LANDSEC ANNUAL REPORT 2021

Landsec

Resilient and responsive

In 2020/21, the global pandemic caused extraordinary upheaval and changed our world, probably forever. It had a significant impact on our business, our customers, and our other stakeholders.

However, we took a proactive and responsible approach to the challenges, establishing business resilience by staying true to our purpose. We remained responsive and supportive to all our customers and communities.

But looking ahead…

…we see opportunities. People will still work, shop, play, live life. The spaces we create are forward-looking, bright, airy, safe and healthy – built with these essential activities in mind. With our scale, experience, skills and portfolio, we can help shape the new landscape.

More than that, we have a positive purpose as an ambition. We believe it will attract more customers, talented people, valued partners.

With this as its foundation, our new strategy aims to grow value for Landsec and all our stakeholders. And, full circle, the more we grow, the closer we will come to truly achieving our purpose.

In this way we will grow, with purpose.

HOW TO NAVIGATE THIS REPORT

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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.

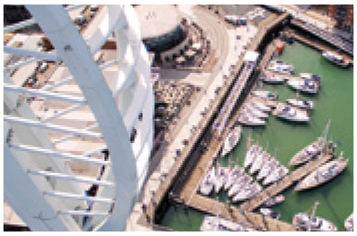
OUR PORTFOLIO

CENTRAL LONDON

This includes all of our assets in central London where we have a high-quality, best-in-class portfolio comprising offices, retail and Piccadilly Lights.

£7.3bn
Valuation

6.2m sq ft
Floorspace



REGIONAL RETAIL

Not all parts of the retail sector are the same. Our portfolio of regional shopping centres and outlets includes some of the most attractive retail in the UK.

£1.8bn
Valuation

8.1m sq ft
Floorspace

URBAN OPPORTUNITIES

Assets within our portfolio, or potential investments, that can provide a blank canvas for new, balanced mixed-use communities in suburban London or other major UK cities.

£0.4bn
Valuation

1.8m sq ft
Floorspace

SUBSCALE SECTORS

This category includes our leisure, hotels and retail parks. Good businesses fundamentally, but sectors where we have little scale or competitive advantage.

£1.3bn
Valuation

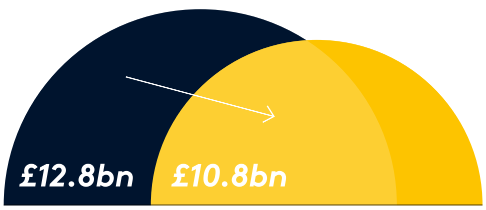
7.4m sq ft
Floorspace

Read more on pages 36-45

OUR PERFORMANCE

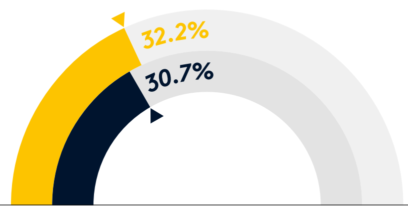
2020 2021

VALUATION

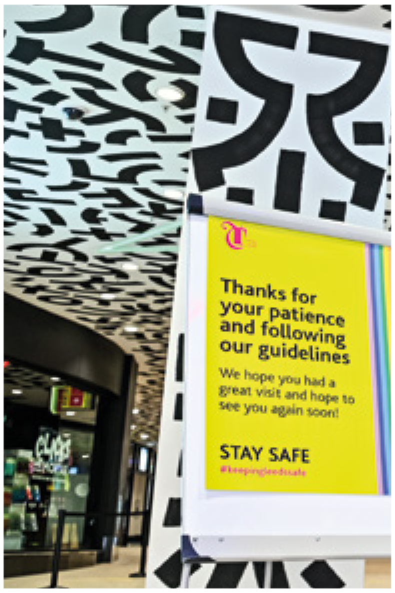


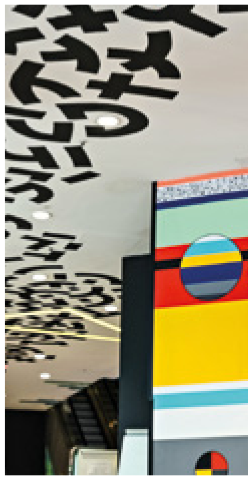
REVENUE PROFIT

GROUP LOAN-TO-VALUE



Responding to the present, planning for the future





The past year brought unprecedented challenges for everyone. In response, we focused on two clear outcomes. The first was to do everything we could to ensure Landsec emerged from Covid-19 in as strong a position as possible.

The second was to re-examine the purpose, strategy and culture that will position us to achieve growth and make the most of Landsec's undoubted potential. Here we describe what we did in these two areas of focus.

A global pandemic may not seem the best time to reconsider strategy, but Covid-19 has accelerated trends in retail and offices that otherwise may have taken many years to play out. We have formed a strategy that responds to these trends, and we have already started to implement it.

But while we planned for the future at Landsec, we also focused on the present challenges of Covid-19. Our response for our customers was rapid, flexible and always with safety at its heart. Inevitably, the impact on our customers and our business was still significant. Our like-for-like net rental income was down 30.4% and revenue profit was 39.4% lower at £251m. However, the action we have taken means our business remains healthy, we have retained strong relationships with our customers, and have a clear strategy for growth.

OUR RESPONSE TO COVID-19

1 *OUR CUSTOMERS*

We were in regular contact with our customers to support them through the pandemic. We provided information packs and advice on how to establish safe working environments, and we explained what we would do to ensure our assets were Covid-secure. At each phase of lockdown and subsequent easing of restrictions, we worked with our customers to help them respond and operate in a safe and effective way.

In early April 2020, we established a customer support fund of £80m for occupiers who most needed our help to survive. To date, we have agreed £42m of rent concessions for customers. In other cases, we allowed some customers to pay their rent monthly to help with cash flow, or deferred payment to a later date.

2 *OUR PEOPLE*

The health and wellbeing of our people remains our priority. Communication is crucial, so we established a business resilience team to guide our people during the year, with regular updates on how our offices and assets would operate, mental health and wellbeing support, additional advice for line managers to help them support their teams, and resource planning to ensure everyone could take their holidays and not miss out on vital family time. Throughout the pandemic, our recruitment remained focused on maintaining an inclusive workplace.

3 *OUR COMMUNITIES*

We continued with our community employment and education programmes throughout the last year. In addition, we gave grants totalling £500,000 to our existing charity partners who were most in need.

Our directors waived 20% of their base salaries or fees for three months of the year, and we used this money to supplement these grants.

4 *OUR PARTNERS*

Our on-site developments are controlled and operated by our contractors. We remained in constant communication with them throughout the year, to ensure our developments could progress while maintaining the safety of their people. We provided financial help too, paying £0.9m in topped-up furlough funds to service partners to allow them to pay 100% of wages.

2021 IN NUMBERS

27.0p
Dividend, up 16.4%

33.9p
Adjusted diluted earnings per share (2020: 55.9p)

985p
EPRA net tangible assets per share, down 17.4%

-15.9%
Total business return (2020: -8.2%)

£(1,393)m
Loss before tax (2020: £(837)m)

11.5 years
Weighted average maturity of debt

32.2%
Group loan-to-value

£6.5m
Social value created during the year

55%
Reduction in carbon emissions (tCO_2e) compared with 2013/14 baseline

£11.7bn
Total contribution to the UK economy each year from people based at our assets

100%
We continue to procure 100% renewable electricity across our portfolio

100%
We continue to divert 100% of waste from landfill across our operational activities

Fresh thinking to address new opportunities

WE ARE FOCUSED ON A CLEAR

PURPOSE...

"Sustainable places. Connecting Communities. Realising potential."

MARK ALLAN
CHIEF EXECUTIVE

Our purpose encompasses a set of principles we live by in our business decisions and our desire to create great experiences for people, now and in the future. Marrying these principles with our competitive advantages and market drivers, we have developed a new strategy to grow our business. And by growing our business, we get daily closer to achieving our purpose. Growth with purpose.

> "I am confident we are well placed to capitalise on opportunities as they emerge."
>
> MARK ALLAN
> CHIEF EXECUTIVE

...THAT SHAPES OUR NEW STRATEGY...

Our strategy focuses on four priorities: "Optimise" our central London business; "Reimagine" our retail business; "Grow" through Urban opportunities; and "Realise" capital from Subscale sectors. By working towards these priorities, we will position Landsec for growth.

...AND HAVE THE RIGHT TEAM AND CULTURE IN PLACE

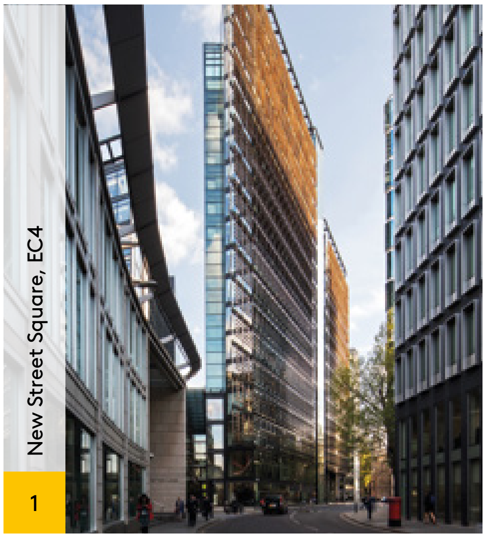
Culture is as important as strategy – after all, it is our people who will pursue the strategy and our culture that will enable them to do so. We have engaged with our people to create a culture that is authentic, supportive and built on empowerment and accountability.

Organisational structure is also important. We have created a leaner, more agile organisation with a flatter structure; one which promotes cross-functional team work, collaboration and innovation. And we have established an Executive Leadership Team (ELT) to oversee the execution of our strategy.

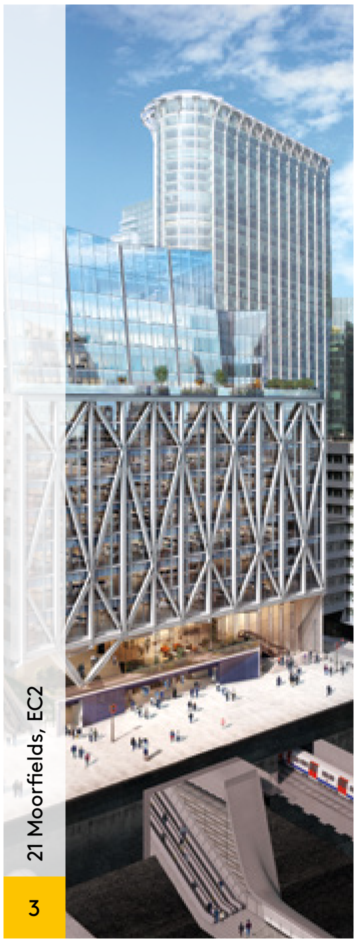
Read more about the ELT on pages 88-89

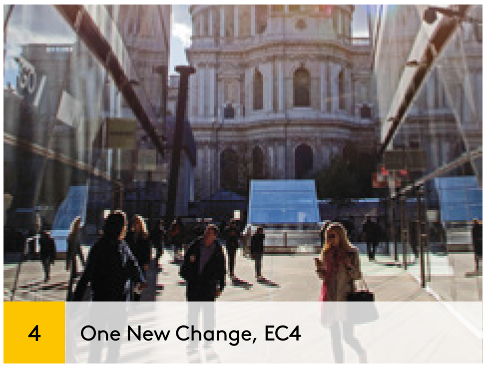
Responding to the present, planning for the future
continued

OUR TOP 10 ASSETS
(LISTED BY VALUE)


1 New Street Square, EC4


2 Cardinal Place, SW1


3 21 Moorfields, EC2


4 One New Change, EC4

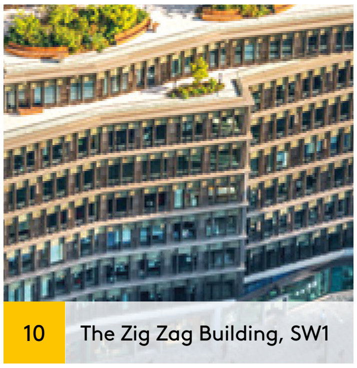

5 Nova, SW1


6 Queen Anne's Mansions, SW1


7 Gunwharf Quays, Portsmouth


8 62 Buckingham Gate, SW1

9 Piccadilly Lights, W1


10 The Zig Zag Building, SW1

AMBITIOUS

targets in line with limiting global warming to 1.5°C – a demanding but essential task.

LEADER

in ESG within Europe and globally.

MAINTAINING OUR ESG LEADERSHIP

One of the key enablers of our strategy is ESG leadership. In a year when a single virus created global disruption, the vulnerability of our planet and the important role we all play in protecting it, became all too clear. It also brought home to us the inequalities in society, with the vulnerable and low-paid suffering disproportionately, and therefore how important our role is in connecting communities. We are proud of our record on ESG and always strive to act in an ethical and sustainable way. But it is more than ethics – businesses that integrate sustainability into the way they behave, and the way they connect with their customers, partners and the communities where they operate, will have a 'sustainable', long-term future and, ultimately, will outperform.

We continue to be a leader in ESG within Europe and globally. We were the first commercial real estate company in the world to have a carbon emission target approved by the Science Based Targets initiative and, in 2019, we set ourselves ambitious targets in line with limiting global warming to 1.5°C – a demanding but essential task.

This year, in addition to the financial support we have given to our charity partners, we've continued many of our employment and education programmes virtually. And we continue to engage with our communities, providing help and volunteering on issues including mental health, youth education, employability skills for prison leavers and support for people suffering domestic abuse. In all, we have created £6.5m of social value this year.

We have also made sure we have supported our people, not only in relation to the challenges posed by Covid-19, but with training and our approach to diversity and inclusion (D&I). We have developed our first D&I strategy. We recognise we still have more to do in this area, but we are committed to being an inclusive employer.

Read more on pages 56-63

BENCHMARK	LATEST PERFORMANCE
GRESB ★★★★★ 2020	**GRESB 2020** › Real Estate Sector leader – 5 star rated entity and Regional Listed Sector Leader for Europe within Diversified – Office/Retail (score 85%) › Global Listed Development Sector Leader for Office (score 94%)
CDP A LIST 2020 CLIMATE	**CDP 2020** › A-list (top 2.8%) for the fourth consecutive year › Inclusion on the 2020 Supplier Engagement Leaderboard (top 7%)
Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA	**DJSI 2020** › Score 85/top 99th percentile › European Real Estate leader, ranking 4th globally › Silver Class distinction in the S&P Global Sustainability Awards
WDi 2020 AWARD WINNER	**WDI Awards** › WDI Award winner (most complete overall response) › Contingent Workforce Data Award winner › Supply Chain Data Award winner

The pandemic has further raised the importance of wellbeing and sustainability in our assets. It is becoming clear that secondary quality space is letting more slowly as occupiers look for modern healthy space to accommodate their people and to operate their business activities.

In 2019, we committed to becoming a net zero carbon business by 2030, one of the first companies in the industry to do so. Starting with The Forge, all our future developments will be net zero carbon. And to show our commitment to healthy office environments, we aim to achieve a WELL portfolio rating across our entire London office portfolio.

During 2020, we published our net zero carbon pathway and participated in a number of net zero initiatives and consultations.

Our drive and commitment to ESG will ensure our portfolio meets the needs of today's customers while satisfying increasingly demanding environmental standards over time. To us, this is simply the right way to run our business.

It means providing the right space and environments for our customers, communities and employees; maintaining the long-term sustainability of our business; achieving above-market returns; and contributing to managing the long-term health of the planet.

Chairman's statement

A crisis like the Covid-19 pandemic tests the culture and resilience of any business, and it has been heartening to see how well Landsec has responded.

CRESSIDA HOGG
CHAIRMAN

AN EXTRAORDINARY YEAR

The last year has been an extraordinary one, with unprecedented challenges at a global and national level. The Covid-19 pandemic has resulted in tragic loss of life, and caused widespread economic and social disruption. As our financial year closed however, we could see that the UK vaccination programme had already allowed for a relaxation of controls, and it is possible to see a path to more normal life going forward.

Our business has been affected in many ways by the pandemic, and the lockdown restrictions imposed across the UK. Most of our buildings have had usage restrictions for the majority of this financial year, as retail and hospitality venues were required to shut and workers encouraged to work from home where possible. Clearly these restrictions have had a serious financial impact on many of our customers, especially those dependent on consumer footfall. You will see in this report the impact that this has had on our financial results, and like many of our peers our share price has also been affected.

For Landsec this has also been a year of significant management change. At the start of it we welcomed Mark Allan as our new CEO, and after many years as CFO Martin Greenslade leaves us after the end of the financial year, handing over to Vanessa Simms who joined Landsec in May. Under Mark the Executive Leadership team has been redefined, with new faces from inside and outside Landsec taking up roles at this level. It has been exciting to see how our new leaders have already created fresh momentum in the business, despite the challenges of working remotely for much of the year.

LANDSEC'S RESPONSE

A crisis like the Covid-19 pandemic tests the culture and resilience of any business, and it has been heartening to see how well Landsec has responded.

Throughout the last year the company has been very focused on how it can help customers and other stakeholders to mitigate the impact of the pandemic. We have worked with customers across the portfolio to help restructure leases where appropriate, and at the start of the pandemic set up an £80m customer support fund to help the most vulnerable.

To support our long term charitable partners we created a dedicated charitable support fund of £0.5m, partly funded by the reduction in salary taken by our Executive Directors and the Board. Where restrictions allowed we have continued our employment and education programmes virtually. Piccadilly Lights has been used to help communicate key messages from charities and public bodies, and we have given over £2m worth of free advertising to registered charities at the Lights this year.

The Board has been proud of how the management team and our colleagues have shown resilience and creativity in response to all the issues they have faced. The health and wellbeing of our staff is always very important to us, and working remotely has been difficult for many. We have tried hard to help colleagues address issues around physical wellbeing and mental health, and it has been heartening to see the mutual support that our staff have shown, through the networks we have, and in more informal ways. I would like to thank all our staff for the commitment and resilience they have shown through this challenging year.

> “Stakeholder engagement will be more important than ever.

REFOCUSING FOR THE FUTURE

During the first half of the year Mark led a strategic review of our business, presenting a new vision and strategy for Landsec in October. The Board was closely involved in this review, and over several months discussed market evolution and its implications for Landsec's portfolio and strategy for the future. While the structural changes in both the retail and office market will continue, it is clear that Landsec will be best positioned for the future by focusing on what our customers want. Stakeholder engagement will be more important than ever.

Across our office customers, while most have managed working remotely surprisingly well, the benefits of collaborative working have become more fully appreciated. While customers will undoubtedly adapt how they use office space, surveys show that most employees welcome a physical return to the office for part of the week. We remain committed to providing our customers with safe, flexible and modern space as their working practices adapt.

As retail starts to re-open across the UK many of the lasting impacts of the pandemic are not yet fully understood. However, across the portfolio we are focusing on developing a realistic view of sustainable rents, rethinking our guest experience and reshaping the size of our retail footprint.

With our new strategic priorities clear, there are parts of the portfolio that are no longer core to our business, and when we can realise appropriate values for these assets they will be sold. We will also continue to recycle capital from more mature assets into office and mixed-use development projects.

Landsec's culture and values are key to the successful implementation of our new strategy. As we have seen clearly over the last year our corporate culture is a great strength, especially in adversity. However, the Board supports Mark's aim to re-invigorate our culture to make the business more responsive, and help our employees to feel more empowered to make the right decisions quickly.

We remain very committed to the targets we have already set out to help Landsec become carbon net zero by 2030. The long-term effects of climate change will be more significant for business than the pandemic has been, and we are working to understand the impacts on Landsec more fully, and adapt accordingly. You can read more about our progress in this area on page 64. Our desire to have a positive impact on the wider communities and environments in which we have a presence remains, and elsewhere in this report we show case studies of how we create social value around our developments.

It remains our goal to make our Board, senior leadership team and employee base a truly diverse reflection of the customers and communities we work with. We will continue to drive our recruitment, training, remuneration and promotion policies towards this, whilst ensuring that they remain fair and transparent to all our colleagues.

BOARD CHANGES

As I have already mentioned, we welcomed Mark to the Board at the start of April, and his impact is already clear, despite the restrictions of virtual working for much of the year. The appointment of Vanessa Simms as our new CFO was announced in October. Vanessa joined the Board in May and we look forward to working with her.

Martin has been CFO of Landsec since 2005 and has made a significant contribution to our business over his long tenure. He will be missed by the Board and more widely across the business, and we have all valued his clarity of thought, his deep knowledge of Landsec and his great sense of humour. I am personally particularly grateful to him for becoming interim CEO at the start of the pandemic for a short period that was more eventful than either of us had anticipated! We wish him all the best for the future.

We welcomed Manjiry Tamhane to the Board as the year came to a close. Manjiry's experience in data management and strategy and evolving consumer behaviour is particularly relevant to our business at this time. Stacey Rauch, who has served as a Director for over nine years will step down before the AGM, and will be much missed. Stacey is a valued and insightful colleague, and we have particularly benefited from her strategic perspectives and human insights.

LOOKING FORWARD

Overall, as we emerge from the pandemic, the Board is confident that Landsec is in a robust position with a strategy that is fit for the future. We have clear priorities for all parts of our business, building on our strengths. We are confident that we will be ready to respond to the challenges we will undoubtedly face in our markets and have a firm base on which to build shareholder value for the future. Thank you for your continued support.

Cressida Hogg

CRESSIDA HOGG
CHAIRMAN

Chief Executive's statement

As a result of our proactive approach to the challenges posed by the pandemic, Landsec is poised for recovery with a strategy that positions the business for long-term growth.

MARK ALLAN
CHIEF EXECUTIVE

OVERVIEW

I joined Landsec as Chief Executive in April 2020, in the early days of the Covid-19 pandemic, and our results for the year to March 2021 clearly reflect the challenges of both the pandemic and the government's policy response. However, from the very outset of the first lockdown we have been focused on ensuring that the business emerges from the pandemic in as strong a position as possible. The positive effects of this decisive action will become clearer in the years ahead.

Lockdowns meant that the vast majority of our portfolio was either closed or substantially unoccupied for over half of the year. Social distancing and other restrictions meant that, even when open, capacity and utilisation across all assets was still heavily impacted. Our key priorities throughout were (i) ensuring the safety of our employees and visitors to our properties; (ii) working collaboratively with our customers to support their businesses as effectively as possible; and (iii) maintaining our financial strength and flexibility. Our success and progress against each of these objectives, in the face of heightened uncertainty and persistent challenges, has gone some way to offset the significant negative financial impact of the pandemic. We did not benefit from any Government sponsored financial assistance.

We are now entering the recovery phase. Government action to support the economy was swift and the speed of the ongoing vaccination programme impressive. As a result, there is the real prospect of a strong consumption led recovery across the remainder of 2021 and 2022, although this is not without risk. Businesses will fail, jobs will be lost and management of the public finances will require a deft hand. However, as a result of our proactive approach to the challenges posed by the pandemic, Landsec is poised for the recovery with a strategy that positions the business for long-term growth.

RESULTS AND DIVIDEND

EPRA NTA was 985p at 31 March, a fall of 17.4% over the year attributable primarily to the effect of the global Covid-19 pandemic on our property values. Adjusted net debt fell £437m to £3,489m as a result of proactive asset disposals more than offsetting capex on our development programme. As a result, despite the valuation weakness, our Group LTV only increased marginally to 32.2%. Our balance sheet remains in a strong position.

Revenue profit for the year was £251m, down 39.4% relative to the prior year. The decline was almost entirely attributable to Covid-19, either as a result of lower operating income (such as rent on turnover leases) or as a result of rent concessions granted and bad debt provisioning.

> Performance in the coming year will be determined by the shape of economic recovery from Covid-19 and the early signs are positive.

We are proposing a final dividend for the year of 9.0p per share which, together with interim dividends already paid, makes for total dividends of 27.0p per share for the full year.

STRATEGY, CULTURE AND PEOPLE

We launched our new strategy in October 2020, confirming our intention to focus on creating long-term value for shareholders, as measured by total business return. We will achieve this by concentrating our activities and our capital on those sectors and opportunities where we believe we have sustainable or attainable competitive advantage. Importantly, it is a strategy grounded in a clear purpose – Sustainable Places. Connecting Communities. Realising Potential – which aims to create sustainable value for all our stakeholders.

This strategy is captured in four strategic priorities, set out below, and each is covered in more detail later in the Operating and portfolio review, together with a clear update on progress made to date and more detail on near-term objectives.

1 OPTIMISE CENTRAL LONDON
2 REIMAGINE RETAIL
3 GROW THROUGH URBAN OPPORTUNITIES
4 REALISE CAPITAL FROM SUBSCALE SECTORS

In line with our strategy, we intend to increase portfolio recycling in the near term to effect our desired reallocation of capital and are prepared to take, in a considered way, more operational risk to create value and drive returns, with financial leverage managed accordingly. We have earmarked approximately £4bn of assets for disposal over the next few years, focused initially on high quality but defensive prime central London assets and, in due course, assets in Subscale sectors where we have little or no competitive advantage (hotels, leisure and retail parks).

When reinvesting capital from this portfolio recycling programme, we have identified two main areas of focus – value add opportunities in central London and urban mixed-use regeneration projects. We also believe that opportunities could begin to emerge in the retail sector in the short to medium term following the very substantial downward correction in asset values in that sector over the past few years.

Culture is as important as strategy. Successful execution of our strategy will be built on a reinvigorated culture at Landsec to ensure that we make the most of the considerable capability and expertise of our people and look to augment it in a targeted way. Clarity of strategic direction, coupled with a properly aligned organisational design, will allow us to foster a culture of greater empowerment and accountability. As a result, we will be better placed to assess and manage risk, make decisions more quickly and drive better returns. Where we judge that new or additional skills are required, for example in elements of our retail business or in regeneration and placemaking, we are moving quickly to address those needs.

Bridging both strategy and culture for Landsec are five key performance drivers that will underpin our competitive advantage for the long term: customer centricity; data-driven decisions; ESG leadership; capital discipline and development expertise. Our level of existing capability in each area is varied – development expertise and ESG leadership are already key strengths on which we can build further. Our capital discipline – both in the sourcing and allocation of capital – can be sharper and customer centricity and data-driven decisions are both areas where significant progress is needed. But these are areas where the wider real estate sector itself is not particularly strong and so both still represent opportunities to establish competitive advantage if we move quickly.

The past twelve months have been challenging for everyone. Across Landsec, as with many organisations, our teams have had to adapt quickly to ever changing conditions and have had to work harder than ever to balance the pressures of their roles with other priorities. It is testament, therefore, to their skill and dedication that so much has been achieved, and so much value protected, despite these persistent challenges. I have been deeply impressed by both the performance and potential of my new colleagues.

1

STRATEGIC PRIORITY:

OPTIMISE CENTRAL LONDON

Our Central London business represents 68% of our portfolio by value and is characterised by the quality, resilience and liquidity of our London office assets. These assets are a clear example of the value creation capabilities inherent in the Landsec business, given that the majority have been developed or refurbished and leased by us in the past 15 years. However, a number of the assets now have limited further value creation potential and so we intend to increase asset disposals over the next few years and recycle our investment out of these high quality, more defensive assets and increase our exposure to assets that offer greater upside, for example either through redevelopment or repositioning. This strategy better aligns our capital and capability, leading to greater value creation opportunities in the medium to longer term. Our sale of 1 & 2 New Ludgate for £552m in December and the subsequent acquisition of 55 Old Broad Street for £87m demonstrate the progress we are already making.

Chief Executive's statement
continued

Central London has been one of the areas hardest hit by the effects of the pandemic and social distancing restrictions, with physical office occupancy for the portfolio as a whole ranging from 1% to 21% at different times across the year and footfall across our Central London portfolio down by around 82%. We expect physical office occupancy to recover substantially across the second and third quarters of 2021. However, with tourism likely to be constrained, future office working patterns still unclear and residual concern about the safety of public transport likely to persist for a while yet, it will take longer for central London footfall to recover fully.

Given the pandemic related challenges, our Central London performance was remarkably resilient in valuation terms, falling only 6.5% to £7.3bn and reflecting a like-for-like equivalent yield of 4.6%. Investor demand for long let, prime London assets was strong and we expect it to remain so, reflecting both investors' willingness to look through near-term uncertainty and the relative value of London compared with other major cities around the world. Yields for prime assets appear well supported at current levels and we could even see some compression in the year ahead.

The nearer term prospects for office occupier markets are more difficult to judge. Vacancy rates are high but concentrated in second hand space. Hybrid working models are here to stay but the effect on occupiers' space requirements is far from clear and will not be uniform. And demand seems likely to be strongest for prime space, the recent and speculative supply of which has been muted. Overall we expect some weakness in rent levels but for this to be most significant for secondary space, of which we have very little.

Against this backdrop, there will be a clear opportunity for owners and occupiers to work together collaboratively to determine and deliver tailored requirements and this will offer potential for investors, developers and occupiers alike. Landsec's long track record and deep, strategic relationships with its customers should translate into clear competitive advantage. Besides our high quality development programme, it is also a particularly interesting time for us to be broadening the range of propositions we can offer to occupiers – our Myo, Customised and Blank Canvas offerings. Flexibility, adaptability and strong customer relationships are going to be critical attributes going forward.

From a development perspective, we worked hard during the year to preserve optionality on our speculative projects for as long as possible, allowing us time to assess and better understand the outlook for the occupier market. Taking all of our analysis into account, and having stress tested prospective returns, we have now committed to three of our five near-term office development opportunities and will be delivering them during 2022 and 2023. These three projects total 0.5 million sq ft and, including pre-let or pre-sold projects, take our total committed development programme to 1.1 million sq ft, of which 57% is either pre-let or pre-sold.

2

STRATEGIC PRIORITY:
REIMAGINE RETAIL

The pandemic has materially accelerated structural trends that were already underway in retail and, for most of the retail sector, it is clear that online is now the primary growth channel and will remain so. This does not, however, signal the end for retail property. Instead, it means that its role must change in an omnichannel world to offer something sufficiently compelling – either to be complementary to online or to offer something that cannot be easily replicated online. It is this reality that underpins our 'Reimagine retail' vision and we are confident that, with effective execution, we have a retail business that can thrive longer term.

Our outlets portfolio (£0.7bn value) serves a real purpose, offering visitors the opportunity to enjoy a day out shopping a variety of brands, with a great value offer and experience that isn't easily replicated online. The outlet model is fundamentally based on collaborative partnerships with our brand partners, most obviously through turnover based leases. During the year, our outlets have been relatively resilient, but values fell 18.5% and like-for-like equivalent yields moved out to 6.8%. However, based on their strong relative performance after each lockdown, we expect outlets to perform strongly in the recovery.

The picture for shopping centres remains more complex. Over the year, the value of our regional shopping centres fell on average 38.2% to £1.0bn, taking the decline from the peak to approximately 60%. The realities remain that going forward there will be fewer physical retail stores, rents will be lower and, in order to remain relevant, shopping centres will need to offer a combination of attributes that are either complementary to online or not easily replicated online.

Much more of this is now reflected in valuations than was the case a year ago, largely as a result of the accelerating effect of the pandemic. The vast majority of our forecast 40% decline in rents from peak to achieve a sustainable level has now been recognised. It is of course currently difficult to assess rental values given the effects of the pandemic and the increasing prevalence of turnover components to leases, and it is possible that the downward correction in rents overshoots in the short term. However, we remain confident in our sustainable rent forecasts overall.

All of this means that retail property will continue to become more operational in nature and our priorities reflect this. To be successful in the long term we need to be able to combine strong, strategic relationships with brand partners, effectively tailored guest experiences and deep asset management expertise. Landsec has always had strong asset management credentials but brand partner management and more tailored guest experiences are areas where we are targeting rapid enhancements. We have made good early progress and our appointment in December last year of Bruce Findlay as Managing Director – Retail, bringing considerable international retail experience from a range of global brands, is an important example of how we are enhancing the 'retailer perspective' in our approach.

The near-term outlook for retail remains challenging, particularly for shopping centres. We are likely to see a sharp increase in insolvency processes (such as CVAs, business restructurings or administrations) amongst occupiers as the Government's pandemic related support tapers off and businesses that were struggling before the pandemic continue to do so afterwards. As this happens, it will accelerate the fall in passing rents towards our forecast sustainable rent levels, increasingly reflected in valuations already. It will also open up opportunities for new brands and different propositions, including digitally native ones, to take space instead and help improve longer-term prospects.

Our longer-term view of retail is more positive. With the downward correction in rents and values now happening much more quickly than would have been the case before Covid-19, it represents an opportunity for the sector to recalibrate. Landsec's combination of a strong retail platform, deep asset management and development expertise and a strong balance sheet marks us out as increasingly unique in the sector and well positioned to take advantage of any appropriate opportunities should they emerge.

3

STRATEGIC PRIORITY:

GROW THROUGH URBAN OPPORTUNITIES

Our Urban opportunities portfolio currently consists of five suburban London shopping centres with significant repurposing potential in the medium to longer term. These assets offer the raw material for mixed-use, multi-phase developments that can offer a compelling blend of income, development and rental growth driven returns throughout their life. Well designed, mixed-use spaces can also cater for the increasing focus on the need for balanced communities and spaces that contribute positively to quality of life, both of which have been brought into sharper relief by the pandemic. With our existing development and asset management capabilities, we believe that Landsec is well placed to become a leading player in this sector, both through the realisation of existing opportunities within our own portfolio but also through targeted acquisitions.

The longer-term redevelopment potential of our Urban opportunities portfolio helped to support values during the year to some extent but they still saw a meaningful decline of 23.3% to £0.4bn as a result of their predominantly existing retail nature. Our focus in the year ahead is on progressing our redevelopment plans, with the submission of a planning application on our first project a key target. We are also actively evaluating potential new investment opportunities that can offer the right blend of income, development and rental growth driven returns, ideally in a way that can accelerate the return profile of this segment of the business.

4

STRATEGIC PRIORITY:

REALISE CAPITAL FROM SUBSCALE SECTORS

Subscale sectors describes those parts of the portfolio where we have relatively little capital invested and judge ourselves to have little or no competitive advantage – hotels, leisure assets and retail parks. Our objective remains to realise capital from these assets over time and to reinvest that capital into new value creation opportunities.

Of course, these types of assets have been amongst the hardest hit by the pandemic, particularly hotels and leisure, and over the past 12 months the aggregate value of our investment in Subscale sectors fell 16.4% to £1.3bn. We do, however, expect these assets to be well placed beneficiaries of a strong consumption led recovery in the months and years ahead and for values to grow meaningfully as a result. Our anticipated timescale for disposals reflects this, with hotels and leisure assets unlikely to be sold for at least a couple of years so that we can capture a sensible proportion of the expected valuation upside ahead. Retail parks, which were more resilient in the pandemic and where investment markets have staged a recovery, may offer sale opportunities sooner. In all cases, we will be working hard to maximise value creation opportunities across the portfolio in the meantime.

THE YEAR AHEAD

Performance in the coming year will be determined by the shape of economic recovery from Covid-19 and the early signs are positive. The 12 April re-opening of non-essential retail saw some very strong trading for retailers across our portfolio and highlighted the potential for a strong consumer-led recovery over the remainder of 2021 and 2022. Our retail, leisure and hotel assets are well placed to benefit from such a recovery and, after a period of material downward movements in retail valuations in particular, the outlook for this part of our portfolio now appears under significantly less pressure.

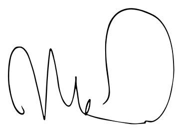
We expect activity in central London to recover more slowly, with office occupational markets remaining more subdued for the time being, which could translate into some rental weakness. The London investment market, conversely, seems likely to display continued resilience with a significant amount of capital seeking prime investment opportunities and this could go some way to offsetting any rental weakness from a valuation perspective.

Against this backdrop, we expect to make good progress in executing our strategy. We took advantage of strong investor demand for prime London office assets to make two disposals in the year, with combined proceeds of £0.6bn, and more disposals are likely over the course of the next financial year. With improving economic prospects, we can now pursue opportunities to reinvest this capital with confidence.

Our reinvestment agenda includes our committed Central London development programme, but we also have capacity to pursue new acquisition opportunities in a targeted way. Our main target areas for investment are value add opportunities in central London and mixed-use, multi-phase urban regeneration projects, both of which offer the potential for above average total returns for shareholders. In addition, we are carefully monitoring the retail sector to determine whether this could provide interesting opportunities at potentially compelling returns.

Of course, our strategy is about more than capital allocation. We also intend to continue the reinvigoration of our culture in line with the principles of empowerment and accountability and to enhance some of the more operational and customer-oriented foundations that we believe will be critical to our long-term success. These include the continued roll out of a wider range of propositions for our Central London office customers, further investment in strategic brand partnerships and guest experience capability in retail and proving our placemaking credentials in Urban opportunities.

The Landsec business is poised for recovery with a strategy that positions the business for long-term growth.



MARK ALLAN
CHIEF EXECUTIVE

Our market

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 five suburban London retail assets, aiming to redevelop this final group into urban mixed-use schemes over time.

MARKET AT A GLANCE

232m sq ft
of office space in central London

732m sq ft[1]
of retail space in the UK

8.9%
vacancy rate in central London offices
(2020: 4.5%)

17.9%[2]
shopping centre vacancy rate
(2020: 14.1%)

£7.2bn
of investment transactions in central London in 2020

1. Source: JLL/GOAD
2. Source: LDC

In addition, we have assets in three sectors we will seek to exit over the medium term: retail parks, stand-alone leisure parks and hotels. The dynamics in each of these market sectors vary, as do the specific locations and assets.

MARKET DYNAMICS

LONDON OFFICES

The London office market comprises 232m sq ft of space. Some assets offer exclusively office facilities, but typically an office building will usually incorporate a collection of space for retail, food and beverage, and ancillary services and amenities such as health services. Office customers' needs are changing, with a greater demand for flexible space, healthier working environments, sustainable buildings and more services and amenities.

Office space requires regular refurbishment, and buildings are defined as grade A – new or recently refurbished space – and secondary – older space which needs investment. London is a global financial centre with a dynamic office market that is constantly renewed by development. It is a cyclical market, from both an investment and occupier perspective, and sees periods of rental and valuation growth with periods of decline. Successful property companies manage their assets, time their investment and development activity, and consider risk in relation to the supply and demand conditions in the market. The cycle is a consideration when making investment and disposal decisions, but it should not constrain a business from taking contrarian views when opportunities emerge.

Despite the recent impact of Covid-19 on its investment and occupational markets, London will remain a global financial centre, and its office market has long-term potential from both an asset-management and development perspective.

RETAIL

Retail space ranges from individual units on the high street through to large, regionally dominant shopping centres. In addition, retail space can be designed to satisfy different reasons to shop: retail parks focus on the convenience-led trip, whereas large shopping centres are destinations that provide a mix of retail, food and beverage, and leisure activities such as cinemas.

The vast majority of retailers have an omnichannel strategy which uses online as well as physical space to market and deliver their products and services to their customers. Physical stores are destinations, but are also used to support online retail through click & collect and returns services. Retailers have adapted their store networks in response to this, and in many cases now operate from a smaller number of larger units. The type of product and service offered by retailers ranges from the essential, such as food and healthcare, through to discretionary sectors such as luxury products and jewellery. Such a diverse range of products means particular parts of the retail sector can be affected by economic cycles and consumers' disposable income.

During the past 10 to 20 years, landlords have had to manage their retail assets during a period when retailers faced both cyclical and structural pressures. The nature and length of leases is changing, with landlords having to be more flexible in tailoring leases to the specific needs of their customers. Leisure services, such as cinemas, have become an increasingly important part of the mix of offers found in destination centres.

URBAN MIXED-USE

Urban mixed-use schemes represent a major growth opportunity for Landsec, underpinned by the global trends we have identified (see below). Rapid urbanisation, demographic and social change, and technologically advanced living are increasing the need for modern, well-configured places to live, shop, work and socialise.

Such schemes often have a large residential component, both of rented and owned apartments. The 'build to rent' market in the UK is still relatively nascent, and opportunities exist for larger operators to establish scale in this area. Opportunities exist to develop suburban sites in London as well as in larger UK cities such as Manchester and Birmingham.

Six 'Global Forces of Change' will impact our business over the next 10+ years.

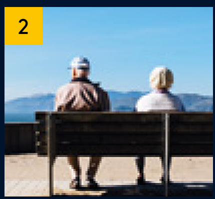
MACRO TRENDS SHAPING OUR FUTURE MARKETS, CUSTOMERS AND COMPETITORS

1

RAPID URBANISATION

One in three people will live in cities of at least 500,000 habitants by the year 2030 (source: UN).

2



DEMOGRAPHIC AND SOCIAL CHANGE

A global population boom, paired with people living longer and having fewer children, will drive significant demographic shifts.

3

TECHNOLOGICALLY ADVANCED LIVING

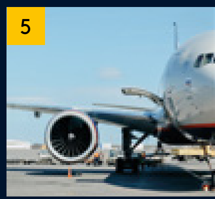
The digital landscape will continue to disrupt how we live, work, communicate, shop and beyond.

4

CLIMATE CHANGE AND RESOURCE SCARCITY

Growing energy, water and food demands, alongside rising weather and health events, show the global need to reverse environmental degradation.

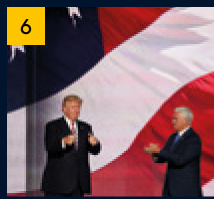
5



BORDERLESS ACCESS

The liberalisation of global economic policy and the accessibility of air travel have opened borders, supply chains and trade patterns.

6



SHIFTS IN GLOBAL ECONOMIC POWER

Political unrest, populism, trade wars and mounting recessions are reshaping the map of economic power and driving new culture clashes.

COVID-19 IMPACT

1 — ACCELERATING

Covid-19 has accelerated adoption of convenience culture, tech usage and urbanised consumption expectations.

DECELERATING

Covid-19 has created a fear of densely populated areas.

2 — DECELERATING

Covid-19 has been more detrimental to ageing citizens and BAME populations. A Covid-19 economic downturn may also decelerate a focus on an evolved and more inclusive landscape.

3 — ACCELERATING

We are likely to see accelerated demand for new products and greater connectivity. Fibre technology and 5G networks will increase accessibility leading to new applications for the way we work, communicate and live our lives.

4 — ACCELERATING

Although we were expecting a decelerating trend at the beginning of the pandemic, we've seen the opposite. More companies are increasing their efforts to address climate change and committing to net zero. Climate change continues to top the Government agenda, with frequent announcements of related plans.

5 — DECELERATING

Covid-19 has followed a decade of austerity, and political turmoil, and now health concerns may entirely reshape the globalisation of trade, commerce and attitudes. Nationalism will continue to flourish with added fuel.

6 — ACCELERATING

A Covid-19 economic downturn will widen the wealth gap. Nationalistic attitudes fostered by 'alternative governments' will drive wider trade rifts, while Covid-19 fast-movers may gain the upper hand globally.

While Covid-19 is having immediate and unpredictable effects on citizens, businesses and markets globally, the pandemic is also accelerating and decelerating aspects of change that have long been growing.

Our market
continued

THE PAST 12 MONTHS

The last year has been dominated by the impact of the Covid-19 pandemic, with retailers, food and beverage, leisure operators and the hotel industry particularly hard hit.

The vast majority of offices in London remained open during the year, to provide a safe environment for those who could not work elsewhere. In addition, office occupiers continued to pay their rent during the year, with rent collection rates above 90% for the major office operators.

Occupational demand in the London office market was below the long-term average (see chart right). There is a growing distinction between demand for new, prime office space – which meets wellbeing as well as branding and operational requirements for its occupiers – and secondary space, which is difficult to adapt to more progressive requirements. The pandemic has increased this divergence.

The London office investment market remained active over the last year, with demand for larger assets coming mainly from overseas investors. There was less demand for secondary assets, and these may become buying opportunities for office developers who can redevelop the space to meet the needs of today's customers.

The retail and leisure sectors were hit very hard by Covid-19, with non-essential retailers forced to close their stores for parts of the year during the lockdowns. The sector saw a number of retailers go into administration, including the Arcadia brands and Debenhams. Rent collection levels were significantly lower than normal, and landlords have provided support through rental payment holidays and deferrals where appropriate.

The impact of Covid-19 was not uniform across the retail sector. Outlets, retail parks and some suburban shopping centres with a larger proportion of essential retail were relatively resilient but still saw valuation declines in the year.

In contrast, central London retail, heavily dependent on tourism and office workers, was one of the most significantly affected segments.

Encouragingly, footfall recovered strongly when shopping centres were allowed to open but, with social-distancing measures in place, it was still below pre-Covid levels.

The food and beverage, cinema and hotels sectors were affected by social-distancing restrictions and the lockdowns in similar ways to the retail sector. It is likely these sectors will rebound quickly when restrictions ease.

Online is now the primary growth channel for retailers. To remain relevant and successful, retail space will have to be compelling in its own right, complementary to online (e.g. through fulfilment services such as click & collect) or offer products, services and experiences which cannot be replicated online.

The pandemic has also accelerated a number of trends which will provide opportunities for Landsec:

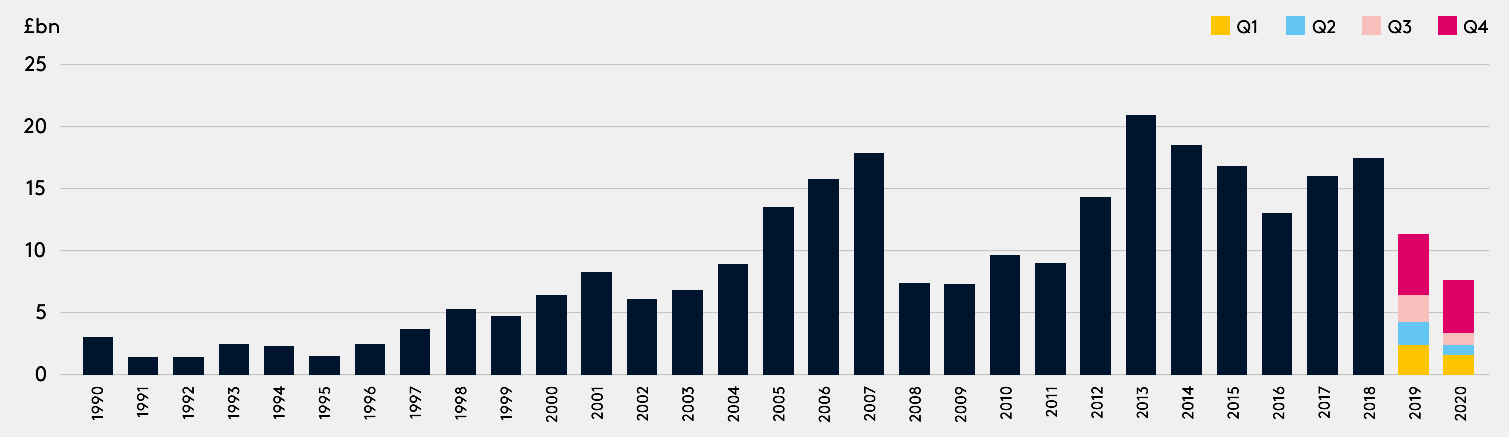
- CVAs and administrations are likely to increase following the end of the moratorium. This is an unwelcome event, but one which ultimately leads to the renewal of the sector.
- There is a flight to prime space as retailers demand the right space in the best locations.
- Retail winners are looking for fewer, larger stores.
- Digital native businesses are looking for prime physical space.
- Brand mix is changing to become more relevant and sustainable.
- Property companies need to be more operational to respond to changing customer needs.

As a result of these trends, struggling space will fall in value more quickly, enabling property companies to repurpose space earlier than would otherwise have been the case.

CENTRAL LONDON INVESTMENT MARKET

Investment volumes

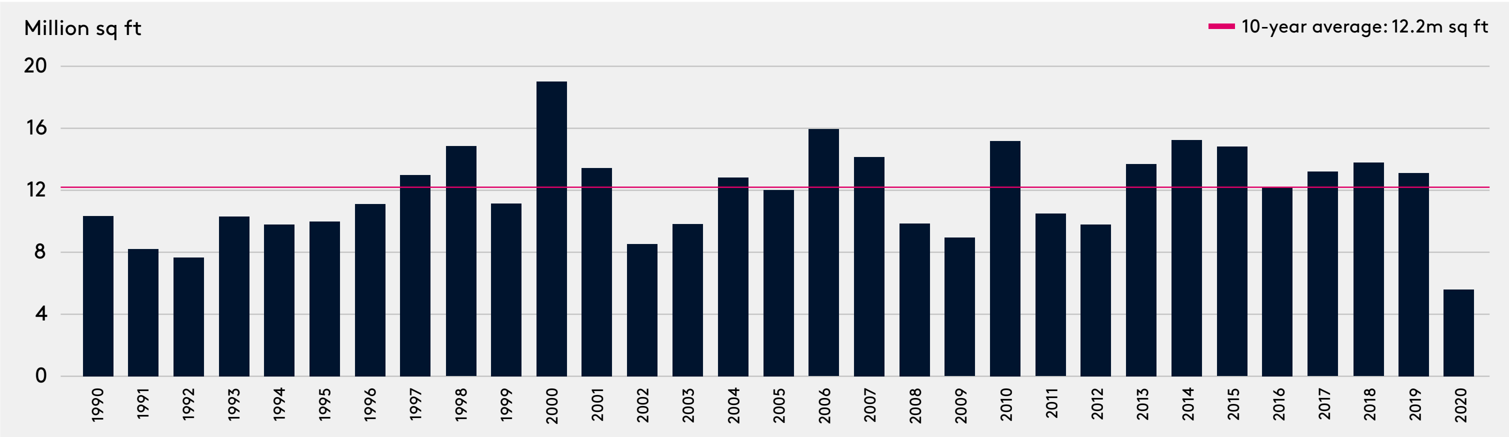
Investment volumes in London were lower in 2020, partly reflecting the impact of Covid-19 on viewings particularly by overseas investors. Demand held up for prime, long let assets.



CENTRAL LONDON OFFICE TAKE UP IN 2020 WAS A HISTORIC ANNUAL LOW OF 5.6M SQ FT

Source: CBRE Research

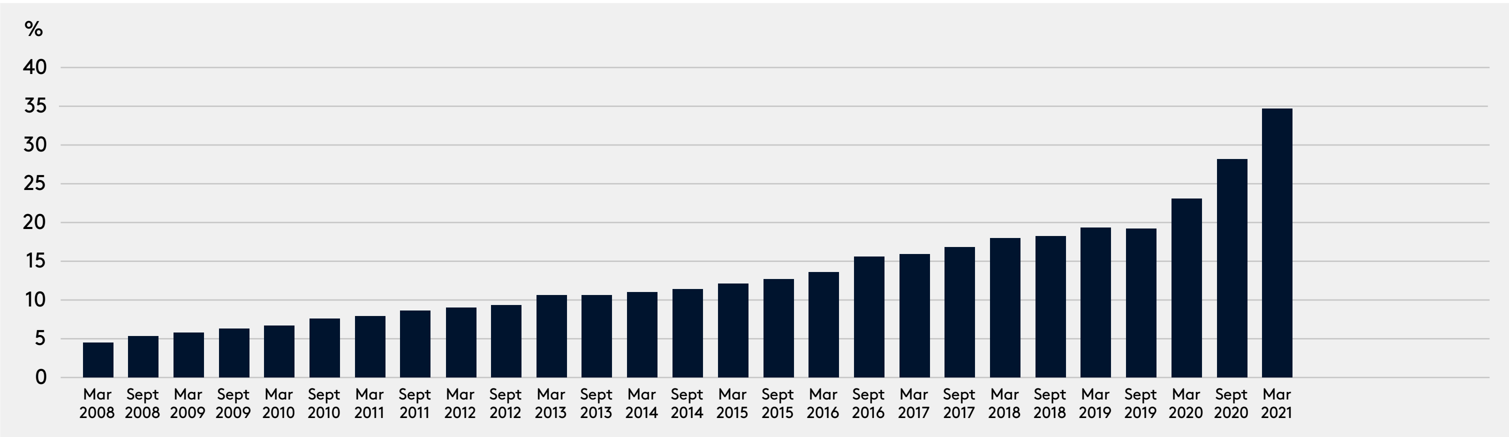
Covid-19 had a dramatic impact on central London office take-up with levels reaching a record low of 5.6m sq ft.



ONLINE SALES AS A SHARE OF TOTAL RETAIL SALES

Source: ONS

Online share of total UK retail sales has grown at a pace of 13% p.a. since 2008.
Short of any policy changes, online penetration is set to rise steadily.



Our stakeholders

Our vision is to be the best property company in the UK in the eyes of our stakeholders.

To achieve this, we have to understand the needs of those stakeholders, and the most effective way to engage with them. Successful, sustainable companies know their stakeholders and value their input and support. The nature of commercial real estate is becoming much more operational, so we need to work even more closely with our customers and other stakeholders.

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 on pages 94-96.

Please also see commentary on Our culture on pages 34-35 and 98-99

OUR FIVE KEY 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. All are our customers.	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 so their businesses can thrive. That means providing sustainable, efficient space and customer service. Customers, visitors and residents want us to provide 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 to evaluate the service we provide. During the pandemic, our engagement has been particularly important, with regular updates and guidance to help our customers respond to the challenges it has presented.
OUR EMPLOYEES	Everyone employed directly by Landsec.	Our people and our culture are our most important assets. Our people put our strategy into practice 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, all underpinned by a supportive culture which 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. Over the past year, we invited all our employees to be involved in developing our culture.
OUR COMMUNITIES	Those who live in areas where we work or where we have assets. For example, local residents, businesses, schools and charities.	Part of our purpose is connecting communities. 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 to thrive. They also want us to provide the right mix of services to meet their needs.	Our activity ranges from providing work experience and routes to employment, to helping students and addressing social needs. We consult local communities ahead of all development activity, and maintain the relationship 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. We are a total return business, seeking to deliver above-market returns while being prudent borrowers.	Formal results presentations every six months plus regular 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. This includes our joint-venture partners, service providers, suppliers, local and central government, NGOs, trade bodies and industry organisations.	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 business model

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

CREATING AND PROTECTING VALUE

We aim to be a sustainable business by anticipating and responding to the changing needs of our customers, communities, partners and employees.

We position our business in good time for the conditions we see ahead, and we take a long-term view in creating value. For us, it's about transforming financial, physical and social resources into financial, physical and social value for all our stakeholders.

INPUT

FINANCIAL

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

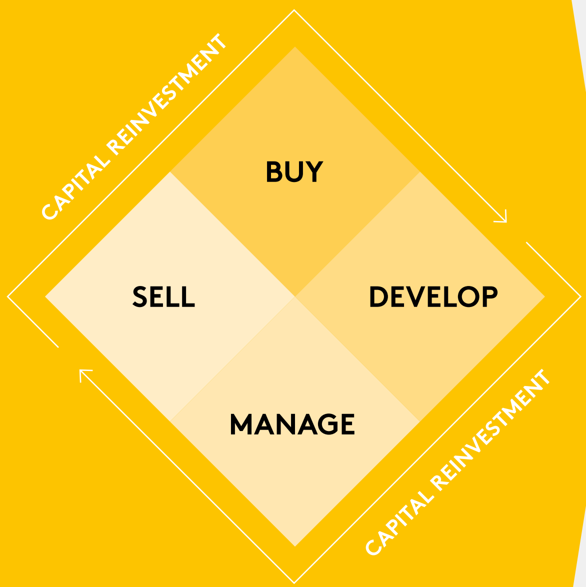
PHYSICAL

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

SOCIAL

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

CORE ACTIVITIES



OUTPUT

FINANCIAL

Long-term growth in asset values and income, creating value and the capacity for us to increase dividends for our shareholders.

To read our Financial review go to pages 46-53

PHYSICAL

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 64-67

SOCIAL

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

To read more go to pages 56-63

CREATING SUSTAINABLE LONG-TERM VALUE WITH A FOCUS ON TOTAL BUSINESS RETURN

Landsec is a business with 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 prioritise delivering above-market total returns through the cycle. Income is an important component of our property return but it should not be the key driver.

Our strategy is designed to deliver improved total returns for shareholders over time and significant value for all stakeholders. This is the foundation of a successful, sustainable business.

FINANCIAL AIMS →

Growth in asset value
The increase in the value of our portfolio generated by the market or our asset management.

Growth in income
The total rent our customers pay us.

OUTCOME →

Capital return
The overall change in the value of our portfolio.

Dividend
The payments we make to our shareholders.

MEASURE

Total business return

Change in net asset value
The overall change in value of our net assets.

Plus

Dividend
The payments we make to our shareholders.

PORTFOLIO QUALITY
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.

CLIMATE CHANGE
We're part of the transition to a low-carbon economy. This helps mitigate our current and future risk and presents significant opportunities for our customers and us.

NATURAL RESOURCES
When we buy, use and reuse resources efficiently we reduce costs for our customers, our partners and us, helping to minimise our impact on the environment and enhance our resilience to a warming planet.

SUSTAINABLE DESIGN AND INNOVATION
Great design increases efficiency, encourages people to spend time in our spaces and enables buildings to adapt to changing customer needs. We design with long-term value in mind.

CUSTOMERS
We design our buildings to support wellbeing and productivity. From office occupiers to brand partners and guests, we aim to provide our customers with a fabulous experience – creating value for our shareholders.

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.

COMMUNITIES AND PARTNERS
We help those furthest from the jobs market access opportunities in our industry. We believe that everyone who works on our behalf must be treated and paid fairly and our business should reflect and support our diverse communities.

We work to maintain an exceptional standard of health, safety and security in all the working environments we control, and we work with our partners to help raise standards in our industry.

GOAL

TOTAL BUSINESS RETURN
Our aim is to deliver above-market total business returns, together with significant social and economic value for all of our stakeholders

Our strategy for growth

GROWTH

Our strategy comprises four priority areas as we look to reshape our portfolio to position Landsec for growth.

OPTIMISE

...OUR CENTRAL LONDON BUSINESS

This priority includes all of our assets in central London. By optimise, we mean taking steps towards greater alignment with growth sectors and districts in the capital, evolving a broader range of propositions for our customers, continued deployment of our development expertise and judicious sales of assets to fund long-term growth.

More detail on pages 22-23

REIMAGINE

...OUR RETAIL BUSINESS

This priority focuses on our regional retail business. Our outlets have solid growth potential. However, there is an opportunity to significantly reshape the models of our six regional shopping centres – understanding sustainable rent levels for these customers is fundamental to our approach.

More detail on pages 24-25

GROW

...THROUGH URBAN OPPORTUNITIES

We will target enhanced returns through significant investment in mixed-use urban opportunities, both from within our portfolio and through new investments in London and potentially other major UK cities.

More detail on pages 26-27

REALISE

...CAPITAL FROM SUBSCALE SECTORS

Our leisure, hotels and retail parks are sectors where we don't have scale or competitive advantage on our side. Although these sectors have potential, our capital is better deployed elsewhere. We will therefore dispose of these assets in a managed way over time.

More detail on pages 28-29

FIVE KEY LANDSEC ATTRIBUTES SUPPORT OUR STRATEGY

1. Development expertise – building sector-leading knowledge and capabilities.
2. Capital discipline – positioning our portfolio for growth.
3. Customer centricity – creating positive experiences based on understanding our customers.
4. Data-driven decision-making – making data a strategic asset for our business.
5. ESG leadership – leading the industry with our science-based environmental targets.

WITH PURPOSE

To be able to pursue a successful strategy, businesses need a clear purpose that articulates the value they create for all their stakeholders. Our purpose describes why we exist and what we are trying to achieve together.

1

SUSTAINABLE PLACES

To create places that make a lasting positive contribution to our communities and our planet.

Sustainability is integral to our work at Landsec, and we think about the long-term implications of what we do from both an environmental and social perspective. We have committed to becoming a net zero carbon company by 2030 and have a clear strategy to get there. Social value is the positive impact our business has on the local community – our ambition is to create opportunities for people from our communities through our social sustainability programmes. Sustainability will become the single biggest factor contributing to whether a business is successful in the long term.

2

CONNECTING COMMUNITIES

To bring people together, forming connections with each other and the spaces we create.

We want to be a force for good in our communities. Each of our assets and spaces is part of a different community, with different needs. Our spaces can help to meet those needs – providing relevant services for the community and bringing people together to form connections and share experiences.

3

REALISING POTENTIAL

To provide our customers, partners and people with a platform to realise their full potential.

From providing the best spaces to do business, entertain, shop or live, to developing careers at Landsec to help us make the most of our talents, realising potential is central to our purpose. We also aim to fully realise Landsec's potential as a business, maximising our performance and ensuring we have a sustainable long-term future.

> "Businesses that embrace their responsibilities to all stakeholders, and embed that in their strategy and business model, will attract more customers, attract the right customers, appeal to the best and brightest talent and strengthen their workforce."

MARK ALLAN
CHIEF EXECUTIVE

Broadening our resilient central London proposition

Our first strategic priority is to Optimise our central London assets, which include offices, retail and Piccadilly Lights.

We have £7.3bn of assets across central London which are very high-quality, resilient and liquid, and provide a strong foundation for new growth opportunities. Our strategy is to Optimise this portfolio through greater alignment with growth sectors and districts in the capital, evolving a broader range of propositions for our customers, continued deployment of our development expertise and judicious sales of assets to fund long-term growth. In practice, this means we need to rebalance the portfolio – selling those assets with limited asset management opportunities, and investing in developments and assets where we can apply our skills to creating superior space for our customers and enhanced returns for the business.

London will remain a gateway city, and our high-quality, best-in-class portfolio should provide resilience in a down-cycle. But more than resilience, the London market and strength of our portfolio provide a platform for growth.

We will increase our buying and selling of assets and development options, underpinned by our customer-led proposition of promoting healthy and sustainable spaces which offer choice and flexibility.

We aim to create value through developing assets and by establishing a greater range of propositions to meet the changing needs of our customers. We will also be disciplined in the way we deploy our capital, at times crystalising value to fund long-term growth.

Our £7.3bn central London portfolio has strong defensive characteristics: established customers; stable and secure income; and low capex requirements. We'll maintain this resilience while recycling for growth. We have a £1.2bn development programme with 1 million sq ft on site and a further 780,000 sq ft ready to commence when conditions are right. We have retained flexibility over the progress of the majority of our speculative schemes. We have optionality, flexibility and meaningful scale, all supported by a balance sheet strong enough to complete the schemes.

OUR STRATEGY IS BASED ON FOUR ACTIVITIES

- Creating value through **development**
- Creating value through **resilience**
- Creating value through **customer centricity**
- Realising value through **disciplined capital recycling**

OUR CENTRAL LONDON PORTFOLIO Chart 1

Office	Retail	Other
85%	9%	6%

OPTI

"We offer healthy office spaces that meet our customers' needs, designed with the wellbeing of our occupiers, communities and planet in mind."

FERNANDA AMEMIYA
SUSTAINABILITY DIRECTOR – ENVIRONMENT AND REPORTING

OPTIMISE WITH PURPOSE

Our Optimise strategic priority is built on our purpose so it succeeds for all our stakeholders. Our office customer proposition aims to meet our existing and prospective customers' needs.

First, through great working partnerships, we understand each customer's business and perspective. Through our range of products, we can offer choices – from Blank Canvas to Myo, our flexible space offer, we can provide the right product for the lifetime of a lease, which means our customers are more likely to remain with us. This is more important than ever, as businesses adjust their needs for space in a post-Covid-19 environment.

Second, by offering great experiences, we help our customers retain and attract talented people. We support and enhance their employee experience with services such as Landsec Lounge, first-class cycle facilities and a relevant ground-floor offer in our offices.

Finally, we create healthy and sustainable spaces. As many as 86% of our customers say that supporting employee wellbeing is an important feature of their office space. And this will only increase as the Covid-19 experience highlights the importance of healthy offices. But more than just the space, the fabric of the building is important as well. We are minimising the embedded carbon in our developments through careful use of materials, efficient design and modern methods of construction. We are creating sustainable places where our customers can truly realise their potential.

PARTNERING WITH CUSTOMERS

- Creative Covid-secure workspaces.
- Qualitative and quantitative research from existing and prospective customers.
- Ensuring the ground floor remains relevant to customer needs.

82% maintaining or increasing space

81% believe office-based work boosts productivity

Re-evaluating retail models

Our second strategic priority, Reimagine our retail business, focuses on our regional retail business – outlets and shopping centres.

REIMAGINE MEANS:

› Taking a fundamentally different approach to the business model.

› Basing our investment and operating decisions on a realistic view of sustainable rents.

› Rethinking the experiences our centres provide for visitors, building on the successes of the past, not simply trying to repeat them.

› Forging stronger, more collaborative and strategic relationships with our brand partners. This is essential given the structural challenges facing some segments of retail and the ongoing impact of Covid-19.

› Reshaping the size and mix of our retail footprint.

Structural shifts are putting retail rents under pressure, but not all parts of the sector are affected in the same way. Our outlets offer good growth potential, but there is an opportunity to significantly reshape the model of our six regional shopping centres.

Understanding where we can maintain sustainable rent levels is fundamental to our approach. We believe rents are now approaching sustainable levels and this will support sensible store-level profitability for our brand partners. We are developing new affordable leasing models based on an approach that works for both Landsec and our customers.

More detail on pages 41-43

Finally, we are re-evaluating the type and volume of space at our centres, curating the mix of uses as part of enhancing the consumer experience. We are also considering how much retail space we have in our centres and whether we can augment that space with alternative uses such as residential and offices. All will tie in with our purpose of putting our stakeholders at the heart of everything we do.

OUR REGIONAL RETAIL PORTFOLIO (£1.8bn)

Shopping centres **59%** | Outlets **41%**

REIM

OUR STRATEGY IS BASED ON THREE ACTIVITIES

› Creating value through **tailored guest experiences**

› Creating value through **deep brand partner relationships**

› Creating value through **asset management expertise**

REIMAGINE WITH PURPOSE

Our regional retail assets are more than just great places to shop. They are integrated within their local communities and provide places where people can meet, connect and socialise. Our Reimagine strategic priority is clearly aligned with our purpose.

For everyone involved with our assets to realise their potential, we need to change our business model, moving away from a traditional landlord-tenant relationship. The businesses in our centres are our brand partners and consumers visiting our centres are our guests. With this mindset, we can better tailor the range of services we offer our brand partners, and create relevant and enticing experiences for our guests. Having interviewed senior managers at over 30 of our major retail brand partners, we've made great progress in better understanding how leases now need to evolve. This approach is critical, particularly with Covid-19 accelerating the trends affecting the retail sector.

Our centres also connect communities and we are looking at ways to further enhance the roles they play locally, and to bring more local operators into our centres.

Environmental sustainability in our centres is also important. As we refine our masterplans, we need to consider all aspects of sustainability. We have already installed photovoltaic panels at White Rose and Trinity Leeds, energy and water monitoring systems at Bluewater, and a waste and recycling programme at Westgate Oxford. Our Reimagine strategy will provide opportunities to do much more.

> "Retail is changing, and we're changing with it. Our guests' experiences are key and we're working closely with our brand partners so we can all successfully bounce back."
>
> **GEMMA CASEY**
> SENIOR PORTFOLIO DIRECTOR

Opportunities for growth in evolving urban environments

Our third strategic priority is to Grow through urban opportunities.

We will seek enhanced returns through significant investment in mixed-use urban opportunities, from within our portfolio and through new investments in London and potentially other major UK cities.

This strategic priority is supported by the work we undertook within our strategy review to identify the six global forces of change. Urban environments are changing and the way we live our lives is evolving, whether due to technology, changing demographics or adapting to a post-Covid-19 world.

To grow through urban opportunities does not necessarily involve specific assets or sectors, but is about bringing people together – communities, businesses, government, providers of capital – to envisage, and ultimately deliver, the urban environments of the future. And we need to do this in harmony with the UK's sustainability agenda, not least its 2050 net zero carbon commitment.

We have a proven skillset. We have completed large mixed-use schemes in London. And our recent retail developments have included non-retail elements such as residential. We also have a number of assets within our portfolio that can offer a blank sheet for designing new mixed-use communities, and we will look to augment these further. There is a very clear need in London. But the need also exists in the UK's other major regional centres. We are not specifically planning a move into the regions, but we are certainly open to exploring the opportunities.

OUR STRATEGY WILL FOCUS ON:

- Progressing planning and delivery strategies for our existing portfolio of projects
- Evaluating and securing new complementary opportunities

URBAN OPPORTUNITIES IN OUR EXISTING PORTFOLIO

1. Includes up to c.7,000 new homes
2. Over 50 acres of land with 1.6m sq ft of existing use space
3. Vibrant local communities
4. Potential to densify up to 8m sq ft, a five-times multiple
5. Well connected to existing transport and infrastructure

GR

NEW INVESTMENT

› **Short-term capital investment recycled from elsewhere in the portfolio**

› **Up to 25% of the Landsec portfolio in the next 5 years**

› **Targeting**
Near-term returns; mixed-use potential; London and regional cities.

› **Variety of potential investment approaches**
Acquisition; JVs; large scale; partnerships; forward funding.

GROW WITH

PURPOSE

Our Grow strategic priority is fully aligned to our purpose, as our activity will focus on connecting communities. Mixed-use urban regeneration aims to bring people together, providing the space and services they need to live, work, shop and spend leisure time. The market is still at a relatively early stage in the UK. We have the opportunity to shape how it develops, to ensure we are connecting communities with the best spaces and environments.

Urban mixed-use schemes are often larger-scale, longer-term developments – ensuring we build them in the most sustainable way will be important to the communities they serve and beyond. This is just one of the areas of expertise we can apply to this strategic priority. But it is an essential one if we are to achieve our 2030 net zero carbon target and contribute towards the wider UK sustainability targets. Connecting communities with sustainable places, to enable everyone to realise their potential.

> “Our urban opportunities give us the chance to create mixed-use developments based on exactly what each local community needs, not just improving amenities and connections, but creating jobs and social value.”

BEN ANDERSON
SOCIAL SUSTAINABILITY MANAGER

Redeploying capital to invest in growth

Our fourth strategic priority is to Realise capital from Subscale sectors.

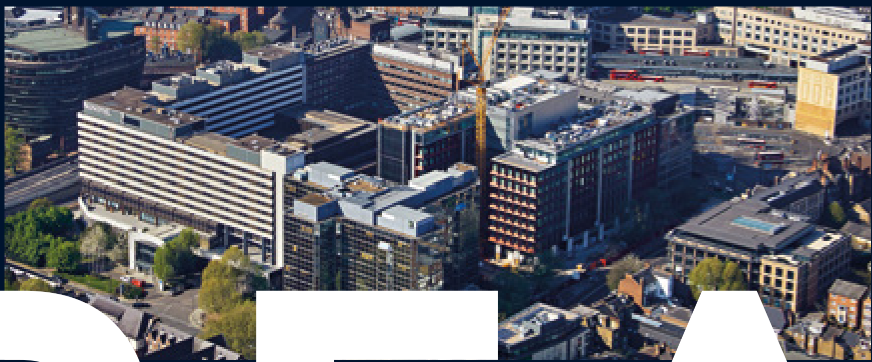
These are sectors where we don't have scale and where we have little or no competitive advantage. Our leisure, hotels and retail parks are in this category. Of course, all have potential, but for Landsec, our capital is better deployed elsewhere. We will therefore dispose of these assets in a managed way over time.

These three sectors have been significantly affected by Covid-19, but we are confident in their long-term prospects, and believe our assets will recover strongly once we emerge from the pandemic. We are under no time pressure to realise capital from these assets, expecting to do so over the medium term.

We may sell some retail parks sooner, as an investment market is beginning to re-emerge, but we will want to be sure of obtaining appropriate value first. In the meantime, where there are asset-management programmes needed or in progress across these assets, we will ensure we continue to implement them.

More detail at www.landsec.com

> "Regardless of our aim to sell assets in the medium term, we continue to manage them so they're the best they can possibly be, while recognising their intrinsic value to the communities and customers they serve."
>
> **IAN BRAMLEY**
> **INVESTMENT DIRECTOR**



REA

OUR REALISE PORTFOLIO Chart 2

Leisure
£506m

Hotels
£406m

Retail parks
£397m

OUR SUBSCALE SECTORS

HOTELS	LEISURE	RETAIL PARKS
21 ASSETS	18 ASSETS	10 ASSETS

REALISE WITH

PURPOSE

We believe the hotels, leisure and retail parks sectors all have good long-term prospects. Although we do not have scale or competitive advantage as owner or operator, that does not mean their link to our purpose is any less clear.

We do not simply own and manage assets. We are custodians on behalf of the local communities they serve, and the businesses and people who operate within them or visit them. Where appropriate, we will continue to invest in these assets while they remain within our ownership, helping to connect communities and maintain or increase the value of the assets. We always strive to ensure assets leave our business in better condition than when they entered our portfolio.

We believe we can apply the capital tied up in these assets to better effect elsewhere in our business, helping us realise our potential and generate value for our stakeholders.

Our strategy: summary

Our strategy is designed to position Landsec for growth. It builds on existing areas of competitive advantage. It positions the business to take advantage of long-term macro trends. And it is built on a clear, authentic purpose, so it creates value not just for shareholders, but for all stakeholders. It also recognises that culture is as important as strategy. That's why we developed our strategy in conjunction with our purpose while establishing the culture to support our activity.

More details on pages 34-35

Successful strategies are based on sources of sustainable competitive advantage. We have identified six sources of competitive advantage that underpin our strategy (see right). The quality of our portfolio represents a strong foundation from which to build a growth-focused strategy. Our track record, reputation and the strong relationships we have established, are important as we pursue our strategy and increase our activity in urban mixed-use development. Our scale enables us to access and deploy capital quickly and cost effectively. Our development expertise in creating mixed-use office-led schemes in London and large shopping centre developments across the UK, are relevant and transferable skills we can apply to other sectors. ESG leadership remains an essential strength, as occupiers and consumers increasingly expect our spaces to satisfy both sustainability and wellbeing credentials.

Finally, it is our people who bring all of this together – unlocking potential in our portfolio, spotting new opportunities, building strategic relationships and achieving our strategy.

We developed our strategy at the same time as Covid-19 was affecting our business in a very significant way. There have been many short-term challenges and there will continue to be for some time yet. And the longer-term implications are still unclear.

Importantly, we entered the pandemic from a position of strength. We are managing the near-term challenges proactively.

Through our customer focus, we have supported our customers through these extraordinary circumstances, and have worked with them as we emerge from the pandemic.

But out of every crisis emerges opportunity, and this one will be no different. We intend to make sure we position Landsec to make the most of these opportunities, by building on our competitive advantages.

The previous pages described our four strategic priorities and the link to our purpose. The diagram right, shows how our purpose, our competitive advantage and the global forces of change (shown in our market on page 13) feed into our strategic priorities. We have also identified five key performance drivers that will be essential to achieving our strategy. Finally, we show what our strategy means for our stakeholders, and for our culture and organisation.

LANDSEC'S SIX KEY AREAS OF COMPETITIVE ADVANTAGE

- OUR PEOPLE
- OUR ESG LEADERSHIP
- THE QUALITY OF OUR PORTFOLIO
- OUR DEVELOPMENT EXPERTISE
- OUR TRACK RECORD, REPUTATION AND RELATIONSHIPS
- OUR SCALE

HOW DO WE THINK ABOUT RISK AND RETURN?

Positioning the business for growth with an appropriate level of risk

TOTAL RETURN	GENERATING 'ALPHA'	LEVERAGE	THE CYCLE
› We focus on total return through the cycle and position the business to deliver above-market returns. › Income is a key part of the property return, but is not the key driver.	› A greater focus on value creation. › Taking on more risk but doing so in a managed, proactive way.	› Our tolerance for financial leverage is guided by the level of operating risk in the business and our view of the cycle.	› We operate in a cyclical market. › Understanding and responding to the cycle is a key part of generating and protecting alpha.

OUR STRATEGY

REPOSITIONING LANDSEC FOR GROWTH

OUR COMPETITIVE ADVANTAGE | OUR PURPOSE | GLOBAL FORCES OF CHANGE

STRATEGIC PRIORITIES

OPTIMISE
Our central London business

REIMAGINE
Our retail business (shopping centres and outlets)

GROW
Through Urban opportunities

REALISE
Capital from Subscale sectors

KEY PERFORMANCE DRIVERS

Development expertise | Capital discipline | Customer centricity | Data-driven decisions | ESG leadership

WHAT IT MEANS FOR…

…Shareholders
- Total returns, delivered through the cycle.
- A focus on creating 'alpha'.
- Higher operational leverage, offset by lower financial leverage.

…Other stakeholders
- A continued commitment to becoming net zero carbon by 2030.
- A partnership-based approach.
- The creation of vibrant communities with a lasting sense of place.

…Our culture and organisation
- Outward-facing and customer-led.
- Lean, agile, nimble, empowered and supportive.
- Customer-centric and data-led.

THE FIVE KEY ATTRIBUTES THAT SUPPORT OUR STRATEGY

DEVELOPMENT EXPERTISE

Building sector-leading knowledge and capabilities

We have a record of successful developments in London and across the UK. Our expertise lends itself to large, complex, long-term projects that can meet the needs of multiple customer segments. We also take an innovative approach to design, manufacture and assembly.

CAPITAL DISCIPLINE

Positioning our portfolio for growth

We are investing in sectors and assets that can thrive throughout the cycle to achieve a premium net asset valuation. We also consider managing property for fee income, or using attractively priced partner capital.

CUSTOMER CENTRICITY

Creating positive experiences based on understanding our customers

Customer centricity has always been important, but as our customers manage and respond to the challenges of Covid-19 and other changes in their needs, customer focus will be essential to ensure we find mutually beneficial solutions.

DATA-DRIVEN DECISION-MAKING

Making data a strategic asset for our business

It's not about how much data we have, but how we use it to enhance all aspects of our business. We will build data as a strategic asset for the long term, blending proprietary and public data to enable focused, strategic decision-making.

ESG LEADERSHIP

Leading the industry in pursuit of our science-based environmental targets

We take a proactive approach to our social and environmental impact, making investments which lead to positive employee and stakeholder experiences. This helps ensure our business remains attractive and relevant, and creates value in the long term.

More details at www.landsec.com

Our new strategy brings a new approach to risk and return. Our business has the potential to add significant value through its portfolio and activities. We therefore intend to prioritise achieving above-market total returns through the cycle or, in market parlance, 'alpha'.

Income is, of course, a key component of our property return and will still be meaningful. But we do not believe it should be the key driver. As a result, we place a greater emphasis on true value creation.

This means taking more operational risk, but risk we understand, and doing so in a managed, proactive way. This higher level of operating risk will generally require a lower level of financial leverage.

Notwithstanding our focus on total return through the cycle, we do operate in a cyclical market and recognise that understanding and responding to the cycle is a key part of generating and protecting value.

With the quality of our existing portfolio as an effective source of liquidity to fund growth, a team with an unrivalled record in creating value in its core markets, and a clear strategy to make the most of that strength through our culture and our approach to operational risk, we aim to achieve market-beating returns through the cycle.

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 our financial performance metrics (charts 3 to 6 below), we set ourselves a range of KPIs for the year which focused on ensuring we emerge from Covid-19 in as strong as position as possible, and ready to progress our strategic priorities. Of these, we identified 14 as Group KPIs with a link to remuneration, and we describe these on the following page.

THREE YEAR TOTAL SHAREHOLDER RETURN (TSR) %

HOW WE MEASURE IT

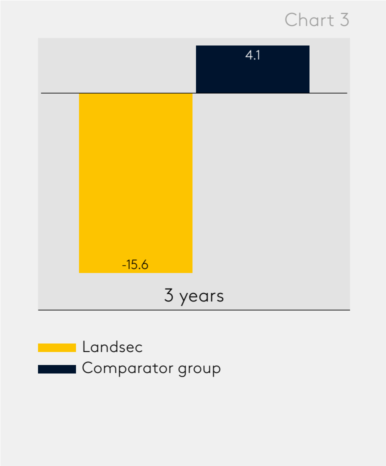
Three year TSR performance compared to the TSR performance of a comparator group (weighted by market capitalisation) of property companies within the FTSE 350 Real Estate Index

LINK TO REMUNERATION

50% of the award of long-term share investment plans is determined by the three year TSR performance compared with to the comparator group

OUR PROGRESS IN 2021

TSR of -15.6% for the three-year period from April 2018 did not exceed our comparator group at +4.1%



THREE YEAR TOTAL PROPERTY RETURN (TPR) %

HOW WE MEASURE IT

Three year TPR performance compared to all March-valued properties within MSCI (excluding Landsec)

LINK TO REMUNERATION

50% of the award of long-term share investment plans is determined by the three year TPR performance compared to our benchmark

OUR PROGRESS IN 2021

TPR of -4.7% per annum for the three-year period from April 2018 was below the estimated MSCI benchmark at +1.3% per annum

ONE YEAR TOTAL PROPERTY RETURN (TPR) %

HOW WE MEASURE IT

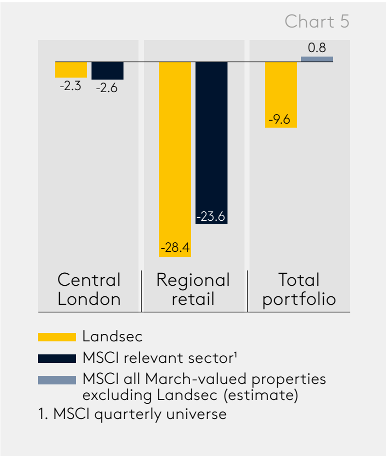
One year TPR compared to all March-valued properties within MSCI (excluding Landsec)

LINK TO REMUNERATION

The one year TPR performance compared to our benchmark determines part of the annual bonus

OUR PROGRESS IN 2021

One-year TPR of -9.6% was below the estimated MSCI benchmark of +0.8%



REVENUE PROFIT £m

HOW WE MEASURE IT

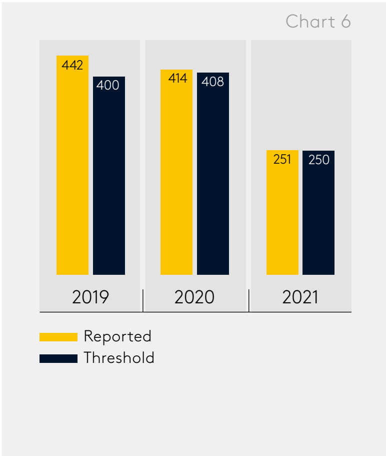
Revenue profit compared to an internal minimum threshold which is reset every three years

LINK TO REMUNERATION

Forms part of the specific business targets which determine a proportion of annual bonus

OUR PROGRESS IN 2021

Revenue profit was above the internal threshold for 2020/21



SUMMARY OF GROUP KPIs

Office

DESCRIPTION
We set ourselves a target for office net rental income. This includes the notional rental value of deals and concessions agreed with customers.

OUR PROGRESS IN 2021
We achieved our target for office net rental income.

LINK TO REMUNERATION
Forms part of the specific business targets that determine a proportion of annual bonus.

Retail

DESCRIPTION
We have three KPIs relating to rent paid or deals agreed in the year, the level of rent or service charge concessions given, and our retail vacancy rate.

OUR PROGRESS IN 2021
We achieved our targets for rent concessions and vacancy, but did not reach the threshold for rent paid or deals agreed.

LINK TO REMUNERATION
Forms part of the specific business targets that determine a proportion of annual bonus.

Development

DESCRIPTION
There are five KPIs relating to our development activity. Two are in response to Covid-19 and focus on minimising delays to the programmes and on controlling costs. Two relate to repurposing space within our retail portfolio. We also set a KPI for pre-let activity in our office developments.

OUR PROGRESS IN 2021
We achieved our Covid-19 KPIs and partially achieved the remaining three development KPIs.

LINK TO REMUNERATION
Forms part of the specific business targets that determine a proportion of annual bonus.

Finance

DESCRIPTION
To ensure we remained financially healthy, we set a target for the amount of cash and available banking facilities. We also set a target to reduce our net debt.

OUR PROGRESS IN 2021
We achieved both of our finance KPIs.

LINK TO REMUNERATION
Forms part of the specific business targets that determine a proportion of annual bonus.

ESG

DESCRIPTION
In line with our ESG strategy, we set three KPIs relating to reducing energy, reducing embodied carbon, and the value of our social contribution.

OUR PROGRESS IN 2021
We achieved all three ESG KPIs.

LINK TO REMUNERATION
Forms part of the specific business targets that determine a proportion of annual bonus.

People

DESCRIPTION
An aligned, motivated and healthy workforce is critical to our business performance. We established a number of activities to support our people during Covid-19 and we set one Group KPI to measure our success through our engagement survey.

OUR PROGRESS IN 2021
Our engagement survey KPI achieved the threshold level.

LINK TO REMUNERATION
Forms part of the specific business targets that determine a proportion of annual bonus.

Our culture

At Landsec, we know we can only truly fulfil our purpose if it is fully aligned with our culture and strategy.

As the diagram below shows, purpose, strategy and culture do not exist in isolation, but influence and support each other, and are equally important.

We wanted to create an authentic purpose, a strategy owned by the whole business and a culture that unifies our people. We did this by engaging our people to conduct a strategic review in parallel with an exercise to get clarity on our purpose, culture and organisational structure. Importantly, we ran all activities concurrently, with significant input from across our business. The result is a purpose that is authentic, a strategy owned by the whole business, and a culture our people recognise, support and unite within.

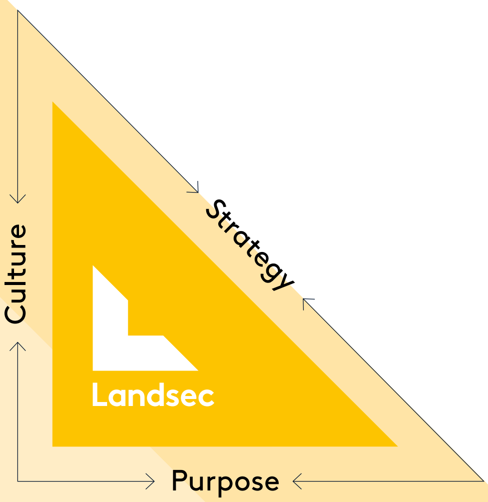
The strategy makes the most of Landsec's strengths and positions the business for growth. It is built around a clear, authentic and meaningful purpose, so it can create value not just for shareholders, but for all stakeholders. Our culture is key to successfully achieving our strategic ambitions, and we regard it as a source of competitive advantage.

Our culture shapes how we achieve our strategy, it ensures we have the right organisational capability. It defines how we do things, how we behave, and how our leaders can inspire and motivate. Supported by our values, our culture provides a common language to enable our people to thrive and harness their potential. So our culture is as important as our strategy.

In addition to culture, it is important to have the right organisational structure. We have already established our Executive Leadership Team and are moving to a leaner, more nimble organisation with greater levels of both decision-making and accountability within our clear strategic framework.

See more about our Executive Leadership Team on pages 88-89

HOW WE ACHIEVE OUR PURPOSE



OUR VALUES

Our values guide us in everything we do, making us a team and helping to shape our culture. They guide our actions, inform our strategic decisions and define our behaviours – driving us to support each other and to come together to create great experiences for people.

1. **Determined:** We have the courage to do the right thing for the long term.
2. **Inclusive:** We are caring, open and progressive.
3. **Driven:** We strive to be the best.
4. **United:** We achieve more together.

OUR CULTURAL BLUEPRINT

Simply saying culture is important is not enough. That is why we have set out on a continual process of defining, measuring and evolving what it is like to work with and for Landsec. We started this during summer 2020 by engaging 273 people from right across our business in conversations about our purpose and culture. This led to the creation of our Cultural Blueprint (see right).

As a purpose-driven organisation, our focus is on the impact and value we bring. Our blueprint sets out our desired future culture, showing how we are trusted and empowered to make the right decisions for our customers, communities and our planet.

And we haven't stopped there. In spring 2021, we went a step further with the first annual review of how we are living up to our Cultural Blueprint. Once again, our people came together to tell us where we are performing well and where we have room for improvement. These findings have informed the development of an ongoing plan to continually evolve our culture and positively support our purpose and strategy.

THE FOUR POINT FOCUS PLAN

	YEAR 1	YEAR 2	YEAR 3
SHIFT FOCUS	We use understandable language	We understand our levels of responsibility and we work at pace	We are clear about the impact our work has on our customers, our communities and our environment
ROLE MODEL	Trust and empowerment is role modelled across Landsec	We will all become ambassadors for Landsec's culture	Our approach to work always reflects our values
INCREASE CAPABILITY	We understand the scope of our roles and can have challenging conversations		We use our clear tone of voice
ALIGN PROCESSES	Our bonus, performance and recognition processes reflect our culture	Our cultural development is aligned with our annual strategy review process	

Our cultural blueprint

Operating and portfolio review

We have a £10.8bn Combined Portfolio which is comprised of office space in London, and retail, leisure and hotel assets across the UK.

AT A GLANCE

-13.7%[1]
Valuation deficit

-9.6%
Ungeared total property return

4.4%
Like-for-like voids (31 March 2020: 2.5%) and units in administration: 2.2% (31 March 2020: 0.8%)

£24m
of investment lettings, with a further £12m in solicitors' hands

1.0m sq ft
of developments now on site

CENTRAL LONDON

-6.5%[1]
Valuation deficit

-2.3%
Ungeared total property return

£9m
of investment lettings with a further £1m in solicitors' hands

3.3%
Like-for-like voids (31 March 2020: 1.3%) and units in administration: 0.3% (31 March 2020: nil)

REGIONAL RETAIL

-31.4%[1]
Valuation deficit

-28.4%
Ungeared total property return

7.5%
Like-for-like voids (31 March 2020: 4.7%) and units in administration: 5.8% (31 March 2020: 2.1%)

£9m
of investment lettings, with a further £7m in solicitors' hands

59.4%
Same centre sales (excluding automotive), taking into account new lettings and occupier changes, down (BRC national benchmark down 29.2%)

65.3%
Footfall down (ShopperTrak national benchmark down 58.2%)

URBAN OPPORTUNITIES

-23.3%[1]
Valuation deficit

-21.4%
Ungeared total property return

£1m
of investment lettings, with a further £1m in solicitors' hands

5.0%
Like-for-like voids (31 March 2020: 4.8%) and units in administration: 1.1% (31 March 2020: 0.4%)

SUBSCALE SECTORS

-16.4%[1]
Valuation deficit

-12.8%
Ungeared total property return

£5m
of investment lettings, with a further £3m in solicitors' hands

2.5%
Like-for-like voids (31 March 2020: 2.0%) and units in administration: 2.9% (31 March 2020: 0.9%)

1. On a proportionate basis.

We focus on maximising financial, physical and social value through providing the spaces and environments to allow businesses and people to thrive. This approach has been particularly important during the challenging environment we have operated in during the pandemic. Our focus during the year has been on supporting our customers and positioning our business to emerge from the pandemic in as strong a position as possible.

THE IMPACT OF COVID-19 AND OUR RESPONSE

Our entire financial year was impacted by the pandemic. Operationally, all areas of the business were affected but the impact varied across the portfolio. Our office portfolio remained open throughout the year; occupation was significantly below pre-Covid-19 levels but we saw progressively higher levels of occupancy during each successive lockdown. In retail, leisure and hotels, the impact was more severe – during periods of lockdown, only essential retail and services could trade, with other operators limited to servicing online customers or providing takeout services. The financial impact of Covid-19 was much more acute in the retail and hospitality segments of our business, where rent collection rates were significantly below pre-Covid-19 levels. Almost all of the rent due from our office occupiers was collected.

Our priorities throughout the year have been: (i) colleague and visitor safety; (ii) proactively supporting our customers; and (iii) preserving financial strength and flexibility. We tailored our support to the specific needs of each area of the business.

In offices, we provided some financial support to a very small number of occupiers whose businesses were particularly impacted by the pandemic, but the majority of our support related to ensuring the safety of our spaces and helping our customers to adapt their spaces to meet their specific needs.

In retail and hospitality, our focus was on providing financial support from our £80m customer support fund, ensuring our assets allowed safe and easy navigation for guests, and providing marketing and operational support for our customers.

For our people, we provided regular updates from our business resilience team, increased the mental health and wellbeing support available for those who needed it and we made sure there was regular contact between teams while working from home. None of our people have been furloughed.

We took advantage of resilient investment markets in London to maintain financial capacity and flexibility through targeted disposals, and minimised the disruption to our committed developments while preserving optionality on our longer-term pipeline.

As the year progressed, and the path out of the pandemic became clearer, we focused on ensuring our portfolio and strategy were positioned appropriately for a post-Covid-19 world. Covid-19 has accelerated many existing trends which would otherwise have taken a number of years to play out. The range of office products we offer will enable us to provide the space our customers need as they adapt to potentially different and more flexible ways of operating, combining office and home-based working. Our Regional retail portfolio is well placed to provide the right mix of exciting retail brands, leisure and entertainment which will be essential for successful centres. And our hotels and leisure assets are well placed to benefit from the consumer-led recovery we expect to see as we emerge from lockdown restrictions.

Operating and portfolio review
continued

VALUATION OF INVESTMENT PROPERTIES

Our Combined Portfolio declined in value by 13.7% or £1,646m over the year compared with a decrease in the prior year of £1,179m. A breakdown of valuation movements by category is shown in table 7 below.

Valuation analysis

Table 7

	Market value 31 March 2021 £m	Valuation movement %	Rental value change[1] %	Net initial yield %	Equivalent yield %	Movement in equivalent yield bps
Offices	5,194	-4.3	-1.9	4.4	4.6	3
London retail	623	-26.7	-25.2	4.4	4.5	26
Other central London	420	-1.2	n/a	2.6	4.4	6
Regional shopping centres and shops	1,041	-38.2	-21.5	7.9	7.6	140
Outlets	722	-18.5	-3.8	5.3	6.8	91
Urban opportunities	360	-23.4	-11.0	5.6	5.9	73
Leisure	483	-22.9	-7.1	6.9	7.6	118
Hotels	406	-13.4	-17.2	3.3	5.5	34
Retail parks	397	-10.1	-8.1	7.4	7.6	15
Total like-for-like portfolio	**9,646**	**-14.8**	**-9.1**	**5.0**	**5.5**	**29**
Proposed developments	286	-12.4	n/a	–	n/a	n/a
Development programme	713	-0.2	n/a	–	4.3	n/a
Acquisitions	146	-5.4	n/a	3.3	5.4	n/a
Total Combined Portfolio	**10,791**	**-13.7**	**-9.1**	**4.5**	**5.4**	**29**

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

The 13.7% decline in the value of our Combined Portfolio is mostly due to a fall in the value of our retail and leisure assets, driven by reductions in rental values and expanding equivalent yields. Within the like-for-like portfolio, regional shopping centres and shops saw the largest reduction in values, down 38.2% overall as rental values reduced by 21.5% and yields moved out 140bps. London retail reduced in value by 26.7% as rental values declined by 25.2% and yields moved out by 26bps. Our leisure assets declined in value by 22.9% with rental values 7.1% lower and yields expanding by 118bps, while hotels were down by 13.4% due to the impact of Covid-19 on our turnover rents and a 34bps expansion in yields. Our office assets saw a more modest decrease in value of 4.3% as rental values declined by 1.9% and yields moved out slightly. The values of our other central London assets, principally Piccadilly Lights, W1, were down marginally.

Outside the like-for-like portfolio, values in the development programme were broadly flat, with the value of 21 Moorfields, EC2 increasing as we approach completion of the development, offset by declines at Lucent, W1 and n2, SW1 where expected rents have been slightly reduced and development costs increased. The 12.4% decline in the value of our proposed developments is due to Portland House, SW1 and Timber Square, SE1 where expected rents have reduced and costs on Portland House have increased.

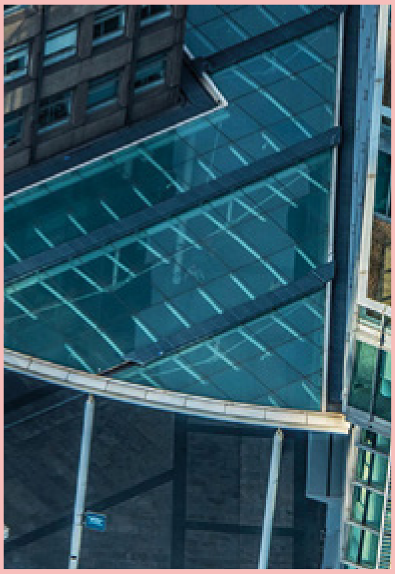
Our acquisitions fell in value by 5.4%, driven by a decline in value of the X-Leisure portfolio, where we acquired the remaining 5% in December 2019.

1

OPTIMISE OUR CENTRAL LONDON PORTFOLIO

Our £7.3bn Central London portfolio comprises offices (85%), associated ground level retail (9%) and other assets (6%), the most significant of which is Piccadilly Lights, W1. The portfolio is characterised by its quality, resilience and liquidity and despite challenging market conditions, valuations were resilient with our office valuations declining by 4.1%. Our offices remain almost fully let and rent collection remained strong, with almost all of the rent due now collected, reflecting the strength of our occupier base.

The central London market has been significantly impacted by the pandemic but Landsec remains in a strong position with high levels of rent collection and a clear strategy to create value.



Maintaining office health during Covid-19

Following the first national lockdown, we developed an office remobilisation plan, and by the end of May 2020, had implemented new Covid-secure measures across our office portfolio, including one-way systems, signage, hand-sanitiser stations, PPE bins and a ventilation strategy. We reviewed all properties based on a 'customer journey', to ensure users and visitors could meet social-distancing guidelines.

Clear communications at all times

We quickly designed and developed an easily accessible Covid-19 document centre, to provide building-specific guidance, which we also distributed to all customers. This included interactive walk-through videos and FAQs, all updated, sometimes daily, through the subsequent phases of lockdown. Office customers have accessed these live documents over 25,000 times so far. In addition, we maintained a continuous programme of customer engagement, including webinars, weekly video meetings, and electronic messaging around buildings.

Dealing with confirmed cases

In all, we had to deal with six on-site cases of Covid-19, five of them over a short period. We had a step-by-step guide for people to respond, available company-wide and updated after each case. We also created a specially equipped fast-response team to undertake a full deep-clean in line with Public Health England guidelines, ensuring all sites were safe again for 6am the following morning.

Working with our customers

During this period, we were able to reduce service charges, adapting to lower occupancy levels, and reducing energy use. We liaised with all customers on matters such as security patrols, water flushing on unoccupied floors and resilience of critical communications systems. We were also able to improve shower facilities, increase cycle-storage capacity, and test air quality, UV monitoring of mail and other measures. We continue to track daily office occupancy levels across the portfolio, so we can react quickly to any changes as the country opens up gradually from lockdown.

More information on www.landsec.com

Covid-19 impacted the London office market in two ways: low levels of occupation and a significant reduction in demand for new space. This, in turn, affected the London retail and hospitality sectors which are dependent upon office workers and tourism for the majority of their custom. Retail footfall in central London was down 82% year on year, reflecting the challenging nature of this market.

Physical occupancy in our offices portfolio was, on average, 6.2% reflecting a combination of working from home and social distancing guidelines as employers imposed occupancy limits as part of maintaining a Covid-19 secure workplace. Central London office take-up in the 12 months to March 2021 was just 4.4 million sq ft – the lowest annual take-up rate for over 30 years. Availability across the market increased to 25.3 million sq ft, compared with the 10-year average of 14.8 million sq ft, driven by second-hand space as leases expired and some occupiers looked to sub-let excess office capacity. As a result, vacancy rates rose to 8.9%, the majority of which is second-hand space. Despite this, there continues to be demand for high-quality office space, with 39% of total take-up being of new space. One of the trends accelerated by Covid-19 is demand for sustainable, healthy work environments. This is offered by the best space and is likely to continue the bifurcation of the occupier market.

Investment market volumes in the 12 months to March 2021 were below the long-term average with transactions totalling £7.2bn, reflecting the logistical challenges of viewing assets particularly by overseas investors, but there was continued demand for long income, high-quality assets. London remains a global financial centre and, with average prime yields of 3.75%, continues to offer relative value compared with other major cities.

Operating and portfolio review
continued

SUPPORTING OUR CENTRAL LONDON CUSTOMERS

Supporting our customers and maintaining their safety has been a top priority this year. The vast majority of our office customers' businesses were resilient throughout the year, but we used our customer support fund to help three who were particularly challenged. As customers start to plan for their return to the office, we are liaising closely with them to understand their intentions and help them return smoothly and safely.

While some customers will review and potentially consolidate their requirements, there is ongoing demand for high quality office space, and we are seeing the benefit of working alongside our customers to understand their needs. For example, in Victoria, we are currently in active discussions with seven occupiers across 300,000 sq ft in five buildings. This ranges from a 40% upsize to a 20% downsize. The outcome will be stronger customer relationships, re-geared leases, a more diverse product mix and reduced vacancy across the estate. This is not simply a function of upcoming lease events, it is being driven by strategic partnerships with our occupiers and a proactive approach to delivering the right solutions for them.

While our office customers have remained resilient, the trading environment for central London retail and hospitality has been particularly challenged, and we expect this part of the market to take longer to recover. Through our customer support fund we have provided £6m of concessions, together with longer-term support through turnover related leases for some customers. In addition to financial support, we are helping customers with their reopening plans. Alongside targeted marketing, we have worked closely with local authorities to enable hospitality customers to extend their outside trading capacity, creating space for 680 additional covers.

We are seeing interest from occupiers in taking new space, but the market remains challenging. In Victoria, One Rebel expanded their footprint at Nova, we have good interest in the former Goldsmiths unit at Cardinal Place, and we are exploring upsize options for one of our existing brand partners. At One New Change, EC4, we completed the letting of the former Topshop unit to Zara as well as progressing renewal terms with a number of existing brand partners.

DISPOSALS

In line with our strategy to recycle capital out of assets where there are limited opportunities for us to add further value, we completed two disposals during the year. In September 2020, we sold 7 Soho Square, W1 for £78m at a 4.0% yield and 4.3% above the March 2020 valuation, and in December, we sold 1 & 2 New Ludgate, EC4 for £552m at a 4.2% yield and 1.1% above the March 2020 valuation. Both assets attracted significant interest from bidders and demonstrate the continued demand for prime London office assets.

DEVELOPMENTS AND ACQUISITIONS

During the year, our focus has been on progressing our committed development schemes and preserving optionality on the others. We maintained flexibility in the pipeline while we assessed the long-term prospects of the London office market. Having completed our review in the first quarter of 2021, we increased our speculative developments to 451,000 sq ft by adding n2, SW1 to our existing schemes at Lucent, W1 and The Forge, SE1. Alongside our pre-let to Deutsche Bank at 21 Moorfields, EC2, this takes our committed activity to 1.1 million sq ft, with a further 1.0 million sq ft held for development.

At 21 Moorfields, the contractor Sir Robert McAlpine, doubled the facilities space for construction workers in order to accommodate more people on site in a Covid-secure way. Weekend working was also introduced to mitigate some of the delays resulting from lower on-site capacity. However, as a result of the lower on-site capacity we now expect practical completion to be delayed to July 2022.

At Lucent, The Forge and n2, we negotiated break options ahead of entering into the main construction contracts. This enabled us to progress with building to grade and construction of the cores while maintaining optionality before committing to further work and capex. With confidence in the long-term prospects of the London office market, we fully committed to Lucent and The Forge in September and n2 in March. Completion dates at The Forge, Lucent and n2 are June 2022, December 2022 and June 2023 respectively.

To date, the additional costs resulting from the impact of Covid-19 have been accommodated within the contingency allowances of the schemes' total development costs (TDCs), but further disruption may put modest upward pressure on TDCs as projects complete. We continue to focus on mitigating the cost impact of Covid-19 wherever possible.

Despite the current low levels of take-up in the market, we remain confident about the occupational markets we will deliver space into. Demand is expected to be strongest for prime, high-quality, sustainable space and our three speculative office schemes will meet this need in different locations in London, with phased completion dates.

We added to our development potential with two acquisitions during the year. In December, we purchased 55 Old Broad Street, EC2 for £87m. The acquisition offers significant marriage value as the site is adjacent to an existing Landsec asset, Dashwood. We also acquired the remaining undeveloped land on the Nova, SW1 island site from our joint venture for a consideration of £13m. We now own 100% of the final two phases at Nova (n2 and Nova Place) and we have recently satisfied all of the Nova P1 planning obligations, meaning Nova Place is now an unencumbered site.

POSITIONING OUR LONDON BUSINESS FOR A POST-PANDEMIC WORLD

The long-term impact of the pandemic on central London is not yet clear but it won't be uniform. We are likely to see some bifurcation of demand as quality of space and sustainability credentials become significant factors for customers. Some sectors, such as banking and professional services, may reduce their floorspace. Others, such as tech, are not necessarily changing footprint size but are focused on quality of space and employee choice. We will work closely with our occupiers to understand and deliver their needs and the scale that is required.

It is clear that customers who are looking to consolidate want to occupy the best space. This plays to our strengths. Our portfolio and product range gives us the opportunity to tailor our customer conversations to meet upsize, downsize and servicing needs, which is leading to several positive re-gearing discussions. We are also working with some customers to consolidate into a smaller number of buildings, freeing up development opportunities in assets which otherwise would not have become vacant.

BUILDING ON THE PROGRESS MADE TO DATE, OUR OPTIMISE STRATEGY IS BASED ON FOUR OBJECTIVES:

1 Creating value through development

Our focus for the coming year will be on progressing our committed schemes while minimising the impact of Covid-19 on completion dates and costs. We are already seeing occupier interest in our three speculative schemes and we will continue to work towards securing pre-lets as activity in the occupational market increases.

At Portland House, SW1, strip out and design works continued through to the end of April. We are currently assessing the potential timing of the scheme and are likely to pause to manage development exposure.

At Timber Square, SE1, demolition of the existing building is due to commence by the end of May 2021 with a decision on development to be taken by the autumn. The earliest PC date is February 2024 and we will assess the expected demand levels and rental tone before committing to the scheme.

At 55 Old Broad Street, EC2, we will continue to work towards vacant possession in December 2024. In the meantime, we will be working up development plans while protecting short-term income.

2 Creating value through resilience

Our high rent collection throughout the year demonstrates the resilience of income from our office portfolio and, despite the challenges of the pandemic, we renewed £8m of leases during the year and secured £1m of new lettings. As we look to position our portfolio for future growth, we are using data and insight to focus our activities and capital on sectors, locations and products that we believe will be successful for the long term.

We have three office products which enable us to meet the space requirements of existing and potential customers, large or small, established companies or new businesses. At 123 Victoria Street, SW1, Myo occupancy averaged 85% over the year, and we extended five leases with existing customers. At 31 March 2021, occupancy dropped to 71% through lease expiries, but we are having positive discussions with new customers, as well as upsizing discussions with two existing customers. We are also trialling Covid-secure daily and weekly bookings at 123 Victoria Street.

The reduction in central London footfall significantly impacted the out-of-home advertising market in the year, with short-term bookings at Piccadilly Lights, W1, 68% below 2019/20. However, we are starting to see evidence of the market recovering, with significant interest for summer bookings. We have demonstrated the long-term appeal of Piccadilly Lights, signing a new ten-year agreement with Samsung and we are in discussions with two other brands about longer-term agreements.

We will look to strengthen our resilience further through acquisitions. We have identified a number of potential acquisitions within London providing a range of opportunities for us to add value.

3 Creating value through relentless customer focus

We are progressing the roll-out of our office products and continue to invest in delivering great customer experiences across our office portfolio. We have invested significantly into Dashwood, EC2 where a range of Myo, Customised and Blank Canvas spaces have been delivered in a single building. Myo Liverpool Street at Dashwood, provides flexible office, meeting and amenity spaces on floors 6 to 8, with delivery of floor 9 to follow later this year. The Customised show floor is complete on level 2, with further Customised floors available to be delivered on demand. A visualisation tool has been created for customers to configure their space virtually to ensure it meets their specific needs before physical work starts.

Customised is also being delivered at 55 Old Broad Street, EC2 and 30 Eastbourne Terrace, W2, with further expansion of this product planned to meet customer demand across our portfolio. Landsec lounge spaces have been completed at One New Change, EC4 and 6 New Street Square, EC4 to enhance the arrival experience and provide informal drop-in work and meeting spaces.

With a focus on delivering healthy and sustainable spaces, we are progressing our WELL Building portfolio accreditation, aiming to achieve accreditation across the entire office portfolio.

4 Realising value through disciplined capital recycling

Disposals in the financial year totalled £0.6bn at an average yield of 4.1%.

We have indicated our intention to sell approximately £2.5bn of central London assets with more limited asset management opportunities. We have made £0.6bn of disposals since March 2020 and therefore expect to sell a further £1.9bn over the next two to three years.

2

REIMAGINE OUR REGIONAL RETAIL PORTFOLIO

Our £1.8bn Regional retail portfolio comprises six regional shopping centres and five outlets.

Covid-19 has had a profound effect on the retail sector. In addition to the short-term impact resulting from three lockdowns and social distancing restrictions, the pandemic has significantly accelerated the structural trends which were already changing how people shop. Online is now the primary growth channel across most areas of retail. For retail property to be relevant and thrive in an omnichannel world, it needs to be compelling in its own right, complementary to online or offer something which cannot easily be replicated online.

Retailers recognise the importance of physical retail to their omnichannel strategy, but there is too much of it in the UK and a lot of it is poor quality. 17% of retail space across the UK is currently vacant and this is expected to rise to 25% in 2025, equivalent to 158 million sq ft of excess or obsolete retail space.

Outlets are one of the strongest retail formats as they offer a service and experience which cannot be replicated online. The higher quality regional shopping centres are generally well placed to support and complement online – brand mix needs to evolve, but rents are approaching sustainable levels which will support store level profitability.

Operating and portfolio review
continued

A year of Covid-19 in retail

When what is now known as lockdown 1 hit on 23 March 2020, with barely any notice, our Property Operations team already had their plans in place. With 65% of the retail sector deemed non-essential, we still had to ensure our 'essential' retailers could continue to trade. Naturally our highest priority was the health and safety of all staff and guests.

So as well as adhering to Government guidelines, we worked closely with our brand partners and colleagues on all necessary planning, ensuring a consistent approach across our shopping centres and outlets. At Bluewater, White Rose and all four of our suburban London properties, we continued to operate, providing a critical service to each local community.

LITTLE DID WE KNOW, BUT THE EVER-EVOLVING CHALLENGE OF THIS FIRST LOCKDOWN PHASE, AND GEARING UP FOR THE INITIAL 15 JUNE AND 4 JULY REOPENINGS, WAS HELPING PREPARE US FOR SUBSEQUENT LOCKDOWNS AND REOPENINGS. THIS INCLUDED ORGANISING:

- HAND-SANITISER POINTS
- ENHANCED CLEANING REGIMES
- ONE-WAY SYSTEMS AND CALCULATIONS FOR MAXIMUM CAPACITY
- SIGNS, FLOOR STICKERS AND TEAMS OF 'SOCIAL DISTANCING CHAMPIONS'
- QUEUING SYSTEMS FOR POPULAR PERIODS
- WEB AND SOCIAL MEDIA COMMUNICATIONS FOR OPENING TIMES AND FAQS

The Government's autumn tiering system brought differing regional challenges, and by the third lockdown on 5 January 2021, we had the experience needed to again expedite matters quickly, efficiently and, above all, safely. Minds again turned to planning the reopenings of 12 April 2021 and beyond, which included a 71% increase in external seating to support the hospitality sector.

Throughout the year we ran individual meetings with our brand partners, and our Commercial Office and Retail teams combined their experiences to produce printed and online guidelines, or host explanatory webinars. This ensured all brand partners were able, at all times, to offer an appropriate balance between doing business and maintaining safety when welcoming their guests back.

Rent collection was significantly impacted by Covid-19 throughout the year. We have now collected 58% of the net rent due on 25 March 2021. For the four quarters to 25 March 2021, 71% of the net rent due has been collected. The rent moratorium, which remains in place, restricted our ability to enforce rent collections. With lockdown measures easing and operators re-opening, we hope to see a return to timely rent payments and settlement of arrears.

The scale and pace of retail and leisure CVAs and administrations has increased significantly during the year, and some high-profile names have disappeared from the retail landscape. During the year, £41m of annualised rental income was subject to CVA or administration, of which we lost £29m. This compares with £9m of annualised rental income in 2019/20. 360 units across 58 brand partners were impacted, with 48 units falling void as a result. Like-for-like voids across the portfolio were 7.5% (31 March 2020: 4.7%) and units in administration were 5.8% (31 March 2020: 2.1%).

We have engaged with a number of brand partners during the year on opportunities to reduce their overall store portfolio, with some customers also seeking consensual rent reductions to reduce their occupancy costs. We remain committed to working alongside our customers to ensure rents are affordable, and we welcome open and constructive dialogue. However, during the year we have also taken legal action where we believe insolvency processes have been used unfairly, or due legal process has not been followed.

SUPPORTING OUR RETAIL CUSTOMERS

The pandemic brought significant operational challenges for the portfolio and safety has always been our first priority. The first lockdown, starting on 23 March 2020, saw footfall at our regional shopping centres reduce significantly. Throughout each lockdown and reopening we have had a clear plan for each asset, and provided frequent communications to our brand partners and guests.

We adapted our response as conditions allowed, with brand partners evolving the way they used their space to support online fulfilment through click & collect and food deliveries. Post lockdown, 24-hour trading at some Bluewater stores helped to spread capacity and drive sales.

In early April 2020, soon after the start of the first national lockdown, we established a customer support fund of £80m for occupiers who most needed our support. We have now granted £42m of agreed concessions from the fund to brand partners.

We continued to work closely with our brand partners, particularly in the lead up to the reopening of non-essential retail in England and Wales on 12 April and in Scotland on 26 April. Early evidence suggests there is pent-up demand from customers to return to physical retail and leisure. Shopping centre sales, excluding F&B, in England are up 5% versus the same period in 2019 and outlets up 14%, with footwear and outdoor particularly popular sectors.

POSITIONING OUR RETAIL BUSINESS FOR A POST-PANDEMIC WORLD

There are increasingly clear trends which could offer an opportunity for us to reset the portfolio and provide a more sustainable future:

TREND

Retail winners are looking for **fewer, larger stores**

LANDSEC ACTION/ EVIDENCE

- Zara business development during the pandemic period:
  - White Rose, Leeds – 21,000 sq ft renewal
  - One New Change, EC4 – new letting of 26,000 sq ft
  - St David's, Cardiff – opened a new 38,000 sq ft store
  - Bluewater, Kent – upsize opened Dec 2020, from 19,000 sq ft to 37,000 sq ft
- Decathlon have opened their 35,000 sq ft unit at Trinity Leeds

TREND

Flight to prime as retailers demand the right space in the best locations

LANDSEC ACTION/ EVIDENCE

- Our exposure to outlets and the quality of our shopping centres mean our portfolio is well placed to benefit from the flight to prime:
  - Trinity Leeds accounts for 19% of retail space in Leeds city centre but has a 35% share of spend

TREND

Greater focus on **experiences**

LANDSEC ACTION/ EVIDENCE

- The outlets experience is not replicable online and provides a resilient model
- Leisure will be another important element of experience – we have let the 80,000 sq ft former Debenhams space to Gravity at Southside, Wandsworth, providing a significant footfall driver and improvement in mix

TREND

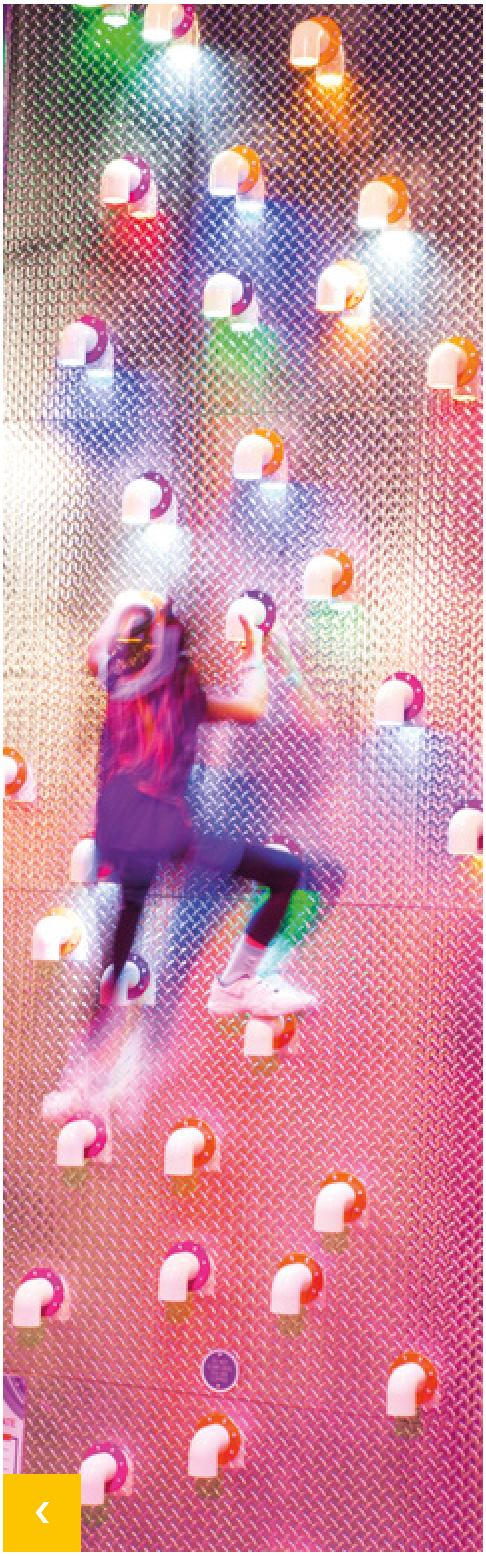
Greater operational alignment with **brand partners**

LANDSEC ACTION/ EVIDENCE

- Increased operational risk is a reality but it is something that can be embraced and treated as an opportunity, particularly with rents approaching sustainable levels. We have increased the number of turnover only leases by 76% this year

Operating and portfolio review
continued

LOOKING FORWARD, OUR REIMAGINE STRATEGY IS BASED ON THREE PRIORITIES:



CREATING VALUE THROUGH TAILORED GUEST EXPERIENCES

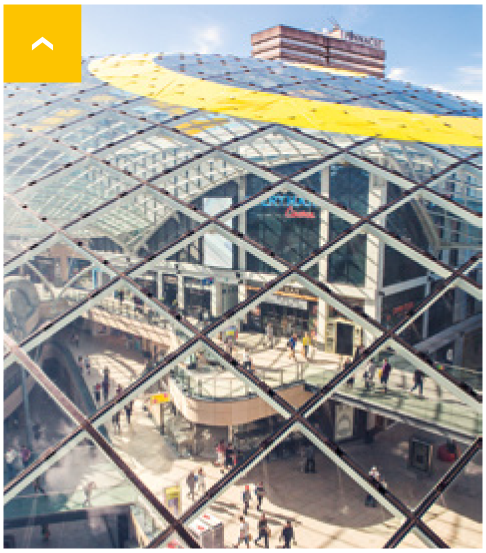
We are putting guest experiences at the heart of everything we do, so that our destinations continue to be relevant for the communities they serve and deliver shopping and leisure experiences that cannot be matched online. This will help ensure our destinations remain the location of choice for our brand partners to deliver their physical and digital propositions to meet specific needs of our guests. During the pandemic, we added activities services such as virtual shopping and click & collect, expanded our 'al fresco' dining options and introduced drive through collection points to help our brand partners to connect with their customers.

CREATING VALUE THROUGH DEEP BRAND PARTNER RELATIONSHIPS

We are developing deeper relationships with our brand partners to enable them to maximise the role of the physical retail environment. By understanding our brand partners and their aspirations for the physical environment, we can develop a range of leasing models to suit different situations. There will not be a one-size-fits-all solution on how we contract with our brand partners, but rather different models that enable all parties to share in the value of the physical store. We are currently developing a suite of four products to address evolving space needs. These will operate in a similar way to the three products we have developed within our office portfolio, enabling us to better serve our brand partners and attract and retain new ones across existing and emerging market segments.

CREATING VALUE THROUGH ASSET MANAGEMENT EXPERTISE

The last few years have demonstrated that some of our retail destinations are over-sized, and we do not have the best occupier mix and usage of space at all our assets. We are underway designing a new approach to assessing and planning the right use and mix of space at our destinations. The approach is underpinned by data; catchment insight, economic forecasts and predictions of social trends all contribute to determining how our assets can be best placed to maximise future growth and de-risk returns.



3

GROW THROUGH URBAN OPPORTUNITIES

Urban opportunities are essentially mixed-use, multi-phase regeneration projects rooted in a need to redevelop parts of the built environment that are no longer fit for purpose. Retail is the most prominent example, and our Urban opportunities portfolio comprises five suburban London projects with redevelopment potential over 1.6 million sq ft with the potential to extend to around 8.0 million sq ft of mixed-use space.

These urban development projects can offer a compelling blend of income, development upside and rental growth throughout their lives. And development can be phased, enabling risk and capital investment to be spread over the life of the projects.

At our most advanced scheme, Finchley Road, NW3, consultations have taken place with a further phase of consultation due in early summer as we progress our master planning and design. We remain on track to submit our planning application this coming financial year. Our other projects are all progressing through concept and design during the pre-development phase. Our large mixed-use schemes will embrace local communities and placemaking to deliver the most suitable and sustainable developments in line with our purpose to provide sustainable places and connect communities. We have engaged external agencies to help develop our overall vision for our Urban opportunities. And we have progressed discussions with a number of leisure operators to trade rent reductions for lease break points and flexibility as we progress towards vacant possession.

The redevelopment potential and more convenience-led nature of these assets has meant that valuations have been more resilient than shopping centres but were still down 23.3% to £0.4bn. Across our five schemes, 45% of retailers remained open throughout the third lockdown, significantly ahead of the rest of the retail assets in our portfolio. This reflects the local convenience nature of our five schemes and demonstrates that these assets already play an important role within their local communities.

The timeline for these projects is long but the right opportunities can start delivering balanced returns in the near future. We are also evaluating opportunities to add to our portfolio, ideally with projects that offer an accelerated returns horizon.

So, looking forward, our strategy will be to progress planning and delivery strategies for our existing portfolio of projects and to evaluate and ideally secure new complementary opportunities.

4

REALISE CAPITAL FROM SUBSCALE SECTORS

Our £1.3bn Subscale sectors portfolio comprises hotels, leisure parks and retail parks, which we intend to divest over the medium term.

The £0.4bn hotel portfolio has been impacted by the periods of lockdown during the pandemic with the majority of our hotels closed for 20 weeks on average over the year. The portfolio is let on turnover based leases and income has been significantly lower during the year, down 90%. As lockdown restrictions ease, we expect to see a recovery in the hotel sector and our portfolio of two and three-star hotels is well placed to benefit.

Our leisure portfolio comprises assets typically anchored by cinemas and leisure and F&B operators. Social distancing measures have impacted the performance at these assets. Cinemas were closed for 41 weeks of the year and the F&B industry has been particularly challenged. This was reflected in valuations which were down 23.0% to £0.5bn. These assets, like the hotels, are well placed to benefit from the expected consumer-led recovery. We continue to work on asset management initiatives across the portfolio to ensure it is well positioned for sale.

Our ten retail parks performed more strongly, benefiting from their open-air design and increased spending on home and leisure products. However, the portfolio was not immune from the challenges faced by the wider market and values declined by 10.1% to £0.4bn. The valuation declines in retail parks are less pronounced than other retail assets, and there has been increased investor demand for stronger retail parks in recent months.

The F&B segment of both portfolios has been challenged but we have responded quickly to replace operators. In response to Pizza Hut entering CVA, we replaced three units with Canadian fast food operator Tim Hortons on 15 year leases. In addition, Tim Hortons will convert these units into drive-thrus. We have also completed two deals with both KFC and Burger King. At six sites, we have replaced units previously occupied by Chiquito, Frankie and Benny's and Bella Italia with foodhall operator Gourmet4 – their concept reverses the classic restaurant model with a delivery business supported by a strong eat-in operation.

Financial review

Martin Greenslade reports on our financial performance and explains the movement in our key financial measures.

MARTIN GREENSLADE
CHIEF FINANCIAL OFFICER

OVERVIEW

We began and ended the financial year with the country in lockdown, many retail and leisure destinations closed and our offices, while open, largely deserted as most people followed Government guidance to work from home. While conditions are now improving and we look forward to a full re-opening of the UK economy, the effect of Covid-19 on our business and financial performance has been significant.

In early April, we were quick to acknowledge the effect of lockdown on our occupiers by setting up our £80m customer support fund for those most in need. At about the same time, the Government introduced a temporary rent collection moratorium which has severely impacted our ability to enforce rent collection. With the moratorium still in place, there has been little incentive for our retail and leisure occupiers to make payments or even agree and document rent concessions from our customer support fund when they are able to withhold rent payments without consequences. While much rent due from leisure and retail occupiers has been withheld, it would be a mistake not to acknowledge those occupiers who have paid their rent and service charge in full, despite being negatively impacted by the pandemic. Hopefully, as retailers and leisure operators can now see a way out of the pandemic towards full re-opening, we will see a return to timely rent payments and agreement on how outstanding amounts will be settled.

The impact on our results from unpaid rent and service charges has been significant. During the year we have made bad debt provisions of £127m on top of the £23m we provided in last year's results against quarterly rent due on 25 March 2020. This is an unprecedented level of provisions and is based on a cautious assessment of the impact of concessions, CVAs and business failures on how much rent we will collect. Time will tell whether we have been too cautious or optimistic in our assessment of these factors but it is our best estimate today based on our knowledge of each individual occupier. In total, we have provided for approximately 38% of the retail and leisure rent for the year. Covid-19 and lockdown has also led to a sharp decline in turnover related income from our hotels, car parks and outlets. The impact of reduced income and higher bad debt provisions is behind the decline in revenue profit to £251m (2020: £414m).

The decline in asset values we saw in our retail and leisure assets last year has continued while our London offices have been more resilient with a relatively small reduction in values. While our external valuer, CBRE, has removed the material uncertainty clause that they included at 31 March 2020 (except for our hotel portfolio), the valuation declines in regional shopping centres and outlets remain more driven by sentiment than transactional activity. This is not true of the London office investment market which continues to demonstrate liquidity, with good investment appetite and transactions completing.

HIGHLIGHTS

£251m
Revenue profit[1]
(2020: £414m)

£(1,393)m
Loss before tax
(2020: £(837)m)

33.9p
Adjusted diluted earnings per share[1]
(2020: 55.9p)

27.0p
Dividend per share
(2020: 23.2p)

£10.8bn
Combined Portfolio[1]
(2020: £12.8bn)

975p
Net assets per share
(2020: 1,182p)

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

Revenue profit for the year to 31 March 2021 was £251m, down 39.4% from £414m as a result of the impact of Covid-19 across the portfolio. Adjusted diluted earnings per share were also down 39.4% at 33.9p due to the reduction in revenue profit. Over the year, our assets declined in value by 13.7% or £1,646m (including our proportionate share of subsidiaries and joint ventures) compared with a £1,179m decline last year. This decline in the value of our assets is behind our loss before tax of £1,393m (2020: £837m loss) and the reduction in our EPRA net tangible assets per share in the year, down 17.4% to 985p.

Presentation of financial information

Our property portfolio is a combination of properties that are wholly owned by the Group, part owned through joint arrangements and those owned by the Group but where a third party holds a non-controlling interest. Internally, management reviews 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 £10.8bn, 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 additional information to stakeholders on the activities and performance of the Group, as it aggregates the results of all 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 approach 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 but 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.

Measures presented on a proportionate basis are alternative performance measures as they are not defined under IFRS. Where appropriate, the measures we use are based on best practice reporting recommendations published by EPRA. For further details see table 113 in the Business analysis section.

During the year, following the strategy review, we changed how we report financial information to better reflect the way we manage our assets. Assets have been reallocated by strategic priority into one of four new segments: Central London, Regional retail, Urban opportunities and Subscale sectors.

The sector breakdown within our Combined Portfolio analysis disclosure has been re-ordered to reflect the new segments and the level of detail reported in the CPA for the office assets has been reduced to reflect the fact that all the London office assets are managed in a consistent manner irrespective of their location. The prior year has been restated in the new format and a reconciliation to the previous presentation has been provided on our website.

INCOME STATEMENT

Our income statement has two key components: the income we generate from leasing our investment properties net of associated costs (including finance expense), which we refer to as revenue profit, and items not directly related to the underlying rental business, principally valuation changes, profits or losses on the disposal of properties and finance charges related to bond repurchases, which we call Capital and other items.

We present two measures of earnings per share: the IFRS measure of basic earnings per share, which is derived from the total profit or loss for the year attributable to shareholders, and adjusted diluted earnings per share, which is based on tax-adjusted revenue profit, referred to as adjusted earnings.

Income statement — Table 8

	Table	**Year ended 31 March 2021 £m**	Year ended 31 March 2020 £m
Revenue profit	9	**251**	414
Capital and other items	15	**(1,644)**	(1,251)
Loss before tax		**(1,393)**	(837)
Taxation		**–**	5
Loss attributable to shareholders		**(1,393)**	(832)
Basic loss per share		**(188.2)p**	(112.4)p
Adjusted diluted earnings per share		**33.9p**	55.9p

Financial review

continued

Our loss before tax was £1,393m, compared with a loss of £837m in the prior year, due to a greater fall in the value of our assets this year (down £1,646m, compared with £1,179m last year) as well as a £163m reduction in revenue profit. The loss per share this year was 188.2p, compared with a loss per share of 112.4p in the prior year. Adjusted diluted earnings per share decreased by 39.4%, from 55.9p to 33.9p this year, as a result of the decrease in revenue profit from £414m to £251m. There is no difference between our adjusted diluted earnings per share and the EPRA measure.

The reasons behind the movements in revenue profit and Capital and other items are discussed in more detail below.

REVENUE PROFIT

Revenue profit is our measure of underlying pre-tax profit, presented on a proportionate basis. A full definition of revenue profit is given in the Glossary. Revenue profit decreased by £163m to £251m for the year ended 31 March 2021 (2020: £414m) as set out in the table below.

Revenue profit — Table 9

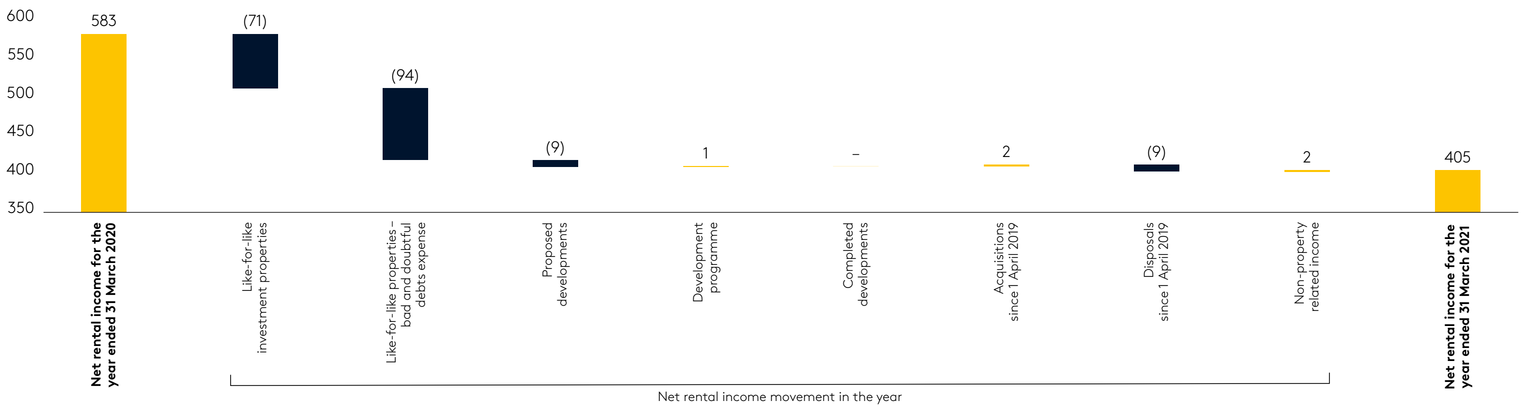
		Year ended 31 March 2021					Year ended 31 March 2020					
	Chart	Central London £m	Regional retail £m	Urban opps £m	Subscale sectors £m	Total £m	Central London £m	Regional retail £m	Urban opps £m	Subscale sectors £m	Total £m	Change £m
Gross rental income[1]		306	157	26	80	569	327	193	29	114	663	(94)
Net service charge expense		–	(3)	–	(2)	(5)	1	(3)	–	(2)	(4)	(1)
Net direct property expenditure		(9)	(13)	(4)	(6)	(32)	(13)	(19)	(4)	(7)	(43)	11
Bad and doubtful debts expense		(17)	(69)	(10)	(31)	(127)	(5)	(18)	(3)	(7)	(33)	(94)
Segment net rental income	10	280	72	12	41	405	310	153	22	98	583	(178)
Net indirect expenses						(80)					(74)	(6)
Revenue profit before interest						325					509	(184)
Net finance expense	11					(74)					(95)	21
Revenue profit						251					414	(163)

1. Includes finance lease interest, after rents payable.

The main driver behind the reduction in revenue profit was a £178m decrease in net rental income. This reduction and other changes compared with last year are explained in more detail below.

Net rental income

Net rental income[1] (£m) — Chart 10



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

Like-for-like net rental income was down £165m, with increased bad and doubtful debts accounting for £94m of the decline. Further information on our rent collections and bad debt provisions is set out below. Like-for-like net rental income before bad debt provisions was down £71m largely due to a reduction in short-term and turnover related income of £56m and CVAs and administrations of £22m, partly offset by an £11m reduction in direct property expenditure. Income from our Accor hotel portfolio, which is all linked to turnover, was down £24m, while car park income reduced by £15m. Turnover related top-ups, principally in our outlet portfolio, declined by £11m and Piccadilly Lights, W1 saw a £6m reduction from short-term advertising campaigns.

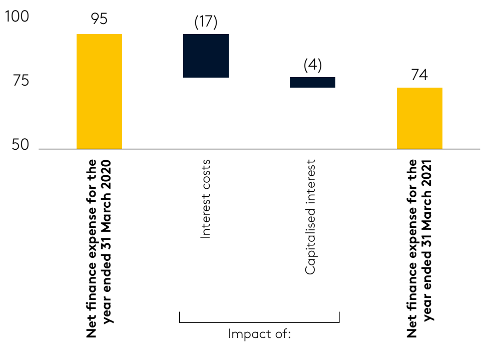
Outside the like-for-like portfolio, there was a £9m reduction in net rental income from proposed developments, driven by Portland House, SW1, which reached vacant possession of the office space in March 2020. There was also a £9m reduction in net rental income following the disposal of 1 & 2 New Ludgate, EC4 and 7 Soho Square, W1 in the current year and Poole retail park in the prior year. The £2m increase in non-property related income largely reflects the release of a provision following an agreement which ended our obligations under one of our last remaining Landflex leases.

Net indirect expenses

Net indirect expenses represent the indirect costs of the Group including joint ventures. In total, net indirect expenses were £80m (2020: £74m). The £6m increase is partly due to higher uncapitalised development-related expenditure and professional and consultancy fees.

Net finance expense (included in revenue profit)

Net finance expense[1] (£m) Chart 11



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

Our net finance expense has decreased by £21m to £74m due to reductions in interest payable following debt management exercises carried out last year, lower base rates and an increase in interest capitalised on our developments in the year.

Recent rent collections and related provisions

In early April, soon after the start of the first national lockdown, we established a customer support fund of £80m for occupiers most in need of our assistance with a focus on our retail and leisure portfolios. During the year, we have worked with our occupiers to agree rent concessions out of the fund and the payment of any outstanding balances. We also agreed with some occupiers for rents to be paid on a monthly basis, or to be deferred to later quarters to assist with cash flow management.

£110m of rent was due on the 25 March 2021 quarter day, including the Group's share of joint venture debtors. While this rent almost entirely relates to the 2021/22 financial year, we are still required to assess its recoverability at 31 March 2021. The table below shows the amount and percentage of this rent collected to date after adjusting for the impact of customers having entered CVAs and administrations, concessions agreed out of the fund and agreed monthly and deferred payment terms. A similar analysis is shown for the rents which were due between 25 March 2020 and 24 March 2021.

Rent collections
25 March 2021 quarter[1,2] Table 12

	Gross amounts due 25 March £m	Impact of CVAs and admins £m	Agreed changes in payment terms: Concessions £m	Agreed changes in payment terms: Monthly payment terms £m	Agreed changes in payment terms: Deferred payments £m	Net amounts due 25 March £m	Amounts received to date £m	Amounts received to date %
Offices	63	–	–	(1)	–	**62**	**61**	**98**
Rest of Central London	9	–	(1)	–	–	**8**	**5**	**63**
Regional retail	16	–	(3)	(1)	–	**12**	**7**	**58**
Urban opportunities	5	–	–	–	–	**5**	**2**	**40**
Subscale sectors	17	(1)	(1)	(1)	–	**14**	**7**	**50**
	110	**(1)**	**(5)**	**(3)**	**–**	**101**	**82**	**81**

Rent collections
For the year ended 24 March 2021[1,2] Table 13

	Gross amounts due for the year[3] £m	Impact of CVAs and admins £m	Agreed changes in payment terms: Concessions £m	Agreed changes in payment terms: Deferred payments £m	Net amounts due for the year[3] £m	Amounts received to date £m	Amounts received to date %
Offices	328	–	(1)	(1)	**326**	**326**	**100**
Rest of Central London	58	(2)	(5)	(1)	**50**	**40**	**80**
Regional retail	191	(12)	(21)	(1)	**157**	**112**	**71**
Urban opportunities	30	(1)	(2)	(1)	**26**	**16**	**62**
Subscale sectors	101	(6)	(8)	(3)	**84**	**60**	**71**
Total	**708**	**(21)**	**(37)**	**(7)**	**643**	**554**	**86**

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.
3. Due dates from 25 March 2020 to 24 March 2021. Does not include 25 March 2021 quarter day rents.

Financial review
continued

Of the £101m of net rent billed for the 25 March 2021 quarter, £19m remains outstanding with £89m outstanding from rents due between 25 March 2020 and 24 March 2021. Following legislation introduced as a result of the pandemic, the options available to landlords to recover outstanding amounts have been significantly reduced. As a result, there is limited incentive for those who can afford to pay rent to do so and for those who are in difficulty to agree and document concessions.

Given this situation, we have assessed the outstanding debtors for recoverability and provided £127m for bad debts in the year.

The provision includes £42m for occupiers where we have agreed concessions out of our customer support fund and £13m against tenant lease incentive balances. More detail on the amounts provided, including the impact on revenue profit for the year, is included in the table below.

Provisions for bad and doubtful debts[1]

Table 14

	Group £m	Joint ventures £m	**Total £m**
Provisions related to customer support fund concessions	37	5	**42**
Other provisions for rents receivable	50	8	**58**
Provisions for service charge receivables	12	2	**14**
Tenant lease incentive provisions	11	2	**13**
Bad debt expense charged to revenue profit in the year	**110**	**17**	**127**

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

As we work to agree and document rent concessions with individual retail and leisure occupiers, we expect this to result in the payment of the balance of their outstanding amounts. Nevertheless, we have taken what we believe to be a cautious view on provisions as we recognise the challenge of a gradual exit from lockdown, ongoing social distancing and the risk of further CVAs and administrations. Of the total amount of rent outstanding at 31 March 2021, around 60% was covered by a doubtful debt provision.

CAPITAL AND OTHER ITEMS

Capital and other items[1]

Table 15

	Table	**Year ended 31 March 2021 £m**	Year ended 31 March 2020 £m
Valuation and profit on disposals			
Valuation deficit	7	**(1,646)**	(1,179)
Profit/(loss) on disposal of investment properties		**5**	(6)
(Loss)/profit on disposal of trading properties		**(1)**	7
Net finance expense	16	**(3)**	(68)
Other items			
Profit from long-term development contracts		**–**	3
Gain on settlement of liability		**4**	–
Other		**1**	(3)
Exceptional items		**(4)**	(5)
Capital and other items		**(1,644)**	(1,251)

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

An explanation of the main Capital and other items is given below.

Valuation of investment properties

Our Combined Portfolio declined in value by 13.7% or £1,646m over the year compared with a decrease in the prior year of £1,179m. A description of market conditions and a breakdown of valuation movements by category are set out in the Operating and portfolio review (table 7).

Profit/(loss) on disposals

The net profit on disposals of £4m in the year (2020: £1m) relates to the sale of both investment and trading properties. We recognised a £2m profit on the disposal of 7 Soho Square, W1, in September 2020 and a £5m profit on the disposal of 1 & 2 New Ludgate, EC4 in December 2020.

Partly offsetting this was our £2m share of the Nova joint venture's loss on disposal of Nova Place, SW1 and n2, SW1, which were acquired by the Group in the year, and a £1m loss on trading properties.

Net finance expense (included in Capital and other items)

In the year ended 31 March 2021, we incurred £3m of net finance expense that is excluded from revenue profit principally due to premiums paid on the redemption of medium term notes.

Net finance expense[1] Table 16

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Premium on redemption of medium term notes (MTNs)	**3**	59
Fair value movement on interest-rate swaps	**1**	9
Other net finance income	**(1)**	–
Total	**3**	68

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

Gain on settlement of liability

We recognised a £4m gain this year after settling the s106 liability at Nova, SW1, at a lower value than the previously anticipated cost of fulfilling the obligations.

Exceptional items

We incurred £4m (2020: £5m) of impairment charges during the year which have been classified as exceptional. As a result of a decline in the value of Bluewater, Kent, an impairment test of the intangible asset related to the management rights for the centre was carried out. This resulted in impairment charges of £4m in the year (2020: £4m) against the intangible asset we hold in the balance sheet and £nil (2020: £1m) against the related goodwill. At the year end, our intangible asset was £2m and the related goodwill was £1m.

TAXATION

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 (2020: credit of £5m).

The Group has met all the REIT requirements, including the payment by 31 March 2021 of the minimum Property Income Distribution (PID) for the year ended 31 March 2020. The forecast minimum PID for the year ended 31 March 2021 is £143m, which must be paid by 31 March 2022. The Group has already made PID dividends relating to 31 March 2021 of £49m, leaving £94m 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 £69m (2020: £171m), of which £25m (2020: £47m) 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.

Financial review
continued

BALANCE SHEET

Balance sheet — Table 17

	31 March 2021 £m	31 March 2020 £m
Combined Portfolio	**10,791**	12,781
Adjusted net debt	**(3,489)**	(3,926)
Other net liabilities	**(2)**	(21)
EPRA net tangible assets	**7,300**	8,834
Excess of fair value over net investment in finance leases book value	**(93)**	(90)
Other intangible asset	**2**	7
Fair value of interest-rate swaps	**3**	(1)
Net assets	**7,212**	8,750
Net assets per share	**975p**	1,182p
EPRA net tangible assets per share[1]	**985p**	1,192p

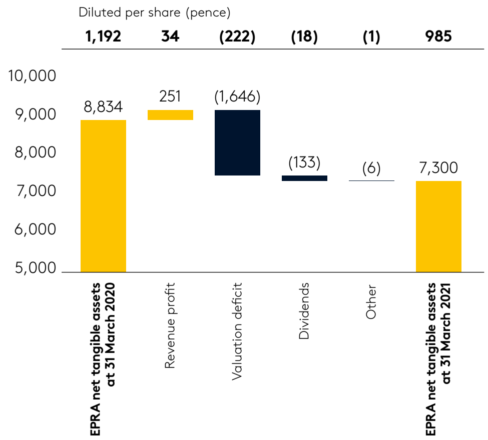
1. EPRA net tangible assets per share is a diluted measure.

Our net assets principally comprise the Combined Portfolio less net debt. Both IFRS net assets and EPRA net tangible assets declined over the year ended 31 March 2021 primarily due to the reduction in the value of our investment properties.

At 31 March 2021, our net assets per share were 975p, a decrease of 207p or 17.5% from 31 March 2020. EPRA net tangible assets per share were 985p, a decrease of 207p or 17.4%.

Chart 18 summarises the key components of the £1,534m decrease in our EPRA net tangible assets over the year.

Movement in EPRA net tangible assets[1] (£m) — Chart 18



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

NET DEBT AND GEARING

Net debt and gearing — Table 19

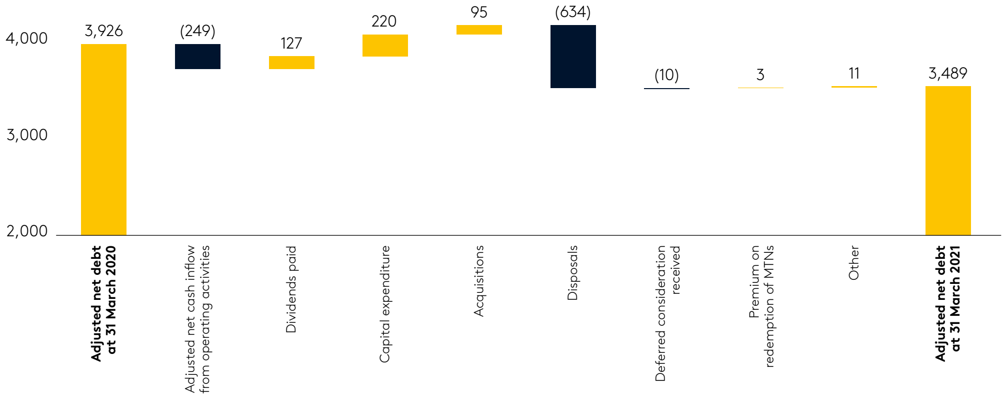
	31 March 2021	31 March 2020
Net debt	**£3,509m**	£3,942m
Adjusted net debt[1]	**£3,489m**	£3,926m
Group LTV[1]	**32.2%**	30.7%
Security Group LTV	**32.7%**	32.5%
Weighted average cost of debt[1]	**2.2%**	1.8%

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

Over the year, our net debt decreased by £433m to £3,509m. The main elements behind this decrease are set out in our statement of cash flows and note 21 to the financial statements.

Adjusted net debt was down £437m to £3,489m, with the main movements outlined in chart 20 below. For a reconciliation of net debt to adjusted net debt, see note 20 to the financial statements.

Movement in adjusted net debt[1] (£m) Chart 20



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

Net cash inflow from operating activities was £249m. Capital expenditure on investment properties was £220m, largely related to our development programme, with a further £95m spent on acquiring investment properties, principally 55 Old Broad Street, EC2. Net cash flow from disposals totalled £634m, with £550m received from the sale of 1 & 2 New Ludgate, EC4, £78m from the sale of 7 Soho Square, W1 and £4m from trading properties.

The most widely used gearing measure in our industry is loan-to-value (LTV). We focus most on Group LTV, presented on a proportionate basis, which increased from 30.7% at 31 March 2020 to 32.2% at 31 March 2021, due to the decline in the value of our assets partly offset by the reduction in net debt. Our Security Group LTV also increased, from 32.5% to 32.7%, but to a lesser extent as we moved additional assets into the Security Group.

FINANCING

At 31 March 2021, our committed revolving facilities totalled £2,715m (31 March 2020: £2,715m). The pricing of our facilities which fall due in more than one year range from LIBOR +65 basis points to LIBOR +75 basis points. Borrowings under our commercial paper programme typically have a maturity of less than three months, currently carry a weighted average interest rate of LIBOR +11 basis points and are unsecured.

The total amount of drawn bank debt was £209m (31 March 2020: £1,944m) with £906m of commercial paper in issue (31 March 2020: £977m). At 31 March 2021, we did not have any cash on hand (31 March 2020: cash balances of £1,345m). During the year, the sterling bond and commercial paper markets normalised, having been effectively closed to new issuance at March 2020. As a result, during the early part of the year, we repaid the cash balances we were holding as a liquidity buffer at 31 March 2020. At 31 March 2021, we had £1.6bn of available undrawn facilities, net of our outstanding commercial paper.

The weighted average maturity of our debt has increased to 11.5 years following a reduction at 31 March 2020 to 9.6 years after we drew down on our facilities. The weighted average cost of our debt at 31 March 2021 was 2.2% (31 March 2020: 1.8%). The weighted average cost of our net debt at 31 March 2021, which recognises the minimal interest income on cash deposits, was also 2.2% (31 March 2020: 2.4%).

DIVIDEND

During the year we reinstated quarterly dividends, having suspended them due to the pandemic. We did not declare a first quarterly dividend, but paid a second quarterly dividend of 12.0p per share which we viewed as a combined first and second quarterly dividend at a level of 6.0p per quarter. A third quarterly dividend of 6.0p per share was paid on 30 March 2021. We are now recommending a final dividend of 9.0p per share to be paid on 23 July 2021 to shareholders registered at the close of business on 18 June 2021. Together with the final dividend, our full year dividend is 27.0p or £200m, up 16.4%. The first quarterly dividend, payable in October 2021, will be announced nearer the time.

At 31 March 2021, the Company had distributable reserves of £2.7bn. We do not anticipate that the level of distributable reserves will limit distributions for the foreseeable future.

MARTIN GREENSLADE
CHIEF FINANCIAL OFFICER

Our approach to sustainability

As one of the leading real estate companies in the UK and Europe, we recognise we have a responsibility, and significant role to play, in addressing long-term challenges such as combatting climate change, protecting scarce resources, improving diversity and reducing inequality.

These challenges are likely to affect all businesses. For that reason, in developing our business strategy, we have identified ESG leadership as key to performance, and an important source of competitive advantage. It will help us ensure our business remains relevant and creates value over the long term.

Sustainability has always been central to how we do business. It may be in the way we design and operate our buildings to minimise our carbon footprint and environmental impact, and enhance the health and wellbeing of our people, partners, occupiers and visitors who use them. Or in the importance we place on making sure our assets and activities enhance local communities and support those most in need of help, especially as we recover from the pandemic.

Sustainability is integral to our purpose to create places that make a lasting positive contribution to our communities and our planet.

OUR PURPOSE

We want to provide lasting value to the environment and society through the work we do. It's at the heart of how we engage our employees, customers, partners and communities. Our goal is to lead our industry in bringing different people together and providing opportunities for all.

1 Sustainable places

When we design, build and manage our buildings, we make sure we consider efficiency of resources, the wellbeing of occupants, using ethical material sourcing, the biodiversity of the area and the value we deliver for our local communities through our education, charity and employment programmes.

2 Connecting communities

We connect with our communities by creating jobs and opportunities for a diverse, inclusive workforce. We also engage our customers and partners on our social programmes, recognising the value in helping them connect with the local community.

3 Realising potential

Our Affinity Networks and development programmes are helping our employees thrive within an environment that values and supports their wellbeing. Our volunteering programme also plays an important role in developing our people's confidence, relationships and leadership skills.

Read about Growth with Purpose on pages 20-29

Our sustainability programme

We have been leading our sector in sustainability for a number of years, running an ambitious sustainability programme split into three areas to address our most material ***social*** and ***environmental*** issues:

› **CREATING JOBS AND OPPORTUNITIES**
Social value; Fairness; Diversity & Inclusion; Health & Safety

› **EFFICIENT USE OF NATURAL RESOURCES**
Climate change & carbon; Renewables; Energy; Waste

› **SUSTAINABLE DESIGN AND INNOVATION**
Resilience; Materials; Biodiversity; Wellbeing

We have identified the above issues as the most important ones to us and our stakeholders. This followed a detailed sustainability materiality review we carried out in 2016, in line with the methods supported by the Global Reporting Initiative and AccountAbility, consulting internal and external stakeholders.

Read more at www.landsec.com/sustainabilityour-sustainability-strategy/materiality-review

We continue to review the relevance of this materiality review, and use it to develop our sustainability strategy and programme. We will consider updating our materiality assessment in the coming year.

We set, and have already achieved, ambitious targets. For instance, in 2016 we became the first commercial property company in the world to have its carbon emissions target approved by the Science Based Targets initiative. In 2019, having achieved our original science-based target (SBT) 11 years early, we increased our ambition and aligned it with a 1.5°C scenario. Reducing operational carbon emissions in line with our SBT is the first step towards achieving our commitment to becoming a net zero company by 2030.

Through our social sustainability programme, we're creating opportunities for people in our local communities, supporting those furthest from the job market in their search for employment, inspiring young people from diverse backgrounds about careers in our industry, and working with our communities to address important societal issues. Since 2019 we have created over £11m of social value through these programmes.

You can find further information on pages 56-67

SUSTAINABLE DEVELOPMENT GOALS

In 2015, the UN General Assembly adopted a blueprint for building a sustainable future for all by 2030: the 17 Sustainable Development Goals (SDGs). Achieving them requires productive partnerships between business, government and society. We are a signatory to the UN Global Compact (UNGC), a voluntary initiative that brings together leading businesses committed to UN goals and universal sustainability principles. Every year, we report our annual Communication on Progress (COP) in our 2021 Sustainability Performance and Data Report, demonstrating how we're implementing the Ten Principles in the areas of human rights, labour, environment and anti-corruption, and contributing to the advancement of the SDGs.

More information on our contribution to the SDGs is available in our Sustainability Performance and Data Report www.landsec.com/sustainability/reports-benchmarking

SUSTAINABILITY GOVERNANCE

To ensure sustainability is part of everything we do at Landsec, we have rigorous governance in place. Sustainability is overseen by our Sustainability Committee, chaired by our Chief Executive and attended by our Head of ESG and Sustainability and senior representatives from across the business. The Committee meets quarterly to develop and implement our sustainability strategy and review progress towards targets.

Furthermore, to incentivise and encourage working towards our sustainability commitments, we link a number of sustainability key performance indicators (KPIs) to executive and senior management remuneration. This year, our KPIs were based on our social value creation, energy efficiency projects and embodied carbon from new developments.

Read more about our Sustainability Governance at www.landsec.com/sustainability/governance-policies

KEY MILESTONES

2016
- Sustainability materiality review.
- 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.

2018
- Achieved target to divert 100% of operational waste from landfill.
- Installed the then largest solar PV system in UK retail at White Rose, Leeds.

2019
- Met SBT 11 years early and committed to net zero carbon by 2030.
- Committed to creating £25m of social value by 2025.

2020
- Published strategy to achieve net zero carbon by 2030.

Social review

The pandemic has accentuated the inequalities in society and highlighted the importance of our social initiatives. In the short term, it accelerated the need to adapt our ways of working, training, volunteering and ensuring the safety of our people, partners, occupiers, visitors and local communities.

In the long term, many of the new ways we do things will prove to be better than the old, or offer more flexible options.

Externally, events, protests and initiatives in wider society brought matters of equality and inclusion further into the spotlight, catalysing strategies and initiatives for education and change.

COMMUNITY RESPONSE TO COVID-19

Within communities around the UK, the pandemic has disproportionately affected particular groups in society, with issues like poverty, unemployment, mental health and social inequality increasing. Our long-standing charity partners have experienced a huge increase in demand for their support. Given the impacts of Covid-19, businesses like ours have a heightened responsibility to make a meaningful commitment to long-term social sustainability in their communities. For us, this has meant increasing our focus on supporting those facing barriers including young people, prison leavers, and people experiencing homelessness and long-term unemployment – all areas we know will need continued support after the pandemic.

We set up a Covid-19 community support fund to provide both immediate and long-term assistance to our charity partners. To date, this fund has given over £500,000 of financial support to the charities we work closely with, who do incredible work supporting vulnerable people. This included a £100,000 donation to LandAid, the property industry's youth homelessness charity; we were proud to be a founding supporter of their emergency fund at the start of the pandemic.

Beyond financial support, we've used our resources, skills, people and spaces to help our local communities during Covid-19. We've been able to continue many of our employment and education programmes virtually, closely supported by our volunteers and partners. Our volunteers have helped with everything from employability mentoring, to inspiring students about careers in property, to giving pro-bono advice to our charity partners. We have had to work innovatively, launching projects to ensure our impact continues to be socially sustainable and benefits the people who most need support. This included our virtual mentoring programme with the Cardinal Hume Centre, our charity partner in Victoria. Landsec mentors have worked over several months with individuals facing barriers to work, to build their skills, confidence and motivation.

In London, our world-famous Piccadilly Lights became an important way for charities and public health bodies to run campaigns during lockdown. We were able to partner with a wide range of community organisations to raise awareness of important issues, including mental health, youth engagement and domestic abuse. We gave over £2m worth of free advertising space to registered charities on Piccadilly Lights this financial year.

SOCIAL VALUE

Social value is a way to describe the positive outcomes generated by businesses to benefit people, communities and society as a whole.

At the start of 2019, we set a corporate commitment to create £25m worth of social value by 2025 through our four social sustainability programmes: community employment, education, charity partnerships and volunteering. At the end of the second year of our target, we've created over £11m worth of social value through our programmes, with over £6.5m of this in 2020/21 alone.

For more information about how we measure social value, please see our 2021 Sustainability Performance and Data Report

MEASURING SOCIAL VALUE
EXAMPLES OF OUR REPORTING METRICS:

- **Jobs created**
- **Volunteer time and expertise given**
- **Students supported**
- **Charity donations**
- **Space given**
- **Skills created**

This year, despite the challenges of Covid-19, our charity partners around the UK have continued to provide exceptional support for our communities. We've continued to focus our investments on where we can have the greatest impact. Whether supporting people in finding work, offering career coaching to young people under-represented in the property sector, or opening up our spaces for charities to use, we want our impact to be targeted and sustainable.

SOCIAL VALUE IN OUR DEVELOPMENTS

We've also integrated the principles of social value measurement into our development process, so we can assess and understand the potential social value our upcoming projects create for local communities in addition to Section 106 obligations set by local authorities. This year, we began this for several development projects, including a local needs analysis for O2 Finchley Road to inform our planning consultation, a feasibility study in Lewisham to incorporate into our masterplan, and a social value statement to communicate to local stakeholders at Red Lion Court.

SOCIAL SUSTAINABILITY PROGRAMMES

COMMUNITY EMPLOYMENT

Our community employment programme has continued to work well this year, even with the significant impact of several Covid-19 lockdowns. Our programmes have helped 121 individuals who are further from the job market into work, and supported an additional 852 people with employability skills, creating £1.7m worth of social value. We have continued to support people who face barriers such as homelessness, long-term unemployment and leaving prison, and young people with no previous work experience.

We've also expanded our wider support for our charity partners, to maximise their ability to engage local people. One example is Circle Collective based in Lewisham Shopping Centre, who help young people gain work experience and start their careers. This year we've helped the charity move to a larger unit within our shopping centre to create a community hub and reach even more young people in need of support.

We're also supporting the Government's Kickstart employment initiative, working with Circle Collective and our service partners in London. We're taking on a cohort of young people at risk of long-term unemployment as a result of Covid-19, helping them build work experience and skills for their future.

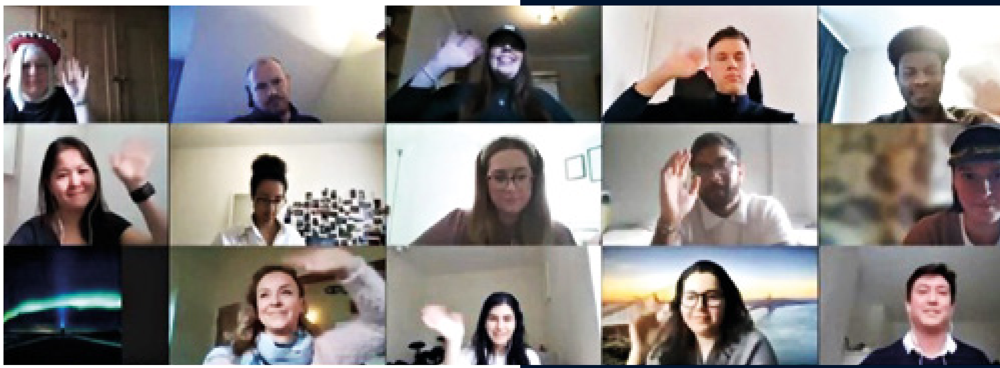
EDUCATION

This year, we've continued our commitment to helping young people from diverse backgrounds enter careers in property, in particular those who face barriers and risk becoming disengaged, running our education programmes virtually. Our aim is to provide role models for students, alongside transferable skills, industry insights and career opportunities. In turn, this helps us to bring more diverse young talent into our business and helps bring equal access to opportunities in real estate for young people from all backgrounds.

In London, we ran two Circl reverse coaching programmes, where over 30 Landsec employees coached – and were coached by – young people from diverse and under-represented backgrounds. Evidence shows this can increase a young person's chance of reaching their potential through employment, education or training. Circl not only supports young people in becoming future leaders through regular coaching by industry professionals, it also helps our workforce develop their own managerial and leadership skills.

We also ran our annual Future Property School with The Construction Youth Trust remotely for the first time. This project works with 10 students from Victoria over three months, to learn about the different areas of our industry through weekly workshops with our volunteers and partners. At the end of the programme, students present their own ideas for sustainable developments at our 21 Moorfields site in London. We've also joined Construction Youth Trust's Schools Partnerships programme to encourage students in Lewisham and across London to consider careers in property by meeting professionals from a range of exciting roles.

Outside of London, our 'Made In' sustainability enterprise challenges at Bluewater, White Rose and Gunwharf Quays have continued. We've also started a new virtual employability project at our three Yorkshire retail sites – Trinity Leeds, Junction 32 and White Rose – with education social enterprise Ahead Partnership, to offer local students careers awareness over lockdown.



CIRCL REVERSE COACHING OUTCOMES

75%
of participants interested in a career at Landsec

1,248
hours of coaching training

88%
of Landsec employees involved say they now feel confident using coaching skills

87%
of young participants felt Circl helped them develop useful leadership skills

"Circl has really helped me to make a start on a range of personal goals – it feels like I have much more energy and focus in life now."

LANDSEC EMPLOYEE

Collaborating with the Cardinal Hume Centre

The Cardinal Hume Centre, one of our Victoria based charity partners, supports local young people, families and refugees at risk of poverty and homelessness. The pandemic has caused significant demand for this support. We work with the charity to help local people who face barriers, into sustained work, and this year, directly supporting 12 people into jobs. We also provided additional financial support from our Covid-19 community support fund, helping them through this difficult period. Our volunteers have supported the centre this year, providing virtual work experience, pro-bono advice and a new employment mentoring initiative that has helped address the increase in people seeking employability support.

"Without my mentor, I wouldn't be on the right track – starting a new job, pursuing my education and dream. She helped me so much to gain confidence and take the next steps. She really listened to me and made me feel less anxious about Covid-19."

MENTEE

Social review
continued

CHARITY PARTNERSHIPS

Around the UK, we've continued to work with our charity partners to support vulnerable and excluded groups in our communities. We provided additional financial and pro-bono support where needed, as charities have been hit by loss of funding and increased demand due to the pandemic. This year, we've given over £4.7m worth of support to charities, including nearly £4m of space in our assets and free advertising space on Piccadilly Lights.

Despite Covid restrictions our teams have found innovative ways to engage visitors to our destinations in supporting causes important to our communities. At several shopping centres we've run Poppy Appeals and Giving Trees, which gave over £250,000 worth of support to local charities and people in need. Our local teams have also donated food, gifts and resources to help tackle the increased need.

We've launched new partnerships with several charities, including Providence Row, a leading East London homelessness charity, and with several Westminster charities through our work with the London Community Foundation, including St Andrew's Youth Club and Pursuing Independent Paths (PiP). We'll be supporting St Andrew's youth employability project, and at PiP we'll be helping young adults with learning difficulties gain life skills to help them find work. Beyond this, we're expanding partnerships at our development sites to help local people access employment and training opportunities.

VOLUNTEERING

Our volunteering programme helps our people and partners have a positive impact in our communities. We encourage all employees to take up to four workdays a year to use their professional skills and experience to support people and charities. This year, our workforce were just as enthusiastic, with working from home having a positive impact on participation. All our volunteering has taken place virtually this year, with technology helping us reach a wider audience in our communities and our workforce. We've run careers Q&As with employment charity partners including Key4Life, Bounce Back and Circle Collective, mentoring programmes with the Cardinal Hume Centre, mock interviews with Resurgo, industry insights sessions with students via Construction Youth Trust, work experience with Young Westminster Foundation and a significant amount of pro-bono volunteering through LandAid. In particular, pro-bono has enabled our staff to use their business knowledge to help charities build their own resilience through the pandemic. We also know volunteering has a positive impact on our employees' own development and wellbeing, also important during the pandemic.

FAIRNESS

REAL LIVING WAGE

We are committed to a fair wage at all levels of the business and fully support the UK Living Wage Foundation's approach of a hard day's work deserving a fair day's pay.

While we continue to pay the Real Living Wage to all of our direct employees and partners across our London office portfolio, we have not been able to meet our 2020 Living Wage commitment fully across our retail portfolio. Recognising the impact the pandemic has had on businesses, particularly the retail sector, The Living Wage Foundation is allowing businesses to pause their accreditation during the pandemic. We will review our accreditation by November this year when there will be more certainty on the reopening of the UK economy.

ENGAGING OUR SUPPLY CHAIN

This year, we launched a new questionnaire to gain better insight into our suppliers' sustainability-related governance, performance and targets. The questionnaire has five sections: policies and governance; labour and human rights; targets and performance; energy and carbon reporting; and collaboration, and asks for both current and forward-looking performance metrics.

We sent the questionnaire to all existing suppliers, and it now forms part of the onboarding process for new suppliers. Over 900 suppliers, representing over half of our total spend, have responded to the questionnaire. This primary supplier data has given us a much better understanding of our suppliers' sustainability performance, our collaborative impact, and key areas for improvement. Indeed, in March, Landsec was awarded the Supply Chain Data Award at the WDI's Inaugural Awards Ceremony.

Building on the results of the questionnaire, in 2021 we will be increasing our work with high-risk suppliers and ensuring it continues to have an impact. Our aim is to work with our suppliers to reduce our collective environmental impact, improve the working conditions of those in our supply chain, and ultimately cascade this positive action throughout our supply chain.

TACKLING MODERN SLAVERY

During 2020, we again carried out due diligence across our business activity through our worker engagement surveys which are carried out by an accredited third party. This covered a range of issues including debt bondage, labour exploitation, fair payment, health, safety and discrimination. We targeted high-risk areas of our supply chain, focusing on construction labour in the UK. Due to the pandemic, we had to postpone some surveys, but resumed in August 2020. We interviewed 91 individuals at three sites and found no instances of modern slavery.

To further improve our approach to identifying and managing modern slavery risk in our business and supply chain, this year we worked with not-for-profit modern-slavery specialist Stronger Together, who performed a gap analysis to identify areas for improvement. This reviewed all key business functions including procurement, risk, operations and development, and provided recommendations for improved governance, training, and management systems. We have collaborated with Stronger Together to develop a strategic implementation plan to address the recommendations.

In March 2021, we launched our new Modern Slavery Working Group, to provide practical insight and feedback on this, and continue to develop our policies, processes and resources.

DIVERSITY AND INCLUSION (D&I)

We strongly value diversity and aim to be an inclusive employer. We strive to attract, retain and promote employees from all backgrounds, regardless of their gender, race, religion, age or sexuality.

We recognise our sector still has work to do in fully embracing diversity and inclusion, and is not representative of the diverse communities we serve.

We also know the senior levels of our business do not reflect the community, and we're working hard to address this.

In 2020, we focused on developing our internal structures and governance to help align our approach across our business. One of our first steps involved developing our D&I strategy.

CHANGING AND CHALLENGING MINDSETS

We're galvanising our colleagues to challenge bias in themselves and others, and to take a zero-tolerance approach to discrimination in all our office and retail spaces.

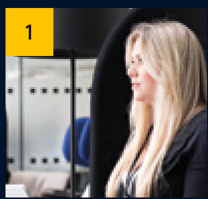
During the year our inclusive-leadership training was offered to line managers and encompassed recognising bias, using inclusive-leadership principles to model inclusive behaviour, and planning an inclusive organisational culture.

A number of senior leaders sponsor our affinity networks, helping encourage inclusion from the top and interaction with a diverse range of colleagues. This includes our CEO sponsoring the disability and wellbeing network, Hand in Hand. We're also planning to offer colleagues the opportunity to 'reverse-mentor' our senior management team, helping the team improve their understanding of the perspectives and experiences of a broad range of colleagues.

While we are moving in the right direction, the Black Lives Matter protests of 2020 provided us and many businesses with a rude awakening. As a business, we reflected on what we should do in response, and agreed on two things that would help contribute to building a fairer society.

Our D&I strategy focuses on four key areas:

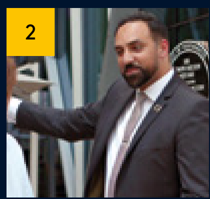
1



BUILD AND MAINTAIN A DIVERSE WORKFORCE AND TALENT PIPELINE

- Ensure the recruitment process is fair, diverse and inclusive
- Build a diverse talent pipeline
- Provide inclusive learning opportunities for all employees

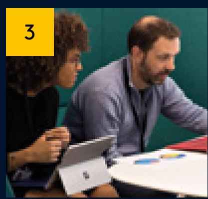
2



INTEGRATE INCLUSIVE BEHAVIOUR AND VALUES IN OUR CULTURE

- Support line managers in establishing inclusive behaviour
- Promote inclusive network events
- Promote work-life balance and wellbeing

3



PROVIDE INCLUSIVE SERVICES FOR OUR CUSTOMERS

- Inclusive and accessible design
- Inclusive policies, procurement and practices
- Supplier diversity
- Wellbeing

4

BUILD AN INCLUSIVE EMPLOYER BRAND

- Host and attend events that promote Landsec as an inclusive employer and customer brand, so we can play our part in demonstrating the industry is a welcoming place for all
- Enter appropriate industry awards and benchmarks

To oversee and keep us focused on this strategy, we've created a steering group, Landsec Includes, made up of key senior stakeholders from across the business and the leaders of our affinity networks.

Social review
continued

Expressing solidarity was our first step. Our second was to identify what we could do to promote real change. We then reviewed our progress and:

❶ Signed the Involve open letter agreeing to report our progress on black inclusion as part of our Annual Report.

❷ Carried out the Investing in Ethnicity Audit.

❸ Signed the Race at Work Charter.

❹ Launched our internal cross-network inclusion allies programme.

We are committed to ending exclusion within our society, and cementing diversity and inclusion at the heart of our business. We know these are small steps, but believe they will help galvanise our efforts and build on our aspiration to be caring, open and progressive.

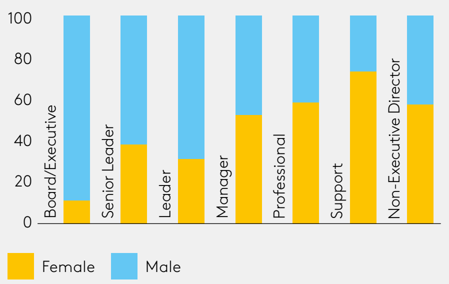
AFFINITY NETWORKS

We have four employee-led affinity networks at Landsec. All work together, are fully inclusive, and celebrate our intersectional ties. They are open to all colleagues and have over 200 members.

	FOCUS AREA	KEY HIGHLIGHTS
HAND IN HAND **Executive sponsor:** Mark Allan 	Disability and Wellbeing network, supporting the wellbeing of our colleagues and customers	The challenges of Covid-19, such as lockdowns, determined the group should concentrate on aspects of mental health and wellbeing and the group presented a Company-wide webinar to support those facing these challenges. Purple Tuesday in November was a highlight for the group. The aim of Purple Tuesday is to improve customer experience for disabled people. Run by the Purple Organisation, worldwide activities, this year mainly run digitally, were launched by their CEO Mike Adams and Landsec's CEO, Mark Allan, at Piccadilly Lights. A great deal of activity across our retail and office properties highlighted the importance of creating an inclusive and welcoming space.
DIASPORA NETWORK **Executive sponsor:** Nick de Mestre 	Creating an inclusive organisation supportive of multicultural customers and colleagues	This year we hosted 'Feelings of Injustice' at Piccadilly Lights in collaboration with What We See, to support the discussion about Black Lives Matter and became signatories of the Race at Work Charter and the Audeliss & Involve open letter to UK business. The network also carried out the Investing in Ethnicity Audit which helped identify the key areas we can make progress in, and supported the internal reporting of ethnicity data to inform our career progression initiatives. During the year, the network conducted its first ethnic-minority pay gap report, ran unconscious bias training and launched a cross-network inclusion allies programme. We've partnered with Involve, specifically designed to help firms change culture and create inclusive workplaces where anyone can succeed. Involve will provide a tailored development programme for ethnic minority colleagues at all levels of our business. The programme is designed to build confidence, capability and leadership skills to help people move into more senior roles.
LGBT+ NETWORK **Executive sponsor:** Bruce Findlay 	Lead the property industry in being more inclusive for the LGBT+ community	This year, we have worked with our suppliers to increase the transparency of their employee LGBT+ representation, and to promote this, particularly at leadership level. We gathered preliminary information for taking part in the Stonewall Workplace Equality Index in 2021, to help inform our strategy and targets. We have also continued our sponsorship of Freehold, the networking forum for lesbian, gay, bisexual and transgender professionals working in real estate. Together, this will start to change the perception of the property sector and attract more diverse people. There weren't the usual Pride parades around the country this year, but we promoted virtual Work Pride events, hosted by MyGwork, for our staff to celebrate and learn. We also held a number of allies events throughout the year, including the LGBT+ History Month, with great response to educational and social events.
LANDSEC WOMEN **Executive sponsor:** Colette O'Shea 	To celebrate gender diversity and intersectionality within our organisation, create positive change, and promote gender related issues with our employees, customers and communities	In celebration of International Women's Day, Landsec Women hosted a panel discussion by a mix of women representing other affinity groups such as BAME, LGBT+ and Disability. We created this to support the discussions we had throughout the year on intersectionality and the complications it faces in the workplace. Landsec has supported the development of its high potential females by delivering our Thrive programme. This bespoke course aims to develop self-confidence, build self-esteem and hone personal brand, while remaining true to themselves to assist them in achieving their full potential. We also worked with national charity Refuge during the Covid-19 lockdown, providing free advertising space on Piccadilly Lights to raise awareness of their vital support for victims of domestic abuse.

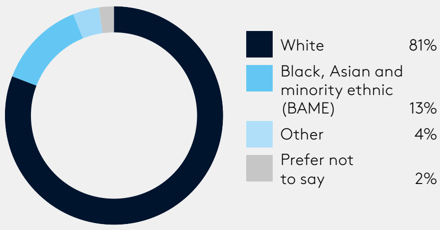
DIVERSITY CHARTS AND TARGETS

GENDER BY LEVEL
Chart 21



We continue to maintain good female representation at all levels of our organisation. We have increased our female representation to 31% at leader level and 38% at senior leader level, up from 24% and 30% in 2020 respectively.

WHOLE ORGANISATION BY ETHNICITY
Chart 22

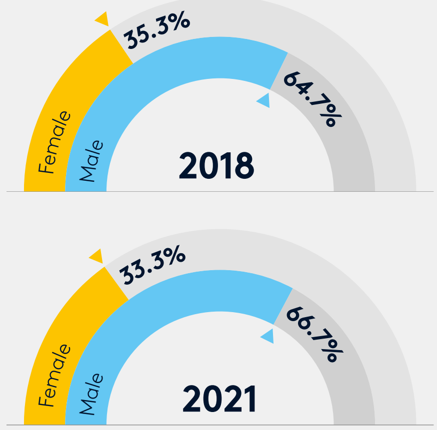


17%

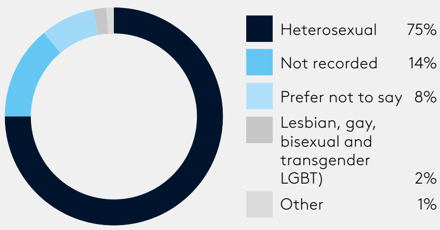
of our employees are from ethnic minority backgrounds, exceeding our target of 14%. Our ethnic minority representation is 8% at leader and 6% at senior leader level.

OUR PROGRESS

BOARD, EXEC & SENIOR LEADER – GENDER DIVERSITY
Chart 25



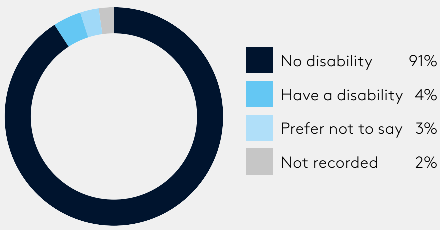
WHOLE ORGANISATION BY SEXUAL ORIENTATION
Chart 23



3%

of our employees have told us that they identify as LGBT+. However, 8% of our employees prefer not to say, a figure that has reduced from 11% last year.

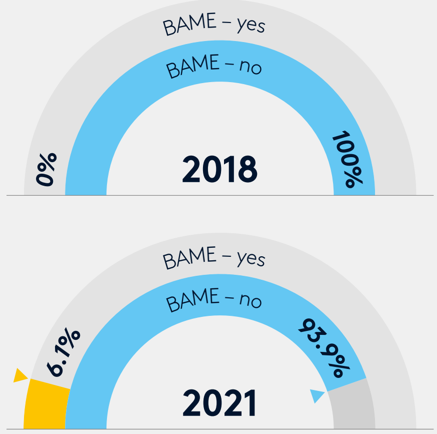
WHOLE ORGANISATION BY DISABILITY
Chart 24



4%

of our employees have told us that they have a disability, up from 3% last year. However, 5% have not recorded their details or prefer not to say, down from 10% last year.

BOARD, EXEC & SENIOR LEADER – ETHNICITY DIVERSITY
Chart 26



KEY TARGETS

	Whole organisation	Board, Executive Leadership Team and Senior Leaders	Leader level
FEMALE REPRESENTATION (BY 2025) →	50%	50%	40%
BAME REPRESENTATION (BY 2025) →	>14%	14%	14%

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.

Social review
continued

PAY GAP

Pay gap reporting encourages us to look even more closely at our pay gap at Landsec, and we're committed to shedding light on what's driving it. And, to finding solutions that can help us build a balanced workforce for the long term.

Our median gender pay gap narrowed from 34.3% in 2020 to 29.3% in 2021 and our mean gender pay gap narrowed from 37.7% to 36.6% over the same period.

This reduction in the gender pay gap is due to the average earnings of female starters being higher than female leavers, as well as more women in the upper middle income quartile, up from 42% in 2020 to 45% in 2021.

If we adjust our gender pay gap data to account for new starters and leavers that we already know about up to July 2021 the mean and median gender pay gap reduces to 32.7% and 28.4% respectively. The adjusted data includes 18 new starters up to July 21 (8 females and 10 males). The higher average hourly pay of male leavers compared to female joiners reduces the overall mean gender pay gap.

Our ethnicity pay gap has been calculated using the same method as the gender pay gap. Of those included in the gender pay gap calculation 2% stated 'prefer not to say' for ethnicity and were excluded from the ethnicity pay gap reporting.

EMPLOYEE ENGAGEMENT

The impact of Covid-19 on ways of working was a focal point for employee feedback, which we gathered quarterly. We measured engagement on a scale of 1-10, with the average score being 7.6, and an average response rate of 58%. This relatively high engagement score was consistent throughout the year, employees appreciating Landsec's response to the pandemic, and the fact that no employees were furloughed.

GENDER PAY GAP

Chart 27

Our mean gender pay gap **36.6%** **(2020: 37.7%)**

Our median gender pay gap **29.3%** **(2020: 34.3%)**

Table 28

Quartile proportions				Quartile split (hourly rate – mean)			
	No.	Male	Female	Total Avg	Male	Female	% Gap
Lower Income Quartile	136	32%	68%	£16.47	£15.58	£16.88	–8.4%
Lower Middle Income Quartile	136	41%	59%	£25.10	£25.58	£24.77	3.2%
Upper Middle Income Quartile	136	55%	45%	£36.40	£36.46	£36.33	0.4%
Upper Income Quartile	136	73%	27%	£77.77	£82.44	£65.27	20.8%

ETHNICITY PAY GAP

Chart 29

Our mean ethnicity pay gap **32.7%**

Our median ethnicity pay gap **27.6%**

Table 30

Quartile proportions				Quartile split (hourly rate – mean)			
	No.	White	Ethnic minority	Total Avg	White	Ethnic minority	% Gap
Lower Income Quartile	134	75%	25%	£16.47	£16.44	£16.55	–0.6%
Lower Middle Income Quartile	134	76%	24%	£25.07	£25.05	£25.15	–0.4%
Upper Middle Income Quartile	134	85%	15%	£36.41	£36.63	£35.09	4.2%
Upper Income Quartile	134	93%	7%	£78.02	£79.04	£63.93	19.1%

Working closely with our Employee Forum, we have adapted our approach to surveys this year, and the data has been vital to continuing to adapt our ways of working in response to the pandemic. We ran a full survey in May in response to the first lockdown, followed by quarterly surveys in June, September and December.

We're also measuring readiness, as an indicator of how colleagues feel about returning to our offices. The main concerns have been virus transmission and using public transport. We've addressed these as part of our Covid-19 response. Where we've communicated survey results, we've also said what we've done in response to previous surveys.

LEARNING AND DEVELOPMENT

We regard learning and development highly at Landsec, but are changing it from face-to-face to online. In September 2020, we introduced our online platform, Workday learning. Working with LinkedIn Learning and other providers, we added 20,000+ pieces of digital learning, now available to all employees round the clock, on demand, covering a variety of topics that apply to our business. This means we could carry on with even more relevant personal development, despite the pandemic.

Our Thrive and Circl programmes are examples of our tailored programmes, aimed respectively at improving gender diversity and supporting our external community.

RECRUITMENT AND RETENTION

The rate of turnover reduced throughout 2020 to 14% from 27% in the previous year. Following the impact of Covid-19, leaver numbers reduced significantly throughout 2020, with voluntary turnover reduced from 12% in March 2020 to 6% in March 2021. In 2019/20, there were 77 voluntary leavers, whereas in 2020/21 there were 33 voluntary leavers.

We continue to improve retention by recruiting internally. Since last year, we have increased from 33% internal hires to 50%, with 27 people promoted in the last year (2019: 21).

INCLUSIVE RECRUITMENT

This year, our Sustainability team worked closely with our Diversity & Inclusion team and employee networks to increase diversity within our business and industry, and to increase inclusive behaviour throughout our community projects. We've set up a new inclusive recruitment project linking our community employment programme with our hiring managers, to better connect people facing barriers to career opportunities at Landsec. We've also collaborated with our Diaspora and Women's networks to establish a new mentoring programme with social enterprise Diverse Leaders Network, starting in 2021. This will target female and ethnic minority students from lower socio-economic backgrounds, to build their aspirations and careers awareness through regular sessions with Landsec mentors.

HEALTH AND SAFETY

Our goal is to provide healthy and safe places and communities that support our people and partners in realising their potential. We recognise we can only achieve this by working closely with our partners, including our supply chain, investors and enforcing authorities.

Health and safety considerations were central to our corporate response to the Covid-19 pandemic. In March 2020, we quickly established a taskforce to assess the impact of the virus on our operations, to interpret government guidance, and to develop and co-ordinate the rollout of new ways of working, so we could establish and maintain Covid-secure destinations and workplaces. The taskforce met regularly throughout the year to review and update our national and regional approach as the pandemic and the Government's requirements evolved.

The launch of our new corporate strategy prompted a review of our health and safety strategy and priorities. We consulted stakeholders from across the business to ensure we were addressing their needs and expectations for health and safety. Last year we changed our safety management system from the British Standard 18001 to the International Standard 45001. This year, our independent auditors conducted two rounds of remote auditing to maintain this accreditation. They found no non-conformances nor made any recommendations.

TRAINING

We run a comprehensive mandatory programme of health and safety training for all our employees and contingent workers, and this year we reviewed it to ensure it remains of high-quality, relevant, and up to date. The training is designed to ensure our people are aware of risk, and competent in identifying and managing our organisational risks. This year, we also launched a learning management system that has enabled us to provide most of this training online, which improves where and when it can be completed. The system also simplifies booking and improves record-keeping and reporting.

FIRE SAFETY

We continue to enhance fire safety across the business and ensure we meet new government initiatives and legislation. We have seven high-rise residential buildings above 18 metres in our portfolio, and independent fire engineers are examining them all to ensure they remain safe for occupation and meet stringent new building regulations. If remediation is needed on the external walls, we will immediately implement interim safety measures such as changing the evacuation strategy, introducing waking watches, or installing temporary fire-alarm systems. We will complete any remedial works as quickly as possible, with minimum disruption to tenants and local community.

Checking we are achieving our high internal standards for health and safety is one of our key priorities. We have completed our full annual programme of 'Property health check' audits and client audits at all our development sites.

KEY PERFORMANCE INDICATORS

We introduced health and safety key performance indicators for our service partners and managing agents, that we review quarterly. We also undertook an internal audit during the year, to assess our fire-safety systems and processes, and sought evidence of compliance to these arrangements in a sample of our operational buildings. We identified and completed several improvements.

ANTI-BRIBERY AND CORRUPTION

We are committed to the highest legal and ethical standards of conduct throughout every aspect of our business. Our relationships with all our stakeholders must be conducted in a fair, honest and open way. We have a zero tolerance for bribery and corruption of any sort and this is reinforced through our Code of Conduct. We also require our suppliers to have similar policies and practices in place. Over the summer of 2021, we will launch our new Anti-Bribery and Corruption Policy and we have developed a compulsory training module which all our employees will be required to complete and will be part of the employee induction programme going forward.

Environmental review

OUR NET ZERO CARBON STRATEGY

2020 was a pivotal year. As the world came to a standstill following imposed lockdown restrictions across the globe, greenhouse gas (GHG) emission rates dropped. According to Science Magazine, there was approximately a 7% decline in the rate of GHG emissions.

CLIMATE CHANGE AND CARBON

This rate is actually what we would need year on year until 2050 to keep to the Paris Agreement. The reality, however, is that this was achieved while significant temporary disruption altered patterns of energy demand.

Despite a drop in the rate of emissions, global temperatures kept rising due to the continuous emission of GHG globally, leading to unprecedented weather events, such as a record 38°C recorded in June in the Russian tundra, north of the Arctic Circle.

Amidst a pandemic, responding to climate change is still the top priority for governments and forward-looking businesses. Investor requirements for disclosure of climate change risks and opportunities kept increasing and our customers set ambitious climate commitments of their own, from science-based carbon reduction targets to net zero carbon commitments.

The Committee on Climate Change warned in its 2020 Progress Report to Parliament that emissions from the built environment have barely dropped in the UK, so a lot more progress is needed.

During 2020, through thought leadership and advocacy, Landsec has been driving our industry forward in its response to the climate emergency. We've published our net zero carbon pathway, in line with the BBP Climate Change Commitment, participated in the UK Green Building Council net zero carbon framework development on renewable energy procurement and offsets, and responded to the GLA New London Plan consultation and the Planning White Paper on sustainability.

CLIMATE RESILIENCE

Landsec considers climate change a principal risk and material issue. In line with the Task Force on Climate-related Financial Disclosures' (TCFD) recommendations, since 2017 we've committed to assessing and reporting on material climate change risks across our portfolio, ensuring we have the appropriate strategy and mitigation plan in place. We provide our TCFD disclosure in the risk section on pages 76-77, with further details in the 2021 Sustainability Performance and Data Report.

This year, we have worked again with Willis Towers Watson in assessing and quantifying climate-related risks. This study has provided us with an updated view of these at portfolio and asset level, and allowed us to understand the potential financial impact of transition risks, such as policy and legislation changes and shifts in market preferences. This is informing our approach to managing climate risks across our portfolio, including new developments.

Through our net zero carbon strategy, we're managing the transition risks, supporting our transition to a low carbon world. This strategy is helping ensure we remain resilient and relevant in the long term. Here we provide an update on how we are managing our net zero strategy, and progress to date.

As part of our Climate Change Commitment with the Better Buildings Partnership, in 2020, we published our Net Zero Carbon Pathway Framework, outlining our plans for net zero carbon for both our new and existing buildings. Our progress is as follows:

1 REDUCE OPERATIONAL ENERGY USE AND CARBON EMISSIONS

a) Progress towards our science-based target (SBT)

The first step to achieving net zero is to reduce our operational carbon emissions. For that reason, as part of our net zero carbon strategy, in 2019 we increased the ambition of our SBT, aligning our carbon reductions with a 1.5°C scenario. Our current target is to reduce our absolute carbon emissions by 70% by 2030 from a 2013/14 baseline. Our target includes scope 1, 2 and a portion of scope 3 emissions from downstream leased assets. This year we reduced our carbon emissions by 55%.

b) Energy efficiency across our operational portfolio

It has been a turbulent year for energy management, and the lockdowns have naturally had an impact on how we operate buildings. With the fall in occupancy rates, we made an even bigger push towards lowering our energy use by maximising building efficiency while ensuring the health and safety of our occupants. To do this, we use smart technology to gather data from our building management systems in several of our offices, and having this detailed data helps us decide how we control energy-intensive service equipment in our buildings, and the services that we provide in our buildings are now running in line with occupancy. Consequently, this year we have been able to undertake various actions to improve the building-management systems at our London assets. For example, we have improved the efficiency and lifecycle of our cooling systems, as they now react more optimally to external temperatures. Our energy intensity has decreased considerably this year, by a further 29% compared with last year, and is now 43% below our 2013/14 baseline. Although this figure suggests that we've already achieved our target to reduce energy intensity by 40% by 2030, we recognise that energy consumption has been significantly impacted by lower occupancy and operational hours due to Covid-19 restrictions and doesn't reflect portfolio energy performance in normal conditions. For that reason, we'll continue tracking our performance against this 2030 target.

In addition, we acknowledge we must do more to further reduce our energy use and reach our net zero goal by 2030. We are therefore working to 'future-proof' our portfolio, so we can continue to operate in line with our ambition and meet the commitments we have made. To do this, we have mapped out the level of investment needed to reach our net zero target and identified the priority projects needed.

We see increased customer engagement as having significant potential for energy savings. We are developing an engagement programme for increasing collaboration with our occupiers on initiatives to improve energy performance.

c) Energy efficiency at new developments

The formal launch of NABERS UK in November 2020 was an important milestone, and Landsec has been supporting it over a number of years as Pioneers of the Design for Performance initiative led by the Better Buildings Partnership (BBP). NABERS UK is a new energy-efficiency rating scheme for in-use performance that will help commercial office developers and owners deliver and operate energy-efficient buildings and disclose their actual performance.

We've chosen Portland House and Timber Square as our two official Design for Performance Pioneer projects. Following the NABERS UK Design for Performance approach, the energy performance of our development projects has been independently verified to targeted ratings. We're targeting operational energy performance for our new developments in line with those published by the UKGBC in its Net Zero Carbon Framework.

2 INVEST IN RENEWABLE ENERGY

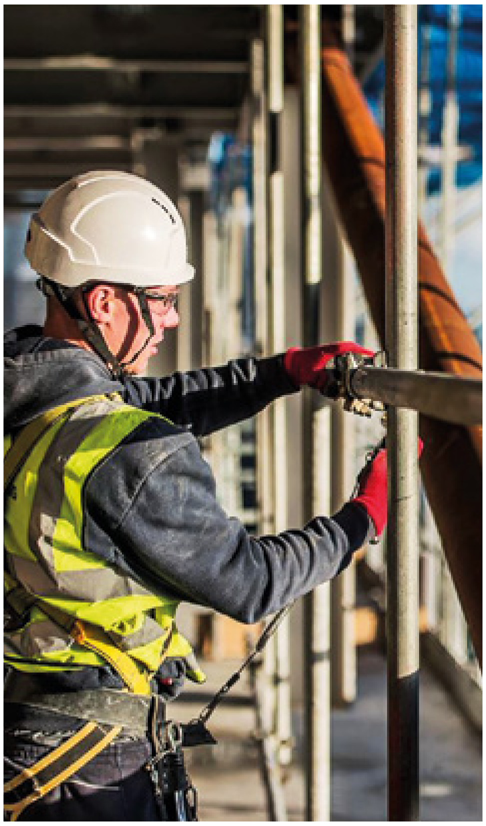
Since 2016, all the electricity we procure is REGO-backed renewable through our corporate contract with Smartest Energy, and we are looking to move our procurement towards direct purchasing from renewable projects, through Power Purchase Agreements (PPA).

We also aim to increase the amount of renewable electricity we generate on our sites. Our current on-site renewable electricity capacity is 1.4 MW, and we are running feasibility studies for installing solar PV at three of our assets.

3 USE AN INTERNAL SHADOW PRICE OF CARBON

As part of our net zero strategy, we've set an internal shadow price of carbon to help us consider the cost of carbon emissions in our investment decisions. We established our price of carbon at £80 per tCO_2e based on the required investments in carbon and energy reduction to meet our science-based target. This price is also consistent with the United Nations Global Compact guidance on carbon pricing and the Department for Business, Energy and Industrial Strategy's forecast of carbon prices through to 2030.

We're using our internal shadow price to quantify financially the long-term environmental risks associated with business decisions. For instance, deciding to redevelop an asset comes with a much larger environmental cost than keeping most of the building's structure. We will take a large number of implications into account, such as financial returns, benefits to the local area and community, flexibility offered by the asset and overall quality of the experience; but it's crucial we quantify the environmental impact of our decisions and translate it into a well-understood metric – such as a financial metric.



4 REDUCE CONSTRUCTION IMPACTS

Across our development pipeline, we've continued to prioritise reducing the embodied carbon in our supply chain.

From early design to developed design, Timber Square demonstrated a 15% reduction in embodied carbon intensity, for an intensity just over half that of the typical benchmark. Timber Square uses an embodied-carbon Value Engineering schedule to track all proposed design decisions to the defined carbon budget set at developed design stage.

Environmental review

continued

Portland House will have an embodied-carbon intensity of around 342 $kgCO_2/m^2$ GIA, a third of embodied carbon compared to a typical new building, as we reposition the existing asset, retaining the existing structure. This approach reduces the extent of construction or demolition required and uses fewer materials, driving down both cost and carbon emissions. On our live development sites at 21 Moorfields, Lucent, The Forge and n2, we've also been tracking closely the embodied carbon information arising from materials purchased and activities undertaken on site to date. We create this 'as-built' embodied carbon model for each project and match it against assumptions and specifications made at the design stage.

We measure supply chain carbon consistently, at every design stage and at regular points throughout the year for our projects on site. This allows us to see whether the procurement decisions made by our supply chain align with, or are better than, our contractual targets. That's how, for our four projects currently on site, we've been able to save more carbon through our procurement decisions than in the design-stage specifications. Across the materials purchased to date, we've reduced 2,452 tonnes CO_2 more than anticipated. This represents a further 1.5% reduction across the four projects. While small given the limited scope to date, this will keep growing as works progress, and is further helping us meet our reduction targets.

In addition to monitoring the projects' carbon intensity, we also set for each project a reduction target for its design stage. Across our six live developments we are achieving a 15.6% reduction in embodied carbon from our design-stage baseline.

5 OFFSET REMAINING CARBON

To be truly net zero carbon in construction, we will need to offset emissions once we have minimised all those on site. We are buying our first carbon offsets for the Forge through a third-party provider. We ensure our offsets meet the eight principles laid out by the UKGBC to safeguard the environmental integrity and guarantee the quality of the offset.

WASTE MANAGEMENT

We continue to divert all our operational waste from landfill, and have recycled 65% across our portfolio, performing below our target of 75% recycled and reused by 2020. Due to our diversified portfolio, our waste management performance varies significantly across our assets. We have achieved this target across our office portfolio, outperforming it for the last two years, achieving 82% in 2020/21. In 2018/19, our shopping centres also outperformed our target, at 76.8%, leaving only the outsourced managed leisure and retail parks as the portfolio segments not achieving 75% recycled and reused.

Since we set our waste target, we've seen a significant improvement in the accuracy of waste data. Using actual waste data rather than estimated data, and a better understanding of offsite Material Recovery Facility (MRF) outputs, has resulted in a minor decrease in the reported recycling rates, especially within the retail portfolio.

Finally, and most significantly, this year the recycling rate across our retail portfolio has decreased to 67% from 72% in 2019/20, as a direct consequence of Covid-19 restrictions. A reduction in recyclable materials produced by brand partners and F&B (such as packaging materials, cardboard and glass) and a change in operational procedures to minimise infection risk to operational staff, has had a direct impact on the amount of waste collected as well as that recycled.

The 75% recycling target is still achievable, albeit challenging in the current climate. We are therefore extending our commitment for 75% recycling to 2030 to align with our expanded new construction-waste commitments announced last year. We will support this by working with our employees and customers to reduce, reuse and recycle waste, running campaigns and incentives across the business, building upon our successes of recent similar campaigns.

Additionally, we are running an in-depth waste auditing exercise at the third-party managed retail and leisure portfolio on sites that produce a significant amount of waste but are not achieving our recycling target. We will use this information when retendering for the waste service in this portfolio.

As part of our commitment to our community partners, we also donate any Surface Pros we no longer need to some of the charities we support.

MATERIALS

In early 2020, we published our Prohibited Materials List. This sets the minimum requirements for sourcing materials on our projects. Since then, we have expanded its scope to provide guidance to design teams on materials that we would avoid, prefer and those that would be ideal. We circulate this guidance at the start of any project. From avoiding laminated glass to recommending air purifying paints, the list states clearly our expectation of high-quality and thoughtful design.

With construction progressing on four of our sites, our procurement has been a lot more varied in 2020. Despite this, we remain on track to source 100% of our core construction materials with responsible sourcing certification, and exclusively from the UK and Europe.

CIRCULAR ECONOMY INITIATIVES

Closed-loop glass recycling

Glass is infinitely recyclable to its highest environmental value (that is, as glass) if it is segregated properly, so at Portland House we're working with our demolition contractors, Erith, to segregate it carefully. To date, we've removed just under 100 tonnes of glass from site, avoiding an estimated 29 tonnes of CO_2. We anticipate recovering an estimated additional 200 tonnes of glass from the project as it progresses. The glass then goes on to a specialist contractor, eventually to be re-melted as float glass. This improves on the traditional approach of mixing it with other waste to be used as aggregate.

A second life for used raised-access floor tiles

Raised-access floor tiles are standard products in the real estate industry, of standard size and specification. They're also typically wasted, discarded during strip-outs and demolition, only to be replaced by new tiles serving exactly the same function.

This is costly and environmentally wasteful, especially as the tiles will sit underneath a floor covering. Tiles can be salvaged, cleaned, re-tested and re-installed. We work with one of the UK's largest recycling companies for raised floors, developing a product where refurbished second-hand tiles can be painted with low-VOC paint, to ensure visual consistency on show floors. We created a prototype during the works at Dashwood this year, which proved acceptable to many leasing and technical partners. We estimate the recycled tiles are at least 50% less carbon intensive than new ones which can significantly contribute to further reduce the embodied carbon of new developments.

WELLBEING

Health and wellbeing has been a central theme of our sustainability programme for a number of years, so we were well positioned to respond to the changes brought about by Covid-19.

We've formalised our approach by registering and assessing our live development schemes against the WELL Building Standard. This was a natural step as we have embedded health and wellbeing principles into our projects for a number of years.

In the past year, at Dashwood, we've also experimented with the WELL standard in our office products Blank Canvas, Customised and Myo, creating three wellness offerings to suit our customers' needs. For Blank Canvas, we are aiming to ensure any customer can achieve a WELL Core certification if they wish. For Customised, we've created a specific WELL fit-out option for customers, including a handbook imparting the knowledge we have acquired over the years to help them fulfil their own wellness aspirations. For Myo, we are hoping to be the first flexible office space in the City to achieve full WELL certification.

This year we also committed to pursuing the WELL Portfolio Programme across our existing managed office portfolio, in addition to our new schemes. This will enable us to further improve the health and wellbeing of our customers by applying the 10 principles of the WELL Building Standard at scale. As part of this work stream we undertook an extensive review of our assets as well as our operational procedures which revealed a consistent level of quality. We will be testing our assets to establish their internal conditions and implement remedial measures where required to ensure the safety and wellness of our customers.

We've also created a comprehensive health and wellbeing brief for our commercial development projects and we're doing the same for our mixed-use Urban opportunities. These briefs set out the minimum requirements we expect our design teams to meet, ensuring we maintain the same level of quality and diligence across all our development activities, from apartment layouts and daylight, to the design of the public realm.

BIODIVERSITY

In 2020, we expanded the scope of our Biodiversity Brief to include our mixed-use assets, and set an overarching goal to make our strategy more comprehensive across our entire portfolio. Our live developments remain on track to achieve significant biodiversity improvements in line with the brief.

This spring we also worked with an ecologist to conduct site visits to evaluate progress against our 2016 baseline. The results of this evaluation will help us identify further enhancements for the sites to help us reach our 2030 target.

BUILDING CERTIFICATION BREEAM IN-USE

This year we undertook a pilot certification of BREEAM In-Use at four key assets (Bluewater, Nova, 80-100 Victoria Street and One New Change). BREEAM In-Use assesses the operational impact of a building by key sustainability criteria including energy usage, environmental management, and health and wellbeing. All assets received a rating of 'Very Good', providing an effective yet simple way to communicate the assets' sustainability credentials to customers and investors.

Digitising construction

As part of digitising our construction methods, we trialled QFlow, a cloud-based software, at the Forge. This automates site data collection and uses artificial intelligence to provide accurate and immediate insights into waste and material movements to and from the construction site. It has proven extremely effective at minimising environmental risk. We have set a number of responsible procurement targets at the Forge. Since starting on site, QFlow has identified 159 risks early by flagging any non-compliance at the site gate, removing any human handling errors and minimising the time needed to address them.

It has also given us insights into waste movements off site, allowing us to think how we can manage our waste more efficiently. It is making our supply chain more transparent and has proven vital to staying on track to achieve our sustainability targets at the Forge. The trial was so successful we have extended it for the duration of the construction, and are now working with QFlow to increase use of their data in our reporting and planning.

Managing risk

We set out an overview of our risk management process explaining the key elements of our approach to risk, how we have continued to develop our process over the course of the current year, the key successes in risk management and our priorities for 2021/22.

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

OUR KEY SUCCESSES IN 2020/21

- Project managed the business response to Covid-19 with business resilience and risk management at the core of our approach
- Led the Brexit working group to ensure we mitigated the risks of leaving the EU with no deal
- Realigned the principal risks to the new strategy and market segments
- Promoted a positive risk culture across the business and raised risk awareness

OUR KEY PRIORITIES IN 2021/22

- Develop an assurance mapping process to assess the quality of the assurance we receive across the three lines of defence for our principal risks
- Refine the risk management processes to ensure they are fully aligned to the new strategy
- Roll out the new business resilience plans to each property
- Use technology to improve risk aggregation and assessment of risk dependencies
- Continue to promote risk awareness and positive risk culture

GOVERNANCE

The Board has overall responsibility for oversight of risk and for maintaining a robust risk management and internal control system.

The Board recognises the importance of identifying and actively monitoring our strategic, reputational, financial and operational risks, and other longer-term threats, trends and challenges facing the business. The Audit Committee supports the Board in the management of risk and is responsible for reviewing the effectiveness of the risk management and internal control processes during the year.

IDENTIFICATION OF RISKS

Identifying risk is a continual process. We have established a network of risk champions across the business and we utilise this network, in conjunction with ongoing discussions with management, external agencies and stakeholders, to identify the risks facing our business. This forms the basis for the principal and emerging risks, which are challenged and validated by the Executive Leadership Team and the Audit Committee, before being presented to the Board. In addition, an in-depth risk session is held with the Board every two years, with the next review taking place in December 2021.

EVALUATION OF RISKS

The business considers both external and internal risks from the property business through to Group level. 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 or gross risk (the level of the risk before any mitigating action) and the residual or net risk (the risk that remains after we consider the effect of mitigating actions and controls). Where there is a relatively high inherent risk and relatively low residual risk, we know we have a high dependency on internal controls, which helps to focus the work of the Internal Audit function and other assurance providers.

MANAGEMENT OF RISKS

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

The Board undertakes an annual assessment of the principal risks, taking account of those that would threaten our business model, future performance, solvency or liquidity as well as the Group's strategic objectives. Our strategic review of the business over the course of 2020/21 had risk management as a fundamental part of the assessment criteria.

RISK APPETITE

The Board is responsible for defining the level and type of risk that the Group is willing to take and ensuring it remains in line with our strategy.

The Board regularly reviews the risk appetite of the business, reassesses the information available and the risk factors that are relevant. This ensures our risk exposure remains appropriate at any point in time and that risk is considered dynamic.

Our risk appetite is cascaded throughout the organisation by being embedded within our policies, procedures and delegated authorities.

We formally report on the Group risks every six months to the Audit Committee and Board through a principal risk dashboard. This sets out risk appetite statements for each principal risk and risk tolerance ranges which explicitly align our risk appetite and the corresponding key risk indicators (KRIs) to our strategy and key performance indicators (KPIs).

The risk dashboard uses risk indicators to track whether our risk level is within our risk appetite. The risk indicators are a mixture of leading and lagging indicators, and internal and external indicators. The primary aim of the dashboard is to act as a catalyst for discussion about how the principal risks are moving, whether the risk tolerance ranges remain appropriate for the business circumstances, and whether further mitigating actions need to be taken in order to bring a risk back within the desired risk tolerance range. The KRIs are rated red, amber or green based on where the indicators sit in relation to our tolerance level.

Each of the principal risks has a number of KRIs and we provide some examples of the KRIs against our principal risks in the table on pages 72-75. Any red rated KRIs will be discussed by the Executive Leadership Team and the relevant business units, with required actions agreed by the Executive Sponsor. These actions may be to refresh the risk tolerance range to reflect a change in the business landscape and/or further mitigating actions. The agreed action will be noted in the Audit Committee and Board reports for final approval by the Board. On an ongoing basis, we will continue to refine the tolerance ranges and to review regularly whether the KRIs continue to be the best indicators.

One of our successes this year has been to realign the principal risks to the new strategy and market segments. This was critical in ensuring that risk management was fully aligned to the changes to the organisational structure and that risk owners had full visibility and ownership of their risks. We provide further details on the changes to the principal risks below.

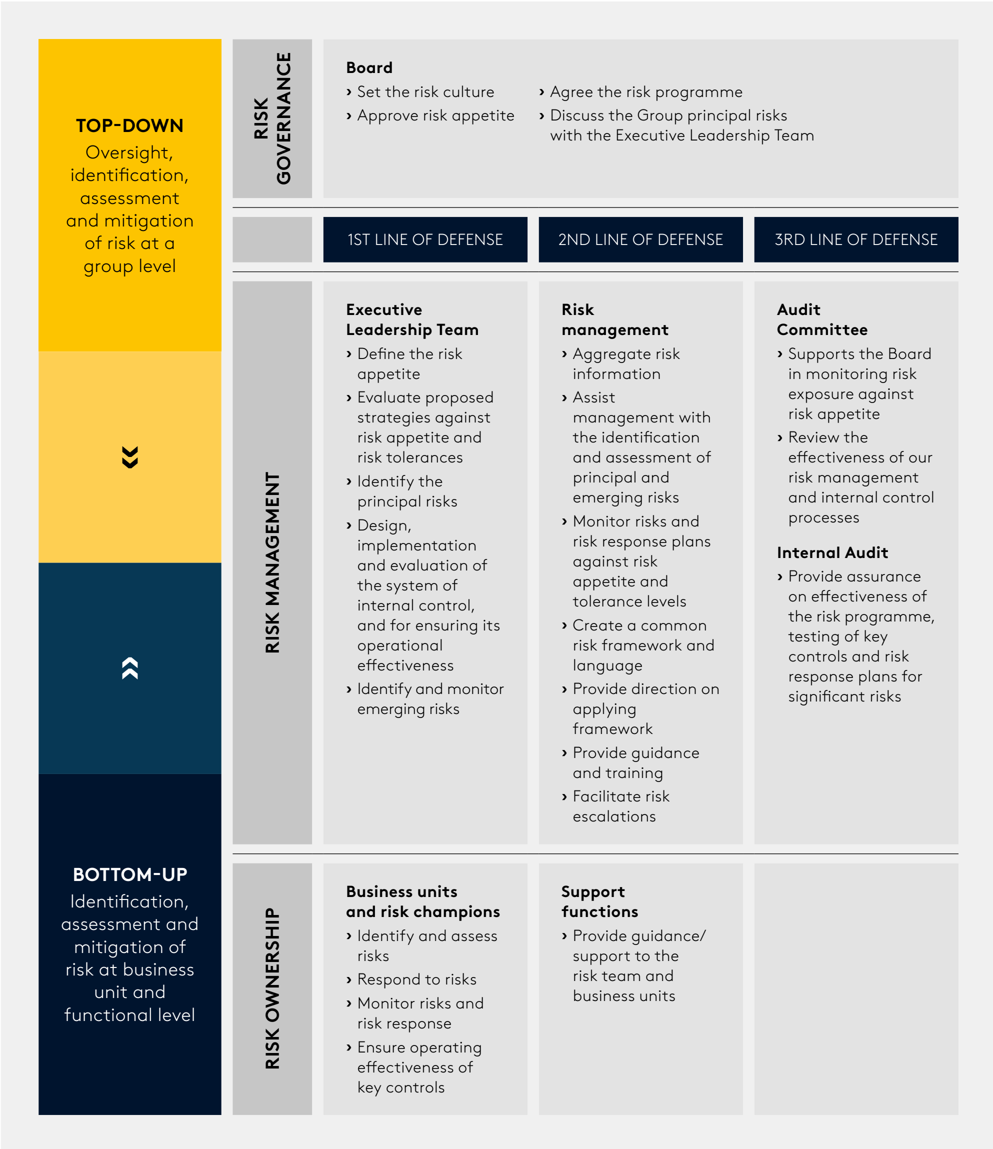
RISK MANAGEMENT FRAMEWORK

As shown in the diagram, 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 entirely, but to ensure we have the right structure to effectively navigate the challenges and opportunities we face. 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 Executive Leadership Team is responsible for the day-to-day management of risk. Senior managers also attend the Executive Leadership Team and the Audit Committee to discuss specific risk areas, and will be accompanied by external advisers where relevant.

Some of our specific risk focus areas from this year included cyber security, data governance, fire management strategies and contingency planning for a no-deal Brexit scenario. The Risk Management function, headed by the Director of Risk Management and Internal Audit, assists management with facilitating the risk discussions and provides challenge and insight where appropriate. The Risk Management function also oversees and provides support to a network of risk champions across the business. These risk champions are critical in promoting a positive risk culture across the business and raising risk awareness.

Internal Audit provides assurance to the Audit Committee and Executive Leadership Team in evaluating the design and operating effectiveness of the risk management and internal control processes, through independent review. On a quarterly basis, management self-certify that the key controls within their area of responsibility have been operating effectively. These results are independently validated by Internal Audit through sample testing. We continue to enhance and refine the key controls to ensure we have the most effective set of key controls to mitigate our principal risks. An area of focus for 2021/22 is to update our assessment of the quality and completeness of assurance provided over each line of defence against a principal risk.

RISK MANAGEMENT FRAMEWORK



Looking to the future

We are positioning our business to emerge strongly from the pandemic.

The long-term implications of Covid-19 are unclear and our strategy will continue to adapt to ensure we are managing near-term challenges proactively and focused on positioning the business for post-pandemic opportunities.

In 2021, we have split our Customer Risk into two segments to ensure that our risks are fully aligned to our new strategy; namely, Customer Risk – Retail & Hospitality (which includes London Retail) and Customer Risk – London Office. At the same time we have absorbed key elements of the previous 'Disruption risk' into these two new segmental risks and accordingly, 'Disruption' will no longer be reported as a standalone principal risk.

CUSTOMER – Retail & hospitality is placed in the top right quadrant of the heat map sitting in the position of the previous Customer Risk. This positioning reflects the continued uncertainty around demand for this space and the outlook for these sectors. The pandemic impact on the retail sector has seen a notable increase in the switch to online shopping from physical stores as people stay at home to comply with government guidelines, and we expect some of this change is unlikely to reverse.

CUSTOMER – London office is placed in the centre of our risk heat map reflecting the overall lower risk profile of this segment of our business which has remained resilient through the pandemic and is supported by the successful introduction of our new flexible office products. However, the reported success of workforces working from home provides ongoing uncertainty for this segment of our business with some companies reappraising their real estate options and how they plan to use the office going forward.

The change to our principal risks helps to clarify key market and organisational differences in the way the risks are managed and addressed going forward. The risk table sets out further details of the nature of the risk and the mitigation actions we have taken as a business.

Our response to the pandemic and Brexit

Our approach to emerging and rapidly accelerating risks was tested during the year as the business responded to Brexit uncertainty and the Covid-19 pandemic.

The speed and scale of the impact of Covid-19 was unprecedented and fundamentally affected all aspects of our business. The Risk Management team supported the business through the establishment of a workstream structure to assess and mitigate the myriad of risks facing the business as a result of the pandemic.

The Risk Management team also supported our Brexit no-deal risk planning, assessing the risks to the business and our supply chain that may have resulted from the UK leaving the EU with no trade deal by reference to three distinct workstreams: construction, operations and portfolio management. Upon conclusion of the negotiations and the final trade deal being agreed, we have been focused on managing the operating risk of effectively trading with partners who are based in the EU and ensuring we have robust processes in place to mitigate regulations around the movement of goods across borders.

Our business resilience and risk planning has been tested over the past year in response to the pandemic and the business has responded very well to the challenges presented by the crisis. All levels of our organisation were rapidly mobilised to assess, plan, respond and mitigate the myriad of risks presented to the business by Covid-19.

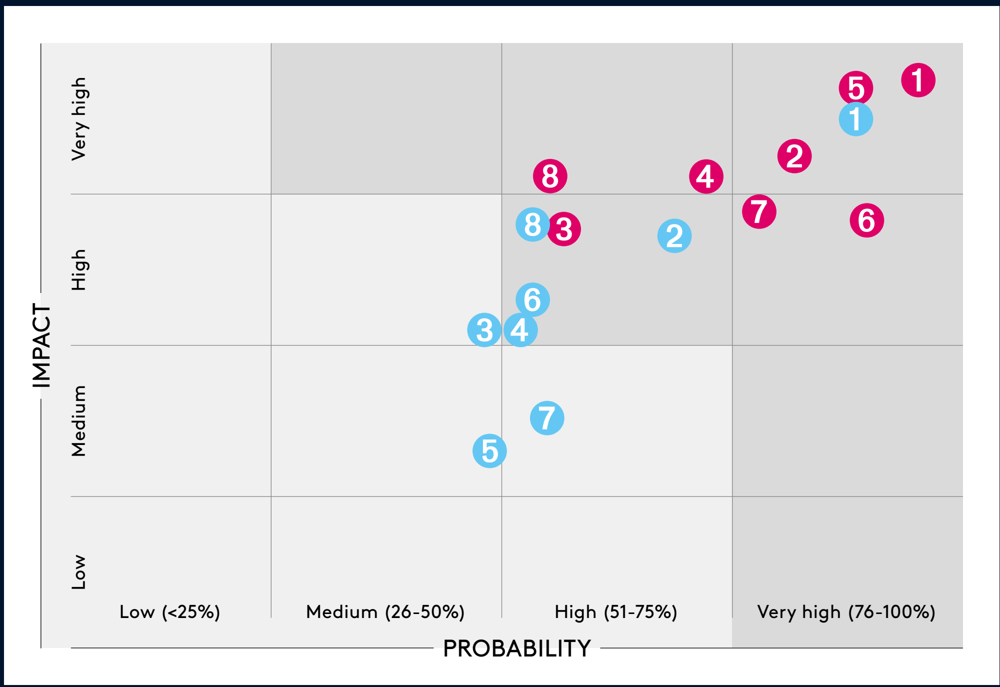
We continue to operate a business recovery workstream and have detailed plans in place as we look towards a gradual easing of lockdown restrictions and a full reopening of the economy. The business is fully mobilised and ready to provide the best possible support to our customers, communities, employees and service partners during this transition back to normality.

The risk heatmap on the following page shows the principal risk positions for March 2021 before and after mitigating actions. It is important to note that our principal risks at 31 March 2020 reflected the impact of Covid-19 with the UK under full national lockdown restrictions at this point and the majority of the economy already feeling the impact of the pandemic. As we look forward, our strategic priorities, market segments and key performance drivers have been carefully articulated in the strategy set out by the Board last year and we have realigned our principal risks and the risk owners to reflect this strategic vision.

Our principal risks and uncertainties

Our risk assessment

The risk heat map illustrates the relative positioning of our principal risks before and after mitigating actions as at 31 March 2021. We set out further details on our principal risks below, explaining our risk mitigation strategies and the rationale for the risk movement in the year.



MAP KEY

- Before mitigating actions
- After mitigating actions

PRINCIPAL RISKS OVERVIEW

	CHANGE IN THE YEAR
❶ Customer – Retail & hospitality (includes London retail)	No change
❷ Market cyclicality	Decrease
❸ People and skills	No change
❹ Customer – London office	No change
❺ Major health, safety and security incident	No change
❻ Information security and cyber threat	No change
❼ Climate change	No change
❽ Investment and development strategy	No change

NB: Disruption is no longer reported as a separate risk having been absorbed into risk 1 and 4.

Our principal risks and uncertainties

continued

❶ Customer – Retail & hospitality

EXECUTIVE RESPONSIBLE | COLETTE O'SHEA

Structural changes in customer and consumer expectations leading to a change in demand for space and the consequent impact on income.

EXAMPLE KRIs

- UK net retail openings and shopping centre vacancy rates (external metric)
- Amount of people visiting our assets
- Percentage of lease expiries over our five-year plan
- Void rates across our portfolio
- Customer credit risk profile and tenant counterparty risk
- Customer retention
- Like-for-like rental income metrics
- Customer and space churn

MITIGATION

- Our Customer Relationship Management processes actively monitor our customer base and performance
- We have a robust credit policy and process which defines what level of credit risk we will accept
- Our Property Committee reviews customers at risk and agrees the best plan of action, as well as monitoring online sales trends
- The monthly management accounts review lease expiries, breaks, re-gears and compare new lettings against estimated rental value
- We measure footfall and retail sales at our shopping centres to provide insight into consumer trends
- We regularly measure customer satisfaction across our retail customer base
- We are reviewing each element of our customer journeys to identify opportunities to improve

CHANGE IN YEAR | NO CHANGE

This remains our most significant risk. We elevated the risk in March 2020 and the risk remains very high today. We were already operating in a tough retail environment before the Covid-19 outbreak and the pandemic has accelerated some of the changes that we were closely monitoring with a shift to greater online shopping from physical stores.

In addition, London retail has in the past year seen lower footfall and trading levels than regional retail as it is more reliant on the presence of office staff and tourism. In the future, if fewer workers use offices this change could persist.

Hospitality has been highly impacted by social distancing measures due to Covid-19. This includes our leisure, food & beverage and hotels. We are regularly communicating with our customers and are engaged in conversations about how we can support them through this difficult time. We continue to closely monitor the rent collections at risk across the whole portfolio, which have reduced significantly over the year. This indicates a likely increase in business failures and we are closely monitoring customers in financial distress.

OPPORTUNITY

Structural shifts continue to put retail rents under pressure and Covid-19 has accelerated some of the trends driving this. Shopping centres have been impacted more severely by this trend than outlets. Our outlets have been relatively shielded from online competition and have performed well when permitted to open.

'Reimagine Retail' is one of our four strategic pillars and one of the key objectives within this pillar is to reimagine the retail space and determine long-term sustainable rent levels for our customers. Another objective of the Reimagine Retail pillar is to repurpose space to reduce the retail footprint and enhance the quality of the mix. The activities under this strategic pillar will be key to managing this risk, particularly for shopping centres.

We are also assessing plans for significant mixed use developments on our suburban London retail sites where we see opportunities to create value.

❷ Market cyclicality

EXECUTIVE RESPONSIBLE | MARK ALLAN

Market and political uncertainty leading to a reduction in demand or deferral of decisions by occupiers, impacting real estate values and the ability to buy, develop, manage and sell assets at the appropriate time in the property cycle.

EXAMPLE KRIs

- UK Gross Domestic Product (external metric)
- UK household spending levels (external metric)
- Employment intentions – Business Services (external metric)
- Interest rates (external metric)
- Business confidence (external metric)
- Our loan-to-value ratio

MITIGATION

- Our research team prepare a quarterly report for the Executive and Property Committees, which tracks both macroeconomic and internal risk metrics, against tolerance ranges, e.g. vacancy levels
- 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
- Scenarios are modelled based on plausible economic trajectories. Modelling completed during the year included the impact of different Brexit outcomes and the containment of the pandemic. Our economic scenario analysis then feeds into our annual budgeting and five-year forecasting process
- Our business portfolios prepare a quarterly report reviewing the market risk for each of our sectors
- We are active members of local business and community groups, as well as industry and professional bodies. This ensures we are actively engaged in decisions affecting our business, customers, partners and communities

CHANGE IN YEAR | DECREASE

The market cyclicality risk remains high at year end due to the ongoing impact of the pandemic but has decreased since last year on the back of achieving a trade deal with the EU on the conclusion of Brexit negotiations and the ongoing Covid-19 vaccine rollout.

OPPORTUNITY

The strength of our balance sheet, combined with our strong rating, enables us to invest in our growing development pipeline and other opportunities as they arise.

❸ People and skills

EXECUTIVE RESPONSIBLE | BARRY HOFFMAN

Inability to retain and develop the right people and skills required to achieve the business objectives in a culture and environment where employees can thrive.

EXAMPLE KRIs

- Employee turnover levels
- High potential employee turnover
- Employee engagement score
- Succession planning
- Employee mental health
- Time to hire
- Diversity of long and shortlists in recruitment

MITIGATION

- Our remuneration plans are benchmarked annually to ensure they remain competitive and support us in attracting and retaining the best talent
- The talent management programme identifies high potential individuals within the organisation
- We have robust succession plans in place for senior and critical roles to mitigate key people risks
- Clear employee objectives and development plans to ensure alignment to business goals
- We recognise the value of employee health and wellbeing through our Health and Wellbeing Statement of Practice
- We have set specific diversity metrics to be achieved by 2025
- Our flexible working policy helps retain employees while promoting work-life balance and helping to improve productivity
- We regularly complete employee engagement surveys to understand areas of strength and opportunities for improvement

CHANGE IN YEAR | NO CHANGE

In response to Covid-19, the majority of our employees have worked from home for much of the past year. Overall, this transition has been smooth from a technology and communications perspective. We have not seen any significant impacts on employee productivity, although we are carefully monitoring employees' mental and physical wellbeing. We have used regular 'Pulse' employee surveys to understand employee engagement and concerns throughout the pandemic.

OPPORTUNITY

As part of our strategic review process we have taken the opportunity to refresh our culture and values as a business and we have rolled out a company-wide programme focused on the importance of culture and values to deliver our vision. We continue to build further expertise, knowledge and capability in the business to allow us to effectively deliver on our strategy.

❹ Customer – London office

EXECUTIVE RESPONSIBLE | COLETTE O'SHEA

Structural changes in customer expectations leading to a change in demand for space and the consequent impact on income.

EXAMPLE KRIs

- Amount of people visiting our assets
- Percentage of lease expiries over our five-year plan
- Void rates across our portfolio
- Customer credit risk profile and tenant counterparty risk
- Customer retention
- Like-for-like rental income metrics
- Customer and space churn
- Serviced office take-up (external metric)

MITIGATION

- Our Customer Relationship Management processes actively monitor our customer base and performance
- We have a robust credit policy and process which defines what level of credit risk we will accept
- Our Property Committee reviews customers at risk and agrees the best plan of action
- The monthly management accounts review lease expiries, breaks, re-gears and compare new lettings against estimated rental value
- We regularly measure customer satisfaction across our office customer base
- Our Insight team holds a Future of Work forum examining disruption themes, megatrends and changes in the way people work and live
- We have defined an innovation process to capture ideas and workshop with our customers on their needs in a test office environment

CHANGE IN YEAR | NO CHANGE

Leasing activity in the London office market has been severely depressed by the pandemic and vacancy rates have risen. Our assets have seen a small rise in vacancy but are supported by the continued differentiation of our product offerings to align to our customer needs and expectations, including the successful introduction of our flexible office products. However, the reported success of workforces working from home provides ongoing uncertainty for this segment of our business with some companies reappraising their real estate options and how they plan to use the office going forward.

OPPORTUNITY

Our Optimise strategic priority is focused on our central London assets. Optimise will mean greater alignment with sectors and geographies in the capital, evolving a broader range of propositions for our customers, continued deployment of our development expertise and targeted recycling of capital to fund long-term growth. We firmly believe London will remain a gateway city and we have a high-quality, best in class portfolio.

Our principal risks and uncertainties
continued

❺ 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; and reputational impact.

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

MITIGATION
- The Health, Safety & Security (HSS) Committee is chaired by the COO and governs the Health & Safety management systems and processes. H&S performance is reported to the Board every six months
- Our 'One Best Way' standards define mandatory H&S compliance policies for the business and our supply chain
- We hold Customer Improvement Groups with our principal contractors and key service providers to drive continuous improvement across our supply chain
- All of our colleagues must attend H&S training relevant to their role
- All our key service providers are assessed against H&S KPIs
- All suppliers engaged in construction activities must be approved by the health and safety team to ensure they have the appropriate skills, knowledge, attitude, training and experience
- An event safety management plan is completed for all events at our assets
- We have reviewed fire safety across our entire portfolio and completed a programme of proactive fire safety improvements during the year
- Our fire risk framework categorises and assesses all of our properties based on: occupancy and use, fire safety systems, management systems, adequacy of means of escape and materiality. This drives the ongoing actions as part of our estate management
- The H&S team completes regular property healthchecks at our assets to audit compliance with our policies, procedures and legislation
- All our properties have completed security risk assessments, which drives the physical security measures in place at that property. Our properties have dedicated security teams, which are supported by CCTV and other physical security measures
- Our menu of tactical security options and Group building response levels now give us the ability to react to a local or national criminal threat in a proportionate and reasonable way
- Our Group insurance programme protects against losses of rent and service charge resulting from terrorism
- All accidents and incidents are reported and recorded in our H&S system with analysis performed on trends and root causes of the incidents

CHANGE IN YEAR | NO CHANGE O

We evaluated our fire management strategies across our entire property portfolio last year and identified some fire safety improvements. We have now implemented these improvements.

The fire safety regulatory environment continues to evolve and tighten requirements which is monitored closely at our Health, Safety and Security Committee. We have established a working group to respond to any new requirements around external cladding systems.

As lockdown restrictions are eased, our efforts are focused on ensuring we are well prepared for a gradual and safe return to our properties.

OPPORTUNITY

We are testing a prototype of a new construction approach at The Forge. In this, we aim to manufacture and assemble off site as much as possible, which reduces the health and safety risk. We are working with our peers on fire safety, to help advance industry standards.

❻ Information security and cyber threat

EXECUTIVE RESPONSIBLE | BARRY HOFFMAN

Data loss or disruption to the corporate systems and building management systems resulting in a negative reputational, operational, regulatory (including GDPR) or financial impact.

EXAMPLE KRIs

- Speed of threat and vulnerability detection
- Speed of vulnerability resolution
- Number of data loss events
- Disaster recovery – system availability
- Building management cyber security risk
- Cyber security and GDPR training

MITIGATION

- We have an IT Operations team and Privacy & Compliance Officer who monitor information security and privacy risk and cyber threat
- All of our colleague's complete mandatory cyber security and GDPR training
- Our IT security management policy sets out our standards for security and penetration testing, vulnerability and patch management, data disposal and access control
- We complete a quarterly assessment that key IT controls are operating effectively
- All third-party IT providers must complete an information security vendor assessment which is reviewed and approved by the cyber security officer
- We work closely with our IT service partners to manage risk and improve technical standards
- Our development brief clearly defines the required technical IT standards for all building systems
- Our move to put all corporate systems in the cloud has improved the resilience of our disaster recovery and business continuity plans
- We have an effective vulnerability management system, including an annual rolling penetration testing programme across our IT estate.
- All our properties have business continuity and crisis management plans in place, which are tested at least annually
- We are rolling out a programme of improvements to our site building cyber defences based on the NIST framework

CHANGE IN YEAR | NO CHANGE

The level of this risk has not changed, reflecting that, while companies continue to be subject to an increasing number of attempted cyber attacks, we have continued to develop and invest in the maturity of our mitigation controls.

OPPORTUNITY

We continue to work with our service partners and strategic suppliers to examine our industry's standards, in particular for building systems. We consider new technologies so we can take advantage of the latest innovations and opportunities and enhance our reputation as a trusted and responsible partner.

❼ Climate change

EXECUTIVE RESPONSIBLE | NICHOLAS DE MESTRE

Failure to properly identify and mitigate both physical and transition risks from climate change, leading to a negative impact on our reputation, disruption in our operations and stranded assets.

EXAMPLE KRIs

- Energy intensity and carbon emissions
- Recycling waste
- Renewable electricity
- Embodied carbon for new developments
- Portfolio natural disaster risk

MITIGATION

- We are committed to becoming net zero carbon by 2030 and have published our carbon reduction pathway for achieving this
- We have a science-based target to reduce our operational emissions in line with a 1.5°C scenario
- We operate all our properties in line with our ISO 50001 Energy Management System ensuring we measure, manage and monitor our energy performance
- We continue to procure 100% renewable electricity across our portfolio
- Through our Responsible Property Investment Policy and sustainability due diligence process, we assess climate risks and opportunities in potential acquisitions
- Our Sustainability Brief for Developments ensures that we develop our properties with consideration to the risks of climate change and take advantage of the latest low-carbon opportunities
- We undergo assurance for data and disclosures across our sustainability programme, enhancing the integrity, quality and usefulness of the information we provide

CHANGE IN YEAR | NO CHANGE

The residual risk is the same as last year and we have intensified our mitigations, progressing plans to achieve our ambition to be a net zero carbon business by 2030.

OPPORTUNITY

Lead our business and the property sector towards a low-carbon economy, creating long-term value for our shareholders and wider stakeholder groups.

More details on climate-related risk are provided in the TCFD disclosure on pages 76-77.

❽ Investment and development strategy

EXECUTIVE RESPONSIBLE | COLETTE O'SHEA

Unable to effectively execute our strategy of buying, developing and selling assets at the appropriate time in the property cycle, including inappropriate sector selection and weighting; inability to deliver capital expenditure programme to agreed returns; and/or occupiers reluctant to take new space.

EXAMPLE KRIs

- Development pipeline
- Portfolio liquidity
- Headroom versus development capital expenditure
- Speculative development, pre-development and trading property risk exposure
- Counterparty credit risk
- Group hedging

MITIGATION

- Our Investment Appraisal Guidelines define the key investment criteria (including hurdle rates and alignment to strategic objectives), the risk assessment process, key stakeholders and the delegations of authority to approve investment decisions
- We ensure strong community involvement in the design process for our developments and create employment and education opportunities through our construction and operations activities
- We are actively considering other sector opportunities and running trials as appropriate to test our propositions and market demand and requirements
- Our highly experienced development team and partners have a track record of success
- We have robust succession plans in place for senior and critical development and project management roles
- We have robust and established governance and approval processes, including the Investment Committee

CHANGE IN YEAR | NO CHANGE

This risk was elevated in March 2020 and remains unchanged this year given the increased uncertainty around the future economic environment into which we will deliver our developments.

We have reprofiled our cash flows and commitments for the whole development pipeline, and have completed analysis on the pipeline based on potential future scenarios against the baseline budget.

OPPORTUNITY

As mentioned above, the strength of our balance sheet, combined with our strong rating, enables us to continue to invest in our growing development pipeline and other opportunities as they arise.

Our principal risks and uncertainties

continued

CLIMATE-RELATED RISKS AND OPPORTUNITIES

We are committed to implementing the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), providing investors and other stakeholders with useful information on climate-related risks and opportunities that are relevant to our business.

In this Annual Report, we provide a summary of our TCFD disclosure. Full disclosure of climate change scenarios and how they may affect our business are included in our 2021 Sustainability Performance and Data Report at www.landsec.com/sustainability. For further climate-related disclosures, please access our CDP response at www.cdp.net/en.

GOVERNANCE

Our Chief Executive has overall responsibility for climate-related risks and opportunities. The Board is updated on our sustainability performance at least once a year, including discussion of climate-related issues. In addition, the Audit Committee supports the Board in the management of risk, which includes climate change as one of our principal risks.

Ongoing oversight of climate-related issues is carried out by our Sustainability Committee, chaired by the Chief Executive and attended by our Head of ESG & Sustainability, members of the Executive Leadership Team and senior representation from portfolio management and development teams. The Committee meets quarterly and is the senior forum for developing and implementing sustainability strategy and commitments, assessing and managing climate-related risks, and reviewing performance.

STRATEGY

As a UK real estate company, our business is exposed to both physical and transitional risks and opportunities from climate change. We're committed to assessing and mitigating physical and financial climate change adaptation risks that are material across our portfolio.

For the third successive year, we have worked with Willis Towers Watson to identify and assess the impact of climate-related risks through quantitative and qualitative scenario analysis, considering short term until 2030, and long term beyond 2030 until 2100. Our analysis focuses on two distinct scenarios based on the Representative Concentration Pathways (RCPs), which are used by the Intergovernmental Panel on Climate Change (IPCC) to illustrate future concentrations of greenhouse gases in the atmosphere: a scenario where global average temperature increases by less than two degrees (RCP 2.6), and a scenario where temperatures increase by up to four degrees (RCP 8.5).

In line with the TCFD recommendations, our assessment covered both physical risks (i.e. physical impacts of climate change, such as flooding events, windstorms, increase in temperature and sea level rise) and transition risks (i.e. risks related to the transition to a lower-carbon economy to avoid the worst physical impacts of climate change, such as policy and regulation changes).

	SHORT TERM (UNTIL 2030)	LONG TERM (2030-2100)
< 2°C scenario	**High transition risks associated with aggressive mitigation actions to reduce emissions** › Minimum Energy Efficiency Standards (MEES) raise requirements for all non-domestic rented properties to meet a minimum EPC B, potentially impacting nearly 80% of floor area › Increased pricing of carbon emissions expected to reach £87/tCO_2 ($100/t$CO_2$), impacting operational costs › Change in customer expectations regarding offices, as more companies committed to becoming net zero and set science-based targets	**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 › 12% expected increase in terms of flooding losses › Warmer summers with +1.7°C maximum temperatures but no significant risk of heat stress › 55% of portfolio could be exposed to subsidence risk
4°C scenario	**Business as usual with no significant change in transition and physical risks** › No significant changes to current physical risks › 2% of portfolio located in areas highly exposed to river flooding with a return period of 50-100 years › 5% of portfolio located in areas highly exposed to storm surge (coastal flooding) with a return period of 50-100 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 › 88% of the portfolio could be exposed to 10-20 days in heatwaves › Sea level rise between 21cm-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 › 40% expected increase in flooding losses › 7% expected increase in storm losses › >64% of portfolio exposed to subsidence risk As consequence of the changes in climate and associated physical risks, there will be a significant increase in risks linked with adaptation measures.

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.

Our strategy to address climate-related risks and opportunities spans all areas of our business including investment, development, operation and divestment. Through our Responsible Property Investment Policy, we assess climate risks when we buy an asset. In our development pipeline, we're designing and constructing high-quality buildings and spaces capable of delivering operational resilience over their lifetime, considering how the UK's climate will change in the coming decades. We're also transitioning towards all-electric solutions, scaling back fossil fuel-dependent boilers in favour of electric heating and cooling.

As part of our strategy to manage transition risks, we're committed to becoming a net zero carbon business by 2030 and we have a science-based carbon target to reduce our operational carbon emissions by 70% by 2030, aligned with a 1.5°C scenario. In addition to reducing our operational emissions, by improving the energy efficiency in our assets, and committing to the procurement of renewable electricity, we've implemented an internal shadow carbon price to drive investment towards cleaner projects. We're also reducing carbon emissions across our construction activities by carefully designing and selecting every raw material we use. Further details on our net zero strategy is discussed on pages 64-66.

Our analysis gives us confidence in the resilience of our strategy, as we're supporting the transition to a low-carbon world while managing the impact of climate-related risks to our portfolio.

KEY METRICS AND TARGETS

Climate-related Financial Metrics	2020/21	2019/20	Change
Percentage of revenues derived from BREEAM certified space	62%	56%	11%
Percentage of portfolio which is BREEAM certified (by value)	57%	59%	-3%
Percentage of portfolio which is BREEAM certified (by floor area)	44%	40%	11%
Percentage of portfolio with EPCs rated F or G (by rental income)[1]	2%	–	–
Investment in energy efficiency measures implemented in the year	£1.6m	£1.2m	33%
Estimated annual savings from energy efficiency measures implemented in the year	£0.8m	£0.5m	66%
Percentage value of portfolio located in areas exposed to a 10% risk of inland, coastal and flash flooding in a ten-year period[2]	7.2%	7.4%	-3%

1. New metric added to the TCFD disclosure in 2020/21.
2. Indicator has been updated to include all assets located in areas with 1 in 100 year return period for flooding. Exposure doesn't consider any local flooding protection or existing mitigation actions in place.

Additional TCFD metrics and targets, including energy consumption and carbon emissions, are disclosed in our 2021 Sustainability Performance and Data Report at www.landsec.com/sustainability

RISK MANAGEMENT

Our risk management and control framework enables us to effectively identify, assess and manage climate-related risks. We recognise the importance of identifying and monitoring climate-related risks, which feature prominently on our principal risk register.

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 Board undertakes an annual assessment of the principal risks. The Executive Leadership Team is supported by risk champions across the business, who are tasked with maintaining awareness of key risks and control measures.

The senior leader responsible for climate-related risk is the Head of ESG and Sustainability. 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. Both the senior leader and risk champion responsible for climate-related risk ensure appropriate mitigation actions are taken and integrated with the overall risk management process. Where climate-related risks correspond to other risks, these are discussed between the network of risk champions.

Our risk management process to address our principal risks and uncertainties, including climate change is discussed further on pages 68-69.

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 31 May 2022 from the Group's current five-year plan. 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 following the deterioration in cash collections over the year ended 31 March 2021 as a result of Covid-19. This stress testing modelled a scenario 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 2021.

VIABILITY STATEMENT

THE VIABILITY ASSESSMENT PERIOD

The Directors have assessed the viability of the Group over a five-year period to March 2026, 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 it fits well with the Group's development and leasing cycles and is broadly aligned to the maturity of the Group's floating rate debt facilities.

PROCESS

Our financial planning process comprises a budget for the next financial year, together with a plan for the following four financial years. Generally, achievement of the one-year budget has a greater level of certainty and is used to set near-term targets across the Group. Achievement of the five-year 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 macro-economic 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 macro-economic conditions than are currently expected, which forms the basis of the Group's 'Viability scenario'.

Given the significant impact of Covid-19 on the macro-economic 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 outturn. 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 Director's assessment of the viability of the Group.

KEY RISKS

The table below sets out those of the Group's principal risks (see pages 71-77 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
Customer – Retail and hospitality Continuation of structural changes in shift to online providers and failure to respond to cost pressures on retailers.	› Increased customer failures lead to increased void periods, negative valuation movements and downward pressure on rental values to sustainable levels during the five-year forecast period
Market cyclicality Impact of non-containment of Covid-19 leading to further lockdowns and a negative impact on the market in the near term.	› Any uncommitted forecast acquisitions, disposals and developments do not take place due to reduced liquidity of assets › Decline in capital values and outward yield movements through to March 2023 before partial recovery through to March 2026 driven by our office assets › Declines in capital values through to March 2026 for retail and leisure assets
Customer – London office Structural changes in customer and consumer expectations leading to an adverse change in demand for space and the consequent impact on income.	› Reduced demand leads to increased void periods, negative valuation movements and downward pressure on rental values through to March 2022 before partial recovery through to March 2026
Investment and development strategy Inability to deliver our development pipeline and re-stock the portfolio.	› No uncommitted debt refinancing takes place, and no new debt or bank facilities are raised or extended › Any uncommitted forecast acquisitions, disposals and developments do not take place

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 31

	31 March 2021	Viability scenario 31 March 2026
Security Group LTV ratio	32.7%	32.3%
Adjusted net debt	£3,489m	£3,424m
EPRA net tangible assets per share	985p	955p
Available financial headroom	£1,600m	£(1,562)m

The viability scenario represents a slight contraction in the size of the business over the five-year period considered, with the Security Group LTV at 36.9% at its highest point in the assessment period at which point we have £1.6bn of available financial headroom.

The Group would be required to secure new funding, or exercise extension options for a minimum of £0.6bn of its debt facilities during the March 2025 financial year and a further £1.0bn during the March 2026 financial year 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 2026.

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: www.landsec.com/sustainability/governance-policies, www.landsec.com/about/corporate-governance and www.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	Environmental review on pages 64-67
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	Social review on pages 56-63
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 page 142 Social review on pages 56-63
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	Social review on pages 56-63

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 policy: our employees must act in the best interests of the Company and not make decisions for personal gain › Whistleblowing 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	Social review on pages 56-63 Audit Committee Report on page 108
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 68-69 Our principal risks and uncertainties on pages 71-77 Audit Committee Report on pages 106-114
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 18-19
Non-financial key performance indicators	› In addition to our financial performance metrics, we set ourselves a range of KPIs for the year which focused on ensuring we emerge from Covid-19 in as strong a position as possible	Key performance indicators on pages 32-33

This Strategic Report was approved by the Board of Directors on 17 May 2021 and signed on its behalf by:

MARK ALLAN
CHIEF EXECUTIVE

Introduction from the Chairman

CRESSIDA HOGG
CHAIRMAN

DEAR SHAREHOLDER

Welcome to the governance section of this year's Annual Report.

As I outlined in my Chairman's statement on page 6, this has been a year of unprecedented challenges resulting from the pandemic. Good governance has been a critical foundation for Landsec's response to Covid, providing a framework for effective decision-making, addressing the changing needs of our stakeholders and making sure that we emerge from the pandemic in as strong a position as possible.

PURPOSE, CULTURE AND GOVERNANCE

When Mark joined as our CEO he emphasised that the culture of a business is as important as its strategy. Our culture will enable our people to execute on our strategy and we can only achieve our purpose when our culture and strategy are aligned. Our culture defines how we do things and how we behave and our governance framework plays a crucial role in this.

In a year of so much change, it has been particularly interesting for the Board to monitor the culture at Landsec, how the culture is being redefined under new leadership and how the existing culture has been tested through the challenges of remote working.

ENGAGEMENT WITH OUR STAKEHOLDERS

Our stakeholders' interests have changed as a result of the pandemic and therefore effective communication with them has been more important than ever this year. The Board Strategy Day in January this year was centred around the long-term impact of Covid. We heard from medical and health policy experts, economists and customers. The Board enjoyed engaging directly with stakeholders, particularly our customers representing office, retail and leisure, to hear first hand about the challenges that Covid has posed for them and what their priorities now are. You can read more about this on page 96.

The Board has been very conscious of the health and wellbeing of our employees given the impact of the pandemic and the challenges of adapting to remote working. The Board has received regular updates from the Executive Directors on the sentiment within the business and the initiatives being taken to promote health and wellbeing amongst the workforce. We look forward to more direct engagement with employees as we return to the office.

Due to Covid restrictions, our 2020 Annual General Meeting had to be held as a closed meeting. This year, we are holding our first hybrid AGM to ensure that we are able to effectively engage with our shareholders whatever Covid restrictions may be in place at the time. Shareholders will be able to watch a live webcast with presentations from both Mark and me. We will cover our new strategy and business performance, and shareholders will then be able to ask questions and also vote remotely. Further information is set out in the Notice of AGM which is available at www.landsec.com/agm.

At our 2020 AGM, Edward Bonham Carter's re-election to the Board received 79.63% votes in favour, and as a result this resolution was added to the Investment Association's significant dissent list. Edward brings significant experience to the Board as our Senior Independent Director and a member of our Nomination and Remuneration Committees. It is clear that his commitment to Landsec is not compromised by his other external appointments. However, we understand that some institutions apply their own guidelines in determining if a Director is overboarded. Ahead of Edward's re-election at the AGM in July, it is important to note that on 6 May 2021 Edward stepped down as Vice Chairman of the board of Jupiter Fund Management plc. He has taken up a new part time role at Jupiter focusing on stewardship and corporate responsibility, which is not a board position and will reduce Edward's time commitment.

BOARD ACTIVITIES

In addition to the scheduled eight meetings, the Board held three additional Board meetings during the year, one to discuss Landsec's immediate response to the pandemic at the beginning of the financial year and two meetings to discuss our new strategy. Helping the executive management formulate the new strategy and responding to the challenges created by Covid were the main focus for the Board through the year. It was encouraging to see active capital recycling as outlined in the new strategy with the sale of 1 and 2 New Ludgate and the acquisition of 55 Old Broad Street. These transactions demonstrate the value that Landsec has created in its Central London portfolio and our commitment to optimising the Central London portfolio through the reinvestment of capital.

More information on the Board's activities during the year can be found on page 92

I would like to conclude by thanking all members of the Board for their continued support and commitment over the past year. The majority of Board meetings have been held remotely with all Directors joining by video call. The Board has adapted well to this dynamic and its decision-making has not been affected. However, the Board looks forward to the benefits of more informal engagement amongst the Board, the Executive Leadership Team and our employees that a return to the office will provide.

Cressida Hogg

CRESSIDA HOGG
CHAIRMAN

Board of Directors

GENDER DIVERSITY OF BOARD
Chart 32

(All Directors as at 31 March 2021)

Female **50%**

Male **50%**

BOARD TENURE
Chart 33

(Non-executive Directors including Chairman)

0-3 years **43%**

4-6 years **14%**

7-9 years **43%**

BOARD ATTENDANCE
Chart 34

Eight scheduled meetings

Attendance **100%**

CHAIRMAN OF THE BOARD

CRESSIDA HOGG
CHAIRMAN

YEARS ON THE BOARD: 7
Chairman since 12 July 2018. Independent upon appointment.

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 has extensive board experience, including most recently on the boards of Anglian Water Group and Associated British Ports. Cressida was Global Head of Infrastructure at the $350bn Canada Pension Fund Investment board, managing a portfolio of investments worth c. £16bn. Prior to that, as Managing Partner she was responsible for managing 3i Infrastructure plc, a FTSE 250 investment company, having co-founded the infrastructure business at 3i in 2005. She was previously a member of the advisory board for Infrastructure UK, the HM Treasury unit working on the UK's long-term infrastructure priorities.

Cressida chairs the Nomination Committee.

OTHER CURRENT APPOINTMENTS
Non-executive Director, London Stock Exchange Group plc. Non-executive Director, Troy Asset Management.

SENIOR INDEPENDENT DIRECTOR

EDWARD BONHAM CARTER
NON-EXECUTIVE DIRECTOR*

YEARS ON THE BOARD: 7
Senior Independent Director since July 2016.

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 large 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 Company 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.

Edward stepped down as Chairman of the Remuneration Committee in May 2020 but continues to be a member of the Remuneration Committee.

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

*Independent as per the UK Corporate Governance Code.

Board of Directors
continued

NON-EXECUTIVE DIRECTORS

CONTINUED →

NICHOLAS CADBURY
NON-EXECUTIVE DIRECTOR*

YEARS ON THE BOARD: 4

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 is Group Finance Director of Whitbread PLC, a position he has held since November 2012. Before that, he was Chief Financial Officer of Premier Farnell PLC. Nicholas originally qualified as an accountant with Price Waterhouse.

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

OTHER CURRENT APPOINTMENTS
Group Finance Director, Whitbread PLC.

MADELEINE COSGRAVE
NON-EXECUTIVE DIRECTOR*

YEARS ON THE BOARD: 2

SKILLS AND EXPERIENCE
Madeleine has deep knowledge and perspective in relation to investment decisions, asset management and market dynamics from her extensive experience in the property industry. She is a member of the Royal Institution of Chartered Surveyors and has sat on a number of GIC Real Estate boards across Europe. Madeleine is Managing Director and Regional Head of Europe at GIC Real Estate, a position she has held since 2016, and will retire from at the end of June 2021. She is responsible for the real estate investment strategy and portfolio, leads the real estate business in Europe and is a voting member of the GIC 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
Corporate representative, Euro Lily Private Limited (a corporate director of CeGeREAL SA) until 1 July 2021.

CHRISTOPHE EVAIN
NON-EXECUTIVE DIRECTOR*

YEARS ON THE BOARD: 2

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 became Chairman of the Remuneration Committee in May 2020 and became a member of the Audit Committee on 1 June 2021.

OTHER CURRENT APPOINTMENTS
Chairman, Bridges Fund Management.

*Independent as per the UK Corporate Governance Code.

KEY » Ⓐ Audit Committee Ⓝ Nomination Committee Ⓡ Remuneration Committee

STACEY RAUCH
NON-EXECUTIVE DIRECTOR*

YEARS ON THE BOARD: 9

SKILLS AND EXPERIENCE
Stacey brings deep analytical thought to the Board, with considerable expertise of retail trends and insights gained at a leading international management consultancy. She has significant board level experience gained through non-executive positions held in retail and other industries which is of particular relevance and benefit to the Company at a time of challenge in the UK retail sector. Stacey is a Director (Senior Partner) Emeritus of McKinsey & Company where she served clients in the US and internationally for 24 years. Whilst there, she co-founded the New Jersey office and was the first woman to be appointed as an industry practice leader. Stacey retired from McKinsey & Company in 2010 and has since then pursued a portfolio career. In 2019, Stacey was named to the NACD Directorship 100, the annual list of the most influential leaders in boardrooms and in corporate governance in the US.

Stacey will step down from the Board on 24 June 2021 having served over nine years.

OTHER CURRENT APPOINTMENTS
Chairman, Board Fiesta Restaurant Group Inc.
Non-executive Director, Heidrick & Struggles International, Inc.

MANJIRY TAMHANE
NON-EXECUTIVE DIRECTOR*

YEARS ON THE BOARD: <1

SKILLS AND EXPERIENCE
Manjiry is currently Global Chief Executive Officer of Gain Theory, a marketing effectiveness 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, Ohal 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. Manjiry's experience of data and analytics is a key addition to the overall skillset of the Board.

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.

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.

Board of Directors
continued

EXECUTIVE DIRECTORS

MARK ALLAN
CHIEF EXECUTIVE

YEARS ON THE BOARD: 1

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 and a member of the Royal Institution of Chartered Surveyors.

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

OTHER CURRENT APPOINTMENTS
None.

MANAGEMENT COMMITTEES
Chairman of the Group's Executive Leadership Team, and Investment and Sustainability Committees. Mark attends the Audit, Remuneration and Nomination Committees at the invitation of the chairs of the relevant Committees.

VANESSA SIMMS
CHIEF FINANCIAL OFFICER

YEARS ON THE BOARD: <1
Appointed to the Board 4 May 2021.

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 worked in finance since 1998 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
Supports the Chief Executive in developing and implementing strategy, determining funding arrangements and reporting Group financial performance.

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.

COLETTE O'SHEA
CHIEF OPERATING OFFICER

YEARS ON THE BOARD: 3

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 our Office, Retail and Specialist assets.

OTHER CURRENT APPOINTMENTS
Joint Chair of the Royal Docks Enterprise Zone Programme Board Management committees.

MANAGEMENT COMMITTEES
A member of the Group's Executive Leadership Team and Investment Committee. Chairman of the Property Committee.

OUR CFO DURING THE YEAR

MARTIN GREENSLADE
CHIEF FINANCIAL OFFICER – UNTIL 31 MAY 2021

Martin stepped down as Chief Financial Officer on 31 May having served on the Board for 15 years. Martin brought extensive and wide-ranging financial experience to Landsec, from the property, engineering and financial sectors in the UK and overseas.

Martin has wide-ranging corporate finance and investment experience which was of immense benefit to the Board.

Prior to joining Landsec, Martin was Group Finance Director of Alvis plc and before that he worked in corporate finance serving as a member of Nordea's investment banking division and Managing Director of its UK business. Martin is a qualified Chartered Accountant.

Martin is a Non-executive Director of Tullow Oil plc and Trustee of International Justice Mission UK.

COMPANY SECRETARY

LIZ MILES
COMPANY SECRETARY

Appointed Company Secretary January 2021.

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. 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.

Executive Leadership Team

Mark Allan chairs our Executive Leadership Team supported by Vanessa Simms and Colette O'Shea and the Managing Directors set out on this page.

Biographies for Mark, Vanessa and Colette can be found on page 86

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
Joined Landsec and Executive Leadership Team in April 2019.

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 Sightsavers.

MARCUS GEDDES
MANAGING DIRECTOR | CENTRAL LONDON
Joined Landsec in May 2011 and Executive Leadership Team in December 2020.

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
Joined Landsec and Executive Leadership Team in December 2020.

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
Joined Landsec in April 2016 and Executive Leadership Team in December 2020.

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.

NICK DE MESTRE
MANAGING DIRECTOR | STRATEGY, RESEARCH AND INNOVATION
Joined Landsec in May 2017 and Executive Leadership Team in December 2020.

SKILLS AND EXPERIENCE
Nick has extensive investment, strategy and business development experience across a wide range of infrastructure sectors alongside real estate, including waste, water and energy. Nick began his career as a lawyer before moving over to work in finance, initially as an investment banker at Merrill Lynch and then as a fund manager, investing in innovative businesses in the waste and water sectors.

ROLE
Nick is responsible for strategy, capital allocation, research and insight as well as several of the business's key strategic levers: data and digital modernisation focused on improving Landsec's use of data and technology.

OTHER CURRENT APPOINTMENTS
Nick sits as a non-executive director on the board of The Passage Trading Services, the commercial arm of Victoria homeless charity, Passage 2000.

CHRIS HOGWOOD
MANAGING DIRECTOR | CORPORATE AFFAIRS
Joined Landsec and Executive Leadership Team in February 2021.

SKILLS AND EXPERIENCE
Chris joined Landsec from Portland Communications where he was a Senior Partner, leading its local engagement and real estate specialism as well as jointly leading the agency's flagship corporate practice. He has worked in leading communications agencies for the last ten years and before that worked in London local government.

ROLE
Chris leads the Corporate Affairs function at Landsec. He is responsible for building our reputation with politicians, media and the communities in which we operate, as well as helping us to communicate more effectively internally as we shape our new culture.

Our governance structure

ROLES AND RESPONSIBILITIES

BOARD OF DIRECTORS

- Responsible for the long-term success of the Group
- Provides leadership and direction to the Group on its culture, values and ethics
- Sets strategy and oversees its implementation
- Agrees risk appetite and is responsible for risk oversight
- Responsible for corporate governance
- Responsible for the overall financial performance of the Group
- Appoints core executive management positions

AUDIT COMMITTEE

- Responsible for oversight of the Group's financial and narrative reporting processes
- Responsible for the integrity of financial statements and internal control
- Supports the Board in risk identification and management

REMUNERATION COMMITTEE

- Recommends to the Board the executive Remuneration Policy
- Determines remuneration packages of the Executive Directors and the Executive Leadership Team
- Oversight of remuneration practices for all employees

NOMINATION COMMITTEE

- Reviews structure, size and composition of the Board and its Committees
- Oversees succession planning of Directors and the Executive Leadership Team
- Leads Board appointment processes
- Recommends appointments to the Board
- Monitors corporate governance

CEO

- Leads the Group
- Articulates vision, values and purpose
- Develops and implements strategy
- Responsible for overall performance of the business
- Manages Executive Leadership Team

MANAGEMENT COMMITTEES

PROPERTY COMMITTEE

- Responsible for property and investment decisions up to £15m
- Execution and delivery of strategy
- Operational performance
- Discusses significant market matters impacting the portfolio, for example Covid-19 rent concessions and deferrals
- Challenges and debates ahead of Investment Committee approval

INVESTMENT COMMITTEE

- Responsible for property and investment decisions between £15m and £150m
- Ensures capital investment is consistent with strategy and our expectations in terms of earning, return on capital and cash flow
- Provides challenge and debate ahead of Board approval

EXECUTIVE LEADERSHIP TEAM

For information on our Executive Leadership Team please see pages 88-89.

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 www.landsec.com/aboutcorporate-governance/board-committees

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

All other decisions are the responsibility of the CEO with a clear Delegation of Authorities framework which sets out levels of authority for decision-making throughout the business.

This year, as part of shifting the culture at Landsec, we have revised our Delegated Authorities to empower the people with the right information to make decisions. We took on feedback from the business that our Delegated Authorities made decision-making slow and were preventing people from managing their assets effectively. In many cases we have doubled, or more than doubled, individuals' authorities in our decision-making structure. This promotes the culture of empowerment and accountability that we are striving for.

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.

EDWARD BONHAM CARTER'S COMMITMENTS

At our 2020 AGM, Edward Bonham Carter's re-election to the Board received a 79.63% vote in favour and, as a result, this resolution was added to the Investment Association's significant dissent list.

Landsec identified BlackRock as having cast the majority of votes against Edward's re-election and has engaged with BlackRock since to understand the rationale for its votes. BlackRock confirmed that its voting decision was based on the concern that Edward was overboarded as a result of his position at Jupiter Fund Management plc (Jupiter) in addition to his appointments at Landsec and ITV.

In October 2020, it was announced that Edward would step down from Jupiter's board and relinquish his role as Vice Chairman in May 2021 in order to take up a new role within Jupiter focusing on its stewardship and corporate responsibility activities. This will be a non-board, part time role and therefore Edward's time commitment at Jupiter will significantly reduce.

Edward attended all of the Company's Board meetings throughout the 2020/21 financial year, and carried out his duties as Senior Independent Director which included additional time to run the internal Board evaluation process. Also this year, as a member of the Nomination Committee, Edward spent additional time on the appointment of the Company's new Chief Financial Officer and new Non-executive Director. Edward stepped down as Chair of the Remuneration Committee in May 2020 but is still the Senior Independent Director and a member of both the Remuneration and Nomination Committees.

The Board believes that Edward Bonham Carter brings significant experience to the Board and its Committees and continues to be in a position to dedicate sufficient time to discharge his duties and responsibilities as a member of the Board and Senior Independent Director.

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 started her induction in March 2021, prioritising on developing an understanding of Landsec's business and financial position, strategy, culture, risks and opportunities and Board governance and dynamics. Key to this is spending time with the Chairman, the Executive Directors, other Non-executive Directors and the Executive Leadership Team. The induction will also cover the legal and regulatory obligations of a director of a listed company and the legal and regulatory environment in which the Group operates. More information on Manjiry's induction can be found on page 101.

TRAINING

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 January the Board held a deep dive session into the long-term impact of Covid-19, hearing from medical experts, economists and our occupiers. More information can be found on page 96.

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 his new Jupiter role.
Madeleine Cosgrave (Non-executive Director)	As Regional Head of Europe at GIC Real Estate, Madeleine may have commercial relationships with peer/competitor companies. GIC owns a 17.5% stake in Bluewater and Madeleine is 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.	The potential for a conflict of interest situation is recognised and a letter of understanding was agreed at the time of Madeleine's appointment that governs her involvement in Board decisions (and levels of access to commercially sensitive information) where there is, or may be, a conflict. The Nomination Committee believes that these mitigation principles and actions are sufficient and appropriate to deal with any issues. Madeleine steps down from GIC on 1 July 2021 and, therefore, this potential conflict will no longer be relevant.

Board activities

All Board decisions this year have been viewed through a changing Covid-19 lens. Flexibility and adaptability are key so that Landsec can emerge from Covid-19 in as strong a position as possible.

Executing the new strategy

In December 2020, the Board approved the sale of 1 & 2 New Ludgate for £552m. This was followed by the acquisition of 55 Old Broad Street for £87m.

The transactions demonstrate the value that Landsec has created in its central London Portfolio and Landsec's commitment to optimising the Central London portfolio through the reinvestment of capital, as set out in our strategy. Our new strategy better aligns our capital and capability leading to greater value creation opportunities in the medium to longer term.

More detail on www.landsec.com

A YEAR OF CHANGE

This year, much of the focus of the Board has been listening to the views and perspectives of our new CEO Mark Allan, contributing to the refresh of the strategy and responding to the challenges posed by the pandemic. All Board decisions and matters have had to be viewed through a Covid-19 lens. Risks have had to be reassessed, the interests of our stakeholders have changed and had to be rebalanced and strategy has had to be re-contextualised. Flexibility and adaptability to long-term decision-making have never been more important. The Board continues to make decisions in a period of uncertainty which poses challenges but also opportunities.

BOARD MEETINGS

The Board attends eight scheduled Board meetings per year and will meet as required for additional discussions. This year, the Board held three additional Board meetings: one to discuss Landsec's immediate response to the pandemic at the beginning of April 2020; and two meetings to specifically discuss the new strategy.

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 of the matter, have had the opportunity to ask questions and are therefore in a position to make a fully informed decision.

This year, the majority of Board meetings have been held virtually with all Directors dialling in by video call. The Board has adapted well to this change in dynamic and its operation and decision-making has not been affected. However, the Board looks forward to the benefits of more informal engagement amongst the Board and employees that face-to-face meetings provide.

THE BOARD'S INPUT INTO THE STRATEGIC REVIEW

The Board held two additional meetings over the summer of 2020 to discuss the strategic review and resulting strategic plan. As part of this review, the Board considered the key concepts around which the strategy would be built: our heritage, our purpose, and global forces of change being the broad trends that will determine our focus and highlight the opportunities and challenges for Landsec. The resulting strategic priorities were discussed and approved by the Board after it had thoroughly considered what the strategy would mean for our investors, our other stakeholders, our culture and organisation and creating long-term sustainable value.

THE BOARD'S REVIEW OF THE IMPACT OF COVID-19 ON THE DEVELOPMENT PIPELINE

The Board has been monitoring our development pipeline to determine how to progress our developments in light of the impact of the pandemic. The decision was taken to scale back our developments significantly in the face of elevated uncertainty and projects were prioritised in terms of which offered the best risk-adjusted returns.

Preserving optionality across our development pipeline wherever possible by limiting development spend and delaying commitment dates was key.

In March 2021, the Board approved proceeding with the development of n2, Nova East. The Board made this decision after analysis of the supply and demand forecasts for prime London office space and consideration of timing, value, costs and return.

PRINCIPAL ACTIVITIES DURING THE YEAR

	ACTIVITIES	OUTCOMES
Strategy	› Listening to the views and perspectives of the new CEO › Strategy review	› New strategic plan: – Reimagine Retail – Grow through Urban opportunities – Optimise Central London – Realise capital from Subscale sectors › Capital Markets Day › Approval of sale of 1 & 2 New Ludgate › Approval to proceed with the n2 development
Financial	› Budget and five-year plan › Key business targets › Dividend consideration › Going concern and viability statement › Group weighted average cost of capital › Investor relations › Portfolio valuation › Debt funding and gearing levels	› Preliminary Results › Annual Report and Accounts › Half-year Report › Cancellation of the April 2020 dividend, no final dividend for FY20 proposed, no first interim dividend for FY21 declared › Publication of quarterly rent collection data › Annual Tax Report
Operational	› The impact of Covid-19 on the business and its customers (occupancy, sales and footfall) › Development pipeline › Market and sector trends › Investment and sales › Business recovery	› Customer Support Fund › Rent concessions and deferrals › Development optionality
People & Organisation	› Succession planning › Talent › Diversity › Culture › Gender pay › Sustainability › Health, safety and security	› Appointment of new CFO › Appointment of new NED › New Executive Leadership Team › Importance of diversity reinforced at Board level and throughout the business › New organisational design › Gender Pay Gap Report › Landsec Contribution Report
Governance	› Risk identification, management and internal control › Meeting reports from Chairs of Audit, Remuneration and Nomination Committees	› Risk appetite and tolerance ranges for each principal risk › Realigning principal risks to the new strategy and market segments › Board evaluation › Modern Slavery Report › Annual General Meeting

The Board and our stakeholders

Our purpose – sustainable places, connecting communities, realising potential – places 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 as a whole, 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 pages 16-17.

STAKEHOLDERS AND BOARD DECISION-MAKING

Our stakeholders' interests have changed as a result of the pandemic and therefore effective communication with our stakeholders so that we keep pace with their changing needs has been more important than ever. This, together with the combination of the consideration of long-term consequences of decisions and the maintenance of our reputation for high standards of business conduct, is integral to the way the Board operates and our overall governance.

The pandemic has created a number of situations where the opposing interests of stakeholders have had to be balanced and assessed in the Board's decision-making. For example, investors want to receive income by way of dividend but this had to be balanced with longer term interests of preserving cash during times of uncertainty and prioritising cash to be used to support our customers and communities most in need during the crisis. Short-term decisions such as suspending dividend payments and reducing Directors' pay had to be taken for the long-term benefit of Landsec and its stakeholders.

We have continued to embed stakeholder interests into the culture and operating model of our business. Papers presented to management committees always include an analysis of the impact of the decision on our various stakeholders.

HOW HAS THE BOARD CONSIDERED OUR STAKEHOLDERS DURING THE YEAR?

STAKEHOLDER	UNDERSTANDING STAKEHOLDERS INTERESTS	BOARD ENGAGEMENT WITH STAKEHOLDERS	OUTPUT
Customers	› Restrictions on operating due to Covid-19 › Inability to generate income/financial constraints › Planning for the future and adapting to change	› Direct engagement with representatives from our office, retail and leisure customers at the January Board meeting where the Board heard directly about the challenges posed by Covid-19 › Information presented in COO Reports to the Board	› Customer Support Fund – £80m allocated to help our customers most in need › Reimagine Retail, one of our strategic pillars, taking a different approach to our business model, a realistic view of sustainable rents, rethinking guest experience and reshaping the size and mix of our retail footprint › Responding to customers' changing office requirements with our range of products
Employees	› Adapting to remote working › Operating in an environment of change and uncertainty › Health and wellbeing › Understanding purpose and new strategy	› Reports from Executive Directors at every Board meeting on sentiment amongst employees, the challenges and the impact on motivation and morale › Reports from latest employee pulse surveys › NED attendance at Employee Forum and reporting back to Board › Regular reports on culture from MD People & Corporate Services › Board sought the views of the Executive Directors on employees' health, wellbeing and resilience throughout the pandemic at every Board meeting	› Enhanced communications with employees from Executive Directors › Five employee surveys held throughout the year and results reported back to the Board › Encouragement of flexibility in working arrangements to facilitate home schooling and other commitments › Spotlight on strategy sessions from Executive Leadership Team, including Q&A › Regular Town Hall meetings to engage with employees › Number of initiatives focused on health and wellbeing during the pandemic
Communities	› Challenges of continuing community support through lockdowns › Charities maintaining income › Adapting the use of our assets to provide community space	› Annual Sustainability Review at the Board › Information presented in COO Reports to the Board	› Community employment and education programmes have continued remotely › £500,000 provided to our charity partners (which included 100% of the proceeds received by Landsec from the sale of dormant shareholdings) › Directors waived 20% of their base salaries or fees for three months and this money was used to supplement the £500,000 provided to our charity partners › Site teams providing practical assistance, for example: linking our food retailers in London to local homeless charities we work with for food donations › Site car parks offered for NHS Covid-19 testing › Public Health England free space on Piccadilly Lights – 'Our local heroes: London thanks you' and 'Show your support for key workers' › Offering shopping centres as vaccination hubs
Investors	› Understanding the impact of Covid-19 on Landsec's long-term performance › Understanding the impact of Covid-19 on the execution of Landsec's new strategy › Impact of Covid-19 on share price and dividend payments	› Capital Markets Day › Full year and half year results presentation › Investor meetings › Investor Roadshow › AGM	› Cancellation of the April 2020 dividend › No final dividend for FY20 proposed, no first interim dividend for FY21 declared › Resumed paying dividends in January 2021 › Quarterly rent collection data published to update the market
Partners	› Ensuring our developments could progress whilst maintaining safety › Impact of the pandemic on decisions of local planning authorities › Impact on service partners' employees resulting from asset closures › Increased communication and alignment with joint venture partners › Joint venture partners need to understand Landsec's new strategy and direction of the business	› Health and safety discussions at the Board › Information presented in COO Reports to the Board	› £0.9m provided to top up furlough funds to allow our service partners to pay a 100% wage to their employees › Regular communications with on-site contractors to ensure Covid-19 secure practices on development sites › Close communications with service providers as restrictions were imposed on our assets and lifted to ensure smooth and safe transition at each stage

The Board and our stakeholders
continued

The long-term impact of Covid-19 from our stakeholders' perspectives

The Board experienced a fascinating day in January hearing about the long-term impact of Covid-19 from medical and health policy experts, economists and customer perspectives. This was a great opportunity for the Board to engage directly with our stakeholders, particularly customers representing our office, retail and leisure portfolio, to hear first hand the challenges that the pandemic has posed and their priorities as we emerge from the pandemic.

After hearing from experts and our customers, the Board concluded the following:

1. We are going to be living with Covid-19 and the after-effects for quite some time, particularly in a global context, and we need to plan accordingly.
2. There is huge value to be derived from staying close to our stakeholders and building and maintaining strong relationships.
3. Experience is everything. Whether it is employees in offices, visitors to shopping centres or people in their homes, we need to understand what experience people want and deliver brilliantly.
4. With so much uncertainty ahead, financial, strategic and operational flexibility, agility and resilience are going to be key.

These points are going to remain fundamental considerations in the Board's decision-making going forward.

WORKFORCE ENGAGEMENT

Face-to-face interaction between the Board and the workforce was not possible this year but the Board was extremely conscious that the health and wellbeing of employees and the impact of the pandemic on Landsec's cultural journey was of increased importance during this challenging year. At every Board meeting, the Board has asked the Executive Directors for a report on the sentiment and mood within the business and was keen to find out how employees were adjusting to the challenges of remote working and what actions were being taken to keep morale boosted and performance consistent.

Five Employee Forum meetings were held during the year. Madeleine Cosgrave, one of our Non-executive Directors, attended the Employee Forum in December and discussed a number of topics including the impact of the pandemic on the workforce, our new strategy, the future of retail, culture and diversity. Madeleine reported back to the Board the outputs of her discussion with the Employee Forum and this was particularly useful to the Board to supplement its discussions on culture as it provided the Board with direct feedback as to how employees perceive culture and diversity at Landsec and what needs to change.

Christophe Evain, as Chairman of our Remuneration Committee, met with the Employee Forum in March 2021 to discuss the proposed new Remuneration Policy and answered questions from the Employee Forum to ensure that the Policy was understood.

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.

The Employee Forum reports back to the wider workforce on the outputs of their discussions with Board members, therefore effecting a two-way dialogue.

Cressida Hogg, our Chairman, held a live Q&A session open to all employees to mark and raise awareness of International Women's Day. Cressida led a discussion on experiences and challenges of lockdown.

We are planning a series of employee and Non-executive Director engagement events to take place throughout the 2021/22 financial year and will report on these in next year's Annual Report.

Our investors

We want to create sustainable value for our three types of investors: institutional; private; and debt.

INSTITUTIONAL INVESTORS

Our Executive Directors once again held meetings with investors representing more than half the register by value during the year. The investor relations programme was conducted primarily using online meetings and conference calls due to the pandemic. Institutional investors were invited to attend our full year and half-yearly results virtual presentations. Over the summer, Mark Allan met with a number of institutions – a selection of holders and non-holders of our shares – to ensure their views were taken into consideration as part of the development of our new strategy. We held a Capital Markets Day in October which set out our new strategic priorities and information around our culture, capability and organisation. We extended our sustainability roadshow to two days and met with shareholders from the Netherlands and the UK. We engage 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 conferences in New York and London, the Citi conference in Florida, Barclays' real estate conference in London and Morgan Stanley's real estate conference in London. All conferences were virtual.

PRIVATE INVESTORS

Our private investors are encouraged to give feedback and communicate with the Directors via the Company Secretary throughout the year.

2020 ANNUAL GENERAL MEETING

Covid-19 meant we had to hold a closed AGM. We invited shareholders to ask questions via email in advance of the meeting.

All resolutions put to the meeting received overwhelming support of investors with the exception of the re-election of Edward Bonham Carter which received just under 80% of votes in favour. See page 91 for further details. The results of the voting at all general meetings are published on our website: www.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. Key activities under the plan that we have implemented this year include paying dividends by direct mandate only, (no longer by cheque), and a deemed consent mailing to reduce the number of hard copy communications.

DEBT INVESTORS

CREDIT SIDE INSTITUTIONAL INVESTORS AND ANALYSTS

Our treasury and property team held non-deal specific meetings with credit side institutional investors and analysts after the half-yearly and full year results as well as answering any ad hoc queries from investors. 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. Our treasury team also actively engaged with new and potential lenders.

CREDIT RATING AGENCIES

During the year, business and financial updates were provided by our treasury team, 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: www.landsec.com/investors.

99% of shares	Institutional investors	1% of shares	Private investors	No. of equity investors	No. of listed bonds
	2,236		8,277	10,513	11

Figures are as at 31 March 2021.

Governance and culture

"Culture is as important as strategy". Mark Allan emphasised this upon his appointment as CEO at Landsec and this has triggered a focus on culture, in parallel with the establishment and execution of our new strategy.

Our culture is what makes Landsec a great place to work.

Read more on www.landsec.com

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 good 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 we make a cultural shift.

This year, we started a journey to shape a culture we all want to be part of, which has involved input from employees throughout the business. Our employees told us that we need to be more agile in our decision-making, empower the right people to make decisions and become even more customer focused. Our culture will be underpinned by our values: inclusive, united, driven and determined.

Culture is a specific Board agenda item twice a year but discussed regularly as a key consideration in other Board discussions. This year's Board evaluation concluded that the Board is embedding culture into its mindset, not just when it is prompted to consider culture as an agenda item.

Set out on the next 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 that we reported on for the first time last year and our assessment of our progress. These metrics are provided to the Board as context for its discussions on culture.

Key for status: On track | Flagged for improvement — Financial Year 2021

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

As a result of the pandemic, this year our role in wider society and consideration of all our stakeholders has been more important than ever and has been at the forefront of Board discussions.

More on www.landsec.com

- **£6.5m** Value of social contribution
- **100%** Staff with social value/ESG targets

ETHICS AND FAIRNESS

We behave ethically and treat all our stakeholders fairly. We have clear accountabilities and an effective and transparent decision-making structure

In addition to ethics and fairness, decision-making is central to creating the right culture. If we don't empower the right people to make decisions, it demotivates people, impacts morale and slows the pace of our decision-making. We continue to assess our gender pay gap to build a balanced, diverse workforce for the long term.

More on www.landsec.com

- **zero** Equal pay claims
- **one** Grievance raised
- **73%** % of roles advertised internally

TRANSPARENCY AND OPENNESS

We share information openly and discuss our challenges and mistakes

During a year of remote working, the importance of effective communication and transparency has been crucial. We have increased the number of town halls held and have posted regular videos from people sharing business developments, our response to the pandemic and our plans for emerging from Covid-19 in as strong a position as possible. 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.

More on www.landsec.com

- **seven** Town hall meetings
- **one** Whistleblowing incident
- **29** Exit interviews completed
- **76%** Employee engagement index
- **five** Employee Forum meetings
- **four** Diversity champions

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. We monitor talent and potential and have succession plans in place for all key leadership roles. We resource projects with people from different teams throughout the business which enhances learning and development bringing together cross functional skills and experience.

More on www.landsec.com

- **86%** Leadership roles with succession plans in place
- **31%** Roles filled by internal candidates
- **47** People promoted in the last year
- **102** Employee training (Number of employees taking part in online learning)
- **28** People on new female development programme

Introduction from the Chairman of the Nomination Committee

CRESSIDA HOGG
CHAIRMAN OF NOMINATION COMMITTEE

COMMITTEE MEMBERS

- Cressida Hogg (Chairman)
- Edward Bonham Carter
- Stacey Rauch

HIGHLIGHTS

- Appointment of new CFO and Non-executive Director
- Internal Board evaluation

KEY RESPONSIBILITIES

- Composition of the Board and Committees
- Succession planning
- Board appointment process
- Corporate governance

NUMBER OF MEETINGS AND ATTENDANCE

- Four scheduled meetings
- Additional meetings in relation to CFO and Non-executive Director appointments
- 100% attendance from all members at all meetings

DEAR SHAREHOLDER

I am pleased to introduce the report from the Nomination Committee for the year.

The Committee has focused during the year on the appointment of the new Chief Financial Officer and a new Non-executive Director. It has also continued to assess the composition, succession plan and skills of the Board and its Committees, promote diversity through the business and have oversight of corporate governance.

BOARD AND COMMITTEE CHANGES

Mark Allan joined Landsec as CEO on 14 April 2020 and in October we announced the appointment of Vanessa Simms as our new Chief Financial Officer, following the announcement of Martin Greenslade's intention to retire from the Board.

We also appointed Manjiry Tamhane as a new Non-executive Director and Manjiry joined the Board at the beginning of March. You can read about the Committee's appointment process for both Vanessa and Manjiry on pages 103 and 102.

Stacey Rauch will step 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.

As a result of Stacey's departure, we are making some changes to our committee composition. As of 1 June, Nicholas Cadbury joined the Nomination Committee, Christophe Evain joined the Audit Committee and Manjiry Tamhane joined the Remuneration Committee.

I would like to take this opportunity to thank Stacey for her contribution to the Board over the past nine years. We have valued the depth of analytical thought that Stacey has brought to the Board together with considerable expertise of retail trends. Stacey has also been a great champion of diversity throughout the business. We will miss Stacey as a colleague and wish her all the best for the future.

The Committee is currently searching for one more Non-executive Director to join the Board to complement the Board's existing composition.

DIVERSITY

The Board believes that diversity and inclusivity at Board level and throughout the business is key to Landsec's long-term success. We promote diversity in the broadest sense, not just gender or ethnicity but also experience, skills, professional background and tenure.

We supported the target set by the Hampton Alexander Review for women to represent 33% of board members by 2020 and the percentage of women on our Board at 31 March 2021 was 50%. We have also met the Parker Review target of one director of ethnicity on the Board by 2021.

INTERNAL BOARD EVALUATION

This year our Board evaluation was carried out internally. The evaluation concluded that the Board and its Committees continue to operate to a high standard and work effectively. The Board believes it has added most value throughout the year in the strategic review and leadership transition. Areas of focus for the year ahead will be risk and opportunities coming out of the pandemic, people and talent pipeline and workforce engagement and culture. Next year's evaluation will be conducted externally.

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 2021. The Code is published by the Financial Reporting Council and is available from www.frc.org.uk.

CRESSIDA HOGG
CHAIRMAN, NOMINATION COMMITTEE

MANJIRY TAMHANE
NON-EXECUTIVE DIRECTOR

Manjiry Tamhane induction – first month

Manjiry met with the Executive Leadership Team to discuss the following topics:

1. Introduction to Landsec's purpose, strategic priorities, key performance drivers and values and market overview (CEO)
2. Operational performance and priorities and Covid-19: impact and response (COO)
3. Financial position (CFO)
4. People and culture and Tech overview (MD People & Corporate Services)
5. Data & Digital Modernisation, Customer Proposition & Innovation and Insight (MD Strategy, Insight and Innovation)

Manjiry also met with other Non-executive Directors who she had not met during the selection process.

The next phase of Manjiry's induction will focus on gaining more insight into our portfolio and will include visits to some of our assets and developments. We will report further on Manjiry's induction in next year's Annual Report.

Report of the Nomination Committee

EXECUTIVE DIRECTOR CHANGES

During the year, Mark Allan was appointed as the new CEO following the appointment process in the previous year. Mark joined the Board and took over as Chief Executive with effect from 14 April 2020.

In September 2020, Martin Greenslade, CFO, announced his intention to retire in 2021. In October 2020, Vanessa Simms was announced as Martin's successor. Vanessa 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. More details on the recruitment process for Vanessa can be found on page 103.

NON-EXECUTIVE DIRECTOR CHANGES

The Nomination Committee appointed Russell Reynolds, an independent executive search company with no connection to Landsec, to conduct a search for a Non-executive Director who had experience in data and analytics, which was a skills gap on the Board that had been identified by the Committee. A short list of candidates was put forward by Russell Reynolds, and these candidates each met with all members of the Committee and also the CEO. The Committee concluded that Manjiry Tamhane would be an excellent addition to the Board, with a history of data analytics and also retail and therefore, recommended Manjiry's appointment to the Board. Manjiry was appointed to the Board on 1 March 2021.

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 create 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.

Further information on diversity at Landsec can be found in the Social Review on page 59

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 appointment of Mark Allan was ratified by shareholders at the Annual General Meeting (AGM) in July 2020. The appointment of Vanessa Simms and Manjiry Tamhane will be ratified by shareholders at the AGM in July 2021. Stacey Rauch will not be standing for re-election as she will be stepping down from the Board at the end of June. Martin Greenslade will not stand for re-election as he retired from the Board at the end of May. All the other Directors will stand for re-election 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. For example, this year Landsec responded to the FRC's consultation on the future of corporate reporting.

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.

Landsec complied and applied all of the principles of the 2018 UK Corporate Governance Code for the financial year ended 31 March 2021.

Appointment of new CFO

Following the announcement on 30 September 2020 that Martin Greenslade was to step down as CFO, the Nomination Committee led the search on behalf of the Board to identify and recruit a new CFO.

Egon Zehnder was appointed as the search consultant because of its knowledge of Landsec and its expertise and strength in similar appointments. Egon Zehnder has no connection with the Company or any of our individual Directors.

The key criteria for the search was technical competence (listed company CFO experience), customer focus, and preferably a real estate or consumer facing multi-site business experience. A shortlist was presented to the CEO and Managing Director People and Corporate Services before being recommended to the Nomination Committee and then in turn to the Board for appointment. Diversity was very important throughout the search and the candidates on the shortlist were all diverse.

Before making the final decision, the Committee reviewed the process that it had followed. It believed that the process had been thorough and structured, broad and diverse and produced high-quality candidates to lead the Group.

The Committee decided unanimously that Vanessa Simms be appointed. Vanessa was previously CFO of Grainger plc, a role she held since February 2016, and Non-Executive Director and Audit Committee Chair at Drax Group plc. Prior to that, Vanessa held a number of senior positions at other UK property companies, including Deputy CFO at The Unite Group PLC and UK finance director at SEGRO plc. She has over 20 years of experience in finance and extensive knowledge of UK real estate.

The Committee recommended the appointment of Vanessa Simms as the new Group CFO and Executive Director, a decision that was endorsed by the Board on 27 October 2020. Vanessa's appointment as CFO was announced on 28 October 2020. Vanessa joined the Board as CFO Designate on 4 May 2021 to enable a month of transition with Martin Greenslade before he stepped down from the Board on 31 May 2021 and Vanessa became CFO on 1 June 2021.

VANESSA SIMMS
CHIEF FINANCIAL OFFICER

Report of the Nomination Committee
continued

BOARD EVALUATION PROCESS

In line with year three of our three-year cycle, we carried out this year's review of the Board's effectiveness internally. There were two parts to the evaluation process:

- Director appraisals: the Chairman held a meeting with each Director during which she conducted their own individual appraisals. As Senior Independent Director, Edward Bonham Carter conducted the Chairman's appraisal on behalf of the Board, having obtained views from the other Directors prior to this meeting.
- Questionnaire: the Board completed an anonymous online questionnaire that addressed a broad range of issues and which enabled it to provide comments on a range of matters. The questions covered Board performance, judgement and culture, the relationships between the Directors and the Executive, the content and scope of topics covered at Board meetings, and the nature and dynamic of Director contributions to meetings. Many questions were the same as last year to provide comparative results. This year we also added questions specifically to address the Board's contribution to the strategy review, the impact of Covid-19 on the business and the impact of Board meetings being held remotely. The questionnaire also addressed comments relating to the operation of the Audit, Remuneration and Nomination Committees, and in each case the conclusions were discussed by those Committees at their meetings in March.

The results of the questionnaire were collated by the Company Secretary on behalf of Edward Bonham Carter who then spoke to each of the Directors to ensure that these provisional conclusions were fair and representative of their views, and whether there were any additional points that Directors wanted to make or address.

The output of the effectiveness review was discussed collectively by the Board at its March meeting before its conclusions were confirmed.

PROGRESS AGAINST OBJECTIVES SET FOR 2020/21

	STRATEGY AND RISK	PEOPLE AND SUCCESSION PLANNING	STAKEHOLDER ENGAGEMENT
Our objective 20/21	More time will be allocated to strategy as the Board listens to the views and perspectives of the new CEO. More time to be spent on considering and modelling different risk scenarios and their outcomes.	More opportunity to engage with employees and the broader business to gain a better understanding of Landsec's diverse talent pipeline and succession planning within the business. Continued emphasis on culture and diversity.	Ongoing work on engagement with relevant stakeholder groups.
Our performance 20/21	The Board agreed that sufficient time was dedicated to the strategic review undertaken by the new CEO and that the Board was given the opportunity to listen to Mark's views and perspectives. The Board was appreciative of the flexibility of Board agenda to ensure that sufficient time was spent considering and modelling different Covid-19 risk scenarios and their outcomes.	Opportunity to engage with employees was challenged due to remote working throughout the year but the Board was able to experience the output of talent pipeline and succession planning as a result of the CEO's new Executive Leadership Team being established which included a number of internal promotions. Culture and diversity are regular agenda items for the Board with the MD People and Corporate Services presenting regular updates. The Board took particular interest in the culture workstream that has been underway which is reviewing the culture at Landsec and identifying necessary culture shifts and also the challenges to culture that were experienced throughout remote working during the pandemic.	The pandemic brought stakeholders even more to the forefront of the Board's decision-making throughout the year as it made decisions on provision of the customer support fund, community support and the suspension of dividends, balancing the needs and expectations of all stakeholder groups. The Board also benefited from direct engagement with customers at the Board day in January. See page 96 for further details.

> As a Board we are embedding culture into our mindset and this is the best way for us to assess Landsec's culture as it evolves."
>
> **NON-EXECUTIVE DIRECTOR**

> It feels like the mood around the Board table is positive, despite being difficult times, and the collaboration between the Executive and Non-executive Directors has become even closer during the year."
>
> **NON-EXECUTIVE DIRECTOR**

> The Board continues to be high-performing and adapted well to remote meetings. However, the informal discussions and interactions are missing and the Board will benefit in due time with the return to in-person meetings."
>
> **NON-EXECUTIVE DIRECTOR**

CONCLUSIONS FROM THIS YEAR'S BOARD EVALUATION

The general conclusion from this year's Board evaluation was that the Board and its Committees continue to operate to a high standard and work effectively. Despite the challenging circumstances caused by the pandemic, the Board believes there has been a positive shift in its performance with the arrival of our new CEO, with greater emphasis on purpose and culture and a constructive contribution by the Board to the development of the new strategy. There were no material issues to report.

The Directors believe that leadership transition and strategy were the areas where the Board added most value during the year. Other areas of strength included the skills and experience of the Non-executive Directors both to challenge and support the Executive, and to contribute properly to Board discussion and decision-making. Directors believe that risk is well understood by the Board, and that culture and conversations in the Boardroom are positive and performance-enhancing. The Board would like more visibility of our sustainability agenda and this will be addressed in the year ahead.

The Board agreed that its dynamic had been adversely impacted by remote working and meetings held via video call and there was consensus that some of the informal face-to-face meeting time and the quality of interaction that this brings has been missed. This will be resolved once the Board is able to meet again in person and the Board looks forward to increasing its direct engagement between Board members and also with senior management.

The Non-executive Directors hold a private session at the end of each meeting to review the meeting, its performance, and discuss the agenda and set expectations for the next Board meeting.

OUTPUT OF 2020/21 BOARD EVALUATION: AREAS OF FOCUS FOR THE YEAR AHEAD

	RISKS AND OPPORTUNITIES COMING OUT OF GLOBAL PANDEMIC	PEOPLE AND TALENT PIPELINE	WORKFORCE ENGAGEMENT AND CULTURE
Our objective 21/22	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 hearing more from external experts to talk about trends impacting the property sector.	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, dinners and meetings on the floor.	The Board would like more employee/NED events. These events will pick up on themes raised at the Employee Forum and will allow the NEDs 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.

Introduction from the Chairman of the Audit Committee

NICHOLAS CADBURY
CHAIRMAN OF THE AUDIT COMMITTEE

COMMITTEE MEMBERS

- Nicholas Cadbury (Chairman)
- Madeleine Cosgrave
- Stacey Rauch

HIGHLIGHTS

- Continued focus on integrity of reporting process
- Rigorous assessment of risk management and internal controls
- Review of impact of Covid-19 on the business

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

DEAR SHAREHOLDER

Throughout the financial year, the Audit Committee continued its focus on the financial statements and the integrity of the reporting process, oversight of risk management and internal controls and addressing the ongoing impact of the pandemic on the Group's risk profile, performance and recovery.

RISK

The Committee used the risks contained in the Group's risk register (set out on pages 71-75 of this Annual Report) as a basis for its activity during the year. On behalf of the Board, the Committee manages the process by which risks are identified, prioritised and managed.

There are two areas of key risk that the Committee has monitored over the year that I would like to note due to their importance: cyber security and fire management. A risk management strategy has been established to identify and prioritise cyber security risks to improve cyber standards and practices across all our assets. Fire safety management is also being closely monitored by the Committee to ensure the correct measures are in place and risk management processes are being updated regularly.

A global pandemic was not something most companies had identified as a principal risk prior to 2020. The disruption caused by Covid-19 has illustrated how going forward we need to ensure that disruption risk is embedded into all our principal risks as appropriate. I am, however, reassured by Landsec's response to the pandemic which highlights how well embedded risk management is, the effectiveness of the business resilience plan and how capable the business is in responding to a crisis.

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.

The Financial Reporting Council (FRC) reviewed our 2020 Annual Report and Accounts and we were pleased that, based on its review, there were no questions or queries that it wished to raise nor any significant findings. It was very useful, however, to receive some suggestions from the FRC as to how we could improve our existing disclosures and we have addressed all the points raised in the preparation of this year's Annual Report. The FRC provides no assurance that our report and accounts are correct and its review was limited to considering compliance with the reporting requirements. The FRC accepts no liability for reliance on its letter by any third party, including but not limited to investors.

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 valuation process is an extensive exercise that 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, Ernst & Young LLP (EY), as part of its audit scope. At 31 March 2021, the valuation contains a material uncertainty clause to reflect the Covid-19 impact but only in respect of our hotel portfolio.

ACQUISITIONS AND DISPOSALS

During the year, in execution of its new strategy, Landsec sold 7 Soho Square, W1, 1 & 2 New Ludgate, EC4 and acquired 55 Old Broad Street, EC2. The Committee ensured that the accounting treatment of these material transactions was appropriate.

PROVISIONS FOR BAD DEBT

Over the year, the Committee has closely monitored the cash collections of rents across the whole portfolio and we have seen a material reduction in cash collected this year. This indicates a likely increase in business failures and we are monitoring any customers in financial distress, particularly with the end of the moratorium on enforcement action in June. This has resulted in increasing levels of outstanding debtor balances which we have assessed and made a judgement as to whether the balance is expected to be recovered, taking into account any concession agreements concluded and anticipating insolvency events. This analysis involves a significant amount of judgement and we therefore include provisions for bad debts as a significant financial matter.

INTERNAL AUDIT

Landsec has a combined risk management and internal audit function and the Committee believes that this works well based on the quality of the data and reporting from the Director of Risk Management and Internal Audit. The Committee reviews the scope, skills and competencies of this function each year and considers any recommendations for change. The knowledge, skills and resources of our own team remain appropriate and there is a benefit to having an internal team that has knowledge of how the business operates. This is coupled with a clear understanding that they may require and benefit from specialist external expertise from time to time. We believe that the combination of internal and external advisers continues to provide us with the best insight into areas of risk and appropriate controls, to ensure that the Committee receives clear advice and enables it to report to the Board that the systems of internal processes and controls are robust.

This year, the internal audit plan has reviewed matters including fire safety management, outsourced service providers, purchase to pay, fraud risk and a 'Sarbanes-Oxley' readiness assessment. In the year ahead, the internal audit plan includes reviews for Piccadilly Lights, site cyber security, a major development, cultural framework and controls over Myo (our flexible office product).

FAIR, BALANCED AND UNDERSTANDABLE

The Committee assessed and recommended to the Board that, taken as a whole, the Company's 2021 Annual Report is fair, balanced and understandable.

GOING CONCERN AND VIABILITY STATEMENT

Given the significant impact of Covid-19 on the macro-economic conditions in which the Group is operating, we continue to have a particular focus on the appropriateness of adopting the going concern assumption in preparing the financial statements for the year ended 31 March 2021. The going concern statement is set out on page 78 and detail of the assessment can also be found under significant financial matters on page 114. The viability statement, together with the rationale behind the chosen five-year time horizon, is set out on page 78.

UK CORPORATE GOVERNANCE CODE/ 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 Committee's performance was considered as part of the internal 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.

The composition of the Committee will change in June this year when Stacey Rauch steps down from the Board. I would like to express my thanks to Stacey for her contribution to the Audit Committee over the past nine years. On 1 June 2021, Christophe Evain became an Audit Committee member and I look forward to the perspective that Christophe will bring to the Committee.

I would like to thank the other members of the Committee, together with management, CBRE and EY, for their support during a challenging 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 the impact of Covid-19 on all these aspects.

STRUCTURE AND OPERATIONS

AUDIT COMMITTEE MEETINGS

REGULAR ATTENDANCE AT MEETINGS TO SUPPORT THE COMMITTEE

- Chairman of the Board
- Chief Executive
- Chief Financial Officer
- Company Secretary
- Director of Risk Management and Internal Audit
- Members of senior finance team
- Representatives of the external auditor

CBRE PROPERTY VALUATION PRESENTATIONS

- All Directors are invited to attend meetings when CBRE property valuation presentations are made

COMMITTEE PRIVATE SESSIONS

- Internal audit team
- CBRE valuation team
- Ernst & Young

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: www.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 Management and Internal Audit, 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 half-yearly property valuation.

The Committee has private sessions with the internal audit team. In addition, 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 84 and 85.

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 or whenever it may be appropriate, the Committee Chairman reports on the main discussion points and findings to the Board.

RISK MANAGEMENT FRAMEWORK

The Board is responsible for determining both the nature and extent of the Group's risk management framework and the risk appetite that is acceptable in seeking to achieve its strategic objectives. 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 explaining the key elements of the approach to risk, any changes to the process over the course of the current year and the key risk management priorities for 2021/22 are described on page 68. This includes the risk management process, by which the Executive Leadership Team completes a detailed review of the business risks, controls and mitigation strategies which form the basis for the principal and emerging risks, before being assessed by the Audit Committee.

The risk dashboard uses indicators to track whether our risk level is within our risk appetite and this triggers discussion by the Committee as to how the principal risks are moving and whether the risk tolerance ranges remain appropriate.

In its year end assessment, the Audit Committee has determined that the market cyclicality risk remains high due to forecasts of a stronger UK recession resulting from the pandemic but has decreased since last year and our half-yearly results on the back of achieving a trade deal with the EU on the conclusion of Brexit negotiations.

The customer risk has been split into two segments, one for retail and hospitality and one for London office. Customer risk – retail and hospitality is placed at the top right quadrant of the heat map, in the position of the previous customer risk, reflecting the continued uncertainty around demand for space and outlook for these sectors. Customer risk – London office, is placed in the centre of our heat risk map reflecting the overall lower risk profile of this sector which has remained resilient through the pandemic but is subject to some uncertainty given the reported success of home working and companies reappraising how they use office space going forward.

Primary responsibility for 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 MANAGEMENT

Under the overall supervision of the Committee, there are several sub-committees and work groups that oversee and manage day-to-day risk within the business. The Group has a Director of Risk Management and Internal Audit (with a direct reporting line to the Audit Committee Chairman) who provides regular oversight of risk matters, evaluates emerging risks that may affect the business 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 (including any assistance that may be required from external specialists) of the risk management and internal audit function to ensure alignment with the needs of the business and compliance with its governance charter. This work plan is assessed against the risk register and market practice.

INTERNAL CONTROL

Internal audits carried out by the Group and reviewed by the Committee included fire safety management, Sarbanes-Oxley readiness, fraud risk and the quality of our development process.

The Internal Audit team also provided 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 internal control are as follows:

- an established organisation 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, together with professional services support including legal, human resources, information technology, tax, company secretarial and health, safety and security
- a compliance certification process from management conducted in relation to the half-yearly and full year results, and business activities generally
- a quarterly self-certification by management confirming that key internal controls within their area of responsibility have been operating effectively
- a risk management and 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

Report of the Audit Committee
continued

- 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 receives and discusses on a quarterly basis:

- the Group's risk register, including 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 on their review of the effectiveness of various elements of the internal control system maintained by the Group
- the whistleblowing report.

BREXIT

The Audit Committee has proactively reviewed and challenged our Brexit risk assessments over the year to ensure we are able to minimise downside business consequences. Further, we are receiving support from specialist agencies to ensure any direct purchases of goods from the European Union for our development pipeline clear customs effectively.

DATA GOVERNANCE

To strengthen data governance and pursue its strategic objective of being data led, Landsec has invested in technology tools to enhance data loss detection, classification and access control.

A new role has been created in the business, a Head of Data & Digital Modernisation, with a remit for reviewing and strengthening data governance practices within the organisation.

The Committee received updates on data security and governance during the year, together with reports on subject access requests and any potential data breaches and assesses the Company's own evaluation of compliance against the Information Commissioner's Office (ICO) accountability principles and its maturity assessment as part of its oversight process.

GENERAL DATA PROTECTION REGULATION (GDPR)

Following Brexit, the UK has adopted both the EU General Data Protection Regulation (GDPR) into UK law and the 'adequacy' decisions of the EU for its international data transfers, including recognising the EU as adequate. The EU has also commenced steps to recognise the UK as adequate and data transfers remain unhindered under the Brexit deal.

As with all organisations, Landsec is eager to understand the international data sharing strategy for the UK government post-Brexit and has participated in consultations with the Department for Culture, Media and Sport and the ICO. Landsec also chairs a forum for data protection representatives from the property industry to discuss, learn, share and promote privacy practices in the industry.

FIRE SAFETY

New fire safety legislation is expected to come into effect during FY2021/22 as a result of the Fire Safety Bill and Building Safety Bill. These will introduce new duties on property owners and superior landlords of multi-occupied residential buildings relating to building design, construction and fire risk management. Working with fire safety experts, we are anticipating these changes and their potential impact on the design and management of new and existing buildings.

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.

AUDIT PLAN

EY presented its proposed audit plan (reviewed by senior management and the Director of Risk Management and Internal Audit) 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. During the year, no issues were reported to the Committee.

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 new 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.

The EY partner in charge of the valuation specialist team rotated during the year.

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 Management and Internal Audit 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. The Committee Chairman meets privately with the audit engagement partner before the Committee considers the results of the effectiveness review. The Committee's preliminary view is that EY has again performed 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. Kathryn Barrow took over as audit engagement partner with effect from June 2018. The Committee has assessed the quality, stability and continuity of the relationship with EY as the current auditor. It has recommended to the Board that it is in the best interests of the Company and shareholders to tender the audit contract by a date no later than that stipulated by the current regulations. There is no contractual obligation to remain with EY and the choice of audit firm will remain a topic of consideration for the Audit Committee.

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 a further year.

The Company has complied with the Statutory Audit Services Order 2014 for the year under review.

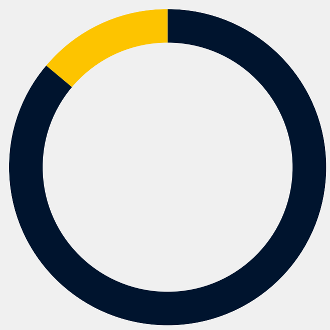
AUDIT FEE

The fees payable to EY for audit and assurance for 2020/21 (including the audit of the Group's joint ventures) are £1.2m (2019/20: £1.0m).

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 2020/21 Chart 35



(17.9% non-audit fees as a ratio to Group audit fees excluding the audit of the Group's joint ventures)

Report of the Audit Committee
continued

The Committee monitors compliance with the policy, including the prior approvals required for non-audit services, which are as follows:

Table 36

	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

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 interests 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 £190,000. Details of the fees charged by EY during the year can be found in note 8 to the financial statements.

The total of £190,000 paid for non-audit services represented 17.9% 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.

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.

The London Portfolio was inspected by CBRE as normal during the year and as a result of Covid-19, approximately 75% of our shopping centres and outlets were visited by CBRE and just under 50% of our leisure assets.

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 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 39 properties (comprising 74% of the portfolio) for substantive review by its valuation experts primarily on the basis of their value, type, risk profile and location. A new valuation expert was brought onto the EY team to lead this year's valuation review. This year, EY was restricted in its ability to visit sites due to Covid-19 but did virtually visit two properties and completed analytical reviews over the input data for the valuations, comparing this to market data. 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 during the year represented less than 5% of their total fee income for the year.

SIGNIFICANT FINANCIAL MATTERS

The Committee reviewed four significant financial matters in connection with the financial statements, namely the valuation of the Group's property portfolio, revenue recognition, going concern in the context of the impact of Covid-19 and recovery of receivables and bad debt provisions. Further details are set out in the table on page 114.

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.

In addition, the Committee considered, took action and made onward recommendations to the Board, as appropriate, in respect of other key matters including accounting for property acquisitions and disposals, maintenance of the Group's REIT status 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 227. 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.

Taking the above into account, together with the views expressed by EY, the Committee recommended, and in turn the Board confirmed, that the 2021 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 at each meeting and has overall responsibility for whistleblowing but the Audit Committee supports the Board in this respect. The Audit Committee reviews the Group's whistleblowing 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, MD People and Corporate Affairs and the Director of Risk Management and Internal Audit and escalated to the Committee, as appropriate. During the year, no whistleblowing incidents were reported through the hotline, although one report was received through a different channel, was fully investigated and no further action was deemed necessary. The report of the investigation was provided to the Board and the Committee.

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.

ANTI-BRIBERY AND CORRUPTION

We have updated our Bribery Risk Register during the year and anti-bribery controls have been assessed in a recent internal audit. In addition, we have reviewed and made improvements to how we record and approve activity related to our Gifts and Hospitality Policy. We have also developed a training module on Anti-Bribery and Corruption and this will launch Company wide during the coming year alongside a new Anti-Bribery and Corruption Policy.

The Board has a 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.

Report of the Audit Committee
continued

SIGNIFICANT FINANCIAL MATTERS

SIGNIFICANT FINANCIAL MATTERS CONSIDERED	HOW THE COMMITTEE ADDRESSED THE MATTERS
Valuation of the Group's property portfolio (including investment properties, investment properties held in joint ventures and trading properties) 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. As a result of Covid-19, and the resulting lack of transactional evidence in the market, CBRE's valuations of our hotel assets are subject to a 'material valuation uncertainty' clause.	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 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 CBRE separately from management and its remit extends to investigating and confirming that no undue influence has been exerted by management in relation to CBRE arriving at its 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, the treatment of rents, incentives and recognition of trading property proceeds) 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 revenue profit-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.	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.
Going concern in the context of Covid-19 The Group's going concern assessment is dependent on a number of factors, including the Group's financial performance, the Group's continued access to borrowing facilities and the Group's ability to continue to operate within its financial covenants. The value of our investment properties supports the Group's borrowing facilities which are secured against a ring-fenced group of property assets and are subject to financial covenants. There is a significant degree of uncertainty about recovery from Covid-19 and the impact this could have on the world economy and a risk that this could adversely impact the Group's ability to continue to operate as a going concern. There is also a risk that the impact of Covid-19 on the going concern basis has not been adequately disclosed in the Annual Report and Accounts.	The Group's going concern assessment considers the Group's principal risks (see page 78) and is dependent on a number of factors, including financial performance, continued access to borrowing facilities and the ability to continue to operate the Group's secured debt structure within its financial covenants. The going concern assessment is based on the 12-month period to 31 May 2022 within the Group's viability model, which reflects unfavourable macro-economic conditions and potential adverse structural changes to the business. The Committee has reviewed the going concern disclosures in the Annual Report and Accounts and has concluded that they adequately disclose the risk to the extent it can be evaluated at this time. For further information on the Group's going concern and viability assessments, see page 78 and note 1 of the financial statements.
Recovery of receivables and provision for bad debts Ongoing Covid-19 restrictions during the year have resulted in increasing levels of outstanding debtor balances. Debtor balances are assessed on an individual basis for both rent and service charge and a judgement is made as to whether the balance is expected to be recovered, taking into account any concession agreements concluded and anticipated insolvency events. This analysis involves a significant amount of judgement and there is a risk that balances which are expected to be recovered are not, or that the amounts provided for are not sufficient.	The Committee has discussed the provision for bad debts at all of its meetings throughout the year. Ahead of the May meeting, the Committee Chairman met with management to agree how the Committee would evaluate the judgements applied in determining the appropriate level of provisions. The Committee and EY have reviewed the process applied and judgements taken and concluded that they are appropriate.

The above description of the significant financial matters should be read in conjunction with the Independent Auditor's Report on pages 146-153 and the significant accounting policies disclosed in the notes to the financial statements.

Directors' Remuneration Report – Chairman's Annual Statement

CHRISTOPHE EVAIN
CHAIRMAN, REMUNERATION COMMITTEE

COMMITTEE MEMBERS
- Christophe Evain (Chairman)
- Edward Bonham Carter
- Cressida Hogg
- Stacey Rauch

HIGHLIGHTS
- Remuneration Policy Review
- ESG targets introduced
- New Chief Financial Officer appointed

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
- Two additional meetings
- 100% attendance

DEAR SHAREHOLDER,

I am pleased to present, on behalf of the Board, the Directors' Remuneration Report for the year ended 31 March 2021.

This year has been extraordinary for many reasons and I cannot introduce this year's report without acknowledging the disruption that Covid-19 has had on our lives. Other sections of the Annual Report deal with the effects of the pandemic on our business in more detail, but I would like to pay tribute here to all those at Landsec who have worked so hard to minimise the potentially devastating impact of the virus on our people, our partners and our customers.

DIRECTORS' REMUNERATION POLICY

This year we continued to apply the Remuneration Policy that was approved by shareholders at our 2018 AGM. However, as the policy is due to expire during 2021, we have undertaken a comprehensive review of executive pay arrangements.

We consulted with our major shareholders, the main shareholder representatives and with our people. In doing so, we took account of developments in best practice and investor expectations, as well as the specific nature of our business and the sector in which we operate.

The Committee believes that the existing approach to Directors' remuneration remains appropriate for Landsec. We are, however, proposing several changes to the Remuneration Policy and its implementation to align it to the conclusions of our recent strategic review, to address feedback received at the 2020 AGM, and to reflect recent developments in governance and good practice more generally.

The details of the proposed changes we are making to the Policy, which do not involve any increases to quantum, can be found on page 134, while the Committee's proposed implementation of the Policy for the year ending 31 March 2022 is presented below.

PERFORMANCE FOR THE 2020/21 FINANCIAL YEAR

We began the new financial year with the country in lockdown, many retail and leisure destinations closed and our offices, while open, largely empty given Government guidance to work from home. Conditions have improved from the early days of the pandemic, but the effect of Covid-19 on our income continues to be significant.

Directors' Remuneration Report – Chairman's Annual Statement

continued

The decline in asset values in our retail and leisure assets has continued, although our London offices have been resilient with only a small reduction in values.

One of the first steps we took to manage the effects of Covid-19 was to suspend dividend payments in April 2020 in order to conserve cash in the face of significant uncertainty. Over the subsequent months, we have seen trading conditions begin to improve and consequently reinstated our dividend in November 2020.

Our results clearly show the impact of the pandemic on our business, but Landsec remains in a fundamentally strong position. The high-quality of our portfolio and low leverage of our balance sheet provide a solid foundation for executing our growth strategy and creating value for all stakeholders. The business is well placed to capitalise on opportunities as they emerge.

For the year ended 31 March 2021 revenue profit is down 39.4%. Adjusted diluted earnings per share are also down 39.4% to 33.9p. Asset values declined by 13.7% in aggregate reflecting the weaker retail market, particularly shopping centres and retail parks and the vacating of proposed developments during the year. This resulted in a 17.4% reduction in EPRA net tangible assets per share to 985p.

These results are clearly reflected in the variable pay awarded to the Executive Directors in respect of the performance period ended 31 March 2021.

ANNUAL BONUS PERFORMANCE

While revenue profit and total property return have been impacted by the Covid-19 pandemic, the performance of the Executive Directors and employees has been strong. This included the successful delivery of a number of initiatives designed to ensure that Landsec emerges from the pandemic in the best position possible, including maintaining financial strength and flexibility by successfully executing asset disposals, preserving optionality over the Group's development programme and strengthening relationships with our customers.

Given the above, the Committee believes that it is appropriate for the Executive Directors to receive annual bonuses for 2020/21. However, the Committee has also considered the experience of shareholders and stakeholders more widely during the pandemic in addition to recognising the Executive Directors' efforts and performance against the targets which were set.

As a result, the Committee agreed to exercise downward discretion to: (i) reduce the calculated outcome by 50%; and (ii) defer the entire bonus into shares for a period of three years.

This resulted in a bonus outcome of 16.2% of maximum (equating to 24.3% of salary), which is considered to be appropriate in the context of the performance of the Executive Directors and the impact of Covid-19 on our shareholders and wider stakeholders. See page 122 for further details.

LONG-TERM INCENTIVE PLAN PERFORMANCE

Vesting of the LTIP 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 2021 was below the threshold level and as such there will be no vesting in respect of the 2018 LTIP award.

MANAGEMENT CHANGES

On 30 September 2020 Martin Greenslade announced his intention to retire from the Board during 2021. He will step down as CFO on 31 May 2021 and full details of the remuneration arrangements are explained on page 124.

Following the announcement, the Board instigated a comprehensive search for a replacement CFO and after thorough consideration, Vanessa Simms was appointed. She joined the business on 4 May 2021 as CFO Designate assuming the role of CFO on 1 June 2021. Full details of her remuneration arrangements are set out on page 125.

The retirement of Martin Greenslade was comprehensively reviewed by the Committee. Noting that he took the role of Acting CEO prior to Mark Allan's appointment and after taking into account Martin's length of service, commitment to the business and his record in steering the Company through a turbulent economic environment, the Committee deemed him to be a good leaver under the terms of the bonus plan and LTIP. Furthermore Martin will continue in his role as CFO until 31 May 2021, providing his full support until a handover is completed on 30 June 2021; his 12-month employment and notice period will end on 29 September 2021 after which time he will comply with the Company's post-cessation shareholding requirements.

DISCRETION

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 122.

EXECUTIVE REMUNERATION FOR 2021/22

1. BASE SALARY

Due to the ongoing impact of Covid-19, the annual salary review due for June 2021 will not take place. The next salary review will be carried out in June 2022.

2. PENSION

Consistent with the UK Corporate Governance Code and recent investor guidance, our new CFO will receive a pension allowance of 10.5% of salary in line with the wider workforce. All Executive Directors' pension contributions will now be aligned to the wider workforce.

3. ANNUAL BONUS

For the performance period ending 31 March 2022, Executive Directors will be eligible for an annual bonus of up to 150% of salary. Reflecting Landsec's new strategy and a desire to simplify the current arrangements, revenue profit will be upweighted slightly, absolute total return targets will replace relative total property return targets and a small number of key ESG objectives will replace business KPIs. Personal objectives will continue to be operated for a minority of the award albeit upweighted compared to prior years. Further detail is provided on page 128.

4. LONG-TERM INCENTIVE PLAN

We intend to grant awards under the LTIP in June 2021, which will be subject to performance conditions over a three-year performance period. Performance targets will be based on total business return, relative TSR, and carbon reduction. Any awards which vest will continue to be subject to a two-year post-vesting holding period. The Committee will consider the prevailing share price at the time of grant and it will also retain full discretion to apply a downward adjustment to the level of LTIP vesting in 2024 if it considers that the vesting value represents an unjustified 'windfall gain' taking account of the level of performance achieved over the relevant period. Further detail is provided on page 129.

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 on their implementation. When making any decisions on remuneration matters, the Committee takes account of the interests of all internal and external stakeholders. During the current year, we reviewed the bonus scheme for our staff and agreed measures to simplify the scheme, more closely aligning it to the Executive Director bonus scheme.

GENDER PAY GAP

During the course of the year, the Committee was pleased to see that the Company's gender pay gap had improved. However, we remain concerned about the gap and continue to review management's response to this important topic. The Committee is pleased to note that management is also well advanced in its preparations to report the ethnicity pay gap, ahead of any formal regulations. More information on the measures being taken to deal with this can be found on page 62 and on the Company's website.

EMPLOYEE VOICE

I took the opportunity to meet with our Employee Forum in early 2021, specifically to understand the views of the wider workforce in respect of Executive remuneration and our proposed Remuneration Policy. Employees were able to ensure their voice was heard directly by this Committee and I was pleased to answer a number of questions posed by the forum. In particular, I noted that the alignment of Executive pensions with employee pensions was well received.

SHAREHOLDER CONSULTATION

As part of the Remuneration Policy review, the Remuneration Committee consulted with 20 of our main shareholders and the main shareholder representative bodies. In addition to setting out the proposals in a detailed letter and responding to a number of questions and clarifications, the Committee held a number of calls with major shareholders to discuss the proposals. Finally, consistent with best practice and in the interests of transparency, shareholder feedback was summarised and shared with those consulted. The level of support received for the proposals has been very strong and, as such, no changes have been made to the proposals originally presented.

CONCLUSION

I would like to thank my predecessor, Edward Bonham Carter, for chairing the Remuneration Committee until 6 May 2020. This has been a challenging year and, like many, I look forward to a time when Covid-19 is a distant memory.

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 2020/21.

We aim to align the total remuneration for our Executive Directors to our business strategy through a combination of salary, bonus and long-term incentive schemes, 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
1. Base salary
2. Benefits
3. Pension

More on page 135

ANNUAL BONUS
More on page 135

LONG-TERM INCENTIVE
More on page 136

2020/21 in numbers

PERFORMANCE

£251m
Revenue profit
(2020: £414m)

27.2%
Annual TSR
(2020: -35.4%)

-9.6%
Ungeared TPR
(2020: -4.5%)

33.9p
Adjusted diluted EPS
(2020: 55.9p)

REMUNERATION ACROSS THE GROUP

£49m
Total pay bill
(2020: £51m)

14.7%
Employees received an annual increase
(2020: 0%)

1.5%
Average pay increase
(2020: 0%)

89.6%
Employees to be paid a bonus
(2020: 99.6%)

CHIEF EXECUTIVE REMUNERATION

£2,919,629[1]
Single figure
(2020: £1,569,474)

16.2%
Annual bonus percentage
(2020: 43.8%)

0%
LTIP vesting
(2020: 0%)

86.0%[2]
Change in total remuneration
(2020: -3.4%)

GENDER PAY GAP REPORTING

36.6% Mean hourly pay gap
(2020: 37.7%)

29.3% Median hourly pay gap
(2020: 34.3%)

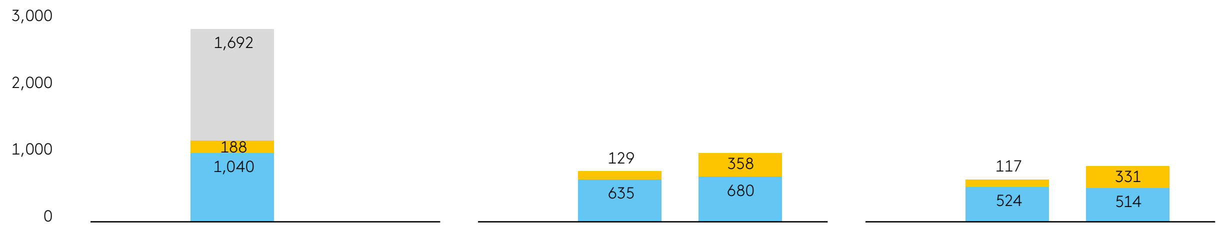
68.4% Mean bonus pay gap
(2020: 61.0%)

1. Includes £1,692,042 in relation to buyout awards made on appointment. Excluding relocation and buyout awards the single figure is £1,027,587.
2. Includes buyout awards made in relation to appointment. The change in total remuneration, excluding buyout awards, is -34.5%.

Summary of Executive Directors' total remuneration

Table 37

	Mark Allan Chief Executive (£000)		**Martin Greenslade** Chief Financial Officer (£000)		**Colette O'Shea** Chief Operating Officer (£000)	



	2020/21	2019/20	**2020/21**	2019/20	**2020/21**	2019/20
Base salary	**733**	–	**504**	528	**456**	444
Benefits	**230**	–	**21**	20	**18**	17
Pension allowance	**77**	–	**110**	132	**50**	53
Annual bonus paid in cash	**–**	–	**–**	–	**–**	–
Annual bonus deferred into shares	**188**	–	**129**	358	**117**	331
Long-term incentives vested	**–**	–	**–**	–	**–**	–
Other[1]	**1,692**	–	**–**	–	**–**	–
Total remuneration	**2,920**	–	**764**	1,038	**641**	845

1. Recruitment awards in respect of compensation from previous employment.

Summary of Executive Directors' total remuneration

		Weighting	**Outturn**	**% of weighting achieved**
ANNUAL BONUS	One-year TPR	26.0%	0.0%	
	Revenue profit	26.0%	0.5%[1]	
	Retail & Specialist performance	7.0%	3.5%	
	Office performance	5.3%	5.3%	
	Net debt reduction and headroom	7.0%	5.2%	
	Development performance	8.7%	3.5%	
	ESG performance	3.5%	3.5%	
	People and diversity	3.5%	0.9%	
	Total Company bonus opportunity	**87%**	**22.4%**	
	Individual targets	13%	10.0%	
	Total bonus	**100%**	**32.4%**	
	After 50% negative discretion applied		**16.2%**	
LONG-TERM INCENTIVE	Three-year TSR	50%	0.0%	
	Three-year ungeared TPR	50%	0.0%	
	Total LTIP opportunity	**100%**	**0.0%**	

1. Actual outturn 0.65% has been reduced to 0.5% to reflect the impact of Covid-19.

To read more on our strategy, go to page 30

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 2021 and how the new policy will operate in the financial year ending 31 March 2022.

IN THIS SECTION

COLOUR KEY

FIXED PAY

ANNUAL BONUS

LONG-TERM INCENTIVE

During the course of 2020/21, the Remuneration Committee was engaged in a number of key matters, including:

- Reviewing compensation 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) awarded in 2018
- Reviewing the variable pay arrangements below Executive Director level
- Determining the annual level of LTIP grants to Executive Directors and ELT members
- 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
- Determining the remuneration terms for Martin Greenslade following his retirement
- Determining the remuneration terms for Vanessa Simms, our newly appointed CFO

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 2021. Tables 38 and 39 show the payments we have made or expect to make and tables 40-44 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 2021 in connection with performance achieved in the financial year ended 31 March 2021.

The values shown for the 2020/21 annual bonus and the 2018 LTIP awards (for the three-year performance period ended 31 March 2021) are based on estimated achievement against total property return (TPR) performance measures. Based on the estimated TPR and actual TSR performance, the vesting level for the 2018 LTIP is projected to be zero.

Single figure of remuneration for each Executive Director (£000) Table 38

		Base salary[1]	Benefits[2]	Pension allowance[3]	Annual bonus paid in cash[4]	Annual bonus deferred into shares[4]	Long-term incentives[5]	Other[6]	Total	Total fixed pay	Total variable pay
Executive Directors											
Mark Allan	**2020/21**	**733**	**230**	**77**	**–**	**188**	**–**	**1,692**	**2,920**	**1,040**	**1,880**
	2019/20	–	–	–	–	–	–	–	–	–	–
Martin Greenslade	**2020/21**	**504**	**21**	**110**	**–**	**129**	**–**	**–**	**764**	**635**	**129**
	2019/20	528	20	132	–	358	–	–	1,038	680	358
Colette O'Shea	**2020/21**	**456**	**18**	**50**	**–**	**117**	**–**	**–**	**641**	**524**	**117**
	2019/20	444	17	53	–	331	–	–	845	514	331

1. Base salary earned during the year after the voluntary reduction of 20% of base salary between May and July 2020 due to the impact of Covid-19. See table 52 for details of annual salary.
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, repayable on a pro-rata basis should he leave 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 and Colette O'Shea was a cash allowance of 10.5% of base salary.
4. In response to the Covid-19 pandemic, Executive Directors' 2019/20 and 2020/21 annual bonus awards were deferred into shares vesting in 2021 and 2024 respectively.
5. The LTIP awards for Martin Greenslade and Colette O'Shea did not vest in respect of 2019/20 or 2020/21, and therefore the figures in this table do not include the impact of any share price appreciation. Dividend equivalents do not accrue on these awards between grant and vesting.
6. In respect of compensation from his previous employer, Mark Allan received a cash bonus payment of £674,630 and share based recruitment awards valued at £1,017,412 (see table 48 for further details) which vested on 7 July 2020 and 22 March 2021.

Single figure of remuneration for each Non-executive Director (£000) Table 39

		Fees[1]	Benefits[2]	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	**2020/21**	**356**	**–**	**–**	**–**	**–**	**–**	**356**	**356**	**–**
	2019/20	375	–	–	–	–	–	375	375	–
Stacey Rauch[2]	**2020/21**	**66**	**5**	**–**	**–**	**–**	**–**	**71**	**71**	**–**
	2019/20	70	5	–	–	–	–	75	75	–
Edward Bonham Carter	**2020/21**	**82**	**–**	**–**	**–**	**–**	**–**	**82**	**82**	**–**
	2019/20	95	–	–	–	–	–	95	95	–
Nicholas Cadbury	**2020/21**	**86**	**–**	**–**	**–**	**–**	**–**	**86**	**86**	**–**
	2019/20	90	–	–	–	–	–	90	90	–
Madeleine Cosgrave	**2020/21**	**66**	**–**	**–**	**–**	**–**	**–**	**66**	**66**	**–**
	2019/20	70	–	–	–	–	–	70	70	–
Christophe Evain	**2020/21**	**83**	**–**	**–**	**–**	**–**	**–**	**83**	**83**	**–**
	2019/20	70	–	–	–	–	–	70	70	–
Manjiry Tamhane[3]	**2020/21**	**6**	**–**	**–**	**–**	**–**	**–**	**6**	**6**	**–**
	2019/20	–	–	–	–	–	–	–	–	–

1. Represents fees paid to Directors during the year after the voluntary reduction of 20% of fees between May and July 2020 due to the impact of Covid-19. See table 53 for annual fees as at 31 March 2021.
2. Stacey Rauch, who is based in the US, received UK tax return support which is treated as a benefit in kind.
3. Appointed 1 March 2021.

Annual Report on Remuneration

continued

1.2 ANNUAL BONUS OUTTURN

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, 130% of salary was dependent on meeting Group targets and 20% of salary was dependent on meeting personal targets. All targets were set at the beginning of the year. The following table confirms the targets and their respective outcomes.

Annual bonus performance 2020/21: Summary Table 40

Measure	Weighting	Description	Performance outcome				Outturn
			Threshold	**Target**	**Maximum**	**Actual**	
Total property return	26%	The Group's ungeared TPR relative to relevant MSCI benchmarks comprising all March-valued properties (excl. Landsec)	Benchmark (6.5%)	Benchmark +0.7% (13%)	Benchmark +2.0% (26%)	Below benchmark	0.0%
Revenue profit	26%	Revenue profit	£250m (0%)	£270m (13%)	£310m (26%)	£251m	0.5%[1]
Group KPIs	35%	See table 41 listed below	8.75%	17.5%	35%	See table 41	21.9%
Personal targets	13%	See table 42 listed below	0%	50%	100%	See table 42	10.0%
Total annual bonus	**100%**						**32.4%**
After 50% negative discretion applied							**16.2%**

1. Actual outturn 0.65% adjusted to 0.5% to reflect the Executive Directors' decision taken at the start of the year to waive the financial element of any bonus for the first quarter of 2020/21.

As detailed in the table above, the revenue profit target of the bonus scheme delivered a low outcome and the total property return target is expected to be missed due to the pandemic impacting our business for longer than expected. However, performance against a number of the Group KPIs and personal objectives was strong.

This included the successful delivery of a number of initiatives designed to ensure Landsec emerges from the pandemic in the best position possible, in particular:

- maintaining financial strength and flexibility including through successfully executed asset disposals;
- preserving optionality over the Group's development programme for as long as possible to allow time for the impact of the pandemic to become clearer before committing significant capital expenditure; and
- strengthening relationships with customers at a very challenging time.

As such, and noting: (i) that no government support has been taken; (ii) that there have been no Covid-related redundancies; (iii) the significant £80m support fund provided to our customers; and (iv) that no adjustments to the targets have been made; the Committee believes that, in line with the approach adopted for our employees below Board, it was appropriate for the Executive Directors to receive annual bonuses for 2020/21.

However, the Committee has also considered the experience of shareholders and stakeholders more widely during the pandemic in addition to recognising the Executive Directors' efforts and performance against the targets, which were set at the beginning of the year. As a result, the Committee agreed to exercise downward discretion to: (i) reduce the calculated outcome by 50%; and (ii) defer the entire bonus into shares for a period of three years.

This resulted in a bonus outcome of 16.2% of maximum (equating to 24.3% of salary), which is considered to be appropriate in the context of the performance of the Executive Directors and the impact of Covid-19 on our shareholders and wider stakeholders.

Annual bonus performance 2020/21: Group KPIs

Table 41

Measure	Weighting	Description	Performance outcome				Outturn
Group KPIs			**Threshold (25%)**	**Target (50%)**	**Maximum (100%)**	**Actual**	
Retail Performance	2.63%	Deals agreed	83% agreed	90% agreed	94% agreed	78% agreed	0.00%
Retail Performance	2.63%	Rent/Service charge concessions	£100m	£80m	£50m	£73m	1.75%
Retail Performance	1.75%	Retail vacancy	10%	8%	6%	3.8%	1.75%
Office Performance	5.25%	Office net rental income	£221m	£226m	£228m	£232m	5.25%
Finance	3.50%	Cash and facility headroom	£1.0bn	£1.25bn	£1.5bn	£1.58bn	3.50%
Finance	3.50%	Net debt reduction	£0m	£250m	£500m	£440m	1.75%
Development	1.75%	Phase 1 – Covid-19 response	A range of specific targets relating to major milestones within each development have been set based on relevant individual project metrics.				1.75%
Development	1.75%	Phase 2 – Covid-19 response					0.88%
Development	1.75%	Repurposing – live projects					0.00%
Development	1.75%	Repurposing – concepts					0.88%
Development	1.75%	Office pre-lets					0.00%
ESG	0.88%	Energy reduction vs baseline	-1.0%	-2.0%	-3.0%	-3.8%	0.88%
ESG	0.88%	Embodied carbon reduction vs baseline	-10.0%	-12.5%	-15.0%	-15.6%	0.88%
ESG	1.75%	Social contribution	£3.0m	£3.5m	£4.0m	£6.6m	1.75%
People	3.50%	Engagement Survey	75%	80%	85%	76%	0.88%
Total	**35.0%**						**21.9%**

Annual bonus performance 2020/21: Personal objectives

Table 42

The Executive Directors shared a number of common targets which included:

Target	Committee Performance Assessment	Maximum	Award
Review of strategy and portfolio Undertake a full strategy and portfolio review during the first half of 2020/21, obtain Board approval and communicate the conclusions externally.	The Executive Directors completed a detailed review of the strategy and portfolio. The conclusions and the new strategy (based on the four priorities of: Optimise Central London; Reimagine retail; Realise capital from Subscale sectors; and Grow through Urban opportunities) were presented to and approved by the Board on time and were delivered externally via the October 2020 Capital Markets Day.	4.0%	3.5%
Review organisational design and culture Determine the appropriate organisational design and culture necessary to support execution of the strategy and begin implementation.	A detailed review of the organisational design and culture was completed following the strategic review, resulting in the formation of a new Executive Leadership Team structure and a significant number of changes in roles and responsibilities. Details of the new structure were announced via RNS in December 2020.	4.0%	3.0%
Respond to Covid-19 Lead the business' Covid response, balancing the needs of all stakeholders, with particular focus on proactive customer engagement and support; effective Health, Wellbeing and Safety support; preserving financial capacity and flexibility.	The management team successfully delivered a number of initiatives to: (i) preserve and strengthen relationships with customers (including providing a material level of rent/service charge concessions); (ii) maintain financial strength and flexibility (including delivering a number of material asset disposals); (iii) preserve optionality over the Group's development programme to allow time for the impact of the pandemic to become clearer before committing significant capital expenditure; and (iv) ensure the safety of our employees and customers throughout the year under review.	5.0%	3.5%
Total		**13.0%**	**10.0%**

Annual bonus achievement as a percentage of salary

Table 43

As noted above, the Committee exercised its discretion to reduce the bonus outcome by 50% and defer bonus awards into shares for three years, vesting in 2024. Mark Allan's bonus will be pro-rated based on the date of his appointment as CEO on 14 April 2020.

	Company bonus (87%)		Individual bonus (13%)		Total bonus (100%)		
	Maximum achievable	% Salary awarded	Maximum achievable	% Salary awarded	Maximum achievable	% Salary awarded	After 50% discretion
Mark Allan	130%	33.6%	20%	15%	150%	48.6%	**24.3%**
Martin Greenslade	130%	33.6%	20%	15%	150%	48.6%	**24.3%**
Colette O'Shea	130%	33.6%	20%	15%	150%	48.6%	**24.3%**

Annual Report on Remuneration

continued

1.3 LONG-TERM INCENTIVE PLAN OUTTURNS

The table below summarises how we have assessed our LTIP performance achievement over the three years to 31 March 2021.

LTIP performance 2018-2021 Table 44

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 +1.3% 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.

2. MANAGEMENT CHANGES DURING THE YEAR

2.1 RETIREMENT OF MARTIN GREENSLADE

As announced on 30 September 2020, Martin will retire from his role as CFO and as a Director of the Board on 31 May 2021, continuing the handover process until 30 June 2021. His employment ends on 29 September 2021 in accordance with his 12-month notice period.

Salary and benefits

Martin will receive salary, benefits, and pension allowance as normal up until the end of his employment. The total value of these for the period from 1 June to 29 September 2021 is £217,330 (subject to all necessary deductions).

Annual bonus

As explained on page 116, as a retiree Martin is a 'good leaver' under the terms of the Policy and relevant incentive plan rules. In line with Company policy on 'good leaver' status, in June 2021 Martin will be awarded an annual bonus of £128,790 in respect of the year ended 31 March 2021 which he served in full. The total bonus amount will be deferred into shares in line with other Executive Directors and will vest after three years. Martin will be eligible for a bonus award for the period 1 April 2021 – 30 June 2021, with any bonus paid in 2022 at the same time and on the same basis as other Executive Directors. No bonus will be awarded for the period 1 July 2021 to 29 September 2021.

Share awards

Outstanding LTIP awards have been pro-rated for the portion of the performance period served (see table below). The awards will remain subject to their performance conditions measured over the full performance period. Any vesting awards will be subject to the normal two-year post-vesting holding period.

Outstanding unvested deferred bonus awards over 65,400 shares will vest in full and become exercisable for a six-month period from the normal vesting date, 24 July 2021, subject to the rules of the Deferred Share Bonus Plan (DSBP).

Post-cessation shareholding

In line with the minimum shareholding policy, Martin will hold at least 200% of salary in Landsec shares for a period of two years from 29 September 2021 based on the Company's share price on 28 September 2020 of 528.9p. This shareholding requirement will be recalculated on 28 May 2021 and 29 September 2021; in the event the Company's share price is higher on those dates, the number of shares required to be held will be adjusted accordingly.

Compensation for loss of office

Martin will not be eligible for any payments for loss of office.

Malus and clawback

Malus and clawback provisions will continue to apply to annual bonus, deferred bonus and LTIP awards.

Outstanding LTIP awards – Martin Greenslade Table 45

Award	Number of shares subject to award	Maximum number of shares which could vest[1]	Vesting date
2018 LTIP granted on 25 June 2018	163,960	163,960[2]	25 June 2021
2019 LTIP granted on 25 June 2019	193,997	145,497	25 June 2022
2020 LTIP granted on 24 July 2020	290,570	112,999	24 July 2023

1. Subject to performance conditions.
2. Percentage vesting projected to be zero.

2.2 APPOINTMENT OF VANESSA SIMMS

Vanessa Simms joined Landsec's Board as CFO designate on 4 May 2021 taking up the post of CFO on 1 June 2021. The Committee determined Vanessa's remuneration taking account of pay levels in our sector peers and for companies similar in size to Landsec, as well as the skills and experience she brings. Her remuneration has been set within the parameters of the approved Policy, and consists of:

› a base salary of £490,000

› a standard Company benefits package including car allowance, health cover and life insurance

› a pension allowance of 10.5% of salary, in line with the majority workforce rate

› a maximum annual bonus of 150% of salary and

› LTIP awards of 300% of salary.

Vanessa will also be required to comply with the Company's Minimum Shareholding Policy, and build and hold a shareholding to the value of 200% of salary within five years of her appointment, which she will also be required to retain for a two-year period post-cessation.

In compensation for incentive awards forfeited on her resignation from her previous employer, four share awards were granted shortly after Vanessa joined the Company; see table below for detail of the awards. These awards will vest no earlier than the original vesting dates of the awards they replace.

As the performance period for Vanessa's 2018 LTIP award has been partially completed, the buyout value has been determined based on an estimate of the extent to which the performance conditions of her previous employer were satisfied up to 30 September 2020, and the reduced number of shares will vest subject to continued service.

The performance conditions for the buyout award for Vanessa's 2019 LTIP award will be based on Landsec's performance over the two-year period starting 1 April 2021, with the same performance targets as the 2021 LTIP grant made to other Landsec employees albeit measured over a two-year performance period. Both awards will be subject to a two-year post-vesting holding period, and were granted on materially equivalent terms to the rules of the Landsec LTIP including malus and clawback provisions.

In addition to the above, two awards were made to compensate for Deferred Share Bonus Plan (DSBP) awards forfeited upon resignation. These awards will vest on the original vesting dates subject to continued service and malus and clawback provisions will operate.

Finally, as compensation for the annual bonus that would have been received from her former employer, Vanessa will receive a replacement award of £288,852, repayable on a pro-rata basis if she leaves Landsec within two years. In line with the plan rules of her previous employer, 25% will be deferred into Landsec shares for three years.

Compensation for forfeited awards – Vanessa Simms Table 46

	Date of grant	Landsec awards granted	Vesting date	Face value (£) of award[1]	Performance conditions
2018 LTIP award	On appointment	69,994	Dec 2021	368,308	No[2]
2019 LTIP award	On appointment	110,160	May 2023	579,662	Yes
2018 DSBP award	On appointment	19,219	Dec 2021	101,132	No[3]
2019 DSBP award	On appointment	5,431	Dec 2022	28,576	No[3]

1. Based on the Landsec share price as at 27 October 2020 (the day prior to the date of announcement) of 526.2p and adjusted for dividend equivalents up to respective grant dates.
2. These are based on previous employer's performance, for which the performance periods are partially completed. They will vest subject to continued service.
3. Awards replace non-performance, deferred bonus share awards which vest based on continued service only.

3. DIRECTORS' INTERESTS

3.1 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 47

Name	Salary/ base fee at 31 March 2021 (£)	Minimum shareholding requirements (% of salary/ base fee)	Required holding value (£)	Holding (ordinary shares) 1 April 2020	Holding (ordinary shares) 31 March 2021	Deferred bonus shares under holding period	Value of holding (£)[1]	In compliance with policy
Mark Allan	800,000	300%	2,400,000	–	193,552	–	1,335,702	✓
Martin Greenslade[2]	530,000	200%	1,060,000	444,087	452,960	34,662	3,365,079	✓
Colette O'Shea	480,000	200%	960,000	66,309	74,481	32,045	735,136	✓
Cressida Hogg	375,000	100%	375,000	41,375	41,375	n/a	285,529	✓
Stacey Rauch	70,000	100%	70,000	8,000	8,000	n/a	55,208	✓
Edward Bonham Carter	70,000	100%	70,000	9,375	9,375	n/a	64,697	✓
Nicholas Cadbury	70,000	100%	70,000	7,481	7,481	n/a	51,626	✓
Madeleine Cosgrave	70,000	100%	70,000	4,883	4,883	n/a	33,698	✓
Christophe Evain	70,000	100%	70,000	8,000	8,000	n/a	55,208	✓
Manjiry Tamhane[3]	70,000	100%	70,000	–	–	n/a	–	✓

1. Using the closing share price of 690.1p on 31 March 2021 and including any deferred shares at 100%, net of the notional tax and employee NIC.
2. Martin Greenslade will retire from the Board on 31 May 2021 and details of his post-termination shareholding obligations are shown on page 124.
3. Manjiry Tamhane was appointed to the Board on 1 March 2021.

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3.2 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. From 2015, Matching Share Plan (MSP) awards for Executive Directors have been discontinued. 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 LTIP and MSP share awards and those which vested during the year Table 48

		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	914	96,890	96,890	556	07/07/2020
		12/05/2020	914	70,419	70,419	679	22/03/2021
		12/05/2020	914	113,753			01/06/2022
Martin Greenslade	LTIP shares	25/06/2017	1,029	148,795	–	n/a	25/06/2020
		25/06/2018	953	163,960			25/06/2021
		25/06/2019	820	193,997			25/06/2022
	Deferred shares	25/06/2019	820	16,323	16,323	556	25/06/2020
		24/07/2020	547	65,400			24/07/2021
Colette O'Shea	LTIP shares	25/06/2017	1,029	49,908	–	n/a	25/06/2020
		25/06/2018	953	88,881			25/06/2021
		25/06/2019	820	134,211			25/06/2022
	Matching shares	26/06/2017	1,029	29,945	–	n/a	26/06/2020
	Deferred shares	25/06/2019	820	14,812	14,812	556	25/06/2020
		24/07/2020	547	60,463			24/07/2021

Awards were granted under the LTIP in July 2020, subject to two equally-weighted performance conditions over a three-year performance period, as set out below. No awards will vest if the threshold performance targets are not met.

Table 49

	Number of awards	Share price (p)[1]	Face value	Performance period	Performance conditions
Mark Allan	438,596	547	£2,399,997	1 April 2020 to 31 March 2023	50% TSR relative to the FTSE 350 Real Estate Index, weighted by market capitalisation. 50% ungeared TPR relative to an MSCI benchmark.
Martin Greenslade[2]	290,570	547	£1,589,999		
Colette O'Shea	219,298	547	£1,199,999		

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.
2. Number of shares will be pro-rated to 112,999 in line with termination arrangements. See page 124 for further details.

3.3. DIRECTORS' OPTIONS OVER ORDINARY SHARES (AUDITED)

The options over shares set out below relate to the Company's Savings Related Share Option Scheme (SAYE). The Scheme is open to all qualifying employees (including Executive Directors) and under HMRC rules does not include performance conditions.

Outstanding SAYE grants and those which were exercised during the year Table 50

	Number of options at 1 April 2020	Exercise price per share (p)	Number of options granted in year to 31 March 2021	Number options exercised/ lapsed[1]	Market price at exercise (p)	Number of options at 31 March 2021	Exercisable dates
Martin Greenslade	1,047	859	–	1,047	n/a	–	08/2020-02/2021
	2,373	759	–	–	–	2,373	08/2021-02/2022
Total	**3,420**		**–**	**1,047**	**–**	**2,373**	
Colette O'Shea	1,047	859	–	1,047	n/a	–	08/2020-02/2021
	1,186	759	–	–	–	1,186	08/2021-02/2022
	–	519	1,734	–	–	1,734	08/2023-02/2024
Total	**2,233**		**1,734**	**1,047**	**–**	**2,920**	

1. The options for Martin Greenslade and Colette O'Shea lapsed at the end of the exercise period in February 2021.
2. SAYE awards may be exercised during the six-month period after the end of the three-year contract.
3. The exercise price for the SAYE awards was determined based on a three-day average mid-market share price prior to the invitation date of the scheme, discounted by 20%.

3.4 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. Martin Greenslade holds the positions of Non-executive Director and Senior Independent Director of Tullow Oil plc and received fees of £83,716 (£85,000 annually) in respect of the 2020/21 financial year. Mark Allan and Colette O'Shea do not hold any external directorships.

3.5 DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Dates of appointment for Directors

Table 51

Name	Date of appointment	Date of contract
Executive Directors		
Mark Allan	14 April 2020	21 November 2019
Martin Greenslade	1 September 2005	9 May 2013
Colette O'Shea	1 January 2018	1 January 2018
Non-executive Directors		
Cressida Hogg	12 July 2018	14 May 2018
Stacey Rauch	1 January 2012	13 May 2015
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

4. APPLICATION OF POLICY FOR 2021/22

4.1 EXECUTIVE DIRECTORS' BASE SALARIES

The Committee has agreed that there will be no salary review for Executive Directors in 2021.

Executive Directors

Table 52

Name	Current salary (£000)	New salary (£000)	Percentage increase
Mark Allan	800	800	0%
Martin Greenslade[1]	530	–	n/a
Colette O'Shea	480	480	0%
Vanessa Simms[2]	–	490	n/a

1. Up to retirement on 31 May 2021.
2. From 4 May 2021.

4.2 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 2021/22. 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 53

Base fees	1 April 2021 (£000)	1 April 2020 (£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

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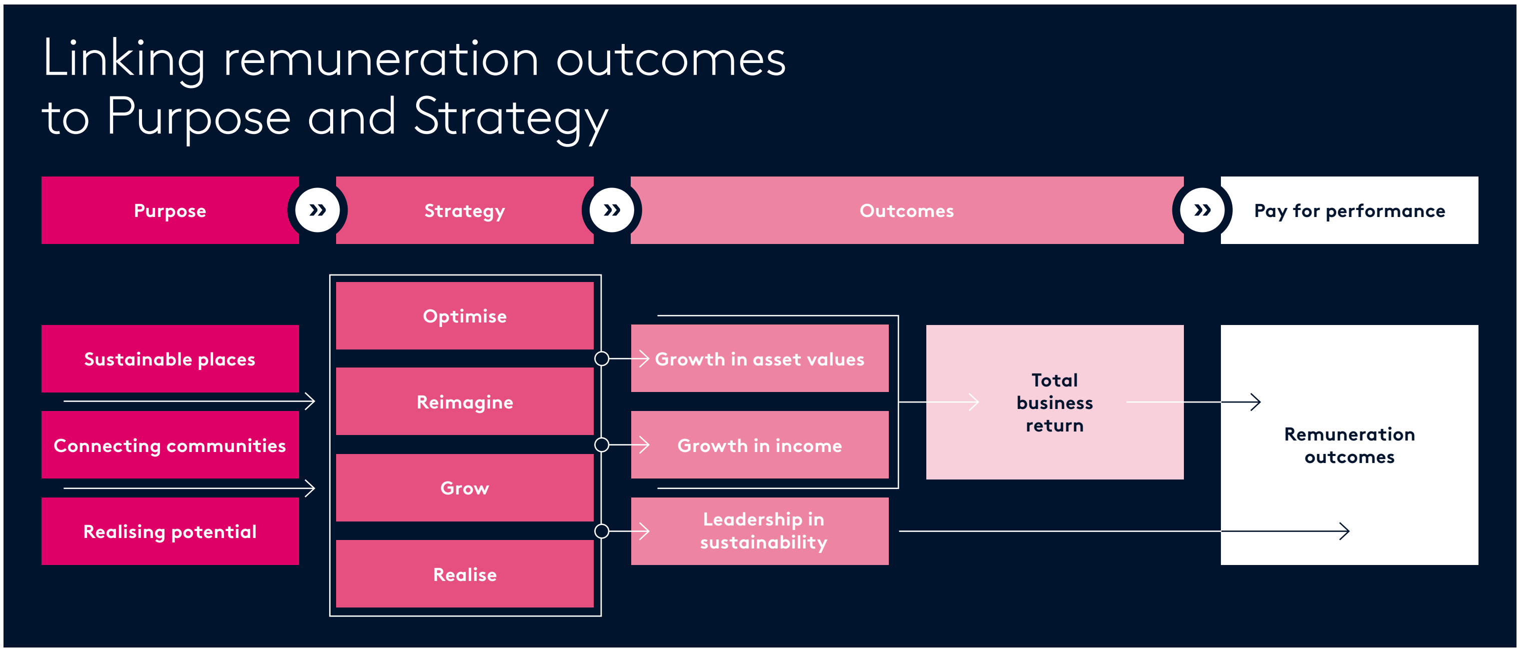
4.3 PERFORMANCE TARGETS FOR THE COMING YEAR

Following the review of the Remuneration Policy and reflecting a repositioning of the Group for future growth, a number of changes have been made in respect of the approach to performance metrics and targets for the coming year. The linkage between Landsec's purpose, strategy and desired outcomes, which demonstrates how our executive team will be incentivised in respect of the delivery of our new strategic plan, is set out below:



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 2021/22: Performance criteria Table 54

Measure	Weighting	Description	Performance range
Revenue profit (£m)	30%	Revenue profit targets in line with overall five-year strategic plan.	Full details will be provided in the 2022 report.
Total business 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 2022 report.
ESG	20%	Energy intensity reduction in all assets and embodied carbon reduction in assets under development.	Full details will be provided in the 2022 report.
Personal objectives	20%	A mix of individual goals set at the beginning of the year.	Full details will be provided in the 2022 report.
Total annual bonus	**100%**		

The introduction of total business return into the annual bonus and an increased weighting on revenue profit will ensure that the delivery of absolute returns through pro-active portfolio management and income generation will be incentivised and rewarded. Total property return will no longer be used as a bonus metric given that it is not considered to be well-aligned to the new strategy. Furthermore, the relative nature of the targets and measurement against third party data is no longer considered to be an effective incentive. Performance metrics, weightings and targets in respect of 2021 LTIP awards, which are expected to be granted over shares up to 300% of salary, are set out below:

LTIP 2021-2024: Performance criteria

Table 55

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 2021	**Threshold (8%)** Median	**Maximum (40%)** Upper quartile
Total business return (TBR)	40%	Growth in EPRA NTA per share over the performance period as adjusted for dividends	**Threshold (8%)** 4% p.a.	**Maximum (40%)** 10% p.a.
ESG	20%	Reduction of carbon emissions over the performance period aligned to achieve our published science based target to achieve net zero by 2030	**Threshold (4%)** 15%	**Maximum (20%)** 20%

1. Vesting takes place on a straight line basis between threshold and maximum values.

The approach for 2021 LTIP awards reflects both Landsec's focus on delivering returns to shareholders through the cycle combined with our industry-leading approach to sustainability and our ambition to be a net zero carbon business by 2030. The approach to relative TSR will be simplified with a more conventional, unweighted, median to upper quartile vesting schedule and total business return targets have replaced relative total property return for a closer alignment to strategy and a clear line of sight for management. The 2021 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 for future grants).

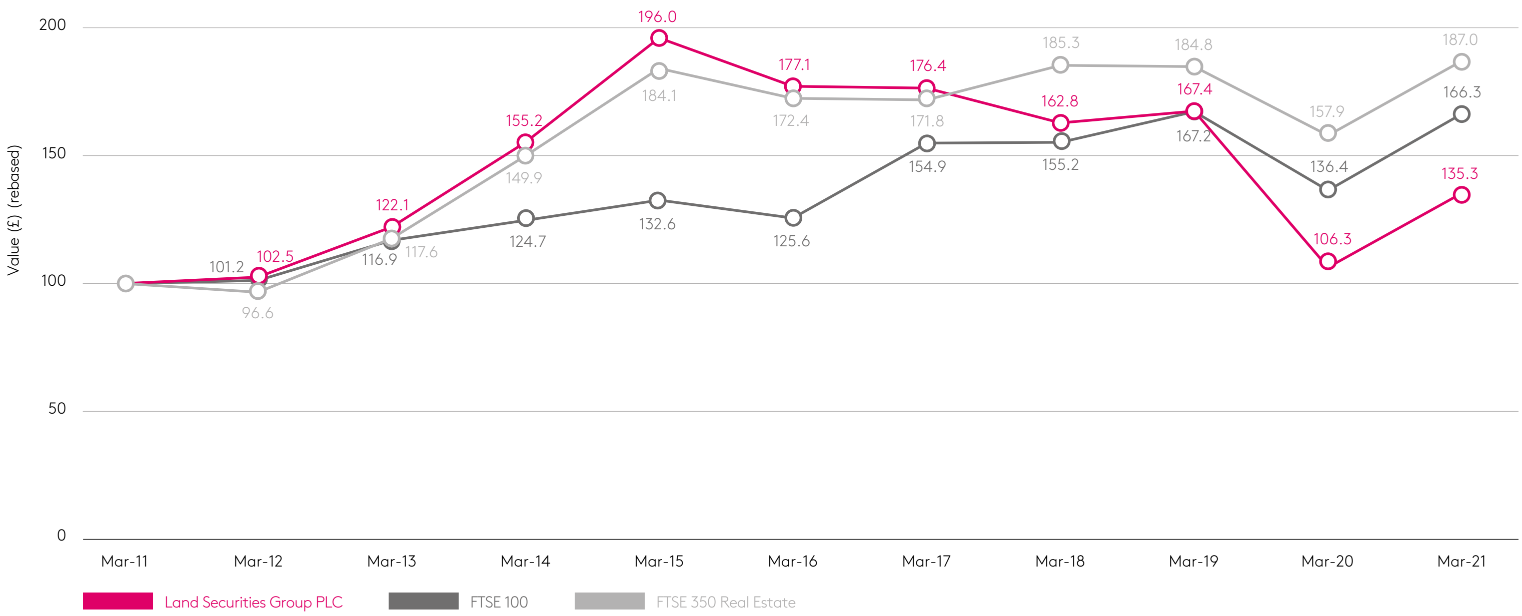
5. TOTAL SHAREHOLDER RETURN AND CHIEF EXECUTIVE PAY

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 2021, of £100 invested in Landsec on 31 March 2011, 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 56



The following table shows remuneration for the Chief Executive over a period of ten years.

Chief Executive remuneration over ten years

Table 57

Year	Chief Executive	Single figure of total remuneration (£000)	Annual bonus payment (% of maximum)	Long-term incentive vesting (% of maximum)
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
2012	Francis Salway	2,769	24.0	85.9

1. Includes £1,692,042 in relation to buyout awards made on appointment.

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6. THE CONTEXT OF PAY IN LANDSEC

6.1 PAY ACROSS THE GROUP

a. Senior management
For the year under review, performance-related pay for our 17 most senior employees (excluding the Executive Directors) is expected to range from 17% to 27% of salary (2020: 27% to 50%). The average bonus is expected to be 19.7% of salary (2020: 37%). The LTIP awards made to senior management in June 2018 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. However, moderate pay increases were awarded to lower earners and to a small number of employees whose salaries had variances against the market. As at 31 March 2021, the ratio of the base salary of the Chief Executive to the average base salary across the Group (excluding Executive Directors) was 12:1 (£800,000: £67,839).

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 between 31 March 2020 and 31 March 2021 for all Directors compared to all employees.

Table 58

	Salary change (%)	Benefits change (%)	Bonus change (%)
Executive Directors			
Mark Allan	n/a	n/a	n/a
Martin Greenslade	-5%	-16%	-64%
Colette O'Shea	3%	-3%	-65%
Non-executive Directors			
Cressida Hogg	-5%	n/a	n/a
Stacy Rauch	-5%	0%	n/a
Edward Bonham Carter	-15%	n/a	n/a
Nicholas Cadbury	-5%	n/a	n/a
Madeleine Cosgrave	-5%	n/a	n/a
Christophe Evain	16%	n/a	n/a
Manjiry Tamhane	n/a	n/a	n/a
Average employee	7%	6%	-49%

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 the remuneration table on page 121.

Mark Allan was appointed CEO on 14 April 2020. Prior to this the CEO was Robert Noel.

Table 59

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2021	Option A[1]	22:1	14:1	10:1
2020	Option A	36:1	23:1	15:1
2019	Option A	38:1	25:1	16:1

e. Total pay and benefits

Table 60

Year	CEO	25th percentile pay	Median pay	75th percentile pay
2021	£1,027,587[1]	£45,752	£73,212	£105,848
2020	£1,569,474	£44,140	£69,393	£104,438
2019	£1,624,153	£42,859	£64,694	£98,886

1. The pay ratio and total pay and benefits figures exclude all one-off recruitment related awards which are detailed on page 121.

f. Salary component of total pay

Table 61

Year	CEO	25th percentile pay	Median pay	75th percentile pay
2021	£733,333[1]	£39,000	£55,776	£77,000
2020	£811,620	£29,785	£58,565	£79,203
2019	£797,108	£33,667	£51,167	£73,750

1. Actual salary earned during the year after a 20% voluntary reduction between May and July 2020 due to the impact of Covid-19. See table 52 for details of annual salary.

Figures are calculated by reference to 31 March 2021 using actual pay data from April 2020 to March 2021. Excluded from our analysis are joiners, leavers and long-term absentees from the Company during the year. As at the date of this analysis the annual bonus amounts were not known, therefore estimates have been used for all employees.

6.2 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 62

	March 2021 (£m)	March 2020 (£m)	% change
Spend on pay[1]	49	51	-3.9
Dividend paid[2]	200	172	16.3

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.

7. DILUTION

Awards granted under the Company's long-term incentive arrangements, which cover those made under the LTIP, MSP, Deferred Share Bonus 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 1,224,468 shares at 31 March 2021.

The exercise of share options under the Savings Related Share Option Scheme (SAYE), 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 2021, the total number of shares which could be allotted under this Scheme was 666,526 shares, which represents less than 0.09% of the issued share capital of the Company.

8. REMUNERATION COMMITTEE MEETINGS

The Committee met for four scheduled meetings over the course of the year, and for two additional meetings as a result of the CFO appointment process. All members attended all the scheduled meetings. Christophe Evain replaced Edward Bonham Carter as the Chairman from 6 May 2020. The other members during the year were Cressida Hogg, Stacey Rauch and Edward Bonham Carter. The Committee meetings were also attended by the Chief Executive, the Managing Director, People and Corporate Services and the Group General Counsel and Company Secretary who acted as the Committee's Secretary.

From July 2020 the Committee received advice on remuneration and ancillary legal matters from FIT Remuneration Consultants LLP (previous advice was provided by Aon plc). It has also made use of various published surveys to help determine appropriate remuneration levels and relied on information and advice provided by the Group General Counsel and Company Secretary and the Managing Director, People and Corporate Services. FIT and Aon 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 Aon and FIT received fees of £32,386 and £78,184 respectively in connection with advice provided to the Committee.

9. SHAREHOLDER VOTING

Table 63

	% of votes For	% of votes Against	Number of votes withheld[1]
Annual Report on Remuneration (2020 AGM)	89.7	10.3	580,726
Directors' Remuneration Policy (2018 AGM)	99.4	0.6	651,391

1. A vote withheld is not a vote at law.

The Directors' Remuneration Report was approved by the Board on 17 May 2021 and signed on its behalf by:

CHRISTOPHE EVAIN
CHAIRMAN, REMUNERATION COMMITTEE

Directors' Remuneration Policy

OUR NEW POLICY

In approaching the renewal of the Directors' Remuneration Policy (the Policy), the Remuneration Committee (the Committee) thought carefully about the behaviours and outcomes it wishes to see and how the remuneration structure will support them. When setting the pay policy for Executive Directors, the Committee also considered pay practices and policies of the wider workforce in order to ensure the revised policy is proportionate and aligned with Landsec's culture. The review was approached with the following main aims:

- Remuneration should be clearly linked to the Group's purpose of creating **Sustainable places, Connecting communities, Realising potential**
- Remuneration should reward and drive the right behaviours and outcomes and reflect strategic, personal and financial achievements
- Remuneration should be designed in a manner that is clear for all stakeholders and reflects their expectations
- Remuneration should be easy to explain and be viewed as fair
- Remuneration should be based on a pay-for-performance model

REMUNERATION PRINCIPLES

Our remuneration principles, which we also aim to cascade throughout the business, underpin our Policy. These principles are that our remuneration should:

- Support the long-term success of the business and sustainable long-term shareholder value
- Materially differentiate reward according to performance
- Be relevant, stretching and aligned to the business strategy and achievement of planned business goals
- Be compatible with Landsec's risk policies and systems, with malus and clawback provisions in place for all forms of variable pay
- Provide a balance between attracting, retaining and motivating talented people as well as supporting equal opportunity and diversity of talent
- Ensure that performance-related pay constitutes a proportion of the overall package appropriate to each level of the organisation
- Be clear and explainable to appropriate stakeholders, avoiding paying more than the Committee considers necessary

CONSIDERATION OF SHAREHOLDER VIEWS

The Committee values the views of Landsec's shareholders and guidance from the main shareholder representative bodies. As such, the Committee proactively consults with our major shareholders to ensure that their views are represented in discussions on remuneration matters. As part of the process for renewing the Policy, the Committee consulted with Landsec's top 20 shareholders as well as the major shareholder representative bodies on a set of draft proposals. The proposed Policy reflects guidance received from major investors and representative bodies during the course of the engagement process.

As part of its review of the Policy, the Committee has considered the factors set out in provision 40 of the UK Corporate Governance Code. In the Committee's view, the proposed Policy addresses those factors as set out below:

Factor	Description	Approach
Clarity	Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce and link to strategy	› The Policy and arrangements are clearly disclosed in the Annual Report › The Committee proactively seeks engagement with shareholders on remuneration matters › The Committee is regularly updated on Landsec's workforce pay and benefits › The Committee regularly receives updates on the key performance indicators of the business › The Committee Chairman proactively seeks engagement with Landsec's Employee Forum on remuneration matters
Simplicity	Remuneration structures should avoid complexity and their rationale and operation should be easy to understand	› Our remuneration structure comprises fixed and variable remuneration, with the performance conditions for variable elements clearly communicated to, and understood by, participants › Remuneration principles are published and clearly linked to strategy
Risk	Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated	› The rules of the remuneration plans provide discretion to the Committee to reduce award levels (see page 141) › Awards are subject to malus and clawback provisions (see page 138) › The Committee also has overriding discretion to reduce awards to mitigate against any reputational or other risk from such awards being considered excessive
Predictability	The range of possible reward values to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy	› See scenario charts on page 137 › Maximum award levels and discretions are set out in the Policy Table on pages 135-136
Proportionality	The link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance	› As shown in the scenario charts on page 137, variable performance related elements represent a significant proportion of the total remuneration opportunity for our Executive Directors › The Committee considers the appropriate financial and personal performance measures each year to ensure that there is a clear link to strategy › Discretions available to the Committee ensure that awards can be reduced if necessary to ensure that outcomes do not reward poor performance
Alignment to culture	Incentive schemes should drive behaviours consistent with company purpose, values and strategy	› The Committee seeks to ensure that personal performance measures under the annual bonus plan incentivise behaviours consistent with Landsec's culture, purpose and values › Long-term incentives will align Executive Director interests with those of shareholders by ensuring a focus on delivering against strategy and purpose to generate long-term value for shareholders

The Committee will operate within the prevailing Remuneration Policy. It will also operate the various incentive plans and schemes according to their respective rules and consistent with normal market practice, the UK Corporate Governance Code and, as applicable, the Listing Rules. Within the Policy, the Committee will retain the discretion to look at performance 'in the round', including withholding or deferring payments in certain circumstances where the outcomes for Directors are clearly misaligned with the outcomes for shareholders. Any specific circumstances which necessitate the use of discretion will be explained clearly in the following year's Annual Report on Remuneration.

Directors' Remuneration Policy
continued

SUMMARY OF MAIN POLICY CHANGES SUBJECT TO APPROVAL AT THE 2021 AGM

EXECUTIVE REMUNERATION		Page
Base salary	› No changes proposed	135
Benefits	› No changes proposed	135
Pension	› Workforce aligned pension provision (10.5% of salary) for both incumbent and newly appointed Executive Directors	135
Annual bonus and LTIP	› Introduction of greater flexibility to select appropriate metrics to align with business strategy	135-136
Share ownership	› CEO minimum shareholding requirement increased to 300% of salary › Formalisation of post cessation shareholding guidelines	139
NON-EXECUTIVE REMUNERATION		
Base fee	› Chairman's fee set by the Remuneration Committee, rather than the Board (as previously)	139
Additional fees	› No changes proposed	139
Benefits & incentives	› No changes proposed	139
Share ownership	› No changes proposed	139
GOVERNANCE		
Malus and clawback	› Malus and clawback triggers enhanced	138
Recruitment arrangements	› Introduction of provisions for payment of legal fees in connection with agreeing employment terms	141
Termination arrangements	› Introduction of provisions for legal fees in connection with agreeing termination arrangements › Introduction of provisions for outplacement assistance	140

The Policy as set out in the following pages will take effect from the conclusion of the 2021 AGM subject to approval by the shareholders at that meeting. It is intended that this Policy will remain applicable for the following three financial years albeit the Committee will regularly review that it remains appropriate in light of Landsec's strategy and the broader remuneration landscape.

PROPOSED REMUNERATION POLICY

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[1], in line with the maximum employer contribution for all employees in the Company's Group Personal Pension Plan
Performance measures	› n/a

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 › Rewards 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 (see page 138) › 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

1. Martin Greenslade's pension contribution will remain at 20% of salary until his retirement on 29 September 2021.

Directors' Remuneration Policy
continued

Annual bonus – continued	
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 (see page 138)
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

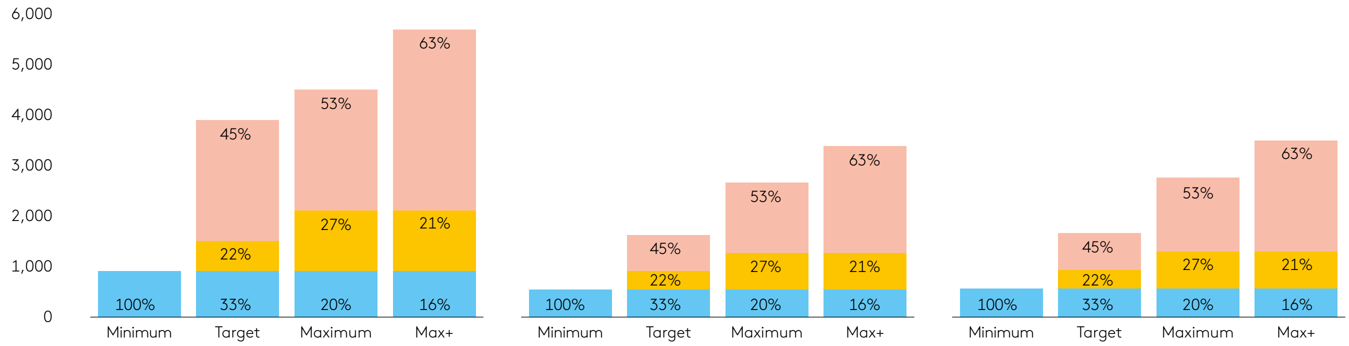
Full details of the performance conditions and targets applying for each award will be disclosed in the relevant Annual Report on Remuneration. Where targets are considered to be too sensitive to disclose in advance for commercial reasons, full disclosure of the original targets, and the extent to which they have been achieved, will be provided on a retrospective basis at the end of the relevant performance period.

PRIOR POLICY ARRANGEMENTS

In approving the Policy, authority is given to the Company to honour any commitments entered into with current or former Directors that have been disclosed previously to shareholders.

Remuneration scenarios for each Executive Director — Table 64

	Mark Allan **Chief Executive** (£000)	**Colette O'Shea** **Chief Operating Officer** (£000)	**Vanessa Simms** **Chief Financial Officer** **(from 1 June 2021)** (£000)



Element of pay	Mark Allan Minimum (£000)	Mark Allan Target (£000)	Mark Allan Maximum (£000)	Mark Allan Max+ (£000)	Colette O'Shea Minimum (£000)	Colette O'Shea Target (£000)	Colette O'Shea Maximum (£000)	Colette O'Shea Max+ (£000)	Vanessa Simms Minimum (£000)	Vanessa Simms Target (£000)	Vanessa Simms Maximum (£000)	Vanessa Simms Max+ (£000)
Basic salary	800	800	800	800	480	480	480	480	490	490	490	490
Pension	84	84	84	84	50	50	50	50	51	51	51	51
Benefits	21	21	21	21	19	19	19	19	20	20	20	20
Annual bonus	0	600	1,200	1,200	0	360	720	720	0	368	735	735
Long-term incentives	0	1,200	2,400	2,400	0	720	1,440	1,440	0	735	1,470	1470
Share price appreciation	0	0	0	1,200	0	0	0	720	0	0	0	735
Total	**905**	**2,705**	**4,505**	**5,705**	**549**	**1,629**	**2,709**	**3,429**	**561**	**1,664**	**2,766**	**3,501**

Assumptions used in determining the level of payout under given scenarios are as follows:

- Minimum remuneration comprises base salary at 1 June 2021, estimated annual benefits and 10.5% of salary pension contribution (fixed pay).
- Target remuneration comprises fixed pay, 50% of the 2021/22 annual bonus and 50% vesting of the 2021 LTIP awards.
- Maximum remuneration comprises fixed pay, 100% of the 2021/22 annual bonus and 100% vesting of the 2021 LTIP award based on a face value of 300% of salary (although it should be noted that the COO's 2021 LTIP award will be set at 250% of salary and this award level will be kept under review).
- Maximum+ comprises maximum pay plus 50% share price appreciation on LTIP awards.

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					

Directors' Remuneration Policy
continued

2. STATEMENT OF CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE COMPANY

The 2021 Policy is designed in line with the remuneration principles outlined on page 132 above. In setting the remuneration of the Executive Directors, the Committee takes into account the overall approach to reward for employees in the Group. Landsec operates in a number of different environments and has many employees who carry out diverse roles across a number of locations. All employees, including Directors, are paid by reference to the market rate and base salary levels are reviewed regularly. When considering salary increases for Executive Directors, the Company pays close attention to pay and employment conditions across the wider workforce. The Group's MD, People & Corporate Services regularly updates the Committee on pay and conditions applying to the wider workforce. During 2020, the Committee received specific updates on Gender Pay Reporting and pay ratios. The Committee does not formally consult with employees on the executive remuneration policy, although the Committee Chair meets with the Employee Forum. The Company also holds regular forums with employee groups and conducts regular employee engagement surveys, the results of which are presented to the Board. Remuneration arrangements for employees below Board level reflect the seniority of the role.

3. MALUS AND CLAWBACK PROVISIONS

All incentive scheme rules contain malus and/or clawback provisions that allow the Committee to reduce or retrieve a payment or an award.

MALUS

Malus is the adjustment of annual bonus payments or unvested share awards because of the occurrence of one or more circumstances listed below. The adjustment may result in the value being reduced to nil.

CLAWBACK

Clawback is the recovery of payments made under the annual bonus plan or vested share awards as a result of the occurrence of one or more circumstances listed below. Clawback may apply to all or part of an Executive Director's payment/award and may be effected, among other means, by requiring the transfer of shares, payment of cash or reduction of awards or bonuses.

The Remuneration Committee may apply malus/clawback when there are exceptional circumstances. Such exceptional circumstances include (without limitation):

- a material mis-statement in the published results of the Group or one of its members;
- an error in assessing any applicable performance condition or the number of shares subject to an award;
- misconduct on the part of the Executive Director concerned;
- where, as a result of an appropriate review of accountability, the Remuneration Committee determines that the Executive Director has caused wholly or in part a material loss for the Group as a result of (i) reckless, negligent or wilful actions or omissions; or (ii) inappropriate behaviour;
- where, as a result of an appropriate review of accountability, the Remuneration Committee determines that the Executive Director has caused wholly or in part a corporate failure of the Group or one of its members;
- a Group member being censured by a regulatory body;
- events or behaviour on the part of the Executive Director leading to significant reputational damage to the Group; or
- any other events that the Remuneration Committee considers specifically relevant to Landsec, e.g. serious health and safety event or an exceptional negative event.

4. 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

5. SHARE OWNERSHIP GUIDELINES

SHARE OWNERSHIP DURING EMPLOYMENT

The Chief Executive and all other Executive Directors are expected to accumulate and maintain a holding in ordinary shares in the Company equivalent to no less than 300% of base salary for the CEO and 200% for other Executive Directors.

Executive Directors are normally 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.

An annual calculation as a percentage of salary is made against the guidelines for each Executive Director as at 31 March each year based on the closing middle market quotation of a share price on the last business day in March.

SHARE OWNERSHIP POST CESSATION

On leaving the Board, 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. Shares acquired by the Executive are excluded from this calculation.

NON-EXECUTIVE DIRECTOR SHARE OWNERSHIP

Non-executive Directors are expected to meet a minimum shareholding requirement of 100% of the relevant annual fee 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.

6. DIRECTORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

EXECUTIVE DIRECTORS' LETTERS OF APPOINTMENT

The Executive Directors have Service Agreements with the Company which normally continue until the Director's agreed retirement date or such other date as the parties agree. In line with Group policy, the Executive Directors' employment can be terminated at any time by either party on giving 12 months' prior written notice.

The Company allows Executive Directors to hold external non-executive directorships, subject to the prior approval of the Board, and to retain fees from these roles.

CHAIRMAN AND NON-EXECUTIVE DIRECTORS' LETTERS OF APPOINTMENT

The Chairman and the Non-executive Directors do not have Service Agreements with the Company. Instead, each of them has a Letter of Appointment which sets out the terms of their appointment, including the three months' prior written notice on which their appointment can be terminated by either party at any time. The dates of the current Letters of Appointment are shown in the Annual Report on Remuneration and these, together with the Executive Directors' Service Agreements, are available for inspection at the Company's registered office.

On appointment, the fee arrangements for a new Non-executive Director are set in accordance with the approved remuneration policy in force at that time.

Full details of the terms of appointment of each Director can be found on page 127 of the Remuneration Report.

Directors' Remuneration Policy
continued

7. TERMINATION PROVISIONS FOR EXECUTIVE DIRECTORS

The Company's policy is for Executive Directors' Service Agreements to be terminable on 12 months' notice by either party. Service Agreements contain non-compete and non-solicit clauses with key suppliers and employees. In the event of early termination, any payment in lieu of notice would be limited to 12 months' basic salary, normally payable on a phased basis and subject to mitigation.

In addition to the scenarios below, an Executive Director's Service Agreement may be terminated without notice and without further payment or compensation, except for sums earned up to the date of termination, on the occurrence of certain events such as gross misconduct.

The Committee retains discretion to determine the exact termination arrangements of any Executive Director, having regard to all the relevant facts and circumstances available to them at the time.

The table below sets out the general position and range of approaches in respect of incentive arrangements. In accordance with the terms of the relevant incentive plan rules, based on the circumstances of any departure, the Committee has discretion to determine how an Executive Director should be categorised for each element and determine payout/vesting levels accordingly based on the range as shown.

Provision	Default leaver	Good leaver
Salary	› 12 months' basic salary normally payable in instalments and subject to mitigation	› 12 months' basic salary normally payable in instalments and subject to mitigation
Benefits	› Cease upon termination of employment contract › No compensation for loss of benefits	› Cease upon termination of employment contract › No compensation for loss of benefits
Pension allowance	› Ceases upon termination of employment contract › The Company does not make any arrangements that guarantee pensions with limited or no abatement on severance or early retirement	› Ceases upon termination of employment contract › The Company does not make any arrangements that guarantee pensions with limited or no abatement on severance or early retirement
Annual bonus	› No entitlement following date notice served › Unvested deferred bonus shares lapse on cessation	› Bonus may be payable subject to performance › Bonus is normally pro-rated based on the period worked during the financial year › Payment usually occurs following the financial year end, in line with the wider workforce › Deferred share awards normally vest on the scheduled date, unless the Committee determines that awards should vest earlier
LTIP	› Awards lapse in full	› Unvested awards normally vest at the normal time subject to performance unless the Committee determines otherwise › Awards are normally pro-rated by reference to the proportion of the performance period that has elapsed up to cessation, unless the Committee determines otherwise › Awards remain subject to any applicable retention period
All-employee share schemes	› Operate in line with HMRC rules	› Operate in line with HMRC rules
Termination support	› None	› One-off payments in respect of legal fees and/or outplacement assistance may be payable
Compensation for loss of office	› None	› None

Consistent with market practice, the Company may pay reasonable legal fees (and any associated tax costs) on behalf of the Executive Director for entering into a statutory settlement agreement and, additionally, may make a reasonable contribution towards fees for outplacement services as part of a negotiated settlement.

In the case of a corporate transaction, the Company may agree to pay reasonable legal fees (and any associated tax costs) on behalf of the Executive Director for advice on the effect of the corporate transaction on the Executive Director's personal position as a director (including, where appropriate, as to the terms of their employment). The Company may agree to pay reasonable legal fees (and any associated tax costs) on behalf of the Executive Director for advice related to any proposed changes to their terms and conditions of employment during their period of employment.

8. CHANGE OF CONTROL PROVISIONS

On a change of control, unvested LTIP awards will normally vest subject to performance and time pro-rating (although the Committee may allow a greater number of shares to vest than if pro-rating is applied where appropriate) and unvested deferred bonus shares vest in full. The contracts of the Executive Directors do not provide for any enhanced payments in the event of a change of control of the Company or for liquidated damages.

9. REMUNERATION OF NEWLY APPOINTED EXECUTIVE DIRECTORS

The remuneration package for a new externally appointed Executive Director will be set in accordance with the terms of the Company's approved Policy in force at the time of appointment.

FIXED PAY

- The Committee has the flexibility to set the base salary of a new hire at the market level or at a discount to the market level initially, with a series of planned increases implemented over the following few years (subject to performance in the role) to bring the salary to the desired positioning.
- In exceptional circumstances the salary of a newly appointed Executive Director may exceed the market median benchmark for the role.

VARIABLE PAY

- The annual bonus will operate in accordance with the terms of the approved Policy, with the opportunity pro-rated for the period of employment in the first year.
- Depending on the timing and responsibilities of the appointment, it may be necessary to set revised performance measures and targets initially.
- The LTIP will also operate in accordance with the approved Policy.

The maximum level of variable pay that may be offered to a new Executive Director is an aggregate maximum of 450% of salary, but it may be lower. This limit does not include the value of any buy-out arrangements deemed appropriate.

In addition to the elements of the remuneration package covered by the policy, the Committee may 'buy out' certain existing remuneration arrangements of an incoming Executive Director through the offer of either additional cash and/or share-based elements when it considers these to be in the best interests of the Company. Any such payments will be based solely on remuneration lost when leaving the former employer and will take into account the existing delivery mechanism (i.e. cash, shares, options), time horizons and performance conditions.

In the case of an internally appointed Executive Director, any variable pay element awarded in respect of the prior role would be paid out according to its terms, adjusted as relevant to take into account the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment will continue, provided that they are put to shareholders for approval at the earliest opportunity.

RELOCATION ALLOWANCE

For external and internal appointments, the Committee may agree that the Company will meet certain relocation expenses, for a limited period only, as appropriate. Where a Director is recruited from overseas, flexibility is retained to provide benefits that take account of market practice in their country of residence. The Company may offer a cash amount on recruitment, payment of which may be staggered over a period of up to two years, to reflect the value of benefits a new recruit may have received from a former employer.

LEGAL FEES

On recruitment of an Executive Director, the Company may make a contribution towards legal fees in connection with agreeing employment terms and drawing up a service contract.

Shareholders will normally be informed of the remuneration package and all additional payments to newly-appointed Executive Directors at the time of their appointment.

10. DISCRETIONS RETAINED BY THE COMMITTEE

The Committee operates the Group's various incentive plans according to their respective rules and in accordance with HMRC regulations where relevant. To ensure the efficient administration and appropriate governance of all remuneration arrangements the Committee may apply certain operational discretions, within the limits of the Directors' Remuneration Policy and relevant plan rules. These include, but are not limited to, the following:

- selecting the participants in the plans
- determining the timing of awards and/or payments
- determining the quantum of awards and/ or payments
- selecting appropriate performance criteria and determining weightings, and adjusting these if necessary
- setting performance targets for the various criteria, and adjusting these if necessary
- adjusting the constituents of the comparator groups in respect of relative performance measures, if necessary
- determining the extent of payment/ vesting based on the assessment of performance
- determining 'good leaver' status and the extent of payment/vesting in the case of the bonus and share-based plans
- determining the treatment of awards under share-based plans in the event of a change of control
- making the appropriate adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events, variation of capital, special dividends etc.)

In all cases, the Committee retains its absolute discretion to override formulaic outcomes in the bonus, LTIP and any other remuneration arrangements should the payouts not reflect underlying Company performance.

Directors' Report

The Directors present their report for the year ended 31 March 2021.

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 65

	Pages
Likely future developments in the business	8-11
Employee engagement	62-63
Going concern and viability statement	78-79
Governance	83-141
Capitalised interest	168
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Credit, market and liquidity risks	189-193
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Energy and carbon reporting	217-223
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Stakeholders	16-17
Section 172 Statement	94-95

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 the UK laws. 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 145-204.

The Company has paid two interim dividends to shareholders for the year under review. No first interim dividend was paid due to the pandemic but a second interim dividend of 12 pence was paid which reflected a 6 pence dividend for each of the first two quarters of the year. This was paid to shareholders in January 2021. A third interim dividend of 6 pence per share was paid to shareholders on 30 March.

Table 66

	1st Interim 2020/21	2nd Interim 2020/21	3rd Interim 2020/21	Final 2020/21 (proposed)
Property Income Distribution (PID)/ Non-PID	None issued	12 pence PID (representing 6 pence each for the first two quarters)	6 pence (PID)	9 pence (PID)
Record date	–	27 November 2020	26 February 2021	18 June 2021
Payment date	–	4 January 2021	30 March 2021	23 July 2021

A Dividend Reinvestment Plan (DRIP) election is currently available in respect of all dividends paid by Landsec.

EVENTS SINCE THE BALANCE SHEET DATE

There were no significant events occurring after the reporting period but before the financial statements were authorised for issue.

DIRECTORS

The names and biographical details of the current Directors and the Board Committees of which they are members are set out on pages 83-86.

All the Directors proposed for re-election held office throughout the year except Vanessa Simms who joined the Board on 4 May 2021 and Manjiry Tamhane who joined the Board on 1 March 2021.

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 139.

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 2021 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 10⅔p each ranking pari passu. No other securities have been issued by the Company. At 31 March 2021, there were 751,313,063 ordinary shares in issue and fully paid, of which 9,839,179 are held in treasury. No shares were bought back during the year. Further details relating to share capital, including movements during the year, are set out in note 35 to the financial statements.

At the Company's AGM held on 9 July 2020, 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 2021 AGM and a renewal of that authority will be sought. The Company received no other DTR notifications by way of change to the information in the substantial shareholders table during the period from 1 April to 17 May 2021, being the period from the year end through to the date on which this report has been signed. 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 purchased 500,000 shares in total in the market during the year. On 17 July 2020, 125,907 ordinary shares were purchased at a price of £5.48 per share. On 20 July 2020, 124,093 ordinary shares were purchased at a price of £5.50 per share. On 2 September 2020, 250,000 ordinary shares were purchased at a price of £5.63 per share. The EBT released 233,224 shares during the year to satisfy vested share plan awards. At 31 March, the EBT held 1,224,468 Land Securities Group PLC shares.

A dividend waiver is in place from the Trustee in respect of all dividends payable by Landsec on shares which it 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 34-36 to the financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2021, 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:

Shareholders holding 3% or more of the Company's issued share capital Table 67

Shareholder name	Number of ordinary shares	Percentage of total voting rights attaching to issued share capital[1]
BlackRock, Inc.	87,509,883	11.82
Norges Bank Investment Management	68,192,775	9.20
The Vanguard Group, Inc.	32,321,373	4.36
Legal & General Investment Management Ltd	26,576,963	3.58
State Street Global Advisors Ltd	25,642,648	3.46

1. The total number of voting rights attaching to the issued share capital of the Company on 31 March 2021 was 741,473,884.

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 2021 AGM. These documents are available on Landsec's website at: www.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.

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 22 September 2020 and posted on our website on 30 September 2020.

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 in the Social review on pages 59-61.

POLITICAL DONATIONS

The Company did not make any political donations or expenditure in the year that require disclosure (2020: 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 2021 AGM. The reappointment has been recommended to the Board by the Audit Committee and EY has indicated its willingness to remain in office.

2021 ANNUAL GENERAL MEETING

This year's AGM is scheduled to be held at 10.00 am on Thursday, 8 July 2021 at 80 Victoria Street, London SW1E 5JL. Due to Covid-19 restrictions we strongly encourage our stakeholders to attend virtually. Shareholders will be able to watch presentations from our Chairman and CEO, ask questions and cast their votes online. We request that shareholders who do wish to attend in person pre-register their intention to attend to help us manage numbers.

We will continue to monitor the impact of the pandemic, with the health and safety of our shareholders, Directors and employees as our priority. If it becomes necessary or appropriate to make changes to the proposed format of the AGM, we will inform shareholders as soon as we can. Shareholders are encouraged to monitor our website at www.landsec.com/agm and London Stock Exchange announcements for any updates regarding the AGM arrangements.

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: www.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 17 May 2021.

By Order of the Board.

Liz Miles

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 international financial reporting standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. 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 IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union) 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 IFRS 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 IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union) give a true and fair view of the assets, liabilities, financial position, 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 www.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
- Martin Greenslade, Chief Financial Officer
- Vanessa Simms, Chief Financial Officer Designate
- Colette O'Shea, Chief Operating Officer
- Edward Bonham Carter, Senior Independent Director*
- Nicholas Cadbury*
- Madeleine Cosgrave*
- Christophe Evain*
- Stacey Rauch*
- Manjiry Tamhane*

*Non-executive Directors

The Statement of Directors' Responsibilities was approved by the Board of Directors on 17 May 2021 and is signed on its behalf by:

MARK ALLAN
CHIEF EXECUTIVE

MARTIN GREENSLADE
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 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union;
- the Parent Company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 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 2021 which comprise:

Group	Parent Company
Consolidated balance sheet as at 31 March 2021	Balance sheet as at 31 March 2021
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 40 to the financial statements, including a summary of significant accounting policies	Related notes 1 to 40 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 International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards to the Group financial statements, International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union 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 are independent of the Group 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.

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

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. 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 the following:

- We assessed the risk around going concern at the interim half year review, in planning our audit and again at the year-end phase.
- We confirmed our understanding of the process followed by Management to prepare the Group's going concern assessment, including assessing the ongoing impact of the Covid-19 pandemic, the resulting Government restrictions and lockdowns and financial pressures on tenants leading to increased credit risk and rent concessions.
- 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 31 May 2022 and the additional downside scenarios.
- For each of the modelled scenarios, we challenged the key assumptions by checking to corroborative evidence and searching out independent contradictory evidence. We assessed Management's consideration of downside sensitivity analysis and applied further sensitivities 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 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 stress 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 in assessing the remoteness of movements in rental and valuation assumptions.
- We reviewed the disclosures in the financial statements relating to going concern (including the impact of Covid-19) with a view to confirming that they appropriately disclose the risk, the impact on the Group's operations and results and potential mitigating actions. In light of the current market conditions, this included consultation with independent audit partners to validate our work on the going concern assessment.

We have observed that the Covid-19 pandemic has had a number of impacts on the operations and results of the Group. The most significant have been the collection of rent and service charges, reductions in turnover-based revenues and the decline in property values. The pandemic has had the most significant impact on the Group's Regional retail, Urban opportunities and Subscale segments which account for 31% of Group net rental income. The Central London assets, which account for the remaining 69% of net rental income, have not been as significantly impacted due to the lower impact on office tenants. There continues to be judgement in assessing the future impact of the pandemic and the UK Government's response to it.

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 31 May 2022.

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 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 and operates through one portfolio, which is split into four segments: Central London, Regional retail, Urban opportunities and Subscale sectors, all of which were subject to the same full audit scope. This included the Group audit team performing 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 2021) Impairment of trade receivables, including lease incentive balances.
Materiality	› Overall group materiality of £99m which represents 0.9% of total assets in the Group balance sheet at 31 March 2021. Overall materiality is applied to account balances related to investment properties (either wholly owned or held within joint ventures) and related loans and borrowings. › Specific materiality of £17m, which represents 5% of average revenue profit before tax over two years to 31 March 2021. Specific materiality is applied to account balances not related to investment properties (either wholly owned or held within joint ventures) and loans and borrowing. › Parent Company materiality of £55m, 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.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements.

The Group solely operates in the United Kingdom and operates through four segments, Central London, Regional retail, Urban opportunities and Subscale sectors, all of which were subject to the same full audit scope. The Group audit team performed all the work necessary to issue the Group and Parent Company audit opinion, including undertaking all of the audit work on the risks of material misstatement identified above. As a result of all consolidated entities being full scope, we have achieved full coverage over Revenue, Loss before tax and Total assets.

KEY AUDIT MATTERS

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

This year we have included a new key audit matter: Impairment of trade receivables, including lease incentive balances. In light of the Covid-19 pandemic and the challenges over cash collection, particularly in the retail sector, the Group has seen a significant increase in the levels of outstanding debtor balances and bad and doubtful debt expense. The audit partner and other senior members of the audit team spent a significant amount of time assessing the judgements made and the appropriateness of the balances recorded.

Independent Auditor’s Report
continued

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 2021: £9,607m in investment properties and £735m (the Group’s share) in investment properties held in joint ventures (2020: £11,297m in investment properties and £946m share in investment properties held in joint ventures) Refer to the Report of the Audit Committee (pages 106 to 114); Accounting policies (pages 172 to 173); Notes 14 and 16 of the Financial statements (pages 172 to 177). 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 (such as in respect of estimated rental value, yield profile applied or costs to complete for development properties) 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. The uncertainties over the current economic environment caused by Covid-19 had an impact on the valuation of the Group’s properties. As referred to in note 14, CBRE has highlighted in its assessment of the fair value of the hotel property portfolio, valued at £406m, that there is limited transactional evidence and less certainty with regard to valuations and that market values can change rapidly in the context of current market conditions. Accordingly, CBRE and Management have stated that it has been necessary to make more judgements than are usually required and the Group has reported the valuation of the hotel property portfolio at 31 March 2021 on the basis of a ‘material valuation uncertainty’.	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 valuer, CBRE, which included consideration of their qualifications and expertise. We met with CBRE 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 in light of the Covid-19 pandemic and the impact that this has had on reducing transactional evidence that can be leveraged in the valuation process. We have obtained further explanation and sought alternative evidence where this is the case. In response to CBRE’s inclusion of a valuation uncertainty covering the hotel portfolio, specific consideration has been given to the judgements on these assets. 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 74% 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. 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 valuer, such as the estimated rental values, voids, tenant incentives and development costs to complete were supported by available data. Together with our Chartered Surveyors, we met with the external valuer to further discuss the findings from our audit work described above and to seek further explanations as required. 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 each property in the portfolio 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 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 a virtual site visit, accompanied by our Chartered Surveyors, to both 21 Moorfields and Lucent W1, being the two largest properties in the development programme by value. 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 and considered the reasonableness of the forecast costs to complete included in the valuations as well as identified contingencies, exposures and remaining risks, by comparing the total forecast costs to contractual arrangements and approved budgets. 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 also reviewed development feasibilities and reporting against budget. 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 valuation of all properties, including investment properties and investment properties held in joint ventures.	We have tested the inputs, assumptions and methodology used by CBRE. 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 2021. We concluded that the sample of properties reviewed by our Chartered Surveyors was within the reasonable range of values as assessed by them. 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. Management have properly disclosed information relating to the material uncertainty paragraph included by CBRE on the valuation of the hotel property portfolio.

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 2021: £519m rental income (2020: £611m rental income) Refer to the Report of the Audit Committee (pages 106 to 114); Accounting policies (page 164); Note 6 of the Financial statements (page 164). Market expectations and revenue profit-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 incorrect treatment of lease incentives. The increase in the Covid-19 related rent concessions has had an impact on revenue recognition and there is a risk that the accounting treatment of these is not in line with the accounting standards.	Our audit procedures over revenue recognition included: We tested 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 controls testing 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 tested a sample of rent concessions issued from the Customer support fund and agreed these back to source documentation. 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 whole Group was subject to full scope audit procedures over revenue.	Based upon the audit procedures performed, we concluded that revenue has been recognised on an appropriate basis in the year. Covid-19 related rent concessions are accounted for in line with the accounting standards.
Impairment of trade receivables, including lease incentive balances 2021: £110m Bad and doubtful debts expense (2020: £28m Bad and doubtful debts expense); 2021: £111m Allowance for doubtful debts (2020: £30m Allowance for doubtful debts) Refer to the Report of the Audit Committee (pages 106 to 114); Accounting policies (pages 190 and 194); Note 26 of the Financial statements (page 194). With a more challenging environment in the retail sector and an increased number of CVAs and administrations, there is a continued risk that trade receivables, including lease incentives, are impaired. This risk has increased due to the ongoing implications of Covid-19 on rent and service charge collection.	Our audit procedures over impairment of trade receivables included: We obtained an understanding of the Group's process and controls over the tenant billing and cash receipt process, including the process and controls over the assessment of bad and doubtful debts. The Group's accounting policy for assessing expected credit losses takes account of recent payment behaviours, expectations of likely default events, actual or expected insolvency filings or company voluntary arrangements, agreed concessions and trends in the wider macro-economic environment. We assessed the adequacy of provisions for bad and doubtful debts against this policy and our expectation of the current market. For both trade receivables and lease incentives, we performed an analysis of the Group's exposure to the risk of retailers who are in CVA or administration and challenged whether the Group's bad and doubtful debt assessment reflected this data. In challenging Management's assessment of the recoverability of the lease incentives receivable balance we considered the financial viability and payment performance of tenants with significant related lease incentive balances. For Covid-19 related rent concessions, where the Group waived rents already due, we tested a sample to confirm whether amounts previously invoiced were appropriately reflected in the Group's bad debt charge. We reviewed the Group's disclosures over the significant accounting estimate related to the impairment of trade receivables. **Scope of our procedures** The whole Group was subject to full scope audit procedures over impairment of trade receivables.	Based upon the audit procedures performed, we concluded that the impairment of trade receivables, including lease incentive balances, has been appropriately accounted for, and disclosed in the financial statements.

In the prior year, our Auditor's Report included a key audit matter in relation to going concern. In the current year, our response and key observations are outlined in the above section Conclusions relating to going concern. We have not designated Going concern as a key audit matter in the current year which reflects the lower level of uncertainty regarding the impact of the Covid-19 pandemic following the experiences of the previous year.

Independent Auditor's Report
continued

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 (2020: 1% of total assets adjusted for certain cash items)	£99m (2020: £131m)	£74m (2020: £98m)	£5m (2020: £7m)
Specific – account balances not related to investment properties (either wholly owned or held within joint ventures) or loans and borrowing	5% of average revenue profit before tax over two years (2020: 5% of revenue profit before tax)	£17m (2020: £21m)	£13m (2020: £16m)	£1m (2020: £1m)
Parent Company	0.9% of total assets (2020: 1% of total assets)	£55m (2020: £62m)	£41m (2020: £47m)	£3m (2020: £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 (2020: 1% of total assets adjusted for certain cash items). We adjusted total assets in 2020 to remove the impact of cash drawn down close to year end in response to the outbreak of the Covid-19 pandemic. This was paid back during the current financial year and so no such adjustment was required in setting materiality. We have reduced the percentage of the basis taken to reflect the increased risk profile from changes and uncertainty in the business environment due to Covid-19. We apply overall materiality to the investment 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 have determined that for other account balances not related to investment 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 have determined that materiality for these areas should be based upon average revenue profit before tax over two financial years (2020 and 2021), £333m (2020: revenue profit of £414m). This led to a reduction in the specific materiality in response to the impact Covid-19 has had on the profitability of the Group. Revenue profit has declined due to the impact of Covid-19 and the resulting bad debt charges. We conclude that the specific materiality is more appropriately determined using a normalised basis based on past results and that this better reflects a normal level of earnings. We selected a two-year period as this is more aligned with the impacts of the ongoing pandemic and other structural changes in the retail property market.

We benchmarked this change in basis to setting specific materiality against other UK listed REITs and determined that using a normalised basis gives a comparable approach in setting specific materiality.

We reassessed initial materiality at the year end date and, as actual total assets were lower than that which we had used as the initial basis for determining overall materiality, our final materiality was lower than the materiality we calculated initially.

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 is that overall performance materiality and specific performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group should be 75% (2020: 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.

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 £5m (2020: £7m), as well as audit differences in excess of £1m (2020: £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 2 to 145, 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 there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:
› Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified; pages 78 to 79;
› 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 page 78 to 79;
› Directors' statement on fair, balanced and understandable set out on page 107;
› Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 68 to 77;
› The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on pages 68 to 77; and
› The section describing the work of the Audit Committee set out on pages 106 to 114.

Independent Auditor's Report
continued

RESPONSIBILITIES OF DIRECTORS
As explained more fully in the Directors' Responsibilities Statement set out on page 145, 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 (IFRS, 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;
  - 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 of 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 www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

OTHER MATTERS WE ARE REQUIRED TO ADDRESS

- Following the recommendation from the Audit Committee, we were appointed by the Parent Company at the AGM on 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 seven years, covering the years ending 31 March 2014 to 31 March 2021.
- 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.
- 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.

Ernst & Young LLP

KATHRYN BARROW
SENIOR STATUTORY AUDITOR

for and on behalf of Ernst & Young LLP, Statutory Auditor
London
18 May 2021

Income statement

for the year ended 31 March 2021

	Notes	2021 Revenue profit £m	2021 Capital and other items £m	2021 Total £m	2020 Revenue profit £m	2020 Capital and other items £m	2020 Total £m
Revenue	6	**631**	**4**	**635**	740	1	741
Costs – bad and doubtful debts expense	7	**(110)**	**–**	**(110)**	(28)	–	(28)
Costs – other	7	**(218)**	**(5)**	**(223)**	(241)	(5)	(246)
		303	**(1)**	**302**	471	(4)	467
Share of post-tax profit/(loss) from joint ventures	16	**8**	**(200)**	**(192)**	22	(173)	(151)
Profit/(loss) on disposal of investment properties		**–**	**8**	**8**	–	(6)	(6)
Net deficit on revaluation of investment properties	14	**–**	**(1,448)**	**(1,448)**	–	(1,000)	(1,000)
Operating profit/(loss)		**311**	**(1,641)**	**(1,330)**	493	(1,183)	(690)
Finance income	10	**15**	**1**	**16**	17	1	18
Finance expense	10	**(75)**	**(4)**	**(79)**	(96)	(69)	(165)
Profit/(loss) before tax		**251**	**(1,644)**	**(1,393)**	414	(1,251)	(837)
Taxation	12			**–**			5
Loss attributable to shareholders				**(1,393)**			(832)
Loss per share attributable to shareholders:							
Basic loss per share	5			**(188.2)p**			(112.4)p
Diluted loss per share	5			**(188.2)p**			(112.4)p

Statement of comprehensive income

for the year ended 31 March 2021

	Notes	2021 Total £m	2020 Total £m
Loss attributable to shareholders		**(1,393)**	(832)
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 (loss)/gain on defined benefit pension scheme	33	**(12)**	6
Deferred tax credit/(charge) on re-measurement above	12	**2**	(1)
Other comprehensive (loss)/income attributable to shareholders		**(13)**	1
Total comprehensive loss attributable to shareholders		**(1,406)**	(831)

Balance sheets

at 31 March 2021

	Notes	Group 2021 £m	Group 2020 £m	Company 2021 £m	Company 2020 £m
Non-current assets					
Investment properties	14	**9,607**	11,297	**–**	–
Intangible assets	19	**8**	14	**–**	–
Net investment in finance leases	18	**152**	156	**–**	–
Investments in joint ventures	16	**625**	824	**–**	–
Investments in subsidiary undertakings	28	**–**	–	**6,101**	6,213
Trade and other receivables	26	**170**	178	**–**	–
Other non-current assets	29	**22**	32	**–**	–
Total non-current assets		**10,584**	12,501	**6,101**	6,213
Current assets					
Trading properties	15	**36**	24	**–**	–
Trade and other receivables	26	**354**	433	**–**	–
Monies held in restricted accounts and deposits	22	**10**	9	**3**	4
Cash and cash equivalents	23	**–**	1,345	**–**	–
Other current assets	30	**6**	48	**–**	–
Total current assets		**406**	1,859	**3**	4
Total assets		**10,990**	14,360	**6,104**	6,217
Current liabilities					
Borrowings	21	**(906)**	(977)	**–**	–
Trade and other payables	27	**(252)**	(270)	**(2,630)**	(2,406)
Other current liabilities	31	**(7)**	(2)	**–**	–
Total current liabilities		**(1,165)**	(1,249)	**(2,630)**	(2,406)
Non-current liabilities					
Borrowings	21	**(2,610)**	(4,355)	**–**	–
Trade and other payables	27	**(1)**	(1)	**–**	–
Other non-current liabilities	32	**(2)**	(5)	**–**	–
Total non-current liabilities		**(2,613)**	(4,361)	**–**	–
Total liabilities		**(3,778)**	(5,610)	**(2,630)**	(2,406)
Net assets		**7,212**	8,750	**3,474**	3,811
Equity					
Capital and reserves attributable to shareholders					
Ordinary shares	35	**80**	80	**80**	80
Share premium		**317**	317	**317**	317
Other reserves		**28**	27	**28**	27
Merger reserve		**–**	–	**374**	374
Retained earnings		**6,787**	8,326	**2,675**	3,013
Total equity		**7,212**	8,750	**3,474**	3,811

The loss for the year of the Company was **£205m** (2020: loss of £89m).

The financial statements on pages 154 to 204 were approved by the Board of Directors on 17 May 2021 and were signed on its behalf by:

MARK ALLAN ***MARTIN GREENSLADE***

DIRECTORS

Statements of changes in equity

for the year ended 31 March 2021

	Ordinary shares £m	Share premium £m	Other reserves £m	Retained earnings £m	Group Total equity £m
			Attributable to shareholders		
At 1 April 2019	80	317	26	9,497	9,920
Total comprehensive loss for the financial year	–	–	–	(831)	(831)
Transactions with shareholders:					
Share-based payments	–	–	1	2	3
Dividends paid to shareholders	–	–	–	(342)	(342)
Total transactions with shareholders	–	–	1	(340)	(339)
At 31 March 2020	80	317	27	8,326	8,750
Total comprehensive loss for the financial year	**–**	**–**	**–**	**(1,406)**	**(1,406)**
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**	**6,787**	**7,212**

	Ordinary shares £m	Share premium £m	Other reserves £m	Merger reserve £m	Retained earnings[1] £m	Company Total equity £m
				Attributable to shareholders		
At 1 April 2019	80	317	26	374	3,442	4,239
Total comprehensive loss for the financial year	–	–	–	–	(89)	(89)
Transactions with shareholders:						
Share-based payments	–	–	1	–	2	3
Dividends paid to shareholders	–	–	–	–	(342)	(342)
Total transactions with shareholders	–	–	1	–	(340)	(339)
At 31 March 2020	80	317	27	374	3,013	3,811
Total comprehensive loss for the financial year	**–**	**–**	**–**	**–**	**(205)**	**(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**	**2,675**	**3,474**

1. Available for distribution.

Statement of cash flows

for the year ended 31 March 2021

	Notes	2021 £m	2020 £m
Cash flows from operating activities			
Net cash generated from operations	13	**322**	504
Interest received		**4**	16
Interest paid		**(83)**	(108)
Rents paid		**(9)**	(12)
Capital expenditure on trading properties		**(1)**	(2)
Other operating cash flows		**–**	3
Net cash inflow from operating activities	13	**233**	401
Cash flows from investing activities			
Investment property development expenditure		**(177)**	(154)
Other investment property related expenditure		**(41)**	(47)
Acquisition of investment properties		**(99)**	(16)
Disposal of investment properties		**631**	45
Deferred consideration received		**10**	–
Cash contributed to joint ventures	16	**–**	(13)
Cash distributions from joint ventures	16	**16**	69
Other investing cash flows		**(6)**	–
Net cash inflow/(outflow) from investing activities		**334**	(116)
Cash flows from financing activities			
Proceeds from new borrowings (net of finance fees)	21	**–**	1,701
Repayment of bank debt	21	**(1,755)**	–
Repayment of medium term notes	21	**–**	(47)
Redemption of medium term notes	21	**(12)**	(196)
Premium paid on redemption of medium term notes	21	**(3)**	(59)
Net cash outflow from derivative financial instruments		**(12)**	(1)
Settlement of redemption liability		**–**	(36)
Dividends paid to shareholders	11	**(127)**	(342)
(Increase)/decrease in monies held in restricted accounts and deposits		**(1)**	27
Other financing cash flows		**(2)**	(1)
Net cash (outflow)/inflow from financing activities		**(1,912)**	1,046
(Decrease)/increase in cash and cash equivalents for the year		**(1,345)**	1,331
Cash and cash equivalents at the beginning of the year		**1,345**	14
Cash and cash equivalents at the end of the year	23	**–**	1,345

The Company did not hold any cash and cash equivalents balances at 31 March 2021 (2020: none) and therefore did not have any cash flows in the year then ended (2020: none).

Notes to the financial statements
for the year ended 31 March 2021

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 international accounting standards in conformity with the Companies Act 2006. The Group financial statements have been prepared in accordance with IFRSs and IFRICs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. 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
As the impact of Covid-19 on the Group continues to be significant, particularly on our ability to collect rent and service charge from customers, 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 2021. The Group's going concern assessment considers changes in the Group's principal risks (see pages 71 to 77) 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 21.

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 macro-economic 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 twelve months to 31 May 2022, are shown below alongside the actual position at 31 March 2021.

Key metrics	31 March 2021	Viability scenario 31 May 2022
Security Group LTV	**32.7%**	36.8%
Adjusted net debt	**£3,489m**	£3,319m
EPRA net tangible assets	**£7,300m**	£5,792m
Available financial headroom	**£1.6bn**	£1.8bn

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 12 months from the date of authorisation of these financial statements. The value of our assets would need to fall from 31 March 2021 values by a further 50% 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 £71m in the year ending 31 March 2022 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. Despite the challenging trading conditions experienced during the year ended 31 March 2021, 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 31 May 2022 to a level that would result in a breach of the interest cover covenant, even if the trading conditions experienced in the year ended 31 March 2021 continue over this period. More detail on the Security Group can be found in note 25.

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 2021.

BASIS OF CONSOLIDATION

The consolidated financial statements for the year ended 31 March 2021 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.

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.

Notes to the financial statements

for the year ended 31 March 2021 continued

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)

ESTIMATES

› Valuation of investment and trading properties (note 14)

› Impairment of trade receivables (note 26)

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.

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 **£10.8bn**, 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.

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 revenue profit, 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 revenue profit 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 revenue profit 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. A full definition of revenue profit is given in the glossary. The components of revenue profit are presented on a proportionate basis in note 4.

4. SEGMENTAL INFORMATION

The Group's operations are managed across four operating segments, being Central London, Regional retail, Urban opportunities and Subscale sectors.

The Central London segment includes all assets geographically located within central London. Regional retail includes all regional shopping centres and shops outside London and our outlets. The Urban opportunities segment includes those assets where we see the most potential for capital investment. Subscale sectors mainly includes assets that will not be a focus for capital investment and consists of leisure and hotel assets and retail parks.

In the year ended 31 March 2020, we merged our London Portfolio and Retail Portfolio and amended our reporting to the Executive Committee (ExecCom) to reflect the predominant use class of our assets, grouped into Office, Retail and Specialist. Subsequently, during the year ended 31 March 2021, we merged these three segments into four new reporting segments to support our new strategy and better reflect the way the business is now being managed. The comparative year has been presented in the new format and a reconciliation to the previous presentation has been provided on our website.

Management has determined the Group's operating segments based on the information reviewed by Senior Management to make strategic decisions. Until 8 December 2020, the chief operating decision maker was ExecCom, which comprised the Executive Directors, the Group General Counsel and Company Secretary and the Group HR Director. From 9 December 2020, ExecCom was replaced by 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 revenue profit. 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 indirect costs, which are predominantly staff costs, are all treated as indirect 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 114.

Notes to the financial statements

for the year ended 31 March 2021 continued

4. SEGMENTAL INFORMATION CONTINUED

Revenue profit	Central London £m	Regional retail £m	Urban opps £m	Subscale sectors £m	2021 Total £m	Central London £m	Regional retail £m	Urban opps £m	Subscale sectors £m	2020 Total £m
Rental income	**300**	**162**	**26**	**81**	**569**	324	201	29	115	669
Finance lease interest	**9**	**–**	**–**	**–**	**9**	9	–	–	–	9
Gross rental income (before rents payable)	**309**	**162**	**26**	**81**	**578**	333	201	29	115	678
Rents payable[1]	**(3)**	**(5)**	**–**	**(1)**	**(9)**	(6)	(8)	–	(1)	(15)
Gross rental income (after rents payable)	**306**	**157**	**26**	**80**	**569**	327	193	29	114	663
Service charge income	**39**	**35**	**5**	**–**	**79**	50	43	5	–	98
Service charge expense	**(39)**	**(38)**	**(5)**	**(2)**	**(84)**	(49)	(46)	(5)	(2)	(102)
Net service charge expense	**–**	**(3)**	**–**	**(2)**	**(5)**	1	(3)	–	(2)	(4)
Other property related income	**18**	**10**	**1**	**3**	**32**	18	11	2	2	33
Direct property expenditure	**(27)**	**(23)**	**(5)**	**(9)**	**(64)**	(31)	(30)	(6)	(9)	(76)
Bad and doubtful debts expense	**(17)**	**(69)**	**(10)**	**(31)**	**(127)**	(5)	(18)	(3)	(7)	(33)
Segment net rental income	**280**	**72**	**12**	**41**	**405**	310	153	22	98	583
Other income					**2**					2
Indirect expense					**(77)**					(72)
Depreciation					**(5)**					(4)
Revenue profit before interest					**325**					509
Finance income					**15**					17
Finance expense					**(75)**					(96)
Joint venture net finance expense					**(14)**					(16)
Revenue profit					**251**					414

1. Included within rents payable is lease interest payable of **£2m** (2020: £3m) and **£1m** (2020: £1m) for the Central London and Subscale sectors segments respectively.

Reconciliation of revenue profit to loss before tax	2021 Total £m	2020 Total £m
Revenue profit	**251**	414
Capital and other items		
Valuation and profit on disposals		
Net deficit on revaluation of investment properties	**(1,646)**	(1,179)
Profit/(loss) on disposal of investment properties	**5**	(6)
(Loss)/profit on disposal of trading properties	**(1)**	7
	(1,642)	(1,178)
Net finance expense (excluded from revenue profit)		
Fair value movement on interest-rate swaps	**(1)**	(9)
Premium on redemption of medium term notes (MTNs)	**(3)**	(59)
Other net finance income	**1**	–
	(3)	(68)
Exceptional items		
Impairment of intangible asset	**(4)**	(4)
Impairment of goodwill	**–**	(1)
	(4)	(5)
Other		
Profit from long-term development contracts	**–**	3
Gain on settlement of liability	**4**	–
Other	**1**	(3)
	5	–
Loss before tax	**(1,393)**	(837)

5. PERFORMANCE MEASURES

In the tables below, we present earnings per share and net assets per share calculated in accordance with IFRS, together with our own adjusted measure and 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 adjusted diluted earnings per share, EPRA net tangible assets per share and total business return.

Adjusted earnings, which is a tax adjusted measure of revenue profit, is the basis for the calculation of adjusted earnings per share. We believe adjusted earnings and adjusted 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 2021			Year ended 31 March 2020	
	Loss for the year £m	**EPRA earnings £m**	**Adjusted earnings £m**	Loss for the year £m	EPRA earnings £m	Adjusted earnings £m
Loss attributable to shareholders	**(1,393)**	**(1,393)**	**(1,393)**	(832)	(832)	(832)
Taxation	**–**	**–**	**–**	–	(5)	(5)
Valuation and profit on disposals	**–**	**1,642**	**1,642**	–	1,178	1,178
Net finance expense (excluded from revenue profit)	**–**	**3**	**3**	–	68	68
Exceptional items	**–**	**4**	**4**	–	5	5
Other	**–**	**(5)**	**(5)**	–	–	–
(Loss)/profit used in per share calculation	**(1,393)**	**251**	**251**	(832)	414	414

	IFRS	**EPRA**	**Adjusted**	IFRS	EPRA	Adjusted
Basic (loss)/earnings per share	**(188.2)p**	**33.9p**	**33.9p**	(112.4)p	55.9p	55.9p
Diluted (loss)/earnings per share[1]	**(188.2)p**	**33.9p**	**33.9p**	(112.4)p	55.9p	55.9p

1. In the years ended 31 March 2021 and 31 March 2020, 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 2021			31 March 2020	
	Net assets £m	**EPRA NDV £m**	**EPRA NTA £m**	Net assets £m	EPRA NDV £m	EPRA NTA £m
Net assets attributable to shareholders	**7,212**	**7,212**	**7,212**	8,750	8,750	8,750
Excess of fair value over net investment in finance leases book value	**-**	**93**	**93**	-	90	90
Deferred tax liability on intangible asset	**-**	**-**	**1**	-	-	1
Goodwill on deferred tax liability (note 19)	**-**	**(1)**	**(1)**	-	(1)	(1)
Other intangible asset (note 19)	**-**	**-**	**(2)**	-	-	(7)
Fair value of interest-rate swaps	**-**	**-**	**(3)**	-	-	1
Excess of fair value of debt over book value (note 21)	**-**	**(244)**	**-**	-	(274)	-
Net assets used in per share calculation	**7,212**	**7,060**	**7,300**	8,750	8,565	8,834

	IFRS	**EPRA NDV**	**EPRA NTA**	IFRS	EPRA NDV	EPRA NTA
Net assets per share	**975p**	**n/a**	**n/a**	1,182p	n/a	n/a
Diluted net assets per share	**973p**	**953p**	**985p**	1,181p	1,156p	1,192p

Number of shares		**2021**		2020
	Weighted average million	**31 March million**	Weighted average million	31 March million
Ordinary shares	**751**	**751**	751	751
Treasury shares	**(10)**	**(10)**	(10)	(10)
Own shares	**(1)**	**(1)**	(1)	(1)
Number of shares – basic	**740**	**740**	740	740
Dilutive effect of share options	**1**	**1**	1	1
Number of shares – diluted	**741**	**741**	741	741

Notes to the financial statements

for the year ended 31 March 2021 continued

5. PERFORMANCE MEASURES CONTINUED

Total business 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 business return based on EPRA NTA	**Year ended 31 March 2021 pence**	Year ended 31 March 2020 pence
Decrease in EPRA NTA per share	**(207)**	(156)
Dividend paid per share in the year (note 11)	**18**	46
Total return (a)	**(189)**	(110)
EPRA NTA per share at the beginning of the year (b)	**1,192**	1,348
Total business return (a/b)	**-15.9%**	-8.2%

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 'Revenue profit' 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.

	2021			2020		
	Revenue profit £m	**Capital and other items £m**	**Total £m**	Revenue profit £m	Capital and other items £m	Total £m
Rental income (excluding adjustment for lease incentives)	**548**	**–**	**548**	630	1	631
Adjustment for lease incentives	**(29)**	**–**	**(29)**	(20)	–	(20)
Rental income	**519**	**–**	**519**	610	1	611
Service charge income	**70**	**–**	**70**	88	–	88
Other property related income	**31**	**–**	**31**	31	–	31
Finance lease interest	**9**	**–**	**9**	9	–	9
Gain on settlement of liability	**–**	**4**	**4**	–	–	–
Other income	**2**	**–**	**2**	2	–	2
Revenue per the income statement	**631**	**4**	**635**	740	1	741

The following table reconciles revenue per the income statement to the individual components of revenue presented in note 4.

	2021				2020			
	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	**519**	**50**	**–**	**569**	611	59	(1)	669
Service charge income	**70**	**9**	**–**	**79**	88	10	–	98
Other property related income	**31**	**1**	**–**	**32**	31	2	–	33
Trading property sales proceeds	**–**	**4**	**–**	**4**	–	21	–	21
Finance lease interest	**9**	**–**	**–**	**9**	9	–	–	9
Long-term development contract income	**–**	**1**	**–**	**1**	–	3	–	3
Gain on settlement of liability	**4**	**–**	**–**	**4**	–	–	–	–
Other income	**2**	**2**	**–**	**4**	2	–	–	2
Revenue in the segmental information note	**635**	**67**	**–**	**702**	741	95	(1)	835

1. This represents the interest in X-Leisure which we did not own, but which is consolidated in the Group numbers. In December 2019, the Group purchased this interest thereby settling the redemption liability.

Notes to the financial statements

for the year ended 31 March 2021 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 'Revenue profit' 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 arising on business combinations and the non-owned element of the Group's subsidiaries which are presented in the 'Capital and other items' column.

			2021			2020
	Revenue profit £m	**Capital and other items £m**	**Total £m**	Revenue profit £m	Capital and other items £m	Total £m
Rents payable	**7**	**–**	**7**	13	–	13
Service charge expense	**75**	**–**	**75**	90	–	90
Direct property expenditure	**56**	**–**	**56**	65	–	65
Bad and doubtful debts expense – rent	**98**	**–**	**98**	28	–	28
Bad and doubtful debts expense – service charge	**12**	**–**	**12**	–	–	–
Indirect expense	**80**	**–**	**80**	73	–	73
Amortisation of other intangible asset	**–**	**1**	**1**	–	–	–
Impairment of intangible asset	**–**	**4**	**4**	–	4	4
Impairment of goodwill	**–**	**–**	**–**	–	1	1
Costs per the income statement	**328**	**5**	**333**	269	5	274

The following table reconciles costs per the income statement to the individual components of costs presented in note 4.

			2021			2020
	Group £m	**Joint ventures £m**	**Total £m**	Group £m	Joint ventures £m	Total £m
Rents payable	**7**	**2**	**9**	13	2	15
Service charge expense	**75**	**9**	**84**	90	12	102
Direct property expenditure	**56**	**8**	**64**	65	11	76
Bad and doubtful debts expense – rent	**98**	**15**	**113**	28	5	33
Bad and doubtful debts expense – service charge	**12**	**2**	**14**	–	–	–
Indirect expense	**80**	**2**	**82**	73	3	76
Cost of trading property disposals	**–**	**5**	**5**	–	14	14
Long-term development contract expenditure	**–**	**1**	**1**	–	–	–
Amortisation of other intangible asset	**1**	**–**	**1**	–	–	–
Impairment of intangible asset	**4**	**–**	**4**	4	–	4
Impairment of goodwill	**–**	**–**	**–**	1	–	1
Costs in the segmental information note	**333**	**44**	**377**	274	47	321

The Group's costs include employee costs for the year of **£58m** (2020: £59m), of which **£5m** (2020: £7m) is within service charge expense and **£53m** (2020: £52m) is within indirect expense.

Employee costs	2021 £m	2020 £m
Salaries and wages	**46**	49
Employer payroll taxes	**5**	5
Other pension costs (note 33)	**3**	3
Share-based payments (note 34)	**4**	2
	58	59

	2021 Number	2020 Number
The average monthly number of employees during the year was:		
Indirect property or contract and administration	**443**	429
Direct property or contract services:		
Full-time	**81**	130
Part-time	**6**	9
	530	568

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** (2020: 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 115 to 141.

Details of the employee costs associated with the Group's key management personnel are included in note 38.

8. AUDITOR REMUNERATION

Services provided by the Group's auditor	2021 £m	2020 £m
Audit fees:		
Audit of parent company and consolidated financial statements[1]	**1.0**	0.5
Audit of subsidiary undertakings	**0.3**	0.3
Audit of joint ventures	**0.1**	0.1
	1.4	0.9
Non-audit fees:		
Other assurance services	**0.2**	0.2
	1.6	1.1

1. The audit fee recognised in the year includes **£0.2m** of fees paid which relate to the audit for the year ended 31 March 2020 (2020: £0.1m).

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.

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9. EXTERNAL VALUER REMUNERATION

Services provided by the Group's external valuer	2021 £m	2020 £m
Year end and half-yearly valuations – Group	**0.7**	0.7
– Joint ventures	**0.1**	0.1
Other consultancy and agency services	**1.7**	0.8
	2.5	1.6

CBRE Limited (CBRE) is the Group's principal valuer. The fee arrangement with CBRE for the valuation of the Group's properties is fixed, subject to an adjustment for acquisitions and disposals. CBRE undertakes other consultancy and agency work on behalf of the Group. CBRE has confirmed to us that the total fees paid by the Group represented less than 5% of its total revenues in the current year.

10. NET FINANCE EXPENSE

			2021			2020
	Revenue profit £m	**Capital and other items £m**	**Total £m**	Revenue profit £m	Capital and other items £m	Total £m
Finance income						
Interest receivable from joint ventures	**15**	**–**	**15**	17	–	17
Fair value movement on other derivatives	**–**	**1**	**1**	–	1	1
	15	**1**	**16**	17	1	18
Finance expense						
Bond and debenture debt	**(68)**	**–**	**(68)**	(80)	–	(80)
Bank and other short-term borrowings	**(17)**	**–**	**(17)**	(22)	–	(22)
Fair value movement on interest-rate swaps	**–**	**(1)**	**(1)**	–	(9)	(9)
Premium on redemption of medium term notes	**–**	**(3)**	**(3)**	–	(59)	(59)
Revaluation of redemption liabilities	**–**	**–**	**–**	–	(1)	(1)
Other interest payable	**(1)**	**–**	**(1)**	(1)	–	(1)
	(86)	**(4)**	**(90)**	(103)	(69)	(172)
Interest capitalised in relation to properties under development	**11**	**–**	**11**	7	–	7
	(75)	**(4)**	**(79)**	(96)	(69)	(165)
Net finance expense	**(60)**	**(3)**	**(63)**	(79)	(68)	(147)
Joint venture net finance expense	**(14)**			(16)		
Net finance expense included in revenue profit	**(74)**			(95)		

Lease interest payable of **£3m** (2020: £4m) 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		Pence per share			Year ended 31 March	
	Payment date	PID	Non-PID	Total	**2021 £m**	2020 £m
For the year ended 31 March 2019:						
Third interim	12 April 2019	11.30	–	11.30		84
Final	25 July 2019	11.65	–	11.65		86
For the year ended 31 March 2020:						
First interim	4 October 2019	11.60	–	11.60		86
Second interim	3 January 2020	11.60	–	11.60		86
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**	
Gross dividends					**133**	342
Dividends in the statement of changes in equity					**133**	342
Timing difference on payment of withholding tax					**(6)**	–
Dividends in the statement of cash flows					**127**	342

In light of extreme market uncertainty due to Covid-19, the Board took the decision not to pay a first interim dividend for the year ended 31 March 2021 (2020: 11.60p or £86m paid in total).

The Board has recommended a final dividend for the year ended 31 March 2021 of **9p** per ordinary share (2020: £nil) to be paid as a PID. This final dividend will result in a further estimated distribution of **£67m** (2020: £nil). Subject to shareholders' approval at the Annual General Meeting, the final dividend will be paid on 23 July 2021 to shareholders registered at the close of business on 18 June 2021.

The total dividend paid and recommended in respect of the year ended 31 March 2021 is **27p** per ordinary share (2020: 23.2p) resulting in a total estimated distribution of **£200m** (2020: £172m).

The first quarterly dividend for the year ending 31 March 2022 will be paid in October 2021 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 2 July 2021.

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.

Notes to the financial statements

for the year ended 31 March 2021 continued

12. INCOME TAX CONTINUED

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 2020, there was an income tax credit of £5m in the income statement, comprising tax credits received and a payment for losses surrendered to one of the Group's joint ventures of £4m and a deferred tax credit of £1m. There is a deferred tax credit of **£2m** (2020: £1m charge) 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.

	2021 £m	2020 £m
Loss before tax	**(1,393)**	(837)
Loss before tax multiplied by the rate of corporation tax in the UK of 19%	**(265)**	(159)
Adjustment for exempt property rental (profits)/losses and revaluations in the year	**274**	158
	9	(1)
Effects of:		
Timing difference on repurchase of medium term notes	**(10)**	–
Interest rate fair value movements and other temporary differences	**(1)**	–
Non-allowable expenses and non-taxable items	**1**	1
Movement in unrecognised tax losses	**1**	(3)
Other tax adjustments	**–**	(2)
Total income tax credit in the income statement	**–**	(5)

	2021 £m	2020 £m
The Group's deferred tax liability is analysed as follows:		
Arising on business combination	**1**	1
Arising on pension surplus	**1**	3
Total deferred tax liability	**2**	4

Deferred tax is calculated at the rate substantively enacted at the balance sheet date of **19%**. The movement in the deferred tax liability arising on the re-measurement gain on the defined benefit pension scheme surplus 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.

	2021 £m	2020 £m
Revenue losses	**53**	46
Capital losses	**272**	272
Other unrecognised temporary differences	**381**	447
Total unrecognised items	**706**	765

The other unrecognised temporary differences relate to the premium paid on the redemption of the Group's medium term notes.

13. NET CASH GENERATED FROM OPERATIONS

Reconciliation of operating loss to net cash generated from operations	Group		Company	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Operating loss	**(1,330)**	(690)	**(143)**	(21)
Adjustments for:				
Net deficit on revaluation of investment properties	**1,448**	1,000	**–**	–
(Profit)/loss on disposal of investment properties	**(8)**	6	**–**	–
Share of loss from joint ventures	**192**	151	**–**	–
Share-based payment charge	**4**	2	**–**	–
Impairment of intangible asset	**4**	4	**–**	–
Impairment of goodwill	**–**	1	**–**	–
Impairment of investment in subsidiary	**–**	–	**116**	2
Rents payable	**7**	13	**–**	–
Depreciation	**5**	4	**–**	–
Other	**6**	2	**–**	–
	328	493	**(27)**	(19)
Changes in working capital:				
Decrease in receivables	**8**	3	**–**	–
(Decrease)/increase in payables and provisions	**(14)**	8	**27**	19
Net cash generated from operations	**322**	504	**–**	–

Reconciliation to adjusted net cash inflow from operating activities	Group		Company	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Net cash inflow from operating activities	**233**	401	**–**	–
Joint ventures' net cash inflow from operating activities	**19**	70	**–**	–
Trading property disposals	**(4)**	(20)	**–**	–
Trading property capital expenditure	**1**	1	**–**	–
Adjusted net cash inflow from operating activities	**249**	452	**–**	–

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 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 **£10.8bn**, 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.

Notes to the financial statements
for the year ended 31 March 2021 continued

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.

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 JUDGEMENTS

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 ESTIMATES

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 2020 contained a 'material uncertainty' clause due to the disruption to the market at that date caused by Covid-19. The inclusion of this clause indicated that there was substantially more uncertainty than normal and therefore a higher likelihood that the assumptions upon which the external valuer had based its valuations prove to be inaccurate. As a result of this increased uncertainty, sensitivities for more extensive changes in assumptions were disclosed in the table on page 176. The material uncertainty clause was removed from the Valuer's report for the year ended 31 March 2021, except in relation to the valuation of hotels which only form a small portion of the Group's portfolio. Therefore the range of sensitivities disclosed in the table on page 175 have been reduced back to previous levels.

14. INVESTMENT PROPERTIES

	2021 £m	2020 £m
Net book value at the beginning of the year	**11,297**	12,094
Acquisitions	**115**	16
Capital expenditure	**221**	199
Capitalised interest	**11**	7
Net movement in head leases capitalised[1]	**1**	30
Disposals	**(579)**	(49)
Net deficit on revaluation of investment properties	**(1,448)**	(1,000)
Transfers to trading properties	**(11)**	–
Net book value at the end of the year	**9,607**	11,297

1. See note 21 for details of the amounts payable under head leases and note 4 for details of the rents payable in the income statement.

Notes to the financial statements

for the year ended 31 March 2021 continued

14. INVESTMENT PROPERTIES CONTINUED

The market value of the Group's investment properties, as determined by the Group's external valuer, 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.

	2021				2020			
	Group (excl. joint ventures) £m	**Joint ventures[1] £m**	**Adjustment for proportionate share[2] £m**	**Combined Portfolio £m**	Group (excl. joint ventures) £m	Joint ventures[1] £m	Adjustment for proportionate share[2] £m	Combined Portfolio £m
Market value	**10,025**	**766**	**–**	**10,791**	11,802	979	–	12,781
Less: properties treated as finance leases	**(249)**	**–**	**–**	**(249)**	(249)	–	–	(249)
Plus: head leases capitalised	**61**	**9**	**–**	**70**	60	9	–	69
Less: tenant lease incentives	**(230)**	**(40)**	**–**	**(270)**	(316)	(42)	–	(358)
Net book value	**9,607**	**735**	**–**	**10,342**	11,297	946	–	12,243
Net deficit on revaluation of investment properties	**(1,448)**	**(198)**	**–**	**(1,646)**	(1,000)	(181)	2	(1,179)

1. Refer to note 16 for a breakdown of this amount by entity.
2. This represents the interest in X-Leisure which we did not own, but which is consolidated in the Group numbers. In December 2019, the Group purchased this additional interest thereby settling the redemption liability.

The net book value of leasehold properties where head leases have been capitalised is **£2,484m** (2020: £2,561m).

Investment properties include capitalised interest of **£232m** (2020: £221m). The average rate of interest capitalisation for the year is **2.6%** (2020: 2.6%). The historical cost of investment properties is **£7,554m** (2020: £7,463m).

VALUATION PROCESS

The fair value of investment properties at 31 March 2021 was determined by the Group's external valuer, CBRE. 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 valuer are reviewed internally by Senior Management and other relevant people within the business. This process includes discussions of the assumptions used by the valuer, 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 valuer on a half-yearly basis.

The valuer's 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 valuer's 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.

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 25(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 at 31 March 2021:

	Market value £m	Estimated rental value £ per sq ft			Equivalent yield %			Costs £ per sq ft (2021)		
		Low	Average	High	Low	Average	High	Low	Average[1]	High
Central London										
Offices	5,158	18	63	80	3.8%	4.7%	6.0%	2	47	683
London retail	627	23	55	122	3.9%	4.5%	5.6%	–	8	278
Other central London[2]	420	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total Central London	6,205	18	62	122	3.8%	4.7%	6.0%	–	43	683
Regional retail										
Regional shopping centres and shops	813	15	22	40	6.5%	7.6%	9.5%	–	3	11
Outlets	722	20	47	56	6.3%	6.8%	10.8%	–	–	–
Total Regional retail	1,535	15	34	56	6.3%	7.2%	10.8%	–	2	11
Urban opportunities	305	12	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%	–	–	–
Retails 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. 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.
2. The 'Other central London' category contains a range of low value properties of a diverse nature. As a result, it is not meaningful to present assumptions used in valuing these properties.

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 (2021)	
		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 Regional retail (excluding developments)	1,535	64	(66)	56	(58)	–	–
Total Urban opportunities (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)**

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14. INVESTMENT PROPERTIES CONTINUED

The table below summarises the key unobservable inputs used in the valuation of the Group's wholly owned investment properties at 31 March 2020:

										2020[1]
	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										
Offices	5,879	20	64	82	4.0%	4.6%	5.9%	–	28	456
London retail	860	26	62	123	3.4%	4.4%	5.5%	–	14	261
Other central London[3]	437	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total Central London	7,176	20	64	123	3.4%	4.5%	5.9%	–	27	456
Regional retail										
Regional shopping centres and shops	1,301	18	29	47	5.3%	6.2%	8.5%	–	5	32
Outlets	881	23	48	56	5.4%	5.9%	8.6%	–	–	–
Total Regional retail	2,182	18	37	56	5.3%	6.1%	8.6%	–	3	32
Urban opportunities	387	13	22	35	4.4%	5.2%	5.9%	–	–	–
Subscale sectors										
Leisure	598	10	14	20	5.6%	6.4%	7.8%	–	–	–
Hotels	469	8	18	34	4.5%	5.3%	6.0%	–	–	–
Retails parks	444	9	18	26	5.1%	7.4%	10.0%	–	2	21
Total Subscale sectors	1,511	8	14	34	4.5%	5.3%	10.0%	–	1	21
Developments: residual method	546	–	75	124	4.0%	4.4%	4.5%	–	–	–
Development programme	546	–	75	124	4.0%	4.4%	4.5%	–	–	–
Market value at 31 March 2020 – Group	11,802									

1. Restated to reflect the Group's new segment reporting structure. See note 4 for details.
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.
3. The 'Other central London' category contains a range of low value properties of a diverse nature. As a result, it is not meaningful to present assumptions used in valuing these properties.

The sensitivities illustrate the impact of changes in key unobservable inputs (in isolation) on the fair value of the Group's properties:

Sensitivities							2020
	Market value £m	Impact on valuations of 10% change in estimated rental value		Impact on valuations of 50 bps change in equivalent yield		Impact on valuations of 10% change in costs	
		Increase £m	Decrease £m	Decrease £m	Increase £m	Decrease £m	Increase £m
Total Central London (excluding developments)	7,176	540	(518)	976	(771)	43	(35)
Total Regional retail (excluding developments)	2,182	164	(154)	204	(174)	1	(1)
Total Urban opportunities (excluding developments)	387	33	(29)	43	(34)	–	–
Total Subscale sectors (excluding developments)	1,511	116	(106)	134	(112)	1	(1)
Developments: residual method	546	55	(55)	133	(106)	40	(40)
Market value at 31 March 2020 – Group	11,802	908	(862)	1,490	(1,197)	85	(77)

15. TRADING PROPERTIES

	Development land and infrastructure £m	Residential £m	Total £m
At 1 April 2019	23	–	23
Capital expenditure	1	–	1
At 31 March 2020	24	–	24
Transfer from investment properties	**–**	**11**	**11**
Capital expenditure	**–**	**1**	**1**
At 31 March 2021	**24**	**12**	**36**

There were no cumulative impairment provisions in respect of either Development land and infrastructure or Residential at 31 March 2021 and 31 March 2020.

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	Percentage owned & voting rights	Business segment	Year end date[1]	Joint venture partner
Held at 31 March 2021				
Nova, Victoria[2]	50%	Central London	31 March	Suntec Real Estate Investment Trust
Southside Limited Partnership	50%	Urban opportunities	31 March	Invesco Real Estate European Fund
St. David's Limited Partnership	50%	Regional retail	31 December	Intu Properties plc[3]
Westgate Oxford Alliance Limited Partnership	50%	Regional retail, Subscale sectors	31 March	The Crown Estate Commissioners
Harvest[4, 5]	50%	Subscale sectors	31 March	J Sainsbury plc
The Ebbsfleet Limited Partnership[4]	50%	Subscale sectors	31 March	Ebbsfleet Property Limited
West India Quay Unit Trust[4]	50%	Subscale sectors	31 March	Schroder UK Real Estate Fund

Joint operation	Ownership interest	Business segment	Year end date[1]	Joint operation partners
Held at 31 March 2021				
Bluewater, Kent	30%	Regional retail	31 March	M&G Real Estate and GIC Lendlease Retail LP Royal London Asset Management Aberdeen Standard Investments

1. 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.
2. Nova, Victoria includes the Nova Limited Partnership, Nova Residential Limited Partnership, Victoria Circle Developer Limited, Nova GP Limited, Nova Business Manager Limited, Nova Residential (GP) Limited, Nova Developer Limited, Nova Residential Intermediate Ltd, 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 REIT.
3. 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.
4. Included within Other in subsequent tables.
5. Harvest includes Harvest 2 Limited Partnership, Harvest Development Management Limited, Harvest 2 Selly Oak Limited, Harvest 2 GP Limited and Harvest GP Limited.

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16. JOINT ARRANGEMENTS CONTINUED

All of the Group's joint arrangements have their principal place of business in the United Kingdom. All of the Group's joint arrangements own and operate investment property, with the exception of The Ebbsfleet Limited Partnership which holds development land as a trading property and Harvest which is engaged in long-term development contracts. The activities of all the Group's joint arrangements are therefore strategically important to the business activities of the Group.

All joint ventures 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 2021

Comprehensive income statement	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
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
Revenue profit before interest	28	4	5	5	1	43	22
Finance expense	(22)	(6)	–	–	–	(28)	(14)
Net finance expense	(22)	(6)	–	–	–	(28)	(14)
Revenue profit/(loss)	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)
	50%	50%	50%	50%	50%	50%	
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.

Joint ventures

Year ended 31 March 2020

Comprehensive income statement	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
Revenue[1]	55	12	42	37	43	189	95
Gross rental income (after rents payable)	36	12	33	28	4	113	57
Net rental income	32	7	22	19	3	83	41
Revenue profit before interest	28	7	21	18	3	77	38
Finance expense	(27)	(6)	–	–	–	(33)	(16)
Net finance expense	(27)	(6)	–	–	–	(33)	(16)
Revenue profit	1	1	21	18	3	44	22
Capital and other items							
Net deficit on revaluation of investment properties	(12)	(72)	(139)	(135)	(3)	(361)	(181)
Movement in impairment of trading properties	1	–	–	–	–	1	–
Profit on disposal of trading properties	1	–	–	–	12	13	7
Profit on long-term development contracts	–	–	–	–	5	5	3
(Loss)/profit before tax	(9)	(71)	(118)	(117)	17	(298)	(149)
Taxation	–	–	–	–	(3)	(3)	(2)
Post-tax (loss)/profit	(9)	(71)	(118)	(117)	14	(301)	(151)
Total comprehensive (loss)/income	(9)	(71)	(118)	(117)	14	(301)	(151)
	50%	50%	50%	50%	50%	50%	
Group share of (loss)/profit before tax	(5)	(35)	(59)	(59)	9	(149)	
Group share of post-tax (loss)/profit	(5)	(35)	(59)	(59)	7	(151)	
Group share of total comprehensive (loss)/income	(5)	(35)	(59)	(59)	7	(151)	

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.

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16. JOINT ARRANGEMENTS CONTINUED

Joint ventures

2021

Balance sheet	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
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 properties[1]	**859**	**132**	**238**	**245**	**57**	**1,531**	**766**
Net cash/(debt)[2]	**34**	**2**	**(3)**	**8**	**5**	**46**	**23**

2020

Balance sheet	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
Investment properties[1]	849	192	425	358	67	1,891	946
Non-current assets	849	192	425	358	67	1,891	946
Cash and cash equivalents	17	2	12	10	6	47	23
Other current assets	75	3	13	19	–	110	55
Current assets	92	5	25	29	6	157	78
Total assets	941	197	450	387	73	2,048	1,024
Trade and other payables and provisions	(33)	(4)	(12)	(12)	(1)	(62)	(31)
Current liabilities	(33)	(4)	(12)	(12)	(1)	(62)	(31)
Non-current liabilities	(179)	(144)	(16)	–	–	(339)	(169)
Non-current liabilities	(179)	(144)	(16)	–	–	(339)	(169)
Total liabilities	(212)	(148)	(28)	(12)	(1)	(401)	(200)
Net assets	729	49	422	375	72	1,647	824
Market value of investment properties[1]	908	193	417	372	68	1,958	979
Net cash/(debt)[2]	17	2	(4)	10	6	31	15

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. See note 20 for further details.

Joint ventures Net investment	Nova, Victoria 50% £m	Southside Limited Partnership 50% £m	St. David's Limited Partnership 50% £m	Westgate Oxford Alliance Partnership 50% £m	Other 50% £m	Total Group share £m
At 1 April 2019	359	61	277	258	76	1,031
Total comprehensive (loss)/income	(5)	(35)	(59)	(59)	7	(151)
Cash contributed	13	–	–	–	–	13
Cash distributions	(2)	(1)	(7)	(12)	(47)	(69)
At 31 March 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**

17. CAPITAL COMMITMENTS

	2021 £m	2020 £m
Contracted capital commitments at the end of the year in respect of:		
Investment properties	**222**	323
Joint ventures (our share)	**1**	11
Total capital commitments	**223**	334

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.

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18. 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.

	2021 £m	2020 £m
Non-current		
Finance leases – gross receivables	**225**	237
Unguaranteed residual value	**34**	34
Unearned finance income	**(107)**	(115)
	152	156
Current		
Finance leases – gross receivables	**13**	12
Unearned finance income	**(9)**	(9)
	4	3
Net investment in finance leases	**156**	159
Gross receivables from finance leases due:		
No later than one year	**13**	12
One to two years	**13**	13
Two to three years	**13**	13
Three to four years	**13**	13
Four to five years	**13**	13
More than five years	**173**	185
	238	249
Unguaranteed residual value	**34**	34
Unearned finance income	**(116)**	(124)
Net investment in finance leases	**156**	159

The Group has leased out several investment properties under finance leases, which range from 30 to 40 years in duration from the inception of the lease.

19. 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 2019	2	7	11	20
Capital expenditure	–	2	–	2
Amortisation	–	(3)	–	(3)
Impairment	(1)	–	(4)	(5)
At 31 March 2020	1	6	7	14
Capital expenditure	**–**	**2**	**–**	**2**
Amortisation	**–**	**(3)**	**(1)**	**(4)**
Impairment	**–**	**–**	**(4)**	**(4)**
At 31 March 2021	**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 2021, the intangible asset has been impaired by **£4m** (2020: £4m) as a result of a decline in the management fees expected to be earned by the Group for managing the asset following further declines in its valuation. The recoverable amount of the intangible asset has been based on its value in use, using a discount rate of **4.0%**.

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for the year ended 31 March 2021 continued

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 20 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.

20. CAPITAL STRUCTURE

			2021			2020
	Group £m	Joint ventures £m	Combined £m	Group £m	Joint ventures £m	Combined £m
Property portfolio						
Market value of investment properties	**10,025**	**766**	**10,791**	11,802	979	12,781
Trading properties and long-term contracts	**36**	**–**	**36**	24	3	27
Total property portfolio (a)	**10,061**	**766**	**10,827**	11,826	982	12,808
Net debt						
Borrowings	**3,516**	**8**	**3,524**	5,332	8	5,340
Monies held in restricted accounts and deposits	**(10)**	**–**	**(10)**	(9)	–	(9)
Cash and cash equivalents	**–**	**(31)**	**(31)**	(1,345)	(23)	(1,368)
Fair value of interest-rate swaps	**(3)**	**–**	**(3)**	1	–	1
Fair value of foreign exchange swaps and forwards	**6**	**–**	**6**	(37)	–	(37)
Net debt (b)	**3,509**	**(23)**	**3,486**	3,942	(15)	3,927
Less: Fair value of interest-rate swaps	**3**	**–**	**3**	(1)	–	(1)
Adjusted net debt (c)	**3,512**	**(23)**	**3,489**	3,941	(15)	3,926
Adjusted total equity						
Total equity (d)	**7,212**	**–**	**7,212**	8,750	–	8,750
Fair value of interest-rate swaps	**(3)**	**–**	**(3)**	1	–	1
Adjusted total equity (e)	**7,209**	**–**	**7,209**	8,751	–	8,751
Gearing (b/d)	**48.7%**		**48.3%**	45.1%		44.9%
Adjusted gearing (c/e)	**48.7%**		**48.4%**	45.0%		44.9%
Group LTV (c/a)	**34.9%**		**32.2%**	33.3%		30.7%
Security Group LTV	**32.7%**			32.5%		
Weighted average cost of debt	**2.2%**		**2.2%**	1.8%		1.8%

21. 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.

						2021			2020
	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	LIBOR + margin	**84**	**84**	**84**	4	4	4
Euro	Unsecured	Floating	LIBOR + margin	**640**	**640**	**640**	796	796	796
US Dollar	Unsecured	Floating	LIBOR + margin	**182**	**182**	**182**	177	177	177
Total current borrowings				**906**	**906**	**906**	977	977	977
Non-current borrowings									
Medium term notes (MTN)									
A10 4.875% MTN due 2025	Secured	Fixed	5.0	**10**	**11**	**10**	10	11	10
A12 1.974% MTN due 2026	Secured	Fixed	2.0	**400**	**410**	**399**	400	406	399
A4 5.391% MTN due 2026	Secured	Fixed	5.4	**17**	**19**	**17**	17	20	17
A5 5.391% MTN due 2027	Secured	Fixed	5.4	**87**	**100**	**86**	95	113	94
A6 5.376% MTN due 2029	Secured	Fixed	5.4	**65**	**80**	**65**	65	84	65
A16 2.375% MTN due 2029	Secured	Fixed	2.5	**350**	**367**	**348**	350	366	347
A13 2.399% MTN due 2031	Secured	Fixed	2.4	**300**	**314**	**299**	300	314	299
A7 5.396% MTN due 2032	Secured	Fixed	5.4	**77**	**107**	**77**	81	111	80
A11 5.125% MTN due 2036	Secured	Fixed	5.1	**50**	**68**	**50**	50	71	50
A14 2.625% MTN due 2039	Secured	Fixed	2.6	**500**	**524**	**494**	500	521	494
A15 2.750% MTN due 2059	Secured	Fixed	2.7	**500**	**540**	**495**	500	542	495
				2,356	**2,540**	**2,340**	2,368	2,559	2,350
Syndicated and bilateral bank debt	Secured	Floating	LIBOR + margin	**209**	**209**	**209**	1,944	1,944	1,944
Amounts payable under head leases	Unsecured	Fixed	4.6	**61**	**105**	**61**	61	126	61
Total non-current borrowings				**2,626**	**2,854**	**2,610**	4,373	4,629	4,355
Total borrowings				**3,532**	**3,760**	**3,516**	5,350	5,606	5,332

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21. BORROWINGS CONTINUED

Reconciliation of the movement in borrowings	2021 £m	2020 £m
At the beginning of the year	**5,332**	3,781
Proceeds from new borrowings	**–**	1,701
Repayment of bank debt	**(1,755)**	–
Repayment of MTNs	**–**	(47)
Redemption of MTNs	**(12)**	(196)
Foreign exchange movement on non-Sterling borrowings	**(51)**	60
Other	**2**	33
At 31 March	**3,516**	5,332

Reconciliation of movements in liabilities arising from financing activities						**2021**
			Non-cash changes			
	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	**5,332**	**(1,767)**	**(51)**	**–**	**2**	**3,516**
Derivative financial instruments	**(36)**	**(12)**	**51**	**–**	**–**	**3**
	5,296	**(1,779)**	**–**	**–**	**2**	**3,519**
						2020
Borrowings	3,781	1,458	60	–	33	5,332
Derivative financial instruments	16	1	(60)	7	–	(36)
	3,797	1,459	–	7	33	5,296

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 **£10.6bn** at 31 March 2021 (2020: £12.1bn). 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 LIBOR 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 **£12m** (2020: £196m) of MTNs for a total premium of **£3m** (2020: £59m). Details of the purchases and associated premium by series are as follows:

MTN purchases	2021		2020	
	Purchases £m	Premium £m	Purchases £m	Premium £m
A10 4.875% MTN due 2025	**–**	**–**	4	1
A4 5.391% MTN due 2026	**–**	**–**	8	1
A5 5.391% MTN due 2027	**8**	**2**	91	20
A6 5.376% MTN due 2029	**–**	**–**	12	3
A7 5.396% MTN due 2032	**4**	**1**	75	31
A11 5.125% MTN due 2036	**–**	**–**	6	3
	12	**3**	196	59

At 31 March 2021, the Group's committed revolving facilities totalled **£2,715m** (2020: £2,715m).

Syndicated and bilateral bank debt		Authorised		Drawn		Undrawn	
	Maturity as at 31 March 2021	**2021 £m**	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Syndicated debt	**2025**	**2,490**	2,490	**209**	1,797	**2,281**	693
Bilateral debt	**2024-25**	**225**	225	**–**	147	**225**	78
		2,715	2,715	**209**	1,944	**2,506**	771

All syndicated and bilateral facilities are committed and secured on the assets of the Security Group. During the year ended 31 March 2021, the amounts drawn under the Group's facilities decreased by **£1,735m**.

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 at 31 March 2021 was **£1,600m** (2020: £1,139m).

22. 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	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Cash at bank and in hand	**3**	4	**3**	4
Short-term deposits	**7**	5	**–**	–
	10	9	**3**	4

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	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Counterparties with external credit ratings				
A+	**7**	5	**–**	–
A	**2**	3	**2**	3
BBB+	**1**	1	**1**	1
	10	9	**3**	4

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23. 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.

	Group		Company	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Cash at bank and in hand	**–**	1,345	**–**	–
	–	1,345	**–**	–

As a result of the uncertainty created by Covid-19, the Group drew down on its facilities in March 2020 in order to cover the short-term commercial paper in issue at 31 March 2020 and to provide additional liquid funds. These facilities have been repaid during the year ended 31 March 2021.

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.

	2021 £m	2020 £m
Counterparties with external credit ratings		
A+	**–**	1,345
	–	1,345

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.

			2021			2020
	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	**49**	**(49)**	**–**	1,363	(18)	1,345
	49	**(49)**	**–**	1,363	(18)	1,345

24. 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	2021 £m	2020 £m
Current assets	**1**	39
Non-current assets	**3**	–
Current liabilities	**(7)**	(2)
Non-current liabilities	**–**	(1)
	(3)	36

Notional amount	2021 £m	2020 £m
Interest-rate swaps[1]	**675**	675
Foreign exchange swaps	**843**	996
	1,518	1,671

1. At 31 March 2021, the Group held forward starting pay-fixed interest-rate swaps of **£275m** (2020: £275m) which are included in the notional amounts above.

25. 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 68 to 77). 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.

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
	2021 £m	2020 £m	2021 £m	2020 £m
Financial assets at amortised cost	**647**	741	**3**	4
Cash and cash equivalents	**–**	1,345	**–**	–
Financial assets at fair value through other comprehensive income (without recycling)	**5**	9	**–**	–
Financial liabilities at amortised cost	**(3,676)**	(5,461)	**(2,630)**	(2,406)
Financial instruments at fair value through profit or loss	**(3)**	36	**–**	–
	(3,027)	(3,330)	**(2,627)**	(2,402)

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25. FINANCIAL RISK MANAGEMENT CONTINUED

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.

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 macro-economic environment in which our customers operate. These assessments are made on a customer by customer basis.

While the balance remains high at 31 March 2021 as a result of the ongoing impact of Covid-19, it remains low relative to the scale of the balance sheet. The long-term nature and diversity of the Group's tenancy arrangements mean the credit risk of trade receivables is usually considered to be low. This risk increased at 31 March 2020 following reduced rent collections as a result of Covid-19, and remains elevated at 31 March 2021 as a result of a continuation in these trends throughout the year.

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:

	2021 £m	2020 £m
Cash and cash equivalents	**–**	1,345
Commercial paper	**(906)**	(977)
Undrawn facilities	**2,506**	771
Cash and available undrawn facilities	**1,600**	1,139
As a proportion of drawn debt[1]	**46.1%**	21.5%

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 2021, the reported LTV for the Security Group was **32.7%** (2020: 32.5%), 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.

					2021
	Less than 1 year £m	**Between 1 and 2 years £m**	**Between 2 and 5 years £m**	**Over 5 years £m**	**Total £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**

					2020
	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Total £m
Borrowings (excluding lease liabilities)	1,058	82	2,698	2,556	6,394
Lease liabilities	3	3	9	337	352
Derivative financial instruments	2	1	1	–	4
Trade payables	6	–	–	–	6
Capital accruals	23	–	–	–	23
Accruals	48	–	–	–	48
Amounts owed to joint ventures	1	–	–	–	1
Other payables	50	1	–	–	51
	1,191	87	2,708	2,893	6,879

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25. FINANCIAL RISK MANAGEMENT CONTINUED

(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, with at least 50% fixed for a further two years. 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 2021, the Group (including joint ventures) had pay-fixed interest-rate swaps in place with a nominal value of **£400m** (2020: £400m) and forward starting pay-fixed interest-rate swaps of **£275m** (2020: £275m). The Group's net debt was **80.8%** fixed (2020: 71.3%) and based on the Group's debt balances at 31 March 2021, a 1% increase/(decrease) in interest rates would increase/(decrease) the annual net finance expense in the income statement and reduce/(increase) equity by **£7m** (2020: £12m). 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.

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 solely 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 2021, the Group had issued **€752m** (2020: €901m) and **$250m** (2020: $220m) of commercial paper, fully hedged through foreign exchange swaps. A 10% weakening or strengthening of Sterling would therefore have **£nil** (2020: £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 2021, the Group had **€17m** (2020: €29m) and **CHFnil** (2020: CHF12m) 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 reduce the loss before tax and increase total equity by **£2m** (2020: £7m). A 10% strengthening in Sterling would increase the loss before tax and reduce equity by **£1m** (2020: £5m).

FINANCIAL MATURITY ANALYSIS

The interest rate profile of the Group's borrowings is set out below (based on notional values):

			2021			2020
	Fixed rate £m	**Floating rate £m**	**Total £m**	Fixed rate £m	Floating rate £m	Total £m
Sterling	**2,417**	**293**	**2,710**	2,429	1,948	4,377
Euro	**–**	**640**	**640**	–	796	796
US Dollar	**–**	**182**	**182**	–	177	177
	2,417	**1,115**	**3,532**	2,429	2,921	5,350

The expected maturity profiles of the Group's borrowings are as follows (based on notional values):

			2021			2020
	Fixed rate £m	**Floating rate £m**	**Total £m**	Fixed rate £m	Floating rate £m	Total £m
One year or less, or on demand	**–**	**906**	**906**	–	977	977
More than two years but not more than five years	**514**	**209**	**723**	522	1,944	2,466
More than five years	**1,903**	**–**	**1,903**	1,907	–	1,907
Borrowings	**2,417**	**1,115**	**3,532**	2,429	2,921	5,350
Effect of hedging	**400**	**(400)**	**–**	400	(400)	–
Borrowings net of interest-rate swaps	**2,817**	**715**	**3,532**	2,829	2,521	5,350

The expected maturity profiles of the Group's derivative instruments are as follows (based on notional values):

	2021		2020	
	Foreign exchange swaps £m	**Interest-rate swaps £m**	Foreign exchange swaps £m	Interest-rate swaps £m
One year or less, on demand	**843**	**–**	981	–
More than one year but not more than two years	**–**	**–**	15	–
Two years but not more than five years	**–**	**675**	–	675
	843	**675**	996	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 21, 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:

	2021				2020			
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets	**–**	**4**	**5**	**9**	–	39	9	48
Liabilities	**–**	**(7)**	**–**	**(7)**	–	(3)	–	(3)

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%** (2020: 1.8%), is **£105m** (2020: £126m). 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 **4.6%** (2020: discount rate of 1.8%), is **£249m** (2020: £247m).

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.

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SECTION 5 – WORKING CAPITAL

This section focuses on our working capital balances, including trade and other receivables, trade and other payables, and provisions.

26. 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 macro-economic 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 ESTIMATES

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 25 for further details of the Group's assessment of the credit risk associated with trade receivables.

	2021 £m	2020 £m
Net trade receivables	**74**	77
Tenant lease incentives (note 14)	**230**	316
Prepayments	**24**	24
Accrued income	**3**	1
Amounts due from joint ventures	**7**	2
Other receivables	**16**	13
Total current trade and other receivables	**354**	433
Non-current amounts due from joint ventures	**162**	161
Non-current property sales receivables	**8**	17
Total trade and other receivables	**524**	611

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 life of the lease.

The non-current amounts due from joint ventures have maturity dates ranging from April 2022 to the dissolution of the joint venture. Interest is charged at rates ranging from **4%** to **5%** (2020: 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 2021						
Not impaired	**–**	**22**	**33**	**17**	**2**	**74**
Impaired	**–**	**4**	**27**	**54**	**26**	**111**
Gross trade receivables	**–**	**26**	**60**	**71**	**28**	**185**
As at 31 March 2020						
Not impaired	33	38	5	1	–	77
Impaired	6	15	2	2	5	30
Gross trade receivables	39	53	7	3	5	107

A change in the Group's billing process means that there are no longer any trade receivables on the Group's balance sheet at 31 March 2021 which are not past due. None of the Group's other receivables are past due and therefore no ageing has been shown (2020: £nil).

Movement in allowances for doubtful debts	2021 £m	2020 £m
At the beginning of the year	**30**	8
Increase to provision	**98**	27
Decrease to provision	**(1)**	(4)
Utilised in the year	**(16)**	(1)
At 31 March	**111**	30

Movement in tenant lease incentives	2021 £m	2020 £m
At the beginning of the year	**316**	334
Revenue recognised	**(29)**	(20)
Break penalties received	**(4)**	–
Capital incentives granted	**–**	7
Provision for doubtful receivables	**(11)**	(3)
Disposal of properties	**(42)**	(2)
At 31 March	**230**	316

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27. TRADE AND OTHER PAYABLES

	Group		Company	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Trade payables	**12**	6	**–**	–
Capital accruals	**42**	23	**–**	–
Other payables	**67**	50	**17**	10
Accruals	**38**	48	**12**	3
Deferred income	**93**	142	**–**	–
Amounts owed to joint ventures	**–**	1	**–**	–
Loans from Group undertakings	**–**	–	**2,601**	2,393
Total current trade and other payables	**252**	270	**2,630**	2,406
Non-current other payables	**1**	1	**–**	–
Total trade and other payables	**253**	271	**2,630**	2,406

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 **3.6%** per annum (2020: 4.1%).

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.

28. 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.

	2021 £m	2020 £m
At the beginning of the year	**6,213**	6,213
Capital contributions relating to share-based payments (note 34)	**4**	2
Impairment charge	**(116)**	(2)
At 31 March	**6,101**	6,213

A full list of subsidiary undertakings at 31 March 2021 is included on pages 232 to 234.

In the year ended 31 March 2021, the Company's investment in its subsidiaries has been impaired by **£116m** (2020: £2m) as a result of a decline 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 2021 as determined by their individual net asset values at that date, totalling **£6,101m** (2020: £6,213m).

29. OTHER NON-CURRENT ASSETS

	2021 £m	2020 £m
Other property, plant and equipment	**13**	14
Net pension surplus (note 33)	**6**	18
Derivative financial instruments (note 24)	**3**	–
Total other non-current assets	**22**	32

30. OTHER CURRENT ASSETS

	2021 £m	2020 £m
Derivative financial instruments (note 24)	**1**	39
Other investments	**5**	9
Total other current assets	**6**	48

31. OTHER CURRENT LIABILITIES

	2021 £m	2020 £m
Derivative financial instruments (note 24)	**7**	2
Total other current liabilities	**7**	2

32. OTHER NON-CURRENT LIABILITIES

	2021 £m	2020 £m
Derivative financial instruments (note 24)	**–**	1
Deferred tax liability (note 12)	**2**	4
Total other non-current liabilities	**2**	5

33. 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** (2020: £2m).

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.

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 2018 by the independent actuaries, Hymans Robertson LLP. This valuation was updated to 31 March 2021 using, where required, assumptions prescribed by IAS 19 Employee Benefits. The next full actuarial valuation will be performed as at 30 June 2021.

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 2022 (2021: £nil).

Notes to the financial statements

for the year ended 31 March 2021 continued

33. NET PENSION SURPLUS CONTINUED

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	**2021 £m**	2020 £m
Analysis of the amount charged to operating profit		
Current service costs	**–**	1
Past service costs	**–**	–
Charge to operating profit	**–**	1
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	**2021 £m**	2020 £m
Analysis of gains and losses		
Net re-measurement gains/(losses) on scheme assets	**17**	(10)
Net re-measurement (losses)/gains on scheme liabilities	**(29)**	16
Net re-measurement (loss)/gain	**(12)**	6
Cumulative net re-measurement loss recognised in other comprehensive income	**(46)**	(34)

The net surplus recognised in respect of the defined benefit scheme can be analysed as follows:

	%	**2021 £m**	%	2020 £m
Equities	**14**	**33**	11	24
Bonds – Government	**27**	**65**	31	69
Bonds – Corporate	**14**	**33**	15	34
Insurance contracts	**43**	**102**	42	96
Cash and cash equivalents	**2**	**6**	1	3
Fair value of scheme assets	**100**	**239**	100	226
Fair value of scheme liabilities		**(233)**		(208)
Net pension surplus		**6**		18

In the year ended 31 March 2021, **£9m** (2020: £8m) 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** (2020: £nil).

In the most recent triennial valuation, the defined benefit scheme liabilities were split **9%** (2020: 9%) in respect of active scheme participants, **24%** (2020: 24%) in respect of deferred scheme participants, and **67%** (2020: 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 2021 is **15.8** years (2020: 15.8 years).

The assumptions agreed with the Trustees of the Scheme for the triennial valuation at 30 June 2018 have been restated to the assumptions described by IAS 19 Employee Benefits. The major assumptions used in the valuation were (in nominal terms):

	2021 %	2020 %
Rate of increase in pensionable salaries	**n/a**	2.80
Rate of increase in pensions with no cap	**3.55**	2.80
Rate of increase in pensions with 5% cap	**3.40**	2.75
Discount rate	**1.95**	2.30
Inflation – Retail Price Index	**3.55**	2.80
– Consumer Price Index	**2.85**	2.00

The mortality assumptions used in this valuation were:

	2021 Years	2020 Years
Life expectancy at age 60 for current pensioners – Men	**27.7**	27.6
– Women	**29.2**	29.1
Life expectancy at age 60 for future pensioners (current age 40) – Men	**30.0**	29.8
– Women	**31.7**	31.6

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 £19m
Life expectancy	Increase by 1 year	Increase by £10m
Rate of inflation	Increase by 0.5%	Increase by £16m

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 deficit for the Scheme of **£4m** at 31 March 2021, as opposed to a surplus of **£6m**.

In order to reduce risk within the Scheme, **43%** (2020: 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 **89%** (2020: 80%) of the interest rate risk and **88%** (2020: 80%) 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 2021 or 31 March 2020.

Notes to the financial statements

for the year ended 31 March 2021 continued

34. 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.

	2021		2020	
	Charge £m	**Number (millions)**	Charge £m	Number (millions)
Long-Term Incentive Plan	**2**	**2**	1	2
Deferred Share Bonus Plan	**–**	**–**	1	–
Executive Share Option Plan	**–**	**1**	–	2
Sharesave Plan	**1**	**1**	–	–
Restricted Share Plan	**1**	**1**	–	–
	4	**5**	2	4

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 115 to 141.

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 previously also open to Senior Management. 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 **616p** (2020: 988p). The estimated fair value of awards granted during the year under the scheme was **£3m** (2020: £2m).

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 between one and three years. In July 2020 the DSBP was awarded following the deferral of 100% of the Executive Directors' bonus entitlement for the year ended 31 March 2020. The shares are deferred for one year 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 **567p** (2020: 745p). The estimated fair value of awards granted during the year under the scheme was **£1m** (2020: £nil).

OTHER PLANS:

EXECUTIVE SHARE OPTION PLAN (ESOP)

The 2005 ESOP was previously open to managers not eligible to participate in the LTIP, but was largely replaced by the new Restricted Share 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 (2020: weighted average share price of exercises 927p). The estimated fair value of awards granted during the year under the scheme was **£nil** (2020: £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. There were no awards exercised during the year (2020: weighted average share price of exercises 944p). The estimated fair value of awards granted during the year under the scheme was **£1m** (2020: £nil).

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. There were no awards exercised during the year (2020: none). The estimated fair value of awards granted during the year under the scheme was **£1m** (2020: £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	
	2021 Number (millions)	2020 Number (millions)	**2021 Number (millions)**	2020 Number (millions)	**2021 Pence**	2020 Pence
At the beginning of the year	**2**	2	**2**	2	**873**	976
Granted	**1**	1	**1**	–	**531**	–
Exercised	**–**	–	**–**	–	**–**	–
Lapsed	**(1)**	(1)	**(1)**	–	**817**	884
At 31 March	**2**	2	**2**	2	**821**	873
Exercisable at the end of the year	**–**	–	**1**	1	**1,343**	1,039
	Years	Years	**Years**	Years		
Weighted average remaining contractual life	**1**	1	**4**	5		

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:

	Outstanding at 31 March 2021			Outstanding at 31 March 2020		
Exercise price – range	**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	**Pence**	**Number (millions)**	**Years**	Pence	Number (millions)	Years
Nil[1]	**–**	**3**	**1**	–	2	1
400 – 599	**519**	**1**	**3**	584	–	–
600 – 799	**728**	**–**	**1**	720	–	2
800 – 999	**900**	**–**	**6**	899	1	6
1,000 – 1,199	**1,022**	**1**	**5**	1,022	1	6
1,200 – 1,399	**1,328**	**–**	**4**	1,328	–	5

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:

	Long-Term Incentive Plan		Deferred Share Bonus Plan		Restricted Share Plan		Sharesave Plan	
Year ended 31 March	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Share price at grant date	**616p**	820p	**547p**	820p	**547p**	820p	**649p**	837p
Exercise price	**n/a**	n/a	**n/a**	n/a	**n/a**	n/a	**519p**	670p
Expected volatility	**30%**	20%	**30%**	20%	**30%**	20%	**30%**	20%
Expected life	**2.7 years**	3 years	**1 year**	1 year	**3 years**	3 years	**3 to 5 years**	3 to 5 years
Risk-free rate	**-0.09%**	0.53%	**nil**	0.66%	**-0.13%**	0.53%	**-0.05% to -0.07%**	0.56% to 0.62%
Expected dividend yield	**5.87%**	5.55%	**nil**	nil	**6.36%**	5.55%	**5.36%**	5.44%

Notes to the financial statements

for the year ended 31 March 2021 continued

34. 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:

	Share price at date of grant		Exercise price		Expected volatility – Group		Expected volatility – index of comparator companies		Correlation – Group vs. index	
Year ended 31 March	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Long-Term Incentive Plan	**581p**	820p	**n/a**	n/a	**30%**	20%	**30%**	20%	**85%**	85%

35. 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	
	2021 £m	2020 £m
Ordinary shares of 10$^{2}/_{3}$p each	**80**	80

	Number of shares	
	2021	2020
At the beginning of the year	**751,313,063**	751,300,993
Issued on the exercise of options	**–**	12,070
At 31 March	**751,313,063**	751,313,063

The number of options over ordinary shares from Executive plans that were outstanding at 31 March 2021 was **2,871,389** (2020: 1,877,442). If all the options were exercised at that date then **2,871,389** (2020: 1,877,442) 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 2021 was **1,977,120** (2020: 1,999,167). If all the options were exercised at that date then **666,526** new ordinary shares (2020: 440,322) would be issued and **1,310,594** shares would be required to be transferred from the EBT (2020: 1,558,845).

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 years ended 31 March 2021 and 2020, there were no ordinary shares acquired to be held as treasury shares. At 31 March 2021, the Group held **9,839,179** ordinary shares (2020: 9,839,179) with a market value of **£68m** (2020: £55m) in treasury.

36. 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	
	2021 £m	2020 £m
At the beginning of the year	**10**	11
Acquisition of ordinary shares	**3**	–
Transfer of shares to employees on exercise of share options	**(2)**	(1)
At 31 March	**11**	10

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 34).

The number of shares held by the EBT at 31 March 2021 was **1,224,468** (2020: 957,692). The market value of these shares at 31 March 2021 was **£8m** (2020: £5m).

37. CONTINGENCIES

The Group has contingent liabilities in respect of legal claims, guarantees and warranties arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

38. RELATED PARTY TRANSACTIONS

SUBSIDIARIES

During the year, the Company entered into transactions, in the normal course of business, with related parties as follows:

	2021 £m	2020 £m
Transactions with subsidiary undertakings[1]:		
Recharge of costs	**(131)**	(353)
Interest paid	**(87)**	(89)

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 2021				Year ended and as at 31 March 2020			
	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	**13**	**(2)**	**92**	**–**	17	11	90	–
Southside Limited Partnership	**4**	**–**	**75**	**–**	4	(1)	72	–
St. David's Limited Partnership	**1**	**–**	**1**	**–**	1	(7)	1	–
Westgate Oxford Alliance Limited Partnership	**2**	**(4)**	**–**	**–**	1	(12)	–	–
Harvest	**–**	**–**	**–**	**–**	–	(28)	–	–
The Ebbsfleet Limited Partnership	**–**	**–**	**1**	**–**	–	(17)	–	–
West India Quay Unit Trust	**–**	**(1)**	**–**	**–**	–	(2)	–	(1)
	20	**(7)**	**169**	**–**	23	(56)	163	(1)

Notes to the financial statements
for the year ended 31 March 2021 continued

38. RELATED PARTY TRANSACTIONS CONTINUED

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 115 to 141.

	2021 £m	2020 £m
Short-term employee benefits	**4**	5
Share-based payments	**3**	2
	7	7

39. OPERATING LEASE ARRANGEMENTS

ACCOUNTING POLICY

The Group earns rental income by leasing its properties to tenants under non-cancellable operating and finance leases. Leases in which substantially all risks and rewards of ownership 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 future minimum lease payments:

	2021 £m	2020 £m
Not later than one year	**467**	537
Later than one year, but not more than two years	**431**	499
Later than two years, but not more than three years	**422**	451
Later than three years, but not more than four years	**391**	437
Later than four years, but not more than five years	**346**	408
More than five years	**3,059**	3,550
	5,116	5,882

The total of contingent rents, primarily turnover based rents, recognised as income during the year was **£5m** (2020: £38m).

40. EVENTS AFTER THE REPORTING PERIOD

There were no significant events occurring after the reporting period, but before the financial statements were authorised for issue.

Business analysis – EPRA disclosures

EPRA net asset measures

Table 68

	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 (note 19)	**(1)**	**(1)**	**(1)**
Other intangible asset (note 19)	**–**	**(2)**	**–**
Fair value of interest-rate swaps	**(3)**	**(3)**	**–**
Excess of fair value of debt over book value (note 21)	**–**	**–**	**(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**

	31 March 2020 EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
Net assets attributable to shareholders	8,750	8,750	8,750
Excess of fair value over net investment in finance lease book value	90	90	90
Deferred tax liability on intangible asset	1	1	–
Goodwill on deferred tax liability (note 19)	(1)	(1)	(1)
Other intangible asset (note 19)	–	(7)	–
Fair value of interest-rate swaps	1	1	–
Excess of fair value of debt over book value (note 21)	–	–	(274)
Purchasers' costs[1]	768	–	–
Net assets used in per share calculation	9,609	8,834	8,565

	EPRA NRV	EPRA NTA	EPRA NDV
Diluted net assets per share	1,297p	1,192p	1,156p

1. EPRA NTA and EPRA NDV reflect IFRS values which are net of purchasers' costs. Purchasers' costs are added back when calculating EPRA NRV.

Business analysis – EPRA disclosures
continued

EPRA performance measures

Table 69

Measure	Definition for EPRA measure	Notes	31 March 2021 Landsec measure	31 March 2021 EPRA measure
Adjusted earnings	Recurring earnings from core operational activity	5	**£251m**	**£251m**
Adjusted earnings per share	Adjusted earnings per weighted number of ordinary shares	5	**33.9p**	**33.9p**
Adjusted diluted earnings per share	Adjusted diluted earnings per weighted number of ordinary shares	5	**33.9p**	**33.9p**
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	**£7,300m**	**£7,300m**
EPRA net tangible assets per share	Diluted net tangible assets per share	5	**985p**	**985p**
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	**£7,060m**	**£7,060m**
EPRA net disposal value per share	Diluted net disposal value per share	5	**953p**	**953p**
		Table		
Voids/vacancy rate	ERV of vacant space as a % of ERV of Combined Portfolio excluding the development programme[1]	70	**4.4%**	**4.3%**
Net initial yield (NIY)	Annualised rental income less non-recoverable costs as a % of market value plus assumed purchasers' costs[2]	74	**5.0%**	**4.9%**
Topped-up NIY	NIY adjusted for rent free periods[2]	74	**5.2%**	**5.0%**
Cost ratio[3]	Total costs as a percentage of gross rental income (including direct vacancy costs)[3]	75	**19.4%**	**42.3%**
	Total costs as a percentage of gross rental income (excluding direct vacancy costs)[3]	75	**n/a**	**40.0%**

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. Our NIY and Topped-up NIY relate to the Combined Portfolio, excluding properties in the development programme that have not yet reached practical completion, and are calculated by our external valuer. EPRA NIY and EPRA Topped-up NIY calculations are consistent with ours but exclude only properties currently under development. Topped-up NIY reflects adjustments of **£14m** and **£14m** for rent free periods and other incentives for the Landsec measure and EPRA measure, respectively.
3. 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 **£6m**, 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 70

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 2021 £m
ERV of vacant properties	**27**
ERV of Combined Portfolio excluding properties under development	**624**
EPRA vacancy rate (%)	**4.3%**

Change in net rental income from the like-for-like portfolio

Table 71

	2021 £m	2020 £m	Change £m	Change %
Central London	**257**	276	**(19)**	**-6.9**
Regional retail	**68**	149	**(81)**	**-54.4**
Urban opportunities	**11**	21	**(10)**	**-47.6**
Subscale sectors	**41**	96	**(55)**	**-57.3**
	377	542	**(165)**	**-30.4**

Acquisitions, disposals and capital expenditure

Table 72

Investment properties	Group (excl. joint ventures) £m	Joint ventures £m	Year ended 31 March 2021 Combined Portfolio £m	Year ended 31 March 2020 Combined Portfolio £m
Net book value at the beginning of the year	**11,297**	**946**	**12,243**	13,177
Acquisitions	**115**	**–**	**115**	48
Capital expenditure	**221**	**2**	**223**	207
Capitalised interest	**11**	**–**	**11**	8
Net movement in capitalised head leases	**1**	**–**	**1**	31
Disposals	**(579)**	**(15)**	**(594)**	(49)
Net deficit on revaluation of investment properties	**(1,448)**	**(198)**	**(1,646)**	(1,179)
Transfer to trading properties	**(11)**	**–**	**(11)**	–
Net book value at the end of the year	**9,607**	**735**	**10,342**	12,243
Profit/(loss) on disposal of investment properties	**8**	**(3)**	**5**	(6)

Trading properties	£m	£m	£m	£m
Net book value at the beginning of the year	**24**	**3**	**27**	41
Transfer from investment properties	**11**	**–**	**11**	–
Capital expenditure	**1**	**–**	**1**	1
Disposals	**–**	**(3)**	**(3)**	(15)
Net book value at the end of the year	**36**	**–**	**36**	27
(Loss)/profit on disposal of trading properties	**–**	**(1)**	**(1)**	7

Acquisitions, development and other capital expenditure	Investment properties[1] £m	Trading properties £m	Combined Portfolio £m	Combined Portfolio £m
Acquisitions[2]	**115**	**–**	**115**	48
Development capital expenditure[3]	**182**	**1**	**183**	165
Other capital expenditure	**41**	**–**	**41**	43
Capitalised interest	**11**	**–**	**11**	8
Acquisitions, development and other capital expenditure	**349**	**1**	**350**	264

Disposals	£m	£m
Net book value – investment property disposals	**594**	49
Net book value – trading property disposals	**3**	15
Net book value – other net assets	**43**	–
Profit/(loss) on disposal – investment properties	**5**	(6)
(Loss)/profit on disposal – trading properties	**(1)**	7
Total disposal proceeds	**644**	65

1. See EPRA analysis of capital expenditure table 73 for further details.
2. Properties acquired in the year.
3. Development capital expenditure for investment properties comprises expenditure on the development pipeline and completed developments.

Business analysis – EPRA disclosures

continued

EPRA analysis of capital expenditure

Table 73

31 March 2021

	Acquisitions[1] £m	Development capital expenditure[2] £m	Other capital expenditure: Incremental lettable space[3] £m	Other capital expenditure: No incremental lettable space £m	Other capital expenditure: Tenant improvements £m	Other capital expenditure: Total £m	Capitalised interest £m	Total capital expenditure – Combined Portfolio £m	Total capital expenditure – joint ventures (Group share) £m	Total capital expenditure – Group £m
Central London										
Offices	**89**	**180**	1	21	–	**22**	**11**	**302**	**1**	**301**
London retail	**23**	**2**	–	1	–	**1**	**–**	**26**	**–**	**26**
Other central London	**–**	**–**	–	–	–	**–**	**–**	**–**	**–**	**–**
Total Central London	**112**	**182**	**1**	**22**	**–**	**23**	**11**	**328**	**1**	**327**
Regional retail										
Regional shopping centres and shops	**3**	**–**	1	5	–	**6**	**–**	**9**	**1**	**8**
Outlets	**–**	**–**	–	4	1	**5**	**–**	**5**	**–**	**5**
Total Regional retail	**3**	**–**	**1**	**9**	**1**	**11**	**–**	**14**	**1**	**13**
Urban opportunities	**–**	**–**	**2**	**–**	**–**	**2**	**–**	**2**	**–**	**2**
Subscale sectors										
Leisure	**–**	**–**	1	–	1	**2**	**–**	**2**	**–**	**2**
Hotels	**–**	**–**	–	1	–	**1**	**–**	**1**	**–**	**1**
Retail parks	**–**	**–**	–	2	–	**2**	**–**	**2**	**–**	**2**
Total Subscale sectors	**–**	**–**	**1**	**3**	**1**	**5**	**–**	**5**	**–**	**5**
Total capital expenditure	**115**	**182**	**5**	**34**	**2**	**41**	**11**	**349**	**2**	**347**
Timing difference between accrual and cash basis								(34)	(4)	(30)
Total capital expenditure on a cash basis								**315**	**(2)**	**317**

1. Investment properties acquired in the year.
2. Expenditure on the development pipeline and completed developments.
3. Capital expenditure where the lettable area increases by at least 10%.

EPRA net initial yield (NIY) and Topped-up NIY

Table 74

	2021 £m
Combined Portfolio	10,791
Trading properties	37
Less: Properties under development, trading properties under development and land	(769)
Like-for-like investment property portfolio, proposed and completed developments, and completed trading properties	**10,059**
Plus: Allowance for estimated purchasers' costs	587
Grossed-up completed property portfolio valuation (a)	**10,646**
EPRA annualised cash passing rental income[1]	539
Net service charge expense[2]	(5)
Void costs and other deductions	(13)
EPRA annualised net rent[1] (b)	**521**
Plus: Rent-free periods and other lease incentives (annualised)	14
Topped-up annualised net rents (c)	**535**
EPRA NIY (b/a)	**4.9%**
EPRA Topped-up NIY (c/a)	**5.0%**

1. EPRA annualised cash passing rental income and EPRA annualised net rent as calculated by the Group's external valuer.
2. Including costs recovered through rents but not separately invoiced.

Cost analysis

Table 75

	£m
Gross rental income (before rents payable)	**578**
Rents payable	(9)
Gross rental income (after rents payable)	**569**
Net service charge expense	(5)
Net direct property expenditure	(32)
Bad and doubtful debts expense	(127)
Segment net rental income	**405**
Net indirect expenses	(80)
Segment profit before finance expense	**325**
Net finance expense – Group	(60)
Net finance expense – joint ventures	(14)
Revenue profit	**251**

Direct property costs £164m

Net indirect expenses[2] £80m

Total cost ratio[1] **19.4%**

	2021 Total £m	**2021 Cost ratio %[1]**	2020 Total £m	2020 Cost ratio %[1]
Gross rental income (before rents payable)	**578**		678	
Costs recovered through rents but not separately invoiced	(6)		(6)	
Adjusted gross rental income	**572**		672	
Rents payable	(9)		(15)	
EPRA gross rental income	**563**		657	
Managed operations	**7**	**1.2**	10	1.5
Tenant default	**127**	**22.2**	33	4.9
Void related costs	**13**	**2.3**	13	1.9
Other direct property costs	**11**	**1.9**	19	2.8
Development expenditure	**14**	**2.4**	9	1.3
Asset management, administration and compliance	**72**	**12.7**	70	10.4
Total costs (incl. direct vacancy costs)	**244**	**42.7**	154	22.9
Costs recovered through rents	(6)		(6)	
Tenant default[3]	(127)		(33)	
Adjusted total costs	**111**	**19.4**	115	17.1
Tenant default[3]	127		33	
EPRA costs (incl. direct vacancy costs)	**238**	**42.3**	148	22.5
Less: Direct vacancy costs	(13)		(13)	
EPRA costs (excl. direct vacancy costs)	**225**	**40.0**	135	20.5

1. Percentages represent costs divided by Adjusted gross rental income, except for EPRA measures which represent costs divided by EPRA gross rental income.
2. Net indirect expenses amounting to **£7m** (2020: £7m) have been capitalised as development costs and are excluded from table 75. See note 14 of the financial statements for the Group's policy on capitalising indirect expenses.
3. Provisions for bad and doubtful debts have been excluded from our cost ratio, including those relating to rent which will be earned in future accounting periods.

Business analysis – Group

Combined Portfolio value by location at 31 March 2021[1]

Table 76

	Central London %	Regional retail %	Urban opportunities %	Subscale sectors %	Total %
Central, inner, and outer London	68.1	–	2.9	3.4	**74.4**
South East and East	–	8.6	5.0	–	**13.6**
Midlands	–	–	1.0	–	**1.0**
Wales and South West	–	2.2	0.5	–	**2.7**
North, North West, Yorkshire, and Humberside	–	4.2	2.0	–	**6.2**
Scotland and Northern Ireland	–	1.4	0.7	–	**2.1**
Total	**68.1**	**16.4**	**12.1**	**3.4**	**100.0**

1. % figures calculated by reference to the Combined Portfolio value of **£10.8bn**.

For a full list of the Group's properties please refer to our website: www.landsec.com.

Combined Portfolio performance relative to MSCI Total property return – year ended 31 March 2021

Table 77

	Landsec %	MSCI %
Central London	-2.3	-2.6[1]
Regional retail	-28.4	-23.6[2]
Urban opportunities	-21.4	-17.5[3]
Subscale sectors	-12.8	n/a[4]
Combined Portfolio	**-9.6**	**1.2[5]**

1. MSCI Central and Inner London Office benchmark/Central London Retail weighted by Landsec exposure.
2. MSCI All Shopping Centres benchmark.
3. MSCI Rest of London Shopping Centres benchmark.
4. No benchmark available.
5. MSCI All Property Quarterly Universe.

Top 12 occupiers at 31 March 2021

Table 78

	% of Group rent[1]
Central Government	6.4
Deloitte	6.3
Cineworld	2.1
Boots	1.9
Sainsbury's	1.6
Taylor Wessing	1.5
Equinix	1.4
Lloyds Banking	1.2
M&S	1.2
Next	1.1
H&M	1.1
Vue	1.1
	26.9

1. On a proportionate basis.

Property Income Distribution (PID) calculation

Table 79

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Loss before tax per income statement	**(1,393)**	(837)
Accounting (profit)/loss on residual operations	**(47)**	5
Prior year adjustment	**–**	7
Loss attributable to tax-exempt operations	**(1,440)**	(825)
Adjustments		
Capital allowances	**(45)**	(47)
Capitalised interest	**(7)**	(5)
Revaluation deficit	**1,646**	1,179
Tax exempt disposals	**(6)**	7
Capital expenditure	**9**	4
Other tax adjustments	**(3)**	2
Goodwill amortisation and impairment	**5**	5
Estimated tax-exempt income for the year	**159**	320
PID thereon (90%)	**143**	288

The table above provides a reconciliation of the Group's 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 2021 and 31 March 2020:

Table 80

	PID allocation			Ordinary dividend	Total dividend
	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m	Pre-31 March 2020 £m	£m	£m
Dividends paid in year to 31 March 2020	–	204	138	–	342
Dividends paid in year to 31 March 2021	49	84	–	–	133
Minimum PID to be paid by 31 March 2022	94	–	n/a	n/a	n/a
Total PID required	**143**	288			

Business analysis – Group

continued

Total Shareholder Returns[1]

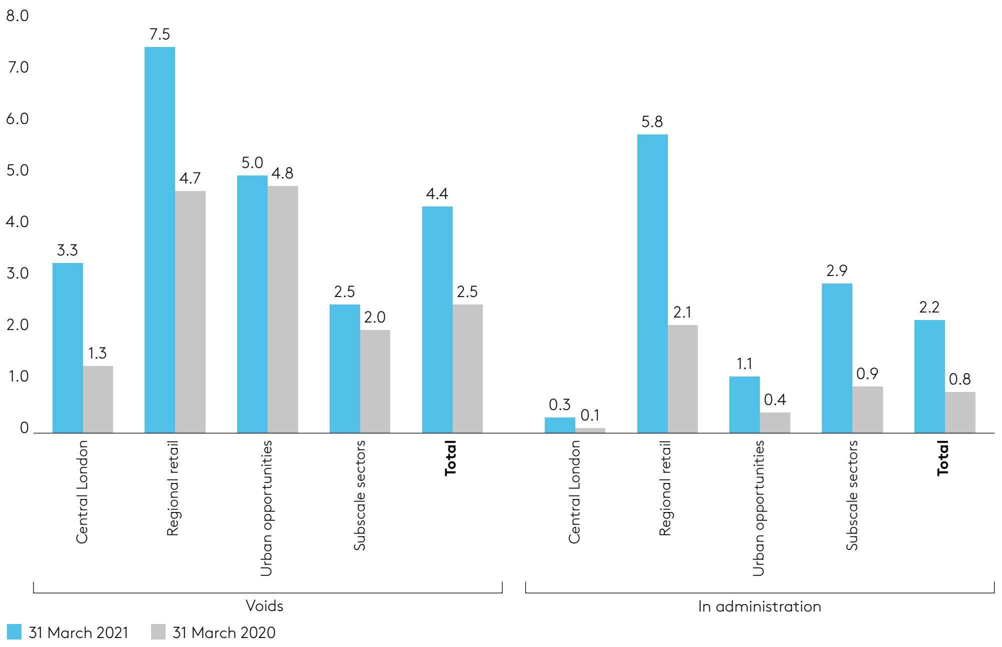
Table 81

	Period to 31 March 2021		
	5 years £	**3 years £**	**1 year £**
Land Securities Group PLC	77.2	83.1	134.5
FTSE 100	133.1	107.1	126.8
FTSE 350 Real Estate Index	109.0	100.9	123.4

1. Historical TSR performance for a hypothetical investment of £100 – source: Datastream.

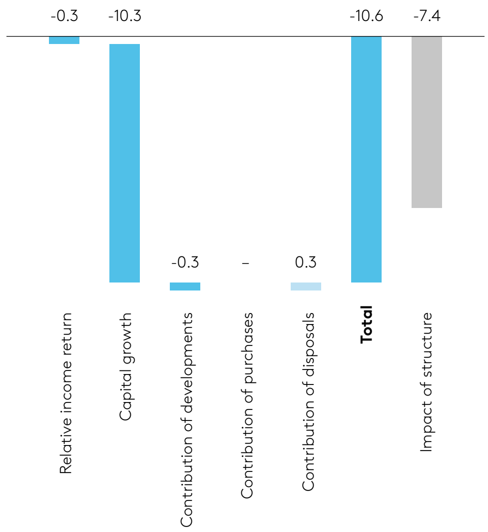
Voids and units in administration – like-for-like (%)

Chart 82



Analysis of performance relative to MSCI (%)

Chart 83



Attribution analysis, ungeared total return, 12 months to 31 March 2021, relative to MSCI Quarterly Universe – source: MSCI

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:

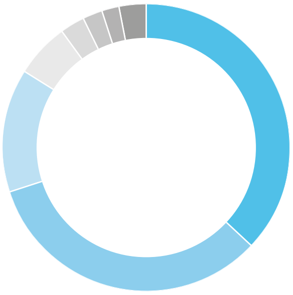
Table 84

	Year ended 31 March 2021			Year ended 31 March 2020		
	Tax-exempt business	**Residual business**	**Adjusted results**	Tax-exempt business	Residual business	Adjusted results
Profit before tax (£m)[1]	**194**	**(7)**	**187**	390	(4)	386
Balance of business – 75% profits test	**100%**	**0%**		100%	0%	
Adjusted total assets (£m)[1]	**10,520**	**493**	**11,013**	13,762	598	14,360
Balance of business – 75% assets test	**95.5%**	**4.5%**		95.9%	4.1%	

1. Calculated according to REIT rules.

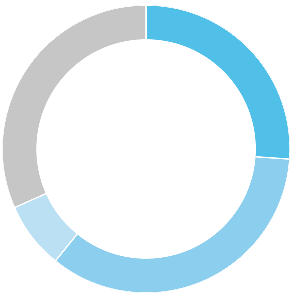
Annual net rent breakdown by occupier business sector (%)

Chart 85



Floorspace (million sq ft)[1]

Chart 86



1. Joint ventures are reflected at 100% values, not Group share.

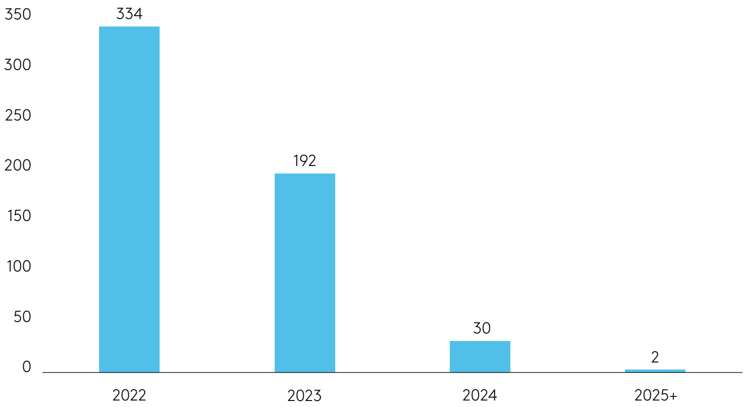
% portfolio by value and number of property holdings at 31 March 2021

Table 87

£m	Value %	Number of properties
0 - 10	0.8	17
10 - 25	4.1	29
25 - 50	7.0	21
50 - 100	14.5	21
100 - 150	6.6	6
150 - 200	6.2	4
200+	60.8	15
Total	**100.0**	**113**

Estimated future development spend on approved developments (£m)

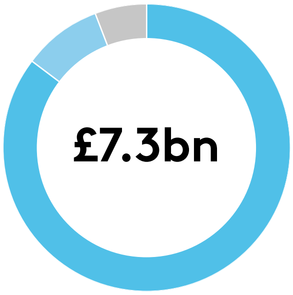
Chart 88



Estimated future spend excludes interest costs.

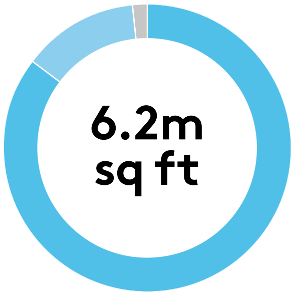
Business analysis – Central London

Central London portfolio (%) Chart 89



Offices	85.3%
London retail	9.0%
Other central London	5.7%

Central London floorspace (million sq ft) Chart 90



Offices	5.3
London retail	0.8
Other central London	0.1
Total	6.2

OFFICES

Our £6.3bn offices portfolio is comprised of office space in London including our cluster of buildings at New Street Square, EC4, Victoria, SW1 assets such as Cardinal Place, Nova, 62 Buckingham Gate and The Zig Zag Building and the development at 21 Moorfields, EC2.

LONDON RETAIL

This sector comprises the retail space in our offices portfolio assets which include One New Change, EC4, Tottenham Court Road, W1, Cardinal Place SW1, 32-50 Strand, WC2, 55 Old Broad Street, EC2 and Lucent, W1, as well as Monico Safeguarded.

OTHER CENTRAL LONDON

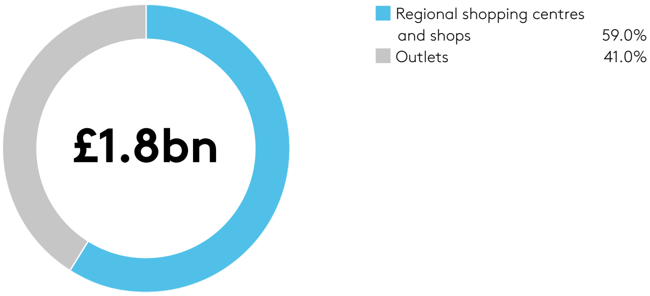
Comprises Piccadilly Lights, W1 and our residential space.

Top 10 Central London customers Table 91

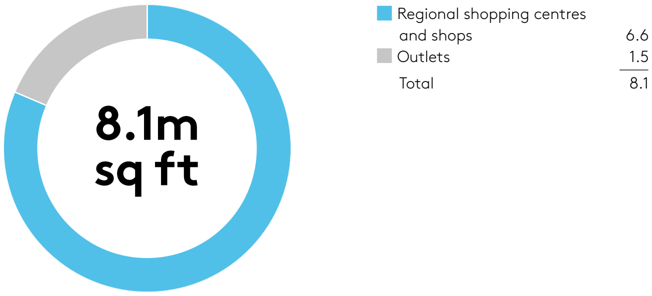
	% of Group rent
Central Government	6.4
Deloitte	6.3
Taylor Wessing	1.5
Equinix	1.4
Lloyds Banking	1.1
Bain & Co Inc	1.0
Hyundai	0.9
Deutsche Bank	0.9
Boots	0.8
Mace	0.8
	21.1
Central London other	33.3
Total	**54.4**

Business analysis – Regional retail

Regional retail portfolio (%) Chart 92



Regional retail portfolio floorspace (million sq ft) Chart 93



REGIONAL SHOPPING CENTRES AND SHOPS

Comprises our £1.0bn portfolio of shopping centres in major retail locations across the UK including Bluewater, Kent, Trinity Leeds, White Rose, Leeds and Westgate Oxford.

OUTLETS

Our five outlets offer a vibrant and engaging experience in locations such as Gunwharf Quays, Portsmouth, Braintree Village and Clarks Village, Street.

Top 10 Regional retail customers Table 94

	% of Group rent
H&M	0.9
Primark	0.9
Boots	0.8
Next	0.8
Sainsbury's	0.6
M&S	0.5
River Island	0.5
J C Decaux	0.4
John Lewis Partnership	0.4
Vans	0.4
	6.2
Regional retail other	19.9
Total	**26.1**

Business analysis – Urban opportunities

Urban opportunities portfolio

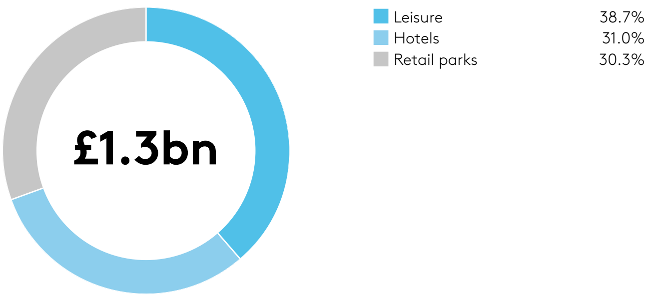
Urban opportunities portfolio floorspace (million sq ft)

Urban opportunities are essentially mixed-use, multi-phase regeneration projects rooted in a need to redevelop parts of the built environment that are no longer fit for purpose. Comprises retail space at Great North Leisure Park, N12, Finchley Road, NW3, Southside, SW18, The Lewisham Centre, SE13 and Shepherd's Bush, W12 with potential for re-purposing.

Business analysis – Subscale sectors

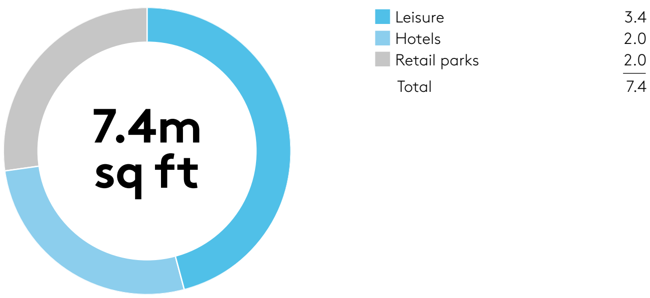
Subscale sectors portfolio (%)

Chart 95



Subscale sectors portfolio floorspace (million sq ft)

Chart 96



LEISURE

We own five stand-alone leisure assets and an additional 13 schemes of prime leisure and entertainment space, previously part of the X-Leisure Fund which was restructured within the Group in this financial year.

HOTELS

We also own 21 Accor hotels in the UK. They are leased to Accor until 2091 with a break clause in 2031 and 12-yearly thereafter.

RETAIL PARKS

Our ten retail parks are typically located away from town centres and offer a range of retail and leisure with parking, providing convenient shopping. Assets include Lakeside Retail Park, Bexhill Retail Park and Westwood Cross.

Top 10 Subscale sectors customers

Table 97

	% of Group rent
Cineworld	1.8
Tesco	0.9
DSG International	0.5
Accor	0.5
Snozone	0.4
Morrisons	0.4
B & M Retail	0.3
Vue	0.3
Odeon	0.3
Malmaison	0.3
	5.7
Subscale sectors other	9.1
Total	**14.8**

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 twelve long-term sustainability commitments, covering each of our priority areas of creating jobs and opportunities, efficient use of natural resources and sustainable design and innovation. This section includes a summary of our performance against those commitments and our key disclosures.

For more information please visit www.landsec.com/sustainability.

CREATING JOBS AND OPPORTUNITIES

SOCIAL VALUE

Commitment: Create £25m of social value through our community programmes by 2025.

Performance: On track
This year we've created over £6.5m of social value through our social sustainability programmes, achieving in-year outperformance. Over £11m of social value created since commitment launched in 2019/20.

FAIRNESS

Commitment: By 2020, ensure everyone working on our behalf, in an environment we control, is given equal opportunities, protected from discrimination and paid at least the Real Living Wage.

Performance: Not met
We continue to pay the Real Living Wage to all of our direct employees and partners across office portfolio. We have not been able to meet our 2020 Living Wage commitment fully across our retail portfolio. Recognising the impact that the pandemic had on businesses, particularly the retail sector, The Living Wage Foundation is allowing businesses to pause their accreditation during the pandemic. We will review our accreditation by November this year when there will be more certainty on the reopening of the UK economy.

We collaborated with modern slavery specialist Stronger Together to perform a gap analysis, develop an action plan, and launched a Modern Slavery Working Group to improve our approach in identifying and managing modern slavery risk.

DIVERSITY

Commitment: Make measurable improvements to the profile – in terms of gender, ethnicity and disability – of our employee mix.

Performance: On track
Across the whole organisation 52% of our employees are female, exceeding our 2025 target of 50%. We continue to maintain good female representation at all levels of our organisation, increasing our female representation to 31% at leader level and 38% at senior leader level. Our ethnic minority representation is 8% at leader and 6% at senior leader level.

HEALTH AND SAFETY

Commitment: Maintain an exceptional standard of health, safety and security in all the working environments we control.

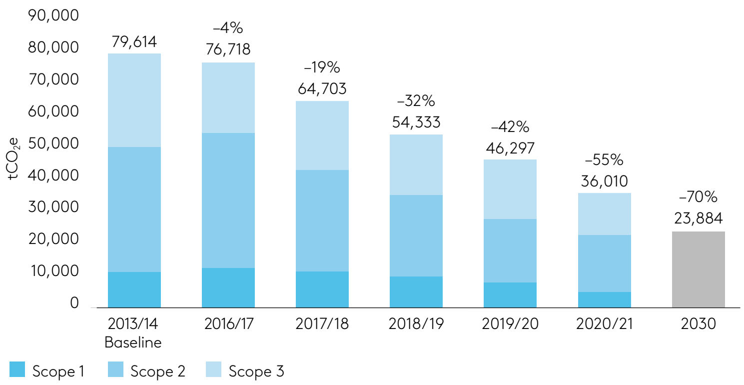
Performance: On track
To establish and maintain Covid-secure destinations and workplaces we launched a taskforce to assess the impact of the virus on our operations, to interpret government guidance, and co-ordinate the rollout of new ways of working. We continue to enhance fire safety across the business and ensure we meet new government initiatives and legislation.

EFFICIENT USE OF NATURAL RESOURCES

CARBON

Commitment: Reduce carbon emissions (tCO_2e) by 70% by 2030 compared with a 2013/14 baseline, for property under our management for at least two years.

Landsec carbon reduction target performance Chart 98



Performance: On track
Reduced carbon emissions by 55% since 2013/14 against our science-based carbon reduction target. Significant reduction in carbon emissions as a result of lower occupancy and operational hours due to Covid-19 restrictions.

RENEWABLE ENERGY

Commitment: Ensure 100% of our electricity supplies through our corporate contract are from REGO-backed renewable sources

Performance: Complete
We continue to procure 100% renewable electricity across our portfolio. We are currently exploring opportunities to move our procurement towards direct purchasing from renewable projects through Power Purchase Agreements (PPA).

Commitment: Achieve 3MW of renewable electricity capacity by 2030.

Performance: On track
Our current on-site renewable electricity capacity is 1.4 MW. We have continued to progress our feasibility studies for on-site renewable technologies, assessing the value this would deliver to Landsec and our customers and how these could be incorporated as part of future redevelopment works.

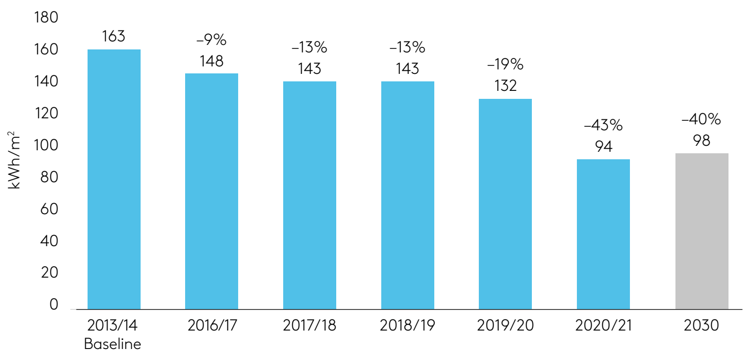
ENERGY

Commitment: Reduce energy intensity (kWh/m^2) by 40% by 2030 compared with a 2013/14 baseline, for property under our management for at least two years.

Sustainability performance
continued

Performance: On track
We have reduced energy intensity by 43% compared to 2013/14. Although this figure suggests that we've already achieved our target to reduce energy intensity by 40% by 2030, we recognise that energy consumption has been significantly impacted by lower occupancy and operational hours due to Covid-19 restrictions and doesn't reflect portfolio energy performance in normal conditions. For that reason, we'll continue tracking our performance against this 2030 target.

Landsec energy intensity target performance Chart 99



Previous years performance figures, including baseline, have been restated due to change in reporting methodology. More information is detailed in our 2021 Sustainability Performance and Data Report.

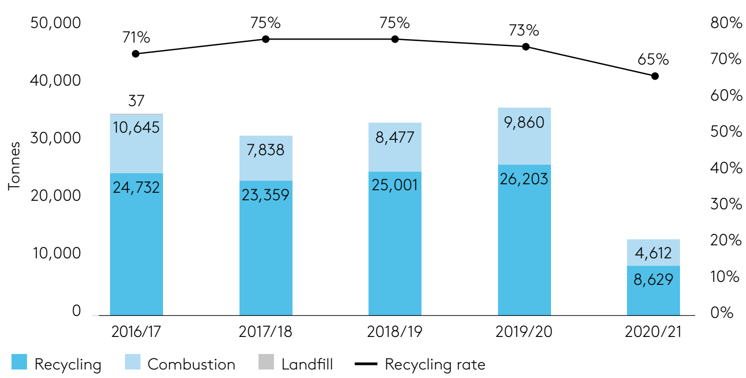
WASTE
Commitment: Send zero operational waste to landfill.

Performance: Complete
We continue to divert 100% from landfill across our operational activities.

Commitment: At least 75% waste recycled across all our operational activities by 2020

Performance: Not met
This year we recycled 65% of operational waste. The decrease in recycling rate from last year (2020:73%) reflects the reduction of recyclable materials such as packaging in retail as a result of Covid-19. Landsec has seen a 63% reduction in total waste produced due Covid-19.

Landsec waste performance Chart 100



UPDATED WASTE COMMITMENTS:
Commitment: Send zero operational and construction waste to landfill by 2030 and recycle at least 75% of operational and construction waste by 2030.

Performance: On track
We are diverting 100% of operational waste and 99.9% of construction waste from landfill. We are recycling 65% of operational waste and 99% of construction waste.

SUSTAINABLE DESIGN AND INNOVATION

RESILIENCE
Commitment: Assess and mitigate physical and financial climate change adaptation risks that are material across our portfolio.

Performance: On track
To continue aligning our disclosures with the TCFD recommendations, this year we've again worked with Willis Towers Watson in assessing and quantifying climate-related risks to inform our approach to managing climate risks across our portfolio, including new developments.

In our development pipeline we continue undertaking climate change adaptation risk reviews, addressing structural and fabric resilience as well as building services.

MATERIALS
Commitment: Source core construction products and materials from ethical and sustainable sources.

Performance: On track
Our developments continue to make good progress against this target.

All our live developments are targeting 100% of core construction materials to be manufactured within UK and Europe, to reduce emissions from transportation and reduce risk of ethical issues in manufacture and extraction.

This year we published our Materials Brief to guide our supply partners and mitigate human rights risks and 100% of key construction materials responsibly sourced.

BIODIVERSITY
Commitment: Maximise the biodiversity potential of all our development and operational sites and achieve a 25% biodiversity net gain across our five operational sites currently offering the greatest potential, by 2030.

Performance: On track
We continued our partnership with The Wildlife Trusts to enhance biodiversity net gain at our five operational sites and we're on track to deliver significant net gain on our developments and created a new Biodiversity Brief for developments.

WELLBEING
Commitment: Ensure our buildings are designed and managed to maximise wellbeing and productivity.

Performance: On track
This year we committed to pursuing the WELL Portfolio Programme across our existing managed office portfolio, in addition to our new schemes. All of our live developments are successfully registered and pre-assessed against WELL Core rating.

SOCIAL VALUE DATA

To understand the quantifiable difference we are making to people, communities and society as a whole, we partner with the Social Value Portal which specialises in measuring and reporting social value.

The Social Value Portal has estimated the social value that Landsec has unlocked through our various initiatives by developing a bespoke social value measurement framework which is based on the widely used National Themes, Outcomes and Measures (TOMs) Social Value Measurement Framework. The TOMs measurement framework was launched by the National Social Value Taskforce in 2017 and was built following extensive consultation by 40 cross sector organisations including the Landsec Social Sustainability Team, our delivery partners and our employees.

For more information, please visit www.socialvalueportal.com

Social value data

Table 101

	2019/20	**2020/21**
Total social value created	£4,822,053	**£6,552,911**
Community Employment		
Social value created	£2,594,380	**£1,686,082**
Social value – prison leavers	£929,694	**£475,095**
Social value – young people aged 16-25 at risk of long-term unemployment	£648,697	**£361,627**
Social value – people experiencing homelessness or living in supported accommodation	£226,461	**£387,266**
Total number of people supported into work	511	**121**
Total number of people engaged in training and employability support (who did not move into work)	n/a[1]	**852**
Education		
Total young people engaged on our formal education programmes, including industry projects, mentoring and reverse coaching	298	**92**
% female students	63%	**Data not available**
% BAME students	32%	
% of students reporting feeling more prepared for labour market (of 138 students who were asked this question on their feedback form)	95%	
% students reporting teamwork increase (of 138 students who were asked this question on their feedback form)	97%	
Volunteering		
Social value created	£402,256	**£99,061**
Total number of people directly benefited by Landsec volunteers	3,400	**895**
Total number of volunteer engagements (times a Landsec employee volunteered)	539	**352**
Total Landsec employees who have volunteered (at least once)	253	**120**
Total volunteering hours by Landsec staff	8,527	**719**
Charity partnerships		
Total value of support for charities	£1,823,184	**£4,767,767**
Total value directly donated to charities by Landsec	£293,255	**£463,820**
Total value of space donated to charities	£1,110,262	**£3,996,561**

1. New indicator for 2021.

Sustainability performance
continued

STREAMLINED ENERGY AND CARBON REPORTING

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 (tCO_2e). 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 2020'. 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.

Between April 2017 and March 2019, at least 15% of our gas purchases were from green sources (i.e. biogas). Scope 1 emissions for this period were also reported using both the 'location-based' and 'market-based' accounting methods. Our market-based emissions from biogas were reported as following: the CH_4 or N_2O emissions from biogas were reported as scope 1, and the CO_2 portion of the biogas was reported outside of the scopes, as a memo line. Therefore, our scope 1 market-based emissions were based on the emissions from the remaining 85% of our gas purchases, as well as the CH_4 or N_2O conversion factors associated with biogas. We haven't purchased biogas since April 2019, therefore Scope 1 emissions for 2019/20 and 2020/21 are reported using only "location-based" method.

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 102

Location-based emissions

Emissions	2018/19	2019/20	**2020/21**
Scope 1 tCO_2e	11,490	9,158	**7,554**
Scope 2 tCO_2e	30,518	25,382	**18,434**
Scope 1 and 2 tCO_2e	42,008	34,540	**25,988**
Intensity			
Scope 1 and 2 $kgCO_2e/m^2$	22.54	18.56	**14.23**

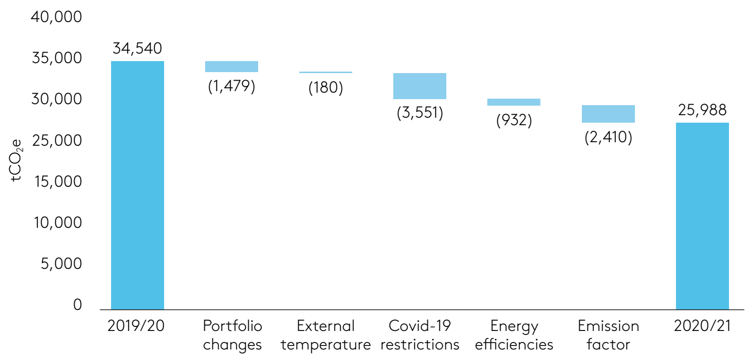
Landsec – Scope 1 and 2 emissions Table 102

Market-based emissions

Emissions	2018/19	2019/20	**2020/21**
Scope 1 tCO_2e	9,879	9,158	**7,554**
Scope 2 tCO_2e	3,517	3,719	**2,079**
Scope 1 and 2 tCO_2e	13,396	12,878	**9,633**
Intensity			
Scope 1 and 2 $kgCO_2e/m^2$	8.00	6.11	**5.27**

Scope 1 and 2 GHG emissions using location-based emission factors have dropped by 25% compared with previous year. Although these reductions have been achieved through a combination of factors, including energy efficiency projects, changes in our portfolio and changes in the UK's emission factors, the main driver for carbon reduction across the portfolio, this year, was the Covid-19 pandemic. The detailed breakdown of main factors driving the change in our Scope 1 and Scope 2 can be seen in the waterfall chart 103. In terms of market-based emissions we have also seen a reduction of 25%.

Landsec Scope 1 and 2 emissions – year on year driving factors Chart 103



The table 104 shows the absolute energy consumption with a breakdown by landlord and tenant consumption. This year absolute energy intensity has reduced by 32% compared with previous year, largely as a result of Covid-19 restrictions.

Our active energy management programme has also contributed to further reduce energy, maximising building efficiency in line with lower occupancy levels, while ensuring the health and safety and comfort of our occupants. To do this, we use smart technology to gather data from our building management systems in several of our offices, and having this detailed data helps us decide how we control energy-intensive service equipment in our buildings, and the services that we provide in our buildings are now running in line with occupancy. Consequently, this year we have been able to undertake various actions to improve the building management systems across our office assets. For example, we have improved the efficiency and lifecycle of our cooling systems, as they now react more optimally to external temperatures.

This year we identified and committed to implement energy efficiency projects across our portfolio that will lead to over 6,600 MWh of savings per annum. More information on our energy programme can be found on pages 64-67 (Environmental review).

Landsec – Energy consumption

Table 104

Energy consumption	Unit		2018/19	2019/20	2020/21
Natural Gas	kWh	For landlord shared services	53,714,180	43,015,309	**27,504,757**
		(Sub)metered to tenants	27,595,980	28,576,514	**12,686,608**
		Total Natural Gas consumption	81,310,160	71,591,823	**40,191,365**
Electricity	kWh	For landlord shared services	102,604,274	95,890,524	**74,375,665**
		(Sub)metered to tenants	64,985,746	68,977,474	**46,107,177**
		Total Electricity consumption	167,590,020	164,867,998	**120,482,841**
District Heating and Cooling	kWh	For landlord shared services	9,607,784	5,312,441	**5,472,813**
		(Sub)metered to tenants	7,063,310	7,356,140	**3,589,825**
		Total Heating and Cooling consumption	16,671,094	12,668,581	**9,062,638**
Total Energy Consumption	kWh	For landlord shared services	165,926,238	144,218,274	**107,353,234**
		(Sub)metered to tenants	99,645,036	104,910,128	**62,383,610**
		Total Energy consumption	265,571,274	249,128,402	**169,736,845**
Energy intensity	kWh/m^2		142	134	**93**

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 the 2021 Sustainability Performance and Data Report.

Landsec – Carbon footprint

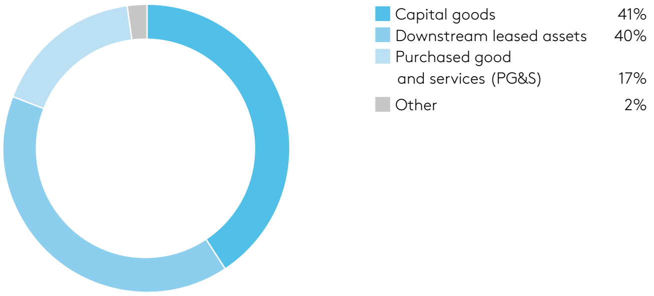
Table 105

		2018/19		2019/20		2020/21	
GHG Scope	Category	Emissions (tCO_2e)	% of total value chain	Emissions (tCO_2e)	% of total value chain	**Emissions (tCO_2e)**	**% of total value chain**
Scope 1	Scope 1	11,490	3.6	9,158	3.4	**7,554**	**3.3**
Scope 2	Scope 2	30,518	9.7	25,382	9.4	**18,434**	**8.0**
Scope 3	Scope 3	272,937	86.7	235,031	87.2	**205,235**	**88.8**
	Purchased goods and services (PG&S)	48,123	15.3	48,787	18.1	**34,004**	**14.7**
	Capital goods	89,149	28.3	69,123	25.6	**84,261**	**36.4**
	Fuel- and energy-related activities	8,764	2.8	6,919	2.6	**5,052**	**2.2**
	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	785	0.2	770	0.3	**284**	**0.1**
	Business travel	324	0.1	270	0.1	**33**	**0.0**
	Employee commuting	180	0.1	166	0.1	**168**	**0.1**
	Upstream leased assets	n/a	0.0	n/a	0.0	**n/a**	**0.0**
	Downstream transportation and distribution	n/a	0.0	n/a	0.0	**n/a**	**0.0**
	Processing of sold products	n/a	0.0	n/a	0.0	**n/a**	**0.0**
	Use of sold products	n/a	0.0	n/a	0.0	**n/a**	**0.0**
	End-of-life treatment of sold products	n/a	0.0	n/a	0.0	**n/a**	**0.0**
	Downstream leased assets	125,612	39.9	108,996	40.4	**81,433**	**35.2**
	Franchises	n/a	0.0	n/a	0.0	**n/a**	**0.0**
	Investments	n/a	0.0	n/a	0.0	**n/a**	**0.0**
	Total emissions	314,945		269,571		**231,223**	

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 2020/21 Chart 106



The two largest scope 3 categories are Capital goods and Downstream leased assets, making up over 71% 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 increase in emissions for Capital goods is explained by the fact that most of our development projects were still in the design stage in 2019/20, progressing to construction phase during the reporting year. In the table below, we provide the amount of embodied carbon emissions reported for each development in 2020/21. Conversely, lower emissions for Downstream leased assets are associated with reduction in energy consumption as a result of Covid-19 restrictions and reduction in the UK's emission factors.

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 lifecycle 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 from supply chain (A1-A5) on a project by project basis, measured against design stage baseline (RIBA stage 3), and track these through to the completion of our buildings. The table below shows that we'll avoid over 38,000 tCO_2e by targeting an overall reduction of 15.6% in the embodied carbon across four developments. We also carefully design our buildings to minimise the energy demand of our operations and meet the remaining demand through renewable energy contracts.

Embodied carbon – development pipeline Table 107

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 2020/21 tCO_2
21 Moorfields, EC2	120,871	102,224	1,363	-15.4	40,295
Lucent, W1	27,101	22,047	1,146	-18.6	909
n2, SW1	24,788	20,878	1,013	-15.8	1,836
The Forge, SE1	24,741	18,705	1,042	-24.4	2,172
Portland House, SW1	19,554	19,384	342	-0.9	73
Timber Square, SE1	30,548	25,813	501	-15.5	–
Landsec development pipeline	247,603	209,051		-15.6	45,285

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.

Benchmark performance

Table 108

Benchmark	Performance
CDP	2020: A-list (top 2.8%) for the fourth consecutive year. Inclusion on the 2020 Supplier Engagement Leader board (top 7%) 2019: A-list (top 2%). The only A-list UK REIT 2018: A-list (Leadership)
Global Real Estate Sustainability Benchmark (GRESB)	2020: Score 85% for Standing Investments – Regional Listed Sector Leader for Europe within Diversified Office and Retail / Score 94% for Developments – Global Listed Development Sector Leader for Office 2019: Score 90%. Sector leader, ranking 1st in Europe and UK diversified office/retail (mixed) 2018: Score 90%
Dow Jones Sustainability Index (DJSI)	2020: Score 85/percentile ranking 99. European Real Estate leader, ranking 4th globally Silver Class distinction in the S&P Global Sustainability Awards 2019: Score 82/percentile ranking 98 2018: Score 73/percentile ranking 93
FTSE4Good	Percentile ranking 94. We continue to retain our established position in the FTSE4Good Index
EPRA	Received our seventh Gold Award from EPRA for best practice sustainability reporting
Workforce Disclosure Initiative (WDI)	2020: WDI Award for most complete disclosure globally
MSCI	ESG rating: A
Sustainalytics	10.9 (low risk)/ranking 32 out of 951 companies in the real estate industry
EcoAct	We've again been named a climate leader, ranking 3rd for all FTSE 100 companies and 1st for our sector (ranked 5th in 2019)
ISS ESG	Prime status. Rating C+ Decile rank 1/transparency level: very high
Tortoise Responsibility100 Index	Ranking 1st among all FTSE companies in the April 2021 update

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 Environmental and Social sections of the Strategic Report on pages 54-67; the sustainability content in the 'Additional Information' section of the Landsec 2021 Annual Report on pages 217-223; and the online Landsec 2021 Sustainability Performance and Data Report, which can be found at www.landsec.com/sustainability/reports-benchmarking. The full assurance statement is available at www.landsec.com/sustainability/governance-policies.

Combined Portfolio analysis

Like-for-like segmental analysis

	Market value[1]		Valuation movement[1]		Rental income[1]		Annualised rental income[2]	Annualised net rent[3]	
	31 March 2021 £m	31 March 2020 £m	**Surplus/ (deficit) £m**	**Surplus/ (deficit) %**	**31 March 2021 £m**	31 March 2020 £m	**31 March 2021 £m**	**31 March 2021 £m**	30 September 2020 £m
Central London									
Offices	**5,194**	5,408	**(214)**	**-4.3%**	**238**	235	**234**	**250**	255
London retail	**623**	852	**(224)**	**-26.7%**	**36**	41	**34**	**34**	37
Other central London	**420**	427	**(5)**	**-1.2%**	**17**	22	**13**	**13**	13
Total Central London	**6,237**	6,687	**(443)**	**-7.1%**	**291**	298	**281**	**297**	305
Regional retail									
Regional shopping centres and shops	**1,041**	1,679	**(635)**	**-38.2%**	**115**	139	**98**	**95**	107
Outlets	**722**	881	**(164)**	**-18.5%**	**47**	62	**39**	**40**	48
Total Regional retail	**1,763**	2,560	**(799)**	**-31.4%**	**162**	201	**137**	**135**	155
Urban opportunities	**360**	469	**(110)**	**-23.4%**	**25**	29	**24**	**24**	24
Subscale sectors									
Leisure	**483**	615	**(137)**	**-22.9%**	**41**	45	**39**	**38**	38
Hotels	**406**	469	**(64)**	**-13.4%**	**4**	28	**4**	**4**	6
Retail parks	**397**	442	**(43)**	**-10.1%**	**34**	38	**33**	**34**	35
Total Subscale sectors	**1,286**	1,526	**(244)**	**-16.2%**	**79**	111	**76**	**76**	79
Like-for-like portfolio[8]	**9,646**	11,242	**(1,596)**	**-14.8%**	**557**	639	**518**	**532**	563
Proposed developments[1]	**286**	294	**(41)**	**-12.4%**	**1**	12	**1**	**1**	1
Development programme[9]	**713**	566	**(1)**	**-0.2%**	**–**	–	**–**	**–**	–
Acquisitions[10]	**146**	55	**(8)**	**-5.4%**	**4**	1	**7**	**6**	3
Sales[11]	**–**	624	**–**	**–**	**16**	26	**–**	**–**	23
Combined Portfolio	**10,791**	12,781	**(1,646)**	**-13.7%**	**578**	678	**526**	**539**	590
Properties treated as finance leases					**(9)**	(9)			
Combined Portfolio	**10,791**	12,781	**(1,646)**	**-13.7%**	**569**	669			

Total portfolio analysis

	Market value[1]		Valuation movement[1]		Rental income[1]		Annualised rental income[2]	Annualised net rent[3]	
	31 March 2021 £m	31 March 2020 £m	**Surplus/ (deficit) £m**	**Surplus/ (deficit) %**	**31 March 2021 £m**	31 March 2020 £m	**31 March 2021 £m**	**31 March 2021 £m**	30 September 2020 £m
Central London									
Offices	**6,268**	6,810	**(251)**	**-4.1%**	**254**	268	**237**	**252**	277
London retail	**659**	928	**(229)**	**-26.0%**	**38**	43	**36**	**36**	39
Other central London	**420**	437	**(4)**	**-1.0%**	**17**	22	**13**	**13**	13
Total Central London	**7,347**	8,175	**(484)**	**-6.5%**	**309**	333	**286**	**301**	329
Regional retail									
Regional shopping centres and shops	**1,041**	1,679	**(635)**	**-38.2%**	**115**	139	**98**	**95**	107
Outlets	**722**	881	**(164)**	**-18.5%**	**47**	62	**39**	**40**	48
Total Regional retail	**1,763**	2,560	**(799)**	**-31.4%**	**162**	201	**137**	**135**	155
Urban opportunities	**372**	484	**(112)**	**-23.3%**	**26**	29	**25**	**25**	25
Subscale sectors									
Leisure	**506**	649	**(144)**	**-23.0%**	**43**	47	**41**	**40**	41
Hotels	**406**	469	**(64)**	**-13.4%**	**4**	28	**4**	**4**	6
Retail parks	**397**	444	**(43)**	**-10.1%**	**34**	40	**33**	**34**	34
Total Subscale sectors	**1,309**	1,562	**(251)**	**-16.4%**	**81**	115	**78**	**78**	81
Combined Portfolio	**10,791**	12,781	**(1,646)**	**-13.7%**	**578**	678	**526**	**539**	590
Properties treated as finance leases					**(9)**	(9)			
Combined Portfolio	**10,791**	12,781	**(1,646)**	**-13.7%**	**569**	669			
Represented by:									
Investment portfolio	**10,025**	11,802	**(1,448)**	**-13.1%**	**519**	610	**481**	**492**	543
Share of joint ventures	**766**	979	**(198)**	**-21.3%**	**50**	59	**45**	**47**	47
Combined Portfolio	**10,791**	12,781	**(1,646)**	**-13.7%**	**569**	669	**526**	**539**	590
Analysis by asset use:									
Offices	**6,279**	6,826	**(255)**	**-4.2%**	**255**	270	**238**	**253**	279
Retail	**3,136**	4,348	**(1,173)**	**-27.4%**	**257**	309	**227**	**226**	250
Leisure, hotels and other	**1,376**	1,607	**(218)**	**-13.9%**	**66**	99	**61**	**60**	61
Combined Portfolio	**10,791**	12,781	**(1,646)**	**-13.7%**	**578**	678	**526**	**539**	590

Like-for-like segmental analysis continued

Table 109

	Net estimated rental value[4]		Gross estimated rental value[5]		Net initial yield[6]		Equivalent yield[7]		Voids (by ERV)[1]	
	31 March 2021 £m	31 March 2020 £m	**31 March 2021 £m**	31 March 2020 £m	**31 March 2021 %**	31 March 2020 %	**31 March 2021 %**	31 March 2020 %	**31 March 2021 %**	31 March 2020 %
Central London										
Offices	**266**	272	**270**	275	**4.4%**	4.4%	**4.6%**	4.6%	**3.5%**	1.2%
London retail	**30**	40	**30**	41	**4.4%**	4.5%	**4.5%**	4.3%	**4.0%**	2.5%
Other central London	**21**	21	**21**	21	**2.6%**	3.4%	**4.4%**	4.3%	**–**	0.5%
Total Central London	**317**	333	**321**	337	**4.3%**	4.3%	**4.6%**	4.6%	**3.3%**	1.3%
Regional retail										
Regional shopping centres and shops	**95**	122	**102**	130	**7.9%**	6.4%	**7.6%**	6.2%	**7.9%**	4.8%
Outlets	**61**	63	**61**	63	**5.3%**	5.6%	**6.8%**	5.9%	**6.8%**	4.4%
Total Regional retail	**156**	185	**163**	193	**6.8%**	6.1%	**7.3%**	6.1%	**7.5%**	4.7%
Urban opportunities	**26**	29	**26**	29	**5.6%**	4.9%	**5.9%**	5.2%	**5.0%**	4.8%
Subscale sectors										
Leisure	**40**	43	**40**	44	**6.9%**	5.8%	**7.6%**	6.4%	**5.2%**	2.3%
Hotels	**25**	30	**25**	30	**3.3%**	2.3%	**5.5%**	5.2%	**–**	–
Retail parks	**32**	35	**33**	35	**7.4%**	7.6%	**7.6%**	7.4%	**1.2%**	3.4%
Total Subscale sectors	**97**	108	**98**	109	**5.9%**	5.2%	**6.9%**	6.3%	**2.5%**	2.0%
Like-for-like portfolio[8]	**596**	655	**608**	668	**5.0%**	4.9%	**5.5%**	5.2%	**4.4%**	2.5%
Proposed developments[1]	**–**	–	**–**	–	**–**	–	**n/a**	n/a	**n/a**	n/a
Development programme[9]	**67**	68	**69**	70	**–**	–	**4.3%**	4.3%	**n/a**	n/a
Acquisitions[10]	**16**	3	**16**	3	**3.3%**	5.5%	**5.4%**	5.8%	**n/a**	n/a
Sales[11]	**–**	28	**–**	28	**–**	3.9%	**n/a**	n/a	**n/a**	n/a
Combined Portfolio	**679**	754	**693**	769	**4.5%**	4.5%	**5.4%**	5.1%	**n/a**	n/a

Total portfolio analysis continued

	Net estimated rental value[4]		Gross estimated rental value[5]		Net initial yield[6]	
	31 March 2021 £m	31 March 2020 £m	**31 March 2021 £m**	31 March 2020 £m	**31 March 2021 %**	31 March 2020 %
Central London						
Offices	**345**	362	**351**	367	**3.7%**	3.8%
London retail	**31**	45	**31**	46	**4.3%**	4.3%
Other central London	**21**	21	**21**	21	**2.6%**	3.4%
Total Central London	**397**	428	**403**	434	**3.7%**	3.8%
Regional retail						
Regional shopping centres and shops	**95**	122	**102**	130	**7.9%**	6.4%
Outlets	**61**	63	**61**	63	**5.3%**	5.6%
Total Regional retail	**156**	185	**163**	193	**6.8%**	6.1%
Urban opportunities	**27**	30	**27**	30	**5.6%**	4.9%
Subscale sectors						
Leisure	**42**	45	**42**	46	**6.9%**	5.8%
Hotels	**25**	30	**25**	30	**3.3%**	2.3%
Retail parks	**32**	36	**33**	36	**7.4%**	7.6%
Total Subscale sectors	**99**	111	**100**	112	**5.9%**	5.3%
Combined Portfolio	**679**	754	**693**	769	**4.5%**	4.5%
Represented by:						
Investment portfolio	**629**	688	**641**	702	**4.5%**	4.6%
Share of joint ventures	**50**	66	**52**	67	**5.3%**	4.4%
Combined Portfolio	**679**	754	**693**	769	**4.5%**	4.5%
Analysis by use type:						
Offices	**349**	364	**354**	370	**3.7%**	3.8%
Retail	**241**	291	**249**	300	**6.1%**	5.8%
Leisure, hotels and other	**89**	99	**90**	99	**5.1%**	4.1%
Combined Portfolio	**679**	754	**693**	769	**4.5%**	4.5%

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. Annualised net rent is annual cash rent, after the deduction of rent payable, as at the balance sheet date. It is calculated using the same methodology as annualised rental income but is stated net of rent payable and before tenant lease incentive adjustments. 31 March 2020 annualised net rent data is not available, therefore 30 September 2020 information has been included for comparative purposes.
4. Net estimated rental value is gross estimated rental value, as defined in the Glossary, after deducting expected rent payable.
5. Gross estimated rental value (ERV) – refer to Glossary for definition. The figure for proposed developments relates to the existing buildings and not the schemes proposed.
6. Net initial yield – refer to Glossary for definition. This calculation includes all properties including those sites with no income.
7. Equivalent yield – refer to Glossary for definition. Proposed developments are excluded from the calculation of equivalent yield on the Combined Portfolio.
8. The like-for-like portfolio – refer to Glossary for definition. Capital expenditure on refurbishments, acquisitions of head leases and similar capital expenditure has been allocated to the like-for-like portfolio in preparing this table.
9. The development programme – refer to Glossary for definition. Net initial yield figures are only calculated for properties in the development programme that have reached practical completion.
10. Includes all properties acquired since 1 April 2019.
11. Includes all properties sold since 1 April 2019.

Lease lengths

Table 110

	Weighted average unexpired lease term at 31 March 2021	
	Like-for-like portfolio Mean[1] Years	Like-for-like portfolio, completed developments and acquisitions Mean[1] Years
Central London		
Offices	7.3	7.2
London retail	5.2	5.2
Other central London	53.5	53.5
Total Central London	**7.3**	**7.2**
Regional retail		
Regional shopping centres and shops	4.9	4.9
Outlets	3.3	3.3
Total Regional retail	**4.4**	**4.4**
Urban opportunities	**6.2**	**6.1**
Subscale sectors		
Leisure	10.3	10.3
Hotels	12.1	12.1
Retail parks	5.0	5.0
Total Subscale sectors	**8.0**	**8.0**
Combined Portfolio	**6.6**	**6.6**

1. Mean is the rent weighted average of the unexpired lease term across all leases (excluding short-term leases). Term is defined as the earlier of tenant break or expiry.

Development pipeline

Development pipeline and trading property development schemes at 31 March 2021

Table 111

Property	Description of use	Ownership interest %	Size sq ft	Letting status %	Market value £m	Net income/ ERV £m	Estimated completion date	Total development costs to date £m	Forecast total development cost £m
Developments approved or in progress									
The Forge, SE1	Office	100	139,000	–	67	10	Jun 2022	63	139
	Retail		1,000						
21 Moorfields, EC2	Office	100	564,000	100	523	38	Jul 2022	363	577
Wardour Street, W1[1]	Residential	100	5,000	–	8	n/a	Jul 2022	8	11
Lucent, W1	Office	100	111,000	–	95	13	Dec 2022	131	240
	Retail		30,000						
	Residential		3,000						
n2, SW1	Office	100	167,000	–	40	13	Jun 2023	54	205
Proposed developments									
Timber Square, SE1	Office	100	365,000	n/a	n/a	n/a	Feb 2024	n/a	n/a
	Retail		15,000						
Portland House, SW1	Office	100	360,000	n/a	n/a	n/a	Sep 2024	n/a	n/a
	Retail		40,000						

1. Affordable housing component of the Lucent development.

Development pipeline and trading property development schemes at 31 March 2021

Table 112

Property	Description of use	Ownership interest %	Size sq ft	Number of units	Sales exchanged by unit %	Estimated completion date	Total development costs to date £m	Forecast total development cost £m
Trading property development schemes								
Castle Lane, SW1	Residential	100	51,000	89	99	Apr 2023	11	46

Where the property is not 100% owned, floor areas and letting status shown above represent the full scheme whereas all other figures represent our proportionate share. Letting % is measured by ERV and shows letting status at 31 March 2021. Trading property development schemes are excluded from the development pipeline.

Total development cost

Refer to the Glossary for definition. Of the properties in the development pipeline at 31 March 2021, the only property on which interest was capitalised on the land cost was 21 Moorfields, EC2.

Net income/ERV

Net income/ERV represents headline annual rent on let units plus ERV at 31 March 2021 on unlet units, both after rents payable.

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, where the definitions and reconciliations of these measures can be found and where further discussion is included. The definitions of all APMs are included in the Glossary and further discussion of these measures can be found in the Financial review.

Table 113

Alternative performance measure	Nearest IFRS measure	Reconciliation
Revenue profit	Profit/loss before tax	Note 4
Adjusted earnings	Profit/loss attributable to shareholders	Note 5
Adjusted earnings per share	Basic earnings/loss per share	Note 5
Adjusted 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 to shareholders	Note 5
Total business 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 20
Group LTV	n/a	Note 20

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

Table 114

	Group income statement £m	Joint ventures[1] £m	Total £m	Revenue profit £m	Capital and other items £m
			Year ended 31 March 2021		
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)	–
Bad and doubtful debts expense	(110)	(17)	(127)	(127)	–
Segment net rental income	**381**	**24**	**405**	**405**	**–**
Other income	2	–	2	2	–
Indirect expense	(75)	(2)	(77)	(77)	–
Depreciation	(5)	–	(5)	(5)	–
Revenue profit 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 attributable to shareholders	**(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.

Reconciliation of segmental information note to statutory reporting

Table 114

	Group income statement £m	Joint ventures[1] £m	Proportionate share of earnings[2] £m	Total £m	Revenue profit £m	Capital and other items £m
					Year ended 31 March 2020	
Rental income	611	59	(1)	669	669	–
Finance lease interest	9	–	–	9	9	–
Gross rental income (before rents payable)	**620**	**59**	**(1)**	**678**	**678**	**–**
Rents payable	(13)	(2)	–	(15)	(15)	–
Gross rental income (after rents payable)	**607**	**57**	**(1)**	**663**	**663**	**–**
Service charge income	88	10	–	98	98	–
Service charge expense	(90)	(12)	–	(102)	(102)	–
Net service charge expense	(2)	(2)	–	(4)	(4)	–
Other property related income	31	2	–	33	33	–
Direct property expenditure	(65)	(11)	–	(76)	(76)	–
Bad and doubtful debts expense	(28)	(5)	–	(33)	(33)	–
Segment net rental income	**543**	**41**	**(1)**	**583**	**583**	**–**
Other income	2	–	–	2	2	–
Indirect expense	(69)	(3)	–	(72)	(72)	–
Depreciation	(4)	–	–	(4)	(4)	–
Revenue profit before interest	**472**	**38**	**(1)**	**509**	**509**	**–**
Share of post-tax loss from joint ventures	(151)	151	–	–	–	–
Net deficit on revaluation of investment properties	(1,000)	(181)	2	(1,179)	–	(1,179)
Loss on disposal of investment properties	(6)	–	–	(6)	–	(6)
Profit on disposal of trading properties	–	7	–	7	–	7
Profit from long-term development contracts	–	3	–	3	–	3
Exceptional items	(5)	–	–	(5)	–	(5)
Other	–	–	(1)	(1)	–	(1)
Operating (loss)/profit	**(690)**	**18**	**–**	**(672)**	**509**	**(1,181)**
Finance income	18	–	–	18	17	1
Finance expense	(165)	(16)	–	(181)	(112)	(69)
Joint venture tax	–	(2)	–	(2)	–	(2)
(Loss)/profit before tax	**(837)**	**–**	**–**	**(837)**	**414**	**(1,251)**
Taxation	5	–	–	5		
Loss attributable to shareholders	**(832)**	**–**	**–**	**(832)**		

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 revenue profit reported in the segmental information note.

Ten year summary

Income statement

Table 115

Year ended and as at 31 March

	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Revenue	**635**	741	757	830	781	936	765	712	734	670
Costs	**(333)**	(274)	(271)	(321)	(260)	(404)	(329)	(244)	(281)	(240)
	302	467	486	509	521	532	436	468	453	430
Share of post-tax (loss)/profit from joint ventures	**(192)**	(151)	(85)	27	69	199	326	196	59	52
Profit/(loss) on disposal of investment properties	**8**	(6)	–	1	19	75	107	16	(3)	45
Profit/(loss) on disposal of investments in joint ventures	**–**	–	–	66	(2)	–	3	2	–	–
Profit on disposal of other investments	**–**	–	–	–	13	–	–	–	1	–
Net (deficit)/surplus on revaluation of investment properties	**(1,448)**	(1,000)	(441)	(98)	(186)	739	1,771	607	197	170
Operating (loss)/profit	**(1,330)**	(690)	(40)	505	434	1,545	2,643	1,289	707	697
Net finance expense	**(63)**	(147)	(83)	(548)	(268)	(185)	(207)	(165)	(157)	(162)
Net gain on business combination	**–**	–	–	–	–	–	2	5	1	–
Impairment of investment in joint ventures	**–**	–	–	–	–	–	–	–	–	(2)
(Loss)/profit before tax	**(1,393)**	(837)	(123)	(43)	166	1,360	2,438	1,129	551	533
Taxation	**–**	5	4	(1)	1	2	–	8	–	8
(Loss)/profit attributable to shareholders	**(1,393)**	(832)	(119)	(44)	167	1,362	2,438	1,137	551	541
Net (deficit)/surplus on revaluation of investment properties[1]:										
Investment portfolio	**(1,448)**	(998)	(440)	(98)	(187)	736	1,768	609	197	170
Share of joint ventures	**(198)**	(181)	(117)	7	40	171	269	155	21	21
Total	**(1,646)**	(1,179)	(557)	(91)	(147)	907	2,037	764	218	191
Revenue profit	**251**	414	442	406	382	362	329	320	291	299
Results per share										
Total dividend payable in respect of the financial year	**27.0p**	23.2p	45.55p	44.2p	38.55p	35.0p	31.85p	30.7p	29.8p	29.0p
Basic (loss)/earnings per share	**(188.2)p**	(112.4)p	(16.1)p	(5.8)p	21.1p	172.4p	308.6p	144.8p	70.7p	69.9p
Diluted (loss)/earnings per share	**(188.2)p**	(112.4)p	(16.1)p	(5.8)p	21.1p	171.8p	307.4p	144.3p	70.5p	69.7p
Adjusted earnings per share	**33.9p**	55.9p	59.7p	53.1p	48.4p	45.9p	41.7p	40.7p	37.0p	38.5p
Adjusted diluted earnings per share	**33.9p**	55.9p	59.7p	53.1p	48.3p	45.7p	41.5p	40.5p	36.8p	38.5p
Net assets per share	**975p**	1,182p	1,341p	1,404p	1,418p	1,434p	1,293p	1,016p	903p	863p
Diluted net assets per share	**973p**	1,181p	1,339p	1,404p	1,416p	1,431p	1,288p	1,012p	900p	860p
EPRA net tangible assets per share	**985p**	1,192p	1,348p	1,410p	1,422p	1,433p	1,296p	1,016p	906p	866p

1. Includes our non-wholly owned subsidiaries on a proportionate basis.

Balance sheet

Table 116

As at 31 March

	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Investment properties	**9,607**	11,297	12,094	12,336	12,144	12,358	12,158	9,848	9,652	8,453
Intangible assets	**8**	14	20	34	36	38	35	–	–	–
Net investment in finance leases	**152**	156	159	162	165	183	185	187	188	185
Loan investments	**–**	–	–	–	–	–	50	50	50	51
Investment in joint ventures	**625**	824	1,031	1,151	1,734	1,668	1,434	1,443	1,301	1,138
Trade and other receivables	**170**	178	176	165	123	86	53	35	11	–
Other non-current assets	**22**	32	30	49	51	44	29	14	14	41
Total non-current assets	**10,584**	12,501	13,510	13,897	14,253	14,377	13,944	11,577	11,216	9,868
Trading properties and long-term development contracts	**36**	24	23	24	122	124	222	193	152	133
Trade and other receivables	**354**	433	437	471	418	445	404	366	345	760
Monies held in restricted accounts and deposits	**10**	9	36	15	21	19	10	15	31	29
Cash and cash equivalents	**–**	1,345	14	62	30	25	14	21	42	30
Other current assets	**6**	48	14	–	–	–	–	–	–	–
Total current assets	**406**	1,859	524	572	591	613	650	595	570	952
Non-current assets held for sale	**–**	–	–	–	–	–	283	–	–	–
Borrowings	**(906)**	(977)	(934)	(872)	(404)	(19)	(191)	(513)	(436)	(11)
Trade and other payables	**(252)**	(270)	(273)	(294)	(302)	(289)	(367)	(320)	(364)	(361)
Other current liabilities	**(7)**	(2)	(18)	(14)	(7)	(19)	(10)	(12)	(37)	(30)
Total current liabilities	**(1,165)**	(1,249)	(1,225)	(1,180)	(713)	(327)	(568)	(845)	(837)	(402)
Borrowings	**(2,610)**	(4,355)	(2,847)	(2,858)	(2,859)	(3,222)	(3,985)	(3,262)	(3,748)	(3,676)
Trade and other payables	**(1)**	(1)	(1)	–	(25)	(28)	(30)	(23)	(18)	(28)
Other non-current liabilities	**(2)**	(5)	(5)	(8)	(9)	(47)	(45)	(4)	(11)	(9)
Redemption liability	**–**	–	(36)	(37)	(36)	(35)	(35)	(33)	(118)	–
Total non-current liabilities	**(2,613)**	(4,361)	(2,889)	(2,903)	(2,929)	(3,332)	(4,095)	(3,322)	(3,895)	(3,713)
Net assets	**7,212**	8,750	9,920	10,386	11,202	11,331	10,214	8,005	7,054	6,705
Net debt	**(3,509)**	(3,942)	(3,747)	(3,654)	(3,219)	(3,229)	(4,193)	(3,744)	(4,132)	(3,634)
Market value of the Combined Portfolio	**10,791**	12,781	13,750	14,103	14,439	14,471	14,031	11,859	11,446	10,331
Adjusted net debt	**(3,489)**	(3,926)	(3,737)	(3,652)	(3,261)	(3,239)	(4,172)	(3,948)	(4,290)	(3,981)

Subsidiaries, joint ventures and associates

As at 31 March 2021, 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
Blueco Limited
Bluewater Ground Lease Limited
Bluewater Outer Area Limited
Castleford (UK) Limited
Crossways 2000 Limited
Crossways 3065 Limited
Crossways 7055 Limited
Dashwood House Limited
Gunwharf Quays Limited
Harvest Nominee No. 1 Limited[1]
Harvest Nominee No. 2 Limited[1]
L.& P. Estates Limited
L.S.I.T. (Management) Limited
Land Securities (BH) Limited
Land Securities (Finance) Limited
Land Securities (Insurance Services) Limited
Land Securities (Media Services) BH Limited[2]
Land Securities (Media Services) PQ Limited[2]
Land Securities Buchanan Street Developments Limited
Land Securities Capital Markets PLC
Land Securities Consulting Limited
Land Securities Development Limited
Land Securities Ebbsfleet (No.2) Limited
Land Securities Ebbsfleet Limited
Land Securities Group PLC
Land Securities Intermediate Limited[3]
Land Securities Investment Trust Limited
Land Securities Lakeside Limited
Land Securities Management Limited
Land Securities Management Services Limited
Land Securities Partnerships Limited
Land Securities Pensions Trustee Limited
Land Securities PLC
Land Securities Portfolio Management Limited
Land Securities Properties Limited
Land Securities Property Holdings Limited[3]
Land Securities SPV'S Limited
Land Securities Trading Limited
Land Securities Trinity Limited
Landsec Limited

Company name
LC25 Limited
Leisure II (West India Quay LP) Shareholder Limited
Leisure Parks I Limited
Leisure Parks II Limited
LS (Eureka) Limited
LS (Eureka Two) Limited
LS (Fountain Park) Limited
LS (Fountain Park Two) Limited
LS (Jaguar) GP Investments Limited
LS (Parrswood) Limited
LS (Parrswood Two) Limited
LS (Riverside) Limited
LS (Riverside Two) Limited
LS (Victoria) Nominee No.1 Limited
LS (Victoria) Nominee No.2 Limited
LS 1 New Street Square Limited
LS 1 New Street Square Developer Limited
LS 1 Sherwood Street Limited
LS 1 Sherwood Street Developer Limited
LS 105 Sumner Street Developer Limited
LS 123 Victoria Street Limited
LS 130 Wood St Limited
LS 21 Moorfields Development Management Limited
LS 21 Moorfields Limited
LS 25 Lavington Street Developer Limited
LS 60-78 Victoria Street Limited
LS 62 Buckingham Gate Limited
LS Aberdeen Limited
LS Aldersgate Limited
LS Banbridge Phase Two Limited
LS Bexhill Limited
LS Bracknell Limited
LS Braintree Limited
LS Buchanan Limited
LS Canterbury Limited
LS Cardiff (GP) Investments Limited
LS Cardiff Limited
LS Cardiff Holdings Limited
LS Cardinal Limited
LS Castleford Limited
LS Chadwell Heath Limited
LS Chattenden Marketing Limited

Company name
LS Chesterfield Limited
LS City & West End Limited
LS City Gate House Limited
LS Company 2 Limited
LS Company 3 Limited
LS Company 10 Limited
LS Company 20 Limited
LS Company 21 Limited
LS Company 22 Limited
LS Company 23 Limited
LS Company 24 Limited
LS Company 25 Limited
LS Company 26 Limited
LS Company 27 Limited
LS Company 28 Limited
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 2 Limited
LS Developer 3 Limited
LS Director Limited
LS Dundas Square Limited
LS Eastbourne Terrace Limited
LS Easton Park Investments Limited
LS Entertainment Venues 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 Harbour Exchange 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 London Holdings One Limited
LS London Holdings Three Limited
LS Ludgate Development Limited
LS Moorgate Limited
LS Myo 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 Limited
LS One New Change Limited
LS One New Change Developments Limited
LS Park House Development Management Limited
LS Poole Retail Limited
LS Portfolio Investments Limited
LS Portland House Developer 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
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
Wallace City Limited
Westminster Trust Limited(The)
Whitecliff Developments Limited
Willett Developments Limited
X-Leisure (Bentley Bridge) Limited
X-Leisure (Boldon) 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
Xscape Castleford Limited Liability Partnership
Xscape Milton Keynes Limited Liability Partnership

1. Dissolved on 4 May 2021.
2. Dissolved 11 May 2021.
3. Subsidiary held directly by the Company, Land Securities Group Plc.

Subsidiaries, joint ventures and associates
continued

As at 31 March 2021, 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 which indicates 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 %
Ebbsfleet Investment (GP) Limited	50%
Ebbsfleet Nominee No.1 Limited	50%
Greenhithe Holdings Limited[1]	100%
Greenhithe Investments Limited[1]	100%
Harbour Exchange Management Company Limited[2]	26%
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[3]	100%
Land Securities Insurance Limited[4]	100%
Leisure II (North Finchley) Limited[3]	100%
Leisure II (North Finchley Two) Limited[3]	100%
Leisure II (West India Quay) Limited[3]	100%
Leisure II (West India Quay Two) Limited[3]	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%
Southside General Partner Limited	50%
Southside Limited Partnership[5]	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 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[3]	100%
Xscape Castleford No.2 Limited[3]	100%
Xscape Milton Keynes (Jersey) No.2 Limited[3]	100%
Xscape Milton Keynes Limited[3]	100%

Unit trusts	Group share %
The X-Leisure Unit Trust[3]	100%
Xscape Castleford Property Unit Trust[3]	100%
Xscape Milton Keynes Property Unit Trust[3]	100%
West India Quay Unit Trust[3]	50%

Limited by guarantee	Group share %
St David's Dewi Sant Merchant's Association Limited	n/a

1. 44 Esplanade, St Helier, JE4 9WG, Jersey.
2. Suite 1, 3rd Floor, 11-12 St. James's Square, London, SW1Y 4LB, UK.
3. IFC 5, St Helier, JE1 1ST, Jersey.
4. PO Box 384, The Albany South Esplanade, St Peter Port, GY1 4NF, Guernsey.
5. 13-14 Esplanade, St Helier, JE1 1EE, Jersey.

Shareholder information

Financial calendar Table 117

	2021
Annual General Meeting[1]	8 July
Final dividend[2]	23 July
2021/22 Half-yearly results announcement[3]	9 November

	2022
2021/22 Financial year end	31 March
2021/22 Annual results announcement[3]	17 May

1. The Annual General Meeting is scheduled to be held at 10.00 am on Thursday, 8 July 2021 at 80 Victoria Street, London SW1E 5JL. Due to Covid-19 social distancing measures, we are asking our shareholders to pre-register your intention to attend the meeting. 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: www.landsec.com/agm.
2. The Board has recommended a final dividend of 9 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 2021 Table 118

Holding range:	Number of holders	%	Number of ordinary shares	%
1–1,000	7,005	66.6	2,636,232	0.3
1,001–5,000	2,237	21.3	4,548,954	0.6
5,001–10,000	320	3.0	2,244,014	0.3
10,001–50,000	376	3.6	8,969,528	1.2
50,001–100,000	149	1.4	10,723,366	1.4
100,001–500,000	234	2.2	53,068,831	7.1
500,001–highest[1]	192	1.9	669,122,138	89.1
Total	**10,513**	**100.0**	**751,313,063**	**100.0**

Share register analysis as at 31 March 2021 Table 119

Held by:	Number of holders	%	Number of ordinary shares	%
Private shareholders	8,277	78.7	9,156,748	1.2
Nominee and institutional investors[1]	2,236	21.3	742,156,315	98.8
Total	**10,513**	**100.0**	**751,313,063**	**100.0**

1. Including 9,839,179 shares held in treasury by the Company.

ORDINARY SHARES
The Company's ordinary shares of nominal value 10⅔p 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: www.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/or amalgamation of accounts. You can contact Equiniti direct:

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: www.landsec.com/investors/shareholders-equity-investors or Equiniti at: www.shareview.co.uk.

TELEPHONE:
At time of printing this Annual Report, due to Covid-19, longer wait times may be experienced. Your shareholder account number will be required when calling.
Telephone: 0371 384 2128[1]
International dialling: +44 121 415 7049[1]
www.shareview.co.uk

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: www.landsec.com/investors/shareholders-equity-investors or www.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: www.landsec.com/investors/shareholders-equity-investors.

PAYMENT OF DIVIDENDS TO UK RESIDENT SHAREHOLDERS

Following shareholder approval at the 2019 AGM, as reconfirmed in the 2020 Annual Report, dividend payments by cheque ceased from October 2020, with the first payments made electronically by direct credit to a bank/building society account from the January 2021 dividend payment. Dividend confirmations will continue to be sent to the shareholder's registered address or an Electronic Dividend Confirmation will be sent if the shareholder has elected this option.

Receiving dividends directly into a nominated account has a number of advantages, including the crediting of cleared funds on the actual dividend payment date, removing the necessity of physically having to deposit and waiting for the cheque to clear.

Shareholders who have not already done so are encouraged to contact the Registrar (Equiniti) to complete a mandate instruction to provide their nominated bank or building society account details to enable payment of dividends, or to provide these details via their Equiniti Shareview online account. Registration to Shareview is free and available on our website: www.landsec.com/investors/shareholders-equity-investors or direct at Equiniti: www.shareview.co.uk.

Alternatively, shareholders may wish to sign up to the Dividend Reinvestment Plan to build upon existing shareholding(s), (see below).

PAYMENT OF DIVIDENDS TO NON-UK RESIDENT SHAREHOLDERS

As applicable to UK resident shareholders, following shareholder approval at the 2019 AGM, as reconfirmed in the 2020 Annual Report, dividend payments by cheque ceased from October 2020. Payments were made by direct mandate only from the January 2021 dividend payment. Dividend confirmations will continue to be sent to the shareholder's registered address or an Electronic Dividend Confirmation will be sent if the shareholder has elected this option. Payments to overseas accounts are made a few days after the Company's dividend payment day by Citibank.

Shareholders who have not already done so are encouraged to contact the Registrar (Equiniti) to complete an Overseas Mandate form to provide their nominated overseas bank account details to enable payment of dividends or provide these details via their Equiniti Shareview online account.

Registration to Shareview is free and available on our website: www.landsec.com/investors/shareholders-equity-investors or direct at Equiniti: www.shareview.co.uk.

This service is available in over 90 countries worldwide, as listed on the Equiniti shareholder online facility at www.shareview.co.uk, or by contacting Equiniti by telephone or post at the address shown above under 'Registrar: Equiniti'. The local domestic currency the payment will be converted to is also available on this list.

A small fee will be deducted prior to the overseas account credit, though usually less than the charges for use of a UK Sterling cheque. Please note the maximum payment is £50,000 unless otherwise stated in the list.

Shareholders wishing to nominate a bank/building society account in the Republic of Ireland are required to complete an Overseas Mandate form.

Shareholders wishing to nominate a bank/building society account in Northern Ireland should use the standard UK process as detailed above.

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 (FCA regulated). 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: www.landsec.com/investors/shareholders-equity-investors

These are also available by post from:
Dividend Reinvestment Plans
Equiniti
Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA
Telephone: 0371 384 2268[1]
International dialling: +44 121 415 7173[1]

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[1] 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: www.shareview.co.uk/dealing. For postal dealing, call 0371 384 2248[1] 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:
Website: www.sharegift.org.uk
Email: help@sharegift.com
Telephone: +44 (0)20 7930 3737
Post: ShareGift, PO Box 72253, London SW1P 9LQ

CORPORATE INDIVIDUAL SAVINGS ACCOUNT (ISA)

The Company has arrangements in place with Equiniti Financial Services Limited to provide a Corporate ISA which shares may be held. Further details are available from:
Equiniti Financial Services Limited
Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA
Telephone: 0371 384 2244[1]

CAPITAL GAINS TAX

For the purpose of Capital Gains Tax, the price of a Land Securities 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. For further details www.landsec.com/investorsshareholders-equity-investors/uk-tax-gains-sale-landsec-shares.

DATA PROTECTION

A copy of the Shareholder Privacy Notice can be found on our website: www.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. Further information on how to use The Unclaimed Assets Register, provided by Experian, is available via:
Website: www.uar.co.uk
Email: 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 registering at their website at www.mps.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 www.register.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: shareholder.enquiries@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

Website: www.landsec.com
Telephone: +44 (0)20 7413 9000

COMPANY SECRETARY

Liz Miles
Company Secretary

Email: shareholder.enquiries@landsec.com

INVESTOR RELATIONS

Edward Thacker
Head of Investor Relations

Email: investor.relations@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
Website: www.shareview.co.uk

AUDITOR

Ernst & Young LLP
1 More London Place London SE1 2AF

Telephone: +44 (0)20 7951 2000
Website: www.ey.com

EXTERNAL ADVISERS

Valuer: CBRE
Financial adviser: UBS
Solicitors: Slaughter and May
Joint brokers: JP Morgan Cazenove and UBS

Glossary

Adjusted earnings per share (Adjusted EPS)
Earnings per share based on revenue profit after related tax.

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 2019.

Development pipeline
The development programme together with proposed 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 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 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 20.

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 revenue profit 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.

LIBOR
The London Interbank Offered Rate, the interest rate charged by one bank to another for lending money, often used as a reference rate in bank facilities.

Like-for-like portfolio
The like-for-like portfolio includes all properties which have been in the portfolio since 1 April 2019 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).

MSCI
Refers to the MSCI Direct Property indexes which measure the property level investment returns in the UK.

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 purchasers' 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.

Glossary
continued

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.

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.

Proposed developments
Proposed developments are properties which have not yet received Board approval or are still subject to main planning conditions being satisfied, but which are more likely to proceed than not.

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.

Revenue profit
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.

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.

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 business 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.

Total cost ratio
Total cost ratio represents all costs included within revenue profit, 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.

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
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.

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Pureprint Ltd is FSC certified and ISO 14001 certified showing that it is committed to all round excellence and improving environmental performance is an important part of this strategy.

Pureprint Ltd aims to reduce at source the effect its operations have on the environment and is committed to continual improvement, prevention of pollution and compliance with any legislation or industry standards.

Pureprint Ltd is a Carbon/Neutral® Printing Company.

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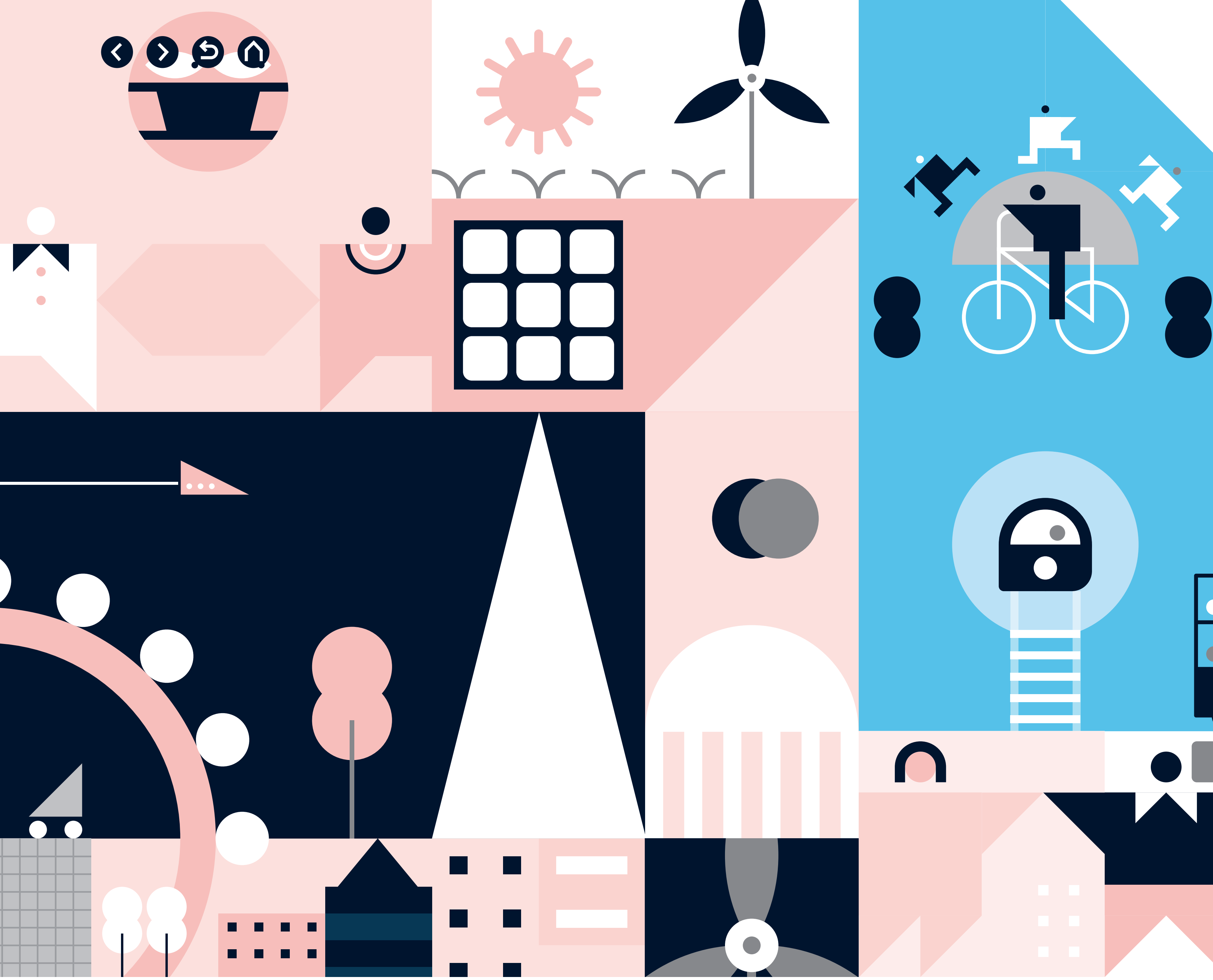
Designed and produced by:
Salterbaxter
www.salterbaxter.com

Words:
Landsec and Richard Owsley

Photography:
Landsec
Andrew Urwin
Luke Hayes
Philippa Langley
James Gowdy



HEAD OFFICE
100 Victoria Street
London
SW1E 5JL

www.landsec.com

Landsec