



Growth in action



Landsec Annual Report 2022

This has been a year of building momentum, both on our performance and in strategic activity.

We have grown our portfolio value, our earnings and our dividend. We have strengthened our team and refreshed our sustainability framework to ensure everything we do aligns with a sustainable future.

We identified opportunities to grow and we acted on them – adding significantly to our mixed-use urban pipeline. We're creating and managing places that excite and inspire people, places fit for today and for the future, places that enable communities to grow. Last year we promised growth with purpose. Now we're seeing growth in action.

We have a clear view and a clear focus on:

Offices

See pages 20-21

Retail

See pages 22-23

Urban

See pages 24-25

neighbourhoods

Who we are – We are one of the leading real estate companies in the UK. We create places that make a lasting positive contribution to our communities and our planet. We bring people together, forming connections with each other and the spaces we create.

Our purpose – Sustainable places. Connecting communities. Realising potential. Three principles to live by, they articulate what we want to achieve, and the benefits and experiences we will create for our stakeholders, now and in the future.

Our areas of focus



Our performance

Valuation		EPRA earnings		Dividend per share	
2021	£10.8bn	2021	£251m	2021	27.0p
2022	£12.0bn	2022	£355m	2022	37.0p

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Our year in review

In the past year, we have moved from lockdown to growth. From helping our customers survive, to enabling them to thrive. The year ended with new emerging challenges resulting from geopolitical risk, and with rising inflation increasing pressure on consumer incomes and affecting the construction industry, but we remain very well placed.

Operational review

Central London

In our Central London portfolio, we achieved a record year of leasing, with £63m of office lettings completed, 4% ahead of valuers' assumptions. Our overall occupancy remains high, at 95.3%.

We also capitalised on strong investment demand for office assets, with £0.4bn of disposals at an average yield of 4.1%. This was in line with our strategy of selling mature office assets to invest in growth opportunities.

And we unlocked 507,000 sq ft of potential new schemes, at New Street Square, EC4 and in Southwark, through two innovative deals. This has increased our potential future development pipeline to 1.8 million sq ft.

Major retail destinations

During the year, we restructured and strengthened our retail team to focus on supporting brand and guest relationships, and building on opportunities to create a best-in-class portfolio of major UK retail destinations. We are seeing the results of this work, with £29m of lettings signed or in solicitors' hands, on average 2% ahead of ERV.

We acquired an additional 18.75% stake in Bluewater, Kent for £126m¹, capitalising on the opportunity to invest in one of the UK's leading retail destinations at an attractive 8.15% initial yield.

Mixed-use urban neighbourhoods

Demonstrating growth in action, we grew our mixed-use pipeline by c. 50% to c. £4bn total development cost through two acquisitions, with planned investment of c. £1.5bn over the next five years expected to deliver a return of c. £350m.

We acquired U+I for £269m², providing access to five mixed-use projects in London, Manchester and Cambridge, with the potential to invest c. £400m-£600m over the next five years.

We also acquired a 75% stake in MediaCity, Greater Manchester, for £426m¹, providing a combination of long-term income at an attractive 5.8% yield, and £400m+ of mixed-use development potential.

1. This includes the purchase price for the property interest, as opposed to the consideration paid for the acquisition, which is net of borrowings and other applicable purchase price adjustments.

2. This indicates the Gross Asset Value of U+I Group PLC at 31 March 2021, as opposed to the consideration paid for the acquisition, which is net of borrowings and other applicable purchase price adjustments.

ESG review

Landsec aims to be a sustainable business, playing its part in tackling key social and environmental challenges. Therefore we identify and respond to risks and opportunities relevant to our business and our stakeholders, and over the past year have refreshed our sustainability framework.

In April 2022, we launched this new framework as Build well, Live well, Act well.

To develop our revised approach, we undertook a rigorous materiality review, speaking to over 230 stakeholders including employees, customers and partners, to understand the environmental, social and governance (ESG) issues we should be addressing and influencing. Subsequently, a team of 30 colleagues from around the business created the strategy, setting a vision and targets.

Our vision

To design, develop and manage buildings in ways that will enhance the health of our environment and improve quality of life for our people, customers and communities, now and for future generations.

Build well

We will build well by moving towards net zero, enhancing green spaces and using resources more efficiently, with targets including:

- reducing our operational carbon emissions to meet our science-based target by 2030.
- reducing the embodied carbon related to our developments.

Live well

We will enable people to live well by creating job opportunities in our communities and tackling local issues, as well as by creating inclusive places and improving wellbeing, with targets including:

- enhancing social mobility in our industry and the places we operate.
- helping 30,000 people facing barriers into work and creating £200m of social value in our local communities by 2030.

Act well

We will act well, making our sustainability framework part of everything we do, while managing the basics brilliantly, including sustainable procurement, health and safety and business ethics, with targets of:

- every Landsec colleague setting an individual objective in support of our vision.
- linking our energy and carbon targets to a proportion of our remuneration.

52%

Operational carbon reduction since 2013/14

£5.1m

Social value delivered (2021/22)

31%

Female representation at Board, executive and senior leader level

5-star

GRESB rating (European Real Estate sector leader)

A-list

CDP 2021 (top 1.5%)

99th

Percentile DJSI (European Real Estate sector leader)

**KEY
ACHIEVEMENTS
THIS YEAR**

Chairman's statement

A year of transition

"The challenges of the last years have shown the importance of our strong corporate culture which underpins our performance."

Dear shareholder

This has been a year of transition for your company. Last spring the UK was still in lockdown, with retail largely closed and most office staff working from home, including most of our Landsec colleagues. However, since restrictions have been lifted it has been very good to see people return to our buildings. It is clear from the data we get across our estate that in offices, retail and hospitality many people are keen to spend time with others again.

Overall I am pleased with how Landsec has performed over the year, with strong revenue growth and real progress made in evolving our asset base. The Board is proposing a final dividend of 13.0 pence, meaning a total dividend for the year of 37.0 pence up 37%.

There are undoubtedly different patterns of behaviour evolving as people return to a more normal life, and as a business we are spending a lot of time analysing what our customers and stakeholders will want in a "post-pandemic" world. In our own business we have seen strong momentum in colleagues returning to the office, and can already see the benefits in collaboration, wellbeing and productivity that sharing physical space brings.

Progressing our strategy

In my letter to you last year, I covered the strategic review that we had undertaken following Mark's arrival. Over the course of this year, we have made significant progress in implementing our strategy.

In central London we continue to focus on curating our portfolio, developing new best-in-class assets and recycling capital through disposals where appropriate. Despite operational and cost challenges we continue to make good progress on site, including at 21 Moorfields, EC2 in the City, which is nearing completion. Where we are developing on a speculative basis (for example at Lucent) we are focused on leasing up to the best tenants. We have also made good progress on our disposals, Harbour Exchange, EC14 and 32-50 Strand, WC2.

The pandemic has of course shifted consumer behaviour. While the value of all retail and hospitality assets has been hit, values for high-quality assets like those in our portfolio are recovering, and we have robust, customer-facing plans for all our major assets going forward. We have strengthened our retail team by recruiting external expertise to make us more responsive to what customers and consumers will want.

Our acquisitions of MediaCity and U+I have been an exciting step change in growing our mixed-use business, which we highlighted as an important strand of our new strategy last year. It has also shifted our portfolio balance slightly away from London, especially to Manchester which we see as having exciting value potential. The Board has been actively involved in planning the integration of U+I and we look forward to progressing the development pipeline strengthened by both acquisitions.

Our culture

The challenges of the last years have shown the importance of our strong corporate culture which underpins our performance. We continue to be proud of the resilience our business has shown, and the determination of our people to support our customers and one another through difficult times. As we look forward, the Board is however keen to see that our culture evolves appropriately for our future business, becoming more agile and effective, and creating an environment where talented people can thrive and progress.

External benchmarks and our employee surveys show already that our business is seen as open and inclusive, but we can make further progress here which will underpin our efforts to make Landsec's workforce truly representative of the communities we serve.

Our sustainability agenda

We are proud of the leadership position we have on sustainability issues in the real estate sector, but clearly recognise the challenges that our sector and our portfolio face in coming years. These challenges are at the forefront of Board discussions. We continue to make strong progress towards meeting our longer term goals in this area (see pages 44-57), and you can also see in our Remuneration report on pages 108-124 how we are embedding ESG objectives into remuneration targets.

Governance

Good governance is fundamental to the long-term success of our company, and this is covered in more detail in the Governance review on pages 74-130. The composition and evolution of our Board continues to be important, and activity is focused on ensuring that we are well positioned when directors' terms come to an end. The Board continues to meet the recommendations on gender and ethnic diversity contained in both the Hampton-Alexander Review and the Parker Review.

At the start of the year we welcomed Vanessa Simms to Landsec as our new CFO. She has already brought dynamism and freshness to how we manage our business, and she is working closely with Mark to implement our strategy. As our business needs evolve, the Board is supportive of management plans to streamline our finance and professional services functions to make them fit for the future.

Over the year, the Executive Leadership Team has also been reorganised and changed, with new joiners from outside Landsec. The Board has enjoyed hearing fresh perspectives about our business in discussions with ELT members.

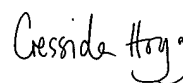
Although conditions have made it more challenging to visit our operations, we had a Board meeting in Manchester in February and visited both MediaCity and U+I assets. The Board finds such visits very valuable, and in addition we have continued our programme of employee engagement through Non-executive Director breakfasts with colleagues and through meetings with the Employee Forum.

Outlook

Your Board is pleased with the progress that our business has made over the last year, and we have strong momentum in all key strategic areas. Our financial results reflect how well Landsec has recovered from the challenges of the pandemic. However, we acknowledge that there are headwinds in the economic environment in the UK as we start our new financial year; the cost of living challenges will have a serious impact on our customers and wider stakeholders, and supply chain issues and geopolitical uncertainty will add to this. We remain alert in assessing the risks this will pose to our business, and take comfort from the resilience that Landsec has already shown, the underpinning of our revenues and the prudent gearing levels we have. We will continue to recycle capital where appropriate.

Thank you

To finish, on behalf of all the Board I would like to thank all our Landsec colleagues for all their efforts through a year of change. I look forward to working with them to build on our growing momentum over the coming year.



Cressida Hogg
Chairman

Chief Executive's statement

Growth in action

"What really binds our three strategic areas together is the importance of a sense of place."

Strong operational and financial performance. Delivering on strategy.

Our performance during the financial year to March 2022 has been positive, as our proactive approach to asset management and strategic decisions have started to bear fruit. At the start of the year, the UK was still in lockdown, with non-essential retail and hospitality closed and most office-based staff working from home. However, we have seen momentum build significantly across our estate since restrictions were lifted, as people seize on the attractions of spending time together in stimulating, inspiring places.

This is reflected in our operational results, with strong leasing in London and a recovery in occupancy and sales in retail, and in our financial results, with a total accounting return for the year of 10.5%. EPRA EPS was up 42% to 48.0 pence, driven by 4.1% growth in like-for-like gross rental income and the reduction in bad debt

Offices Retail Urban

expense related to Covid-19 we recognised in the prior year. We are proposing a dividend of 13.0 pence per share for the final quarter, bringing the total dividend for the year to 37.0 pence per share.

We saw a 3.6% valuation uplift on our portfolio for the year. This reflects our strong leasing activity in both retail and London offices, with the latter driving 2.5% growth in ERVs; a number of major lease regears in London, highlighting the continued demand for high-quality office space; and upside from our profitable development activity and strategic investment decisions. Positively, virtually every part of our portfolio witnessed valuation growth in the second half of the year, with retail values up 1.7%, leaving them effectively flat for the full year. With Central London values up 3.7% for the year, this gave rise to a 7.9% increase in EPRA NTA to 1,063 pence per share.

At the same time, we have made strong progress against our strategic objectives. We invested £821m in the acquisition of a 75% stake in MedioCity, U+I Group PLC and a further stake in Bluewater, providing us with a mix of attractive income returns and future development upside. This was balanced by the sale of £445m of mature or non-core assets, including the £195m disposal of 32-50 Strand post the year-end. With clear visibility on expected future returns, we anticipate further capital recycling in the year ahead, as we start to invest in the higher return opportunities in our significant pipeline. Whilst our net investment increased LTV slightly to 34.4%, we expect this to reduce slightly to around last year's level in 2023.

Our strategy

Our strategy is focused on three key areas – Central London offices, major retail destinations and mixed-use urban neighbourhoods. Although the proportions of use differ, there is increasingly more that unites these areas than divides them, as the lines between where people work, live and spend their leisure time blur. What really binds these three areas together is the importance of a sense of place.

This is evident in Central London, where 15% of our portfolio comprises non-office space. It is this wide variety of restaurants, bars and shops in or next to our offices which create the vibrant places that make people want to spend time here.

Across major retail destinations, we expect c. 25% of space will not be retail in the future, as we will introduce more diverse food offerings, leisure and inner-city office space. Similarly, for mixed-use urban neighbourhoods, it is the blend of office, residential, restaurants, bars, shops and green space which creates the attraction of a place and ensures its enduring success.

Our strategy is grounded in our purpose; Sustainable places. Connecting communities. Realising potential. We have a sustainable or attainable competitive advantage in each of our three areas of focus which will help us create long-term value for all our stakeholders. With our achievements over the past year, we now have a significant pipeline of opportunities in each area and clear visibility on the potential returns on offer and risks associated with these and our existing portfolio.

Our focus is to deliver on the opportunities we have created. In doing so, we continue to be guided by three things; delivering sustainably, delivering for our customers and being disciplined with our capital. Since September 2020, we have sold £1.1bn of assets and over the coming years we plan to recycle a further c. £3bn of mature, low-yielding London offices and assets in sectors where we have limited scale, such as retail parks or hotels. As we reinvest our capital into our pipeline and selective retail acquisition opportunities, we expect delivering on our strategy to drive a meaningful increase in earnings and, on average, a mid to high single digit total return over time, whilst keeping LTV below the mid 30% level.

Central London – high-quality portfolio and unlocking of value via development driving returns

Central London makes up 65% of our overall portfolio by value. Of this, 56% is located in the West End, with the remainder in the City and Southwark. The quality of our investment portfolio is high; 49% of our assets have been developed over the past ten years, compared to c. 20% for the overall market, and 44% of our completed London offices have an EPC rating of 'B' or higher versus 15% for the market. This is a key competitive advantage, as customers increasingly focus on flexibility, the best quality space which offers the right amenities to attract talent, and buildings which have the right sustainability credentials.

This is borne out by our record leasing activity, with £63m of leases completed with new and existing office customers, on average 4% above valuers' assumptions, and a further £6m in solicitors' hands, 13% ahead of valuers' assumptions. We are also seeing strong interest in our Myo flexible offer, which we now plan to grow from 72,000 to c. 500,000 sq ft in the next five years. Vacancy for the overall London office market is elevated at 9.0%, but most of this is second-hand, so vacancy in our portfolio is only 4.7%. Office utilisation has continued to grow, especially mid-week, as London is becoming noticeably busier.

In line with our view this time last year that prime rents would remain resilient and yields could tighten, ERVs for our Central London offices rose 2.5% and equivalent yields fell 4bps to 4.6%, driven by our successful lettings including a number of major lease regears. Central London retail and other values softened in the first half of the year, but this fully recovered in the second half, as the return to the city gathered pace. Including development, overall capital value growth in London was 3.7%. Over the next 12 months, we expect office ERVs to grow by a low to mid single digit percentage and the continued weight of capital to keep yields broadly stable, assuming bond yields do not rise materially from here.

Chief Executive's statement continued

Our 1.0m sq ft committed pipeline is 56% pre-let, with recent evidence on rents ahead of our underwriting assumptions. We are seeing good interest in the remaining space, even though part of this will not complete for another year. Construction costs for our committed projects are 97% fixed, but we have seen c. 5-7% cost inflation on future schemes over the past 12 months. The upside to ERVs implied by current negotiations offsets the impact this had on total development cost, which also includes land, and rising costs arguably put further pressure on the shortage of prime, sustainable space. Subject to continued demand, we could start up to three new schemes with c. £1bn total development cost and an attractive 6.4% yield on cost in the next 12 months.

Investor competition for development sites remains high, so we are pleased to have been able to unlock two new development opportunities totalling 507,000 sq ft off-market, one via the acquisition of U+I and the other via a major lease-regear with Deloitte at New Street Square, taking our total future pipeline to 1.8m sq ft. We sold Harbour Exchange during the period and exchanged contracts shortly after the year-end to sell 32-50 Strand, with combined proceeds of £392m reflecting a 4.1% yield and 13% premium to the March 2021 book value. As investment demand remains strong, we expect to recycle more capital in the year ahead, in line with our plans to reduce our Central London weighting to 55-60% over time.

Major retail destinations – improved operational performance driving growth in best locations

Major retail destinations make up 16% of our portfolio, c. 60/40% split between prime shopping centres and outlets. The pandemic accelerated the pre-existing trend of retail sales moving online, which combined with lockdowns has had a marked impact on our portfolio. However, our performance over the past year has made us increasingly confident that the prospects for prime retail destinations are

positive, with a growing polarisation between our assets and those facing structural obsolescence.

We maintain our view there is c. 25% excess retail space across the UK, but most of this is secondary where vacancy remains high. Inflation is putting further pressure on low-margin stores, which could lead brands to accelerate the rationalisation of the tail-end of their portfolios. Conversely, prime destinations are getting stronger, with occupancy in our portfolio up 170bps to 93.2% over the year. For many leading brands, online and physical channels are now viewed as firmly inter-connected, so we have seen existing brands upsize, new brands opening stores as they move from nearby locations to benefit from higher footfall, and digital-native brands opening physical stores to grow customer connectivity and experience.

During the year, we restructured and strengthened our retail team to focus more on growing our brand relationships and enhancing guest experience and less on asset management, investing in new capability and experience from a range of global retailers to complement our existing property skills. The feedback from brand partners on this has been positive and as retail continues to become more operational, we believe this differentiated approach will allow us to deliver genuine added value in the future.

Our proactive approach to leasing during the pandemic, prioritising occupancy and supporting customers, is now yielding results. We signalled a year ago that after a material decline over the previous five years, prime retail rents were approaching sustainable levels. Our results over the past year have confirmed this, as the £29m of rent signed during the year or currently in solicitors' hands is on average 2% above ERV. While lease terms are generally shorter and there is more turnover-linkage than a few years ago, incentives are down too. We expect occupancy to grow further, so despite some selective over-renting, we expect like-for-like income to be broadly

stable this year, before returning to growth in the medium term. Meanwhile, like-for-like retail sales in our portfolio are now 1% above the 2019/20 pre-Covid level.

This positive performance supported a return to capital value growth, with values up 1.7% in the second half, leaving them effectively flat for the year as a whole at -0.1%. With confidence in the sustainability of income growing, we think yields of c. 7-8% for prime shopping centres look attractive and may well start to come in. During the year, we acquired a further 18.75% stake in Bluewater for £126m at an 8.15% initial yield and we are actively exploring new opportunities. We maintain our view that major retail destinations could grow to 20-25% of our portfolio, but as we recycle capital out of subscale sectors such as retail parks and leisure, our overall retail exposure would remain relatively stable.

Mixed-use urban neighbourhoods – clear visibility to grow to 20-25% of portfolio

At our strategic review in late 2020 we set out that we saw an opportunity to materially grow our exposure to mixed-use urban neighbourhoods. Many parts of today's built environment need remodelling to make sure they are fit for changing consumer expectations on how we live, work and spend our leisure time and the growing demands on sustainability. The latter has been a strong focus for Landsec for years, evidenced by the fact that we were the first commercial real estate business in the world to set a science-based carbon reduction target in 2016. Combined with our extensive experience in creating thriving urban places in Central London and for example Oxford and Leeds via some of our major retail destinations, we are well positioned to deliver on the opportunity to reshape urban neighbourhoods in a sustainable way.

Over the past year we have made significant progress on these mixed-use ambitions. We have grown mixed-use urban neighbourhoods to 7% of our portfolio, up from 3% a year ago and have now created a pipeline of profitable development opportunities, deliverable in the near term. With potential capex of c. £1.5bn, this could see mixed-use grow to 20-25% of our portfolio in the next five years.

This marked acceleration in potential growth has been driven by our acquisitions of MediaCity and U+I in late 2021. Both

MediaCity in Greater Manchester and the key U+I projects in London and Manchester already have planning consent, so this provides us with a clear opportunity to invest c. £800m-£900m in a combination of residential, work and leisure space across these schemes in the next five years. The integration of the U+I team also adds strong placemaking skills to our business.

Combined with our existing mixed-use opportunities in Glasgow and in Lewisham and Finchley Road in London, where we have made good progress in terms of planning during the year, we therefore now have an attractive pipeline of mixed-use projects. These provide us with the ability to adapt and, due to their diversified nature, geographical spread and flexible phasing of capex, offer a balanced risk profile.

Contrary to large individual developments which are by nature binary, this means our mixed-use business should start to deliver reasonably repetitive development returns in the coming years, whilst limiting our speculative risk. Capital values were -2.8%, as some of our future projects are still being valued based on their existing retail use and we are shortening leases to create future flexibility. Overall, we expect ungeared development IRRs to be in the low teens, with attractive longer-term income return and rental growth potential as we grow our mixed-use portfolio. We envisage starting on-site with the first phase of Mayfield, Manchester later this year and at MediaCity and, subject to planning, Finchley Road next year.

Creating a more agile, customer-focused and efficient culture

Our positive performance and strategic progress over the year reflect the capability and commitment of our people, who have continued to deliver despite the challenging operating environment during the first part of the year in particular. Changing the culture of our business is key to getting the most out of the substantial talent within Landsec and successfully delivering on our strategy in the long term. Whilst our progress to date means we have already become more agile, more customer-focused and better placed to respond to changes in external market conditions, there is more to do to ensure we deliver on potential opportunities in an efficient and effective way.

Building on our leading position on sustainability

Sustainability has been at the heart of Landsec for years and has become a key decision driver for many of our customers. To guide our sustainability initiatives, we recently launched our new Build well, Live well, Act well framework, which creates a clear link with our purpose – Sustainable places. Connecting communities. Realising potential – and sets ambitious targets on how we operate. For example, we have now set a target to reduce embodied carbon for our office developments by 50% by 2030, to below 500kgCO₂e/sqm, as part of our Build well ambitions; to focus our efforts on improving social mobility by supporting 30,000 people towards the world of work by 2030 as part of our Live well programme; and to link the remuneration of our people to our sustainability targets as part of our Act well pillar.

To ensure we remain at the forefront of everything the sector is doing to tackle the climate crisis, we were the first UK REIT to publish a net zero transition investment plan last year. This will see us invest £135m in our existing portfolio by 2030, optimising building management systems, installing air source heat pumps and increasing renewable capacity. This will ensure we deliver our 70% reduction in carbon emissions by 2030 versus the 2013/14 baseline and stay ahead of the Minimum Energy Efficiency Standards Regulation, which require an EPC 'B' certification by 2030, as well as other regulatory requirements.

During the year, we achieved a 20.7% reduction in embodied carbon across our development pipeline, reflecting amongst others the use of steel with a greater recycled content at 21 Moorfields. We saw an 18% reduction in energy intensity compared to 2020, although this partly reflects the lower utilisation of space, especially during the first part of the year. In London, 44% of our office portfolio is already rated EPC 'B' or higher versus c. 15% for the wider UK office market, which given the growing occupier focus on sustainability, underpins the good demand and positive rental value growth we are seeing.

Outlook

The recent surge in geopolitical risk has the potential to upend decades of relative international stability and increasing globalisation, which is adding further

disruption to global supply chains already affected by the pandemic. It also is putting significant upward pressure on energy costs in the short term, and potentially in the long term through an accelerated energy transition. This clearly creates uncertainty around the economic outlook, with gilt yields having risen to the highest level in six years and UK inflation at its highest level in 30 years – something which will be felt by many in the months ahead.

Whilst we are alive to the risks this creates, we look forward to the future with confidence. In London, we offer high-quality, sustainable office space in places people want to visit and office yields are well above other key European cities, offering some cushion against rising interest rates; in retail, improved demand for space is supporting income and valuation growth; and in mixed-use we now have an attractive pipeline of opportunities. Across central London and mixed-use, we now have the opportunity to invest c. £2.8bn in capex over the next five years which could deliver c. 20% profit on total development cost, although we have flexibility about any future commitments. Meanwhile, with an LTV of 34.4% and only 18% of our drawn debt maturing in the next three years, our capital base remains strong.

Despite the macroeconomic challenges, we therefore remain confident that delivering on our strategy will allow us to deliver, on average, a mid to high single digit annual return on equity over time. Our strategy of recycling capital out of mature London offices and subscale sectors into our London and mixed-use pipeline has the potential to deliver c. £120m growth in rental income over time, whilst keeping our LTV at the low 30% level. We expect the impact of this on EPS growth to be relatively balanced over the coming years, as we balance new investment with disposals. For the current year, making some allowance for our planned capital recycling, we expect continued operational performance to drive EPRA EPS growth in the low to mid single digit percent range, supporting further growth in dividends.



Mark Allan
Chief Executive

Market context

The Landsec property portfolio is invested in a number of sectors within the UK. We own high-quality offices in London, six regional shopping centres, five retail outlet centres and a portfolio of mixed-use urban development opportunities in London, Manchester and Cambridge.

Market at a glance

£234m sq ft

of office space in central London

£14.3bn

of investment transactions in central London in 2022 (2021: £7.2bn)

9.0%

vacancy rate in central London offices (2021: 8.9%)

19.0%

shopping centre vacancy rate (2021: 17.9%)

26%

Online sales as a percentage of all retail sales (as at March 2022) (March 2021: 34%)

The UK real estate market

The real estate investable market in the UK is estimated to be valued at £594bn, with assets across a wide range of sectors including offices, industrial, healthcare, retail and residential. Rather than try to invest in all areas, and spread our management focus too thinly, we specialise in three. These are: Central London offices, Major retail destinations and Mixed-use urban neighbourhoods – areas where we have sources of competitive advantage and expertise, to be able to maximise the value from our portfolio.

Central London offices

London is well set to continue its position as Europe's pre-eminent global gateway city. It has a unique ecosystem that combines a rich network of world-class universities, renowned research centres, innovative small businesses and global industry players. Alongside its global reach, London's ability to attract and retain talent continues to be a competitive advantage, and its reputation as a safe haven is particularly valuable in times of turmoil.

The pandemic has changed the nature and location of work, with many existing trends materially accelerating. For many, work has moved online through adopting tech-enabled lifestyles and rearranging working patterns. The historical link between office-based employment growth and demand for office space will change as hybrid working becomes the norm.

Flexible working, and the way office space is designed and used, will be important factors as employers look to attract and

retain an engaged and motivated workforce. Creating workplaces as overt displays of a company's culture, and places that facilitate the benefits of collaborating in person, will stimulate creativity and, ultimately, productivity. We expect this trend to continue, alongside the growing requirement to ensure offices meet the minimum credentials for sustainability by 2030. These conditions lend themselves to a potential divergence of the central London office market as better-quality assets become even more appealing to many customers. This resonates with the three pillars of our 'future office' proposition: partnership, experience, and healthy and sustainable spaces.

It is still too early to draw firm conclusions on how the office market will evolve, but market activity in the last 12 months has been encouraging. Both the occupational and investment markets have rebounded from their respective 2020 lows – the take-up of office space is up 135% and the level of investment up 101%, with activity rising in the last six months.

Major retail destinations

Retail has been through a period of significant change during approximately the last five years, both in the UK and worldwide. The rise in share of UK online retail, from 16% five years ago to 26% today, has been one of the main reasons for this change. Its growth has been fuelled by a rapid increase in smartphone use, advances in technology, improvements in supply chains, a shortening of delivery times and, more recently, the change in consumer habits caused by the pandemic.

However, online growth is not the only change. Many other factors are adding to the pressure on retailers – changing consumer demands, excessive debt burden on private-equity-owned retailers, under-investment by brands, over-expansion that has caused saturation in certain sub-markets, and the rising costs in wages and supply chains. Most of these were apparent before Covid-19, but have been exacerbated by the additional challenges it brought. This has resulted in company failures for those with the weakest business models.

But physical retail is not dead. There is clear consumer demand for shopping centres with an attractive mix of retail, leisure and hospitality, but all these elements must be present for shopping centres to thrive. And brand partners with omnichannel strategies are looking for the right space to support their online businesses. Typically this means operating a smaller number of larger stores, in regionally-dominant shopping centres.

Shopping centres will become much more operational assets, with shorter lease terms, higher brand rotation, and more linkage of rental income to turnover, to share in brands' performance. This has been a successful model for retail outlets for decades, as a more proactive brand rotation that focuses

on the best performers has historically grown sales at a higher rate than the overall market. We expect shopping centres to move in a similar direction, although we do not expect an identical model, given the different nature of the brand offer.

As visibility on income stabilisation becomes clearer and bank lending starts to become available again, we expect investment activity to continue to grow. Given the high yield premium compared to other markets and sectors, we believe UK shopping centres could see material yield compression as a result. This provides a cyclical investment opportunity, as there are few investors with both the capital and operational expertise required.

Mixed-use urban neighbourhoods

We previously identified urban mixed-use as an opportunity area for Landsec. The varied potential uses are supported by long-term trends, and our scale, existing pipeline and ability to complete complex schemes mean we are well placed to become a leading player in this market.

The concept of individual localities (or even potentially buildings) being reserved for a single use is weakening, and there is an increasing desire to see a mix of living,

working and leisure within distinct neighbourhoods. The appeal of this has further strengthened during the pandemic and we expected it to be sustained, with convenience being a key motivation in a society where time is an increasingly precious commodity.

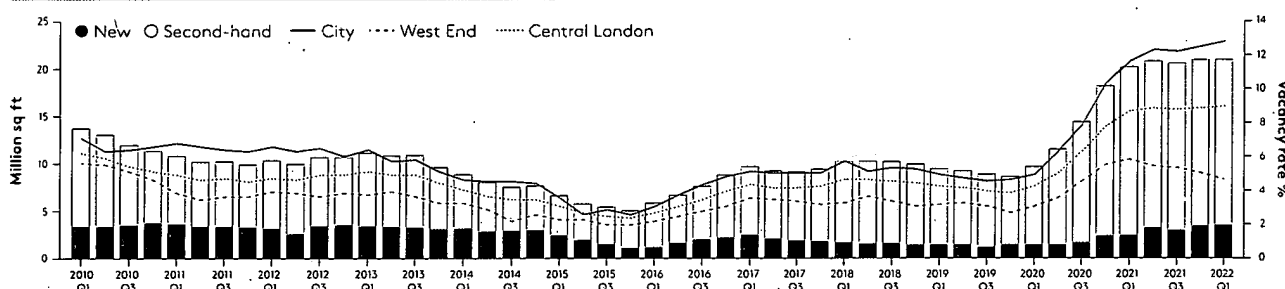
In addition, quality of life, health, wellbeing and environmental sustainability are all important themes, and political and societal awareness of these factors has increased considerably in recent times. Done well, mixed-use urban communities can achieve strong returns, as the appeal of the location and amenity increases values across phases of development – known as placemaking.

At the same time, certain areas of cities are rapidly becoming redundant and in need of regeneration. There is increasing political will behind redevelopment projects, but they are complex and there are very few developers with the scale and skills required.

From this perspective, developing strong public sector partnerships is critical to success. Not only are they political stakeholders, but in many cases their participation will be key to accessing development land – with U+I's Mayfield project in Manchester a case in point.

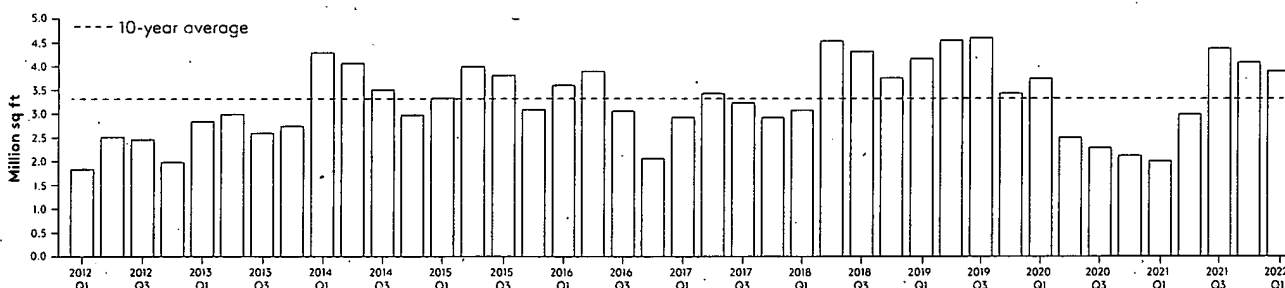
Central London office vacant space
Source: CBRE, Landsec

Chart 1



Central London office market – floor space under offer
Source: CBRE

Chart 2



Our top 10 assets

Listed by value

1	New Street Square, EC4	2	21 Moorfields, EC2	3	80-100 Victoria Street, SW1		
4	One New Change, EC4	5	MediaCity, Greater Manchester	6	Nova, SW1		
7	Gunwharf Quays, Portsmouth	8	Bluewater, Kent	9	Queen Anne's Mansions, SW1	10	Piccadilly Lights, W1

Our stakeholders

To achieve our purpose, we need to understand our stakeholders, and the most effective way of asking for their input and support. As the nature of commercial real estate is becoming much more operational, we need to work even more closely with our customers and other stakeholders.

	WHO ARE THEY?	WHY ARE THEY IMPORTANT TO US?	WHAT DO THEY WANT FROM US?	HOW DO WE ENGAGE WITH THEM?
Our Customers 	Everyone who uses our buildings. Our office occupiers' employees and their visitors. Our brand partners and guests in our retail and leisure assets, and residents in the accommodation we build.	Serving our customers is the reason we exist. Our occupiers provide us with rental income. Our reputation depends on meeting the needs of all our customers.	Customers want us to understand and respond to their changing needs. That means providing sustainable, efficient, fabulous space and services that enhance their working, shopping, leisure and living experiences.	Through regular contact with our retail and office occupiers to understand what's important to them, and evaluate the service we provide.
Our Employees 	Everyone employed directly by Landsec.	Our people put our strategy into practice, live our culture, and enable us to achieve our purpose. Ultimately they create value for our stakeholders.	Our employees want a great career, and a positive and motivating work environment where they can thrive, underpinned by a supportive culture that embraces diversity and inclusion.	We use engagement surveys, our Employee Forum, weekly updates from across the business and 'town hall' presentations, alongside relevant training and development programmes.
Our Communities 	Those who live in areas where we work or where we have assets. For example, local residents, businesses, schools and charities.	We want our buildings and activities to have a positive impact on the local community. To achieve this, we need to have good relationships and understand local people's needs.	Local people want us to enhance the physical and social infrastructure in their area, helping their community thrive. They also want us to provide the right mix of services for their needs.	Our activity ranges from providing work experience and routes to employment, to helping students and addressing local socio-economic needs. We consult local communities ahead of all development activity, and maintain the relationships following completion.
Our Investors 	Those who own shares in Landsec, and our bondholders.	Investors provide capital to the business, as well as valuable feedback on our performance and strategic options.	Investors want a clearly articulated long-term strategy, together with shorter-term plans and effective communication of our progress.	Formal results presentations every six months plus capital market days as appropriate. Financial institutions and debt providers meet our management regularly. We hold an AGM every year.
Our Partners 	Those who have a direct working or contractual relationship, or share mutual interest with us.	Their vital contributions to our business range from providing services and advice, through to granting the planning permission and approvals that allow us to develop buildings and run our business.	Our partners want us to be trustworthy and live up to our promises.	We work to find mutually effective ways to communicate and collaborate with each group. The highest standards of health, safety and security underpin everything we do.

Our Section 172 Statement

You can find our Section 172 Statement, which sets out how the Board takes stakeholder interests into account when making decisions, in our Governance section.

☉ See our Governance section on pages 87-91

☉ You can find commentary on our culture on pages 38-43

Our business model

To create value, we buy, develop, manage and sell property, drawing on a range of financial, real estate and social resources.

INPUT

HOW WE CREATE VALUE

Financial

The different types of funding deployed, from shareholder capital to borrowings.

Properties and places

Our land and buildings, the materials and technologies we use, and the natural environment.

People and relationships

The relationships we have with customers, communities and partners, and the capabilities of our employees.



Our focus

We focus on those areas of the real estate market where we have sources of competitive advantage and can maximise the value from our portfolio and our talent.

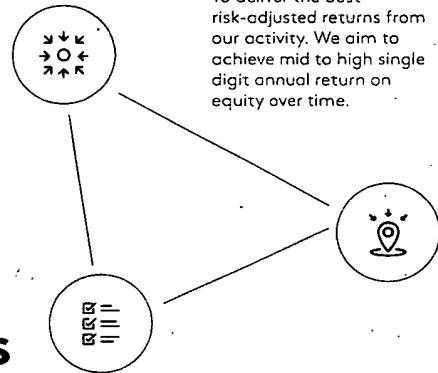
Our core activities

Asset management
Building strong relationships with our customers to understand their needs and those of their customers to provide the space and services that help them succeed thereby growing our income and creating value.

Development and refurbishment
Creating new or refurbished spaces and places, from standalone office and retail through to urban mixed-use neighbourhoods. With a focus on sustainability, design and wellbeing, these spaces create long-term value for our customers and our business.

Our objective

To deliver the best risk-adjusted returns from our activity. We aim to achieve mid to high single digit annual return on equity over time.



Everything we do is driven by our purpose: Sustainable places. Connecting communities. Realising potential. Our culture, supported by our values, provides a common language to enable our people to thrive and realise their potential.

We have the potential to add significant value through our portfolio and activities, and we match our capital and capabilities to ensure we focus on areas where we can add the most value.

We aim to be a sustainable business by anticipating and responding to the changing needs of our customers, communities, partners and employees. We plan for the long term, but have the flexibility to respond to opportunities and challenges as they arise.

OUTPUT

GOAL

Creating sustainable long-term value with a focus on total accounting return

Financial

Long-term growth in asset values and income, creating value and potential for increased dividends to shareholders.

☉ To read our Financial review go to **pages 32-37**

We aim to achieve mid-to-high single-digit annual returns on equity through the cycle, split almost equally between income and capital growth.

Properties and places

Space that creates value for us by meeting the changing requirements of our customers and communities, and being a healthy environment for all.

☉ To read more go to **pages 26-31**

We constantly look to strengthen our portfolio to ensure it meets the changing needs of our customers and communities. We always bring social, economic and environmental benefits to the areas where we operate, creating a sense of place. The transition to a net zero carbon portfolio involves changing the design, materials and the way we construct new buildings, and how we operate our existing portfolio.

People and relationships

Our ability to help businesses and people thrive – including our own employees.

☉ To read more go to **pages 38-43**

We design our buildings to support wellbeing and productivity, and provide a great experience for everyone who uses our spaces.

For our employees, we invest to attract and develop great people who add value to our business. We focus on engagement, wellbeing, diversity and reward, and conduct regular reviews.

We help those further from the jobs market access opportunities in our industry, believing everyone must be treated and paid fairly, and that our business should reflect and support our diverse communities.

TOTAL ACCOUNTING RETURN

Our aim is to achieve above-market total business returns, together with significant social and economic value for all of our stakeholders.

☉ How we manage risk see **pages 58-69**

☉ How we monitor performance see **page 19**

☉ How we reward success see **pages 110-113**

Our strategy

The real estate investable market in the UK comprises £594bn of assets across a wide range of sectors including offices, industrial, healthcare, retail and residential. Rather than trying to invest in – and spread our management time across – all areas, we focus on three where we have sources of competitive advantage and can maximise the value from our portfolio and our talent.

These areas are: Central London offices; Major retail destinations; and Mixed-use urban neighbourhoods. What binds these three areas together is the importance of a sense of place to their enduring success, and to that of their surrounding areas. We strive to create, curate and activate places that inspire people, generating value for all our stakeholders.

To achieve our strategy successfully, we need a clear sense of purpose and a culture that supports, respects and motivates our people. The three – strategy, purpose, culture – are inextricably linked.

While our strategy is grounded in this central purpose, it is vital we make healthy, sustainable returns to enable our business to grow over time. Which is why we focus on those areas where we believe we have a genuine competitive edge.

We are a total-return business. In the current environment, our aim is to achieve mid to high single-digit annual returns on equity through the cycle, split almost equally between income and growth. The three investment areas we focus on are attractive because of the potential returns they can generate. We are not wedded to particular assets or regions, and prefer to be nimble, applying our skills to where we believe we can achieve the best total return over the long term.

A CLEAR FOCUS ON DRIVING GROWTH IN THREE KEY AREAS

☉ See pages 20-21

Central London offices

Major retail destinations

☉ See pages 22-23

Mixed-use urban neighbourhoods

☉ See pages 24-25

Underpinned by a strong balance sheet and disciplined capital allocation

AREAS OF FOCUS

CENTRAL LONDON

In central London, we develop, own and manage offices that offer a variety of propositions to meet the evolving needs of occupiers, who range from global corporates to small, fast-growing businesses. Demand for our high-quality, sustainable office space is healthy, and this part of the portfolio can offer a blend of returns; from high-quality, low-risk income, through to profits from new development.

MAJOR RETAIL DESTINATIONS

In retail, we own and manage high-quality, major retail destinations that offer something special to brands and shoppers alike, in an increasingly omnichannel world. Shoppers are attracted to places that offer experiences they can't easily get elsewhere; brands are drawn to places where they can showcase their offer to a high number of shoppers. Our job is to bring the two together. Our high-quality portfolio, strong brand partner relationships and deep understanding of shoppers give us a real competitive edge.

MIXED-USE URBAN NEIGHBOURHOODS

Our focus on developing and investing in mixed-use urban neighbourhoods recognises that the lines between where we live, work and spend our leisure time are becoming increasingly blurred. This is creating an urgent need to reshape our cities so they are fit for the future. We are using our scale, expertise and experience to help adapt the built environment to meet people's changing needs. These projects take shape over a number of years and multiple phases, meaning each project can offer an attractive blend of income, growth and development-led returns over several years. Importantly, the phased nature of these projects means we can realise returns in stages, rather than wait for the overall completion of the project.

At our Capital Markets Day (CMD) in October 2020, we set out plans to recycle approximately £4bn of capital out of mature properties and those in 'subscale' markets. This was made up of c. £2.5bn of long-let London offices with limited asset management, and our £1.5bn portfolio of hotels, retail parks and leisure assets, where we have neither the scale nor the sources of competitive advantage to achieve our target returns.

At the CMD, we also set out our plans for reinvesting the proceeds from these disposals: investing in London office development and mixed-use urban schemes where the potential returns are attractive.

We have made significant progress with our strategy over the last 18 months. We have sold c. £1.1bn of assets and invested £695m in mixed-use urban opportunities through the acquisition of U+I Group PLC and a 75% share of MediaCity UK in Manchester. We have also invested £680m in our existing London development programme and the acquisition of a further 18.75% stake in Bluewater. The charts below show the progress we have made towards rebalancing our portfolio to focus on sectors with high-growth potential. With development potential in the portfolio now totalling c. £3bn, we have a clear path to achieving this rebalancing over the next five years or so.

In executing our strategy we are guided by three things: developing sustainably, succeeding for our customers and being disciplined with our capital. The built environment accounts for 40% of carbon emissions globally, so everything we do needs to have sustainability at its heart.

In 2016, we were the first commercial real estate business in the world to set a science-based carbon reduction target and, in 2019, we increased our ambition to align with a 1.5-degree global warming scenario.

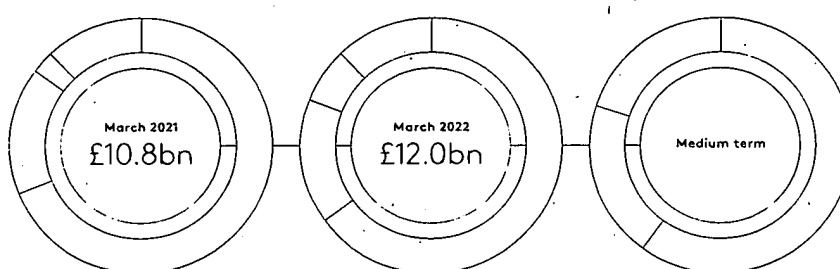
During this year, we announced a new net zero transition investment plan across our entire estate. This will ensure we remain at the forefront of everything the property sector is doing to tackle the climate crisis.

At the heart of our philosophy is a belief that we can only be successful if our customers are successful. We look to build positive and lasting relationships with them, to understand their businesses better, and determine what we can do better, or differently to help them succeed.

We think constantly and very carefully about where to invest, focusing in particular on projected returns and the associated risks. With visibility and expertise across three distinct focus areas, we have a unique perspective on relative risk and returns, which enables us to be clear and decisive in our capital allocation decisions.

Our strategy's impact on portfolio weighting (%)

Chart 3



Portfolio split	March 2021	March 2022	Medium term
Central London	69%	65%	55-60%
Major retail destinations	16%	16%	20-25%
Urban mixed-use	3%	7%	20-25%
Subscale sectors	12%	12%	N/A

Our strategy continued

A total return approach that is aware of the importance of income

To generate the returns we are targeting, we need to allocate capital to areas of growth in a meaningful way. We are also mindful of the importance of income – it is a key part of the property return, but should not be the key driver. We are prepared to sell income-generating assets to fund investment opportunities with better return prospects, but we will also preserve income growth through careful phasing of our activity.

Strategy in action: Sustainability

Embodied carbon and 'energy in use' are terms that are becoming increasingly familiar to everyone in the industry. But for us, they are part of how we have approached design and management for many years. We have plans to invest c. £120m over the next nine years to replace carbon-intensive gas with low-carbon fuels such as renewable electricity. This is a long-term plan for a long-term future. We have targets for 2030, but they are simply intermediate steps to ensure we continue to work towards an office portfolio that minimises the embedded carbon in our buildings and the amount of energy needed to heat and cool them.

© See pages 44–57 to read more about our commitment to sustainability

c. £120m

Investment planned over the next nine years to replace carbon-intensive gas

Key performance indicators

We set KPIs in line with our strategy. They provide direction for our people, and offer clear links to remuneration.

In addition to the performance metrics below, everyone has personal objectives to achieve for the year. For our Executive Directors, these focused on strategic development and execution, delivering performance and culture and values.

In addition to the annual bonus KPIs below, we set KPIs for LTIP awards in line with our remuneration policy. The measures and their weightings are:

Relative Total Shareholder Return 40%;
Total accounting return 40%;
ESG targets 20%.

⊙ Further information can be found in Remuneration on pages 116-118

EPRA earnings

How we measure it

We set targets for EPRA earnings in line with our five-year strategic plan

Link to remuneration

30% of annual bonus performance is linked to this KPI



Our performance in 2021/22

ACHIEVED – EPRA earnings of £355m were ahead of the £328m target

Total accounting return

How we measure it

The cash dividends per share paid in the year plus the change in EPRA net tangible assets (NTA) per share

Link to remuneration

30% of annual bonus performance is linked to this KPI



Our performance in 2021/22

ACHIEVED – Total accounting return was 103p compared with the target of 27.5p

ESG

How we measure it

We have two targets: energy intensity reduction in all assets and embodied carbon reduction in assets under development

Link to remuneration

20% of annual bonus performance is linked to this KPI



Our performance in 2021/22

ACHIEVED – Energy intensity reduction across all assets was 4%, in line with the 4% target. Embodied carbon reduction in our assets under construction was 20.7%, ahead of the target 16.5%

Our strategic focus

Focus on offices

Our view of the market

Despite further disruption from Covid-19, we have seen a more sustained recovery in the office portfolio, and over the coming months will be clearer about the space our customers will need. Customers want flexible options and strong sustainability credentials – so only the best space will thrive. Our portfolio is well placed to benefit from these trends.

If overall demand recovers strongly, the highest-quality space could see strong rental growth due to relative scarcity of supply. The weight of capital globally, and relative affordability of London, is supporting strong investor demand for the best space. We see a potentially strong market to address with our pipeline of developments, but pricing will make it difficult to acquire further development sites in the near future.

Our plan for our Central London portfolio

We will recycle capital out of assets with limited shorter-term prospects, taking advantage of strong pricing, to fund investment in growth opportunities across the Group. We sold Harbour Exchange and since the year-end exchanged contracts to sell 32-50 Strand for £195m.

We will complete and lease committed developments and secure planning consent for our secured medium-term projects. We added Liberty of Southwark, SE1 to our development programme following the U+I acquisition. We now have a pipeline of 1.8m sq ft of office-led development opportunities.

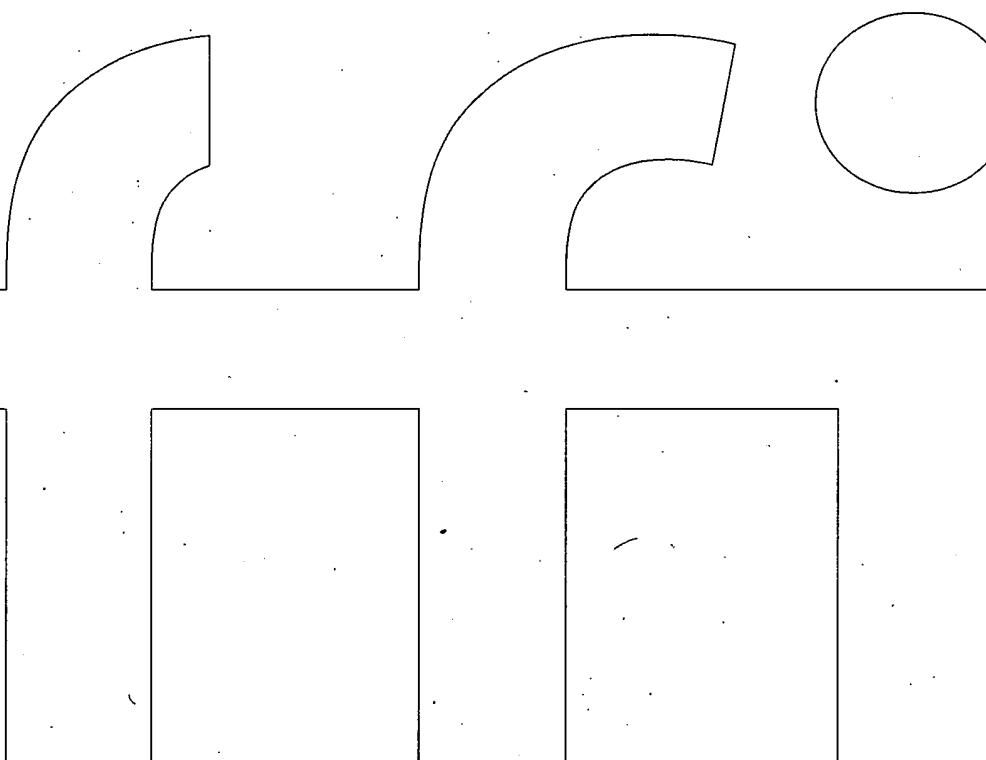
We will broaden the range of propositions across the portfolio so we can offer our products – Myo, Customised and Blank Canvas – in more locations. We introduced Myo at Dashwood in the City, with 35,000 sq ft of space across four floors. We will also add Myo to New Street Square and The Forge, SE1, our development in Southwark, which will open in the second half of this financial year.

With ESG as a consideration, our investment in air-source heat pumps and innovative AI systems to increase efficiency will ensure our portfolio remains sustainable and meets the needs of our customers.

Strategy in action

CUSTOMER FOCUS

We have a long-standing relationship with Deloitte at New Street Square. They occupied four buildings but wanted to bring their teams together. This provided an opportunity for us both. Deloitte have consolidated operations into the two newest buildings and released two assets we can redevelop. One will be home to Myo, our flexible office offer, while the other has become a redevelopment opportunity that we would not have gained access to for many years. Both Deloitte and Landsec benefit from these changes and, ultimately, this will enhance the overall New Street Square site – an attractive place to do business.



Strategy in action

A SENSE OF PLACE

Whether it's our cluster of buildings in New Street Square or our portfolio of assets in Southwark, we think it's vital to create a 'place' where people want to work, shop, spend their leisure time and live. Having the portfolio with the right space allowed us to meet the needs of Deloitte when they wanted to consolidate their space (see left). And at Southwark, we are adding to an already vibrant area of London with a mix of buildings that provide sustainable, flexible space. We're transforming old industrial buildings into modern places that renew the local area, and bring new people, businesses and ideas to Southwark.



THE PORTFOLIO

£7.8bn

of prime office space
in central London with
ancillary retail space

4.7%

like-for-like vacancy

£1.2bn

committed development
programme due to
complete by June 2023

£63m

office lettings or
renewals, 4% ahead
of valuers' assumptions

Committed development



4

Committed development
programme schemes
in strong locations in
central London



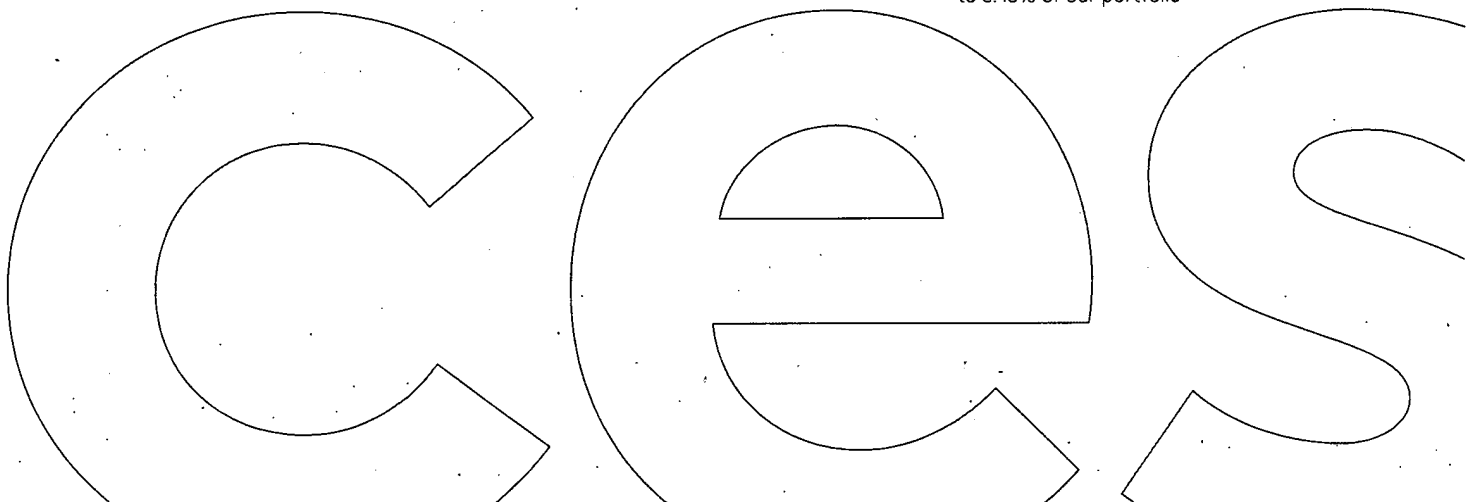
MARKET VIEW AND HOW WE CREATE VALUE

- Investment market remains strong
- Strong occupational demand for the best space
- Optimise portfolio and leverage strong development track record
- Provide sustainable, flexible space which meets customers' needs via places we create



OUR ACTION PLANS

- Leverage strong development expertise, with up to three new starts this year
- Monetise a further £1.5bn of mature assets, having already sold £1bn since late 2020
- Grow our flexible office propositions to c.15% of our portfolio



Our strategic focus continued

Focus on retail

Our view of the market

Structural change in the retail sector has been profound and was accelerated by the pandemic. Shopping centre values are down c. 65% from their peak, and rents are down c. 40%. The UK has an over supply of physical retail space, with perhaps 25% of it likely to convert to other uses over the next five years. But physical retail is not dead. There is clear demand from guests for shopping centres with a great mix of retail, leisure and hospitality, but shopping centres need all three elements to thrive. And brand partners' omnichannel strategies are looking for the right space to support their online businesses. Typically, this means a smaller number of larger stores, in regionally-dominant shopping centres.

There are clear signs of rents and values stabilising, but landlords will bear more operational risk – shorter lease terms, linked to turnover. But with yields at c. 7.5% to 8% for prime shopping centres, we see opportunities to invest in the small number of centres that meet the criteria outlined above.

Our plan for our retail portfolio

We will concentrate on catchment-dominant locations we are confident will be long-term winners, by offering an experience that draws shoppers time and again. We will sell assets where we do not have scale or sources of competitive advantage: the retail parks from our subscale sector, for example. We will also make selective disposals and acquisitions, to ensure our portfolio always holds retail assets with long-term appeal to brand partners and guests. In the last year, we have made progress with our strategy by selling two retail parks and acquiring a further stake in Bluewater, Kent.

We will also invest in our portfolio. Some of our centres are too large, and we will replace some retail space with other offers such as leisure, food and beverage. Other centres may be the right size, but need some investment to fine-tune the

configuration or mix of uses. On average, we will look to invest the capital equivalent to 10% of current asset values to ensure our centres are fit for the future.

During the last year, we also restructured our retail team. We now have teams dedicated to our brand partners, our guests and guest experience, and our portfolio. This helps us better respond to and anticipate our customers' needs. All property companies will need to become more operational in their approach to managing their businesses, and we are confident we have the structure in place to achieve this.

Strategy in action

A SENSE OF PLACE

Our focus is clear: we are curating social spaces to offer guests time well spent. Gunwharf Quays is on Portsmouth harbour, a stunning and lively location. We offer a great range of brands at this outlet centre, and it is a destination in its own right. But it is more than just a retail destination: there are over 30 different places to eat and drink, and there's a cinema, bowling alley and a hotel. It's also a great place to spend the evening, with plenty of entertainment including bars and a casino. This really is a social space that provides a great environment for brand partners and guests, and it also acts as a social hub for the local community.



Strategy in action

THE 'CENTRE' OF LEEDS

Our Trinity Leeds shopping centre is in the heart of Leeds' city centre shopping district. It has a great line up of over 70 retail brands, and over 40 food and beverage brands, ranging from casual bites to fine dining. It also has an Everyman cinema and an innovative street food offer. And Trinity Leeds is popular with brands: Nespresso, Levi's and Space NK being the latest additions to the line up. We are using our space in innovative ways: the 'Student Study Hub' is a wifi-enabled area where people can work, study and meet. It adds a further sense of community to a centre already popular with the people of Leeds and the wider catchment.



THE PORTFOLIO

£1.9bn

6.8%

portfolio comprising six high-quality regional shopping centres and five outlet centres

like-for-like vacancy at March 2022

£29m

19.6%

lettings signed or in solicitors' hands

Footfall down vs 2020

1.1%

228

Like-for-like sales up vs 2020

lettings completed, +2% vs ERV



MARKET VIEW AND HOW WE CREATE VALUE

- Investment market stabilising
- Occupational demand improving and rents stabilising in prime locations
- A restructured and strengthened retail team
- Provide the places for brands to thrive



OUR ACTION PLANS

- Build on positive momentum with new, restructured retail team in place
- Continue to grow brand relationships, guest experience and occupancy
- Explore attractive prime opportunities where our expertise can drive growth

Our strategic focus continued

Focus on mixed-use urban neighbourhoods

Our view of the market

The idea of distinct areas or buildings being reserved for single uses is weakening. There is an increasing desire to see a mix of living, working and play within neighbourhoods, an appeal the pandemic highlighted. Quality of life, health and wellbeing, and environmental sustainability, are all themes that contribute to this, while political and societal awareness of these factors has increased considerably. Done well, these mixed-use urban communities can generate strong returns, as the appeal of the location and its amenity increases the value through phases of placemaking. At the same time, certain areas of our cities are rapidly becoming redundant and in need of regeneration. There is increasing political support for such projects, but very few developers with the scale and skills to take them on.

Our plan for our mixed-use urban neighbourhoods portfolio

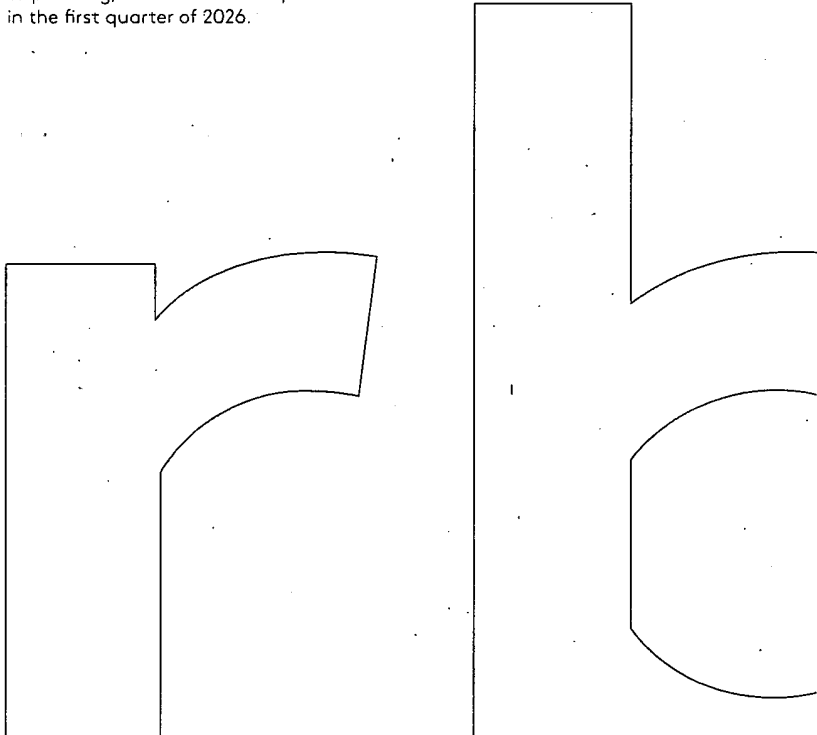
The acquisition of U+I and the 75% share of MediaCity has expanded our development pipeline and accelerated the potential returns from this part of our strategy. Our near-term programme consists of five schemes which total 9m sq ft and include 7,000 homes. Two are in suburban London, two are in Manchester, and one in Glasgow. In Manchester, we will be able to start on site at Mayfield later this year and MediaCity next year. Our schemes in London are still subject to planning approval, with earliest starts on site of 2023 and 2024 for O2 Finchley Road and Lewisham respectively.

The multi-phase nature of these projects allows us to ration capital effectively and adjust our strategy over time. They are lower risk than a large, single-phase development such as an office. In addition to managing risk, the multi-phase nature also accelerates the returns from these schemes. When a phase is complete, it can start to generate income – each phase can then be retained as an income-generating asset, or can be sold, realising value and releasing capital to be deployed elsewhere.

Strategy in action

O2 FINCHLEY ROAD

The O2 Finchley Road includes a shopping centre, a large surface-level car park and a DIY store. The site is ideally located for development into a mixed-use neighbourhood as its local infrastructure includes two tube and two overground stations within walking distance. We submitted plans this year for a three-phased scheme of 1,800 homes, 180,000 sq ft of commercial space and 7.5 acres of public space and park. Work will start on the first phase in 2023, subject to planning, with earliest completion in the first quarter of 2026.



Strategy in action

MAYFIELD, CENTRAL MANCHESTER

At Mayfield, we have the opportunity to transform a former industrial area into a thriving mixed-use neighbourhood. In the heart of Manchester, this 24-acre site will be home to 1,500 apartments, 1.5m sq ft of offices and 120,000 sq ft of retail and leisure space, all set around 13 acres of public realm, including a 6.5 acre park – the first new park in Manchester for over a century. And sustainability is an essential part of the story: creating and linking communities and providing a sustainable place to live, work and play, all in a net zero scheme. We are already on site and have made good progress with the new park. We aim to start the first commercial building later this year, with completion of the first block in 2025.



THE PORTFOLIO

£0.9bn

portfolio of potential mixed-use urban schemes in London, Manchester and Glasgow

20%+

profit on cost expected to be delivered

75%

stake in MediaCity and recent acquisition of U-I Group PLC have accelerated our programme

£1.5bn

of capex over the next five years generating a potential development profit of £350m

7,000

homes could be delivered across five schemes

c.4m

sq ft of office, retail and leisure space potential across five schemes



MARKET VIEW AND HOW WE CREATE VALUE

- Attractive mix of returns in sectors with strong investment and occupational demand
- Closely aligned to our purpose
- Build modern, sustainable mixed-use places, serving customers and the wider community



OUR ACTION PLANS

- Deliver attractive mix of income, growth and development upside across multiple phases
- Start Mayfield in 2022 and prepare MediaCity and O2, Finchley Road for start in 2023
- Progress preparation of further large, mixed-use opportunities

Operating and portfolio review

The value of our portfolio increased to £12.0bn during the year, marking a 3.6% increase adjusted for investments and disposals, and is made up of the following categories:

Central London

Our high-quality office (85%) and retail and other commercial space (15%), located in the West End (56%), City (39%) and Southwark (5%). Of our investment assets, 49% has been developed in the last ten years, compared to c. 20% for the overall London office market.

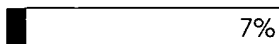
Proportion of Combined Portfolio



Mixed-use urban neighbourhoods

Our investments in mixed-use assets and, principally, future development opportunities focused on five key sites in London, Manchester and Glasgow, some of which still have a short-term use as retail ahead of their medium-term redevelopment.

Proportion of Combined Portfolio



Major retail destinations

Our investments in six shopping centres and five retail outlets, with the seven largest assets comprising 82% of the overall retail portfolio value, most of which are amongst the highest selling locations for retailers in the UK.

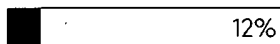
Proportion of Combined Portfolio



Subscale

Assets in sectors where we have limited scale and which we will therefore divest over time, with a broadly equal split between retail parks, hotels and leisure assets.

Proportion of Combined Portfolio



We expect our weighting towards central London to reduce to 55-60% over time, as we plan to continue to sell mature assets and focus investment on the opportunities in our development pipeline. We expect mixed-use urban neighbourhoods to grow to 20-25% of our portfolio, as we build out our current pipeline. We envisage major retail destinations could grow to 20-25% as well, although this would leave our overall retail exposure largely stable, as we plan to trade out of subscale retail park and leisure assets over time.

Investment activity

We have made good progress on our objective to reposition our portfolio towards future growth. At the time of our Strategic Review in late 2020, we said we intended to sell c. £4bn of mature London office assets and assets in sectors which were sub-scale over the next six years. To date, we have sold £1.1bn of assets, which means we are well on track versus this target. Whilst our initial focus in late 2020 and early 2021 had been on disposals, over the past year we switched our attention to acquisitions.

Our largest deal this year was the acquisition of a 75% stake in MediaCity in Salford, Greater Manchester for £426m, Europe's largest purpose built tech and media hub. The existing estate covers 1.7m sq ft of offices, studios, residential, leisure and retail space and is 96% let with a 10-year WAULT. It provides an attractive 5.8% initial yield and over half of the income is RPI-linked. There is consent to develop a further 1.7m sq ft of residential and commercial space, so we expect to invest a further £400m+ in developing this over the medium term.

Our second major acquisition was of U+I Group PLC, which we acquired for £269m (including £83m of net debt). This provides us with access to five large development projects in London, Manchester and Cambridge. Three of these already have consent, the largest of which is Mayfield; a 24-acre site next to Piccadilly station in Manchester with the potential to deliver 2.5m sq ft of residential and commercial

space. We plan to sell c. £190-210m of U+I's non-core assets over the next two years, leaving an attractive in-price for the core projects of c. £60-75m, and we have already sold or exchanged contracts to sell £61m of non-core assets, 10% above book value.

Aside from these two urban mixed-use opportunities deals, we also acquired an additional 25% stake in Bluewater shopping centre for £168m, reflecting an attractive 8.15% initial yield, in line with our strategy to grow exposure to major retail destinations. We subsequently sold 25% of this stake to our existing JV partner M&G at the same valuation, which means our overall interest in the centre increased from 30% to 48.75%. We also agreed the £60m forward purchase of the 77,000 sq ft Oval Works, SE11 office development, which offers potential for our Myo flexible office brand.

In terms of disposals, we sold Harbour Exchange, E14 for £197m, reflecting a 11% premium to the March 2021 book value and a 3.99% initial yield. This was a mature asset that offered little further upside, being a fully let 1980's building with a WAULT of 19.7 years. We also sold two small retail parks for a combined £53m, representing a 15% premium to book value. Shortly after the year-end, we exchanged contracts to sell 32-50 Strand, WC2 for £195m, representing a 15% premium to the March 2021 book value and a 4.2% yield, which following a regear

with the sole office occupier in August, was relatively mature as well.

Looking ahead, we expect to make further progress on our portfolio repositioning over the next 12 months. We are in active discussions on further disposals in central London and we continue to monitor the best timing to monetise our subscale assets, as values continue to grow, as expected. The significant potential in our development pipeline means we will be selective in terms of acquisitions, although we could see some potential attractive opportunities emerging in retail.

Portfolio valuation

Investment volumes in our key sectors increased materially over the year. Transaction volumes in London offices doubled to £14.3bn, close to the long-term average and following a dearth of investment during the pandemic, retail investment increased to the highest level since 2017. Initially this was mostly focused on retail parks and supermarkets, but recently demand has started to spread to shopping centres. Against this backdrop our portfolio increased in value by 3.6% over the year, including a 2.9% increase in the second half of the year with positive valuation growth across virtually all segments in the second half. Our current portfolio valuation fully reflects the costs required to achieve an EPC rating of 'B' by 2030.

Our Central London portfolio value was up 3.7%. Office ERVs were up 2.5%, including 4.0% growth in West End ERVs driven by our strong letting activity in Victoria. Yields compressed slightly, principally driven by a number of significant lease-regears, in particular with our second-largest tenant Deloitte, who regeared the lease of their global HQ at New Street Square, EC4 for 15 years, in a deal which also saw us free up a 170,000 sq ft 1970's building for future development. Our development activity contributed positively to the valuation, principally due to 21 Moorfields, EC2 which is fully pre-let and set to complete later this year. Central London retail and other values softened during the first half, but this fully recovered in the second half of the year with a 5.3% increase as footfall and leasing activity started to recover.

Our retail portfolio was up 1.7% in the second half of the year, leaving it virtually flat for the full year. Shopping centre values increased 2.5% in the second half, leaving them down 1.3% for the year as a whole,¹ whilst outlets were up 1.6% for the year. Rental values were down 0.9% for the year and up 0.4% in the second half, supported by the our strong leasing activity, on average 2% ahead of ERV. Yields compressed slightly in the second half, broadly offsetting a minor softening in the first half.

Valuation analysis

Table 4

	Market value 31 March 2022 £m	Surplus/ (deficit) £m	FY valuation movement %	H2 valuation movement %	LFL rental value change ^{1,2} %	Net initial yield ² %	Equivalent yield ² %	Movement in LFL equivalent yield ² bps
West End offices	3,013	86	3.0	2.6	4.0	4.2	4.6	-2
City offices	1,928	100	5.6	5.0	0.4	3.6	4.6	-8
Retail and other	1,131	16	1.5	5.3	-	4.4	4.7	15
Developments	1,709	65	4.0	-0.4	n/a	0.5	4.3	n/a
Total Central London	7,781	267	3.7	2.9	2.0	3.3	4.5	-1
Shopping centres	1,141	(15)	-1.3	2.5	-2.4	7.7	7.4	3
Outlets	743	12	1.6	0.6	1.4	5.8	6.7	-10
Total Major retail	1,884	(3)	-0.1	1.7	-0.9	7.0	7.1	-3
Completed investment	409	8	2.0	2.0	n/a	5.1	5.7	n/a
Developments	486	(33)	-6.5	-3.9	n/a	5.5	5.3	n/a
Total Mixed-use urban	895	(25)	-2.8	-1.3	n/a	5.3	5.5	n/a
Leisure	569	41	7.4	3.6	0.3	6.7	7.1	-40
Hotels	422	14	3.5	3.6	1.2	4.2	5.5	-1
Retail parks	466	115	31.9	14.8	0.8	5.7	5.7	-187
Total Subscale sectors	1,457	170	12.9	6.9	0.7	5.6	6.2	-70
Total Combined Portfolio	12,017	409	3.6	2.9	1.0	4.3	5.2	-11

1. Rental value change excludes units materially altered during the period.

2. Excluding developments.

Operating and portfolio review continued

The value of our completed mixed-use assets at MediaCity increased 2.0%, but the value of our overall mixed-use urban neighbourhoods portfolio reduced 2.8%, as future development assets were down 6.5%. The majority of these are still valued based on their existing retail use and as we prepare these assets for redevelopment, we are deliberately moving income to shorter lease terms to create future flexibility. This weighs on valuations in the short term, but does not reflect any potential future development upside.

This time last year we said we expected the value of our subscale assets to recover from the impact of the pandemic and that we therefore did not plan to sell these in the short term. This decision has clearly been vindicated, as the value of our subscale assets increased by £170m. Hotel values were up 3.5%, as occupancy improved post the end of lockdown restrictions, whilst leisure assets were up 7.4%, partly reflecting two significant lease regears. Meanwhile, retail park values increased a marked 31.9%, with 187bps of yield compression, driven by a strong recovery in investment demand.

Looking ahead, there remains a significant amount of capital targeting investment in London offices, with yields offering a premium compared to other key European markets. Assuming bond yields do not rise materially from here, we therefore expect this weight of capital to keep yields broadly stable over the next 12 months and we anticipate ERVs to grow by a low to mid single digit percentage. Despite the headwinds to consumers of rising inflation, we expect that the growing recognition that income has stabilised post the pandemic will increase investor demand for retail and could drive shopping centre yields down from their current all-time highs. We expect to see further growth in the value of subscale assets, driven by further operational improvement in hotels and strong investor demand for retail parks.

Leasing and operational performance

Occupational demand improved markedly across our main markets over the past year. In Central London, office take-up increased

to 10.6m sq ft, which was up 135% versus the prior year. Demand continued to build during the period, with activity in Q1 22 in line with the 10-year first quarter average, and space under offer is at 3.9m sq ft ahead of the 3.3m sq ft 10-year average. Overall market vacancy remains elevated at 9.0%, although 83% of this is second-hand space, much of which does not necessarily fit today's customer and sustainability requirements, and most of this is concentrated in the City, with West End vacancy at a more modest 4.6%. Following the end of lockdown restrictions, demand for retail space in prime locations has grown, although there remains a surplus of secondary space in the wider market. With this as a backdrop, we have delivered a record year in terms of leasing volumes.

Central London

In Central London, we signed 21 office lettings or renewals totalling a record £63m of rent, demonstrating strong demand for space. This includes a deal with Deloitte at New Street Square, who agreed a new 15 year lease on 478,000 sq ft of space via a lease restructuring that saw us get access to Hill House, EC4, a 170,000 sq ft 1970s building, creating a future redevelopment opportunity and a significant value uplift across the overall New Street Square estate. Other major lettings included a 100,000 sq ft regear with Bain & Company at the Strand, a 97,000 sq ft lease renewal with Wellington Management at 80 Victoria Street, and a 77,000 sq ft lease renewal with consultancy firm Alix Partners at 6 New Street Square.

On a net effective basis, office lettings were 4% ahead of valuers' assumptions and we have a further £6m of deals in solicitors' hands, 13% above valuers' estimates. Vacancy in our office portfolio remains well below the market average at 4.7%, reflecting the high quality of our assets. This is slightly higher than the 3.3% this time last year, partly due to the completion of Dashwood House, EC2, which added c. 40 bps and a slight increase in vacancy in our City assets.

Leasing in Central London retail and other picked up as footfall started to recover, with people returning to the office and tourism growing. The increase in vacancy during the year was principally driven by two lease surrenders we agreed at Piccadilly Lights, W1 as we are working on new opportunities for this prime space in conjunction with our adjacent Lucent development.

Looking ahead, we continue to see good demand for high-quality office space across the three products we offer, Blank Canvas, Customised and Myo, with current negotiations on rents on average ahead of ERV. Our flexible offerings, Customised and Myo, now cover 104,000 sq ft across three locations. Our fully serviced offer Myo comprises 72,000 sq ft of this and is 98% let at 123 Victoria Street and 64% at Dashwood, which opened during the year and remains in lease-up stage. We intend to open a further four Myo locations over the next two years, growing this to c. 237,000 sq ft.

Retail

Our proactive approach to leasing in the prior year, prioritising occupancy over protecting ERV, means we reached a clear turning point in terms of occupancy and income during 2022 for our retail portfolio. We completed 228 lettings totalling £20m – similar to 2019/20 – on average 2% ahead of ERV and have a further £9m of lettings in solicitors' hands, on average 3% ahead of ERV. Lease terms are often shorter than a few years ago and c. 30% of our leases now have a turnover element, although overall turnover rent only makes up 11% of our retail income. Incentives have reduced as well and the growing insight in turnover provides valuable data, supporting our view that rents are broadly at sustainable levels.

For many leading brands, online and physical channels are now seen as fully inter-connected. This does not mean brands will not rationalise store footprints, as we think this could even be accelerated further with inflation putting pressure on marginal stores. This focuses demand on prime

locations, creating further polarisation between winning destinations and those at risk of obsolescence. Although market vacancy is set to remain high, our occupancy was up 170bps to 93.2% and is expected to grow further.

We have further grown our relationships with existing customers, with several of them opening new stores in other locations, such as Zara at One New Change and St David's in Cardiff, Mango at Bluewater, and Decathlon at Trinity Leeds and Southside. We also worked with existing brands to increase their space in our centres, such as Laings/Patek Philippe at St David's, H&M at Trinity and Nike at Gunwharf Quays, and, in a flight to prime, we have attracted several new brands to our assets from nearby locations, such as Nespresso and Space NK at Trinity. We signed several digital-native brands to open physical stores, such as Crep Collection Club at Bluewater and Kick Game at Trinity, and we continue to grow our food and leisure offer, for example with the debut of the Formula 1 simulator experience at One New Change, Hangloose Adventure, The Real Greek and The Big Easy at Bluewater, and The Ivy Asia at St. David's.

Footfall was 19.6% below pre-Covid-19 levels versus -18.5% for the UK average, but the average basket size increased. As such, like-for-like retail sales were 6.8% ahead of 2019/20 levels for outlets and down only 1.5% for shopping centres. Units in administration reduced materially to 0.5%, from 5.4% a year ago, and we have only seen two retailers entering into CVA/ restructuring plans, covering £0.7m of annual rent.

This recovery in shopping centre sales to close to pre-pandemic levels is stark compared to rents which are c. 40% lower and values which are down c. 65% from their peak. Whilst we are mindful that the pent-up demand post lockdown could moderate and rising inflation clearly provides a near-term headwind, this provides confidence in the sustainability of income and valuations for prime destinations.

Looking forward, we expect occupancy will continue to grow this year and despite some historical over-renting, we expect like-for-like income to be stable this year, before returning to growth in the medium term. We will continue to invest in repositioning space to add more leisure, food and work space, for example in Oxford and Leeds where we are working up plans to add new flexible office space.

Mixed-use urban neighbourhoods

The completed investment assets in our mixed-use portfolio solely comprise our investment in MediaCity, which we acquired in late 2021, but this element of our portfolio will grow materially in the coming years. The existing assets at MediaCity are 96% let and over half of the income is linked to RPI with caps and collars at 2-5%, guaranteeing future income growth. Our mixed-use development assets include our shopping centres in London and Glasgow but as these are held for future development, the existing income is managed on a short-term basis to maximise our flexibility to obtain access for development.

Subscale sectors

The operational performance of our Subscale sectors improved strongly, driving a significant increase in valuation, ahead of our planned disposal in the medium term. Our Hotels which are all let to Accor are fully operational and occupancy recovered to 67% of pre-pandemic levels and reached 92% for the month of March. Across our Leisure assets, we completed 66 lettings, on average 4% ahead of ERV and we signed a number of major regears, for example with SnoZone in Yorkshire for 20 years. Retail parks have seen footfall recover fully to pre-pandemic levels and we signed 28 lettings, which supported an increase in occupancy to 96.5%.

Investing in sustainability, people and culture

During 2021, we were the first UK property company to announce a fully costed net zero carbon transition plan. This will see us invest £135m of capex in our existing portfolio by 2030 to enable us to deliver our science-based target and meet the Minimum Energy Efficiency Standard of EPC 'B' by 2030. Currently, 44% of our office portfolio is already rated 'B' or higher, which compared to 15% for the overall office market highlights the quality of our assets. Our plan also aligns our portfolio with the Carbon Risk Real Estate Monitor energy intensity pathway for commercial buildings under a 1.5-degree global warming scenario.

We are on track to complete The Forge, SE1, which according to the UK's Green Building Council will be the UK's first net zero office development, later this year. As part of our Build Well framework, we target to reduce embodied carbon by 50% versus a typical development by 2030, to below 500kgCO₂e/sqm for offices. This will require us to work closely with our supply chain to change ways of working, focusing, for example, on low carbon materials; smart designs with modern methods of construction; and standardised materials that can be reused at end of life, but also on the retention of existing structures.

Operational performance analysis

Table 5

	Annualised rental income £m	Estimated rental value £m	LFL Occupancy ¹ %	LFL occupancy change ¹ ppt	WAULT ¹ years
West End offices	135	147	98.2	-0.8	6.9
City offices	76	101	91.3	-2.3	5.9
Retail and other	47	54	94.2	-2.2	7.4
Developments	10	112	n/a	n/a	n/a
Total Central London	268	414	95.1	-1.5	6.6
Shopping centres	108	101	92.8	3.0	4.4
Outlets	56	61	93.8	-0.4	3.0
Total Major retail	164	162	93.2	1.7	3.9
Completed investment	24	24	n/a	n/a	10.1
Developments	29	32	n/a	n/a	n/a
Total Mixed-use urban	53	56	n/a	n/a	10.1
Leisure	49	51	96.5	2.7	10.4
Hotels	16	25	n/a	n/a	9.4
Retail parks	29	29	96.5	1.5	4.4
Total Subscale sectors	94	105	97.4	1.5	8.1
Total Combined Portfolio	579	737	95.0	-0.1	6.2

1. Excluding developments.

Operating and portfolio review continued

Our plans for Portland House, SW1 and Timber Square, SE1 reflect this, as our reworked designs retain more of the existing buildings. We will also work with our supply chain to improve social mobility where we invest.

As we invest in building a sustainable business, we are also investing in building a more agile, customer-focused culture. An example of this is the restructuring of our retail team, where we brought in experience and capabilities from international retailer backgrounds to focus more on growing brand relationships and customer experience. The ongoing integration of U+I is also focused on ensuring we preserve the unique placemaking and design capability of the team and we have made a number of leadership changes in our own team during the year. Changing the culture of our business is key to getting the most out of the substantial talent within Landsec and successfully delivering on our strategy in the long term, and whilst we have made good progress to date, we will continue to invest in this, as there is more to do.

Development pipeline

Central London

We have continued to make good progress on our committed development pipeline, despite wider market challenges from supply chain disruption and labour shortages. We have seen a small 3% increase in cost as a result during the year and a few months of delay in terms of completions. However, as 97% of costs are now fixed and based on current levels of interest, we expect higher income will make up for the small increase in cost. As such, we expect this pipeline to deliver an attractive profit on cost of over 20%.

Our fully pre-let scheme at 21 Moorfields is set to complete this autumn. We are seeing good demand across our speculative pipeline, even though completion of some of these projects is still more than one year out. Part of this space is earmarked for our Myo flexible office product, but 12% of the remaining ERV is already pre-let and we are in active negotiations on a further 16%, ahead of expected ERVs. We anticipate to see further progress in leasing over the next six months.

After adding Old Broad Street, EC2 to our future pipeline in late 2020, we managed to unlock two further potential development opportunities over the last 12 months, bringing our total future pipeline to 1.8m sq ft, or c. 35% of our current London office portfolio. The acquisition of U+I provided us with Liberty of Southwark, SE1 a 200,000 sq ft consented scheme two minutes walk from Borough Market and London Bridge Station, while our lease regear with Deloitte at New Street Square unlocked the opportunity to redevelop the adjacent Hill House, EC4. Given the continued strong investor competition for development sites, we are pleased to have been able to expand our potential pipeline in this 'off-market' way. This will remain an objective, as we maintain capital discipline in a competitive market.

At Portland House we have reworked our plans to a redevelopment of the existing space, reducing the size of the overall scheme but maintaining more of the existing structure, which materially reduces the targeted embodied carbon of the scheme to below 400kgCO₂e/sqm. This also mitigates the risk of further cost inflation, as a much greater proportion of the total development cost is made up of the existing building. Combined with Timber Square, SE1 and Liberty of Southwark, we therefore now have the flexibility to start up to three new projects this year. Whilst expected development costs are up due to higher construction costs, the impact of this has been offset by growth in ERVs. The expected yield on cost therefore remains stable at 6.3%, providing an attractive c. 20% profit on cost. Assuming demand and inflation remain around current levels, we could therefore start up to three new projects this year.

Mixed-use urban neighbourhoods

During 2021, we have made considerable progress on our strategy to grow our mixed-use opportunities. Our acquisitions of MediaCity and U+I virtually doubled our mixed-use pipeline to 9.0m sq ft and as both came with existing planning consents, they also significantly accelerated the

potential delivery compared to our existing schemes, which are at earlier planning stages. We continue to closely monitor cost inflation, which has a higher impact outside of London than in the capital due to the difference in land values but importantly, the growth outlook for Manchester in particular is strong and the multi-phased nature of our schemes provides optionality. Overall we continue to expect mixed-use London projects to deliver a low double digit IRR and our projects elsewhere to deliver an IRR in the low to mid teens.

The U+I scheme at Mayfield, next to Piccadilly station in Manchester, is a 24-acre site with planning for 1,500 homes, 1.5m sq ft of office space and 120,000 sq ft of retail/leisure space. The site is held in a 50/50 JV between us and Transport for Greater Manchester, Manchester City Council and LCR. During the year, we completed the creation of a new 6.5-acre park and we plan to start on site with the first phase of 316,000 sq ft of offices late this year.

The next phase of MediaCity comprises a 15-acre site, with consent for c. 1,200 new homes and 637,000 sq ft office and commercial space. The site is held in a 75/25 JV between us and Peel, who developed the first phase of this successful scheme. In the summer, we plan to submit a revised planning application for a 330,000 sq ft office building, nearly tripling the potential space of this building. With a total cost of c. £100-110m and a yield on cost of c. 7.5%, we aim to start on site with this project in Q2 2023. We also anticipate submitting a revised outline planning application for the entire remaining site later this year.

At Finchley Road, NW3 we submitted a planning application for a new pedestrianised, sustainable neighbourhood of c. 1,800 homes and 180,000 sq ft of retail, leisure and other space. 35% of homes are affordable and public open space makes up 50% of this 14-acre site. We have made good progress on our vacant possession strategy and, subject to planning, we aim to start the first phase in late 2023.

We also published our masterplan for Buchanan Galleries, adjacent to Queen Street station in Glasgow. Our plans for this 9-acre site comprise c. 300 homes and 1.4m sq ft of retail, office, cultural and community space. We are in constructive dialogue with the Council and the Scottish Government, who are both supportive of our plans, and we have further progressed our VP strategy during the year, building flexibility for a potential start on site in 2024.

In Lewisham, SE13 we started public consultation on the proposed redevelopment of this 13-acre site, with potential for c. 2,200

homes and c. 275,000 sq ft of retail, leisure and office space. We acquired a 46,000 sq ft site on the high street as part of our site assembly strategy and are working closely with the Council on activating the existing 1970's shopping centre for the local community in the near term.

This pipeline of projects provides an attractive balance of income, development upside and medium-term growth potential. The ability to phase investments across various projects means we have the opportunity to create a relatively repetitive stream of development returns over the

coming years, whilst retaining flexibility to adapt to changes in demand. Meanwhile, the flexibility to stage capex, mixed-use nature and geographic spread of the pipeline all add to its balanced risk-profile. We see the potential to invest c. £1.5bn across these schemes over the next five years, which with a targeted profit on cost of c. 20% provides us with a clear trajectory to grow urban mixed-use to c. 20-25% of our overall portfolio.

Committed development pipeline

Table 6

Property	Sector	Size sq ft '000	Estimated completion date	Net income/ ERV £m	Market value £m	Capital expenditure to complete £m	Market value + future TDC £m	Gross yield on MV + future TDC %
21 Moorfields, EC2	Office	564	Oct 2022	38	733	116	849	4.5
The Forge, SE1	Office/retail	140	Dec 2022	10	115	42	158	6.3
Lucent, W1	Office/retail/residential	144	Mar 2023	14	159	62	222	6.3
n2, SW1	Office	167	Jun 2023	14	104	105	209	6.7
Total		1,015		76	1,111	325	1,437	

Future Central London development pipeline

Table 7

Property	Sector	Proposed sq ft '000	Indicative TDC £m	Indicative ERV £m	Gross yield on TDC %	Potential start date	Planning status
Near-term							
Timber Square, SE1	Office	380	400	26	6.5	H2 2022	Consented
Liberty of Southwark, SE1	Office/residential	200	240	13	6.1 ¹	H2 2022	Consented
Portland House, SW1	Office	295	400	25	6.3	H2 2022	Consented
Red Lion Court, SE1	Office	235	320	20	6.2	H2 2023	Planning application
Total near-term		1,110	1,360	84	6.3		
Longer-term							
Nova Place, SW1	Office	40				2023	Design
Hill House, EC4	Office	310				2024	Design
Old Broad Street, EC2	Office	290				2025	Design
Total longer-term		640					
Total future pipeline		1,750					

1. Gross yield on cost adjusted for residential TDC.

Mixed-use urban neighbourhoods development pipeline

Table 8

Property	Landsec share %	Proposed sq ft '000	Earliest start on site	Number of blocks	Estimated first/total scheme completion	Indicative TDC £m	Target yield on cost %	Planning status
Mayfield, Manchester	50	2,500	2022	18	2025/2032	750-900	6.5-7.0	Consented
MediaCity, Greater Manchester	75	1,900	2023	8	2025/2030	500-600	6.5-7.0	Consented
Finchley Road, NW3	100	1,400	2023	10	2026/2033	900-1,100	5.5-6.0	Application
Buchanan Galleries, Glasgow	100	1,400	2024	11	2027/2031	550-700	6.5-7.0	Design
Lewisham, SE13	100	1,800	2024	14	2028/2037	1,000-1,200	5.5-6.0	Design
Total future pipeline		9,000				3,700-4,500		

Financial review

PRESENTATION OF FINANCIAL INFORMATION



Vanessa Simms reports on our financial performance and explains the movement in our key financial measures.

Highlights

£355m
EPRA earnings¹
(2021: £251m)

£875m
Profit/(loss) before tax
(2021: £(1,393)m)

48.0p
EPRA EPS¹
(2021: 33.9p)

37.0p
Dividend per share
(2021: 27.0p)

£12.0bn
Combined Portfolio¹
(2021: £10.8bn)

1,063p
EPRA NTA per share¹
(2021: 985p)

1. An alternative performance measure. The Group uses a number of financial measures to assess and explain its performance, some of which are considered to be alternative performance measures as they are not defined under IFRS. For further details, see table 80 in the Additional information.

Overview

Our financial performance for the year has been positive, reflecting a strong recovery from the pandemic. Our total accounting return was 10.5% driven by the growth in value of our portfolio we delivered and a material increase in EPRA earnings. The latter was up 41% versus last year to £355m, primarily driven by £17m growth in gross rental income and a reduction in bad and doubtful debts as trading conditions normalised post the disruption of the Covid-19 pandemic. Rent collection has normalised and for the March quarter currently stands at 96%, largely in line with pre-pandemic levels, and we have continued to collect current and historical arrears. As a result, EPRA EPS increased 42% to 48.0 pence per share.

Net profit before tax increased to £875m compared to a loss of £1,393m in the prior year. Alongside our operational performance which supported the increase in EPRA earnings, this was primarily driven by a £409m value uplift of our Combined Portfolio, boosted by our profitable capital recycling, development and leasing activity. After the dividends we paid during the year, EPRA NTA per share increased 7.9% during the year to 1,063 pence. Adjusted net debt increased from £3.5bn to £4.2bn due to our investment in future growth opportunities, so as a result our LTV increased slightly from 32.2% to 34.4%. As we plan to recycle further capital in the year ahead, we expect our LTV to remain below the mid 30% level. Our financial position therefore remains strong, with an average debt maturity of 9.1 years and only 18% of our drawn borrowings mature in the next three years.

Reflecting our positive financial performance, we are proposing a final dividend of 13.0 pence per share, to be paid on 22 July 2022 to shareholders registered at the close of business on 17 June 2022. 100% of this will be paid as Property Income Distribution. Combined with the quarterly dividends paid for the first three quarters, this would bring the total dividend for the year to 37.0 pence per share, up 37.0%. This is in line with our policy that dividends annually are covered 1.2 to 1.3 times by EPRA earnings.

Our property portfolio is a combination of properties that are wholly owned by the Group, part owned through joint arrangements and properties owned by the Group but where a third party holds a non-controlling interest.

Internally, management review the results of the Group on a basis that adjusts for these different forms of ownership to present a proportionate share. The Combined Portfolio, with assets totalling £12.0bn, is an example of this approach, reflecting the economic interest we have in our properties regardless of our ownership structure. We consider this presentation provides further understanding to stakeholders of the activities and performance of the Group, as it aggregates the results of all of the Group's property interests which under IFRS are required to be presented across a number of line items in the statutory financial statements.

The same principle is applied to many of the other measures we discuss and, accordingly, a number of our financial measures include the results of our joint ventures and subsidiaries on a proportionate basis. Measures that are described as being presented on a proportionate basis include the Group's share of joint ventures on a line-by-line basis and are adjusted to exclude the non-owned elements of our subsidiaries. These alternative performance measures are not defined under IFRS and, where appropriate, are based on best practice reporting recommendations published by EPRA. For further details see table 80 in the Additional information.

Income statement

Our financial performance for the year reflects our strong operational performance and the normalising of trading conditions as we emerged from the pandemic. The wider retail sector was heavily impacted by lockdowns in the prior year, but over the

past 12 months there has been a material recovery in net rental income across our Major retail destinations; Mixed-use, where some of our future projects have an existing retail use; and Subscale sectors, which include our retail parks, leisure and hotels. This reflects the improvement in occupancy

we have delivered and a sharp reduction in bad and doubtful debt provisions. Net rental income in Central London was down driven by the disposal of several mature London office assets, as we continue to recycle capital into higher-return opportunities.

Income statement¹

Table 9

	Chart	Year ended 31 March 2022					Year ended 31 March 2021					Change £m
		Central London £m	Major retail £m	Mixed- use urban £m	Subscale sectors £m	Total £m	Central London £m	Major retail £m	Mixed- use urban £m	Subscale sectors £m	Total £m	
Gross rental income ²		289	161	43	93	586	306	157	26	80	569	17
Net service charge expense		(1)	(6)	(2)	(3)	(12)	-	(3)	-	(2)	(5)	(7)
Net direct property expenditure		(29)	(26)	(9)	(12)	(76)	(9)	(13)	(4)	(6)	(32)	(44)
Movement in bad and doubtful debts provisions		(1)	13	2	(2)	12	(17)	(69)	(10)	(31)	(127)	139
Segment net rental income	10	258	142	34	76	510	280	72	12	41	405	105
Net administrative expenses						(84)					(80)	(4)
EPRA earnings before interest						426					325	101
Net finance expense						(71)					(74)	3
EPRA earnings						355					251	104
Capital/other items												
Valuation surplus/(deficit)						409					(1,646)	2,055
Gain on modification of finance leases						6					-	6
Profit on disposals						118					4	114
Impairment charges						(12)					(4)	(8)
Fair value movement on interest rate swaps						16					(1)	17
Other net finance expense						(15)					(2)	(13)
Other						(8)					5	(13)
Profit before tax attributable to shareholders of the parent						869					(1,393)	2,262
Non-controlling interests						6					-	6
Profit before tax						875					(1,393)	2,268

1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information above.

2. Includes finance lease interest, after rents payable.

Net rental income

Net rental income increased £105m to £510m during the year. Like-for-like gross rental income increased £20m, or 4.1%, and the net impact of our investment activity was down £4m, but the main driver was the reduction in bad and doubtful debt charges as trading conditions normalised post the disruption of lockdowns in the prior year. Variable rent, which includes income from hotels, Piccadilly Lights, parking and retail turnover rent, increased £47m as Covid-19 restrictions reduced during the year and we expect this will continue to grow in the year ahead. Insolvencies and CVAs were minimal during the year, hence 94% of the £11m reduction in income from this relates to the

previous year. We received £7m of surrender premiums during the period, which we expect to reduce towards a normal level in the year ahead.

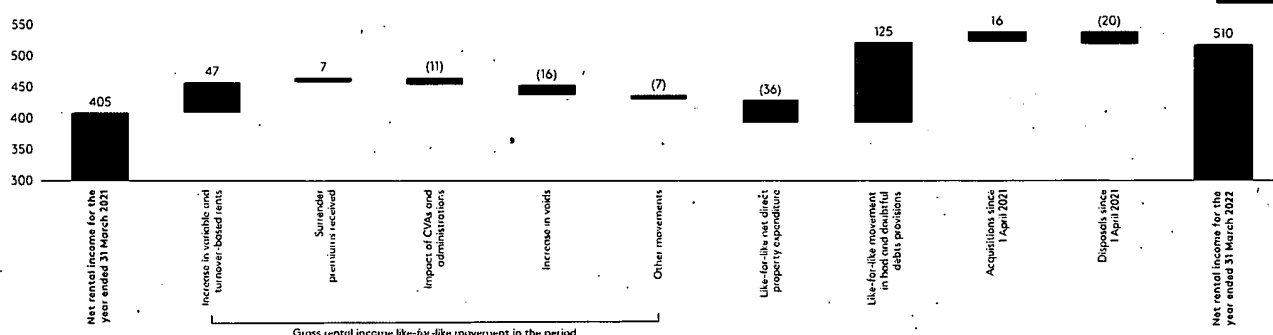
Occupancy for our retail portfolio increased over the past 12 months, but the higher average vacancy versus the prior year still had a negative impact on costs for the year. We expect this drag to reduce in the year ahead, reflecting our leasing success over the last 12 months and our expectation that occupancy will continue to grow from here. Like-for-like net direct property costs increased £36m, which reflects that our assets are fully operational again, having been closed or utilised at very low levels due

to lockdown restrictions for a major part of the prior year. This saved c. £10m of cost in the prior year, which reversed over the past year, and the prior year also benefited from the one-off release of a £4m provision. Higher void costs due to the increase in vacancy during the prior year added c. £8m to direct property expenses, and was the main driver for the c. £7m increase in net service charge costs over the past 12 months. We also saw an £8m increase in letting fees due to the increase in our leasing activity. Overall, this meant our gross to net rent ratio for the year was 87.0%, but as void and letting costs reduce as occupancy normalises, we expect this to grow to c. 90% over the next two years.

Financial review continued

Net rental income¹ (£m)

Chart 10



1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information above.

Rent collection

In line with a normalisation in trading conditions, rent collection has effectively returned to normal levels, as we have now collected 96% of the rent due on the March

quarter day, compared to 81% this time last year. The customer support fund we launched at the start of the pandemic has further enhanced the relationship with our customers, with £56m allocated to customers over the past two years. We

have made good progress on arrears and have collected the majority of the £87m unprovided balance as of 31 March 2021, leaving only £13m of this outstanding, all of which is currently under discussion following the end of the rent moratorium.

Rent collections
25 March 2022 quarter^{1,2}

Table 11

	Gross amounts due 25 March £m	Monthly payment terms agreed £m	Net amounts due 25 March £m	Amounts received to date £m	Amounts received to date %	Amounts received March 2021 %
Offices	55	1	54	54	100	98
Rest of Central London	8	-	8	7	88	63
Major retail	16	1	15	14	93	58
Mixed-use urban	13	-	13	12	92	40
Subscale sectors	14	1	13	12	92	50
	106	3	103	99	96	81

1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information above.

2. All amounts are shown gross of VAT. Where an amount billed remains uncollected and is subsequently written off, the VAT component will be recovered by the Group.

Net administrative expenses

Net administrative expenses increased by £4m to £84m, largely driven by the U+I acquisition and one-off business change activity during the year. Looking ahead, wage inflation will impact staff costs and over the next two years we expect to incur c. £5m p.a. of IT and data related cost reflecting an investment in upgrading our systems and data capability, which due to updated IFRIC accounting guidance will now be expensed instead of capitalised.

However, we are focused on making sure our cost base is right so despite the additional costs of wage inflation and IT, we expect overall administrative expenses to be broadly stable over the next 12 months and to reduce slightly in the year after.

Our EPRA cost ratio for the past 12 months improved to 26.4%, although this number is still impacted by costs related to the disruption caused by Covid-19 during this period and the prior year. In total, we

estimate this added c. 3% to 4% to the EPRA cost ratio for the year. Through a combination of income growth, a normalisation of our gross to net rent margin and a reduction in administrative expenses, we therefore still expect this to reduce towards 20% over the next 2-3 years in a phased manner.

Net finance expenses

Net interest costs reduced £3m to £71m, principally reflecting a reduction in average

gross borrowings compared to the prior year. Although we expect borrowings to reduce over the next 12 months from the current level due to further capital recycling, we expect net interest costs to increase slightly this year due to the higher opening level of borrowings and the recent increase in variable rates, which impacts the 30% of our borrowings which is not fixed or hedged. We anticipate the ratio of variable rate borrowings to reduce in the year ahead, as we expect borrowings to reduce based on continued capital recycling.

Non-cash finance income, which includes the fair value movements on derivatives, caps and hedging and which is not included in EPRA earnings, increased from a net expense of £1m in the prior year to a net income of £16m in the current year. This is predominantly due to the fair value movements of our interest-rate swaps as a result of the increase in interest rates over the past year.

Valuation of investment properties and profit on disposals

The independent external valuation of our Combined Portfolio showed a £409m value

surplus. Aside from the strong recovery in value of assets in our Subscale sectors, which we said we would only dispose of in the medium term, the majority of this surplus was driven by our actions, reflecting profit on developments, several major lease regears in London, and growth in London office ERVs, reflecting the positive leasing evidence we created. We also recognised £6m upside from the regear of two long leases in our leisure assets, which are treated as tenant finance leases in our financial statements. Virtually all Covid-19 related allowances in the valuation which were introduced during 2020 have now been reversed, contributing £63m to the valuation surplus for the year.

We recognised a £107m profit on disposals of investment property, principally related to the sale of two retail parks for £53m and the £197m sale of Harbour Exchange. On average, these disposals were 12% ahead of their March 2021 book value, but as Harbour Exchange was treated as a finance lease in our balance sheet, the IFRS profit on sale related to this was £92m. As our March 2021 EPRA NTA included the fair value of this finance lease, the impact on

NTA and our total accounting return from this disposal was £23m. We exchanged contracts to sell 32-50 Strand for £195m shortly after the year-end, 15% above the March 2021 book value, with part of this premium already reflected in the March 2022 valuation.

IFRS profit after tax

Substantially all our activity during the year was covered by UK REIT legislation, which means our tax charge for the year remained minimal. Driven by the increase in EPRA earnings and positive revaluation result, IFRS profit after tax for the year was £875m, compared to a loss of £1,393m in the prior period.

Total accounting return

EPRA Net Tangible Assets, which principally reflects the value of our Combined Portfolio less adjusted net debt, increased to £7,888m, or 1,063p on a per share basis, marking a 7.9% increase on the prior year, including a 5.0% increase in the second half. Including dividends paid during the year, this means our total accounting return for the period increased to 10.5%.

Balance sheet¹

Table 12

	31 March 2022 £m	31 March 2021 £m
Combined Portfolio	12,017	10,791
Adjusted net debt	(4,179)	(3,489)
Other net assets/(liabilities)	50	(2)
EPRA Net Tangible Assets	7,888	7,300
Shortfall/(excess) of fair value over net investment in finance leases book value	6	(93)
Other intangible asset	2	2
Fair value of interest-rate swaps	21	3
Net assets, excluding amounts due to non-controlling interests	7,917	7,212
Net assets per share	1,070p	975p
EPRA Net Tangible Assets per share (diluted)	1,063p	985p
Total accounting return	10.5%	-15.9%

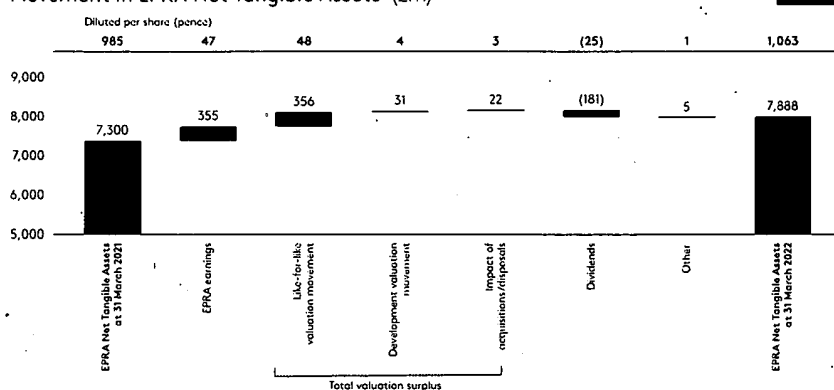
1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information above.

Financial review

continued

Movement in EPRA Net Tangible Assets¹ (£m)

Chart 13



1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information above.

Net debt and LTV

Adjusted net debt, which includes our share of JV borrowings, had been largely stable during the first half of the year but increased to £4,179m in the second half, principally driven by our £821m investment in the acquisitions of MediaCity, U+I and Bluewater, offset in part by the £197m sale of Harbour Exchange. Capital expenditure on our Combined Portfolio was £350m, reflecting our London office development programme,

the preparation of future developments and the investment in our current portfolio. We expect capex investment to grow, reflecting our substantial pipeline and our net zero investment plan.

The other key elements behind the increase in net debt are set out in our statement of cash flows and note 13 to the financial statements, with the main movements in adjusted net debt shown

below. A reconciliation between net debt and adjusted net debt is shown in note 21 of the financial statements.

As a result of the increase in borrowings, our Group LTV which includes our share of JVs, increased slightly to 34.4%. This remains well within the range of 25% to 40% we target and in line with the low 30% level we said we expected for the foreseeable future. As we plan to continue to recycle further capital, we expect adjusted net debt to reduce this year and LTV to remain below the mid 30's. As a result of the transaction activity during the year, which saw disposals of assets from the Security Group and the acquisitions of MediaCity and U+I financed by Security Group debt with the assets remaining outside Security Group, the Security Group LTV has increased to 36.4%.

Net debt and LTV

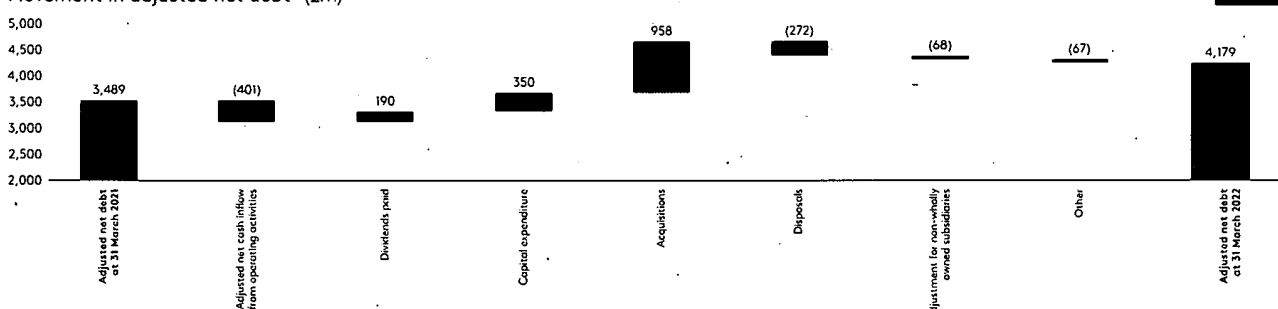
Table 14

	31 March 2022 £m	31 March 2021 £m
Net debt	£4,254m	£3,509m
Adjusted net debt ¹	£4,179m	£3,489m
Group LTV ¹	34.4%	32.2%
Security Group LTV	36.4%	32.7%

1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information above.

Movement in adjusted net debt¹ (£m)

Chart 15



1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information above.

Financing

Our £4,430m of gross borrowings are diversified across a range of sources, including £2,341m Medium Term Notes, £1.6bn syndicated and bilateral bank loans and £499m of commercial paper. Our MTN and bank loans form part of our Security Group, which provide security on a floating pool of assets currently valued at £11.2bn. This provides flexibility to include or exclude assets and an attractive cost of funding, with our MTN currently rated AA and AA- with a stable outlook respectively by S&P and Fitch.

To maintain capital discipline, we seek to balance investments in our pipeline or acquisitions with the disposal of assets which are mature or in sectors where we

have limited scale. This strategy allows us to grow income and our overall return on capital, whilst keeping net debt broadly stable over time. Our strong financial position provides ample flexibility to manage any short-term differences between the timing of disposals and investment, as evidenced over the last few months.

We had £1.6bn of undrawn facilities at the start of last year, which allowed us to move quickly on the acquisitions of MediaCity, U+I and Bluewater in November and December. This temporarily increased floating debt as a proportion of net debt to 30%, but as we expect borrowings to reduce over the coming year as we recycle further capital, we expect the percentage of floating debt to reduce towards c. 20% again.

We did not issue any new debt during the year, although we assumed some existing facilities through our acquisitions of MediaCity and U+I, part of which we repaid. This, alongside the increased utilisation of our revolving credit facilities meant that our average maturity of debt reduced to 9.1 years. Our average cost of debt for the year was 2.4%, which we expect to increase slightly in the year ahead. The fact that only 18% of our borrowings mature in the next three years provides us with a strong financial base and mitigates our interest rate risk, whilst we retain £1.1bn of headroom based on our existing facilities, providing ample flexibility with respect to progressing developments.

Available facilities¹

Table 16

	31 March 2022 £m	31 March 2021 £m
Medium Term Notes	2,341	2,340
Drawn bank debt	1,519	209
Outstanding commercial paper	499	906
Cash and cash equivalents	(157)	(31)
Available undrawn facilities	1,119	1,631
Total committed credit facilities	2,980	2,715
Weighted average maturity of debt	9.1 years	11.5 years
Percentage of borrowings fixed or hedged	70%	81%
Weighted average cost of debt	2.4%	2.3%

1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information above.



Vanessa Simms
Chief Financial Officer

Our people and culture

We want to ensure Landsec has a positive impact on our communities and adds social value. Our culture is central to this, describing how we interact with each other, our customers and partners.

As we move to deliver on our strategy positioning ourselves to grow with purpose, the ability to attract, retain and develop our people is even more critical to the success of our business. We've acknowledged that through our transformation programmes coupled with a buoyant employment market, the risk of attracting and retaining people has increased. That's why this year, we've focused our actions on developing our culture, developing our people through new leadership programmes and continuing to enhance diversity and raise awareness of inclusive behaviours.

People and skills risks

Inability to attract, retain and develop the right people and skills to drive and deliver our strategic objectives, grow enterprise value and meet shareholder expectations.

Example KRIs:

- Employee turnover levels
- High potential employee turnover
- Employee engagement score
- Succession planning up to date
- Time to hire

⊖ For more information on how we are mitigating our people and skills risks please see page 64

Diversity and inclusion (D&I)

Following the launch of our D&I strategy in 2020, we focused our efforts in 2021 on embedding the strategy, incorporating D&I into the way we do things right across the business.

Intersectionality

Over the past year, we have talked about improving the way our different affinity groups work together, and we use the term 'intersectionality' to describe how overlapping identities affect their experiences. Our affinity networks bring our theme of intersectionality to life by collaborating on major network events, such as International Women's Day and Black History Month.

The networks also organise a range of virtual and in-person events to raise awareness and bring people together. Colleagues from our Diaspora, Women's and LGBT+ Networks organised events during Black History Month, both for our customers and colleagues. For the fourth consecutive year, our Hand in Hand Network supported Purple Tuesday to spread awareness for disabled people, and the LGBT+ Allies and Women's Network also teamed up to introduce all-gender toilets at our head office.

Our key achievements over the past 12 months can be seen throughout this report with some of the highlights spotlighted here:

01 Build and maintain a diverse workforce and talent pipeline

- Published our ethnicity pay gap and associated action plan for the first time
- Increased female and ethnic and minority representation at 'Leader level'

02 Embed inclusive behaviours and values into our culture

- Updated our wellbeing support pack through a new partnership with Peppy Health to support employees and their partners through key milestones such as fertility, pregnancy, early parenthood and menopause
- Introduced a 'transitioning at work' policy and launched our gender expression toolkit

03 Provide inclusive services for our customers

- Achieved Disability Confident Level 2 at 13 assets and Level 3 at five of our sites

04 Build an inclusive employer brand

- Achieved Stonewall Bronze Employer Award
- Hosted a range of diversity events with high-profile speakers across our office, retail and commercial spaces

KEY ACHIEVEMENTS



NETWORKS OUR AFFINITY NETWORKS

LANDSEC WOMEN

Executive sponsor – Colette O'Shea

Key focus area – To celebrate gender diversity and intersectionality within our organisation, create positive change, and promote gender-related issues with our employees, customers and communities.

We launched a new mentoring programme with social enterprise Diverse Leaders Network, supporting female Year 12 students from ethnic minority backgrounds in Southwark. We ran our first cohort with 16 mentees in 2021, and we're starting our second cohort with 10 mentees this year. This is a collaboration between Landsec Women, the Diaspora Network and our sustainability team, aiming to empower more future leaders into our industry while increasing our employees' own inclusive leadership skills.

For International Women's Day 2022, we ran a series of events to celebrate and promote open conversations about gender equality. Our executive sponsor, Colette O'Shea, hosted a live Q&A with Non-Executive Director Manjiry Tamhane, who shared insights into her career path so far with members of our Landsec women's network. We also hosted Resurgo, our community partner in Camden and Hammersmith, to celebrate International Women's Day. Attendees heard from participants in Resurgo's Spear programme which supports young people facing barriers into employment and came together to celebrate the day.

LGBT+ ALLIES NETWORK

Executive sponsor – Bruce Findlay

Key focus area – To lead the property industry in being more inclusive for the LGBT+ community.

We led on the introduction of a gender-transition expression and identity toolkit, a 'coming out at work' intranet page, a transitioning in the workplace policy and all-gender toilets in our head office. We launched an all-employee training module on recognising and addressing LGBT+ bullying and harassment. The LGBT+ committee also received inclusion training, delivered by the trans youth charity Mermaids.

We collaborated with Diaspora on an event to draw attention to the successes and challenges of black LGBT+ experiences, and used international inclusivity dates, including Transgender Awareness Week, and Non-Binary People's Day, as opportunities to educate and engage. For LGBT History Month we also launched a UK LGBT+ history exhibition.

We continue to sponsor Freehold and Stonewall, including the Freehold 10 event – celebrating ten years of the Group's focus on LGBT+ inclusivity in real estate. We also completed our first submission to Stonewall's Workplace Equality Index (WEI), securing a Bronze award for establishing a strong foundation of LGBT+ inclusive policies, tools and head office facilities.

HAND IN HAND NETWORK

Executive sponsor – Mark Allan

Key focus area – Disability and wellbeing network, supporting the wellbeing of our colleagues and customers.

The continuing effects of Covid-19 once again ensured the Hand in Hand group was instrumental in supporting health and wellbeing, working with colleagues to support them through the challenges of working outside the normal office environment.

This year, outside of lockdown, we were able to promote Purple Tuesday at more of our properties, including shopping centres and commercial offices. The launch was held at Piccadilly Lights and attended by Mike Adams, the CEO of Purple Organisation. Our Corporate Affairs Director Chris Hogwood attended for Landsec.

Working with Genius Within, who are experts in supporting neurominorities in the workplace, has allowed us to expand our support and knowledge of wider neurodiverse conditions, and this year we have focused on autism.

DIASPORA NETWORK

Executive sponsor – Chris Hogwood

Key focus area – Creating an inclusive organisation supportive of multicultural customers and colleagues.

This year, we worked with Involve to run a series of programmes designed to train our multicultural colleagues, open the door to both mentees and mentors from ethnic minority backgrounds, and introduce the leadership teams to training on racial inequality in the workplace and our communities.

To celebrate Black History Month, we worked with Black-owned businesses and professionals to hold three impactful events for our colleagues and customers. Our 'New Hues of Blackness' art exhibition showcased the works of Black artists in Myo Victoria Street. We also hosted two panel discussions with inspiring speakers, one focusing on 'The Intersectional Experience through a Black and LGBTQ+ Lens' in collaboration with our LGBT+ allies network and another in collaboration with the Black Business Institute on 'technologically advanced living, urbanisation and sustainability through the Black lens'.

Our people and culture continued

Diversity charts and targets

Gender by level (%)

Chart 17

Executive	78	22
Senior leader	70	30
Leader	65	35
Manager	50	50
Professional	43	57
Support	21	79
Whole organisation	49	51

☐ Male ☐ Female

51% of our staff are female, exceeding our 2025 target of 50%. We continue to focus on supporting good female representation at all levels of our organisation and have increased female representation from 31% to 35% at leader level, working towards our 40% 2025 target. 31% of our Board, executive and senior leaders are female, against a 2025 target of 50% female representation. 50% of our Non-Executive Directors are also female.

Whole organisation by ethnicity (%)

Chart 18

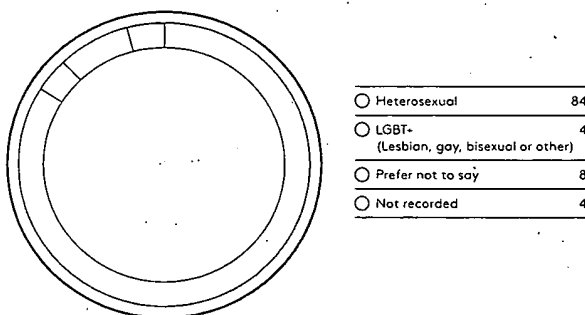
Executive	100				
Senior leader	97				3
Leader	89		7	3	
Manager	81	9	2	5	3
Professional	76	9	10	4	
Support	75	8	11	6	
Whole organisation	81	8	5	4	2

☐ White ☐ Asian ☐ Black ☐ Other ☐ Prefer not to say

17% of our employees are from ethnic minority backgrounds, exceeding our 2025 overall target of 14%. Representation at leader level has increased from 8% to 10% in 2022, working towards our 14% 2025 target. At Board, executive and senior leader levels, our ethnic minority representation is 3%, showing we have more progress to make to achieve our 14% target for these levels. We also have 17% ethnic minority representation within our Non-Executive Directors.

Whole organisation by sexual orientation (%)

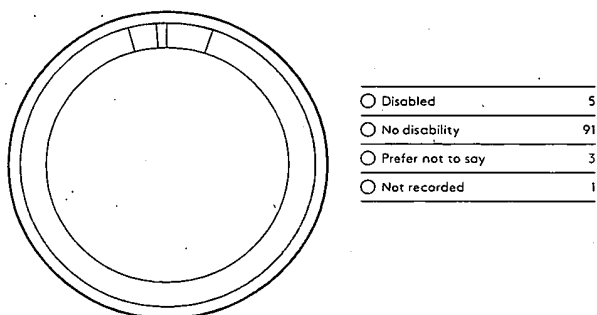
Chart 19



4% of our employees are LGBT+. Over the past year we have reduced the number of employees who haven't recorded their data on the system from 14% to 4%.

Whole organisation by disability (%)

Chart 20



5% of our employees have told us that they have a disability, up from 4% last year. 4% of employees have not recorded their details or prefer not to say, down from 5% last year.

Engagement

We continued to survey our employees on a regular basis via pulse style surveys to have an up-to-date understanding of their levels of engagement. Our most recent pulse was conducted in late January 2022 showing an uptick in engagement levels to 7.3 out of 10 and a 13% increase in response rate to 72%.

We have revised our approach to formal internal communications to provide consistency and clarity to set pieces such as interim and end of year results. This ensures our strategy is clear and is supplemented by a series of more informal, topical and creative interventions to engage and inform our people on a range of initiatives, ideas and business updates.

From the summer of 2022, we will be evolving our approach to create an Engagement Listening Loop, integrating our approach to culture, engagement and internal communications and making sure we are responding to the feedback of our people. This will begin with an externally benchmarked engagement survey which will allow us to deep dive and target actions to focus on key areas. We will complement this with pulse surveys focusing in on key engagement drivers such as Diversity & Inclusion, Learning & Development and Purpose and Culture. In addition, we will seek informal feedback to add to the range of data points giving ongoing sentiment across the business, allowing a platform to respond or make adjustments as needed.

Working flexibly

We have adapted well to the forced period of remote working, and have sought to retain this greater flexibility. To reflect this, we have introduced our Working Smarter policy that, while acknowledging the critical role the office plays, encourages people to embrace flexibility and regulate their work-life balance. This also plays an important role in attracting people to work for Landsec, as candidates increasingly ask about this.

Culture

We continued to develop our culture based on trust, empowerment and collaboration, and we regularly measure our progress. Our organisational cultural blueprint sets out our cultural aspiration while the corresponding personal blueprint articulates what we value and how we work together to create great experiences. We have recently updated both blueprints to reflect how our culture is evolving. We've also initiated an annual culture cycle to listen, understand and communicate how we're doing, how our culture feels to our colleagues and customers, and offer a range of practical tools so everyone can act and work together.

Health and wellbeing

During the Covid-19 pandemic we ensured that our people had access to information about how they can get support. We also continue to encourage individuals to focus on their physical and mental health and continue to train our mental-health first aiders. We have 18 trained individuals around the business to provide advice or a 'listening ear'.

We have created an information hub where people have easy information about, and access to, all our support including our employee assistance programme, our virtual GP, access to our external occupational health team, apps providing support including Unmind and Peppy Healthcare, and a wealth of external sources recommended by our networks, including documentaries, apps, webinars, podcasts and books.

We have also been leveraging our partnerships by passing on free gym sessions, posture masterclasses and sharing useful guides around pensions and financial wellbeing to equip our people as the cost-of-living increases start to impact. We have also given our employees access to the Peppy Health App which focuses on three key areas; fertility, new baby and menopause.

Recruitment and retention

Overall our turnover rate has increased by approximately 10.15% over the last 12 months, largely due to an increase in voluntary turnover of 7.21%, and a 3% increase in involuntary turnover.

The 76 people who have left on a voluntary basis were in roles that range from support to senior leader level. 40 were female, 36 were male. There are a number of factors influencing that.

As we come out of Covid-19, and like most other businesses, we are seeing a very active recruitment market with people taking the opportunity to change career or apply to work in a different organisation. In addition, as a business, we have also undergone a number of transformational change programmes which have impacted our turnover rate from both a voluntary and involuntary perspective.

Against this backdrop of change, we have continued to invest in developing the skills and experience of our existing people whilst also attracting people with more diverse skills and capabilities. Over the last 12 months we have raised and approved 172 job requisitions. Of those 172 requisitions, we have filled 46 (27%) positions with internal hires, some of which will have resulted in people moving into a higher-level role. In addition, we have promoted a further 22 people within their role.

Learning and development

Our learning and development approach has evolved to align with our strategic plans and in support of organisational change.

We are building self-sufficiency around learning, maximising our online learning platform; curating learning playlists, and highlighting pertinent learning solutions and hot topics. This has been complemented by a focus on deepening relationship effectiveness and leadership and managerial capability.

Leadership and Management development

In 2021 we launched our new approach to Leadership and Management development through sister programmes – Stepping into Leadership, which is aimed at those who are newer to management, and Leading with Purpose, which is for more seasoned leaders. These programmes are designed to provide the most up-to-date tools and techniques, ensure alignment with our cultural aims and develop a consistent standard of leadership through practical and relevant content. Both programmes are accredited by the Institute of Leadership & Management (ILM).

So far, we have 26 successful (ILM accredited) participants with two more cohorts in progress.

Our people and culture continued

Female focused development

To date, 28 women have taken part in our Thrive programme that aims to build confidence and help them support their career development. Across both cohorts 13 have achieved a promotion/change in role. All 20 participants who completed feedback would recommend the programme to others.

Circl – empowering young people and our employees

The Circl leadership programme is a unique approach to professional development. Business professionals train alongside 18-24 year old 'Future Leaders' from under-represented backgrounds to learn the 'coach approach' to leadership. In our third year with Circl, we have successfully completed four cohorts and we're starting our fifth.

With Circl, we can combine experiential leadership training with social impact. Our employees gain meaningful and direct leadership experience by coaching their Future Leader, while gaining new perspectives from a young person from our communities. This leads to greater levels of engagement and real behavioural change, empowering all those involved and enhancing our inclusive culture at Landsec.

"It helped me become more confident which helped significantly with my wellbeing. Previously, I had always been intimidated by talking to professionals, particularly those in higher positions. However, after the programme, I've become more comfortable."

Future Leader, Circl Leadership Programme



869

days of training completed



5,243

Courses completed in total



Employees at each level of the business have completed learning throughout the year

"Receiving super honest feedback from the Future Leaders was always very energising. It was a privilege to hear their ambitions and plans. Overall, it's left me with a keen desire to coach both within my profession and outside it."

Landsec participant, Circl Leadership Programme

Pay gap

We are committed to reducing our pay gaps through improving the representation of women and ethnic minority staff at all levels of the business.

While we have made progress in some areas – notably in reducing our gender pay gap – we have gone backwards on our ethnicity pay gaps. Pay gap reporting not only supports transparency it also helps us to identify the actions we need to take to address these gaps and we will be setting out further actions in our full pay gap report.

Our mean gender pay gap reduced from 36.6% to 30.8% in 2022 and our median gender pay gap reduced from 29.3% to 28.7% over the same period.

This reduction in the gender pay gap is primarily due to increases in the representation of women in the upper middle pay quartile (1.7 percentage point increase) and upper pay quartile (2.9 percentage point increase) over the past 12 months. This is a result of a higher number of male leavers in the upper pay quartile than joiners and an increase in female representation at executive level.

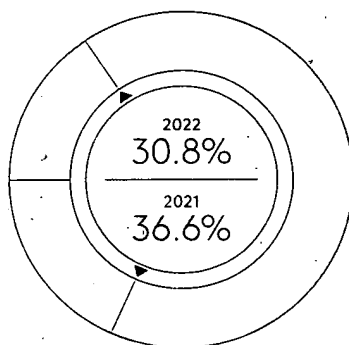
Our mean ethnicity pay gap increased from 32.7% to 36.5% in 2022 and our median ethnicity pay gap increased from 27.6% to 37.6% in the same period.

Our ethnicity pay gaps have increased because the representation of ethnic minority staff has increased in the lowest pay quartile and decreased in all other pay quartiles. This is due to a high proportion of ethnic minority new starters at our more junior levels – 50-70% of new starters at these levels over the past 12 months are from ethnic minority backgrounds. During the same period, we have had a higher proportion of ethnic minority staff leave the business at manager level and this has decreased ethnic minority representation within these more senior roles. This points to the importance of our affinity networks and the need for us to increase our focus on retention.

Gender pay gap

Our mean gender pay gap

Chart 21



Our median gender pay gap

Chart 22

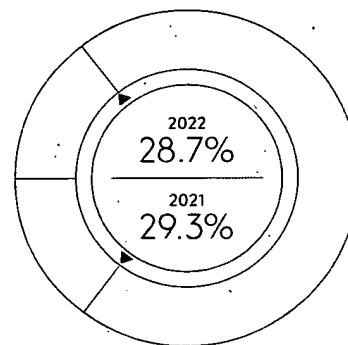


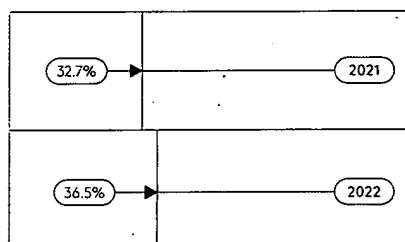
Table 23

Quartile proportions	No.	Male	Female	Quartile split (hourly rate - mean)			
				Total Avg	Male	Female	% Gap
Lower Income Quartile	133	30.8%	69.2%	£17.65	£17.34	£17.78	-2.53%
Lower Middle Income Quartile	133	42.9%	57.1%	£27.96	£29.01	£27.16	6.37%
Upper Middle Income Quartile	133	53.4%	46.6%	£40.47	£40.26	£40.72	-1.15%
Upper Income Quartile	133	69.9%	30.1%	£83.81	£85.64	£79.54	7.12%

Ethnicity pay gap

Our mean ethnicity pay gap

Chart 24



Our median ethnicity pay gap

Chart 25

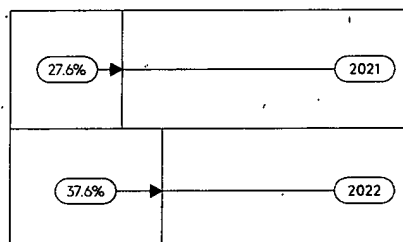


Table 26

Quartile proportions	No.	White	Ethnic minority	Prefer not to say	Quartile split (hourly rate - mean)			
					Total Avg	White	Ethnic minority	% Gap
Lower Income Quartile	133	70.7%	29.3%	0.0%	£17.65	£17.34	£16.77	3.30%
Lower Middle Income Quartile	133	75.9%	22.6%	1.5%	£27.96	£29.01	£28.07	3.24%
Upper Middle Income Quartile	133	90.2%	9.0%	0.8%	£40.47	£40.26	£40.98	-1.80%
Upper Income Quartile	133	89.5%	6.8%	3.7%	£83.81	£85.64	£65.72	23.26%

Our approach to sustainability

At Landsec we do more than build, manage and operate buildings, we build communities and workforces, and improve lives.

The world has changed significantly in the last two years and as we recover from the pandemic, societal expectations of the role that businesses play in creating a sustainable future have risen exponentially. This year we've taken the opportunity to refresh our approach to sustainability, building on our strong foundations to ensure that we continue to address the environmental, social and governance (ESG) issues relevant to our business and stakeholders and align our approach to our purpose – sustainable places, connecting communities and realising potential.

Our purpose is the why underpinning our actions and business decisions. Our approach to sustainability enables us to deliver our purpose by focusing on the issues that need to be addressed to create the impact we want.

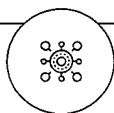
Recognising that our industry accounts for almost 40% of all emissions, and the powerful impact the built environment has on people's lives, we have a unique position to create spaces where shoppers and residents are happy and workers are productive. We are therefore committed to Build well, Live well and Act well – designing, developing and managing buildings in ways that enhance the health of our

environment and improve the quality of life for our people, customers and communities, now and for future generations.

To remain at the forefront of everything the property sector is doing to respond to the climate crisis, we're investing £135m by 2030 to transition our portfolio to net zero supporting the current and future needs of our stakeholders to transition to a low-carbon world together.

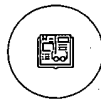
Alongside this, we'll be enhancing social mobility in our industry empowering 30,000 people towards the world of work by 2030 – creating job opportunities and equipping them with the essential skills needed to realise their potential.

Our sustainability milestones



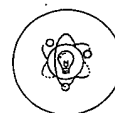
2016

First commercial property company to set a science-based carbon target.



2017

- Launched UK's first scaffolding training centre at Brixton Prison.
- Committed to disclosing climate risks in line with TCFD.



2019

Increased ambition of our science-based target to align with a 1.5°C global warming pathway.

2030

Achieve our science-based target aligned with 1.5°C global warming pathway.

2022

- Supported nearly 500 people into jobs (since 2019/20).
- Launch of Build well, Live well, Act well framework.
- Awarded 'International Safety Award' at the 'distinction' level by the British Safety Council.

AUTUMN

The Forge will become our first net zero carbon building on completion.

2021

- ESG targets linked to all employees' remuneration.
- Developed £135m 'net zero investment plan' equating to approximately 1% of portfolio value.

Our material issues

In an ever-changing world, it's important that we understand and respond to the shifting global challenges that may influence our business and the issues that matter most to our stakeholders. To revise our sustainability framework, we partnered with Salterbaxter to consult with over 230 customers, investors, community groups and colleagues, listening to what they believe are the issues we should be prioritising and addressing.

We prioritised these issues according to their importance to our business (importance to employees) and their importance to our stakeholders.

Though all issues are important and are addressed within our strategy, the review highlighted our high-priority issues as shown in our materiality matrix.

These issues are reflected in our principal risks where we monitor progress against Key Risk Indicators (KRIs) and ensure mitigation actions are in place.

⊙ These themes are reflected in our refreshed sustainability framework explained on pages 46-47

ESG RISKS	
Climate change risk Climate change risk has two elements: ① Transition – failure to meet our 2030 carbon reduction target leading to regulatory, reputational and commercial impact. ② Physical – failure to mitigate physical impact on Landsec assets. Example KRIs → Energy intensity → Renewable electricity → EPC ratings → Operational carbon emissions → Embodied carbon for new developments → Portfolio natural disaster risk Major health, safety and security incident Failure to identify, mitigate and/or react effectively to a major health, safety or security incident. Example KRIs → Number of reportable health and safety incidents → Progress of fire stopping and cladding project against agreed milestones → Health and safety and training completion	→ Security Service national threat level (external metric) → Security risk assessment results of our properties Information security and cyber threat Data loss or disruption to business processes, corporate systems or building management systems resulting in a negative reputational, operational, regulatory or financial impact. Example KRIs → Speed of threat and vulnerability detection (against agreed Pen test/External Assurance Schedule) → Speed of threat and vulnerability resolution → Number of major cyber incidents or data loss events → Incident Response and Recovery Plan Review and Tested → Completion rates on cyber security and data protection training → Number of critical, strategic or infosec partners without current cyber security diligence ⊙ For more information on how we are mitigating our ESG risks please see pages 64-65

Mapping our material issues

IMPORTANT TO EXTERNAL STAKEHOLDERS	IMPORTANT TO OUR BUSINESS	
	Environmental	Social & Governance
■ Employment of groups facing barriers into work ■ Addressing inequality of young people ■ Business Ethics (including information and cyber security) ■ Integrating ESG in everything we do	■ Energy, carbon emissions and climate change across construction and building operation ■ Sustainable design ■ Managing resources and waste responsibly across construction and building operation ■ Health, safety and wellbeing of employees and those working on behalf of Landsec in the supply chain ■ Human rights and fair wages for employees and those working on behalf of Landsec in the supply chain ■ Diversity, equality and inclusion of employees and those working on behalf of Landsec in the supply chain	■ Sustainable and circular building materials ■ Employee training and engagement ■ Customer health, wellbeing and productivity ■ Attract new talent in the real estate industry ■ Positive local economic impact ■ Inclusive communities and buildings ■ ESG finance investment ■ Stakeholder engagement ■ Data privacy and security
■ Protecting, restoring and enhancing biodiversity ■ Responsible water use across construction and building operation ■ Climate change adaption and resilience ■ Technology and smart buildings		

Key: ■ Environmental ■ Social ■ Governance

Our approach to sustainability continued

Our sustainability framework

Following our 2021 materiality review and baseline assessment, we refreshed our sustainability strategy framework to enable us to work towards our purpose, and address our key ESG risks and opportunities. Building on the success of our existing sustainability programme, our updated sustainability framework is also helping us:

- focus what we do on the issues where we can have the greatest impact
- remain relevant in a post-Covid-19 world, increasingly under pressure for climate action
- make sustainability part of everything we do
- ensure what we do is bold and memorable so we can communicate it to all stakeholders easily.

Build well, Live well, Act well

Our vision is to design, develop and manage buildings in ways that will enhance the health of our environment and improve the quality of life for our people, customers and communities, now and for future generations. We deliver our vision through three pillars: Build well, Live well and Act well. Within each pillar, we focus on the issues that matter most through themes.

We will build well, by creating, operating and investing in low-carbon places and, where possible, restore and repurpose instead of taking down. We'll also enhance green spaces, improving air quality and working to pioneer new models of sustainable design.

We will enable people to live well, by improving wellbeing and developing spaces where shoppers, residents and workers are happy and productive. This will help create thriving communities, inclusive places and job opportunities.

And we will act well, by embedding our sustainability strategy in everything we do. We've developed local plans so everyone, including suppliers and customers, in every building, can play a role in achieving our vision.

Through our framework, we are demonstrating our ongoing commitment to the United Nations Global Compact's (UNGC's) Ten Principles in the areas of human rights, labour, environment and anti-corruption, and continue substantially advancing our vital work towards meeting the Sustainable Development Goals.

OUR COMMITMENTS

COMMITMENT: BUILD WELL

We will design, develop and manage places to tackle climate change, enhancing the health of the environment by achieving net zero and going beyond.

The ESG issues that matter most

- Decarbonising our portfolio transitioning to net zero
- Enhancing nature and green spaces
- Using resources efficiently

Our headline targets

- Reduce operational carbon emissions (tCO₂e) by 70% by 2030 compared with a 2013/14 baseline, for property under our management for at least two years.
- Reduce average embodied carbon by 50% compared with a typical building by 2030 by prioritising retention where possible, adopting smart design and using sustainable materials.

Linked SDGs



**COMMITMENT: ACT WELL**

We will be a fair and responsible business in everything we do.

The ESG issues that matter most

- Embedding ESG
- Doing the basics brilliantly

Our headline target

- All Landsec colleagues to have individual objectives to support the delivery of Build well, Live well, Act well, with a proportion of remuneration linked to our energy and carbon targets.

Linked SDGs**COMMITMENT: LIVE WELL**

We will create opportunities and inclusive places to change lives, supporting communities to thrive.

The ESG issues that matter most

- Creating opportunities and tackling local issues
- Inclusive places
- Improving wellbeing

Our headline targets

- From a 2020 baseline, empower 30,000 people facing barriers into employment with the skills and opportunities to enter the world of work by 2030.
- From a 2020 baseline, deliver £200 million of social value in our local communities by 2030, addressing social issues relevant to each area.

Linked SDGs

Our approach to sustainability continued

Sustainability governance

The Board is responsible for the oversight of our approach to sustainability and of climate-related risks and opportunities impacting our business. Our CEO, Mark Allan, is our Board 'Sustainability Executive' and has overall responsibility.

This year, we have strengthened our governance, disbanding our Sustainability Committee and making our Executive Leadership Team accountable for setting the strategy, and ensuring we have the resources and budget for it.

We are establishing a Sustainability Forum, a senior management group, responsible for executing the strategy and delivering programmes of work needed to meet our sustainability targets.

Our sustainability team is responsible for recommending the strategic direction for sustainability, measuring and reporting progress; delivering group-wide programmes to address issues that matter most. The team also provide expert advice and support on how to integrate ESG considerations into the way we operate and design and develop our buildings.

We monitor and report progress on our framework every year through a Build well, Live well, Act well scorecard.

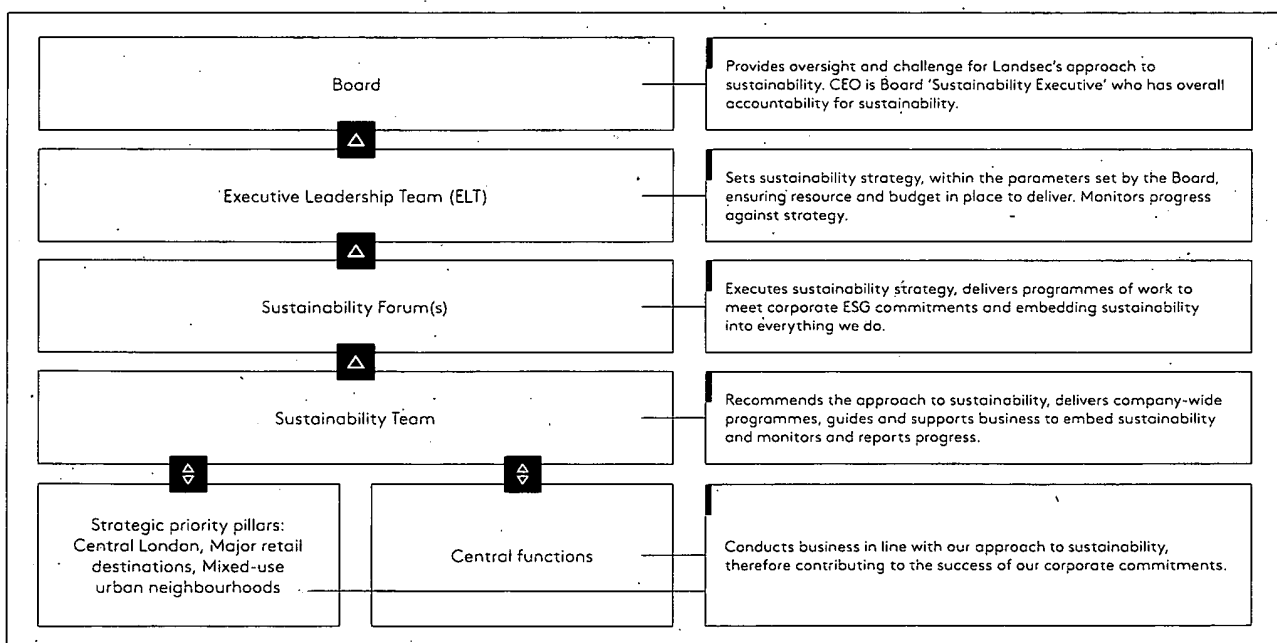
☉ See Additional information on pages 204–206

Executing our strategy

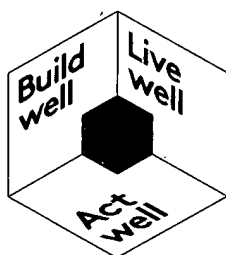
Under our Build well, Live well, Act well pillars, we have a suite of targets to demonstrate the actions we are taking to address each of our material issues. These targets will evolve over time as we continue to develop our approach.

Our framework is delivered via business-wide, portfolio and asset level actions – helping us embed sustainability further throughout the business. Our Build well, Live well, Act well framework energises all colleagues to focus our actions on the issues where we can have the biggest impact, ensuring we all have clear understanding of the role we play in supporting our commitments and targets.

Roles and responsibilities



Build well — our commitment to the environment



We will design, develop and manage buildings to tackle climate change, enhancing the health of the environment by achieving net zero and beyond.

We're creating, operating and investing in low-carbon, restorative places, enhancing green spaces, improving air quality and working to pioneer new models of sustainable design.

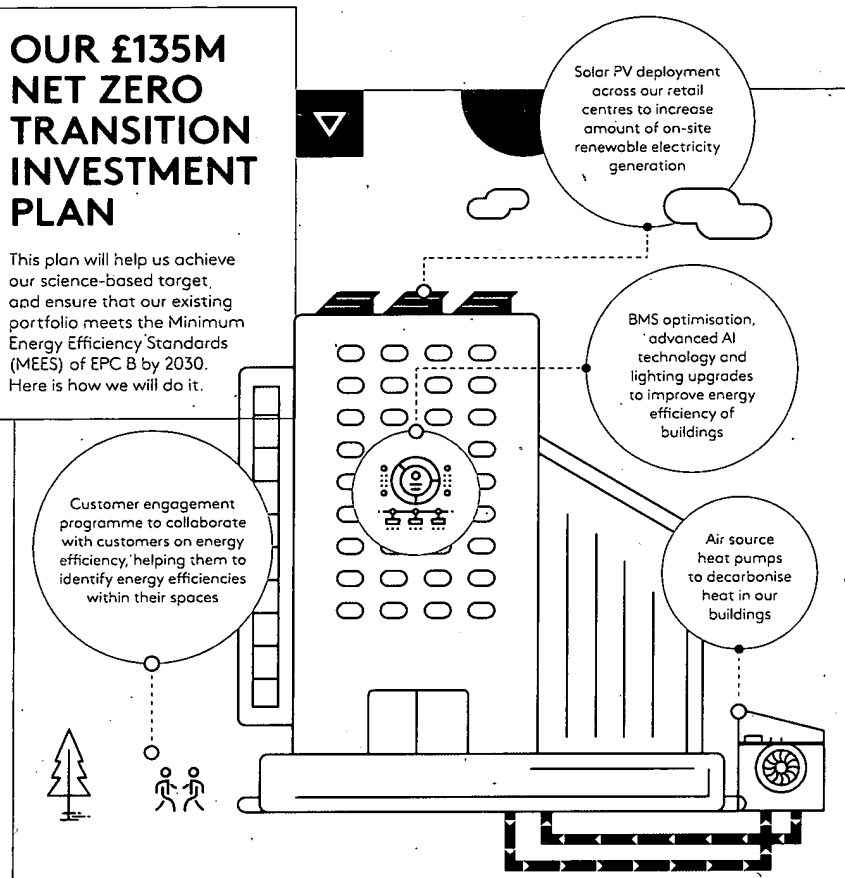
Decarbonising our portfolio and transitioning to net zero

To play our part in tackling the climate crisis, we have gone beyond best practice, demonstrating leadership through our industry-leading, science-based carbon reduction target. We met this 11 years early, in 2019, subsequently updating it and aligning with the 1.5-degree global warming scenario, targeting a 70% reduction in carbon emissions by 2030, compared to a 2013/14 baseline.

This year we have reduced operational carbon emissions by 52% and energy intensity by 34% from a 2013/14 baseline. These reductions can be partly accounted

OUR £135M NET ZERO TRANSITION INVESTMENT PLAN

This plan will help us achieve our science-based target, and ensure that our existing portfolio meets the Minimum Energy Efficiency Standards (MEES) of EPC B by 2030. Here is how we will do it.



for by the lower utilisation of space during the first part of the year. However, we continue to implement a range of energy saving projects across our portfolio. This has included an ongoing and extensive lighting upgrade project at Bluewater in which we've replaced all lights in the mall area and car parks to LEDs with a wireless control and monitoring system.

Furthermore, at several office buildings we have optimised energy-intensive chillers and minimised their usage during periods where demand for cooling is low. Recognising that optimising our existing heating, cooling and ventilation equipment is key to drive energy and carbon reductions, we've undertaken

building performance appraisals across our Central London portfolio uncovering opportunities for improvement.

Our net zero transition investment fund

To help ensure we achieve our 2030 science-based target and move towards net zero, in November 2021 we established an ambitious £135m net zero transition investment plan. We will use the fund to finance a series of initiatives over the coming eight years, to reduce our carbon footprint and improve innovation and best practice across the wider industry. We expect the programme to remove 24,000 tonnes of carbon emissions from our operations.

Build well — our commitment to the environment continued

The fund will support initiatives to: move to cleaner sources of energy by replacing gas-fired boilers with electric systems such as air-source heat pumps; optimise our building management systems (BMS) ensuring they operate in accordance with the way the building is occupied; increase the capacity of onsite renewable energy and collaborate with customers to identify opportunities for energy efficiency.

This investment programme equates to approximately 1% of portfolio value, and will enable us to stay ahead of the future non-domestic Minimum Energy Efficiency Standard (MEES) Regulations, which may require all properties to achieve an Energy Performance Certificate (EPC) rating of 'B' by 2030. With increasingly clear evidence of stronger sustainability credentials underpinning higher asset valuations and stronger operational performance, it is not only essential from an environmental perspective but an economic one, too.

From April 2023, all properties that are let will require an EPC 'E' or above. As of 31 March 2022, 96% of our portfolio by asset value has an EPC rating between A-E. The actions we are taking to transition to net zero will ensure we meet this regulation well before the compliance deadline.

This year we've trialled predictive and self-adaptive Artificial Intelligence (AI) commercial-building technology at 80-100 Victoria Street. Using deep learning and cloud-based computing, the technology optimises the building's existing heating, ventilation and air conditioning (HVAC) system, which can result in up to a 40% decrease in carbon footprint as well as a reduction in HVAC energy costs of up to 25%.

Alongside this plan we continue assessing and quantifying climate-related risks and the potential financial impact, at a portfolio and asset level, for our existing assets, new developments and potential acquisitions.

This is informing our longer-term approach to managing climate risks across our portfolio.

☉ For more details on our TCFD please see pages 66-69

Engaging our customers

Recognising that approximately 40% of all energy consumption comes from our occupiers' use of our buildings, we launched a customer engagement programme to raise awareness, change behaviour and identify opportunities for collaborating on energy and cost savings.

Working with these customers and energy specialists we have been:

- running energy audits with data analysis and a site visit to understand data trends, anomalies and opportunities
- using energy-efficiency questionnaires for customers' employees to capture their opinions, attitudes and ideas on reducing energy

→ running interactive workshops to raise awareness of net zero carbon and discuss energy use

→ making recommendations to improve efficiency.

To further raise awareness and drive energy efficiency we entered 80-100 Victoria Street, One New Change and New Street Square into the CUBE competition. CUBE's goal is to help landlords and their occupiers improve energy efficiency through gamification and behaviour change. Participants are ranked monthly on which building has registered the largest percentage energy reduction, measured from their own historic baseline of energy use.

Designing and developing our new schemes sustainably

Nearly 50% of whole life carbon emissions of a building occur before it even completes and this proportion is growing as the UK grid decarbonises. We therefore continue to design and build net zero buildings and we are proud of delivering The Forge in

Portfolio EPC rating (by ERV)

Chart 27

2020/21	24%	25%	20%	4%	42%	25%
2021/22	36%	26%	28%	5%	1%	4%
2030	100%					

Retail and office breakdown

Chart 28

Retail	29%	37%	19%	5%	12%	8%
Offices	44%	12%	38%	6%		

● A-B ● C ● D ● E ● F-G ● EPC required

Southwark. The Forge, SE1 is the first UK net zero commercial building constructed and operated in line with the UK Green Building Council's (UKGBC) framework definition for net zero buildings.

We have been developing our net zero carbon strategy for our mixed-use urban neighbourhoods, aiming to apply the same level of diligence on our residential-led projects as we do for our offices. We looked at the life-cycle impact of our masterplans and set targets for embodied and operational carbon based on in-depth modelling and financial appraisal. We are confident that this sets us on a path to providing climate-resilient homes that will stand the test of time.

Credible carbon offsetting

We recognise that despite our plans to transition to net zero, we will need to offset some unavoidable remaining emissions from our development activity. We are focused on ensuring each credit is independently verified, transparent and traceable meeting UKGBC and SBTi principles. As such, we've joined The Lowering of Emissions by Accelerating Forest Finance (LEAF), a public-private coalition, supported by governments (UK, US and Norway), that seeks to mobilise finance to protect tropical forests at huge scale. LEAF carbon offsets are verified by Architecture for REDD+ Transactions (ART).

At The Forge, SE1 we're using pioneering construction methods. Having received funding from Innovate UK, we're creating the world's first office building designed and constructed using the 'kit of parts' solution built on a Design for Manufacture and Assembly structural frame. By adopting this approach we have reduced embodied carbon emissions by over 25% compared to design stage.

Once in operation, no energy will be generated from fossil fuels, decarbonising building operation and reducing the impact on local air quality. It will also include highly efficient air-source heat pumps, and on-site renewable electricity from solar panels.

It is the UK's first commercial development to have been recognised by the UKGBC as aligning with its framework definition of a net zero carbon building.

CREATING THE UK'S FIRST NET ZERO DEVELOPMENT

The first certified Design for Performance Project

This year, our Timber Square, SE1 development in Southwark achieved a 5-star Design Reviewed Target Rating, making it the UK's first Design for Performance project to complete its independent design review. This means the project is on track to receive a 5-star NABERS Energy Rating on completion. This level of energy efficiency aligns with the UKGBC's 2025-2030 energy performance targets for commercial offices aiming to achieve net zero carbon in operation. The partial reuse of the existing structure of the Print Building, and the use of a hybrid steel and cross-laminated timber (CLT) structure, results in an embodied carbon intensity of more than half of a typical London office.

Build well — our commitment to the environment continued

Enhancing nature and green spaces

This year we've achieved an average 13% uplift in biodiversity net gain from a 2016/17 baseline, which has included over 50 biodiversity projects across the five sites with greatest biodiversity potential.

At White Rose, Leeds, we restored ponds with native species of planting, and elsewhere we continue to manage and enhance existing areas of landscaping for nature, including kingfisher perches, hedgehog boxes and over 500 trees and shrubs.

Last spring, we worked with an ecologist to conduct site visits at the five sites to evaluate progress from our 2016/17 baseline. The results of this are helping us identify further enhancements for the sites so we can reach our 2030 target to achieve a 25% biodiversity net gain across our operational sites currently offering the greatest potential. Once these are complete, we will undertake further ecology studies to identify additional ways to ensure we meet our biodiversity target.

We have a commitment to delivering significant biodiversity net gain across all of our new developments. Our scheme at the O2, Finchley Road is achieving over 150% net gain through a careful landscaping design to reintroduce nature on a site with limited vegetation and ecological value.

Using resources efficiently

Buildings are responsible for 50% of all extracted material. We are committed to using resources efficiently reducing the materials we use in our development activity and sourcing them from ethical and sustainable sources, promoting reuse and circular economy principles, encouraging recycling and using water wisely. We operate our buildings in accordance with our company-wide Environmental and Energy Management Systems, which are certified to ISO 14001 and ISO 50001 respectively.

Sustainable materials

As part of our transition to net zero, we're focusing on lean design, using innovative construction methods and low-carbon materials. We include carbon consultants in the design team from the very start, to guide decisions on the most carbon-efficient solution and we account for the embodied carbon implications of design options.

100% of our core construction materials are from responsible sources and last year, we signed up to SteelZero, committing to purchasing 50% of our steel as low carbon by 2030, and 100% by 2050. This will influence collective purchasing power across our industry as it sends a strong signal about demand, to shift global markets and policies towards responsible production and sourcing of steel.

SteelZero steel must meet ResponsibleSteel standards or be produced by a steelmaking site where the owner has defined and made public both a long-term emissions-reduction pathway and a medium-term, quantitative-science-based GHG emissions target such as a science-based target approved by the SBTi (Science Based Targets initiative).

Managing our waste

Across our operations and developments, we are committed to achieving at least a 75% annual recycling rate. In 2021/22, we achieved a 71% recycling rate across our operations and a 99% recycling rate across our developments. We have increased recycling rate across our operations by 6pp since 2020/21.

This increase has been driven mainly by the increase in recyclable materials produced by our brand partners, in particular F&B (such as packing materials, cardboard and glass), as well as retail returning to normal operations and easing of Covid-19-related restrictions. We expect to see a continuation of progress towards 75% recycling throughout the coming year.

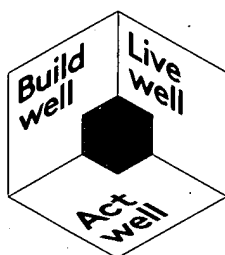
Additionally, to tackle tech poverty which was brought into sharp relief during the pandemic, we've donated over 265 reconditioned devices to charities across the UK. The devices have been used to support young people in accessing their education, and helping people out of work access support services and apply for jobs.

Using water wisely

With the change in climate, water stress is becoming an important risk to consider. We have already implemented a number of initiatives to improve water efficiency across our developments achieving more than 50% reduction in water consumption compared to a typical build on The Forge, SE1 and n2, SW1.

We recognise however that more needs to be done and we will be undertaking water-management assessments at assets under our operational control to identify opportunities to use water more efficiently.

Live well — our commitment to our communities



We will create opportunities and inclusive places to change lives, building strong communities and tackling local issues.

We have set new commitments to enhance social mobility in our industry, empowering 30,000 people towards the world of work, creating £200m of social value for our communities by 2030.

£16.5m

Social value created through our community programmes since 2019/20

474

People further from the job market supported into employment since 2019/20

1,800+

Young people engaged since 2019/20

Creating opportunities and tackling local issues

We are a significant creator of jobs across real estate, construction, customer service and retail, and we have an important role in helping create a fairer, more inclusive economy. One that helps tackle the social inequalities specific to our local areas, and addresses the current and future skills we need. We also know that our business does not yet reflect the diverse communities we're part of, especially at senior levels.

Our social programme therefore aims to empower people facing barriers with the skills and opportunities to enter the world of work and aims to tackle local socio-economic issues in the areas we serve.

We do this through a suite of initiatives in all our local communities which are supported by volunteers from Landsec and our partners. We run employability workshops, focused on supporting prison leavers, people experiencing homelessness, and young people from disadvantaged backgrounds, equipping them with the skills and confidence to enter work. We deliver educational interventions introducing young people to the range of careers available within real estate – seeking to increase the diversity of the sector. Where possible, beneficiaries of these programmes are offered job opportunities in our business and supply chain.

Creating opportunities for young people

Since the start of the pandemic, we've supported the government's Kickstart scheme to provide opportunities for young people who have faced significant challenges due to Covid-19, and risked facing long-term unemployment. The scheme has brought talented individuals from our communities directly into Landsec, helping them realise their potential.

Through Kickstart, we have employed seven individuals who are working across a diverse range of business functions including sustainability, retail, customer, workspace and innovation. The group are developing their confidence and transferable skills, while bringing valuable new perspectives to our business.

One of our Kickstart colleagues said: "Kickstart allows young people from different backgrounds to work in job sectors that they normally wouldn't think of applying to, thinking that it's not for them. Working at Landsec, I've been able to improve my confidence and self-esteem, gaining experience working on community projects."

Live well — our commitment to our communities continued

Addressing recruitment challenges in Cardiff

The pandemic has not just impacted people's access to opportunities, it has also presented challenges for many of our partners to recruit, especially within the retail and hospitality sector.

In Cardiff, we partnered with John Lewis, Primark and Boots to run a Get Into St. David's scheme with The Prince's Trust. The two-week initiative supports local young people aged 16-30 with the essential skills required for work. Participants received employability training, interview practice and work experience with six candidates being successful in securing a job at the shopping centre. Since 2016, this initiative has supported 44 young people in Cardiff find employment.

Tackling homelessness in The City

Across all of our communities, we build long-standing partnerships with local charities to support some of the most vulnerable and excluded groups in our society, and address the local issues that matter. This includes homelessness, a significant issue in many of our communities.

This year, we launched an initiative with our construction partner Sir Robert McAlpine at our 21 Moorfields, EC2 development in The City of London, alongside homeless charity Crisis. The initiative was aimed at tackling job and housing insecurity for vulnerable candidates. It gave five people who had experienced homelessness three weeks of employability training, work experience, accommodation support and ultimately a job interview on site. Several candidates have since moved into full-time work at 21 Moorfields with our supply chain partners.

Involving young people in climate change activity

Young people have played an important part in bringing the climate crisis to the forefront of the international agenda, and in recognition of this, in October, Piccadilly Lights hosted artwork showing young people's ideas for tackling the climate crisis. This was the result of a competition where we invited young people from several of our Westminster schools, and community partners, to take part. We also showcased the artwork in the reception of 80 Victoria Street throughout November.

Inspiring the next generation of property professionals in Lewisham

We know our business, and our industry as a whole, does not yet reflect the diverse communities we are part of, especially in senior roles. We need more young people from our communities to join our workforce. Our education initiatives aim to address this, giving our industry's future leaders the insights, mentoring and pathways to pursue a career in real estate.

In Lewisham, we have been working with the Construction Youth Trust, our education partner that aims to increase young people's representation in the real estate sector. We developed a programme to engage young people at four local schools in an exciting careers project, supported by volunteers from our Lewisham project team. This project has engaged over 160 young people since 2020, with 20 individuals going on to receive additional mentoring.

Inclusive places

Helping provide equal opportunities for all

We are committed to embedding inclusive behaviours into our culture and providing inclusive services for our employees, customers and suppliers. Key activities in this area have included: achieving Disability Confident at a number of our assets, achieving Stonewall Bronze Employer Award and introducing a 'transitioning at work' policy.

☉ See Diversity and Inclusion on pages 38-39

As part of creating sustainable and inclusive places, we are using our skills, resources and people to provide opportunities to address social inequalities.

A big part of this is our work to help young people from diverse and under-represented backgrounds into careers in our industry.

In April 2021, we launched a 12-week virtual mentoring programme for young people aged 16-18 years in Southwark, working with the Diverse Leaders Network, a social enterprise that develops the next generation of leaders from diverse backgrounds. We set the programme up in response to the pandemic's significant impact on young people's aspirations and opportunities.

Our 16 Landsec mentors worked one-to-one with female students from diverse backgrounds to increase their confidence, career awareness, leadership abilities and aspirations. The weekly sessions covered setting goals, influencing, overcoming challenges, growth mindset, respect, finding your voice and getting ready for the world of work, all of which aimed to redefine how the students perceive leadership.

Improving wellbeing

We design and manage our assets to enhance our customers' and our colleagues' physical and mental wellbeing, supporting their productivity.

It has never been so important that the air in our buildings is high quality. In 2021 we signed up to the WELL Portfolio Programme to ensure we provide a healthy and safe environment for our office customers to return to. Monitoring and raising awareness around air quality is a fundamental part of this and so this year we undertook a four-month indoor air-quality testing programme in 16 of our buildings. The results showed very high levels of air quality across our spaces. Following this testing, we are now introducing sensors across our entire portfolio.

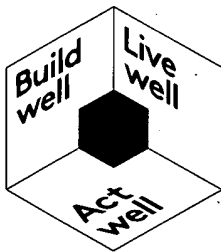
We have a dedicated intranet site for all colleagues to access a suite of resources covering physical, psychological and social aspects that contribute to a healthy life.

Our new health and wellbeing support pack pulls together the policies and services available to all employees, with clear guidance on how to access them. This includes our Employee Assistance Programme (EAP), private healthcare, online learning and external support providers. Our Mental Health Support Network includes 18 colleagues who are all trained to have the practical skills to spot the triggers and signs of poor mental health – being able to step in and provide support if required.

☉ See page 41 for more information on employee wellbeing

▼ We invited local schools to participate in our climate crisis artwork competition, showcasing the artwork on Piccadilly Lights in the run up to COP26.

Act well — our commitment to being a responsible business



We will be a fair and responsible business in everything we do. Building strong relationships with our partners, customers, suppliers, communities and colleagues – developing plans so that everyone and every building has a role in delivering our vision.

Embedding ESG

Our refreshed framework has been designed to ensure business-wide accountability for the fulfilment of our sustainability targets.

This is the first year that we have linked a proportion of all colleagues' remuneration to the delivery of our energy and carbon targets. In the coming year we're encouraging all Landsec colleagues to set individual objectives to support achieving our vision.

Collaboration is a key enabler of our sustainability framework and that's why we're building stronger relationships with our customers – listening to their views via surveys and interviews and taking action. We're also working with customers to raise awareness and change behaviour on energy consumption.

☉ See page 50 for more information on how we are engaging our customers

Doing the basics brilliantly On-site health and safety

Our goal is to achieve Landsec's purpose without causing harm to people; protecting our customers, partners and people by creating safe and successful places and experiences. We have continued to make health and safety considerations part of our recovery from the pandemic, by continuing to support and inform our people of our Covid-19 conscious approach and by providing clear, pragmatic guidance to our site teams, to ensure they have the tools to maximise our potential for a healthy recovery. We continue to support our strategy, for example by ensuring our ever-evolving retail propositions provide a safe, attractive offering for our occupiers and visitors.

All our properties operate within a safety-management system certified to ISO 45001, and we continue to conform to it. In January 2022 we achieved certification to BS 9997 for our fire risk management system, and produced clear requirements for our development projects in anticipation of the Building Safety Act. In March 2022 we were

awarded an 'International Safety Award' at the 'distinction' level by the British Safety Council in recognition of our commitment to health and safety over the year.

To enable continuous safety and health progress, we reviewed occupational hazards in May 2021. Based on this, we identified and prioritised seven key areas we could improve. The topics focused on reducing the risk of occupational safety hazards, hazards to our people, partners and our customers.

We have worked with other leading property companies to establish uniformity in our safety and health data as a way of enabling performance benchmarking against our peer group.

Responsible procurement

We focus on building strong, long-term relationships with our strategic suppliers – including those suppliers who employ people to work on our sites. All suppliers are asked to comply with our Supplier Code of Conduct which sets out our minimum expectations on how we expect our suppliers to act in relation to fairness, wages, diversity, equality and inclusivity. Additionally, all strategic suppliers are expected to operate our sites with respect to Landsec's policies and standards on health and safety, anti-harassment and bullying, diversity and inclusion.

Furthermore, in accordance with the Modern Slavery Act 2015, we publish annually our Modern Slavery Statement that describes the policies, processes and actions we have undertaken to address and prevent modern slavery across our business and supply chain.

Business ethics

To achieve our purpose, we have to act ethically and with integrity, behaving in the right way and speaking up if we think others are not doing this. During the year, we have refreshed our Code of Conduct which provides guidance on how to do the right thing and behave in the right way and highlights the key policies that all our employees must follow. It covers a number

of topics about how we work together, including sustainability, financial commitments, communicating externally, health and safety, owning our behaviour and managing our data.

The way we identify, manage and mitigate risks within our business is fundamental to our success. You can read more about how we manage risk, including the risk management strategy that we have established to identify, prioritise and improve cyber resilience across all our assets, in the Managing risk section on pages 58-59 and also our Audit Committee Report on pages 102-107.

The Board has zero tolerance for bribery and corruption of any sort and this is reinforced through our Code of Conduct. Our principal suppliers are required to have similar policies and practices in place within their own businesses.

Our Anti-Bribery and Corruption Policy outlines the expected conduct of Landsec employees and how they can report any breaches. An updated training module on Anti-Bribery and Corruption was also launched last year which forms part of the induction process for all new employees.

Managing risk

Our approach to managing risks and opportunities has continued to evolve and improve this year through close alignment with our strategy and a deeper understanding of our risk landscape.

“Helping the business to navigate the challenges and opportunities it faces through proactive risk management.”



OUR KEY SUCCESSSES IN 2021/22

- Development of a fit-for-purpose risk management framework to enable a common approach to managing risks across our key functions.
- Established a Group Risk Register covering the whole of Landsec's risk landscape including strategic, operational and legal and compliance risks.
- Alignment with the strategic review process to ensure consistent language and measurement and consider risks across each of the strategic pillars.
- Assessed the quality and completeness of assurance provided against our principal risks.
- Development of assurance mapping against our principal risks.



OUR KEY PRIORITIES IN 2022/23

- Support the implementation of the new strategy through risk deep dives with the Executive Leadership Team.
- Development of key risk indicator thresholds and establishment of quantitative risk appetite measures for principal risks.
- Development of key functional risk registers to support the Group analysis.
- Continue to promote risk awareness and aid decision-making through assessing and managing our strategic and operational risks.

Risk management framework and Governance

The Board and Executive Leadership Team recognises the importance of identifying and actively monitoring the financial and reputational impact of our strategic and operational risks. The Board has overall responsibility for the oversight of risk and for maintaining a robust risk management and internal control system. The Executive Leadership Team is responsible for day-to-day monitoring and management of risks that impact the business. The Audit Committee supports the Board in the oversight of risk and is responsible for reviewing the effectiveness of the risk management and internal control system during the year.

We have an established risk management and control framework that enables us to effectively identify, evaluate and manage our principal and emerging risks. Our approach is not to eliminate risk, but to manage it within our appetite for each risk. We focus on being risk aware, clearly defining our risk appetite, responding to changes to our risk profile quickly and having a strong risk culture among employees.

The Risk Management function, headed by the Director of Risk and Assurance, facilitates risk discussions and provides challenge and insight where appropriate. The Risk Management function also oversees and provides support to various functions across the business.

Identification of risks

Identifying and quantifying risks is a continual process. We work with teams across the organisation, senior management, external agencies and stakeholders to identify the strategic, operational and legal and compliance risks facing our business. These are included on our Group Risk Register, which is challenged and validated by the Executive Leadership Team. Our principal risks, which are a sub-set of our Group risks, are reviewed by the Audit Committee before being presented to the Board. In addition, an in-depth risk session is held with the Board every year, with the next session taking place in December 2022.

Evaluation of risks

We use a risk scoring matrix to ensure risks are evaluated consistently. Our matrix considers likelihood, financial impact to income and capital values and reputational impact. When we evaluate risk, we consider the inherent risk (before any mitigating action) and the residual risk (the risk that remains after mitigating actions and controls). From this, we identify principal risks (current risks with relatively high impact and certainty) and emerging risks (risks where the extent and implications are not yet fully understood). We have taken the opportunity this year to enhance our emerging risks process given the pace of business change.

Management and assurance of risks

As part of its overall responsibility for risk, the Board undertakes a bi-annual assessment, taking account of those risks that would threaten our business model, future performance, solvency or liquidity as well as the Group's strategic objectives. Scenario modelling has been used to better understand the impact of these risks on our business model when placed under varying degrees of stress, enabling interdependencies to be considered and plausible mitigation plans to be tested.

The Audit Committee reviews our principal risk register at least twice per year as well as our Assurance Map, which sets out the key controls and assurance activities against each risk. This supports the Committee's evaluation of the control environment and the adequacy of assurance activity. The Committee also receives a summary report at each meeting describing key second and third line assurance activities, including internal audits, actions agreed and the status of open risk mitigation actions.

Day-to-day ownership and management of key risks is assigned to members of the Executive Leadership Team. They are responsible for ensuring the effectiveness of controls and for implementing risk mitigation plans, where necessary. The ELT reviews the Group Risk Register in detail at least twice per year and undertakes deep dives into specific risks throughout the year to evaluate the current risk level, consider risk appetite and agree any further actions needed.

Key operational principal risks, including health, safety and security, and information security and cyber threat are managed by dedicated second-line functions that define and implement policy and mitigating controls, and undertake assurance activities.

The Group Insurance Team sits within the overall Risk and Assurance function, which enables collaboration between Insurance and Risk teams and detailed consideration of risk treatment planning, residual risk and transference to the insurance market, where appropriate.

We identify where the impact of controls is greatest i.e. where there is a relatively high inherent risk and relatively low residual risk, and this helps to focus the work of Internal Audit and other assurance providers.

Landsec has an Internal Audit function, which reports to the Director of Risk and Assurance that provides independent assurance over key controls and processes to management and the Audit Committee.

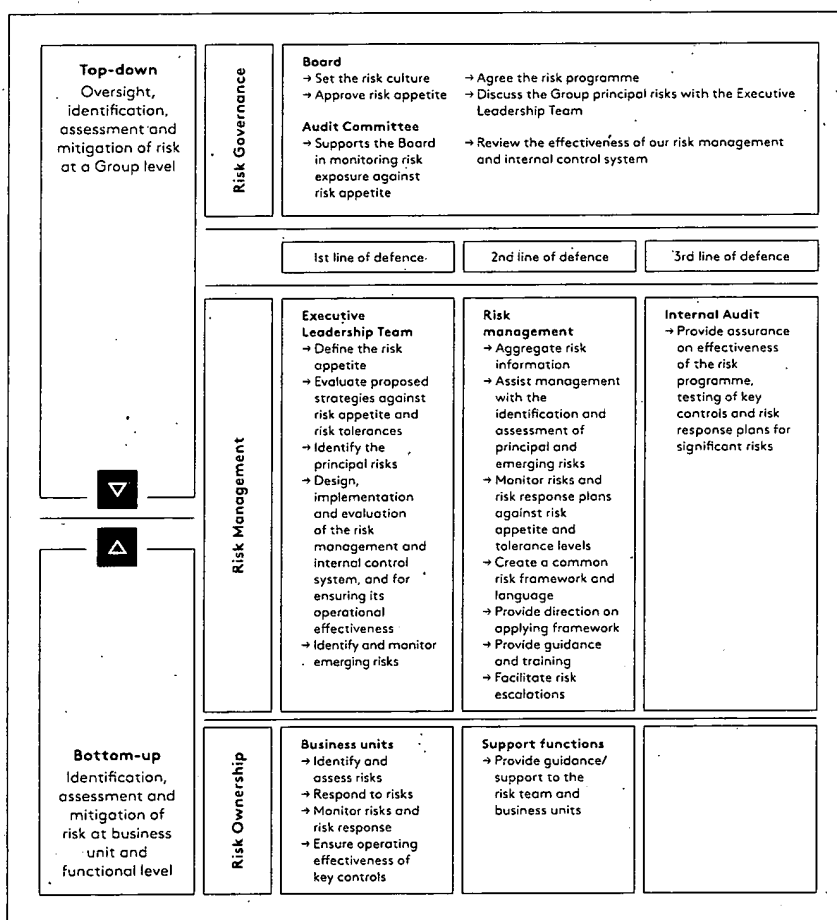
☞ See page 102 for more information in the Report of the Audit Committee

In addition, the Internal Audit team manages Landsec's Key Controls Toolkit. The Toolkit is a set of clearly defined controls that are self-certified by control owners within the business to provide ongoing assurance and coverage of key risks areas. The results of this process are monitored by the Audit Committee.

Risk appetite

The Board is responsible for defining the level of risk that the Group is willing to take and ensuring it remains in line with our strategy. Landsec's risk appetite differs for each risk and varies significantly between strategic and operational risks. The risk appetite reflects Landsec's risk management philosophy, and in turn influences culture and operating style. To embed risk appetite effectively in the business requires management to establish limits and thresholds for the key risk indicators associated with each risk. Scenario planning assists in setting these thresholds. Our Group Risk Register outlines high level Key Risk Indicators (KRIs) which are monitored regularly against thresholds set for our key risks. These risks are aligned to the strategy refresh process and stress-tested as part of a scenario planning exercise.

Risk management framework



Principal risks and uncertainties

Understanding and effectively managing our principal risks and uncertainties allows management and the Board to make informed decisions.

Our principal risks consist of the nine most significant Group risks and includes seven strategic and two operational risks. The strategic risks relate to the macro-economic environment; our key markets – office and retail; our capital allocation; development; climate change; and people and skills. The most significant risks impacting the Group are the strategic risks that relate to structural changes in our markets often driven by customer behaviour or the wider economy such as growth, rising inflation, interest rates and the availability of capital. The operational risks are health, safety or security incident, and cyber attack.

There have been a number of changes to our principal risks since the half-year update, which have largely impacted our strategic risks and were most commonly driven by Covid-19 and its ongoing impact on behaviours and the wider economy.

The risk from the macroeconomic outlook is our most significant risk due to rising inflation and the impact that it is expected to have on the economy, yields and interest rates; plus the war in Ukraine and resultant volatility in oil prices and supply chain impacts may increase the threat of an economic retrenchment. The net risk has remained stable as, so far, Landsec has been resilient against these headwinds.

The other big movement has been in the Retail and hospitality occupier market risk. This was Landsec's biggest risk due to falling retail asset values and the

uncertainty created by Covid-19 and the acceleration of online retailing. However, over the past year, many of the factors that drove that increase have subsided leading to a downgrade of the risk, though the macroeconomic headwinds noted above continue to be carefully monitored.

The Office occupier market risk is our biggest market-specific strategic risk due to the size of our office portfolio. It has remained stable, due to strong market signals and the post-Covid-19 return to office.

The risk related to Capital allocation was considered in the context of our refreshed strategy and move into urban mixed-use neighbourhoods with associated residential units. The risk has remained largely stable but will be reviewed again as delivery of our strategy progresses.

The last significant change has been the inclusion of Development strategy risk amongst our principal risks. Given the planned increases in our development pipeline, especially following the acquisition of U+I and MediaCity, it was deemed appropriate to include this risk.

Other changes in principal risks to note were:

→ *Climate change* – Net risk reduced as the further planning and development of our fully costed plan to achieve net zero has reduced the transitional element of the risk. Physical elements have remained constant.

→ *People and skills* – This risk largely relates to succession planning risk for senior management. Progress on delivering the strategy and the enterprise value created as a result have increased the potential impact of an unexpected departure of a key member of the leadership team. This risk has also increased to reflect increasing attrition rates due to external market conditions and a buoyant recruitment market post pandemic.

→ *Major health, safety or security incident* – The likelihood of a major health, safety or security incident was briefly elevated during the year as a result of the acquisitions of U+I and MediaCity properties, which temporarily increased uncertainty over these recently acquired assets. We have since reduced the likelihood of the risk as we have now fully evaluated the assets and established risk-prioritised integration plans.

→ *Information Security and Cyber threat* – The risk of information security and cyber incidents has increased due to the prevalence of ransomware attacks, though the net risk is unchanged as Landsec's defences have sought to match and offset this increase. Following the acquisition of U+I, steps are being taken to migrate U+I staff and data/systems to the Landsec IT environment.

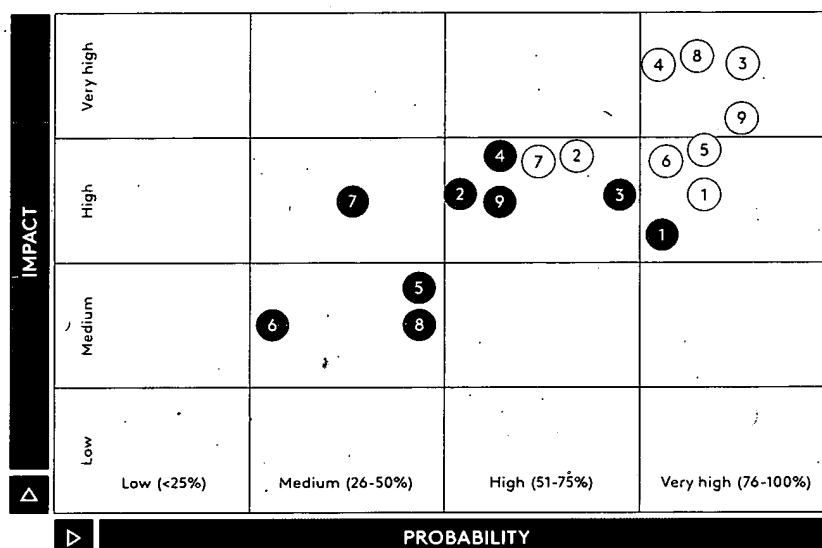
The principal risk heatmap is shown below which shows the relative position of each risk before mitigating controls (gross) and after controls (net).

Our risk assessment

The Group Risk Register consists of 22 risks in total, with nine strategic, ten operational risks and three legal and compliance risks. The principal risks are a sub-set and represent the most significant items that are considered by the Board and Audit Committee.

Map key

○ Before mitigating actions
● After mitigating actions



Principal risks overview

		CHANGE IN THE YEAR
1	Retail and hospitality occupier market Ⓢ	Decrease ▾
2	Office occupier market Ⓢ	No change ○
3	Macroeconomic outlook Ⓢ	No change ○
4	Capital allocation Ⓢ	No change ○
5	Development strategy Ⓢ	New risk +
6	Climate change Ⓢ	Decrease ▾
7	People and skills Ⓢ	Increase ▴
8	Major health, safety and security incident Ⓢ	No change ○
9	Information security and cyber threat Ⓢ	No change ○

Key: Ⓢ Strategic risk ○ Operational risk

Principal risks and uncertainties continued

1 Retail and hospitality occupier market

Executive responsible | Colette O'Shea

Changes in consumer behaviours leading to a change in demand for retail or hospitality space and the consequent impact on income and asset values.

Example KRIs

- Number of people visiting Landsec assets
- UK net retail openings and shopping centre vacancy rates
- Void rates across our portfolio

- Percentage of lease expiries over five-years
- Customer credit risk and tenant counter-party risk

Mitigation

- Retail leadership team monitor key risk indicators
- Management accounts include lease expiries, breaks, regears and compare new lettings against estimated rental value
- Customer relationship management monitors customer base performance

- Brand Account, Channel Management and Guest Experiences teams established
- Customer satisfaction surveys
- Credit policy and process defines acceptable level of credit risk
- Finance reviews customers at risk and agrees the best plan of action



CHANGE IN YEAR | DECREASE

This risk has now slightly decreased following the significant reductions in valuations and the impact of the pandemic experienced in the past two years.

We completed 228 lettings totalling £20m – similar to 2019/20 – on average 2% ahead of ERV, which has contributed to the reduction in the vacancy levels.

Despite a more positive outlook, the business faces macroeconomic headwinds such as inflation, consumer spending, challenges on staffing and disruption in the global supply chain. We are also aware of the potential for future pandemic related impacts on retail.

2 Office occupier market

Executive responsible | Colette O'Shea

Changes in office use leading to a long-term change in demand for office space and the consequent impact on income and asset values.

Example KRIs

- Office usage percentages
- Percentage of lease expiries over our five-year plan
- Void rates across our portfolio
- Like-for-like rental income metrics
- Customer and space churn
- Serviced office take-up
- Vacancy rate of secondary space versus vacancy prime net zero space

Mitigation

- Customer relationship management monitor our customer base
- Office leadership team review KRIs each month
- Monthly management accounts review lease expiries breaks, regears and compare new lettings against estimated rental value
- Customer satisfaction measured regularly
- Our Insight team holds a Future of Work forum examining disruption themes and megatrends in ways of working

- Forward looking market intelligence information reviewed regularly
- Market-led demand and customer expectations for environmentally sustainable office space is closely monitored
- Robust credit policy and process and Finance reviews customers at risk



CHANGE IN YEAR | NO CHANGE

There remains some uncertainty as organisations review their office space requirements to reflect the change towards hybrid work patterns.

However, we have seen increased confidence from overseas investors who are looking past the pandemic and are showing a readiness to invest in prime offices and the net position for Grade A office space is positive.

Equally we have seen some regearing and upsizing by occupiers and we are engaging with tenants in new space.

Our assets are supported by the continued differentiation of our product offerings aligned to customer needs, including our flexible office products.

Balancing the remaining uncertainty with recent positive market signals has led us to hold the risk constant.

3 Macroeconomic outlook

Executive responsible | Mark Allan

Changes in the macro-economic environment results in reduction in demand for space or deferral of decisions by occupiers. Development projects may be started in a positive market, but be completed in a recession due to the length of build projects.

Example KRIs

- UK Gross Domestic Product
- UK household spending levels
- Inflation rate
- Employment intentions
- Interest rates
- Business confidence
- Our loan to value ratio

Mitigation

- Key risk indicators monitored
- Scenarios are modelled based on plausible economic trajectories
- Our Research team prepare a report for Executive Leadership Team and Investment Committee on macroeconomic and internal risk metrics
- Our Research team also produces a bi-annual Cycle Watch document which analyses macroeconomic, political and market risk factors. This drives the assumptions used in our budget and forecasting process
- Our business portfolios prepare a quarterly report reviewing the market risk for each of our sectors

CHANGE IN YEAR | NO CHANGE

The UK economy has been recovering at a rapid rate, fuelled by the reopening of many sectors, but significant risks to recovery remain, most notably inflation at a 30 year high and the war in Ukraine. Surging bills are creating an inflation squeeze for households, with consumer confidence in the UK down to a near all-time low in March as a result. Still, there is c. £170bn of excess savings from the pandemic (7% of GDP) and employment is strong, which should absorb part of the pressure on spending. Future economic impact of Covid-19 cannot be ruled out.

Downside factors that will impact recovery and growth include:

- High inflation
- Interest rate rises
- Pressure on household spending business costs and tax rises
- Supply chain disruption

Considering the recovery in the past 12 months and the future outlook, our overall view is that the risk has remained stable.

4 Capital allocation

Executive responsible | Colette O'Shea

Capital allocated to specific assets, sectors or locations does not yield the expected returns i.e. we are not effective in placing capital or recycling.

Specifically:

- Mixed-use urban neighbourhood developments do not yield expected returns
- Development of assets not matched to expected demand
- Retaining assets with low yields which should be recycled

Example KRIs

- Committed Development pipeline 10% GDV

- Portfolio liquidity
- Loan to value
- Headroom versus development capital expenditure
- Speculative development, pre-development and trading property risk exposure
- Group hedging
- Net debt

Mitigation

- Capital disciplines and KRIs monitored by the Investment Committee and ELT on a monthly basis
- Detailed market and product analysis to enable optimal investment decisions

CHANGE IN YEAR | NO CHANGE

We have a clear view of the scale of the opportunity in each sector and relative returns achievable across Central London, Major retail destinations and Mixed-use urban neighbourhoods. The acquisition of U+I and MediaCity brings experience

of delivering mixed-use urban neighbourhood developments.

We have reviewed our capital plan following the pandemic and remain focused on recycling capital out of mature retail and office assets into growth sectors. Landsec embraces a robust, systematic approach to capital allocation, providing us with the flexibility in our balance sheet to expedite and progress existing developments if required. Recycling capital from assets which do not offer opportunities for us to add value remains a core part of our strategy. Overall, our view is that the risk has remained constant over the year.

5 Development strategy

Executive responsible | Colette O'Shea

We may be unable to generate expected returns as a result of changes in the occupier market for a given asset during the course of the development, or cost/time overruns on the scheme.

Example KRIs

- Take up level for offices
- Tender price inflation
- Monitor Build to sell/Build to rent ratios to determine phasing approach of development(s)

Mitigation

- Development strategy addresses development risks that could adversely impact underlying income and capital performance
- A detailed appraisal is undertaken by the Investment Committee prior to committing to a scheme
- Financial modelling and scenario planning is used to determine expected yields
- Tested project management approach and highly experienced development team
- Control processes over key risk areas including: project organisation and

reporting; financial management; quality; schedule; change; risk and contingency management; health and safety; and project objectives

- Each project is supported by internal stakeholders in Operations, Sustainability and Tech as evidenced through key monitoring reviews and gateway sign-offs
- Strong community involvement in the design process for our developments
- Early engagement and strong relationships with planning authorities

+ CHANGE IN YEAR | NEW RISK

Our development programme has increased significantly and therefore, the risk associated with our future development programme is greater now and this is a key driver of value creation for the business.

Our mixed-use urban neighbourhoods strategy is currently in the early stages which allows sufficient time to address the challenges.

Principal risks and uncertainties continued

6 Climate change

Executive responsible | Chris Hogwood

Climate change risk has two elements:

- 1) Transition - Our commitment to reduce Landsec's carbon footprint by 2030 is not met in time or achieved at a significantly higher cost than expected leading to regulatory, reputational and commercial impact.
- 2) Physical - Failure to mitigate physical impact on Landsec assets from climate change.

Example KRIs

- Energy intensity
- Renewable electricity
- EPC ratings
- Operational carbon emissions
- Embodied carbon for new developments
- Portfolio natural disaster risk

Mitigation

- Fully costed net zero transition investment plan
- Delivery of the net zero plan, overseen by the Energy and Decarbonisation Steering Committee
- Climate risks and opportunities for potential acquisitions assessed against our Responsible Property Investment Policy
- Developments designed to be resilient to climate change and net zero both in construction and operation
- All properties comply with ISO 50001 Energy Management System
- We continue to monitor portfolio exposure to physical climate risks and we review mitigation actions for sites located in high-risk areas



CHANGE IN YEAR | DECREASE

The transitional risks of climate change have reduced since the half year as we have fully costed and committed to invest £135m to achieve our science-based net zero target by 2030.

The fund will be used to finance a series of initiatives over the next eight years to reduce our carbon footprint and drive innovation and best practice across the wider industry. This will include initiatives like optimising our building management systems, replacing gas-fired boilers with electric systems like air-source heat pumps and investing in renewable energy.

7 People and skills

Executive responsible | Barry Hoffman

Inability to attract, retain and develop the right people and skills to drive and deliver our strategic objectives, grow enterprise value and meet shareholder expectations.

Example KRIs

- Employee turnover levels
- High potential employee turnover
- Employee engagement score
- Succession planning up to date
- Time to hire

Mitigation

- Executive remuneration and long-term incentive plans are:
 - benchmarked
 - overseen by the Remuneration Committee
 - aligned to the Group and individual performance
- Regular reviews of succession plans for senior and critical roles
- Remuneration plans for other key roles are benchmarked annually
- The talent management programme identifies high-potential individuals
- Clear employee objectives and development plans
- Health and Wellbeing Statement of Practice
- Regular employee engagement surveys



CHANGE IN YEAR | INCREASE

The risk has increased as we are now in the execution phase of our new strategy and share price and enterprise value have increased over the past six months. As a result, succession planning becomes even more relevant as the unplanned exit of key individuals could have a more significant impact.

The risk has also increased due to a combination of voluntary and forced attrition due to ongoing transformation programmes. Further, a buoyant employment market post pandemic has highlighted a skills gap in certain sectors and pushed up salary levels that have affected retention levels.

Changes in our management team and the acquisition of U+I has helped to bring new skills and capabilities into our business.

8 Major health, safety and security incident

Executive responsible | Colette O'Shea

Failure to identify, mitigate and/or react effectively to a major health, safety or security incident, leading to:

- Serious injury, illness or loss of life
- Criminal/civil proceedings
- Loss of stakeholder confidence
- Delays to building projects and access restrictions to our properties resulting in loss of income
- Inadequate response to regulatory changes
- Reputational impact

Example KRIs

- Number of reportable health and safety incidents
- Progress of fire stopping and cladding project against agreed milestones
- Health and safety and training completion
- Security Service national threat level
- Security risk assessment results of our properties

Mitigation

- Regular reviews by The Health, Safety and Security Committee, (Chaired by the COO), ELT and Board
- Health & Safety management system accredited to ISO 45001 standard
- Fire safety management system accredited to the BS 9997 standard

- Accelerated asset integration assessment process for new acquisitions (e.g. U+ and MediaCity)
- Taskforce of internal SMEs and independent fire engineering firm progressing cladding project at pace
- H&S audits by Internal Audit, plus annual programme of data-led and second line audits by H&S team
- Legal and best practice compliance monitored in real time
- Strict H&S standards applied to the selection of key service and construction partners; assessed by KPIs and regular reviews
- All our properties have completed security risk assessments, which drives the physical security response



CHANGE IN YEAR | NO CHANGE

The likelihood of a major health, safety or security incident was briefly elevated during the year as a result of the acquisitions of U+ and MediaCity properties, which temporarily increased uncertainty over these recently acquired assets. We have since reduced the likelihood of the risk as we have now fully evaluated the assets and established risk-prioritised integration plans.

9 Information security and cyber threat

Executive responsible | Barry Hoffman

Data loss or disruption to business processes, corporate systems or building management systems resulting in a negative reputational, operational, regulatory or financial impact.

Example KRIs

- Speed of threat and vulnerability detection (against agreed Pen test/External Assurance Schedule)
- Speed of threat and vulnerability resolution
- Number of major cyber incidents or data loss events
- Incident Response and Recovery Plan reviewed and tested
- Completion rates on cyber security and data protection training
- Number of critical, strategic or infosec partners without current cyber security diligence

Mitigation

- IT security policies set out our standards for security and penetration testing, vulnerability and patch management, data disposal and access control
- A dedicated Cyber Security team and Data Protection Officer

- Quarterly assessment that key IT controls are operating effectively
- All colleagues complete mandatory cyber security and GDPR training
- Third-party IT providers complete an information security vendor assessment
- We work closely with our IT service partners to manage risk and improve technical standards
- Defined technical IT standards for all building systems
- Extensive use of cloud-based systems
- All our properties have business continuity, crisis management and IT disaster recovery plans that are tested regularly
- Regular penetration testing across our IT estate and vulnerability management system



CHANGE IN YEAR | NO CHANGE

The risk has remained stable; however, we have continued to develop and invest in the maturity of our mitigating controls as a result of an increasing number of attempted cyber attacks from actors with rapidly improving tools and processes. This includes cyber security frameworks for our property and corporate environments to drive a structured risk reduction programme.

Principal risks and uncertainties continued



TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) STATEMENT

With time running out to address the climate crisis, we recognise the risks and opportunities posed by climate change on our business model and strategy.

Climate change was introduced as a principal risk in 2020 and we were one of the first companies to report our approach against the recommended disclosures of the Task Force on Climate-Related Financial Disclosures (TCFD) in 2017. The focus this year has been on evolving our approach to identifying and assessing the risks of climate change employing a new methodology; publishing a fully-costed plan on the actions we need to take to meet our science-based carbon reduction target transitioning to net zero; and incorporating these actions into our financial statements.

This statement is consistent with the requirements of the London Stock Exchange (LSE) Listing Rule 9.8.6 R and all 11 TCFD Recommendations and Recommended Disclosures and can confirm that we have made climate-related financial disclosures for the year ended 31st March 2022 in relation to governance; strategy; risk management and metrics and targets.

Governance

Climate change is considered a principal risk and as such is governed and managed in line with our risk management process.

More details are provided within the Managing risk section on pages 58-59.

Our CEO has overall responsibility for climate-related risks and opportunities. The Board is responsible for the oversight of our approach to sustainability and of climate-related risks and opportunities impacting the business. The Board is updated on our sustainability and climate-related performance twice a year and this year has focused on the impact of climate risks and opportunities on our strategy, revising our approach to sustainability to ensure it is still relevant and monitoring performance against our science-based

target. As climate change is considered a principal risk, the Board considers the impact of climate risks when discussing Landsec strategy and long-term success, including significant investment decisions.

The Audit Committee supports the Board in the management of risk and is responsible for reviewing our principal risk register at least twice a year, the effectiveness of our risk management and internal control processes. This year, the Committee focused on increasing their understanding of the TCFD recommendations with a teach-in session delivered by an external advisor and the sustainability team, which supported the Committee in their review of the TCFD disclosures.

Ongoing ownership and management of climate-related risks is carried out by the Executive Leadership Team (ELT), chaired by our CEO and supported by our CFO, COO and Managing Directors. ELT is responsible for developing the sustainability strategy to ensure it addresses our relevant environmental, social and governance (ESG) risks and opportunities including those pertaining to climate change. Sustainability and climate risks are discussed quarterly or more often if required.

The ELT is supported by the Sustainability Forum, a senior management group responsible for delivering programmes of work to meet our sustainability targets and to mitigate climate risks. The Sustainability Team, led by the Head of ESG and Sustainability, is responsible for co-ordinating the delivery of the sustainability strategy and updating the climate risks, collaborating with all areas of the business to ensure appropriate mitigation and adaptation plans are in place.

Our commitment to address climate change risks is embedded across the business with climate-related targets linked to Long-Term Incentive Plans (LTIP) and employees' remuneration, including our science-based carbon reduction target, energy efficiency and embodied carbon from new developments.

A diagram showing the governance structure and reporting lines to manage climate-risk is provided within Our approach to sustainability section on page 48.

Strategy

Identifying risks and opportunities

As a UK real estate company, our business is exposed to both physical and transition risks and opportunities from climate change. Physical risks relate to the physical impacts of climate change such as flooding events, windstorms, increase in temperature and sea level rise. Transition risks relate to the transition to a lower-carbon economy to avoid the worst physical impacts of climate change, such as existing and emerging regulatory changes.

In accordance with the TCFD recommendations, we've assessed these risks against two science-based scenarios (below 2°C and 4°C scenarios) and considered them over two time frames: short-to-medium term (now until 2030) and long term (2030-2100).

These timescales have been chosen as from now until 2030, we are taking actions to meet our science-based carbon reduction target mitigating against transitional risks and with the designed lifespan of our assets being over 60, identifying long-term risks until 2100 are important for our investment and development decisions to ensure our portfolio remains resilient in the long term.

Below 2°C scenario

This scenario is aligned with the Intergovernmental Panel on Climate Change's (IPCC) RCP 2.6 and Shared Socioeconomic Pathways (SSPs) SSP1-1.9, in which there is a high likelihood that global temperatures will not exceed more than 2°C over pre-industrial levels by the end of the century. The scenario assumes proactive and sustained action to reduce carbon emissions over the next 30 years to build a low carbon economy. For this scenario to be possible, global efforts to mitigate climate change will need to intensify immediately, led and supported by strong policy, regulatory and legal

responses. Furthermore, rapid investment in low-carbon technology will need to occur, with widespread adoption of sustainable consumption, business practices and lifestyles.

In this scenario, predicted changes in the UK climate are marginally higher year-round temperatures and lower precipitation in summer. The risk to our business under this scenario from flooding and windstorm remains within the current and natural variability.

4°C scenario

This scenario is aligned with the IPCC's RCP 8.5 and SSP 5-8.5, where climate change will increase by up to 4°C by 2100. The scenario assumes that competitive markets, innovation and participatory societies act to produce rapid growth

at whatever costs. There is an increasing adoption of resource and energy intensive lifestyles around the world and the push for economic and social development is coupled with the exploitation of abundant fossil fuels.

In the 4°C scenario, in the lead-up to 2030, limited actions are taken to mitigate climate change, current levels of investment in low-carbon technology continue, and emissions continue to rise along their current trajectory. In the period between 2030 and 2100, the physical effects of climate change begin to intensify rapidly, and government, business and society will need to adapt to the effects.

In this scenario it is likely we will experience an increase in flash flooding, river floods, coastal flooding and storm surges.

Increases in year-round temperature are predicted, with summer temperatures at 5.4°C higher and winter temperatures at 4.2°C higher than the current climate. Higher levels of precipitation are predicted in winter at up to +35%, and lower levels of summer precipitation are predicted at down to -47%.

We've assessed physical and transitional risks for our business against these scenarios and the output of our scenario analysis is summarised below. As we continue to evolve our approach to identify and assess climate risks, this year we have used MSCI's Climate Value at Risk (VaR) methodology to assess our portfolio exposure to physical climate risks. Physical risks are assessed based on the geolocation of assets and their exposure to individual hazards as a consequence of climate change.

	Short term (until 2030)	Long term (2030-2100)
< 2°C scenario	High transition risks associated with aggressive mitigation actions to reduce emissions → Enhanced existing and emerging regulations, for example Minimum Energy Efficiency Standards (MEES) raised requirements for all non-domestic rented properties to meet a minimum EPC B, potentially impacting nearly 64% of our portfolio value → Increased pricing of carbon emissions expected to reach £87/tCO₂ (\$100/tCO₂), impacting operational costs → Change in customer expectations regarding offices, as more companies committed to becoming net zero and set science-based targets No significant changes to current physical risks (as described below).	Slight increase in physical risks → 3 to 20% increase in river peak flows with no additional assets exposed compared with current risks → No significant change to exposure of portfolio to windstorm and impact is likely to remain within current natural weather variability → Warmer summers with +1.7°C maximum temperatures but no significant risk of heat stress Transition risks remain high as further mitigation actions and legislative changes are expected to continue driving reductions in carbon emissions.
4°C scenario	Business-as usual with no significant change in transition and physical risks No significant changes to current physical risks. → 2.1% of portfolio located in areas highly exposed to river flood with a return period of 100 years → 4.6% of portfolio located in areas highly exposed to storm surge (coastal flooding) with a return period of 100 years	Failure to transition leading to significant increase in physical risks and adaptation risks → Significantly hotter summers with +4°C to +7.6°C maximum temperatures → Sea level rise between 21-80cm on average which would put additional strain on the Thames Barrier → 21 to 56% increase in river peak flows and potential flood defence failures across the UK, leading to higher portfolio exposure As consequence of the changes in climate and associated physical risks, significant increase in risks linked with adaptation measures are expected.

In line with our risk management and control framework, we use a risk scoring matrix to ensure risks are evaluated consistently and actions are prioritised accordingly. Our matrix considers likelihood, financial impact to income and capital values and reputational impact. When we evaluate risk, we consider the inherent risk (before any mitigating action) and the residual risk (the risk that remains after mitigating actions and controls). From this, we identify principal risks (current risks with relatively high impact and certainty) and emerging risks (risks where the extent and implications are not yet fully understood).

Based on risks identified in our scenario analysis, climate change is considered a principal risk in our risk register and the following climate-related risks have been prioritised, due to the significant impact to our business strategy in the short-medium timeframe: enhanced MEES regulation with minimum EPC B by 2030 and change in customer preferences, requiring reduction in carbon emissions and energy consumption across our portfolio.

⊕ More details about our risk identification and assessment processes are provided within the Managing risk section on pages 58-59

Our analysis showed us that our current portfolio is not highly exposed to physical risks given the location of our assets and the impact of physical risks to our portfolio will only become more relevant in the long term, under a four-degree scenario. Conversely, transition risks are relevant in the short term as increasing mitigating actions to drive emissions reduction are expected, such as policy and regulation changes, as well as change in customer preference.

Principal risks and uncertainties continued

Impact on strategy

Our strategy to address climate-related risks and opportunities spans all areas of our business including investment and divestments, development and operations, and is a critical element of our approach to sustainability, Build well, Live well, Act well which seeks to design, develop and manage buildings in ways that enhance the health of the environment and improve the quality of life for our people, customers and communities, now and for future generations.

Investment and divestment

Our Responsible Property Investment Policy details how we assess climate risks during the sale and acquisition of assets. We conduct thorough due diligence understanding the asset's performance metrics, including: energy consumption, energy performance certificates and other sustainability certifications, flood risk assessment and embodied carbon assessment.

Development

We are committed to design and build net zero buildings. For each development, we aim to reduce emissions associated with construction by focusing on prioritising retention and material reuse; adopting smart design; employing modern methods of construction and standardising core construction elements to reduce waste. We're also driving change in our supply chain, balancing upfront carbon with whole life carbon to ensure that our design decisions do not negatively impact the longer term carbon impacts of our assets.

Additionally, our developments are typically designed to last over 60 years, and therefore we're designing buildings to be more resilient and able to cope with our changing climate. We manage the impact of physical risks such as higher cooling costs and lower heating demand by adopting

building services design, reducing heating capacity and maintaining summer cooling capacity to cope with heatwaves. The performance of our facades and fabric materials is designed to address the expected higher temperatures to minimise energy demand, as well as to be able to withstand extreme temperatures and increased wind speeds to avoid maintenance issues or damage to buildings in future. Our drainage strategies are designed to mitigate foreseen rain levels and flood risks using physical and nature-based solutions.

Operations

We operate our buildings in accordance with our company-wide Environmental and Energy Management Systems, which are certified to ISO 14001 and ISO 50001 respectively, having Energy Reduction Plans (ERPs) and action plans for all our assets, which outline how we will reduce the energy use and carbon emissions of the asset effectively. Through these plans, we will continue to plan and deliver improved controls and efficient energy systems. The ERPs form part of the operational financial planning for each asset.

For all assets located in areas highly exposed to physical risks, we have developed plans to ensure that adequate protection and mitigation plans are in place, including Business Continuity and Emergency Response Plans.

To meet our science-based target and stay ahead of impending 2030 Minimum Energy Efficiency Standards (MEES) requirements of minimum EPC B, we've developed a £135m net zero transition investment plan that will be used to fund the following initiatives:

→ Optimising building management systems across our portfolio, deploying innovative technologies such as artificial intelligence to reduce operational energy consumption;

- Reducing our reliance on fossil fuels replacing gas-fired boilers with electric systems such as Air-Source Heat Pumps (ASHP);
- Increasing on-site renewable electricity generation by installing solar PVs across our retail assets; and
- Engaging and collaborating with our customers on energy efficiency to drive down consumption within their spaces.

☞ Further details on our transition to net zero are provided on pages 49-52

As we continue to build relationships with our suppliers, we ask suppliers to provide climate-related information such as carbon emissions, energy consumption and relevant climate-related targets. This information helps us to better understand suppliers operations and prioritise future engagement activities.

Impact on financial planning

We have considered how these climate-related risks and opportunities may impact on our financial statements. For the current year the main impact is the recognition of impending ESG investment relating to our £135m net zero transition investment fund. We have factored key actions such as the installation of air source heat pumps and refurbishment costs to increase EPC ratings into the asset valuations of relevant assets.

Resilience of our strategy and business model

Our analysis gives us confidence in the resilience of our strategy, as we're supporting the transition to a low-carbon world whilst managing the impact of climate-related risks to our portfolio. We recognise our strategy and adaptation measures may need to evolve in the long term, particularly under a 4°C scenario.

Under a 4°C scenario, our analysis demonstrates that changes to our strategy and financial planning will be required. This will likely include divestment of assets which are less resilient to extreme heat and rainfall, or investment into infrastructure to limit the impact of flooding and coastal surge. This scenario could also result in changes to our customers' and supply chain partners' businesses, including business failures or supply chain disruption. Increased due diligence in supply chain selection will be required, particularly considering the sourcing of construction materials which may be processed or manufactured in countries where the effects of climate change are more extreme.

Risk management

Climate change is identified as a principal risk and therefore is governed and managed in line with our risk management and control framework. This framework enables us to effectively identify, assess and manage climate-related risks – evaluating the potential impact, the consequences, allocation of risk owner, description of controls and control owners, and finally an evaluation of any residual risks.

As part of its overall responsibility for risk, the Board undertakes a bi-annual assessment, taking account of those risks that would threaten our business model, future performance, solvency or liquidity as well as the Group's strategic objectives. Scenario modelling, including the climate scenario analysis detailed on pages 66-67, is used to better understand the impact of these risks on our business model when placed under varying degrees of stress, enabling interdependencies to be considered and plausible mitigation plans to be tested.

Ownership and management of all risks is assigned to members of the Executive Leadership Team, who are responsible for ensuring the operating effectiveness of the internal control systems and for implementing key risk mitigation plans.

The senior leader responsible for climate-related risk is the Head of ESG and Sustainability, who ensures appropriate mitigation actions are taken. Our climate-change principal risk includes both

transition and physical climate risk and is monitored on a quarterly basis using a series of Key Risk Indicators as detailed in the Metrics and Targets section.

⊖ Our risk management process to address our principal risks and uncertainties, including climate change is discussed further on pages 58-65

Metrics and Targets

In order to address climate change risks, we have set ambitious climate-related targets:

- Science-based target, aligned with a 1.5°C scenario to reduce our carbon emissions (tCO₂e) by 70% by 2030 compared with a 2013/14 baseline
- Reduce embodied carbon across our developments by 50% compared with a typical building by 2030 by prioritising asset retention where possible, smart design and using sustainable materials

- Reduce energy intensity by 45% by 2030 compared with 2013/14 baseline
- Source 85% of total energy (electricity, gas, heating and cooling) consumption from renewable sources by 2030
- Ensure 100% of assets located in areas highly exposed to climate risks have adaptation measures in place

⊖ Additional targets and relevant performance against targets are further discussed within Our approach to sustainability section on pages 44-57 and Additional information on pages 204-206

In addition to targets, we also monitor a number of climate-related metrics that support our risk assessment, as provided below:

Key Metrics and Targets

	2021/22	2020/21
Percentage of portfolio which is BREEAM certified (by value)	60%	57%
Percentage of portfolio which is already EPC B or above (by value) ¹	36%	
Percentage of portfolio with EPCs rated below E or with expired EPC rating (by value) ¹	4%	
Investment in energy efficiency measures implemented in the year	£1.3m	£1.6m
Estimated annual savings from energy efficiency measures implemented in the year	£0.6m	£0.8m
Percentage value of portfolio located in areas exposed to a 10% risk of inland, coastal and flash flooding in a ten-year period ²	6.8%	7.2%
Portfolio Climate Value at Risk (VaR) based on aggregated physical risks ^{1,3}	4.9%	

1. New metric added to the TCFD disclosure in 2021/22.
2. Exposure is based on asset location and doesn't consider any local flooding protection or existing mitigation actions in place.
3. The CVaR represents the combined discounted physical risks costs (extreme cold, extreme heat, flooding, windstorm/tropical cyclones and wildfire) based on probable change in physical climate risks for the next 15 years expressed as a percentage of the portfolio's value.

⊖ Additional carbon emissions data, including full carbon footprint (scope 1, scope 2 and scope 3), is disclosed in our Streamlined Energy and Carbon Reporting (SECR) on pages 208-210

Going concern and viability

The Directors outline their assessment of the Group's ability to operate as a going concern and its long-term viability, taking into account the impact of the Group's principal risks.

Going concern

The Directors confirm they have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of signing these financial statements. This confirmation is made after having reviewed assumptions about future trading performance, valuation projections, capital expenditure, asset sales and debt requirements contained within the period ending 30 September 2023 from the Group's budget. The Directors also considered potential risks and uncertainties in the business, credit, market and liquidity risks, including the availability and repayment profile of bank facilities, as well as forecast covenant compliance. Further stress testing has been carried out to ensure the Group has sufficient cash resources to continue in operation for at least the next 12 months over the year ended 31 March 2022 with materially reduced levels of cash receipts over the next 12 months. Based on the above, together with available market information and the Directors' knowledge and experience of the Group's property portfolio and markets, the Directors continue to adopt the going concern basis in preparing the accounts for the year ended 31 March 2022.

Viability statement

The viability assessment period

The Directors have assessed the viability of the Group over a five-year period to March 2027, taking account of the Group's current financial position and the potential impact of our principal risks. The Directors have determined five years to be the most appropriate period for the viability assessment as this is consistent with the Group's five year strategic planning horizon.

Process

Our financial planning process comprises a budget for two financial years and a strategic plan for five financial years. Generally, the budget has a greater level of certainty and is used to set near-term targets across the Group. The five-year strategic plan is less certain than the budget, but provides a longer-term outlook against which strategic decisions can be made.

The financial planning process considers the Group's profitability, capital values, gearing, cash flows and other key financial metrics over the plan period. These metrics are subject to sensitivity analysis, in which a number of the main underlying assumptions are flexed and tested to consider alternative macroeconomic environments. Additionally, the Group also considers the impact of potential structural changes to the business in light of varying economic conditions, such as significant additional sales and acquisitions or refinancing. These assumptions are then adapted further to assess the impact of

considerably worse macroeconomic conditions than are currently expected, which forms the basis of the Group's 'Viability scenario'.

Given the recent unfavourable macroeconomic conditions in which the Group has been operating, additional stress-testing has been carried out on the Group's ability to continue in operation under extremely unfavourable operating conditions. While the assumptions we have applied in these scenarios are possible, they do not represent our view of the likely outcome. The Directors have also considered reverse stress-test scenarios including one in which we are unable to collect any rent for an extended period of time. The results of these tests help to inform the Directors' assessment of the viability of the Group.

Key risks

The table below sets out those of the Group's principal risks (see pages 60-69 for full details of the Group's principal risks) that could

impact its ability to remain in operation and meet its liabilities as they fall due and how we have taken these into consideration when making our assessment of the Group's viability.

Principal Risk	Viability scenario assumption
Retail and hospitality occupier market Changes in consumer behaviours leading to a change in demand for retail or hospitality space and the consequent impact on income and asset values.	→ Increased customer failures lead to increased void periods, negative valuation movements and downward pressure on rental values over the period → A post-Covid-19 recovery seen in the 2022 actuals and modelled into the budget does not arise
Office occupier market Changes in office use leading to a long-term change in demand for office space and the consequent impact on income and asset values.	→ Reduced demand leads to increased void periods, negative valuation movements and downward pressure on rental values over the whole assessment period
Macroeconomic outlook Changes in the macroeconomic environment results in reduction in demand for space or deferral of decisions by occupiers. Development projects may be started in a positive market, but be completed in a recession due to the length of build projects.	→ Declines in capital values and outward yield movements across offices, retail and leisure → Additional impact of a higher inflationary market captured within costs → No issuance of additional fixed term bonds through the assessment period
Capital allocation Capital allocated to specific assets, sectors or locations does not yield the expected returns i.e. we are not effective in placing capital or recycling.	→ Capital that is accretive to the portfolio but not essential has been removed → Any uncommitted budgeted acquisitions, disposals and developments do not take place due to reduced liquidity
Development strategy We may be unable to generate expected returns as a result of changes in the occupier market for a given asset during the course of the development, or cost/time overruns on the scheme.	→ A reduction in recognised development profits for committed schemes that will continue to be advanced over the viability assessment period

We considered whether the Group's climate change principal risk would impact our assessment of the Group's viability but concurred that as we have fully costed and committed to invest £135m to achieve our science-based net zero target by 2030, this mitigated the risk sufficiently.

Impact on key metrics

We have assessed the impact of these assumptions on the Group's key financial metrics over the assessment period, including profitability, net debt, loan-to-value ratios and available financial headroom.

Key Metrics

Table 29

	31 March 2022	Viability scenario 31 March 2027
Security Group LTV	36.4%	40.7%
Adjusted net debt	£4,179m	£4,091m
EPRA net tangible assets per share	1,063p	856p
Available financial headroom	£1.1bn	£(206)m

The viability scenario represents a contraction in the size of the business over the five-year period considered, with the Security Group LTV at 40.7% in March 2027, its highest point in the assessment period. The Group maintains a positive financial headroom from March 2022 through to March 2026 and the Group will only be required to secure new funding, or exercise extension options in the March 2027 financial year for the minimum of £0.2bn of its debt facilities upon their expiry. The Directors expect this to be possible considering the Group's expected loan-to-value ratio and the flexibility of the financing structure in place.

Confirmation of viability

Based on this assessment the Directors have a reasonable expectation that the Group will continue in operation and meet its liabilities as they fall due over the period to March 2027.

Non-financial information statement

This section of our Strategic Report constitutes Landsec's Non-Financial Information Statement. This is intended to help stakeholders understand our position on these key non-financial matters. The table below highlights our policies and standards and where you can find more information in this report.

You can find our policies on our website: landsec.com/sustainability/governance-policies, landsec.com/about/corporate-governance and landsec.com/sustainabilityour-stakeholders/our-employees.

Topic	Our policies and standards that govern our approach	Where information can be found in this report
 Environmental matters	→ Sustainability policy: our sustainability commitment and strategy → Environment and energy policy: how we manage our business activities with minimal impact on the natural environment → Biodiversity brief: used to guide our partners and expand on our biodiversity requirements across our portfolio → Materials brief: sets out the materials we prohibit use of in our construction activities based on health impacts, responsible sourcing, embodied impact and resource efficiency considerations → Responsible property investment policy: our commitment and approach to managing aspects of sustainability throughout the acquisition and disposal of assets → Sustainability brief for developments: our sustainability ambitions and commitments for our developments	☉ Build well – our commitment to the environment on pages 49-52
 Employees	→ Employee Code of Conduct: sets out how we behave internally and externally, in line with our values → Equal opportunities policy: how we treat our employees, our most valuable assets, based on merit and ability, in a fair and transparent way → Health and safety policy: how we manage health and safety throughout our operations and assets → Health and wellbeing policy: investing in improving the health and productivity of our employees, particularly throughout the pandemic → Mental health first aider policy: sets out the support we provide our employees with on maintaining mental health	☉ Our people and culture on pages 38-43 ☉ Act well – our commitment to being a responsible business on pages 56-57
 Respect for human rights	→ Human rights policy: our commitment and core principles to respect the human rights of all those who work on behalf of Landsec → Modern Slavery Statement: we are committed to ensuring that all work in our supply chain associated with our projects and contracts are voluntary and fair and that the health, safety and security of all workers is a priority → Equal opportunities policy: how we treat our employees, our most valuable assets, based on merit and ability, in a fair and transparent way	☉ Directors' Report on pages 128-130 ☉ Our approach to sustainability on pages 44-48
 Social matters	→ Right to work policy: provides best practice guidance to those assigned responsibility in performing right to work checks across our supply chain → Supplier Code of Conduct: our non-negotiable expectations of our suppliers including providing safe and healthy working conditions and fair pay for their own employees → Diversity and inclusion: having a diverse workforce will ensure we make better decisions for our business and our stakeholders	☉ Our people and culture on pages 38-43

▼ Topic	Our policies and standards that govern our approach	Where information can be found in this report
 Anti-bribery and corruption	→ Anti-bribery gifts and hospitality policy: we have a zero tolerance for any form of bribery or corruption → Conflicts of interest and anti-competitive behaviours: our employees must act in the best interests of the Company and not make decisions for personal gain → Speak up policy: a process to allow people to anonymously report any impropriety or wrongdoing → Group Procurement policy: ensures we source goods and services in accordance with the law and in compliance with relevant legislation in relation to matters such as anti-competitive behaviour, anti-bribery, health and safety regulations and data protection → Tax strategy: we act with integrity and excellence when dealing with taxes and engage with Government for a fair taxation system	☉ Act well – our commitment to being a responsible business on pages 56-57 ☉ Audit Committee Report on pages 102-107
 Description of principal risks and impact of business activity	→ We consider both external and internal risks, evaluate them, assess the impact and put in place mitigating actions and controls	☉ Managing risk on pages 58-59 ☉ Principal risks and uncertainties on pages 60-69 ☉ Report of the Audit Committee on pages 102-107
 Description of business model	→ To create value, we buy, develop, manage and sell property, drawing on a range of financial, physical and social resources	☉ Our business model on pages 14-15
 Non-financial key performance indicators	→ In addition to our financial performance metrics, we set ourselves a range of KPIs for the year including sustainability targets	☉ Key performance indicators on page 19

The EU taxonomy

The EU taxonomy has been developed to support the transformation of the EU economy to meet its European Green Deal objectives, helping to redirect capital flows towards a more sustainable economy. It aims to set a common language and clear definition to help companies, investors and policymakers understand whether an economic activity is environmentally sustainable.

The EU taxonomy is a classification system, establishing a list of sustainable economic activities that substantially contribute to the EU's six environmental objectives:

1. Climate change mitigation
2. Climate change adaptation
3. The sustainable use and protection of water and marine resources
4. The transition to a circular economy
5. Pollution prevention and control
6. The protection and restoration of biodiversity and ecosystems

To date, details for only the first two environmental objectives were released: climate change mitigation and climate change adaptation.

As a UK company, Landsec is not in scope of the EU Taxonomy Regulation. However, we recognise the importance of providing our investors and stakeholders with information about the sustainability of our activities and portfolio of assets. For that reason, we have started working towards voluntarily disclosing information that can help investors to assess the alignment of our activities with the EU taxonomy.

In addition, the UK has already established a Green Technical Advisory Group to develop a UK Green Taxonomy, which will build on the EU taxonomy and will focus on net zero in the UK context. Taking steps to understand the requirements from the EU taxonomy, it helps us to prepare Landsec for the incoming implementation of the UK Green Taxonomy.

In the Build well section on pages 49-52, we provide information on how we are investing across our portfolio to transition to net zero, its current EPC ratings, and approach to new developments. We provide further information on our portfolio EPC ratings and building certifications in our Sustainability Performance and Data Report.

This Strategic Report was approved by the Board of Directors on 16 May 2022 and signed on its behalf by:



Mark Allan
Chief Executive

Introduction from the Chairman

Dear shareholder

I am pleased to introduce the governance section of this year's Annual Report.

This section of the report gives more detail on the governance structures that we have in place, and how we comply with the UK Corporate Governance Code.

The Board takes seriously its responsibility for the long-term sustainable success of the Company, generating value for our shareholders and contributing more widely to society.

As I outlined in my Chairman's statement on page 4, this has been a year of delivering our new strategy as we emerge from the challenges of the pandemic. Covid-19 has impacted all aspects of our business and all our stakeholders. Effective governance together with the strength of leadership of our Board provides structure and stability in times of uncertainty.

Governance and culture

Strategy and culture need to be aligned for us to achieve our purpose, and governance has a key role to play in the culture that we want to create. We want to be a data-driven, customer-centric business which is able to respond quickly to the changing needs of our customers and stakeholders. However, we also need to ensure that our governance structures create sufficient

challenge and debate so we can be confident we make good decisions for long-term success of the business. The Board is supportive of management's drive for more empowerment and accountability in our decision-making through the business.

Workforce engagement

The pandemic has created challenges for our employees, and the Board is very conscious that this has impacted our progress on cultural change. As a Board, we are therefore keen to increase our direct engagement with employees and seek opportunities where we can hear employees' views. This helps the Board to monitor and assess culture effectively.

We introduced our Non-executive Director/employee breakfasts this year which allow a small number of employees from across the business to meet with two Non-executive Directors on each occasion. Feedback from our Non-executive Directors and our employees has been very positive, with colleagues feeling that their views are being listened to. It also gives attendees an opportunity to hear about the Non-executive Directors' own perceptions and experiences.

© You can read more about workforce engagement on page 90

Our purpose and our stakeholders

Our purpose – sustainable places, connecting communities, realising potential – puts all our stakeholders at the forefront of the Board's decision-making. This has been a key part of the major decisions that the Board has made during the year, including the acquisition of U+I and our 75% stake in MediaCity.

In February, the Board benefited from meeting with representatives from Manchester City Council to discuss Mayfield's role in the city's growth agenda, and also spent time with the U+I management team understanding the context and vision for the Mayfield site. The Board also met with Salford City Council and our joint venture partner The Peel Group at MediaCity, which

gave the Board a greater understanding of the mixed-use nature of MediaCity, the range of customers and an insight into plans for the second phase of development.

© For further information on the Board and our stakeholders, see pages 87-91

Board and committee changes

There have been a number of changes to the Board and its Committees this year. Vanessa Simms joined Landsec on 4 May 2021, and became CFO on 1 June 2021, succeeding Martin Greenslade. Stacey Rauch stepped down on 24 June 2021, having served over nine years on the Board and as a result of Stacey's departure, we made some changes to our committee composition which you can read about in our Nomination Committee report on pages 94-99. The chairs of the Audit and Remuneration committees report on their activities through the year later in this report, and I would like to thank them for their hard work during the year on behalf of the Board.

External Board evaluation

This year our Board evaluation was carried out externally by the advisory firm No 4. The evaluation concluded that the Board and its Committees are working well, and all the Board members feel confident that the Board is working in a collaborative and open way. Areas of focus for the year ahead will be Board and management succession planning, continued execution of our strategy, cultural change and continued focus on Landsec becoming a data-driven business. Next year's evaluation will be conducted internally.

Conclusion

I would like to conclude by thanking members of the Board for their continued support and commitment over the past year. We have all appreciated being able to hold Board meetings in person once again, and have enjoyed the benefits of more informal engagement in face-to-face meetings both at Board level and with our employees.

I hope that you find this section of the report informative and useful.

Cressida Hogg

Cressida Hogg
Chairman

Board of Directors

Chairman of the Board

Cressida Hogg

Chairman

Years on the Board - Eight (Chairman since July 2018)

Committees

- A** Audit Committee
- N** Nomination Committee
- R** Remuneration Committee

Role

Leads the Board, responsible for governance, major shareholder and other stakeholder engagement.

Skills and experience

Cressida has spent over 20 years in the investment industry and has experience of building and developing businesses both in the UK and globally. She brings significant board experience to the Group, together with a strong corporate background in infrastructure and private equity, mergers and acquisitions, and investment. Cressida was one of the co-founders of 3i Group's infrastructure business in 2005, becoming Managing Partner in 2009, and she was also Global Head of Infrastructure at Canada Pension Plan Investment Board between 2014 and 2018. In addition to her senior executive positions, Cressida has broad experience as a non-executive in a variety of sectors.

Cressida chairs the Nomination Committee. Cressida was independent upon appointment as Chairman.

Other current appointments

Senior Independent Director and Chair of Remuneration Committee, London Stock Exchange Group plc. Non-executive Director, Troy Asset Management.

*Independent as per the UK Corporate Governance Code.

Senior Independent Director

Edward Bonham Carter

Non-executive Director*

Years on the Board - Eight

Committees

- A** Audit Committee
- N** Nomination Committee
- R** Remuneration Committee

Role

A sounding board for the Chairman and a trusted intermediary for other directors and shareholders.

Skills and experience

Edward has significant experience of general management as a former CEO of a private equity backed and a listed company. Having been a fund manager for many years, he has a comprehensive understanding of global stock markets and investor expectations which is beneficial to the Group when it considers its engagement with investors. Edward became Vice Chairman of Jupiter Fund Management plc in March 2014, having been Chief Executive Officer of the company since June 2007. In May 2021 Edward stepped down from the Jupiter board and has now taken on a non-board, part-time role at Jupiter, focusing on stewardship and corporate responsibility.

Other current appointments

Senior Independent Director, ITV plc. Director, The Investor Forum CIC. Trustee, Esmée Fairbairn Foundation. Non-Executive Chairman, Nettlewealth Investments Ltd. Member, Strategic Advisory Board Livingbridge LLP.

Board of Directors

continued

CONTINUED →

Non-executive Directors

Nicholas Cadbury

Non-executive Director*

Years on the Board – Five

Committees

- A** Audit Committee
- N** Nomination Committee
- R** Remuneration Committee

Skills and experience

Nicholas brings wide-ranging and international financial and general management experience to the Group gained from working in consumer-facing businesses, particularly in the retail, leisure and hospitality sectors. He also has extensive commercial and operational knowledge and skills in relation to strategy and IT development. This broader commercial perspective adds breadth to Board discussions and enables Nicholas to provide effective challenge as Chairman of the Audit Committee. Nicholas was appointed Chief Financial Officer of International Airline Group (IAG) in March 2022. Prior to this, Nicholas was Group Finance Director of Whitbread PLC, a position he held from November 2012 until March 2022. Before that, he was Chief Financial Officer of Premier Farnell PLC and Chief Finance Officer of Dixons Plc. Nicholas originally qualified as an accountant with Price Waterhouse.

Nicholas chairs the Audit Committee and became a member of the Nomination Committee on 1 June 2021.

Other current appointments

Chief Financial Officer, International Airline Group (IAG).

Madeleine Cosgrave

Non-executive Director*

Years on the Board – Three

Committees

- A** Audit Committee
- N** Nomination Committee
- R** Remuneration Committee

Skills and experience

Madeleine is an experienced investor with deep knowledge in relation to investment, asset management and market dynamics from her extensive career in the property industry. She is a member of the Royal Institution of Chartered Surveyors and has been a member of a number of boards. Madeleine was Managing Director and Regional Head of Europe at GIC Real Estate until she retired from the role in June 2021. She led GIC's European real estate business and was a voting member of the real estate Global Investment Committee. Prior to GIC, Madeleine held various positions with JLL in London and Sydney. Madeleine's global real estate experience, combined with her knowledge and perspective of investment decisions, real estate asset management and market dynamics, is an asset to Board discussions, especially on all property matters.

Other current appointments

None.

*Independent as per the UK Corporate Governance Code.

The role of our Non-executive Directors

Our Non-executive Directors are responsible for bringing an external perspective, sound judgement and objectivity to the Board's deliberations and decision-making. They support and constructively challenge the Executive Directors using their broad range of experience and expertise and monitor the delivery of the agreed strategy within the risk management framework set by the Board.

Our Non-executive Directors have a diverse skill set and background including property, investment, asset management, retail and hospitality and data and analytics. This expertise enables the Board to constructively challenge management and encourages diversity of thought in the decision-making process.

Christophe Evain

Non-executive Director*

Years on the Board – Three

Committees

- A** Audit Committee
- N** Nomination Committee
- R** Remuneration Committee

Skills and experience

Christophe has extensive investment experience in private equity, debt and other alternative asset classes. As the former CEO of a UK listed company, he also has management and leadership strengths, having successfully led the transformation of Intermediate Capital Group PLC (ICG) from a principal investment business into a diversified alternative asset management group with €34bn assets under management. Christophe's broad experience, both as a business leader and an investor, is a valuable asset to the Board. Having started his career in banking, holding various positions at NatWest and Banque de Gestion Privée, he joined ICG in 1994 as an investment professional, became CEO in 2010 and stepped down from that position in 2017. During this time he held various investment and management roles, founded the Group's businesses in Paris, the Asia-Pacific region and North America, and was instrumental in adding various additional businesses, including a UK property lending business.

Christophe chairs the Remuneration Committee. He was appointed a member of the Audit Committee on 1 June 2021 and has been a member of the Nomination Committee since 24 March 2022.

Other current appointments

Chairman, Bridges Fund Management. Non-executive Director, Quilvest Capital Partners.

Manjiry Tamhane

Non-executive Director*

Years on the Board – One

Committees

- A** Audit Committee
- N** Nomination Committee
- R** Remuneration Committee

Skills and experience

Manjiry brings over 20 years' of client and agency side experience in the data, technology and advanced analytics industry gained from working in marketing, customer insight and strategy roles. She is Global Chief Executive Officer of Gain Theory, a global foresight consultancy, a subsidiary of WPP plc. Manjiry was part of a team which founded Gain theory in 2015, having previously been Managing Director of another of WPP's consultancies also focused on data and analytics, Ohai Ltd. Prior to that, Manjiry spent the first part of her career in the retail sector, latterly as Head of Customer Insight and Strategy at Debenhams. In 2017, Manjiry was named as one of the top 20 Women in Data & Technology, led by The Female Lead and Women in Data.

Manjiry became a member of the Remuneration Committee on 1 June 2021.

Other current appointments

Chief Executive Officer, Gain Theory, a subsidiary of WPP plc. Advisory Board member, Saracens Women's Rugby.

*Independent as per the UK Corporate Governance Code.

Board of Directors continued

CONTINUED →

Executive Directors

Mark Allan Chief Executive

Years on the Board – Two

Skills and experience

Mark brings extensive knowledge and experience of the property sector combined with strong operational leadership and financial and strategic management skills to the Board. Prior to joining Landsec, Mark was Chief Executive of St. Modwen Properties PLC for three years. Prior to that he was Chief Executive of The Unite Group PLC from 2006 until 2016. He moved to Unite in 1999 from KPMG and held a number of financial and commercial roles in the business, including Chief Financial Officer from 2003 to 2006. A qualified Chartered Accountant. Mark is also a member of the Royal Institution of Chartered Surveyors.

Role

Responsible for the leadership of the Group, implementation of strategy, managing overall business performance and leading the Executive Leadership Team.

Other current appointments

In January 2022 Mark became Vice President of the British Property Federation.

Management committees

Chairman of the Group's Executive Leadership Team and Investment Committee. Mark is invited to attend the Audit, Remuneration and Nomination Committees at the invitation of the chairs.

Vanessa Simms Chief Financial Officer

Years on the Board – One

Skills and experience

Vanessa brings extensive financial experience to Landsec from the property sector in the UK, most recently as Chief Financial Officer at Grainger plc. Vanessa has particular expertise in leading and implementing strategic change in businesses and substantial experience in senior finance leadership roles in a listed environment. Vanessa has extensive experience in finance and immediately prior to joining Grainger held a number of senior positions within The Unite Group PLC, including Deputy Chief Financial Officer. Prior to that Vanessa was UK finance director at SEGRO plc. Vanessa is a Chartered Certified Accountant (FCCA) and has an executive MBA (EMBA) from Ashridge Business School.

Role

Works closely with the Chief Executive in developing and implementing vision and strategy. Responsible for Group financial performance, financial planning and management of financial risks.

Other current appointments

Audit Chair and a Non-executive Director at Drax Group Plc.

Management committees

A member of the Group's Executive Leadership Team and Investment Committee. Vanessa attends Audit Committee meetings at the invitation of the Committee Chairman.

Gender diversity of Board

Chart 30



● Female ○ Male (All Directors)

Board tenure

Chart 31



● 0-3 years ○ 4-6 years ○ 7-9 years (Non-executive Directors including Chairman)

Company Secretary

Colette O'Shea

Chief Operating Officer

Years on the Board – Four

Skills and experience

Colette brings extensive property experience to the Board including investment, asset management and development. She joined Landsec in 2003 and was Head of Development, London Portfolio, before being appointed its Managing Director in April 2014. Colette led the London business through its 2010 three million sq ft speculative London development programme including the transformation of Victoria. In May 2019, Colette took on responsibility for the Retail Portfolio, in addition to the London Portfolio, and in December 2020 became Chief Operating Officer. Prior to joining Landsec, Colette was Head of Estates at the Mercers' Company where she led the property team whilst also gaining extensive office, retail and residential experience.

Role

Responsible for operational activity throughout our portfolio.

Other current appointments

None.

Management committees

A member of the Group's Executive Leadership Team and Investment Committee.

Liz Miles

Company Secretary

Skills and experience

Liz is a solicitor and company secretary with significant experience of listed company governance and compliance. Liz joined Landsec as Deputy Company Secretary in 2017, having previously worked at Vodafone Group Plc in a variety of legal and company secretariat roles and prior to that in private practice at Linklaters. Liz is a Fellow of the Chartered Governance Institute.

Role

Provides advice and support to the Board, its Committees and the Chairman, and is responsible for corporate governance across the Group. The appointment and removal of the Company Secretary is a matter for the Board.

Other Directors on the Board during the year

- Stacey Rauch stepped down as Non-executive Director on 24 June 2021 after serving nine years on the Board.
- Martin Greenslade stepped down as Chief Financial Officer on 31 May 2021 having served 15 years on the Board.

Executive Leadership Team

Our Executive Leadership Team is made up of our Executive Directors and the Managing Directors set out on this page. It is chaired by our CEO.

Ⓢ Biographies for our Executive Directors, Mark, Vanessa and Colette can be found on pages 78 and 79

The Executive Leadership Team is responsible for



- Oversight of development and execution of strategy
- People and organisation
- Strategic performance
- Major change initiatives

Barry Hoffman

Managing Director | People and Corporate Services

Skills and experience

Barry has extensive prior experience in HR. He was previously Group HR Director at Computacenter PLC. In addition, he has held various senior HR roles, both in the UK and internationally. Barry is a Chartered Secretary and has an MBA from Ashridge Business School.

Role

Barry is responsible for HR including Landsec's people strategy. His role also incorporates the Company Secretariat and Governance function as well as delivering IT for the Group.

Other current appointments

Barry is a Non-executive Director for international charity Sightsovers.

Marcus Geddes

Managing Director | Central London

Skills and experience

Marcus Geddes is a qualified chartered surveyor with over 20 years' experience in the Central London market. A Cambridge Land Economy graduate, he qualified and spent 13 years at Savills before joining Landsec in 2011.

Role

Marcus is responsible for the performance of our Central London Portfolio and executing Group investment acquisitions and disposals.

Other current appointments

Marcus is Vice-Chairman of the Westminster Property Association.

Bruce Findlay
Managing Director | Retail**Skills and experience**

Bruce has over 25 years of consumer brand experience where he developed his operational leadership and strategic management skills. He brings a global perspective from his most recent roles: Chief Commercial Officer of Furla and prior to that as the VP Global Retail for Diesel, where he led the brand's Direct to Consumer business through its transformation from a traditional wholesale manufacturer to a modern omnichannel retailer.

Role

Bruce plays a key part in defining the overall direction of the retail assets, ensuring our retail destinations remain relevant for both retailers and consumers in order to provide a sustainable retail model that fairly values physical retail space in an omnichannel world.

David Heaford
Managing Director | Development**Skills and experience**

David started his career at KPMG in London, qualifying as a Chartered Accountant in 2006, working across audit, advisory and corporate finance. Prior to Landsec, the majority of David's career was spent in the Technology sector, working in strategy and finance roles at Hewlett Packard and Cisco Systems. He brings cross sector knowledge, together with financial and strategic execution experience.

Role

David leads our development, leasing and marketing functions having originally joined Landsec in 2016 as Finance Director for the London Portfolio.

Remco Simon
Managing Director | Strategy & Capital Markets
Joined Landsec January 2022.**Skills and experience**

Remco has over 15 years' prior experience in international real estate capital markets. Before joining Landsec, Remco was Managing Director at St. Modwen, with responsibility for strategy, investment and capital markets and prior to that worked as director of equity research at BofA Merrill Lynch and Kempen & Co. He holds a MSc in management and a BSc in construction engineering.

Role

Remco is responsible for strategic planning, capital allocation and capital markets activity, providing a much stronger link between our strategy, its development and equity capital markets.

Chris Hogwood
Managing Director | Corporate Affairs & Sustainability**Skills and experience**

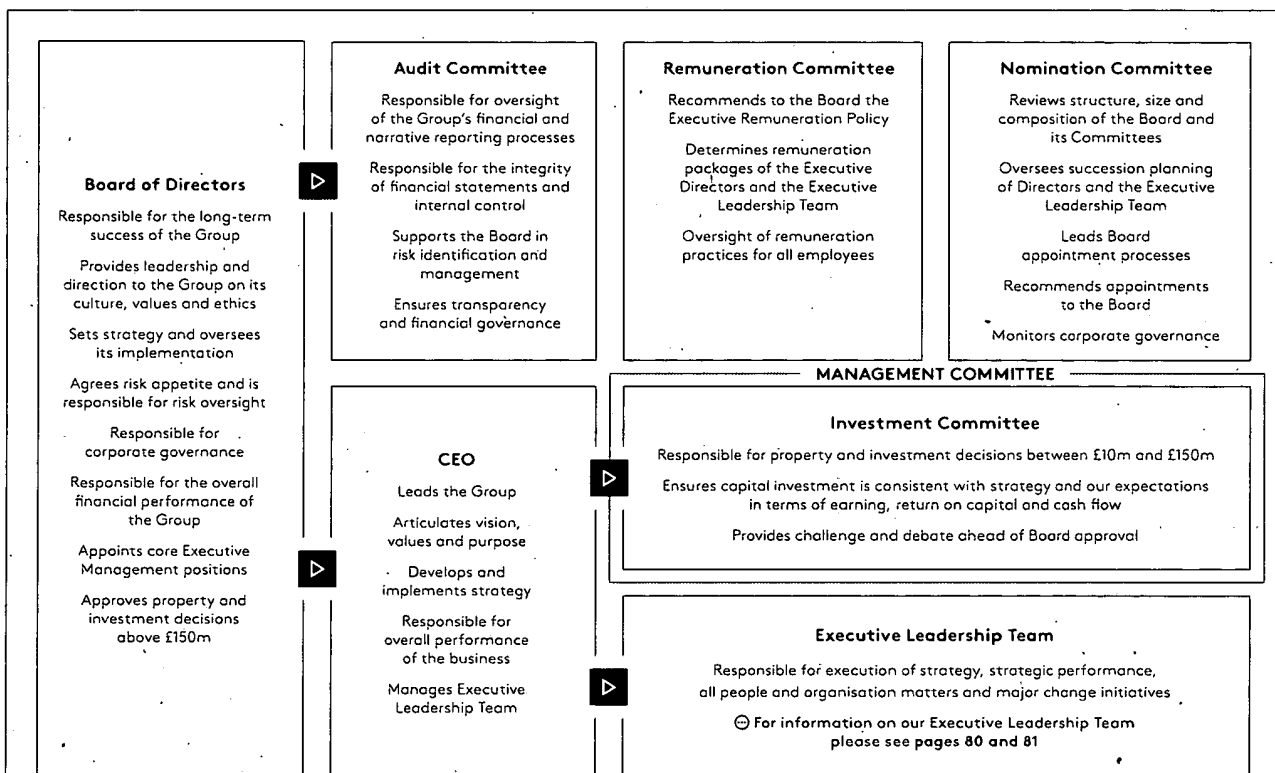
Chris joined Landsec in 2021 having worked in leading communications agencies for the previous ten years and before that, in London local government. He has worked across a range of sectors, from real estate through to infrastructure, retail and tech.

Role

Chris leads our Corporate Affairs and Sustainability teams. His role is jointly focused on ensuring that our purpose and approach to sustainability is embedded within Landsec, and on managing our organisation's reputation with media, politicians and the communities in which we operate.

Our governance structure

Roles and responsibilities



How we make decisions

Decisions that can only be made by the Board, together with the terms of reference for our Committees, can be found on our website landsec.com/about/corporate-governance/board-committees.

Decision-making on investments, commercial agreements, including the acquisition, disposal and development of assets, is delegated according to financial values.

Our Delegation of Authorities framework sets out levels of authority for decision-making throughout the business.

During the year the decision was taken to discontinue the Property Committee and to instead empower each of the Managing Directors with the authority to make approvals of up to £10m for their respective areas of the business. This embeds our culture of empowerment and accountability. We have continued to review and update our Delegated Authorities to aid decision-making and to help people to manage their assets effectively.

Capital Allocation & Performance Review (CAPR) is a group set up this year to oversee business performance and the capital allocation aspects of strategy. This was to ensure that in the

absence of a Property Committee, capital allocation and performance received sufficient management attention without overloading the Executive Leadership Team meetings.

The key areas of focus for CAPR include: capital allocation aspects of strategy; portfolio risk management; a detailed review of business KPIs by segment; and 'deep dives' into key areas of capability relevant to capital allocation and performance.

CAPR is chaired by the CEO, and other members are the CFO, COO, the Managing Directors, Group Finance Director and Head of Investment.

INVESTMENT COMMITTEE

£10m-
£150m

BOARD

Over
£150m

Conflicts of interest and external appointments

The Board has a policy to identify and manage Directors' conflicts or potential conflicts of interest and has delegated authority to the Nomination Committee to (i) approve or otherwise any such disclosed conflicts, and (ii) determine any mitigating actions deemed appropriate to ensure that all matters in the Boardroom are considered solely with a view to promoting the success of Landsec.

Directors' conflicts of interest (which extend beyond third-party directorships and include close family) are reviewed by the Nomination Committee annually, with new conflicts arising between meetings dealt with at the time between the Chairman and the Company Secretary. No new conflicts were declared during the year.

Overboarding

We follow the Institutional Shareholder Services (ISS) proxy voting guidelines on overboarding and accordingly deem all our Non-executive Directors to be within these guidelines.

We appreciate that other proxy bodies and institutional investors impose more stringent guidelines than ISS and that each individual's portfolio of appointments must be considered on a case-by-case basis, which the Board duly does before approving any appointments and then, on an annual basis, to assess whether each member of the Board is able to continue contributing effectively.

The Board was not asked to approve any additional external appointments for any of our Directors during the year.

Induction

Our induction plan is delivered over the first year of appointment. The aim is to enable a new Director to integrate into the Board as quickly as possible and feel able to contribute to business and strategy discussions, with sufficient knowledge to provide effective challenge.

Manjiry Tamhane continued her induction throughout the year, visiting our assets and spending more time with people throughout our business.

An introduction programme was also established for Vanessa Simms upon joining as CFO. As an Executive Director with a property background, Vanessa's induction had a different emphasis to Manjiry's and was focused more on communicating with the right people and establishing relationships to facilitate an effective transition onto the Landsec Board.

© More information on Manjiry and Vanessa's induction can be found on page 99

Training and development

Directors received regular updates in their Board papers, facilitating greater awareness and understanding of the Group's business and in particular the emerging strategy and the impact that the global pandemic has had on the business.

In June, as a standalone Board development session, EY provided the Board with a deep dive session on the UK Governments' proposals on restoring trust in audit and corporate governance. This session covered what the impact of the proposals would be for Landsec and the Audit Committee, including the proposed publication of a resilience statement, audit and assurance policy and mandatory shared audits.

As part of the July Board agenda, the sustainability team provided the Board with a teach-in session covering an overview of the climate change crisis, how Landsec is responding, Landsec's commitments, progress to date and plans for the future. This session was built upon in February when EY and the sustainability team provided the Audit Committee and other members of the Board with a session on the implications of the disclosures resulting from the recommendations of the Task Force on Climate-related Financial Disclosures, what this means for Landsec's reporting and what it means for the Audit Committee.

In February, the Board held its strategy away day in Manchester developing a more detailed on-site understanding of the recent assets acquired as part of the U+I Group and MediaCity acquisitions.

© More information can be found on page 85

Potential conflicts of interest and how we have managed them

Director	Potential conflict situation	Nomination committee decision and mitigating action taken
Edward Bonham Carter (Non-executive Director)	Until 6 May 2021, Edward was Vice Chairman of Jupiter Fund Management plc (Jupiter), a fund manager which invests in listed company shares including, at times, the Company. Jupiter is also a customer of the Group.	Edward was not involved in the selection of investments and he agreed not to participate in any investment decisions which may involve the Group's securities. The Committee concluded that there was no conflict of interest. This is no longer a potential conflict as Edward has stepped down from the Jupiter board and this potential conflict is not applicable to the role at Jupiter that he now has taken on which is a non-board position focusing on stewardship and corporate responsibility.
Madeleine Cosgrave (Non-executive Director)	Madeleine was Regional Head of Europe at GIC Real Estate, and may have had commercial relationships with peer/competitor companies. GIC owns a 17.5% stake in Bluewater and Madeleine was a Management Committee member of BWAT Retail Property Unit Trust – the entity that owns the stake in Bluewater. GIC also has a stake in AccorInvest which operates the hotels in Landsec's portfolio.	Madeleine stepped down from GIC on 1 July 2021 and, therefore, this potential conflict is no longer relevant.

The Board in action

The Board has made some significant decisions this year as Landsec's new strategy is delivered. The Board has also continued to focus on culture and the importance this plays in the execution of strategy.

Board meetings

The Board attends eight scheduled Board meetings per year and will meet as required for additional discussions. This year, the Board held two additional Board meetings to discuss the acquisition of U and I Group PLC (trading as U+I).

All members of the Board attended all Board and Committee meetings during their tenure and membership, with the exception of the Chairman who missed one Board meeting due to family bereavement.

If the Board needs to make decisions in between meetings, it can do so by unanimous approval by email but will only do so in such situations where the matter has been discussed at previous meetings so that Directors are fully appraised, have had the opportunity to ask questions and are therefore in a position to make a fully informed decision.

This year due to the lifting of Covid-19 restrictions we have been able to once again hold the majority of Board meetings in person. The Board has enjoyed the benefits of the more informal engagement that face-to-face meetings provide both at Board level and with Landsec employees.

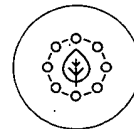
The Board met for three dinners throughout the year. Each had a focus for discussion: changes to the finance function; U+I integration; and talent strategy. In addition, these occasions provided the Board with an opportunity for informal, free flow conversation, away from the time restrictions of Board meetings. The Non-executive Directors also met without the Executive Directors being present at the end of every meeting.

Execution of strategy

This year, much of the focus of the Board has been on execution of strategy, the development of Landsec's equity story and how all of Landsec's stakeholder interests are being taken into account during a year of significant internal and external change.

Ahead of Landsec's two acquisitions in Manchester, the Board carried out a deep dive into the Manchester market to ensure that it fully understood the macro, office and residential market and environment ahead of making any decision on investment. Several members of the Board visited Manchester over the summer to experience firsthand what the city has to offer and in particular to visit MediaCity, Europe's largest purpose built creative, tech and media hub.

Throughout the year, the Board continued to reinforce the importance of culture as an important aspect to strategic success. You can read more about the Board and our culture on pages 92 and 93.



Sustainability deep dive for the Board

In July the Board received a session from our sustainability team on net zero and what this means for Landsec. The purpose of the session was to bring the Board's level of understanding up to speed on: understanding terminology; the net zero landscape and what moving to a net zero economy means for Landsec; and Landsec's commitments.

The sustainability team returned to the Board later in the year to present its refreshed sustainability framework to the Board.



BOARD'S AWAY DAY IN MANCHESTER



The Board experienced a fascinating day in Manchester in February to visit Landsec's newly acquired assets at MediaCity and Mayfield.

The Board met with representatives from Manchester City Council to discuss Mayfield's role in the city's growth agenda and spent time with the U+I management team understanding the context and vision for the project as well as the business plan overview. The Board was keen to hear from Manchester City Council what it thought were the biggest challenges and opportunities for the city and in particular the Mayfield development. It was insightful for the Board to hear firsthand the history of the Mayfield site and how elements of its heritage were preserved in the design.

The Board enjoyed a tour around the site and welcomed the opportunity to ask questions to the U+I management team. The Board was impressed by the scale of the site and could envisage how the park will provide such an important community space in the centre of the city.

The Board then went on to MediaCity where it received a presentation from Salford City Council and also its joint venture partner The Peel Group.

The Board heard from The Peel Group about the environmental and social targets at MediaCity based on The Peel Group's ESG strategy and social value framework.

The Board had a tour of MediaCity, including the Studios, which gave the Board a sense of the mixed-use nature of the site, the range of customers and an insight into the plans for the second phase of development which will be split into commercial and residential use.

➔ Read more on [landsec.com](https://www.landsec.com)

The Board in action continued

Board discussions during the year

Topics ▶▶▶ Outcomes		
Strategy	→ Establishment of the revised strategic plan → Focus on retail strategy → Understanding what mixed-use urban opportunities means for Landsec → Optimum capital recycling and capital allocation	→ Reimagine Retail → Acquisitions of MediaCity and U+I → Capital Markets Day held in Manchester → Approval of sale of Harbour Exchange → Purchase of additional stake in Bluewater
Financial	→ Budget and five-year plan → Key business targets → Dividend consideration → Going concern and viability statement → Investor relations → Portfolio valuation → Debt funding and gearing levels	→ Preliminary Results → Annual Report and Accounts → Half-year Report → Reinstated dividend payments from Q2 onwards → Publication of rent collection data for Q1 and Q2 → Annual Tax Report
Operational	→ The impact on the business of the changing needs of customers coming out of the pandemic → Development pipeline and pre-let activity → Market and sector trends → Investment and sales → Continued business recovery	→ Board's focus on the use of data throughout the business to make informed decisions on customer and market trends → Flexible retail and office models → Adaptability to accommodate customers' changing needs → Monitoring pre-let activity
People and organisation	→ Succession planning → Talent → Diversity and inclusion → Culture → Gender pay → Sustainability → Health and safety → Fire safety → Data strategy and governance	→ Importance of diversity reinforced at Board level and throughout the business → Embedding organisational design and embracing the new ways of working → Net zero education for the Board → Gender Pay Gap Report → New sustainability strategy and targets → Health and safety updates provided at every Board meeting with particular focus on the anticipated fire safety legislation and ensuring that Landsec's residential portfolio will be in compliance → Driving cultural change remains a focus of discussion at the Board
Governance	→ Risk identification, management and internal control → Cyber security → Meeting reports from Chairs of Audit, Remuneration and Nomination Committees → Modern slavery → Board and Committee effectiveness	→ Risk appetite and tolerance ranges for each principal risk → External Board evaluation → Annual General Meeting → Approval of modern slavery statement

The Board and our stakeholders

Our purpose – sustainable places, connecting communities, realising potential – puts all our stakeholders at the forefront of the Board's decision-making.

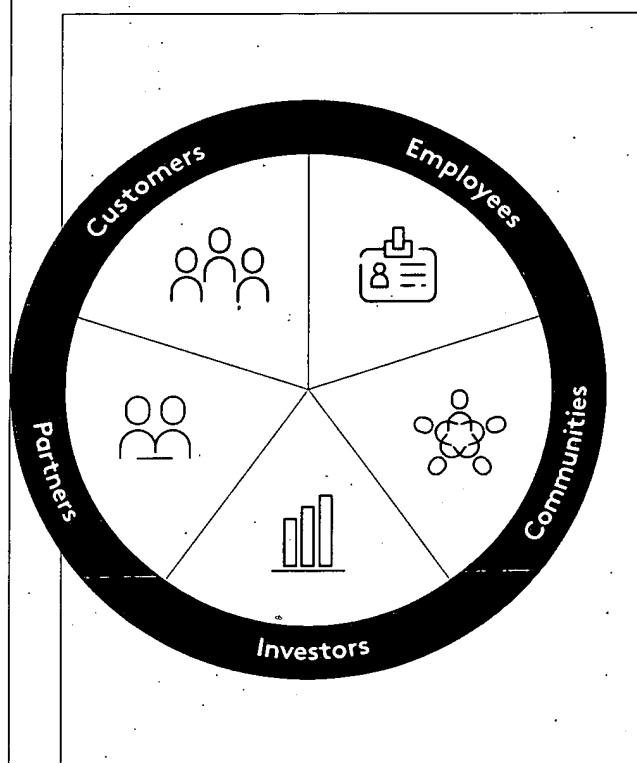
This is our Section 172 Statement.

The Board is pleased to provide a statement that supports Section 172(1) of the Companies Act 2006. This requires that Directors promote the success of the Company for the benefit of the members, having regard to the interest of stakeholders in their decision-making. Over the next few pages, we provide examples of how the Board engages with stakeholders and takes into account their interests when making decisions.

⊙ An introduction to our stakeholders can be found in our Strategic Report on page 13



OUR FIVE KEY STAKEHOLDERS



Stakeholders and Board decision-making

Our stakeholders' interests and priorities continue to change as we adapt to the impact the pandemic has had on our lives, the way we work, shop and engage with each other. Therefore, effective communication with our stakeholders so that we continue to keep pace with their evolving needs continues to be important for our long-term success. The Board's engagement with stakeholders is both direct and by management reporting up to the Board on stakeholder engagement, the importance of which is embedded throughout our business.

Data and our stakeholders

The Board has monitored closely during the year how the business is increasingly using data as a catalyst for business transformation and how it will manage data as a strategic asset going forward. Manjiry Tamhane's data analytics background has kept data at the heart of the Board's decision-making, ensuring that data is enabling the business to act with pace, responding to our people, partners' and customers' ever-changing needs and using data to predict how those needs may change in the future. The way we use data effectively is a crucial part of our stakeholder relationships and ensuring that stakeholders' interests are addressed in our decision-making.

The Board and our stakeholders continued

Our customers

The Board receives reports on retail and office customers as part of the business update at Board meetings. This has helped to understand the changing requirements of office customers as a result of the pandemic in terms of less space or requiring space to be used in a different way and the increased demand for 'healthy buildings'. As a business we have listened to office occupiers regarding their needs, resulting in us providing greater flexibility of office leases.

The Managing Director for Retail presented to the Board the role that physical retail might have to play in the future, which provided the Board with a deep dive on our retail strategy. The Reimagine Retail change programme is based on three main strategies: the future asset, brand partners and guest experience, and the Board will continue to monitor progress going forward.

The Board was briefed on the impact of the rent moratorium and Landsec's engagement with the Government proposal. There was further pressure on occupiers to pay rent due to lockdown restrictions during the year and we continued to work with occupiers most in need of support during trading restrictions.

Our communities

The Board's focus on execution of the mixed-use urban opportunities strategy discussed the importance that these developments play in the community and the connection between our purpose and our strategy.

The Board heard directly from Manchester City Council on the importance of the Mayfield development to the community and the environment with the provision of community parkland in the middle of the city. Community and sustainability are at the heart of the Mayfield development.

The Board was kept up to date on community support which continued to be challenged through further lockdowns and social distancing measures. Community employment and education programmes have continued remotely.

Site teams at our assets provided practical assistance during the pandemic, for example, linking our food retailers in London to local homeless charities we work with for food donations.

☉ You can read more about our community support on pages 53-55

Our partners

Board agenda time was spent on understanding Manchester as a market in advance of the proposed acquisitions. The Board met with representatives from Salford and Manchester City Councils to ensure we understand their priorities and challenges and what support Landsec can provide.

The Board met with representatives from The Peel Group, our new joint venture partner at MediaCity, and also encouraged increased communication and alignment with existing joint venture partners.

A particular focus of the Board during the year was Landsec's response to Government and residents on fire safety at our residential assets as the new legislation impacting our assets has been brought into force.

The Board was updated by our Managing Director of Corporate Affairs at several Board meetings throughout the year on local and national Government issues impacting our business. The Board also discussed the output of Landsec's local and national Government engagement.

The Board was kept updated about communication with service providers as restrictions were imposed and lifted on our assets to ensure smooth and safe transition.



KEY BOARD DECISIONS MADE THROUGHOUT THE YEAR

BLUEWATER

In December 2021, the Board approved the acquisition of an additional 25% share in Bluewater from Lendlease Retail Partnership for £168m. In a separate deal, Landsec agreed to sell 25% of this additional 25% share to co-owner M&G for its pro rata share of the purchase price with the deal completing in March 2022. As a result of this separate deal, Landsec's ownership of Bluewater is now 48.75%.

Bluewater is one of the UK's largest out-of-town shopping centres and the largest of its kind in the South East of England. The Board considered that this acquisition was an opportunity at a time when retail values and rents are starting to stabilise. Together with the other co-owners, we have a clear vision for Bluewater which builds on what is already a thriving retail destination. This investment underlines our strategic commitment to major retail destinations that offer something that can't easily be replicated online.

In order to make the decision to proceed with this additional investment in Bluewater, the Board discussed at length the future of retail, what opportunities lay ahead for Landsec, together with the risks.

MEDIACITY ACQUISITION

The Board concluded that the acquisition of a 75% interest in MediaCity would be a positive acceleration of Landsec's urban regeneration strategy, offering scale in a mix of uses with a blend of investment and development returns and diversification into the Manchester market.

The Board appreciates that mixed-use developments with a clear sense of place are becoming an increasingly important ingredient in the fabric of cities. Opportunities to participate in large scale, established mixed-use developments are scarce and MediaCity was one such opportunity. The acquisition presented Landsec with the opportunity to deploy capital immediately into high-quality income producing assets and also to invest further over time through the development of a second phase of development.

The Board also considered that the acquisition would be a positive opportunity to work alongside The Peel Group as our joint venture partner, whose experience and expertise complements our own. The Peel Group's extensive experience in the North West, combined with Landsec's development capabilities,

will provide the opportunity to deliver the long-term vision for MediaCity, by delivering culture and inclusivity through industry-leading placemaking activity, building a sustainable community and designing and delivering workspace for the future creative and technology workforce.

Greater Manchester is well placed to support Landsec's strategy. It is currently the UK's largest regional economy, the largest regional office market in terms of stock, take up and transactional liquidity and is at the forefront of the emerging institutional build-to-rent market.

In September 2021, the Board approved the acquisition of 75% of MediaCity for

£425.6m

U+I GROUP ACQUISITION

In December 2021 we completed the public takeover of U and I Group PLC (trading as U+I) for £269m. U+I owns two key sites of interest to Landsec, Mayfield in Manchester and the Liberty of Southwark and, in addition, brings a proven front-end placemaking capability. Two additional Board meetings were held to discuss the acquisition, and in particular the contents of the offer document. Sign-off for the final documentation was delegated to a Sub-Committee of the Board composed of the Chairman and the three Executive Directors.

The U+I team has a proven track record of building strong relationships with local authorities and securing attractive planning consents based on strong visioning and placemaking skills. The Board determined this to be an attractive addition to Landsec's existing development capabilities and the U+I approach could be applied to existing Landsec projects as well as future opportunities.

The Board further concluded that there was an alignment of cultures between Landsec and U+I with a shared focus on developing sustainable communities in the interests of our broader stakeholders.

The acquisition was in line with Landsec's strategy to recycle investment in order to drive growth and generate higher returns, including through urban opportunities in London and other major regional cities.

The Covid-19 pandemic has accelerated the blurring of lines between where people live, work and socialise. In response to this, mixed-use developments with a clear sense of place are becoming a more important part of the fabric of cities. The Board believes that Landsec is well positioned with its existing development and asset management capabilities and balance sheet strength to create these places and achieve attractive risk-adjusted returns.

The Board continues to discuss the integration of U+I into the Landsec business as well as monitoring progress on these key sites.

The Board and our stakeholders continued

Our employees

Face-to-face interaction between the Board and the workforce returned this year as social distancing measures and work from home guidance lifted. The Board is conscious that the past two years have presented challenges for employees as a result of the pandemic and the increased pace of change within the business and the impact that this has had on culture.

At every Board meeting, the Board has continued to ask the Executive Directors for a report on the sentiment and morale within the business, how change has been communicated and received and the resulting cultural impact.

Employee Forum meetings were held monthly throughout the year. Our Chairman, Cressida Hogg, met with the Employee Forum in July, October and November 2021. Many topics were raised including cultural change, employee engagement, talent and development and communication.

Mark Allan, our CEO, also meets regularly with the Employee Forum to answer any questions and get an indication of topical issues of importance to employees.

Two employee breakfasts with the Non-executive Directors took place during the year which gave the opportunity for a small group of employees from across the business to meet with two Non-executive Directors on each occasion. The Non-executive Directors who have attended the breakfasts have reported that it was a great opportunity to get an insight into culture and receive feedback directly from employees.

Manjiry Tomhane and Colette O'Shea held a Q&A event for Landsec's Women's Network at which Manjiry shared her challenges and achievements and tips for success and responded openly to questions from employees about all aspects of her career. This event was very positively received by our employees and a great opportunity to get to know the newest member of the Board.

→ THEMES RAISED AT THE NED/EMPLOYEE BREAKFASTS INCLUDED

- There is genuine excitement and positivity amongst employees around the recent acquisitions.
- There is now clarity on strategy, but some people are still unsure how to articulate what the culture is at Landsec.
- Town Halls have been seen as a positive step-change on transparent communication.
- Through the pandemic communications were exemplary and there is a desire to get back to this level. Could even more be done to facilitate channels for listening to employees?
- The Employee Forum could be used more effectively as a two-way flow of information and feedback.



The themes raised are being collated with feedback received from employees through other means and are being actioned as appropriate by the Executive Leadership Team. The Board will be kept updated on actions taken and progress made.

→ FEEDBACK FROM THE EMPLOYEES ON THE NED/EMPLOYEE BREAKFASTS

"I really enjoyed the event, particularly because I really felt like our feedback was being listened to."

"Fun, engaging, and insightful and a brilliant opportunity to speak openly and hear about our Non-executive Directors' own experiences."

"We all enjoyed the session, and it was very interactive and positive. Nicholas and Manjiry were very approachable and interested in everyone's view which felt empowering."

Our investors

We want to create sustainable value for our three types of investors: institutional, private and debt. It is important to us that our investors understand our strategy and our equity story so they can support the execution of our strategy and our capital recycling.

Institutional investors

Our Executive Directors once again held meetings with investors representing more than half the share register by value during the year.

The investor relations programme continued to be impacted by Covid-19 during the early part of the year. Our annual results presentation in 2021 was an online-only event and subsequent investors meetings were conducted primarily using online meetings and conference calls. We were delighted to be able to host our half-year results presentation in person and recent investor meetings have been conducted in the same way.

In February 2022, we held a Capital Markets Day in Manchester for institutional investors. In addition to providing an update on our mixed-use urban neighbourhoods strategy, we conducted tours of two major assets we have recently added to our development pipeline: MediaCity UK and Mayfield.

We engaged with investors throughout the year on all aspects of environmental, social and governance matters.

Industry conferences

Industry conferences provide Executive Directors with a chance to meet a large number of investors on a formal and informal basis. Conferences attended this year included the UBS Global Property conference in London, the Kempen conferences in Amsterdam and New York, the Bank of America conference in New York, the Citi conference in Florida, Barclays' real estate conference in London and Morgan Stanley's real estate conference in London.

All events were virtual with the exception of the UBS and Citi conferences.

Private investors

Our private investors are encouraged to give feedback and communicate with the Directors via the Company Secretary throughout the year.

2021 Annual General Meeting

For the first time in 2021 we held our AGM as a hybrid meeting. We invited shareholders to ask questions and vote on the resolutions online or they could join the meeting physically.

All resolutions put to the meeting received overwhelming support of investors. The results of the voting at all general meetings are published on our website: landsec.com/investors/regulatory-news.

Five-year private investor plan

We have a rolling five-year private investor plan, the intention of which is to maintain an efficient share register, limited paper distributions, effective communications and the provision of best-in-class service to our investors.

Private investors queries

We work closely with our registrar Equiniti to address all queries that we receive from our private shareholders throughout the year.

Debt investors

Credit side institutional investors and analysts

Our treasury team engaged with investors via a public consent solicitation process in order to transition away from LIBOR in our bonds. In line with our view of best practice, a special committee of the Investment Association was convened to discuss the proposals, which were subsequently approved. Ad hoc queries from investors were also answered as they arose. Due to the pandemic these meetings were held online.

Banks

Regular dialogue is maintained with our key relationship banks, including at times weekly meetings or conference calls with our treasury team.

Credit rating agencies

During the year, business and financial updates were provided by our treasury team and senior managers to Standard & Poor's, Fitch Ratings and Moody's as well as responding to ad hoc queries in relation to any significant press releases. Further information for our debt investors can be found on our website: landsec.com/investors.

Institutional investors

2,026 98.9%
of shares

Private investors

7,909 1.1%
of shares

No. of listed bonds

11

No. of equity investors

9,935

The Board and our culture

The culture we are driving at Landsec is founded on the creation of a leaner, more data-driven and customer-centric business. A flatter organisation focused on achieving our strategic objectives and addressing stakeholder interests together, with a greater degree of change resilience.

DRIVING CULTURAL CHANGE REMAINS A FOCUS FOR THE BOARD



How does culture relate to governance and what is the role of the Board?

At Landsec we would like an authentic and supportive culture based on greater levels of empowerment and accountability. This will mean that we are better placed to assess and manage risk, make decisions and take action quicker and achieve better returns as a result.

When driving cultural change, governance is a great place to start. An appropriate governance framework for decision-making, together with promoting an environment of trust, respect and accountability, are all fundamental to our culture. The Board plays an important role in monitoring and assessing our culture, particularly as our culture continues to evolve throughout times of significant change.

Last year, we started a journey to shape the culture we all want to be part of, which has involved input from employees throughout the business. Continued periods of remote working have challenged our ability to evidence and embed our new culture but progress is being made.

Our culture is underpinned by our values: inclusive, united, driven and determined

Culture is a standing Board agenda item twice a year but the Board recognises the accentuated importance of cultural change, particularly with the return to the physical office, the execution of strategy and the amount of operational change within the business. Therefore the Board has discussed the impact that all these aspects are having on culture and the morale and sentiment amongst the workforce at every Board meeting throughout the year.

The Board has greatly benefited from receiving a first-hand insight into culture through the introduction of the Non-executive Director/employee breakfasts which have proved to be a great success. These occasions allow our Non-executive Directors to hear directly from employees about what they feel is going well, anything that could be improved or done differently and gives the Board a direct sense of culture.

📖 Read more on our workforce engagement on page 90

The Board has challenged management about whether it is doing enough to shift the culture at Landsec and whether blockers to cultural change are being adequately identified and addressed. The Board has particularly focused on specific culture drivers including promotion of talent and development within the business, and diversity and inclusion.

Throughout the year, the Board has requested a number of changes to give it greater oversight of the progress being made. For example, talent management and development was moved from a Nomination Committee agenda item to the main Board and similarly, diversity and inclusion was moved from a Remuneration Committee discussion to the main Board. The Board has also requested that the method of employee engagement survey is revisited so that Landsec can be benchmarked externally against other employers to provide more meaningful data.

Set out on this page are four cultural themes that we feel are critical to operating our business model and executing our strategy. Each theme has a set of metrics and our assessment of our progress. These metrics are provided to the Board as additional context for its discussions on culture.

FINANCIAL YEAR 2022



Purpose and meaning

We give our employees a sense of purpose as to why Landsec exists with a focus on our role in wider society. Our purpose – sustainable places, connecting communities, realising potential – reflects our role in wider society and consideration of all our stakeholders continues to be more important than ever and has been at the forefront of Board discussions and central to our culture.

£5.1m[Ⓢ]
Value of social contribution

100%[Ⓢ]
Employees with energy and carbon reduction targets



Ethics and fairness

We behave ethically and treat all our stakeholders fairly. Our employees are critical to our business and we continue to nurture talent and development and to assess our gender pay gap to build a balanced, diverse workforce for the long term.

Zero[Ⓢ]
Equal pay claims

02[Ⓢ]
Grievances raised

04[Ⓢ]
Diversity network groups

Zero[Ⓢ]
Whistleblowing incidents



Transparency and openness

We share information openly and discuss our challenges and mistakes. The importance of effective communication and transparency is crucial to our culture. We continue to hold town halls and have introduced Non-executive Director/employee breakfasts to offer a means of direct, informal engagement between our Board and our workforce. We have encouraged our workforce to reassess priorities and to feel empowered to challenge expectations placed upon them in terms of what and how we deliver.

03[Ⓢ]
Town hall meetings

03[Ⓢ]
Employee surveys- Pulse surveys

52[Ⓢ]
Exit interviews completed

71%[Ⓢ]
Employee engagement average score

16[Ⓢ]
Employee forum meetings

22[Ⓢ]
Number of company-wide events



Collaboration and growth

We collaborate, innovate and collectively contribute to Landsec's growth. Our culture promotes personal development and growth and we encourage internal moves and promotion from within our business. Succession planning and promotion of our talent at all levels within the business is identified as an area of improvement.

12[Ⓢ]
Leadership roles with succession plans in place

26.7%[Ⓢ]
Roles filled by internal candidates

38[Ⓢ]
People promoted in the last year

14[Ⓢ]
People on new female development programme

Key for status

Ⓢ On track — Ⓢ Flagged for improvement

Introduction from the Chairman of the Nomination Committee

Dear shareholder

I am pleased to present the report from the Nomination Committee for the year.

The Committee has continued to assess the composition, succession plan and skills of the Board and its Committees, promote diversity and have oversight of corporate governance.

Board evolution

A balanced and diverse Board with a mix of skills, expertise, background and tenure is critical to the success of the Company. The composition of the Board underpins the quality of debate and challenge during discussions.

The process for Board appointments is led by the Nomination Committee which makes recommendations to the Board for its approval. It is the Nomination Committee's responsibility to keep Board composition under review, including reviewing director independence and tenure. During the year the Committee reviewed the composition and skills of the Board, and developed an ongoing plan for Board succession, taking into account recent and likely future Board changes.

The Committee is currently leading a search for one more Non-executive Director to join the Board to complement the Board's existing composition. The Committee is using an external search firm to help with this, and we will report on the outcome of this process in due course.

The Committee has responsibility for oversight of Executive Leadership Team and senior management succession. This is also discussed by the Board as a whole, with a focus on diversity and inclusion and developing and maintaining the internal talent pipeline.

Diversity

The Board believes that diversity at Board level sets the tone for diversity throughout the business. We promote diversity in the

broadest sense, not just gender or ethnicity but also experience, skills, professional background and tenure. The Nomination Committee monitors our talent pipeline to ensure we have a diverse pool of talent being developed at all levels of the business. Maintaining a diverse workforce is as important as diverse recruitment and we continue to assess and promote this.

Whilst the new Listing Rule requirements on diversity do not come into force until FY 22/23, I am pleased to report that we already meet these targets. 56% of our Board members are women, our Chair and CFO positions are held by women, and we have one member of the Board from an ethnic minority background. We acknowledge that more work is needed to increase diversity of our Executive Leadership Team and its direct reports whilst ensuring that appointments and succession plans are based on merit and objective criteria and the Committee, and the Board will continue to monitor progress.

☉ You can read more about diversity at Landsec in our People and Culture section on pages 38-43

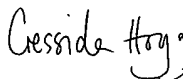
Committee effectiveness

The Committee's effectiveness was assessed as part of the external Board review. The review highlighted that whilst the Committee operates effectively, its focus over the past two years has particularly been on Executive succession. With a new leadership team in place it is appropriate to reset the Committee's priorities to focus more on wider Board succession, while continuing to cover all areas of the Committee's remit including ongoing management succession planning.

☉ Further details on the external Board evaluation can be found on pages 96-98

Corporate governance

The Committee oversees the corporate governance agenda on behalf of the Board. I am pleased to confirm that Landsec has complied with and applied all of the principles of the 2018 UK Corporate Governance Code for the financial year ended 31 March 2022. The Code is published by the Financial Reporting Council and is available from frc.org.uk.



Cressida Hogg
Chairman, Nomination Committee

Committee members

- Cressida Hogg (Chairman)
- Edward Bonham Carter
- Nicholas Cadbury (from 1 June 2021)
- Stacey Rauch (until 1 June 2021)
- Christophe Evain (from 24 March 2022)

Highlights

- External Board evaluation

Key responsibilities

- Composition of the Board and Committees
- Succession planning
- Board appointment process
- Corporate governance

Number of meetings and attendance

- Three scheduled meetings
- 100% attendance from all members at all meetings during their membership

Report of the Nomination Committee

Executive Director changes

During the year, Vanessa Simms joined the Board as CFO Designate on 4 May 2021 and became CFO on 1 June 2021 after Martin Greenslade stepped down from the Board on 31 May 2021. We set out the appointment process for our CFO in last year's report.

Non-executive Director changes

Stacey Rauch stepped down on 24 June 2021, having served over nine years on the Board. Stacey remained on the Board post reaching her nine-year anniversary of appointment (January 2021) in order to help transition Manjiry Tamhane onto the Board.

Diversity

The Board's policy on diversity establishes the importance of diversity in the broadest sense, not just gender or ethnicity but also experience, skills, professional background, tenure and also other differentials between directors such as cognitive and personal strengths. The Board believes that diversity is crucial to creating a high-performing, effective Board, to provide a breadth of perspective and debate that aids decision-making and which supports and directs the business more effectively.

The Nomination Committee works with executive search consultants to ensure they support our approach to diversity in providing a diverse selection of candidates for Board appointments and the selection can then be based upon merit and objective criteria.

Diversity at Board level sets the tone for diversity throughout the business. The Nomination Committee monitors our talent pipeline to ensure we have a diverse succession pool of talent being developed and maintained at all levels of the business. Maintaining a diverse workforce is as important as diverse recruitment and we continue to assess this.

Diversity is also addressed at the Remuneration Committee, particularly in the context of gender pay gap, and discussed at the main Board in light of its increased focus on the promotion and maintenance of diversity at all levels of talent throughout our business.

☞ Further information on diversity at Landsec can be found on [page 40](#)

Independence and re-election to the Board

The independence, effectiveness and commitment of each of the Non-executive Directors has been reviewed by the Committee. The Committee is satisfied with the contributions and time commitment of all the Non-executive Directors during the year.

The Committee will always discuss the additional commitments of all Directors (including the Chairman) before recommending their approval to the Board. It considers potential conflict issues as part of that assessment. The Committee is confident that each of the Non-executive Directors remains independent and will be in a position to discharge their duties and responsibilities in the coming year. From a governance perspective, the Board as a whole is independent.

The appointments of Vanessa Simms and Manjiry Tamhane were ratified by shareholders at the AGM in July 2021.

All the Directors will stand for re-election at the AGM in July 2022 with the support of the Board.

Governance

The Committee oversees the governance agenda on behalf of the Board and considers papers and proposals issued by Government, regulatory bodies and investor groups, and their application to Landsec.

The Committee also has a role to play in ensuring that the decisions taken by the Board and its Committees are made in the best interests of the Company and that they address any wider implications that may affect stakeholders.

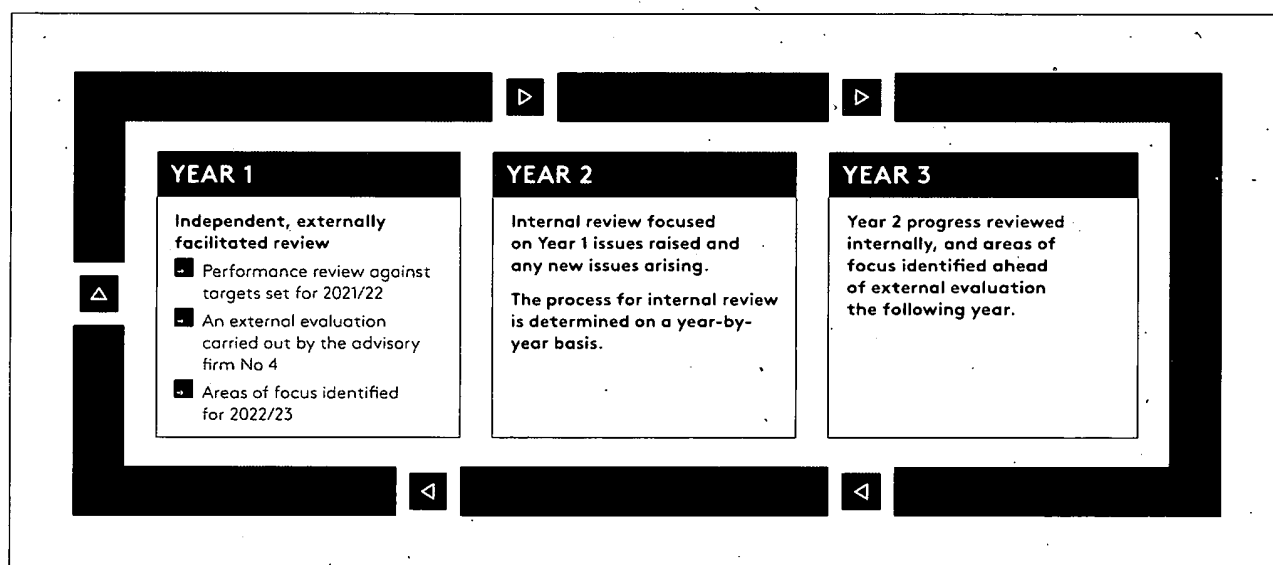
External evaluation of the effectiveness of the Nomination Committee

The external review of the performance of the Nomination Committee has led to a reassessment of the Committee's priorities in the two years ahead. The forward agendas for the Committee have been restructured to make the Committee more systematic and proactive, driving succession planning at Board and Executive Leadership Team and with more detailed reporting back to the main Board.

Board evaluation

Our Board evaluation provides the Board and its Committees with an opportunity to reflect on effectiveness and performance.

Board evaluation cycle



External Board evaluation process 2021/22

In line with our three-year cycle, this year's review of the Board's effectiveness was carried out by an external facilitator. We used No 4, which operates as an independent board evaluator and has no other connection with the Company. No 4 was selected to conduct the evaluation through a process overseen by the Nomination Committee.

No 4 interviewed each of the Directors and the Company Secretary individually on a confidential and unattributable basis and attended a Board meeting as observer.

The output of the evaluation was presented in a report to the Board at its February meeting and the Directors discussed the points raised by the review.

The No 4 report addressed the views of Directors on: the effectiveness of the organisation and dynamics of the Board and the Committees; the purpose and culture of the business; stakeholder engagement; the relationships between the Non-executive Directors and the management; the composition of the Board; the leadership of the Board; and the papers and topics covered at the Board and Committee meetings.

To ensure that the process was robust, following the Board meeting at which the report was discussed, No 4 provided confirmation to the Senior Independent Director that all the information provided in the report was a fair reflection of the range of views provided by each of the Directors during the interviews and that the conclusions in the report were not influenced inappropriately by any Director.

Progress against objectives set for 2021/22

Our objectives 2021/22

Risks and opportunities coming out of the global pandemic

The Board will increase its focus on risk particularly in the context of oversight of execution of the new strategy whilst coming out of the global pandemic and the risks and opportunities that this presents.

The Board would benefit from hearing more from external experts to talk about trends impacting the property sector.

People and talent pipeline

The Board would like more visibility of potential and talent coming up through senior management with greater exposure to the Executive Leadership Team and its direct reports both formally in meetings and through informal drinks and dinners.

Workforce engagement and culture

The Board would like more opportunities to meet with employees to follow up on themes raised at the Employee Forum and will allow the Non-executive Directors to hear directly about matters that concern employees. Continued emphasis on workforce engagement will also enable the Board to gain a greater insight into culture at Landsec and the shift in culture that the business is striving to achieve.

Our performance 2021/22

A refreshed approach to risk and assurance has been implemented this year through the Audit Committee, driven by the arrival of our new CFO, Vanessa Simms. In particular, the Board asked management to undertake a review of how Landsec went into the pandemic and how we came out of it, and how our business resilience has improved as a result.

The Board is conscious that with continued uncertainty ahead, financial, strategic and operational flexibility, agility and resilience remain key and a focus for the Board.

Talent development and succession has been an increased focus of the Board throughout the year. Mark Allan attended the Non-executive Director dinner held in March to share his view of talent within the business.

Members of the Executive Leadership Team and their direct reports have spent time with Board members at site visits and presenting to the Board at formal meetings. Further opportunities will be sought for more informal interactions over the course of the coming year.

This year we introduced our Non-executive Director/employee breakfast events. This is an opportunity for eight employees to have breakfast with two of our Non-executive Directors to have an informal discussion about any aspect of working life at Landsec. Our Non-executive Directors have also attended the Employee Forum and Manjiry Tamhane joined a session with our Womens' Network.

☞ More detail on our workforce engagement can be found on page 90

Output of 2021/22 Board evaluation: areas of focus for the year ahead

Succession planning

Continue to evolve the Board to meet the needs of the business and to work effectively with management.

A key part of this is Board and Executive Leadership Team succession. The Board would like more visibility of the talent coming up through the business and how diverse talent is being maintained and developed.

Execution of strategy

Execution of strategy and evolving and adapting the strategy to reflect the changing external environment and investor needs.

Culture

Accelerating the pace of change and of the turnaround for the business, looking both shorter and longer term. The Board would like more agenda time on culture and business transformation.

Data strategy and governance

Continued focus and drive on Landsec becoming a data-driven business. The Board needs to monitor and support Landsec on this journey.

Board evaluation continued

Conclusions of evaluation

The overall conclusion of the Board evaluation this year is that the Landsec Board is functioning very well. The Board is collaborative and open and is addressing the right issues in the right way.

Our new CEO and CFO have made a significant impact to the working of the Board and together with the COO, form a strong and effective Executive Director team, bringing an excellent balance of skills and experience.

The Board agenda and topics have the right focus on strategy, balanced with operational updates and the Chairman sets an inclusive and collaborative tone.

The Board would like to continue to focus on talent, diversity, data and ESG, all of which are crucial for the successful execution of our strategy. Becoming a leader in ESG is likely to be a key differentiator for all our stakeholders and the Board would like to stay close to the progress being made.

The Board will continue to focus on how Landsec uses data to transform the business with the right systems and IT infrastructure, assessing what data is needed and how it is analysed and applied.

The table below sets out more detail on the outputs of the evaluation. The performance evaluation of the Committees is discussed in the Committee reports.

Topic	Feedback from the Board
Strategy development and business transformation	→ There has been a concerted focus on developing a new strategy for Landsec and this is felt by all the Board members to have gone well → The future business environment for Landsec and the industry as a whole, post the pandemic, is still unclear. This means that although a strategy has been agreed, being nimble and agile as the conditions change and future trends become clearer will be essential
Culture change, engagement and operating environment	→ All the Board agreed that cultural change is an essential part of moving Landsec forward successfully and the Board needs to monitor this closely
Risk appetite and risk management	→ The Board members have embraced the decision to change the approach to risk management in the business → There is overall buy-in to Landsec being prepared to take more risks, but calculated risks. Exercising the right amount of challenge on this will be the most crucial role for the Board to perform in the years ahead → All are agreed that health and safety is a key priority to manage effectively, with the Board having a clear responsibility for oversight → At present, the Non-executive Directors feel the level of risk across the business is well contained
Succession planning for the Board and Executive	→ Executive succession planning is seen by everyone as a clear priority for Landsec → A detailed analysis of the skills gap against the future organisation, strategy and plans, including the use of data, will be essential → The Board would find it helpful to become much closer to the plans for and progress in developing Landsec's people and building the talent pipeline

Board induction

Manjiry Tamhane's induction

We reported on the first month of Manjiry Tamhane's induction in our report last year. Manjiry's induction continued throughout this year.

Manjiry met with the Executive Leadership Team members to get a deeper understanding of their areas of the business, their priorities and their challenges.

Manjiry also spent time with our Head of Investment who explained our investment appraisal process and provided Manjiry with greater insight into how we make capital allocation decisions and general principles of property investment.

Manjiry further received an overview of the following topics:

- Investor relations and market overview from the Head of IR
- Governance and disclosure obligations, directors' duties and corporate calendar from the Company Secretary
- Risk and Internal Audit from the Director of Risk and Assurance

Additionally, Manjiry spent time with the Non-executive Directors who she had not met during the selection process and our external advisers (CBRE and Slaughter and May).

Asset visits

Manjiry was able to visit the following assets during the year: 21 Moorfields, 55 Old Broad Street, Dashwood House and Lewisham. Manjiry also went to Manchester during the summer and had a tour of MediaCity ahead of our investment in the joint venture.

Remuneration Committee Induction

On 1 June 2021, Manjiry became a member of the Remuneration Committee. Ahead of this, Manjiry spent time with our Remuneration Committee Chairman, our Managing Director, People and

Corporate Services and our Remuneration consultants FIT-Rem who provided Manjiry with information as to the role of the Committee in determining Executive remuneration, particularly the process for exercising its discretion and considerations for the remuneration of the wider workforce. This helped Manjiry integrate as a member of the Remuneration Committee and to provide challenge and contribute to debate from the start.

"My introduction to Landsec, its strategy, culture and its people enabled me to contribute to Board discussions right from the start. Spending time with key people throughout the business and visiting assets was invaluable."

Manjiry Tamhane, Non-executive Director

Vanessa Simms' induction

Joining the Board as an Executive Director with extensive experience in the property sector, Vanessa's induction to Landsec and the Board had a very different focus to Manjiry's.

Over a number of months prior to joining Landsec and upon joining, Vanessa met with internal and external stakeholders and spent time with her direct reports, building her knowledge of the Landsec business and visiting our assets.

Providing Vanessa with access to information and the right people from the start enabled Vanessa to very quickly build up an impression of Landsec's business and strategy and to decide what she wanted to prioritise going forward.

"My induction focused on building relationships and knowledge of the business to enable me to prioritise activity and set my vision for my area to support the strategic change required."

Vanessa Simms, Chief Financial Officer

Introduction from the Chairman of the Audit Committee

Dear shareholder

Throughout the financial year, the Audit Committee continued its focus on the financial statements, the integrity of the reporting process and oversight of risk management and internal controls.

considered in the preparation of the financial statements, how the risks and opportunities have been reflected and if the assessment of viability over the longer term is taking into account climate related issues.

I can confirm that Landsec has made disclosures consistent with the TCFD recommendations and the Committee will continue to monitor disclosures going forward.

Our TCFD disclosures can be found on pages 66-69

Committee members

- Nicholas Cadbury (Chairman)
- Madeleine Cosgrave
- Stacey Rauch (until 1 June 2021)
- Christophe Evain (from 1 June 2021)

Highlights

- Continued focus on integrity of reporting process
- Rigorous assessment of risk management and internal controls
- Cyber and information security
- Accounting treatment of significant acquisitions and disposals

Key responsibilities

- Reliability of the financial statements and internal controls
- Effective risk identification and management
- Overall transparency and financial governance

Number of meetings and attendance

- Four scheduled meetings
- 100% attendance from all members during their membership

Risk focus

On behalf of the Board, the Committee manages the process by which risks are identified and quantified.

The Committee used the risks contained in the Group's principal risk register (set out on pages 60-65 of this Annual Report) as a basis for its activity during the year. We also used the lines of defence model and assurance mapping to monitor how we manage and assure our principal risks.

A key operational risk that was focused on throughout the year was information security and cyber threat. A risk management strategy has been established to identify, prioritise and improve cyber resilience across all our assets and corporate systems and the Committee will continue to monitor progress.

Climate reporting

In February, the Committee had a session with our sustainability team and our auditor Ernst & Young LLP (EY) to discuss the requirements of the Task Force on Climate-related Financial Disclosures (TCFD) and what this means for the Audit Committee.

Landsec has already taken key steps towards improving its climate risk disclosures and a series of metrics were already disclosed annually, which are in line with the TCFD recommendations. It was helpful however to discuss how the Audit Committee needs to focus on how the impact of climate change has been

Financial statements

The Group's financial statements are of critical importance to investors and the Committee monitors the integrity of the Group's reporting process and financial management. It scrutinises the full and half-yearly financial statements before proposing them to the Board for approval. The Committee reviews in detail the work of the external auditor and external valuer and any significant financial judgements and estimates made by management to ensure that it is satisfied with the outcome.

Asset valuation

The valuation of our assets is an important constituent of our financial results and measurement of our performance. We use CBRE, an industry-leading agency, to provide us with an external valuation of our portfolio twice a year. CBRE has extensive expertise and knowledge and uses this to provide us with a valuation prepared in accordance with the relevant industry standards.

The Committee reviewed the Royal Institute of Chartered Surveyors (RICS) Independent Review of Valuations that was published this year. Generally the governance and structures that we have in place and our improvement plans in progress, are broadly aligned to the recommendations in the review. However, we have identified potential areas of enhancement to consider and will work with our external valuers to address these points in the year ahead.

The valuation process requires CBRE to evaluate the likely future financial performance of each individual asset and apply recent, relevant transactional evidence in the market to determine an appropriate value at the period end. The Committee analyses, challenges and debates the valuations prepared by CBRE. Further, the external valuation process and the values ascribed to specific assets are also reviewed independently by our auditor, EY, as part of its audit scope.

Acquisitions and disposals

During the year, in the execution of its new strategy, Landsec sold HarbourExchange, acquired 75% of MediaCity, increased its stake in Bluewater and in addition acquired U-I Group PLC. The Committee discussed the accounting treatment of these material transactions and concluded they were appropriate.

Provisions for bad debt

Over the year, the Committee has closely monitored the cash collections of rents across the whole portfolio and by the end of the year we saw cash collections return to pre-pandemic levels. However, bad debt provisions remain in respect of some occupiers who have been unable to satisfy their rent obligations. This analysis involves a significant amount of judgement therefore the Committee continues to monitor the provisions remaining.

Internal audit

Landsec's internal audit team is within the wider Risk and Assurance Function. The Committee believes that this works well based on the quality of the reporting from the Director of Risk and Assurance.

The Committee commissioned an external review of the scope, skills and competencies of Internal Audit during the year. This confirmed that the knowledge, skills and resources of our internal team remain appropriate and are supported by specialist external expertise as and when needed.

This year, the internal audit plan has reviewed matters including our recent acquisitions at MediaCity and U-I, our flexible office product (Myo), our cultural framework, cyber security and UK Data Protection compliance. In the year ahead, the internal audit plan includes reviews for turnover rent, major developments and key outsourced service providers.

Fair, balanced and understandable

Following discussion, the Committee concluded and recommended to the Board that, taken as a whole, the Company's 2022 Annual Report is fair, balanced and understandable. Our assessment included climate change matters.

Going concern and viability statement

We continue to focus on the appropriateness of adopting the going concern assumption in preparing the financial statements for the year ended 31 March 2022. The going concern statement is set out on page 70.

The viability statement, together with the rationale behind the chosen five-year time horizon, is also set out on page 70.

Audit tender

The Group's audit was put out to tender in 2013, with EY performing its first audit for the year ended 31 March 2014. In line with the UK Corporate Governance Code, we are required to tender our audit, on a comply or explain basis, every ten years. Therefore, we are currently carrying out a competitive tender with the successful auditor signing the 31 March 2024 accounts.

UK Corporate Governance Code/ Financial Reporting Council (FRC) Guidance on Audit Committees

The Committee considered its compliance with the 2018 UK Corporate Governance Code and the FRC Guidance on Audit Committees. We believe that we have addressed both the spirit and the requirements of each.

Committee effectiveness

The composition of the Committee changed on 1 June 2021 when Stacey Rauch stepped down and Christophe Évain became an Audit Committee member. We welcome Christophe's contribution to the Committee.

The Committee's performance was considered as part of the external Board evaluation conducted this year. The conclusion is that we operate to a high standard, with clear priorities, well defined responsibilities and clarity around our work plan. We are also currently carrying out an in-depth internal review of the work of the Committee to ensure that the Committee's focus remains on the appropriate areas.

I would like to thank the other members of the Committee, together with management, CBRE and EY, for their support during the year. I hope that you find this review, and the report that follows, a helpful explanation of the work of the Committee.



Nicholas Cadbury
Chairman, Audit Committee

Report of the Audit Committee

The Audit Committee continued to focus this year on risk assessment and management, internal controls and financial reporting processes, together with additional focus on the requirements of climate reporting and the impact this has for the Committee.

Structure and operations

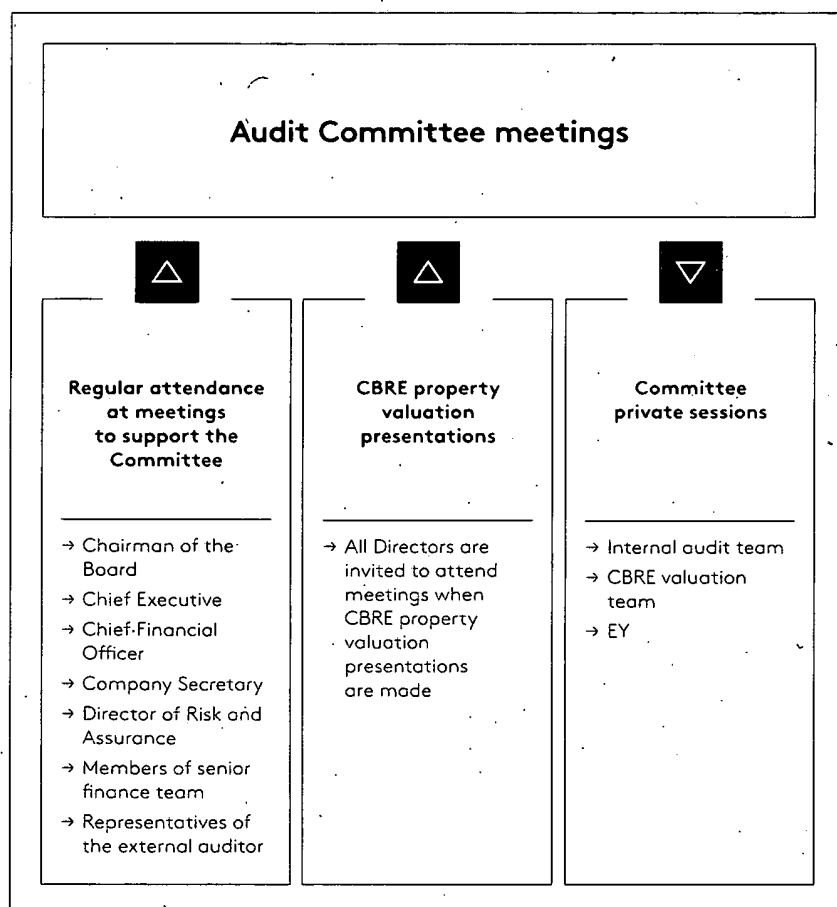
The Audit Committee's structure and operations are governed by terms of reference which are reviewed annually and approved by the Board. The terms of reference are available on our website: landsec.com/aboutcorporate-governance/board-committees.

To maintain effective communication between all relevant parties, and in support of its activities, the Chairman of the Board, Chief Executive, Chief Financial Officer, Company Secretary, Director of Risk and Assurance, the partner and representatives of our external auditor, EY, and other members of the senior finance team regularly attend Committee meetings.

All Directors are invited to attend meetings when the Group's external valuer, CBRE, presents its full year and half-year property valuation.

The Committee Chairman has private and informal sessions with the EY audit team and the CBRE valuation team to ensure that open lines of communication exist, in case they wish to raise any concerns outside of formal meetings.

The Committee members are all independent Non-executive Directors and collectively have a broad range of financial, commercial and property sector expertise that enables them to provide oversight of both financial and risk matters, and to advise the Board accordingly. The Board has determined that Nicholas Cadbury, as Chairman of the Committee, has recent and relevant financial experience for the purposes of satisfying the UK Corporate Governance Code. Details of the experience of all members of the Committee can be found on pages 76 and 77.



The Committee works to a structured programme of activities and meetings to coincide with key events around our financial calendar and, on behalf of the Board, to provide oversight of the Group's risk management process. Following each meeting, the Committee Chairman reports on the main discussion points and findings to the Board.

In addition to benefiting from a session with EY on TCFD, the Committee also had a deep dive session with EY on the Government's proposals on restoring trust in audit and corporate governance, discussing what the impact of the proposals would be for Landsec and the Audit Committee, including the proposed publication of a resilience statement, audit and assurance policy and mandatory shared audits.

Risk management

The Board is responsible for the Group's risk management framework and risk appetite. The Committee supports the Board in the management of risk and is responsible for reviewing the effectiveness of risk management and internal control processes during the year.

An overview of the risk management process, the changes to the impact and likelihood of risks over the year and the key risk management priorities for 2022/23 are described on page 58. This includes the Executive Leadership Team's detailed review of the business risks, controls and mitigation strategies which forms the basis for the principal risks, before being assessed by the Audit Committee.

The risk dashboard uses indicators to track whether each risk level is within our appetite and this triggers discussion by the Committee as to how the principal risks are moving and whether the risk tolerance ranges remain appropriate.

☉ You can read about our principal risks and the changes to risk levels this year on pages 60–65

Primary responsibility for the operation of the Company's internal control and risk management systems, which extend to include financial, operational and compliance controls (and accord with the FRC's 2014 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting'), has been delegated to management. These systems have been designed to manage, rather than eliminate,

the risk of failure to achieve the Group's business goals and can provide only reasonable, not absolute, assurance against material misstatement or loss.

Risk assurance and internal control

Under the overall supervision of the Committee, there are several sub-committees and working groups that give assurance over risks being managed within the business. The Group has a Director of Risk and Assurance (with a direct reporting line to the Audit Committee Chairman) who provides regular oversight of risk matters, evaluates emerging risks and monitors compliance to ensure that any mitigating actions are properly managed and completed. The Committee, in consultation with management, agrees the annual work plan of the Risk and Assurance function to ensure alignment with the needs of the business.

Internal audits are carried out in accordance with an agreed annual assurance plan and reviewed by the Committee throughout the year.

The Internal Audit team also provide assurance to the Committee on key controls and programme assurance and used its data analytics capability to improve the identification of any issues in key financial processes, such as accounts payable and service charge management.

The key elements of the Group's risk management and internal control systems are as follows:

- an established organisational structure with clear lines of responsibility, approval levels and delegated authorities
- a disciplined management and committee structure which facilitates regular performance review and decision-making
- a comprehensive strategic review and annual planning process
- a robust budgeting, forecasting and financial reporting process
- various policies, procedures and guidelines underpinning the development, asset management and financing operations of the business
- a compliance certification process conducted in relation to the half-yearly and full year results, and business activities generally

- a quarterly key controls self-certification by management
- an internal audit function whose work spans the whole Group
- a focused post-acquisition review and integration programme to ensure the Group's governance, procedures, standards and control environment are implemented effectively and on time
- a financial and property information management system
- a whistleblowing process that enables concerns to be reported confidentially and on an anonymous basis and for those concerns to be investigated.

Additionally, the Committee discusses on a quarterly basis:

- the Group's significant and emerging risks, and how exposures have changed during the period
- the effectiveness of internal controls and processes at mitigating those risks
- internal audit reports, summary reports of findings and recommendations from completion of the internal audit plan
- progress against completion of agreed actions from Internal Audit reports.

External auditor

EY are Landsec's external auditor and are engaged to conduct a statutory audit and express an opinion on the Company's and the Group's financial statements.

Their audit scope includes a review of the property valuation process and methodology using its own chartered surveyors (more details below), to the extent necessary to express an audit opinion.

When carrying out its statutory audit work, EY also has access to a broader range of employees and different parts of the business. If it picks up any information as part of this process, it would report to the Audit Committee anything that it believes the Committee should know in order to fulfil its duties and responsibilities. As audit partner, Kathryn Barrow is authorised to contact the Committee Chairman directly at any time to raise any matter of concern.

Report of the Audit Committee continued

Audit plan

EY presented its proposed audit plan (reviewed by senior management and the Director of Risk and Assurance), to the Committee for discussion. The objective was to ensure that the focus of its work remained aligned to the Group's structure and new strategy.

The Committee is keen to ensure that its auditor feels able to challenge management and is afforded all the access it requires to report on matters that may not be part of the statutory audit but which, in the opinion of the auditor, should be brought to the attention of the Audit Committee. These matters may be financial or non-financial and may be based on fact or opinion (including any concern over culture or behaviour). An example may be the use or adequacy of any controls used by the Company to detect any fraud or improper behaviour.

EY is afforded such access through attendance at each Committee meeting, supported by other meetings held during the year with the Committee Chairman without management being present and the knowledge that it can raise any matter of concern to the Committee Chairman at any time without going through management. These regular discussions were useful to the Committee but no matters of concern emerged.

Independence and objectivity

The Committee is responsible for monitoring and reviewing the objectivity and independence of the external auditor. In undertaking its annual assessment, the Committee took into account the UK Ethical Independence Standards introduced by the FRC in December 2019 and effective from 15 March 2020.

The Committee reviewed:

- the confirmation from EY that it maintains appropriate internal safeguards in line with applicable professional standards, together with an explanation of the due diligence process followed to provide such a confirmation
- the mitigation actions we take in seeking to safeguard EY's independent status, including the operation of policies designed to regulate the amount of non-audit services provided by EY and the employment of former EY employees
- the tenure of the audit engagement partner (not being greater than five years); Kathryn Barrow was appointed as EY audit partner to the Group in June 2018
- the internal performance and effectiveness review of EY referred to above.

No Committee member has any connection with the current auditor.

Taking the above review into account, the Committee concluded that EY remained objective and independent in its role as external auditor.

Effectiveness of the external audit

Following the issue of our Annual Report each year, the Director of Risk and Assurance conducts a performance evaluation and effectiveness review of the external audit. This is conducted against structured guidelines in consultation with the Executive Directors and members of the senior finance team and members of the Audit Committee to whom they report. The Committee Chairman meets privately with the audit engagement partner before the Committee meeting to consider the results of the effectiveness review. The Committee's preliminary view is that EY has continued to perform its audit services

effectively and to a high standard, and this is consistent with performance each year since appointment in 2013. Areas identified for development will be shared with EY for inclusion in its audit and service delivery plans going forward.

Audit tendering

EY was first appointed to the office of auditor, following a competitive tender process, in respect of the 2013/14 financial year.

Under current regulations, we are required to retender the audit by no later than the 2023/24 financial year. An audit tender process is underway and the successful auditor will be appointed to perform its first audit for the 31 March 2024 financial year.

On the recommendation of the Audit Committee, the Board is proposing a resolution at this year's Annual General Meeting that EY be reappointed to office for the 31 March 2023 financial year.

The Company has complied with the Statutory Audit Services Order 2014 for the year under review.

Audit fee

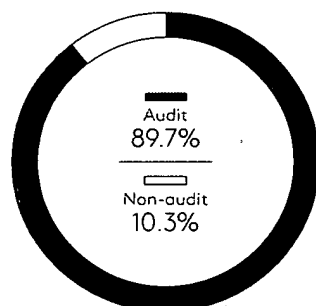
The audit fees payable to EY for 2021/22 (including the audit of the Group's joint ventures) are £1.8m (2020/21: £1.4m).

Non-audit services

To help safeguard EY's objectivity and independence, we operate a non-audit services policy that sets out the circumstances and financial limits within which EY may be permitted to provide certain non-audit services.

Audit vs. non-audit fees 2021/22

Chart 32



12.9% non-audit fees as a ratio to Group audit fee (excluding the audit of the Group's joint ventures).

The Committee monitors compliance with the policy, including the prior approvals required for non-audit services, which are as follows:

Table 33

	Per assignment (£)	Aggregate during the year (£)
Chief Financial Officer	0-25,000	<100,000
Audit Committee Chairman	25,000-100,000	100,000-400,000
Committee	>100,000	>400,000

All approvals are noted at the Audit Committee.

EY was engaged during the year to provide non-audit services to the Group relating to the Company's half-yearly review, the assurance statement on sustainability and a non-statutory audit of the security group. It was decided that it would be in the interest of the Company to use EY for these services, recognising that the use of audit firms for non-audit work should generally be kept to a minimum. Total fees for non-audit services, including the half-yearly review and other assurance-related services, amounted to £205,000. Details of the fees charged by EY during the year can be found in note 8 to the financial statements.

The total of £205,000 paid for non-audit services represented 12.9% of the Group audit fee payable to EY during the year (excluding the audit of the Group's joint ventures). No non-audit fees were approved or paid on a contingent basis.

External valuations and valuers

The valuation of the Group's property portfolio, including properties held within the development programme and in joint arrangements, is undertaken by external valuers. The Group provides input, such as source data, and support to the valuation process. CBRE has been the Company's principal valuer since 2015 and was re-appointed in 2019 for a further three-year period. Additionally this year, Savills (UK) Limited (Savills) was engaged to perform the valuation of the MediaCity portfolio and Jones Lang LaSalle Limited (JLL) was engaged to perform the valuation of part of the U+I Group PLC portfolio.

The valuation helps to determine a significant part of the Group's total property return and net asset value, which have consequential implications for the Group's reported performance and the level of variable remuneration received by senior management through bonus and long-term incentive schemes. Accordingly, the scrutiny of each valuation and the valuer's objectivity and effectiveness represent an important part of the Committee's work.

Valuations for the full and half-year were presented to the Committee by CBRE. These were reviewed and challenged by the Committee, with reference to CBRE's approach, methodology, valuation basis and underlying property and market assumptions. Other Non-executive Directors attended the full and half-year presentations. The Committee Chairman and other members of the Committee also had separate meetings with CBRE as part of this process to provide an opportunity to test and challenge the valuation outcomes and the principles and evidence used in the determination.

Additionally, CBRE, Savills and JLL met with EY and exchanged information independently of management. EY has experienced chartered surveyors on its team who consider the valuer's qualifications and assess and challenge the valuation approach, assumptions and judgements made by them. Their audit procedures are targeted at addressing the risks in respect of the valuations and the potential for any undue management influence in arriving at them. This year EY identified 32 properties (comprising 72% of the portfolio) for substantive review by its valuation experts primarily on the basis of their value, type, risk profile and location. The Committee reviewed the auditor's findings.

An internal evaluation of CBRE's performance and effectiveness will be conducted after the year-end results are finalised with the results reported to the Committee.

A fixed-fee arrangement (subject to adjustment for acquisitions and disposals) is in place with CBRE for the valuation of the Group's properties and, given the importance of their work, we have disclosed the fees paid to them in note 9 to the financial statements. The total valuation fees paid by the Company to CBRE, Savills and JLL during the year represented less than 5% of their total fee income for the year.

Significant financial matters

The Committee reviewed three significant financial matters in connection with the financial statements, namely the valuation of the Group's property portfolio, revenue recognition, and the accounting for the acquisition of U+I Group PLC. Further details are set out in the table on page 107.

These items were considered to be significant taking into account the level of materiality and the degree of judgement exercised by management and, in respect of the valuation, the external valuer. The Committee discussed these with both parties, as well as EY.

Report of the Audit Committee continued

In addition, the Committee considered, and made onward recommendations to the Board, as appropriate, in respect of other key matters including accounting for other acquisitions and disposals, impairment of trade receivables, including lease incentive balances, maintenance of the Group's REIT status, going concern, and other specific areas of individual property and audit focus.

The Committee was satisfied that all issues had been fully and adequately addressed and that the judgements made were reasonable and appropriate and had been reviewed and debated with the external auditor who concurred with the approach taken by management.

Non-financial matters

The Committee understands the level of reliance that is placed by shareholders on the statutory audit and the report of the external auditor. As noted in the Brydon Report, the purpose of the audit should go further than the financial statements and help to establish and maintain deserved confidence in a company, in its directors and information for which they have responsibility in the Annual Report.

We report on alternative performance measures on page 211. The Committee debated and discussed these measures and agreed that they were appropriate for the business.

Fair, balanced and understandable

The Committee applied the same due diligence approach adopted in previous years in order to assess whether the Annual Report is fair, balanced and understandable, one of the key UK Corporate Governance Code requirements. The Committee received assurance from the verification process carried out on the content of the Annual Report by the Executive Leadership Team to ensure consistent reporting and the existence of appropriate links between key messages and relevant sections of the Annual Report. Particular attention has been given this year to the consistency of the narrative disclosures around climate risks, our strategy and the financial statements.

Taking the above into account, together with the views expressed by EY, the Committee recommended, and in turn the Board confirmed, that the 2022 Annual Report, taken as a whole, is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's position, performance, business model and strategy.

Whistleblowing policy

The Board receives a whistleblowing report twice a year and has overall responsibility for whistleblowing but the Audit Committee supports the Board in this respect. The Audit Committee reviews the Group's Speak up policy which allows employees to report concerns about suspected impropriety or wrongdoing (whether financial or otherwise) on a confidential basis, and anonymously if preferred. This includes an independent third-party reporting facility comprising a telephone hotline and an alternative online process. Any matters reported are investigated by the Company Secretary, Managing Director, People and Corporate Services and the Director of Risk and Assurance and escalated to the Committee, as appropriate. During the year, no whistleblowing incidents were reported.

We monitor whistleblowing awareness and remind employees that a dedicated hotline exists should they ever need to 'blow the whistle'. The arrangements also form part of the induction programme for new employees. Details of the whistleblowing hotline are included in our Sustainability Charter and procurement tender documentation.

Significant financial matters

Significant financial matters – what is the risk?	How the Committee addressed the matters
Valuation of the Group's property portfolio (including investment properties, investment properties held in joint ventures) The valuation of the Group's property portfolio is a major determinant of the Group's performance and drives an element of the variable remuneration for senior management. Although the portfolio valuation is conducted by an external valuer, the nature of the valuation estimates is inherently subjective and requires significant judgements to be made by management and the valuer. Significant assumptions and judgements made by the valuer in determining valuations may include the appropriate yield (based on recent market evidence), changes to market rents (ERVs), what will occur at the end of each lease, the level of non-recoverable costs and alternative uses. Development valuations also include assumptions around costs to complete the development, the level of letting at completion, incentives, lease terms and the length of time space remains void.	The Audit Committee adopts a formal approach by which the valuation process, methodology, assumptions and outcomes are reviewed and robustly challenged. This includes separate review and scrutiny by management, the Committee Chairman and the Committee itself. The Group uses CBRE, a leading firm in the UK property market, as its principal valuer. It also involves EY as the external auditor which is assisted by its own specialist team of chartered surveyors who are familiar with the valuation approach and the UK property market. EY met with the valuers separately from management and its remit extends to investigating and confirming that no undue influence has been exerted by management in relation to the valuers arriving at their valuations. CBRE submits its valuation report to the Committee as part of the half-yearly and full year results process. CBRE was asked to attend and present its report to the Board and to highlight any significant judgements made or disagreements which existed between CBRE and management. There were none. CBRE proposed changes to the values of our properties and developments during the year, which were discussed by the Committee in detail and accepted. Based on the degree of oversight and challenge applied to the valuation process, the Committee concluded that the valuations had each been conducted appropriately, objectively and in accordance with the valuer's professional standards.
Revenue recognition (including the timing of revenue recognition and the treatment of lease incentives) Certain transactions require management to make judgements as to whether and to what extent they should be recognised as revenue in the year. Market expectations and EPRA earnings targets may place pressure on management to distort revenue recognition. This may result in overstatement or deferral of revenues to assist in meeting current or future targets or expectations, including through incorrect treatment of lease incentives.	The Committee and EY considered the main areas of judgement exercised by management in accounting for matters related to revenue recognition, including timing and treatment of rents, incentives, surrender premiums and other property-related revenue. In its assessment, the Committee, in consultation with EY, considered all relevant facts, challenged the recoverability of occupier incentives, the options that management had in terms of accounting treatment and the appropriateness of the judgements made by management. These matters had themselves been the subject of prior discussion between EY and management. The Committee, having consulted with EY, concurred with the judgements made by management and was satisfied that the revenue reported for the year had been appropriately recognised.
Accounting for the acquisition of U+I Group PLC (and other acquisitions in the year) The acquisition of U+I required management to assess the contractual arrangements from the transaction and consider the requirements of IFRS 3 Business Combinations in order to assess the initial acquisition accounting. The initial accounting was complex and required significant judgements and estimates to be made, including: assessing whether the acquisition represents a business combination or asset acquisition; making judgments and estimates to determine the purchase price allocation (PPA); identifying any intangible assets acquired which are not recorded in the U+I financial statements and estimating their fair value; and assessing any goodwill recognised for impairment.	The Committee reviewed management's assessment in determining the accounting treatment for the acquisitions and discussed the audit procedures carried out by EY in making its assessment. The Committee and EY concluded that the accounting applied by management was appropriate, including the impairment of goodwill to nil.

The above description of the significant financial matters should be read in conjunction with the Independent Auditor's Report on pages 132-140 and the significant accounting policies disclosed in the notes to the financial statements.

Directors' Remuneration Report – Chairman's Annual Statement

Committee members

- Christophe Evain¹
- Edward Bonham Carter
- Cressida Hogg
- Manjiry Tamhane²
- Stacey Rauch³

Highlights

- New Policy Approved
- LTIP extended to senior management
- Workforce engagement

Key responsibilities

- Reviewing the link between reward and the Group's purpose and strategy
- Oversight of reward matters across the Group
- Maintaining a strong connection between returns to shareholders and reward for Executives

Number of meetings and attendance

- Four scheduled meetings
- 100% attendance from all members during their membership

1. Committee Chairman
2. From 1 June 2021
3. Until 24 June 2021

Dear shareholder

I am pleased to present, on behalf of the Board, the Directors' Remuneration Report for the year ended 31 March 2022.

The year under review has delivered strong business results for Landsec. At the start of the year Covid-19 dominated the news and there was much uncertainty. As the year progressed, the Landsec team worked hard to deliver the strategy we set out last year and I thank colleagues, customers and partners alike who showed commitment and tenacity to deliver the positive financial and wider business outcomes detailed in this Annual Report.

Directors' remuneration policy

This year we have operated under the Remuneration Policy approved by shareholders at our 2021 AGM.

We consulted with our major shareholders, the main shareholder representatives and with our people and the policy received a positive vote of 96.4%. The Committee believes that the policy provides strong alignment with best practice in corporate governance and an appropriate level of flexibility to allow meaningful incentivisation to deliver our ambitious strategy.

Performance for the 2021/22 financial year

During the course of the year we have driven our business forward, making acquisitions and disposals that will accelerate the delivery of our strategy and provide greater opportunities for growth.

We are a purpose-led business and aim to create value for all stakeholders. Our strategy focuses on shaping three distinct places – Central London offices; Major retail destinations; and Mixed-use urban neighbourhoods – and we have made significant progress in all three areas over the last year while maintaining a strong financial position.

For the year ended 31 March 2022, EPRA Earnings were up 41.4%. Adjusted EPRA earnings per share were also up 41.6% to 48.0p. Asset values increased by 3.6% in aggregate reflecting record leasing in London offices, growth returning in major retail destinations and clear progress on our objective to grow in mixed-use urban neighbourhoods. This resulted in a 7.9% increase in EPRA net tangible assets per share to 1,063p.

These results are clearly reflected in the variable pay awarded to the Executive Directors in respect of the year ended 31 March 2022.

Annual bonus performance

The performance of the executive team has been both focused and decisive, with progress made in all areas of the plan that was set out at the start of the year. We have a healthy pipeline of capital reinvestment projects and increased clarity of the risks and opportunities in our capital recycling programme. We have made some significant investments and our positive business performance reflects the capability and commitment of our teams, despite the challenging environment that everyone has been operating in.

The Committee has carefully considered the business outcomes and the wider stakeholder context (see our discretion framework on page 113). The Committee believes that it is appropriate for the Executive Directors to receive annual bonuses for 2021/22.

The Committee set the annual bonus targets at the start of the year during a period of great uncertainty. As the year unfolded and as the timing in respect of disposals became clearer, the Committee carefully reviewed the EPRA Earnings targets and increased them, to make them more stretching. In addition the Committee agreed to exercise downward discretion to remove the positive effect of the pandemic on energy intensity, which forms part of the ESG element of the annual bonus.

This resulted in overall bonus outcomes of 87.4% to 90.4% of maximum (equating to 131.1% to 135.6% of salary), which is considered to be appropriate in the context of the performance of the business.

See page 116 for further details

Long-Term Incentive Plan performance

Vesting of the 2019 LTIP in 2022 is determined by performance against two equally-weighted measures of Total Property Return (TPR) and Total Shareholder Return (TSR) relative to FTSE 350 real estate companies. Performance under both measures over the three years to 31 March 2022 was below the threshold level and as such there will be no vesting in respect of the 2019 LTIP award. In addition, Mark Allan's buyout award, measured against the same targets as the 2019 LTIP award, albeit over two years to 31 March 2022, will also not vest.

Management changes

As previously disclosed, Martin Greenslade stepped down as CFO on 31 May 2021 and his employment with Landsec ended on 29 September 2021. Vanessa Simms joined the Board on 4 May 2021 as CFO designate and assumed the role of CFO on 1 June 2021. Full details of the remuneration arrangements relating to this change were disclosed in the 2021 Annual Report.

Discretion

No positive discretion was exercised in the year ended 31 March 2022. Details of the negative discretion applied by the Committee to the annual bonus awards are set out in the annual bonus performance section above and in more detail on page 116.

Executive remuneration 2022/23

1. Base salary

As disclosed in our last Annual Report, base salaries are due for review in 2022. Mark Allan was appointed CEO in April 2020 and Vanessa Simms was appointed CFO in June 2021 and no increases have been applied since appointment. Colette O'Shea's salary was last reviewed in January 2020. From 1 June 2022, Executive Director salaries will increase by 3%, which is below the workforce average of 5%.

2. Pension

Consistent with the UK Corporate Governance Code, all Executive Directors' pension contributions are aligned to the wider workforce at 10.5% of salary.

3. Annual bonus

For the year ending 31 March 2023, Executive Directors will be eligible for an annual bonus of up to 150% of salary. Our simplified bonus scheme remains appropriate to our strategy and combines stretching targets for earnings, total return and ESG based on milestone targets for the year ending 31 March 2023. Personal objectives will continue to be operated for a minority of the award. Further detail is provided on page 121.

4. Long-Term Incentive Plan

We intend to grant awards under the LTIP in June 2022, which will be subject to performance conditions over a three-year performance period. Performance targets will continue to be based on total accounting return, relative TSR, and carbon reduction. Any awards which vest will be subject to a two-year post-vesting holding period. Further detail is provided on page 121.

Remuneration across the Company

The Committee oversees all remuneration policies and practices across the organisation, and is regularly briefed by the MD, People and Corporate Services in this regard. The Committee takes account of the interests of all internal and external stakeholders when making any decisions on remuneration matters. During the year ended 31 March 2022, we broadened the eligibility criteria for LTIP awards below the Executive Leadership Team, more closely aligning those who execute our strategy on a daily basis with the interests of our shareholders.

Gender and Ethnicity pay gaps

During the course of the year, the Committee was pleased to see that the Company's gender pay gap had improved. However, we are aware that further progress is required here and continue to review management's response to this important topic. For the first time last year, management published the ethnicity pay gap, ahead of any formal regulations, and it is evident there is much progress still to be made. More information can be found on page 38 and on the Company's website.

Employee voice

I took the opportunity to meet with members of our Employee Forum in early 2022. This is an important activity and I was pleased to answer a number of questions posed by the forum. In particular, I noted the wider use of LTIPs amongst senior management was welcomed by the forum, bringing greater alignment with shareholders. In addition, the forum confirmed that the simplified bonus scheme for staff had been very well received. Finally, the shift from relative total property return to absolute total accounting return was much appreciated as a more easily understood and relevant measure of performance. More generally, a number of the Non-Executive Directors met with employees during the year, as detailed on page 90.

Conclusion

Despite the disruption and changing nature of society as a result of the Covid-19 pandemic, Landsec's performance has been most encouraging.

I hope that you have found my letter useful, informative and clear. I am grateful for the engagement and support provided by our shareholders, and welcome your feedback.



Christophe Evain
Chairman, Remuneration Committee

Remuneration at a glance

Our at a glance summary sets out clearly and transparently the total remuneration paid to our Executive Directors in 2021/22.

We aim to align the total remuneration for our Executive Directors to our business strategy through a combination of fixed pay, bonus and long-term incentives, underpinned by stretching performance targets.



Remuneration structure

REMUNERATION PRINCIPLES – SUPPORTING LONG-TERM SUCCESS AND SUSTAINABLE VALUE

- We will materially differentiate reward according to performance.
- Performance targets will be relevant, stretching, and aligned to our business strategy.
- Rewards will be compatible with the Group's risk policies and systems, with malus and clawback applied to all forms of variable pay.
- We will provide a balance between attracting, retaining and motivating talented people as well as supporting equal opportunity and diversity of talent.
- Our framework will ensure that levels of performance-related pay are appropriate to each level of the organisation.
- Remuneration outcomes will be clear and explainable, avoiding paying more than the Committee considers necessary.

Fixed pay

- Base salary
- Benefits
- Pension



More on page 125

Annual bonus



More on page 126

Long-term incentive



More on page 126

2021/22 in numbers

PERFORMANCE

£354.9m	8.2%	19.1%	47.7p
EPRA Earnings (2021: £251m)	Ungeared TPR (2021: -9.6%)	Annual TSR (2021: 27.2%)	Adjusted diluted EPS (2021: 33.9p)

REMUNERATION ACROSS THE GROUP

£66m	8.4%	82.6%	88.4%
Total pay bill (2021: £49m)	Change in average salary (2021: 1.5%)	Employees received an annual increase (2021: 14.7%)	Employees paid a bonus (2021: 89.6%)

CHIEF EXECUTIVE REMUNERATION

£1,999,930	0%	90.4%	-31.5%
Single figure (2021: £2,919,629 ¹)	LTIP vesting (2021: 0%)	Annual bonus percentage (2021: 16.2%)	Change in total remuneration (2021: 86.0%)

GENDER PAY GAP REPORTING

30.8%	28.7%	21.9%	47.9%
Mean hourly pay gap (2021: 36.6%)	Median hourly pay gap (2021: 29.3%)	Mean bonus pay gap (2021: 68.4%)	Median bonus pay gap (2021: 52.2%)

1. Includes £1,692,042 in relation to buyout awards made on appointment. Excluding relocation and buyout awards the single figure for 2020/21 was £1,027,587.

Summary of Executive Directors' total remuneration (£000)

Table 34

	Mark Allan Chief Executive		Martin Greenslade Chief Financial Officer ¹		Colette O'Shea Chief Operating Officer		Vanessa Simms Chief Financial Officer ²	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
Base salary	800	733	88	504	480	456	446	n/a
 Benefits	31	230	4	21	18	18	25	n/a
Pension allowance	84	77	18	110	50	50	47	n/a
 Annual bonus paid in cash	400 ³	-	65	-	240	-	223	n/a
 Annual bonus deferred into shares	685	188	106	129	389	117	382	n/a
Other ³	-	1,692	-	-	-	-	973	n/a
Total remuneration	2,000	2,920	281	764	1,177	641	2,096	n/a

1. Retired from the Board 31 May 2021.

2. Appointed 4 May 2021.

3. Recruitment awards in respect of compensation from previous employment.

Summary of Executive Directors' total remuneration

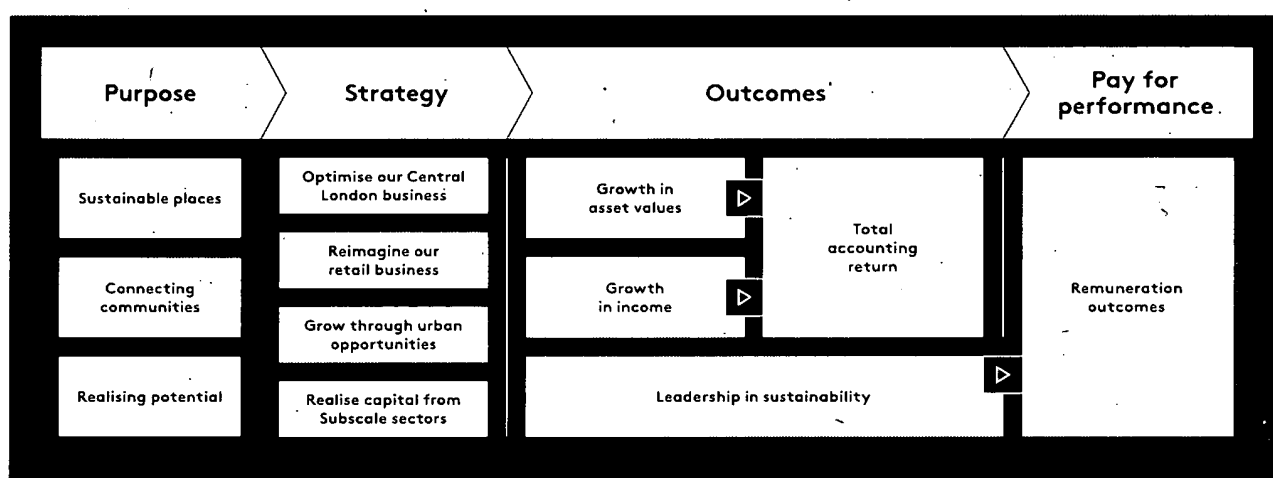
		Weighting	Outturn	% of weighting achieved
 ANNUAL BONUS	EPRA earnings	30%	27.4%	
	Total accounting return	30%	30%	
	ESG	20%	15%	
	Total Company bonus opportunity	80%	72.4%	
	Individual targets	20%	17% ¹	
	Total bonus	100%	89.4%	
 LONG-TERM INCENTIVE	Three-year relative TSR	50%	0%	
	Three-year ungeared TPR	50%	0%	
	Total LTIP	100%	0%	

© To read more on our strategy, go to pages 16-25

1. Average assessment across the CEO, CFO and COO.

Remuneration at a glance continued

Linking remuneration outcomes to Purpose and Strategy



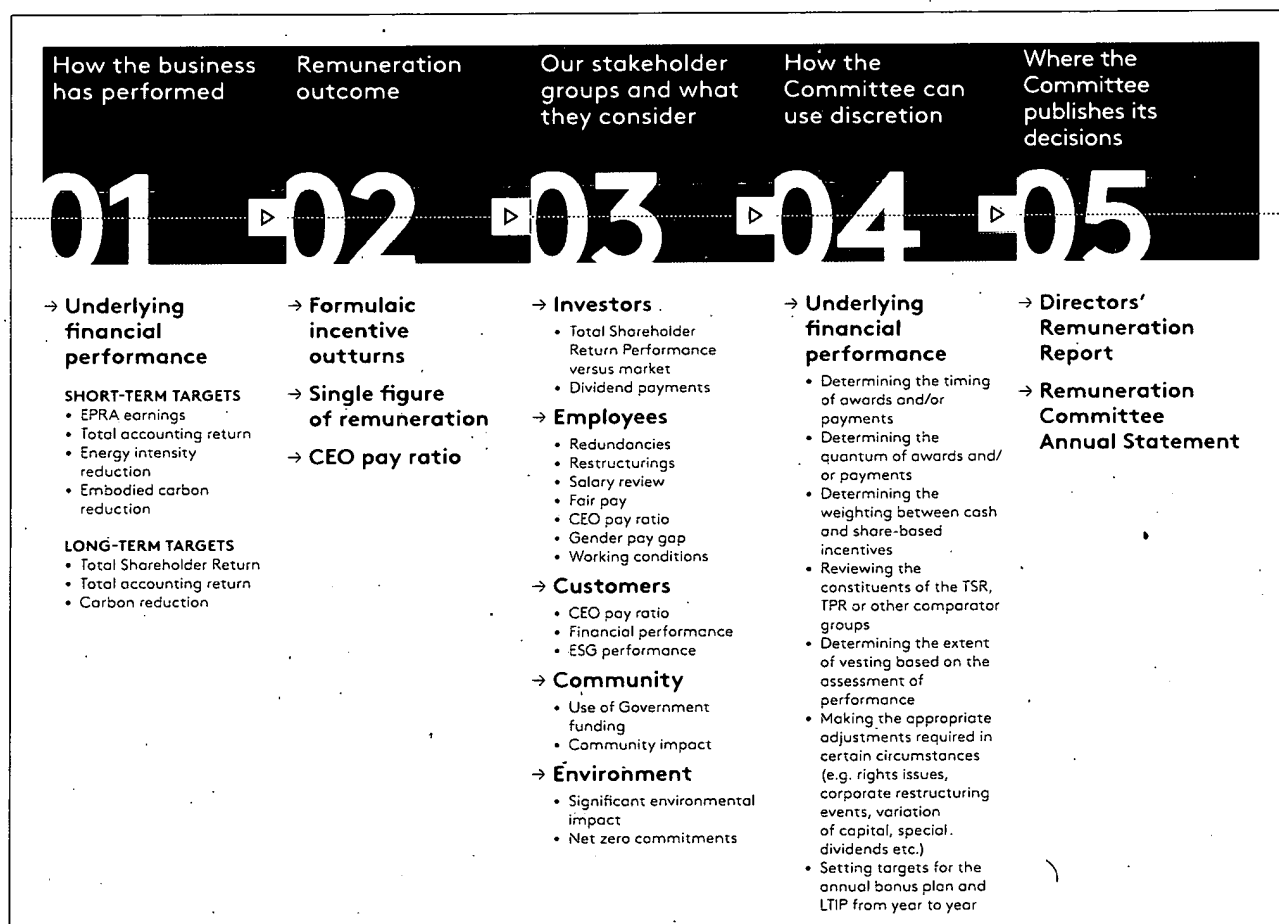
Payment schedule

The following table illustrates in which financial years the various payments in the charts are actually made or released to Executive Directors. For illustration purposes only, the table assumes that the annual bonus payment is equivalent to at least 100% of salary.

Year Commencing	▼ Base year	▼ Base year +1	▼ Base year +2	▼ Base year +3	▼ Base year +4	▼ Base year +5
Fixed pay 	Paid over financial year	Base salary review effective 1 June				
Annual bonus 	Performance period	Following the end of the base year, annual bonus awarded up to 50% of salary is normally paid in cash	One year after the cash bonus is paid, the first deferred portion of annual bonus (i.e. between 50% and 100% of salary) vests	Two years after the cash bonus is paid, the second deferred portion of annual bonus (i.e. awards in excess of 100% of salary) vests		
Long-term incentive 	Performance period			LTIP awards vest but remain subject to a two-year holding period		Holding period on LTIP awards ends
Share ownership 	CEO: 300% of salary. Other Executive Directors: 200% of salary Executive Directors are expected to maintain a shareholding equivalent to their in-employment shareholding requirement for a period of two years from the date of cessation					

Discretion framework

The following chart illustrates the process that the Committee undertakes when considering the appropriateness of the outcomes for performance related awards.

**Section 40 disclosures**

When considering the Remuneration Policy and its implementation for 2022, the Committee was mindful of Provision 40 of the UK Corporate Governance Code and considers that the executive remuneration framework addresses the following factors:

Factor	Approach
Clarity	We provide open and transparent disclosures regarding our executive remuneration arrangements.
Simplicity	The policy was simplified in 2021 and is in line with market standards, corporate governance best practice and linked to our strategy.
Predictability	Our remuneration policy contains details of maximum opportunity levels for each component of pay. Actual incentive outcomes vary depending on the level of performance achieved against specific measures.
Proportionality, risk and alignment to culture	The annual bonus and LTI plans have a clear link to the success of the business and the achievement of our strategy. Stretching performance conditions are set to deliver rewards commensurate with performance. The use of annual bonus deferral, LTIP holding periods and our shareholding requirements (including after leaving Landsec) provide a clear link to the ongoing performance of the business and therefore alignment with shareholders. The Committee considers that our variable pay structures do not encourage inappropriate risk-taking. The annual bonus and LTIP are subject to the achievement of stretching performance targets, and the Committee's holistic assessment of performance can result in the application of discretion. The Committee also has the discretion to apply malus and clawback to both the annual bonus and LTIP.

Annual Report on Remuneration

The Annual Report on Remuneration describes how the Directors' Remuneration Policy has been applied in the financial year ended 31 March 2022 and how the policy will operate in the financial year ending 31 March 2023.

IN THIS SECTION

- 01 Remuneration outcomes
- 02 Directors' interests
- 03 Application of Policy for 2022/23
- 04 Total Shareholder Return and CEO pay
- 05 The context of pay in Landsec
- 06 Dilution
- 07 Remuneration Committee meetings
- 08 Shareholder voting

Colour key



Fixed
pay



Annual
bonus



Long-term
incentive

During the course of 2021/22, the Remuneration Committee was engaged in a number of key matters, including:

- Reviewing remuneration levels for employees and Executive Directors in light of the impact of the Covid-19 pandemic
- Setting and subsequently reviewing the outcomes for corporate, business unit and personal targets under the annual bonus scheme for Executive Directors and Executive Leadership Team (ELT) members
- Reviewing and determining the outturns against the performance conditions, and subsequent vesting outcome, of awards granted under the Long-Term Incentive Plan (LTIP) in 2019 and Mark Allan's buyout award made in 2020
- Reviewing the variable pay arrangements below Executive Director level
- Determining the annual level of LTIP grants to Executive Directors and ELT members
- Reviewing and integrating remuneration packages with respect to the U+I acquisition
- Monitoring Directors' compliance with the Company's share ownership policy
- Monitoring developments in stakeholder sentiment on executive pay and corporate governance
- Overseeing the calculation and publishing of the Group's gender pay gap report

Unless otherwise stated, narrative and tables are unaudited.

1. Remuneration outcomes for Directors during the year

In this section, we explain the pay outcomes for Directors in relation to the financial year ended 31 March 2022. Tables 35 and 36 show the payments we have made or expect to make and tables 37-40 give more detail on how we have measured the performance outcomes with respect to the annual bonus and LTIP.

1.1 Directors' emoluments (Audited)

The basis of disclosure in the table below is on an 'accruals' basis. This means that the annual bonus column includes the amount that will be awarded in June 2022 in connection with performance achieved in the financial year ended 31 March 2022.

Single figure of remuneration for each Executive Director (£000)

Table 35

		Base salary ¹	Benefits ²	Pension allowance ³	Annual bonus paid in cash ⁴	Annual bonus deferred into shares ⁴	Other ¹	Total	Total fixed pay	Total variable pay
Executive Directors										
Mark Allan	2021/22	800	31	84	400	685	–	2,000	915	1,085
	2020/21	733	230	77	–	188	1,692	2,920	1,040	1,880
Martin Greenslade ⁶	2021/22	88	4	18	65	106	–	281	110	171
	2020/21	504	21	110	–	129	–	764	635	129
Vanessa Simms ⁷	2021/22	446	25	47	223	382	973	2,096	518	1,578
	2020/21	–	–	–	–	–	–	–	–	–
Colette O'Shea	2021/22	480	18	50	240	389	–	1,178	548	630
	2020/21	456	18	50	–	117	–	641	524	117

1. Base salary earned during 2020/21 after the voluntary reduction of 20% of base salary between May and July 2020 due to the impact of Covid-19.

2. The benefits consist of a car allowance, private medical insurance, income protection and life assurance premiums and a one-time relocation payment for Mark Allan of £200,000 upon joining in 2020/21, which would have been repayable had he left within two years.

3. The pension amount for Martin Greenslade was a cash allowance of 20% of base salary. The pension amount for Mark Allan, Vanessa Simms and Colette O'Shea was a cash allowance of 10.5% of base salary.

4. In response to the Covid-19 pandemic, Executive Directors' 2020/21 annual bonus awards were deferred into shares vesting in 2024.

5. Vanessa Simms' award relates to the acquisition of 91,281 shares in the Company following the exercise of options granted under a recruitment Deferred Share Bonus Plan and LTIP award and a replacement bonus of £288,852 as set out in last year's Annual Report on Remuneration. As also set out in last year's Annual Report on Remuneration, Mark Allan received a cash bonus payment of £674,630 and share-based recruitment awards valued at £1,017,412 which vested on 7 July 2020 and 22 March 2021, in respect of compensation for awards lost from his previous employer.

6. Martin Greenslade stepped off the Board on 31 May 2021. His bonus is for the three month period to 30 June 2021 (see page 116).

7. Vanessa Simms joined Landsec's Board as CFO designate on 4 May 2021, taking up the post of CFO on 1 June 2021.

Single figure of remuneration for each Non-executive Director (£000)

Table 36

		Fees ¹	Benefits	Pension allowance	Annual bonus paid in cash	Annual bonus deferred into shares	Long-term incentives vested	Total	Total fixed pay	Total variable pay
Non-executive Directors										
Cressida Hogg	2021/22	375	–	–	–	–	–	375	375	–
	2020/21	356	–	–	–	–	–	356	356	–
Stacey Rauch ²	2021/22	18	2	–	–	–	–	20	20	–
	2020/21	66	5	–	–	–	–	71	71	–
Edward Bonham Carter	2021/22	85	–	–	–	–	–	85	85	–
	2020/21	82	–	–	–	–	–	82	82	–
Nicholas Cadbury	2021/22	90	–	–	–	–	–	90	90	–
	2020/21	86	–	–	–	–	–	86	86	–
Madeleine Cosgrave	2021/22	70	–	–	–	–	–	70	70	–
	2020/21	66	–	–	–	–	–	66	66	–
Christophe Evain ³	2021/22	90	3	–	–	–	–	93	93	–
	2020/21	83	–	–	–	–	–	83	83	–
Manjiv Tomhane	2021/22	70	–	–	–	–	–	70	70	–
	2020/21	6	–	–	–	–	–	6	6	–

1. Fees paid to Directors during 2020-21 reflect the voluntary reduction of 20% between May and July 2020 due to the impact of Covid-19.

2. Stacey Rauch, who is based in the US, received UK tax return support which is treated as a benefit in kind. Stacey retired from the Board on 24 June 2021.

3. Christophe Evain, who is based in France, received national insurance contribution support, which is treated as a benefit in kind.

Annual Report on Remuneration continued

1.2 Payments to former Directors

As previously disclosed, Martin Greenslade retired from his role as CFO and as a Director of the Board on 31 May 2021, continuing in employment until 29 September 2021. In respect of his remuneration arrangements he:

- received his normal remuneration in terms of basic salary, pension allowance, car allowance and company benefits, in accordance with his service agreement, up to 29 September 2021. The total value for the period from 1 June to 29 September was £217,362 (less all necessary deductions);
- was awarded an annual bonus award for the three month period from 1 April 2021 to 30 June 2021 of £171,022, which was paid at the same time and on the same basis as the Company's Executive Directors. £65,231 was paid in-cash and £105,791 was deferred into shares under the Landsec Deferred Share Bonus Plan 2021 (the DSBP). Reflecting that the handover process was completed on 30 June 2021, no bonus was awarded for the period 1 July 2021 to 29 September 2021 when his employment ended;
- was treated as a good leaver in respect of his outstanding unvested options granted under the DSBP. Such awards granted/to be granted in 2020, 2021 and 2022 vested/will continue to vest on the normal vesting dates; and
- was treated as a good leaver in respect of his outstanding unvested share awards under the Landsec Long-Term Incentive Plan 2015 (the LTIP). In accordance with the rules of the LTIP, Mr Greenslade's unvested LTIPs will vest on their normal vesting dates, subject to satisfaction of the relevant performance conditions and on a time pro-rated basis. In this regard, his 2018 LTIP lapsed in full in 2021, and his 2019 LTIP will lapse in full in 2022, as a result of failing to hit the relevant threshold performance targets. His pro-rated 2020 LTIP award remains outstanding.

1.3 Annual bonus outcome

In the year under review, Executive Directors had the potential to receive a maximum annual bonus of up to 150% of base salary. Of this, 120% of salary was dependent on meeting Group targets and 30% of salary was dependent on meeting personal objectives. All targets were set at the beginning of the year. The following table confirms the targets and their respective outcomes.

Annual bonus performance 2021/22							Table 37
Measure	Weighting	Description	Performance outcome				Outturn
			Threshold	Target	Maximum	Actual	
EPRA Earnings (£m)	30%	EPRA Earnings targets in line with overall five-year strategic plan ¹ .	311.4	327.8	360.6	354.9	27.4%
Total accounting return (pence per share)	30%	Delivery of growth in asset values measured by EPRA NTA growth (adjusted for dividends) through pro-active asset management.	5p	27.5p	50p	103p	30%
ESG	10%	Energy intensity reduction in all assets ² .	3.5%	4%	5%	4%	5%
	10%	Embodied carbon reduction in assets under development.	16%	16.5%	17%	20.7%	10%
Personal objectives	20%	A mix of individual goals set at the beginning of the year.	0%	50%	100%	See table 38	17% ³
Total annual bonus		100%					89.4%

1. Recognising that the EPRA Earnings targets were set during a period of great uncertainty, and to reflect the actual timing of disposals, targets were increased during the year to ensure they remained appropriately challenging.
2. The Remuneration Committee agreed to exercise its discretion in respect of the ESG Energy Intensity metric to remove the flattering impact of Covid-19-related low occupancy. This element of the bonus would have been achieved in full had discretion not been applied.
3. Average assessment across the CEO, CFO and COO.

Annual bonus performance 2021/22: Personal objectives

Table 38

The Executive Directors shared a number of common targets which were as follows:

Target	Detail	Committee Performance Assessment	Maximum	Average Award
Strategy Development	To identify specific strategic plans and target outcomes for each part of the business. To carry out a detailed review of the financing structure.	During 2021/22, several areas of strategic focus were identified and debated with the Board (primarily covering capital allocation, strategic capabilities and sector prospects), the underlying financial model was rebuilt and a final plan was presented to the Board in December 2021. A full review of the financing structure was undertaken and the conclusions were presented to the Board in September 2021.	5%	5%
Strategy Execution	To build momentum in the strategy and accelerate outcomes including focusing on acquisitions, disposals, restructuring and value creation opportunities. To introduce asset-based plans across the urban mixed-use and retail portfolios.	In assessing this target, the Committee considered the positive strategic momentum in each area of the business and how clarity of plans is translating into faster, more confident action. Demonstrating momentum in execution was a significant priority for the year, with good progress made with the acquisitions of U+I and MediaCity in particular. In addition, the restructure of the retail business has already started to deliver positive outcomes, as evidenced by leasing momentum and in London, the team has successfully unlocked value creation opportunities in a very competitive market. Finally, the Committee noted that asset level plans are now in place across the urban mixed-use and retail portfolios where none existed previously.	5%	4%
Driving Performance	To lead the business with a focus on improved operational performance. To restructure the Management Information (MI) pack and review timetable delivery. To deliver the post-Covid-19 recovery with consideration of sales performance, customer engagement and development progress.	During the year, the MI pack has been comprehensively restructured and the timetable for delivery materially accelerated. Post-Covid-19 recovery has been stronger than initially expected and the team have responded quickly and decisively to changing conditions. This has helped support a strong sales performance across the retail estate, higher levels of customer engagement across the London office portfolio and good cash collection rates. Progress on developments has been maintained despite Covid-19-related pressures and, although slow initially, pre-letting momentum (and leasing activity more generally) ended the year strongly.	5%	5%
Culture and Values	To lead by example, establish the ELT as a high performing team. Engage proactively with priority projects, force the pace and focus resources. Embed data, customer centricity, change resilience and proactive risk management.	The Committee has observed the significant progress that has been achieved in shifting organisational culture and values, despite the limitations imposed by Covid-19 restrictions being in place for much of the year, discouraging a return to the office. Progress has also been achieved through role modelling by the Executive Directors and members of the ELT, particularly in engaging more proactively with priority projects, driving performance and focusing resources. While progress has been made in respect of embedding data, customer centricity, change resilience and proactive risk management, further improvement in these areas will be targeted in FY2023.	5%	3%
Total			20%	17%¹

1. Mark Allan and Vanessa Simms received an award of 18/20 and Colette O'Shea and Martin Greenslade received 15/20.

Annual bonus achievement as a percentage of salary

Table 39

	Company bonus (80%)		Individual bonus (20%)		Total bonus (100%)	
Mark Allan	120%	108.6%	30%	27%	150%	135.6%
Vanessa Simms	120%	108.6%	30%	27%	150%	135.6%
Martin Greenslade	120%	108.6%	30%	22.5%	150%	131.1%
Colette O'Shea	120%	108.6%	30%	22.5%	150%	131.1%

Vanessa Simms' bonus was pro-rated based on the date of her appointment to the Board on 4 May 2021. Martin Greenslade's bonus was pro-rated based on his departure as CFO and the end of his handover on 30 June 2021 (see section 1.2 above on payments to former directors).

Annual Report on Remuneration continued

1.4 Long-Term Incentive Plan outturns

The table below summarises how we have assessed our 2019 LTIP grant performance achievement over the three years to 31 March 2022.

LTIP performance 2019-2022							Table 40
Measure	Weighting	Description	Performance outcome				Outturn (% of maximum)
Total Shareholder Return (TSR) ¹	50%	TSR relative to the FTSE 350 Real Estate Index, weighted by market capitalisation, measured over the three-year performance period.	Threshold (10%) Index	Target (25%) Index +1.13% p.a.	Maximum (50%) Index +3% p.a.	Actual Below index	0%
Ungeared total property return (TPR) ²	50%	The Group's ungeared TPR relative to an MSCI benchmark comprising all March-valued properties (excluding Landsec), measured over a three-year period.	Threshold (10%) Benchmark	Target (25%) Benchmark +0.4% p.a.	Maximum (50%) Benchmark +1.0% p.a.	Actual Below benchmark	0%
Total	100%		20%	50%	100%		0%

1. Index excludes Landsec.

2. The outturn is adjusted to take account of the performance of trading properties.

In addition, one third of Mark Allan's May 2020 buyout award, as assessed on the same performance targets as the 2020 LTIP awards, albeit over a two year performance period, was similarly assessed to be below threshold for both TSR and TPR with 0% vesting.

2. Directors' interests

2.1 Total shareholding (Audited)

Details of the Directors' interests, including those of their immediate families and connected persons, in the issued share capital of the Company at the beginning and end of the year, together with their required shareholding, are set out in the table below.

Executive Directors are expected to meet the minimum shareholding requirements within five years of appointment to the Board. Where the minimum level is not met, or where the value of shareholding falls below the required level due to movements in the share price, the Executive Director is expected to retain 100% of the shares acquired, net of tax, under any share plan awarded by the Company.

Non-executive Directors are expected to meet the minimum shareholding requirements within three years of appointment to the Board. The shareholding requirements are considered met once the Non-executive Director has obtained the required holding value and, provided those shares are retained, no adjustment is required due to movements in the share price.

Directors' shares									Table 41
Name	Salary/ base fee at 31 March 2022 (£)	Minimum shareholding requirements (% of salary/ base fee)	Required holding value (£)	Holding (ordinary shares) 1 April 2021	Holding (ordinary shares) 31 March 2022	Deferred bonus shares under holding period	Value of holding (£) ¹	Compliant with policy	
Mark Allan	800,000	300%	2,400,000	193,552	214,531	14,288	1,797,602	Yes	
Martin Greenslade ²	-	200%	1,060,000	452,960	491,297 ¹	9,815	3,936,736	Yes	
Vanessa Simms ³	490,000	200%	980,000	-	48,292	5,364	421,522	Yes	
Colette O'Shea	480,000	200%	960,000	74,481	107,730	8,889	916,159	Yes	
Cressida Hogg	375,000	100%	375,000	41,375	41,375	-	325,042	Yes	
Stacey Rauch ⁴	-	100%	70,000	8,000	8,000	-	62,848	Yes	
Edward Bonham Carter	70,000	100%	70,000	9,375	9,375	-	73,650	Yes	
Nicholas Cadbury	70,000	100%	70,000	7,481	7,481	-	58,771	Yes	
Madeleine Cosgrave	70,000	100%	70,000	4,883	10,535	-	82,763	Yes	
Christophe Evain	70,000	100%	70,000	8,000	8,000	-	62,848	Yes	
Manjiry Tamhane ⁵	70,000	100%	70,000	-	4,473	-	35,140	Yes	

1. Using the closing share price of 785.6p on 31 March 2022 and including any deferred bonus shares, net of the national tax and employee NIC.

2. Martin Greenslade retired from the Board on 31 May 2021 and is required to hold shares equivalent to 200% of the value of his salary for two years post cessation.

3. Vanessa Simms was appointed to the Board on 4 May 2021.

4. Stacey Rauch retired from the Board on 24 June 2021.

5. Manjiry Tamhane was appointed to the Board on 1 March 2021.

2.2 Outstanding share awards held by Executive Directors (Audited)

The table below shows share awards granted and vested during the year, together with the outstanding and unvested awards at the year end. LTIP awards are granted in the form of nil cost options, which may be exercised from the third anniversary of the date of grant, until their expiry on the tenth anniversary of the date of grant.

Outstanding share awards and those which vested during the year

Table 42

		Award date	Market price at award date (p)	Options awarded	Options vested	Market price at date of vesting (p)	Vesting date
Mark Allan	LTIP shares	12/05/2020	913.8 ¹	113,753			01/06/2022
		24/07/2020	547.2	438,596			24/07/2023
		25/06/2021	695.4	345,125			25/06/2024
	Deferred shares	25/06/2021	695.4	26,959			25/06/2024
Martin Greenslade	LTIP shares	25/06/2018	953.0	163,960	0	n/a	25/06/2021
		25/06/2019	819.6	193,997 ²			25/06/2022
		24/07/2020	547.2	290,570 ³			24/07/2023
	Deferred shares	24/07/2020	547.2	65,400	65,400	692.6	24/07/2021
		24/06/2021	695.4	18,520			25/06/2024
Vanessa Simms	LTIP shares	04/05/2021	526.2 ⁴	69,994	69,994	749.0	14/12/2021
		04/05/2021	526.2 ⁴	110,160			25/06/2023
		25/06/2021	695.4	211,389			25/06/2024
	Deferred shares	04/05/2021	526.2 ⁴	19,219	19,219	749.0	14/12/2021
		04/05/2021	526.2 ⁴	5,431			12/12/2022
		25/05/2021	713.4	10,122			25/05/2024
Colette O'Shea	LTIP shares	25/06/2018	953.0	88,881	0	n/a	25/06/2021
		25/06/2019	819.6	134,211			25/06/2022
		24/07/2020	547.2	219,298			24/07/2023
		25/06/2021	695.4	172,562			25/06/2024
	Deferred shares	24/07/2020	547.2	60,463	60,463	693.8	24/07/2021
		25/06/2021	695.4	16,773			25/06/2024

1. Based on the Landsec share price as at 15 November 2019. These awards will lapse as the performance criteria were not achieved.

2. Subject to performance conditions and time pro-rating, although the percentage vesting will be zero. The maximum number of shares which could have vested is 145,497.

3. Subject to performance conditions and time pro-rating. The maximum number of shares which could vest is 112,999.

4. Based on the Landsec share price as at 27 October 2020.

Awards were granted under the LTIP in July 2021, subject to three performance conditions measured over a three-year performance period, as set out below. No awards will vest if the threshold performance targets are not met. In the performance period from 1 April 2021 to 31 March 2024, the performance conditions are 40% TSR relative to the FTSE 350 Real Estate Super Sector, measured over a three-year period, 40% Total accounting return performance based on the percentage change in EPRA Net Tangible Assets per share over the performance period and 20% ESG performance, measuring the reduction in carbon emissions. Details of the performance targets are set out on page 129 of the 2021 Annual Report.

Table 43

	Number of awards	Share price (p) ¹	Face value
Mark Allan	345,125	695.4	£2,400,000
Vanessa Simms	211,389	695.4	£1,470,000
Colette O'Shea	172,562	695.4	£1,200,000

1. Face value of awards has been determined based on the closing share price on the trading day immediately prior to the date of grant.

Annual Report on Remuneration continued

2.3. Directors' options over ordinary shares (Audited)

The options over shares set out below relate to the Land Securities Group PLC Sharesave scheme (Sharesave). The Sharesave is open to all qualifying employees (including Executive Directors) and under HMRC rules does not include performance conditions.

Outstanding grants and those which were exercised during the year

Table 44

	Number of options at 1 April 2021	Exercise price per share (p)	Number of options granted in year to 31 March 2022	Number options exercised/lapsed ¹	Market price at exercise (p)	Number of options at 31 March 2022	Exercisable dates
Martin Greenslade	2,373	759	-	2,373	792	-	08/2021-02/2022
Total	2,373		-	2,373	-	-	
Colette O'Shea	1,186	759	-	1,186	n/a	-	08/2021-02/2022
	1,734	519	-	-	-	1,734	08/2023-02/2024
	-	584	1,541	-	-	1,541	08/2024-02/2025
Total	2,920		1,541	1,186	-	3,275	

1. Colette O'Shea took a repayment at maturity of the scheme on 1 August 2021 and the options therefore lapse at 1 February 2022.

2. Sharesave awards may be exercised during the six-month period after the end of the three-year contract.

3. The exercise price for the Sharesave awards was determined based on a three-day average mid-market share price prior to the invitation date of the scheme, discounted by 20%.

2.4 External appointments for Executive Directors

Executive Directors are permitted to hold one external directorship subject to prior approval by the Board and are permitted to retain any fees paid. Mark Allan is currently Vice President of the British Property Federation although he does not receive a fee. Vanessa Simms holds the positions of Non-executive Director and Audit Committee Chair of Drax Group plc and received fees of £66,300 in respect of the 2021/22 financial year. Colette O'Shea does not currently hold any external directorships.

2.5 Directors' Service Contracts and Letters of Appointment

Dates of appointment for Directors

Table 45

Name	Date of appointment	Date of contract
Executive Directors		
Mark Allan	14 April 2020	21 November 2019
Vanessa Simms	4 May 2021	27 October 2020
Colette O'Shea	1 January 2018	1 January 2018
Non-executive Directors		
Cressida Hogg	12 July 2018	14 May 2018
Edward Bonham Carter	1 January 2014	13 May 2015
Nicholas Cadbury	1 January 2017	1 January 2017
Madeleine Cosgrave	1 January 2019	22 November 2018
Christophe Evain	1 April 2019	14 March 2019
Manjiry Tamhane	1 March 2021	29 January 2021

3. Application of Policy for 2022/23

3.1 Executive Directors' base salaries

Executive Directors

Table 46

Name	Current salary (£000)	New salary ¹ (£000)	Percentage increase
Mark Allan	800	824	3.0%
Vanessa Simms	490	505	3.0%
Colette O'Shea	480	494	3.0%

1. From 1 June 2022.

Executive Directors' base salaries will increase by 3%, which is below the workforce average increase of 5%.

3.2 Non-executive Directors' fees

The fees for Non-executive Directors and Chairman were last amended in December 2019. Fees are reviewed annually, although no changes are proposed for 2022/23. In line with the Committee's Terms of Reference, no individual was involved in the decisions relating to their own remuneration.

Non-executive Directors' fees

Table 47

Base fees	1 April 2022 (£000)	1 April 2021 (£000)
Chairman	375	375
Non-executive Director	70	70
Additional fees		
Audit Committee Chairman	20	20
Remuneration Committee Chairman	20	20
Senior Independent Director	15	15

3.3 Performance targets for the coming year

Performance metrics and weightings in respect of the annual bonus, which will continue to be capped at 150% of salary, are set out below. Performance targets are considered to be commercially sensitive although will be disclosed in full, together with the performance and the resulting bonus awards, in next year's Directors' Remuneration Report.

Annual bonus 2022/23: Performance criteria

Table 48

Measure	Weighting	Description	Performance range
EPRA Earnings (£m)	30%	EPRA earnings targets in line with overall five-year strategic plan.	Full details will be provided in the 2023 report.
Total accounting return (pence per share)	30%	Delivery of growth in asset values measured by EPRA NTA growth (adjusted for dividends) through pro-active asset management.	Full details will be provided in the 2023 report.
ESG	20%	Reflecting the challenges of setting ESG targets following the impact of Covid-19, a milestone target approach will be adopted for the year ending 31 March 2023 based on energy efficiency and embodied carbon reduction.	Full details will be provided in the 2023 report.
Personal objectives	20%	A mix of individual goals set at the beginning of the year.	Full details will be provided in the 2023 report.
Total annual bonus	100%		

LTIP 2022-2025: Performance criteria

Table 49

Measure	Weighting	Description	Performance range ¹	
Relative Total Shareholder Return (TSR)	40%	TSR relative to the constituents of the FTSE 350 Real Estate Index, measured over a three-year period, from 1 April 2022.	Threshold (8%) Median	Maximum (40%) Upper quartile
Total accounting return (TAR)	40%	Growth in EPRA NTA per share over the three-year performance period as adjusted for dividends.	Threshold (8%) 6% p.a.	Maximum (40%) 11% p.a.
ESG	20%	Reduction of carbon emissions over the three-year performance period aligned to achieve our published science-based target to achieve net zero by 2030.	Threshold (4%) 27%	Maximum (20%) 33%

1. Vesting takes place on a straight-line basis between threshold and maximum values.

The approach for the 2022 LTIP awards reflects both Landsec's focus on delivering returns to shareholders combined with our approach to sustainability and our ambition to be a net zero carbon business by 2030. Relative TSR is based on an unweighted, median to upper quartile vesting schedule and total accounting return targets deliver a close alignment to strategy and a clear line of sight for management. The 2022 LTIP award will be set at 300% of salary for the CEO and CFO and 250% of salary for the COO (the COO award level will be kept under review and may be increased to no more than 300% of salary for future grants).

Annual Report on Remuneration continued

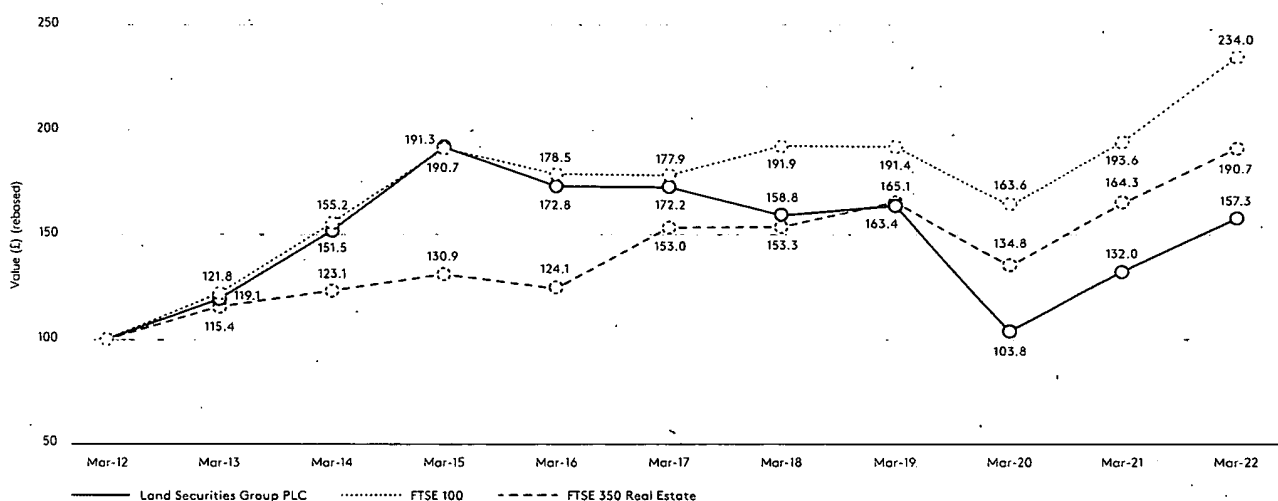
4. Total Shareholder Return and Chief Executive pay

The following graph illustrates the performance of the Company measured by TSR (share price growth plus dividends paid) against a 'broad equity market index' over a period of ten years. As the Company is a constituent of the FTSE 350 Real Estate Index, this is considered to be the most appropriate benchmark for the purposes of the graph. An additional line to illustrate the Company's performance compared with the FTSE 100 Index over the previous ten years is also included.

This graph shows the value, by 31 March 2022, of £100 invested in Landsec on 31 March 2012, compared with the value of £100 invested in the FTSE 100 and FTSE 350 Real Estate Indices on the same date.

Total Shareholder Return

Chart 50



The following table shows remuneration for the Chief Executive over a period of ten years.

Chief Executive remuneration over ten years

Table 51

Year	Chief Executive	Single figure of total remuneration (£000)	Annual bonus payment (% of maximum)	Long-term incentive vesting (% of maximum)
2022	Mark Allan	2,000	90.4	0.0
2021	Mark Allan	2,920 ¹	16.2	n/a
2020	Robert Noel	1,569	43.8	0.0
2019	Robert Noel	1,624	50.5	0.0
2018	Robert Noel	1,693	58.8	0.0
2017	Robert Noel	2,692	58.8	50.0
2016	Robert Noel	2,011	67.5	13.1
2015	Robert Noel	4,776	94.5	84.7
2014	Robert Noel	2,274	71.0	62.5
2013	Robert Noel	2,678	86.0	76.1

1. Includes £1,692,042 in relation to buyout awards made on appointment.

5. The context of pay in Landsec

5.1 Pay across the Group

a. Senior management

For the year under review, performance-related pay for our 35 most senior employees (excluding the Executive Directors) ranged from 33% to 87% of salary (2021: 17% to 27%), equating to 74% to 90% of the maximum potential. The average bonus was 51.4% of salary (2021: 19.7%), equating to 87.0% of the maximum potential. The LTIP awards made to senior management in June 2019 will vest on the same basis as the awards made to Executive Directors.

b. All other employees

Standard pay increases for employees were not awarded due to the continued impact of the pandemic in 2021. Pay increases were reinstated in 2022 and will be detailed in next year's report. As at 31 March 2022, the ratio of the base salary of the Chief Executive to the average base salary across the Group (excluding Executive Directors) was 11:1 (£800,000: £70,836).

c. Percentage change in remuneration between Directors and employees

The table below shows the year on year percentage change in salary, benefits and annual bonus earned for all current Directors compared to all employees.

Table 52

	2020-2021			2021-2022		
	Salary/fee change ¹ (%)	Benefits change (%)	Bonus change (%)	Salary/fee change ¹ (%)	Benefits change (%)	Bonus change (%)
Executive Directors						
Mark Allan	n/a	n/a	n/a	9%	-75%	479%
Vanessa Simms	n/a	n/a	n/a	n/a	n/a	n/a
Colette O'Shea	3%	-3%	-65%	5%	0%	389%
Non-executive Directors						
Cressida Hogg	-5%	n/a	n/a	5%	n/a	n/a
Edward Bonham Carter	-15%	n/a	n/a	3%	n/a	n/a
Nicholas Cadbury	-5%	n/a	n/a	5%	n/a	n/a
Madeleine Cosgrave	-5%	n/a	n/a	5%	n/a	n/a
Christophe Evain	16%	n/a	n/a	7%	100%	n/a
Manjiv Tamhane	n/a	n/a	n/a	n/a	n/a	n/a
Average employee	7%	6%	-49%	-1%	2%	219%

1. Director salary changes were impacted by the 20% voluntary reduction between May and July 2020 due to the impact of Covid-19.

d. CEO pay ratio

The tables below show how pay for the CEO compares to employees at the lower, median and upper quartiles (calculated on a full-time equivalent basis). The ratios have been calculated in accordance with Option A of The Companies (Miscellaneous Reporting) Regulations 2018, which uses the total pay and benefits for all employees, and is the same methodology that is used to calculate the CEO's single figure of remuneration table on page 115. Figures are calculated by reference to 31 March 2022 using actual pay data from April 2021 to March 2022. Excluded from our analysis are joiners, leavers and long-term absentees from the Company during the year. The strong performance year, reflected in the CEO's bonus payment, has increased the ratios relating to Option A since 2021. Given the alignment of incentive arrangements cascaded below Board level, the Remuneration Committee believes the pay ratios are consistent with the pay, reward and progression policies for the company's UK employees taken as a whole.

Table 53

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2022	Option A	40:1	25:1	16:1
2021	Option A ¹	22:1	14:1	10:1
2020	Option A	36:1	23:1	15:1

1. The 2021 figures exclude all one-off recruitment-related awards.

e. Total pay and benefits

Table 54

Year	CEO	25th percentile pay	Median pay	75th percentile pay
2022	£1,999,930	£50,620	£79,746	£122,832
2021	£1,027,587 ¹	£45,752	£73,212	£105,848
2020	£1,569,474	£44,140	£69,393	£104,438

1. The 2021 figures exclude all one-off recruitment-related awards.

Annual Report on Remuneration continued

f. Salary component of total pay

Table 55

Year	CEO	25th percentile pay	Median pay	75th percentile pay
2022	£800,000	£38,038	£58,083	£77,600
2021	£733,333 ¹	£39,000	£55,776	£77,000
2020	£811,620	£29,785	£58,565	£79,203

1. Actual salary/remuneration earned during the year after a 20% voluntary reduction between May and July 2020 due to the impact of Covid-19.

5.2 The relative importance of spend on pay

The table below shows the total spend on pay for all Landsec employees, compared with our returns to shareholders in the form of dividends.

Table 56

	March 2022 (£m)	March 2021 (£m)	% change
Spend on pay ¹	66	49	34.7%
Dividend paid ²	274	200	37.0%

1. Including base salaries for all employees, bonus and share-based payments.

2. Dividend paid represents dividends declared for the year. See note 11 to the financial statements.

6. Dilution

Awards granted under the Company's long-term incentive arrangements (LTIP, Deferred Share Bonus Plan, Restricted Share Plan and the ESOP) are satisfied through the funding of an Employee Benefit Trust (administered by an external trustee) which acquires existing Land Securities Group PLC shares in the market. The Employee Benefit Trust held 888,400 ordinary shares (2021: 1,224,468) and 3,049,943 treasury shares (2021: n/a) at 31 March 2022.

The exercise of share options under the Land Securities Group PLC Sharesave (Sharesave), which is open to all employees who have completed more than one month's service with the Group, can be satisfied by the allotment of newly issued shares. At 31 March 2022, the total number of shares which could be allotted under this Scheme was 635,473 shares (2021: 666,526), which represents less than 0.09% of the issued share capital of the Company.

7. Remuneration Committee meetings

The Committee met for four scheduled meetings over the course of the year. All members attended all the scheduled meetings. The Committee meetings were also attended by the Chief Executive, the MD, People and Corporate Services and the Company Secretary who acted as the Committee's Secretary.

The Committee received advice on remuneration and ancillary share plan matters from FIT Remuneration Consultants LLP. FIT are members of the Remuneration Consultants Group and are signatories to its Code of Conduct, which requires their advice to be impartial. The Committee is satisfied that the advice it receives is independent and objective. Aside from some support in benchmarking remuneration for roles below the Board, the remuneration advisers have no other connection with the Group. For the financial year under review FIT received fees of £66,610 in connection with advice provided to the Committee. In 2020/21, Aon plc and FIT received fees of £32,386 and £78,184 respectively in connection with advice provided to the Committee.

8. Shareholder voting

Table 57

	% of votes For	% of votes Against	Number of votes withheld ¹
Directors' Remuneration Policy (2021 AGM)	96.4	3.6	286,920
Annual Report on Remuneration (2021 AGM)	95.7	4.3	10,965,068

1. A vote withheld is not a vote at law.

The Directors' Remuneration Report was approved by the Board on 24 May 2022 and signed on its behalf by:



Christophe Evain
Chairman, Remuneration Committee

Directors' Remuneration Policy Summary

A summary of our Directors' remuneration Policy, which was approved by shareholders at the 2021 AGM, is set out below. The full policy can be found in the 2021 Annual Report.

1. Executive Directors

Base salary	
Purpose and link to strategy	→ To aid the recruitment, retention and motivation of high performing Executive Directors → To reflect the value of their experience, skills and knowledge, and importance to the business
Operation	Normally reviewed annually, with effect from 1 June, and reflects: → Increases throughout the rest of the business → Market benchmarking exercises undertaken periodically to ensure salaries are set at around the median of the market competitive level for people in comparable roles with similar levels of experience, performance and contribution → Changes in the scope of an Executive Director's role
Opportunity	The maximum annual salary increase will not normally exceed the average increase across the rest of the workforce. Higher increases will be exceptional, and may be made in specific circumstances, including: → Where there is an increase in responsibilities or scope of the role → To apply salary progression for a newly appointed Executive Director → Where the Executive Director's salary has fallen below the market positioning
Performance measures	→ Individual and Company performance is taken into account when determining appropriate salary increases
Benefits	
Purpose and link to strategy	→ To provide protection and market competitive benefits to aid recruitment and retention of high performing Executive Directors
Operation	Typical benefits include, but are not limited to: → Car allowance → Private medical insurance → Life assurance → Ill health income protection → Holiday and sick pay → Eligibility to participate in all-employee share incentive plans → Professional advice in connection with their directorship → Travel, subsistence and accommodation as necessary → Occasional gifts, for example appropriate long service or leaving gifts
Opportunity	→ The value of benefits may vary from year to year depending on the cost to the Company
Performance measures	→ n/a
Pension	
Purpose and link to strategy	→ To help recruit and retain high performing Executive Directors → To reward continued contribution to the business by enabling Executive Directors to build retirement benefits
Operation	→ Participation into a defined contribution pension scheme or cash equivalent
Opportunity	→ 10.5% of salary, in line with the maximum employer contribution for all employees in the Company's Group Personal Pension Plan
Performance measures	→ n/a

Directors' Remuneration Policy Summary continued

Annual bonus	
Purpose and link to strategy	→ Incentivise Executive Directors and senior management to achieve specific, predetermined goals during a one-year period, or less → Reward financial and individual performance linked to the Company's strategy → Deferred proportion of bonus, awarded in shares, provides a retention element and additional alignment of interest with shareholders
Operation	→ The annual bonus operates by reference to financial and personal performance measures normally set and assessed over one year → Any bonus payment is determined by the Committee after the year end, based on performance against challenging targets which are reviewed annually → The achievement of on-target performance should normally result in a payment of up to 50% of the maximum opportunity → Bonuses up to 50% of salary are normally paid in cash. Any amounts in excess of 50% of salary are deferred into shares for one year. Any amounts in excess of 100% of salary are deferred into shares for two years → Deferred shares are potentially forfeitable if the individual leaves prior to the share release date → Dividend equivalents may be awarded on deferred shares between grant and vesting to the extent that awards vest → Bonus payments are not pensionable → Malus and clawback provisions apply → The level of payout at threshold performance for each performance measure is set annually, but will typically be no more than 25% of maximum → The Committee retains discretion to amend the payout level (up or down) where it considers it to be appropriate, but not so as to exceed the maximum bonus potential and will fully disclose the exercise of any discretion in the Annual Report on Remuneration that follows such exercise of discretion
Opportunity	→ 150% of salary
Performance measures	→ The performance measures applied may be financial, non-financial, or individual, and in such proportions as the Remuneration Committee considers appropriate, although individual measures will form a minority of the potential → Performance measures will be aligned to the Company's strategy. The Committee reserves the right to change measures (and their weightings) for each financial year to ensure the metrics chosen are appropriate means of assessing the performance of the Executive Directors → Once set, performance measures and targets will generally remain unchanged for the year; exceptionally targets may be adjusted by the Committee to take account of significant transactions such as acquisitions and/or disposals or in other exceptional circumstances such as timing of transactions that have a material impact on the business plan
Long-term incentive	
Purpose and link to strategy	→ Incentivises value creation over the long term → Rewards execution of our strategy → Aligns the long-term interests of Executive Directors and shareholders → Promotes retention
Operation	→ The Committee may make an annual award of shares under the LTIP → Vesting is determined on the basis of the Group's achievements against stretching performance targets, normally over a three-year period and continued employment → The Committee reviews the measures, their relative weightings and targets prior to each award → For each measure, no awards vest for performance below threshold → Up to 20% of an award may vest for threshold performance → Each measure is capped at 100% vesting, which represents a stretching target → Executive Directors are required to hold vested awards (net of tax/NI where relevant) for a further two years (including post-cessation) following the three-year vesting period expiry → Dividend equivalents may be awarded between grant and the expiry of any holding period to the extent that the award vests → Malus and clawback provisions apply
Opportunity	→ 300% of salary
Performance measures	→ The performance measures applied may be financial, non-financial, corporate or strategic and in such proportions as the Remuneration Committee considers appropriate → The measures may be based on a mixture of relative and absolute financial performance as well as one or more measures to recognise the Company's broader strategic ESG commitment

Notes to Policy table:**Performance measures and target setting**

Full details of the performance conditions and targets applying for each award will be disclosed in the relevant Annual Report on Remuneration. Where targets are considered to be too sensitive to disclose in advance for commercial reasons, full disclosure of the original targets, and the extent to which they have been achieved, will be provided on a retrospective basis at the end of the relevant performance period.

2. Non-executive Directors**Base fee**

Purpose and link to strategy	→ To aid the recruitment, retention and motivation of Non-executive Directors of appropriate calibre and experience → To reflect the time commitment given by Non-executive Directors to the business
Operation	→ The Chairman is paid a single fee for all Board duties and the other Non-executive Directors receive a basic Board fee, with supplementary fees payable for additional responsibilities → Non-executive Director fees are reviewed (but not necessarily changed) annually by the Board, having regard to independent advice and published surveys → The Chairman's fee is reviewed (but not necessarily changed) annually by the Remuneration Committee without the Chairman present
Opportunity	→ Any increases reflect relevant benchmark data for Non-executive Directors in companies of a similar size and complexity, and the time commitment required

Additional fees

Purpose and link to strategy	→ To reflect the additional time commitment required from Non-executive Directors in chairing various Board sub-committees or becoming the Board's Senior Independent Director. Occasionally awarded to a Non-executive Director who completes a specific additional piece of work on behalf of the Board
Operation	→ Reviewed (but not necessarily changed) annually by the Board, having regard to independent advice and published surveys
Opportunity	→ The opportunity depends on which, if any, additional roles are assumed by an individual Non-executive Director over the course of their tenure → Any increases reflect relevant benchmark data for Non-executive Directors in companies of a similar size and complexity, and the time commitment required

Other incentives and benefits

Operation	→ Non-executive Directors do not receive any other remuneration or benefits beyond the fees noted above → Expenses in relation to Company business will be reimbursed (including any tax thereon, where applicable) → If deemed necessary, and in the performance of their duties, Non-executive Directors may take independent professional advice at the Company's expense
Opportunity	→ n/a

Directors' Report

The Directors present their report for the year ended 31 March 2022.

Additional disclosures

Other information that is relevant to this report, and which is also incorporated by reference, including information required in accordance with the UK Companies Act 2006 and Listing Rule 9.8.4R, can be located as follows:

	Table 58 Pages
Likely future developments in the business	6-9
Employee engagement	41
Going concern and viability statement	70-71
Governance	74-130
Capitalised interest	157
Financial instruments	178-179
Credit, market and liquidity risks	179-183
Related party transactions	193-194
Energy and carbon reporting	204-210
Workforce engagement	90
Stakeholders	13
Section 172 Statement	87-91

UK Corporate Governance Code

The Company has complied throughout the year with all relevant provisions of the 2018 UK Corporate Governance Code. The Code can be found on the FRC's website: frc.org.uk.

Company status

Land Securities Group PLC is a public limited liability company incorporated under UK law. It has a premium listing on the London Stock Exchange main market for listed securities (LSE:LAND) and is a constituent member of the FTSE 100 Index.

Landsec is a Real Estate Investment Trust (REIT). It is expected that the Company, which has no branches, will continue to operate as the holding company of the Group.

Dividends

The results for the year are set out in the financial statements on pages 141-197.

The Company has paid three interim dividends to shareholders for the year under review. The first interim dividend of 7 pence was paid to shareholders in October 2021, a second interim dividend of 8.5 pence was paid to shareholders in January 2022; and third interim dividend of 8.5 pence per share was paid to shareholders on 7 April.

	1st Interim 2021/22	2nd Interim 2021/22	3rd Interim 2021/22	Final 2021/22 (proposed)
Property Income Distribution (PID)/ Non-PID	7 pence (PID)	8.5 pence (PID)	8.5 pence (PID)	13 pence (PID)
Record date	27 August 2021	26 November 2021	11 March 2022	17 June 2022
Payment date	8 October 2021	4 January 2022	7 April 2022	22 July 2022

A Dividend Reinvestment Plan (DRIP) election is currently available in respect of all dividends paid by Landsec.

Events after the reporting period

The following matters are disclosed in Note 42 to the Financial Statements as events occurring after the reporting period.

On 11 May 2022, contracts were exchanged to sell the wholly owned subsidiary, LS City & West End Limited, for a headline price of £195m.

Since 31 March 2022, the Group sold or exchanged contracts to sell certain interests in joint venture arrangements and trading properties, all acquired as part of the U+I Group PLC on 14 December 2021.

The Building Safety Act 2022 was enacted on 28 April 2022, for which work is underway to assess the potential impact on the Group.

Directors

The names and biographical details of the current Directors and the Board Committees of which they are members are set out on pages 75-79.

All the Directors proposed for re-election held office throughout the year.

The Service Agreements of the Executive Directors and the Letters of Appointment of the Non-executive Directors are available for inspection at Landsec's registered office.

A summary of these documents is also included in the Directors' Remuneration Policy on page 125.

Appointment and removal of Directors

The appointment and replacement of Directors is governed by Landsec's Articles of Association (Articles), the UK Corporate Governance Code (Code), the Companies Act 2006 (Act) and related legislation.

The Board may appoint a Director either to fill a vacancy or as an addition to the Board so long as the total number of Directors does not exceed the limit prescribed in the Articles. An appointed Director must retire and seek election to office at the next Landsec AGM. In addition to any power of removal conferred by the Act, Landsec may by ordinary resolution remove any Director before the expiry of their period of office and, may, subject to the Articles, by ordinary resolution appoint another person who is willing to act as a Director in their place. In line with the Code and the Board's policy, all Directors are required to stand for re-election at each AGM.

Directors' powers

The Board manages the business of Landsec under the powers set out in the Articles. These powers include the Directors' ability to issue or buy back shares. Shareholders' authority to empower the Directors to make market purchases of up to 10% of its own ordinary shares is sought at the AGM each year. The Articles can only be amended, or new Articles adopted, by a resolution passed by shareholders in general meeting and being approved by at least three quarters of the votes cast.

Directors' interests

Save as disclosed in the Directors' Remuneration Report, none of the Directors, nor any person connected with them, has any interest in the share or loan capital of Landsec or any of its subsidiaries. At no time during the year ended 31 March 2022 did any Director hold a material interest, directly or indirectly, in any contract of significance with Landsec or any subsidiary other than the Executive Directors in relation to their Service Agreements.

Directors' indemnities and insurance

Landsec has agreed to indemnify each Director against any liability incurred in relation to acts or omissions arising in the ordinary course of their duties.

The indemnity applies only to the extent permitted by law. A copy of the deed of indemnity is available for inspection at Landsec's registered office. Landsec has in place appropriate Directors' & Officers' Liability insurance cover in respect of potential legal action against its Directors.

Share capital

Landsec has a single class of share capital which is divided into ordinary shares of nominal value 10½p each ranking pari passu. No other securities have been issued by the Company. At 31 March 2022, there were 751,328,142 ordinary shares in issue and fully paid. To satisfy future awards under the Company's shareholder approved employee share plans, on 3 June 2021, of the 9,839,179 existing shares held by the Company in Treasury, 3,049,943 were transferred to the Company's Employee Benefit Trust, leaving 6,789,236 shares held in Treasury. The voting rights and dividend entitlements have been waived for the shares held by Treasury and the Employee Benefit Trust. This transfer has not affected total number of voting rights. No shares were bought back during the year. Further details relating to share capital, including movements during the year, are set out in note 36 to the financial statements.

At the Company's AGM held on 8 July 2021, shareholders authorised the Company to make market purchases of ordinary shares representing up to 10% of its issued share capital at that time and to allot shares within certain limits approved by shareholders. These authorities will expire

at the 2022 AGM and a renewal of that authority will be sought.

From 1 April 2022 to 16 May 2022, being the period from the year end through to the date on which this report has been signed we have received a number of DTR notifications from BlackRock, Inc., the latest of which was made on 16 May 2022 reflecting a holding of 79,970,684 ordinary shares which constitutes a holding of 10.78%. In addition, we received a DTR notification from Schroders Plc which was made on 9 May 2022 reflecting a holding of 37,944,213 ordinary shares which constitutes a holding of 5.12%. Information provided to the Company under the DTR is publicly available to view via the Investor section on the Company's website.

Employee benefit trust

Equiniti Trust (Jersey) Limited continues as trustee (Trustee) of Landsec's Employee Benefit Trust (EBT). The EBT is used to purchase Land Securities Group PLC ordinary shares in the market from time to time for the benefit of employees, including to satisfy outstanding awards under Landsec's various employee share plans. The EBT did not purchase any shares in the market during the year (2021: 500,000). On 3 June 2021, 3,049,943 Treasury shares were transferred to the EBT. The EBT released 336,068 shares during the year to satisfy vested share plan awards. At 31 March, the EBT held 888,400 ordinary shares purchased on the market and 3,049,943 ordinary shares previously held in treasury in Land Securities Group PLC.

A dividend waiver is in place from the Trustee in respect of all dividends payable by Landsec on shares which the EBT holds. Further details regarding the EBT, and of shares issued pursuant to Landsec's various employee share plans during the year, are set out in notes 35-37 to the financial statements.

Shareholder voting rights and restrictions on transfer of shares

All the issued and outstanding ordinary shares of Landsec have equal voting rights with one vote per share. There are no special control rights attaching to them save that the control rights of ordinary shares held in the EBT can be directed by the Company to satisfy the vesting of outstanding awards under its various employee share plans.

In relation to the EBT, the Trustee has agreed not to vote any shares held in the EBT at any general meeting. If any offer is made to all shareholders to acquire their shares in Landsec, the Trustee will not be obliged to accept or reject the offer in respect of any shares which are at the time subject to subsisting awards, but will have regard to the interests of the award holders and will have power to consult them to obtain their views on the offer. Subject to the above, the Trustee may take such action with respect to an offer as it thinks fit.

Landsec is not aware of any agreements or control rights between existing shareholders that may result in restrictions on the transfer of securities or on voting rights. The rights, including full details relating to voting of shareholders and any restrictions on transfer relating to Landsec's ordinary shares, are set out in the Articles and in the explanatory notes that accompany the Notice of the 2022 AGM. These documents are available on Landsec's website at: landsec.com/agm.

Change of control

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company following a takeover. None of these are considered significant. The Company's share plans contain provisions that take effect in such an event but do not entitle participants to a greater interest in the shares of the Company than created by the initial grant or award under the relevant plan. There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment or otherwise that occurs specifically because of a takeover.

Substantial shareholders

As at 31 March 2022, the Company had been notified under the Disclosure and Transparency Rules (DTR 5) of the following holdings of voting rights in its issued share capital:

Shareholder name	Number of ordinary shares	Percentage of total voting rights attaching to issued share capital ¹
BlackRock, Inc.	83,853,888	11.3
Government of Norway	68,192,775	9.2
Schroders Plc	36,204,429	4.9
State Street Corporation	33,921,780	4.6
The Vanguard Group, Inc.	33,496,156	4.5
Legal & General Group	24,973,617	3.4

1. The total number of voting rights attaching to the issued share capital of the Company on 31 March 2022 was 741,488,963.

Directors' Report continued

Human rights and equal opportunities

Landsec operates a Human Rights Policy which aims to recognise and safeguard the human rights of all citizens in the business areas under our control. We support the principles set out within both the UN Universal Declaration of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. Our Policy is built on these foundations including, without limitation, the principles of equal opportunities, collective bargaining, freedom of association and protection from forced or child labour.

The Policy takes account of the Modern Slavery Act that came into force in October 2015 and requires Landsec to report annually on its workforce and supply chain, specifically to confirm that workers are not enslaved or trafficked. Landsec's latest Modern Slavery Statement was approved by the Board on 30 September 2021 and posted on our website the same day.

Landsec is an equal opportunities employer and our range of employment policies and guidelines reflects legal and employment requirements in the UK and safeguards the interests of employees, potential employees and other workers. We do not condone unfair treatment of any kind and offer equal opportunities in all aspects of employment and advancement regardless of race, nationality, gender, age, marital status, sexual orientation, disability, religious or political beliefs. Landsec recognises that it has clear obligations towards all its employees and the community at large to ensure that people with disabilities are afforded equal opportunities to enter employment and progress. Landsec has therefore established procedures designed to provide fair consideration and selection of disabled applicants and to satisfy their training and career development needs. If an employee becomes disabled, wherever possible Landsec takes steps to accommodate the disability by making adjustments to their

existing employment arrangements, or by redeployment and providing appropriate retraining to enable continued employment in the Group. Further information can be found on pages 38-43.

Political donations

The Company did not make any political donations or expenditure in the year that require disclosure (2021: nil).

Auditor and disclosure of information to the auditor

So far as the Directors are aware, there is no relevant audit information that has not been brought to the attention of the Company's auditor. Each Director has taken all reasonable steps to make himself or herself aware of any relevant audit information and to establish that such information was provided to the auditor.

A resolution to confirm the reappointment of Ernst & Young LLP as auditor of the Company will be proposed at the 2022 AGM. The reappointment has been recommended to the Board by the Audit Committee and EY has indicated its willingness to remain in office.

2022 Annual General Meeting

This year's AGM is scheduled to be held at 10.00 am on Thursday, 7 July 2022 at 80 Victoria Street, London SW1E 5JL. We will once again hold this meeting as a hybrid meeting with shareholders having the option to attend the meeting virtually where attendees will be able to watch presentations from our Chairman and CEO. Questions can be raised verbally by those attending the AGM in person, submitted in writing via the messaging function on Lumi's online meeting platform, or verbally via the Virtual Mic. Shareholders are also able to cast their votes online.

A separate circular, comprising a letter from the Chairman, Notice of Meeting and explanatory notes in respect of the resolutions proposed, can be found on our website: landsec.com/agm.

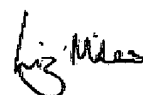
Disclaimer

The purpose of this Annual Report is to provide information to the members of the Company and it has been prepared for, and only for, the members of the Company as a body, and no other persons. The Company, its Directors and employees, agents and advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

A cautionary statement in respect of forward-looking statements contained in this Annual Report appears on the inside back cover of this document.

The Directors' Report was approved by the Board on 16 May 2022.

By Order of the Board.



Liz Miles
Company Secretary

Land Securities Group PLC
Company number 4369054

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and the Company financial statements in accordance with the requirements of the Companies Act 2006. Under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, group financial statements are required to be prepared in accordance with UK adopted international accounting standards (IFRSs and IFRICs). Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit and loss of the Group and the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- in respect of the Group financial statements, state whether international accounting standards in conformity with the requirements of the Companies Act 2006 (and UK adopted international accounting standards) have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the Company financial statements, state whether international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;

- provide additional disclosures when compliance with the specific requirements of UK adopted international accounting standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and Company's financial position and performance; and

- prepare the Group's and Company's financial statements on a going concern basis, unless it is inappropriate to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company, and to enable them to ensure that the Annual Report complies with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS regulation. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' responsibility statement under the Disclosure and Transparency Rules

Each of the Directors, whose names and functions appear below, confirm to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 (and UK adopted international accounting standards) give a true and fair view of the assets, liabilities, financial position, performance and cash flows of the Company and Group as a whole; and
- the Strategic Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties faced by the Group and Company.

Directors' statement under the UK Corporate Governance Code

Each of the Directors confirm that to the best of their knowledge the Annual Report taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position, performance, business model and strategy.

A copy of the financial statements of the Group is placed on the Company's website. The Directors are responsible for the maintenance and integrity of statutory and audited information on the Company's website at landsec.com. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors of Land Securities Group PLC as at the date of this announcement are as set out below:

- Cressida Hogg, Chairman*
- Mark Allan, Chief Executive
- Vanessa Simms, Chief Financial Officer
- Colette O'Shea, Chief Operating Officer
- Edward Bonham Carter, Senior Independent Director*
- Nicholas Cadbury*
- Madeleine Cosgrave*
- Christophe Evain*
- Manjiry Tamhane*

*Non-executive Directors

The Statement of Directors' Responsibilities was approved by the Board of Directors on 16 May 2022 and is signed on its behalf by:



Mark Allan
Chief Executive



Vanessa Simms
Chief Financial Officer

Independent Auditor's Report

To the members of Land Securities Group PLC

Opinion

In our opinion:

- Land Securities Group PLC's group financial statements and Parent Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Land Securities Group PLC (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2022 which comprise:

Group	Parent Company
Consolidated balance sheet as at 31 March 2022	Balance sheet as at 31 March 2022
Consolidated income statement for the year then ended	
Consolidated statement of comprehensive income for the year then ended	
Consolidated statement of changes in equity for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of cash flows for the year then ended	Statement of cash flows for the year then ended
Related notes 1 to 42 to the financial statements, including a summary of significant accounting policies	Related notes 1 to 42 to the financial statements including a summary of significant accounting policies

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards the Parent Company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

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

Independence

We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- We assessed the risk around going concern in planning our audit, at the interim and again at the year-end phase.
- We assessed the appropriateness of the process followed by Management to prepare the Group's going concern assessment, including assessing the ongoing impact of the Covid-19 pandemic and financial pressures on tenants leading to a continued credit risk, the impact of acquisitions made by the Group including any facilities acquired and climate change considerations.
- We checked the logic and arithmetical accuracy of the models developed by Management for the base case cashflow and liquidity forecasts and covenant calculations covering the going concern review period to 30 September 2023 and the additional downside scenarios.
- For each of the modelled scenarios, we challenged the key assumptions used by Management by comparing to corroborative evidence and searching out independent contradictory evidence. We assessed Management's consideration of downside sensitivity analysis taking into account current events and market conditions and historic performance of the Group. We also applied further sensitivities on income and expense cashflows where appropriate to stress test the impact on liquidity.

- We checked that the terms and conditions of the debt agreements with lenders had been appropriately incorporated into the going concern scenarios and modelling, including the maturity profile of the Group's borrowings, the impact of the Security Group structure (as defined in the Glossary on page 228) and the tiered operating covenant regime.
- We performed testing to evaluate whether the covenant requirements of the debt facilities would be breached under either the base case or the downside scenarios through the going concern period. We performed reverse stress testing on key assumptions and considered the likelihood of outcomes including controllable mitigating actions over and above the scenarios modelled. In doing so, we considered the perspective of our Chartered Surveyors.
- We reviewed the disclosures in the financial statements relating to going concern with a view to confirming that they appropriately disclose the risk, the impact on the Group's operations and results and potential mitigating actions.

The results of the severe downside scenarios modelled by Management indicate that the Group would maintain available facility and covenant headroom to be able to withstand the impact of plausible downside sensitivities throughout the period of the going concern assessment to 30 September 2023.

As at 31 March 2022, the Group has a cash balance of £159m (which includes £31m in relation to the Group's share of cash held within jointly controlled operations). In addition, the Group also has substantial available facilities of £3,022m at 31 March 2022. This includes facilities of £26m expiring during the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern through the going concern period to 30 September 2023.

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

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

Overview of our audit approach

Audit scope	→ The Group solely operates in the United Kingdom through four segments: Central London, Major retail, Mixed-use urban neighbourhoods and Subscale sectors. → During the year, the Group acquired U and I Group PLC ("U+I") which has been identified as a separate component for the purpose of scoping the audit. U+I accounted for 1% of absolute Profit before tax, 0.5% of Revenue and 3% of Total assets. U+I has been designated as a specific scope component with the audit work being performed by the Group audit team. → The Group audit team also performed direct audit procedures on joint venture balances included within the Group financial statements.
Key audit matters	→ The valuation of property, including investment properties and investment properties held in joint ventures. → Revenue recognition, including the timing of revenue recognition and the treatment of lease incentives. → (New in 2022) Accounting for the acquisition of U and I Group PLC.
Materiality	→ Overall Group materiality of £110m which represents 0.9% of total assets in the Group balance sheet at 31 March 2022. Overall materiality is applied to account balances related to investment properties, trading properties (either wholly owned or held within joint ventures) and related loans and borrowings. → Specific materiality of £18m, which represents 5% of EPRA Earnings before tax. Specific materiality is applied to account balances not related to investment properties, trading properties (either wholly owned or held within joint ventures) and loans and borrowing. → Parent Company materiality of £56m, which represents 0.9% of total assets in the Parent Company balance sheet. Parent Company materiality is applied to all balances within the Parent Company.

Independent Auditor's Report

continued

An overview of the scope of the Parent Company and Group audits

Tailoring the scope

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

U+I has been identified as a separate component for the purpose of scoping the audit and designated a specific scope which is a change from the prior year. Specific scope involves a focus on balances that are considered material to the Group. U+I accounted for 1% of the Group's absolute Profit before tax, 0.5% of Revenue and 3% of Total assets. The audit scope of this component may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

The components we performed audit procedures on accounted for 100% of the Group's profit before tax, Revenue and Total assets.

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

Climate change

There has been increasing interest from stakeholders as to how climate change will impact the Group. The Group has determined that the most significant future impacts from climate change on its operations will be to deliver on their commitment to be a net zero business by 2030, with the UK government's minimum energy and efficiency standards requiring an EPC rating of 'B' by 2030. Management has currently estimated the cost of meeting this commitment to be £135m. This is explained on pages 66-69 in the required Task Force on Climate Related Financial Disclosures in the Principal risks and uncertainties section of the Strategic Report, which form part of the 'Other information', rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

As explained in Note 2 of the financial statements, the Group has considered the impact of climate change on the financial statements, taking into account the relevant disclosures in the Strategic Report. However, governmental and societal responses to climate change risks are still developing, and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcomes as these are not yet known. The degree of certainty of these changes may also mean that they cannot be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of UK-adopted international accounting standards.

Our audit effort in considering climate change was focused on the adequacy of the Group's disclosures in the financial statements and their conclusion that no issues were identified that would materially impact the valuation of the investment properties, investment properties held in joint ventures and trading properties or have any other material impact on the financial statements. We also challenged the Directors' consideration of climate change in their assessment of going concern and viability and associated disclosures.

Key audit matters

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

This year we have included a new key audit matter: Accounting for the acquisition of U and I Group PLC (U+I). The audit partner and other senior members of the audit team spent a significant amount of time assessing the judgments made and the appropriateness of the balances recorded, due to the complexity of the accounting treatment and the level of judgements and estimates Management made.

In the prior year, we included a key audit matter: impairment of trade receivables, including lease incentive balances. As a result of the improved cash collections and the ease of restrictions in relation to Covid-19, we have not considered this as a key audit matter in the current year.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
The valuation of property, including investment properties and investment properties held in joint ventures 2022: £11,207m in investment properties and £771m (the Group's share) in investment properties held in joint ventures (2021: £9,607m in investment properties and £735m share in investment properties held in joint ventures). Refer to the Report of the Audit Committee (pages 102-107); Accounting policies (pages 161-162); Note 14 & 16 of the Financial statements (pages 163-171). The valuation of property, including investment properties and investment properties held in joint ventures, requires significant judgement and estimation by Management and their external valuers. Inaccuracies in inputs or unreasonable bases used in these judgements (namely in respect of estimated rental value and yield profile applied) could result in a material misstatement of the income statement and balance sheet. There is also a risk that Management may influence the significant judgements and estimates in respect of property valuations in order to meet market expectations or bonus targets.	Our audit procedures over the valuation of property included: We obtained an understanding of the Group's processes and controls around the valuation of properties. We evaluated the competence of the Group's external valuers, CBRE, JLL and Savills, which included consideration of their qualifications and expertise. We met with CBRE, JLL and Savills to discuss their valuation approach and the judgements they made in assessing the property valuation. Such judgements included the estimated rental value, yield profile and other assumptions that impact the value. We assessed and challenged these judgements made by CBRE, JLL and Savills in light of the Covid-19 pandemic, continued turbulence in the retail sector and costs associated with climate change. We selected a sample of investment properties based on a number of factors including size, risk (including Covid-19), representation across asset classes and segments and including a further random selection which in total comprised 72% of the market value of investment properties (including investment properties held in joint ventures). For this sample of properties, we tested source documentation provided by the Group to CBRE, JLL and Savills. This included agreeing a sample back to underlying lease data and vouching costs incurred to date in respect of development properties. We included Chartered Surveyors on our audit team who reviewed and challenged the valuation approach and assumptions for the same sample of properties. Our Chartered Surveyors compared the yields applied to each property to an expected range of yields taking into account available market data and asset specific considerations. They considered whether the other assumptions applied by the external valuers, such as the estimated rental values, voids, tenant incentives and development costs to complete were supported by available data. They also considered whether other market transactions contradict the assumptions used in the valuation. Together with our Chartered Surveyors, we met with the external valuers to further discuss the findings from our audit work described above and to seek further explanations as required. We challenged whether sustainability costs identified by Management have been appropriately considered within the valuation. We conducted analytical procedures on the properties not included in the sample reviewed in detail by our Chartered Surveyors by comparing assumptions and the value of those properties by reference to our understanding of the UK real estate market, external market data and asset specific considerations to evaluate the appropriateness of the valuations adopted by the Group. Where values or assumptions were not in line with our expectations, we investigated further by discussing with Management, CBRE and our Chartered Surveyors and, where appropriate, obtaining further evidence to support the movement in values. We attended meetings between Management and CBRE to assess for evidence of undue Management influence and we obtained confirmation from CBRE that they had not been subject to undue influence from Management. We performed five site visits. Where properties are under development, this enabled us to assess the stage of completion and gain specific insights into the development. We met with development directors and project managers for major properties in the development programme and assessed project costs, progress of development and leasing status. We considered the reasonableness of forecast costs to complete included in the valuations as well as the identified contingencies and the exposure to remaining risks, by comparing the total forecast costs to contractual arrangements and other supporting evidence. We challenged forecast cost and cost to complete for evidence of overruns through risks identified during our development meetings, review of meeting minutes and other supporting information. We corroborated the information provided by the development directors and the project managers through our review of cost analysis as well as the valuation outcome. We assessed the adequacy of the disclosures of estimates and valuation assumptions in note 14 that were made in accordance with IFRS 13 – Fair Value Measurement. Scope of our procedures We performed full scope audit procedures over the valuation of properties, including investment properties and investment properties held in joint ventures.	We have tested the inputs, assumptions and methodology used by CBRE, JLL and Savills. We have concluded that the methodology applied is reasonable and that the external valuations are an appropriate assessment of the market value of investment properties at 31 March 2022. We concluded that the sample of properties reviewed by our Chartered Surveyors was within the reasonable range of values as assessed by them. We concluded that climate change has been appropriately considered within the valuations where appropriate. We consider that Management provided an appropriate level of review and challenge over the valuations, and we did not identify evidence of undue Management influence. We have reviewed the disclosures in the financial statements including the significant accounting estimates and sensitivities and consider them to be appropriate.

Independent Auditor's Report

continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue recognition, including the timing of revenue recognition and the treatment of lease incentives 2022: £537m rental income (2021: £519m rental income) Refer to the Report of the Audit Committee (pages 102-107); Accounting policies (pages 152-153); Note 6 of the Financial statements (pages 152-153). Market expectations and EPRA Earnings-based targets may place pressure on Management to distort revenue recognition. This may result in overstatement or deferral of revenues to assist in meeting current or future targets or expectations, including through the incorrect treatment of lease incentives.	Our audit procedures over revenue recognition included: We tested certain manual controls governing approvals and changes to lease terms and the upload of this information to the Group's property information management system (PIMS). We also performed testing of certain manual controls over the billings process. We selected a sample of new, existing and amended lease agreements in the year and agreed the key lease terms input into PIMS, including lease incentive clauses. We performed data analytics procedures to recalculate rental income across the whole population of leases in the Group's portfolio; this also covers the straight-lining rent adjustment for lease incentives. We obtained the schedules used to calculate straight-lining of revenue in accordance with IFRS 16 Leases. We tested the arithmetical accuracy of these schedules and that the straight lining was calculated in accordance with the guidance. For a sample of leases we agreed the lease information per the schedules back to lease agreements. We assessed whether the revenue recognition policies adopted complied with IFRS with focus placed on the accounting treatment of Covid-19 related rent concessions, including the Covid-19 Customer support fund set up by the Group. We performed audit procedures specifically designed to address the risk of management override of controls including journal entry testing, which included a particular focus on journal entries which impact revenue. Scope of our procedures The Group was subject to full scope audit procedures over revenue, excluding U+I as this was determined to be immaterial.	Based upon the audit procedures performed, we concluded that revenue has been recognised on an appropriate basis in the year.
Accounting for the acquisition of U and I Group PLC Refer to the Report of the Audit Committee (pages 102-107); Accounting policies (page 195); Note 41 of the Financial statements (pages 195-197). The acquisition of U+I requires Management to assess the contractual arrangements from the transaction and considers the requirements of IFRS 3 Business Combinations in order to assess the initial acquisition accounting. The initial accounting may be complex and require significant judgements and estimates to be made, including: → Assessing whether the acquisition represents a business combination or asset acquisition → Making judgments and estimates to determine the purchase price allocation (PPA) → Identifying any intangible assets acquired which are not recorded in the U+I financial statements and estimating their fair value → Assessing any goodwill recognised for impairment	Management have determined that the acquisition represents a business combination. We obtained and assessed Management's accounting paper on the application of IFRS 3 Business Combinations, including judgements in determining whether the acquisition represents an asset acquisition or a business combination, and the purchase price allocation (PPA) assessment. We obtained and reviewed relevant sale and purchase agreements and other contractual arrangements entered into in relation to the acquisition, to assess the date when control of U+I was obtained. We performed the following testing on opening balances to determine the appropriateness of the balances recorded at the date of acquisition. → We obtained the property valuations prepared at acquisition date by CBRE and those prepared internally by the Directors. We selected a sample of five properties which equated to 36% of the opening asset balance for which the valuation was tested for reasonableness by EY's Chartered Surveyors. → We challenged Management and searched for evidence of other assets or liabilities that have been acquired but not identified by Management. → We assessed the judgements made in recognising and measuring any goodwill arising as a result of the purchase price allocation including subsequent impairment. We determined the impact of the integration of U+I on the current processes at the Group, including whether there are any differences in accounting policies applied. We assessed the completeness and adequacy of the disclosures made in the financial statements.	Based upon the audit procedures performed, we concluded that the acquisition has been appropriately accounted for as a business combination. We concluded that the opening balances determined by management are appropriately stated and the sample of properties reviewed by our Chartered Surveyors were determined to be reasonable. We concluded that Management's impairment of goodwill is appropriate. We concluded that the disclosures in the financial statements are appropriate in relation to the acquisition.

Our application of materiality

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

Materiality

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

The table below sets out the materiality, performance materiality and threshold for reporting audit differences applied on our audit:

	Basis	Materiality	Performance materiality	Audit differences
Overall	0.9% of total assets (2021: 0.9% of total assets)	£110m (2021: £99m)	£83m (2021: £74m)	£6m (2021: £5m)
Specific – account balances not related to investment properties, trading properties (either wholly owned or held within joint ventures) or loans and borrowing	5% of EPRA Earnings before tax (2021: 5% of average revenue profit before tax over two years)	£18m (2021: £17m)	£13m (2021: £13m)	£1m (2021: £1m)
Parent Company	0.9% of total assets (2021: 0.9% of total assets)	£56m (2021: £55m)	£42m (2021: £41m)	£3m (2021: £3m)

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole. We determined that an asset-based measure would be the most appropriate basis for determining overall materiality given that key users of the Group's financial statements are primarily focused on the valuation of the Group's assets. Based on this, we determined that it is appropriate to set the overall materiality at 0.9% of total assets (2021: 0.9% of total assets). We applied overall materiality to the investment property and trading property balances, including those in joint ventures, and other directly related balance sheet items such as the value of loans and borrowings which are secured against the Group's investment properties.

This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

We determined that for other account balances not related to investment properties, trading properties (either wholly owned or held within joint ventures) or loans and borrowings, a misstatement of less than overall materiality for the financial statements as a whole could influence the economic decisions of users. We believe that it is most appropriate to use a profit-based measure as profit is also a focus of users of the financial statements.

We determined that materiality for these areas should be based upon 5% of EPRA earnings before tax. EPRA earnings is considered an important performance metric and aligned with industry earnings measures. In the prior year we used an average of the Group's 2021 and 2020 EPRA earnings before tax. For the 2021 audit, we concluded that the specific materiality was more appropriately determined using a normalised basis based on past results and that better reflected a normalised level of earnings. This was due to the decline in EPRA earnings because of the impact of Covid-19 and the bad debt charges. This is no longer relevant for the current year audit.

We reassessed initial materiality at the year-end date which has not resulted in a change from our planning materiality.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2021: 75%) of the respective materiality. We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Audit work at U+I for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for U+I is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, our performance materiality allocated to U+I was £2.6m.

Independent Auditor's Report

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Reporting threshold

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

We agreed with the Audit Committee that we would report to the Committee all uncorrected audit differences in excess of £6m (2021: £5m), as well as audit differences in excess of £1m (2021: £1m) that relate to our specific testing of the other account balances not related to investment properties or loans and borrowings which are set at 5% of their respective planning materiality. We also agreed to report differences below that threshold that, in our view, warranted reporting on qualitative grounds. We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Annual Report, including the Strategic Report and Governance section set out on pages 1-130, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Corporate Governance Statement

We have reviewed the Directors' Statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

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

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified; pages 70-71 and 131;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on pages 70-71;
- Director's statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on page 131;
- Directors' statement on fair, balanced and understandable set out on page 131;

- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 60-69;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on pages 58-69; and;
- The section describing the work of the Audit Committee set out on pages 100-107.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 131, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most relevant to the presentation of the Annual Report and Accounts are those that relate to the reporting framework (UK adopted international accounting standards, the Companies Act 2006 and UK Corporate Governance Code), the relevant tax regulations in the United Kingdom, including the UK REIT regulations, the UK General Data Protection Regulation (GDPR), Health & Safety Regulations and the Bribery Act. There are no significant industry specific laws or regulations that we considered in determining our approach. We understood how Land Securities Group PLC is complying with those frameworks through enquiry with Management, and by identifying the Group's policies and procedures regarding compliance with laws and regulations. We also identified those members of Management who have the primary responsibility for ensuring compliance with laws and regulations, and for reporting any known instances of non-compliance to those charged with governance. We corroborated our enquiries through our review of board minutes and papers provided to the Board and the Audit Committee, as well as consideration of the results of our audit procedures across the Group to either corroborate or provide contrary evidence which was then followed up. Our assessment included the tone from the top and the emphasis on a culture of honest and ethical behaviour.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by reviewing the Company's risk register and enquiry with Management and the Audit Committee during the planning and execution phases of our audit. We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how Management monitors those programmes and controls.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved:
 - Enquiry of Management, and when appropriate, those charged with governance regarding their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the financial statements;
 - Reading minutes of meetings of those charged with governance;
 - Reading of internal audit reports;
 - Obtaining electronic confirmations from the Group's banking providers to vouch the existence of cash balances and completeness of loans, borrowings and other treasury positions such as derivatives;
 - Obtaining and reading correspondence from legal and regulatory bodies, including the FRC and HMRC; and
 - Journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding the business.

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

Independent Auditor's Report

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Other matters we are required to address

- Following the recommendation from the Audit Committee, we were appointed by the Parent Company on at the AGM 18 July 2013 to audit the financial statements for the year ending 31 March 2014 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is eight years, covering the years ending 31 March 2014 to 31 March 2022.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Kathryn Barrow
Senior statutory auditor

for and on behalf of Ernst & Young LLP, Statutory Auditor
London
25 May 2022

Income statement

for the year ended 31 March 2022

		2022		2021	
	Notes	EPRA earnings £m	Capital and other items ¹ £m	EPRA earnings £m	Capital and other items ¹ £m
Revenue	6	647	32	631	4
Costs – movement in bad and doubtful debts provisions	7	13	–	(110)	–
Costs – other	7	(273)	(48)	(218)	(5)
		387	(16)	303	(1)
Share of post-tax profit/(loss) from joint ventures	16	29	4	8	(200)
Profit on disposal of investment properties		–	107	–	8
Profit on disposal of investment in joint ventures		–	2	–	–
Net surplus/(deficit) on revaluation of investment properties	14	–	416	–	(1,448)
Gain on modification of finance lease		–	6	–	–
Operating profit/(loss)		416	519	311	(1,641)
Finance income	10	9	16	15	1
Finance expense	10	(70)	(15)	(75)	(4)
Profit/(loss) before tax		355	520	251	(1,644)
Taxation	12	–	–	–	–
Profit/(loss) for the year			875		(1,393)
Attributable to:					
Shareholders of the parent			869		(1,393)
Non-controlling interests			6		–
			875		(1,393)
Profit/(loss) per share attributable to shareholders of the parent:					
Basic earnings/(loss) per share	5		117.4p		(188.2)p
Diluted earnings/(loss) per share	5		117.1p		(188.2)p

1. All revenue and costs are classified within the 'EPRA earnings' column of the income statement, with the exception of proceeds from, and costs of, the sale of trading properties, income from and costs associated with long-term development contracts, amortisation and impairment of intangibles and costs attributable to business acquisitions, which are presented in the 'Capital and other items' column.

Statement of comprehensive income

for the year ended 31 March 2022

	Notes	2022 Total £m	2021 Total £m
Profit/(loss) for the year		875	(1,393)
Items that may be subsequently reclassified to the income statement:			
Movement in cash flow hedges		(1)	–
Items that will not be subsequently reclassified to the income statement:			
Movement in the fair value of other investments		(3)	(3)
Net re-measurement gain/(loss) on defined benefit pension scheme	34	22	(12)
Deferred tax (charge)/credit on re-measurement above	12	(5)	2
Other comprehensive income/(loss) for the year		13	(13)
Total comprehensive income/(loss) for the year		888	(1,406)
Attributable to:			
Shareholders of the parent		882	(1,406)
Non-controlling interests		6	–
		888	(1,406)

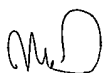
Balance sheets

at 31 March 2022

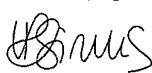
	Notes	2022 £m	Group 2021 £m	2022 £m	Company 2021 £m
Non-current assets					
Investment properties	14	11,207	9,607	-	-
Intangible assets	20	8	8	-	-
Net investment in finance leases	19	70	152	-	-
Investments in joint ventures	16	700	625	-	-
Investments in associates	17	4	-	-	-
Investments in subsidiary undertakings	29	-	-	6,222	6,101
Trade and other receivables	27	177	170	-	-
Other non-current assets	30	61	22	-	-
Total non-current assets		12,227	10,584	6,222	6,101
Current assets					
Trading properties	15	145	36	-	-
Trade and other receivables	27	368	354	-	-
Monies held in restricted accounts and deposits	23	22	10	2	3
Cash and cash equivalents	24	128	-	-	-
Other current assets	31	5	6	-	-
Total current assets		668	406	2	3
Total assets		12,895	10,990	6,224	6,104
Current liabilities					
Borrowings	22	(541)	(906)	-	-
Trade and other payables	28	(320)	(252)	(2,912)	(2,630)
Other current liabilities	32	(11)	(7)	-	-
Total current liabilities		(872)	(1,165)	(2,912)	(2,630)
Non-current liabilities					
Borrowings	22	(4,012)	(2,610)	-	-
Trade and other payables	28	(8)	(1)	-	-
Other non-current liabilities	33	(12)	(2)	-	-
Total non-current liabilities		(4,032)	(2,613)	-	-
Total liabilities		(4,904)	(3,778)	(2,912)	(2,630)
Net assets		7,991	7,212	3,312	3,474
Equity					
Capital and reserves attributable to shareholders					
Ordinary shares	36	80	80	80	80
Share premium		317	317	317	317
Other reserves		9	28	9	28
Merger reserve		-	-	374	374
Retained earnings		7,511	6,787	2,532	2,675
Equity attributable to shareholders of the parent		7,917	7,212	3,312	3,474
Equity attributable to non-controlling interests		74	-	-	-
Total equity		7,991	7,212	-	-

The profit for the year of the Company was £15m (2021: loss of £205m).

The financial statements on pages 141-197 were approved by the Board of Directors on 16 May 2022 and were signed on its behalf by:



Mark Allan
Directors



Vanessa Simms

Statements of changes in equity

for the year ended 31 March 2022

	Attributable to shareholders of the parent					Non-controlling interests £m	Group Total equity £m
	Ordinary shares £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m		
At 1 April 2020	80	317	27	8,326	8,750	-	8,750
Total comprehensive loss for the financial year	-	-	-	(1,406)	(1,406)	-	(1,406)
Transactions with shareholders of the parent:							
Share-based payments	-	-	4	-	4	-	4
Dividends paid to shareholders of the parent	-	-	-	(133)	(133)	-	(133)
Acquisition of own shares	-	-	(3)	-	(3)	-	(3)
Total transactions with shareholders of the parent	-	-	1	(133)	(132)	-	(132)
At 31 March 2021	80	317	28	6,787	7,212	-	7,212
Total comprehensive income for the financial year	-	-	-	882	882	6	888
Transactions with shareholders of the parent:							
Share-based payments	-	-	2	2	4	-	4
Dividends paid to shareholders of the parent	-	-	-	(181)	(181)	-	(181)
Transfer of treasury shares	-	-	(21)	21	-	-	-
Total transactions with shareholders of the parent	-	-	(19)	(158)	(177)	-	(177)
Acquisition of subsidiaries	-	-	-	-	-	68	68
At 31 March 2022	80	317	9	7,511	7,917	74	7,991

	Attributable to shareholders				Company Total equity £m
	Ordinary shares £m	Share premium £m	Other reserves £m	Retained earnings ¹ £m	
At 1 April 2020	80	317	27	374	3,811
Total comprehensive loss for the financial year	-	-	-	-	(205)
Transactions with shareholders:					
Share-based payments	-	-	4	-	4
Dividends paid to shareholders	-	-	-	(133)	(133)
Acquisition of own shares	-	-	(3)	-	(3)
Total transactions with shareholders	-	-	1	(133)	(132)
At 31 March 2021	80	317	28	374	3,474
Total comprehensive income for the financial year	-	-	-	-	15
Transactions with shareholders:					
Share-based payments	-	-	2	-	2
Dividends paid to shareholders	-	-	-	(181)	(181)
Transfer of treasury shares	-	-	(21)	21	-
Total transactions with shareholders	-	-	(19)	(158)	(177)
At 31 March 2022	80	317	9	374	3,312

1. Available for distribution.

Statement of cash flows

for the year ended 31 March 2022

	Notes	2022 £m	2021 £m
Cash flows from operating activities			
Net cash generated from operations	13	448	322
Interest received		23	4
Interest paid		(84)	(83)
Rents paid		(8)	(9)
Capital expenditure on trading properties		(5)	(1)
Disposal of trading properties		8	-
Other operating cash flows		(1)	-
Net cash inflow from operating activities	13	381	233
Cash flows from investing activities			
Investment property development expenditure		(302)	(177)
Other investment property related expenditure		(42)	(41)
Acquisition of investment properties		(147)	(99)
Disposal of investment properties		265	631
Acquisition of subsidiaries		(399)	-
Deferred consideration received		-	10
Cash distributions from joint ventures	16	22	16
Other investing cash flows		-	(6)
Net cash (outflow)/inflow from investing activities		(603)	334
Cash flows from financing activities			
Proceeds from new borrowings (net of finance fees)	22	1,053	-
Repayment of bank debt	22	(489)	(1,755)
Redemption of medium term notes	22	-	(12)
Premium paid on redemption of medium term notes	22	-	(3)
Net cash outflow from derivative financial instruments		(3)	(12)
Dividends paid to shareholders of the parent	11	(190)	(127)
Decrease/(increase) in monies held in restricted accounts and deposits		(12)	(1)
Other financing cash flows		(9)	(2)
Net cash inflow/(outflow) from financing activities		350	(1,912)
Increase/(decrease) in cash and cash equivalents for the year		128	(1,345)
Cash and cash equivalents at the beginning of the year		-	1,345
Cash and cash equivalents at the end of the year	24	128	-

The Company did not hold any cash and cash equivalents balances at 31 March 2022 (2021: none) and therefore did not have any cash flows in the year then ended (2021: none).

Notes to the financial statements

for the year ended 31 March 2022

Section 1 – General

This section contains a description of the Group's significant accounting policies that relate to the financial statements as a whole. A description of accounting policies specific to individual areas (e.g. investment properties) is included within the relevant note to the financial statements.

This section also includes a summary of new accounting standards, amendments and interpretations that have been applied in the year and those not yet adopted, and their actual or expected impact on the reported results of the Group.

1. Basis of preparation and consolidation

Basis of preparation

These financial statements have been prepared on a going concern basis and in accordance with UK adopted international accounting standards (IFRSs and IFRICs) and, as regards the Parent Company financial statements, applied in accordance with the provisions of the Companies Act 2006. The financial statements have been prepared in Pounds Sterling (rounded to the nearest one million), which is the presentation currency of the Group (Land Securities Group PLC and all its subsidiary undertakings), and under the historical cost convention as modified by the revaluation of investment property, financial assets at fair value through other comprehensive income (without recycling), derivative financial instruments and pension assets.

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Land Securities Group PLC (the Company) has not presented its own statement of comprehensive income (and separate income statement), as permitted by Section 408 of Companies Act 2006. The Merger reserve arose on 6 September 2002 when the Company acquired 100% of the issued share capital of Land Securities PLC. The Merger reserve represents the excess of the cost of acquisition over the nominal value of the shares issued by the Company to acquire Land Securities PLC. The Merger reserve does not represent a realised or distributable profit. Other reserves includes the Capital redemption reserve, which represents the nominal value of cancelled shares, the Share-based payment reserve and Own shares held by the Group.

Going concern

While the impact of Covid-19 has reduced in the year to 31 March 2022, we are still in a period of recovery and therefore the Directors have continued to place additional focus on the appropriateness of adopting the going concern assumption in preparing the financial statements for the year ended 31 March 2022. The Group's going concern assessment considers changes in the Group's principal risks (see pages 70-71) and is dependent on a number of factors, including our financial performance and continued access to borrowing facilities. Access to our borrowing facilities is dependent on our ability to continue to operate the Group's secured debt structure within its financial covenants, which are described in note 22.

In order to satisfy themselves that the Group has adequate resources to continue as a going concern for the foreseeable future, the Directors have reviewed a cash flow model which considers the impact of pessimistic assumptions on the Group's operating environment (the 'Viability scenario'). This model reflects unfavourable macroeconomic conditions, a continuation of difficulties experienced collecting rent and service charge from our customers and removes uncommitted acquisitions, disposals and developments. We also assume that we are unable to raise any new finance over this period.

The Group's key metrics from the Viability scenario as at the end of the going concern assessment period, which covers the 16 months to 30 September 2023, are shown below alongside the actual position at 31 March 2022.

Key metrics	Viability scenario	
	31 March 2022	30 September 2023
Security Group LTV	36.4%	38.9%
Adjusted net debt	£4,179m	£4,363m
EPRA net tangible assets	£7,888m	£7,266m
Available financial headroom	£1.1bn	£1.2bn

Notes to the financial statements

for the year ended 31 March 2022 continued

1. Basis of preparation and consolidation continued

In our Viability scenario, the Group has sufficient cash reserves, with our Security Group LTV ratio remaining less than 65% and interest cover above 1.45x, for a period of at least 16 months from the date of authorisation of these financial statements. The value of our assets would need to fall from 31 March 2022 values by at least 55% for LTV to reach 65%. The Directors consider the likelihood of this occurring over the going concern assessment period to be remote.

The Security Group requires earnings of at least £155m in the year ending 31 March 2023 for interest cover to remain above 1.45x in the Viability scenario, which would ensure compliance through to the end of the going concern assessment period. Security Group earnings are well above the level required to meet the interest cover covenant. Therefore, the Directors do not anticipate a reduction in Security Group earnings over the period ending 30 September 2023 to a level that would result in a breach of the interest cover covenant.

The Directors have also considered a reverse stress-test scenario which assumes no further rent will be received, to determine when our available cash resources would be exhausted. Even under this extreme scenario, the Group continues to have sufficient cash reserves to continue in operation throughout the going concern assessment period.

Based on these considerations, together with available market information and the Directors' knowledge and experience of the Group's property portfolio and markets, the Directors have adopted the going concern basis in preparing these financial statements for the year ended 31 March 2022.

Basis of consolidation

The consolidated financial statements for the year ended 31 March 2022 incorporate the financial statements of the Company and all its subsidiary undertakings. Subsidiary undertakings are those entities controlled by the Company. Control exists where an entity is exposed to variable returns and has the ability to affect those returns through its power over the investee.

The results of subsidiaries and joint ventures acquired or disposed of during the year are included from the effective date of acquisition or to the effective date of disposal. Accounting policies of subsidiaries and joint ventures which differ from Group accounting policies are adjusted on consolidation.

Where instruments in a subsidiary held by third parties are redeemable at the option of the holder, these interests are classified as a financial liability, called the redemption liability. The liability is carried at fair value; the value is reassessed at the balance sheet date and movements are recognised in the income statement.

Where equity in a subsidiary is not attributable, directly or indirectly, to the shareholders of the parent, this is classified as a non-controlling interest. Total comprehensive income or loss and the total equity of the Group are attributed to the shareholders of the parent and to the non-controlling interests according to their respective ownership percentages.

Joint arrangements are those entities over whose activities the Group has joint control, established by contractual agreement. Interests in joint arrangements are accounted for as either a joint venture or a joint operation. A joint arrangement is accounted for as a joint venture when the Group, along with the other parties that have joint control of the arrangement, have rights to the net assets of the arrangement. Interests in joint ventures are equity accounted: The equity method requires the Group's share of the joint venture's post-tax profit or loss for the year to be presented separately in the income statement and the Group's share of the joint venture's net assets to be presented separately in the balance sheet. A joint arrangement is accounted for as a joint operation when the Group, along with the parties that have joint control of the arrangement, have rights to the assets and obligations for the liabilities relating to the arrangement. Joint operations are accounted for by including the Group's share of the assets, liabilities, income and expenses on a line-by-line basis.

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

2. Significant accounting judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to exercise judgement in applying the Group's accounting policies. The areas where the Group considers the judgements to be most significant involve assumptions or estimates in respect of future events, where actual results may differ from these estimates.

Judgements

- Recognising revenue where property management activities are performed by a third party (note 6)
- Compliance with the Real Estate Investment Trust (REIT) taxation regime and the recognition of deferred tax assets and liabilities (note 12)
- Accounting for property acquisitions and disposals (note 14)
- Accounting for acquisitions of subsidiaries (note 41)

Estimates

- Valuation of investment and trading properties (note 14)
- Impairment of trade receivables (note 27)

In preparing the financial statements, the Group has considered the impact of climate change, taking into account the relevant disclosures in the Strategic Report, including those made in accordance with the recommendations of the Taskforce on Climate Related Financial Disclosure. These considerations included the limited exposure in terms of our investment properties, as we fully costed and committed to invest £135m to achieve our science-based net zero target by 2030. On this basis, the Group has concluded that climate change did not have a material impact on the financial reporting judgements and estimates, consistent with the assessment that this is not expected to have a significant impact on the Group's going concern or viability assessment.

3. Changes in accounting policies and standards

The accounting policies used in these financial statements are consistent with those applied in the last annual financial statements, as amended where relevant to reflect the adoption of new standards, amendments and interpretations which became effective in the year, none of which have had a significant impact on the Group or Company's income statement or balance sheet.

Amendments to IFRS

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective for the Group. The application of these new standards, amendments and interpretations are not expected to have a significant impact on the Group's income statement or balance sheet.

Notes to the financial statements

for the year ended 31 March 2022 continued

Section 2 – Performance

This section focuses on the performance of the Group for the year, including segmental information, earnings per share and net assets per share, together with further details on specific components of the income statement and dividends paid.

Our property portfolio is a combination of properties that are wholly owned by the Group, part owned through joint arrangements and properties owned by the Group but where a third party holds a non-controlling interest. Internally, management review the results of the Group on a basis that adjusts for these different forms of ownership to present a proportionate share. The Combined Portfolio, with assets totalling **£12.0bn**, is an example of this approach, reflecting the economic interest we have in our properties regardless of our ownership structure. We consider this presentation provides further understanding to stakeholders of the activities and performance of the Group, as it aggregates the results of all of the Group's property interests which under IFRS are required to be presented across a number of line items in the statutory financial statements.

The same principle is applied to many of the other measures we discuss and, accordingly, a number of our financial measures include the results of our joint ventures and subsidiaries on a proportionate basis. Measures that are described as being presented on a proportionate basis include the Group's share of joint ventures on a line-by-line basis and are adjusted to exclude the non-owned elements of our subsidiaries. This is in contrast to the Group's statutory financial statements, where the Group's interest in joint ventures is presented as one line on the income statement and balance sheet, and all subsidiaries are consolidated at 100% with any non-owned element being adjusted as a non-controlling interest or redemption liability, as appropriate. Our joint operations are presented on a proportionate basis in all financial measures.

EPRA earnings is the Group's alternative measure of the underlying pre-tax profit of the property rental business. EPRA earnings has replaced revenue profit as the Group's primary measure of underlying performance in the year ended 31 March 2022 to align with industry standard. Adjusted earnings, adjusted basic earnings per share and adjusted diluted earnings per share are also no longer reported. There were no differences between these measures at 31 March 2022 and 2021. EPRA earnings excludes all items of a capital nature, such as valuation movements and profits and losses on the disposal of investment properties, as well as exceptional items. The Group believes that EPRA earnings provides additional understanding of the Group's operational performance to shareholders and other stakeholder groups. A full definition of EPRA earnings is given in the Glossary. The components of EPRA earnings are presented on a proportionate basis in note 4. EPRA earnings is an alternative performance measure.

Our income statement has two key components: the income we generate from leasing our investment properties net of associated costs (including interest expense), which we refer to as EPRA earnings, and items not directly related to the underlying rental business, principally valuation changes, profits or losses on the disposal of properties, refinancing activity and exceptional items, which we refer to as Capital and other items. Our income statement is presented in a columnar format, split into those items that relate to EPRA earnings and Capital and other items. The total column represents the Group's results presented in accordance with IFRS; the other columns provide additional information. We believe EPRA earnings provides further understanding of the results of the Group's operational performance to stakeholders as it focuses on the rental income performance of the business and excludes Capital and other items which can vary significantly from year to year.

4. Segmental information

The Group's operations are all in the UK and are managed across four operating segments, being Central London, Major retail destinations (Major retail), Mixed-use urban neighbourhoods (Mixed-use urban) and Subscale sectors.

The Central London segment includes all assets geographically located within central London. Major retail destinations, which was previously referred to as Regional retail, includes all regional shopping centres and shops outside London and our outlets. The Mixed-use urban segment, which was previously referred to as Urban opportunities, includes those assets where we see the most potential for capital investment. There has been no change to the classification of these segments other than the change of name during the year to 31 March 2022. Subscale sectors mainly includes assets that will not be a focus for capital investment and consists of leisure and hotel assets and retail parks.

Management has determined the Group's operating segments based on the information reviewed by Senior Management to make strategic decisions. The chief operating decision maker is the Executive Leadership Team (ELT), comprising the Executive Directors and the Managing Directors. The information presented to ELT includes reports from all functions of the business as well as strategy, financial planning, succession planning, organisational development and Group-wide policies.

The Group's primary measure of underlying profit before tax is EPRA earnings. However, Segment net rental income is the lowest level to which the profit arising from the ongoing operations of the Group is analysed between the four segments. The administrative costs, which are predominantly staff costs for centralised functions, are all treated as administrative expenses and are not allocated to individual segments.

The Group manages its financing structure, with the exception of joint ventures, on a pooled basis. Individual joint ventures may have specific financing arrangements in place. Debt facilities and finance expenses, including those of joint ventures, are managed centrally and are therefore not attributed to a particular segment. Unallocated income and expenses are items incurred centrally which are not directly attributable to one of the segments.

All items in the segmental information note are presented on a proportionate basis. A reconciliation from the Group income statement to the information presented in the segmental information note is included in table 82.

EPRA earnings	2022					2021				
	Central London £m	Major retail £m	Mixed-use urban £m	Subscale sectors £m	Total £m	Central London £m	Major retail £m	Mixed-use urban £m	Subscale sectors £m	Total £m
Rental income	287	167	43	89	586	300	162	26	81	569
Finance lease interest	6	–	–	2	8	9	–	–	–	9
Gross rental income (before rents payable)	293	167	43	91	594	309	162	26	81	578
Rents payable ¹	(4)	(6)	–	2	(8)	(3)	(5)	–	(1)	(9)
Gross rental income (after rents payable)	289	161	43	93	586	306	157	26	80	569
Service charge income	40	39	7	–	86	39	35	5	–	79
Service charge expense	(41)	(45)	(9)	(3)	(98)	(39)	(38)	(5)	(2)	(84)
Net service charge expense	(1)	(6)	(2)	(3)	(12)	–	(3)	–	(2)	(5)
Other property related income	13	11	2	2	28	18	10	1	3	32
Direct property expenditure	(42)	(37)	(11)	(14)	(104)	(27)	(23)	(5)	(9)	(64)
Movement in bad and doubtful debts provisions	(1)	13	2	(2)	12	(17)	(69)	(10)	(31)	(127)
Segment net rental income	258	142	34	76	510	280	72	12	41	405
Other income					3					2
Administrative expense					(82)					(77)
Depreciation					(5)					(5)
EPRA earnings before interest					426					325
Finance income					9					15
Finance expense					(70)					(75)
Joint venture finance expense					(10)					(14)
EPRA earnings attributable to shareholders of the parent					355					251

1. Included within rents payable is lease interest payable of £2m (2021: £2m) for the Central London segment and £2m (2021: £1m) for the Subscale segment.

Notes to the financial statements

for the year ended 31 March 2022 continued

4. Segmental information continued

Reconciliation of EPRA earnings to profit/(loss) before tax	2022 Total £m	2021 Total £m
EPRA earnings attributable to shareholders of the parent	355	251
Capital and other items		
Valuation and profit on disposals		
Net surplus/(deficit) on revaluation of investment properties	409	(1,646)
Gain on modification of finance leases	6	-
Movement in impairment charge on trading properties	(6)	-
Profit on disposal of investment properties	115	5
Profit on disposal of investment in joint ventures	2	-
Profit/(loss) on disposal of trading properties	1	(1)
	527	(1,642)
Net finance income/(expense) (excluded from EPRA earnings)		
Fair value movement on interest-rate swaps	16	(1)
Premium on redemption of medium term notes (MTNs)	-	(3)
Other net finance (expense)/income	(15)	1
	1	(3)
Exceptional items		
Impairment of intangible asset	-	(4)
Impairment of goodwill	(6)	-
	(6)	(4)
Other		
Gain on settlement of liability	-	4
Business combination costs	(8)	-
Other	-	1
	(8)	5
Profit/(loss) before tax attributable to shareholders of the parent	869	(1,393)
Profit before tax attributable to non-controlling interests	6	-
Profit/(loss) before tax¹	875	(1,393)

1. Refer to Table B2 for a reconciliation of the Group income statement to the segmental information presented above.

5. Performance measures

In the tables below, we present earnings per share and net assets per share attributable to shareholders of the parent, calculated in accordance with IFRS, together with certain measures defined by the European Public Real Estate Association (EPRA), which have been included to assist comparison between European property companies. Three of the Group's key financial performance measures are EPRA earnings per share, EPRA Net Tangible Assets per share and total accounting return, which was previously referred to as total business return. There has been no change to the calculation of this measure other than the change of name during the year to 31 March 2022.

EPRA earnings, which is a tax adjusted measure of underlying earnings, is the basis for the calculation of EPRA earnings per share. We believe EPRA earnings and EPRA earnings per share provide further insight into the results of the Group's operational performance to stakeholders as they focus on the rental income performance of the business and exclude Capital and other items which can vary significantly from year to year.

Earnings per share	Year ended 31 March 2022		Year ended 31 March 2021	
	Profit for the year £m	EPRA earnings £m	Loss for the year £m	EPRA earnings £m
Profit/(loss) attributable to shareholders of the parent	869	869	(1,393)	(1,393)
Valuation and profit on disposals	-	(527)	-	1,642
Net finance (income)/expense (excluded from EPRA earnings)	-	(1)	-	3
Exceptional items	-	6	-	4
Other	-	8	-	(5)
Profit/(loss) used in per share calculation	869	355	(1,393)	251

	IFRS	EPRA	IFRS	EPRA
Basic earnings/(loss) per share	117.4p	48.0p	(188.2)p	33.9p
Diluted earnings/(loss) per share¹	117.1p	47.8p	(188.2)p	33.9p

1. In the year ended 31 March 2021, share options are excluded from the weighted average diluted number of shares when calculating IFRS diluted loss per share because they are not dilutive.

Net assets per share	31 March 2022			31 March 2021		
	Net assets £m	EPRA NDV £m	EPRA NTA £m	Net assets £m	EPRA NDV £m	EPRA NTA £m
Net assets attributable to shareholders of the parent	7,917	7,917	7,917	7,212	7,212	7,212
(Shortfall)/excess of fair value over net investment in finance leases book value	-	(6)	(6)	-	93	93
Deferred tax liability on intangible asset	-	-	1	-	-	1
Goodwill on deferred tax liability	-	(1)	(1)	-	(1)	(1)
Other intangible asset	-	-	(2)	-	-	(2)
Fair value of interest-rate swaps	-	-	(21)	-	-	(3)
Excess of fair value of debt over book value (note 22)	-	(107)	-	-	(244)	-
Net assets used in per share calculation	7,917	7,803	7,888	7,212	7,060	7,300
	IFRS	EPRA NDV	EPRA NTA	IFRS	EPRA NDV	EPRA NTA
Net assets per share	1,070p	n/a	n/a	975p	n/a	n/a
Diluted net assets per share	1,067p	1,052p	1,063p	973p	953p	985p

Notes to the financial statements

for the year ended 31 March 2022 continued

5. Performance measures continued

Number of shares	2022		2021	
	Weighted average million	31 March million	Weighted average million	31 March million
Ordinary shares	751	751	751	751
Treasury shares	(7)	(7)	(10)	(10)
Own shares	(4)	(4)	(1)	(1)
Number of shares – basic	740	740	740	740
Dilutive effect of share options	2	2	1	1
Number of shares – diluted	742	742	741	741

Total accounting return is calculated as the cash dividends per share paid in the year plus the change in EPRA NTA per share, divided by the opening EPRA NTA per share. We consider this to be a useful measure for shareholders as it gives an indication of the total return on equity over the year.

Total accounting return based on EPRA NTA	Year ended 31 March 2022 pence	Year ended 31 March 2021 pence
Increase/(decrease) in EPRA NTA per share	78	(207)
Dividend paid per share in the year (note 11)	25	18
Total return (a)	103	(189)
EPRA NTA per share at the beginning of the year (b)	985	1,192
Total accounting return (a/b)	10.5%	-15.9%

6. Revenue

Accounting policy

Rental income, including fixed rental uplifts, is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives being offered to occupiers to enter into a lease, such as an initial rent-free period or a cash contribution to fit out or similar costs, are an integral part of the net consideration for the use of the property and are therefore recognised on the same straight-line basis. Where the total consideration due under a lease is modified, for example, where a concession is granted to a tenant prior to the date the conceded rent falls due, the revised total amount due under the lease is recognised on a straight-line basis over the remaining term of the lease.

Contingent rents, being lease payments that are not fixed at the inception of a lease, for example turnover rents, are variable consideration and are recorded as income in the year in which they are earned. Where a single payment is received from a tenant to cover both rent and service charge, the service charge component is separated and reported as service charge income.

The Group's revenue from contracts with customers, as defined in IFRS 15, includes service charge income, other property related income, trading property sales proceeds and long-term development contract income.

Service charge income and management fees are recorded as income over time in the year in which the services are rendered. Revenue is recognised over time because the tenants benefit from the services as soon as they are rendered by the Group. The actual service provided during each reporting period is determined using cost incurred as the input method.

Other property related income includes development and asset management fees. These fees are recognised over time, using time elapsed as the input method which measures the benefit simultaneously received and consumed by the customer, over the period the development or asset management services are provided.

Proceeds received on the sale of trading properties are recognised when control of the property transfers to the buyer, i.e. the buyer has the ability to direct the use of the property and the right to the cash inflows and outflows generated by it. This generally occurs on unconditional exchange or on completion. If completion is expected to occur significantly after exchange or if the Group has significant outstanding obligations between exchange and completion, the Group assesses whether there are multiple performance obligations in the contract and recognises revenue as each performance obligation is satisfied.

When property is let under a finance lease, the Group recognises a receivable equal to the net investment in the lease at inception of the lease. Rentals received are accounted for as repayments of principal and finance income as appropriate. Finance income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining net investment in the finance lease and is recognised within revenue.

Revenue on long-term development contracts is recognised over time over the period of the contract as the Group creates or enhances an asset that the customer controls. Progress towards completion of the development; by reference to the value of work completed using the costs incurred to date as a proportion of total costs expected to be incurred over the term of the contract is used as the input method.

Significant accounting judgement

For those properties where the property management activities are performed by a third party, the Group considers the third party to be the principal delivering the service. The key factors considered by the Group when making this judgement include the following responsibilities of the third party:

- selecting suppliers and ensuring all services are delivered
- establishing prices and seeking efficiencies
- risk management and compliance

In addition, the residual rights residing with the Group are generally protective in nature.

All revenue is classified within the 'EPRA earnings' column of the income statement, with the exception of proceeds from the sale of trading properties, income from long-term development contracts and the non-owned element of the Group's subsidiaries which are presented in the 'Capital and other items' column.

	2022			2021		
	EPRA earnings £m	Capital and other items £m	Total £m	EPRA earnings £m	Capital and other items £m	Total £m
Rental income (excluding adjustment for lease incentives)	552	3 ¹	555	548	-	548
Adjustment for lease incentives	(18)	-	(18)	(29)	-	(29)
Rental income	534	3	537	519	-	519
Service charge income	77	1 ¹	78	70	-	70
Trading property sales proceeds	-	27	27	-	-	-
Other property related income	25	-	25	31	-	31
Finance lease interest	8	-	8	9	-	9
Long-term development contract income	-	1	1	-	-	-
Gain on settlement of liability	-	-	-	-	4	4
Other income	3	-	3	2	-	2
Revenue per the income statement	647	32	679	631	4	635

1. The Group acquired a 75% interest in MediaCity on 2 November 2021. This represents the 25% interest in MediaCity which is not owned by the Group, but which is consolidated in the Group numbers.

The following table reconciles revenue per the income statement to the individual components of revenue presented in note 4.

	2022				2021			
	Group £m	Joint ventures £m	Adjustment for non-wholly owned subsidiaries ¹ £m	Total £m	Group £m	Joint ventures £m	Adjustment for non-wholly owned subsidiaries ¹ £m	Total £m
Rental income	537	52	(3)	586	519	50	-	569
Service charge income	78	9	(1)	86	70	9	-	79
Trading property sales proceeds	27	15	-	42	-	4	-	4
Other property related income	25	3	-	28	31	1	-	32
Finance lease interest	8	-	-	8	9	-	-	9
Long-term development contract income	1	-	-	1	-	1	-	1
Gain on settlement of liability	-	-	-	-	4	-	-	4
Other income	3	-	-	3	2	2	-	4
Revenue in the segmental information note	679	79	(4)	754	635	67	-	702

1. The Group acquired a 75% interest in MediaCity on 2 November 2021. This represents the 25% interest in MediaCity which is not owned by the Group, but which is consolidated in the Group numbers.

Notes to the financial statements

for the year ended 31 March 2022 continued

7. Costs

Accounting policy

The carrying amounts of the Group's non-financial assets, other than investment properties, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. The value in use is determined as the net present value of the future cash flows expected to be derived from the asset, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount after the reversal does not exceed the amount that would have been determined, net of applicable depreciation, if no impairment loss had been recognised.

Rents payable reflect amounts due under head leases. Where rents payable are variable, and do not depend on an index or rate, the payments are recognised in the income statement as incurred. Where these rents are fixed, or in-substance fixed, at the inception of the agreement, or become fixed or in-substance fixed at some point over the life of the agreement, an asset representing the right to use the underlying land and a corresponding liability for the present value of the minimum future lease payments are recognised on the Group's balance sheet within investment properties and borrowings respectively.

All costs are classified within the 'EPRA earnings' column of the income statement, with the exception of the cost of sale of trading properties, costs arising on long-term development contracts, amortisation and impairments of intangible assets, and other attributable costs, arising on business combinations and the non-owned element of the Group's subsidiaries which are presented in the 'Capital and other items' column.

	2022			2021		
	EPRA earnings £m	Capital and other items £m	Total £m	EPRA earnings £m	Capital and other items £m	Total £m
Rents payable	6	-	6	7	-	7
Service charge expense	88	2 ¹	90	75	-	75
Direct property expenditure	94	-	94	56	-	56
Administrative expenses	85	-	85	80	-	80
Impairment of trading properties	-	6	6	-	-	-
Cost of trading property disposals	-	25	25	-	-	-
Long-term development contract expenditure	-	1	1	-	-	-
Amortisation of other intangible asset	-	-	-	-	1	1
Impairment of intangible asset	-	-	-	-	4	4
Impairment of goodwill	-	6	6	-	-	-
Business combination costs	-	8	8	-	-	-
Costs – other per the income statement	273	48	321	218	5	223
Movement in bad and doubtful debts expense – rent	(9)	-	(9)	98	-	98
Movement in bad and doubtful debts expense – service charge	(4)	-	(4)	12	-	12
Total costs per the income statement	260	48	308	328	5	333

1. The Group acquired a 75% interest in MediaCity on 2 November 2021. This represents the 25% interest in MediaCity which is not owned by the Group, but which is consolidated in the Group numbers.

The following table reconciles costs per the income statement to the individual components of costs presented in note 4.

	2022				2021			
	Group £m	Joint ventures £m	Adjustment for non-wholly owned subsidiaries ¹ £m	Total £m	Group £m	Joint ventures £m	Adjustment for non-wholly owned subsidiaries ¹ £m	Total £m
Rents payable	6	2	–	8	7	2	–	9
Service charge expense	90	10	(2)	98	75	9	–	84
Direct property expenditure	94	10	–	104	56	8	–	64
Administrative expenses	85	2	–	87	80	2	–	82
Impairment of trading properties	6	–	–	6	–	–	–	–
Cost of trading property disposals	25	16	–	41	–	5	–	5
Long-term development contract expenditure	1	–	–	1	–	1	–	1
Amortisation of other intangible asset	–	–	–	–	1	–	–	1
Impairment of intangible asset	–	–	–	–	4	–	–	4
Impairment of goodwill	6	–	–	6	–	–	–	–
Business combination costs	8	–	–	8	–	–	–	–
Movement in bad and doubtful debts expense – rent	(9)	2	–	(7)	98	15	–	113
Movement in bad and doubtful debts expense – service charge	(4)	(1)	–	(5)	12	2	–	14
Costs in the segmental information note	308	41	(2)	347	333	44	–	377

1. The Group acquired a 75% interest in MediaCity on 2 November 2021. This represents the 25% interest in MediaCity which is not owned by the Group, but which is consolidated in the Group numbers.

The Group's costs include employee costs for the year of **£78m** (2021: £58m), of which **£5m** (2021: £5m) is within service charge expense, **£60m** (2021: £53m) is within administrative expenses and **£13m** (2021: £nil) is within direct property expenditure.

Employee costs	2022 £m	2021 £m
Salaries and wages	63	46
Employer payroll taxes	8	5
Other pension costs (note 34)	3	3
Share-based payments (note 35)	4	4
	78	58

	2022 Number	2021 Number
The average monthly number of employees during the year was:		
Indirect property or contract and administration	412	443
Direct property or contract services:		
Full-time	184	81
Part-time	14	6
	610¹	530

1. Of the increase during the year, 62 employees are attributable to the acquisition of U+ Group PLC.

With the exception of the Executive Directors who are employed by Land Securities Group PLC, all employees are employed by subsidiaries of the Group. The employee costs for Land Securities Group PLC are borne by another Group company.

During the year, **none** (2021: none) of the Executive Directors had retirement benefits accruing under the defined benefit scheme. Information on Directors' emoluments share options and interests in the Company's shares is given in the Directors' Remuneration Report on pages 108-127.

Details of the employee costs associated with the Group's key management personnel are included in note 39.

Notes to the financial statements

for the year ended 31 March 2022 continued

8. Auditor remuneration

	2022 £m	2021 £m
Services provided by the Group's auditor		
Audit fees:		
Audit of parent company and consolidated financial statements	0.9	1.0
Audit of subsidiary undertakings	0.7	0.3
Audit of joint ventures	0.2	0.1
	1.8	1.4
Non-audit fees:		
Other assurance services	0.2	0.2
	2.0	1.6

It is the Group's policy to employ the Group's auditor on assignments additional to their statutory duties where their expertise and experience with the Group are important. Where appropriate the Group seeks tenders for services. If fees for an assignment are expected to be greater than £25,000, they are pre-approved by the Audit Committee.

9. External valuers remuneration

	2022 £m	2021 £m
Services provided by the Group's external valuers		
Year end and half-yearly valuations – Group	0.7	0.7
– Joint ventures	0.1	0.1
Other consultancy and agency services	0.9	1.7
	1.7	2.5

CBRE Limited (CBRE) is the Group's principal valuer and values the majority of the portfolio, including the majority of the portfolio acquired as part of the purchase of U+I Group PLC during the year. The fee arrangement with CBRE for the valuation of the Group's properties is fixed, subject to an adjustment for acquisitions and disposals. Savills (UK) Limited (Savills) was engaged to perform the valuation of the MediaCity portfolio and Jones Lang LaSalle Limited (JLL) was engaged to perform the valuation of part of the U+I Group PLC portfolio for the year ended 31 March 2022. The fees of CBRE, Savills and JLL have been included in the table above. CBRE, Savills and JLL undertake other consultancy and agency work on behalf of the Group. CBRE, Savills and JLL have confirmed to us that the total fees paid by the Group represented less than 5% of their total revenues in the current year.

10. Net finance expense

	2022			2021		
	EPRA earnings £m	Capital and other items £m	Total £m	EPRA earnings £m	Capital and other items £m	Total £m
Finance income						
Interest receivable from joint ventures	9	–	9	15	–	15
Fair value movement on interest-rate swaps	–	16	16	–	–	–
Fair value movement on other derivatives	–	–	–	–	1	1
	9	16	25	15	1	16
Finance expense						
Bond and debenture debt	(67)	–	(67)	(68)	–	(68)
Bank and other short-term borrowings	(19)	–	(19)	(17)	–	(17)
Fair value movement on interest-rate swaps	–	–	–	–	(1)	(1)
Premium on redemption of medium term notes	–	–	–	–	(3)	(3)
Other interest payable	(1)	(15)	(16)	(1)	–	(1)
	(87)	(15)	(102)	(86)	(4)	(90)
Interest capitalised in relation to properties under development	17	–	17	11	–	11
	(70)	(15)	(85)	(75)	(4)	(79)
Net finance (expense)/income	(61)	1	(60)	(60)	(3)	(63)
Joint venture net finance expense	(10)	–	–	(14)	–	–
Net finance expense included in EPRA earnings	(71)	–	–	(74)	–	–

Lease interest payable of £4m (2021: £3m) is included within rents payable as detailed in note 4.

11. Dividends

Accounting policy

Interim dividend distributions to shareholders are recognised in the financial statements when paid. Final dividend distributions are recognised as a liability in the period in which they are approved by shareholders.

Dividends paid	Payment date	Pence per share			Year ended 31 March	
		PID	Non-PID	Total	2022 £m	2021 £m
For the year ended 31 March 2020:						
Third interim	-	-	-	-	-	-
Final	-	-	-	-	-	-
For the year ended 31 March 2021:						
First interim	-	-	-	-	-	-
Second interim	4 January 2021	12.00	-	12.00	-	89
Third interim	30 March 2021	6.00	-	6.00	-	44
Final	23 July 2021	9.00	-	9.00	66	-
For the year ended 31 March 2022:						
First interim	8 October 2021	7.00	-	7.00	52	-
Second interim	4 January 2022	8.50	-	8.50	63	-
Gross dividends					181	133
Dividends in the statement of changes in equity					181	133
Timing difference on payment of withholding tax					9	(6)
Dividends in the statement of cash flows					190	127

Notes to the financial statements

for the year ended 31 March 2022 continued

11. Dividends continued

The third quarterly interim dividend of **8.5p** per ordinary share, or **£63m** in total (2021: 6.0p or £44m in total), was paid on 7 April 2022 as a Property Income Distribution (PID). The Board has recommended a final dividend for the year ended 31 March 2022 of **13.0p** per ordinary share (2021: 9.0p) to be paid as a PID. This final dividend will result in a further estimated distribution of **£96m** (2021: actual distribution of £66m). Subject to shareholders' approval at the Annual General Meeting, the final dividend will be paid on 22 July 2022 to shareholders registered at the close of business on 17 June 2022.

The total dividend paid and recommended in respect of the year ended 31 March 2022 is **37.0p** per ordinary share (2021: 27.0p) resulting in a total estimated distribution of **£274m** (2021: actual distribution of £199m).

The first quarterly dividend for the year ending 31 March 2023 will be paid in October 2022 and will be announced in due course.

A Dividend Reinvestment Plan (DRIP) has been available in respect of all dividends paid during the year. The last day for DRIP elections for the final dividend is close of business on 1 July 2022.

12. Income tax

Accounting policy

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the tax payable on the taxable income for the year and any adjustment in respect of previous years. Deferred tax is provided in full using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the asset is realised, or the liability is settled.

No provision is made for temporary differences (i) arising on the initial recognition of assets or liabilities, other than on a business combination, that affect neither accounting nor taxable profit and (ii) relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

Significant accounting judgement

The Group is a Real Estate Investment Trust (REIT). As a result, the Group does not pay UK corporation tax on its profits and gains from the qualifying rental business in the UK. Non-qualifying profits and gains of the Group continue to be subject to corporation tax as normal. In order to maintain group REIT status, certain ongoing criteria must be met. The main criteria are as follows:

- at the start of each accounting period, the assets of the tax exempt business must be at least 75% of the total value of the Group's assets;
- at least 75% of the Group's total profits must arise from the tax exempt business; and
- at least 90% of the notional taxable profit of the property rental business must be distributed.

The Directors intend that the Group should continue as a REIT for the foreseeable future, with the result that deferred tax is no longer recognised on temporary differences relating to the property rental business.

Deferred tax assets and liabilities require management judgement in determining the amounts, if any, to be recognised. In particular, judgement is required when assessing the extent to which deferred tax assets should be recognised, taking into account the expected timing and level of future taxable income. Deferred tax assets are only recognised when management believe they will be recovered against future taxable profits.

There is no income tax charge in the income statement. In the year ended 31 March 2021, there was no income tax charge in the income statement. There is a deferred tax charge of **£5m** (2021: £2m credit) included within Other comprehensive income.

The tax for the year is lower than the standard rate of corporation tax in the UK of 19%. The differences are explained in the table below.

	2022 £m	2021 £m
Profit/(loss) before tax	875	(1,393)
Profit/(loss) before tax multiplied by the rate of corporation tax in the UK of 19%	166	(265)
Adjustment for exempt property rental (profits)/losses and revaluations in the year	(154)	274
	12	9
Effects of:		
Timing difference on repurchase of medium term notes	(11)	(10)
Interest rate fair value movements and other temporary differences	(3)	(1)
Non-allowable expenses and non-taxable items	1	1
Movement in unrecognised tax losses	1	1
Total income tax charge in the income statement	-	-

	2022 £m	2021 £m
The Group's deferred tax liability is analysed as follows:		
Arising on business combination	1	1
Arising on pension surplus	6	1
Total deferred tax liability	7	2

Deferred tax is calculated at the rate substantively enacted at the balance sheet date of 25% (2021: 19%). The movement in the deferred tax liability arising on the re-measurement gain on the defined benefit pension scheme surplus, and on the re-measurement following the change in the deferred tax rate during the year, is included within Other comprehensive income in the Statement of comprehensive income.

There are unrecognised deferred tax assets on the following items due to the high degree of uncertainty as to their future utilisation by non-REIT qualifying activities.

	2022 £m	2021 £m
Revenue losses	220	53
Capital losses	272	272
Other unrecognised temporary differences	313	381
Total unrecognised items	805	706

The other unrecognised temporary differences relate to the premium paid on the redemption of the Group's medium term notes.

Notes to the financial statements

for the year ended 31 March 2022 continued

13. Net cash generated from operations

Reconciliation of operating profit/(loss) to net cash generated from operations				
	2022 £m	Group 2021 £m	2022 £m	Company 2021 £m
Operating profit/(loss)	935	(1,330)	90	(143)
Adjustments for:				
Net (surplus)/deficit on revaluation of investment properties	(416)	1,448	-	-
Gain on modification of finance leases	(6)	-	-	-
Profit on disposal of trading properties	(2)	-	-	-
Profit on disposal of investment properties	(107)	(8)	-	-
Profit on disposal of investment in joint ventures	(2)	-	-	-
Share of (profit)/loss from joint ventures and associates	(33)	192	-	-
Share-based payment charge	4	4	-	-
Impairment of intangible asset	-	4	-	-
Impairment of goodwill	6	-	-	-
(Reversal)/impairment of investment in subsidiary	-	-	(117)	116
Rents payable	8	7	-	-
Depreciation	5	5	-	-
Other	7	6	-	-
	399	328	(27)	(27)
Changes in working capital:				
Decrease in receivables	28	8	-	-
Increase/(decrease) in payables and provisions	21	(14)	27	27
Net cash generated from operations	448	322	-	-
Reconciliation to adjusted net cash inflow from operating activities				
	2022 £m	Group 2021 £m	2022 £m	Company 2021 £m
Net cash inflow from operating activities	381	233	-	-
Joint ventures net cash inflow from operating activities	23	19	-	-
Trading property disposals	(8)	(4)	-	-
Trading property capital expenditure	5	1	-	-
Adjusted net cash inflow from operating activities¹	401	249	-	-

1. Includes cash inflows relating to the interest in MediaCity which is not owned by the Group, but which is consolidated in the Group numbers.

Section 3 – Properties

This section focuses on the property assets which form the core of the Group's business. It includes details of investment properties, investments in joint ventures and trading properties.

Our property portfolio is a combination of properties that are wholly owned by the Group, part owned through joint arrangements and properties owned by the Group but where a third party holds a non-controlling interest. In the Group's IFRS balance sheet, wholly owned properties and properties owned by the Group but where a third party holds a non-controlling interest are presented as either 'Investment properties' or 'Trading properties'. The Group applies equity accounting to its investments in joint ventures, which requires the Group's share of properties held by joint ventures to be presented within 'Investments in joint ventures'.

Internally, management review the results of the Group on a basis that adjusts for these forms of ownership to present a proportionate share. The Combined Portfolio, with assets totalling **£12.0bn**, is an example of this proportionate share, reflecting the economic interest we have in our properties regardless of our ownership structure. We consider this presentation provides further insight to stakeholders about the activities and performance of the Group, as it aggregates the results of all of the Group's property interests which under IFRS are required to be presented across a number of line items in the statutory financial statements.

The Group's investment properties are carried at fair value and trading properties are carried at the lower of cost and net realisable value. Both of these values are determined by the Group's external valuers. The combined value of the Group's total investment property portfolio (including the Group's share of investment properties held through joint ventures) is shown as a reconciliation in note 14.

Accounting policy

Investment properties

Investment properties are properties, either owned or leased by the Group, that are held either to earn rental income or for capital appreciation, or both. Investment properties are measured initially at cost including related transaction costs, and subsequently at fair value. Fair value is based on market value, as determined by a professional external valuer at each reporting date. The difference between the fair value of an investment property at the reporting date and its carrying amount prior to re-measurement is included in the income statement as a valuation surplus or deficit. Investment properties are presented on the balance sheet within non-current assets.

Some of the Group's investment properties are owned through long-leasehold arrangements, as opposed to the Group owning the freehold. Where the Group is a lessee, a right-of-use asset is recognised at the commencement date of the lease and accounted for as investment property. Initially, the cost of investment properties held under leases includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The investment properties held under leases are subsequently carried at their fair value. A corresponding liability is recorded within borrowings. Each lease payment is allocated between repayment of the liability and a finance charge to achieve a constant interest rate on the outstanding liability.

Trading properties

Trading properties are those properties held for sale, or those being developed with a view to sell. Trading properties are recorded at the lower of cost and net realisable value. The net realisable value of a trading property is determined by a professional external valuer at each reporting date. If the net realisable value of a trading property is lower than its carrying value, an impairment loss is recorded in the income statement. If, in subsequent periods, the net realisable value of a trading property that was previously impaired increases above its carrying value, the impairment is reversed to align the carrying value of the property with the net realisable value. Trading properties are presented on the balance sheet within current assets.

Acquisition of properties

Properties are treated as acquired when the Group assumes control of the property.

Capital expenditure and capitalisation of borrowing costs

Capital expenditure on properties consists of costs of a capital nature, including costs associated with developments and refurbishments. Where a property is being developed or undergoing major refurbishment, interest costs associated with direct expenditure on the property are capitalised. The interest capitalised is calculated using the Group's weighted average cost of borrowings. Interest is capitalised from the commencement of the development work until the date of practical completion. Certain internal staff and associated costs directly attributable to the management of major schemes are also capitalised. The total staff and associated costs are capitalised based on the proportion of time spent on the relevant scheme. Internal staff costs are capitalised from the date the Group determines it is probable that the development will progress until the date of practical completion.

Notes to the financial statements

for the year ended 31 March 2022 continued

Transfers between investment properties and trading properties

When the Group begins to redevelop an existing investment property for continued future use as an investment property, the property continues to be held as an investment property. When the Group begins to redevelop an existing investment property with a view to sell, the property is transferred to trading properties and held as a current asset. The property is re-measured to fair value as at the date of the transfer with any gain or loss being taken to the income statement. The re-measured amount becomes the deemed cost at which the property is then carried in trading properties.

Disposal of properties

Properties are treated as disposed when control of the property is transferred to the buyer. Typically, this will either occur on unconditional exchange or on completion. Where completion is expected to occur significantly after exchange, or where the Group continues to have significant outstanding obligations after exchange, the control will not usually transfer to the buyer until completion.

The profit on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset at the beginning of the accounting period plus capital expenditure to the date of disposal. The profit on disposal of investment properties is presented separately on the face of the income statement. Proceeds received on the sale of trading properties are recognised within Revenue, and the carrying value at the date of disposal is recognised within Costs.

Significant accounting judgement

Acquisition and disposal of properties

Property transactions can be complex in nature and material to the financial statements. To determine when an acquisition or disposal should be recognised, management consider whether the Group assumes or relinquishes control of the property, and the point at which this is obtained or relinquished. Consideration is given to the terms of the acquisition or disposal contracts and any conditions that must be satisfied before the contract is fulfilled. In the case of an acquisition, management must also consider whether the transaction represents an asset acquisition or business combination.

Significant accounting estimate

Valuation of the Group's properties

The valuation of the Group's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental revenues from that particular property. As a result, the valuations the Group places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the property market.

The investment property valuation contains a number of assumptions upon which the Group's valuer has based its valuation of the Group's properties. The assumptions on which the property valuation reports have been based include, but are not limited to, matters such as the tenure and tenancy details for the properties, ground conditions at the properties, the structural condition of the properties, prevailing market yields and comparable market transactions. These assumptions are market standard and accord with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards UK.

The estimation of the net realisable value of the Group's trading properties, in particular the development land and infrastructure programmes, is inherently subjective due to a number of factors, including their complexity, unusually large size, the substantial expenditure required and long timescales to completion. In addition, as a result of these timescales to completion, the plans associated with these programmes could be subject to significant variation. As a result, and similar to the valuation of investment properties, the net realisable values of the Group's trading properties are subject to a degree of uncertainty and are determined on the basis of assumptions which may not prove to be accurate.

If the assumptions upon which the external valuer has based its valuations prove to be inaccurate, this may have an impact on the value of the Group's investment and trading properties, which could in turn have an effect on the Group's financial position and results.

The Valuer's report for the year ended 31 March 2021 contained a 'material uncertainty' clause in relation to the valuation of hotels due to the disruption to the market at that date caused by Covid-19. As hotels only form a small portion of the Group's portfolio, the range of sensitivities disclosed in the tables on pages 165-166 have been deemed to provide sufficient information on the assumptions upon which the external valuer has based its valuations. The Valuers' reports for the year ended 31 March 2022 did not contain a material uncertainty clause.

14. Investment properties

	2022 £m	2021 £m
Net book value at the beginning of the year	9,607	11,297
Acquired through acquisition of group of subsidiaries	619	-
Acquisitions of investment properties	247	115
Capital expenditure	343	221
Capitalised interest	17	11
Net movement in head leases capitalised ¹	62	1
Disposals	(98)	(579)
Net surplus/(deficit) on revaluation of investment properties	416	(1,448)
Transfers to trading properties	(6)	(11)
Net book value at the end of the year	11,207	9,607

1. See note 22 for details of the amounts payable under head leases and note 4 for details of the rents payable in the income statement.

The market value of the Group's investment properties, as determined by the Group's external valuers, differs from the net book value presented in the balance sheet due to the Group presenting tenant finance leases, head leases and lease incentives separately. The following table reconciles the net book value of the investment properties to the market value.

	2022				2021			
	Group (excl. joint ventures) £m	Joint ventures ¹ £m	Adjustment for non-wholly owned subsidiaries ² £m	Combined Portfolio £m	Group (excl. joint ventures) £m	Joint ventures ¹ £m	Adjustment for non-wholly owned subsidiaries ² £m	Combined Portfolio £m
Market value	11,362	800	(145)	12,017	10,025	766	-	10,791
Less: properties treated as finance leases	(66)	-	-	(66)	(249)	-	-	(249)
Plus: head leases capitalised	123	9	-	132	61	9	-	70
Less: tenant lease incentives	(212)	(38)	-	(250)	(230)	(40)	-	(270)
Net book value	11,207	771	(145)	11,833	9,607	735	-	10,342
Net surplus/(deficit) on revaluation of investment properties	416	(3)	(4)	409	(1,448)	(198)	-	(1,646)

1. Refer to note 16 for a breakdown of this amount by entity.

2. The Group acquired a 75% interest in MediaCity on 2 November 2021. This represents the 25% interest in MediaCity which is not owned by the Group, but which is consolidated in the Group numbers.

The net book value of leasehold properties where head leases have been capitalised is **£2,908m** (2021: £2,484m).

Investment properties include capitalised interest of **£249m** (2021: £232m). The average rate of interest capitalisation for the year is **2.5%** (2021: 2.6%). The gross historical cost of investment properties is **£8,604m** (2021: £7,554m).

Valuation process

The fair value of investment properties at 31 March 2022, except those in the MediaCity portfolio and part of the portfolio acquired as part of U+I Group PLC, was determined by the Group's external valuer, CBRE. The MediaCity portfolio was valued by Savills and the part of the U+I Group PLC portfolio not valued by CBRE was valued by JLL at 31 March 2022. The valuations are in accordance with RICS standards and were arrived at by reference to market evidence of transactions for similar properties. The valuations performed by the valuers are reviewed internally by Senior Management and other relevant people within the business. This process includes discussions of the assumptions used by the valuers, as well as a review of the resulting valuations. Discussions of the valuation process and results are held between Senior Management, the Audit Committee and the valuers on a half-yearly basis.

The valuers' opinion of fair value was primarily derived using comparable recent market transactions on arm's length terms and using appropriate valuation techniques. The fair value of investment properties is determined using the income capitalisation approach. Under this approach, forecast net cash flows, based upon current market derived estimated rental values (market rents) together with estimated costs, are discounted at market derived capitalisation rates to produce the valuers' opinion of fair value. The average discount rate, which, if applied to all cash flows would produce the fair value, is described as the equivalent yield.

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14. Investment properties continued

Properties in the development programme are typically valued using a residual valuation method. Under this methodology, the valuer assesses the completed development value using income and yield assumptions. Deductions are then made for estimated costs to complete, including finance and developer's profit, to arrive at the valuation. Costs include future estimated costs associated with refurbishment or development (excluding finance costs), together with an estimate of cash incentives to be paid to tenants. As the development approaches completion, the valuer may consider the income capitalisation approach to be more appropriate.

The Group considers all of its investment properties to fall within 'Level 3', as defined by IFRS 13 and as explained in note 26(iii). Accordingly, there have been no transfers of properties within the fair value hierarchy in the financial year.

The table below summarises the key unobservable inputs used in the valuation of the Group's wholly owned investment properties, and properties owned by the Group but where a third party holds a non-controlling interest, at 31 March 2022:

	Market value £m	Estimated rental value £ per sq ft			Equivalent yield %			2022 Costs £ per sq ft		
		Low	Average	High	Low	Average	High	Low	Average ¹	High
Central London										
West End offices	2,613	19	65	77	3.8%	4.7%	5.0%	–	18	96
City offices	1,928	56	112	280	4.3%	4.6%	6.0%	–	42	95
Retail and other	1,096	8	56	84	2.5%	4.2%	6.5%	–	2	23
Total Central London	5,637	8	79	280	2.5%	4.6%	6.5%	–	23	96
Major retail										
Shopping centres	852	22	26	36	6.3%	7.4%	7.8%	–	2	19
Outlets	743	19	48	56	6.1%	6.8%	12.8%	–	2	6
Total Major retail	1,595	19	36	56	6.1%	7.1%	12.8%	–	2	19
Mixed-use urban										
Completed investments	545	15	29	72	4.7%	5.7%	8.4%	–	–	11
Developments	473	3	19	55	4.5%	6.7%	9.7%	–	–	–
Total Mixed-use urban	1,018	3	24	72	4.5%	6.2%	9.7%	–	–	11
Subscale sectors										
Leisure	515	6	12	16	6.5%	7.4%	10.5%	–	4	23
Hotels	422	7	16	30	4.8%	5.7%	7.4%	–	–	–
Retail parks	466	12	18	24	4.0%	5.7%	7.7%	–	3	32
Total Subscale sectors	1,403	6	12	30	4.0%	5.7%	10.5%	–	3	32
Developments: income capitalisation method	923	52	67	75	4.1%	4.2%	5.0%	–	–	–
Developments: residual method	786	34	65	94	4.0%	4.2%	5.4%	–	–	–
Development programme	1,709	34	66	94	4.0%	4.2%	5.4%	–	–	–
Market value at 31 March 2022 – Group 11,362										

1. The calculation for average costs excludes those properties which are assumed by the Group's external valuer to be substantially refurbished or redeveloped, but which do not yet form part of the development programme.

The sensitivities below illustrate the impact of changes in key unobservable inputs (in isolation) on the fair value of the Group's properties:

Sensitivities	Market value £m	Impact on valuations of 5% change in estimated rental value		Impact on valuations of 25 bps change in equivalent yield		Impact on valuations of 5% change in costs	
		Increase £m	Decrease £m	Decrease £m	Increase £m	Decrease £m	Increase £m
Total Central London (excluding developments)	5,637	202	(190)	311	(269)	2	(4)
Total Major retail (excluding developments)	1,595	66	(250)	60	(56)	1	(1)
Total Mixed-use urban (excluding developments)	545	15	(14)	24	(22)	-	-
Total Subscale sectors (excluding developments)	1,403	53	(50)	61	(55)	1	(1)
Developments: Mixed-use urban	473	16	(15)	16	(15)	-	-
Developments: income capitalisation method	923	29	(29)	74	(66)	10	(9)
Developments: residual method	786	69	(68)	47	(81)	34	(34)
Market value at 31 March 2022 – Group	11,362	450	(616)	593	(564)	48	(49)

The table below summarises the key unobservable inputs used in the valuation of the Group's wholly owned investment properties, and properties owned by the Group but where a third party holds a non-controlling interest, at 31 March 2021:

	Market value £m	Estimated rental value £ per sq ft			Equivalent yield %			Costs £ per sq ft		
		Low	Average	High	Low	Average	High	Low	Average ²	High
Central London										
West End offices	2,770	18	65	79	3.8%	4.7%	5.0%	3	13	51
City offices	2,025	31	64	87	4.2%	4.6%	6.0%	-	30	113
Retail and other	1,410	7	42	79	2.5%	4.4%	5.6%	-	2	38
Total Central London	6,205	7	59	87	2.5%	4.6%	6.0%	-	16	113
Major retail										
Shopping centres	813	15	22	40	6.3%	7.6%	9.5%	-	3	11
Outlets	722	20	47	56	6.3%	6.8%	10.8%	-	-	-
Total Major retail	1,535	15	34	56	6.3%	7.2%	10.8%	-	2	11
Mixed-use urban	305	3	19	35	4.9%	5.7%	8.3%	-	-	-
Subscale sectors										
Leisure	464	6	12	16	6.9%	7.8%	9.9%	-	3	30
Hotels	406	7	15	30	4.8%	5.7%	7.4%	-	-	-
Retail parks	397	12	17	24	5.1%	7.6%	8.7%	-	3	8
Total Subscale sectors	1,267	6	12	30	4.8%	5.7%	9.9%	-	2	30
Developments: residual method	713	64	73	90	3.8%	4.4%	4.5%	-	-	-
Development programme	713	64	73	90	3.8%	4.4%	4.5%	-	-	-
Market value at 31 March 2021 – Group	10,025									

1. Restated to reflect a change in the year to 31 March 2022 in the Group's new reporting structure within the Central London segment.

2. The calculation for average costs excludes those properties which are assumed by the Group's external valuer to be substantially refurbished or redeveloped, but which do not yet form part of the development programme.

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for the year ended 31 March 2022 continued

14. Investment properties continued

The sensitivities illustrate the impact of changes in key unobservable inputs (in isolation) on the fair value of the Group's properties:

Sensitivities	Market value £m	Impact on valuations of 5% change in estimated rental value		Impact on valuations of 25 bps change in equivalent yield		Impact on valuations of 5% change in costs	
		Increase £m	Decrease £m	Decrease £m	Increase £m	Decrease £m	Increase £m
Total Central London (excluding developments)	6,205	247	(242)	401	(356)	25	(23)
Total Major retail (excluding developments)	1,535	64	(66)	56	(58)	-	-
Total Mixed-use urban (excluding developments)	305	12	(11)	14	(13)	-	-
Total Subscale sectors (excluding developments)	1,267	46	(46)	49	(47)	1	(1)
Developments: residual method	713	38	(41)	67	(67)	14	(23)
Market value at 31 March 2021 – Group	10,025	407	(406)	587	(541)	40	(47)

15. Trading properties

	Development land and infrastructure £m	Residential £m	Total £m
At 1 April 2020	24	-	24
Transfer from investment properties	-	11	11
Capital expenditure	-	1	1
At 31 March 2021	24	12	36
Transfer from investment properties	-	6	6
Acquisitions	128	-	128
Capital expenditure	1	5	6
Disposals	(25)	-	(25)
Impairment provision	-	(6)	(6)
At 31 March 2022	128	17	145

The cumulative impairment provision at 31 March 2022 in respect of Development land and infrastructure was **£nil** (2021: £nil) and in respect of Residential was **£6m** (2021: £nil).

16. Joint arrangements

Accounting policy

Joint arrangements are those entities over whose activities the Group has joint control, established by contractual agreement. Interests in joint arrangements are accounted for as either a joint venture or a joint operation. The treatment as either a joint venture or a joint operation will depend on whether the Group has rights to the net assets, or a direct interest in the assets and liabilities of the arrangement.

A joint arrangement is accounted for as a joint venture when the Group, along with the other parties that have joint control of the arrangement, has rights to the net assets of the arrangement. Interests in joint ventures are accounted for using the equity method of accounting. The equity method requires the Group's share of the joint venture's post-tax profit or loss for the year to be presented separately in the income statement and the Group's share of the joint venture's net assets to be presented separately in the balance sheet.

A joint arrangement is accounted for as a joint operation when the Group, along with the parties that have joint control of the arrangement, has rights to the assets and obligations for the liabilities relating to the arrangement. The Group's share of jointly controlled assets, related liabilities, income and expenses are combined with the equivalent items in the financial statements on a line-by-line basis.

The Group's principal joint arrangements are described below:

Joint ventures ¹	Percentage owned & voting rights ²	Business segment	Year end date ³	Joint venture partner
Held at 31 March 2022				
Nova, Victoria ⁴	50%	Central London	31 March	Suntec Real Estate Investment Trust
Southside Limited Partnership	50%	Major retail	31 March	Invesco Real Estate European Fund
St. David's Limited Partnership	50%	Major retail	31 March ⁵	Intu Properties plc ⁶
Westgate Oxford Alliance Limited Partnership	50%	Major retail, Subscale sectors	31 March	The Crown Estate Commissioners
Harvest ^{7,8}	50%	Subscale sectors	31 March	J Sainsbury plc
The Ebbsfleet Limited Partnership ⁸	50%	Subscale sectors	31 March	Ebbsfleet Property Limited
West India Quay Unit Trust ⁸	50%	Subscale sectors	31 March	Schroder UK Real Estate Fund
Mayfield ^{8,9,10}	50%	Mixed-use urban	31 March	LCR Limited, Manchester City Council, Transport for Greater Manchester
Wind Farms ^{8,9,11}	50%	Subscale sectors	31 March	Steven John Radford
Curzon Park Limited ^{8,9}	50%	Subscale sectors	31 March	Derwent Developments (Curzon) Limited
Plus X Holdings Limited ^{8,9}	50%	Subscale sectors	31 March	Paul David Rostas, Matthew Edmund Hunter
Landmark Court Partnership Limited ^{8,9}	51%	Central London	31 March	TTL Landmark Court Properties Limited
Joint operation	Ownership interest	Business segment	Year end date ³	Joint operation partners
Held at 31 March 2022				
Bluewater, Kent	48.75% ¹²	Major retail	31 March	M&G Real Estate and GIC Royal London Asset Management Aberdeen Standard Investments

1. Refer to Additional information pages 218-222 for the full list of the Group's related undertakings.

2. Investments under joint arrangements are not always represented by an equal percentage holding by each partner. In a number of joint ventures that are not considered principal joint ventures and therefore not included in the table above, the Group holds a majority shareholding but has joint control and therefore the arrangement is accounted for as a joint venture. Refer to Additional information pages 218-222 for the respective percentage holdings of all joint venture arrangements entered into by the Group.

3. The year end date shown is the accounting reference date of the joint arrangement. In all cases, the Group's accounting is performed using financial information for the Group's own reporting year and reporting date.

4. Nova, Victoria includes the Nova Limited Partnership, Nova Residential Limited Partnership, Nova GP Limited, Nova Business Manager Limited, Nova Residential (GP) Limited, Nova Residential Intermediate Limited, Nova Estate Management Company Limited, Nova Nominee 1 Limited and Nova Nominee 2 Limited. On 19 June 2020, the Group acquired Nova's interests in n2 and Nova Place from the joint venture. On 18 December 2020, the Canada Pension Plan Investment Fund sold their interest in Nova, Victoria to Suntec Real Estate Investment Trust, but retained an interest in Victoria Circle Developer Limited which is included in Other in subsequent tables from that date.

5. On 22 September 2021, the year end date for St. David's Limited Partnership was changed from 31 December to 31 March.

6. Intu Properties plc went into administration in June 2020 and its subsidiary, our joint venture partner Intu the Hayes Limited, was subsequently placed in receivership by its secured creditors in November 2020.

7. Harvest includes Harvest 2 Limited Partnership, Harvest Development Management Limited, Harvest 2 Selly Oak Limited, Harvest 2 GP Limited and Harvest GP Limited.

8. Included within Other in subsequent tables.

9. On 14 December 2021, the Group acquired its interests in these joint venture arrangements as part of the acquisition of U+I Group PLC.

10. Mayfield includes Mayfield Development Partnership LP and Mayfield Development (General Partner) Limited.

11. Wind Farms includes DS Renewables LLP, Hendy Wind Farm Limited and Rhoscrowther Wind Farm Limited.

12. On 21 December 2021, the Group acquired an additional 25% interest in Bluewater from Lendlease Retail LP. On 31 March 2022, the Group sold a 6.25% interest in Bluewater to M&G Real Estate and GIC.

Notes to the financial statements

for the year ended 31 March 2022 continued

16. Joint arrangements continued

All of the Group's joint arrangements listed above have their principal place of business in the United Kingdom. All of the Group's principal joint arrangements own and operate investment property, with the exception of The Ebbsfleet Limited Partnership which is a holding company and Harvest which is engaged in long-term development contracts. The activities of all the Group's principal joint arrangements are therefore strategically important to the business activities of the Group.

All joint ventures listed above are registered in England and Wales with the exception of Southside Limited Partnership and West India Quay Unit Trust which are registered in Jersey.

Joint ventures	Year ended 31 March 2022						
	Nova, Victoria 100% £m	Southside Limited Partnership 100% £m	St. David's Limited Partnership 100% £m	Westgate Oxford Alliance Partnership 100% £m	Other 100% £m	Total 100% £m	Total Group share £m
Comprehensive income statement							
Revenue ¹	45	11	33	37	6	132	64
Gross rental income (after rents payable)	36	10	25	26	6	103	52
Net rental income	29	11	17	25	–	82	41
EPRA earnings before interest	29	10	15	24	(1)	77	39
Finance expense	(13)	(6)	–	–	–	(19)	(10)
Net finance expense	(13)	(6)	–	–	–	(19)	(10)
EPRA earnings	16	4	15	24	(1)	58	29
Capital and other items							
Net surplus/(deficit) on revaluation of investment properties	16	(1)	(20)	(2)	–	(7)	(3)
Profit on disposal of investment properties	–	–	–	–	12	12	8
Loss on disposal of trading properties	–	–	–	–	(2)	(2)	(1)
Profit/(loss) before tax	32	3	(5)	22	9	61	33
Post-tax profit/(loss)	32	3	(5)	22	9	61	33
Total comprehensive income/(loss)	32	3	(5)	22	9	61	33
Group share of profit/(loss) before tax	16	2	(3)	11	7	33	
Group share of post-tax profit/(loss)	16	2	(3)	11	7	33	
Group share of total comprehensive income/(loss)	16	2	(3)	11	7	33	

1. Revenue includes gross rental income (before rents payable), service charge income, other property related income, trading properties disposal proceeds and income from long-term development contracts.

Joint ventures						Year ended 31 March 2021	
	Nova, Victoria 100% £m	Southside Limited Partnership 100% £m	St. David's Limited Partnership 100% £m	Westgate Oxford Alliance Partnership 100% £m	Other 100% £m	Total 100% £m	Total Group share £m
Comprehensive income statement							
Revenue ¹	53	11	30	32	8	134	67
Gross rental income (after rents payable)	35	10	23	24	4	96	48
Net rental income	32	4	6	6	1	49	24
EPRA earnings before interest	28	4	5	5	1	43	22
Finance expense	(22)	(6)	-	-	-	(28)	(14)
Net finance expense	(22)	(6)	-	-	-	(28)	(14)
EPRA earnings	6	(2)	5	5	1	15	8
Capital and other items							
Net deficit on revaluation of investment properties	(23)	(61)	(179)	(122)	(11)	(396)	(198)
Loss on disposal of investment properties	(5)	-	-	-	-	(5)	(3)
Loss on disposal of trading properties	(1)	-	-	-	-	(1)	(1)
Other income	-	-	-	-	4	4	2
Loss before tax	(23)	(63)	(174)	(117)	(6)	(383)	(192)
Post-tax loss	(23)	(63)	(174)	(117)	(6)	(383)	(192)
Total comprehensive loss	(23)	(63)	(174)	(117)	(6)	(383)	(192)
Group share of loss before tax	(12)	(32)	(87)	(58)	(3)	(192)	
Group share of post-tax loss	(12)	(32)	(87)	(58)	(3)	(192)	
Group share of total comprehensive loss	(12)	(32)	(87)	(58)	(3)	(192)	

1. Revenue includes gross rental income (before rents payable), service charge income, other property related income, trading properties disposal proceeds and income from long-term development contracts.

Notes to the financial statements

for the year ended 31 March 2022 continued

16. Joint arrangements continued

Joint ventures							31 March 2022
	Nova, Victoria 100% £m	Southside Limited Partnership 100% £m	St. David's Limited Partnership 100% £m	Westgate Oxford Alliance Partnership 100% £m	Other 100% £m	Total 100% £m	Total Group share £m
Balance sheet							
Investment properties ¹	815	133	235	236	132	1,551	771
Non-current assets	815	133	235	236	132	1,551	771
Cash and cash equivalents	27	4	10	12	10	63	31
Other current assets	63	7	13	14	53	150	105
Current assets	90	11	23	26	63	213	136
Total assets	905	144	258	262	195	1,764	907
Trade and other payables and provisions	(22)	(10)	(9)	(10)	(12)	(63)	(44)
Current liabilities	(22)	(10)	(9)	(10)	(12)	(63)	(44)
Non-current liabilities	(139)	(145)	(22)	(3)	(131)	(440)	(168)
Non-current liabilities	(139)	(145)	(22)	(3)	(131)	(440)	(168)
Total liabilities	(161)	(155)	(31)	(13)	(143)	(503)	(212)
Net assets	744	(11)	227	249	52	1,261	695
Market value of investment properties¹	870	133	226	247	124	1,600	800
Net cash/(debt)²	27	2	(6)	12	4	39	19
Joint ventures							31 March 2021
	Nova, Victoria 100% £m	Southside Limited Partnership 100% £m	St. David's Limited Partnership 100% £m	Westgate Oxford Alliance Partnership 100% £m	Other 100% £m	Total 100% £m	Total Group share £m
Balance sheet							
Investment properties ¹	799	132	248	235	56	1,470	735
Non-current assets	799	132	248	235	56	1,470	735
Cash and cash equivalents	34	2	13	8	5	62	31
Other current assets	67	6	14	17	7	111	55
Current assets	101	8	27	25	12	173	86
Total assets	900	140	275	260	68	1,643	821
Trade and other payables and provisions	(21)	(10)	(11)	(10)	(4)	(56)	(28)
Current liabilities	(21)	(10)	(11)	(10)	(4)	(56)	(28)
Non-current liabilities	(177)	(144)	(16)	-	-	(337)	(168)
Non-current liabilities	(177)	(144)	(16)	-	-	(337)	(168)
Total liabilities	(198)	(154)	(27)	(10)	(4)	(393)	(196)
Net assets	702	(14)	248	250	64	1,250	625
Market value of investment properties¹	859	132	238	245	57	1,531	766
Net cash/(debt)²	34	2	(3)	8	5	46	23

1. The difference between the book value and the market value of investment properties is the amount recognised in respect of lease incentives, head leases capitalised and properties treated as finance leases, where applicable.

2. Excludes funding provided by the Group and its joint venture partners.

Joint ventures						
	Nova, Victoria Group share £m	Southside Limited Partnership Group share £m	St. David's Limited Partnership Group share £m	Westgate Oxford Alliance Partnership Group share £m	Other Group share £m	Total Group share £m
Net investment						
At 1 April 2020	365	25	211	187	36	824
Total comprehensive loss	(12)	(32)	(87)	(58)	(3)	(192)
Non-cash contributions	9	-	-	-	-	9
Cash distributions	(11)	-	-	(4)	(1)	(16)
At 31 March 2021	351	(7)	124	125	32	625
Total comprehensive income/(loss)	16	2	(3)	11	7	33
Acquisitions	-	-	-	-	54	54
Non-cash contributions	5	-	-	-	-	5
Cash distributions	-	-	(8)	(11)	(3)	(22)
At 31 March 2022	372	(5)	113	125	90	695
Comprised of:						
Non-current assets	372	-	113	125	90	700
Non-current liabilities	-	(5)	-	-	-	(5)

17. Investments in associates

Accounting policy

Associates are those entities over whose financial and operating policy decisions the Group has significant influence, established by contractual agreement, but over which the Group does not have control or joint control over those policies. Interests in associates are accounted for using the equity method of accounting. The equity method requires the Group's share of the associate's post-tax profit or loss for the year to be presented separately in the income statement and the Group's share of the associate's net assets to be presented separately in the balance sheet.

The Group's principal interests in associates, acquired as part of the purchase of the share capital of U+I Group PLC on 14 December 2021 and held at 31 March 2022, are described below:

Associates ¹	Percentage owned and voting rights	Year end date	Business segment
CDSR Burlington House Developments Limited	20%	31 December	Subscale sectors
Northpoint Developments Limited	42%	31 December	Subscale sectors
YC Shepherds Bush Limited	24.5%	31 December	Subscale sectors

1. Refer to Additional information pages 218-222 for the full list of the Group's related undertakings.

All of the Group's associates have their principal place of business in the United Kingdom, except for CDSR Burlington House Developments Limited which operates in Ireland. All of the Group's associates are engaged in property development.

The investments in CDSR Burlington House Developments Limited and Northpoint Developments Limited have been fully impaired.

All associates are registered in England and Wales with the exception of CDSR Burlington House Developments Limited which is registered in Ireland.

The Group's share of profit or loss from its investments in associates was **£nil** (2021: **£nil**).

Associates	Total Group share £m
Net investment	
At 1 April 2020	-
At 31 March 2021	-
Acquisitions	4
At 31 March 2022	4

Notes to the financial statements

for the year ended 31 March 2022 continued

18. Capital commitments

	2022 £m	2021 £m
Contracted capital commitments at the end of the year in respect of:		
Investment properties	289	222
Trading properties	3	-
Joint ventures (our share)	1	1
Total capital commitments	293	223

Capital commitments include contractually committed obligations to purchase goods or services used in the construction, development, repair, maintenance or other enhancement of the Group's properties.

19. Net investment in finance leases

Accounting policy

Where the Group's leases transfer the significant risks and rewards incidental to ownership of the underlying asset to the tenant, the lease is accounted for as a finance lease. At the outset of the lease the fair value of the asset is de-recognised from investment property and recognised as a finance lease receivable. Lease income is recognised over the period of the lease, reflecting a constant rate of return. The difference between the gross receivable and the present value of the receivable is recognised as finance income within Revenue over the lease term.

	2022 £m	2021 £m
Non-current		
Finance leases – gross receivables	82	225
Unguaranteed residual value	28	34
Unearned finance income	(40)	(107)
	70	152
Current		
Finance leases – gross receivables	6	13
Unearned finance income	(4)	(9)
	2	4
Net investment in finance leases	72	156
Gross receivables from finance leases due:		
No later than one year	6	13
One to two years	6	13
Two to three years	6	13
Three to four years	6	13
Four to five years	6	13
More than five years	58	173
	88	238
Unguaranteed residual value	28	34
Unearned finance income	(44)	(116)
Net investment in finance leases	72	156

The Group has leased out several investment properties under finance leases, which range from 20 to 40 years in duration from the inception of the lease. During the year to 31 March 2022, a disposal of a property resulted in the derecognition of the related net investment in finance lease of £90m.

20. Intangible assets

Accounting policy

Intangible assets comprise goodwill and other intangible assets arising on business combinations and software used internally within the business. Intangible assets arising on business combinations are initially recognised at fair value. Goodwill is not amortised but is tested at least annually for impairment. Other intangible assets arising on business combinations are amortised to the income statement over their expected useful lives. Software assets are stated at cost less accumulated amortisation and are amortised on a straight-line basis over their estimated useful economic lives, normally three to five years.

	Goodwill £m	Software £m	Other intangible asset £m	Total £m
At 1 April 2020	1	6	7	14
Capital expenditure	-	2	-	2
Amortisation	-	(3)	(1)	(4)
Impairment	-	-	(4)	(4)
At 31 March 2021	1	5	2	8
Capital expenditure	-	2	-	2
Additions	6	-	-	6
Amortisation	-	(2)	-	(2)
Impairment	(6)	-	-	(6)
At 31 March 2022	1	5	2	8

The other intangible asset relates to the Group's acquisition of its interest in Bluewater, Kent in 2014 and represents the estimated fair value of the management rights for the centre. The fair value at the date of acquisition was £30m and the asset is being amortised over a period of 20 years. On recognition of the intangible asset, the Group recognised a deferred tax liability of £6m, and corresponding goodwill of the same amount. The deferred tax liability is being released to the income statement as the intangible asset is amortised or impaired, and the corresponding element of the goodwill is being tested for impairment.

In the year ended 31 March 2022, the intangible asset has been impaired by **£nil** (2021: £4m). The recoverable amount of the intangible asset has been based on its value in use, using a discount rate of **4.0%** (2021: 4.0%).

Notes to the financial statements

for the year ended 31 March 2022

Section 4 – Capital structure and financing

This section focuses on the Group's financing structure, including borrowings and financial risk management.

The total capital of the Group consists of shareholders' equity and net debt. The Group's strategy is to maintain an appropriate net debt to total equity ratio (gearing) and loan-to-value ratio (LTV) to ensure that asset level performance is translated into enhanced returns for shareholders while maintaining an appropriate risk reward balance to accommodate changing financial and operating market cycles. The table in note 21 details a number of the Group's key metrics in relation to managing its capital structure.

A key element of the Group's capital structure is that the majority of our borrowings are secured against a large pool of our assets (the Security Group). This enables us to raise long-term debt in the bond market, as well as shorter-term flexible bank facilities, both at competitive rates. In general, we follow a secured debt strategy as we believe this gives the Group better access to borrowings at a lower cost.

In addition, the Group holds a number of assets outside the Security Group structure (in the Non-restricted Group). By having both the Security Group and the Non-restricted Group, and considerable flexibility to move assets between the two, we are able to raise the most appropriate finance for each specific asset or joint venture.

21. Capital structure

	2022				2021			
	Group £m	Joint ventures £m	Adjustment for non-wholly owned subsidiaries ¹ £m	Combined £m	Group £m	Joint ventures £m	Adjustment for non-wholly owned subsidiaries ¹ £m	Combined
Property portfolio								
Market value of investment properties	11,362	800	(145)	12,017	10,025	766	-	10,791
Trading properties and long-term contracts	145	1	-	146	36	-	-	36
Total property portfolio (a)	11,507	801	(145)	12,163	10,061	766	-	10,827
Net debt								
Borrowings ²	4,430	3	(73)	4,360	3,516	8	-	3,524
Monies held in restricted accounts and deposits	(22)	-	3	(19)	(10)	-	-	(10)
Cash and cash equivalents	(128)	(31)	2	(157)	-	(31)	-	(31)
Fair value of interest-rate swaps	(21)	-	2	(19)	(3)	-	-	(3)
Fair value of foreign exchange swaps and forwards	(5)	-	-	(5)	6	-	-	6
Net debt (b)	4,254	(28)	(66)	4,160	3,509	(23)	-	3,486
Less: Fair value of interest-rate swaps	21	-	(2)	19	3	-	-	3
Adjusted net debt (c)	4,275	(28)	(68)	4,179	3,512	(23)	-	3,489
Adjusted total equity								
Total equity (d)	7,991	-	(74)	7,917	7,212	-	-	7,212
Fair value of interest-rate swaps	(21)	-	2	(19)	(3)	-	-	(3)
Adjusted total equity (e)	7,970	-	(72)	7,898	7,209	-	-	7,209
Gearing (b/d)	53.2%			52.5%	48.7%			48.3%
Adjusted gearing (c/e)	53.6%			52.9%	48.7%			48.4%
Group LTV (c/a)	37.2%			34.4%	34.9%			32.2%
Security Group LTV	36.4%				32.7%			
Weighted average cost of debt¹	2.1%			2.4%	1.9%			2.3%

1: The weighted average cost of debt is now calculated based on historical average rates for the period, rather than spot rates. The weighted average cost of debt for 31 March 2021 has been restated to reflect this change in methodology.

2: Borrowings used in the net debt and adjusted net debt calculated for gearing, adjusted gearing, Group LTV and weighted average cost of debt is now calculated for the year ended 31 March 2022 excluding amounts payable under head leases. The respective borrowings figures at 31 March 2021 using the updated calculation methodology would have been £3,455m for both Group and Combined.

3: The Group acquired a 75% interest in MediaCity on 2 November 2021. This represents the 25% interest in MediaCity which is not owned by the Group, but which is consolidated in the Group numbers.

22. Borrowings

Accounting policy

Borrowings, other than bank overdrafts, are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between the amount initially recognised and the redemption value being recognised in the income statement over the period of the borrowings, using the effective interest method.

When debt refinancing exercises are carried out, existing liabilities will be treated as being extinguished when the new liability is substantially different from the existing liability. In making this assessment, the Group will consider the transaction as a whole, taking into account both qualitative and quantitative characteristics.

				2022			2021		
	Secured/ unsecured	Fixed/ floating	Effective interest rate %	Nominal/ notional value £m	Fair value £m	Book value £m	Nominal/ notional value £m	Fair value £m	Book value £m
Current borrowings									
Commercial paper									
Sterling	Unsecured	Floating	SONIA + margin ¹	140	140	140	84	84	84
Euro	Unsecured	Floating	SONIA + margin ¹	217	217	217	640	640	640
US Dollar	Unsecured	Floating	SONIA + margin ¹	142	142	142	182	182	182
Euro loan note	Unsecured	Fixed	4.8	30	30	30	-	-	-
Syndicated and bilateral bank debt	Secured	Floating	SONIA + margin ¹	2	2	2	-	-	-
Syndicated and bilateral bank debt	Secured	Floating	Euribor + margin	10	10	10	-	-	-
Total current borrowings				541	541	541	906	906	906
Non-current borrowings									
Medium term notes (MTN)									
A10 4.875% MTN due 2025	Secured	Fixed	5.0	10	10	10	10	11	10
A12 1.974% MTN due 2026	Secured	Fixed	2.0	400	399	399	400	410	399
A4 5.391% MTN due 2026	Secured	Fixed	5.4	17	18	17	17	19	17
A5 5.391% MTN due 2027	Secured	Fixed	5.4	87	93	87	87	100	86
A16 2.375% MTN due 2027	Secured	Fixed	2.5	350	351	348	350	367	348
A6 5.376% MTN due 2029	Secured	Fixed	5.4	65	74	65	65	80	65
A13 2.399% MTN due 2031	Secured	Fixed	2.4	300	299	299	300	314	299
A7 5.396% MTN due 2032	Secured	Fixed	5.4	77	107	77	77	107	77
A11 5.125% MTN due 2036	Secured	Fixed	5.1	50	68	50	50	68	50
A14 2.625% MTN due 2039	Secured	Fixed	2.6	500	491	494	500	524	494
A15 2.750% MTN due 2059	Secured	Fixed	2.7	500	497	495	500	540	495
				2,356	2,407	2,341	2,356	2,540	2,340
Syndicated and bilateral bank debt	Secured	Floating	SONIA + margin ¹	1,546	1,546	1,546	209	209	209
Syndicated and bilateral bank debt	Secured	Floating	Euribor + margin	2	2	2	-	-	-
Amounts payable under head leases	Unsecured	Fixed	4.1	123	164	123	61	105	61
Total non-current borrowings				4,027	4,119	4,012	2,626	2,854	2,610
Total borrowings				4,568	4,660	4,553	3,532	3,760	3,516

1. During the year ended 31 March 2022, the reference rate on UK based syndicated and bilateral bank debt transitioned from LIBOR to an equivalent SONIA + credit adjustment spread. All relevant references to LIBOR in the terms and conditions of MTNs have also been replaced with an equivalent SONIA + credit adjustment spread.

Notes to the financial statements

for the year ended 31 March 2022 continued

22. Borrowings continued

Reconciliation of the movement in borrowings	2022 £m	2021 £m
At the beginning of the year	3,516	5,332
Bank debt assumed through acquisition of subsidiaries	403	-
Proceeds from new borrowings	1,053	-
Repayment of bank debt	(489)	(1,755)
Repayment of MTNs	-	-
Redemption of MTNs	-	(12)
Foreign exchange movement on non-Sterling borrowings	8	(51)
Movement in amounts payable under head leases	62	-
Other	-	2
At 31 March	4,553	3,516

Reconciliation of movements in liabilities arising from financing activities	Non-cash changes					2022
	At the beginning of the year £m	Cash flows £m	Foreign exchange movements £m	Other changes in fair values £m	Other changes £m	At the end of the year £m
Borrowings	3,516	564	8	-	465	4,553
Derivative financial instruments	3	(3)	(8)	(12)	(6)	(26)
	3,519	561	-	(12)	459	4,527
						2021
Borrowings	5,332	(1,767)	(51)	-	2	3,516
Derivative financial instruments	(36)	(12)	51	-	-	3
	5,296	(1,779)	-	-	2	3,519

Medium term notes

The MTNs are secured on the fixed and floating pool of assets of the Security Group. The Security Group includes investment properties, development properties, the X-Leisure fund, and the Group's investment in Westgate Oxford Alliance Limited Partnership, Nova, Victoria, St. David's Limited Partnership and Southside Limited Partnership, in total valued at **£11.2bn** at 31 March 2022 (31 March 2021: £10.6bn). The secured debt structure has a tiered operating covenant regime which gives the Group substantial flexibility when the loan-to-value and interest cover in the Security Group are less than 65% and more than 1.45x respectively. If these limits are exceeded, the operating environment becomes more restrictive with provisions to encourage a reduction in gearing. The interest rate of each MTN is fixed until the expected maturity, being two years before the legal maturity date of the MTN. The interest rate for the last two years may either become floating on a SONIA basis plus an increased margin (relative to that at the time of issue), or subject to a fixed coupon uplift, depending on the terms and conditions of the specific notes.

The effective interest rate is based on the coupon paid and includes the amortisation of issue costs. The MTNs are listed on the Irish Stock Exchange and their fair values are based on their respective market prices.

During the year, the Group purchased **£nil** (2021: £12m) of MTNs for a total premium of **£nil** (2021: £3m). Details of the purchases and associated premium by series are as follows:

MTN purchases	2022		2021	
	Purchases £m	Premium £m	Purchases £m	Premium £m
A5 5.391% MTN due 2027	-	-	8	2
A7 5.396% MTN due 2032	-	-	4	1
	-	-	12	3

At 31 March 2022, the Group's committed facilities totalled **£3,022m** (31 March 2021: £2,715m).

Syndicated and bilateral bank debt	Maturity as at 31 March 2022	Authorised		Drawn		Undrawn	
		2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Syndicated debt	2022	12	-	12	-	-	-
Syndicated debt	2024-27	2,785	2,490	1,393	209	1,392	2,281
Bilateral debt	2026	225	225	155	-	70	225
		3,022	2,715	1,560	209	1,462	2,506

All syndicated and bilateral facilities are committed and secured on the assets of the Security Group, with the exception of facilities secured on the assets at MediaCity and assets acquired as part of the business combination with U+ Group PLC. During the year ended 31 March 2022, the amounts drawn under the Group's facilities increased by **£1,351m**.

The terms of the Security Group funding arrangements require undrawn facilities to be reserved where syndicated and bilateral facilities mature within one year, or when commercial paper is issued. The total amount of cash and available undrawn facilities, net of commercial paper, at 31 March 2022 was **£1,091m** (31 March 2021: £1,600m).

23. Monies held in restricted accounts and deposits

Accounting policy

Monies held in restricted accounts and deposits represent cash held by the Group in accounts with conditions that restrict the use of these monies by the Group and, as such, does not meet the definition of cash and cash equivalents. Restrictions include funds held by the Group's captive insurer and the Employee Benefit Trust. Holding cash in restricted accounts does not prevent the Group from optimising returns by putting these monies on short-term deposit.

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Cash at bank and in hand	10	3	2	3
Short-term deposits	12	7	-	-
	22	10	2	3

The credit quality of monies held in restricted accounts and deposits can be assessed by reference to external credit ratings of the counterparty where the account or deposit is placed.

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Counterparties with external credit ratings				
A+	16	7	-	-
A	5	2	1	2
A-	1	-	1	-
BBB+	-	1	-	1
	22	10	2	3

Notes to the financial statements

for the year ended 31 March 2022 continued

24. Cash and cash equivalents

Accounting policy

Cash and cash equivalents comprise cash balances, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are deducted from cash and cash equivalents for the purpose of the statement of cash flows.

	2022 £m	Group 2021 £m	2022 £m	Company 2021 £m
Cash at bank and in hand	128	-	-	-
	128	-	-	-

The credit quality of cash and cash equivalents can be assessed by reference to external credit ratings of the counterparty where the account or deposit is placed.

	2022 £m	2021 £m
Counterparties with external credit ratings		
A+	114	-
A	13	-
BBB+	1	-
	128	-

The Group's cash and cash equivalents and bank overdrafts are subject to cash pooling arrangements. The following table provides details of cash balances and bank overdrafts which are subject to offsetting agreements.

	2022			2021		
	Gross amounts of financial assets £m	Gross amounts of financial liabilities £m	Net amounts recognised in the balance sheet £m	Gross amounts of financial assets £m	Gross amounts of financial liabilities £m	Net amounts recognised in the balance sheet £m
Assets						
Cash and cash equivalents	134	(6)	128	49	(49)	-
	134	(6)	128	49	(49)	-

25. Derivative financial instruments

Accounting policy

The Group uses interest-rate and foreign exchange swaps and forwards to manage its market risk. In accordance with its treasury policy, the Group does not hold or issue derivatives for trading purposes.

All derivatives are recognised on the balance sheet at fair value. The fair value of interest-rate and foreign exchange swaps is based on counterparty or market quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market rates for similar instruments at the measurement date. The gain or loss on derivatives are recognised immediately in the income statement, within net finance expense.

Carrying value of derivative financial instruments	2022 £m	2021 £m
Current assets	5	1
Non-current assets	21	3
Current liabilities	-	(7)
Non-current liabilities	-	-
	26	(3)

Notional amount	2022 £m	2021 £m
Interest-rate swaps ¹	894	675
Foreign exchange swaps	348	843
	1,242	1,518

1. At 31 March 2022, the Group held forward starting pay-fixed interest-rate swaps of £275m (2021: £275m) which are included in the notional amounts above.

26. Financial risk management

Introduction

A review of the Group's objectives, policies and processes for managing and monitoring risk is set out in Managing risk and Our principal risks and uncertainties (pages 58-69). This note provides further detail on financial risk management and includes quantitative information on specific financial risks.

The Group is exposed to a variety of financial risks: market risks (principally interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise the potential adverse effects of these on the Group's financial performance and includes the use of derivative financial instruments to hedge certain risk exposures.

Financial risk management is carried out by the Group's treasury function under policies approved by the Board of Directors, except where the relevant arrangements have been put in place by an individual subsidiary or a joint venture level prior to acquisition.

The Group assesses whether it intends to hold its financial assets to collect the contractual cash flows, or whether it intends to sell them before maturity and classifies its financial instruments into the appropriate categories. The following table summarises the Group's financial assets and liabilities into the categories required by IFRS 7 Financial Instruments: Disclosures:

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Financial assets at amortised cost	588	647	2	3
Cash and cash equivalents	128	-	-	-
Financial assets at fair value through other comprehensive income (without recycling)	-	5	-	-
Financial liabilities at amortised cost	(4,777)	(3,676)	(2,912)	(2,630)
Financial instruments at fair value through profit or loss	26	(3)	-	-
	(4,035)	(3,027)	(2,910)	(2,627)

Financial risk factors

(i) Credit risk

The Group's principal financial assets are cash and cash equivalents, trade and other receivables, net investment in finance leases and amounts due from joint ventures. Further details concerning the credit risk of counterparties is provided in the note that specifically relates to each type of asset.

Bank and financial institutions

The principal credit risks of the Group arise from financial derivative instruments and deposits with banks and financial institutions. In line with the policy approved by the Board of Directors, where the Group manages the deposit, only independently rated banks and financial institutions with a minimum rating of A- are accepted. For UK banks and financial institutions with which the Group has a committed lending relationship, the minimum rating is lowered to BBB+. The Group's treasury function currently performs regular reviews of the credit ratings of all financial institution counterparties. Furthermore, the treasury function ensures that funds deposited with a single financial institution remain within the Group's policy limits.

Notes to the financial statements

for the year ended 31 March 2022 continued

26. Financial risk management continued

Trade receivables

Trade receivables are presented in the balance sheet net of allowances for doubtful receivables. The Group assesses on a forward-looking basis the expected credit losses associated with its trade receivables. A provision for impairment is made for the lifetime expected credit losses on initial recognition of the receivable. In determining the expected credit losses the Group takes into account any recent payment behaviours and future expectations of likely default events (i.e. not making payment on the due date) based on individual customer credit ratings, actual or expected insolvency filings or company voluntary arrangements, likely deferrals of payments due, agreed rent concessions and market expectations and trends in the wider macroeconomic environment in which our customers operate. These assessments are made on a customer by customer basis.

To limit the Group's exposure to credit risk on trade receivables, a credit report is usually obtained from an independent rating agency prior to the inception of a lease with a new counterparty. This report, alongside the Group's internal assessment of credit risk, is used to determine the size of the deposit that is required, if any, from the tenant at inception. In general, these deposits represent between three and six months' rent.

Net investment in finance leases

This balance relates to amounts receivable from tenants in respect of tenant finance leases. This is not considered a significant credit risk as the tenants are generally of good financial standing.

(ii) Liquidity risk

The Group actively maintains a mixture of notes with final maturities between 2025 and 2059, commercial paper and medium-term committed bank facilities that are designed to ensure that the Group has sufficient available funds for its operations and its committed capital expenditure programme.

Management monitors the Group's available funds as follows:

	2022 £m	2021 £m
Cash and cash equivalents	128	-
Commercial paper	(499)	(906)
Undrawn facilities	1,462	2,506
Cash and available undrawn facilities	1,091	1,600
As a proportion of drawn debt¹	24.6%	46.1%

1. Based on nominal values.

The Group's core financing structure is in the Security Group, although the Non-restricted Group may also secure independent funding.

Security Group

The Group's principal financing arrangements utilise the credit support of a ring-fenced group of assets (the Security Group) that comprises the majority of the Group's investment property portfolio and certain investments in joint ventures. These arrangements operate in 'tiers' determined by LTV and interest cover ratio (ICR). This structure is most flexible at lower tiers (with a lower LTV and a higher ICR) and allows property acquisitions, disposals and developments to occur with relative freedom. In higher tiers, the requirements become more prescriptive. No financial covenant default is triggered until the applicable LTV exceeds 100% or the ICR is less than 1.0x.

As at 31 March 2022, the reported LTV for the Security Group was **36.4%** (2021: 32.7%), meaning that the Group was operating in Tier 1 and benefited from maximum operational flexibility.

Management monitors the key covenants attached to the Security Group on a monthly basis, including LTV, ICR, sector and regional concentration and disposals.

Non-restricted Group

The Non-restricted Group obtains funding when required from a combination of inter-company loans from the Security Group, equity and external bank debt. Bespoke credit facilities are established with banks when required for the Non-restricted Group and joint ventures, usually on a limited-recourse basis.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the expected maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2022				Total £m
	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	
Borrowings (excluding lease liabilities)	623	512	2,184	2,096	5,415
Lease liabilities	3	3	10	395	411
Derivative financial instruments	-	-	-	-	-
Trade payables	26	-	-	-	26
Capital accruals	42	-	-	-	42
Accruals	75	-	-	-	75
Other payables	73	-	8	-	81
	842	515	2,202	2,491	6,050

	2021				Total £m
	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	
Borrowings (excluding lease liabilities)	974	68	902	2,499	4,443
Lease liabilities	3	3	9	334	349
Derivative financial instruments	7	-	-	-	7
Trade payables	12	-	-	-	12
Capital accruals	42	-	-	-	42
Accruals	38	-	-	-	38
Other payables	67	-	1	-	68
	1,143	71	912	2,833	4,959

iii) Market risk

The Group is exposed to market risk through interest rates, availability of credit and foreign exchange movements.

Interest rates

The Group uses derivative products to manage its interest rate exposure and has a hedging policy that generally requires at least 70% of its existing debt plus increases in debt associated with net committed capital expenditure to be at fixed interest rates for the coming three years and at least 50% for years four and five. Due to a combination of factors, including the degree of certainty required under IFRS 9 Financial Instruments, the Group does not apply hedge accounting to hedging instruments used in this context. Specific interest-rate hedges are also used from time to time to fix the interest rate exposure on our debt. Where specific hedges are used to fix the interest exposure on floating rate debt, these may qualify for hedge accounting.

At 31 March 2022, the Group (including the Group's share of joint ventures and non-wholly owned subsidiaries) had pay-fixed interest-rate swaps in place with a nominal value of **£619m** (2021: £400m) and forward starting pay-fixed interest-rate swaps of **£275m** (2021: £275m). The Group's net debt was **70.0%** fixed (2021: 80.8%) and based on the Group's debt balances at 31 March 2022, a 1% increase/(decrease) in interest rates would increase/(decrease) the annual net finance expense in the income statement and reduce/(increase) equity by **£9m** (2021: £7m). The sensitivity has been calculated by applying the interest rate change to the variable rate borrowings, net of interest-rate swaps and cash and cash equivalents.

Notes to the financial statements

for the year ended 31 March 2022 continued

26. Financial risk management continued

Foreign exchange

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group's functional currency.

As it is UK based, the Group's foreign exchange risk is low. The vast majority of the Group's foreign currency transactions relate to foreign currency borrowing under the Group's commercial paper programme. It is the Group's policy to hedge 100% of this exposure. At 31 March 2022, the Group had issued **€255m** (2021: €752m) and **\$185m** (2021: \$250m) of commercial paper, fully hedged through foreign exchange swaps. A 10% weakening or strengthening of Sterling would therefore have **£nil** (2021: £nil) impact in the income statement and equity arising from foreign currency borrowings.

Where additional foreign exchange risk is identified (not linked to commercial paper borrowing), it is the Group's policy to assess the likelihood of the risk crystallising and if deemed appropriate use derivatives to hedge some or all of the risk. At 31 March 2022, the Group had **€6m** (2021: €17m) of foreign currency exposures being managed using foreign currency derivative contracts. These were entered into in order to economically hedge our exposure to movements in foreign currencies. A 10% weakening of Sterling would increase the profit before tax and increase total equity by **£1m** (2021: £2m). A 10% strengthening in Sterling would decrease the profit before tax and reduce equity by **£1m** (2021: £1m).

Financial maturity analysis

The interest rate profile of the Group's borrowings is set out below (based on notional values):

	2022			2021		
	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m
Sterling	2,479	1,700	4,179	2,417	293	2,710
Euro	30	217	247	-	640	640
US Dollar	-	142	142	-	182	182
	2,509	2,059	4,568	2,417	1,115	3,532

The expected maturity profiles of the Group's borrowings are as follows (based on notional values):

	2022			2021		
	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m
One year or less, or on demand	30	511	541	-	906	906
More than one year but not more than two years	427	2	429	-	-	-
More than two years but not more than five years	437	1,546	1,983	514	209	723
More than five years	1,615	-	1,615	1,903	-	1,903
Borrowings	2,509	2,059	4,568	2,417	1,115	3,532
Effect of hedging	400	(400)	-	400	(400)	-
Borrowings net of interest-rate swaps	2,909	1,659	4,568	2,817	715	3,532

The expected maturity profiles of the Group's derivative instruments are as follows (based on notional values):

	Foreign exchange swaps £m	2022 Interest- rate swaps £m	Foreign exchange swaps £m	2021 Interest- rate swaps £m
One year or less, on demand	360	–	843	–
More than one year but not more than two years	–	400	–	–
More than two years but not more than five years	–	494	–	675
More than five years	–	–	–	–
	360	894	843	675

Valuation hierarchy

Derivative financial instruments and financial assets at fair value through other comprehensive income (other investments) are the only financial instruments which are carried at fair value. For financial instruments other than borrowings disclosed in note 22, the carrying value in the balance sheet approximates their fair values. The table below shows the aggregate assets and liabilities carried at fair value by valuation method:

	Level 1 £m	Level 2 £m	Level 3 £m	2022 Total £m	Level 1 £m	Level 2 £m	Level 3 £m	2021 Total £m
Assets	–	26	–	26	–	4	5	9
Liabilities	–	–	–	–	–	(7)	–	(7)

Note:

Level 1: valued using unadjusted quoted prices in active markets for identical financial instruments.

Level 2: valued using techniques based on information that can be obtained from observable market data.

Level 3: valued using techniques incorporating information other than observable market data.

The fair value of the amounts payable under the Group's lease obligations, using a discount rate of **2.2%** (31 March 2021: 2.2%), is **£164m** (31 March 2021: £105m). The fair value of the Group's net investment in tenant finance leases, calculated by the Group's external valuer by applying a weighted average equivalent yield of **4.9%** (31 March 2021: 4.6%), is **£66m** (31 March 2021: £249m).

The fair values of any floating rate financial liabilities are assumed to be equal to their nominal value. The fair values of the MTNs fall within Level 1 of the fair value hierarchy, the syndicated and bilateral facilities, commercial paper, interest-rate swaps and foreign exchange swaps fall within Level 2, and the amounts payable and receivable under leases fall within Level 3.

The fair values of the financial instruments have been determined by reference to relevant market prices, where available. The fair values of the Group's outstanding interest-rate swaps have been estimated by calculating the present value of future cash flows, using appropriate market discount rates. These valuation techniques fall within Level 2.

The fair value of the other investments is calculated by reference to the net assets of the underlying entity. The valuation is not based on observable market data and therefore the other investments are considered to fall within Level 3.

Notes to the financial statements

for the year ended 31 March 2022 continued

Section 5 – Working capital

This section focuses on our working capital balances, including trade and other receivables, trade and other payables, and provisions.

27. Trade and other receivables

Accounting policy

Trade and other receivables are recognised initially at fair value, subsequently at amortised cost and, where relevant, adjusted for the time value of money. The Group assesses on a forward-looking basis the expected credit losses associated with its trade receivables. A provision for impairment is made for the lifetime expected credit losses on initial recognition of the receivable. If collection is expected in more than one year, the balance is presented within non-current assets.

In determining the expected credit losses the Group takes into account any recent payment behaviours and future expectations of likely default events (i.e. not making payment on the due date) based on individual customer credit ratings, actual or expected insolvency filings or company voluntary arrangements and market expectations and trends in the wider macroeconomic environment in which our customers operate. Where a concession is agreed with a customer after the due date for the rent, this amount is recognised as an impairment of the related trade receivable.

Trade and other receivables are written off once all avenues to recover the balances are exhausted and the lease has ended. Receivables written off are no longer subject to any enforcement activity.

Significant accounting estimate

Impairment of trade receivables

The Group's assessment of expected credit losses is inherently subjective due to the forward-looking nature of the assessments. As a result, the value of the provisions for impairment of the Group's trade receivables are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate. See note 26 for further details of the Group's assessment of the credit risk associated with trade receivables.

	2022 £m	2021 £m
Net trade receivables	38	74
Tenant lease incentives (note 14)	212	230
Prepayments	34	24
Accrued income	11	3
Amounts due from joint ventures and associates	15	7
Other receivables	58	16
Total current trade and other receivables	368	354
Non-current amounts due from joint ventures and associates	147	162
Non-current property sales receivables	5	8
Deferred consideration	18	-
Other non-current receivables	7	-
Total trade and other receivables	545	524

The accounting for lease incentives is set out in note 6. The value of the tenant lease incentive, included in current trade and other receivables, is spread over the non-cancellable lease term.

The non-current amounts due from joint ventures have maturity dates ranging from April 2028 to the dissolution of the joint venture. Interest is charged at rates ranging from 4% to 5% (2021: 4% to 5%).

Ageing of trade receivables	Not past due £m	Up to 30 days past due £m	Up to 6 months past due £m	Up to 12 months past due £m	More than 12 months past due £m	Total £m
As at 31 March 2022						
Not impaired	1	6	14	10	7	38
Impaired	–	3	4	7	60	74
Gross trade receivables	1	9	18	17	67	112
As at 31 March 2021						
Not impaired	–	22	33	17	2	74
Impaired	–	4	27	54	26	111
Gross trade receivables	–	26	60	71	28	185

None of the Group's other receivables are past due and therefore no ageing has been shown (2021: £nil).

Movement in allowances for doubtful debts	2022 £m	2021 £m
At the beginning of the year	111	30
Increase to provision	14	98
Decrease to provision	(35)	(1)
Utilised in the year	(16)	(16)
At 31 March	74	111
Movement in tenant lease incentives	2022 £m	2021 £m
At the beginning of the year	230	316
Revenue recognised	(18)	(29)
Break penalties received	–	(4)
Capital incentives granted	6	–
Provision for doubtful receivables	1	(11)
Disposal of properties	(8)	(42)
Acquisition of properties	1	–
At 31 March	212	230

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for the year ended 31 March 2022 continued

28. Trade and other payables

	2022 £m	Group 2021 £m	2022 £m	Company 2021 £m
Trade payables	26	12	-	-
Capital accruals	42	42	-	-
Other payables	72	67	8	17
Accruals	75	38	7	12
Deferred income	104	93	-	-
Amounts owed to joint ventures	1	-	-	-
Loans from Group undertakings	-	-	2,897	2,601
Total current trade and other payables	320	252	2,912	2,630
Non-current other payables	8	1	-	-
Total trade and other payables	328	253	2,912	2,630

Capital accruals represent amounts due under contracts to purchase properties, which were unconditionally exchanged at the year end, and for work completed on investment properties but not paid for at the year end. Deferred income principally relates to rents received in advance.

The Loans from Group undertakings are repayable on demand with no fixed repayment date. Interest is charged at 3.7% per annum (2021: 3.6%).

Section 6 – Other required disclosures

This section gives further disclosure in respect of other areas of the financial statements, together with mandatory disclosures required in accordance with IFRS.

29. Investments in subsidiary undertakings

Accounting policy

Investments in subsidiary undertakings are stated at cost in the Company's balance sheet, less any provision for impairment in value.

In accordance with IFRS 2 Share Based Payments the equity settled share-based payment charge for the employees of the Company's subsidiaries is treated as an increase in the cost of investment in the subsidiaries, with a corresponding increase in the Company's equity.

	2022 £m	2021 £m
At the beginning of the year	6,101	6,213
Capital contributions relating to share-based payments (note 35)	4	4
Impairment reversal/(charge)	117	(116)
At 31 March	6,222	6,101

A full list of subsidiary undertakings at 31 March 2022 is included in Additional information pages 218-222.

In the year ended 31 March 2022, there has been a reversal of prior years' impairment on the Company's investment in its subsidiaries of £117m (2021: impairment of £116m) as a result of an increase in the value of the investment property assets held in those subsidiary companies. The recoverable amount of the investments has been based on the fair value of each of the subsidiaries at 31 March 2022 as determined by their individual net asset values at that date, totalling £6,222m (2021: £6,101m).

30. Other non-current assets

	2022 £m	2021 £m
Other property, plant and equipment	11	13
Net pension surplus (note 34)	28	6
Derivative financial instruments (note 25)	21	3
Other investments	1	–
Total other non-current assets	61	22

31. Other current assets

	2022 £m	2021 £m
Derivative financial instruments (note 25)	5	1
Other investments	–	5
Total other current assets	5	6

32. Other current liabilities

	2022 £m	2021 £m
Derivative financial instruments (note 25)	–	7
Provisions	11	–
Total other current liabilities	11	7

33. Other non-current liabilities

	2022 £m	2021 £m
Deferred tax liability (note 12)	7	2
Investment in joint ventures (note 16)	5	–
Total other non-current liabilities	12	2

34. Net pension surplus **Accounting policy**

Contributions to defined contribution schemes are charged to the income statement as incurred.

The pension obligations arising under the Group's defined benefit pension scheme are measured at discounted present value. The scheme assets are measured at fair value, except annuities which are valued to match the liability or benefit value. The operating and financing costs of the scheme are recognised separately in the income statement. Service costs are spread using the projected unit credit method. Past service costs are recognised immediately in the income statement in the period in which they are identified. Net financing costs are recognised in the period in which they arise, calculated with reference to the discount rate, and are included in finance income or expense on a net basis. Re-measurement gains and losses arising from either experience differing from previous actuarial assumptions, or changes to those assumptions, are recognised immediately in other comprehensive income.

Defined contribution schemes

The charge to operating profit for the year in respect of defined contribution schemes was **£3m** (2021: £3m).

Defined benefit scheme

The Pension & Assurance Scheme of the Land Securities Group of Companies (the Scheme) is a registered defined benefit final salary scheme subject to the UK regulatory framework for pensions, including the Scheme Specific Funding requirements. The Scheme is operated under trust and as such, the Trustees of the Scheme are responsible for operating the Scheme and they have a statutory responsibility to act in accordance with the Scheme's Trust Deed and Rules, in the best interest of the beneficiaries of the Scheme and UK legislation (including trust law). The Trustees and the Group have the joint power to set the contributions that are paid to the Scheme.

Notes to the financial statements

for the year ended 31 March 2022 continued

34. Net pension surplus continued

In setting contributions to the Scheme, the Trustees and the Group are guided by the advice of a qualified independent actuary on the basis of triennial valuations using the projected unit credit method. The Scheme is closed to new members (and was closed to future accrual on 31 October 2019). A full actuarial valuation of the Scheme was undertaken on 30 June 2021 by the independent actuaries, Hymans Robertson LLP. This valuation was updated to 31 March 2022 using, where required, assumptions prescribed by IAS 19 Employee Benefits. The next full actuarial valuation will be performed as at 30 June 2024.

There have been no employer or employee contributions following the closure of the Scheme to future accrual on 31 October 2019. Prior to this, the employer contribution rate was 43.1% of pensionable salary to cover the costs of accruing benefits and the employee contributions were at 8% of monthly pensionable salary. It was also agreed that no further deficit contributions were required from the Group. Employee contributions were paid by salary sacrifice, and therefore appeared as Group contributions. The Group does not expect to make any employee or employer contributions to the Scheme in the year to 31 March 2023 (2022: £nil).

All death-in-service and incapacity benefits arising during employment are wholly insured. No post-retirement benefits other than pensions are made available to employees of the Group.

Analysis of the amounts charged to the income statement	2022 £m	2021 £m
Analysis of the amount charged to operating profit		
Current service costs	-	-
Past service costs	-	-
Charge to operating profit	-	-
Analysis of amount credited to net finance expense		
Interest income on plan assets	(5)	(5)
Interest expense on defined benefit scheme liabilities	5	5
Net credit to finance income	-	-
Analysis of the amounts recognised in other comprehensive income		
Analysis of gains and losses		
Net re-measurement (losses)/gains on scheme assets	(4)	17
Net re-measurement gains/(losses) on scheme liabilities	26	(29)
Net re-measurement gains/(losses)	22	(12)
Cumulative net re-measurement loss recognised in other comprehensive income	(24)	(46)

The net surplus recognised in respect of the defined benefit scheme can be analysed as follows:

	%	2022 £m	%	2021 £m
Equities	7	15	14	33
Bonds – Government	28	65	27	65
Bonds – Corporate	13	31	14	33
Insurance contracts	40	92	43	102
Cash and cash equivalents	12	27	2	6
Fair value of scheme assets	100	230	100	239
Fair value of scheme liabilities		(202)		(233)
Net pension surplus		28		6

In the year ended 31 March 2022, £9m (2021: £9m) of benefits were paid to members.

Insurance contracts are annuities which are unquoted assets. All other Scheme assets have quoted prices in active markets. The Scheme assets do not include any directly owned financial instruments issued by the Group. Indirectly owned financial instruments had a fair value of £nil (2021: £nil).

In the most recent triennial valuation, the defined benefit scheme liabilities were split **nil%** (2021: 9%) in respect of active scheme participants, **31%** (2021: 24%) in respect of deferred scheme participants, and **69%** (2021: 67%) in respect of retirees. As the Scheme is now closed to future accrual, there are no longer any active scheme participants. The weighted average duration of the defined benefit scheme liabilities at 31 March 2022 is **14.6 years** (2021: 15.8 years).

The assumptions agreed with the Trustees of the Scheme for the triennial valuation at 30 June 2021 have been restated to the assumptions described by IAS 19 Employee Benefits. The major assumptions used in the valuation were (in nominal terms):

	2022 %	2021 %
Rate of increase in pensionable salaries	n/a	n/a
Rate of increase in pensions with no cap	4.00	3.55
Rate of increase in pensions with 5% cap	3.75	3.40
Discount rate	2.70	1.95
Inflation – Retail Price Index	4.00	3.55
– Consumer Price Index	3.30	2.85

The mortality assumptions used in this valuation were:

	2022 years	2021 years
Life expectancy at age 60 for current pensioners – Men	26.6	27.7
– Women	28.9	29.2
Life expectancy at age 60 for future pensioners (current age 40) – Men	29.6	30.0
– Women	31.7	31.7

The sensitivities regarding the principal assumptions used to measure the Scheme liabilities are set out below. These were calculated using approximate methods taking into account the duration of the Scheme liabilities.

Assumption	Change in assumption	Impact on Scheme liabilities
Discount rate	Decrease by 0.5%	Increase by £15m
Life expectancy	Increase by 1 year	Increase by £10m
Rate of inflation	Increase by 0.5%	Increase by £12m

As the above table demonstrates, changes in assumptions can have a significant impact on the Scheme liabilities. The assumptions agreed with the Trustees of the Scheme for the triennial valuation and subsequent interim updates differ from those prescribed by IAS 19 Employee Benefits. Using the assumptions agreed with the Trustees would result in a balance sheet surplus for the Scheme of **£8m** at 31 March 2022, as opposed to a surplus of **£28m**.

In order to reduce risk within the Scheme, **40%** (2021: 43%) of the Scheme assets are invested in annuities that match the liabilities of some pensioners. The assets that the Scheme holds are designed to match a significant proportion of the Scheme liabilities and the Scheme has hedged over **90%** (2021: 89%) of the interest rate risk and **90%** (2021: 88%) of the inflation risk (when measured on a gilts flat discount rate) to which it is exposed.

The Company did not operate any defined contribution schemes or defined benefit schemes during the financial years ended 31 March 2022 or 31 March 2021.

Notes to the financial statements

for the year ended 31 March 2022 continued

35. Share-based payments

Accounting policy

The cost of granting shares, options over shares and other share-based remuneration to employees and Executive Directors is recognised through the income statement. All awards are equity settled and therefore the fair value is measured at the grant date. Where the awards have non-market related performance criteria, the Group uses the Black-Scholes option valuation model to establish the relevant fair values. Where the awards have Total Shareholder Return (TSR) market related performance criteria, the Group has used the Monte Carlo simulation valuation model to establish the relevant fair values. The resulting values are amortised through the income statement over the vesting period of the awards. For awards with non-market related criteria, the charge is reversed if it appears probable that the performance or service criteria will not be met.

The following table analyses the total cost recognised in the income statement for the year between each plan, together with the number of options outstanding.

	2022		2021	
	Charge £m	Number (millions)	Charge £m	Number (millions)
Long-Term Incentive Plan	2	2	2	2
Deferred Share Bonus Plan	-	-	-	-
Executive Share Option Scheme	-	1	-	1
Sharesave Plan	1	1	1	1
Restricted Share Plan	1	1	1	1
	4	5	4	5

A summary of the main features of each type of plan is given below. The plans have been split into two categories: Executive plans and Other plans. For further details on the Executive plans, see the Directors' Remuneration Report on pages 108-124.

Executive plans:

Long-Term Incentive Plan (LTIP)

The LTIP is open to Executive Directors and Executive Leadership Team members with awards made at the discretion of the Remuneration Committee. The LTIP was reopened to senior management in the current year. In addition, other than for Executive Directors, an award of 'matching shares' could be made where the individual acquired shares in Land Securities Group PLC and pledged to hold them for a period of three years. The awards are issued at nil consideration, subject to performance and vesting conditions being met. Awards of LTIP shares and matching shares are subject to the same performance criteria and normally vest after three years. Awards are satisfied by the transfer of existing shares held by the Employee Benefit Trust (EBT). The weighted average share price at the date of vesting during the year was **752p** (2021: 616p). The estimated fair value of awards granted during the year under the scheme was **£7m** (2021: £3m).

Deferred Share Bonus Plan (DSBP)

The Executive Directors' annual bonus is structured in two distinct parts made up of an initial payment and deferred shares. The shares are usually deferred for one or two years and are not subject to additional performance criteria. Awards are satisfied by the transfer of existing shares held by the EBT at nil consideration. The weighted average share price at the date of vesting during the year was **703p** (2021: 567p). The estimated fair value of awards granted during the year under the scheme was **£1m** (2021: £1m).

Other plans:

Executive Share Option Scheme (ESOS)

The 2005 ESOS was previously open to managers not eligible to participate in the LTIP, but was largely replaced by the new Restricted Share Option Plan in the year ended 31 March 2020. Awards are discretionary and are granted over ordinary shares of the Company at the middle market price on the three dealing days immediately preceding the date of grant. Awards normally vest after three years and are not subject to performance conditions. Awards are satisfied by the transfer of shares from the EBT and lapse ten years after the date of grant. There were no awards exercised during the year (2021: none). The estimated fair value of awards granted during the year under the scheme was **£nil** (2021: £nil).

Sharesave Plan

Under the Sharesave Plan, Executive Directors and other eligible employees are invited to make regular monthly contributions into a Sharesave plan operated by Equiniti. On completion of the three or five year contract period, ordinary shares in the Company may be purchased at a price based upon the middle market price on the three dealing days immediately preceding the date of invitation less 20% discount. The weighted average share price at the date of exercise for awards exercised during the year was **764p** (2021: no awards exercised during the year). The estimated fair value of awards granted during the year under the scheme was **£1m** (2021: £1m).

Restricted Share Plan (RSP)

The RSP started in the year ended 31 March 2020. It is open to qualifying management level employees with awards granted as nil cost options. Awards are discretionary and are granted over ordinary shares of the Company at the middle market price on the day immediately preceding date of grant. Awards normally vest after three years and are not subject to performance conditions. Awards are satisfied by the transfer of shares from the EBT and lapse ten years after the date of grant. The weighted average share price at the date of exercise for awards exercised during the year was **787p** (2021: no awards exercised during the year). The estimated fair value of awards granted during the year under the scheme was **£2m** (2021: £1m).

The aggregate number of awards outstanding, and the weighted average exercise price, are shown below:

	Executive plans ¹				Other plans	
	Number of awards		Number of awards		Weighted average exercise price	
	2022 Number (millions)	2021 Number (millions)	2022 Number (millions)	2021 Number (millions)	2022 Pence	2021 Pence
At the beginning of the year	2	2	2	2	821	873
Granted	1	1	–	1	662	531
Exercised	–	–	–	–	635	–
Lapsed	(1)	(1)	–	(1)	781	817
At 31 March	2	2	2	2	805	821
Exercisable at the end of the year	–	–	1	1	1,367	1,343
	Years	Years	Years	Years		
Weighted average remaining contractual life	1	1	3	4		

1. Executive plans are granted at nil consideration.

The number of share awards outstanding for the Group by range of exercise prices is shown below:

Exercise price – range	Outstanding at 31 March 2022			Outstanding at 31 March 2021		
	Weighted average exercise price	Number of awards	Weighted average remaining contractual life	Weighted average exercise price	Number of awards	Weighted average remaining contractual life
	Pence	Number (millions)	Years	Pence	Number (millions)	Years
Nil ¹	–	3	1	–	3	1
400 – 599	552	1	2	519	1	3
600 – 799	725	–	–	728	–	1
800 – 999	936	–	5	900	–	6
1,000 – 1,199	1,022	1	4	1,022	1	5
1,200 – 1,399	1,328	–	3	1,328	–	4

1. Executive plans are granted at nil consideration.

Fair value inputs for awards with non-market performance conditions

Fair values are calculated using the Black-Scholes option pricing model for awards with non-market performance conditions. The weighted average inputs into this model for the grants under each plan in the financial year are as follows:

Year ended 31 March	Long-Term Incentive Plan		Deferred Share Bonus Plan		Restricted Share Plan		Sharesave Plan	
	2022	2021	2022	2021	2022	2021	2022	2021
Share price at grant date	696p	616p	696p	547p	697p	547p	683p	649p
Exercise price	n/a	n/a	n/a	n/a	n/a	n/a	584p	519p
Expected volatility	35%	30%	35%	30%	35%	30%	35%	30%
Expected life	3 years	2.7 years	3 years	1 year	2.88 years	3 years	3 to 5 years	3 to 5 years
Risk-free rate	0.29%	–0.09%	0.27%	nil	0.27%	–0.13%	0.22% to 0.40%	–0.05% to –0.07%
Expected dividend yield	0%	5.87%	nil	nil	4%	6.36%	4%	5.36%

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for the year ended 31 March 2022 continued

35. Share-based payments continued

Expected volatility is determined by calculating the historical volatility of the Group's share price over the previous ten years. The expected life used in the model has been determined based upon management's best estimate for the effects of non-transferability, vesting/exercise restrictions and behavioural considerations. The risk-free rate is the yield at the date of the grant of an award on a gilt-edged stock with a redemption date equal to the anticipated vesting of that award.

Fair value inputs for awards with market performance conditions

Fair values are calculated using the Monte Carlo simulation option pricing model for awards with market performance conditions. Awards made under the 2005 LTIP which were granted after 31 March 2009 include a TSR condition, which is a market-based condition. The weighted average inputs into this model for the scheme are as follows:

Year ended 31 March	Share price at date of grant		Exercise price		Expected volatility – Group		Expected volatility – index of comparator companies		Correlation – Group vs. index	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Long-Term Incentive Plan	696p	581p	n/a	n/a	35%	30%	35%	30%	55%	85%

36. Ordinary share capital

Accounting policy

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

The consideration paid by any Group entity to acquire the Company's equity share capital, including any directly attributable incremental costs, is deducted from equity until the shares are cancelled, reissued or sold. Where own shares are sold or reissued, the net consideration received is included in equity.

	Group and Company Allotted and fully paid	
	2022 £m	2021 £m
Ordinary shares of 10 ¹ / ₂ p each	80	80

	Number of shares	
	2022	2021
At the beginning of the year	751,313,063	751,313,063
Issued on the exercise of options	15,079	-
At 31 March	751,328,142	751,313,063

The number of options over ordinary shares from Executive plans that were outstanding at 31 March 2022 was **3,278,372** (2021: 2,871,389). If all the options were exercisable at that date then **3,278,372** (2021: 2,871,389) shares would be required to be transferred from the Employee Benefit Trust (EBT). The number of options over ordinary shares from Other plans that were outstanding at 31 March 2022 was **1,768,677** (2021: 1,977,120). If all the options were exercisable at that date then **635,473** new ordinary shares (2021: 666,526) would be issued and **1,133,204** shares would be required to be transferred from the EBT (2021: 1,310,594).

Shareholders at the Annual General Meeting have previously authorised the acquisition of shares by the Company representing up to 10% of its share capital, to be held as treasury shares. During the year ended 31 March 2022, **3,049,943** treasury shares were transferred to the EBT (2021: none) to satisfy future awards under employee share plans. At 31 March 2022, the Group held **6,789,236** ordinary shares (2021: 9,839,179) with a market value of **£53m** (2021: £68m) in treasury. The transfer of treasury shares to the EBT did not change the Company's total voting rights as the voting rights and dividends in respect of the transferred shares continue to be waived.

37. Own shares

Accounting policy

Shares acquired by the EBT are presented on the Group and Company balance sheets within 'Other reserves'. Purchases of treasury shares are deducted from retained earnings.

	Group and Company	
	2022 £m	2021 £m
At the beginning of the year	11	10
Acquisition of ordinary shares	-	3
Transfer of treasury shares	21	-
Transfer of shares to employees on exercise of share options	(2)	(2)
At 31 March	30	11

Own shares consist of shares in Land Securities Group PLC held by the EBT in respect of the Group's commitment to a number of its employee share option schemes (note 35).

The number of shares held by the EBT at 31 March 2022 was **3,938,343** (2021: 1,224,468). The market value of these shares at 31 March 2022 was **£31m** (2021: £8m).

38. Contingencies

The Group has contingent liabilities in respect of legal claims, tax queries, guarantees and warranties arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

39. Related party transactions

Subsidiaries

During the year, the Company entered into transactions, in the normal course of business, with related parties as follows:

	2022 £m	2021 £m
Transactions with subsidiary undertakings¹:		
Recharge of costs	(193)	(131)
Interest paid	(99)	(87)

1. All cash payments, including dividend payments, are made by another Group company.

Joint arrangements

As disclosed in note 16, the Group has investments in a number of joint arrangements. Details of transactions and balances between the Group and its joint arrangements are as follows:

	Year ended and as at 31 March 2022				Year ended and as at 31 March 2021			
	Income £m	Net investments into joint ventures £m	Amounts owed by joint ventures £m	Amounts owed to joint ventures £m	Income £m	Net investments into joint ventures £m	Amounts owed by joint ventures £m	Amounts owed to joint ventures £m
Nova, Victoria	9	5	73	-	13	(2)	92	-
Southside Limited Partnership	3	-	75	-	4	-	75	-
St. David's Limited Partnership	2	(8)	1	-	1	-	1	-
Westgate Oxford Alliance Limited Partnership	1	(11)	1	-	2	(4)	-	-
Other	-	51	6	(1)	-	(1)	1	-
	15	37	156	(1)	20	(7)	169	-

Notes to the financial statements

for the year ended 31 March 2022 continued

39. Related party transactions continued

Associates

As disclosed in note 17, the Group acquired investments in a number of associates during the year as a result of the Group's purchase of 100% share capital of U+I Group PLC on 14 December 2021. Details of transactions and balances between the Group and its associates are as follows:

	Year ended and as at 31 March 2022				Year ended and as at 31 March 2021			
	Income £m	Net investments into associates £m	Amounts owed by associates £m	Amounts owed to associates £m	Income £m	Net investments into associates £m	Amounts owed by associates £m	Amounts owed to associates £m
Associates	–	4	6	–	–	–	–	–
	–	4	6	–	–	–	–	–

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group and Company, is set out below in aggregate for each of the applicable categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on pages 108-124.

	2022 £m	2021 £m
Short-term employee benefits	4	4
Share-based payments	2	3
	6	7

40. Operating lease arrangements

Accounting policy

The Group earns rental income by leasing its properties to tenants under non-cancellable operating leases. Leases in which substantially all risks and rewards incidental to ownership of investment properties are retained by the Group as the lessor are classified as operating leases. Payments, including prepayments, received under operating leases (net of any incentives paid) are charged to the income statement on a straight-line basis over the period of the lease.

At the balance sheet date, the Group had contracted with tenants to receive the following undiscounted future minimum lease payments:

	2022 £m	2021 £m
Not later than one year	461	467
Later than one year, but not more than two years	459	431
Later than two years, but not more than three years	434	422
Later than three years, but not more than four years	388	391
Later than four years, but not more than five years	337	346
More than five years	3,142	3,059
	5,221	5,116

The total of contingent rents, primarily turnover based rents, recognised as income during the year was £35m (2021: £5m).

41. Acquisition of subsidiaries

Accounting policy

Refer to Note 1 for the Group's policy on recognition of subsidiary undertakings.

Significant accounting judgement

Acquisitions of subsidiaries, and the method applied on the initial recognition of the subsidiary or group of subsidiaries, by nature can be complex and material to the financial statements. When a subsidiary is acquired, management considers the substance of the assets and activities of the acquired entity to determine whether the acquisition represents the acquisition of a business or an acquisition of an asset. An acquisition is accounted for as a business combination where an integrated set of activities and assets, including property, is acquired. Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. When the acquisition of a subsidiary does not represent a business combination, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

Business acquisition

The Group has accounted for the purchase of 100% of the share capital of U+I Group PLC for a cash consideration of **£191m** on 14 December 2021 in accordance with IFRS 3 Business Combinations. The Group incurred **£8m** of business combination costs in connection with the transaction. Goodwill of **£6m** arose on the transaction, as a result of the difference between the fair value of the net assets acquired and the consideration paid, which was based on a price per share recognising the access to a significant pipeline of mixed-use development schemes gained by the acquisition, and the expected synergies and enhancement of the Group's existing development capabilities by adding additional skills and experience to the Group. The Group has considered whether the goodwill is recoverable, and has concluded that it is not. The Group's longer term plans for the developments and the potential synergies with the Group's existing holdings are at an early stage, making the recoverable amount uncertain at this time. **£6m** of goodwill has therefore been written off to the income statement in the year.

The fair value of the assets and liabilities recognised at the date of acquisition is set out in the table below. As at 31 March 2022, the Group remains in the measurement period for the recognition of assets and liabilities on acquisition of U+I Group PLC. The values provided in the table below are therefore provisional and could be subject to adjustment until the measurement period ends in December 2022:

	U+I Group PLC £m
Assets	
Investment property, including head leases capitalised	98
Investments in joint ventures and associates	58
Trading property	128
Trade receivables and other assets	62
Cash	36
Total assets	382
Liabilities	
Borrowings	(110)
Trade payables and other liabilities	(87)
Total liabilities	(197)
Net assets	185
Fair value of consideration paid	191
Goodwill recognised	6
Goodwill impairment	(6)
Business combination costs	(8)
Total loss on business combination recognised in the income statement	(14)

Notes to the financial statements

for the year ended 31 March 2022 continued

41. Acquisition of subsidiaries continued

Pro forma information

Since the date of acquisition, U+I Group PLC has contributed the following to the revenue and profit before tax of the Group for the year:

	U+I Group PLC £m
Revenue	3
Loss before tax	(14)

If the acquisition had been made on 1 April 2021, the Group's revenue would have been higher by £9m and profit before tax would have been lower by £32m.

The pro forma information is provided for illustrative purposes only and is not necessarily indicative of the results of the combined Group that would have occurred had the purchases actually been made at the beginning of the financial year, or indicative of future results of the combined Group.

Acquisition of group of assets and liabilities

The Group has accounted for the purchase of a 75% interest in Peel Holdings (Media) Limited ('MediaCity') for a cash consideration of **£209m** on 2 November 2021 as an acquisition of a group of assets and liabilities, having met the concentration test in accordance with IFRS 3 Business Combinations. The Group incurred **£3m** of acquisition costs in connection with the transaction, which were capitalised during the year. The Group recognised the amounts attributable to non-controlling interests at acquisition based on the proportionate share of the fair values of the net assets of MediaCity at 2 November 2021.

The fair value of the assets and liabilities recognised at the date of acquisition is set out in the table below:

	MediaCity £m
Assets	
Investment property	563
Trade and other receivables	4
Cash	23
Total assets	590
Liabilities	
Borrowings	(403)
Trade payables and other liabilities	(20)
Total liabilities	(423)
Net assets	167
Repayment of loan notes	110
Non-controlling interest	(68)
Fair value of consideration paid	209

Pro forma information

Since the date of acquisition, MediaCity has contributed the following to the revenue and profit before tax of the Group, including amounts attributable to non-controlling interest, for the year:

	MediaCity £m
Revenue	13
Profit before tax	24

If the acquisition had been made on 1 April 2021, the Group's revenue and profit before tax, including amounts attributable to non-controlling interest, would have been higher by £21m and £14m respectively.

The information is provided for illustrative purposes only and is not necessarily indicative of the results of the combined Group that would have occurred had the purchases actually been made at the beginning of the financial year, or indicative of future results of the combined Group.

42. Events after the reporting period

On 11 May 2022, contracts were exchanged to sell the wholly owned subsidiary, LS City & West End Limited, which holds the Group's interests in 32-50 Strand, for a headline price of £195m.

Since 31 March 2022, the Group sold or exchanged contracts to sell certain interests in joint venture arrangements and trading properties, all acquired as part of the U+I Group PLC on 14 December 2021.

The Building Safety Act 2022 was enacted on 28 April 2022, for which work is underway to assess the potential impact on the Group.

Business analysis – EPRA disclosures

EPRA net asset measures

Table 61

	31 March 2022		
	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
Net assets attributable to shareholders	7,917	7,917	7,917
Shortfall of fair value over net investment in finance lease book value	(6)	(6)	(6)
Deferred tax liability on intangible asset	1	1	–
Goodwill on deferred tax liability	(1)	(1)	(1)
Other intangible asset	–	(2)	–
Fair value of interest-rate swaps	(21)	(21)	–
Excess of fair value of debt over book value (note 22)	–	–	(107)
Purchasers' costs ¹	698	–	–
Net assets used in per share calculation	8,588	7,888	7,803
	EPRA NRV	EPRA NTA	EPRA NDV
Diluted net assets per share	1,157p	1,063p	1,052p

	31 March 2021		
	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
Net assets attributable to shareholders	7,212	7,212	7,212
Excess of fair value over net investment in finance lease book value	93	93	93
Deferred tax liability on intangible asset	1	1	–
Goodwill on deferred tax liability	(1)	(1)	(1)
Other intangible asset	–	(2)	–
Fair value of interest-rate swaps	(3)	(3)	–
Excess of fair value of debt over book value (note 22)	–	–	(244)
Purchasers' costs ¹	628	–	–
Net assets used in per share calculation	7,930	7,300	7,060
	EPRA NRV	EPRA NTA	EPRA NDV
Diluted net assets per share	1,070p	985p	953p

1. EPRA NTA and EPRA NDV reflect IFRS values which are net of purchasers' costs. Purchasers' costs are added back when calculating EPRA NRV.

EPRA performance measures

Table 62

31 March 2022

Measure	Definition for EPRA measure	Notes	Landsec measure	EPRA measure
EPRA earnings	Recurring earnings from core operational activity	5	£355m	£355m
EPRA earnings per share	EPRA earnings per weighted number of ordinary shares	5	48.0p	48.0p
EPRA diluted earnings per share	EPRA diluted earnings per weighted number of ordinary shares	5	47.8p	47.8p
EPRA Net Tangible Assets (NTA)	Net assets adjusted to exclude the fair value of interest-rate swaps, intangible assets and excess of fair value over net investment in finance lease book value	5	£7,888m	£7,888m
EPRA Net Tangible Assets per share	Diluted Net Tangible Assets per share	5	1,063p	1,063p
EPRA net disposal value (NDV)	Net assets adjusted to exclude the fair value of debt and goodwill on deferred tax and to include excess of fair value over net investment in finance lease book value	5	£7,803m	£7,803m
EPRA net disposal value per share	Diluted net disposal value per share	5	1,052p	1,052p
Table				
Voids/vacancy rate	ERV of vacant space as a % of ERV of Combined Portfolio excluding the development programme ¹	63	5.1%	5.1%
Cost ratio ²	Total costs as a percentage of gross rental income (including direct vacancy costs) ²		27.8%	26.4%
	Total costs as a percentage of gross rental income (excluding direct vacancy costs) ²		n/a	22.1%

1. Our measure reflects voids in our like-for-like portfolio only. The EPRA measure reflects voids in the Combined Portfolio excluding only properties under development.

2. The EPRA cost ratio is calculated based on gross rental income after rents payable and excluding costs recovered through rents but not separately invoiced of £7m, whereas our measure is based on gross rental income before rents payable and costs recovered through rents but not separately invoiced. We do not calculate a cost ratio excluding direct vacancy costs as we do not consider this to be helpful. Provisions for bad and doubtful debts have been excluded from our cost ratio.

EPRA vacancy rate

Table 63

The EPRA vacancy rate is based on the ratio of the estimated market rent for vacant properties versus total estimated market rent, for the Combined Portfolio excluding properties under development. There are no significant distorting factors influencing the EPRA vacancy rate.

	31 March 2022 £m
ERV of vacant properties	29
ERV of Combined Portfolio excluding properties under development	568
EPRA vacancy rate (%)	5.1

Change in net rental income from the like-for-like portfolio

Table 64

	2022 £m	2021 £m	£m	Change %
Central London	245	241	4	2
Major retail	133	63	70	111
Subscale sectors	74	38	36	95
	452	342	110	32

Business analysis – EPRA disclosures

continued

Acquisitions, disposals and capital expenditure

Table 65

				Year ended 31 March 2022	Year ended 31 March 2021
	Group (excl. joint ventures) £m	Joint ventures £m	Adjustment for non-wholly owned subsidiaries ¹ £m	Combined Portfolio £m	Combined Portfolio £m
Investment properties					
Net book value at the beginning of the year	9,607	735	-	10,342	12,243
Acquisitions	866	32	(141)	757	115
Capital expenditure	343	7	-	350	223
Capitalised interest	17	-	-	17	11
Net movement in head leases capitalised	62	-	-	62	1
Disposals	(98)	-	-	(98)	(594)
Net surplus/(deficit) on revaluation of investment properties	416	(3)	(4)	409	(1,646)
Transfer to trading properties	(6)	-	-	(6)	(11)
Net book value at the end of the year	11,207	771	(145)	11,833	10,342
Profit on disposal of investment properties	107	8	-	115	5
Trading properties					
	£m	£m	£m	£m	£m
Net book value at the beginning of the year	36	-	-	36	27
Acquisitions	128	17	-	145	-
Transfer from investment properties	6	-	-	6	11
Capital expenditure	6	-	-	6	1
Disposals	(25)	(16)	-	(41)	(3)
Movement in impairment	(6)	-	-	(6)	-
Net book value at the end of the year	145	1	-	146	36
Profit/(loss) on disposal of trading properties	2	(1)	-	1	(1)

1. The Group acquired a 75% interest in MediaCity on 2 November 2021. This represents the 25% interest in MediaCity which is not owned by the Group, but which is consolidated in the Group numbers.

	Investment properties ¹ £m	Trading properties £m	Combined Portfolio £m	Combined Portfolio £m
Acquisitions, development and other capital expenditure				
Acquisitions ²	757	145	902	115
Development capital expenditure ³	305	5	310	183
Other capital expenditure	45	1	46	41
Capitalised interest	17	-	17	11
Acquisitions, development and other capital expenditure	1,124	151	1,275	350
Disposals				
Net book value – investment property disposals			98	594
Net book value – trading property disposals			41	3
Net book value – other net assets			8	43
Profit on disposal – investment properties			115	5
Profit/(loss) on disposal – trading properties			1	(1)
Total disposal proceeds			263	644

1. See EPRA analysis of capital expenditure table 66 for further details.

2. Properties acquired in the year.

3. Development capital expenditure for investment properties comprises expenditure on the future development pipeline and completed developments

EPRA analysis of capital expenditure

Table 66

31 March 2022

Other capital expenditure										31 March 2022
Acquisitions ¹ £m	Development capital expenditure ² £m	Incremental lettable space ³ £m	No incremental lettable space £m	Tenant improvements £m	Total £m	Capitalised interest £m	Total capital expenditure – Combined Portfolio £m	Total capital expenditure – joint ventures (Group share) £m	Adjustment for non-wholly owned subsidiaries ⁴ £m	Total capital expenditure – Group £m
Central London										
West End offices	–	–	(1)	4	–	3	–	3	–	3
City offices	–	–	–	15	–	15	–	15	–	17
Retail and other	–	–	(1)	1	–	–	–	–	–	–
Developments	70	290	–	–	–	17	377	–	–	375
Total Central London	70	290	(2)	20	–	18	17	395	–	395
Major retail										
Shopping centres	175	–	(1)	7	1	7	–	182	5	177
Outlets	–	–	–	8	–	8	–	8	–	8
Total Major retail	175	–	(1)	15	1	15	–	190	5	185
Mixed-use urban										
Completed investment	399	–	–	2	–	2	–	401	–	533
Developments	100	15	–	–	–	–	115	22	(9)	102
Total Mixed-use urban	499	15	–	2	–	2	516	22	(141)	635
Subscale sectors										
Leisure	13	–	3	3	1	7	–	20	12	8
Hotels	–	–	–	1	–	1	–	1	–	1
Retail parks	–	–	–	2	–	2	–	2	–	2
Total Subscale sectors	13	–	3	6	1	10	–	23	12	11
Total capital expenditure	757	305	–	43	2	45	17	1,124	39	(141)
Timing difference between accrual and cash basis							(627)	(33)	141	(735)
Total capital expenditure on a cash basis⁵							497	6	–	491

1. Investment properties acquired in the year.

2. Expenditure on the future development pipeline and completed developments.

3. Capital expenditure where the lettable area increases by at least 10%.

4. The Group acquired a 75% interest in MediaCity on 2 November 2021. This represents the 25% interest in MediaCity which is not owned by the Group, but which is consolidated in the Group numbers.

5. Includes interest paid of £17m.

Business analysis – Group

Top 12 occupiers at 31 March 2022

Table 67

	% of Group rent ¹
Central Government	5.8%
Deloitte	5.4%
Accor	2.8%
Cineworld	1.9%
Boots	1.7%
Taylor Wessing	1.4%
Peel	1.3%
BBC	1.3%
Sainsbury's	1.1%
M&S	1.1%
H&M	1.1%
Next	1.0%
	25.9%

1. On a proportionate basis.

Property Income Distribution (PID) calculation

Table 68

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Profit/(loss) before tax per income statement	875	(1,393)
Accounting profit on residual operations	(62)	(47)
Prior year adjustment	-	28
Profit/(loss) attributable to tax-exempt operations	813	(1,412)
Adjustments		
Capital allowances	(36)	(45)
Capitalised interest	(15)	(7)
Revaluation (gain)/deficit	(409)	1,646
Tax exempt disposals	(117)	(6)
Capital expenditure	4	9
Other tax adjustments	(28)	(3)
Goodwill amortisation and impairment	9	5
Estimated tax-exempt income for the year	221	187
PID thereon (90%)	199	168

As a REIT, our income and capital gains from qualifying activities are exempt from corporation tax. 90% of this income must be distributed as a Property Income Distribution and is taxed at the shareholder level to give a similar tax position to direct property ownership. Non-qualifying activities, such as sales of trading properties, are subject to corporation tax. This year, there was no net tax charge (2021: £nil).

The table above provides a reconciliation of the Group's profit or loss before tax to its estimated tax exempt income, 90% of which the Company is required to distribute as a PID to comply with REIT regulations.

The Company has 12 months after the year end to make the minimum distribution. Accordingly, PID dividends paid in the year may relate to the distribution requirements of previous periods. The table below sets out the dividend allocation for the years ended 31 March 2022 and 31 March 2021:

	PID allocation			Ordinary dividend	Total dividend
	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m	Pre-31 March 2021 £m		
Dividends paid in year to 31 March 2021	-	54	79	-	133
Dividends paid in year to 31 March 2022	67	114	-	-	181
Minimum PID to be paid by 31 March 2023	132	-	n/a	n/a	n/a
Total PID required	199	168			

The Group has met all the REIT requirements, including the payment by 31 March 2022 of the minimum Property Income Distribution (PID) for the year ended 31 March 2021. The forecast minimum PID for the year ended 31 March 2022 is £199m, which must be paid by 31 March 2023. The Group has already made PID dividends relating to 31 March 2022 of £67m, leaving £132m to be paid in the coming year.

Our latest tax strategy can be found on our corporate website. In the year, the total taxes we incurred and collected were £154m (2021: £69m), of which £57m (2021: £25m) was directly borne by the Group including environmental taxes, business rates and stamp duty land tax. The Group has a low tax risk rating from HMRC.

REIT balance of business

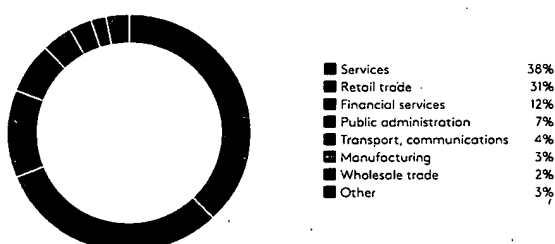
To retain the Group's REIT status, it must meet conditions from the REIT legislation. At least 75% of the Group's assets and 75% of the Group's income must relate to qualifying activities. The results of these tests at the balance sheet date are below:

	Year ended 31 March 2022			Year ended 31 March 2021		
	Tax-exempt business	Residual business	Adjusted results	Tax-exempt business	Residual business	Adjusted results
Profit before tax (£m) ¹	265	10	275	194	(7)	187
Balance of business - 75% profits test	96.4%	3.6%		100%	0%	
Adjusted total assets (£m) ¹	12,230	671	12,901	10,520	493	11,013
Balance of business - 75% assets test	94.8%	5.2%		95.5%	4.5%	

1. Calculated according to REIT rules.

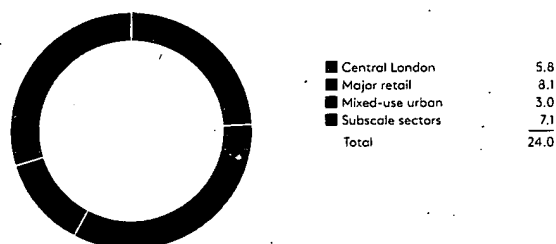
Annual net rent breakdown by occupier business sector (%)

Chart 71



Floorspace (million sq ft)¹

Chart 72



1. Joint ventures are reflected at 100% values, not Group share.

Sustainability performance

For us, sustainability is about the actions we take to fulfil our purpose so Landsec prospers far into the future. We want customers to prefer our spaces. We want communities to be pleased it's us operating in their area. We want partners to share our priorities. And we want employees to invest their energy and ambition here. When we get all this right, we create value for our investors.

To deliver this we've set 22 sustainability targets, within our Build well, Live well, Act well framework. This section includes a summary of our performance against those commitments and our key disclosures.

For more information please visit landsec.com/sustainability

Build well		
We will design, develop and manage places to tackle climate change, enhancing the health of the environment by achieving net zero and going beyond.		
Theme	Targets and Metrics	FY21/22 performance
Decarbonising our portfolio transitioning to net zero	Reduce operational carbon emissions (tCO ₂ e) by 70% by 2030, for property under our management for at least two years (compared with a 2013/14 baseline).	52% operational carbon reduction.
	Reduce average embodied carbon by 50% compared with a typical building by 2030 by prioritising asset retention where possible, smart design and using sustainable materials.	New target – performance to be reported next year.
	Reduce energy intensity by 45% by 2030 (compared with a 2013/14 baseline).	34% energy intensity reduction.
	Source 85% of total energy (electricity, gas, heating and cooling) consumption from renewable sources by 2030.	66%
	Ensure 100% of assets located in areas highly exposed to climate risks have adaptation measures in place.	For assets located in areas highly exposed to physical risks we continue to ensure adequate protection and mitigation plans are in place, including Business Continuity and Emergency Response Plans.
Enhancing nature and green spaces	Achieve a 25% biodiversity net gain by 2030 across our operational sites currently offering the greatest potential (2016/17 baseline).	13% biodiversity net gain.
	Achieve a 15% uplift in biodiversity for all new developments by 2030.	New target – performance to be reported next year.
Using resources efficiently	For every development, source 100% of core construction materials from ethical and sustainable sources, extending this across our full supply chain in due course.	100% of core construction materials with a responsible sourcing certification.
	Promote reuse and circular economy principles and achieve at least 75% annual recycling rate across our portfolio and new developments.	Recycling across operations: 71% Recycling across new developments: 99.5%
	Undertake water management assessment across assets under our operational control and set water targets by 2023.	New target – performance to be reported next year.

Live well		
We will create opportunities and inclusive places to change lives, supporting communities to thrive.		
Theme	Targets and Metrics	FY21/22 performance
Creating opportunities and tackling local issues	From a 2020 baseline, empower 30,000 people facing barriers into employment with the skills and opportunities to enter the world of work by 2030. From a 2020 baseline, deliver £200 million of social value in our local communities by 2030, addressing social issues relevant to each area.	1,802 people empowered towards the world of work including: → Total number of people supported into employment or received employability support: 1,040 → Total number of young people engaged through our education programmes and careers sessions: 762 Please note: this doesn't include people supported through our development activities as this is a new target and will be included next year. £5.1m of social value delivered including: → Social value created through supporting people into employment: £2.4m → Social value created through volunteering: £195,000 → Total value of support for charitable partnerships: £2.5m Please note: this doesn't include social value created through our development activities as this is a new target and will be included next year.
Inclusive places	We will design, develop and manage our assets and new developments to be accessible ensuring everyone feels like they belong. Accelerate diverse representation across all levels at Landsec: → 2025 target for female representation: 50% whole organisation; 50% Board, Exec and Senior Leaders; 40% Leader. → 2025 target BAME representation: >14% whole organisation; 14% Board, Exec and Senior Leaders; 14% Senior leaders. → Sexual orientation: achieve appropriate accreditation as a welcoming place to work for everyone irrespective of sexual orientation. → Disability: Achieve appropriate accreditation as a welcoming place to work for everyone irrespective of physical ability.	This year we achieved Disability Confident certification at a number of our assets, with five sites receiving Disability Confident Leader certification. Received a Stonewall Bronze Employer Award and introduced a 'transitioning at work' policy. 51% of our employees are female and ethnic minority representation is 17%. Our female representation is 35% at leader level and 30% at senior leader level. Our ethnic minority representation is 10% at leader and 3% at senior leader level.
Improving wellbeing	Promote a culture which enhances Landsec colleagues' wellbeing, having relevant policies and delivering impactful campaigns. Achieve WELL portfolio programme annually for our directly managed office portfolio and new developments setting a baseline score against which we will aim for continual improvement.	This year we launched an information hub to provide access to all wellbeing support including our employee assistance programme, our virtual GP, documents and apps. We continue to encourage individuals to focus on their physical and mental health and provide ongoing training to our 18 mental-health first aiders. In 2021 we became the first UK REIT to sign up to the WELL Portfolio Programme.

Sustainability performance

continued

Act well		
We will be a fair and responsible business in everything we do.		
Theme	Targets and Metrics	FY21/22 performance
Embedding ESG	All Landsec colleagues to have individual objectives to support the delivery of Build well, Live well, Act well with a proportion of remuneration linked to our energy and carbon targets.	This is the first year that we have linked a proportion of all colleagues' remuneration to the delivery of our energy and carbon targets. In 22/23, we're encouraging all Landsec colleagues to set individual objectives to support achieving our vision.
	Build relationships with our customer base (office and brand partners), establishing partnerships to drive improved sustainability performance for mutual gain.	This year we have engaged over 80 of our office customers on their sustainability plans and investigated opportunities for collaboration. Additionally, we have conducted 'energy deep dives' with 15 occupiers to identify opportunities for energy reduction.
Doing the basics brilliantly	Build relationships with our strategic suppliers ensuring compliance to our Supplier Code of Conduct and enhancing sustainable practices throughout our supply chain.	All strategic suppliers are asked to comply with our Supplier Code of Conduct which sets out our minimum expectations on how we expect our suppliers to act in relation to fairness, wages, diversity, equality and inclusivity. Additionally, all strategic suppliers are expected to operate our sites with respect to Landsec's policies on health and safety, anti-harassment and bullying, diversity and inclusion.
	Provide safe, healthy and secure environments for those who work, visit, live and relax across our managed portfolio, maintaining ISO 45001 and BS 9997 certifications, as well as continually going beyond compliance delivering data-led and risk-prioritised improvement actions and leading the industry on fire safety.	All our properties operate within a safety-management system, certified to ISO 45001, and we continue to conform to it. This year we achieved certification to BS 9997 for our fire risk management system, and produced clear requirements for our development projects in anticipation of the Building Safety Act.
	Ensure all colleagues have read, understood and are following our Code of Conduct and underlying policies and standards which set out how we do things building on the foundations of our purpose and values.	No. of grievances raised: 2 No. of whistleblowing incidents: 0 During the year, we have refreshed our employee Code of Conduct which provides guidance on how to do the right thing and behave in the right way and highlights the key policies that all our employees must follow.
	Pay our colleagues the Real Living Wage and work with our suppliers to do the same.	We continue to pay all our direct employees the Real Living Wage and will keep our accreditation with the Living Wage Foundation under regular review over the coming year as the UK economy continues to emerge from the pandemic.

Benchmarking scores

Taking part in rigorous external benchmarking of our performance helps us to track and assess our progress. It also provides stakeholders with confidence that we're turning our commitments and targets into action, and that we're delivering on our ambition to be a sustainability leader in our industry.

Sustainability leadership

Demonstrated by our performance across all key ESG benchmarks.

BENCHMARK	LATEST PERFORMANCE	BENCHMARK	LATEST PERFORMANCE
	GRESB 2021 Real Estate Sector leader – 5-star rated entity Standing Investments: Regional Listed Sector leader for Europe within Diversified – Office/Retail (score 91%) Developments: Score 93%		EPRA 2021 Received our 8th Gold Award for best practice sustainability reporting
	CDP 2021 A-list (top 1.5%) for the fifth consecutive year Inclusion on the 2021 Supplier engagement Leaderboard (top 8%)		FTSE4Good 2021 87th percentile. We continue to retain our established position in the FTSE4Good Index
	DJSI 2021 Score 85/top 99th percentile European Real Estate leader, ranking 3rd globally (2020: 4th) Bronze Class distinction in the S&P Global Sustainability Awards		ISS ESG 2021 Prime status. Rating B- Decile rank 1/transparency level: very high
	Ecoact 2021 Ranked 1st amongst FTSE 100 companies (2020: 3rd) for our sustainability reporting and climate-related strategy and 3rd across global indices analysed (FTSE 100, Euro STOXX 50 and DOW 30)		MSCI ESG Rating 2021 AA rating
			Sustainalytics ESG Risk Rating 2021 8.5 (negligible risk)/ranking 13 out of 1,044 companies in the real estate industry
			Stonewall Workplace Equality Index 2022 Bronze award for our 1st submission, acknowledging our efforts to advance LGBT+ equality

Sustainability performance

continued

Streamlined Energy and Carbon Reporting (SECR)

Our streamlined energy and carbon reporting figures include energy consumption and carbon emissions associated with all properties under our operational control (i.e. absolute portfolio). Energy consumption is reported as kWh and no normalisation technique is applied. Carbon emissions are reported as tonnes of carbon dioxide equivalent (tCO₂e). We report our full greenhouse gas (GHG) emissions annually in accordance to the WRI GHG Protocol.

GHG emissions are broken down into three scopes: scope 1, 2 and 3.

Scope 1 emissions are direct emissions from activities controlled by us that release emissions into the atmosphere, while scope 2 emissions are indirect emissions associated with our consumption of purchased energy.

At Landsec, scope 1 comprises emissions from natural gas and refrigerant gases. Scope 2 emissions are from electricity, heating and cooling purchased for common areas and shared services. All material sources of scope 1 and 2 emissions are reported. As the remaining sources (e.g. diesel used in generator testing) represent such a small proportion of total emissions, we do not report them.

Scope 2 emissions are reported using both the 'location-based' and 'market-based' accounting methods. Location-based emissions are reported using the UK Government's 'Greenhouse gas reporting: conversion factors 2021'. Scope 2 market-based emissions are reported using the conversion factor associated with each individual electricity, heating and cooling supply, either obtained directly from the supplier or from their official company website.

Scope 3 emissions are those that are a consequence of our business activities, but which occur at sources we do not own or control and which are not classified as scope 2 emissions. The GHG Protocol identifies 15 categories of which 8 are directly relevant for Landsec.

Landsec – Scope 1 and 2 emissions

Table 73

Location-based emissions

Emissions	2019/20	2020/21	2021/22
Scope 1 tCO ₂ e	9,158	7,554	7,151
Scope 2 tCO ₂ e	25,382	18,434	18,338
Scope 1 and 2 tCO ₂ e	34,540	25,988	25,489
Intensity			
Scope 1 and 2 kgCO ₂ e/m ²	18.56	14.23	14.12

Landsec – Scope 1 and 2 emissions

Table 74

Market-based emissions

Emissions	2019/20	2020/21	2021/22
Scope 1 tCO ₂ e	9,158	7,554	7,151
Scope 2 tCO ₂ e	3,719	2,079	2,054
Scope 1 and 2 tCO ₂ e	12,878	9,633	9,205
Intensity			
Scope 1 and 2 kgCO ₂ e/m ²	6.11	5.27	5.10

Scope 1 and 2 GHG emissions using location-based emission factors have decreased by 2% compared with the previous reporting year. Despite an increase energy consumption driven by higher occupancy levels and the ease of Covid-19 restrictions, there has been marginal decrease in location-based emissions. The decrease has been largely due to changes in emissions factors and actions taken to drive energy efficiency across our assets. The detailed breakdown of main factors driving the change in our Scope 1 and Scope 2 can be seen in Chart 75. In terms of market-based emissions, we have seen a decrease of 4% which is largely due to changes in emissions factors.

Landsec Scope 1 and 2 emissions – year on year driving factors

Chart 75

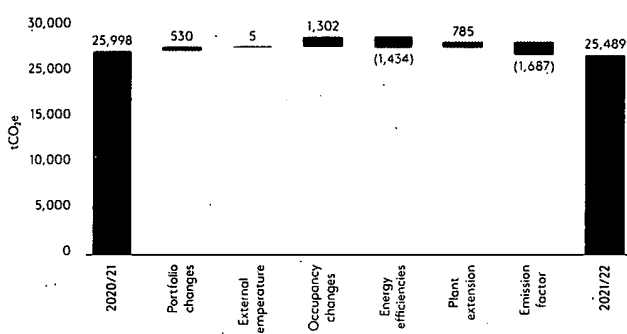


Table 76 shows the absolute energy consumption with a breakdown by landlord and tenant consumption. This year, absolute energy intensity has increased by 14% compared with the previous year, largely as a result of the increase in occupancy alongside easing of Covid-19 related restrictions.

Despite an increase in energy intensity from higher occupancy and footfall rates, we were able to avoid an even larger increase due to energy efficiencies achieved from our active energy management programme. This year we have been able to implement various initiatives, including lighting upgrades and further software modifications in our building management systems (BMS) to optimise the operation of our central plant services.

Furthermore, this year we identified and committed to implement energy efficiency projects across our portfolio that is expected to lead to over 8,600 MWh of savings per annum. More information on our energy programme can be found on pages 49-51 (within Build well section).

Landsec – Energy consumption

Table 76

Energy consumption	Unit		2019/20	2020/21	2021/22
Natural Gas	kWh	For landlord shared services	43,015,309	27,504,757	34,618,470
		(Sub)metered to tenants	28,576,514	12,686,608	17,627,638
		Total Natural Gas consumption	71,591,823	40,191,365	52,246,108
Electricity	kWh	For landlord shared services	95,890,524	74,375,665	81,468,457
		(Sub)metered to tenants	68,977,474	46,107,177	48,120,743
		Total Electricity consumption	164,867,998	120,482,841	129,589,200
District Heating and Cooling	kWh	For landlord shared services	5,312,441	5,472,813	5,551,710
		(Sub)metered to tenants	7,356,140	3,589,825	4,170,874
		Total Heating and Cooling consumption	12,668,581	9,062,638	9,722,584
Total Energy Consumption	kWh	For landlord shared services	144,218,274	107,353,234	121,638,636
		(Sub)metered to tenants	104,910,128	62,383,610	69,919,255
		Total Energy consumption	249,128,402	169,736,845	191,557,892
Energy intensity	kWh/m ²		134	93	106

Every year we report our full carbon footprint, including indirect emissions from our value chain activities (i.e. Scope 3 emissions). By developing a full GHG emissions inventory, incorporating scope 1, scope 2, and scope 3 emissions, we're able to understand the total emissions associated with our business. The GHG Protocol identifies 15 categories for scope 3 emissions of which 8 are directly relevant to our business. The table below provides a breakdown of our entire emissions inventory. Our scope 3 reporting methodology is detailed in our 2022 Sustainability Performance and Data report.

Landsec – Carbon footprint

Table 77

GHG Scope	Category	2019/20		2020/21		2021/22	
		Emissions (tCO ₂ e)	% of total value chain	Emissions (tCO ₂ e)	% of total value chain	Emissions (tCO ₂ e)	% of total value chain
Scope 1	Scope 1	9,158	3.4	7,554	3.3	7,151	3.2
Scope 2	Scope 2	25,382	9.4	18,434	8.0	18,338	8.3
Scope 3	Scope 3	235,031	87.2	205,235	88.8	195,875	88.5
	Purchased goods and services (PG&S)	48,787	18.1	34,004	14.7	21,623	9.8
	Capital goods	69,123	25.6	84,261	36.4	76,397	34.5
	Fuel- and energy-related activities	6,919	2.6	5,052	2.2	7,765	3.5
	Upstream transportation and distribution	Grouped under PG&S	0.0	Grouped under PG&S	0.0	Grouped under PG&S	0.0
	Waste generated in operations	770	0.3	284	0.1	516	0.2
	Business travel	270	0.1	33	0.0	40	0.0
	Employee commuting	166	0.1	168	0.1	159	0.1
	Upstream leased assets	n/a	0.0	n/a	0.0	Excluded	0.0
	Downstream transportation and distribution	n/a	0.0	n/a	0.0	Excluded	0.0
	Processing of sold products	n/a	0.0	n/a	0.0	Excluded	0.0
	Use of sold products	n/a	0.0	n/a	0.0	Excluded	0.0
	End-of-life treatment of sold products	n/a	0.0	n/a	0.0	Excluded	0.0
	Downstream leased assets	108,996	40.4	81,433	35.2	89,374	40.4
	Franchises	n/a	0.0	n/a	0.0	Excluded	0.0
	Investments	n/a	0.0	n/a	0	Excluded	0.0
	Total emissions	269,571		231,223		221,363	

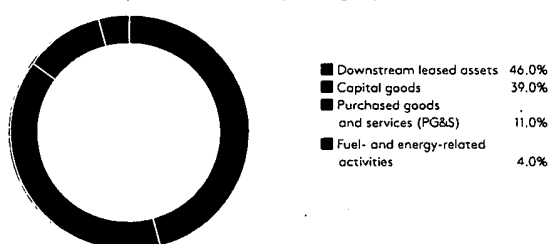
Sustainability performance

continued

Our scope 3 reporting allows us to identify the most significant areas in our value chain to focus on reducing emissions. The chart below shows the largest categories.

Landsec Scope 3 emissions by category 2021/22

Chart 78



The two largest scope 3 categories are Capital goods and Downstream leased assets, making up 75% of our total emissions.

Capital goods include the emissions associated with the manufacture and transport of materials used within our development activities and portfolio projects. Downstream leased assets are those emissions associated with energy consumed by our customers within our assets.

The emissions from Capital goods has slightly reduced due to the fact that 21 Moorfields, EC2 had much less carbon-intensive material arriving on site compared to 2020-21 as it nears completion, whilst our other developments entered a more intensive phase of construction, during which material deliveries to site intensify. In the table below, we provide the amount of embodied carbon emissions reported for each development in 2021-22.

In relation to Downstream leased assets, we continue to increase the share of primary data relating to tenant energy usage (now at 57%, an increase from 44% last year), thereby increasing data accuracy, and this category's increase in emissions (from 35.2% to 40.4% of our total value chain) can be explained by occupancy increases following the lifting of Covid-19 related restrictions and the accompanying increase in tenant energy usage.

Because both categories represent a significant proportion of our total carbon footprint, we are committed to understanding the impacts of our buildings as much as we can to ensure that we build and run them as efficiently as possible. We therefore undertake life-cycle assessments on all of our development projects; following the RICS guidance document 'Whole life carbon assessment for the built environment' 1st Edition and BS EN 15978. The assessment considers both the embodied carbon emissions from our supply chain and construction activities (stages A1 to A5), as well as anticipated emissions from a building's operations and embodied carbon associated with maintenance and repairs over the lifetime of the building (stages B1 to C4). To minimise our construction impacts, we set targets on the embodied carbon emissions and track these through to the completion of our buildings. The table below shows that we'll avoid over 50,000 tCO₂e by targeting an overall reduction of 22.1% in the embodied carbon across five developments compared with design stage baseline (RIBA stage 3). We also carefully design our buildings to minimise the energy demand of our operations and meet the remaining demand through renewable electricity contracts.

This year, we have reviewed our embodied carbon targets for new developments. In next year's report, we will focus on the overall embodied carbon intensity rather than the percentage reduction from design stage as a way of ensuring that we encourage structural retention and material reuse as much as possible on our new schemes.

Embodied carbon – development pipeline

Table 79

Development	Total embodied carbon baseline tCO ₂	Forecasted total embodied carbon tCO ₂	Forecasted embodied carbon intensity kgCO ₂ /m ²	Embodied carbon reduction %	Embodied carbon emissions reported in 2021/22 tCO ₂
21 Moorfields, EC2	120,871	91,120	1,217	-24.6	15,364
Lucent, W1	27,120	21,411	1,113	-21.1	8,283
n2, SW1	24,780	20,517	996	-17.2	6,575
The Forge, SE1	24,741	18,414	1,026	-25.6	5,365
Portland House ¹ , SW1	Scope change – no data available				
Timber Square ² , SE1	32,390	27,676	535	-14.6	543
Landsec development pipeline	229,902	179,138		-22.1	36,130

1. Portland House project has been paused during the year whilst a new design is being devised with no embodied carbon to be reported in the year.

2. Total embodied carbon baseline for Timber Square project has been reviewed to exclude sequestration in accordance with industry guidelines and the RICS guidance document on whole life carbon. If sequestration is taken into account, the forecasted embodied carbon intensity is 448kgCO₂/m² (GIA).

Assurance

Landsec's auditor, EY, has once again conducted sustainability assurance. This is part of our journey to embed sustainability across the business and enhance the integrity, quality and usefulness of the information we provide. EY performed a limited assurance engagement on selected performance data and qualitative statements in the Our people and culture, Our approach to sustainability and Build well, Live well, Act well sections of the Strategic Report on pages 38-57; the TCFD disclosures on pages 66-69; the sustainability content in the 'Additional Information' section of the Landsec 2022 Annual Report on pages 204-210; and the online Landsec Performance Data Report 2022, which can be found at landsec.com/sustainability/reports-benchmarking. The full assurance statement is available at landsec.com/sustainability/governance-policies.

Alternative performance measures

The Group has applied the European Securities and Markets Authority (ESMA) 'Guidelines on Alternative Performance Measures' in these results. In the context of these results, an alternative performance measure (APM) is a financial measure of historical or future financial performance, position or cash flows of the Group which is not a measure defined or specified in IFRS.

The table below summarises the APMs included in these results and where the reconciliations of these measures can be found. The definitions of APMs are included in the Glossary.

Table 80

Alternative performance measure	Nearest IFRS measure	Reconciliation
EPRA earnings	Profit/loss before tax	Note 4
EPRA earnings per share ²	Basic earnings/loss per share	Note 5
EPRA diluted earnings per share	Diluted earnings/loss per share	Note 5
EPRA Net Tangible Assets	Net assets attributable to shareholders	Note 5
EPRA Net Tangible Assets per share	Net assets attributable per share	Note 5
Total accounting return	n/a	Note 5
Adjusted net cash inflow from operating activities	Net cash inflow from operating activities	Note 13
Combined Portfolio	Investment properties	Note 14
Adjusted net debt	Borrowings	Note 21
Group LTV	n/a	Note 21

Combined Portfolio analysis

Total portfolio analysis

	Market value ¹		Valuation movement ²		Rental income ¹		Annualised rental income ²		Net estimated rental value ³	
	31 March 2022 £m	31 March 2021 £m	Surplus/ (deficit) £m	Surplus/ (deficit) %	31 March 2022 £m	31 March 2021 £m	31 March 2022 £m	31 March 2021 £m	31 March 2022 £m	31 March 2021 £m
Central London										
West End offices	3,013	2,932	86	3.0%	138	139	135	137	147	141
City offices	1,928	1,821	100	5.6%	75	95	76	76	101	101
Retail and other	1,131	1,290	16	1.5%	70	64	47	58	54	61
Developments ⁴	1,709	1,304	65	4.0%	10	11	10	15	112	94
Total Central London	7,781	7,347	267	3.7%	293	309	268	286	414	397
Major retail										
Shopping centres	1,141	1,041	(15)	-1.3%	111	115	108	98	101	95
Outlets	743	722	12	1.6%	56	47	56	39	61	61
Total Major retail	1,884	1,763	(3)	-0.1%	167	162	164	137	162	156
Mixed-use urban										
Completed investment	409	-	8	2.0%	10	-	24	-	24	-
Developments ⁴	486	372	(33)	-6.5%	33	26	29	25	32	27
Mixed-use urban	895	372	(25)	-2.8%	43	26	53	25	56	27
Subscale sectors										
Leisure	569	506	41	7.4%	46	43	49	41	51	42
Hotels	422	406	14	3.5%	16	4	16	4	25	25
Retail parks	466	397	115	31.9%	29	34	29	33	29	32
Total Subscale sectors	1,457	1,309	170	12.9%	91	81	94	78	105	99
Combined Portfolio	12,017	10,791	409	3.6%	594	578	579	526	737	679
Properties treated as finance leases					(8)	(9)				
Combined Portfolio	12,017	10,791	409	3.6%	586	569				
Represented by:										
Investment portfolio	11,217	10,025	412	3.9%	534	519	531	481	687	629
Share of joint ventures	800	766	(3)	-0.4%	52	50	48	45	50	50
Combined Portfolio	12,017	10,791	409	3.6%	586	569	579	526	737	679

Total portfolio analysis continued

Table 81

	Net initial yield ⁴		Equivalent yield ⁵	
	31 March 2022 %	Movement in like-for-like ⁷ bps	31 March 2022 %	Movement in like-for-like ⁷ bps
Central London				
West End offices	4.2%	(47)	4.6%	(2)
City offices	3.6%	(34)	4.6%	(8)
Retail and other	4.4%	72	4.7%	15
Developments ⁶	0.5%	n/a	4.3%	n/a
Total Central London	3.3%	(21)	4.5%	(1)
Major retail				
Shopping centres	7.7%	34	7.4%	3
Outlets	5.8%	49	6.7%	(10)
Total Major retail	7.0%	38	7.1%	(3)
Mixed-use urban				
Completed investment	5.1%	n/a	5.7%	n/a
Development ⁶	5.5%	n/a	5.3%	n/a
Total Mixed-use urban	5.3%	n/a	5.5%	n/a
Subscale sectors				
Leisure	6.7%	(11)	7.1%	(40)
Hotels	4.2%	85	5.5%	(1)
Retail parks	5.7%	(176)	5.7%	(187)
Total Subscale sectors	5.6%	(23)	6.2%	(70)
Combined Portfolio	4.3%	(10)	5.2%	(11)
Represented by:				
Investment portfolio	4.2%	n/a	5.2%	n/a
Share of joint ventures	5.1%	n/a	5.6%	n/a
Combined Portfolio	4.3%	n/a	5.2%	n/a

Notes

1. Refer to Glossary for definition.
2. Annualised rental income is annual 'rental income' (as defined in the Glossary) at the balance sheet date, except that car park and commercialisation income are included on a net basis (after deduction for operational outgoings). Annualised rental income includes temporary lettings.
3. Net estimated rental value is gross estimated rental value, as defined in the Glossary, after deducting expected rent payable.
4. Net initial yield – refer to Glossary for definition. This calculation includes all properties including those sites with no income.
5. Equivalent yield – refer to Glossary for definition. Future developments are excluded from the calculation of equivalent yield on the Combined Portfolio.
6. Comprises the development pipeline – refer to Glossary for definition.
7. The like-for-like portfolio – refer to Glossary for definition.

Reconciliation of segmental information note to statutory reporting

The table below reconciles the Group's income statement to the segmental information note (note 4 to the financial statements).

Reconciliation of segmental information note to statutory reporting

Year ended 31 March 2022

	Group income statement £m	Joint ventures ¹ £m	Adjustment for non-wholly owned subsidiaries ² £m	Total £m	EPRA earnings £m	Capital and other items £m
Rental income	537	52	(3)	586	586	-
Finance lease interest	8	-	-	8	8	-
Gross rental income (before rents payable)	545	52	(3)	594	594	-
Rents payable	(6)	(2)	-	(8)	(8)	-
Gross rental income (after rents payable)	539	50	(3)	586	586	-
Service charge income	78	9	(1)	86	86	-
Service charge expense	(90)	(10)	2	(98)	(98)	-
Net service charge expense	(12)	(1)	1	(12)	(12)	-
Other property related income	25	3	-	28	28	-
Direct property expenditure	(94)	(10)	-	(104)	(104)	-
Movement in bad and doubtful debt provisions	13	(1)	-	12	12	-
Segment net rental income	471	41	(2)	510	510	-
Other income	3	-	-	3	3	-
Administrative expenses	(80)	(2)	-	(82)	(82)	-
Depreciation	(5)	-	-	(5)	(5)	-
EPRA earnings before interest³	389	39	(2)	426	426	-
Share of post-tax profit from joint ventures	33	(33)	-	-	-	-
Net surplus/(deficit) on revaluation of investment properties	416	(3)	(4)	409	-	409
Profit on disposal of investment properties	107	8	-	115	-	115
Profit on disposal of joint ventures	2	-	-	2	-	2
Profit/(loss) on disposal of trading properties	2	(1)	-	1	-	1
Gain on modification of finance lease	6	-	-	6	-	6
Movement in impairment charge on trading properties	(6)	-	-	(6)	-	(6)
Impairment of goodwill	(6)	-	-	(6)	-	(6)
Business combination costs	(8)	-	-	(8)	-	(8)
Operating profit/(loss)	935	10	(6)	939	426	513
Finance income	25	-	-	25	9	16
Finance expense	(85)	(10)	-	(95)	(80)	(15)
Profit before tax	875	-	(6)	869	355	514
Taxation	-	-	-	-	-	-
Profit for the year	875	-	(6)	869		

1. Reallocation of the share of post-tax profit from joint ventures reported in the Group income statement to the individual line items reported in the segmental information note.
2. Removal of the non-wholly owned share of results of the Group's subsidiaries. The non-wholly owned subsidiaries are consolidated at 100% in the Group's income statement, but only the Group's share is included in EPRA earnings reported in the segmental information note.
3. The non-owned element of non-wholly owned subsidiaries is presented in the 'Capital and other items' column in the income statement. To reconcile EPRA earnings before interest in the income statement to the above table, EPRA earnings before interest in the Group income statement and Adjustment for non-wholly owned subsidiaries columns should be combined.

Reconciliation of segmental information note to statutory reporting continued

Table 82

Year ended 31 March 2021

	Group income statement £m	Joint ventures ¹ £m	Adjustment for owned subsidiaries ² £m	Total £m	EPRA earnings £m	Capital and other items £m
Rental income	519	50	-	569	569	-
Finance lease interest	9	-	-	9	9	-
Gross rental income (before rents payable)	528	50	-	578	578	-
Rents payable	(7)	(2)	-	(9)	(9)	-
Gross rental income (after rents payable)	521	48	-	569	569	-
Service charge income	70	9	-	79	79	-
Service charge expense	(75)	(9)	-	(84)	(84)	-
Net service charge expense	(5)	-	-	(5)	(5)	-
Other property related income	31	1	-	32	32	-
Direct property expenditure	(56)	(8)	-	(64)	(64)	-
Movement in bad and doubtful debt provisions	(110)	(17)	-	(127)	(127)	-
Segment net rental income	381	24	-	405	405	-
Other income	2	-	-	2	2	-
Administrative expenses	(75)	(2)	-	(77)	(77)	-
Depreciation	(5)	-	-	(5)	(5)	-
EPRA earnings before interest	303	22	-	325	325	-
Share of post-tax loss from joint ventures	(192)	192	-	-	-	-
Net deficit on revaluation of investment properties	(1,448)	(198)	-	(1,646)	-	(1,646)
Profit/(loss) on disposal of investment properties	8	(3)	-	5	-	5
Loss on disposal of trading properties	-	(1)	-	(1)	-	(1)
Exceptional items	(4)	-	-	(4)	-	(4)
Other	3	2	-	5	-	5
Operating (loss)/profit	(1,330)	14	-	(1,316)	325	(1,641)
Finance income	16	-	-	16	15	1
Finance expense	(79)	(14)	-	(93)	(89)	(4)
Loss before tax	(1,393)	-	-	(1,393)	251	(1,644)
Taxation	-	-	-	-	-	-
Loss for the year	(1,393)	-	-	(1,393)		

1. Reallocation of the share of post-tax loss from joint ventures reported in the Group income statement to the individual line items reported in the segmental information note.
2. Removal of the non-wholly owned share of results of the Group's subsidiaries. The non-wholly owned subsidiaries are consolidated at 100% in the Group's income statement, but only the Group's share is included in EPRA earnings reported in the segmental information note.

Ten year summary

Income statement

Table 83

	Year ended and as at 31 March									
	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m
Revenue	679	635	741	757	830	781	936	765	712	734
Costs	(308)	(333)	(274)	(271)	(321)	(260)	(404)	(329)	(244)	(281)
	371	302	467	486	509	521	532	436	468	453
Share of post-tax profit/(loss) from joint ventures	33	(192)	(151)	(85)	27	69	199	326	196	59
Profit/(loss) on disposal of investment properties	107	8	(6)	-	1	19	75	107	16	(3)
Profit/(loss) on disposal of investments in joint ventures	2	-	-	-	66	(2)	-	3	2	-
Profit on disposal of other investments	-	-	-	-	-	13	-	-	-	1
Net surplus/(deficit) on revaluation of investment properties	416	(1,448)	(1,000)	(441)	(98)	(186)	739	1,771	607	197
Gain on modification of finance lease	6	-	-	-	-	-	-	-	-	-
Operating profit/(loss)	935	(1,330)	(690)	(40)	505	434	1,545	2,643	1,289	707
Net finance expense	(60)	(63)	(147)	(83)	(548)	(268)	(185)	(207)	(165)	(157)
Net gain on business combination	-	-	-	-	-	-	-	2	5	1
Profit/(loss) before tax	875	(1,393)	(837)	(123)	(43)	166	1,360	2,438	1,129	551
Taxation	-	-	5	4	(1)	1	2	-	8	-
Profit/(loss) for the year	875	(1,393)	(832)	(119)	(44)	167	1,362	2,438	1,137	551
Net surplus/(deficit) on revaluation of investment properties¹:										
Investment portfolio	416	(1,448)	(998)	(440)	(98)	(187)	736	1,768	609	197
Share of joint ventures	(3)	(198)	(181)	(117)	7	40	171	269	155	21
Adjustment for non-wholly owned subsidiaries ²	(4)	-	-	-	-	-	-	-	-	-
Total	409	(1,646)	(1,179)	(557)	(91)	(147)	907	2,037	764	218
EPRA earnings	355	251	414	442	406	382	362	329	320	291
Results per share										
Total dividend payable in respect of the financial year	37.0p	27.0p	23.2p	45.55p	44.2p	38.55p	35.0p	31.85p	30.7p	29.8p
Basic earnings/(loss) per share	117.4p	(188.2)p	(112.4)p	(16.1)p	(5.8)p	21.1p	172.4p	308.6p	144.8p	70.7p
Diluted earnings/(loss) per share	117.1p	(188.2)p	(112.4)p	(16.1)p	(5.8)p	21.1p	171.8p	307.4p	144.3p	70.5p
EPRA earnings per share	48.0p	33.9p	55.9p	59.7p	53.1p	48.4p	45.9p	41.7p	40.7p	37.0p
EPRA diluted earnings per share	47.8p	33.9p	55.9p	59.7p	53.1p	48.3p	45.7p	41.5p	40.5p	36.8p
Net assets per share	1,070p	975p	1,182p	1,341p	1,404p	1,418p	1,434p	1,293p	1,016p	903p
Diluted net assets per share	1,067p	973p	1,181p	1,339p	1,404p	1,416p	1,431p	1,288p	1,012p	900p
EPRA net tangible assets per share	1,063p	985p	1,192p	1,348p	1,410p	1,422p	1,433p	1,296p	1,016p	906p

1. Includes our non-wholly owned subsidiaries on a proportionate basis.

2. This represents the interest in MediaCity which we do not own but consolidate in the Group numbers.

Balance sheet

Table 84

	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m	As at 31 March	
									2014 £m	2013 £m
Investment properties	11,207	9,607	11,297	12,094	12,336	12,144	12,358	12,158	9,848	9,652
Intangible assets	8	8	14	20	34	36	38	35	-	-
Net investment in finance leases	70	152	156	159	162	165	183	185	187	188
Loan investments	-	-	-	-	-	-	-	50	50	50
Investment in joint ventures	700	625	824	1,031	1,151	1,734	1,668	1,434	1,443	1,301
Investment in associates	4	-	-	-	-	-	-	-	-	-
Trade and other receivables	177	170	178	176	165	123	86	53	35	11
Other non-current assets	61	22	32	30	49	51	44	29	14	14
Total non-current assets	12,227	10,584	12,501	13,510	13,897	14,253	14,377	13,944	11,577	11,216
Trading properties and long-term development contracts	145	36	24	23	24	122	124	222	193	152
Trade and other receivables	368	354	433	437	471	418	445	404	366	345
Monies held in restricted accounts and deposits	22	10	9	36	15	21	19	10	15	31
Cash and cash equivalents	128	-	1,345	14	62	30	25	14	21	42
Other current assets	5	6	48	14	-	-	-	-	-	-
Total current assets	668	406	1,859	524	572	591	613	650	595	570
Non-current assets held for sale	-	-	-	-	-	-	-	283	-	-
Borrowings	(541)	(906)	(977)	(934)	(872)	(404)	(19)	(191)	(513)	(436)
Trade and other payables	(320)	(252)	(270)	(273)	(294)	(302)	(289)	(367)	(320)	(364)
Other current liabilities	(11)	(7)	(2)	(18)	(14)	(7)	(19)	(10)	(12)	(37)
Total current liabilities	(872)	(1,165)	(1,249)	(1,225)	(1,180)	(713)	(327)	(568)	(845)	(837)
Borrowings	(4,012)	(2,610)	(4,355)	(2,847)	(2,858)	(2,859)	(3,222)	(3,985)	(3,262)	(3,748)
Trade and other payables	(8)	(1)	(1)	(1)	-	(25)	(28)	(30)	(23)	(18)
Other non-current liabilities	(12)	(2)	(5)	(5)	(8)	(9)	(47)	(45)	(4)	(11)
Redemption liability	-	-	-	(36)	(37)	(36)	(35)	(35)	(33)	(118)
Total non-current liabilities	(4,032)	(2,613)	(4,361)	(2,889)	(2,903)	(2,929)	(3,332)	(4,095)	(3,322)	(3,895)
Net assets	7,991	7,212	8,750	9,920	10,386	11,202	11,331	10,214	8,005	7,054
Net debt¹	(4,254)	(3,509)	(3,942)	(3,747)	(3,654)	(3,219)	(3,229)	(4,193)	(3,744)	(4,132)
Market value of the Combined Portfolio	12,017	10,791	12,781	13,750	14,103	14,439	14,471	14,031	11,859	11,446
Adjusted net debt¹	(4,179)	(3,489)	(3,926)	(3,737)	(3,652)	(3,261)	(3,239)	(4,172)	(3,948)	(4,290)

1. Net debt and adjusted net debt exclude amounts payable under head leases for reporting periods from, and including, the year ended 31 March 2022. Net debt and adjusted net debt for prior periods included in the table above have not been restated, but would have excluded amounts payable under head leases of £61m (2021), £30m (2020, 2019 and 2014), £31m (2018 and 2017), £14m (2016), £17m (2015) and £29m (2013).

Subsidiaries, joint ventures and associates

As at 31 March 2022, the Company had a 100% interest, direct or indirect, in the ordinary share capital of the following subsidiaries, all of which are registered in the UK at 100 Victoria Street, London, SW1E 5JL.

Company name	Company name
Blueco Limited	LS (Parrswood Two) Limited
Bluewater Outer Area Limited	LS (Riverside) Limited
Castleford (UK) Limited	LS (Riverside Two) Limited
Crossways 2000 Limited	LS (Victoria) Nominee No.1 Limited
Crossways 3065 Limited	LS (Victoria) Nominee No.2 Limited
Crossways 7055 Limited	LS 1 New Street Square Limited
Dashwood House Limited	LS 1 New Street Square Developer Limited
Gunwharf Quays Limited	LS 1 Sherwood Street Limited
L & P. Estates Limited	LS 1 Sherwood Street Developer Limited
L.S.I.T.(Management) Limited	LS 105 Sumner Street Developer Limited
Land Securities (Finance) Limited	LS 123 Victoria Street Limited
Land Securities Buchanan Street Developments Limited	LS 130 Wood St Limited
Land Securities Capital Markets PLC	LS 21 Moorfields Development Management Limited
Land Securities Consulting Limited	LS 21 Moorfields Limited
Land Securities Development Limited	LS 25 Lavington Street Developer Limited
Land Securities Ebbsfleet (No.2) Limited	LS 60-78 Victoria Street Limited
Land Securities Ebbsfleet Limited	LS 62 Buckingham Gate Limited
Land Securities Group PLC	LS Aberdeen Limited
Land Securities Intermediate Limited ¹	LS Aldersgate Limited
Land Securities Lakeside Limited	LS Banbridge Phase Two Limited
Land Securities Management Limited	LS Bexhill Limited
Land Securities Management Services Limited	LS Bracknell Limited
Land Securities Partnerships Limited	LS Braintree Limited
Land Securities Pensions Trustee Limited	LS Buchanan Limited
Land Securities PLC	LS Canterbury Limited
Land Securities Portfolio Management Limited	LS Cardiff (GP) Investments Limited
Land Securities Properties Limited	LS Cardiff Limited
Land Securities Property Holdings Limited ¹	LS Cardiff Holdings Limited
Land Securities SPV'S Limited	LS Cardinal Limited
Land Securities Trading Limited	LS Castleford Limited
Land Securities Trinity Limited	LS Chadwell Heath Limited
Landsec Limited	LS Chattenden Marketing Limited
LC25 Limited	LS Chesterfield Limited
Leisure II (West India Quay LP) Shareholder Limited	LS City & West End Limited
Leisure Parks I Limited	LS City Gate House Limited
Leisure Parks II Limited	LS Company 2 Limited
LS (Eureka) Limited	LS Company 3 Limited
LS (Eureka Two) Limited	LS Company 22 Limited
LS (Fountain Park) Limited	LS Company 23 Limited
LS (Fountain Park Two) Limited ¹	LS Company 24 Limited
LS (Jaguar) GP Investments Limited	LS Company 25 Limited
LS (Parrswood) Limited	LS Company 26 Limited
	LS Company 27 Limited
	LS Company 28 Limited

Company name
LS Company 29 Limited
LS Company 30 Limited
LS Company 31 Limited
LS Company 32 Limited
LS Company 33 Limited
LS Company 34 Limited
LS Company 35 Limited
LS Company 36 Limited
LS Company 37 Limited
LS Company 38 Limited
LS Company 39 Limited
LS Company Secretaries Limited
LS Developer 3 Limited
LS Development Holdings Limited
LS Director Limited
LS Dundas Square Limited
LS Eastbourne Terrace Limited
LS Easton Park Development Limited
LS Easton Park Investments Limited
LS Entertainment Venues Limited
LS Ewer Street Limited
LS Fenchurch Development Management Limited
LS Finchley Road Limited
LS Forge Bankside Limited
LS Galleria Limited
LS Great North Finchley Limited
LS Greenwich Limited
LS Gunwharf Limited
LS Harrogate Limited
LS Harrow Properties Limited
LS Harvest (GP) Investments Limited
LS Harvest Limited
LS Harvest 2 Limited
LS Hill House Limited
LS Hotels Limited
LS Kings Gate Residential Limited
LS Kingsmead Limited
LS Lavington Street Limited
LS Leisure Parks Investments Limited
LS Lewisham Limited
LS Liberty of Southwark Limited
LS London Holdings One Limited
LS London Holdings Three Limited
LS Ludgate Development Limited
LS Moorgate Limited

Company name
LS MYO 123 Victoria Street Limited
LS MYO Dashwood House Limited
LS Myo Limited
LS MYO New Street Square Limited
LS New Street Square Investments Limited
LS Nominees Holdings Limited
LS Nova Development Management Limited
LS Nova GP Investments Limited
LS Nova LP1 Limited
LS Nova LP2 Limited
LS Nova Place Limited
LS n2 Limited
LS Occupier Limited
LS Old Broad Street Developer Limited
LS Old Broad Street Limited
LS One New Change Limited
LS One New Change Developments Limited
LS Oval Limited
LS Park House Development Management Limited
LS Poole Retail Limited
LS Portfolio Investments Limited
LS Portland House Developer Limited
LS Project 92 Limited
LS Property Finance Company Limited
LS QAM Limited
LS Red Lion Court Limited
LS Red Lion Court Developer Limited
LS Retail Warehouses Limited
LS Rose Lane Limited
LS Shepherds Bush Limited
LS Southside Limited
LS Street Limited
LS Taplow Limited
LS Thanet Limited
LS Tottenham Court Road Limited
LS Victoria Properties Limited
LS Voyager Limited
LS West India Quay Limited
LS Westminster Limited
LS White Rose Limited
LS Workington Limited
LS Xscape Castleford Limited

Company name
LS Xscape Milton Keynes Limited
LS Zig Zag Limited
Nova Developer Limited
Oriana GP Limited
Oriana LP Limited
Oxford Castle Apartments Limited
Ravenseft Properties Limited
Retail Property Holdings Trust Limited
Rosefarm Leisure Limited
Sevington Properties Limited
The City of London Real Property Company Limited
The Imperial Hotel Hull Limited
The X-Leisure (General Partner) Limited
Tops Shop Estates Limited
Westminster Trust Limited(The)
Whitecliff Developments Limited
Willett Developments Limited
X-Leisure (Bentley Bridge) Limited
X-Leisure (Baldon) Limited
X-Leisure (Brighton Cinema) Limited
X-Leisure (Brighton Cinema II) Limited
X-Leisure (Brighton I) Limited
X-Leisure (Brighton II) Limited
X-Leisure (Cambridge I) Limited
X-Leisure (Cambridge II) Limited
X-Leisure (Leeds I) Limited
X-Leisure (Leeds II) Limited
X-Leisure (Poole) Limited
X-Leisure Limited
X-Leisure Management Limited

1. Subsidiary directly held by the Company, Land Securities Group PLC.

Subsidiaries, joint ventures and associates

continued

As at 31 March 2022, the Company had an interest (as shown), direct or indirect, in the ordinary share capital of the following subsidiaries, joint ventures and associates. All entities included below are registered in the UK at 100 Victoria Street, London, SW1E 5JL, except for entities with a footnote indicating their country of registration and address. Where the Group share of ordinary share capital is between 75% and 100%, these entities are subsidiaries of the Company. Where the share of ordinary share capital is between 50% and 75%, these entities are joint venture interests. All other holdings are associate interests.

Company name	Group share %
Bluewater Ground Lease Limited ⁶	75%
Bluewater Two Limited	75%
Ebbsfleet Investment (GP) Limited	50%
Ebbsfleet Nominee No.1 Limited	50%
Greenhithe Holdings Limited ¹	100%
Greenhithe Investments Limited ¹	100%
Harvest 2 GP Limited	50%
Harvest 2 Limited Partnership	50%
Harvest 2 Selly Oak Limited	50%
Harvest Development Management Limited	50%
Harvest GP Limited	50%
Kent Retail Investments Limited ²	100%
Land Securities Insurance Limited ³	100%
Leisure II (North Finchley) Limited ²	100%
Leisure II (North Finchley Two) Limited ²	100%
Leisure II (West India Quay) Limited ²	100%
Leisure II (West India Quay Two) Limited ²	100%
Nova Business Manager Limited	50%
Nova Estate Management Company Limited	64%
Nova GP Limited	50%
Nova Limited Partnership	50%
Nova Nominee 1 Limited	50%
Nova Nominee 2 Limited	50%
NOVA Residential (GP) Limited	50%
NOVA Residential Intermediate Limited	50%
NOVA Residential Limited Partnership	50%
Peel Holdings (Media) Limited ⁵	75%
Peel Media Canalside Limited ⁵	75%
Peel Media Development (Holdings) Limited ⁵	75%
Peel Media Development Limited ⁵	75%
Peel Media Development Residential (Holdings) Limited ⁵	75%
Peel Media Development (Residential 1) Limited ⁵	75%
Peel Media Development (Residential 2) Limited ⁵	75%
Peel Media (Holdings) Limited ⁵	75%

Company name	Group share %
Peel Media Limited ⁵	75%
Peel Media (Orange) Limited ⁵	75%
Southside General Partner Limited	50%
Southside Limited Partnership ⁴	50%
Southside Nominees No.1 Limited	50%
Southside Nominees No.2 Limited	50%
St David's (Cardiff Residential) Limited	50%
St David's (General Partner) Limited	50%
St. David's (No.1) Limited	50%
St. David's (No.2) Limited	50%
St. David's Limited Partnership	50%
The Bund Limited ⁵	75%
The Ebbsfleet Limited Partnership	50%
Victoria Circle Developer Limited	50%
West India Quay Limited	50%
West India Quay Management Company Limited	63%
Westgate Oxford Alliance GP Limited	50%
Westgate Oxford Alliance Limited Partnership	50%
Westgate Oxford Alliance Nominee No.1 Limited	50%
Westgate Oxford Alliance Nominee No.2 Limited	50%
Xscape Castleford Limited ²	100%
Xscape Castleford No.2 Limited ²	100%
Xscape Milton Keynes (Jersey) No.2 Limited ²	100%
Xscape Milton Keynes Limited ²	100%

Unit Trusts	Group share %
The X-Leisure Unit Trust ²	100%
Xscape Castleford Property Unit Trust ²	100%
Xscape Milton Keynes Property Unit Trust ²	100%
West India Quay Unit Trust ²	50%

Limited by guarantee	Group share %
Lightbox (MediaCityUK) Management Company Limited ⁵	N/A
St David's Dewi Sant Merchant's Association Limited	N/A

1. 44 Esplanade, St Helier, JE4 9WG, Jersey.

2. IFC 5, St Helier, JE1 1ST, Jersey.

3. Suite 1, North First Floor, Albert House, South Esplanade, St Peter Port, GY1 1AJ, Guernsey.

4. 26 New Street, St Helier, JE2 3RA, Jersey.

5. Venus Building, 1 Old Park Lane, Traffordcity, Manchester, M41 7HA, UK.

6. The name of this company was changed to Bluewater REIT Limited on 1 April 2022.

As at 31 March 2022, the Company, via the acquisition of U and I Group PLC on 14 December 2021, had an interest (as shown), direct or indirect, in the ordinary share capital of the following subsidiaries, joint ventures and associates. All entities included below are registered in the UK at 7a Howick Place, London, SW1P 1DZ, except for entities with a footnote indicating their country of registration and address. Where the Group share of ordinary share capital is 100%, these entities are subsidiaries of the Company. Where the share of ordinary share capital is between 50% and 100%, these entities are joint venture interests. All other holdings are associate interests.

Company name	Group share %
Barrack Close Limited	100%
Beyond Green Developments (Broadland) Limited	100%
Birmingham International Park Limited	100%
BLEL Limited	100%
BLIL Limited	100%
Bruform Limited	100%
Burghfield Bolt Limited	100%
Burlington House Developments Limited ⁵	100%
Cathedral (Brighton) Limited	100%
Cathedral (Bromley 2) Limited	100%
Cathedral (Bromley Esco) Limited	100%
Cathedral (Bromley) Limited	100%
Cathedral (Greenwich Beach) Limited	100%
Cathedral (Movement Greenwich) LLP	50%
Cathedral (Preston Barracks) Limited	100%
Cathedral (Sittingbourne) Limited	100%
Cathedral Special Projects (H) Limited	100%
CDSR Burlington House Developments Limited ⁵	20%
Central Research Laboratory (Hayes) Ltd	50%
Circus Street Developments Limited	50%
Curzon Park Limited	50%
Deadhare Limited	50%
Development Securities (Armagh) Limited	100%
Development Securities (Curzon Park) Limited	100%
Development Securities (Edgware Road No.1) Limited	50%
Development Securities (Furlong) Limited	100%
Development Securities (Greenwich) Limited	100%
Development Securities (Hammersmith) Limited	100%
Development Securities (HDD) Limited	100%
Development Securities (Ilford) Limited	100%
Development Securities (Investment Ventures) Limited	100%
Development Securities (Investments) PLC	100%
Development Securities (Launceston) Limited	100%
Development Securities (Maidstone) Limited	100%
Development Securities (Nailsea) Limited	100%
Development Securities (No.18) Limited ⁴	100%
Development Securities (No.19) Limited	100%

Company name	Group share %
Development Securities (No.22) Limited	100%
Development Securities (No.9) Limited	100%
Development Securities (Romford) Limited	100%
Development Securities (Sevenoaks) Limited ³	100%
Development Securities (Slough) Limited	100%
Development Securities Estates Limited	100%
Drake Bideford Limited ⁶	100%
DS (Ringwood) Limited ⁶	100%
DS (Thatcham) Limited ⁶	100%
DS (Wick Lane Luxembourg) Sarl ⁹	100%
DS Investment Properties LLP	100%
DS Jersey (No 1) Limited ⁶	100%
DS Jersey (No 10) Limited ⁶	100%
DS Jersey (No 2) Limited ⁶	100%
DS Jersey (No 3) Limited ⁶	100%
DS Jersey (No.5) Limited ⁶	100%
DS Jersey (Notting Hill) Limited ⁶	100%
DS Jersey (Renewables) Limited ⁶	100%
DS Jersey (Capital Partners) Limited ⁶	100%
DS Jersey Corporate Services Limited ⁶	100%
DS Renewables LLP	50%
DS Robswall Ireland (Residential) Limited ⁵	100%
DSP Investment Piano BV ⁷	33%
DSP Tirol Limited	50%
ECC Investments Limited	100%
Elystan Developments Limited	100%
EPD Buckshaw Village Limited	100%
Executive Communication Centres (Birmingham) Limited	100%
Executive Communication Centres Limited	100%
Extreme Cool Limited	50%
Furlong Shopping Centre Limited	100%
Future High Streets Limited	100%
Glowrace Limited	63%
Greenwich Limited	100%
Griffe Grange Wind Farm Limited	50%
HDD Burghfield Common Limited	100%
HDD Didcot Limited	100%
HDD Lowley Village Limited	100%
HDD Llanelli Limited	100%
HDD Newcastle Under Lyme Limited	100%
HDD Newton Leys Limited	100%
HDD RAF Watton Limited	100%
Heart of Slough Management Company Limited ²	67%
Hendy Wind Farm Limited	50%
I AM PRS Limited	100%
Kensington & Edinburgh Estates (South Woodham Ferrers) Limited	50%

Subsidiaries, joint ventures and associates

continued

Company name	Group share %
Kingsland Shopping Centre Limited	100%
Landmark Court Partnership ¹ Limited	51%
Luneside East Limited	100%
Mayfield Development (General Partner) Limited	50%
Mayfield Development Partnership LP	50%
Minevote Public Limited Company	100%
Njord Wind Developments Limited	100%
Northpoint (No.4) Limited	42%
Northpoint CH Limited	42%
Northpoint Developments Ltd	42%
Northpoint KC Limited	42%
Opportunities for Sittingbourne Limited	50%
OSB (Holdco 1) Limited	100%
OSB (Holdco 2) Limited	100%
Percy Place DS (Ireland) Limited ⁵	100%
Plus X Brighton Ltd	50%
Plus X Unity Place Limited	50%
Plus X Holdings Limited	50%
Public Private Partnership (H) Limited	100%
Purplexed LLP	100%
Purplexed Powerhouse Energy Limited	100%
Purplexed Powerhouse Limited	100%
RHD (Dartmouth) Limited	100%
Rhoscrowther Wind Farm Limited	50%
Rivella Properties Bicester Limited	100%
Spirit of Sittingbourne LLP	65%
STRD Holding Company Limited ⁶	100%
Tarmac Clayform Limited	50%
The Deptford Project 2 Limited	100%
The Deptford Project Limited	100%
The Telegraph Works Limited	100%
TLD (Landmark Court) Limited	99%
Triangle Developments Limited	100%
Triangle London Developments LLP	50%
Triangle London Limited	100%
U and I (BAE) Limited	100%
U and I (Ashford) Limited	100%
U and I (Bromley Commercial) Limited	100%
U and I (Cambridge) Limited	100%
U and I (Development and Trading) Limited	100%
U and I (Golf) Limited	100%
U and I (GVP) Limited	100%
U and I (Harwell) Limited	100%
U and I (Innovation Hubs) Limited	100%

Company name	Group share %
U and I (PB) Commercial Limited	100%
U and I (Pincents Lane) Limited	100%
U and I (White Heather) Limited ⁵	100%
U and I (WIE) Limited	100%
U and I (Broombridge) Ind Limited ⁵	100%
U and I Exit Limited	100%
U and I Finance PLC	100%
U and I Group Limited	100%
U and I Investment Portfolio Limited	100%
U and I IPA Limited	100%
U and I IPA SC Limited	100%
U and I IPB Limited	100%
U and I IPC Limited	100%
U and I (Management) Ireland Limited ⁵	100%
U and I Netherlands BV ⁸	100%
U and I Plus X TC Limited	100%
U and I Powerhouse Limited	100%
U and I PPP Limited	100%
U and I Retail Limited ⁶	100%
UAIP Drum BV ⁸	20%
UAIP Drum Holdco BV ⁸	20%
UAIH Yorkshire Limited	50%
Wallis Court Buckshaw Limited	100%
Wassand Wind Farm Limited	50%
YC Shepherds Bush Limited ¹	25%
YC Shepherds Bush (Market) Limited ¹	25%
Unit Trusts	
DS Cardiff Unit Trust ⁶	100%
Nailsea Unit Trust ⁶	25%
Limited by guarantee	
399 Edgware Road Management Company Limited	N/A
Connaught Place (Hale Barns) Management Company Limited	N/A
Preston Barracks Management Company Limited	N/A

1. 2 Bentinck Street, London, W1U 2FA, UK.
2. C/O Ashby Capital, 1 St Vincent Street, London, W1U 4DA, UK.
3. C/O James Cowper Kreston The White Building, 1-4 Cumberland Place, Southampton, SO15 2NP, UK.
4. C/O Opus Restructuring Lip 4th Floor Euston House, 24 Eversholt Street, London, NW1 1DB, UK.
5. C/O William Fry, 2 Grand Canal Square, Dublin 2, D02 A342, Ireland.
6. Fifth Floor, 37 Esplanade, St. Helier, JE1 2TR, Jersey.
7. PO Box 990, 1000AZ, Amsterdam, Netherlands.
8. Prins Bernhardplein 200, 1097 JB Amsterdam, PO Box 990, 1000 AZ Amsterdam, Netherlands.
9. 7, rue Robert Stümper, L-2557, Luxembourg.

Shareholder information

Financial calendar

Table 85

	2022
Annual General Meeting ¹	7 July
Final dividend ²	22 July
2022/23 Half-yearly results announcement	15 November
	2023
2022/23 Financial year end	31 March
2022/23 Annual results announcement ³	16 May

1. The Annual General Meeting is scheduled to be held at 10.00 am on Thursday, 7 July 2022 at 80 Victoria Street, London SW1E 5JL. We will once again hold this meeting as a hybrid meeting with shareholders having the option to attend the meeting virtually, ask questions and cast their votes online, or in person. As an alternative to attending, we strongly encourage you to watch our AGM live on our website, participate in the Q&A, and vote online. For further details, please see the Notice of Meeting, comprising a letter from the Chairman, resolutions proposed and explanatory notes which can be found on the Company's website: landsec.com/agm.

2. The Board has recommended a final dividend of 13.0 pence per ordinary share, payable wholly as a Property Income Distribution, subject to shareholders' approval at the forthcoming Annual General Meeting.

3. Provisional.

Share register analysis as at 31 March 2022

Table 86

Holding range:	Number of holders	%	Number of ordinary shares	%
1-1,000	6,649	66.9	2,461,101	0.3
1,001-5,000	2,056	20.7	4,173,720	0.6
5,001-10,000	307	3.1	2,169,309	0.3
10,001-50,000	375	3.8	9,219,562	1.2
50,001-100,000	136	1.4	9,722,549	1.3
100,001-500,000	217	2.2	48,826,253	6.5
500,001-highest ¹	195	1.9	674,755,648	89.8
Total	9,935	100.00	751,328,142	100.0

Share register analysis as at 31 March 2022

Table 87

Held by:	Number of holders	%	Number of ordinary shares	%
Private shareholders	7,909	79.6	8,622,544	1.1
Nominee and institutional investors ¹	2,026	20.4	742,705,598	98.9
Total	9,935	100.0	751,328,142	100.0

1. Including 6,789,236 shares held in treasury by the Company.

Ordinary shares

The Company's ordinary shares of nominal value 10¹/₃p each are traded on the main market for listed securities on the London Stock Exchange (LSE:LAND).

Company website: landsec.com

The Company's Annual Report, results announcements and presentations are available to view and download from its website: landsec.com/investors.

The website also includes information about the latest Landsec share price and dividend information, news about the Company, its properties and operations, and how to obtain further information.

Registrar: Equiniti

Our Company Registrar, Equiniti, can assist with queries regarding administration of shareholdings, such as bank account payment details, dividends, lost share certificates, change of address or personal details, and amalgamation of accounts. You can contact Equiniti as follows:

Online:

Equiniti offer a free and secure online share management service to shareholders called EQ Shareview, which also provides access to current share prices, voting by proxy, buying and selling shares, and receipt of electronic shareholder communications.

Registration to EQ Shareview is available on our website: landsec.com/investors/shareholders-equity-investors or Equiniti at: shareview.co.uk.

Telephone:

Your shareholder account number will be required when calling.
Telephone: 0371 384 2128¹
International dialling: +44 (0)121 415 7049¹

Post:

Equiniti
Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA,
United Kingdom

Shareholder information

continued

Electronic communications

We encourage shareholders to consider receiving their communications from the Company electronically. This will enable you to receive such communications more quickly and securely, whilst supporting Landsec's sustainability commitment by communicating in a more environmentally friendly and cost-effective manner. Registration for electronic communications is available via our website: landsec.com/investors or shareview.co.uk.

UK Real Estate Investment Trust (REIT) taxation and status on payment of dividends

As a UK REIT, Landsec does not pay corporation tax on Qualifying Activities, which are rental profits and chargeable gains relating to its property rental business.

At least 90% of income derived from Qualifying Activities must be distributed as Property Income Distributions (PIDs). For most shareholders, PIDs will be paid after deducting withholding tax at 20%. However, certain categories of shareholder may be able to receive PIDs gross, (i.e. without deduction of withholding tax). These categories are principally UK companies, charities, local authorities, UK pension schemes and managers of ISAs, PEPs and Child Trust Funds.

A REIT may additionally pay ordinary dividends which will be treated in the same way as dividends from non-REIT companies.

Further information on UK REITs and the forms required to be completed to apply for PIDs to be paid gross are available on the Landsec website or from the Registrar: landsec.com/investorshareholders-equity-investors/uk-reit-regime-and-dividends

Payment of dividends to UK resident shareholders

Dividend payments by cheque ceased from October 2020 and all shareholders are now required to have their dividends paid directly into their personal bank or building society account or alternatively sign up to our Dividend Reinvestment Plan (see below). Under this arrangement, dividend confirmations are still sent to your registered address.

Receiving dividends directly into a nominated account has a number of advantages, including the crediting of cleared funds on the actual dividend payment date.

Shareholders who have not already done so should contact the Registrar (Equiniti) or complete a mandate instruction available on our website landsec.com/investorshareholders-equity-investors/dividend-information and return it to the Registrar. Alternatively, these details can be sent via their Equiniti Shareview online account, which is available on our website landsec.com/investors/shareholders-equity-investors or directly at Equiniti: shareview.co.uk.

Payment of dividends to non-UK resident shareholders

As applicable to UK resident shareholders, dividend payments by cheque ceased from October 2020 and all shareholders are now required to have their dividends paid directly into their personal bank or building society account. Payments to overseas accounts are made a few days after the Company's dividend payment date.

Shareholders who have not already done so are encouraged to contact the Registrar (Equiniti) on +44 (0) 121 415 7049¹ or download an application form online at shareview.co.uk or provide these details via their Equiniti Shareview online account.

This service is available in over 90 countries worldwide.

Dividend Reinvestment Plan (DRIP)

The DRIP provides shareholders with the opportunity to use cash dividends to increase their shareholding in Landsec. It is a convenient and cost-effective facility provided by Equiniti Financial Services Limited. Under the DRIP, cash dividends are automatically used to purchase shares in the market as soon as possible after the dividend payment. Any residual cash will be carried forward to the next dividend payment.

Details of the DRIP, including terms and conditions and participation election forms, are available on our website: landsec.com/investorshareholders-equity-investors/dividend-reinvestment-plan-drip

These are also available by post from:

Dividend Reinvestment Plans

Equiniti

Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA

Telephone: 0371 384 2268¹

International dialling: +44 121 415 7173¹

Share dealing facilities

Equiniti provides both existing and prospective UK shareholders with an easy to access and simple-to-use share dealing facility for buying and selling Landsec shares online, by telephone, or post. The online and telephone dealing service allows shareholders to trade 'real-time' at a known price that will be given to them at the time they give their instruction.

For telephone dealing, call 0345 603 7037 between 8.00am and 4.30pm, Monday to Friday (excluding public holidays in England and Wales). Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. For online dealing, access is available at Equiniti's website: shareview.co.uk/dealing. For postal dealing, call 0371 384 2248¹ to request full details and a dealing instruction form. Existing shareholders will need to provide the account/shareholder reference number shown on their share certificate. Other brokers, banks and building societies also offer similar share dealing facilities.

ShareGift

Shareholders with a small number of shares, the value of which would make them uneconomic to sell, may wish to consider donating them to a charity through ShareGift, a registered charity (No. 1052686) which specialises in using such holdings for charitable benefit. A ShareGift donation form can be obtained from the Registrar. Further information about ShareGift is available at: sharegift.org
help@sharegift.org
 Telephone: +44 (0)20 7930 3737
 ShareGift, PO Box 72253, London SW1P 9LQ

Corporate Individual Savings Account (ISA)

The Company has arrangements in place to provide a Corporate ISA which is managed by:
 Equiniti Financial Services Limited
 Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA
 Telephone: 0371 384 2244¹

Capital Gains Tax

For the purpose of Capital Gains Tax, the price of a Landsec share at 31 March 1982, adjusted for the capitalisation issue in November 1983 and the Scheme of Arrangement in September 2002, was 203p. On the assumption that the 5 for 8 Rights Issue in March 2009 was taken up in full and there were no fractional shares in the 2017 share consolidation, the adjusted price, post consolidation, for Capital Gains Tax purposes would be 229p per share. Further details on UK tax on gains on a sale of Landsec shares can be found on our website landsec.com/investorshareholders-equity-investors/uk-tax-gains-sale-landsec-shares

Unclaimed funds

During the year, an asset reunification project was conducted in respect of unclaimed monies relating to dividends over 12 years old, 2009 Rights Issue Monies and 2003-2004 B Shares. The project successfully reunited a number of shareholders with unclaimed funds.

Data protection

A copy of the Shareholder Privacy Notice can be found on our website: landsec.com/policies/privacy-policy/shareholders

Unclaimed assets register

The Company participates in The Unclaimed Assets Register, which offers a search facility to reunite financial assets, e.g. shares, which may have been lost or forgotten to their owners. For further information, contact:
uar.co.uk
uarenquiries@uk.experian.com
 Telephone: +44 (0)333 000 0182

Unsolicited mail

The Company is obliged by law to make its share register available on request to other organisations which may result in shareholders receiving unsolicited mail. To limit the receipt of unsolicited mail, shareholders may register for free with the Mailing Preference Service, an independent organisation by visiting mpsonline.org.uk, or by telephone on: +44 (0)20 7291 3310.

Shareholder security

In the past, some of our shareholders have received unsolicited telephone calls or correspondence concerning investment matters from organisations or persons claiming or implying that they have some connection with the Company. These are typically from purported 'brokers' who offer to buy shares at a price often far in excess of their market value. These operations are commonly known as 'boiler rooms'.

Shareholders are advised to be very wary of any offers of unsolicited advice, discounted shares, premium prices for shares they own or free reports into the Company. If you receive any such unsolicited calls, correspondence or investment advice:

- ensure you get the correct name of the person and firm;
- check that the firm is on the Financial Conduct Authority (FCA) Register to ensure that they are authorised at Home (fca.org.uk);
- use the details on the FCA Register to contact the firm;
- call the FCA Consumer Helpline (freephone 0800 111 6768) if there are no contact details in the Register or you are told they are out of date; and
- if you feel uncomfortable with the call or the calls persist, simply hang up.

Additionally, feel free to report and/or discuss any shareholder security matters with the Company. To do this, please call: +44 (0)20 7413 9000 and ask to be put through to a member of the Company Secretariat department or email: shareholderenquiries@landsec.com

1. Lines are open 8.30am to 5.30pm (UK time), Monday to Friday, excluding public holidays. Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the UK will be charged at the applicable international rate.

Key contacts and advisers

Registered office and principal UK address

Land Securities Group PLC
100 Victoria Street
London SW1E 5JL
Registered in England and Wales
Company No. 4369054
landsec.com
Telephone: +44 (0)20 7413 9000

Company secretary

Liz Miles
Company Secretary
shareholderenquiries@landsec.com

Investor relations

Edward Thacker
Head of Investor Relations
enquiries@landsec.com

Registrar

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Telephone: 0371 384 2128
Textel: 0371 384 2255
International dialling: +44 121 415 7049
shareview.co.uk

Auditor

Ernst & Young LLP
1 More London Place
London SE1 2AF
Telephone: +44 (0)20 7951 2000
ey.com

External advisers

Principal valuer: CBRE
Financial adviser: UBS
Solicitors: Slaughter and May
Brokers: UBS

Glossary

Adjusted net cash inflow from operating activities

Net cash inflow from operating activities including the Group's share of our joint ventures' net cash inflow from operating activities.

Adjusted net debt

Net debt excluding cumulative fair value movements on interest-rate swaps and amounts payable under head leases. It generally includes the net debt of subsidiaries and joint ventures on a proportionate basis.

Book value

The amount at which assets and liabilities are reported in the financial statements.

BREEAM

Building Research Establishment's Environmental Assessment Method.

Combined Portfolio

The Combined Portfolio comprises the investment properties of the Group's subsidiaries, on a proportionately consolidated basis when not wholly owned, together with our share of investment properties held in our joint ventures.

Completed developments

Completed developments consist of those properties previously included in the development programme, which have been transferred from the development programme since 1 April 2020.

Development pipeline

The development programme together with future developments.

Development programme

The development programme consists of committed developments (Board approved projects), projects under construction and developments which have reached practical completion within the last two years but are not yet 95% let.

Diluted figures

Reported results adjusted to include the effects of potentially dilutive shares issuable under employee share schemes.

Dividend Reinvestment Plan (DRIP)

The DRIP provides shareholders with the opportunity to use cash dividends received to purchase additional ordinary shares in the Company immediately after the relevant dividend payment date. Full details appear on the Company's website.

Earnings per share

Profit after taxation attributable to owners divided by the weighted average number of ordinary shares in issue during the year.

EPRA

European Public Real Estate Association.

EPRA earnings

Profit before tax, excluding profits on the sale of non-current assets and trading properties, profits on long-term development contracts, valuation movements, fair value movements on interest-rate swaps and similar instruments used for hedging purposes, debt restructuring charges, and any other items of an exceptional nature.

EPRA earnings per share

Earnings per share based on EPRA earnings after related tax.

EPRA net disposal value (NDV) per share

Diluted net assets per share adjusted to remove the impact of goodwill arising as a result of deferred tax, and to include the difference between the fair value and the book value of the net investment in tenant finance leases and fixed interest rate debt.

EPRA net initial yield

EPRA net initial yield is defined within EPRA's Best Practice Recommendations as the annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the gross market value of the property. It is consistent with the net initial yield calculated by the Group's external valuer.

EPRA Net Reinstatement Value (NRV) per share

Diluted net assets per share adjusted to remove the cumulative fair value movements on interest-rate swaps and similar instruments, the carrying value of deferred tax on intangible assets and to include the difference between the fair value and the book value of the net investment in tenant finance leases and add back purchasers' costs.

EPRA Net Tangible Assets (NTA) per share

Diluted net assets per share adjusted to remove the cumulative fair value movements on interest-rate swaps and similar instruments, the carrying value of goodwill arising as a result of deferred tax and other intangible assets, deferred tax on intangible assets and to include the difference between the fair value and the book value of the net investment in tenant finance leases.

Equivalent yield

Calculated by the Group's external valuer, equivalent yield is the internal rate of return from an investment property, based on the gross outlays for the purchase of a property (including purchase costs), reflecting reversions to current market rent and such items as voids and non-recoverable expenditure but ignoring future changes in capital value. The calculation assumes rent is received annually in arrears.

ERV – Gross estimated rental value

The estimated market rental value of lettable space as determined biannually by the Group's external valuer. For investment properties in the development programme, which have not yet reached practical completion, the ERV represents management's view of market rents.

Fair value movement

An accounting adjustment to change the book value of an asset or liability to its market value (see also mark-to-market adjustment).

Finance lease

A lease that transfers substantially all the risks and rewards of ownership from the Group as lessor to the lessee.

F&B

Food and beverage.

Gearing

Total borrowings, including bank overdrafts, less short-term deposits, corporate bonds and cash, at book value, plus cumulative fair value movements on financial derivatives as a percentage of total equity. For adjusted gearing, see note 21.

Gross market value

Market value plus assumed usual purchaser's costs at the reporting date.

Head lease

A lease under which the Group holds an investment property.

Interest Cover Ratio (ICR)

A calculation of a company's ability to meet its interest payments on outstanding debt. It is calculated using EPRA earnings before interest, divided by net interest (excluding the mark-to-market movement on interest-rate swaps, foreign exchange swaps, capitalised interest and interest on the pension scheme assets and liabilities). The calculation excludes joint ventures.

Interest-rate swap

A financial instrument where two parties agree to exchange an interest rate obligation for a predetermined amount of time. These are generally used by the Group to convert floating-rate debt or investments to fixed rates.

Investment portfolio

The investment portfolio comprises the investment properties of the Group's subsidiaries on a proportionately consolidated basis where not wholly owned.

Joint venture

An arrangement in which the Group holds an interest and which is jointly controlled by the Group and one or more partners under a contractual arrangement. Decisions on the activities of the joint venture that significantly affect the joint venture's returns, including decisions on financial and operating policies and the performance and financial position of the operation, require the unanimous consent of the partners sharing control.

Lease incentives

Any incentive offered to occupiers to enter into a lease. Typically, the incentive will be an initial rent-free period, or a cash contribution to fit-out or similar costs. For accounting purposes, the value of the incentive is spread over the non-cancellable life of the lease.

Like-for-like portfolio

The like-for-like portfolio includes all properties which have been in the portfolio since 1 April 2020 but excluding those which are acquired or sold since that date. Properties in the development pipeline and completed developments are also excluded.

Loan-to-value (LTV)

Group LTV is the ratio of adjusted net debt, including subsidiaries and joint ventures, to the sum of the market value of investment properties and the book value of trading properties of the Group, its subsidiaries and joint ventures, all on a proportionate basis, expressed as a percentage. For the Security Group, LTV is the ratio of net debt lent to the Security Group divided by the value of secured assets.

Market value

Market value is determined by the Group's external valuer, in accordance with the RICS Valuation Standards, as an opinion of the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing.

Mark-to-market adjustment

An accounting adjustment to change the book value of an asset or liability to its market value (see also fair value movement).

Net assets per share

Equity attributable to owners divided by the number of ordinary shares in issue at the end of the year. Net assets per share is also commonly known as net asset value per share (NAV per share).

Net initial yield

Net initial yield is a calculation by the Group's external valuer of the yield that would be received by a purchaser, based on the estimated net rental income expressed as a percentage of the acquisition cost, being the market value plus assumed usual purchaser's costs at the reporting date. The calculation is in line with EPRA guidance. Estimated net rental income is determined by the valuer and is based on the passing cash rent less rent payable at the balance sheet date, estimated non-recoverable outgoings and void costs including service charges, insurance costs and void rates.

Net rental income

Net rental income is the net operational income arising from properties, on an accruals basis, including rental income, finance lease interest, rents payable, service charge income and expense, other property related income, direct property expenditure and bad debts. Net rental income is presented on a proportionate basis.

Net zero carbon building

A building for which an overall balance has been achieved between carbon emissions produced and those taken out of the atmosphere, including via offset arrangements. This relates to operational emissions for all buildings while, for a new building, it also includes supply-chain emissions associated with its construction.

Glossary

continued

Over-rented

Space where the passing rent is above the ERV.

Passing cash rent

Passing cash rent is passing rent excluding units that are in a rent free period at the reporting date.

Passing rent

The estimated annual rent receivable as at the reporting date which includes estimates of turnover rent and estimates of rent to be agreed in respect of outstanding rent review or lease renewal negotiations. Passing rent may be more or less than the ERV (see over-rented, reversionary and ERV). Passing rent excludes annual rent receivable from units in administration save to the extent that rents are expected to be received. Void units at the reporting date are deemed to have no passing rent. Although temporary lets of less than 12 months are treated as void, income from temporary lets is included in passing rents.

Planning permission

There are two common types of planning permission: full planning permission and outline planning permission. A full planning permission results in a decision on the detailed proposals on how the site can be developed. The grant of a full planning permission will, subject to satisfaction of any conditions, mean no further engagement with the local planning authority will be required to build the consented development. An outline planning permission approves general principles of how a site can be developed. Outline planning permission is granted subject to conditions known as 'reserved matters'. Consent must be sought and achieved for discharge of all reserved matters within a specified time-limit, normally three years from the date outline planning permission was granted, before building can begin. In both the case of full and outline planning permission, the local planning authority will 'resolve to grant permission'. At this stage, the planning permission is granted subject to agreement of legal documents, in particular the s106 agreement. On execution of the s106 agreement, the planning permission will be issued. Work can begin on satisfaction of any 'pre-commencement' planning conditions.

Pre-development properties

Pre-development properties are those properties within the like-for-like portfolio which are being managed to align vacant possession within a three-year horizon with a view to redevelopment.

Pre-let

A lease signed with an occupier prior to completion of a development.

Property Income Distribution (PID)

A PID is a distribution by a REIT to its shareholders paid out of qualifying profits. A REIT is required to distribute at least 90% of its qualifying profits as a PID to its shareholders.

Qualifying activities/Qualifying assets

The ownership (activity) of property (assets) which is held to earn rental income and qualifies for tax-exempt treatment (income and capital gains) under UK REIT legislation.

Real Estate Investment Trust (REIT)

A REIT must be a publicly quoted company with at least three-quarters of its profits and assets derived from a qualifying property rental business. Income and capital gains from the property rental business are exempt from tax but the REIT is required to distribute at least 90% of those profits to shareholders. Corporation tax is payable on non-qualifying activities in the normal way.

Rental income

Rental income is as reported in the income statement, on an accruals basis, and adjusted for the spreading of lease incentives over the term certain of the lease in accordance with IFRS 16 (previously, SIC-15). It is stated gross, prior to the deduction of ground rents and without deduction for operational outgoings on car park and commercialisation activities.

Rental value change

Increase or decrease in the current rental value, as determined by the Group's external valuer, over the reporting year on a like-for-like basis.

Return on average capital employed

Group profit before net finance expense, plus joint venture profit before net finance expense, divided by the average capital employed (defined as shareholders' funds plus adjusted net debt).

Return on average equity

Group profit before tax plus joint venture tax divided by the average equity shareholders' funds.

Reversionary or under-rented

Space where the passing rent is below the ERV.

Reversionary yield

The anticipated yield to which the initial yield will rise (or fall) once the rent reaches the ERV.

Security Group

Security Group is the principal funding vehicle for the Group and properties held in the Security Group are mortgaged for the benefit of lenders. It has the flexibility to raise a variety of different forms of finance.

SONIA

The Sterling Overnight Index Average reflects the average overnight interest rate paid by banks for unsecured sterling transactions with a range of institutional investors. It is calculated based on actual transactions and is often used as a reference rate in bank facilities.

Temporary lettings

Lettings for a period of one year or less. These are included within voids.

Topped-up net initial yield

Topped-up net initial yield is a calculation by the Group's external valuer. It is calculated by making an adjustment to net initial yield in respect of the annualised cash rent foregone through unexpired rent-free periods and other lease incentives. The calculation is consistent with EPRA guidance.

Total accounting return

Dividend paid per share in the year plus the change in EPRA Net Tangible Assets per share, divided by EPRA Net Tangible Assets per share at the beginning of the year. This measure was previously referred to as total business return. There has been no change to the calculation of the measure other than the change of name during the year to 31 March 2022.

Total cost ratio

Total cost ratio represents all costs included within EPRA earnings, other than rents payable, financing costs and provisions for bad and doubtful debts, expressed as a percentage of gross rental income before rents payable adjusted for costs recovered through rents but not separately invoiced.

Total development cost (TDC)

Total development cost refers to the book value of the site at the commencement of the project, the estimated capital expenditure required to develop the scheme from the start of the financial year in which the property is added to our development programme, together with capitalised interest, being the Group's borrowing costs associated with direct expenditure on the property under development. Interest is also capitalised on the purchase cost of land or property where it is acquired specifically for redevelopment. The TDC for trading property development schemes excludes any estimated tax on disposal.

Total property return (TPR)

The change in market value, adjusted for net investment, plus the net rental income of our investment properties expressed as a percentage of opening market value plus the time weighted capital expenditure incurred during the year.

Total Shareholder Return (TSR)

The growth in value of a shareholding over a specified year, assuming that dividends are reinvested to purchase additional units of the stock.

Trading properties

Properties held for trading purposes and shown as current assets in the balance sheet.

Turnover rent

Rental income which is related to an occupier's turnover.

Vacancy rates

Vacancy rates are expressed as a percentage of ERV and represent all unlet space, including vacant properties where refurbishment work is being carried out and vacancy in respect of pre-development properties, unless the scale of refurbishment is such that the property is not deemed lettable. The screen at Piccadilly Lights, W1 is excluded from the vacancy rate calculation as it will always carry advertising although the number and duration of our agreements with advertisers will vary.

Valuation surplus/deficit

The valuation surplus/deficit represents the increase or decrease in the market value of the Combined Portfolio, adjusted for net investment and the effect of accounting for lease incentives under IFRS 16 (previously SIC-15). The market value of the Combined Portfolio is determined by the Group's external valuer.

Voids

Voids are expressed as a percentage of ERV and represent all unlet space, including voids where refurbishment work is being carried out and voids in respect of pre-development properties. Temporary lettings for a period of one year or less are also treated as voids. The screen at Piccadilly Lights, W1 is excluded from the void calculation as it will always carry advertising although the number and duration of our agreements with advertisers will vary. Commercialisation lettings are also excluded from the void calculation.

Weighted average cost of capital (WACC)

Weighted average cost of debt and notional cost of equity, used as a benchmark to assess investment returns.

Weighted average unexpired lease term (WAULT)

The weighted average of the unexpired term of all leases other than short-term lettings such as car parks and advertising hoardings, temporary lettings of less than one year, residential leases and long ground leases.

Yield shift

A movement (negative or positive) in the equivalent yield of a property asset.

Zone A

A means of analysing and comparing the rental value of retail space by dividing it into zones parallel with the main frontage. The most valuable zone, Zone A, is at the front of the unit. Each successive zone is valued at half the rate of the zone in front of it.

Cautionary statement

This Annual Report and Landsec's website may contain certain 'forward-looking statements' with respect to Land Securities Group PLC (the Company) and the Group's financial condition, results of its operations and business, and certain plans, strategy, objectives, goals and expectations with respect to these items and the economies and markets in which the Group operates.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'anticipates', 'aims', 'due', 'could', 'may', 'should', 'expects', 'believes', 'intends', 'plans', 'targets', 'goal' or 'estimates' or, in each case, their negative or other variations or comparable terminology. Forward-looking statements are not guarantees of future performance. By their very nature forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Many of these assumptions, risks and uncertainties relate to factors that are beyond the Group's ability to control or estimate precisely. There are a number of such factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, changes in the political conditions, economies and markets in which the Group operates; changes in the legal, regulatory and competition frameworks in which the Group operates; changes in the markets from which the Group raises finance; the impact of legal or other proceedings against or which affect the Group; changes in accounting practices and interpretation of accounting standards under IFRS, and changes in interest and exchange rates.

Any forward-looking statements made in this Annual Report or Landsec's website, or made subsequently, which are attributable to the Company or any other member of the Group, or persons acting on their behalf, are expressly qualified in their entirety by the factors referred to above. Each forward-looking statement speaks only as of the date it is made. Except as required by its legal or statutory obligations, the Company does not intend to update any forward-looking statements.

Nothing contained in this Annual Report or Landsec's website should be construed as a profit forecast or an invitation to deal in the securities of the Company.

Land Securities Group PLC

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