institutional investors, through a special purpose vehicle, and advised by J.P. Morgan Asset Management
Lease Expiry Profile	Represents the scheduled expiry for each lease, excluding any rights of renewal that may be granted under each lease, for the portfolio as at 31 March 2023, as a percentage of Contract Rental
Listing Rules	The main board listing rules of NZX
LVR	Loan to value ratio
NLA	Net Lettable Area
NZX	NZX Limited
NZX Code	NZX Corporate Governance Code 2022
SIML	Stride Investment Management Limited
SIML Board	The Board of Directors of SIML
SPL	Stride Property Limited
SPL Board	The Board of Directors of SPL
Stride	Stride Property Group, comprising the stapled entities of SPL and SIML
Stride Boards or Boards	The Boards of SPL and SIML together
Stride Product	Any or all, as the context may require, of Diversified, Investore, and Industri, being entities or funds managed by SIML
WALT	Weighted Average Lease Term, which is the lease term remaining to expiry across a property or portfolio and weighted by rental income

Corporate Directory

Board of Directors

Tim Storey (Chair)
Ross Buckley
Jacqueline Cheyne
Michelle Tierney
Nick Jacobson
Tracey Jones (appointed on 11 April 2023)
Philip Ling (retired effective 11 April 2023)
John Harvey (retired effective 31 May 2022)

Registered Office

Level 12, 34 Shortland Street, Auckland 1010
PO Box 6320, Victoria Street West
Auckland 1142, New Zealand

T +64 9 912 2690
W strideproperty.co.nz

Auditor

PwC
PwC Tower
15 Customs Street West, Auckland 1010
Private Bag 92162, Auckland 1142

Share Registrar

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road, Takapuna
Private Bag 92119, Victoria Street West
Auckland 1142

T +64 9 488 8777
F +64 9 488 8787
E enquiry@computershare.co.nz

Legal Adviser

Bell Gully
Level 21, Vero Centre
48 Shortland Street, Auckland 1010
PO Box 4199, Auckland 1140

Bankers

ANZ Bank New Zealand Limited
China Construction Bank Corporation (New Zealand Branch)
Industrial and Commercial Bank of China Limited,
Auckland Branch
MUFG Bank Limited (Auckland Branch)
The Hongkong and Shanghai Banking Corporation Limited,
incorporated in the Hong Kong SAR, acting through its
New Zealand Branch
Westpac New Zealand Limited



Stride Property Group

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