Land Securities Group PLC (Company number: 4369054)

Parent company accounts for LAND SECURITIES SPV'S LIMITED

Company number: 04365195

Landsec

Sustainable urban places

Landsec Annual Report 2023

Building on our competitive advantages First to opportunities, in shape to act

Three years ago we set out our strategy to create sustainable value – focusing on areas where we have a genuine competitive advantage, underpinned by the strength of our balance sheet. Since then, we have sold mature London offices and made acquisitions that bring value, opportunity and long-term growth. And we've restructured our business to bring us closer to our customers and better able to take advantage of the changes on the horizon.

High-quality offices, in the right locations, continue to attract new businesses and talent; the future of major retail destinations is more positive than many people thought three years ago; and there remains a structural need to remodel city centres in a sustainable way. With flexibility on the timing of any future capital commitments, we are ready to seize the opportunities this new market environment presents.

But our strategy is about more than buildings. It's built on a vision and commitment to shape successful and sustainable urban places where our customers can achieve their goals and our communities can realise their potential. With the quality of our portfolio, expertise of our people and strength of our customer relationships underpinning our business, this strategy is the right one and we are well positioned to continue to pursue it.

Contents

Our areas of focus

Valuation

£6.2bn

Central London

— Read more on **page 17**

Valuation

£1.9bn

Retail

— Read more on **page 18**

Valuation

£0.8bn

Mixed-use urban

— Read more on **page 19**

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 performance

VALUATION

2023	£10.2bn
2022	£12.0bn

EPRA EARNINGS

2023	£393m
2022	£355m

DIVIDEND PER SHARE

2023	38.6p
2022	37.0p

Chairman's statement

"It has been a year of *activity and progress* against objectives, despite the backdrop of a challenging market as interest rates have risen."

Cressida Hogg
Chairman

This is our third year executing on a clear strategy for the business under Mark and his team.

Progressing our Strategy

In Central London we have continued developing best-in-class assets, while recycling capital where appropriate. During the year we sold 21 Moorfields, EC2, a complex development nearing completion that showcased Landsec's deep development expertise during the life of the project. We also sold One New Street Square, a recent development as part of a larger estate, let on a long lease to Deloitte. These two significant sales in the City reduce our overall exposure to this sub-market, and re-balance our portfolio towards London's West End and a portfolio increasingly focused on the best quality space. We have several developments ongoing in the rest of London and are seeing healthy demand for flexible and environmentally friendly space amongst a wide range of customers.

We have also continued to strengthen our retail portfolio, signing exciting new lettings in our major retail destinations and acquiring the outstanding 50% of St David's centre in Cardiff that we did not already own. We continue to focus on investing as appropriate in our leading retail destinations, which post-pandemic have recovered well, proving that consumers value the experience of the best physical retail.

We have made progress on some exciting mixed-use opportunities as well, and our team has shown creativity and resilience unlocking some complex opportunities in London and Manchester. For example we obtained planning consent for our 1,800 homes masterplan at a site on the Finchley Road previously used for retail.

Managing returns

While our strategy has remained clear and appropriate, the external macroeconomic environment over the last year has been difficult in the UK. Rising inflation and interest rates have created headwinds for business, and rising yields have driven down valuations, with a knock on impact on share prices. As a business we have re-focused on the levers within our control as we await more stable conditions.

The Board and management are always focused on disciplined capital allocation, and managing the balance sheet effectively. Against a backdrop of rising interest rates and reducing values, our proactive approach to disposals means that our loan to value ratio has nonetheless fallen and stands at a sustainable 31.7%. We were pleased with the issue of our innovative Green bond in March as part of our ongoing bond issuance programme.

A key part of our strategy is to provide shareholders with a predictable dividend each year, underpinned by high-quality earnings across our portfolio. The Board is focused on the resilience of underlying earnings, and factors in income considerations when approving sales or investments. The organisational review undertaken this year should generate efficiencies to offset inflation in the near term. We appreciate that for most of our shareholders our dividends are an important attraction, especially when capital returns are volatile.

Our organisation and culture

Since Mark joined the business we have been focused on ensuring that Landsec is fit for the future, especially in light of the upheavals in our market caused by the pandemic and macroeconomic change. Over the last year the structure of the organisation has been re-aligned to our future strategy, becoming flatter and more streamlined. We have added external customer facing, data and technology skills to our senior team, and we now have a clear roadmap for digital transformation. While we have been sad to see some long-term colleagues leave as part of this project, we are very positive about the impact on our culture and efficiency that these changes are bringing. We continue to be committed to making Landsec's workforce truly reflective of the diverse customers and communities that we serve see pages 35-38.

Our sustainability agenda

We continue to be proud of our sector-leading position on sustainability issues, but are not complacent with the level of change and investment that will be needed to make our existing assets more environmentally friendly. We are also driving necessary innovation in our developments and have just completed The Forge in Southwark, our first Net Zero carbon building powered entirely by renewable energy. Science Based Targets are once again embedded in the ESG objectives in management remuneration schemes (see page 109).

Board changes

Good governance continues to be fundamental to the long-term success of Landsec, and in line with governance guidelines this will be my last letter to you as I hand over to my successor. It has been a privilege to serve nine years on the Landsec Board, five as your Chairman. We announced in January that Sir Ian Cheshire will succeed me. Ian has already joined the Board, and brings deep experience as a chair and leader to Landsec. I hope some of you will have the opportunity to meet him around the AGM.

There have been other Board changes of note during the year. Colette O'Shea stepped down as COO of the Company, following a restructuring of the executive team. Colette had been with Landsec for many years and made a significant contribution to the development and management of our portfolio, in London in particular. The Board is grateful for the commitment, insight and empathy she brought, and we wish her well for the future.

We welcomed Miles Roberts to the Board in September. Miles is a serving CEO, and also brings deep experience as a NED across several sectors. He has been a very positive addition to the Board and Committees.

Looking forward

Overall the Board is confident that Landsec is well positioned relative to others in the sector, with a clear and appropriate strategy and strong management team to deliver it. I would like to thank our Landsec colleagues for all their efforts over the year. Going forward I wish the Company, the Board and stakeholders all future success.

Cressida Hogg
Chairman

Introduction to Sir Ian Cheshire

On behalf of the Board I would like to thank Cressida for her invaluable contribution during her time on the Board and as Chairman of Landsec. The business has benefited considerably from her experience and leadership. Cressida's influence and oversight have been significant in getting us to the strong strategic position we are in today, despite the significant challenges faced by this business during the pandemic and more recent macroeconomic challenges.

I am excited and honoured to be taking over as Chair at a time of opportunity for significant development of the business in the coming years.

Since joining the Board in March, I have spent time visiting Landsec locations and meeting members of the senior team and getting to understand more about the business. I am hugely impressed with the work Mark and his team are leading to drive the business forwards with strategic investments and disposals, stronger customer focus and operational performance and a more agile culture.

I am looking forward to working with Mark and the Board on behalf of all of our stakeholders, to continue with this clear strategic momentum.

Sir Ian Cheshire
Non-executive Director
and Chair Designate

Chief Executive's statement

"Having made considerable progress on our strategy over the last couple of years, Landsec is well placed to drive long-term growth."

Mark Allan
Chief Executive

Actively executing on our strategy. Well positioned in a changing market.

The strategy we launched in late 2020 was based on two key principles of sustainable value creation: focusing our resources where we have a genuine competitive advantage, and maintaining a strong balance sheet. Back then, interest rates and property yields in many sectors were at or near all-time low levels, making asset values in these sectors look expensive, yet since then external market conditions have changed materially, in particular over the last 12 months. Despite enduring customer demand driving rents and occupancy higher, increasing interest rates meant the value of our portfolio was down 7.7% for the year, as an average 50bps rise in valuation yields offset an overall 3.6% ERV growth.

Whereas many slowed or paused activity in response, we have remained active, pragmatic and future-focused in executing our strategy during the year. We sold £1.4bn of London offices where our ability to add further value was limited, bringing total office disposals since late 2020 to £2.2bn, with an average yield of 4.4%, on average just 4% below book value. We selectively invested where we saw value, for example buying the debt secured on St David's, Cardiff at an implied property yield of 9.7%. We kept to programme on new developments by committing to early works during the political turmoil in the autumn whilst keeping flexibility on c. £400m of future spend, which we now expect to commit to shortly. And we issued a £400m Green bond, to pro-actively extend our sector-leading debt maturities even further.

Our areas of competitive advantage remain: i) our high-quality portfolio; ii) the strength of our customer relationships; and iii) our ability to unlock complex opportunities through our development and asset management expertise. Despite the change in market conditions, these strengths are clearly reflected in our strong operational performance during the year and we expect these to persist going forward.

This is supported by the strength of our capital base. With a 31.7% LTV and net debt/EBITDA of 7.0x at the year-end our leverage is low; at 10.3 years our average debt maturity is long; and we have no need to refinance any debt until 2026. We have also created more optionality in our attractive pipeline and as a result of our strategic choices and decisive action since late 2020, we are well placed to take advantage of the opportunities that will undoubtedly emerge in a new higher rate, higher yield environment.

Delivering continued growth in operational results

As people choose to spend time together in inspiring places, be it to work, shop or spend their leisure time, our customers increasingly focus on the best space in the best locations to attract the right talent and consumers. Building on the positive momentum our focus on growing customer relationships has started to drive over the past three years, we have delivered further growth in operational results.

EPRA EPS for the year increased to 53.1 pence, or 50.1 pence on an underlying basis, excluding the benefit of a £22m increase in surrender premiums received during the year. Underlying EPRA EPS was up 4.4% vs the prior year, towards the high end of our guidance of low to mid-single digit percentage growth. This was supported by growth in like-for-like net rental income of 6.0%, which more than offset the impact from our £1.4bn of disposals and our significant deleveraging. In line with growth in underlying earnings, our dividend for the year is up 4.3% to 38.6 pence, reflecting a dividend cover of 1.3 times.

Our strong leasing activity drove 3.6% ERV growth, with positive growth across all four segments of our portfolio, reflecting its enduring appeal to customers. Still, the sharp increase in bond yields over the past 12 months put upwards pressure on valuation yields, leaving our overall portfolio value down 7.7% for the year. Notwithstanding our strong operational results and growth in earnings, EPRA NTA per share therefore was down 11.9% to 936 pence, resulting in a total return on equity of -8.3%.

Our strategy

Our strategy is focused on three areas – Central London offices, major retail destinations and mixed-use urban neighbourhoods. Each of these benefits from growing demand for high-quality, sustainable space, which continues to drive rental growth. Whilst the proportions of use differ, there is increasingly more that unites these areas than divides them, as the lines between where people want to work, live and spend their leisure time blur. What binds these areas together is the enduring importance of a sense of place.

Whilst our strategic focus remains the right one, economic and financial market conditions have changed materially over the past year. Interest rates have risen sharply in response to higher inflation and credit conditions are tightening, resulting in reduced lending and increased credit margins. It is impossible for us to predict where interest rates will settle over time, but taking a long-term view, it seems clear to us that the ultra-low rates over the prior decade were the aberration, not the adjustment over the past year.

This is important for a number of reasons. Firstly, the strategy we set out in late 2020 was never built on a premise that low interest rates would persist forever. Neither are our actions now based on the hope that markets will just "return to normal" and interest rates come back down sharply if we wait long enough. They might, but this seems unlikely to us and hope is not a strategy, so we have not and will not base our decision-making on this. Our disposal of £1.4bn of mature offices over the past year is testament to this.

Secondly, and most importantly, this adjustment plays directly to the strengths we have been building since late 2020. At that time, it was difficult for us to find value in a world where excess liquidity and zero interest rates meant there was invariably someone prepared to borrow more at artificially low costs and pay more. However, since last summer, property values have been quick to adjust to the new reality of a higher cost of capital, similar to equities and bonds. The full effect of increased borrowing costs will likely only work its way through the system over time, but this should lead to attractive opportunities for us.

Since late 2020 our focus has been on i) focusing our new investment where we have a genuine competitive advantage that enables us to create long-term value; ii) the sale of £2.2bn of London offices where yields were low and we had little opportunity to add further value; and iii) maintaining capital discipline. As a result, we are well placed now.

To further support this, improve scalability and increase pace, we started a review of our operating model a year ago, with a view of creating a more agile, efficient culture, with less internal complexity and more external focus. We have built, or are on track to build, market-leading operating platforms in each of the three areas we operate in. We have started to see the benefits from this so despite high inflation, we expect overhead costs for the current year to reduce slightly vs last year. Supplemented by ongoing investment in our systems, we have clear visibility on the further efficiencies this will drive over time.

Whilst part of the property market is busy looking backwards to deal with leverage or refinancing issues, we have the rare opportunity to look forward to future growth. Part of this will be funded by our significant headroom and residual c. £1.6bn

Chief Executive's statement
continued

capital recycling programme. However, *the extent of the opportunity in our office* and mixed-use pipelines, and for accretive external growth, is such that this will likely exceed our own balance sheet capacity over time. Capital discipline remains our priority, so we plan to explore opportunities to enhance our own investment in future growth with other sources of capital, to accelerate our overall growth, capitalise on the platform value we are creating, and enhance our return on equity.

Creating value through our competitive advantages

Our value creation remains underpinned by our key competitive advantages: our high-quality portfolio; the strength of our customer relationships; and our ability to unlock complex opportunities. Customer demand continues to bifurcate, with growing demand for modern, sustainable space in those locations with the best amenities in London and fewer, but bigger and better stores in key locations in retail. Supply of both is limited, which is driving growth in rental values across our *core portfolio*.

In London, where 74% of our portfolio is now located in the vibrant West End and Southwark markets, up from 58% in 2020, we completed £43m of leases, on average 3% above ERV, with a further £6m in solicitors' hands, 19% ahead of ERV. As a result, occupancy increased 110bps to 95.9% and at 99.5% occupancy our West End offices are effectively full – both substantially ahead of the wider market. This drove 4.7% ERV growth, which is at the high end of our guidance. As demand for grade A space remains strong and supply is low, we expect continued low to mid single digit percent ERV growth this year.

Across our major retail destinations, where we selectively expanded our presence with our investments in Bluewater in late 2021 and St David's in March, we signed £27m of new lettings, on average 8% above ERV. This was 35% higher than the prior year and occupancy of 94.3% was up 110bps during the year, highlighting the value our revitalised platform and growing *brand relationships are starting to drive.* Despite cost of living challenges, we continue to see few signs of any let-up in demand for space, with £11m of lettings in solicitors' hands 11% above ERV, up 28% vs this time last year. Our portfolio saw 0.9% ERV growth last year and we expect low to mid single digit percentage ERV growth this year.

Our positive outlook for rental value growth reflects the high quality of our portfolio, as we expect overall demand for space will continue to rationalise in both retail and offices. We expect this will start to lead *to a growing divergence in asset pricing.* Investment activity remains thin and so the emerging stabilisation of values in recent months needs to be viewed in that context, yet we expect values for the best assets to stabilise and return to growth well before those where long-term structural demand is questionable.

This is supplemented by our ability to unlock complex opportunities, such as the discounted purchase of the debt on St David's from two separate lenders; the resolution to grant planning consent we obtained for our 1,800-homes masterplan *at Finchley Road; the deal we agreed with* our JV partners at Mayfield, which gives us full control of the first phase of this unique site; our success at 21 Moorfields, where our well-timed sale crystallised £145m of profit on cost; the 17.5-year lease extension with one of our top-10 customers, temporarily moving them across our estate whilst we undertake net-zero upgrade works to their existing offices; or the pre-letting of 60% of our current London pipeline well ahead of ERV.

Looking ahead, this also provides us with a clear competitive advantage in terms *of future opportunities.* We now have a 1.1m sq ft consented office pipeline in the West End and Southwark, deliverable into a window of a significant shortage of sustainable Grade A supply, and we could potentially start on site with two major mixed-use regeneration schemes later this year. In addition, we continue to see value *in major retail destinations,* where asset values have already repriced materially and our differentiated platform provides us with the ability to drive income growth. We also anticipate refinancing events could potentially unearth other opportunities, such as to acquire and upgrade well-located London offices in need of repositioning.

Driving returns

We remain decisive in our capital allocation decisions – focusing squarely on the future returns we expect our investments to generate, rather than any historical book value. The £1.4bn of offices we sold during the year are a good example of this. The two principal assets in this had generated an attractive 10% IRR over the period we had held them, but our expected forward return from the price on offer was in the mid-single digits. As this is below our return ambitions and other investment opportunities available to us, such as those outlined above, we decided to sell. We will maintain this clear discipline in the future.

Overall, we now target a total return on equity of 8-10% over time, reflecting a combination of income returns and capital growth driven by rental value growth and *development upside.* Short-term market fluctuations in valuation yields, which are outside of our control, mean that our return on equity is unlikely to be exactly within this range every individual year, as we have seen over the past 12 months, but this return target is what we base our medium-term decisions on.

Within this, we are focused on growing our high-quality earnings. Income has always been important, but especially so when valuations and hence NTAs reflect a greater degree of subjectivity, given that market evidence is thin. The fact that since last summer, our disposals made up c.40% of all investment activity in the City and that there have been no transactions in major retail destinations underlines this. We are already in a strong position on this, with an attractive earnings yield at NTA of over 5%. This has now almost fully absorbed the reset in retail rents over the past few years, which has been offset by the recovery from the pandemic and growth in London. For the past year, this resulted in 4.4% growth in underlying EPRA EPS – towards the high end of our guidance of low to mid single digit growth for the year.

Looking forward, higher interest costs and cost inflation are a headwind to earnings across every sector, but this is compensated by the strengths of our business and the successful execution of our strategy:

- our long 10.3-year debt maturity, which provides visibility and underpins our sustainability of earnings;
- our capital recycling out of mature and subscale assets, into developments or acquisitions which offer greater potential to add value and generate higher income and total returns;
- our growth in like-for-like income, reflecting the strong demand for our high-quality space, especially from next year onwards once the last historically over-rented leases in retail have reset.

For the year to March 2024, we expect EPRA EPS to be broadly stable vs last year's underlying level of 50.1 pence, as we expect the positive impact from continued strong operational performance and like-for-like rental growth to be more or less offset by the fact that we have been – and in the near term will likely remain – a net seller of assets. This year we will also see the last over-rented leases in retail resetting, the start-up cost of opening three new Myo locations, and ongoing investment in our systems, which have a combined impact on earnings of c. £10m. We therefore expect EPRA EPS to return to growth for the year to March 2025. As our dividend cover is currently at the high end of our 1.2-1.3x range, we expect our dividend to grow by a low single digit percentage per year over these two years.

Delivering sustainably

Eighteen months ago we were the first UK REIT to set out a detailed net zero transition investment plan. We continue to progress the implementation of this, as delivery of this plan will ensure we stay ahead of the Minimum Energy Efficiency Standard Regulations, which require a minimum EPC B certification by 2030, as well as other regulatory requirements. So far our work has been focused on optimising building management systems and conducting the detailed design to install air source heat pumps in our office buildings. This is on track and the benefit of this in terms of higher EPC ratings will start to become visible from 2025 onwards, once our first new air source heat pumps become operational.

Shortly after the year-end, we also updated our carbon reduction targets to align with the Science Based Targets initiative's (SBTi) new Net-Zero Standard, as we remain committed to reaching net zero in the long term. We have committed to a near-term target of reducing our direct and indirect greenhouse gas emissions by 47% by 2030 from a 2020 baseline and have committed to reach net zero by 2040 from the same baseline year. This target now covers emissions from all sources, including all of our reported scope 3 emissions such as the emissions from our development pipeline, supply chain and customers.

During the year, the energy intensity of our portfolio increased marginally compared to last year, when utilisation was lower in the first months of the year after the emergence out of lockdown. Still our energy intensity was 16.6% below pre-pandemic levels and 33.2% below our 2013/14 baseline, so we remain firmly on track to reduce energy intensity by our targeted 45% by 2030. Aside from our net zero investments, we continue to focus on energy efficiency measures and have expanded the collaborative work with our largest customers to help them identify ways to save energy.

Outlook

Our strategy continues to be grounded in our purpose; Sustainable places. Connecting communities. Realising potential. In executing this, we continue to be led by three things: delivering sustainably, delivering for our customers, and being disciplined with our capital.

We expect global economic and financial uncertainty to remain elevated in the near future. The transition from a decade of ultra-loose monetary policy to a materially higher rate environment was never going to be a smooth one. The reversal of decades of globalisation and associated inflationary pressures will also continue to affect economic prospects, for the UK further exacerbated by the impact of Brexit. Positively, the political situation in the UK has stabilised somewhat since late last year and despite all uncertainties, our strategic decisions since late 2020 mean we are in great shape for any eventuality:

- our portfolio is well-located and its quality is high, which are decisive factors for our customers;
- our balance sheet strength is sector-leading, with 7.0x net debt/EBITDA and 10.3-year debt maturity;
- we have sold over £2bn of mature assets, creating capacity to invest in higher-return opportunities;
- we have created an attractive and profitable pipeline, with flexibility on future commitments.

Reflecting the continued strong demand for our best-in-class space, we expect to see low to mid single digit ERV growth in London and major retail destinations this year. We plan to continue to monetise assets where our ability to add further value is limited, so taking into account that we will likely sell more than we buy in the short term, we expect EPRA EPS for this year to be broadly stable at last year's underlying level, before returning to growth the year after. Having made considerable progress on our strategy over the last couple of years, Landsec is well placed to drive long-term growth and although we are mindful of the wider economic challenges, we are excited about the future.

Mark Allan
Chief Executive

Market context

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

Market at a glance

£236m sq ft
of office space in central London

8.3%
vacancy rate in central London offices (2022: 8.4%)

£7.3bn
of investment transactions in central London in 2023 (2022: £14.5bn)

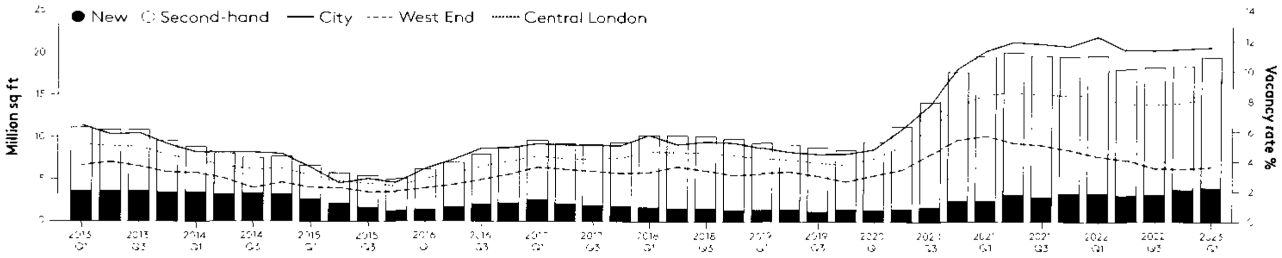
25.5%
Online sales as a percentage of all retail sales (as at March 2023) (March 2022: 26.3%)

The UK real estate market

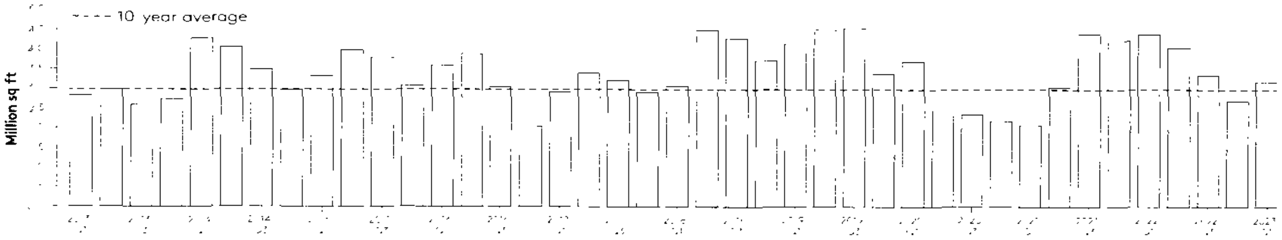
The real estate investable market in the UK is estimated to be valued at £920bn, with assets across a wide range of sectors including offices, industrial, healthcare, retail and residential. Rather than try to invest in all areas, and spread our management focus too thinly, we currently focus on three. These are: Central London offices, Major retail destinations and Mixed-use urban neighbourhoods – areas where we have sources of competitive advantage and expertise to be able to maximise the value from our portfolio.

The performance of real estate is a combination of the movement in values and rent. Over the last year, global political and economic factors, such as the war in Ukraine and the increase in inflation and interest rates, have depressed property values as yields have increased as a result of uncertainty and higher policy rates. Conversely, property in general has seen a strong operational recovery as the effects of Covid diminish and the utilisation of physical space has increased.

Central London office vacant space (Source: CBRE, Landsec) Chart 1



Central London office market – floor space under offer (Source: CBRE) Chart 2



Central London offices

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

It is clear the way people are using offices has changed for the long term. We estimate that changing working patterns and office use will result in long-term demand for office space reducing by 20%. However, while overall demand will be lower, we believe the demand for the best-quality space will remain robust. By this, we mean modern, well-configured space in great locations, with amenities and excellent sustainability credentials.

The demand for flexible space continues to grow as both established and new businesses are looking to occupy space that meets today's flexible-working needs. Conventional space, occupied over a longer length of lease, will still play a critical role; but successful property companies need to provide a range of spaces offering different products. Creating workplaces as overt displays of a company's culture, and places that facilitate the benefits of collaborating in person, will stimulate creativity and, ultimately, productivity. We expect this trend to continue, alongside the growing requirement to ensure offices meet the minimum credentials for sustainability by 2030. As a result, the divergence in the performance and resilience of the best space, compared with secondary space, is likely to widen.

The last 12 months have seen a significant repricing of office values as yields have increased as a result of higher interest rates and weaker global economic conditions. The occupational market continues to perform well, with take-up of office space up 6.9% and the vacancy rate reducing to 8.3%.

Major retail destinations

The retail market has experienced a number of significant changes in recent years including the material increase in online retail and the change in consumer habits caused by the pandemic. The current economic environment is also a challenge, with retailers facing higher costs due to inflation, and consumer disposable income facing pressure from higher energy and food costs, and higher interest rates.

It is clear there remains too much physical retail space in the UK: perhaps up to 25% of this space will be converted to alternative uses such as leisure or residential space. But physical retail is not dead. The best space is thriving. There is clear consumer demand for shopping centres with an attractive mix of retail, leisure and hospitality, but all these elements must be present for shopping centres to thrive. And brand partners with omnichannel strategies are looking for the right space to support their online businesses.

One other significant dramatic change in recent years is the cost of physical spaces compared with online retailing. Physical retail sales have recovered to pre-Covid levels, whereas rents are still c. 35% below their 2017 peak. In addition, the latest rates review came into effect in April this year and this has reduced the rates in retail assets by c. 30%. At the same time, the costs of marketing and delivery for online retail have increased significantly over the same period.

The effect of all of these trends is an increase in demand from retailers for physical space in high-quality retail destinations. Over the last 12 months, we have seen this in our shopping centres, with 21 brands upsizing their space, and 14 brands moving from secondary sites to relocate within our centres (a 'flight to prime').

This demand for physical space has also been seen in shopping patterns. Shoppers are choosing to spend their money in store, rather than online.

As a result of these trends, we expect investment activity to continue to grow. Shopping centre yields are high compared to other markets and sectors. With the prospect of rental income growth, the future returns look attractive. This provides a cyclical investment opportunity, as there are few investors with both the capital and operational expertise required.

Mixed-use urban neighbourhoods

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

The concept of individual localities (or even potentially buildings) being reserved for a single use is weakening, and there is an increasing desire to see a mix of living, working and leisure within distinct neighbourhoods. The appeal of this further strengthened during the pandemic and we expect it to be sustained, with convenience being a key motivation in a society where time is an increasingly precious commodity.

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

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

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

Our top ten assets

Listed by value

1 New Street Square, EC4

2 80-100 Victoria Street, SW1

3 One New Change, EC4

4 Piccadilly Lights, W1

5 MediaCity, Greater Manchester

6 Nova, SW1

7 Gunwharf Quays, Portsmouth

8 Bluewater, Kent

9 62 Buckingham Gate, SW1

10 Queen Anne's Mansions, SW1

Our stakeholders

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

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

Our Section 172 Statement

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

— See our Governance section on **pages 76–79**
— You can find commentary on our culture on **pages 34–39**

Our business model

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

Input

Financial
The different types of funding we deploy, from shareholder capital to borrowings.

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

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

How we create value

Our focus

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

Our objective

To achieve the best *risk-adjusted returns* from our activity.

Our main activities

Asset management
Building strong relationships with our customers to provide the space and services they, and their customers, need, to help them succeed, so growing our income and value.

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

Investment activity
We balance our investment activity, acquiring income-generating assets or potential development schemes, and funding this by disposing of mature *assets or those where* we have no sources of competitive advantage.

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

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

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

Output

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

Financial

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

We aim to achieve 8-10% annual return on equity through the cycle, split almost equally between income and capital growth.

— To read our Financial review go to **pages 28-33**

Properties and places

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

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

— To read more go to **pages 41-43**

People and relationships

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

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

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

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

— To read more go to **pages 44-46**

Goal

Total return on equity

Our aim is to achieve above-market total return on equity, together with significant social and economic value for all our stakeholders.

— How we manage risk, see **pages 54-59**
— How we monitor performance, see **page 16**
— How we reward success, see **pages 98-116**

Our strategy

Landsec focuses on three areas of the UK real estate market where we have sources of competitive advantage and can maximise the value from our portfolio and our talent: Central London offices; Major retail destinations; and Mixed-use urban neighbourhoods.

What binds these three areas together is the importance of a sense of place to their enduring success, and to that of their surrounding areas. We strive to create, curate and activate places that inspire people, generating value for all our stakeholders.

Our strategy is underpinned by two key principles of sustainable value creation: focusing our resources on where we have genuine competitive advantage, and preserving a strong balance sheet. To achieve this strategy, we need a clear sense of purpose and a culture that supports, respects and motivates our people. The three – strategy, purpose, culture – are inextricably linked.

Importantly, our strategy remains grounded in our purpose; Sustainable places. Connecting communities. Realising potential.

In executing it, we continue to be led by three things: working sustainably, meeting the needs of our customers, and being disciplined with our capital. It is vital we make healthy, sustainable returns to enable our business to grow over time. Which is why we focus on those areas where we believe we have a genuine competitive edge.

We are a total-return business and the investment areas we focus on are attractive because of the potential returns they can generate. We are not wedded to particular assets or regions, and prefer to be nimble, applying our skills to where we believe we can achieve the best total return over the long term.

Landsec strategy

Two key principles of sustainable value creation

1

Focus on competitive advantage

- High-quality portfolio
- Strong customer relationships
- Unlocking complex opportunities

2

Preserving balance sheet strength

- Disciplined capital recycling
- Managing LTV
- Preserving optionality

Global economic and financial market conditions have changed significantly over the past year. Interest rates have surged in response to rising inflation, with the central bank support that artificially depressed them for most of the last decade now in reverse. While it is difficult to predict where interest rates will settle in the longer-term, it is clear we are back to a higher-rate environment – the very low interest rate environment of the last decade was an aberration.

Importantly, the strategy we set out in late 2020 was not based on a continuing low-rate environment. This is why we said we would i) focus our investment on sectors where we have a genuine competitive advantage that helps us create long-term value, rather than sectors which happened to be in vogue at the time; ii) over time sell c. £2.5bn of mature London assets where yields were low, of which we have now sold £2.2bn; and iii) maintain capital discipline.

Our strategic focus on sustainable value creation in three key areas, central London offices, major retail destinations and mixed-use urban neighbourhoods, remains the right one. Demand in each area remains resilient, underpinned by the strength of our customer relationships and high-quality portfolio.

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

This year, we have refreshed our environmental targets, setting far more demanding carbon-reduction targets, in line with the latest recommendations from the Science Based Targets initiative. We will continue to strive to remove carbon from our construction and the operational use of our buildings.

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

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

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

Chart 3

Our strategy's impact on portfolio weighting (%)

Portfolio split	March 2022	March 2023	Medium term
Central London	65%	61%	55-60%
Major retail destinations	16%	18%	20-25%
Urban mixed-use	7%	8%	20-25%
Subscale sectors	12%	13%	n/a

Our KPIs

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

As well as the performance measures below, everyone has personal objectives to achieve for the year. For our Executive Directors, these focus on strategic development and execution, performance, and culture and values.

In addition to the annual bonus KPIs below, we set KPIs for LTIP awards in line with our remuneration policy.

— You can find further information in Remuneration on **pages 96-116**

The measures and their weightings are

30% EPRA earnings

30% Total return on equity

20% ESG targets

EPRA earnings

How we measure it
We set targets for EPRA earnings in line with our five-year strategic plan

Link to remuneration
30% of annual bonus performance is linked to this KPI

Our performance in 2022/23
EPRA earnings of £393m were ahead of the £372m target

Achieved

Total return on equity

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

Link to remuneration
30% of annual bonus performance is linked to this KPI

Our performance in 2022/23
Total return on equity was -8.3% compared with the target of +8.5%

Not achieved

ESG

How we measure it
We have two action-orientated targets driving energy intensity reduction across all assets (five actions) and embodied carbon reduction across all developments (five actions)

Link to remuneration
20% of annual bonus performance is linked to this KPI

Our performance in 2022/23
5/5 actions delivered contributing to energy intensity reduction;
4/5 actions delivered contributing to embodied carbon reduction

Achieved

Our strategic focus **Offices**

Our view of the market

London offices have seen valuations fall as yields have increased in response to higher interest rates. However, the market remains strong operationally, and rents have continued to grow in prime assets as demand for this space has remained strong. Within this, customers continue to want flexible options and strong sustainability credentials – so only the best spaces will thrive. Our portfolio is well placed to benefit from these trends.

Our plan for our Central London portfolio

We sold £1.4bn of mature, single-let offices, taking our City office disposals to £1.7bn since 2020. The remaining portfolio consists of modern space or assets we plan to redevelop.

Three office developments will complete in 2023 and these are expected to generate £39m of gross income when fully let. We have a consented pipeline of 1.1m sq ft of office-led development opportunities, including Portland House in Victoria and Timber Square in Southwark, where we are already on site with early works. Our developments will offer a range of our products – Myo, Customised and Blank Canvas – and will provide the space and facilities customers now demand. We plan to open three new Myo locations in the autumn, totalling 138,000 sq ft, with a further location to open next summer.

We also think rising interest rates will lead to investment opportunities in 2024, as high refinancing costs will cause some owners to dispose of assets that no longer meet the rising cost of debt. Our balance sheet means we are well placed to invest.

With ESG as a consideration, our investment in air source heat pumps and innovative AI systems to increase efficiency, will ensure our portfolio remains sustainable and meets the needs of our customers. This year, we will install our first air source heat pump at Dashwood in the City.

The portfolio

£6.2bn

of prime office space in central London with ancillary retail space

£43m

office lettings or renewals, 3% ahead of valuers' assumptions

95.9%

like-for-like occupancy

three

developments completing in 2023, with a 1.1m sq ft near-term pipeline of four assets

Strategy in focus

During the last financial year, we sold three major office assets for a total of £1.4bn. All three were let to single occupiers on long leases and we therefore had limited value-creation opportunities from these assets. Despite deteriorating financial and economic conditions, we crystallised an average 10% lifetime IRR from the disposals. We can use the proceeds from these to invest in higher-return opportunities across the portfolio.

These disposals demonstrate our strategy in action. We were disciplined in our approach and took the opportunity to realise value even though property values were falling in the market.

Our strategic focus
Retail

Our view of the market

Prime retail destinations have been one of the most resilient real estate sectors over the last year. As the cost of online retail has increased in recent years, physical retail costs – rent and rates – have declined. For many leading brands, online and physical channels are now firmly inter-connected, so we continue to see existing brands upsize, new brands opening stores in our assets as they move from nearby locations to benefit from higher footfall, and digital-native brands opening stores to grow customer connectivity and experience.

Consumer behaviour has gradually reverted to pre-Covid trends, with online sales down and in-store sales growing over the past year. Given the inflationary pressure on margins for many brands, both online and physical, we expect that the rationalisation of the tail-end of brands' store portfolios will further accelerate. This adds to the challenges for secondary retail locations, where there remains a significant excess of space, yet brands are focusing on fewer, but bigger and better stores.

Therefore, prime destinations continue to get stronger. With attractive yields and the potential for rental growth, we view prime retail destinations as attractive assets to invest in, albeit the number of centres with long-term potential is limited to a relatively small number of sites.

Our plan for our retail portfolio

We will concentrate on catchment-dominant locations we are confident will be long-term winners, by offering an experience that draws shoppers time and again. We will sell assets where we do not have scale or sources of competitive advantage: the retail parks from our subscale sector, for example. We will also make selective disposals and acquisitions, to ensure our portfolio always holds retail assets that have long-term appeal to brand partners and visitors.

The portfolio

£1.9bn
portfolio comprising six high-quality regional shopping centres and five outlet centres

£38m
lettings signed or in solicitors' hands

94.3%
like-for-like occupancy

4.4%
like-for-like sales up vs 2020

Strategy in focus

Investing in Cardiff

During the last year we secured 100% ownership of St David's shopping centre in Cardiff. Using our competitive advantage to unlock complex opportunities, we acquired the outstanding 50% from two debt holders at a net initial yield of 9.7%.

St David's has firmly established itself as the prime, regionally dominant shopping destination in Cardiff. Leasing momentum has been strong, with 30 leases signed since March 2022, on average 10% ahead of ERV.

Via a separate deal, we also acquired the adjacent vacant Debenhams store for a minimal sum. All combined, this unlocks the opportunity to deliver our future vision for the centre, to further enhance its attractions for brands and guests. We expect to deliver a high single-digit income return on incremental capital expenditure.

Our strategic focus **Mixed-use urban neighbourhoods**

Our view of the market

There remains a structural need to remodel many parts of today's built environment to make sure they suit changing consumer expectations for how we live, work and spend our leisure time, and also suit increasing sustainability demands. Situated in attractive locations with strong transport links in some of the fastest-growing urban areas in the UK, our pipeline remains well placed to cater for these demands. At the same time, our sustainability and development expertise, combined with the now fully integrated U+I team's placemaking skills, means we are well positioned to meet this structural need.

Done well, these mixed-use urban communities can generate strong returns, as the appeal of the location and its amenity increases the value through phases of placemaking. There is political support for such projects, but very few developers with the scale and skills to take them on.

Our plan for our mixed-use urban neighbourhoods portfolio

We have continued to make good progress in preparing our pipeline, through planning and other pre-development activities. This means we now have the option to start the first phase at Mayfield in Manchester this year. Subject to further planning and land assembly workstreams being satisfactorily progressed, we could also start on site with enabling works at Finchley Road in London later this year.

However, the changes in capital market conditions have a clear impact on our underwriting assumptions. Any decision to start a scheme will have to reflect an appropriate level of return, with target IRRs in the low-to-mid teens. Our mixed-use development assets include our three shopping centres in London and Glasgow which are held for future development, but where the existing income is managed on a short-term basis to maximise our flexibility to obtain access for development.

The portfolio

10m sq ft

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

First

phase of Mayfield totals 320,000 sq ft with an expected yield on cost of c. 8%

Potential

to start on site at Mayfield, and commence enabling works at Finchley Road, later this year

Strategy in focus

Preparing the pipeline

Our mixed-use schemes are regeneration projects in the heart of communities. Strong relationships with local authorities and organisations is therefore essential to ensure our schemes work both for us and their local communities.

During the year, we made progress on the planning phases of a number of our schemes. At Mayfield in central Manchester, we agreed terms with our JV partners for a draw-down of land for the first phases of development, once we intend to start on site. In Glasgow, we have concluded the first rounds of public consultation and intend to submit a planning application. And at Finchley Road in London, we have secured a resolution to grant planning consent for our residential-led scheme.

Operating and portfolio review

Overview

Our overall portfolio on a combined basis was valued at **£10.2bn** *at the end of March, which adjusted for disposals* and new investments, was down £848m for the year due to a softening of valuation yields, and is made up of the following areas:

61%

Central London

Our modern, high-quality office (82%) and retail and other commercial space (18%), located in the West End (68%), City (26%) and Southwark (7%).

18%

Major retail destinations

Our investments in six shopping centres and five retail outlets, with the seven largest assets comprising 85% of the overall retail portfolio value, most of which are amongst the highest selling locations for retailers in the UK.

8%

Mixed-use urban neighbourhoods

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

13%

Subscale

Assets in sectors where we have limited scale and which we therefore intend to divest over time, split broadly equally between retail parks, hotels and leisure assets.

Investment activity

When we set out our strategy in late 2020, we said we planned to sell c.£4bn of mature London offices and assets in sectors which were subscale for us over a period of circa six years, with a view to reinvest this into higher growth opportunities over time. We have continued to make strong progress on this, so 2.5 years into this period, we have now sold £2.4bn, including £1.4bn over the past year.

Our largest sale last year was the £809m disposal of our 21 Moorfields, EC2 development in September. The building is fully pre-let to Deutsche Bank for 25 years and therefore offered little room to add further value. The sale represented a 9% discount to March book value, partly reflecting the fact that construction had not yet completed, but crystallised a 25% profit on cost and 11% IRR since we acquired the site.

In January, we sold One New Street Square, EC4 for £350m. This building is fully let to Deloitte for a further 14 years and, following a regear of the lease at the start of the year, also offered little to room to add further value. The price was 4% below the September valuation, yet crystallised a 10% IRR since our acquisition of the site in 2005. At the start of the year, we also sold 32-50 Strand, WC2 for £195m, following a 10-year *lease regear with the sole occupier*, 15% above its prior book value. In addition, we sold £54m of smaller non-core assets, 22% ahead of book value, and we have now sold or exchanged contracts to sell over half of U+I's non-core assets for £98m, on average 16% above book value.

Relative to £1.4bn of disposals, we spent £120m on acquisitions and £280m on development capex last year. Our main purchase was the debt secured on 50% of St David's, Cardiff via separate transactions with two lenders. This allowed us to obtain 100% control of the shopping centre at a discount to the £113m book value of our existing half of the asset and an implied initial and equivalent yield of 9.7%. In addition, we spent a small amount on land assembly deals around some of our major mixed-use projects.

We have now sold £2.2bn of the c. £2.5bn London offices we earmarked in 2020, at an average yield of 4.4% and a 4% discount to book value. This means our London assets are now 74% in the West End and Southwark, with City exposure down from 39% to 26% over the year. We are planning further disposals this year, yet we expect future disposal activity to be more balanced towards our subscale sectors.

Portfolio valuation

The sharp increase in interest rates during the year meant that transaction volumes across global and UK property markets slowed materially. Yields reset quickly as a result, especially during the second half of 2022. Despite ERV growth across all key segments, this meant the value of our portfolio reduced 7.7%.

The value of our Central London portfolio was down 7.3% for the year. This reflected a 42bps increase in yields to 4.9%, which was partly offset by 4.7% growth in ERVs – at the high end of our guidance of low to mid single digit ERV growth for the year.

The value of our West End office (-8.0%) and retail and other assets (+1.3%), which make up 74% of our London investment portfolio, proved more resilient than our City offices (-15.4%). This reflected our strong leasing activity in Victoria, driving 3.7% ERV growth and strong growth at Piccadilly Lights. In the City, where we have sold £1.7bn of offices since late 2020, ERV growth was 4.7%, which solely reflected a major lease regear at a higher rent at New Street Square, with the associated refurbishment works to facilitate this taken as a cost in the valuation. Development values were down slightly (-3.0%), with ERV growth due to successful lettings offset by softer valuation yields.

The value of our major retail assets reduced 6.4% during the year, despite our successful leasing activity driving 0.9% ERV growth. Virtually all of this movement occurred in the final quarter of the 2022 calendar year, as valuers moved yields out by 40bps, mostly based on sentiment, as there were no comparable transactions during the period. We ascribe more value to the continued improvement in operational performance than "sentiment", so we continue to focus on driving this. Reflecting the high income return, the total return of our major retail assets was at 0.5% ahead of London (-3.4%) and mixed-use (-2.8%).

In mixed-use, our completed assets at MediaCity were down 5.9%, as ERV growth of 8.6% was offset by a 61bps increase in yields. Our future developments were down 9.4%, reflecting the fact that these are mostly valued based on their existing use and we manage the income on a short-term basis to maximise flexibility for future development. In Subscale, hotel values were down slightly (-3.1%), whilst retail parks were down 12.1% driven by 69bps yield softening, following a strong 31.9% increase in values during the prior year. The value of our leisure assets was down 17.7% reflecting concerns around the largest tenant, Cineworld, although the news of its recapitalisation post the year-end is a clear positive.

Valuation analysis

Table 4

	Market value 31 March 2023 £m	Surplus/ (deficit) £m	FY valuation change %	H2 valuation change %	LFL rental value change[1] %	Net initial yield %	Topped up net initial yield %	Equivalent yield %	LFL equivalent yield change bps
West End offices	2,653	(222)	(8.0)	(4.0)	3.7	4.8	5.3	5.1	46
City offices	1,304	(234)	(15.4)	(7.4)	4.7	3.3	4.0	5.2	53
Retail and other	1,095	14	1.3	1.1	7.6	4.1	4.3	4.6	13
Developments	1,190	(37)	(3.0)	(2.5)	n/a	0.3	0.3	4.6	n/a
Total Central London	**6,242**	**(479)**	**(7.3)**	**(3.6)**	**4.7**	**4.3[2]**	**4.7[2]**	**4.9**	**42**
Shopping centres	1,196	(60)	(4.8)	(5.8)	3.0	8.1	8.6	7.9	39
Outlets	684	(67)	(8.9)	(8.4)	(2.5)	6.5	6.8	7.2	45
Total Major retail	**1,880**	**(127)**	**(6.4)**	**(6.7)**	**0.9**	**7.5**	**7.9**	**7.6**	**40**
Completed investment	389	(24)	(5.9)	(1.1)	8.6	5.4	5.4	6.4	61
Developments	426	(48)	(9.4)	(11.2)	n/a	5.3	5.4	5.8	n/a
Total Mixed-use urban	**815**	**(72)**	**(7.8)**	**(6.9)**	**8.6**	**5.4[2]**	**5.4[2]**	**6.1**	**61**
Leisure	476	(99)	(17.7)	(15.5)	(1.4)	8.0	8.1	8.3	116
Hotels	408	(13)	(3.2)	(8.1)	9.9	6.6	6.6	6.7	117
Retail parks	418	(58)	(12.1)	(7.1)	4.9	6.5	7.0	6.4	69
Total Subscale sectors	**1,302**	**(170)**	**(11.6)**	**(10.6)**	**3.5**	**7.1**	**7.3**	**7.2**	**96**
Total Combined Portfolio	**10,239**	**(848)**	**(7.7)**	**(5.4)**	**3.6**	**5.4[2]**	**5.9[2]**	**5.8**	**50**

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

Looking ahead, whilst yields appear to have started to stabilise in recent months, investment activity in reality remains thin across most sectors. Investor demand is selective, so combined with the volatility in interest rates and tightening of credit conditions the outlook remains uncertain, although we expect values for prime assets to stabilise and return to growth well before secondary. We also expect high yields in major retail destinations to offer more resilience than lower yielding sectors.

Reflecting the strong demand for high-quality space and limited supply, we expect ERVs in London and major retail to grow by a further low to mid single digit percentage this year.

Operating and portfolio review continued

Leasing and operational performance

Central London

Despite the recent disruption from transport strikes, London continues to get busier and office utilisation continues to gradually increase. We continue to see a growing bifurcation in demand, with customers focusing on flexibility, the best quality space in areas with the right amenities to attract key talent, and sustainability. Across the London market, office take-up slowed in the second half, ending the year at 11.8m sq ft – up 7% vs last year and just 4% below the 10-year average. Space under offer reduced to 3.2m sq ft vs a 10-year average of 3.4m sq ft and vacancy in the City remains high at 11.7%. Conversely, vacancy in the West End, where c. 70% of our assets are located is just 3.6% and down 70bps YoY. Overall, 67% of available space is second-hand, as Grade A vacancy remains low at 1.7%.

Reflecting the strong demand for the best quality space, we signed 44 lettings and renewals, totalling £43m of rent, on average 3% ahead of valuers' assumptions, with a further £6m in solicitors' hands, 19% above valuers' estimates. This included an upsized, new 17.5-year lease with Taylor Wessing at New Street Square, in a deal where we are temporarily relocating them to a different building on the estate where we are drawing up plans for medium-term redevelopment, whilst we decarbonise their existing building. In line with our guidance, occupancy increased 110bps to 95.9%, with our West End offices effectively full, at 99.5% occupancy. We continue to see strong demand for our Myo flexible offer, with 123 Victoria Street 100% let and Dashwood 85% let, vs 98% and 64% a year ago. We plan to open three new Myo locations in autumn, totalling 138,000 sq ft, with a further location to open next summer.

Looking forward, we have been clear in our expectation that more flexible ways of working would reduce overall demand for office space in the UK. However, we have also consistently said that the impact of this will not be evenly spread, with large HQ type space and areas which lack the amenities that offer people a reason to want to spend time there expected to see a much bigger impact. This has started to play out and we expect this will continue. Across London space marketed for subletting increased to 5.1m sq ft over the year, but 75% of this is in the City, City Fringe and Docklands. In the West End and Southwark, where assets are smaller and occupiers more diversified, demand remains strong and Grade A supply is low. This continues to drive ERV growth for the best assets, which continues to benefit our portfolio.

Major retail destinations

Customer demand for retail space in the best locations continues to grow. Underlining the value of our major retail destinations for brands and consumers, total retail sales across our portfolio grew 6.9% YoY and like-for-like sales were 4.4% above 2019 levels. Footfall across our shopping centres increased 12% and is now at 90% of pre-pandemic levels, compared to 83% for the UK market and 80% a year ago.

Consumer behaviour continues to gradually revert back to pre-Covid trends, with online sales down and in-store sales up over the past year. For most leading brands, online and physical channels are now firmly interconnected, and a number of key brands such as Next and Inditex indicated recently that online is no longer expected to grow as quickly as previously anticipated. The increase in cost of capital and cost of doing business online has also led many online pure-play retail models to shift their focus from growing market share to growing profitability, increasing the cost for consumers to buy online.

Whilst we expect brands to continue to rationalise their overall store footprints, their focus on 'fewer, bigger, better' stores continues to drive growth in demand for space in our assets, as they upsize existing stores or open new stores as they move from nearby locations to benefit from higher footfall in a 'flight to prime'. Reflecting this, we completed 218 lettings totalling £27m, up 35% vs the prior year, on average 8% above ERV. Close to 70% of the leases we signed during the year had some

Operational performance analysis Table 5

	Annualised rental income £m	Estimated rental value £m	LFL Occupancy[1] %	LFL occupancy change[1] ppt	WAULT[1] years
West End offices	134	146	99.5	1.0	6.4
City offices	61	87	90.5	1.2	8.6
Retail and other	42	56	95.4	1.5	7.4
Developments	5	57	n/a	n/a	n/a
Total Central London	**242**	**346**	**95.9**	**1.1**	**7.1**
Shopping centres	114	123	94.7	1.9	4.5
Outlets	56	60	93.6	(0.2)	3.0
Total Major retail	**170**	**183**	**94.3**	**1.1**	**4.1**
Completed investment	24	26	97.8	1.8	9.2
Developments	28	31	n/a	n/a	n/a
Total Mixed-use urban	**52**	**57**	**97.8**	**1.8**	**9.2**
Leisure	51	50	95.5	(1.0)	10.3
Hotels	31	28	n/a	n/a	8.2
Retail parks	28	30	98.6	2.1	4.7
Total Subscale sectors	**110**	**108**	**97.7**	**0.3**	**8.0**
Total Combined Portfolio	**574**	**694**	**95.8**	**0.7**	**6.5**

1 Excluding developments

turnover linkage, although the average turnover element was only 10% of the total rent. Overall, 53% of our leases now have some turnover component, with turnover rent making up 12% of our total retail income. This turnover data provides us with valuable insights and a unique competitive advantage in underwriting income levels.

As a result, occupancy increased 110bps during the year to 94.3%. We continue to monitor credit risks, but units in administration remain low at 0.4%, vs 0.5% a year ago. There have been no CVAs and minimal insolvencies, as the most challenged businesses already folded during the pandemic. Whilst Cineworld (less than 1% of annual rent in major retail destinations), filed for Chapter 11 bankruptcy protection in the US during the year, it continues to trade and pay rent and agreed a recapitalisation shortly after the year-end.

Looking forward, despite the cost of living challenges consumers are faced with, we continue to see few signs of any let-up in demand from brands, with £11m of lettings in solicitors' hands, up 28% vs this time last year, on average 11% above ERV. With sales in our shopping centres close to pre-pandemic levels and rents having reset c. 35% during the pandemic, operational profitability for brands further improved due to the c. 30% reduction in business rates last month. With the last large over-rented historical leases expected to reset this year, this is expected to underpin solid like-for-like income growth from next year.

Mixed-use urban neighbourhoods

Our completed investment assets in mixed-use at present solely comprise our investment in MediaCity, where occupancy increased 1.8% to 97.8%, with lettings well ahead of ERV. The bulk of the income in our mixed-use development assets relate to our three shopping centres in London and Glasgow. This income is managed on a short-term basis to maximise our flexibility for future development. This will eventually erode and be replaced by our new schemes, but in the near term it compensates for the holding costs of these sites as we prepare them for future development.

Subscale sectors

Across our subscale portfolio, operational performance remained robust. We completed £7m of retail park and leisure lettings, 10% above valuers' assumptions, with a further £1m of rent in solicitors' hands, 5% above valuers' assumptions, and overall occupancy increased 30bps. Our hotels, which are fully let to Accor, saw occupancy rise to 94% of pre-Covid levels, up from 67% last year, driving a substantial increase in RevPAR.

Development pipeline

Central London

Demand for the best quality space remains strong. Our two on-site West End schemes, n2 in Victoria and Lucent behind Piccadilly Lights, are set to complete shortly and are 73% and 71% pre-let or in solicitors' hands respectively, with rents agreed over the last 12 months on average 11% ahead of ERV. At the end of March, we completed The Forge, in Southwark. Our Myo flexible offering will operate 35% of this space and is set to open in autumn, and we are now in solicitors' hands on 11% of the remaining space. Combined, these three projects are expected to generate an ERV of £39m once fully let, which will support our near-term income growth.

During the year, we sold our development at 21 Moorfields in the City, which we fully pre-let to Deutsche Bank, for £809m, ahead of its completion. This crystallised a 25% profit on cost and 11% IRR since our acquisition of the site in 2012.

As expected, we are seeing a slowdown in new development starts across the London market, reflecting the increase in construction and finance costs, but also the decline in available development finance. In previous periods of economic uncertainty, new development starts ended up c. 30-90% below originally expected levels and we believe this is likely to repeat this time. As demand for the best, most sustainable space remains strong, this creates an attractive window for us to deliver new space in 2025, when Grade A supply is expected to be very low.

Last autumn, we decided to commit to the early works for the refurbishment of Portland House, SW1 and Timber Square, SE1. At a cost of £55m, this allowed us to maintain our programme for a delivery in late 2025, whilst keeping flexibility on the residual c. £400m of capex at a time of high financial and political uncertainty. Returns on both projects remain attractive, with gross yields on cost of 7.4% and a yield on capex of 12%+, so supported by the strong leasing success in our current pipeline, with recent lettings 11% ahead of ERV, we therefore plan to commit to the full works on both imminently.

We also continue to progress our future pipeline, as we received planning consent for Red Lion Court, SE1 in March; are currently seeking to enhance our existing consent at Liberty of Southwark, SE1; and unlocked a future opportunity at Southwark Bridge Road, SE1 adjacent to The Forge, through a lease surrender we agreed in the second half of the year. This further adds to the potential to create a unique cluster of highly sustainable offices in Southwark, which is one of the most attractive areas of London in terms of amenities. All combined, this provides us with a 2.0m sq ft future pipeline, of which 1.1m sq ft is now consented.

Committed development pipeline Table 6

Property	Sector	Size sq ft '000	Estimated completion date	Net income/ ERV £m	Market value £m	Costs to complete £m	Market value + future TDC £m	Gross yield on MV + future TDC %
Lucent, W1	Office/retail/residential	144	Aug-23	15	270	23	293	5.1
n2, SW1	Office	165	Jun-23	14	229	21	250	5.7
Total		**309**		**29**	**499**	**44**	**543**	**5.4**

Operating and portfolio review continued

Future Central London development pipeline

Table 7

Property	Sector	Proposed sq ft '000	Indicative TDC £m	Indicative ERV £m	Gross yield on TDC %	Potential start date	Planning status
Near term							
Timber Square, SE1	Office	380	400	30	7.5	H1 2023	Consented
Portland House refurbishment, SW1	Office	300	380	28	7.3	H2 2023	Consented
Liberty of Southwark, SE1	*Office/residential*	*220*	*250*	*16*	*7.4[1]*	*H2 2024*	*Consented*
Red Lion Court, SE1	Office	245	310	24	7.7	H2 2024	Consented
Total near term		**1,145**	**1,340**	**98**	**7.5**		
Medium term							
Nova Place, SW1	Office	40				2025	Design
Old Broad Street, EC2	Office	290				2025	Design
Hill House, EC4	Office	350				2026	Design
Southwark Bridge Road, SE1	Office	130				2025	Design
Total medium term		**810**					
Total future pipeline		**1,955**					

1. Gross yield on cost adjusted for residential TDC.

Mixed-use urban neighbourhoods

Consumer expectations on how we live, work and spend our leisure time continue to evolve and demands on sustainability continue to grow, which means there is a structural need to remodel many parts of the built environment, to make sure they are fit for future needs. Located in attractive locations with strong transport links in some of the fastest growing urban areas in the UK, our pipeline is well placed to cater for this. The combination of U+I's placemaking skills and Landsec's *sustainability and development expertise* means we now have the platform to both deliver and curate thriving mixed-use places and realise the long-term sustainable value from the future opportunities we have created.

Our 10m sq ft mixed-use pipeline in London, Glasgow and Manchester has a total development cost of c. £5bn, with a mix of residential, office and leisure space *deliverable across multiple phases over* the next 10-15 years. The current book value of these sites is modest compared to its potential upside, at c. £330m, and given the c. 5% income yield on the current use of the existing assets, its holding cost is modest.

With unlevered IRR targets in the low to mid-teens, this offers valuable optionality for growth.

We have made excellent progress during the year at our two most advanced projects, which provides optionality to potentially start first works on site over *the next 12 months.* At *Mayfield, next to* Manchester's main train station, the new 6.5-acre public park opened in September and we agreed terms with our JV partners for a drawdown of land for the first phases of development. This allows us to develop 100% of the first phase, covering around one-third of the overall project, ourselves and therefore paves the way for a potential start on site with the first two office buildings totalling 320,000 sq ft later this year. The expected investment for this is c. £150m, with an expected gross yield on cost of c. 8%.

At Finchley Road, in zone two, London, we secured a resolution to grant planning consent at the end of March for our masterplan to develop 1,800 new homes. Subject to further planning and land assembly workstreams being satisfactorily progressed, this could allow us to start on site with enabling works for our first major residential scheme later this year.

In Glasgow, we intend to submit the planning application for our mixed-use masterplan shortly, which we expect to be determined in the first half of 2024. In Lewisham, south-east London, we *maintain positive engagement with the* Council on our new residential-led masterplan, for which we are preparing to submit a planning application later this year. At MediaCity, we are working with our partner Peel on establishing the long-term vision for this site, ahead of the future phases of its development.

Our good progress during the year has further added to the valuable opportunity *to build an attractive balance of income,* development upside and medium-term growth potential our pipeline provides. The mixed-use nature, ability to phase capex, geographic spread of the pipeline, and the flexibility to adapt to changes in demand all add to the balanced risk-profile of this part of our business.

Mixed-use urban neighbourhoods development pipeline

Table 8

Property	Landsec share %	Proposed sq ft '000	Earliest start on site	Number of blocks	Estimated first/ total scheme completion	Indicative TDC £m	Target yield on cost %	Planning status
Mayfield, Manchester	50-100	2,500	2023	18	2025/2032	800-950	7-8	Consented
MediaCity, Greater Manchester	75	1,900	2024	8	2026/2031	600-700	7-8	Consented
Finchley Road, NW3	100	1,400	2024	10	2027/2035	950-1,050	6-7	Consented
Buchanan Galleries, Glasgow	100	1,900	2025	9	2028/2036	1,000-1,100	7-8	Design
Lewisham, SE13	100	1,800	2026	14	2028/2037	1,100-1,300	6-7	Design
Total future pipeline		**9,500**				**4,450-5,100**		

Delivering sustainably

During the year, we delivered a 16.6% reduction in energy intensity compared to 2019/20. This was up 0.9% year-on-year, although this largely reflected particularly low utilisation in the prior year in the early months of emergence from the pandemic. At current levels, it is 33.2% below 2013/14 levels and therefore remains on track vs our target to reduce energy intensity by 45% from this baseline by 2030.

At the start of this year, we updated our carbon reduction targets to align with the Science Based Targets initiative's (SBTi) new Net-Zero Standard. Landsec was amongst the first companies worldwide to have our science-based targets validated under the Net-Zero Standard, which is the world's first framework for corporate net-zero target setting. In response to the new SBTi standard, and in recognition of progress to date, we have committed to a near-term target of reducing direct and indirect greenhouse gas emissions by 47% by 2030 from a 2020 base year and have committed to reach net zero by 2040 from the same base year. This significantly increases the scope of our targets, as it now includes emissions from all sources, including all of our scope 3 emissions such as the emissions from our development pipeline, supply chain and customers.

In late 2021 we were the first UK property company to launch our fully costed net zero carbon transition plan. This plan will see us deliver our science-based target and meet the Minimum Energy Efficiency Standard of EPC B by 2030, with the expected cost for this already reflected in our current portfolio valuation. 36% of our portfolio is already rated B or higher, including 38% of our office portfolio. The latter is down from 44% last year, partly reflecting the sale of One New Street Square. We expect this to increase to 44% in the coming months once our current pipeline completes and this will increase further from 2025 onwards, as the benefits from our net zero transition investment kicks in.

▲ **Bluewater, Kent**

We remain on track with this plan and have now completed air source heat pump feasibility studies for six offices, with four progressing to concept design and two to detailed design. We have also completed the optimisation of building management systems for 11 offices, and will be completing this for two of our shopping centres this year. In addition, we have expanded our energy audits from 15 to 25 of our largest customers, which combined cover 19% of the energy use in our office portfolio. This identified potential annual carbon and costs savings of 10-15% per customer and we plan to expand this to the next 12 customers this year.

▲ **Mayfield, Manchester**

Operating and portfolio review continued

▲ **Lucent, W1**

▲ **21 Moorfields, EC2 – sold**

We continue to work on driving down upfront embodied carbon and during the year we announced a target to reduce this by 50% vs a typical development by 2030, to below 500kgCO_2e/m^2 for offices and 400kgCO_2e/m^2 for residential. We are already tracking an average 36% reduction in upfront embodied carbon across our future pipeline, which equates to an average upfront embodied carbon intensity of 640kgCO_2e/m^2 on our offices and 535kgCO_2e/m^2 for residential. To help us achieve our longer-term targets, during the year we signed up to the ConcreteZero Initiative where we commit to using 100% net zero concrete by 2050 with ambitious interim targets. This complements our existing membership of the SteelZero Initiative and sends a clear signal of our commitment to net zero to our supply chain.

Near-term, at Timber Square, SE1 our plans show upfront embodied carbon intensity of 535kgCO_2e/m^2, reflecting the retention of part of the existing structure, a highly optimised design and the use of low carbon cross-laminated timber. At Portland House, SW1, retaining the existing structure and upgrading the existing façade has resulted in upfront embodied carbon intensity of 395kgCO_2e/m^2. At Red Lion Court, SE1 we expect an upfront embodied carbon intensity of c.600kgCO_2e/m^2, reflecting the retention of 35-40% of the existing basement and piles and the use of a highly flexible concrete structural solution with demountable timber infills. The Forge, SE1, which recently completed, is the first building in the UK to be designed, constructed and aspiring to operate in line with the UK Green Building Council framework definition of a net zero carbon building.

Building on our strong track record of investing in our local communities, we have enhanced our approach to community investment by launching the Landsec Futures fund last month. This is aimed at improving social mobility in the real estate industry and will see us invest £20m over

▲ One New Change, EC4

▲ The Forge, SE1

the next ten years, to empower 30,000 people towards the world of work and create £200m in social value. This includes a bursary programme that provides financial support to underrepresented young adults studying for a placemaking career, internships within Landsec and a small grants programme for local charities and community organisations in the areas we operate.

Creating the right culture and investing in our platforms

Our strong operational performance and continued progress on executing our strategy over the past year clearly reflects the capability and dedication of the substantial talent within Landsec. We continue to work on creating the right culture and a more diverse organisation, which is key in getting the most out of the valuable skills and expertise our teams harbour and in successfully delivering our strategy over time.

With this in mind, we initiated an organisational review early last year aimed at reducing internal complexity and becoming more agile, customer-orientated and outward focused. This work built on previous changes in our retail team, where we brought in significant experience and capabilities from international retailer backgrounds to focus more on growing brand relationships and guest experience, and our focus on retaining the unique placemaking and design capability of U+I during its successful integration over the past 12 months.

As a result of this organisational review, we made several changes, including to our leadership team. We also reduced the number of layers in our organisation and increased management reporting spans. This has improved our efficiency and freed up resource to focus more on activities which drive value for our customers, rather than on internal processes. In a sector which is rapidly becoming more operational, this further underpins the value of our operating platforms and their future growth potential.

Despite high inflation, this also meant we managed to keep overhead costs flat over the past 12 months and although inflationary pressures remain elevated, we expect overhead cost to be down slightly for the current year. In early 2022 we also initiated significant investments in upgrading our systems and data capability. We incurred £6m of cost for this during the year and expect a broadly similar cost in the current year, but this is set to drive further efficiency improvements for the year to March 2025 onwards.

Financial review

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

Highlights

£393m
EPRA earnings[1]
(2022: £355m)

£(622)m
(Loss)/profit before tax
(2022: £875m)

53.1p
EPRA earnings per share[1]
(2022: 48.0p)

(83.6)p
Basic (loss)/earnings per share
(2022: 117.4p)

£10,239m
Combined portfolio[1]
(2022: £12,017m)

£7,072m
IFRS net assets
(2022: £7,991m)

(8.3)%
Total return on equity[1]
(2022: 10.5%)

38.6p
Dividend per share
(2022: 37.0p)

31.7%
Group LTV ratio[1]
(2022: 34.4%)

£3,287m
Adjusted net debt[1]
(2022: £4,179m)

936p
EPRA Net Tangible Assets per share[1]
(2022: 1,063p)

50.1p
Underlying EPRA earnings per share[1 2]
(2022: 48.0p)

1 Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information in the Financial Review.
2 Excluding increase in surrender premiums received of £22m.

Presentation of financial information

The condensed consolidated preliminary financial information is prepared under UK adopted international accounting standards (IFRSs and IFRICs) where the Group's interests in joint ventures are shown collectively in the income statement and balance sheet, and all subsidiaries are consolidated at 100%. Internally, management reviews the Group's results on a basis that adjusts for these forms of ownership to present a proportionate share. The Combined Portfolio, with assets totalling £10.2bn, is an example of this approach, reflecting our economic interest in our properties regardless of our ownership structure.

Our key measure of underlying earnings performance is EPRA earnings, which represents the underlying financial performance of the Group's property rental business, which is our core operating activity. A full definition of EPRA earnings is given in the Glossary. This measure is based on the Best Practices Recommendations of the European Public Real Estate Association (EPRA) which are metrics widely used across the industry to aid comparability and includes our proportionate share of joint ventures' earnings. Similarly, EPRA Net Tangible Assets per share is our primary measure of net asset value.

Measures presented on a proportionate basis are alternative performance measures as they are not defined under IFRS. 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. For further details see table 70 in the Business analysis section.

Overview

Global economic and financial market conditions have changed considerably over the past year. The volatility this caused has, unsurprisingly, affected the valuation of property and other asset classes across the globe, but we have continued to focus on driving operational performance and executing our strategy. Our success in this during the year has further strengthened our strong balance sheet and quality of earnings and underpins our confidence in our ability to grow earnings and dividend over time.

EPRA earnings for the year were up 10.7% to £393m, partly due to an increase in surrender premiums received, which were up £22m vs the prior year. The two main surrenders unlocked the opportunity for a major 17.5-year lease regear elsewhere in our estate and two medium term developments. Like-for-like gross rental income excluding these surrender premiums was up 6.0%, or 5.8% on a net rental income basis. This reflects our strong leasing, growth in turnover income in major retail destinations, higher variable income and continued growth in income across our hotel portfolio.

Despite our significant disposals, underlying EPRA EPS, which excludes the 3.0 pence impact of the increase in surrender premiums, rose 4.4% to 50.1 pence, towards the high end of our guidance for low to mid single digit percentage growth. In line with growth in underlying earnings, our 38.6 pence dividend for the year is up 4.3% vs the prior year. This reflects a dividend cover of 1.30x, in line with our policy to have dividends annually covered 1.2 to 1.3 times.

Although our successful leasing activity drove growth in occupancy and ERVs, the value of our portfolio was down £848m as a result of an increase in valuation yields, reflecting the rise in bond yields during the year. Despite our growth in EPRA earnings, this resulted in an overall loss before tax of £622m and basic EPS of -83.6 pence, compared to a profit of £875m in the prior year. As a result, EPRA NTA per share reduced 11.9% to 936 pence, which including dividends paid, resulted in a total return on equity of -8.3%.

Despite this, our decisive action during the year further strengthened our strong capital base. We reduced net debt by £0.9bn to £3.3bn, so despite the reduction in value of our portfolio, our LTV is down from 34.4% to 31.7%. This is an imperfect measure to judge leverage, particularly so when investment activity is low and the approach to valuations varies widely in different markets, which is why in times like this we focus more on net debt/EBITDA as a cash-on-cash measure. This stood at 7.0x at the end of March, down from 9.7x a year ago, or 8.0x on a weighted average net debt basis, down from 8.6x twelve months ago. We increased our average debt maturity to 10.3 years and with £2.4bn of undrawn facilities, we have no need to refinance any maturing debt until 2026, so our balance sheet is in excellent shape.

Income statement

Our successful leasing activity and the high quality of our portfolio is clearly reflected in the growth in income we have delivered. Compared to the prior year, when the UK was just emerging out of lockdown at the start of the period, this growth has been most prevalent in our major retail destinations; our mixed-use assets, where some of our future projects have an existing retail use; and our subscale sectors, which include our retail parks, leisure and hotels, as trading in these areas returned to normal.

Income statement[1]

Table 9

	Year ended 31 March 2023					Year ended 31 March 2022					
	Central London £m	**Major retail £m**	**Mixed-use urban £m**	**Subscale sectors £m**	**Total £m**	Central London £m	Major retail £m	Mixed-use urban £m	Subscale sectors £m	Total £m	**Change £m**
Gross rental income[2]	**310**	**171**	**57**	**109**	**647**	289	161	43	93	586	**61**
Net service charge expense	**(1)**	**(8)**	**(2)**	**(1)**	**(12)**	(1)	(6)	(2)	(3)	(12)	**–**
Net direct property expenditure	**(19)**	**(34)**	**(11)**	**(13)**	**(77)**	(29)	(26)	(9)	(12)	(76)	**(1)**
Movement in bad/doubtful debts provisions	**(1)**	**3**	**1**	**–**	**3**	(1)	13	2	(2)	12	**(9)**
Segment net rental income	**289**	**132**	**45**	**95**	**561**	258	142	34	76	510	**51**
Net administrative expenses					**(84)**					(84)	**–**
EPRA earnings before interest					**477**					426	**51**
Net finance expense					**(84)**					(71)	**(13)**
EPRA earnings					**393**					355	**38**
Capital/other items											
Valuation (deficit)/surplus					**(848)**					413	**(1,261)**
(Loss)/gain on changes in finance leases					**(6)**					(6)	**–**
(Loss)/profit on disposals					**(144)**					115	**(259)**
Impairment charges					**(24)**					(6)	**(18)**
Fair value movement on interest rate swaps					**22**					16	**7**
Other					**(12)**					(18)	**14**
(Loss)/profit before tax attributable to shareholders of the parent					**(619)**					869	**(1,488)**
Non-controlling interests					**(3)**					6	**(9)**
(Loss)/profit before tax					**(622)**					875	**(1,497)**

1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information above.
2. Includes finance lease interest, after rents payable.

Net rental income

Overall gross rental income increased by £61m to £647m, which includes the benefit of a £22m increase in surrender premiums received compared to the prior year. This increase reflects a lease surrender we agreed at Southwark Bridge Road to create optionality for a new redevelopment, adjacent to our recent scheme at The Forge, and the lease restructuring with Deloitte at New Street Square we agreed at the start of the year. The space this freed up paved the way for another lease regear with a different major customer at the estate and the successful disposal of One New Street Square in January.

Excluding the increase in surrender premiums, like-for-like gross rental income was up £29m, or 6.0%. This included a £19m increase in variable rent, which comprises income from hotels, Piccadilly Lights, parking and retail turnover rent, as trading normalised relative to the pandemic effects in the prior year.

Overall net rental income for the year increased by £51m to £561m. The reversal of our bad and doubtful debt provisions was £3m, compared to £12m in the prior year. Direct property expenditure increased by £1m, which reflects a £7m increase due to acquisitions, offset by a £6m decrease in direct property costs elsewhere in the portfolio. This reflects the benefit of increased occupancy and our focus on costs. Net service charge expenditure was stable compared to the prior year.

Financial review
continued

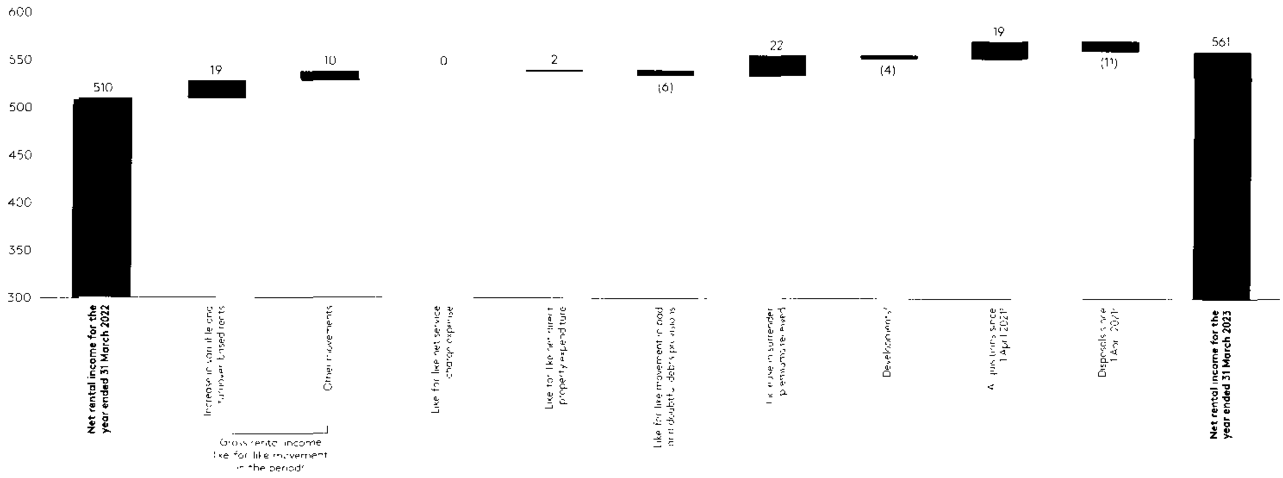
The full year impact of our acquisitions in late 2021 more than offset the impact from disposals during the past 12 months, so overall the impact of investment activity on net rental income for the year was £8m.

As a result, our gross to net margin was 86.7%. We expect this to improve on a like-for-like basis, as void and letting costs reduce as occupancy continues to grow.

However, we expect the overall margin to reduce slightly this year, reflecting the start-up cost of opening three new Myo locations and the initial lease-up cost of our three London office developments which will be completed by this summer.

Rent collections remain strong and are currently in line with this time last year and pre-Covid levels. We have seen minimal insolvencies and no CVAs during the period, although Cineworld, which makes up 2.0% of our annual rent, entered Chapter 11 bankruptcy protection in the US. We have taken appropriate provisions during the year and its recently announced recapitalisation now provides a positive step forward, whilst all units in our portfolio continue to trade and the company continues to pay rent.

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.
2. Gross rental income on a like-for-like basis and the impact of developments, acquisitions and disposals exclude surrender premiums received.

Net administrative expenses

Despite the surge in UK inflation, our net administrative expenses were stable vs the prior year at £84m, in line with our guidance. This includes the full absorption of the additional administrative cost of the U+I acquisition at the end of 2021 and reflects our continued focus on making sure our cost base is right. This also includes £6m of costs reflecting an investment in upgrading our systems and data capability, which based on updated IFRIC accounting guidance is now expensed instead of capitalised. This is expected to reduce from the year to March 2025, as this investment programme completes during that year.

Although high wage inflation and general cost inflation continue to put upward pressure on costs, we expect administrative expenses for this year to be down slightly. This reflects the efficiency benefits of the organisational review we undertook last year. We have identified clear opportunities to reduce costs the years after, partly driven by our investments in technology, so we remain on track to reduce our EPRA cost ratio towards the low 20's over time, compared to 25.2% last year and 26.4% in the prior year.

Net finance expenses

Net interest costs increased £13m to £84m, principally due to higher gross borrowings in the first half of the year, ahead of disposals during the year, plus an increase in variable interest rates. At the start of last year, 70% of our borrowings were fixed or hedged but following our disposals, we are now fully hedged. We expect net interest costs to increase slightly in the current year, reflecting a small increase in average borrowing costs.

Non-cash finance income, which includes the fair value movements on derivatives, caps and hedging and which is not included in EPRA earnings, increased from a net income of £16m in the prior year to a net income of £23m over the past year. This is predominantly due to the fair value movements of our interest rate swaps as a result of the increase in interest rates over the period.

Valuation of investment properties and loss on disposals

The independent external valuation of our Combined Portfolio showed a £848m value reduction. Whilst the strong leasing evidence we created drove 3.6% ERV growth and we delivered further profits on our current development pipeline, the upside of this was more than offset by a market-wide softening of yields due to the sharp rise in bond yields.

We recognised a £144m loss on disposals, mostly reflecting the discounts to historical book value on the sale of 21 Moorfields and One New Street Square, partly offset by the premiums to book value of the sale of 32-50 Strand and a leisure asset in north London.

IFRS loss after tax

Substantially all our activity during the year was covered by UK REIT legislation, which means our tax charge for the year remained minimal. Reflecting the increase in EPRA earnings, offset by the valuation shortfall, IFRS loss after tax for the period was £622m, compared to a profit of £875m in the prior period.

Net assets and return on equity

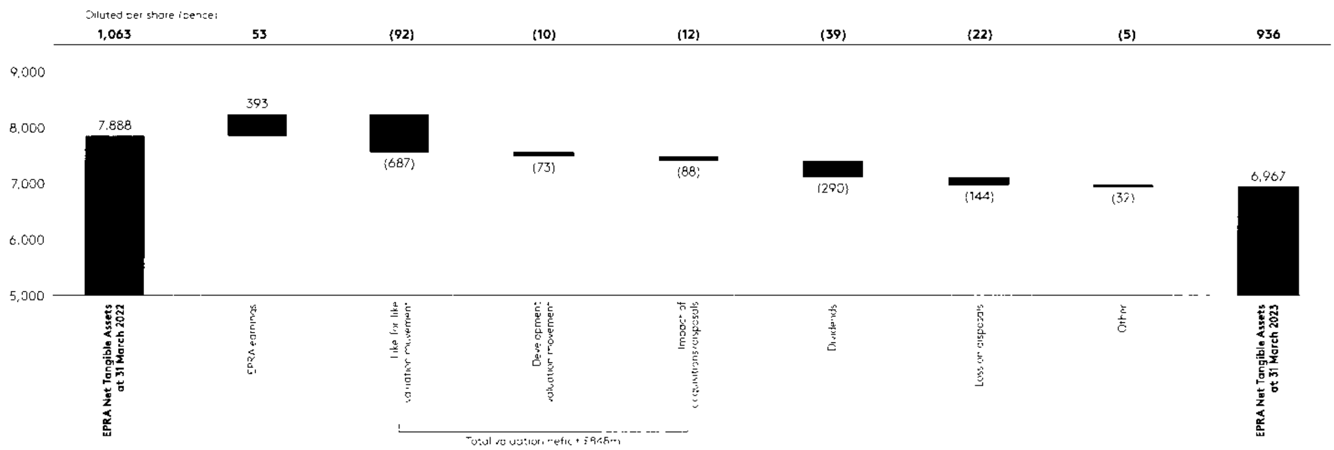
EPRA Net Tangible Assets, which principally reflects the value of our Combined Portfolio less adjusted net debt, reduced to £6,967m, or 936 pence per share, marking a 11.9% reduction for the year on a per share basis. Including dividends paid, this means our total return on equity for the year was -8.3%.

Balance sheet[1] Table 11

	31 March 2023 £m	31 March 2022 £m
Combined Portfolio	**10,239**	12,017
Adjusted net debt	**(3,287)**	(4,179)
Other net assets/(liabilities)	**15**	50
EPRA Net Tangible Assets	**6,967**	7,888
Shortfall of fair value over net investment in finance leases book value	**6**	6
Other intangible asset	**2**	2
Excess of fair value over trading properties book value	**(12)**	–
Fair value of interest-rate swaps	**42**	21
Net assets, excluding amounts due to non-controlling interests	**7,005**	7,917
Net assets per share	**945p**	1,070p
EPRA Net Tangible Assets per share (diluted)	**936p**	1,063p

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

Movement in EPRA Net Tangible Assets[1] (£m) Chart 12



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

Financial review
continued

Net debt and leverage

Adjusted net debt, which includes our share of JV borrowings, reduced by £892m to £3,287m during the year. This was principally driven by our £1.4bn of disposals in London. We spent £120m on acquisitions, including the debt secured against St David's in Cardiff. Capital expenditure on our portfolio was £340m, reflecting our London office development programme, the preparation of future developments and the investment in our existing assets. We only have £90m committed capex left to spend, although we anticipate this will increase in the coming months as we commit to the full refurbishment of Portland House and our new development at Timber Square.

The other key elements behind the decrease in net debt are set out in our statement of cash flows and note 13 to the financial statements, with the main movements in adjusted net debt shown below. A reconciliation between net debt and adjusted net debt is shown in note 21 of the financial statements.

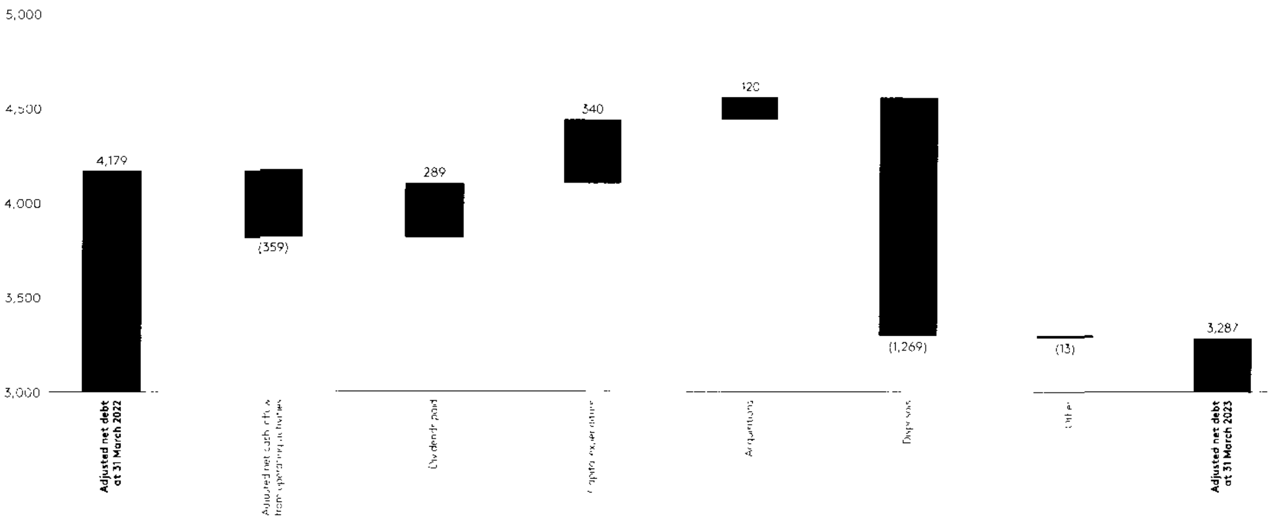
Due to the reduction in borrowings, our net debt/EBITDA reduced to 7.0x based on our net debt at the end of March, or 8.0x based on our weighted-average net debt for the year. We target net debt/EBITDA to remain below 9x over time. Group LTV which includes our share of JVs, reduced from 34.4% to 31.7%. This remains well within our target range of 25% to 40% and in line with the low 30's level we said we expected for the foreseeable future.

Net debt and leverage Table 13

	31 March 2023 £m	31 March 2022 £m
Net debt	**£3,348m**	£4,254m
Adjusted net debt[1]	**£3,287m**	£4,179m
Interest cover ratio	**4.5x**	4.9x
Net debt/EBITDA (period-end)	**7.0x**	9.7x
Net debt/EBITDA (weighted average)	**8.0x**	8.6x
Group LTV[1]	**31.7%**	34.4%
Security Group LTV	**33.0%**	36.4%

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

Movement in adjusted net debt[1] (£m) Chart 14



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

Financing

Our gross borrowings of £3,358m are diversified across various sources, including £2,736m Medium Term Notes, £310m syndicated and bilateral bank loans and £312m of commercial paper. Our MTN and bank loans form part of our Security Group, which provide security on a floating pool of assets currently valued at £9.6bn. This provides flexibility to include or exclude assets and an attractive cost of funding, with our MTN currently rated AA and AA- with a stable outlook respectively by S&P and Fitch.

The Security Group structure has a number of tiered covenants. Below 65% LTV, these involve very limited operational restrictions, whilst a default only occurs when LTV is more than 100% or the ICR falls below 1.0 times.

With a Security Group LTV of 33.0%, down from 36.4% in March, our portfolio could withstand a c. 50% fall in value before we reach the 65% hurdle and 67% before reaching 100%, whilst our EBITDA could fall 78% before we reach 1.0x ICR.

We have £2.4bn of undrawn facilities, which provides substantial flexibility. The amount of borrowings which is fixed or hedged increased from 70% to 100%, as we used the proceeds from our significant disposals during the period to repay part of our floating debt, as planned. We expect this figure to come down slightly as we repay some of our near-term maturities and continue to target a medium-term range of c. 80-90% to keep some flexibility for potential divestments.

In March, we issued our first Green bond, which is earmarked for the investment in our near-term London pipeline. This raised £400m with a 9.5 year maturity at a margin of 133bps, representing an all-in cost of 4.875%. Combined with the reduced utilisation of our revolving credit facilities, this increased our average maturity of debt from 9.1 to 10.3 years, even though our average cost of debt only rose slightly, to 2.7%.

We have £733m of debt maturing in the next two and a half years, but all of this is more than covered by existing undrawn facilities, which means we have no refinancing requirements until 2026.

Available facilities[1]

Table 15

	31 March 2023 £m	31 March 2022 £m
Medium Term Notes	**2,736**	2,341
Drawn bank debt	**310**	1,519
Outstanding commercial paper	**312**	499
Cash and cash equivalents[2]	**(74)**	(172)
Available undrawn facilities[2]	**2,386**	1,134
Total committed credit facilities	**2,934**	2,980
Weighted average maturity of debt	**10.3 years**	9.1 years
Percentage of borrowings fixed or hedged	**100%**	70%
Weighted average cost of debt	**2.7%**	2.4%

1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information above.
2. Cash and cash equivalents and available undrawn facilities have been restated as at 31 March 2022 following a clarification by IFRIC on classification of funds with externally imposed restrictions.

Outlook

Looking ahead, our strong capital base puts us in an excellent position to take advantage of opportunities which will no doubt arise as the world continues to adjust to the new reality of higher interest rates and tighter credit conditions. Our strong credit profile and long 10.3-year average debt maturity therefore provide clear visibility and underpin the resilience of our attractive earnings profile.

We now target to deliver an 8-10% annual return on equity over time, driven by a combination of growing income returns and capital growth from rental value growth and development upside. Short term changes in valuation yields remain beyond our control, which means we will not land precisely in this range every single year, but our high-quality portfolio and the clear competitive advantages of our operating platforms mean we are well placed to deliver this over time. For the current year, we expect continued customer demand to drive low to mid single digit growth in ERVs in London and major retail destinations.

We expect EPRA EPS for the current year to be broadly stable vs last year's 50.1 pence underlying EPS. This reflects the fact that we expect the positive impact from continued strong operational performance and like-for-like rental growth to be more or less offset by the fact that we have been – and in the near term will likely remain – a net seller of assets. It also fully absorbs c. £10m of impact from the last over-rented retail leases resetting, Myo start-up costs and IT systems investment this year. As such, we expect EPRA EPS to return to growth the year after. As our current dividend cover is at the high end of our 1.2-1.3x target range, we expect dividends to grow by a low single digit percentage p.a. over these two years.

Vanessa Simms
Chief Financial Officer

Our people and culture

At Landsec, we aim to create a high-performance environment where each of our circa 600 colleagues can see clearly how they contribute to, and benefit from, Landsec's success.

"The Circl Leadership Programme has opened my eyes to inclusive leadership, using the power of coaching to build stronger, more effective relationships. The skills that I have gained from the programme are helping me and my fellow Circl graduates to create a culture where everyone is empowered to take action and deliver results. It's great that Landsec offers this programme which is delivered by an engaging, creative team."

Beth Howell, Retail Manager at Landsec graduating from the Circl Leadership programme

Our approach ensures everyone is clear about what we expect of them, through frequent communication and feedback. This constantly raises performance expectations as people are accountable for what they do, and know how to contribute to our success and how that will link to the rewards they then receive.

Our leadership behaviour sets the cultural tone, with an emphasis on achievement through partnership, collaboration, self-management and building an inclusive environment being central to success.

Recognising and celebrating one another, being open about and learning from our mistakes, and creating time for innovation and creativity, lay the foundations of realising our ambitions in the Landsec way.

We aim to build a workforce that is skilled, adaptable and future-focused, to enable our business to grow and thrive in the ever-changing environment it operates in. We know that if we take care of our people, our people will take care of our customers and our business. We want to be an employer of choice everywhere we operate, so we can attract, recruit and retain the best people. We build our business on strong foundations, with our purpose – Sustainable Places, Connecting Communities, Realising Potential – being firmly at the heart of everything we do and every decision we make. We are vocal in our commitment to equal opportunities, diversity and inclusion. We invest in learning and development for all, and support wellbeing, and healthy and safe workplaces.

We aim to pay fairly and competitively, and recognise and reward high performance. We expect the best from all our people, providing the support needed for every individual to flourish and demonstrate their inherent talent and capability.

Chart 16

Employee engagement

Themes	Response favourability: Favourable	Neutral	Unfavourable
Our culture	56%	28%	16%
Trust	80%	12%	8%
Empowerment	68%	17%	15%
Accountability	78%	15%	7%
Purpose	74%	18%	8%
Enablement	65%	18%	17%
Autonomy	71%	16%	13%
Reward	62%	21%	17%
Leadership	66%	20%	14%
Engagement	77%	17%	6%

● Favourable ● Neutral ● Unfavourable

Transforming our business for success

Responding to uncertainty and turning challenges into opportunities has become standard, so we are constantly looking to develop even more ways to support our colleagues to adapt and thrive.

We have taken decisive steps to transform our business, ensuring we are in the optimum position to best support our customers in achieving their goals. Alongside this transformation, we've created a suite of development products designed to hone the skills, capabilities and experiences that will set our people apart, and equip us for growth.

Listening to our people

We know it is critical to listen to every employee's voice, and use that feedback to continually improve our business. We launched a new employee survey, where we are able to benchmark our results with other organisations based on size or sector. This has given us some clear insights that will allow us to identify areas of strength and areas for improvement. Questions focused on the key employee viewpoints that underpin engagement and allowed us to explore our culture.

75% of our colleagues responded, with an overall engagement score of 77% across the business (see chart 16). This puts us on par with organisations of a similar size and provides us with a target to reach to compare to the highest-performing organisations. The survey identified strengths in our clear purpose and the quality of our portfolio as well as strong interpersonal relationships. Each business area has created a plan detailing what they will do to address the points where we can improve performance.

Developing our talent

We know great leadership is central to our success, so, alongside our key Leadership Development programmes – Stepping into Leadership, Leading with Purpose and Circl Leadership Programme – we have curated learning mapped to our leadership expectations, targeting 'courageous' conversations, performance, development and careers.

We are incentivising the demonstration of excellent leadership, with a proportion of leaders' performance-related pay (PRP) taken into consideration.

Highlighting achievements

- As a signal of our commitment to improving leadership and management effectiveness – 77 managers and leaders have attained an Institute of Management and Leadership accreditation, having participated in our cornerstone leadership programmes, while 36 more are currently working on the accreditation.
- Demonstrating a self-driven appetite for development – our people have completed 9.2 hours of learning each on average, and completed 6,442 courses.
- Supporting our commitment to diversity and inclusion (D&I) – 28 women have completed our female-focused development programme Thrive, with a further 14 having just started a new programme.
- Developing deeper relationships more effectively both internally and externally is underlying to our ongoing success – 97% of our workforce has completed the Strengths Deployment Inventory (SDI), which supports meaningful and effective relationship-building.

Developing our approach to diversity and inclusion

This year, we revised our approach to D&I, launching our new strategy: Diverse Talent, Inclusive Culture, Inclusive Places.

We created our new framework with colleagues across the business, and it is endorsed by our Executive Leadership Team and Board. We have developed a shared vision that articulates why D&I is important to Landsec, and what we want to achieve:

"We design, develop and manage more inclusive, commercially successful places through attracting and nurturing diverse talent within a culture that enables everyone to reach their full potential."

We will achieve this vision through actions grouped under three pillars, nine D&I themes and foundations that support the overall delivery:

Our D&I strategy

Our purpose — Sustainable places, connecting communities, realising potential

Our vision — We design, develop and manage more inclusive, commercially successful places through attracting and nurturing diverse talent within a culture that enables everyone to reach their full potential

Diverse talent	Inclusive culture	Inclusive places
We will recruit, retain and progress a diverse workforce at all levels and nurture and support diverse talent into the wider real estate industry.	We will create a workplace culture where all colleagues are respected, supported and empowered to realise their potential.	We will design, build and manage places that meet the needs of the communities we serve and use our position in industry to create positive D&I change.
Leadership	Inclusive leadership	Procurement and supply chain
Workforce	Employee engagement	Development
Future talent	Training and ongoing learning	Operations

Foundations

Our approach to D&I will be led by data and evidence of what works, and we will build transparency and accountability to make sure we meet our commitments.

Our people and culture
continued

Since the launch of the strategy, we are already taking action as highlighted below.

Diverse talent

- To support greater leadership diversity, we have introduced a new inclusive recruitment process for senior-leader level and above. This will involve de-biasing role descriptions, mandating ethnic and gender diversity on shortlists, and including an employee panel in the assessment process.
- We launched the Landsec Futures internship programme to enhance social mobility within our business and, more broadly, within the wider real estate industry.

Inclusive culture

- Our affinity networks continue to have an important voice in our business in advising how we shape our culture, and this year played a part in improving support for colleagues through some of the most challenging life milestones.

Inclusive places

- We are implementing a D&I procurement and supply chain strategy with three core objectives, increasing the diversity of our supply chain, improving D&I practices within our supply chain, and working with suppliers who can support us in delivering our strategy. We have included specific D&I training requirements in contractual specifications, made the latest guidance on designing for neurodiversity part of our design brief for a major wayfinding contract, and worked with our supply chain partners to develop a diversity plan for our Timber Square development.

Foundations

- Our revised commitments and actions are led by data and evidence of what works. We have introduced improved dashboards, helping us to know workforce diversity by business unit and level, but also to understand recruitment, promotion and turnover trends, to inform where we need to change. This has led to a greater focus on diversity at leader level and above, in our targets and priorities, which are proving to make a difference, like including multiple women in shortlists for leadership positions.
- We will be transparent about our work, publishing annually our progress towards our targets. To support accountability for this, our Executive Leadership Team members have annual diversity targets in their performance plans, linked to their bonuses. These targets focus on diversity at leadership, with KPIs relating to increasing diversity in succession plans and talent development programmes, and for reducing senior leavers we would wish to retain.

Affinity networks

In support of our D&I objectives, we want to hear all voices across the Company, and so we continue to work closely with our four affinity networks to ensure we get feedback from all perspectives. They have achieved a huge amount this year, including:

Landsec Women

- Celebrating International Women's Day with a highly successful event on Allyship.
- Continued external networking in the wider property industry to enhance the profile of Landsec Women.

Hand in Hand

- Running another hugely successful Purple Tuesday event across Landsec assets to support improving accessibility and inclusivity for disabled people, and to raise the profile of improving the customer experience for disabled people and their families.
- Working with our partners to deliver education programmes to our workforce, to provide support and education on topics such as the menopause, neurodiversity and maintaining a healthy lifestyle.

Landsec Pride

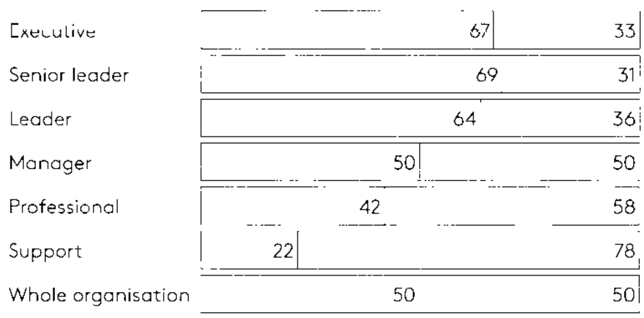
- Celebrating LGBTQ+ History Month in February with our British Queer History exhibition at our head office. The exhibition allowed our workforce to learn more about the LGBTQ+ movement in the UK, highlighting the progress made to date but also raising awareness of the work still to do.
- We hosted Oxford Pride at Westgate – opening the doors of our centre for the celebrations of the local LGBTQ+ community.

Diaspora Network

- Led a series of events during Black History Month, including hosting black business owners' pop-up markets across a number of Landsec sites and facilitating an event with our partners to celebrate black art and culture and showcase black excellence in music, poetry, comedy, art and food.
- Ran a three-day event with Somerset Multicultural Association, Clarks and UNTHNKBLE to celebrate Black History Month.

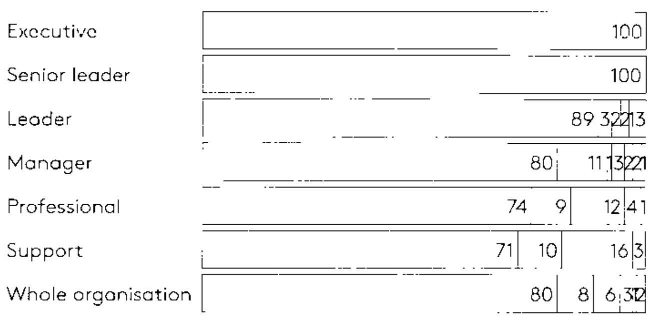
Diversity charts

Gender by level (%) Chart 17



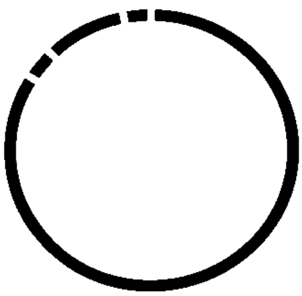
Our overall workforce is gender balanced with 50% female representation and 50% male representation. We are increasing our focus on achieving greater gender balance at Leader level and above and have seen improvements over the past year, particularly at Executive level where female representation has increased from 22% to 33%. We have also seen small improvements at Senior Leader level (from 30% to 31%) and Leader level (from 35% to 36%).

Ethnicity by level (%) Chart 18



18% of our staff are from ethnic minority backgrounds, broadly representative of the overall UK population. We are increasing our focus on achieving greater ethnic diversity at Leader level and above having seen minor decreases in ethnic minority representation at Senior Leader level (from 3% to 0%) and Leader level (10% to 8%) over the past year.

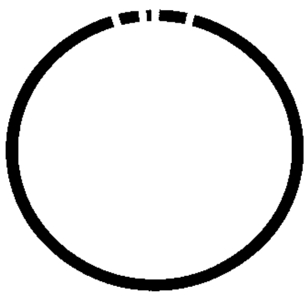
Whole organisation by sexual orientation (%) Chart 19



- Heterosexual – **84**
- LGBO (Lesbian, gay, bisexual or other) – **4**
- Prefer not to say – **9**
- Not recorded – **3**

4% of our staff are Lesbian, Gay, Bisexual or Other (LGBO), slightly higher representation than in the wider UK based on Census population statistics. Our LGBTQ+ focus remains on creating an inclusive culture for all LGBTQ+ colleagues and supporting LGBTQ+ inclusion in the wider real estate industry.

Whole organisation by disability (%) Chart 20



- Disabled – **4**
- No disability – **92**
- Prefer not to say – **3**
- Not recorded – **1**

4% of our employees are disabled, a one percentage point decrease from last year. There has been no change since last year in the percentage of employees who have not recorded their details or prefer not to say (4%).

Our people and culture
continued

Pay gap

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

Please note these are our 2022 pay gap figures. We plan to report our 2023 pay gap figures later this year. While we made progress in some areas in 2022 – notably in reducing our gender pay gap – we went backwards on our ethnicity pay gaps. Pay gap reporting not only supports transparency, it also helps us to identify the actions we need to take to address these gaps. Further details of our actions are available at Landsec.com.

Our mean gender pay gap reduced from 36.6% to 30.8% in 2022 and our median gender pay gap reduced from 29.3% to 28.7% over the same period. This reduction in the gender pay gap is primarily due to increases in the representation of women in the upper middle pay quartile (1.7 percentage point increase) and upper pay quartile (2.9 percentage point increase) over the past 12 months. This is a result of a higher number of male leavers in the upper pay quartile than joiners and an increase in female representation at executive level.

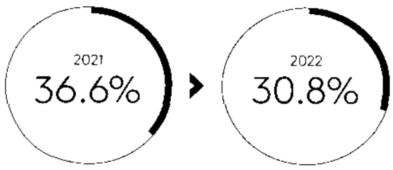
Our mean ethnicity pay gap increased from 32.7% to 36.5% in 2022 and our median ethnicity pay gap increased from 27.6% to 37.6% in the same period.

Our ethnicity pay gaps have increased because the representation of ethnic minority staff has increased in the lowest pay quartile and decreased in all other pay quartiles. This is due to a high proportion of ethnic minority new starters at our more junior levels – 50-70% of new starters at these levels over the past 12 months are from ethnic minority backgrounds.

During the same period, we had a higher proportion of ethnic minority staff leave the business at manager level and this decreased ethnic minority representation within these more senior roles. This points to the importance of our affinity networks and the need for us to increase our focus on retention.

Gender pay gap

Our mean gender pay gap Chart 21



Our median gender pay gap Chart 22

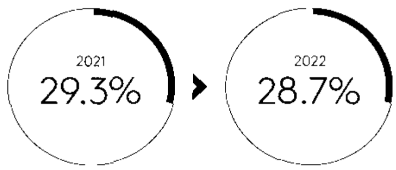
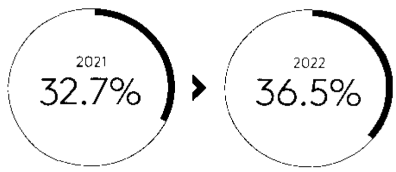


Table 23

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

Ethnicity pay gap

Our mean Ethnicity pay gap Chart 24



Our median Ethnicity pay gap Chart 25

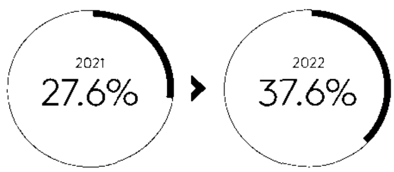


Table 26

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

Wellbeing

Just as we provide places that support the wellbeing of our customers and guests, we also ensure we protect the wellbeing of our own people. This year, we have continued to build on the broad range of benefits offered for social, financial, mental and physical wellbeing, by arranging sessions such as healthy lifestyle webinars and creating a financial wellbeing partnership to provide financial education and financial peace of mind.

We continue to respect and encourage the need for balance in all aspects of life, by supporting initiatives such our first Work Life Balance group, created by our Regeneration Development Team to gauge thoughts and feelings, and gather suggestions of things we could do to create the most effective work-life balance.

In recognition of supporting families better during their most challenging periods, we have created a new policy for colleagues going through pregnancy loss, with paid time off, and improved our policy on compassionate leave, which recognises the importance of close relationships outside of immediate family. We also created comprehensive guidelines on how to support colleagues through loss or bereavement, to equip our workforce to do this in the best way.

Recruitment and retention

Despite some challenging considerations over the last 12 months, turnover has remained stable and consistent with the last financial year. We have undergone only very marginal changes in voluntary and involuntary turnover, in line with our expectations, which is a positive outcome when viewed in the context of challenging macro factors presenting significant economic and cultural challenges.

We are now looking to the future as we continue to seek out talented and passionate individuals to join our team. This year, we have focused particularly on building future talent through the launch of our Internship scheme, Landsec Futures, which aims to provide opportunities in the real estate industry to those from diverse backgrounds. This scheme received overwhelming interest, with 75 applicants, and introduced some fantastic talent to opportunities within our sector. This year, we will welcome seven individuals into our business, creating aspirations and opportunities for fresh new talent. Read more about this on page 44 of this report.

We have also continued to focus in a big way on developing our own internal pipeline of talent with great skills, behaviour and capabilities. This has resulted in 35 internal promotions, 21 of whom were female appointments.

Our approach to sustainability

Our sustainability vision is to design, develop and manage our places to enhance the health of our environment and improve the quality of life for our people, customers and communities, now and for future generations.

We recognise the strong link between the planet and society, and the importance of maintaining strong sustainability performance as a key value driver to our business. As the war in Europe continues to *disrupt livelihoods and global supply chains*, including energy, and the fact that 2022 was the fifth-hottest year on record, The World Economic Forum's Global Risk Report 2023[1] has identified the cost-of-living crisis and failure to mitigate and adapt to climate change as two of the major global risks for the next decade. Addressing these risks requires action from government, non-governmental organisations, media, individuals and purpose-led businesses like Landsec. In addition, our customers are also increasingly aware of these issues, and demanding an exemplary approach to sustainability.

It is therefore critical that we continue to focus on achieving our vision, embedding our Build well, Live well, Act well (BWLWAW) framework across our organisation – to help balance the needs of our stakeholders with positive environmental and social impact. This year, we've maintained our focus on:

- driving down operational carbon emissions through our net zero transition investment plan and striving to meet our ambitious embodied carbon targets
- maintaining our prudent approach to energy procurement to protect our customers from rising energy costs
- supporting the needs of our communities, specifically those groups who are disproportionately affected by rising living costs.

2022/23 highlights

£400m

Inaugural Green bond issued under our Green Financing Framework (value as of March 2023), attracting capital to support the creation of green buildings, renewable energy and energy-efficiency projects.

25

Office occupiers engaged to identify opportunities to reduce energy consumption by 20–30%.

33%

Reduction in energy intensity from 2013/14 baseline, so we remain on track to achieve a 45% reduction by 2030.

55%

Reduction in operational carbon emissions (tCO_2e) compared with 2013/14 baseline, on track to meet carbon-reduction target of 70% by 2030.

£20m

Committed £20m to enhance social mobility and create pathways for people from underrepresented backgrounds into our industry through Landsec Futures.

Net Zero by 2040

Updated our carbon reduction targets to align with the Net-Zero Standard from the Science Based Targets initiative (SBTi), committing to achieve net zero by 2040.

36%

Reduction in upfront embodied carbon compared to traditional construction methods achieved at The Forge, SE1. Our first net zero carbon building and the first commercial building to be designed and built using a platform approach to design for manufacture and assembly.

100%

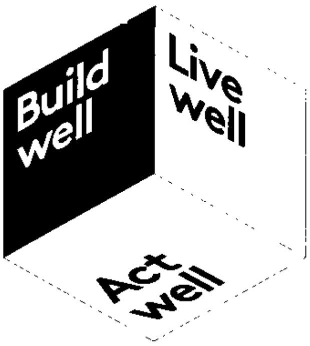
Of our portfolio is compliant with the 2023 Minimum Energy Efficiency Standard (MEES) of EPC E and 36% of our portfolio already at EPC B or higher – the proposed MEES for 2030.

7,067

People facing barriers in our communities supported towards the world of work, and £25.1m of social value created, since 2020.

— For our full 2022/2023 sustainability progress update visit **landsec.com/sustainability/sustainability-performance**

1. weforum.org/reports/global-risks-report-2023



Decarbonising our portfolio and transitioning to net zero

Our net zero transition investment plan

In November 2021, we published our £135m net zero transition investment plan (NZTIP). It will ensure we meet our near-term carbon-reduction target and the proposed Minimum Energy Efficiency Standard (MEES) of EPC B by 2030.

Our portfolio is now 100% compliant with the 2023 MEES EPC E or above requirements.

In addition, 36% of our portfolio, 38% of offices and 34% of retail, are already meeting the proposed MEES of EPC B. With the sale of 1 New Street Square, which had an EPC B rating, the proportion of our portfolio meeting EPC B has reduced, however we are confident that as we continue with our NZTIP we will meet the proposed MEES.

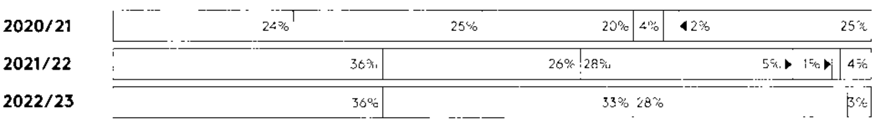
We expect the plan to remove 24,000 tonnes of carbon emissions from Landsec's operations.

We are making excellent progress with our plan, spending over £2m in 2022/23 on the following initiatives:

- Moving to cleaner sources of energy, replacing gas-fired boilers with air source heat pumps.
- Optimising building management systems, ensuring they operate in accordance with the way buildings are occupied. We're testing predictive and self-adaptive AI technology to optimise heating, ventilation and air-conditioning systems at our head office. We predict this will contribute to energy reductions of up to 10%.
- Increasing the capacity of onsite renewable energy, installing solar panels at eight of our retail sites. This year we carried out six air source heat pump feasibility studies and seven renewable energy feasibility studies.
- Replacing all fluorescent lighting with LEDs.

Portfolio EPC rating (by ERV)

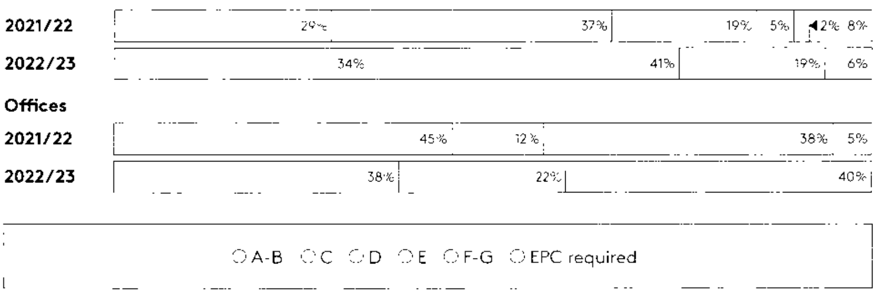
Chart 27



EPC data excludes spaces that are not required to have EPCs, spaces designated for development, spaces with registered EPC exemptions or spaces not covered by MEES regulations such as assets located in Scotland.

Retail and office breakdown

Chart 28



Reducing emissions from our construction activities

Approximately a third of carbon emissions from commercial buildings are produced before a building is even occupied[1]. For Landsec, 40% of our total emissions comes from capital goods which include our construction activities. We expect this proportion to increase as we decarbonise our buildings, the grid decarbonises, our development pipeline expands and our occupiers employ more sustainable working practices.

To address this, we've set ambitious targets to reduce emissions from our construction activities, targeting a 50% reduction in average upfront embodied carbon compared with a typical building by 2030. Achieving this target won't be easy and we know we're going to have to do things differently - making changes throughout our supply chain to transform the way we design and develop buildings, ensuring we consider carbon from the outset of a scheme.

We're investing in low-carbon construction materials such as cross-laminated timber and Concretene, which we hope will build confidence in these products and pave the way for the industry to accelerate the transition to net zero. To further increase industry demand for low-carbon steel and concrete, we're signatory members of SteelZero and ConcreteZero.

1. The Net-zero buildings Halving construction emissions today report (2022).

Build well
continued

Understanding that a substantial amount of material often sits below the ground in basements and structural foundations, our starting point is to consider repurposing existing buildings rather than demolishing and replacing them, to reduce the upfront embodied carbon of a scheme. If we conclude that a retention scheme would result in a significantly sub-optimal product for our customers or communities by limiting the public benefits we can provide, we will look into a replacement scheme that maintains a focus on positive environmental outcomes, for example, by reusing and upcycling demolition waste.

This year we completed The Forge, SE1, our first net zero carbon office development to be constructed and operated in line with the UK Green Building Council's (UKGBC) framework definition of net zero carbon buildings.

In addition to its net zero credentials, The Forge has the following sustainability features:

- Approximately 36% reduction in overall upfront embodied carbon compared to traditional construction methods.
- It is an all-electric building that uses heat pumps to provide heating, cooling and hot water.
- Powered by 100% renewable electricity.
- 5-star NABERS UK design-stage rating.
- Roof top solar PV panels, green roof areas and rainwater harvesting - all contributing to an Excellent BREEAM rating.
- 18.4% reduction in primary steelworks compared to traditional steel frame.
- 13% less concrete compared with traditional benchmarks.
- 50% ground granulated blast-furnace slag (GGBS) content in substructure concrete and 40% GGBS content in Platform Design for Manufacture and Assembly (P-DfMA) floor slabs.
- All remaining upfront embodied carbon has been offset using Gold Standard carbon credits.

Taking a prudent approach to energy procurement

Landsec has a flexible-procurement framework in place to manage wholesale energy risk across our portfolio. The strategy is to spread risk as much as possible by forward-hedging three years in advance in six-month trading windows to minimise our exposure to market conditions, which is to be fully hedged by financial year end. We review our usage across our assets every quarter to ensure we make accurate purchasing decisions that meet expected consumption. We have again procured 100% renewable electricity as part of our ongoing commitment to RE100; a global group of large companies that will use only 100% renewable power.

We continue to reduce our exposure to the wholesale markets by buying into longer-term, fixed-rate renewable contracts. We will be aiming to introduce Corporate Power Purchasing Agreements into Landsec's fuel mix by 2025.

Updating our carbon-reduction targets, committing to net zero by 2040

Our current science-based carbon-reduction target is to reduce our operational carbon emissions by 70% by 2030, from a 2013/14 baseline year.

In October 2021, due to the scale and urgency of the climate emergency, the Science Based Target initiative (SBTi) published the Net-Zero Standard, which provides the world's first credible, independent assessment of corporate net zero targets. We've therefore increased our ambition this year in response to this standard, updating our science-based targets to cover emissions from all sources, including all of our reported scope 3 emissions such as emissions from our development pipeline, supply chain and customers. We have updated our baseline from 2013/14 to 2020 and have committed to reach net zero by 2040, ensuring we will meet the requirements set out by the SBTi.

— **Overall net-zero target:** We've committed to reaching net zero greenhouse gas (GHG) emissions across the value chain by 2040 from a 2020 base year.
— **Near-term target:** We've committed to reducing absolute scope 1, 2 and 3 greenhouse gas emissions 47% by 2030 from a 2020 base year.
— **Long-term target:** We've committed to reducing absolute scope 1, 2 and 3 GHG emissions 90% by 2040 from a 2020 base year.

To achieve our near-term target, we must continue to execute our net zero transition investment plan (NZTIP) as detailed above. In addition, we must achieve our embodied-carbon target by 2030, to reduce average upfront embodied carbon by 50% compared with a typical building, aiming for 500 $kgCO_2e/m^2$ for offices and 400 $kgCO_2e/m^2$ for residential.

To achieve our long-term target, we must continue to reduce carbon emissions from our operational and construction activities. This will require us to focus on: targeting suppliers with lower carbon impacts, investing in and demanding low-carbon construction materials, removing fossil fuels from our operations, investing in on-site renewable-electricity capacity, and working with occupiers to promote sustainable working practices.

Enhancing nature and green spaces

Nature plays an important role in the built environment – nature's capacity to store carbon and support resilient societies is linked with the fight against climate change, and access to green spaces supports the health and wellbeing of those who use our places.

We will enhance nature and biodiversity across our portfolio, targeting a 25% biodiversity net gain across our operational sites that currently offer the greatest potential, and effectively targeting 15% biodiversity net gain at all of our new developments. Across our retail sites we have replaced hedgerows with native species at White Rose, Leeds, planted trees as part of the Queen's Green Canopy at Gunwharf Quays, and introduced a bee hive with 35,000 honey bees at Lewisham Shopping Centre.

This year, we're investigating how our business activities depend on and affect nature, so we can integrate nature into decision making across our operational and development activities. The work will consider the draft recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD) and build upon our current commitments, as well as provide biodiversity toolkits to support the whole business in considering how we can best enhance nature and biodiversity through our activities.

Using resources efficiently

Water

Over the last year, we have undertaken water management assessments across assets under our operational control, to help shape our water strategy for both our office and retail portfolios.

Actions taken include a programme of work to install automatic meter reading (AMR) across our portfolio, testing technology to obtain increased detail of where water is consumed within our buildings and to identify potential leaks, and developing a water standard for the taps, toilets and showers we use across our facilities.

To raise awareness of the importance of saving water, on World Water Day in March 2023 we communicated our approach to water management and reduction across the business and encouraged our colleagues to take action. We are in the process of setting a new water target using 2022/23 as our baseline year, due to launch later this year.

Waste

In 2022/23 we continued to divert 100% of waste from landfill and recycled 68% of operational waste (2021/22: 71%).

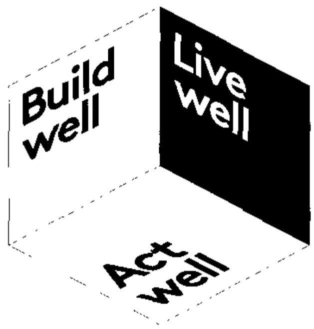
Materials

To use more sustainable materials and to use these resources efficiently, we encourage reuse and recycling where possible, promoting the principles of a circular economy. On our development schemes, we work closely with our supply chain, including carbon consultants in the design team from the very start to guide decisions on the most carbon-efficient solutions. Additionally, our Materials Brief sets out the requirements for common materials used across our schemes, considering health impacts, responsible sourcing, carbon and resource efficiency. We continue to source all our construction materials from ethical sources (materials with a responsible sourcing certification).

▲ We've used an innovative alternative to cement at Mayfield, Manchester – Concretene.

Using innovative materials at Mayfield

Production of cement for use in concrete creates approximately 8% of total global carbon emissions. At our Mayfield regeneration scheme, we've therefore tested Concretene, a pioneering low carbon material that has the potential to transform the global construction sector by providing an alternative to traditional cement. Concretene uses a product called graphene to significantly improve the mechanical performance of concrete, allowing for reductions in the amount of material used and the need for steel reinforcement. We were the first developer to employ Concretene on a commercial scheme and have used it to create a 54x14m mezzanine floor.



Creating opportunities and tackling local issues

Supporting our communities through the cost-of-living crisis

Over the last ten years, we have worked hard to support our local communities and charities. Our site teams across the UK continue to work with community organisations to support people affected by the cost-of-living crisis, providing support to some of the most vulnerable in society. This includes:

- the White Rose team supporting the work of the Leeds South and Rethink Food Bank
- creating warm spaces for vulnerable people at W12 Centre and the O2 Centre
- introducing the CommUNITY Space at Lewisham Shopping Centre, providing a warm space for those who need it
- providing promotional support for The Felix Project at Piccadilly Lights, while supporting their work at Lewisham Shopping Centre.

Our new social-mobility fund, Landsec Futures, will enhance this work in our local communities, ensuring we have a long-term approach to investing in our communities over the next ten years.

Launching Landsec Futures: a fund to maximise the potential of people, places and communities

In May 2022, we announced our commitment to enhance social mobility in the real estate industry and the places where we invest, committing £20m from 2023/24 – 2033/34. To achieve this, in April 2023 we launched Landsec Futures, which will provide support through industry and local programmes.

This commitment enables us to focus our approach to community investment on a clear purpose, which is to enhance social mobility in the real estate industry by creating pathways for people from under-represented backgrounds in our communities to enter careers in our sector.

Additionally, we recognise that the communities where we create, curate and sustain places all face a wide range of local issues, from fuel poverty to homelessness, and if these issues are not addressed, our places won't thrive. We're therefore also focused on tackling issues local to our assets and developments.

We will support people from lower socio-economic backgrounds who meet key metrics outlined by the UK Social Mobility Commission, in entering the real estate industry, and we will support charities that tackle issues local to our assets and developments.

Improving wellbeing

Creating healthy buildings

To ensure we continue to maximise the wellbeing of those who occupy our buildings, in April 2023 we submitted evidence for WELL Portfolio certification for four assets; 80-100 Victoria Street, Dashwood House, Zig Zag Building and One New Change. We are also targeting WELL Equity certification for the managed offices portfolio. Additionally, across our development schemes, we're targeting WELL Core Gold or above for offices and the Home Quality Mark or equivalent for residential properties.

— To find out how we are supporting our colleagues' wellbeing please **read page 39**

Landsec Futures

A £20m fund to maximise the potential of people, places and communities. We believe increasing diversity across our industry and supporting local communities are essential to the future success of the places we create.

Industry programmes

Industry programmes to enhance social mobility in the real estate industry, helping us create more-inclusive and successful places.

Real estate bursaries
Financial support and mentoring for individuals carrying out placemaking qualifications at university.

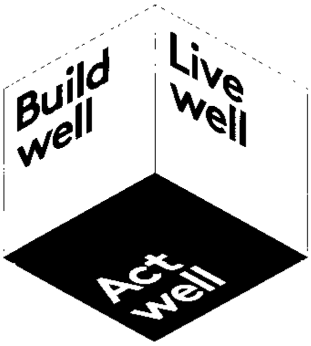
Landsec internships
Six-month, paid entry-level work placements at Landsec.

Local programmes

Local programmes to improve opportunities and support within our communities, helping people and places to thrive.

Employability partnerships
Three-year partnerships with charities in each of our communities, aiming to support local school students and people facing barriers with the careers insights, skills and opportunities to enter our industry.

Community grants
Quarterly funding for local charities, supporting them in tackling important issues in our communities.



Embedding sustainability across our business

Our sustainability framework, Build well, Live well, Act well (BWLWAW) is run business-wide, as well as at portfolio and asset level, helping us embed sustainability throughout the business.

Across our operational portfolio, every asset has its own BWLWAW plan that identifies the ESG themes relevant to the site, and what it will do to support achieving our corporate sustainability commitments and targets.

This year, we published our Sustainable Development Toolkit, which provides a comprehensive guide for our development teams and external partners to ensure we design and develop our new schemes and refurbishments in line with our sustainability vision, corporate commitments and targets. It sets out a systematic approach for us to achieve sustainable development, culminating in a scheme-specific sustainability strategy and social value strategy being developed.

Ensuring every colleague takes responsibility for achieving our sustainability vision, we link a proportion of our remuneration to achieving our energy and carbon targets, and we ask 100% of our colleagues to set an annual objective demonstrating how they contribute to our sustainability commitments.

This year we also launched our Introduction to Sustainability training, to build sustainability capability and knowledge across our business. The course is mandatory for all colleagues.

Doing the basics brilliantly

Sustainable procurement

51% of our emissions emanate from our supply chain, therefore it is important we work with suppliers that share our values and help us achieve the highest standards in our supply chain, while achieving wider social, economic and environmental benefits. In June 2022, we published our Supply Chain Commitment, which sets out how we do business, the commitments we've set ourselves, and the minimum requirements we expect of all those we work with. 100% of our strategic partners align with our sustainability requirements and are working with us for a sustainable future, with 93% signing up to our commitment to date. Complementing our Supply Chain Commitment, we've also published our Sustainable Procurement Guide – a document that provides us with the knowledge to make the right decisions when buying consumables or business services, and to spend money wisely and effectively while supporting our corporate and sustainability commitments.

To support our supply chain in meeting Our Supply Chain Commitments, we've joined the Supply Chain Sustainability School – an online platform that shares knowledge and resources to build the skills required to achieve a sustainable built environment.

Creating healthy, safe and secure spaces

This year we have maintained our ISO 45001 certification, with independent auditors reporting no non-conformances or improvement recommendations. A full re-certification audit to this standard will take place in FY23/24.

We continued to focus our safety improvements on areas where we know we could have the biggest impact, including reducing the risk of significant occupational-safety hazards, such as working at height, fire safety, and working near electromagnetic fields. We have also continued to work with other leading property companies to establish consistency in measuring and reporting health and safety data, to enable performance benchmarking with our peer group.

Fire safety

We continue to enhance fire safety across the business, and ensure we meet new government initiatives and legislation. In 2022, we achieved certification to BS 9997 for our fire safety management system, which we have maintained this year. All high-rise residential buildings above 11 metres in our portfolio have been examined by independent fire engineers to ensure they remain safe for occupation and meet stringent new building regulations, with design principles aligned with requirements of the Building Safety Act mandated on all future schemes. We have accepted responsibility under the Developers' Pledge to remediate at our expense any life-safety-critical defects in any building we developed or substantially renovated, going back 30 years. We will complete any remedial works as quickly as possible, with no cost and minimum disruption to tenants and local communities.

Act well
continued

Advocating for a sustainable future

We share our experience and challenges in aiming for a sustainable future through being members of industry bodies such as the UK Green Building Council (UKGBC), Better Buildings Partnership (BBP) and British Property Federation (BPF); by responding to public consultations on emerging policy; by raising awareness with our customers and investors, and by contributing to the debate on various sustainability topics.

This year, we published our Carbon Manifesto, outlining what we are doing to reduce our emissions across our portfolio and development pipeline and our commitment as a partner for government. We are calling for action from the government: to introduce a performance-based energy rating scheme; to mandate for whole-life carbon assessments for all new developments; and to lead by example by setting a standard for sustainable development through their procurement.

Identifying and responding to ESG risks and opportunities

Our approach to sustainability is determined by shifting global challenges and the ESG issues our stakeholders think are most critical for us to address and influence through our business activity. Our sustainability strategy, targets and activity, demonstrate how we are responding to these issues and where we know we can have the biggest impact. Our materiality matrix sets out our high-priority issues **landsec.com/sustainability/our-material-issues**.

As the climate crisis becomes more of a reality, with increased severe weather, tightening legislation, and growing pressure from investors and occupiers – we've identified climate change as a principal risk and, as such, govern and manage it in line with our risk management and control framework. This framework enables us to identify, assess and manage climate-related risks effectively – evaluating the potential impact, the consequences, allocation of risk owner, description of controls and control owners, and finally providing an evaluation of any residual risks.

— You can find more detail about our climate change risks and opportunities, our mitigation and adaptation strategy, and metrics and targets, in our TCFD Disclosure Statement on **pages 47-53**

Additionally, to comply with relevant environmental legislation and industry standards, we maintain a legal register as part of our environmental and energy management systems, which are certified to ISO 14001 and ISO 50001. We review this register quarterly to ensure we consider new legislation or regulatory changes, and take any necessary action to maintain compliance.

Future plans

We have already made great progress with our sustainability targets, but with a new year comes a fresh opportunity to turn our vision and ambition into tangible action. We recognise there will be challenges in achieving these plans, and we don't have all the answers, but we believe that by being explicit in our targets we can incentivise and support action across our industry.

Key to this will be our ongoing collaboration with our peers, customers and government to ensure we have a united approach that achieves the progress and outcomes required to create a greener, fairer society for all.

Our priorities for the year ahead:

- Continue to follow our NZTIP, moving our portfolio to net zero and meeting the impending Minimum Energy Efficiency Standard of EPC B by 2030.
- Continue to account for carbon at the outset of every development and refurbishment scheme, striving to meet our embodied-carbon targets by engaging early with our supply chain to secure sustainable construction materials, and encouraging our design teams and contractors to prioritise retention and reposition where possible.
- Investigate innovative technologies, services and materials that will help us transition to net zero, and be prepared to try these products on our schemes.
- Run Landsec Futures, working with our communities to better understand and meet their requirements alongside achieving greater diversity across our industry.
- Continue to lobby government to ensure there is a supportive, stable policy environment that creates a greener, fairer society for all.

Task Force on Climate-related Financial Disclosures (TCFD) statement

Landsec has a strong record of leadership on climate action and reporting, where we recognise the risks and opportunities posed by climate change in our business model and strategy.

In 2016, we were the first property company in the world to have its carbon emissions target approved by the Science Based Targets initiative (SBTi). Since then, we have reduced emissions, and achieved our original science-based target (SBT) in 2019, 11 years ahead of our 2030 target date. In 2019, we increased the ambition of our SBT in line with a 1.5°C global warming scenario, which formed the foundation of our transition to net zero. Over the last year, we have updated our SBT and net zero commitment, which SBTi has now approved to be in line with their Net-Zero Standard. We have also committed to all new developments being net zero carbon both in construction and operation.

In 2017, we were one of the first companies to report our approach to the recommended disclosures of the Task Force on Climate-related Financial Disclosures (TCFD) and we introduced climate change as a principal risk in 2020. Over the last year, we have continued to evolve our approach to identifying and assessing the risks of climate change, by forming a Climate Transition Disclosure Working Group and aligning our statement with the recommendations of the UK Government's Transition Plan Taskforce.

We continue to progress our net zero transition investment plan and are on track with what we need to do to meet our science-based carbon reduction target, and have incorporated this into our financial statements.

This statement is consistent with the requirements of the London Stock Exchange (LSE) Listing Rule 9.8.6 R and all 11 TCFD Recommendations and Recommended Disclosures, and we can confirm we have made climate-related financial disclosures for the year ended 31 March 2023 in relation to governance, strategy, risk management and metrics and targets.

Governance

Board oversight and reporting

The Board is responsible for overseeing our approach to climate-related risks and opportunities affecting the business, with our CEO having overall responsibility.

The Board receives reports on our sustainability and climate-related performance twice per calendar year, and this year has focused on the progress of our transition plans, embedding our new sustainability framework across the business and monitoring performance of our SBT and embodied-carbon commitments.

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

Roles, responsibilities and accountability

The Audit Committee supports the Board in managing risk, and is responsible for reviewing our principal risk register, and the effectiveness of our risk management and internal control processes.

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

The ELT is supported by the Sustainability Forum, which consists of senior representatives responsible for programmes of work that meet our sustainability targets, and for mitigating climate risks across our Workplace and Lifestyle business units. The Sustainability team, led by the Head of ESG and Sustainability, is responsible for co-ordinating the sustainability strategy and updating the climate risks, collaborating with all areas of the business to ensure appropriate mitigation and adaptation plans are in place. The Climate Transition Disclosure Working Group comprises members of the Sustainability team and representatives from our Strategy, Risk and Finance teams, to continue to evolve our approach to transition planning.

— We provide further information on our website showing our governance structure for managing climate risk: **landsec.com/sustainability/governance-policies**

Task Force on Climate-related Financial Disclosures (TCFD) statement continued

Culture
We're working towards a culture centred on trust, empowerment and accountability. *Our culture comes from the values we share.* These values guide the way we interact with others and help us make the right decisions.

Sustainability, which includes our focus on climate-related risks, has long been a strategic priority for Landsec and as such, is embedded within our culture. Every colleague is empowered to contribute to our purpose with consideration for the environmental, social and economic issues relevant to our business and stakeholders – our Employee Code of Conduct provides guidance on how to do this and highlights key policies, including our Sustainability Policy that all colleagues must follow.

To hold colleagues accountable, every colleague is encouraged to set an annual objective demonstrating how they will contribute to achieving our sustainability vision and commitments. Achievement of this objective is assessed annually and forms part of our performance-related pay.

Over the last year, we launched our Landsec Spotlight Awards to recognise individuals, projects and teams who demonstrate bringing our purpose to life, whereby celebrating our achievements is an important part of our culture.

To support our strategy and further establish sustainability throughout the business, we have created our Green Financing Framework, enabling us to issue green bonds. It describes the types of projects eligible, the process for selecting and allocating projects, management of proceeds and reporting in support of our climate transition aims. It has been third-party assured and aligns with the Green Bond Principles 2021 and Green Loans Principles 2021 administered by ICMA and LMA, respectively.

The framework can be accessed on our website: **landsec.com/investorsdebt-investors/green-bonds**

Incentives and remuneration
Our commitment to addressing climate risk runs throughout the business, with climate-related targets linked to a proportion of our bonus remuneration, including our science-based carbon reduction target, energy efficiency and embodied carbon from new developments.

Skills, competencies and training
Over the last year, as we continue to mitigate the risks of climate change and transition our portfolio to net zero, we've focused on increasing Board and executive leadership level awareness and knowledge on our science-based carbon reduction targets and the actions that we need to take to meet them, including executing our net-zero transition investment plan (NZTIP) and our ambitious embodied carbon targets.

Further, we are ensuring everyone across our business undertakes sustainability training, which includes information on our sustainability strategy and approach to climate change – demonstrating how everyone can play a part in reducing our contribution to climate change and preparing for inevitable changes in climate. Additionally, we've joined the Supply Chain Sustainability School which provides an online platform to share knowledge and resources to build the skills required to deliver a sustainable built environment.

Strategy

Identifying climate-related risks and opportunities
In accordance with TCFD recommendations, we've identified climate risks and opportunities against (1) **transition risks:** related to the transition to a low carbon economy and (2) **physical risks:** related to the physical impacts of climate change.

We've considered these over the short (<1 year), medium (until 2030) and long-term (beyond 2030) against two *science-based scenarios* – below 2°C (aligned with Shared Socioeconomic Pathways (SSPs) SSP1-2.6) and exceeding 4°C (aligned with SSP5-8.5).

We summarise the output of our scenario analysis below, where we have used MSCI's Climate Value at Risk (VaR) methodology to assess our portfolio exposure to climate risks. Physical risks are assessed based on the geolocation of assets and their exposure to individual hazards as a consequence of climate change. Transitional risks are assessed based on alignment of assets to relevant regulations (e.g. Minimum Energy Efficiency Standards (MEES)) and market demand.

Assessing impact of climate-related risks and opportunities on our strategy
Based on the risks identified in our scenario analysis and following our group risk management framework and methodology, we have assessed these against likelihood (1 being very unlikely; 5 being very likely) and potential financial impact (1 being insignificant (< £75m); 5 being very significant (> £500m)) across all areas of our business including investments, divestments, development and operations to determine both inherent risk (before mitigating actions) and residual risk (after mitigating actions).

Time horizons	How Landsec defines
Short (<1 year)	Our immediate business planning and budgeting for each asset occurs annually, so it is important that appropriate resource for mitigating and adapting to climate change is identified each year and included in annual budgets.
Medium (until 2030)	We are taking action now until 2030 to meet our near-term science-based carbon reduction target.
Long (beyond 2030)	Many of our assets have a design lifespan of over 60 years – therefore, identifying long-term risks beyond 2030 is important for our investment and development decisions, to ensure our portfolio remains resilient in the long term.

	Short term (< 1 year)	Medium term (until 2030)	Long term (beyond 2030)
< 2°C scenario Proactive and sustained action to halve emissions by 2030 and reach net zero by 2050 – rapid investment and adoption of low-carbon technology and sustainable business and lifestyle practices. UK climate is marginally higher temperatures all year round, lower precipitation in summer; flooding and windstorms within current variability.	**Low physical risks** as only a small proportion of our portfolio (2.5% VaR) is exposed to aggregated physical risk (extreme cold, extreme heat, flooding, windstorms and wildfire). The most significant physical risk to our portfolio is from coastal flooding (1.8% VaR). **Medium transitional risks** associated with existing regulations, for example, Minimum Energy Efficiency Standards (MEES) requiring all non-domestic properties to meet a minimum EPC E by 1 April 2023 and local planning requirements favouring low embodied carbon development schemes In addition, there is increasing occupier and investor demand for assets with high sustainability credentials, as more of these stakeholders set net zero commitments and are required to report on the sustainability outcomes of their investments.	**Physical risks remain the same as the short term.** **High transitional risks** associated with: • Emerging regulations, for example, MEES requiring all non-domestic properties to meet a minimum of EPC B by 2030. • Carbon tax – potential for the built environment to be included in UK Emissions Trading Scheme. • Operational and embodied carbon obligations for our development schemes – some planning requirements need projected operational energy emission shortfalls to be offset – Greater London Authority recommends a price of £95t/CO_2e. Additionally, our commitment to develop net zero buildings requires the residual embodied carbon to be offset via the Voluntary Carbon Market, where prices vary significantly based on quality of credit. • Continued increase in occupier and investor demand for ESG.	**Slight increase in physical risks** but no significant change to overall portfolio exposure to climate risks. For instance, slightly warmer summers are expected but these don't pose significant risk of heat stress. **Transition risks remain high** as further mitigation actions and legislative changes are expected to continue driving reductions in carbon emissions.
> 4°C scenario Limited actions are taken to mitigate climate change – there is a push for economic and social development at whatever costs. UK climate will experience an increase in severe weather events (flash flooding); increased summer and winter temperatures; drier summers and wetter winters.	**Low physical risks** as only a small proportion of our portfolio (5.4% VaR) is exposed to aggregated physical risk. The most significant physical risk to our portfolio is from coastal flooding (4.1% VaR). **Low transitional risks** due to no mitigation actions or policies in place to reduce emissions.	**Physical and transitional risks remain the same as the short term.**	**Significant increase in physical risks** from hotter, drier summers; warmer, wetter winters and more frequent severe weather events. Sea level rise puts additional strain on the Thames Barrier and increase in river peak flows has potential for flood defence failures across the UK, leading to higher portfolio exposure. **Significant increase in transitional risks** as adaptation measures are adopted to cope with changes in climate and associated physical risks

Task Force on Climate-related Financial Disclosures (TCFD) statement continued

Risk	Inherent risk rating	Residual risk rating
Short term (< 1 year)		
Portfolio at risk of aggregated physical risks (extreme cold, extreme heat, flooding, windstorms and wildfire) VaR: 2.5%	● 3	● 2
Portfolio is not compliant with MEES requirements in meeting a minimum of EPC E by April 2023	● 3	● 1
Local planning requirements favouring low carbon embodied development schemes	● 12	● 6
Failure to offer assets with high sustainability credentials being unable to respond to increased customer and investor demand	● 12	● 4
Medium term (until 2030)		
Portfolio at risk of aggregated physical risks (extreme cold, extreme heat, flooding, windstorms and wildfire)	● 6	● 2
Portfolio is not compliant with emerging MEES regulations in meeting a minimum of EPC B by 2030	● 15	● 6
Introduction of carbon tax for total carbon emissions (using 2019/20 baseline, financial impact could be c.£15.8m)	● 3	● 3
Impact of carbon emission pricing on development costs including procurement of materials and offsetting costs	● 12	● 6
Not achieving of our ambitious embodied carbon targets	● 15	● 6
Increased cost of high quality carbon offsets required for our new developments to be net zero	● 5	● 3
Failure to offer assets with high sustainability credentials being unable to respond to increased customer and investor demand	● 16	● 4
Long term (beyond 2030)		
Portfolio at risk of aggregated physical risks (extreme cold, extreme heat, flooding, windstorms and wildfire)	● 9	● 4

Addressing our climate-related risks and opportunities across our business model

Our assessment concluded 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 > 4°C scenario. Conversely, transition risks are material in the short and medium term as we expect increasing mitigation actions to be taken to reduce emissions, such as policy and regulation changes, as well as changes in customer and investor preference.

We are addressing these risks and opportunities through three priorities, all of which are critical elements of our approach to sustainability – Build well, *Live well, Act well:*

- Decarbonising our portfolio
- Developing net zero carbon buildings
- Building resilience to a changing climate

Decarbonising our portfolio

In an effort to reduce our contribution to climate change, we need to reduce our operational carbon emissions from the assets that we own and manage. This year, we've increased the ambition of our carbon reduction target to align with the SBTi Net-Zero Standard and have continued to progress our £135m Net Zero Transition Investment Plan (NZTIP).

The Net-Zero Standard sets out a consistent definition of net zero and the science-based requirements of achieving it. To meet the standard, and demonstrate the business is moving towards net zero, we must set two reduction targets; a near-term target (5-10 years) and a long-term target (2050 at the latest). The near-term target must cover 95% of scope 1 and 2 emissions and 67% of scope 3 emissions. The long-term target must increase scope 3 coverage to 90%. Both targets must align with a 1.5°C ambition level of limiting temperature rise.

Our near-term carbon reduction target
We commit to an absolute reduction in all emissions of 47% by 2030, from a 2020 baseline year.

We commit to reduce absolute scope 1 and 2 GHG emissions by 60% by 2030, from a 2020 baseline year. We also commit to reducing absolute scope 3 GHG emissions from all reported sources by 45% within the same timeframe.

Our long-term carbon reduction target
We commit to reaching net-zero GHG emissions across the value chain by 2040.

We commit to reducing absolute scopes 1, 2 and 3 GHG emissions 90% by 2040, from a 2020 base year.

To meet our near-term science-based target and stay ahead of impending 2030 MEES requirements of minimum EPC B, we've continued to progress our £135m NZTIP:

- Optimising building management systems across our portfolio, deploying innovative technologies such as artificial intelligence to reduce operational energy consumption.
- Reducing our reliance on fossil fuels, replacing gas-fired boilers with electric systems such as air source heat pumps (ASHP).
- Increasing on-site renewable electricity generation by installing solar panels across our retail assets.
- Engaging and collaborating with our customers on energy efficiency to reduce consumption within their spaces.

— We provide further details on the progress of our NZTIP on **page 41**

We continue to operate our buildings in accordance with our Company-wide environmental and energy management system, which is certified to ISO 14001 and ISO 50001, having energy-reduction plans (ERPs) and action plans for all our assets, which outline how we will reduce the energy use and carbon emissions of each asset effectively. The ERPs form part of the operational financial planning for each asset.

As we continue to build relationships with our suppliers, the climate-related information they provide (such as carbon emissions, energy consumption and relevant climate-related targets) allows us to better understand their operations and prioritise future engagement activity.

	Income statement	Balance sheet
Financial impact	Research shows buildings that have high sustainability credentials attract higher average rents, improving leasing and occupancy rates. Improved energy efficiency should also improve service charges payable by tenants. Conversely, older, less sustainable assets will ultimately see longer voids for retrofits and a loss of rental income where they do not meet the minimum EPC requirements	To achieve our targets, we developed our £135m NZTIP. The focus of this is capital spending to electrify energy across the portfolio, improving the capital value of the affected assets, which have shown more resilience to yield pressures than assets without a clear ESG strategy. The cost of our NZTIP will fluctuate over the next seven years as we account for changes in inflation.

Developing net zero carbon buildings
A credible net zero claim for a building must address both upfront embodied carbon and operational carbon, and align with industry best practice – currently this is the UK Green Building Council (UKGBC) framework definition of net zero. The framework requires embodied carbon to be minimised and offset at practical completion, and reductions in energy demand and consumption to be prioritised over all other measures. There should be no reliance on fossil fuels and on-site renewables should be prioritised, and any remaining carbon should be offset using a recognised offsetting framework.

Our commitment to creating net zero carbon buildings
We are committed to designing and building net zero buildings in accordance with the UKGBC framework definition and have set a target to reduce upfront embodied carbon by 50% compared with a typical building by 2020, seeking to achieve <500kgCO_2e/m^2 for office developments and <400kgCO_2e/m^2 for residential ones.

The commitment forms a key part of our Sustainable Development Toolkit – a comprehensive guide for our development teams and external partners to ensure that sustainability is considered throughout the life-cycle of our schemes.

We engage carbon consultants on each of our developments. These become part of our design team from the very onset of the process. Alongside the guidance from our internal teams, their role is to guide decision making towards the most carbon-efficient solution, balancing upfront carbon with whole-life carbon, to ensure our design decisions do not affect the longer-term carbon impacts of our assets negatively.

All whole-life carbon models align with the RICS guidance Whole life carbon assessment for the built environment first edition, November 2017.

To reduce upfront embodied carbon, we look at a number of different interventions:

- Structural retention and material reuse to avoid using virgin material.
- Building as lean as possible to use less material and put less pressure on the foundations beneath the building.
- Using low-carbon materials like timber or concrete with high cement replacement.
- Prioritising local procurement to minimise transport emissions.

We track embodied carbon throughout the design evolution of a building and during construction, and we receive twice-yearly updates to the model based on actual material quantities brought to site and emissions from site. At the end of a project, we receive an 'as-built' model, which represents the actual upfront carbon emissions of the project. We then purchase high-quality carbon offsets that comply with the UKGBC's eight principles of offsetting.

Task Force on Climate-related Financial Disclosures (TCFD) statement continued

	Income statement	Balance sheet
Financial impact	Strong and increasing market demand for net zero properties, especially in the office market, is outstripping supply, which will likely lead to rent and value premia for these assets. Increased demand for low-carbon materials could delay completion dates, increasing construction costs in our development pipeline.	Increased demand for low-carbon materials, many of which are still nascent markets, could increase the construction costs of our development pipeline

Building resilience to a changing climate

Although we assessed that our current portfolio is not highly exposed to physical risks given the location of our assets, we still take action to mitigate these risks through physical measures, insurance and business-continuity planning.

In our development pipeline, we're designing and constructing high-quality buildings and spaces capable of achieving operational resilience over their lifetime, considering how the UK's climate will change in the coming decades. We manage the impact of physical risks, such as higher cooling costs and lower heating demand, by adapting building services design, reducing heating capacity and maintaining summer cooling capacity to cope with heatwaves. The performance of our facades and fabric materials is designed to address the expected higher temperatures by minimising energy demand, as well as to be able to withstand extreme temperatures and increased wind speeds, to avoid maintenance issues or damage to buildings in future. We target operational energy intensities in line with industry net zero carbon benchmarks, wherever available. Our drainage strategies are designed to mitigate foreseen rain levels and flood risks using physical and nature-based solutions.

Across our operational portfolio, assets in areas highly exposed to physical risks have developed plans to ensure that adequate protection and mitigation are in place, including business-continuity and emergency-response plans.

Our Responsible Property Investment Policy details how we assess climate risks during the sale and acquisition of assets. We conduct thorough due diligence, understanding the asset's performance metrics including energy consumption, EPCs and other sustainability credentials, assessing flood risk and embodied carbon, and work with MSCI to use their Climate Risk Due Diligence Analysis platform for acquisitions.

	Income statement	Balance sheet
Financial impact	The changing environment has direct cost implications due to potential increases in insurance premiums, the future impact of carbon taxes and increased energy costs to counteract more extreme seasonal trends.	Increased capital investment to maintain compliance with legal requirements, such as improving EPC ratings across the portfolio, and also to protect our assets at risk from physical climate change. Failure to do so would affect the long-term capital values of these assets negatively.

Resilience of our strategy and business model

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

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

Through the implementation of our mitigation strategies we have assessed our residual risks to be minor as detailed in the Assessing impact of climate-related risks and opportunities on our strategy section.

Engagement

We are committed to leading the way to a lower-carbon economy and aim to redefine what it is to be a modern landlord. We recognise that we don't have all the answers, but are ready and willing to engage with others to address the emissions challenge.

Over the last year, we have continued to engage across the value chain, from our customer engagement programme to reduce energy consumption within their spaces, to launching our new Supply Chain Commitment and becoming members of the Supply Chain Sustainability School. We are active participants of industry groups, including the Better Buildings Partnership, British Property Federation and UKGBC and work with members to accelerate change.

To further drive industry demand for low-carbon steel and concrete, we're signatory members of SteelZero and ConcreteZero.

We launched our Carbon Manifesto, which sets out what we are doing as a business and with our supply chain – but also steps that Government can take to support and accelerate our transition towards net zero.

We released our Shaping Successful Future Cities report developed in conjunction with The Future Laboratory. It investigates what a successful – and unsuccessful – 2030 city could look like and the steps developers and leaders need to take to trigger positive change. It highlights the importance of creating planet-centric spaces by outlining our 'Six Principles of Urbanisation' including being climate-prepared and resilient as the most urgent.

— The report can be accessed on our website: **landsec.com/future-cities**

Risk management

Climate change is identified as one of Landsec's ten principal risks, and is therefore governed and managed in line with our risk management and control framework.

We identify, assess and manage climate-related risks through the framework – with the risks clearly defined and owned, with their potential impacts and consequences noted. Risks are scored, as described in the Managing Risks and Principal Risks sections on page 54, on a gross and net basis, following evaluation of the mitigating controls in place. Furthermore, Landsec has defined its appetite for each risk, including climate-related risks, and this is overlaid when considering any residual risks.

As part of its overall responsibility for risk, the Board undertakes an annual assessment, taking account of risks that would threaten our business model, future performance, solvency or liquidity, as well as the Group's strategic objectives. We use scenario modelling, including the climate scenario analysis described above, to better understand the impact of these risks on our business model when placed under varying degrees of stress, enabling us to consider interdependencies and test plausible mitigation plans.

The primary responsibility for, and management of, each risk is assigned to a specific member of the ELT, who is accountable for ensuring the operating effectiveness of the internal control systems and for implementing key risk mitigation plans. Risks are also assigned a secondary owner – usually at the Senior Leader level who is responsible for ensuring we mitigate the risk appropriately.

Our Corporate Affairs Director has primary responsibility for climate risk, with the Head of ESG and Sustainability having secondary responsibility. Our climate change principal risk includes both transition and physical climate risks as detailed above, and is monitored quarterly using a series of key risk indicators as detailed in the Metrics and targets section.

— Our risk management process to address our principal risks and uncertainties, including climate change, is detailed further on **page 56**

Metrics and targets

Targets

To address climate change risks, we have set ambitious climate-related targets within our sustainability framework, Build well, Live well, Act well – the headlines of which are summarised below:

Decarbonising our portfolio
Near-term target: reduce absolute scope 1, 2 and 3 GHG emissions 47% by 2030 from a 2020 baseline
Long-term target: reduce absolute scope 1, 2 and 3 GHG emissions 90% by 2040 from a 2020 baseline
Developing net zero carbon buildings
Reducing upfront embodied carbon across our developments by 50% compared with a typical building by 2030
Building resilience to a changing climate
Ensure 100% of assets located in areas highly exposed to climate risks have adaption measures in place

— Performance against these are detailed in our Sustainability Performance and Data Report: **landsec.com/sustainability/reports-benchmarking.** Additionally, our Streamlined Energy and Carbon Reporting (SECR) on **pages 195-198** provides details of our energy consumption and carbon emissions

Metrics

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

Table 29

	2022/23	2021/22
Reduction in energy intensity from a 2013/14 baseline	33%	34%
Total energy from renewable sources	68%	66%
Percentage of portfolio which is BREEAM-certified (by value)	64%	60%
Percentage of portfolio which is already EPC B or above (by value)	36%	36%
Percentage of portfolio which is EPC E or above (by value)	100%	99%
Investment in energy-efficiency measures implemented in the year	£2.2m	£1.3m
Estimated annual savings from energy-efficiency measures implemented in the year	£0.7m	£0.6m
Portfolio Climate Value at Risk (VaR) based on aggregated physical risks[1,2]	5.4%	4.9%

1. The VaR represents the combined discounted physical risks costs (extreme cold, extreme heat, flooding, windstorm/tropical cyclones and wildfire) based on probable change in physical climate risks for the next 15 years expressed as a percentage of the portfolio's value in a > 4°C scenario.
2. The increase in portfolio VaR is due to the disposal of some London based assets which had a lower rate of exposure.

Managing risk

Risk management is embedded throughout Landsec; from annual business planning to the day-to-day operational management of our assets.

Our key successes in 2022/2023

- Alignment of the risk management framework with the business structure and development of business area risk registers and associated governance structures
- Development of risk registers for key support functions, reinforcing roles and responsibilities for risk ownership between functions and business areas
- Assessment and application of risk appetite across all risks, underpinning business decision making and planning
- New risk waterfall implemented overlaying risk appetite to clearly identify where risks are inside or outside of tolerance.

Our key priorities in 2023/2024

- Continued embedding of risk review governance structures and cadence – strengthening linkages between risk, appetite and business planning
- Further development and definition of key risk indicator thresholds and formalised reporting mechanisms
- Revisiting and refreshing the Board risk appetite statement
- Embedding risk acceptance process as part of maturing understanding of appetite and governance of risk.

Risk management framework and governance

We have an established risk management and control framework, which is embedded throughout the Company. This framework enables us to identify, evaluate and manage our principal and emerging risks effectively. Our approach is not to eliminate risk, but to manage it within our appetite. Key elements of the framework are:

- The Board has overall responsibility for overseeing risk and for maintaining a robust risk management and internal control system.
- The Audit Committee is responsible for reviewing the effectiveness of the risk management and internal control system during the year.
- The Executive Leadership Team is responsible for day-to-day monitoring and management of Group-wide risks, emerging risks and key risk indicators (KRIs).
- Business area leadership teams monitor and manage risks and emerging risks relevant to their business areas.
- The Risk and Assurance function oversees the framework, providing support, challenge and insight to business areas and support functions.
- The Group Insurance team sits within the overall Risk and Assurance function, enabling collaboration between Insurance and Risk teams and detailed consideration of risk treatment planning, residual risk and transference to the insurance market, where appropriate.

Identifying and evaluating risks

As part of annual business planning, the Board undertakes an assessment of the risks that would threaten the Group's strategic objectives, future performance, solvency or liquidity. We use scenario modelling to better understand the impact of these risks on our business model when placed under varying degrees of stress, enabling us to consider interdependencies and test plausible mitigation plans. Senior management and teams across the business identify the strategic, operational, and legal and compliance risks, facing each area of our business. Risks are reviewed in detail with their respective owners, typically an ELT member or key business leader.

We use a risk scoring matrix to consider the likelihood and impact of each risk at regular points throughout the year. We evaluate risks on an inherent (before mitigating actions) and residual (after mitigating actions and controls) basis. From this, we identify principal risks (current risks with relatively high impact and certainty) and emerging risks (risks where the extent and implications are not yet fully understood).

These are included on our Group Risk Register, which the Executive Leadership Team challenges and validates. The Audit Committee reviews our principal risks before presenting them to the Board.

Risk appetite

The Board is responsible for defining the level of risk the Group is willing to take and ensuring it remains in line with our strategy. Risk appetite is a forward-looking view, and is informed by Landsec's current and future risk management philosophy. Comparing the residual score to appetite helps to determine how risks or opportunities are managed. To embed risk appetite effectively in the business we have established key risk indicators associated with each risk, defining limits that are aligned to our appetite. Scenario planning assists in setting these thresholds.

Management and assurance of risks

Day-to-day ownership and management of key risks is assigned to members of the Executive Leadership Team. They are responsible for ensuring the effectiveness of controls and for implementing risk mitigation plans, where necessary. Business area leadership teams review their risks quarterly and the ELT reviews the Group Risk Register bi-annually. The Board reviews principal and emerging risks bi-annually, with principal risks presented for review at each Audit Committee meeting.

The principal operational risks, including health and safety, and information security and cyber threat are managed by dedicated second-line functions that define and implement policy and mitigating controls, and undertake assurance activities. Risk deep-dives are completed throughout the year for specific risks, evaluating the current risk level and risk appetite, and agreeing any further actions.

Landsec has an Internal Audit function that provides independent assurance over key controls and processes to management and the Audit Committee. We identify where the impact of controls is greatest i.e. where there is a relatively high inherent risk and relatively low residual risk, and this helps to focus the work of Internal Audit and other assurance providers.

— See **page 88** for more information in the Report of the Audit Committee

In addition, the Risk and Assurance team manages Landsec's Key Controls Toolkit. The Toolkit is a set of clearly defined controls that are self-certified by control owners within the business on a quarterly basis, providing ongoing assurance and coverage of key risk areas. The Audit Committee monitors the results of this process. The Audit Committee also reviews our risk management framework at least twice a year as well as our Assurance Map, which sets out the key controls and assurance activities for each risk. This supports the Committee's evaluation of the control environment and the adequacy of assurance activity. The Committee also receives a summary report at each meeting, describing key second and third-line assurance activities, including internal audits, actions agreed and the status of open risk mitigation actions.

Risk management framework

Top-down
Oversight, identification, assessment and mitigation of risk at a Group level

Bottom-up
Identification, assessment and mitigation of risk at business unit and functional level

Risk Governance	**Board** • Set strategy and objectives • Set the risk culture • Monitoring risk exposure (including emerging risks) • Define and approve risk appetite	**Audit Committee** • Supports the Board in monitoring risk exposure • Review the effectiveness of our risk management and internal control system	
	1st line of defence	2nd line of defence	3rd line of defence
Risk Management	**ELT and Business area leadership teams** • Define the risk appetite • Identify the principal and emerging risks • Evaluate response strategies against risk appetite • Design, implement and evaluate the risk management and internal control system	**Risk management** • Create a common risk framework and language and provide direction on applying • Assist with the identification and assessment of principal and emerging risks • Monitor risks and risk response plans against risk appetite • Aggregate risk information • Provide guidance and training • Facilitate risk escalations and acceptance	**Internal Audit** • Provide independent assurance on the risk programme, testing of key controls and risk response plans for significant risks
Risk Ownership	**Business units** • Identify and assess risks • Respond to risks • Monitor risks and risk response • Ensure operating effectiveness of key controls	**Support functions** • Provide guidance/support to the Risk team and business units	

Principal risks and uncertainties

Effectively understanding and managing Landsec's principal risks and uncertainties allows our business leaders and the Board to make informed decisions.

Our principal risks consist of the ten most significant group risks, including seven strategic and three operational risks. The strategic risks relate to the macroeconomic environment; our key markets – office and retail; capital allocation; development; climate change; and people and skills. The operational risks are health and safety; and information security and cyber-attack. 'Change projects fail to deliver' is a new operational principal risk this year.

The risk waterfall below sets out Landsec's principal risks in columns from left to right ordered according to the level of residual risk. The colour of the header box indicates whether the risk is strategic (light blue) or operational (dark blue). Risk scores are generated by the multiplication of the impact and likelihood of a risk incident occurring using a five-by-five scale. The yellow arrows indicate the inherent risk score before mitigating controls and blue arrows show residual risk scores after taking account of controls, as determined at year end.

Our appetite range for each risk is reflected by the white box. The lower down the column the box is, the lower our appetite. The appetite range is a future looking view as opposed to risk scores, which are stated as at the year end. For risks that have been mitigated to within our appetite, the blue residual arrow is within the box. The appetite for each risk, when compared to the residual score, helps to determine business priorities and mitigation activities in the future.

Appetite ranges are: 'Open' (where we are focused on maximising opportunities); 'Flexible' (willing to consider all options); 'Cautious' (where we are willing to tolerate a degree of risk); 'Minimalist' (preferring options with low inherent risk); and 'Averse' (where we avoid risk and uncertainty). Risk appetite is a continuum and the range for some risks extend over more than one of these categories.

At present, there are no residual risk scores above appetite, though some are below, indicating an opportunity for greater risk to be taken in delivering business activities. The tables on the following pages describe each principal risk in detail, including mitigating controls, KRIs and changes in the year.

Principal Risks

1 Macroeconomic outlook

Executive responsible | Mark Allan **Appetite:** Flexible/Cautious

Changes in the macroeconomic environment result in reduced demand for space or deferral of decisions by retail and office occupiers. Due to the length of build projects, the prevailing economic climate at initiation may be different from that at completion.

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

Mitigation
- KRIs monitored
- Scenario-based modelling of plausible economic trajectories
- Research team prepares reports for ELT and area leadership teams on macroeconomic and internal risk metrics
- Twice-yearly Cycle Watch produced by our Research team, analysing macroeconomic, political and market-risk factors – which is also used for budget and forecasting assumptions
- Business portfolios prepare quarterly reporting to review sector and market risks

CHANGE IN YEAR | INCREASING

The UK economy has endured a tumultuous 2022/23 with inflation, interest rate rises and high energy prices leading to a slow-down in the UK market – and potential for recession. The risk increased in the first-half of the year and has softened in 2023, with inflation appearing to have peaked and energy prices falling.

Overall, the risk has increased over the course of the year. The net risk remains in line with our 'Flexible/Cautious' appetite.

2 Office occupier market

Executive responsible | Marcus Geddes **Appetite:** Flexible

Structural changes in customer expectations leading to changing demand for office space and the consequent impact on income and asset values. Further, the risk includes the inability to identify or adapt to changing markets in a timely manner.

Example KRIs
- Office usage percentages
- Percentage of lease expiries over our five-year plan
- Void rates across our portfolio
- Like-for-like rental income metrics
- Customer and space churn

Mitigation
- Customer relationship and customer base monitoring
- KRIs monitored and reviewed monthly by Office leadership team
- ESG programme to decarbonise office portfolio and strengthen prime property portfolio by meeting changing occupier needs
- Customer satisfaction measured regularly
- Forward-looking market intelligence reviewed regularly
- Market-led demand and customer expectations for environmentally sustainable office space closely monitored
- Strict credit policy and process, including regular review of customers at risk
- Future of Work forum hosted by our Insight team, examining disruption themes and megatrends in ways of working

CHANGE IN YEAR | DECREASING

The risk has reduced, as businesses have defined and implemented new working practices, office occupancy has settled and demand for prime space has strengthened.

Residual risk at year end was below our 'Flexible' appetite – reflecting our view of the office occupier market outlook and opportunities for stronger leasing terms in the coming year.

3 Retail and hospitality occupier market

Executive responsible | Bruce Findlay **Appetite:** Flexible

Structural changes in consumer expectations leading to changes in demand for retail or hospitality space and the consequent impact on income and asset values.

Example KRIs
- Asset guest numbers
- UK net retail openings and asset-vacancy rates
- Portfolio void rates
- Percentage of lease expiries over five years
- Customer credit risk and tenant counterparty risk

Mitigation
- KRIs monitored and reviewed monthly by Retail leadership team
- Brand partner relationship and guest experience monitoring
- Data-led development of asset and sector strategies, promoting proactive leasing
- Brand Account, Asset Management and Guest Experiences teams established
- Customer satisfaction surveys
- Strict credit policy and process, including regular review of customers at risk

CHANGE IN YEAR | NO CHANGE

This risk has remained consistent as the impacts of the pandemic have levelled – with online penetration falling from lockdown levels and growing omni-channel business models. With the potential for recession, we continue to monitor the risk.

Residual risk at year end was below our 'Flexible' appetite – reflecting our view of the retail and hospitality market outlook and opportunities for stronger leasing terms in the coming year.

4 Information security and cyber threat

Executive responsible | Mark Lockton-Goddard **Appetite:** Cautious

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

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

Mitigation
- IT security policies set out our standards for security and penetration testing, vulnerability and patch management, data disposal and access control
- A specific Cyber Security team and Data Protection Officer
- Quarterly assessment of key IT controls
- Monitored mandatory cyber security and GDPR training
- Third-party IT providers subject to information-security vendor assessment
- Close working with IT service partners to manage risk and improve technical standards
- Defined technical IT standards for all building systems
- Extensive use of cloud based systems
- Business resilience, crisis management and IT disaster-recovery plans in place for all assets, including regular testing
- Regular penetration testing across our IT estate and vulnerability-management system
- Corporate environment cyber insurance in place including access to instant support and external expertise and resources

CHANGE IN YEAR | DECREASING

The risk has reduced in the year, largely due to significant investment in, and development of, our cyber capability – as validated by an independent review.

We continue to develop and invest in the wider information security and cyber-control environment, and remain vigilant as the cyber threat landscape continues to evolve.

Principal risks and uncertainties
continued

5 Change projects

Executive responsible | ELT

Appetite: Cautious

Landsec is engaging in a number of important internal change programmes aiming to deliver operational and cultural benefits. There is a risk that these projects fail to deliver the identified benefits in a timely manner and to budget.

Example KRIs
- Key project milestones missed
- Projects operating without appropriate governance
- Success criteria achieved at post-implementation reviews and audits

Mitigation
- ELT sponsorship, with ELT and Board oversight
- Project governance methodology
- Qualified project managers used on all large projects
- Documented and approved benefits cases
- Company-wide communication supported by Senior Leadership Team engagement
- Regular progress reporting to project boards

CHANGE IN YEAR | NEW RISK

The number and impact of active change projects at Landsec has resulted in increased risk associated with programmes not achieving identified outcomes.

Cultural change is a key element of the wider change portfolio, making it of particular importance.

6 Capital allocation

Executive responsible | Mark Allan

Appetite: Flexible/Cautious

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

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

Example KRIs
- Committed development pipeline 10% GDV
- Portfolio liquidity
- Loan to value
- Headroom over development capital expenditure
- Speculative development, pre-development and trading property risk exposure
- Group hedging
- Net debt

Mitigation
- Monthly monitoring of capital disciplines and KRIs by business area boards, ELT and PLC Board
- Detailed market and product analysis to enable optimal investment decisions
- Rigorous and established governance and approval processes through the business area leadership, ELT and Board
- Investment Appraisal Guidelines define the key investment criteria, the risk assessment process, key stakeholders and the delegations of authority
- Stress-testing of scenarios as part of decision making

CHANGE IN YEAR | NO CHANGE

We have a clear view of the scale of the opportunity in each sector and relative returns achievable across Central London, major retail destinations and mixed-use urban neighbourhoods.

The macroeconomic backdrop has put upward pressure on this risk and our appetite in the last year was lower. We responded by de-risking our balance sheet, with the sale of 21 Moorfields and other assets, a more flexible approach to development commitments and the recent issue of Landsec's Green bond.

Over the course of the coming year, we expect the risk to increase towards our desired appetite range, as we commit to developments and potentially deploy capital into new capital opportunities.

7 Development strategy

Executive responsible | Mike Hood

Appetite: Flexible/Cautious

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

Example KRIs
- Take-up level for offices
- Tender-price inflation
- Monitor build-to-sell and build-to-rent ratios to determine phasing approach of developments

Mitigation
- Development strategy addresses risks that could adversely affect underlying income and capital performance
- A detailed appraisal is undertaken by business area leadership and Board before committing to a scheme
- Financial modelling and scenario planning to determine expected yields
- Tested project management approach and highly experienced development team
- Control processes over key risk areas including: project organisation and reporting; financial management; quality; schedule; change; risk and contingency management; health and safety; and project objectives
- Each project is supported by internal stakeholders in Operations, Sustainability and Tech, as evidenced through key monitoring reviews and gateway sign-offs
- Strong community involvement in the design process for our developments
- Early engagement and strong relationships with planning authorities

CHANGE IN YEAR | NO CHANGE

The external factors that influence this risk, such as market conditions and inflation, have increased.

However, this is offset as three major development schemes are close to completion.

Over the course of the coming year, we expect the risk to increase towards our desired appetite range, as we commit to new developments.

8 Health and safety

Executive responsible | Mark Allan

Appetite: Cautious/Minimalist

Failure to identify, mitigate or react effectively to major health or safety incidents, leading to:
- Serious injury, illness or loss of life
- Criminal or civil proceedings
- Loss of stakeholder confidence
- Delays to building projects and access restrictions to our properties, resulting in loss of income
- Inadequate response to regulatory changes
- Reputational impact

Example KRIs
- Number of reportable health and safety incidents
- Health and safety training completion
- Control reviews and follow up to completion

Mitigation
- Regular reviews by Health, Safety and Security Committee, (Chaired by the CEO), ELT and Board
- Health & Safety management system accredited to ISO 45001 standard
- Fire-safety management system accredited to the BS 9997 standard
- Accelerated asset integration assessment process for new acquisitions (e.g. U+I and MediaCity)
- H&S audits by Internal Audit, plus annual programme of data-led and second-line audits by H&S team
- Legal and best practice compliance monitored in real time
- Strict H&S standards applied to the selection of key service and construction partners; assessed by KPIs and regular reviews

CHANGE IN YEAR | NO CHANGE

The likelihood of a major health and safety incident has remained constant throughout the year, with U+I and MediaCity properties now falling under the wider Health and Safety regime following integration.

9 People and skills

Executive responsible | Kate Seller

Appetite: Cautious

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

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

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

CHANGE IN YEAR | INCREASE

The risk has increased due to a combination of voluntary and forced attrition due to ongoing transformation programmes.

Further, the continuation of a buoyant post-pandemic employment market has created an employee and candidate-led market with high levels of wage inflation.

10 Climate change transition

Executive responsible | Chris Hogwood

Appetite: Cautious/Minimalist

Climate change risk has two elements:

❶ Our commitment to reducing Landsec's near and long-term carbon reduction targets by 2030 and 2040 is not met in time or achieved at a significantly higher cost than expected, leading to regulatory, reputational and commercial impact.

❷ Failure to ensure all new developments are net zero in construction and operation, as defined by the emerging net zero standard for assets, leads to an inability to service market demand for high-quality assets that meet the highest environmental and wellbeing standards.

Example KRIs
- Energy intensity
- Renewable electricity
- EPC ratings
- Operational carbon emissions
- Embodied carbon for new developments
- Portfolio natural disaster risk
- Portfolio ESG credentials
- Energy efficiency measures

Mitigation
- Climate risks and opportunities for potential acquisitions assessed against our Responsible Property Investment Policy and ESG Acquisition Appraisal Framework
- Developments designed to be resilient to climate change and net zero – both in construction and operation
- All properties comply with ISO 14001 and ISO 50001 Energy Management System
- Continued monitoring of portfolio exposure to physical climate risks, and review of mitigation actions for sites located in high-risk areas
- Early supply chain engagement for procurement of air source heat pumps and solar PVs – ensuring appropriate due diligence

CHANGE IN YEAR | DECREASE

The transitional risks of climate change have continued to reduce as we have reviewed and updated our fully costed net zero transition investment plan for the effects of inflation and have begun portfolio decarbonisation planning.

Going concern and viability

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

Going concern

The Directors confirm they have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of signing these financial statements. This confirmation is made after having reviewed assumptions about future trading performance, valuation projections, capital expenditure, asset sales and debt requirements contained within the period ending 30 September 2024 from the Group's budget and long-term strategic 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 16 months to 30 September 2024 with materially reduced levels of cash receipts. 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 2023. Refer to note 1 of the financial statements for further information.

Viability statement

The viability assessment period

The Directors have assessed the viability of the Group over a five-year period to March 2028, taking account of the Group's current financial position and the potential impact of our principal risks.

Process

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

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

Given the recent unfavourable 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 Directors' assessment of the viability of the Group.

Key risks

The table below sets out those of the Group's principal risks (see pages 56-59 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
Macroeconomic outlook Changes in the macroeconomic environment results in reduced demand for space or deferral of decisions by retail and office occupiers Due to the length of build projects, the prevailing economic climate at initiation may be different from that at completion.	• Declines in capital values and outward yield movements across all assets within the portfolio • Additional impact of a higher inflationary market captured within costs • No issuance of additional fixed term bonds through the assessment period • Additional impact of increased interest rates on servicing debt
Office occupier market Structural changes in customer expectations leading to changing demand for office space and the consequent impact on income and asset values.	• Reduced demand leads to increased void periods, negative valuation movements and downward pressure on rental values over the whole assessment period
Retail and hospitality occupier market Structural changes in customer expectations leading to changes in demand for retail or hospitality space and the consequent impact on income and asset values.	• Increased customer failures lead to increased void periods, negative valuation movements and downward pressure on rental values over the period
Capital allocation Capital allocated to specific assets, sectors or locations does not yield the expected returns i.e. we are not effective in placing capital or recycling.	• Capital that is accretive to the portfolio but not essential has been removed • Any uncommitted budgeted acquisitions, disposals and developments do not take place due to reduced liquidity
Development strategy We may be unable to generate expected returns as a result of changes in the occupier market for a given asset during the course of the development, or cost or time overruns on the scheme.	• A reduction in recognised development profits for committed schemes that will continue to be advanced over the viability assessment period

We considered our other Principal Risks, including climate change transition, and their possible impact on our assessment of the Group's viability. We concluded that as we have fully costed and committed to invest £135m to achieve our science-based net zero target by 2030, this mitigated the climate change transition risk sufficiently.

Impact on key metrics

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

The viability scenario represents a contraction in the size of the business over the five-year period considered, with the Security Group LTV at 48.0% in March 2028, its highest point in the assessment period. The Group maintains a positive financial headroom from March 2023 through to March 2025. From March 2026 the Group will be required to secure new funding as existing facilities expire. This drives the negative available financial headroom in the viability scenario at March 2028. The Directors expect the Group to be able to secure new funding, or exercise extension options, given the Group's expected loan-to-value ratio, the flexibility of the financing structure in place, and positive engagement with providers of funds to date.

Table 30

Key Metrics	Actuals 31 March 2023	Viability scenario 31 March 2028
Security Group LTV	33%	48.0%
Adjusted net debt	£3,287m	£3,742m
EPRA Net Tangible Assets per share	936p	638p
Available financial headroom	£2.4bn	(£1.6bn)

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 2028.

Non-financial information statement

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

— You can find our policies on our website: **landsec.com/sustainability/governance-policies, landsec.com/about/corporate-governance**

Topic	Our policies and standards that govern our approach	Where information can be found in this report
Environmental matters	• Sustainability policy: sets out our sustainability vision and associated commitments as detailed in our Build well, Live well, Act well strategy • Environment and energy policy: how we manage our business activities with minimal impact on the natural environment and strive to reduce our climate change impact • 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 carbon 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 • Sustainable Development Toolkit: translates our sustainability vision into a guide to ensure that we design and develop our new schemes and refurbishments sustainably • Build well, Live well, Act well site action plans: plans that guide our site teams to operate and manage our standing assets sustainably	— Build well - our commitment to the environment on **pages 41-43**
Employees	• Employee Code of Conduct: sets out how we behave internally and externally, in line with our purpose, values and behaviours • Equal opportunities policy: how we treat our employees, based on merit and ability, in a fair and transparent way, building a diverse and inclusive workplace • Harassment and bullying policy and procedure: our commitment to stop and prevent behaviour that causes offence or distress in the workplace • 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 wellbeing of our employees encouraging a healthy work-life balance • Mental health first aider policy: sets out how we manage our trained mental health support network	— Our people and culture on **pages 34-39** — Act well - our commitment to being a responsible business on **pages 45-46**
Respect for human rights	• Human rights policy: our commitment and core principles to respect the human rights of all those who work for Landsec and on our behalf • 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 • Supply Chain Commitment: our commitment to build long-lasting partnerships with suppliers who uphold the same ethical principles as us and work together for a sustainable future for all • Right to work policy: provides best practice guidance to those assigned responsibility for performing right to work checks across our supply chain	— Directors' Report on **pages 117-119** — Our approach to sustainability on **pages 40-53**

Topic	Our policies and standards that govern our approach	Where information can be found in this report
Social matters	• Diversity and inclusion: our revised strategy, Diverse Talent, Inclusive Culture and Inclusive Places sets out our vision to design, develop and manage more inclusive, commercially successful places through attracting and nurturing diverse talent within a culture that enables everyone to reach their full potential • Community Charter: our commitment to engage our communities throughout the development process and beyond	— Our people and culture on **pages 34-39** — Live well - our commitment to creating opportunities and inclusive places, supporting communities to thrive on **page 44**
Anti-bribery and corruption	• Anti-Bribery Gifts and Hospitality Policy: we have a zero tolerance for any form of bribery or corruption • Conflicts of interest and anti-competitive behaviours: our employees must act in the best interests of the Company and not make decisions for personal gain • Speak Up Policy: how we encourage those who work for Landsec and on our behalf to ask questions, raise concerns or report incidents of any impropriety or wrongdoing • Sustainable Procurement Guidance: sets out six procurement principles to ensure that we procure goods and services responsibly, securely, timely, smartly, ethically and positively in accordance with the law and in compliance with relevant legislation • Tax strategy: we act with integrity and excellence when dealing with taxes and engage with Government for a fair taxation system	— Act well – our commitment to being a responsible business on **pages 45-46** — Report of the Audit Committee on **pages 88-95**
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 54-55** — Principal risks and uncertainties on **pages 56-59** — Report of the Audit Committee on **pages 88-95**
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 12-13**
Non-financial key performance indicators	• In addition to our financial performance metrics, we set ourselves a range of KPIs for the year including sustainability targets	— Key performance indicators on **page 16**

The EU taxonomy

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

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

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

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

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

The UK has established a Green Technical Advisory Group who have issued its initial recommendations to the UK Government on UK Green Taxonomy, which builds on the EU taxonomy and net zero in the UK context. Taking steps to understand the requirements from the EU taxonomy, helps us to prepare Landsec for the incoming implementation of the UK Green Taxonomy.

In the Build well section on pages 41-43, we provide information on how we are investing across our portfolio to transition to net zero, its current EPC ratings, and approach to new developments.

We provide further information on our portfolio EPC ratings and building certifications in our Sustainability Performance and Data Report.

This Strategic Report was approved by the Board of Directors on 15 May 2023 and signed on its behalf by:

Mark Allan
Chief Executive

Introduction to the Corporate Governance Report from the Chairman

Dear shareholder

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

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

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

The year in review

The business has maintained momentum in delivering against its strategic plan, notwithstanding the challenging economic backdrop this year. Effective governance together with the strength of leadership of our Board has continued to provide structure and stability in times of uncertainty.

I am grateful to my fellow Directors, the Executive Leadership Team and our colleagues for their continued support and dedication during the year.

Board succession and diversity

This year, the Board, together with the Nomination Committee has continued to focus on succession planning and Board composition.

During the year we have actively engaged with two search consultancies to ensure the Board has the necessary skills, knowledge, experience and diversity to deliver superior performance and enhance the success of the Company. As a result, we appointed Miles Roberts and Sir Ian Cheshire.

We remain committed to having a Board that is diverse in all respects. As at the date of this report and throughout this financial year we have complied with the Listing Rules requirements relating to diversity: (i) at least 40% of the Board are women (also meeting the FTSE Women Leaders target); (ii) at least one of the senior board positions are women (both Chair and CFO); and (iii) at least one individual on the Board is from a minority ethnic background (also meeting the Parker Review target). The Board and new Chair are aware that on my retirement our gender diversity will dip below 40%, and this will be taken into account in our near-term succession planning.

Importantly, across the wider business, we have refreshed our diversity and inclusion strategy during the year and agreed new targets (see pages 35-38).

Stakeholder engagement

Landsec's success is dependent on the Board taking decisions for the benefit of our shareholders and in doing so having regard to all our stakeholders. Throughout the year, the Board received institutional investor updates and our Committee Chairs and Senior Independent Director have made themselves available to investors for meetings.

Our 2022 AGM was held at our headquarters in London and shareholders were able to submit questions in advance for consideration by the Board.

This year we continued with our workforce engagement activities, including receiving a full briefing on the annual employee engagement survey results and Directors meeting directly with employees. Christophe Evain also engaged with our Employee Forum to answer questions on executive remuneration. The Board is committed to understanding the views of all of Landsec's stakeholders to inform the decisions that we make.

Culture

The Board understands the importance of culture and setting the tone of the organisation from the top and embedding it throughout Landsec. Our culture is a key component for continuing to make progress with our strategic plans. The aim of our people strategy is to create a high-performing and inclusive culture. During the year the Board monitored our culture with regular updates on our people, our organisational transformation programme, our culture, talent, diversity and inclusion activities and engagement survey, and direct engagement with the workforce.

Board evaluation

This year our Board evaluation was carried out internally. The Board was satisfied with its own performance, with all Board members rating performance as good or excellent. The composition of the Board was considered appropriate with the impact of recent changes noted.

Conclusion

I would like to conclude by thanking members of the Board for their continued support and commitment over the past year and throughout my time as Chairman. I have much enjoyed my tenure at Landsec, especially the last five years as Chairman. I know I will be leaving the Company in a robust position with Sir Ian Cheshire, our experienced Board members, the leadership team and the wider workforce.

I would also like to extend my personal thank you to our colleagues, as I step down from the Board, for all their hard work and commitment to the business. I wish everyone at Landsec all the best for the future.

Cressida Hogg
Chairman

Board of Directors

N R

Cressida Hogg, Chairman

Years on the Board — Nine (Chairman since July 2018). Due to retire from the Board on 16 May 2023.

Committees — Nomination Committee (Chairman), Remuneration Committee

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

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

Cressida was independent upon appointment as Chairman.

Other current appointments — Non-executive Director and Chair Designate of BAE Systems plc, Senior Independent Director and Chair of Remuneration Committee, London Stock Exchange Group plc. Non-executive Director, Troy Asset Management.

N R

Sir Ian Cheshire, Non-executive Director* and Chair Designate

Years on the Board — Less than one (appointed to the Board 23 March 2023). Due to assume the role of Chair from 16 May 2023.

Committees — Nomination Committee, Remuneration Committee

Skills and experience — Sir Ian joined the Landsec Board as Non-executive Director and Chair Designate on 23 March 2023 and will assume the role of Chair on 16 May 2023. Sir Ian brings extensive general management and board experience in customer-facing organisations across a range of sectors. His executive roles include senior leadership and commercial roles in customer-focused businesses, latterly as Group Chief Executive of Kingfisher plc from 2008 to 2015.

He previously held Non-executive Director roles at Barclays PLC (and as Chairman of Barclays Bank UK), Whitbread PLC (where he was Senior Independent Director), Debenhams and Maison Du Monde. He was lead Non-executive Director at the UK Cabinet Office and Department for Work and Pensions. He was also Chairman of the British Retail Consortium, Chairman of the Prince of Wales Corporate Leaders Group on Climate Change, President of the Business Disability Forum President's Group and chaired the Ecosystem Markets Task Force and GR Task Force.

Sir Ian was knighted in the 2014 New Year Honours for services to Business, Sustainability and the Environment and is a Chevalier of the Ordre National du Merite of France.

Other current appointments — Chair of Channel 4, Spire Healthcare Group plc and Menhaden Resource Efficiency plc (due to relinquish the role of Chair on 16 May 2023). Non-executive Director of BT Group plc and Chair of their Remuneration Committee (due to retire at their AGM in July 2023). Chairman of the Prince of Wales's Charitable Fund and We Mean Business Coalition.

N R

Edward Bonham Carter, Non-executive Director* and Senior Independent Director

Years on the Board — Nine

Committees — Nomination Committee, Remuneration Committee

Role — A sounding board for the Chairman and a trusted intermediary for other Directors and shareholders.

Skills and experience — Edward has significant experience of general management as a former CEO of a private equity backed and 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.

Other current appointments — Senior Independent Director, ITV plc. Trustee and Chairman of Investment Committee, Esmée Fairbairn Foundation. Non-executive Chairman, Netwealth Investments Ltd. Member, Strategic Advisory Board, Livingbridge LLP.

Committees

A Audit Committee

N Nomination Committee

R Remuneration Committee

***Independent as per the UK Corporate Governance Code.**

Board of Directors
continued

A N

Nicholas Cadbury, Non-executive Director*

Years on the Board — Six

Committees — Audit Committee (Chairman), Nomination Committee

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

Other current appointments — Chief Financial Officer, International Airline Group (IAG).

A

Madeleine Cosgrave, Non-executive Director*

Years on the Board — Four

Committees — Audit Committee

Skills and experience — Madeleine has extensive experience in the property industry; she is a member of the Royal Institution of Chartered Surveyors and former chair of the INREV Investor Platform. She is an independent member of the CBRE IM EMEA Investment Committee, senior advisor to ICG Real Estate and has mentoring roles with IntoUniversity and GAIN (Girls Are Investors). Madeleine was previously Managing Director and Regional Head, Europe at GIC Real Estate, Singapore's Sovereign Wealth Fund. She held this position from 2016 until she stepped down in June 2021 and was responsible for the investment strategy, portfolio and team. She led the RE business in Europe and was a voting member of GIC RE's Global Investment Committee.

Madeleine is a chartered surveyor and started her career in 1989 with JLL as a graduate trainee. She went on to hold roles in valuation, fund management, leasing and development in both London and Sydney, before joining GIC in 1999.

Other current appointments — Independent Member of CBRE IM EMEA Investment Committee. Senior Advisor to ICG Real Estate.

N R

Christophe Evain, Non-executive Director*

Years on the Board — Four

Committees — Nomination Committee, Remuneration Committee (Chairman)

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.

Other current appointments — Chairman, Bridges Fund Management. Non-executive Director, Quilvest Capital Partners.

*Independent as per the UK Corporate Governance Code.

A

Miles Roberts, Non-executive Director*

Years on the Board — Less than one (Appointed to the Board 19 September 2022)

Committees — Audit Committee

Skills and experience — Miles is currently Group Chief Executive of DS Smith Plc, the international packaging group, and has held this position since 2010. Prior to this, he was Chief Executive at McBride plc from 2005 to 2010. Miles brings a wide level of Board experience, together with specific experience of large, long-term capital projects, alongside a particular focus on sustainability. Miles is a qualified chartered accountant.

Other current appointments — Chief Executive, DS Smith Plc.

R

Manjiry Tamhane, Non-executive Director*

Years on the Board — Two

Committees — Remuneration Committee

Skills and experience — Manjiry brings over 20 years of client and agency side experience in the data, technology and advanced analytics industry gained from working in marketing, customer insight and strategy roles. She is Global Chief Executive Officer of Gain Theory, a global foresight consultancy, a subsidiary of WPP plc. Manjiry was part of a team which founded Gain theory in 2015, having previously been Managing Director of another of WPP's consultancies also focused on data and analytics, 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. In 2017, Manjiry was named as one of the top 20 Women in Data & Technology, led by The Female Lead and Women in Data.

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.

Other Directors on the Board during the year

Colette O'Shea stepped down as an Executive Director on 30 September 2022 having joined the Board in 2018, and stepped down from her role as Chief Operating Officer in March 2023 after a transitional period.

Company Secretary appointment

Marina Thomas was appointed as Company Secretary with effect from 31 October 2022. Marina provides advice and support to the Board, its Committees and the Chairman, is responsible for corporate governance across the Group as well as being responsible for the health and safety function. The appointment and removal of the Company Secretary is a matter for the Board.

*Independent as per the UK Corporate Governance Code.

Board of Directors
continued

Chart 31

Current gender diversity of Board
(All directors)

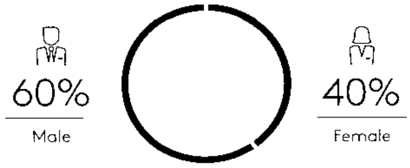
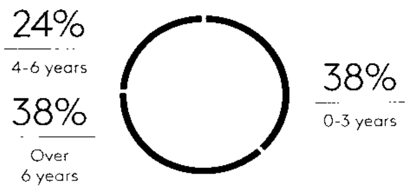


Chart 32

Current Board tenure
(Non-executive Directors including Chairman)



Mark Allan,
Chief Executive, Executive Director

Years on the Board — Three

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

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

Other current appointments — Mark is Vice President of the British Property Federation.

Management committees — Chairman of the Group's Executive Leadership Team. Mark is invited to attend the Audit, Remuneration and Nomination Committees at the invitation of the Chairs.

Vanessa Simms,
Chief Financial Officer, Executive Director

Years on the Board — Two

Role — *Works closely with the Chief Executive* in developing and implementing vision and strategy. Responsible for Group financial performance, financial planning, management of risk and assurance, group legal and group procurement.

Skills and experience — Vanessa brings extensive experience to Landsec from the property sector in the UK. She has over 25 years of experience in finance and extensive knowledge of UK real estate holding a number of senior positions at other UK property companies. Vanessa has a valuable combination of expertise and experience in leading and implementing strategic change in businesses and substantial experience in senior finance leadership roles in a listed environment.

Prior to joining Landsec in June 2021, Vanessa was CFO of Grainger plc, a role she held since February 2016, 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.

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. Vanessa attends Audit Committee meetings at the invitation of the Committee Chairman.

Our governance structure

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

Appointment of executive directors

Approves property and investment decisions and other commitments above £150m

Board committees*

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

Ensures transparency and financial governance

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

CEO
Leads the Group

Articulates vision, values and purpose

Develops and implements strategy

Responsible for overall performance of the business

Manages the Executive Leadership Team

Executive Leadership Team
- Monitor performance and organisational health
- Develop and oversee the Group's people and culture strategy
- Oversight of sustainability and data strategies, risk and compliance

Management committees

Workplace and Lifestyle Boards
- Approve property investment decisions £10m to £150m
- Develop and oversee the delivery of strategic plans
- Focus on external perspectives and trends
- Assess and manage strategic risks

Business Unit (Workplace, Retail, Mixed-Use) executive committees
- Develop and execute business plans
- Assess and manage operational risks
- Deliver financial performance
- Talent development

* We also operate a Disclosure Committee chaired by the CFO, which oversees compliance with market abuse requirements and manages inside information.

Our governance structure
continued

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 the corporate governance section of our website.

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

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

During the year, in light of the changing environment a review of the organisation structure was undertaken to ensure Landsec was well positioned for the future. The result was the identification of a number of differentiators and a change to the internal operating model.

The governance for this model is focused around the two different business areas primarily based on Landsec's customers' needs. Workplace covers office activity (currently mainly Central London but could expand in the future to other regions) and Lifestyle which covers retail and the mixed-use business.

Under the new operating model the Board continues to oversee governance and assurance, supported by the Executive Leadership Team, which is responsible for Group strategy and co-ordination alongside the Workplace and Lifestyle Boards who are responsible for strategic planning.

The Workplace and Lifestyle Boards are supported by executive committees which are responsible for developing and executing business plans, managing operational matters day to day and delivering financial performance.

Managing Directors
Up to £10m

Executive Leadership Team
£10m-£150m (Non-property)

Workplace and Lifestyle Boards
£10m-£150m (Property)

Board
Over £150m

Conflicts of interest and external appointments

The Board has a policy to identify and manage Directors' conflicts or potential conflicts of interest and has delegated authority to the Nomination Committee to (i) approve or otherwise any such disclosed conflicts, and (ii) determine any mitigating actions deemed appropriate to ensure that all Board meetings and decisions are conducted 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.

During the year, Madeleine Cosgrave declared two appointments, which were ultimately not deemed to be of concern from a time commitment or conflicts perspective (senior advisor to ICG Real Estate and independent member of the CBRE IM EMEA Investment Committee).

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, assesses whether each member of the Board is able to continue contributing effectively.

Sir Ian Cheshire is currently Chair of Channel 4, Spire Healthcare Group Plc, UK investment trust Menhaden Resource Efficiency Plc and serves as Non-executive Director at BT Group Plc. He is stepping down from the Chair position (remaining as Non-executive Director) at Menhaden Resource Efficiency Plc on 16 May 2023 and will retire from BT Group Plc at its AGM in July 2023 to ensure he has sufficient capacity to act as Chair of Landsec.

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

Potential conflicts of interest and how we have managed them

Director	Potential conflict situation	Nomination Committee decision and mitigating action taken
Ian Cheshire (Non-executive Director)	Decisions on investing in Landsec securities conflicting with role on Landsec Board.	As Menhaden Resource Efficiency invests primarily in US and European markets, investing in businesses and opportunities delivering or benefitting from the efficient use of energy and resources, investment in Land Securities Group PLC securities is unlikely and in any event Sir Ian Cheshire does not participate directly in investment decisions at Menhaden and has agreed to never participate in investment decisions concerning the shares of Land Securities Group PLC at Menhaden.

Induction

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

An induction plan was put in place for Miles Roberts upon joining as a Non-executive Director in September 2022. The aim of his induction was to support his understanding of Landsec's business and financial position, strategy, culture, risks and opportunities, Board governance and dynamics. The plan assisted him to form relationships with the Chairman, the Board, the Executive Leadership Team and key external advisers, in addition to a number of site visits. Sir Ian Cheshire is currently undertaking a similar induction plan.

— More information on their inductions can be found on **page 85.**

Board diversity

As at the date of this report and throughout this financial year we have complied with the Listing Rules requirements relating to diversity: (i) at least 40% of the Board are women (also meeting the FTSE Women Leaders target); (ii) at least one of the senior board positions are women (both Chair and CFO); and (iii) at least one individual on the Board is from a minority ethnic background (also meeting the Parker Review target). The Board and new Chair are aware that on the retirement of Cressida Hogg, our gender diversity will dip below 40%, and this will be taken into account in our near term succession planning. See table 33 below.

Training and development

Directors received regular updates in their Board papers, facilitating greater awareness and understanding of the Group's business and in particular the emerging strategy.

The Board also received presentations on the flexible office market and the future of office assets acquired as part of the U+I Group and MediaCity acquisitions.

In June 2022, the Board had a deep dive into the Southwark area of London, where Landsec has assembled a pipeline of c.1m sq ft. In addition, the Board received a teach-in session on embodied carbon from the Landsec sustainability team which included case studies on The Forge, Red Lion Court, Timber Square and Liberty of Southwark and discussed the implications for n2 whilst the Board visited the development.

In December 2022, the Board received a detailed briefing on embodied carbon in development and Landsec's objective to reduce embodied carbon. The Board also received a briefing and site visit of the n2 development on the same day.

In February 2023, the Board held its strategy away day at our Myo offices at Dashwood House in London with a tour of 21 Moorfields, a complex development nearing completion that showcased Landsec's deep development expertise during the life of the project.

Finally, the Board were also provided with a market disclosure briefing to reinforce their knowledge of the Market Abuse Regulation including recent developments and case studies.

Board diversity[1] Table 33

	Number of Board members[2]	Percentage of the Board[2]	Number of senior positions on the Board (CEO, CFO, SID and Chair)[2]	Number in Executive Leadership Team[3]	Percentage of Executive Leadership Team[3]
Gender diversity					
Men	6	60%	2	6	67%
Women	4	40%	2	3	33%
Not specified/prefer not to say	–	–	–	–	–
Ethnic diversity					
White British or other White (including minority-white groups)	9	90%	4	9	100%
Mixed/Multiple Ethnic Groups	–	–	–	–	–
Asian/Asian British	1	10%	–	–	–
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

1. Data disclosed as at the date of this report. The data is collected from individuals when joining the Company. Individuals are asked to select from a series of options on both gender and ethnic diversity. Gender and ethnicity data is shared with the Executive Leadership Team and the Board regularly.
2. Board numbers for gender diversity will change after the date of this report owing to the retirement of Cressida Hogg
3. Executive Leadership Team numbers for diversity will change after the date of this report owing to the appointment of a new ELT member in June 2023 (see page 73).

Executive Leadership Team

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

— Biographies for our Executive Directors can be found on page 68.

Remco Simon, Chief Strategy & Investment Officer

Role — Remco has responsibility for the Group's strategic planning, capital allocation and capital markets activity.

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

Kate Seller, Chief People Officer

Role — Kate is responsible for helping the business to achieve our people and cultural strategic goals.

Skills and experience — Kate has over 25 years of multi sector international HR experience, including an early career spent in retail, then ten years at Experian where she held a variety of global HR roles, including HR Director for Experian Asia Pacific based in Singapore. More recently she held the role of Group People Director at HomeServe plc, a founder-led FTSE 250.

Mike Hood, CEO of U+I

Role — Mike leads U+I, Landsec's regeneration business and is responsible for driving forward the portfolio of transformative mixed-use regeneration projects across the UK.

Skills and experience — Prior to joining U+I in 2020, Mike was Managing Director at Capital & Counties Properties PLC (Capco), where he led the 77 acre/£10bn Earls Court project and subsequent sale and spearheaded major, award-winning heritage and restoration projects for Capco's prestigious Covent Garden estate. Mike trained in the UK and Holland as an architect.

Marcus Geddes, Managing Director, Central London

Role — Marcus has responsibility for the performance of our Central London portfolio and executing Group investment acquisitions and disposals.

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.

Bruce Findlay,
Managing Director, Retail

Role — Bruce helps to define 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.

Skills and experience — Bruce has over 25 years of consumer brand experience where he's developed his operational leadership and strategic management skills. Prior to joining Landsec, Bruce was 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 omni-channel retailer.

Chris Hogwood,
Managing Director, Corporate Affairs & Sustainability

Role — Chris leads the Corporate Affairs and Sustainability teams at Landsec.

Skills and experience — Chris joined 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.

Marina Thomas,
Head of Governance and Company Secretary

Role — Marina has responsibility for governance and the Company secretary and health and safety functions at Landsec.

Skills and experience — Marina has over 20 years' experience in governance, across aerospace and defence and financial services. Prior to joining Landsec, Marina was Group Company Secretary and EVP of Ethics and Communications at Meggitt PLC.

Nisha Manaktala,
Chief Data and Technology Officer

Joining Landsec in June 2023

Role — Nisha will lead the data and technology teams, overseeing digital and data transformation programmes across the business.

Skills and experience — Most recently, Chief Technology Officer for Hiscox Re & ILS, part of the Hiscox insurance group, Nisha has over 20 years of technology leadership experience, with expertise across data, engineering and operations. Nisha has been featured as a Top 100 CIO in the UK, recognised for delivering digital business transformation through complex change programmes.

The Board in action

Decisions of the Board this year have been considered in the context of a challenging macro-economic environment and whilst considering the changes, risks and opportunities that such an environment can bring.

Board meetings

Board members attend eight scheduled meetings a year and meet as required for additional discussions.

All members of the Board attended all Board and Committee meetings during their tenure and membership, with the exception of Christophe Evain who missed the Board, Nomination and Remuneration Committee meetings held in March 2023 due to a family bereavement.

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

The Board met for four dinners throughout the year at which a number of matters were discussed including the macro-economic climate, areas of risk, culture and talent retention. These opportunities allow the Board to develop and solidify relationships and further discuss matters impacting the business in an informal manner without the inevitable time restrictions of Board and Committee meetings.

The Non-executive Directors also met without the Executive Directors being present.

Execution of strategy

This year, the Board has continued to consider the Group's strategy and the execution of strategy, particularly in the context of the uncertain macro-economic and political environments. In addition, the alignment of culture and the internal governance framework and strategy has been a focus of the Board. All of Landsec's stakeholder interests remain at the heart of strategy decisions especially in uncertain climates.

— There is further information about the Board and our stakeholders on **pages 76-79** and the Board and our Culture on **pages 80-81**

The Board considered a number of strategic areas during the year, which included reviews of the retail strategy, the residential strategy and the alignment with urban mixed-use. In addition, the Board considered the future of the office and flex office. More details on the strategic (and other matters) considered by the Board can be found on page 75. As part of these strategic reviews the Board had a tour and deep dive review of our developments in the Southwark area of London.

In addition, the Board benefited from a session with some of the sustainability team on embodied carbon followed by a tour of the n2 development site, which brought to life some of the matters that had been discussed in the session.

Board's tour of Southwark

The June meeting of the Board took place in Southwark and allowed the Board to benefit from a walking tour of the area led by the Executive Directors and members of the Central London office team.

The Board were initially given a presentation on why the Southbank was considered an important area and how in particular the Southwark area fitted into this growing part of London.

During the tour the Board were able to see our four existing (or potential) development sites in the area – Timber Square, The Forge, Liberty of Southwark and Red Lion Court, and the thriving neighbourhoods in which they are located.

The tour allowed the Board to ask questions on the area, its heritage, development progress, and sustainability credentials. The Board welcomed the additional insight into the developments, the location and the impact on Landsec's growth strategy.

Board discussions during the year

	Topics	Outcomes
Strategy	• Update of the strategic plan • Consideration of the retail strategy • Update on the residential strategy • Urban mixed-use business review • The future of office and the flex office market • Optimum capital recycling and capital allocation	• Capital Markets Day held in Southwark • Approval of sale of 21 Moorfields, One New Street Square and 32-50 Strand • Purchase of additional 50% stake in St David's
Financial	• Macroeconomic environment consideration • Budget and five-year plan • Key business targets • Dividend consideration • Going concern and viability statement • Investor relations • Portfolio valuation • Source of funding and gearing levels	• Preliminary Results • Annual Report and Accounts • Half-year Report • Dividend payments • Launch of new Green bond • Annual Tax Strategy • U+I post investment appraisal
Operational	• The impact on the business of the inflationary environment • Development pipeline and pre-let activity • Market and sector trends • Investment and sales	• Board's heightened focus on the impact of cost increases for the business, customers and employees • Board's continued focus on the use of data and technology throughout the business to make informed decisions on customer and market trends and to provide the best service to customers • Flexible retail and office models • Recognition of the increasing importance of customers' changing needs • Monitoring pre-let activity
People and organisation	• Succession planning • Talent • Diversity and inclusion • Culture • Sustainability • Gender pay • Health and safety • Fire safety • Data strategy and governance • Internal operating model and governance • Employee engagement	• Appointment of additional Non executive Director and a new Chair • Importance of diversity reinforced at Board level and throughout the business • New diversity and inclusion strategy • Revised internal operating model and its governance framework to support cultural change • Embodied carbon update for the Board • Gender Pay Gap Report • Updated sustainability strategy and targets • Health and safety updates provided at every Board meeting with particular focus on the new fire safety legislation and ensuring that Landsec's residential portfolio is in compliance • Driving cultural change embedded in Board discussions
Governance	• Risk identification, management and internal control • Cyber security and technology • Meeting reports from Chairs of Audit, Remuneration and Nomination Committees • Modern slavery • Board and Committee effectiveness • Legal and litigation updates	• Risk appetite and tolerance ranges for each principal risk • Internal Board and Committee evaluation • Annual General Meeting • Approval of Modern Slavery Statement • Progression of technology transformation programme

The Board and our stakeholders

Our purpose – sustainable places, connecting communities, realising potential – puts all our stakeholders at the forefront of the Board's decision making.

This is our Section 172 Statement.

The Board is pleased to provide a statement that supports Section 172(1) of the Companies Act 2006. This requires that Directors promote the success of the Company for the benefit of the members, having regard to the interest of stakeholders in their decision making. Over the next few pages, we provide examples of how the Board engages with stakeholders and takes into account their interests when making decisions.

— An introduction to our stakeholders can be found in our Strategic Report on **page 11**

Stakeholders and Board decision making

Our stakeholders' interests and priorities continue to change, and affect the way we work, shop and engage with each other. Effective communication with our stakeholders is critical to keeping pace with their evolving needs, which is so important for our long-term success. The Board's engagement with stakeholders is both direct and by management reporting up to the Board on stakeholder engagement, the importance of which is embedded throughout our business.

Our five key stakeholders

Customers
Communities
Partners
Employees
Investors

Our customers

We have made good progress with growing our customer relationships which has been a key feature of our strategy for two years. The Board receives regular updates on our customers.

During the year, the Board received a detailed briefing on our retail, office and mixed-use strategies including customer insights, as well as regular updates on customers as part of the business update at every meeting. This has helped to understand the changing requirements of office customers since the pandemic, including changing space requirements and the increased demand for 'healthy buildings'. As a business we have listened to office occupiers regarding their needs, resulting in us providing greater flexibility of office leases.

The Board reviewed the retail strategy update in September. The Reimagine Retail change programme has been implemented and is based on three main strategies: the future asset, brand partners and guest experience. We have developed clear plans for each of our assets to make sure they deliver the physical experience, which continues to attract the right visitors for brands.

Each location will see a more distinct identity, more closely representing the narrative of the area in which it is located, although there are some key themes that reach across all locations. The Board noted the good progress that had been made in recognising and understanding consumer behaviour and its impact on investment decisions, the importance of improving data insights and direct relationship management, but also ensuring that downside scenarios were considered.

The Board also received a residential strategy update from the Chief Strategy and Investment Officer and Head of Lifestyle Investment. The Board supported the view that residential should be part of our strategy.

Our communities

To understand in more detail some of the communities our assets are located within, the Board visited certain assets during the year, including Southwark. The Board received a presentation on the Southwark area which highlighted the rich culture and heritage of this community, along with the good transport links, young population and amenities.

The assets owned by Landsec in the area were highlighted, including Red Lion Court, the Forge, the Liberty of Southwark and Timber Square. This was then followed by a walking tour of the area. Our Capital Markets Day event in September also focused on Southwark and provided investors with an operational update and tour of the area.

The Board visited the n2 development in December to see first hand one of our sites under construction.

The Board had a tour of 21 Moorfields as part of their strategy day in February which was held at our Myo flexible office space in Dashwood House. The Board were impressed with the engineering challenges overcome at 21 Moorfields and thought the business should be proud of their achievement with this complex development.

— You can read more about our community support on **page 44**

Our partners

The Board received updates during the year on fire safety. The political and legislative landscape had evolved since the last review, including the introduction of the Developers' Pledge that required developers to rectify or fund remediation of critical fire safety works in certain circumstances. Landsec committed to the pledge in July 2022 and signed the associated contract in March 2023.

The Board were updated by our Managing Director of Corporate Affairs during the year on local and national Government issues impacting the business. The Board also discussed the output of Landsec's local and national Government engagement.

One New Street Square

In January 2023 the Board approved the sale of One New Street Square, EC4 to Chinachem Group, a property developer based in Hong Kong.

The total consideration for the sale amounts to £349.5m. The sale price compares to a September 2022 valuation of £362.8m and crystallises a total return on capital averaging 10% per annum since Landsec's acquisition of the site in June 2005 and subsequent redevelopment in 2016.

One New Street Square is fully let to Deloitte, with a 14-year unexpired lease term remaining and a current annual net rent of £16.8m. With limited opportunities to add further value, the disposal was in line with Landsec's strategy to recycle capital out of mature London offices.

The Board considered the sale to be in line with the strategic review conducted in late 2020, when Landsec announced its intention to sell c.£2.5bn of mature London offices over the medium term. With the inclusion of One New Street Square, the Company has now sold £2.1bn of offices, representing an average yield of 4.4%.

The disposal proceeds will initially be used to repay debt and, on a pro-forma basis, would reduce Landsec's long-term value from 31.1% to 28.9% based on September 2022 valuations. Its strong balance sheet provides Landsec with significant optionality for future reinvestment in higher-return opportunities which are expected to emerge as markets continue to adjust to a new reality.

The Board and our stakeholders
continued

Our employees

Employee Forum meetings were held monthly throughout the year, with four quarterly meetings held which Mark Allan, CEO, attends to answer any questions and get an indication of topical issues of importance to employees.

The Employee Forum sends out a list of summary topics for employees to vote on at the start of every financial year. The Employee Forum will then report back to constituents on topics throughout the year.

Christophe Evain met with the Employee Forum separately to answer questions on executive remuneration.

We continued with our employee engagement sessions with two Non-executive Directors meeting a small group of employees from the Lifestyle area of the business. A range of matters were discussed including culture change, communications and business strategy. Manjiry Tamhane also joined a session of our Women's Network. The feedback from those sessions is passed back into the boardroom.

The Board also received a full briefing on the employee engagement survey which was undertaken in Summer 2022 which also gave them a good insight into employee sentiment. Read more about our engagement survey results on page 34.

During the year there have been a number of drop in lunches held with members of our Executive Leadership Team, including our CEO and CFO.

We are also planning to hold another 'Meet the NEDs' event for employees immediately after our Annual General Meeting in July and further engagement events with smaller groups of employees from the other areas of our business in September and December. This will be a great opportunity for the Board to engage further with employees.

Themes raised at the employee engagement events included

- the cost of living
- the reorganisation and changes to the internal operating model
- office environment and culture
- retention of talent
- diversity and inclusion
- managing change
- change communications
- employee wellbeing and benefits
- U&I integration
- business strategy
- career development

Feedback from employee engagement events

"We met with Christophe on behalf of the Employee Forum to discuss Executive Remuneration and raise queries on behalf of the business. It was really great to meet Christophe and we really valued the open discussions we had with him. We were given a clear insight into Board life and dealing with shareholders, he elaborated on his role and discussed the recent recruitment process for our new Chairman which was really interesting."

"I thoroughly enjoy the monthly ELT lunch sessions, they are great opportunities to have conversations and build relationships with our leadership team. To me, it shows how committed our Executive team are to listen to and engage with colleagues across the business."

"I was lucky enough to meet Sir Ian Cheshire to discuss the Employee Forum's role and how it represents Landsec employees. We had a really open and wide-ranging conversation where Ian wanted to hear all about Landsec, the culture and what employees really cared about. We discussed the cost of living crisis, our focus on improving diversity and employee satisfaction drivers in a post-covid world – all issues that Ian is clearly engaged with and keen to help drive forward. We look forward to working with him and the wider Board more closely to make Landsec the best possible place to work."

Our investors

We want to create sustainable value for our three types of investors: institutional, private and debt.

It is important to us that our investors understand our strategy and our equity story so they can support the execution of our strategy and our capital recycling.

Institutional investors

Institutional investors

Our Executive Directors once again held meetings with investors representing more than half the share register by value.

We were delighted to return to a full programme of in-person investor events during the last year. Whilst some investor meetings were conducted online for the sake of convenience, the vast majority of our investor engagement has been face-to-face.

In September 2022, we held a Capital Markets Day in Southwark in London for institutional investors. This event provided an overview of the Southwark region and detail on the existing and potential development schemes Landsec has in this area of London. In addition, we explained our plans to reduce the embodied carbon within our developments through a combination of efficient use of materials, design and construction methods. The event also included a tour of Southwark to view our four major committed/potential development sites.

We engaged with investors throughout the year on all aspects of environmental, social and governance matters. In February 2023, we conducted a sustainability roadshow in the Netherlands, meeting with fund managers and sustainability analysts from major institutional investors.

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 conference in Amsterdam, the Bank of America conference in New York, the Citi conference in Florida, Barclays' real estate conference in London and Morgan Stanley's real estate conference in London. All conferences were in-person events.

Institutional investors

1,371 — 98.9% of shares

Private investors

Our private investors are encouraged to give feedback and communicate with the Directors via the Company Secretary throughout the year.

2022 Annual General Meeting

We continued to hold our AGM as a hybrid meeting in 2022. We invited shareholders to ask questions and vote on the resolutions online or they could join the meeting physically.

All resolutions put to the meeting received overwhelming support of investors. The results of the voting at all general meetings are published on our website: **landsec.com/investors/regulatory-news**.

Five-year private investor plan

We have a rolling five-year private investor plan, the intention of which is to maintain an efficient share register, limited paper distributions, effective communications and the provision of best-in-class service to our investors.

Private investors queries

We work closely with our registrar Equiniti to address all queries that we receive from our private shareholders throughout the year.

Private investors

7,593 — 1.1% of shares

Debt investors

Credit side institutional investors and analysts

In March 2023, as part of the marketing process for the Green bond issuance, we held a series of debt investor meetings. A combination of the physical and virtual meetings, including a Group lunch and a recorded presentation, was well received by the investors and allowed us to provide a comprehensive update on our strategy as well as to present the recently updated Green Financing Framework.

Banks

Regular dialogue is maintained with our key relationship banks, including regular meetings and calls with our treasury team.

Credit rating agencies

During the year, business and financial updates were provided by our treasury team and senior managers to Standard & Poor's, Fitch Ratings and Moody's. Further information for our debt investors can be found on our website: **landsec.com/investors**.

No. of listed bonds

12

No. of equity investors

8,964

The Board and our culture

This year has seen the Board focus on supporting management to design and embed a more agile, efficient culture, with less internal complexity and more external and customer focus.

A year of progress

In previous years we have outlined how an appropriate governance framework and an environment of trust, respect and accountability were all fundamental to our culture, and that the Board played an important role in monitoring and assessing our culture and the governance framework. This year we have made significant progress on a journey that had already commenced, but which has now been considered in detail by the Board and is being embedded throughout the Group. The key components of that journey are outlined here.

In order to ensure that our growth strategy was not hindered by legacy ways of working, a cultural change programme was initiated during the year which resulted in a change to the operating model and a new internal governance framework led by the Board and supported by the Executive Leadership Team.

— More detail on this revised framework can be found on **pages 69-70**

Embedding cultural change through a new operating model

The new operating model and governance structure ultimately flows up to the Board and is designed to facilitate and encourage clear reporting, decision making, empowerment, accountability, employee input and stakeholder feedback, and enable a focus on our customers, leading to growth.

The Board have been regularly updated and inputted as this programme has evolved and are now supporting management in embedding this across the organisation through organisational *design, business planning, leadership* effectiveness and behaviours, reward and incentivisation and diversity and inclusion. More details on each of these areas are set out on the opposite page.

In shaping this framework, feedback from an externally facilitated employee *engagement survey undertaken during* the year was also taken into account. The Board were appraised of the key themes arising from the survey and challenged management as to how they address the areas where the need for improvement was identified. Positive changes are already underway and employee engagement surveys will be undertaken on a regular basis, which will assist in allowing the Board to assess progress.

In addition, as the Board have greatly benefited from first hand engagement with employees at Non-executive Director engagement sessions, similar meetings are continuing and a further series is planned throughout the coming year.

— Further information on employee engagement can be found on **page 34**

Metrics which are provided to the Board to allow them to consider certain cultural themes are shown on the next page.

Embedding cultural change

Organisational design
- Decision-making framework focusing on two key business areas – workplace and lifestyle-flowing up to the Board
- Flatter organisation with increased spans of control
- Newly created roles and leadership changes

Business planning
- A business plan drafted for each area of the business linked to the overall strategic plan of the Group as approved by the Board
- Business planning process coordinated and consistent across the business
- Clear financial and non-financial objectives and targets owned by each business plan area and linked to remuneration

Leadership effectiveness and behaviours
- Leadership-first approach to embedding cultural change, starting with the Board
- Enabling leaders to role model the required behaviours
- A fully refreshed leadership programme

Reward and incentivisation
- Refreshed performance management
- Updated salary philosophy
- Agile incentives

Diversity and inclusion
- Updated diversity and inclusion strategy as approved by the Board
- Creating more diversity within our decision making
- Embedding a diversity and inclusion focus into the business planning process

— **Pages 35-36** contain more information on our approach to diversity and inclusion

Cultural metrics – FY2023

Purpose and meaning
We give our employees a sense of purpose as to why Landsec exists with a focus on our role in wider society. Our purpose – sustainable places, connecting communities, realising potential – reflects our role in wider society and consideration of all our stakeholders continues to be more important than ever and has been at the forefront of Board discussions and central to our culture.

£8.7m
Value of social contribution

100%
Employees that are requested to have energy and carbon reduction objectives

Ethics and fairness
We behave ethically and treat all our stakeholders fairly. Our employees are critical to our business and we continue to nurture talent and development and to assess our gender pay gaps to build a balanced, diverse workforce for the long term.

0
Equal pay claims

4
Grievances raised

4
Diversity network groups

2
Whistleblowing incidents

Transparency and openness
We share information openly and discuss our challenges and mistakes. The importance of effective communication and transparency is crucial to our culture. We continue to hold town halls and hold Non-executive Director engagement sessions to offer a means of direct, informal engagement between our Board and our workforce. We have encouraged our workforce to reassess priorities and to feel empowered to challenge expectations placed upon them in terms of what and how we deliver.

4
Town hall meetings

67
Company-wide events

1
Independent employee engagement survey

77%
Employee engagement average score

16
Employee forum meetings

35
Exit interviews completed

Collaboration and growth
We collaborate, innovate and collectively contribute to Landsec's growth. Our culture promotes personal development and growth and we encourage internal moves and promotion from within our business. Succession planning and promotion of our talent at all levels within the business is identified as an area of improvement.

13.8%
Roles filled by internal candidates

35
People promoted in the last year

41
People on female development programme

Introduction from the Chairman of the Nomination Committee

Committee members
- Cressida Hogg (Chairman)
- Edward Bonham Carter
- Nicholas Cadbury
- Christophe Evain
- Sir Ian Cheshire (from 23 March 2023)

Highlights
- Appointment of new Non-executive Director
- Appointment of Chair designate
- Internal Board evaluation

Key responsibilities
- Skills matrix and composition of the Board and Committees
- Succession planning
- Board appointment process
- Corporate governance

Number of meetings and attendance
- Four scheduled meetings
- Additional meeting regarding recruitment
- All members of the Committee attended all meetings during their membership with the exception of Christophe Evain who was unable to attend one meeting due to a family bereavement

Dear shareholder

I am pleased to present the report from the Nomination Committee for the year.

The Committee has continued to assess the composition, succession plan and skills of the Board and its Committees and promote diversity.

Board and Committee changes

Following a comprehensive selection process, in January we announced the appointment of Sir Ian Cheshire as Non-executive Director and Chair Designate. Sir Ian joined the Board at the end of March and will succeed me as Chair on 16 May. On behalf of the Board, I am pleased to be welcoming someone of Sir Ian Cheshire's calibre as Chair.

We also appointed Miles Roberts as Non-executive Director in September 2022. Miles, who originally trained as a structural engineer, brings significant experience as a serving chief executive and has held a number of non-executive roles. You can read about the Committee's appointment process for both Sir Ian and Miles on page 84.

Colette O'Shea stepped down from the Board in September and as Chief Operating Officer in March. Colette joined Landsec in 2003 and was appointed to the Board in 2018. The Committee is extremely grateful to Colette for her significant contribution to the Board and the business during her time at Landsec.

Board evolution

A balanced and diverse Board with a mix of skills, expertise, background and tenure is critical to the success of the Company. The composition of the Board underpins the quality of debate and challenge during discussions.

The process for Board appointments is led by the Nomination Committee which makes recommendations to the Board for its approval. It is the Nomination Committee's responsibility to keep Board composition under review, including reviewing director independence and tenure. During the year the Committee reviewed the composition and skills of the Board, and developed an ongoing plan for Board succession, taking into account recent and likely future Board changes.

The Board is mindful that Edward Bonham Carter has been a Director in excess of nine years and so the Committee reviewed his independence and role and was completely satisfied that Edward continues to bring independent judgement to the Board. As such, the Nomination Committee was satisfied that Edward can continue to fulfill the role of Senior Independent Director.

The Committee also has responsibility for oversight of Executive Leadership Team and senior management succession. This is also discussed by the Board as a whole, with a focus on diversity and inclusion and developing and maintaining the internal talent pipeline.

Diversity

The Board believes that diversity at Board level sets the tone for diversity throughout the business. We promote diversity in the broadest sense, not just gender or ethnicity but also experience, skills, professional background and tenure. The Nomination Committee monitors our talent pipeline to ensure we have a diverse pool of talent being developed at all levels of the business. Maintaining a diverse workforce is as important as diverse recruitment and we continue to assess and promote this. During the year, we have refreshed the overall diversity and inclusion strategy for the Group, including setting new targets.

I am pleased to report that during this financial year we met the Listing Rule requirements targets for diversity. 40% of our Board members are women, our Chair and CFO positions have been held by women, and we have one member of the Board from an ethnic minority background. The Committee is aware that as a result of the change of Chair in May 2023, the Board's gender diversity will dip below 40%, and this will be taken into consideration in Board composition and succession planning.

I am pleased to report that following the recruitment of Marina Thomas as Head of Governance and Company Secretary and Kate Seller as Chief People Officer during the year, one third of the Executive Leadership Team are women (which will increase to 40% when our new Chief Data & Technology Officer joins us in June 2023). We acknowledge that ongoing work is needed to increase diversity of our Executive Leadership Team and its direct reports whilst ensuring that appointments and succession plans are based on merit and objective criteria and the Committee, and the Board will continue to monitor progress.

— You can read more about diversity and inclusion at Landsec in our People and Culture section on **pages 35-38**

Internal Board evaluation

This year our Board evaluation was carried out internally with the Committee's effectiveness assessed as part of the internal review. The Committee was satisfied with its own effectiveness as a whole and pleased with the outcome of the Non-executive succession planning and processes, including the Chair selection process, which had been a main focus during the year. With a new Chair and Executive Leadership Team in place it is appropriate to reset the Committee's priorities to focus more on wider Board succession, while continuing to cover all areas of the Committee's remit including ongoing management succession planning.

— Further details on the internal Board evaluation can be found on **pages 86-87**

Corporate governance

During the year, the Committee has overseen 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 2023. The Code is published by the Financial Reporting Council and is available from frc.org.uk.

Cressida Hogg
Chairman, Nomination Committee

Report of the Nomination Committee

Executive Director changes

During the year, Colette O'Shea stepped down from the Board on 30 September 2022 and as Chief Operating Officer on 31 March 2023.

Non-executive Director changes

Cressida Hogg will step down as Chairman on 16 May 2023, having served over five years as Chairman and nine years on the Board.

As the Chairman succession process began, it was agreed that Edward Bonham Carter would lead the process as Senior Independent Director, joined by the other members of the Committee, excluding Cressida Hogg (the Chairman, Succession Committee). Hedley May, an independent executive search firm and with no connection to Landsec, was appointed to conduct the search for a Chairman with experience in retail and customer-focused businesses. A diverse shortlist of candidates was put forward by Hedley May and the candidates met with members of the Chairman Succession Committee and the CEO, CFO and the other Non-executive Directors. The Chairman Succession Committee concluded that Sir Ian Cheshire would be an excellent addition to the Board bringing a wealth of experience across customer-focused businesses in executive and non-executive positions in listed companies.

In 2022, the Nomination Committee appointed Russell Reynolds, an independent executive search firm with no connection to Landsec to conduct a search for a Non-executive Director. Members of the Committee and the CEO met with a shortlist of candidates put forward by Russell Reynolds. The Committee concluded that Miles Roberts with his experience as a serving chief executive and in non-executive roles would be a positive addition to the Board.

Diversity

The Board's policy on diversity establishes the importance of diversity in the broadest sense, not just gender or ethnicity but also experience, skills, professional background, tenure and also other differentials between directors such as cognitive and personal strengths. The Board believes that diversity is crucial to creating a high-performing, effective Board, to provide a breadth of perspective and debate that aids decision making and which supports and directs the business more effectively.

The Nomination Committee works with executive search consultants to ensure they support our approach to diversity in providing a diverse selection of candidates for Board appointments and the selection can then be based upon merit and objective criteria.

Diversity at Board level sets the tone for diversity throughout the business. The Nomination Committee monitors our talent pipeline to ensure we have a diverse succession pool of talent being developed and maintained at all levels of the business. Maintaining a diverse workforce is as important as diverse recruitment and we continue to assess this.

Diversity is also addressed at the Remuneration Committee, particularly in the context of gender pay gap, and discussed at the main Board in light of its increased focus on the promotion and maintenance of diversity at all levels of talent throughout our business.

— *Further information on diversity at Landsec can be found on* **pages 35-38**

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 also considers potential conflict issues as part of that assessment. The Committee is mindful that Edward Bonham Carter has been a director of the Board in excess of nine years and has reviewed his independence and role and is completely satisfied that Edward continues to bring independent judgement to the Board. As such the Committee is satisfied that Edward can continue to fulfill the role of Senior Independent Director. 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.

Sir Ian Cheshire and Miles Roberts are standing for initial election by shareholders at the AGM, with all other Directors standing for re-election at the AGM in July 2023 with the support of the Board (with the exception of Cressida Hogg who is stepping down from the Board on 16 May 2023).

Internal evaluation of the effectiveness of the Nomination Committee

Following a busy few years of Executive and Non-executive appointments, the internal review of the performance of the Nomination Committee included a review of the Chair succession process and considering the Committee's priority for the year ahead to include role profile planning for future non-executive recruitment and continued detailed reporting back to the main Board.

Board induction

Miles Roberts' induction

Miles Roberts' induction focused on gaining insight into Landsec's purpose, strategic priorities, key performance drivers and a market overview with Mark Allan. In addition, Miles met with Vanessa Simms who provided an overview of Landsec's financial position and our five-year plan, budget and in-depth financial review.

Miles met with members of the Executive Leadership Team to gain a deeper understanding of their areas of the business and get an understanding of the individual priorities and challenges that they face. Another key focus was meetings with the Managing Director of People and Corporate Services for a deep dive into our people and culture.

Additionally, Miles spent time with other Non-executive Directors, including those that he had not met as part of the selection process.

On 19 September 2022, Miles became a member of the Audit Committee. As part of his induction, Miles spent time with our Audit Committee Chairman, our Group Financial Controller and Director of Risk and Assurance, who provided Miles with information as to the role of the Committee.

Asset visits

Miles was able to visit the following assets during the year: Bluewater, O2 Finchley Road and the Landsec Victoria portfolio. Miles also visited Dashwood House as part of the Board Strategy day in February.

Sir Ian Cheshire's induction

To date Sir Ian Cheshire's induction plan has included (i) a series of handover meetings with the Chair focused on strategy, forward looking agenda and Board processes; (ii) meeting Non-executive Directors and Executive Directors including Chairs of both the Audit and Remuneration Committees and the Company Secretary; (iii) meeting Landsec's auditors and brokers; (iv) meeting senior leaders of the retail business and a site visit to Gunwharf Quays; (v) meeting the Chief People Officer and MD, Corporate Affairs; and (vi) meeting with our Employee Forum to understand current employee sentiment.

Induction focus for the year ahead

The next phase of Sir Ian's induction will mainly focus on getting more insight into our portfolio and will include office and mixed-use visits scheduled to various assets and developments. Sir Ian will be joined on these asset tours by senior leaders of the business areas.

Board evaluation

Board evaluation process 2022/23

In line with year two of our three-year cycle, we carried out this year's review of the Board's effectiveness internally via questionnaire, having conducted a detailed external evaluation last year. Our Board evaluation provides the Board and its Committees with an opportunity to reflect on effectiveness and performance.

Board evaluation cycle

Year 1

Independent, externally facilitated review

- Performance review against targets set for 2022/23
- An external evaluation carried out by the advisory firm No 4
- Areas of focus identified for 2023/24

Year 2

Internal review focused on Year 1 issues raised and any new issues arising.

The process for internal review is determined on a year-by-year basis.

Year 3

Year 2 progress reviewed internally, and areas of focus identified ahead of external evaluation the following year.

Progress against objectives set for 2022/23

Our objectives 2022/23

Succession planning
Continue to evolve the Board to meet the needs of the business and to work effectively with management.

A key part of this is Board and Executive Leadership Team succession. The Board would like more visibility of the talent coming up through the business and how diverse talent is being maintained and developed.

Execution of strategy
Execution of strategy and evolving and adapting the strategy to reflect the changing external environment and investor needs.

Culture
Accelerating the pace of change and of the turnaround for the business, looking both shorter and longer term. The Board would like more agenda time on culture and business transformation.

Data strategy and governance
Continued focus and drive on Landsec becoming a data-driven business. The Board needs to monitor and support Landsec on this journey.

Conclusions of evaluation

The overall conclusion of the Board evaluation this year is that the Landsec Board and its Committees continue to operate in a collaborative and open way and work effectively.

The priorities for the incoming Chair include strategic development and capital allocation, cultural and organisational change and succession planning. A priority for the Board as a whole is to provide support to the new Chair. The Board agenda and topics have the right focus on key areas, however there were some preferences for more time to be allowed for discussions during meetings or informally.

The Board felt it added value in developing and implementing strategy and supporting the disposal programme, with the Board feeling they are appropriately agile to adjust to the changing environment.

Nomination Committee evaluation

The Committee looked at its own effectiveness. Overall, the Committee was satisfied with its own effectiveness and that of the Non-executive Director and Chair succession processes. The Committee will keep Board succession planning and diversity as a key area of focus.

Our performance 2022/23

The composition of the Board was considered appropriate with good progress made during the year with the recruitment of two Directors to the Board, including the Chair Designate.

Members of the Executive Leadership Team and their direct line reports have spent time over the year on asset visits and providing presentations to the Board. However, the Board have requested continued increased visibility of the Executive Leadership Team and senior leaders in the year ahead.

Progress has been made against the strategic objectives of the Company and regular reporting to the Board in this area was noted.

During the year, the Board has spent more time focused on culture and business transformation including regular updates on organisational and digital transformation programmes, as well as sessions with the leadership team on engagement and diversity and inclusion. The Board have noted that the pace of change continues to accelerate across the business.

The Board has monitored progress with data and technology through sessions with the executives during the year and was pleased to note significant improvements in progress with our technology strategy, as well as the appointment of a Chief Data and Technology Officer who will join the Executive Leadership Team in June 2023.

Output of 2022/23 Board evaluation: areas of focus for the year ahead

Strategic development
Continued progress with strategic developments. The Board would like to continue to build on their understanding of customer needs through enhanced access to customer data as part of the strategy process.

Capital allocation
Continued focus on capital allocation and investment.

Culture and organisational change
Progress already made on culture change within the business should continue, monitored by the Board through sessions with the executive and engagement survey results.

Succession planning
An area of focus for the Board is succession planning and talent development.

Support to new Chair
A key focus for the Board is in supporting the new Chair to develop relationships across the Board.

Board papers and Executive Leadership Team
Continued improvement of Board papers with a focus to move towards more executive summaries to allow more time for debate at Board meetings.

The Board would like to focus on more exposure to the Executive Leadership Team and other senior leaders.

Introduction from the Chairman of the Audit Committee

Committee members
- Nicholas Cadbury (Chairman)
- Madeleine Cosgrave
- Christophe Evain (until 19 September 2022)
- Miles Roberts (from 19 September 2022)

Highlights
- Integrity of reporting process
- Rigorous assessment of risk management and internal controls
- Cyber and information security
- Accounting treatment of significant acquisitions/disposals
- Preparation for the new governance regime
- Consideration of fire safety provision
- Appointment of third-party advisers
- Financial systems transformation

Key responsibilities
- Reliability of the financial statements and internal controls
- Effective risk identification and management
- Overall transparency and financial governance

Number of meetings and attendance
- Four scheduled meetings
- 100% attendance from all members during their membership

Dear shareholder

During the financial year the Committee has continued to fulfil its oversight responsibilities on the financial statements, the integrity of the reporting process and the Company's system of internal controls and risk management, the audit and valuation processes and the procedures for ensuring compliance with laws, regulations and ethical codes of practice.

Risk focus
Risk management is a primary responsibility of the Committee on behalf of the Board and is consistently monitored throughout the year. Information security and cyber threat remains a key operational risk and the Committee has had regular oversight of the significant work undertaken to mitigate against this risk and will continue to consider updates and monitor progress of the programme to improve cyber resilience.

The macroeconomic outlook is currently the most significant risk. The risk management strategy in place to mitigate against this risk includes the regular monitoring of key risk indicators and scenario-based modelling of plausible economic trajectories. No emerging risks have been identified through the risk management process.

Climate reporting
The Committee has updates from the sustainability team on how Landsec is implementing the requirements of the Task Force on Climate-related Financial Disclosure (TCFD), the evolving reporting landscape for climate risks and our approach to climate risk identification, assessment and strategy.

We have continued to make disclosures that are consistent with the TCFD recommendations and will continue to monitor these. Our TCFD disclosures can be found on pages 47 to 53.

Fire safety remediation
Following the introduction of the Building Safety Act 2022, the Committee has been updated on work to assess our liability for fire remediation works on residential buildings developed by Group over the last 30 years. The Committee has regularly considered, alongside the external auditor, the level of the provision required, how the provision is determined and the associated disclosures.

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 valuers and any significant financial judgements and estimates made by management to ensure that it is satisfied with the outcome.

I am pleased to say that the Financial Reporting Council (FRC) included some disclosures from our 2022 Annual Report in its publication "What Makes a Good Annual Report and Accounts", as they were considered examples of best practice.

Asset valuation
The valuation of our assets is an important constituent of our financial results and measurement of our performance. For a number of years CBRE has been the principal valuer of our entire portfolio, however in order to increase market insight and future flexibility, Jones Lang LaSalle Limited (JLL) has been appointed to value a large proportion of Landsec's retail portfolio with effect from 31 March 2023. CBRE will continue to value the office portfolio and some of the retail portfolio. Both CBRE and JLL are industry-leading agencies with extensive expertise and appropriate knowledge who

provide us with an external valuation of our portfolio twice a year, in accordance with the relevant industry standards.

The valuation process requires the valuers 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 the valuers who attend Committee meetings for this purpose at the half and full year-end. The external valuation process and the values ascribed to specific assets are also reviewed independently by our auditor, EY, as part of its audit scope.

Acquisitions and disposals

During the year, Landsec progressed with its strategy to accelerate growth through recycling capital into higher return opportunities through a number of significant disposals of 32-50 Strand, 21 Moorfields and One New Street Square, and securing 100% ownership of St David's shopping centre in Cardiff via the acquisition of the remaining 50% interest. The Committee considered the accounting treatment and disclosures of these material transactions and concluded that they were appropriate.

Provisions for bad debt

The Committee has continued to closely monitor the cash collections of rents across the whole portfolio. The rent collection statistics are strong and although there remains bad debt provisions in respect of some occupiers who have been or may be unable to satisfy their rent obligations, the provisions have decreased from last year. Continual monitoring of the provisions is undertaken by the Committee particularly in light of the uncertain macro-environment.

Internal audit

Until mid-summer 2022, the internal audit function was an in-house team which sat within the Risk and Assurance team and although this was operating effectively, it was considered an appropriate time to appoint an external third party which would increase flexibility over audits and improve the quality of the audits as a result of access to current best practice and subject matter expertise. Following a tender process, KPMG were selected as the preferred provider and since their appointment have undertaken stakeholder interviews to understand Landsec's key risks, reviewed the internal audit plan and agreed an internal audit charter. They have completed audits on Turnover Rents, Car Park Income and Investment Appraisal. Eleven further audits are planned for the year ended 31 March 2024 and will include, amongst others, Treasury and Cash Management, U+I Post integration, Risk Management and ESG.

Fair, balanced and understandable

The Committee considered the Company's 2023 Annual Report in the round and concluded and recommended to the Board that, taken as a whole the 2023 Annual Report is fair, balanced and understandable.

Going concern and viability statement

We continue to focus on the appropriateness of adopting the going concern assumption in preparing the financial statements for the year ended 31 March 2023 particularly in light of the uncertain macroeconomic environment. The going concern statement is set out on pages 60 and 61, along with the viability statement and the rationale behind the chosen five-year time horizon.

Audit tender

As highlighted last year, we were required to tender our audit as EY were approaching being in office for ten years having performed their first audit for Landsec for the year end 31 March 2014. A competitive and thorough tender process was undertaken during the year and following in depth consideration, the Committee and the Board concluded that EY remained the appropriate auditor for Landsec. EY would ensure continued independence through a change in partner with effect from July 2022. The appointment is subject to shareholder approval at the 2023 Annual General Meeting.

UK Corporate Governance Code/ Financial Reporting Council (FRC) Guidance on Audit Committees

The Committee considered its compliance with the 2018 UK Corporate Governance Code and the FRC Guidance on Audit Committees and continues to believe that we have addressed both the spirit and the requirements of each. In addition, the Committee has been regularly monitoring the potential changes to the new corporate governance regime and preparing for its implementation, including reviewing a draft audit and assurance policy.

Committee effectiveness

During the first half of the year the Committee requested that a specific effectiveness survey was undertaken to supplement and support the Board and Committee annual evaluations. This in-depth review was undertaken by internal audit and concluded that the Committee is operating well and should maintain many of its existing practices. The internal Board evaluation was undertaken later in the year, which also highlighted the high standards of the Committee.

The Committee welcomed Miles Roberts who joined as a member of the Committee in September 2022, replacing Christophe Evain. Myself and the Committee would like to thank Christophe for his valued contributions.

I continue to appreciate the valuable input from the other members of the Audit Committee, management and the key advisers EY, KPMG, CBRE and JLL and would like to thank them for their support during the year.

Nicholas Cadbury
Chairman, Audit Committee

Report of the Audit Committee

The Audit Committee continued to focus this year on risk assessment and management, internal controls and financial reporting processes, together with additional focus on the requirements of changes to fire safety regulations and legislation.

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 and Assurance
- Members of senior finance team
- Representatives of the external auditor
- Representatives of the third party internal auditor

Property valuation presentations

- All Directors are invited to attend meetings when CBRE and JLL property valuation presentations are made

Committee private sessions

- CBRE valuation team
- JLL valuation team
- EY external audit team
- KPMG internal audit team

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. These were last approved in March 2023. The terms of reference are available on our website: **landsec.com/aboutcorporate-governance/board-committees.**

To maintain effective communication between all relevant parties, and in support of its activities, the Chairman of the Board, Chief Executive, Chief Financial Officer, Company Secretary, Director of Risk and Assurance, the partner and representatives of our external auditor, EY, the partner and representatives of our internal auditor, KPMG and other members of the senior finance team regularly attend Committee meetings.

All directors are invited to attend meetings when the Group's external valuers, CBRE, and JLL, present their full year and half-year property valuation.

The Committee has private and informal sessions with the EY audit team and the CBRE and JLL valuation teams 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 66 and 67.

The Committee works to a structured programme of activities and meetings to coincide with key events around our financial calendar and, on behalf of the Board, to provide oversight of the Group's risk management process. Following each meeting, the Committee Chairman reports on the main discussion points and findings to the Board.

Risk management

The Board is responsible for the Group's risk management framework and risk appetite and is supported by the Committee through its monitoring and reviewing of the effectiveness of risk management and internal control processes during the year.

An overview of Landsec's approach to risk management, its risk management framework and governance, risk appetite, management and assurance of risks and principal risks and uncertainties are described on pages 54-59. The risk management framework includes the Board's strategic overview, the Executive Leadership Team's detailed review of the business risks, controls and mitigation strategies, and the assessment of the effectiveness of the risk management and internal controls system by the Audit Committee. A risk waterfall uses indicators to highlight whether each risk is within our appetite. This allows the Committee to consider whether principal risks are changing and whether the risk appetite remains appropriate. In response to changes in Landsec's organisational structure, the risk management framework has been redefined in order to ensure clarity on roles and responsibilities at all levels and to embed risk management within the business.

Primary responsibility for the operation of the Company's internal control and risk management systems, which extend to include financial, operational and compliance controls (and accord with the FRC's 2014 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting'), has been delegated to management.

These systems have been designed to manage, rather than eliminate, the risk of failure to achieve the Group's business goals and can provide only reasonable, not absolute, assurance against material misstatement or loss.

Risk assurance and internal control

Under the overall supervision of the Committee, there are several sub-committees and working groups that give assurance over risks being managed within the business. The Group has a Director of Risk and Assurance (with a direct reporting line to the Audit Committee Chairman) who provides regular oversight of risk matters, evaluates emerging risks and monitors compliance to ensure that any mitigating actions are properly managed and completed. During the year the Committee benefited from regular updates from the technology team who provided detailed information on the progress of the projects to improve information security, cyber threat and processes to assist with financial controls. In addition, the EY team now includes a partner with expertise on technology and cyber.

Internal audits are carried out in accordance with an agreed annual assurance plan and reviewed by the Committee throughout the year. This plan was previously undertaken by the in-house internal audit team and is now the responsibility of KPMG who were appointed as internal auditor during the year following a tender process. It was considered appropriate to appoint a third party in order to increase flexibility over the audits and improve the quality of the audits due to access to current best practice and subject matter expertise.

Both the in-house team and KPMG have provided assurance to the Committee on key controls and programme assurance and identified improvements in key financial processes.

The key elements of the Group's risk management and internal control systems are as follows:

- an established organisational structure with clear lines of responsibility, approval levels and delegated authorities
- a disciplined internal governance structure which facilitates regular performance review and decision making
- a comprehensive strategic and business planning review
- a robust budgeting, forecasting and financial reporting process
- various policies, procedures and guidelines underpinning the development, asset management and financing operations of the business
- a compliance certification process conducted in relation to the half-yearly and full year results, and business activities generally
- a quarterly key controls self-certification by management
- an internal audit function provided by KPMG whose work spans the whole Group
- a focused post-acquisition review and integration programme to ensure the Group's governance, procedures, standards and control environment are implemented effectively and on time
- a financial and property information management system
- a whistleblowing process that enables concerns to be reported confidentially and on an anonymous basis and for those concerns to be investigated.

Additionally, the Committee discusses on a quarterly basis:

- the Group's significant and emerging risks, and how exposures have changed during the period
- the effectiveness of internal controls and processes at mitigating those risks
- internal audit reports, summary reports of findings and recommendations from completion of the internal audit plan
- progress against completion of agreed actions from the internal audit reports.

The Committee was satisfied that the system of risk management and internal controls has been effective throughout the year.

Report of the Audit Committee
continued

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, Julie Carlyle 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 and Assurance), to the Committee for discussion. The objective was to ensure that the focus of its work remained aligned to the Group's structure and 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 or the Committee Chairman without management being present and the knowledge that it can raise any matter of concern to the Committee Chairman at any time without going through management. These regular discussions were useful to the Committee but no matters of concern emerged.

Independence and objectivity

The Committee is responsible for monitoring and reviewing the objectivity and independence of the external auditor. In undertaking its annual assessment, the Committee took into account the UK Ethical Independence Standards introduced by the FRC in December 2019 and effective from 15 March 2020.

The Committee reviewed:

- the confirmation from EY that it maintains appropriate internal safeguards in line with applicable professional standards, together with an explanation of the due diligence process followed to provide such a confirmation
- the mitigation actions we take in seeking to safeguard EY's independent status, including the operation of policies designed to regulate the amount of non-audit services provided by EY and the employment of former EY employees
- the tenure of the audit engagement partner (not being greater than five years); Julie Carlyle was appointed as EY audit partner to the Group in July 2022
- the internal performance and effectiveness review of EY referred to above.

No Committee member has any connection with the current auditor.

Taking the above review into account, the Committee concluded that EY remained objective and independent in its role as external auditor.

Effectiveness of the external audit

Following the issue of our Annual Report each year, the Director of Risk and Assurance conducts a performance evaluation and effectiveness review of the external audit. This is conducted against structured guidelines in consultation with the Executive Directors and members of the senior finance team and members of the Audit Committee to whom they report. The Committee Chairman met privately with the audit engagement partner before the Committee meeting to consider the results of the effectiveness review. The Committee's preliminary view is that EY has continued to perform its audit services effectively and to a high standard, and this is consistent with performance each year since appointment in 2013. Areas identified for development will be shared with EY for inclusion in its audit and service delivery plans going forward.

Audit tendering

EY was first appointed to the office of auditor in respect of the 2013/14 financial year.

Under current regulations, we were required to re-tender the audit by no later than the 2023/24 financial year and therefore a competitive audit tender process was undertaken during the year which concluded that EY remained the appropriate auditor for Landsec, as recommended by the Audit Committee and approved by the Board. The evaluation criteria used during the tender process included the capability and competence of the audit partner, team and firm, the audit approach and service, cultural fit, quality of deliverables and presentation, and fees. EY were selected because the proposed team would provide a mix of continuity and embedded knowledge with the comfort of independence via a new partner, their ability to provide a partner with technology expertise embedded within the team, a strong commitment on audit approach and service, and a driven and enthusiastic outlook.

The decision on the appointment was made by the Board without any influence by a third party, and without any contractual term of the kind mentioned in Article 16(6) of the Audit Regulation being imposed on the Company.

EY will be appointed for the 31 March 2024 financial year at this year's Annual General Meeting, subject to shareholder approval.

The Company has complied with the Statutory Audit Services Order 2014 for the year under review.

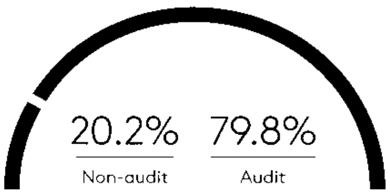
Audit fee

The audit fees payable to EY for 2022/23 (including the audit of the Group's joint ventures) are £1.8m (2021/22: £1.8m). This fee takes into account a reduction in the number of Group subsidiaries that will be audited as they have taken advantage of the exemption from having accounts audited under s479A-479C of the Companies Act 2006.

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 2022/23 (including the audit of the Group's joint ventures) Chart 34



22.5% non-audit fees as a ratio to Group audit fee (excluding the audit of the Group's joint ventures).

The Committee monitors compliance with the policy, including the prior approvals required for non-audit services, and approval levels are as follows:

Table 35

	Per assignment (£)	Aggregate during the year (£)
Chief Financial Officer	0–25,000	<100,000
Audit Committee Chairman	25,000–100,000	100,000 900,000*
Committee	>100,000	>900,000*

*50% of the prior year audit fee

All approvals are noted at the Audit Committee.

EY was engaged during the year to provide non-audit services to the Group relating to the Company's half-yearly review, the assurance statement on sustainability, non-statutory audit of the Security Group, work in relation to the update of the bond programme documentation and the issuance of the Green bond. It was decided that it would be in the interest of the Company to use EY for these services, recognising that the use of audit firms for non-audit work should generally be kept to a minimum. Total fees for non-audit services, amounted to £359,000. Details of the fees charged by EY during the year can be found in note 8 to the financial statements.

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 Jones Lang LaSalle Limited (JLL) was appointed as joint valuer to undertake the valuation of a large part of the retail portfolio whilst CBRE will retain the valuation of the office portfolio and some of the retail portfolio. This change was implemented to increase market insight and future flexibility, and therefore the overall quality of the valuations.

The valuation helps to determine a significant part of the Group's total property return and net asset value, which have consequential implications for the Group's reported performance and the level of variable remuneration received by senior management through bonus and long-term incentive schemes. Accordingly, the scrutiny of each valuation and the valuer's objectivity and effectiveness represent an important part of the Committee's work.

Valuations for the half-year results were presented to the Committee by CBRE, and by CBRE and JLL for the full-year results. These were reviewed and challenged by the Committee, with reference to each valuer'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 the valuer's 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 and JLL met with EY and exchanged information independently of management. EY has experienced chartered surveyors on its team who consider the valuer's qualifications and assess and challenge the valuation approach, assumptions and judgements made by them. Their audit procedures are targeted at addressing the risks in respect of the valuations and the potential for any undue management influence in arriving at them. This year 41 properties (comprising 78% of the portfolio) were identified for substantive review by its valuation experts primarily on the basis of their value, type, risk profile, commitments to ESG and location. The Committee reviewed the auditor's findings.

An internal evaluation of the valuers' performance and effectiveness will be conducted after the year-end results are finalised, with the results reported to the Committee.

Report of the Audit Committee
continued

The Committee considered the independence of the valuers and has noted that CBRE and JLL check for conflicts of interest and seek approval for non-valuation activity and this process has been effective during the year. CBRE and JLL have also confirmed that their valuation departments operate separately from other advisory activity, and their valuation remuneration is not linked to other non-valuation work that they undertake.

A fixed-fee arrangement (subject to adjustment for acquisitions and disposals) is in place with the valuers 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. These fees reflect the valuers work on the year-end and half-yearly valuations as well as other work on agency services including investment activity. The total valuation fees paid by the Company to CBRE and JLL 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, fire safety remediation provisions and significant acquisitions and disposals. Further details are set out in the table on page 95.

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 valuers.

In addition, the Committee considered, and made onward recommendations to the Board, as appropriate, in respect of other key matters including impairment of trade receivables, including lease incentive balances, development contracts, pensions buy-in, maintenance of the Group's REIT status, financial systems transformation (including controls, processes and system upgrades and improvements), going concern, and other specific areas of individual property and audit focus.

The Committee was satisfied that all issues had been fully and adequately addressed and that the judgements made were reasonable and appropriate and had been reviewed and debated with the external auditor who concurred with the approach taken by management.

Non-financial matters
The Committee understands the level of reliance that is placed by shareholders on the statutory audit and the report of the external auditor.

We report on alternative performance measures on page 199. The Committee debated and discussed these measures and agreed that they were appropriate for the business.

Fair, balanced and understandable
The Committee applied the same due diligence approach adopted in previous years in order to assess whether the Annual Report is fair, balanced and understandable, one of the key UK Corporate Governance Code requirements. The Committee received assurance from the verification process carried out on the content of the Annual Report by the Executive Leadership Team to ensure consistent reporting and the existence of appropriate links between key messages and relevant sections of the Annual Report. Particular attention has been given this year to the consistency of the narrative disclosures around climate risks, our strategy and the financial statements.

Taking the above into account, together with the views expressed by EY, the Committee recommended, and in turn the Board confirmed, that the 2023 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 Audit Committee provides a regular whistleblowing update to the Board, which has overall responsibility for whistleblowing. The Audit Committee reviews the Group's Speak up policy which allows employees and third parties 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, Chief People Officer and the Director of Risk and Assurance and escalated to the Committee, as appropriate. During the year two whistleblowing incidents were reported. One matter was investigated and no concerns or action were required following conclusion of the investigation. The second matter, which was reported close to the year-end is being fully investigated.

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 Supply Chain Commitment, Sustainability Toolkit, procurement tender documentation, on our website, and at our assets and development sites.

Significant financial matters

Significant financial matters – what is the risk?	How the Committee addressed the matters
Valuation of the Group's property portfolio (including investment properties, investment properties held in joint ventures) The valuation of the Group's property portfolio is a major determinant of the Group's performance and drives an element of the variable remuneration for senior management. Although the portfolio valuation is conducted by an external valuer, the nature of the valuation estimates is inherently subjective and requires significant judgements to be made by management and the valuer. Significant assumptions and judgements made by the valuer in determining valuations may include the appropriate yield (based on recent market evidence), changes to market rents (ERVs), what will occur at the end of each lease, the level of non-recoverable costs and alternative uses. Development valuations also include assumptions around costs to complete the development, the level of letting at completion, incentives, lease terms and the length of time space remains void.	The Audit Committee adopts a formal approach by which the valuation process, methodology, assumptions and outcomes are reviewed and robustly challenged. This includes separate review and scrutiny by management, the Committee Chairman and the Committee itself. The Group uses CBRE and JLL, both leading firms in the UK property market, as its principal valuers. It also involves EY as the external auditor which is assisted by its own specialist team of chartered surveyors who are familiar with the valuation approach and the UK property market. EY met with the valuers separately from management and its remit extends to confirming that no undue influence has been exerted by management in relation to the valuers arriving at their valuations. CBRE and JLL submit their valuation reports to the Committee as part of the half-yearly (CBRE only as JLL were not yet appointed as principal valuer) and full year results process. Both valuers were asked to attend and present their reports to the Board and to highlight any significant judgements made or disagreements which existed between them and management. CBRE and JLL proposed changes to the values of our properties and developments during the year, which were discussed by the Committee in detail and accepted. Based on the degree of oversight and challenge applied to the valuation process, the Committee concluded that the valuations had each been conducted appropriately, objectively and in accordance with the valuer's professional standards.
Revenue recognition (including the timing of revenue recognition and the treatment of lease incentives) Certain transactions require management to make judgements as to whether and to what extent they should be recognised as revenue in the year. Market expectations and EPRA earnings targets may place pressure on management to distort revenue recognition. This may result in overstatement or deferral of revenues to assist in meeting current or future targets or expectations, including through incorrect treatment of lease incentives.	The Committee and EY considered the main areas of judgement exercised by management in accounting for matters related to revenue recognition, including timing and treatment of rents, incentives, surrender premiums and other property-related revenue. In its assessment, the Committee 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 considered the views of EY, concurred with the judgements made by management and was satisfied that the revenue reported for the year had been appropriately recognised.
Completeness of provisions for fire safety remediation works Following the Grenfell Tower disaster, a series of new fire safety regulations were introduced which impact the Group's residential portfolio. Additionally, the Building Safety Act was enacted on 28 April 2022, with the related leaseholder protections coming into force on 28 June 2022. These require companies to assess whether their properties are safe to use and perform remedial building works where they are not, including properties which are no longer owned. Management have therefore undertaken a review of which properties, in both the current portfolio and previously owned, are impacted by this legislation and which require remediation works. There is a risk that management do not identify all properties where fire remediation works are required.	The Committee has been briefed throughout the year on the changes to the regulations and legislation, and management have provided detail on the process for identifying properties that are in scope for remediation assessment and the amount of any provisions required. The Audit Committee has discussed the fire remediation works provisions in detail at its meetings throughout the year and has heard from EY on their procedures for understanding the completeness of management's review The Committee has concluded that the procedures for identifying in scope properties, the assessment of fire remediation works and the level of the provision is appropriate
Significant acquisitions and disposals Certain transactions require management to make judgements on accounting treatment, including how a profit or loss is recognised and calculated, and how a contract is interpreted. There is a risk that profits and losses on disposals are overstated or understated respectively, or asset ownership is incorrectly recorded.	The Audit Committee has considered the accounting treatment of a number of complex sale and acquisition contracts during the year, particularly those for 21 Moorfields, One New Street Square and the remaining interest of St David's. These transactions and the proposed accounting treatment were explained by management and the Committee thoroughly reviewed the appropriate treatment. The Committee was satisfied, based on its review and having considered the views of EY, that the accounting treatment was appropriate.

The above description of the significant financial matters should be read in conjunction with the Independent Auditor's Report on pages 121 to 128 and the significant accounting policies disclosed in the notes to the financial statements.

Directors' Remuneration Report – Chairman's Annual Statement

Committee members
- Christophe Evain (Committee Chair)
- Edward Bonham Carter
- Cressida Hogg
- Manjiry Tamhane
- Sir Ian Cheshire (from 23 March 2023)

Highlights
- Operating the Approved Policy
- Workforce engagement

Key responsibilities
- Reviewing the link between reward and the Group's purpose and strategy
- Oversight of reward matters across the Group
- Maintaining a strong connection between returns to shareholders and reward for Executives

Number of meetings and attendance
- Three scheduled and one unscheduled meeting
- Full attendance from members at all scheduled meetings except for the March meeting which Christophe Evain could not attend owing to a family bereavement

Dear shareholder

I am pleased to present, on behalf of the Board, the Directors' Remuneration Report for the year ended 31 March 2023.

This year, the Executive Team has delivered strong operational results and continued to pro-actively execute the strategy, despite increased macroeconomic uncertainty. Our performance has been underpinned by a strong balance sheet, creating significant optionality for future growth.

Directors' Remuneration Policy
We have continued to operate under the Remuneration Policy approved by shareholders at our 2021 AGM. The Committee believes that the Policy provides strong alignment with our ambitious strategy whilst following best practice in corporate governance and providing an appropriate level of flexibility. We are next due to put forward an updated Policy for approval at the 2024 AGM and the Committee will start the process to review the Policy this summer.

Performance for the 2022/23 financial year
During the course of the year, executive management has continued to drive the business strategy forward. In Central London we delivered continued strong leasing results as well as the disposal of £1.4bn of mature offices. In retail we delivered strong leasing momentum via our differentiated brand focused platform capitalising on the 'flight to prime', with 6.9% year on year sales growth. In mixed-use we have secured planning consent for our major Finchley Road project and signed a drawdown agreement for the first phase of land at Mayfield, progressing preparations for our 11m sq ft pipeline. Despite the general macro challenges, our performance highlights the high quality of the Landsec platform and portfolio and strong progress on executing strategy since late 2020, creating balance sheet resilience and optionality for future growth.

We are a purpose-led business and aim to create value for all stakeholders. Our strategy for the coming year continues to focus on shaping Central London offices, major retail destinations and mixed-use urban neighbourhoods.

For the year ended 31 March 2023, whilst asset values decreased by 7.7% in aggregate owing to wider economic conditions, EPRA earnings were up 10.7% and net debt has reduced by £0.9bn, reducing LTV by 2.7% to 31.7% in line with our LTV target range of 25% to 40% and net debt/EBITDA from 9.7x to 7.0x. Our current development pipeline is 60% pre-let or under offer. In Central London, £48m of lettings were completed or in solicitors' hands, 5% ahead of valuers' assumptions, and occupancy up 110bps to 95.9%. In Major retail destinations, £38m of lettings were completed or in solicitors' hands, 9% ahead of ERV with occupancy up 110bps to 94.3%. These results are clearly reflected in the variable pay awarded to the Executive Directors.

Annual bonus performance
The performance of the Executive Team has been both focused and decisive, with progress made in all areas of the strategic plan that was set out at the start of the year. This performance was achieved despite increased macroeconomic uncertainties including inflation tensions owing to geopolitical issues and the energy crisis leading to increased interest rates. Significant achievements include completing on key transactions at attractive prices including the sale of 21 Moorfields and One New Street Square. We further strengthened our sector-leading balance sheet with the issue of our inaugural £400m Green bond in challenging bond market conditions. We also carried out an organisational restructure enabling us to hold overhead costs stable year on year despite rising inflation. This leaves the Group well placed to pursue growth opportunities. The acquisition of the

remaining 50% of the St David's shopping centre in Cardiff at an implied property yield of 9.7% demonstrates management focus on decisive capital allocation, reinvesting capital back into the business at attractive returns to generate growth. The Committee has carefully considered the performance against the targets, business outcomes and the wider stakeholder context and believes that it is appropriate for the Executive Directors to receive annual bonuses for 2022/23. The assessment against the targets resulted in overall bonus outcomes of 50% of maximum (equating to 75.04% of salary), which is considered to be appropriate in the context of the performance of the business.

Long-Term Incentive Plan performance

Vesting of the 2020 LTIP in 2023 was 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 the TPR measure was below threshold while TSR was between threshold and maximum over the three years to 31 March 2023. As such, and after consideration of the value of the shares expected to vest, 37.69% of the 2020 LTIP awards will vest.

In addition, the 2021 buyout award granted to Vanessa Simms was determined by performance measured against the same targets as the 2021 LTIP award, albeit over two years to 31 March 2023. Performance against the Total Accounting Return (TAR) measure (now called Total Return on Equity (TRE)) was below threshold, TSR was upper quartile and ESG (reduction in carbon emissions) was above maximum over the two years to 31 March 2023. As such, 60% of the 2021 buyout award will vest.

Executive Director change

Colette O'Shea left the Board on 30 September 2022 and stepped down from her role as Chief Operating Officer with effect from 31 March 2023 after a transitional period.

Discretion

No positive discretion was exercised in the year ended 31 March 2023. Negative discretion has been used to reduce the value of an unbudgeted surrender premium received from EPRA earnings prior to calculating the annual bonus outcome. This was recommended by management and agreed by the Committee given that the surrender premium was unbudgeted and was not therefore factored into the original earnings targets.

Executive remuneration 2023/24

1. Base salary

From 1 June 2023, Executive Director salaries will increase by 4%. The payrise across the wider workforce was 6.75% (5% of which was accelerated and paid from 1 January 2023 to assist employees with the cost of living crisis). This was in addition to a one-off award of £1,000 paid to all employees earning below £40,000 p.a.

2. Pension and benefits

Consistent with the UK Corporate Governance Code, Executive Director pension contributions are aligned to the wider workforce at 10.5% of salary. No changes will be made to benefit provision other than a switch from a car to a travel allowance for Vanessa Simms.

3. Annual bonus

For the year ending 31 March 2024, Executive Directors will be eligible for an annual bonus of up to 150% of salary. Our bonus scheme, which remains aligned to our strategy, combines stretching targets for earnings, Total Return on Equity (TRE) (previously known as Total Accounting Return (TAR)) and ESG for the year ending 31 March 2024. Personal objectives will continue to apply for a minority of the award.

4. Long-Term Incentive Plan

We intend to grant awards under the LTIP in June 2023 which will be subject to performance conditions measured over a three-year performance period. Performance targets will continue to be based on TRE (previously known as TAR), relative TSR, and carbon reduction. Any awards which vest will be subject to a two-year post-vesting holding period.

Remuneration across the Company

The Committee oversees all remuneration policies and practices across the organisation, and is regularly briefed by the Chief People Officer in this regard. The Committee takes account of the interests of all internal and external stakeholders when making any decisions on remuneration matters. During the year ended 31 March 2023, we continued to grant LTIP awards below the Executive Leadership Team, more closely aligning those who execute our strategy on a daily basis with the interests of our shareholders.

Employee voice

In April 2023, I took the opportunity to meet with members of our Employee Forum (which represents the wider Landsec workforce). This is an important activity and I was pleased to answer a number of questions posed by the forum on pay ratios, pay structures, LTIPs, base salary and investor views on remuneration.

Effectiveness

During the year the Committee reviewed its own effectiveness and the effectiveness of FIT as advisers to the Committee. Overall, the Committee was satisfied with the effectiveness of both. Follow-up actions included streamlining Committee processes and ensuring proactive responses to issues and advice.

Conclusion

Despite increased macroeconomic uncertainty, Landsec's Executive Team continue to lead the business to deliver strong operational results and active execution on strategy. I am grateful for the engagement and support provided by our shareholders and welcome your feedback.

Christophe Evain
Chair, 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 2022/23.

We aim to align the total remuneration for our Executive Directors to our business strategy through a combination of fixed pay, bonus and long-term incentives, underpinned by stretching performance targets.

Remuneration structure

Remuneration principles – supporting long-term success and sustainable value

- We will materially differentiate reward according to performance.
- Performance targets will be relevant, stretching, and aligned to our business strategy.
- Rewards will be compatible with the Group's risk policies and systems, with malus and clawback applied to all forms of variable pay.
- We will provide a balance between attracting, retaining and motivating talented people as well as supporting equal opportunity and diversity of talent.
- Our framework will ensure that levels of performance-related pay are appropriate to each level of the organisation.
- Remuneration outcomes will be clear and explainable, avoiding paying more than the Committee considers necessary.

Fixed pay

— To read more go to **page 114**

- Base salary
- Benefits
- Pension

Annual bonus

— To read more go to **page 115**

Long-term incentive

— To read more go to **page 115**

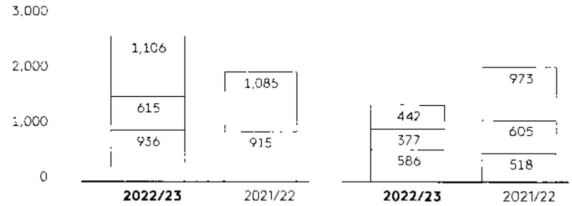
2022/23 in numbers

Performance	Remuneration across the Group	Chief Executive remuneration
£393m EPRA earnings* (2022: £355m)	£65m Total pay bill (2022: £66m)	£2,657,730 Single figure (2022: £1,999,930)
Upper quartile Relative TSR (2022: Above median)	15.3%** Change in average salary (2022: 8.4%)	37.69% LTIP vesting (2022: 0%)
-16.2% Annual TSR (2022: 19.1%)	99.3% Employees received an annual increase (2022: 82.6%)	50% Annual bonus percentage of max (2022: 90.4%)
53.1p EPRA EPS (2022: 48.0p)	94.8% Employees paid a bonus (2022: 88.4%)	32.9% Change in total remuneration (2022: –31.5%)

* EPRA earnings of £376.5m (adjusted to remove a material surrender premium) used for annual bonus payout purposes.
**Includes promotions and role changes.

Summary of CEO and CFO total remuneration (£000)

Table 36



	Mark Allan Chief Executive 2022/23	Mark Allan Chief Executive 2021/22	Vanessa Simms Chief Financial Officer 2022/23	Vanessa Simms Chief Financial Officer 2021/22
Base salary	**820**	800	**502**	446
Benefits	**30**	31	**31**	25
Pension allowance	**86**	84	**53**	47
Annual bonus paid in cash	**410**	400	**251**	223
Annual bonus deferred into shares	**205**	685	**126**	382
LTIP	**1,106**	-	**–**	–
Other (LTIP CFO Buyout)	**–**	–	**442**	973
Total remuneration	**2,657**	2,000	**1,405**	2,096

Summary of Annual Bonus and Long-Term Incentive Plan outcomes

		Weighting	Outturn	% of weighting achieved
Annual bonus	EPRA earnings	30%	18%	
	EPRA NTA (Total Return on Equity)	30%	0%	
	ESG	20%	15%	
	Personal	20%	17%	
	Total bonus	**100%**	**50%**	
Long-term incentive (CEO)[1]	Three-year relative TSR	50%	37.69%	
	Three-year ungeared TPR	50%	0%	
	Total LTIP	**100%**	**37.69%**	
Long-term incentive (CFO buyout)[2]	Three-year relative TSR	40%	40%	
	TAR	40%	0%	
	ESG	20%	20%	
	Total	**100%**	**60%**	

— To read more on our strategy, go to **pages 14–15 and 17–19**

1. 2020 LTIP vesting in 2023 (CEO).
2. 2021 buyout award vesting in 2023 (CFO).

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 2023 and how the policy will operate in the financial year ending 31 March 2024.

In this section

Colour key

Fixed pay

Annual bonus

Long-term incentive

During the course of 2022/23, the Remuneration Committee was engaged in a number of key matters, including:

- reviewing remuneration levels for employees and Executive Directors
- setting and subsequently reviewing the outcomes for corporate, business unit and personal targets under the annual bonus scheme for Executive Directors and Executive Leadership Team (ELT) members
- reviewing and determining the outturns against the performance conditions, and subsequent vesting outcome, of awards granted under the Long-Term Incentive Plan (LTIP) in 2020 and 2021 buyout award
- 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 and voluntary publishing of the Group's ethnicity pay gap report
- reviewing and approving the exit terms for Colette O'Shea.

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 2023. Tables 37 and 38 show the payments we have made or expect to make and tables 39 to 47 give more detail on how we have measured the performance outcomes with respect to the annual bonus and LTIP/buyout awards.

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 2023 in connection with performance achieved in the financial year ended 31 March 2023.

Single figure of remuneration for each Executive Director (£000)

Table 37

		Base salary[1]	Benefits[2]	Pension allowance[3]	Annual bonus paid in cash[4]	Annual bonus deferred into shares[4]	LTIPs[5]	Other[6]	Total	Total fixed pay	Total variable pay
Executive Directors											
Mark Allan	**2022/23**	**820**	**30**	**86**	**410**	**205**	**1,106**	**–**	**2,657**	**936**	**1,721**
	2021/22	800	31	84	400	685	–	–	2,000	915	1,085
Vanessa Simms[6]	**2022/23**	**502**	**31**	**53**	**251**	**126**	**–**	**442**	**1,405**	**586**	**819**
	2021/22	446	25	47	223	382	–	973	2,096	518	1,578
Former Directors											
Colette O'Shea[7]	**2022/23**	**245**	**9**	**26**	**184**	**–**	**553**	**–**	**1,017**	**280**	**737**
	2021/22	480	18	50	240	389	–	–	1,178	548	629
Martin Greenslade[8]	2021/22	88	4	18	65	106	–	–	281	110	171

1. Base salary earned during the year ended 31 March 2023 (with prior year comparatives)
2. The benefits consist of a car/travel allowance, private medical insurance, income protection and life assurance premiums.
3. The pension amount for Mark Allan, Vanessa Simms and Colette O'Shea was a cash allowance of 10.5% of base salary.
4. Further details of the bonus awards are set out in section 1.3 below.
5. Further details of the 2020 LTIP vesting are set out in section 1.4 below.
6. Vanessa Simms joined Landsec's Board as CFO designate on 4 May 2021, taking up the post of CFO on 1 June 21. The 'Other' column relates to the estimated vesting value of the 2021 buyout award granted to Vanessa Simms based on two years of performance to 31 March 2023 (see section 1.4 for further details). The prior year number related to the acquisition of 91,281 shares in the Company following the exercise of options granted under a recruitment Deferred Share Bonus Plan and LTIP award and a replacement bonus of £288,852 relating to Vanessa Simms' recruitment, as set out in last year's Annual Report on Remuneration.
7. Colette O'Shea left the Board on 30 September 2022. See section 1.2 below.
8. Martin Greenslade left the Board on 31 May 2021.
9. In addition to the above, Vanessa Simms and Colette O'Shea participated in the Sharesave at the maximum monthly savings limit (£500).

Single figure of remuneration for each Non-executive Director (£000)

Table 38

		Fees[1]	Benefits	Pension allowance	Annual bonus	LTIPs	Total	Total fixed pay	Total variable pay
Non-executive Directors									
Cressida Hogg	**2022/23**	**375**	**–**	**–**	**–**	**–**	**375**	**375**	**–**
	2021/22	375	–	–		–	375	375	–
Edward Bonham Carter	**2022/23**	**85**	**–**	**–**	**–**	**–**	**85**	**85**	**–**
	2021/22	85	–	–	–	–	85	85	–
Nicholas Cadbury	**2022/23**	**90**	**–**	**–**	**–**	**–**	**90**	**90**	**–**
	2021/22	90	–	–	–	–	90	90	–
Sir Ian Cheshire[2]	**2022/23**	**10**	**–**	**–**	**–**	**–**	**10**	**10**	–
Madeleine Cosgrave	**2022/23**	**70**	**–**	**–**	**–**	**–**	**70**	**70**	**–**
	2021/22	70	–	–	–	–	70	70	–
Christophe Evain[3]	**2022/23**	**90**	**–**	**–**	**–**	**–**	**90**	**90**	**–**
	2021/22	90	3	-	·	–	93	93	–
Miles Roberts[4]	**2022/23**	**38**	**–**	**–**	**–**	**–**	**38**	**38**	
Manjiry Tamhane	**2022/23**	**70**	**–**	**–**	**–**	**–**	**70**	**70**	**–**
	2021/22	70	–	–	–	–	70	70	–

1. Fees paid to Directors during the year ended 31 March 2023 (with prior year comparatives).
2. Sir Ian Cheshire was appointed to the Board on 23 March 2023.
3. Christophe Evain, who is based in France, received national insurance contribution support in 2021/22, which was treated as a benefit in kind.
4. Miles Roberts was appointed to the Board on 19 September 2022.

Annual Report on Remuneration continued

1.2 Payments to former directors

As announced on 9 September 2022, following almost 20 years at Landsec, Colette O'Shea ceased to be a director of the Company on 30 September 2022 and stepped down from her role as Chief Operating Officer with effect from 31 March 2023 after a transitional period. In respect of her remuneration arrangements, she:

- received £281,906 in respect of her salary and normal benefits between 1 October 2022 and 31 March 2023 after leaving the Board. She will continue to be an employee until the end of her 12-month notice period on 8 September 2023 and will continue to receive her salary and normal benefits during the remainder of her employment
- was eligible to receive an annual bonus in respect of the 2023 financial year to reflect her time served as Chief Operating Officer, subject to the satisfaction of the relevant performance criteria and determined on the normal timetable in line with the shareholder approved Remuneration Policy
- will not be eligible to receive an annual bonus in respect of the 2024 financial year
- was treated as a good leaver in respect of her outstanding:
  - deferred bonus awards, which will continue and vest on the normal vesting dates
  - LTIP awards which will vest on their normal vesting dates, subject to the satisfaction of applicable performance conditions and time pro-rating. A two year post-vesting holding period will apply as normal. To the extent that awards vest, dividend equivalents may be credited where applicable
  - options under the Company's Sharesave plan, which will be exercisable (to the extent of her savings as at the date of exercise) within six months after she ceases to be an employee
- will receive a statutory redundancy payment of £15,417 calculated in accordance with applicable legislation and will be paid in lieu of any accrued holiday that cannot be taken. She will also receive a contribution of up to £14,500 (excluding VAT) in respect of legal fees and up to £70,000 (excluding VAT) in respect of outplacement support
- will comply with the Company's post-cessation shareholding requirements.

Other than the amounts disclosed above, Colette will not be eligible for any remuneration payments or payments for loss of office.

1.3 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, 120% of salary was dependent on meeting Group targets and 30% of salary was dependent on meeting personal objectives. All targets were set at the beginning of the year. The following table confirms the targets and their respective outcomes.

Annual bonus performance summary for 2022/23 Table 39

Measure	Weighting	Description	Performance outcome					
			Threshold	Target	Maximum	Actual	Outturn (% of targets)	Outturn (% of max)
EPRA earnings (£m)	30%	EPRA earnings targets	£360.8m	£372.0m	£394.3m	£376.5m[1]	60.1%	18.03%
TAR (now called TRE) (pence per share)	30%	Total Return on Equity targets	6.0%	8.5%	11.0%	-8.3%	0%	0%
ESG	20%	Milestone targets relating to Energy and Developments (10% each)	25% 3 targets met	50% 4 targets met	100% 5 targets met	See tables 40 and 41	75%	15%
Personal objectives	20%	Individual goals set at the beginning of the year	0%	50%	100%	See table 42	85%	17%
Total annual bonus	100%							**50.03%**

1. Negative discretion was exercised to reduce the value of unbudgeted surrender premium from the EPRA earnings result, as recommended by management and agreed by the Committee. The EPRA earnings before adjustment were £393m

ESG – Energy (10%)

Table 40

Target	Detail	Committee assessment	Outturn (% of max)
Energy reduction	4% like-for-like energy reduction compared with 2019/20	Achieved 16.6% energy intensity reduction through various factors including energy efficiency measures and improved energy management. Excluding impact of occupancy levels, we have achieved 13% energy intensity reduction.	Achieved
EPC	100% relevant portfolio has a valid EPC rating E or above, compliant with 2023 MEES regulation	100% compliance with MEES regulation achieved.	Achieved
ASHP	Concept design is completed for five assets, with at least two assets (proof of concepts) progressing with developed and technical design (stage 3 and 4)	Concept design completed for four assets with detailed technical design progressed for two assets and additional feasibility studies completed for two further assets.	Achieved
Customer engagement	Progress customer engagement programme, engaging total 20 customers (follow-up with 15 customers included in the 2021/22 programme and engage ten new customers)	25 customers have been engaged, with 11 collaborating on an ongoing basis and seven completing their audit processes.	Achieved
SBTi net zero commitment	Update our science-based target and net zero commitment in line with Science Based Targets initiative Net-Zero Standard	Near term and net zero targets were updated and approved by SBTi on 3 February 2023. Our near-term target is to reduce emissions by 47% from a 2019/20 baseline by 2030 and achieve net zero by 2040 from the same baseline year.	Achieved
Total		Five out of five outcomes achieved	**100%**

Based on number of outcomes achieved: Threshold (25%): at least three outcomes are achieved/Target (50%) at least four outcomes are achieved/Maximum (100%): all five outcomes are achieved.

ESG – Developments (10%)

Table 41

Target	Detail	Committee assessment	Outturn (% of max)
Embodied carbon reduction	All new developments not already on site (design stage) to target average 40% lower embodied carbon than typical buildings	New developments have not met 40% lower embodied carbon targets than typical buildings. This has been largely caused by the limited availability of low carbon steel.	Not achieved
NABERS UK/ Energy	All new developments to target: NABERS 5 stars or above for offices/45kWh/m² energy intensity for residential	Target considered to be met in respect of NABERS/Energy intensity performance across all new developments.	Achieved
ASHP/all electric	All new developments to be all electric in operation	All of our developments are now being designed as all-electric as standard.	Achieved
Refurbishments	All large scale refurbishments to undertake whole life carbon assessment to enable us to develop a baseline for an embodied carbon target for refurbishments	Whole life carbon assessments completed for all large scale refurbishments and now embedded as standard.	Achieved
BREEAM/WELL or other relevant certification	All new developments in design stage to target BREEAM outstanding and/or WELL Core Gold or above for offices/BREEAM excellent or above for retail/Home Quality Mark or equivalent for residential	All new developments met or exceeded their target certifications.	Achieved
Total		Four out of five outcomes achieved	**50%**

Based on number of outcomes achieved: Threshold (25%): at least three outcomes are achieved/Target (50%): at least four outcomes are achieved/Maximum (100%): all five outcomes are achieved.

Annual Report on Remuneration continued

Personal objectives (20%) Table 42

Target	Detail	Committee assessment
Business performance and strategy delivery	Progress development pipeline and maintain portfolio recycling programme (CEO only)	Major disposals were successfully executed (including the disposal of £1.4bn of mature offices). The London development pipeline was progressed, while preserving optionality and 100% of St David's in Cardiff was secured. Combined, this activity accounted for c.46% of all investment activity in the City and c.24% of central London overall across the year, resulting in one of the strongest balance sheets in the sector and the retention of Landsec's strong investment grade rating.
	Deliver refreshed strategic plan in year (CEO only)	Following effective Board and Senior Leader engagement, the strategy was refreshed successfully in the context of the current/expected market conditions, our future office proposition, a longer-term view of the future of retail, the residential strategy and the acceleration of growth.
	Deliver cost challenge (Shared)	New business planning cycle and streamlined organisation design launched, resulting in a reduction to overhead costs despite inflationary pressures.
	Deliver updated Green Financing Framework (CFO only)	Following the publication of Landsec's refreshed Green Financing Framework, Landsec launched its first Green bond to enhance Landsec's financial capacity and flexibility and leave it well placed to continue to deliver against the strategy.
Organisation and culture	Refresh D&I strategy with greater focus on leadership (Shared)	While steps were taken to refresh Landsec's D&I strategy, with greater focus on leadership accountability and data driven action, there is still progress to be made in respect of delivering the D&I strategy. As such, this target was considered to be partially met.
	Maintain momentum in data and digital modernisation strategy delivery (Shared)	The CEO and CFO sponsored the core business systems change programme, ensuring that it remained on track with important decisions being made in a timely manner.
	Accelerate cyber security programme (CFO only)	During 2022/23, the CFO championed a detailed review of cyber security, the conclusions of which led to substantial and rapid improvements.

The personal objectives were considered by the Committee to have been largely met. On assessment, they delivered an outcome of 17% out of 20% against the CEO's personal and shared targets and 17% out of 20% against the CFO's personal and shared targets. These results (i.e. 85% of maximum against both sets of targets) are consistent with the strong operational performance delivered in 2022/23.

Total Annual bonus achievement Table 43

Director	EPRA earnings (30%)	EPRA NTA (Total Return on Equity) (30%)	ESG – Energy (10%)	ESG – Developments (10%)	Personal (20%)	Total % of max (% of salary)	Total £'k
Mark Allan					85% of max	50% (75.04% of salary)	£615
Vanessa Simms	60.1% of max	0% of max	100% of max	50% of max	85% of max	50% (75.04% of salary)	£377
Colette O'Shea					85% of max	50% (75.04% of salary)	£184

1.4 Long-Term Incentive Plan outturns

The table below summarises how we have assessed performance in respect of the 2020 LTIP awards granted on 24 July 2020 (held by Mark Allan and Colette O'Shea) over the three years to 31 March 2023.

Table 44

Measure	Weighting	Description	Performance outcome				Outturn (% of max)
Total Shareholder Return (TSR)[1]	50%	TSR relative to the FTSE 350 Real Estate Index, weighted by market capitalisation, measured over the three-year performance period.	**Threshold (10%)** Index	**Target (25%)** Index +1.13% p.a.	**Maximum (50%)** Index +3% p.a.	**Actual** Index +2.1% p.a.	75.38%
Ungeared Total Property Return (TPR)[2]	50%	The Group's ungeared TPR relative to an MSCI benchmark comprising all March-valued properties[3], 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%**		**37.69%**

1. Index excludes Landsec.
2. The outturn is adjusted to take account of the performance of trading properties.
3. Excluding Landsec.

The value of these awards shown in the single figure table for Mark Allan and Colette O'Shea are as follows:

Table 45

	Shares granted[1]	Number of shares that will lapse	Number of shares that will vest	Estimated value of shares vesting[2]	Impact of share price at vesting[3]
Mark Allan	438,596	273,289	165,307	£1,106k	£202k
Colette O'Shea	219,298	136,644	82,653	£553k	£101k

1. LTIP award granted on 24 July 2020.
2. Based on a 3 month average share price to 31 March 2023 of £6.69. Excludes the value of dividend equivalents which only accrue post vesting during the two year holding period.
3. The difference between the value of the shares under awards vesting (£6.69 per share) and the value of the shares at grant (£5.47 per share).

The Committee reviewed the estimated LTIP vesting values set out above (this is the first LTIP vesting since 2017) and concluded that the vesting values do not represent unjustified windfall gains, noting Landsec's:

- strong operational performance over the three years to 31 March 2023
- proactive execution of the strategy (which includes a number of material asset disposals), notwithstanding the challenging market conditions
- balance sheet strength (one of the strongest in the sector)
- strong relative share price performance over the three years to 31 March 2023.

In addition, Vanessa Simms was granted a buyout award on 18 May 2021 in respect of LTIP awards forfeited from her previous employer. The table below summarises how we have assessed performance in respect of this 2021 buyout award over the two years to 31 March 2023.

Table 46

Measure	Weighting	Description	Performance outcome			Outturn (% of max)
Total Shareholder Return (TSR)	40%	TSR relative to the constituents of the FTSE 350 Real Estate Index, measured over a two-year period, from 1 April 2021	**Threshold (20%)** Median	**Maximum (100%)** Upper Quartile	**Actual** Upper Quartile (ranking 3/24 as at year end)	100%
Total Accounting Return (TAR), now called TRE	40%	Growth in EPRA NTA per share over the performance period as adjusted for dividends in line with overall five-year strategic plan	**Threshold (20%)** 4% p.a.	**Maximum (100%)** 10% p.a.	**Actual** Below threshold	0%
ESG[1]	20%	Reduction of carbon emissions over the performance period	**Threshold (20%)** 9.8%	**Maximum (100%)** 12.9%	**Actual** Above maximum (23% reduction to year end)	100%
Total	**100%**					**60%**

1. Original 3-year targets of 15% to 20% pro-rated to reflect 2-year performance. Carbon emissions were reduced by 23% from a 2019/20 baseline. In assessing the performance target, benefits from asset sales and lower utilisation have been neutralised.

Annual Report on Remuneration continued

The value of these awards shown in the single figure table for Vanessa Simms is as follows:

Table 47

	Shares granted	Number of shares that will lapse	Number of shares that will vest	Estimated value of shares vesting[2]	Impact of share price at vesting[3]
Vanessa Simms	110,160	44,064	66,096	£442k	£95k

1. Buyout award granted on 4 May 2021.
2. In addition, dividend equivalents accrue between the grant date and the end of the two year holding period or date of exercise if earlier.
3. The difference between the value of the shares under awards vesting (£6.69) and the value of the shares at the announcement date as used to determine the buyout value (£5.26).

2. Directors' interests

2.1 Total shareholding (Audited)

Details of the Directors' interests, including those of their immediate families and connected persons, in the issued share capital of the Company at the beginning and end of the year, together with their required shareholding, are set out in the table below.

Executive Directors are expected to meet the minimum shareholding requirements within five years of appointment to the Board. Where the minimum level is not met, or where the value of shareholding falls below the required level due to movements in the share price, the Executive Director is expected to retain 100% of the shares acquired, net of tax, under any share plan awarded by the Company.

Non-executive Directors are expected to meet the minimum shareholding requirements within three years of appointment to the Board. The shareholding requirements are considered met once the Non-executive Director has obtained the required holding value and, provided those shares are retained, no adjustment is required due to movements in the share price.

Directors' shares

Table 48

Name	Salary/ base fee at 31 March 2023 (£)	Minimum shareholding requirements (% of salary/ base fee)	Required holding value (£)	Holding (ordinary shares) 1 April 2022	Holding (ordinary shares) 31 March 2023	Deferred bonus shares under holding period	Value of holding (£)[1]	Met requirement or building in line with policy
Mark Allan	824,000	300%	2,472,000	214,531	229,203	66,555	1,837,249	Building
Vanessa Simms	504,700	200%	1,009,400	48,292	51,400	34,542	533,872	Building
Colette O'Shea[2]	*494,400*	*200%*	*988,800*	*107,730*	*107,730*	*38,598*	*908,990*	*Building*
Cressida Hogg	375,000	100%	375,000	41,375	41,375	–	257,022	Met[5]
Edward Bonham Carter	70,000	100%	70,000	9,375	9,375	–	58,238	Met[5]
Nicholas Cadbury	70,000	100%	70,000	7,481	7,481	–	46,472	Met[5]
Sir Ian Cheshire[3]	375,000	100%	375,000	–	–	–	–	Building
Madeleine Cosgrave	*70,000*	*100%*	*70,000*	*10,535*	*10,535*	*–*	*65,443*	*Met[5]*
Christophe Evain	70,000	100%	70,000	8,000	8,000	–	49,696	Met[5]
Miles Roberts[4]	70,000	100%	70,000	–	–	–	–	Building
Manjiry Tamhane	70,000	100%	70,000	4,473	4,473	–	27,786	Building

1. Using the closing share price of 621.2p on 31 March 2023 and including any deferred bonus shares, net of the notional tax and employee NIC.
2. Colette O'Shea retired from the Board on 30 September 2022 and is required to hold shares equivalent to 200% of the value of her salary for two years post-cessation.
3. Sir Ian Cheshire was appointed to the Board on 23 March 2023.
4. Miles Roberts was appointed to the Board on 19 September 2022.
5. Once the minimum shareholding requirement has been met, the number of shares is frozen with subsequent share price movements disregarded.

2.2 Outstanding share awards held by Executive Directors (Audited)

The table below shows share awards granted and vested during the year, together with the outstanding and unvested awards at the year end. LTIP awards are granted in the form of nil cost options, which may be exercised from the third anniversary of the date of grant, until their expiry on the tenth anniversary of the date of grant.

Outstanding share awards and those which vested during the year

Table 49

		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[1]	913.8	113,753	0	n/a	01/06/2022
		24/07/2020[1]	547.2	438,596			24/07/2023
		25/06/2021	695.4	345,125			25/06/2024
		24/06/2022	694.3	356,042			24/06/2025
	Deferred shares	25/06/2021	695.4	26,959			25/06/2024
		24/06/2022	694.3	57,611			24/06/2023
		24/06/2022	694.3	41,008			24/06/2024
Vanessa Simms	Buyout shares	18/05/2021[2]	526.2	110,160			25/06/2023
	LTIP shares	25/06/2021	695.4	211,389			25/06/2024
		24/06/2022	694.3	218,075			24/06/2025
	Deferred shares	04/05/2021	526.2	5,431	5,431	615.6p	12/12/2022
		25/05/2021	713.4	10,122			25/05/2024
		24/06/2022	694.3	32,165			24/06/2023
		24/06/2022	694.3	22,895			24/06/2024
Colette O'Shea[6]	LTIP shares	25/06/2019[3]	819.6	134,211	0	n/a	25/06/2022
		24/07/2020[1]	547.2	219,298			24/07/2023
		25/06/2021[4]	695.4	172,562			25/06/2024
		24/06/2022[5]	694.3	178,021			24/06/2025
	Deferred shares	25/06/2021	695.4	16,773			25/06/2024
		24/06/2022	694.3	34,567			24/06/2023
		24/06/2022	694.3	21,493			24/06/2024

1. See section 1.4 in respect of the vesting of the 2020 LTIP awards over three-year performance to 31 March 2023. No time pro-rating was applied to Colette O'Shea's 2020 LTIP award given that the performance period was completed before cessation.
2. See section 1.4 in respect of the vesting of Vanessa Simms' buyout award in respect of two-year performance to 31 March 2023.
3. As set out in last year's Directors' Remuneration Report, awards lapsed in full as a result of below threshold performance against the targets measured over the three years to 31 March 2022.
4. Subject to performance conditions and time pro-rating. The maximum number of shares which can vest is 139,008.
5. Subject to performance conditions and time pro-rating. The maximum number of shares which can vest is 84,065.
6. Colette O'Shea retired from the Board on 30 September 2022 and will remain an employee until 8 September 2023.

2.3 Share awards granted in the year ended 31 March 2023

Awards were granted under the LTIP in June 2022, subject to three performance conditions measured over a three-year performance period, as set out below. No awards will vest if the threshold performance targets are not met. In the performance period from 1 April 2022 to 31 March 2025, the performance conditions are 40% TSR relative to the FTSE 350 Real Estate Super Sector, 40% Total Accounting Return performance based on the percentage change in EPRA Net Tangible Assets per share over the performance period and 20% ESG performance, measuring the reduction in carbon emissions. Full details of the performance targets are set out on page 121 of the 2022 Annual Report. Awards may normally be exercised between 24 June 2025 and 23 June 2032 and a two-year post-vesting holding period applies.

Table 50

	Number of awards	Share price (p)[1]	Face value
Mark Allan	356,042	694.3	£2,472,000
Vanessa Simms	218,075	694.3	£1,514,100
Colette O'Shea	178,021	694.3	£1,236,000

1. Face value of awards has been determined based on the closing share price on the trading day immediately prior to the date of grant.

Annual Report on Remuneration continued

Awards were granted under the Deferred Share Bonus Plan in June 2022. Awards may normally be exercised between 24 June 2023 and 23 June 2027.

Table 51

	Number of awards	Vesting date	Number of awards	Vesting date	Share price (p)[1]	Total face value
Mark Allan	57,611	24/06/2023	41,008	24/06/2024	694.3	£684,712
Vanessa Simms	32,165	24/06/2023	22,895	24/06/2024	694.3	£382,282
Colette O'Shea[2]	34,567	24/06/2023	21,493	24/06/2024	694.3	£389,225

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. Colette O'Shea retired from the Board on 30 September 2022. Her award will continue to vest on the normal vesting date.

2.4 Directors' options over ordinary shares (Audited)

The options over shares set out below relate to the Land Securities Group PLC Sharesave scheme (Sharesave). The Sharesave is open to all qualifying employees (including Executive Directors) and under HMRC rules does not include performance conditions.

Outstanding grants and those which were exercised during the year Table 52

	Number of options at 1 April 2022	Exercise price per share[2] (p)	Number of options granted in year to 31 March 2023	Number options exercised/ lapsed[1]	Market price at exercise (p)	Number of options at 31 March 2023	Exercisable dates
Colette O'Shea[3]	1,734	519	–	–	–	1,734	08/2023-02/2024
	1,541	584	–	–	–	1,541	09/2023 03/2024[1]
Total	**3,275**		**–**	**–**	**–**	**3,275**	
Vanessa Simms	3,082	584	–	–	–	3,082	08/2024-02/2025
Total	**3,082**	**584**	**–**	**–**	**–**	**3,082**	

1. Sharesave awards may be exercised within six months of cessation for awards held by Colette O'Shea.
2. The exercise price for the Sharesave awards was determined based on a three-day average mid-market share price prior to the invitation date of the scheme, discounted by 20%.
3. Colette O'Shea retired from the Board on 30 September 2022.

2.5 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. Vanessa Simms holds the positions of Non-executive Director and Audit Committee Chair of Drax Group plc and received fees of £70,382 in respect of the 2022/23 financial year.

2.6 Directors' Service Contracts and Letters of Appointment

Dates of appointment for Directors Table 53

Name	Date of appointment	Date of contract/Letter of Appointment
Executive Directors		
Mark Allan	14 April 2020	21 November 2019
Vanessa Simms	4 May 2021	27 October 2020
Non-executive Directors		
Cressida Hogg	12 July 2018	14 May 2018
Edward Bonham Carter	1 January 2014	13 May 2015
Nicholas Cadbury	1 January 2017	16 January 2023
Sir Ian Cheshire	23 March 2023	19 January 2023
Madeleine Cosgrave	1 January 2019	22 November 2018
Christophe Evain	1 April 2019	14 March 2019
Miles Roberts	19 September 2022	1 August 2022
Manjiry Tamhane	1 March 2021	29 January 2021

3. Application of Policy for 2023/24

3.1 Executive Directors' base salaries

Executive Directors

Table 54

Name	Current salary (£000)	New salary[1] (£000)	Percentage increase
Mark Allan	824	857	4
Vanessa Simms	505	525	4

1. From 1 June 2023.

From 1 June 2023, Executive Director salaries will increase by 4%. The payrise across the wider workforce was 6.75% (5% of which was accelerated and paid from 1 January 2023 to assist employees with the cost-of-living crisis).

3.2 Non-executive Directors' fees

The fees for Non-executive Directors and Chairman for 2023/24 are presented below. Base fees for Non-executive Directors will increase from 1 June 2023 by 3%. 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 55

	Current Base fee (£000)	New Base fee[1] (£000)	Percentage increase
Chairman	375	375	0%
Non-executive Director	70	72	3%
Additional fees			
Audit Committee Chairman	20	20	0%
Remuneration Committee Chairman	20	20	0%
Senior Independent Director	15	15	0%

1. From 1 June 2023.

3.3 Performance targets for the coming year

Performance metrics and weightings in respect of the annual bonus, which will continue to be capped at 150% of salary, are set out below. To reflect the importance of delivering growth in like-for-like earnings in line with Landsec's strategic aims notwithstanding the challenging market conditions, the EPRA earnings measure will be split equally between the existing EPRA earnings measured against budget and a like-for-like EPRA earnings growth measure in respect of the year ending 31 March 2024. Challenging sliding scale targets will operate and the Remuneration Committee will retain discretion to ensure any payouts against the targets reflect the underlying performance of the Company. 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 2023/24: Performance criteria

Table 56

Measure	Weighting	Description
EPRA earnings	30%	EPRA earnings targets – split 50/50 between Actual and Like-for-Like performance.
TRE (previously called TAR)	30%	Delivery of EPRA NTA targets (adjusted for dividends) through pro-active asset management.
ESG	20%	A milestones approach as per the approach adopted in 2022/23 based on energy efficiency and embodied carbon reduction.
Personal objectives	20%	A mix of individual goals set at the beginning of the year.
Total annual bonus	**100%**	

LTIP 2023-2026: Performance criteria

Table 57

Measure	Weighting	Description	Performance range[1]	
TSR	40%	TSR relative to the constituents of the FTSE 350 Real Estate Index, measured over a three-year period, from 1 April 2023.	**Threshold (8%)** Median	**Maximum (40%)** Upper quartile
TRE (previously called TAR)	40%	Growth in EPRA NTA per share over the three-year performance period as adjusted for dividends.	**Threshold (0%)** 2% p.a.	**Maximum (40%)** 10% p.a.
ESG	20%	Reduction of carbon emissions over the three-year performance period.	**Threshold (4%)** 25.4%	**Maximum (20%)** 31.0%
Total LTIP	**100%**			

1. Vesting takes place on a straight-line basis between threshold and maximum values.

Annual Report on Remuneration continued

The approach for the 2023 LTIP awards reflects both Landsec's focus on delivering returns to shareholders combined with our approach to sustainability and our ambition to be a net zero carbon business. Relative TSR is based on an unweighted, median to upper quartile vesting schedule and TRE (previously called TAR) targets deliver a close alignment to strategy and a clear line of sight for management. The widening of the TRE targets from the prior year awards reflects elevated volatility levels in the market. The 2% to 10% p.a. TRE target range compares with a 4% to 10% p.a. range set for the 2021 LTIPs and a 6% to 11% p.a. range set for the 2022 LTIPs. However, reflecting the lower threshold for the 2023 LTIP award, the level of vesting for this part of the award has been reduced from the 20% normally operated to 0%, with a pro-rata vesting between threshold and maximum.

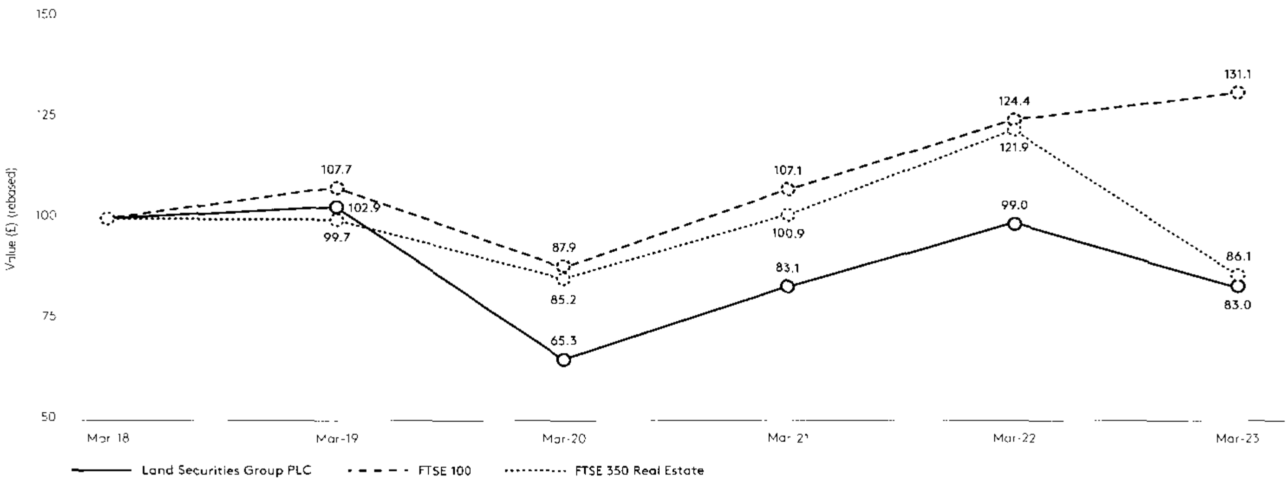
The 2023 LTIP award will be set at up to 300% of salary for the CEO and CFO.

4. Total Shareholder Return and Chief Executive pay

The following graphs illustrate the performance of the Company measured by TSR (share price growth plus dividends paid) against a 'broad equity market index'. In addition to the ten-year period required by the disclosure regulations, a five-year period has also been presented to demonstrate Landsec's performance more recently. 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 graphs. An additional line to illustrate the Company's performance compared with the FTSE 100 Index over the previous five and ten years is also included.

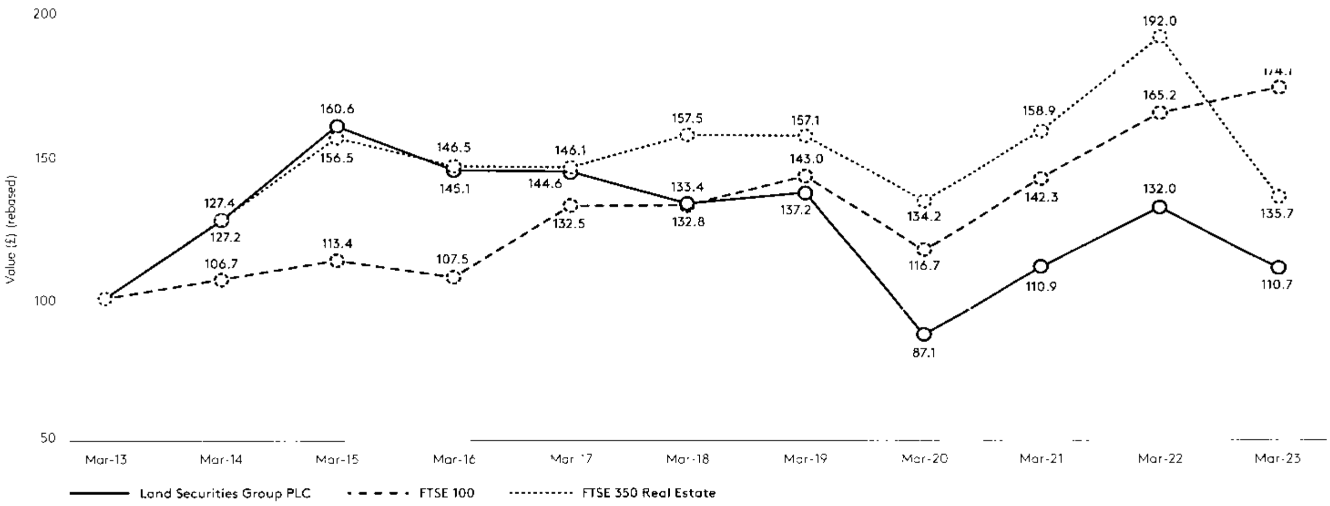
This graph shows the value, by 31 March 2023, of £100 invested in Landsec on 31 March 2018, compared with the value of £100 invested in the FTSE 100 and FTSE 350 Real Estate Indices on the same date.

Total Shareholder Return Chart 58



This graph shows the value, by 31 March 2023, of £100 invested in Landsec on 31 March 2013, 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 59



The following table shows remuneration for the Chief Executive over a period of ten years.

Chief Executive remuneration over ten years Table 60

Year	Chief Executive	Single figure of total remuneration (£000)	Annual bonus payment (% of maximum)	Long-term incentive vesting (% of maximum)
2023	Mark Allan	2,657	50.0	37.7
2022	Mark Allan	2,000	90.4	0.0
2021	Mark Allan	2,920[1]	16.2	n/a
2020	Robert Noel	1,569	43.8	0.0
2019	Robert Noel	1,624	50.5	0.0
2018	Robert Noel	1,693	58.8	0.0
2017	Robert Noel	2,692	58.8	50.0
2016	Robert Noel	2,011	67.5	13.1
2015	Robert Noel	4,776	94.5	84.7
2014	Robert Noel	2,274	71.0	62.5

1. Includes £1,692,042 in relation to buyout awards made on appointment.

5. The context of pay at Landsec

5.1 Pay across the Group

a. Senior management

For the year under review, performance-related pay for our 37 most senior employees (excluding the Executive Directors) ranged from 27% to 72% of salary (2022: 33% to 87%), equating to 45% to 60% of the maximum potential. The average bonus was 33.9% of salary (2022: 51.4%), equating to 49% of the maximum potential.

b. All other employees

Executive Directors' base salaries were increased by 3% in 2022, which was below the workforce average increase of 5%. From 1 June 2023, Executive Director salaries will increase by 4%. The pay rise across the wider workforce was 6.75% (5% of which was accelerated and paid from 1 January 2023 to assist employees with the cost of living crisis).

In addition, in autumn 2022, we made a one-off payment of £1,000 to employees earning below £40,000.

As at 31 March 2023, the ratio of the base salary of the Chief Executive to the average base salary across the Group (excluding Executive Directors) was 10:1 (£82,948: £824,000).

Annual Report on Remuneration continued

c. Percentage change in remuneration between Directors and employees

The table below shows the year on year percentage change in salary, benefits and annual bonus earned for all current Directors compared to all employees. As noted above, 5% of the employee pay rise for 2023/24 was accelerated and paid in 2022/23, but this acceleration did not apply to Directors or members of the Executive Leadership Team. This will impact comparative numbers in both years.

Table 61

	2020/21			2021/22			2022/23		
	Salary/fee change (%)	Benefits change (%)	Bonus change (%)	Salary/fee change (%)	Benefits change (%)	Bonus change (%)	Salary/fee change (%)	Benefits change (%)	Bonus change (%)
Executive Directors									
Mark Allan	n/a	n/a	n/a	9%	-75%	479%	**3%**	**-3%**	**-43%**
Vanessa Simms[1]	n/a	n/a	n/a	n/a	n/a	n/a	**13%**	**24%**	**-38%**
Colette O'Shea[2]	3%	-3%	-65%	5%	0%	389%	**-49%**	**-50%**	**-71%**
Non-executive Directors									
Cressida Hogg	-5%	n/a	n/a	5%	n/a	n/a	**0%**	**n/a**	**n/a**
Edward Bonham Carter	-15%	n/a	n/a	3%	n/a	n/a	**0%**	**n/a**	**n/a**
Nicholas Cadbury	-5%	n/a	n/a	5%	n/a	n/a	**0%**	**n/a**	**n/a**
Sir Ian Cheshire[3]							**n/a**	**n/a**	**n/a**
Madeleine Cosgrave	5%	n/a	n/a	5%	n/a	n/a	**n/a**	**n/a**	**n/a**
Christophe Evain	16%	n/a	n/a	7%	100%	n/a	**0%**	**n/a**	**n/a**
Miles Roberts[4]							**0%**	**n/a**	**n/a**
Manjiry Tamhane	n/a	n/a	n/a	n/a	n/a	n/a	**0%**	**n/a**	**n/a**
Average employee	7%	6%	-49%	-1%	2%	219%	**15%**	**-24%**	**-12**

1. Vanessa Simms joined the Board during 2021/22
2. Colette O'Shea stepped down from the Board on 30 September 2022 therefore comparing part year (FY22/23) with full year prior.
3. Sir Ian Cheshire was appointed on 23 March 2023.
4. Miles Roberts was appointed on 19 September 2022

d. CEO pay ratio

The tables below show how pay for the CEO compares to employees at the lower, median and upper quartiles (calculated on a full-time equivalent basis). The ratios have been calculated in accordance with Option A of The Companies (Miscellaneous Reporting) Regulations 2018, which uses the total pay and benefits for all employees, and is the same methodology that is used to calculate the CEO's single figure of remuneration table on page 101. Figures are calculated by reference to 31 March 2023 using actual pay data from April 2022 to March 2023. Excluded from our analysis are joiners, leavers and long-term absentees from the Company during the year. As the CEO has a larger proportion of his total remuneration linked to business performance than other employees in the UK workforce, the ratio has increased versus last year primarily as a result of the partial vesting of the 2020 LTIP (the 2019 LTIP did not vest last year) more than offsetting the reduced bonus award for the year ended 31 March 2023. Given the alignment of incentive arrangements cascaded below Board level, the Remuneration Committee believes the pay ratios are consistent with the pay, reward and progression policies for the Group's UK employees taken as a whole.

Table 62

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2022/23	Option A	49:1	30:1	18:1
2021/22	Option A	40:1	25:1	16:1
2020/21	Option A	22:1	14:1	10:1
2019/20	Option A	36:1	23:1	15:1

	CEO pay	P25 pay	P50 pay	P75 pay
Salary	£820,000	£43,811	£64,851	£104,813
Total pay	£2,657,730	£54,032	£87,925	£145,648

e. Total pay and benefits

Table 63

Year	Method	Lower quartile (25th percentile) Total Pay and Benefits	Total Salary	Median Total Pay and Benefits	Total Salary	Upper quartile (75th percentile) Total Pay and Benefits	Total Salary
2022/23	A	£54,032	£43,811	£87,925	£64,851	£145,648	£104,813
2021/22	A	£50,620	£38,038	£79,746	£58,083	£122,832	£77,600
2020/21	A	£45,752	£39,000	£73,212	£55,776	£105,848	£77,000
2019/20	A	£44,140	£29,785	£69,393	£58,565	£104,438	£79,203

5.2 The relative importance of spend on pay

The table below shows the total spend on pay for all Landsec employees, compared with our returns to shareholders in the form of dividends.

Table 64

	March 2023 (£m)	March 2022 (£m)	% change
Spend on pay[1]	65	66	-1.5
Dividend paid[2]	288	274	5.1

1. Including base salaries for all employees, bonus and share-based payments
2. Dividend paid represents dividends declared for the year. See note 11 to the financial statements.

6. Dilution

Awards granted under the Company's long-term incentive arrangements (LTIP, Deferred Share Bonus Plan, Restricted Share Plan and the ESOP) are satisfied through the funding of an Employee Benefit Trust (administered by an external trustee) which acquires existing Land Securities Group PLC shares in the market. The Employee Benefit Trust held 781,456 ordinary shares (2022: 888,400) and 3,049,943 treasury shares (2022: 3,049,943) at 31 March 2023.

The exercise of share options under the Land Securities Group PLC Sharesave, which is open to all employees who have completed more than one month's service with the Group, can be satisfied by the allotment of newly issued shares. At 31 March 2023, the total number of shares which could be allotted under this Scheme was 565,439 shares (2022: 635,473), which represents less than 0.08% (2022: 0.09%) of the issued share capital of the Company.

7. Remuneration Committee meetings

The Committee met for three scheduled meetings and one unscheduled meeting over the course of the year. All members attended all the scheduled meetings with the exception of one meeting which Christophe Evain could not attend owing to a family bereavement. The Committee meetings were normally also attended by the Chief Executive, the Chief People Officer and Company Secretary who acted as the Committee's Secretary.

The Committee received advice on remuneration and ancillary share plan matters from FIT Remuneration Consultants LLP. FIT is a member of the Remuneration Consultants Group and is a signatory 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, FIT has no other connection with the Group. For the financial year under review, FIT received fees of £75,676 (FY2022: £66,610) in connection with advice provided to the Committee.

8. Shareholder voting

Table 65

	% of votes For	% of votes Against	Number of votes withheld[1]
Directors' Remuneration Policy (2021 AGM)	96.4	3.6	286,920
Annual Report on Remuneration (2022 AGM)	89.9	10.1	152,910

1. A vote withheld is not a vote in law.

The Committee engaged with a single major shareholder in relation to the 2022 vote against on the Annual Report on Remuneration. It has been agreed that feedback received from that shareholder would be taken into consideration during the Remuneration Policy review in 2023/24.

The Directors' Remuneration Report was approved by the Board on 15 May 2023 and signed on its behalf by:

Christophe Evain
Chairman, Remuneration

Directors' Remuneration Policy Summary

A summary of our Directors' Remuneration Policy is set out below. The policy, which was approved by shareholders at the 2021 AGM, will be reviewed during FY2024 in advance of seeking shareholder approval for a new policy at the 2024 AGM. The full policy can be found in the 2021 Annual Report.

1. Executive Directors

Base salary	
Purpose and link to strategy	• To aid the recruitment, retention and motivation of high-performing Executive Directors • To reflect the value of their experience, skills and knowledge, and importance to the business
Operation	Normally reviewed annually, with effect from 1 June, and reflects: • Increases throughout the rest of the business • Market benchmarking exercises undertaken periodically to ensure salaries are set at around the median of the market competitive level for people in comparable roles with similar levels of experience, performance and contribution • Changes in the scope of an Executive Director's role
Opportunity	The maximum annual salary increase will not normally exceed the average increase across the rest of the workforce. Higher increases will be exceptional, and may be made in specific circumstances, including: • Where there is an increase in responsibilities or scope of the role • To apply salary progression for a newly appointed Executive Director • Where the Executive Director's salary has fallen below the market positioning
Performance measures	• Individual and Company performance is taken into account when determining appropriate salary increases

Benefits	
Purpose and link to strategy	• To provide protection and market competitive benefits to aid recruitment and retention of high performing Executive Directors
Operation	Typical benefits include, but are not limited to: • Car allowance • Private medical insurance • Life assurance • Ill health income protection • Holiday and sick pay • Eligibility to participate in all-employee share incentive plans • *Professional advice in connection with their directorship* • Travel, subsistence and accommodation as necessary • Occasional gifts, for example appropriate long service or leaving gifts
Opportunity	• The value of benefits may vary from year to year depending on the cost to the Company
Performance measures	• n/a

Pension	
Purpose and link to strategy	• To help recruit and retain high performing Executive Directors • To reward continued contribution to the business by enabling Executive Directors to build retirement benefits
Operation	• Participation into a defined contribution pension scheme or cash equivalent
Opportunity	• 10.5% of salary, in line with the maximum employer contribution for all employees in the Company's Group Personal Pension Plan
Performance measures	• n/a

Annual bonus	
Purpose and link to strategy	• Incentivise Executive Directors and senior management to achieve specific, predetermined goals during a one-year period, or less • Reward financial and individual performance linked to the Company's strategy • Deferred proportion of bonus, awarded in shares, provides a retention element and additional alignment of interest with shareholders
Operation	• The annual bonus operates by reference to financial and personal performance measures normally set and assessed over one year • Any bonus payment is determined by the Committee after the year end, based on performance against challenging targets which are reviewed annually • The achievement of on-target performance should normally result in a payment of up to 50% of the maximum opportunity • Bonuses up to 50% of salary are normally paid in cash. Any amounts in excess of 50% of salary are deferred into shares for one year. Any amounts in excess of 100% of salary are deferred into shares for two years • Deferred shares are potentially forfeitable if the individual leaves prior to the share release date • Dividend equivalents may be awarded on deferred shares between grant and vesting to the extent that awards vest • Bonus payments are not pensionable • Malus and clawback provisions apply • The level of payout at threshold performance for each performance measure is set annually, but will typically be no more than 25% of maximum • The Committee retains discretion to amend the payout level (up or down) where it considers it to be appropriate, but not so as to exceed the maximum bonus potential and will fully disclose the exercise of any discretion in the Annual Report on Remuneration that follows such exercise of discretion
Opportunity	• 150% of salary
Performance measures	• The performance measures applied may be financial, non-financial, or individual, and in such proportions as the Remuneration Committee considers appropriate, although individual measures will form a minority of the potential • Performance measures will be aligned to the Company's strategy. The Committee reserves the right to change measures (and their weightings) for each financial year to ensure the metrics chosen are appropriate means of assessing the performance of the Executive Directors • Once set, performance measures and targets will generally remain unchanged for the year; exceptionally targets may be adjusted by the Committee to take account of significant transactions such as acquisitions and/or disposals or in other exceptional circumstances such as timing of transactions that have a material impact on the business plan

Long-term incentive	
Purpose and link to strategy	• Incentivises value creation over the long term • Rewards execution of our strategy • Aligns the long-term interests of Executive Directors and shareholders • Promotes retention
Operation	• The Committee may make an annual award of shares under the LTIP • Vesting is determined on the basis of the Group's achievements against stretching performance targets, normally over a three-year period and continued employment • The Committee reviews the measures, their relative weightings and targets prior to each award • For each measure, no awards vest for performance below threshold • Up to 20% of an award may vest for threshold performance • Each measure is capped at 100% vesting, which represents a stretching target • Executive Directors are required to hold vested awards (net of tax/NI where relevant) for a further two years (including post-cessation) following the three-year vesting period expiry • Dividend equivalents may be awarded between grant and the expiry of any holding period to the extent that the award vests Malus and clawback provisions apply
Opportunity	• 300% of salary
Performance measures	• The performance measures applied may be financial, non-financial, corporate or strategic and in such proportions as the Remuneration Committee considers appropriate • The measures may be based on a mixture of relative and absolute financial performance as well as one or more measures to recognise the Company's broader strategic ESG commitment

Notes to Policy table:

Performance measures and target setting

Full details of the performance conditions and targets applying for each award will be disclosed in the relevant Annual Report on Remuneration. Where targets are considered to be too sensitive to disclose in advance for commercial reasons, full disclosure of the original targets, and the extent to which they have been achieved, will be provided on a retrospective basis at the end of the relevant performance period.

Directors' Remuneration Policy Summary continued

2. Non-executive Directors

Base fee	
Purpose and link to strategy	• *To aid the recruitment, retention and motivation of Non-executive Directors of appropriate calibre and experience* • To reflect the time commitment given by Non-executive Directors to the business
Operation	• The Chairman is paid a single fee for all Board duties and the other Non-executive Directors receive a basic Board fee, with supplementary fees payable for additional responsibilities • Non-executive Director fees are reviewed (but not necessarily changed) annually by the Board, having regard to independent advice and published surveys • The Chairman's fee is reviewed (but not necessarily changed) annually by the Remuneration Committee without the Chairman present
Opportunity	• Any increases reflect relevant benchmark data for Non-executive Directors in companies of a similar size and complexity, and the time commitment required
Additional fees	
Purpose and link to strategy	• To reflect the additional time commitment required from Non-executive Directors in chairing various Board sub-committees or becoming the Board's Senior Independent Director. Occasionally awarded to a Non executive Director who completes a specific additional piece of work on behalf of the Board
Operation	• Reviewed (but not necessarily changed) annually by the Board, having regard to independent advice and published surveys
Opportunity	• The opportunity depends on which, if any, additional roles are assumed by an individual Non-executive Director over the course of their tenure • Any increases reflect relevant benchmark data for Non-executive Directors in companies of a similar size and complexity, and the time commitment required
Other incentives and benefits	
Operation	• Non-executive Directors do not receive any other remuneration or benefits beyond the fees noted above • Expenses in relation to Company business will be reimbursed (including any tax thereon, where applicable) • If deemed necessary, and in the performance of their duties, Non executive Directors may take independent professional advice at the Company's expense
Opportunity	• n/a

Directors' Report

The Directors present their report for the year ended 31 March 2023.

Additional disclosures

Other information that is relevant to this report, and which is also incorporated by reference, including information required in accordance with the Companies Act 2006 and Listing Rule 9.8.4R, can be located as follows:

Table 66

UK Corporate Governance Code

The Company has complied throughout the year with all relevant provisions of the 2018 UK Corporate Governance Code (the Code). The Code can be found on the FRC's website: **frc.org.uk**.

Company status

Land Securities Group PLC is a public limited liability company incorporated under UK law. It has a premium listing on the London Stock Exchange main market for listed securities (LSE:LAND) and is a constituent member of the FTSE 100 Index.

Landsec is a Real Estate Investment Trust (REIT). It is expected that the Company, which has no branches, will continue to operate as the holding company of the Group.

Dividends

The results for the year are set out in the financial statements on pages 129-186.

The Company has paid three interim dividends to shareholders for the year under review. The first interim dividend of 8.6 pence was paid to shareholders in October 2022, a second interim dividend of 9 pence was paid to shareholders in January 2023; and third interim dividend of 9 pence per share was paid to shareholders in April 2023. A final dividend of 12 pence per share is being put to shareholders for approval at the AGM in July.

Table 67

	1st Interim 2022/23	2nd Interim 2022/23	3rd Interim 2022/23	Final 2022/23 (proposed)
Property Income Distribution (PID)/ Non-PID	8.6 pence (PID)	9 pence (PID)	9 pence (PID)	12 pence (PID)
Record date	26 August 2022	25 November 2022	24 February 2023	16 June 2023
Payment date	7 October 2022	3 January 2023	6 April 2023	21 July 2023

A Dividend Reinvestment Plan (DRIP) election is currently available in respect of all dividends paid by Landsec.

Events after the reporting period

The following matters are disclosed in note 41 to the Financial Statements as events occurring after the reporting period. Since 31 March 2023, the Group sold or exchanged contracts to sell certain interests in trading properties acquired as part of U+I Group PLC in the previous financial year. No other significant events occurred after the reporting period but before the financial statements were authorised for issue. See note 41.

Directors

The names and biographical details of the current Directors and the Board Committees of which they are members are set out on pages 65-68.

All the Directors proposed for election and re-election held office throughout the year. The Service Agreements of the Executive Directors and the Letters of Appointment of the Non-executive Directors are available for inspection at Landsec's registered office.

A summary of these documents is also included in the Directors' Remuneration Policy on pages 114-116.

Appointment and removal of Directors

The appointment and replacement of Directors is governed by Landsec's Articles of Association (Articles), the 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 it is the Board's policy that 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.

Directors' Report
continued

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 2023 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 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 10²⁄₃p each ranking pari passu. No other securities have been issued by the Company. At 31 March 2023, there were 751,381,219 ordinary shares in issue and fully paid. To satisfy future awards under the Company's shareholder approved employee share plans, on 3 June 2021, of the 9,839,179 existing shares held by the Company in Treasury, 3,049,943 were transferred to the Company's Employee Benefit Trust, leaving, 6,789,236 shares held in Treasury. The voting rights and dividend entitlements have been waived for the shares held by Treasury and the Employee Benefit Trust. This transfer has not affected total number of voting rights. No shares were bought back during the year. Further details relating to share capital, including movements during the year, are set out in note 36 to the financial statements.

At the Company's AGM held on 7 July 2022, 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 2023 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 15 May 2023, 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 did not purchase any shares in the market during the year (2022: nil). On 3 June 2021, 3,049,943 Treasury shares were transferred to the EBT. The EBT released 106,944 shares during the year to satisfy vested share plan awards. At 31 March 2023, the EBT held 781,456 ordinary shares purchased on the market and 3,049,943 ordinary shares previously held in treasury in Land Securities Group PLC.

A dividend waiver is in place from the Trustee in respect of all dividends payable by Landsec on shares which the EBT holds. Further details regarding the EBT, and of shares issued pursuant to Landsec's various employee share plans during the year, are set out in notes 35-37 to the financial statements.

Substantial shareholders

As at 31 March 2023, 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 58

Shareholder name	Number of ordinary shares	Percentage of total voting rights attaching to issued share capital
BlackRock, Inc.	86,166,038	11.6
Government of Norway	58,205,425	7.8
Schroders Plc	36,698,775	4.9
The Vanguard Group, Inc.	35,609,741	4.8
State Street Corporation	35,182,644	4.7
Legal & General Group	28,060,936	3.8
Jupiter Investment Management Holdings	23,430,977	3.2

1. Total number of voting rights attaching to the issued share capital of the Company on 31 March 2023 was 741,542,040.

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 2023 AGM. These documents are available on Landsec's website at: **landsec.com/agm**.

Change of control

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company following a takeover. None of these are considered significant. The Company's share plans contain provisions that take effect in such an event but do not entitle participants to a greater interest in the shares of the Company than created by the initial grant or award under the relevant plan. There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment or otherwise that occurs specifically because of a takeover.

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 8 September 2022 and posted on our website the same day.

Landsec is an equal opportunities employer and our range of employment policies and guidelines reflects legal and employment requirements in the UK and safeguards the interests of employees, potential employees and other workers. We do not condone unfair treatment of any kind and offer equal opportunities in all aspects of employment and advancement regardless of race, nationality, gender, age, marital status, sexual orientation, disability, religious or political beliefs. Landsec recognises that it has clear obligations towards all its employees and the community at large to ensure that disabled people 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 provide reasonable adjustments to their existing employment arrangements, or by redeployment and providing appropriate retraining to enable continued employment in the Group. Further information can be found on pages 34-39.

Political donations

The Company did not make any political donations or expenditure in the year that require disclosure (2022: 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 2023 AGM. The reappointment has been recommended to the Board by the Audit Committee and EY has indicated its willingness to remain in office.

2023 Annual General Meeting

This year's AGM is scheduled to be held at 10.00 am on Thursday, 6 July 2023 at 80 Victoria Street, London SW1E 5JL.

A separate circular, comprising a letter from the Chairman, Notice of Meeting and explanatory notes in respect of the resolutions proposed, can be found on our website: **landsec.com/agm**.

Disclaimer

The purpose of this Annual Report is to provide information to the members of the Company and it has been prepared for, and only for, the members of the Company as a body, and no other persons. The Company, its Directors and employees, agents and advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

A cautionary statement in respect of forward-looking statements contained in this Annual Report appears on the inside back cover of this document.

The Directors' Report was approved by the Board on 15 May 2023.

By Order of the Board.

Marina Thomas
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 and Company law, group financial statements are required to be prepared in accordance with UK adopted international accounting standards (IFRSs and IFRICs). Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit and loss of the Group and the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- in respect of the Group financial statements, state whether international accounting standards in conformity with the requirements of the Companies Act 2006 (and UK adopted international accounting standards) have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the Company financial statements, state whether international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with the specific requirements of UK adopted international accounting standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and Company's financial position and performance; and
- prepare the Group's and Company's financial statements on a going concern basis, unless it is inappropriate to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company, and to enable them to ensure that the Annual Report complies with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS regulation. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' responsibility statement under the Disclosure and Transparency Rules

Each of the Directors, whose names and functions appear below, confirm to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 (and UK adopted international accounting standards) give a true and fair view of the assets, liabilities, financial position, performance and cash flows of the Company and Group as a whole; and
- the Strategic Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties faced by the Group and Company.

Directors' statement under the UK Corporate Governance Code

Each of the Directors confirm that to the best of their knowledge the Annual Report taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position, performance, business model and strategy.

A copy of the financial statements of the Group is placed on the Company's website. The Directors are responsible for the maintenance and integrity of statutory and audited information on the Company's website at **landsec.com**. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors of Land Securities Group PLC as at the date of this announcement are as set out below:

- Cressida Hogg, Chairman, retiring from the Board on 16 May 2023*
- Sir Ian Cheshire, Chair Designate, assuming the role of Chair on 16 May 2023*
- Mark Allan, Chief Executive
- Vanessa Simms, Chief Financial Officer
- Edward Bonham Carter, Senior Independent Director*
- Nicholas Cadbury*
- Madeleine Cosgrave*
- Christophe Evain*
- Manjiry Tamhane*
- Miles Roberts*

*Non-executive Directors

The Statement of Directors' Responsibilities was approved by the Board of Directors on 15 May 2023 and is signed on its behalf by:

Mark Allan
Chief Executive

Vanessa Simms
Chief Financial Officer

Independent Auditor's Report
to the members of Land Securities Group PLC

Opinion
In our opinion:
- Land Securities Group PLC's Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with Section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the provisions 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 2023 which comprise:

Group	Parent Company
Consolidated balance sheet as at 31 March 2023	Balance sheet as at 31 March 2023
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Statement of cash flows for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 41 to the financial statements including a summary of significant accounting policies
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 41 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards the Parent Company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

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

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

The Non-Audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included:
- assessing the risk around going concern in planning our audit, at the interim and again at the year-end phase.
- confirming our understanding of the Group's going concern assessment process and reviewing management's related Board papers.
- assessing and challenging the appropriateness of the duration of the going concern review period to end of September 2024 and considering whether there are any known events or conditions that will occur in the short-term following the going concern period which would impact our considerations.
- challenging the modelled scenarios, which included challenging the key assumptions used by management by comparing to corroborative evidence and searching out independent contradictory evidence. We assessed management's consideration of downside sensitivity analysis taking into account current events and market conditions. We have also challenged the impact of the historic impact on events such as covid-19 on the performance of the Group and the valuation of investment properties. We also applied further sensitivities on income and expense cash flows and forecast valuation movements where appropriate to stress test the impact on both liquidity and covenants. As part of our sensitivity testing, we considered the perspective of our chartered surveyors on forecast valuation movements.

Independent Auditor's Report
continued

- checking the integrity of the models developed by management for the base case cash flow and liquidity forecasts and covenant calculations covering the going concern review period to September 2024 and the additional downside scenarios.
- checking that the terms and conditions of the debt agreements with lenders had been appropriately incorporated into the going concern scenarios and modelling, including the maturity profile of the Group's borrowings, the impact of the Security Group structure (as defined in the Glossary on page 215) and the tiered operating covenant regime.
- performed testing to evaluate whether the covenant requirements of the debt facilities would be breached under either the base case *or the downside scenarios through the going concern period. We performed reverse stress testing on key assumptions and considered* the likelihood of outcomes including controllable mitigating actions over and above the scenarios modelled.
- further challenging the cash flow forecasts with reference to historical trends and assessing the outcome of management's previous forecasts.
- reviewing the disclosures in the financial statements relating to going concern with a view to confirming that they appropriately disclose the risk, the impact on the Group's operations and results and potential mitigating actions.

The results of the severe but plausible downside scenarios modelled by management indicate that the Group would maintain available facility and covenant headroom to be able to withstand the impact of plausible downside sensitivities throughout the period of the going concern assessment to 30 September 2024.

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 for a period to 30 September 2024.

In relation to the Group and Parent Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• The Group operates in the United Kingdom through four segments: Central London, Major retail, Mixed-use urban and Subscale sectors. • We have identified the entire Group as one component and perform full procedures across the entire Group. The Group audit team also performed 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.
Materiality	• Overall Group materiality of £99m which represents 0.9% of total assets in the Group balance sheet at 31 March 2023. Overall materiality is applied to account balances related to investment properties, trading properties (either wholly owned or held within joint ventures) and related loans and borrowings. • Specific materiality of £19m, which represents 5% of EPRA Earnings before tax. Specific materiality is applied to account balances not related to any of the following balances; investment properties, trading properties (either wholly owned or held within joint ventures) and loans and borrowing. • Parent Company materiality of £56m, which represents 0.9% of total assets in the Parent Company balance sheet. Parent Company materiality is applied to all balances within the Parent Company.

An overview of the scope of the Parent Company and Group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of group-wide controls, changes in the business environment, the potential impact of climate change and other factors such as recent internal audit results when assessing the level of work to be performed.

Changes from the prior year

In the prior year, U and I Group Plc (U+I) was identified as a separate component for the purpose of scoping the audit and designated a specific scope. U+I has subsequently been integrated within the Group during the current financial year and has not been identified as a separate component for the purpose of our audit this year.

Climate change

Stakeholders are increasingly interested in how climate change will impact Land Securities Group PLC. The Group has determined that the most significant future impacts from climate change on their operations will be from failure to meet their 2030 carbon reduction target leading to regulatory, reputational and commercial impact and failure to mitigate physical impact on Landsec assets. These are explained in the required Task Force for Climate related Financial Disclosures and on pages 56 to 59 in the principal risks and uncertainties. They have also explained their climate commitments on pages 40 to 46. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

The Group has explained in the basis of preparation note within the financial statements how they have reflected the impact of climate change in their financial statements including how this aligns with their commitment to achieve net zero emissions by 2030. Significant judgements and estimates relating to climate change are included in note 2.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, their climate commitments, the effects of material climate risks disclosed on pages 56 to 59 and the significant judgements and estimates disclosed in note 2 and whether these have been appropriately reflected in the valuation of the investment properties, investment properties held in joint ventures and trading properties or have any other material impact on the financial statements. As part of this evaluation, we performed our own risk assessment, supported by our climate change internal specialists, to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

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

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 2023: £9,658m in investment properties and £601m (the Group's share) in investment properties held in joint ventures (2022: £11,207m in investment properties and £771m share in investment properties held in joint ventures) *Refer to the Report of the Audit Committee (pages 90-95); Accounting policies (pages 149-150); Note 14 & 16 of the Financial statements (pages 151-160).* 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. This also includes considering the impact of climate change on the investment properties. Inaccuracies in inputs or unreasonable bases used in these judgements (namely in respect of estimated rental value and yield profile applied) could result in a material misstatement of the income statement and balance sheet. There is also a risk that management may influence the significant judgements and estimates in respect of property valuations in order to meet market expectations or bonus targets.	Our audit procedures over the valuation of property included: We obtained an understanding of the Group's processes and controls around the valuation of properties. We evaluated the competence of the Group's external valuers, CBRE and JLL which included consideration of their qualifications and expertise. We attended meetings between management and CBRE and management and JLL to assess for evidence of undue management influence and we obtained confirmation from CBRE and JLL that they had not been subject to undue influence from management. We met with CBRE and JLL to challenge 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 and JLL in light of the continued turbulence in the retail sector, lack of comparable market evidence from transactions and costs associated with climate change. We selected a sample of investment properties based on a number of factors including size, risk, representation across asset classes and segments and including a further random selection which in total comprised 78% 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 and JLL. 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 challenged whether the other assumptions applied by the external valuers, such as the estimated rental values, voids, tenant incentives and development costs to complete were supported by available data. They also challenged whether other market transactions contradict the assumptions used in the valuation. Together with our chartered surveyors, we met with the external valuers to further discuss the findings from our audit work described above and to seek further explanations as required. We challenged whether sustainability costs identified by management have been appropriately considered within the valuation. We conducted analytical procedures on the properties not included in the sample reviewed in detail by our chartered surveyors by comparing assumptions and the value of those properties by reference to our understanding of the UK real estate market, external market data and asset specific considerations to evaluate the appropriateness of the valuations adopted by the Group. Where values or assumptions were not in line with our expectations, we challenged these further by discussing with management, CBRE, JLL and our chartered surveyors and, where appropriate, obtaining further evidence to support the movement in values. We performed 5 site visits. Where properties are under development, this enabled us to test existence of the property and challenge whether the status of the development was consistent with what we were told by management. We challenged development directors and project managers for major properties in the development programme on the project costs, progress of development and leasing status. We challenged the reasonableness of forecast costs to complete included in the valuations as well as the identified contingencies and the exposure to remaining risks, by comparing the total forecast costs to contractual arrangements and other supporting evidence. We challenged forecast cost and cost to complete for evidence of overruns through risks identified during our development meetings, review of meeting minutes and other supporting information. We corroborated the information provided by the development directors and the project managers through our review of cost analysis as well as the valuation outcome. We assessed the adequacy of the disclosures of estimates and valuation assumptions in note 14 that were made in accordance with IFRS 13 Fair Value Measurement. **Scope of our procedures** We performed full scope audit procedures over the valuation of properties, including investment properties and investment properties held in joint ventures.	We have tested the inputs, assumptions and methodology used by CBRE and JLL. We have concluded that the methodology applied is reasonable and that the external valuations are a reasonable assessment of the market value of investment properties at 31 March 2023. We concluded that the sample of properties reviewed by our chartered surveyors was within the reasonable range of values as assessed by them. We concluded that climate change has been appropriately considered within the valuations where appropriate. We consider that management provided an appropriate level of review and challenge over the valuations, and we did not identify evidence of undue management influence. We have reviewed the disclosures in the financial statements including the significant accounting estimates and sensitivities and consider them to be appropriate.

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 2023: £612m rental income (2022: £537m rental income) 2023: £91m service charge income (2022: £78m service charge income) *Refer to the Report of the Audit Committee (pages 90-95); Accounting policies (pages 140-141); Note 6 of the Financial statements (pages 140-141).* Market expectations and EPRA earnings-based targets may place pressure on management to distort revenue recognition. This may result in overstatement or deferral of revenues to assist in meeting current or future targets or expectations, including through the incorrect treatment of lease incentives.	Our audit procedures over revenue recognition included: We tested certain manual controls governing approvals and changes to lease terms and the upload of this information to the Group's property information management system (PIMS). We also performed testing of certain manual controls over the billings process. We selected a sample of new, existing and amended lease agreements in the year and agreed the key lease terms input into PIMS, including lease incentive clauses. We performed data analytics procedures to recalculate rental income across the whole population of leases in the Group's portfolio; this also covers the straight-lining rent adjustment for lease incentives. We obtained the schedules used to calculate straight-lining of revenue in accordance with IFRS 16 Leases. We tested the arithmetical accuracy of these schedules and that the straight-lining was calculated in accordance with the guidance. For a sample of leases we agreed the lease information per the schedules back to lease agreements. We have performed testing in relation to service charge income. This has included vouching a sample of income recognised to both invoice and cash collection, and performing an analytical review to challenge unexpected or unusual variances. We have also performed testing on the service charge expense in the year, including the accrual at year-end to test cut-off. We performed audit procedures specifically designed to address the risk of management override of controls including consolidation adjustments and journal entry testing, which included a particular focus on journal entries which impact revenue. **Scope of our procedures** The Group was subject to full scope audit procedures over revenue.	Based upon the audit procedures performed, we concluded that revenue has been recognised on an appropriate basis in the year.

In the prior year, our auditor's report included a key audit matter in relation to the accounting for the acquisition of U+I. In the current year, there are no such similar transactions.

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 (2022: 0.9% of total assets)	£99m (2022: £110m)	£74m (2022: £83m)	£5m (2022: £6m)
Specific – account balances not related to investment properties, trading properties (either wholly owned or held within joint ventures) or loans and borrowing	5% of EPRA earnings before tax (2022: 5% of average revenue profit before tax over two years)	£19m (2022: £18m)	£14m (2022: £13m)	£1m (2022: £1m)
Parent Company	0.9% of total assets (2022: 0.9% of total assets)	£56m (2022: £55m)	£42m (2022: £42m)	£3m (2022: £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 (2022: 0.9% of total assets). We applied overall materiality to the investment property and trading property balances, including those in joint ventures, and other directly related balance sheet items such as the value of loans and borrowings which are secured against the Group's investment properties.

This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

Independent Auditor's Report
continued

We determined that for other account balances not related to investment properties, trading properties (either wholly owned or held within joint ventures) or loans and borrowings, a misstatement of less than overall materiality for the financial statements as a whole could influence the economic decisions of users. We believe that it is most appropriate to use a profit-based measure as profit is also a focus of users of the financial statements.

We determined that materiality for these areas should be based upon 5% of EPRA earnings before tax. EPRA earnings is considered an important performance metric and aligned with industry earnings measures.

During the course of our audit, we reassessed initial materiality which has not resulted in a change from our planning materiality.

Performance materiality
The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2022: 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 them all uncorrected audit differences in excess of £5m (2022: £6m), as well as audit differences in excess of £1m (2022: £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, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information
The other information comprises the information included in the annual report, including the Strategic Report and Governance section set out on pages 1-119, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the Company's corporate governance statement and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

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; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules

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; or
- a Corporate Governance Statement has not been prepared by the Company.

Corporate Governance Statement

We have reviewed the Directors' Statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' Statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 60-61 and 120;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on pages 60-61;
- Director's Statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on page 120;
- Directors' Statement on fair, balanced and understandable set out on page 120;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 56-59;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 54-59; and
- The section describing the work of the Audit Committee set out on pages 88-95.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 120, 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.

Independent Auditor's Report
continued

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the reporting framework (UK adopted international accounting standards, the Companies Act 2006 and UK Corporate Governance Code), the relevant tax regulations in the United Kingdom, including the UK REIT regulations, the UK General Data Protection Regulation (GDPR), Health & Safety Regulations and the Bribery Act. There are no significant industry specific laws or regulations that we considered in determining our approach.
- We understood how Land Securities Group PLC is complying with those frameworks by through enquiry with management, and by identifying the Group's policies and procedures regarding compliance with laws and regulations. We also identified those members of management who have the primary responsibility for ensuring compliance with laws and regulations, and for reporting any known instances of non-compliance to those charged with governance. We corroborated our enquiries through our review of board minutes and papers provided to the Board and the Audit Committee, as well as consideration of the results of our audit procedures across the Group to either corroborate or provide contrary evidence which was then followed up. Our assessment included the tone from the top and the emphasis on a culture of honest and ethical behaviour.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by reviewing the Company's risk register and enquiry with management and the Audit Committee during the planning and execution phases of our audit. We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors those programmes and controls.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved:
  - Enquiry of management, and when appropriate, those charged with governance regarding their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the financial statements;
  - Reading minutes of meetings of those charged with governance;
  - Reading of internal audit reports;
  - Obtaining electronic confirmations from the Group's banking providers to vouch the existence of cash balances and completeness of loans, borrowings and other treasury positions such as derivatives;
  - Obtaining and reading correspondence from legal and regulatory bodies, including the FRC and HMRC; and
  - Journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding the business.

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

Other matters we are required to address

- Following the recommendation from the Audit Committee we were appointed by the Company 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 10 years, covering the years ending 31 March 2014 to 31 March 2023.
- 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.

Julie Carlyle
Senior Statutory Auditor

for and on behalf of Ernst & Young LLP, Statutory Auditor
London
15 May 2023

Income statement
for the year ended 31 March 2023

		2023			2022		
	Notes	**EPRA earnings £m**	**Capital and other items £m**	**Total £m**	EPRA earnings £m	Capital and other items £m	Total £m
Revenue	6	**726**	**65**	**791**	647	32	679
Costs – movement in bad and doubtful debts provisions	7	**2**	**–**	**2**	13	–	13
Costs – other	7	**(291)**	**(93)**	**(384)**	(273)	(48)	(321)
		437	**(28)**	**409**	387	(16)	371
Share of post-tax profit/(loss) from joint ventures	16	**29**	**(30)**	**(1)**	29	4	33
(Loss)/profit on disposal of investment properties		**–**	**(144)**	**(144)**		107	107
Profit on disposal of investment in joint ventures		**–**	**–**	**–**	–	2	2
Net (deficit)/surplus on revaluation of investment properties	14	**–**	**(827)**	**(827)**	–	416	416
(Loss)/gain on changes in finance leases		**–**	**(6)**	**(6)**	–	6	6
Operating profit/(loss)		**466**	**(1,035)**	**(569)**	416	519	935
Finance income	10	**11**	**23**	**34**	9	16	25
Finance expense	10	**(84)**	**(3)**	**(87)**	(70)	(15)	(85)
Profit/(loss) before tax		**393**	**(1,015)**	**(622)**	355	520	875
Taxation	12			**–**			–
(Loss)/profit for the year				**(622)**			875
Attributable to:							
Shareholders of the parent				**(619)**			869
Non-controlling interests				**(3)**			6
				(622)			875
(Loss)/profit per share attributable to shareholders of the parent:							
Basic (loss)/earnings per share	5			**(83.6)p**			117.4p
Diluted (loss)/earnings per share	5			**(83.6)p**			117.1p

Statement of comprehensive income
for the year ended 31 March 2023

	Notes	**2023 Total £m**	2022 Total £m
(Loss)/profit for the year		**(622)**	875
Items that may be subsequently reclassified to the income statement:			
Movement in cash flow hedges		**(1)**	(1)
Items that will not be subsequently reclassified to the income statement:			
Movement in the fair value of other investments		**–**	(3)
Net re-measurement (loss)/gain on defined benefit pension scheme	34	**(12)**	22
Deferred tax credit/(charge) on re-measurement above	12	**3**	(5)
Other comprehensive (loss)/income for the year		**(10)**	13
Total comprehensive (loss)/income for the year		**(632)**	888
Attributable to:			
Shareholders of the parent		**(629)**	882
Non-controlling interests		**(3)**	6
		(632)	888

Balance sheets
at 31 March 2023

	Notes	Group 2023 £m	Group 2022 (restated)[1] £m	Company 2023 £m	Company 2022 (restated)[1] £m
Non-current assets					
Investment properties	14	**9,658**	11,207	**–**	–
Intangible assets	20	**6**	8	**–**	–
Net investment in finance leases	19	**21**	70	**–**	–
Investments in joint ventures	16	**533**	700	**–**	–
Investments in associates	17	**3**	4	**–**	–
Investments in subsidiary undertakings	29	**–**	–	**6,229**	6,222
Trade and other receivables	27	**146**	177	**–**	–
Other non-current assets	30	**67**	61	**–**	–
Total non-current assets		**10,434**	12,227	**6,229**	6,222
Current assets					
Trading properties	15	**118**	145	**–**	–
Trade and other receivables	27	**365**	368	**–**	–
Monies held in restricted accounts and deposits	23	**4**	4	**–**	–
Cash and cash equivalents	24	**41**	146	**2**	2
Other current assets	31	**4**	5	**–**	–
Total current assets		**532**	668	**2**	2
Total assets		**10,966**	12,895	**6,231**	6,224
Current liabilities					
Borrowings	22	**(315)**	(541)	**–**	–
Trade and other payables	28	**(306)**	(320)	**(2,821)**	(2,912)
Other current liabilities	32	**(24)**	(11)	**–**	–
Total current liabilities		**(645)**	(872)	**(2,821)**	(2,912)
Non-current liabilities					
Borrowings	22	**(3,223)**	(4,012)	**–**	–
Trade and other payables	28	**(17)**	(8)	**–**	–
Other non-current liabilities	33	**(9)**	(12)	**–**	–
Total non-current liabilities		**(3,249)**	(4,032)	**–**	–
Total liabilities		**(3,894)**	(4,904)	**(2,821)**	(2,912)
Net assets		**7,072**	7,991	**3,410**	3,312
Equity					
Capital and reserves attributable to shareholders					
Ordinary shares	36	**80**	80	**80**	80
Share premium		**318**	317	**318**	317
Other reserves		**13**	9	**13**	9
Merger reserve		**–**	–	**374**	374
Retained earnings		**6,594**	7,511	**2,625**	2,532
Equity attributable to shareholders of the parent		**7,005**	7,917	**3,410**	3,312
Equity attributable to non-controlling interests		**67**	74		
Total equity		**7,072**	7,991		

1. Cash and cash equivalents and monies held in restricted accounts and deposits have been restated as at 31 March 2022 following clarification by IFRIC on classification of funds with externally imposed restrictions.

The profit for the year of the Company was **£381m** (2022: £15m).

The financial statements on pages 129 to 186 were approved by the Board of Directors on 15 May 2023 and were signed on its behalf by:

Mark Allan **Vanessa Simms**
Directors

Statements of changes in equity
for the year ended 31 March 2023

	Attributable to shareholders of the parent						Group
	Ordinary shares £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 1 April 2021	80	317	28	6,787	7,212	–	7,212
Total comprehensive income for the financial year	–	–	–	882	882	6	888
Transactions with shareholders of the parent:							
Share-based payments	–	–	2	2	4	–	4
Dividends paid to shareholders of the parent	–	–	–	(181)	(181)	–	(181)
Transfer of treasury shares	–	–	(21)	21	–	–	–
Total transactions with shareholders of the parent	–	–	(19)	(158)	(177)	–	(177)
Acquisition of subsidiaries	–	–	–	–	–	68	68
At 31 March 2022	80	317	9	7,511	7,917	74	7,991
Total comprehensive loss for the financial year	**–**	**–**	**–**	**(629)**	**(629)**	**(3)**	**(632)**
Transactions with shareholders of the parent:							
Share-based payments	**–**	**1**	**4**	**2**	**7**	**–**	**7**
Dividends paid to shareholders of the parent	**–**	**–**	**–**	**(290)**	**(290)**	**–**	**(290)**
Total transactions with shareholders of the parent	**–**	**1**	**4**	**(288)**	**(283)**	**–**	**(283)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(4)**	**(4)**
Total transactions with shareholders	**–**	**1**	**4**	**(288)**	**(283)**	**(4)**	**(287)**
At 31 March 2023	**80**	**318**	**13**	**6,594**	**7,005**	**67**	**7,072**

	Attributable to shareholders					Company
	Ordinary shares £m	Share premium £m	Other reserves £m	Merger reserve £m	Retained earnings[1] £m	Total equity £m
At 1 April 2021	80	317	28	374	2,675	3,474
Total comprehensive income for the financial year	–	–	–	–	15	15
Transactions with shareholders:						
Share-based payments	–	–	2	–	2	4
Dividends paid to shareholders	–	–	–	–	(181)	(181)
Transfer of treasury shares	–	–	(21)		21	–
Total transactions with shareholders	–	–	(19)	–	(158)	(177)
At 31 March 2022	80	317	9	374	2,532	3,312
Total comprehensive income for the financial year	**–**	**–**	**–**	**–**	**381**	**381**
Transactions with shareholders:						
Share-based payments	**–**	**1**	**4**	**–**	**2**	**7**
Dividends paid to shareholders	**–**	**–**	**–**	**–**	**(290)**	**(290)**
Total transactions with shareholders	**–**	**1**	**4**	**–**	**(288)**	**(283)**
At 31 March 2023	**80**	**318**	**13**	**374**	**2,625**	**3,410**

1. Available for distribution.

Statements of cash flows
for the year ended 31 March 2023

		Group		Company	
	Notes	2023 £m	2022 (restated)[1] £m	2023 £m	2022 (restated)[1] £m
Cash flows from operating activities					
Net cash generated from operations	13	**356**	448	**–**	–
Interest received		**16**	23	**–**	–
Interest paid		**(92)**	(84)	**–**	–
Rents paid		**(13)**	(8)	**–**	–
Capital expenditure on trading properties		**(6)**	(5)	**–**	–
Disposal of trading properties		**18**	8	**–**	–
Development income proceeds received		**54**	–	**–**	–
Other operating cash flows		**9**	(1)	**–**	(1)
Net cash inflow/(outflow) from operating activities	13	**342**	381	**–**	(1)
Cash flows from investing activities					
Investment property development expenditure		**(253)**	(302)	**–**	–
Other investment property related expenditure		**(102)**	(42)	**–**	–
Acquisition of investment properties		**(2)**	(147)	**–**	–
Disposal of investment properties		**1,269**	265	**–**	–
Acquisition of subsidiaries, net of cash acquired		**(92)**	(399)	**–**	–
Cash distributions from joint ventures	16	**14**	22	**–**	–
Increase in monies held in restricted accounts and deposits		**–**	(4)	**–**	–
Net cash inflow/(outflow) from investing activities		**834**	(607)	**–**	–
Cash flows from financing activities					
Proceeds from new borrowings (net of finance fees)	22	**394**	1,053	**–**	–
Repayment of bank debt	22	**(1,407)**	(489)	**–**	–
Net cash inflow/(outflow) from derivative financial instruments	22	**25**	(3)	**–**	–
Dividends paid to shareholders of the parent	11	**(289)**	(190)	**–**	–
Dividends paid to non controlling interests		**(4)**	–	**–**	–
Other financing cash flows		**–**	(9)	**–**	–
Net cash (outflow)/inflow from financing activities		**(1,281)**	362	**–**	–
(Decrease)/increase in cash and cash equivalents for the year		**(105)**	136	**–**	(1)
Cash and cash equivalents at the beginning of the year		**146**	10	**2**	3
Cash and cash equivalents at the end of the year	24	**41**	146	**2**	2

1. Cash and cash equivalents and monies held in restricted accounts and deposits have been restated as at 31 March 2022 following clarification by IFRIC on classification of funds with externally imposed restrictions.

Notes to the financial statements
for the year ended 31 March 2023

Section 1 – General
This section contains a description of the Group's significant accounting policies that relate to the financial statements as a whole. A description of accounting policies specific to individual areas (e.g. investment properties) is included within the relevant note to the financial statements.

This section also includes a summary of new accounting standards, amendments and interpretations that have been applied in the year and those not yet adopted, and their actual or expected impact on the reported results of the Group.

1 › Basis of preparation and consolidation
Basis of preparation
These financial statements have been prepared on a going concern basis and in accordance with UK adopted international accounting standards (IFRSs and IFRICs), and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006. The financial statements have been prepared in Pounds Sterling (rounded to the nearest one million), which is the presentation currency of the Group (Land Securities Group PLC and all its subsidiary undertakings), and under the historical cost convention as modified by the revaluation of investment property, financial assets at fair value through other comprehensive income (without recycling), derivative financial instruments and pension assets. As applied by the Group and the Company, there are no material differences between UK adopted international accounting standards and EU IFRS.

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

The impact of international and domestic political and economic events over the course of the year has resulted in the UK facing a prolonged recessionary period and therefore the Directors have continued to place additional focus on the appropriateness of adopting the going concern assumption in preparing the financial statements for the year ended 31 March 2023. The Group's going concern assessment considers changes in the Group's principal risks (see pages 56-59) and is dependent on a number of factors, including our financial performance and continued access to borrowing facilities. Access to our borrowing facilities is dependent on our ability to continue to operate the Group's secured debt structure within its financial covenants, which are described in note 22.

In order to satisfy themselves that the Group has adequate resources to continue as a going concern for the foreseeable future, the Directors have reviewed base case, downside and reverse stress test models, as well as a cash flow model which considers the impact of pessimistic assumptions on the Group's operating environment (the 'mitigated downside scenario'). This mitigated downside scenario reflects unfavourable macro-economic conditions, a deterioration in our ability to collect rent and service charge from our customers and removes uncommitted acquisitions, disposals and developments.

The Group's key metrics from the mitigated downside scenario as at the end of the going concern assessment period, which covers the 16 months to 30 September 2024, are shown below alongside the actual position at 31 March 2023.

Key metrics	31 March 2023	Mitigated downside scenario 30 September 2024
Security Group LTV	**33.0%**	39.2%
Adjusted net debt	**£3,287m**	£3,670m
EPRA net tangible assets	**£6,967m**	£6,021m
Available financial headroom	**£2.4bn**	£1.6bn

Notes to the financial statements
for the year ended 31 March 2023 continued

1 › Basis of preparation and consolidation continued
In our mitigated downside scenario, the Group has sufficient cash reserves, with our Security Group LTV ratio remaining less than 65% and interest cover above 1.45x, for a period of at least 16 months from the date of authorisation of these financial statements. The value of our assets would need to fall from 31 March 2023 values by approximately 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 £150m in the year ending 31 March 2024 for interest cover to remain above 1.45x in the mitigated downside scenario, which would ensure compliance with the Group's covenant through to the end of the going concern assessment period. Security Group earnings are well above the level required to meet the interest cover covenant, and would need to fall from 31 March 2023 values by over £300m for interest cover to reach 1.45x. Therefore, the Directors do not anticipate a reduction in Security Group earnings over the period ending 30 September 2024 to a level that would result in a breach of the interest cover covenant.

The Directors have also considered a reverse stress-test scenario which assumes no further rent will be received, to determine when our available cash resources would be exhausted. Even under this extreme scenario, although breaching the interest cover covenant, 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 2023.

Basis of consolidation
The consolidated financial statements for the year ended 31 March 2023 incorporate the financial statements of the Company and all its subsidiary undertakings. Subsidiary undertakings are those entities controlled by the Company. Control exists where an entity is exposed to variable returns and has the ability to affect those returns through its power over the investee.

The results of subsidiaries and joint ventures acquired or disposed of during the year are included from the effective date of acquisition or to the effective date of disposal. Accounting policies of subsidiaries and joint ventures which differ from Group accounting policies are adjusted on consolidation.

Where instruments in a subsidiary held by third parties are redeemable at the option of the holder, these interests are classified as a financial liability, called the redemption liability. The liability is carried at fair value; the value is reassessed at the balance sheet date and movements are recognised in the income statement.

Where equity in a subsidiary is not attributable, directly or indirectly, to the shareholders of the parent, this is classified as a non-controlling interest. Total comprehensive income or loss and the total equity of the Group are attributed to the shareholders of the parent and to the non-controlling interests according to their respective ownership percentages.

Joint arrangements are those entities over whose activities the Group has joint control, established by contractual agreement. Interests in joint arrangements are accounted for as either a joint venture or a joint operation. A joint arrangement is accounted for as a joint venture when the Group, along with the other parties that have joint control of the arrangement, have rights to the net assets of the arrangement. Interests in joint ventures are equity accounted. The equity method requires the Group's share of the joint venture's post-tax profit or loss for the year to be presented separately in the income statement and the Group's share of the joint venture's net assets to be presented separately in the balance sheet. A joint arrangement is accounted for as a joint operation when the Group, along with the parties that have joint control of the arrangement, have rights to the assets and obligations for the liabilities relating to the arrangement. Joint operations are accounted for by including the Group's share of the assets, liabilities, income and expenses on a line-by-line basis.

Intra-group balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with joint ventures are eliminated to the extent of the Group's interest in the joint venture concerned. Unrealised losses are eliminated in the same way, but only to the extent that there is no evidence of impairment.

2 › Significant accounting judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to exercise judgement in applying the Group's accounting policies. The areas where the Group considers the judgements to be most significant involve assumptions or key estimates in respect of future events, where actual results may differ from these estimates. These key estimates are deemed to have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Other sources of estimation uncertainties identified below are estimates deemed to have a lower risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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 certain property acquisitions and disposals (note 14)

Key estimates

- Valuation of investment properties (note 14)

Other sources of estimation uncertainties

- Valuation of trading properties (note 15)
- Impairment of trade receivables (note 27)

In preparing the financial statements, the Group has considered the impact of climate change, taking into account the relevant disclosures in the Strategic Report, including those made in accordance with the recommendations of the Taskforce on Climate related Financial Disclosure. These considerations included the limited exposure in terms of our investment properties, as we fully costed and committed to invest £135m to achieve our science-based net zero target by 2030 (note this cost will fluctuate year on year to account for changes in inflation). On this basis, the Group has concluded that climate change did not have a material impact on the financial reporting judgements and estimates, consistent with the assessment that this is not expected to have a significant impact on the Group's going concern or viability assessment.

3 › Changes in accounting policies and standards

The accounting policies used in these financial statements are consistent with those applied in the last annual financial statements, as amended where relevant to reflect the adoption of new standards, amendments and interpretations which became effective in the year.

Following clarification by IFRIC on the classification of monies held in restricted accounts, monies that are restricted by use only are classified at 31 March 2023 as 'Cash and cash equivalents', whereas monies to which access is restricted remain classified as 'Monies held in restricted accounts and deposits'. The comparative balances have been restated where applicable to reflect this change in classification. As a result, £18m of monies held in restricted accounts has been reclassified to Cash and cash equivalents in the Group balance sheet as at 31 March 2022 which increased the Cash and cash equivalent from £128m to £146m and decreased the restricted accounts from £22m to £4m. Within the Group cash flow statement for the year ended 31 March 2022, this reclassification also resulted in the overall net movement in Cash and cash equivalent from £128m to £136m, as well as the movements in monies held in restricted accounts being classified as cash flows from investing activities rather than financing activities as in prior year, based on the nature of the accounts. As at 1 April 2021, the total value of the reclassification is £10m which increased the Cash and cash equivalent from £nil to £10m and decreased the restricted accounts from £10m to £nil. This prior year restatement did not have any impact on the reported net assets, net current assets or net profit or loss.

Additionally, £2m of monies held in restricted accounts has been reclassified to Cash and cash equivalents in the Company balance sheet as at 31 March 2022 which increased the Cash and cash equivalent from £nil to £2m and decreased the restricted accounts from £2m to £nil. Within the Company cash flow statement for the year ended 31 March 2022, this reclassification did not result in a net movement of Cash and cash equivalents. As at 1 April 2021, the total value of the reclassification is £3m which increased the Cash and cash equivalent from £nil to £3m and decreased the restricted accounts from £3m to £nil. This prior year restatement did not have any impact on the reported net assets, net current assets or net profit or loss.

There has been no material impact on the financial statements of adopting any other new standards, amendments and interpretations.

Amendments to IFRS

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective for the Group. The application of these new standards, amendments and interpretations are not expected to have a significant impact on the Group's income statement or balance sheet.

Notes to the financial statements

for the year ended 31 March 2023 continued

Section 2 – Performance

This section focuses on the performance of the Group for the year, including segmental information, earnings per share and net assets per share, together with further details on specific components of the income statement and dividends paid.

Our property portfolio is a combination of properties that are wholly owned by the Group, part owned through joint arrangements and properties owned by the Group but where a third party holds a non-controlling interest. Internally, management review the results of the Group on a basis that adjusts for these different forms of ownership to present a proportionate share. The Combined Portfolio, with assets totalling £10.2bn, is an example of this approach, reflecting the economic interest we have in our properties regardless of our ownership structure. 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 (see note 14). We consider this presentation provides further understanding to stakeholders of the activities and performance of the Group, as it aggregates the results of all of the Group's property interests which under IFRS are required to be presented across a number of line items in the statutory financial statements.

The same principle is applied to many of the other measures we discuss and, accordingly, a number of our financial measures include the results of our joint ventures and subsidiaries on a proportionate basis. Measures that are described as being presented on a proportionate basis include the Group's share of joint ventures on a line-by-line basis and are adjusted to exclude the non-owned elements of our subsidiaries. This is in contrast to the Group's statutory financial statements, where the Group's interest in joint ventures is presented as one line on the income statement and balance sheet, and all subsidiaries are consolidated at 100% with any non-owned element being adjusted as a non-controlling interest or redemption liability, as appropriate. Our joint operations are presented on a proportionate basis in all financial measures.

EPRA earnings is an alternative performance measure and is the Group's alternative measure of the underlying pre-tax profit of the property rental business. EPRA earnings excludes all items of a capital nature, such as valuation movements and profits and losses on the disposal of investment properties, as well as exceptional items. The Group believes that EPRA earnings provides additional understanding of the Group's operational performance to shareholders and other stakeholder groups. A full definition of EPRA earnings is given in the Glossary. The components of EPRA earnings are presented on a proportionate basis in note 4.

Our income statement has two key components: the income we generate from leasing our investment properties net of associated costs (including interest expense), which we refer to as EPRA earnings, and items not directly related to the underlying rental business, principally valuation changes, profits or losses on the disposal of properties, refinancing activity and exceptional items, which we refer to as Capital and other items. Our income statement is presented in a columnar format, split into those items that relate to EPRA earnings and Capital and other items. The total column represents the Group's results presented in accordance with IFRS; the other columns provide additional information. We believe EPRA earnings provides further understanding of the results of the Group's operational performance to stakeholders as it focuses on the rental income performance of the business and excludes Capital and other items which can vary significantly from year to year.

4 › Segmental information

The Group's operations are all in the UK and are managed across four operating segments, being Central London, Major retail destinations (Major retail), Mixed-use urban neighbourhoods (Mixed-use urban) and Subscale sectors.

The Central London segment includes all assets geographically located within central London. Major retail destinations includes all regional shopping centres and shops outside London and our outlets. The Mixed-use urban 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. There has been no change to the classification of these segments during the year to 31 March 2023.

Management has determined the Group's operating segments based on the information reviewed by Senior Management to make strategic decisions. The chief operating decision maker is the Executive Leadership Team (ELT), comprising the Executive Directors and the Managing Directors. The information presented to ELT includes reports from all functions of the business as well as strategy, financial planning, succession planning, organisational development and Group-wide policies.

The Group's primary measure of underlying profit before tax is EPRA earnings. However, Segment net rental income is the lowest level to which the profit arising from the ongoing operations of the Group is analysed between the four segments. The administrative costs, which are predominantly staff costs for centralised functions, are all treated as administrative expenses and are not allocated to individual segments.

The Group manages its financing structure, with the exception of joint ventures, on a pooled basis. Individual joint ventures may have specific financing arrangements in place. Debt facilities and finance expenses, including those of joint ventures, are managed centrally and are therefore not attributed to a particular segment. Unallocated income and expenses are items incurred centrally which are not directly attributable to one of the segments.

All items in the segmental information note are presented on a proportionate basis.

Segmental results

EPRA earnings					2023					2022
	Central London £m	**Major retail £m**	**Mixed-use urban £m**	**Subscale sectors £m**	**Total £m**	Central London £m	Major retail £m	Mixed-use urban £m	Subscale sectors £m	Total £m
Rental income	**313**	**179**	**58**	**107**	**657**	287	167	43	89	586
Finance lease interest	**–**	**–**	**–**	**2**	**2**	6	–	–	2	8
Gross rental income (before rents payable)	**313**	**179**	**58**	**109**	**659**	293	167	43	91	594
Rents payable[1]	**(3)**	**(8)**	**(1)**	**–**	**(12)**	(4)	(6)	–	2	(8)
Gross rental income (after rents payable)	**310**	**171**	**57**	**109**	**647**	289	161	43	93	586
Service charge income	**46**	**42**	**10**	**–**	**98**	40	39	7	–	86
Service charge expense	**(47)**	**(50)**	**(12)**	**(1)**	**(110)**	(41)	(45)	(9)	(3)	(98)
Net service charge expense	**(1)**	**(8)**	**(2)**	**(1)**	**(12)**	(1)	(6)	(2)	(3)	(12)
Other property related income	**15**	**10**	**3**	**3**	**31**	13	11	2	2	28
Direct property expenditure	**(34)**	**(44)**	**(14)**	**(16)**	**(108)**	(42)	(37)	(11)	(14)	(104)
Movement in bad and doubtful debts provisions	**(1)**	**3**	**1**	**–**	**3**	(1)	13	2	(2)	12
Segment net rental income	**289**	**132**	**45**	**95**	**561**	258	142	34	76	510
Other income					**3**					3
Administrative expense					**(82)**					(82)
Depreciation					**(5)**					(5)
EPRA earnings before interest					**477**					426
Finance income					**11**					9
Finance expense					**(84)**					(70)
Joint venture net finance expense					**(11)**					(10)
EPRA earnings attributable to shareholders of the parent					**393**					355

1. Included within rents payable is lease interest payable of **£2m** (2022: £2m) for the Central London segment, **£1m** for the Mixed-use urban segment (2022: £nil) and **£1m** (2022: £2m) for the Subscale segment.
2. A reconciliation from the Group income statement to the information presented in the segmental results table for the year ended 31 March 2022 is included in table 90.

Notes to the financial statements
for the year ended 31 March 2023 continued

4 › Segmental information continued
The following table reconciles the Group's income statement to the segmental results.

Reconciliation of segmental information note to statutory reporting

						Year ended 31 March 2023
	Group income statement £m	Joint ventures[1] £m	Adjustment for non-wholly owned subsidiaries[2] £m	Total £m	EPRA earnings £m	Capital and other items £m
Rental income	612	53	(8)	657	657	–
Finance lease interest	2	–	–	2	2	–
Gross rental income (before rents payable)	**614**	**53**	**(8)**	**659**	**659**	**–**
Rents payable	(10)	(2)	–	(12)	(12)	–
Gross rental income (after rents payable)	**604**	**51**	**(8)**	**647**	**647**	**–**
Service charge income	91	10	(3)	98	98	–
Service charge expense	(100)	(12)	2	(110)	(110)	–
Net service charge expense	(9)	(2)	(1)	(12)	(12)	–
Other property related income	29	2	–	31	31	–
Direct property expenditure	(100)	(10)	2	(108)	(108)	
Movement in bad and doubtful debts provisions	2	1	–	3	3	–
Segment net rental income	**526**	**42**	**(7)**	**561**	**561**	**–**
Other income	3	–	–	3	3	
Administrative expenses	(80)	(2)	–	(82)	(82)	–
Depreciation, including amortisation of software	(5)	–	–	(5)	(5)	–
EPRA earnings before interest	**444**	**40**	**(7)**	**477**	**477**	**–**
Share of post-tax loss from joint ventures	(1)	1	–	–		–
Profit on disposal of trading properties	1		–	1	–	1
Loss on disposal of investment properties[3]	(144)	–	–	(144)	–	(144)
Net (deficit)/surplus on revaluation of investment properties	(827)	(30)	9	(848)		(848)
Net development contract expenditure	(9)	–	–	(9)	–	(9)
Loss on changes in finance leases	(6)	–	–	(6)	–	(6)
Impairment of goodwill	(5)		–	(5)	–	(5)
Impairment of trading properties	(19)	–	–	(19)	–	(19)
Depreciation	(3)	–	–	(3)	–	(3)
Operating (loss)/profit	**(569)**	**11**	**2**	**(556)**	**477**	**(1,033)**
Finance income	34	–	1	35	11	24
Finance expense	(87)	(11)	–	(98)	(95)	(3)
(Loss)/profit before tax	**(622)**	**–**	**3**	**(619)**	**393**	**(1,012)**
Taxation	–	–	–	–		
(Loss)/profit for the year	**(622)**	**–**	**3**	**(619)**		

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 results table.
2. Removal of the non wholly owned share of results of the Group's subsidiaries. The non-wholly owned subsidiaries are consolidated at 100% in the Group's income statement, but only the Group's share is included in EPRA earnings reported in the segmental results table. The non-owned element of the Group's subsidiaries are included in the 'Capital and other items' column presented in the Group's income statement, together with items not directly related to the underlying rental business such as investment properties valuation changes, profits or losses on the disposal of investment properties, the proceeds from, and costs of, the sale of trading properties, income from and costs associated with development contracts, amortisation and impairment of intangibles, and other attributable costs, arising on business combinations.
3. Included in the loss on disposal of investment properties is a **£9m** charge related to the provision for fire safety remediation works on properties no longer owned by the Group but for which the Group is responsible for remediating under the Building Safety Act 2022.

5 › Performance measures

In the tables below, we present earnings per share attributable to shareholders of the parent, calculated in accordance with IFRS, and net assets per share attributable to shareholders of the parent together with certain measures defined by the European Public Real Estate Association (EPRA), which have been included to assist comparison between European property companies. Three of the Group's key financial performance measures are EPRA earnings per share, EPRA Net Tangible Assets per share and total return on equity, which was previously referred to as total accounting return. There has been no change to the calculation of this measure other than the change of name during the year to 31 March 2023. Refer to Table 70 in the Business Analysis section for further details on these alternative performance measures.

EPRA earnings, which is a tax adjusted measure of underlying earnings, is the basis for the calculation of EPRA earnings per share. We believe EPRA earnings and EPRA earnings per share provide further insight into the results of the Group's operational performance to stakeholders as they focus on the rental income performance of the business and exclude Capital and other items which can vary significantly from year to year.

Earnings per share	**Year ended 31 March 2023**		Year ended 31 March 2022	
	Loss for the year £m	**EPRA earnings £m**	Profit for the year £m	EPRA earnings £m
(Loss)/profit attributable to shareholders of the parent	**(619)**	**(619)**	869	869
Valuation and loss/(profit) on disposals	**–**	**1,016**	–	(527)
Net finance income (excluded from EPRA earnings)	**–**	**(21)**		(1)
Impairment of goodwill	**–**	**5**	–	6
Other	**–**	**12**	–	8
(Loss)/profit used in per share calculation	**(619)**	**393**	869	355
	IFRS	**EPRA**	IFRS	EPRA
Basic (loss)/earnings per share	**(83.6)p**	**53.1p**	117.4p	48.0p
Diluted (loss)/earnings per share[1]	**(83.6)p**	**53.1p**	117.1p	47.8p

1. In the year ended 31 March 2023, share options are excluded from the weighted average diluted number of shares when calculating IFRS and EPRA diluted (loss)/earnings per share because they are not dilutive.

Net assets per share		**31 March 2023**			31 March 2022	
	Net assets £m	**EPRA NDV £m**	**EPRA NTA £m**	Net assets £m	EPRA NDV £m	EPRA NTA £m
Net assets attributable to shareholders of the parent	**7,005**	**7,005**	**7,005**	7,917	7,917	7,917
Shortfall of fair value over net investment in finance leases book value	**–**	**(6)**	**(6)**	–	(6)	(6)
Deferred tax liability on intangible asset	**–**	**–**	**1**	–	–	1
Goodwill on deferred tax liability	**–**	**(1)**	**(1)**	–	(1)	(1)
Other intangible asset	**–**	**–**	**(2)**	–	–	(2)
Fair value of interest-rate swaps	**–**	**–**	**(42)**	–	–	(21)
Excess of fair value of trading properties over book value	**–**	**12**	**12**	–	–	–
Shortfall/(excess) of fair value of debt over book value (note 22)	**–**	**324**	**–**	–	(107)	–
Net assets used in per share calculation	**7,005**	**7,334**	**6,967**	7,917	7,803	7,888
	IFRS	**EPRA NDV**	**EPRA NTA**	IFRS	EPRA NDV	EPRA NTA
Net assets per share	**945p**	**n/a**	**n/a**	1,070p	n/a	n/a
Diluted net assets per share	**942p**	**986p**	**936p**	1,067p	1,052p	1,063p

Notes to the financial statements
for the year ended 31 March 2023 continued

5 › Performance measures continued

Number of shares	2023 Weighted average million	2023 31 March million	2022 Weighted average million	2022 31 March million
Ordinary shares	**751**	**751**	751	751
Treasury shares	**(7)**	**(7)**	(7)	(7)
Own shares	**(4)**	**(3)**	(4)	(4)
Number of shares – basic	**740**	**741**	740	740
Dilutive effect of share options	**4**	**3**	2	2
Number of shares – diluted	**744**	**744**	742	742

Total return on equity 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 return on equity based on EPRA NTA	Year ended 31 March 2023 pence	Year ended 31 March 2022 pence
(Decrease)/increase in EPRA NTA per share	**(127)**	78
Dividend paid per share in the year (note 11)	**39**	25
Total return (a)	**(88)**	103
EPRA NTA per share at the beginning of the year (b)	**1,063**	985
Total return on equity (a/b)	**(8.3)%**	10.5%

6 › Revenue

A *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 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 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.

S *Significant accounting judgement*

For those properties where the property management activities are performed by a third party, the Group considers the third party to be the principal delivering the service. The key factors considered by the Group when making this judgement include the following responsibilities of the third party:

- selecting suppliers and ensuring all services are delivered
- establishing prices and seeking efficiencies
- risk management and compliance

In addition, the residual rights residing with the Group are generally protective in nature.

All revenue is classified within the 'EPRA earnings' column of the income statement, with the exception of proceeds from the sale of trading properties, income from development contracts and the non-owned element of the Group's subsidiaries which are presented in the 'Capital and other items' column.

	2023			2022		
	EPRA earnings £m	**Capital and other items £m**	**Total £m**	EPRA earnings £m	Capital and other items £m	Total £m
Rental income (excluding adjustment for lease incentives)	**606**	**8**	**614**	552	3	555
Adjustment for lease incentives	**(2)**	**–**	**(2)**	(18)	–	(18)
Rental income	**604**	**8**	**612**	534	3	537
Service charge income	**88**	**3**	**91**	77	1	78
Trading property sales proceeds	**–**	**22**	**22**	–	27	27
Other property related income	**29**	**–**	**29**	25	–	25
Finance lease interest	**2**	**–**	**2**	8	–	8
Development contract income[1]	**–**	**32**	**32**	–	1	1
Other income	**3**	**–**	**3**	3	–	3
Revenue per the income statement	**726**	**65**	**791**	647	32	679

1. Development contract income for the year ended 31 March 2023 relates to the income released from the contract liability recorded on the disposal of 21 Moorfields, recognised in line with costs incurred on the development in note 7.

The following table reconciles revenue per the income statement to the individual components of revenue presented in note 4.

	2023				2022			
	Group £m	**Joint ventures £m**	**Adjustment for non-wholly owned subsidiaries £m**	**Total £m**	Group £m	Joint ventures £m	Adjustment for non-wholly owned subsidiaries £m	Total £m
Rental income	**612**	**53**	**(8)**	**657**	537	52	(3)	586
Service charge income	**91**	**10**	**(3)**	**98**	78	9	(1)	86
Other property related income	**29**	**2**	**–**	**31**	25	3	–	28
Finance lease interest	**2**	**–**	**–**	**2**	8	–	–	8
Other income	**3**	**–**	**–**	**3**	3	–	–	3
Revenue in the segmental information note	**737**	**65**	**(11)**	**791**	651	64	(4)	711
Development contract income[1]	**32**	**–**	**–**	**32**	1	–	–	1
Trading property sales proceeds	**22**	**–**	**–**	**22**	27	15	–	42
Revenue including Capital and other items	**791**	**65**	**(11)**	**845**	679	79	(4)	754

1. Development contract income for the year ended 31 March 2023 relates to the income released from the contract liability recorded on the disposal of 21 Moorfields, recognised in line with costs incurred on the development in note 7.

Notes to the financial statements
for the year ended 31 March 2023 continued

7 › Costs

A *Accounting policy*

The carrying amounts of the Group's non-financial assets, other than investment properties, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. The value in use is determined as the net present value of the future cash flows expected to be derived from the asset, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount after the reversal does not exceed the amount that would have been determined, net of applicable depreciation, if no impairment loss had been recognised.

Rents payable reflect amounts due under head leases. Where rents payable are variable, and do not depend on an index or rate, the payments are recognised in the income statement as incurred. Where these rents are fixed, or in-substance fixed, at the inception of the agreement, or become fixed or in-substance fixed at some point over the life of the agreement, an asset representing the right to use the underlying land and a corresponding liability for the present value of the minimum future lease payments are recognised on the Group's balance sheet within Investment properties and borrowings respectively.

All costs are classified within the 'EPRA earnings' column of the income statement, with the exception of the cost of sale of trading properties, costs arising on development contracts, amortisation and impairments of intangible assets, and other attributable costs, arising on business combinations and the non-owned element of the Group's subsidiaries which are presented in the 'Capital and other items' column.

			2023			2022
	EPRA earnings £m	**Capital and other items £m**	**Total £m**	EPRA earnings £m	Capital and other items £m	Total £m
Rents payable	**10**	**–**	**10**	6	–	6
Service charge expense	**98**	**2**	**100**	88	2	90
Direct property expenditure	**98**	**2**	**100**	94	–	94
Administrative expenses	**80**	**–**	**80**	80		80
Impairment of trading properties	**–**	**19**	**19**	–	6	6
Cost of trading property disposals	**–**	**21**	**21**	–	25	25
Development contract expenditure[1]	**–**	**41**	**41**	–	1	1
Depreciation, including amortisation of software	**5**	**3**	**8**	5	–	5
Impairment of goodwill	**–**	**5**	**5**	–	6	6
Business combination costs	**–**	**–**	**–**	–	8	8
Costs – other per the income statement	**291**	**93**	**384**	273	48	321
Movement in bad and doubtful debts expense – rent	**(4)**	**–**	**(4)**	(9)	–	(9)
Movement in bad and doubtful debts expense – service charge	**2**	**–**	**2**	(4)	–	(4)
Total costs per the income statement	**289**	**93**	**382**	260	48	308

1. Development contract expenditure for the year ended 31 March 2023 includes expenditure relating to the ongoing development of 21 Moorfields following the sale of the property during the period.

The following table reconciles costs per the income statement to the individual components of costs presented in note 4.

	2023				2022			
	Group £m	Joint ventures £m	Adjustment for non-wholly owned subsidiaries £m	Total £m	Group £m	Joint ventures £m	Adjustment for non wholly owned subsidiaries £m	Total £m
Rents payable	**10**	**2**	**–**	**12**	6	2	–	8
Service charge expense	**100**	**12**	**(2)**	**110**	90	10	(2)	98
Direct property expenditure	**100**	**10**	**(2)**	**108**	94	10	–	104
Administrative expenses	**80**	**2**	**–**	**82**	80	2	–	82
Depreciation, including amortisation of software	**5**	**–**	**–**	**5**	5	–	–	5
Movement in bad and doubtful debts expense – rent	**(4)**	**(1)**	**–**	**(5)**	(9)	2	–	(7)
Movement in bad and doubtful debts expense – service charge	**2**	**–**	**–**	**2**	(4)	(1)	–	(5)
Costs in the segmental information note	**293**	**25**	**(4)**	**314**	262	25	(2)	285
Impairment of trading properties	**19**	**–**	**–**	**19**	6	–	–	6
Cost of trading property disposals	**21**	**–**	**–**	**21**	25	16	–	41
Development contract expenditure[1]	**41**	**–**	**–**	**41**	1	–	–	1
Depreciation	**3**	**–**	**–**	**3**	–	–	–	–
Impairment of goodwill	**5**	**–**	**–**	**5**	6	–	–	6
Business combination costs	**–**	**–**	**–**	**–**	8	–	–	8
Costs including Capital and other items	**382**	**25**	**(4)**	**403**	308	41	(2)	347

1. Development contract expenditure for the year ended 31 March 2023 includes expenditure related to the ongoing development of 21 Moorfields following the sale of the property during the year.

The Group's costs include employee costs for the year of **£76m** (2022: £78m), of which **£5m** (2022: £5m) is within service charge expense, **£58m** (2022: £60m) is within administrative expenses and **£13m** (2022: £13m) is within direct property expenditure.

Employee costs	2023 £m	2022 £m
Salaries and wages	**59**	63
Employer payroll taxes	**7**	8
Other pension costs (note 34)	**4**	3
Share-based payments (note 35)	**6**	4
	76	78

	2023 Number	2022 Number
The average monthly number of employees during the year was:		
Indirect property or contract and administration	**385**	412
Direct property or contract services:		
Full-time	**180**	184
Part-time	**12**	14
	577	610

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** (2022: 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 100 to 113.

Details of the employee costs associated with the Group's key management personnel are included in note 39.

Notes to the financial statements
for the year ended 31 March 2023 continued

8 › Auditor remuneration

	2023 £m	2022 £m
Services provided by the Group's auditor		
Audit fees:		
Audit of parent company and consolidated financial statements	**1.0**	0.9
Audit of subsidiary undertakings	**0.6**	0.7
Audit of joint ventures	**0.2**	0.2
	1.8	1.8
Non-audit fees:		
Other assurance services	**0.4**	0.2
	2.2	2.0

The Group operates a non-audit services policy that sets out the circumstances and financial limits within which the Group's auditors may be permitted to provide certain non-audit services. Where appropriate the Group seeks tenders for services. If fees for an assignment are expected to be greater than £25,000, they are pre-approved by the Audit Committee.

9 › External valuers remuneration

	2023 £m	2022 £m
Services provided by the Group's external valuers		
Year end and half-yearly valuations – Group	**0.9**	0.7
– Joint ventures	**0.1**	0.1
Other consultancy and agency services – CBRE	**2.5**	0.9
– JLL[1]	**0.7**	–
	4.2	1.7

1. JLL other consultancy and agency services fees are stated for year ended 31 March 2023 only following their appointment in the year as a principal valuer. The comparable fees for the year ended 31 March 2022 would have been £0.7m.

CBRE Limited (CBRE) and Jones Lang LaSalle Limited (JLL) are the Group's principal valuers. The fee arrangements with CBRE and JLL for the valuation of the Group's properties is fixed, subject to an adjustment for acquisitions and disposals. The fees of both CBRE and JLL have been included in the table above. CBRE and JLL undertake other consultancy and agency work on behalf of the Group. CBRE and JLL have confirmed to us that the total fees paid by the Group represented less than 5% of their total revenues in both the current and prior year.

10 › Net finance expense

	2023 EPRA earnings £m	2023 Capital and other items £m	2023 Total £m	2022 EPRA earnings £m	2022 Capital and other items £m	2022 Total £m
Finance income						
Interest receivable from joint ventures	**11**	**–**	**11**	9	–	9
Fair value movement on interest-rate swaps	**–**	**23**	**23**	–	16	16
	11	**23**	**34**	9	16	25
Finance expense						
Bond and debenture debt	**(68)**	**–**	**(68)**	(67)	–	(67)
Bank and other short-term borrowings	**(38)**	**(2)**	**(40)**	(19)	–	(19)
Other interest payable	**–**	**(1)**	**(1)**	(1)	(15)	(16)
	(106)	**(3)**	**(109)**	(87)	(15)	(102)
Interest capitalised in relation to properties under development	**22**	**–**	**22**	17	–	17
	(84)	**(3)**	**(87)**	(70)	(15)	(85)
Net finance (expense)/income	**(73)**	**20**	**(53)**	(61)	1	(60)
Joint venture net finance expense	**(11)**			(10)		
Net finance expense included in EPRA earnings	**(84)**			(71)		

Lease interest payable of **£4m** (2022: £4m) is included within rents payable as detailed in note 4.

11 › Dividends

A *Accounting policy*

Interim dividend distributions to shareholders are recognised in the financial statements when paid. Final dividend distributions are recognised as a liability in the period in which they are approved by shareholders.

Dividends paid	Payment date	Pence per share PID	Pence per share Non-PID	Pence per share Total	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
For the year ended 31 March 2021:						
Third interim	30 March 2021	6.00	–	6.00		
Final	23 July 2021	9.00	–	9.00		66
For the year ended 31 March 2022:						
First interim	8 October 2021	7.00	–	7.00		52
Second interim	4 January 2022	8.50	–	8.50		63
Third interim	**7 April 2022**	**8.50**	**–**	**8.50**	**63**	
Final	**22 July 2022**	**13.00**	**–**	**13.00**	**96**	
For the year ended 31 March 2023:						
First interim	**7 October 2022**	**8.60**	**–**	**8.60**	**64**	
Second interim	**3 January 2023**	**9.00**	**–**	**9.00**	**67**	
Gross dividends					**290**	181
Dividends in the statement of changes in equity					**290**	181
Timing difference on payment of withholding tax					**(1)**	9
Dividends in the statement of cash flows					**289**	190

Notes to the financial statements
for the year ended 31 March 2023 continued

11 › Dividends continued
The third quarterly interim dividend of **9.0p** per ordinary share, or **£67m** in total (2022: 8.5p or £63m in total), was paid on 6 April 2023 as a Property Income Distribution (PID). The Board has recommended a final dividend for the year ended 31 March 2023 of **12.0p** per ordinary share (2022: 13.0p) to be paid as a PID. This final dividend will result in a further estimated distribution of **£90m** (2022: £96m). Subject to shareholders' approval at the Annual General Meeting, the final dividend will be paid on 21 July 2023 to shareholders registered at the close of business on 16 June 2023.

The total dividend paid and recommended in respect of the year ended 31 March 2023 is **38.6p** per ordinary share (2022: 37.0p) resulting in a total estimated distribution of **£288m** (2022: £274m).

The first quarterly dividend for the year ending 31 March 2024 will be paid in October 2023 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 30 June 2023.

12 › Income tax
A *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.

S *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 believes it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

There is no income tax charge in the income statement (2022: none). There is a deferred tax credit of **£3m** (2022: £5m 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.

	2023 £m	2022 £m
(Loss)/profit before tax	**(622)**	875
(Loss)/profit before tax multiplied by the rate of corporation tax in the UK of 19%	**(118)**	166
Adjustment for exempt property rental losses/(profits) and revaluations in the year	**130**	(154)
	12	12
Effects of:		
Timing difference on repurchase of medium term notes	**(11)**	(11)
Interest rate fair value movements and other temporary differences	**(3)**	(3)
Non-allowable expenses and non-taxable items	**1**	1
Movement in unrecognised tax losses	**1**	1
Total income tax charge in the income statement	**–**	

	2023 £m	2022 £m
The Group's deferred tax liability is analysed as follows:		
Arising on business combination	**1**	1
Arising on pension surplus	**3**	6
Total deferred tax liability	**4**	7

Deferred tax is calculated at the rate substantively enacted at the balance sheet date of **25%** (2022: 25%). The movement in the deferred tax liability arising on the re-measurement loss 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.

	2023 £m	2022 £m
Revenue losses	**245**	220
Capital losses	**272**	272
Other unrecognised temporary differences	**239**	313
Total unrecognised items	**756**	805

The other unrecognised temporary differences relate primarily to the premium paid on the redemption of the Group's medium term notes. The premium paid was expensed in full in prior years, whereas a tax deduction is taken over the remaining term.

Notes to the financial statements

for the year ended 31 March 2023 continued

13 › Net cash generated from operations

Reconciliation of operating (loss)/profit to net cash generated from operations	Group		Company	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Operating (loss)/profit	**(569)**	935	**(26)**	90
Adjustments for:				
Net deficit/(surplus) on revaluation of investment properties	**827**	(416)	**–**	–
Loss/(gain) on changes in finance leases	**6**	(6)	**–**	–
Profit on disposal of trading properties	**(1)**	(2)	**–**	–
Loss/(profit) on disposal of investment properties	**144**	(107)	**–**	–
Profit on disposal of investment in joint ventures	**–**	(2)	**–**	–
Share of loss/(profit) from joint ventures and associates	**1**	(33)	**–**	–
Share-based payment charge	**6**	4	**–**	–
Impairment of goodwill	**5**	6	**–**	–
Reversal of impairment of investment in subsidiary	**–**	–	**(1)**	(117)
Rents payable	**10**	8	**–**	–
Depreciation and amortisation	**5**	5	**–**	–
Impairment of trading properties	**19**	6	**–**	–
Other	**–**	1	**–**	–
	453	399	**(27)**	(27)
Changes in working capital:				
(Increase)/decrease in receivables	**(17)**	28	**–**	–
(Decrease)/increase in payables and provisions	**(80)**	21	**27**	27
Net cash generated from operations	**356**	448	**–**	–

Reconciliation to adjusted net cash inflow from operating activities	Group		Company	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Net cash inflow from operating activities	**342**	381	**–**	–
Joint ventures net cash inflow from operating activities	**17**	23	**–**	–
Adjusted net cash inflow from operating activities[1,2]	**359**	404	**–**	–

1. Adjusted net cash inflow from operating activities is now presented inclusive of cash flows from trading property activities, whereas previously it had excluded these cash flows. The presentation for the year ended 31 March 2022 has been restated to reflect this change. Refer to the Glossary for the definition of Adjusted net cash inflow from operating activities.
2. Includes cash flows relating to the interest in MediaCity which is not owned by the Group, but is consolidated in the Group numbers.

Section 3 – Properties

This section focuses on the property assets which form the core of the Group's business. It includes details of investment properties, investments in joint ventures and trading properties.

Our property portfolio is a combination of properties that are wholly owned by the Group, part owned through joint arrangements and properties owned by the Group but where a third party holds a non-controlling interest. In the Group's IFRS balance sheet, wholly owned properties and properties owned by the Group but where a third party holds a non-controlling interest are presented as either 'Investment properties' or 'Trading properties'. The Group applies equity accounting to its investments in joint ventures, which requires the Group's share of properties held by joint ventures to be presented within 'Investments in joint ventures'.

Internally, management review the results of the Group on a basis that adjusts for these forms of ownership to present a proportionate share. The Combined Portfolio, with assets totalling **£10.2bn**, 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.

A *Accounting policy*

Investment properties

Investment properties are properties, either owned or leased by the Group, that are held either to earn rental income or for capital appreciation, or both. Investment properties are measured initially at cost including related transaction costs, and subsequently at fair value. Fair value is based on market value, as determined by a professional external valuer at each reporting date. The difference between the fair value of an investment property at the reporting date and its carrying amount prior to re-measurement is included in the income statement as a valuation surplus or deficit. Investment properties are presented on the balance sheet within non-current assets.

Some of the Group's investment properties are owned through long-leasehold arrangements, as opposed to the Group owning the freehold. Where the Group is a lessee, a right-of-use asset is recognised at the commencement date of the lease and accounted for as investment property. Initially, the cost of investment properties held under leases includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The investment properties held under leases are subsequently carried at their fair value. A corresponding liability is recorded within borrowings. Each lease payment is allocated between repayment of the liability and a finance charge to achieve a constant interest rate on the outstanding liability.

Trading properties

Trading properties are those properties held for sale, or those being developed with a view to sell. Trading properties are recorded at the lower of cost and net realisable value. The net realisable value of a trading property is determined by a professional external valuer at each reporting date. If the net realisable value of a trading property is lower than its carrying value, an impairment loss is recorded in the income statement. If, in subsequent periods, the net realisable value of a trading property that was previously impaired increases above its carrying value, the impairment is reversed to align the carrying value of the property with the net realisable value. Trading properties are presented on the balance sheet within current assets.

Acquisition of properties

Properties are treated as acquired when the Group assumes control of the property.

Capital expenditure and capitalisation of borrowing costs

Capital expenditure on properties consists of costs of a capital nature, including costs associated with developments and refurbishments. Where a property is being developed or undergoing major refurbishment, interest costs associated with direct expenditure on the property are capitalised. The interest capitalised is calculated using the Group's weighted average cost of borrowings. Interest is capitalised from the commencement of the development work until the date of practical completion. Certain internal staff and associated costs directly attributable to the management of major schemes are also capitalised. The total staff and associated costs are capitalised based on the proportion of time spent on the relevant scheme. Internal staff costs are capitalised from the date the Group determines it is probable that the development will progress until the date of practical completion.

Notes to the financial statements
for the year ended 31 March 2023 continued

Transfers between investment properties and trading properties
When the Group begins to redevelop an existing investment property for continued future use as an investment property, the property continues to be held as an investment property. When the Group begins to redevelop an existing investment property with a view to sell, the property is transferred to trading properties and held as a current asset. The property is re-measured to fair value as at the date of the transfer with any gain or loss being taken to the income statement. The re-measured amount becomes the deemed cost at which the property is then carried in trading properties.

Disposal of properties
Properties are treated as disposed when control of the property is transferred to the buyer. Typically, this will either occur on unconditional exchange or on completion. Where completion is expected to occur significantly after exchange, or where the Group continues to have significant outstanding obligations after exchange, the control will not usually transfer to the buyer until completion.

The profit on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset at the beginning of the accounting period plus capital expenditure to the date of disposal. The profit on disposal of investment properties is presented separately on the face of the income statement. Proceeds received on the sale of trading properties are recognised within Revenue, and the carrying value at the date of disposal is recognised within Costs.

S *Significant accounting judgement*

Acquisition and disposal of properties
Property transactions can be complex in nature and material to the financial statements. To determine when an acquisition or disposal should be recognised, management consider whether the Group assumes or relinquishes control of the property, and the point at which this is obtained or relinquished. Consideration is given to the terms of the acquisition or disposal contracts and any conditions that must be satisfied before the contract is fulfilled. In the case of an acquisition, management must also consider whether the transaction represents an asset acquisition or business combination.

Key *accounting estimates and other sources of estimation uncertainty*
Valuation of the Group's properties

The valuation of the Group's property portfolio has been undertaken by independent valuers in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation - Global Standards and UK Supplement (together the "Red Book"). Real estate by its nature is a complex asset class with value determined by a range of factors overlaid by interpretation and judgemental assessment of market data; as such it is classified as a 'Level 3 asset' within IFRS. Factors affecting valuation are on an individual property level and include the property type, location, tenure and tenancy characteristics, quality of the asset and prospects for future rental revenue.

The Group's investment property valuation has been undertaken by valuers interpreting market evidence as available in reaching their conclusions on fair value, reflecting asset specific data provided by management, making assumptions that tenure, tenancies, town planning and condition of buildings are as provided. 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 volume in the property market.

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 market variation over the course of development. 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.

14 › Investment properties

	2023 £m	2022 £m
Net book value at the beginning of the year	**11,207**	9,607
Transfer from joint venture[1]	**23**	–
Acquired through acquisition of group of subsidiaries	**–**	619
Acquisitions of investment properties[2]	**218**	247
Capital expenditure	**356**	343
Capitalised interest	**22**	17
Net movement in head leases capitalised[3]	**(16)**	62
Disposals[4,5]	**(1,319)**	(98)
Net (deficit)/surplus on revaluation of investment properties	**(827)**	416
Transfers to trading properties	**(6)**	(6)
Net book value at the end of the year	**9,658**	11,207

1. Recognition of property following the change in classification of Wind Farms from a joint venture to a subsidiary during the year. Refer to note 16 for further details.
2. Includes acquisition of the remaining 50% interest in St David's for cash consideration of **£113m**, including the purchase of debt and subsequent purchase of the entire share capital of the other Limited Partner, Intu The Hayes Limited, on 24 March 2023. This has been accounted for as an asset acquisition, with assets and liabilities acquired at the date of acquisition consisting of investment property of **£113m**, cash of **£11m**, trade and other receivables of **£4m** and trade and other payables of **£12m**. The acquisition amount in the table above also includes the transfer of the investment property held in the existing 50% interest in St David's from investment in joint venture to wholly owned subsidiary.
3. See note 22 for details of the amounts payable under head leases and note 4 for details of the rents payable in the income statement.
4. Includes impact of disposals of finance leases.
5. Includes **£766m** impact of disposal of 21 Moorfields. Gross proceeds of **£742m** (inclusive of development costs to go) were received following adjustments to the headline price of **£809m** for rent top up and fit-out contributions.

The market value of the Group's investment properties, as determined by the Group's external valuers, differs from the net book value presented in the balance sheet due to the Group presenting tenant finance leases, head leases and lease incentives separately. The following table reconciles the net book value of the investment properties to the market value.

	2023				2022			
	Group (excl. joint ventures) £m	**Joint ventures[1] £m**	**Adjustment for non-wholly owned subsidiaries £m**	**Combined Portfolio £m**	Group (excl. joint ventures) £m	Joint ventures[1] £m	Adjustment for non-wholly owned subsidiaries £m	Combined Portfolio £m
Market value	**9,743**	**635**	**(139)**	**10,239**	11,362	800	(145)	12,017
Less: properties treated as finance leases	**(17)**	**–**	**–**	**(17)**	(66)	–	–	(66)
Plus: head leases capitalised	**107**	**1**	**–**	**108**	123	9		132
Less: tenant lease incentives	**(175)**	**(35)**	**–**	**(210)**	(212)	(38)	–	(250)
Net book value	**9,658**	**601**	**(139)**	**10,120**	11,207	771	(145)	11,833
Net (deficit)/surplus on revaluation of investment properties	**(827)**	**(30)**	**9**	**(848)**	416	(3)	(4)	409

1. Refer to note 14 for a breakdown of this amount by entity.

The net book value of leasehold properties where head leases have been capitalised is **£1,723m** (2022: £2,908m).

Investment properties include capitalised interest of **£271m** (2022: £249m). The average rate of interest capitalisation for the year is **3.0%** (2022: 2.5%). The gross historical cost of investment properties is **£8,280m** (2022: £8,604m).

Valuation process

The fair value of investment properties at 31 March 2023 was determined by the Group's external valuers, CBRE and JLL. The valuations are in accordance with RICS standards and were arrived at by reference to market evidence of transactions for similar properties. The valuations performed by the valuers are reviewed internally by Senior Management and other relevant people within the business. This process includes discussions of the assumptions used by the valuers, as well as a review of the resulting valuations. Discussions of the valuation process and results are held between Senior Management, the Audit Committee and the valuers on a half-yearly basis.

Notes to the financial statements
for the year ended 31 March 2023 continued

14 › Investment properties continued

The valuers' opinion of fair value was primarily derived using comparable recent market transactions on arm's length terms and using appropriate valuation techniques. The fair value of investment properties is determined using the income capitalisation approach. Under this approach, forecast net cash flows, based upon current market derived estimated rental values (market rents) together with estimated costs, are discounted at market derived capitalisation rates to produce the valuers' opinion of fair value. The average discount rate, which, if applied to all cash flows would produce the fair value, is described as the equivalent yield.

Properties in the development programme are typically valued using a residual valuation method. Under this methodology, the valuer assesses the completed development value using income and yield assumptions. Deductions are then made for estimated costs to complete, including finance and developer's profit, to arrive at the valuation. Costs include future estimated costs associated with refurbishment or development (excluding finance costs), together with an estimate of cash incentives to be paid to tenants. As the development approaches completion, the valuer may consider the income capitalisation approach to be more appropriate.

The Group considers all of its investment properties to fall within 'Level 3', as defined by IFRS 13 and as explained in note 26(iii). Accordingly, there have been no transfers of properties within the fair value hierarchy in the financial year.

The table below summarises the key unobservable inputs used in the valuation of the Group's wholly owned investment properties, and properties owned by the Group but where a third party holds a non-controlling interest, at 31 March 2023:

										2023
	Market value £m	Estimated rental value £ per sq ft			Equivalent yield %			Costs £ per sq ft		
		Low	Average	High	Low	Average	High	Low	Average[1]	High
Central London										
West End offices	2,288	20	64	156	4.0%	4.3%	5.6%	–	38	231
City offices	1,304	56	72	90	5.0%	5.2%	6.6%	–	114	152
Retail and other	1,058	8	49	82	3.5%	4.7%	6.5%	–	27	259
Total Central London	4,650	8	63	156	3.5%	4.7%	6.6%	–	57	259
Major retail										
Shopping centres	1,026	12	25	31	6.5%	8.0%	9.2%	3	10	25
Outlets	684	15	47	52	6.4%	7.2%	10.6%	8	12	22
Total Major retail	1,710	12	34	52	6.4%	7.7%	10.6%	3	11	25
Mixed-use urban										
Completed investments	518	17	25	47	5.5%	6.3%	10.0%	–	–	4
Developments	410	10	17	27	5.6%	6.4%	11.4%	–	–	–
Total Mixed-use urban	928	10	21	47	5.5%	6.3%	11.4%	–	–	4
Subscale sectors										
Leisure	439	9	13	19	6.6%	8.5%	10.5%	–	2	25
Hotels	408	8	18	36	5.6%	6.8%	8.2%	–	–	–
Retails parks	418	13	19	25	5.0%	6.4%	8.3%	–	4	18
Total Subscale sectors	1,265	8	17	36	5.0%	7.2%	10.5%	–	2	25
Developments: income capitalisation method	167	52	58	80	4.8%	5.3%	5.5%	–	–	–
Developments: residual method	1,023	60	47	88	4.7%	4.8%	5.3%	–	–	–
Development programme	1,190	52	49	88	4.7%	4.9%	5.5%	–	–	–
Market value at 31 March 2023 – Group	9,743									

1. The calculation for average costs excludes those properties which are assumed by the Group's external valuer to be substantially refurbished or redeveloped, but which do not yet form part of the development programme

The sensitivities below illustrate the impact of changes in key unobservable inputs (in isolation) on the fair value of the Group's properties:

Sensitivities **2023**

	Market value £m	Impact on valuations of 5% change in estimated rental value		Impact on valuations of 25 bps change in equivalent yield		Impact on valuations of 5% change in costs	
		Increase £m	Decrease £m	Decrease £m	Increase £m	Decrease £m	Increase £m
Total Central London (excluding developments)	**4,650**	**178**	**(174)**	**262**	**(232)**	**14**	**(8)**
Total Major retail (excluding developments)	**1,710**	**71**	**(71)**	**61**	**(57)**	**4**	**(4)**
Total Mixed-use urban (excluding developments)	**518**	**17**	**(16)**	**20**	**(19)**	**–**	**–**
Total Subscale sectors (excluding developments)	**1,265**	**47**	**(46)**	**16**	**(13)**	**2**	**(2)**
Developments: Mixed-use urban	**410**	**13**	**(13)**	**13**	**(13)**	**1**	**(1)**
Developments: income capitalisation method	**167**	**11**	**(12)**	**15**	**(14)**	**4**	**(4)**
Developments: residual method	**1,023**	**72**	**(87)**	**104**	**(107)**	**23**	**(40)**
Market value at 31 March 2023 – Group	**9,743**	**409**	**(419)**	**491**	**(455)**	**48**	**(59)**

The table below summarises the key unobservable inputs used in the valuation of the Group's wholly owned investment properties, and properties owned by the Group but where a third party holds a non-controlling interest, at 31 March 2022:

2022

	Market value £m	Estimated rental value £ per sq ft			Equivalent yield %			Costs £ per sq ft		
		Low	Average	High	Low	Average	High	Low	Average	High
Central London										
West End offices	2,613	19	65	77	3.8%	4.7%	5.0%	–	18	96
City offices	1,928	56	112	280	4.3%	4.6%	6.0%	–	42	95
Retail and other	1,096	8	56	84	2.5%	4.2%	6.5%	–	2	23
Total Central London	5,637	8	79	280	2.5%	4.6%	6.5%	–	23	96
Major retail										
Shopping centres	852	22	26	36	6.3%	7.4%	7.8%	–	2	19
Outlets	743	19	48	56	6.1%	6.8%	12.8%	–	2	6
Total Major retail	1,595	19	36	56	6.1%	7.1%	12.8%		2	19
Mixed-use urban										
Completed investments	545	15	29	72	4.7%	5.7%	8.4%	–	–	11
Developments	473	3	19	55	4.5%	6.7%	9.7%	–	–	–
Total Mixed-use urban	1,018	3	24	72	4.5%	6.2%	9.7%	–	–	11
Subscale sectors										
Leisure	515	6	12	16	6.5%	7.4%	10.5%	–	4	23
Hotels	422	7	16	30	4.8%	5.7%	7.4%	–	–	–
Retails parks	466	12	18	24	4.0%	5.7%	7.7%	–	3	32
Total Subscale sectors	1,403	6	12	30	4.0%	5.7%	10.5%	–	3	32
Developments: income capitalisation method	923	52	67	75	4.1%	4.2%	5.0%	–	–	–
Developments: residual method	786	34	65	94	4.0%	4.2%	5.4%	–	–	
Development programme	1,709	34	66	94	4.0%	4.2%	5.4%	–	–	–
Market value at 31 March 2022 – Group	11,362									

1. The calculation for average costs excludes those properties which are assumed by the Group's external valuer to be substantially refurbished or redeveloped, but which do not yet form part of the development programme.

Notes to the financial statements
for the year ended 31 March 2023 continued

14 › Investment properties continued

The sensitivities below illustrate the impact of changes in key unobservable inputs (in isolation) on the fair value of the Group's properties:

Sensitivities							2022
		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	
	Market value £m	Increase £m	Decrease £m	Decrease £m	Increase £m	Decrease £m	Increase £m
Total Central London (excluding developments)	5,637	202	(190)	311	(269)	2	(4)
Total Major retail (excluding developments)	1,595	66	(250)	60	(56)	1	(1)
Total Mixed-use urban (excluding developments)	545	15	(14)	24	(22)	–	–
Total Subscale sectors (excluding developments)	1,403	53	(50)	61	(55)	1	(1)
Developments: Mixed-use urban	473	16	(15)	16	(15)	–	–
Developments: income capitalisation method	923	29	(29)	74	(66)	10	(9)
Developments: residual method	786	69	(68)	47	(81)	34	(34)
Market value at 31 March 2022 – Group	11,362	450	(616)	593	(564)	48	(49)

15 › Trading properties

	Development land and infrastructure £m	Residential £m	Total £m
At 1 April 2021	24	12	36
Transfer from investment properties		6	6
Acquisitions	128	–	128
Capital expenditure	1	5	6
Disposals	(25)	–	(25)
Impairment provision	–	(6)	(6)
At 31 March 2022	128	17	145
Transfer from investment properties	**6**	**–**	**6**
Capital expenditure	**6**	**(3)**	**3**
Disposals	**(17)**	**–**	**(17)**
(Impairment provision)/reversal of impairment	**(25)**	**6**	**(19)**
At 31 March 2023	**98**	**20**	**118**

The cumulative impairment provision at 31 March 2023 in respect of Development land and infrastructure was **£25m** (2022: £nil) and in respect of Residential was **£nil** (2022: £6m).

16 › Joint arrangements

A *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. Where a joint venture is in a net liability position, the Group's share of accumulated losses of a joint venture interest are recognised as net liabilities where there is an obligation to provide for these losses.

A joint arrangement is accounted for as a joint operation when the Group, along with the parties that have joint control of the arrangement, has rights to the assets and obligations for the liabilities relating to the arrangement. The Group's share of jointly controlled assets, related liabilities, income and expenses are combined with the equivalent items in the financial statements on a line-by-line basis.

The Group's principal joint arrangements are described below:

Joint ventures[1]	Percentage owned & voting rights[2]	Business segment	Year end date[3]	Joint venture partner
Held at 31 March 2023[4,5]				
Nova, Victoria[6]	50%	Central London	31 March	Suntec Real Estate Investment Trust
Southside Limited Partnership	50%	Major retail	31 March	Invesco Real Estate European Fund
Westgate Oxford Alliance Limited Partnership	50%	Major retail, Subscale sectors	31 March	The Crown Estate Commissioners
Harvest[7,9]	50%	Subscale sectors	31 March	J Sainsbury plc
The Ebbsfleet Limited Partnership[9]	50%	Subscale sectors	31 March	Ebbsfleet Property Limited
West India Quay Unit Trust[9]	50%	Subscale sectors	31 March	Schroder UK Real Estate Fund
Mayfield[8,9]	50%	Mixed-use urban	31 March	LCR Limited, Manchester City Council, Transport for Greater Manchester
Curzon Park Limited[9]	50%	Subscale sectors	31 March	Derwent Developments (Curzon) Limited
Plus X Holdings Limited[9]	50%	Subscale sectors	31 March	Paul David Rostas, Matthew Edmund Hunter
Landmark Court Partnership Limited[9]	51%	Central London	31 March	TTL Landmark Court Properties Limited

Joint operation	Ownership interest	Business segment	Year end date[3]	Joint operation partners
Held at 31 March 2023				
Bluewater, Kent	48.75%	Major retail	31 March	M&G Real Estate and GIC Royal London Asset Management Aberdeen Standard Investments

1. Refer to Additional information pages 205-209 for the full list of the Group's related undertakings.
2. Investments under joint arrangements are not always represented by an equal percentage holding by each partner. In a number of joint ventures that are not considered principal joint ventures and therefore not included in the table above, the Group holds a majority shareholding but has joint control and therefore the arrangement is accounted for as a joint venture.
3. The year end date shown is the accounting reference date of the joint arrangement. In all cases, the Group's accounting is performed using financial information for the Group's own reporting year and reporting date.
4. During the year to 31 March 2023, Wind Farms are no longer classified as a joint venture and are consolidated together with other subsidiary undertakings. Wind Farms includes DS Renewables LLP, Hendy Wind Farm Limited and Rhoscrowther Wind Farm Limited.
5. On 24 March 2023 the Group acquired the remaining 50% interest in St David's Limited Partnership. From that date, the results of the operations from St David's are consolidated together with other subsidiary undertakings. Results from its operations prior to that date are included as share of profit or loss from joint ventures. For further details on the acquisition refer to note 14.
6. Nova, Victoria includes the Nova Limited Partnership, Nova Residential Limited Partnership, Nova GP Limited, Nova Business Manager Limited, Nova Residential (GP) Limited, Nova Residential Intermediate Limited, Nova Estate Management Company Limited, Nova Nominee 1 Limited and Nova Nominee 2 Limited.
7. Harvest includes Harvest 2 Limited Partnership, Harvest Development Management Limited, Harvest 2 Selly Oak Limited, Harvest 2 GP Limited and Harvest GP Limited.
8. Mayfield includes Mayfield Development Partnership LP and Mayfield Development (General Partner) Limited.
9. Included within Other in subsequent tables.

Notes to the financial statements
for the year ended 31 March 2023 continued

16 › Joint arrangements continued
All of the Group's joint arrangements listed above have their principal place of business in the United Kingdom. All of the Group's principal joint arrangements own and operate investment property, with the exception of The Ebbsfleet Limited Partnership which is a holding company and Harvest which is engaged in long-term development contracts. The activities of all the Group's principal joint arrangements are therefore strategically important to the business activities of the Group.

All joint ventures listed above are registered in England and Wales with the exception of Southside Limited Partnership and West India Quay Unit Trust which are registered in Jersey.

Joint ventures — Year ended 31 March 2023

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]	49	10	33	34	4	130	65
Gross rental income (after rents payable)	36	10	25	27	4	102	51
Net rental income	36	7	16	22	2	83	42
EPRA earnings before interest	35	6	15	22	2	80	40
Finance expense	(17)	(6)	–	–	–	(23)	(11)
Net finance expense	(17)	(6)	–	–	–	(23)	(11)
EPRA earnings	18	–	15	22	2	57	29
Capital and other items							
Net (deficit)/surplus on revaluation of investment properties	(67)	1	6	(8)	8	(60)	(30)
(Loss)/profit before tax	(49)	1	21	14	10	(3)	(1)
Post-tax (loss)/profit	(49)	1	21	14	10	(3)	(1)
Total comprehensive (loss)/income	(49)	1	21	14	10	(3)	(1)
Group share of (loss)/profit before tax	(24)	–	10	7	6	(1)	
Group share of post-tax (loss)/profit	(24)	–	10	7	6	(1)	
Group share of total comprehensive (loss)/income	(24)	–	10	7	6	(1)	

1. Revenue includes gross rental income (before rents payable), service charge income, other property related income and income from development contracts.

Joint ventures

Year ended 31 March 2022

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]	45	11	33	37	6	132	64
Gross rental income (after rents payable)	36	10	25	26	6	103	52
Net rental income	29	11	17	25	–	82	41
EPRA earnings before interest	29	10	15	24	(1)	77	39
Finance expense	(13)	(6)	–	–	–	(19)	(10)
Net finance expense	(13)	(6)	–	–	–	(19)	(10)
EPRA earnings	16	4	15	24	(1)	58	29
Capital and other items							
Net surplus/(deficit) on revaluation of investment properties	16	(1)	(20)	(2)	-	(7)	(3)
Profit on disposal of investment properties	–	–	–	–	12	12	8
Loss on disposal of trading properties	–	-	-	–	(2)	(2)	(1)
Profit/(loss) before tax	32	3	(5)	22	9	61	33
Post-tax profit/(loss)	32	3	(5)	22	9	61	33
Total comprehensive income/(loss)	32	3	(5)	22	9	61	33
Group share of profit/(loss) before tax	16	2	(3)	11	7	33	
Group share of post-tax profit/(loss)	16	2	(3)	11	7	33	
Group share of total comprehensive income/(loss)	16	2	(3)	11	7	33	

1. Revenue includes gross rental income (before rents payable), service charge income, other property related income and income from development contracts.

Notes to the financial statements
for the year ended 31 March 2023 continued

16 › Joint arrangements continued

Joint ventures — 31 March 2023

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]	748	134	–	225	98	1,205	601
Non-current assets	**748**	**134**	**–**	**225**	**98**	**1,205**	**601**
Cash and cash equivalents	36	3	–	23	7	69	35
Other current assets	64	9	–	13	68	154	78
Current assets	**100**	**12**	**–**	**36**	**75**	**223**	**113**
Total assets	**848**	**146**	**–**	**261**	**173**	**1,428**	**714**
Trade and other payables and provisions	(22)	(10)	–	(14)	(48)	(94)	(48)
Current liabilities	**(22)**	**(10)**	**–**	**(14)**	**(48)**	**(94)**	**(48)**
Non current liabilities	(131)	(145)	–	–	–	(276)	(138)
Non-current liabilities	**(131)**	**(145)**	**–**	**–**	**–**	**(276)**	**(138)**
Total liabilities	**(153)**	**(155)**	**–**	**(14)**	**(48)**	**(370)**	**(186)**
Net assets/(liabilities)	**695**	**(9)**	**–**	**247**	**125**	**1,058**	**528**
Comprised of:							
Net assets	**695**	**–**	**–**	**247**	**125**	**1,067**	**533**
Accumulated losses recognised as net liabilities[2]	**–**	**(9)**	**–**	**–**	**–**	**(9)**	**(5)**
Market value of investment properties[1]	**807**	**134**	**–**	**233**	**98**	**1,272**	**635**
Net cash/(debt)[3]	**36**	**3**	**–**	**23**	**7**	**69**	**35**

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. The Group's share of accumulated losses of a joint venture interest are recognised as net liabilities (see note 33) where there is an obligation to provide for these losses.
3. Excludes funding provided by the Group and its joint venture partners.

Joint ventures 31 March 2022

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]	815	133	235	236	132	1,551	771
Non-current assets	815	133	235	236	132	1,551	771
Cash and cash equivalents	27	4	10	12	10	63	31
Other current assets	63	7	13	14	53	150	105
Current assets	90	11	23	26	63	213	136
Total assets	905	144	258	262	195	1,764	907
Trade and other payables and provisions	(22)	(10)	(9)	(10)	(12)	(63)	(44)
Current liabilities	(22)	(10)	(9)	(10)	(12)	(63)	(44)
Non-current liabilities	(139)	(145)	(22)	(3)	(131)	(440)	(168)
Non-current liabilities	(139)	(145)	(22)	(3)	(131)	(440)	(168)
Total liabilities	(161)	(155)	(31)	(13)	(143)	(503)	(212)
Net assets/(liabilities)	744	(11)	227	249	52	1,261	695
Comprised of:							
Net assets	744	–	227	249	52	1,272	700
Accumulated losses recognised as net liabilities[2]	–	(11)	–	–	–	(11)	(5)
Market value of investment properties[1]	870	133	226	247	124	1,600	800
Net cash/(debt)[3]	27	2	(6)	12	4	39	19

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. The Group's share of accumulated losses of a joint venture interest are recognised as net liabilities (see note 33) where there is an obligation to provide for these losses.
3. Excludes funding provided by the Group and its joint venture partners

Notes to the financial statements
for the year ended 31 March 2023 continued

16 › Joint arrangements continued

Joint ventures

Net investment	Nova, Victoria Group share £m	Southside Limited Partnership Group share £m	St. David's Limited Partnership Group share £m	Westgate Oxford Alliance Partnership Group share £m	Other Group share £m	Total Group share £m
At 1 April 2021	351	(7)	124	125	32	625
Total comprehensive income/(loss)	16	2	(3)	11	7	33
Acquisitions	–	–	–	–	54	54
Non-cash contributions	5	–	–	–	–	5
Cash distributions	–	–	(8)	(11)	(3)	(22)
At 31 March 2022	372	(5)	113	125	90	695
Total comprehensive (loss)/income	**(24)**	**–**	**10**	**7**	**6**	**(1)**
Cash distributions	**–**	**–**	**(4)**	**(8)**	**(2)**	**(14)**
Other distributions	**–**	**–**	**–**	**–**	**(7)**	**(7)**
Disposals and transfers from joint arrangements	**–**	**–**	**(119)**	**–**	**(25)**	**(144)**
Other non-cash movements	**–**	**–**	**–**	**–**	**(1)**	**(1)**
At 31 March 2023	**348**	**(5)**	**–**	**124**	**61**	**528**
Comprised of:						
At 31 March 2022						
Non-current assets	372		113	125	90	700
Non-current liabilities[1]	–	(5)	–	–	–	(5)
At 31 March 2023						
Non-current assets	**348**	**–**	**–**	**124**	**61**	**533**
Non-current liabilities[1]	**–**	**(5)**	**–**	**–**	**–**	**(5)**

1. The Group's share of accumulated losses of a joint venture interest are recognised as net liabilities (see note 33) where there is an obligation to provide for these losses.

17 › Investments in associates

A *Accounting policy*

Associates are those entities over whose financial and operating policy decisions the Group has significant influence, established by contractual agreement, but over which the Group does not have control or joint control over those policies. Interests in associates are accounted for using the equity method of accounting. The equity method requires the Group's share of the associate's post-tax profit or loss for the year to be presented separately in the income statement and the Group's share of the associate's net assets to be presented separately in the balance sheet.

The Group's principal interests in associates, acquired as part of the purchase of the share capital of U+I Group PLC in the prior year, are described below:

Associates[1]	Percentage owned and voting rights	Year end date	Business segment
CDSR Burlington House Developments Limited	20%	31 December	Subscale sectors
Northpoint Developments Limited	42%	31 December	Subscale sectors
YC Shepherds Bush Limited[2]	18.9%	31 December	Subscale sectors

1. Refer to Additional information pages 205-209 for the full list of the Group's related undertakings.
2. The Group's investment in YC Shepherds Bush Limited was reduced from 24.5% to 18.9% following capital calls during the year.

All of the Group's associates have their principal place of business in the United Kingdom, except for CDSR Burlington House Developments Limited which operates in Ireland. All of the Group's associates are engaged in property development.

The investments in CDSR Burlington House Developments Limited and Northpoint Developments Limited were fully impaired on acquisition of U+I Group PLC.

All associates are registered in England and Wales with the exception of CDSR Burlington House Developments Limited which is registered in Ireland.

The Group's share of profit or loss from its investments in associates was **£nil** (2022: £nil).

Associates Net investment	Total Group share £m
At 1 April 2021	
Acquisitions	4
At 31 March 2022	4
Reduction in investment	**(1)**
At 31 March 2023	**3**

18 › Capital commitments

	2023 £m	2022 £m
Contracted capital commitments at the end of the year in respect of:		
Investment properties	**153**	289
Trading properties	**21**	3
Joint ventures (our share)	**1**	1
Total capital commitments	**175**	293

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.

Notes to the financial statements
for the year ended 31 March 2023 continued

19 › Net investment in finance leases

A *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. The finance lease receivable is derecognised in the event that the lease is terminated. 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.

	2023 £m	2022 £m
Non-current		
Finance leases – gross receivables	**38**	82
Unguaranteed residual value	**3**	28
Unearned finance income	**(20)**	(40)
	21	70
Current[1]		
Finance leases – gross receivables	**2**	6
Unearned finance income	**(1)**	(4)
	1	2
Net investment in finance leases	**22**	72
Gross receivables from finance leases due:		
No later than one year	**2**	6
One to two years	**2**	6
Two to three years	**2**	6
Three to four years	**2**	6
Four to five years	**1**	6
More than five years	**31**	58
	40	88
Unguaranteed residual value	**3**	28
Unearned finance income	**(21)**	(44)
Net investment in finance leases	**22**	72

1. Included in Other Receivables in note 31.

The Group has leased out several investment properties under finance leases, which range from 20 to 40 years in duration from the inception of the lease. During the year to 31 March 2023, the surrender of a tenant lease resulted in the derecognition of the related net investment in finance lease of **£50m**.

20 › Intangible assets

A *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 2021	1	5	2	8
Capital expenditure	–	2	–	2
Additions	6	–	–	6
Amortisation	–	(2)	-	(2)
Impairment	(6)	–	–	(6)
At 31 March 2022	1	5	2	8
Additions	**5**	**–**	**–**	**5**
Amortisation	**–**	**(2)**	**–**	**(2)**
Impairment	**(5)**	**–**	**–**	**(5)**
At 31 March 2023	**1**	**3**	**2**	**6**

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 2023, the intangible asset has been impaired by **£nil** (2022: £nil). The recoverable amount of the intangible asset has been based on its value in use, using a discount rate of **7.0%** (2022: 4.0%).

Notes to the financial statements

for the year ended 31 March 2023 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 21 details a number of the Group's key metrics in relation to managing its capital structure.

A key element of the Group's capital structure is that the majority of our borrowings are secured against a large pool of our assets (the Security Group). This enables us to raise long-term debt in the bond market, as well as shorter-term flexible bank facilities, both at competitive rates. In general, we follow a secured debt strategy as we believe this gives the Group better access to borrowings at a lower cost.

In addition, the Group holds a number of assets outside the Security Group structure (in the Non-restricted Group). By having both the Security Group and the Non-restricted Group, and considerable flexibility to move assets between the two, we are able to raise the most appropriate finance for each specific asset or joint venture.

21 › Capital structure

	2023				2022[3]			
	Group £m	**Joint ventures £m**	**Adjustment for non-wholly owned subsidiaries £m**	**Combined £m**	Group £m	Joint ventures £m	Adjustment for non-wholly owned subsidiaries £m	Combined £m
Property portfolio								
Market value of investment properties	**9,743**	**635**	**(139)**	**10,239**	11,362	800	(145)	12,017
Trading properties and long-term contracts	**118**	**–**	**–**	**118**	145	1	–	146
Total property portfolio (a)	**9,861**	**635**	**(139)**	**10,357**	11,507	801	(145)	12,163
Net debt								
Borrowings	**3,431**	**–**	**(73)**	**3,358**	4,430	3	(73)	4,360
Monies held in restricted accounts and deposits	**(4)**	**–**	**1**	**(3)**	(4)	–	–	(4)
Cash and cash equivalents	**(41)**	**(35)**	**2**	**(74)**	(146)	(31)	5	(172)
Fair value of interest-rate swaps	**(44)**	**–**	**2**	**(42)**	(21)	–	2	(19)
Fair value of foreign exchange swaps and forwards	**6**	**–**	**–**	**6**	(5)	–	–	(5)
Net debt (b)	**3,348**	**(35)**	**(68)**	**3,245**	4,254	(28)	(66)	4,160
Less: Fair value of interest-rate swaps	**44**	**–**	**(2)**	**42**	21	–	(2)	19
Adjusted net debt (c)	**3,392**	**(35)**	**(70)**	**3,287**	4,275	(28)	(68)	4,179
Adjusted total equity								
Total equity (d)	**7,072**	**–**	**(67)**	**7,005**	7,991	–	(74)	7,917
Fair value of interest-rate swaps	**(44)**	**–**	**2**	**(42)**	(21)	–	2	(19)
Adjusted total equity (e)	**7,028**	**–**	**(65)**	**6,963**	7,970	–	(72)	7,898
Gearing (b/d)	**47.3%**			**46.3%**	53.2%			52.5%
Adjusted gearing (c/e)	**48.3%**			**47.2%**	53.6%			52.9%
Group LTV (c/a)	**34.4%**			**31.7%**	37.2%			34.4%
EPRA LTV[1]				**33.2%**				35.5%
Security Group LTV	**33.0%**				36.4%			
Weighted average cost of debt[2]	**2.7%**			**2.7%**	2.4%			2.4%

1. EPRA LTV is a new measure introduced by EPRA in the current year. The EPRA measure differs from the Group LTV as it includes net payables and receivables, and includes trading properties at fair value and debt instruments at nominal value rather than book value. EPRA LTV was not presented in the financial statements as at 31 March 2022 as the measure had not yet been introduced. EPRA LTV would have been presented as 35.5% at 31 March 2022.
2. The weighted average cost of debt is calculated based on historical average rates of gross debt for the period. The weighted average cost of debt as at 31 March 2022 has been restated to reflect average rates of gross debt for the period, rather than average rates of net debt used in the calculation in previous periods.
3. Cash and cash equivalents and monies held in restricted accounts and deposits have been restated as at 31 March 2022 following a clarification by IFRIC on classification of funds with externally imposed restrictions. There was no impact on computed net debt, adjusted net debt, gearing, adjusted gearing, Group LTV and Security Group LTV.

22 › Borrowings

A *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.

						2023			2022
	Secured/ unsecured	Fixed/ floating	Effective interest rate %	Nominal/ notional value £m	Fair value £m	Book value £m	Nominal/ notional value £m	Fair value £m	Book value £m
Current borrowings									
Commercial paper									
Sterling	Unsecured	Floating	SONIA + margin	–	–	–	140	140	140
Euro	Unsecured	Floating	SONIA + margin	**167**	**167**	**167**	217	217	217
US Dollar	Unsecured	Floating	SONIA + margin	**145**	**145**	**145**	142	142	142
Euro loan note	Unsecured	Fixed	4.8	–	–	–	30	30	30
Syndicated and bilateral bank debt	Secured	Floating	SONIA + margin	–	–	–	2	2	2
Syndicated and bilateral bank debt	Secured	Floating	Euribor + margin	–	–	–	10	10	10
Total current borrowings				**312**	**312**	**312**	541	541	541
Amounts payable under head leases			3.4	**3**	**3**	**3**	–	–	–
Total current borrowings including amounts payable under head leases				**315**	**315**	**315**	541	541	541
Non-current borrowings									
Medium term notes (MTN)									
A10 4.875% MTN due 2025	Secured	Fixed	5.0	**10**	**10**	**10**	10	10	10
A12 1.974% MTN due 2026	Secured	Fixed	2.0	**400**	**389**	**400**	400	399	399
A4 5.391% MTN due 2026	Secured	Fixed	5.4	**17**	**17**	**17**	17	18	17
A5 5.391% MTN due 2027	Secured	Fixed	5.4	**87**	**87**	**87**	87	93	87
A16 2.375% MTN due 2027	Secured	Fixed	2.5	**350**	**317**	**348**	350	351	348
A6 5.376% MTN due 2029	Secured	Fixed	5.4	**65**	**66**	**65**	65	74	65
A13 2.399% MTN due 2031	Secured	Fixed	2.4	**300**	**263**	**299**	300	299	299
A7 5.396% MTN due 2032	Secured	Fixed	5.4	**77**	**79**	**77**	77	107	77
A17 4.875% MTN due 2034	Secured	Fixed	5.0	**400**	**406**	**394**	–	–	
A11 5.125% MTN due 2036	Secured	Fixed	5.1	**50**	**50**	**50**	50	68	50
A14 2.625% MTN due 2039	Secured	Fixed	2.6	**500**	**378**	**494**	500	491	494
A15 2.750% MTN due 2059	Secured	Fixed	2.7	**500**	**312**	**495**	500	497	495
				2,756	**2,374**	**2,736**	2,356	2,407	2,341
Syndicated and bilateral bank debt	Secured	Floating	SONIA + margin	**383**	**383**	**383**	1,546	1,546	1,546
Syndicated and bilateral bank debt	Secured	Floating	Euribor + margin	–	–	–	2	2	2
Total non-current borrowings				**3,139**	**2,757**	**3,119**	3,904	3,955	3,889
Amounts payable under head leases			3.4	**104**	**142**	**104**	123	164	123
Total non-current borrowings including amounts payable under head leases				**3,243**	**2,899**	**3,223**	4,027	4,119	4,012
Total borrowings including amounts payable under head leases				**3,558**	**3,214**	**3,538**	4,568	4,660	4,553
Total borrowings excluding amounts payable under head leases				**3,451**	**3,069**	**3,431**	4,445	4,496	4,430

Notes to the financial statements
for the year ended 31 March 2023 continued

22 › Borrowings continued

Reconciliation of the movement in borrowings	2023 £m	2022 £m
At the beginning of the year	**4,553**	3,516
Bank debt assumed through acquisition of subsidiaries	**–**	403
Proceeds from new borrowings	**–**	1,053
Repayment of bank debt	**(1,407)**	(489)
Issue of MTNs (net of finance fees)	**394**	–
Foreign exchange movement on non-Sterling borrowings	**14**	8
Movement in amounts payable under head leases	**(16)**	62
At 31 March	**3,538**	4,553

Reconciliation of movements in liabilities arising from financing activities **2023**

			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	**4,553**	**(1,013)**	**14**	**–**	**(16)**	**3,538**
Derivative financial instruments	**(26)**	**25**	**(14)**	**(23)**	**–**	**(38)**
	4,527	**(988)**	**–**	**(23)**	**(16)**	**3,500**

						2022
Borrowings	3,516	564	8	–	465	4,553
Derivative financial instruments	3	(3)	(8)	(12)	(6)	(26)
	3,519	561		(12)	459	4,527

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 and Southside Limited Partnership, in total valued at **£9.6bn** at 31 March 2023 (31 March 2022: £11.2bn). The secured debt structure has a tiered operating covenant regime which gives the Group substantial flexibility when the loan-to-value and interest cover in the Security Group are less than 65% and more than 1.45x respectively. If these limits are exceeded, the operating environment becomes more restrictive with provisions to encourage a reduction in gearing. The interest rate of each MTN is fixed until the expected maturity, being two years before the legal maturity date of the MTN. The interest rate for the last two years may either become floating on a SONIA basis plus an increased margin (relative to that at the time of issue), or subject to a fixed coupon uplift, depending on the terms and conditions of the specific notes.

The effective interest rate is based on the coupon paid and includes the amortisation of issue costs. The MTNs are listed on the Irish Stock Exchange and their fair values are based on their respective market prices.

During the year, the Group did not purchase any MTNs (2022: none).

At 31 March 2023, the Group's committed facilities totalled **£3,007m** (31 March 2022: £3,022m).

Syndicated and bilateral bank debt		Authorised		Drawn		Undrawn	
	Maturity as at 31 March 2023	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
Syndicated debt	**2022**	**–**	12	**–**	12	**–**	–
Syndicated debt	**2024–27**	**2,782**	2,785	**383**	1,393	**2,399**	1,392
Bilateral debt	**2026**	**225**	225	**–**	155	**225**	70
		3,007	3,022	**383**	1,560	**2,624**	1,462

All syndicated and bilateral facilities are committed and secured on the assets of the Security Group, with the exception of facilities secured on the assets at MediaCity (of which £292m was drawn at 31 March 2023 and £294m drawn at 31 March 2022). During the year ended 31 March 2023, the amounts drawn under the Group's facilities decreased by **£1,177m**.

The terms of the Security Group funding arrangements require undrawn facilities to be reserved where syndicated and bilateral facilities mature within one year, or when commercial paper is issued. The total amount of cash and available undrawn facilities, net of commercial paper, at 31 March 2023 was **£2,353m** (31 March 2022: £1,109m, restated following the IFRIC clarification on the classification of funds with externally imposed restrictions during the year).

23 › Monies held in restricted accounts and deposits

A *Accounting policy*

Monies held in restricted accounts and deposits represent cash held by the Group in accounts with conditions that restrict the access of these monies by the Group and, as such, does not meet the definition of cash and cash equivalents.

	Group		Company	
	2023 £m	2022 (restated)[1] £m	**2023 £m**	2022 (restated)[1] £m
Cash at bank and in hand	**–**	–	**–**	–
Short-term deposits	**4**	4	**–**	–
	4	4	**–**	–

1. Monies held in restricted accounts and deposits have been restated as at 31 March 2022 following a clarification by IFRIC on classification of funds with externally imposed restrictions.

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	
	2023 £m	2022 (restated)[1] £m	**2023 £m**	2022 (restated)[1] £m
Counterparties with external credit ratings				
A+	**4**	–	**–**	–
A	**–**	4	**–**	–
	4	4	**–**	–

1. Monies held in restricted accounts and deposits have been restated as at 31 March 2022 following a clarification by IFRIC on classification of funds with externally imposed restrictions.

24 › Cash and cash equivalents

A *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. Monies that are restricted by use only, and not restricted by access, are classified as cash and cash equivalents. 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	
	2023 £m	2022 (restated)[1] £m	**2023 £m**	2022 (restated)[1] £m
Cash at bank and in hand	**41**	146	**2**	2
	41	146	**2**	2

1. Cash and cash equivalents have been restated as at 31 March 2022 following a clarification by IFRIC on classification of funds with externally imposed restrictions.

Notes to the financial statements

for the year ended 31 March 2023 continued

24 › Cash and cash equivalents continued

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.

	Group		Company	
	2023 £m	2022 (restated)[1] £m	2023 £m	2022 (restated)[1] £m
Counterparties with external credit ratings				
A+	34	130	–	–
A	6	14	2	1
A-	1	1	–	1
BBB+	–	1	–	–
	41	146	2	2

1. Cash and cash equivalents have been restated as at 31 March 2022 following a clarification by IFRIC on classification of funds with externally imposed restrictions.

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.

	2023			2022 (restated)[1]		
	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	101	(60)	41	152	(6)	146
	101	(60)	41	152	(6)	146

1. Cash and cash equivalents have been restated as at 31 March 2022 following a clarification by IFRIC on classification of funds with externally imposed restrictions.

25 › Derivative financial instruments

A *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	2023 £m	2022 £m
Current assets	3	5
Non-current assets	41	21
Current liabilities	(6)	
Non-current liabilities	–	–
	38	26

Notional amount	2023 £m	2022 £m
Interest rate swaps[1]	1,559	894
Foreign exchange swaps	319	348
	1,878	1,242

1. At 31 March 2023, the Group held forward starting pay fixed and receive floating rate interest-rate swaps of **£940m** (2022: £275m) which are included in the notional amounts above.

26 › Financial risk management

Introduction

A review of the Group's objectives, policies and processes for managing and monitoring risk is set out in 'Managing risk' and 'Our principal risks and uncertainties' (pages 54 to 59). This note provides further detail on financial risk management and includes quantitative information on specific financial risks.

The Group is exposed to a variety of financial risks: market risks (principally interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise the potential adverse effects of these on the Group's financial performance and includes the use of derivative financial instruments to hedge certain risk exposures.

Financial risk management is carried out by the Group's treasury function under policies approved by the Board of Directors, except where the relevant arrangements have been put in place by an individual subsidiary or a joint venture level prior to acquisition.

The Group assesses whether it intends to hold its financial assets to collect the contractual cash flows, or whether it intends to sell them before maturity and classifies its financial instruments into the appropriate categories. The following table summarises the Group's financial assets and liabilities into the categories required by IFRS 7 Financial Instruments: Disclosures:

	Group		Company	
	2023 £m	2022[1] £m	**2023 £m**	2022 £m
Financial assets at amortised cost	**450**	570	**–**	–
Cash and cash equivalents	**41**	146	**2**	2
Financial liabilities at amortised cost	**(3,750)**	(4,777)	**(2,821)**	(2,912)
Financial instruments at fair value through profit or loss	**38**	26	**–**	–
	(3,221)	(4,035)	**(2,819)**	(2,910)

1. Cash and cash equivalents and monies held in restricted accounts and deposits, and the impacted categories in the table above, have been restated as at 31 March 2022 following a clarification by IFRIC on classification of funds with externally imposed restrictions.

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.

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.

Notes to the financial statements

for the year ended 31 March 2023 continued

26 › Financial risk management continued

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

	2023 £m	2022 (restated)[2] £m
Cash and cash equivalents	**41**	146
Commercial paper	**(312)**	(499)
Undrawn facilities	**2,624**	1,462
Cash and available undrawn facilities	**2,353**	1,109
As a proportion of drawn debt[1]	**68.2%**	25.0%

1. Based on nominal values, including MTNs and commercial paper.
2. Cash and cash equivalents and monies held in restricted accounts and deposits, and the impacted categories, have been restated as at 31 March 2022 following a clarification by IFRIC on classification of funds with externally imposed restrictions.

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 2023, the reported LTV for the Security Group was **33.0%** (2022: 36.4%), 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 or semi-annual basis, depending on the covenant, 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.

					2023
	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)	**837**	**463**	**717**	**2,476**	**4,493**
Derivative financial instruments	**6**	**–**	**–**	**–**	**6**
Lease liabilities	**6**	**6**	**17**	**474**	**503**
Trade payables	**14**	**–**	**–**	**–**	**14**
Capital accruals	**32**	**–**	**–**	**–**	**32**
Accruals	**88**	**–**	**–**	**–**	**88**
Other payables	**61**	**–**	**17**	**–**	**78**
	1,044	**469**	**751**	**2,950**	**5,214**

					2022
	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)	623	512	2,184	2,096	5,415
Lease liabilities	3	3	10	395	411
Trade payables	26	–	–	–	26
Capital accruals	42	–	–	–	42
Accruals	75	–	–	–	75
Other payables	73	–	8	–	81
	842	515	2,202	2,491	6,050

(iii) Market risk

The Group is exposed to market risk through interest rates, availability of credit and foreign exchange movements.

Interest rates

The Group uses derivative products to manage its interest rate exposure and has a hedging policy that generally requires at least 70% of its existing debt plus increases in debt associated with net committed capital expenditure to be at fixed interest rates for the coming three years and at least 50% for years four and five. Due to a combination of factors, including the degree of certainty required under IFRS 9 Financial instruments, the Group does not apply hedge accounting to hedging instruments used in this context. Specific interest-rate hedges are also used from time to time to fix the interest rate exposure on our debt. Where specific hedges are used to fix the interest exposure on floating rate debt, these may qualify for hedge accounting.

At 31 March 2023, the Group (including the Group's share of joint ventures and non-wholly owned subsidiaries) had pay-fixed and receive-floating interest-rate swaps in place with a nominal value of **£619m** (2022: £619m) and forward starting pay-fixed interest-rate swaps of **£940m** (2022: £275m). The Group's net debt (including the Group's share of joint ventures and non-wholly owned subsidiaries) was **100.6%** fixed (2022: 70.0%) and based on the Group's debt balances at 31 March 2023, a 1% increase/(decrease) in interest rates would increase/(decrease) the annual net finance expense in the income statement and reduce/(increase) equity by **£1m** (2022: £9m). The sensitivity has been calculated by applying the interest rate change to the floating rate components of borrowings, interest rate swaps as well as cash and cash equivalents.

Notes to the financial statements
for the year ended 31 March 2023 continued

26 › Financial risk management continued

Foreign exchange

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group's functional currency.

As it is UK based, the Group's foreign exchange risk is low. The vast majority of the Group's foreign currency transactions relate to foreign currency borrowing under the Group's commercial paper programme. It is the Group's policy to hedge 100% of this exposure. At 31 March 2023, the Group had issued **€190m** (2022: €255m) and **$180m** (2022: $185m) of commercial paper, fully hedged through foreign exchange swaps. A 10% weakening or strengthening of Sterling would therefore have **£nil** (2022: £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 2023, the Group had no foreign currency exposures being managed using foreign currency derivative contracts (2022: €6m exposure, which were entered into in order to economically hedge our exposure to movements in foreign currencies). A 10% weakening or strengthening of Sterling would therefore have no impact on the profit before tax and/or total equity (2022: £1m impact).

Financial maturity analysis

The interest rate profile of the Group's borrowings is set out below (based on notional values):

			2023			2022
	Fixed rate £m	**Floating rate £m**	**Total £m**	Fixed rate £m	Floating rate £m	Total £m
Sterling	**2,863**	**383**	**3,246**	2,479	1,700	4,179
Euro	**–**	**167**	**167**	30	217	247
US Dollar	**–**	**145**	**145**	–	142	142
	2,863	**695**	**3,558**	2,509	2,059	4,568

The expected maturity profiles of the Group's borrowings are as follows (based on notional values):

			2023			2022
	Fixed rate £m	**Floating rate £m**	**Total £m**	Fixed rate £m	Floating rate £m	Total £m
One year or less, or on demand	**427**	**312**	**739**	30	511	541
More than one year but not more than two years	**87**	**292**	**379**	427	2	429
More than two years but not more than five years	**415**	**91**	**506**	437	1,546	1,983
More than five years	**1,934**	**–**	**1,934**	1,615	–	1,615
Borrowings	**2,863**	**695**	**3,558**	2,509	2,059	4,568
Effect of hedging	**619**	**(619)**	**–**	400	(400)	–
Borrowings net of interest-rate swaps	**3,482**	**76**	**3,558**	2,909	1,659	4,568

The expected maturity profiles of the Group's derivative instruments are as follows (based on notional values):

		2023		2022
	Foreign exchange swaps £m	**Interest-rate swaps £m**	Foreign exchange swaps £m	Interest-rate swaps £m
One year or less, on demand	**319**	**400**	360	–
More than one year but not more than two years	**–**	**494**	–	400
More than two years but not more than five years	**–**	**665**	–	494
More than five years	**–**	**–**	–	–
	319	**1,559**	360	894

Valuation hierarchy

Derivative financial instruments and financial assets at fair value through other comprehensive income (other investments) are the only financial instruments which are carried at fair value. For financial instruments other than borrowings disclosed in note 22, the carrying value in the balance sheet approximates their fair values. The table below shows the aggregate assets and liabilities carried at fair value by valuation method:

				2023				2022
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets	**–**	**44**	**–**	**44**	–	26	–	26
Liabilities	**–**	**(6)**	**–**	**(6)**	–	–	–	–

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 **2.7%** (31 March 2022: 2.2%), is **£145m** (31 March 2022: £164m). 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 **7.9%** (31 March 2022: 4.9%), is **£16m** (31 March 2022: £66m).

The fair values of any floating rate financial liabilities are assumed to be equal to their nominal value. The fair values of the MTNs fall within Level 1 of the fair value hierarchy, the syndicated and bilateral facilities, commercial paper, interest-rate swaps and foreign exchange swaps fall within Level 2, and the amounts payable and receivable under leases fall within Level 3.

The fair values of the financial instruments have been determined by reference to relevant market prices, where available. The fair values of the Group's outstanding interest-rate swaps have been estimated by calculating the present value of future cash flows, using appropriate market discount rates. These valuation techniques fall within Level 2.

The fair value of the other investments is calculated by reference to the net assets of the underlying entity. The valuation is not based on observable market data and therefore the other investments are considered to fall within Level 3.

Notes to the financial statements
for the year ended 31 March 2023 continued

Section 5 – Working capital
This section focuses on our working capital balances, including trade and other receivables, trade and other payables, and provisions.

27 › Trade and other receivables
A *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.

S *Source of estimation uncertainty*

Impairment of trade receivables
The Group's assessment of expected credit losses is inherently subjective due to the forward-looking nature of the assessments. As a result, the value of the provisions for impairment of the Group's trade receivables are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate. See note 26 for further details of the Group's assessment of the credit risk associated with trade receivables.

	2023 £m	2022 £m
Net trade receivables	**47**	38
Tenant lease incentives (note 14)	**175**	212
Prepayments	**46**	34
Accrued income	**11**	11
Amounts due from joint ventures and associates	**39**	15
Deferred consideration	**17**	–
Other receivables	**30**	58
Total current trade and other receivables	**365**	368
Non-current amounts due from joint ventures and associates	**142**	147
Non-current property sales receivables	**–**	5
Deferred consideration	**4**	18
Other non current receivables	**–**	7
Total trade and other receivables	**511**	545

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 lease term.

The non-current amounts due from joint ventures have maturity dates ranging from April 2028 to the dissolution of the joint venture. Interest is charged at rates ranging from **4%** to **5%** (2022: 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 2023						
Not impaired	**5**	**12**	**18**	**8**	**4**	**47**
Impaired	**–**	**–**	**3**	**5**	**37**	**45**
Gross trade receivables	**5**	**12**	**21**	**13**	**41**	**92**
As at 31 March 2022						
Not impaired	1	6	14	10	7	38
Impaired	–	3	4	7	60	74
Gross trade receivables	1	9	18	17	67	112

None of the Group's other receivables are past due and therefore no ageing has been shown (2022: £nil).

Movement in allowances for doubtful debts	2023 £m	2022 £m
At the beginning of the year	**74**	111
Increase to provision	**16**	14
Decrease to provision	**(29)**	(35)
Utilised in the year	**(16)**	(16)
At 31 March	**45**	74

Movement in tenant lease incentives	2023 £m	2022 £m
At the beginning of the year	**212**	230
Revenue recognised	**(3)**	(18)
Movement in break penalties and other movements	**3**	–
Capital incentives granted	**7**	6
Provision for doubtful receivables	**(5)**	1
Disposal of properties	**(49)**	(8)
Acquisition of properties	**10**	1
At 31 March	**175**	212

Notes to the financial statements
for the year ended 31 March 2023 continued

28 › Trade and other payables

	Group		Company	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Trade payables	**14**	26	**–**	–
Capital accruals	**32**	42	**–**	–
Other payables	**25**	72	**8**	8
Accruals	**88**	75	**7**	7
Deferred income	**111**	104	**–**	–
Contract liabilities	**22**	–	**–**	–
Amounts owed to joint ventures	**14**	1	**–**	–
Loans from Group undertakings	**–**		**2,806**	2,897
Total current trade and other payables	**306**	320	**2,821**	2,912
Non-current other payables	**17**	8	**–**	–
Total trade and other payables	**323**	328	**2,821**	2,912

Capital accruals represent amounts due 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 **4.3%** per annum (2022: 3.7%).

Section 6 – Other required disclosures

This section gives further disclosure in respect of other areas of the financial statements, together with mandatory disclosures required in accordance with IFRS.

29 › Investments in subsidiary undertakings

A *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.

	2023 £m	2022 £m
At the beginning of the year	**6,222**	6,101
Capital contributions relating to share-based payments (note 35)	**6**	4
Impairment reversal	**1**	117
At 31 March	**6,229**	6,222

A full list of subsidiary undertakings at 31 March 2023 is included in Additional information on pages 205 to 209.

In the year ended 31 March 2023, there has been a reversal of prior years' impairment on the Company's investment in its subsidiaries of **£1m** (2022: reversal of £117m) as a result of an increase in the value of the net assets 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 2023 as determined by their individual net asset values at that date, totalling **£6,229m** (2022: £6,222m).

30 › Other non-current assets

	2023 £m	2022 £m
Other property, plant and equipment	**9**	11
Net pension surplus (note 34)	**16**	28
Derivative financial instruments (note 25)	**41**	21
Other investments	**1**	1
Total other non-current assets	**67**	61

31 › Other current assets

	2023 £m	2022 £m
Derivative financial instruments (note 25)	**3**	5
Other investments	**1**	–
Total other current assets	**4**	5

32 › Other current liabilities

	2023 £m	2022 £m
Derivative financial instruments (note 25)	**6**	–
Provisions[1]	**18**	11
Total other current liabilities	**24**	11

1. Includes a **£14m** provision for fire safety remediation works, of which **£9m** relates to properties no longer owned by the Group but for which the Group is responsible for remediating under the Building Safety Act 2022.

33 › Other non-current liabilities

	2023 £m	2022 £m
Deferred tax liability (note 12)	**4**	7
Net liabilities incurred on behalf of joint ventures[1] (note 16)	**5**	5
Total other non-current liabilities	**9**	12

1. The Group's share of accumulated losses of a joint venture interest are recognised as net liabilities (see note 16) where there is an obligation to provide for these losses.

Notes to the financial statements

for the year ended 31 March 2023 continued

34 › Net pension surplus

A *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** (2022: £3m).

Defined benefit scheme

The Pension & Assurance Scheme of the Land Securities Group of Companies (the Scheme) is a registered defined benefit final salary scheme subject to the UK regulatory framework for pensions, including the Scheme Specific Funding requirements. The Scheme is operated under trust and as such, the Trustees of the Scheme are responsible for operating the Scheme and they have a statutory responsibility to act *in accordance with the Scheme's Trust Deed and Rules, in the best interest of the beneficiaries of the Scheme and UK legislation* (including trust law). The Trustees and the Group have the joint power to set the contributions that are paid to the Scheme.

In setting contributions to the Scheme, the Trustees and the Group are guided by the advice of a qualified independent actuary on the basis of triennial valuations using the projected unit credit method. The Scheme is closed to new members (and was closed to future accrual on 31 October 2019). A full actuarial valuation of the Scheme was undertaken on 30 June 2021 by the independent actuaries, Hymans Robertson LLP. This valuation was updated to 31 March 2023 using, where required, assumptions prescribed by IAS 19 Employee Benefits. The next full actuarial valuation will be performed as at 30 June 2024.

There have been no employer or employee contributions following the closure of the Scheme to future accrual on 31 October 2019. Prior to this, the employer contribution rate was 43.1% of pensionable salary to cover the costs of accruing benefits and the employee contributions were at 8% of monthly pensionable salary. It was also agreed that no further deficit contributions were required from the Group. Employee contributions were paid by salary sacrifice, and therefore appeared as Group contributions. The Group does not expect to make any employee or employer contributions to the Scheme in the year to 31 March 2024 (2023: £nil).

All death-in-service and incapacity benefits arising during employment are wholly insured. No post-retirement benefits other than pensions are made available to employees of the Group.

Analysis of the amounts charged to the income statement	2023 £m	2022 £m
Analysis of the amount charged to operating profit		
Current service costs	–	–
Past service costs	–	–
Charge to operating profit	**–**	–
Analysis of amount credited to net finance expense		
Interest income on plan assets	**(6)**	(5)
Interest expense on defined benefit scheme liabilities	**6**	5
Net credit to finance income	**–**	–

Analysis of the amounts recognised in other comprehensive income	2023 £m	2022 £m
Analysis of gains and losses		
Net re-measurement losses on scheme assets	**(58)**	(4)
Net re-measurement gains on scheme liabilities	**46**	26
Net re-measurement (losses)/gains	**(12)**	22
Cumulative net re-measurement loss recognised in other comprehensive income	**(36)**	(24)

The net surplus recognised in respect of the defined benefit scheme can be analysed as follows:

	%	2023 £m	%	2022 £m
Equities	**–**	**–**	7	15
Bonds – Government	**1**	**2**	28	65
Bonds - Corporate	**–**	**–**	13	31
Proceeds from corporate bond sale	**5**	**8**	–	–
Insurance contracts	**90**	**153**	40	92
Cash and cash equivalents	**4**	**6**	12	27
Fair value of scheme assets	**100**	**169**	100	230
Fair value of scheme liabilities		**(153)**		(202)
Net pension surplus		**16**		28

In the year ended 31 March 2023, **£9m** (2022: £9m) of benefits were paid to members.

During the year, the Scheme purchased a buy-in policy with Just Retirement for £79m. This insurance contract is valued as an asset using the same IAS 19 assumptions. 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** (2022: £nil).

In the most recent triennial valuation, the defined benefit scheme liabilities were split **nil%** (2022: nil%) in respect of active scheme participants, **26%** (2022: 31%) in respect of deferred scheme participants, and **74%** (2022: 69%) 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 2023 is **12.0 years** (2022: 14.6 years).

Notes to the financial statements
for the year ended 31 March 2023 continued

34 › Net pension surplus continued

The assumptions agreed with the Trustees of the Scheme for the triennial valuation at 30 June 2021 have been restated to the assumptions described by IAS 19 Employee Benefits. The major assumptions used in the valuation were (in nominal terms):

	2023 %	2022 %
Rate of increase in pensionable salaries	**n/a**	n/a
Rate of increase in pensions with no cap	**3.50**	4.00
Rate of increase in pensions with 5% cap	**3.35**	3.75
Discount rate	**4.75**	2.70
Inflation – Retail Price Index	**3.50**	4.00
– Consumer Price Index	**2.80**	3.30

The mortality assumptions used in this valuation were:

	2023 Years	2022 Years
Life expectancy at age 60 for current pensioners – Men	**26.7**	26.6
– Women	**29.0**	28.9
Life expectancy at age 60 for future pensioners (current age 40) Men	**29.7**	29.6
– Women	**31.8**	31.7

The sensitivities regarding the principal assumptions used to measure the Scheme liabilities are set out below. These were calculated using approximate methods taking into account the duration of the Scheme liabilities.

Assumption	Change in assumption	Impact on Scheme liabilities
Discount rate	Decrease by 0.5%	Increase by £11m
Life expectancy	Increase by 1 year	Increase by £5m
Rate of inflation	Increase by 0.5%	Increase by £9m

The above sensitivities show the impact on liabilities only and do not reflect the hedging the Scheme has in place. In December 2022, the Scheme transacted a buy-in policy for £79m covering all remaining uninsured members. As a result the Group no longer bears any longevity, interest rate or inflation risk in respect of the pension scheme. The buy-in policy is an investment asset of the Scheme.

The Company did not operate any defined contribution schemes or defined benefit schemes during the financial years ended 31 March 2023 or 31 March 2022.

35 › Share-based payments

A *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.

	2023		2022	
	Charge £m	**Number (millions)**	Charge £m	Number (millions)
Long-Term Incentive Plan	**3**	**3**	2	2
Deferred Share Bonus Plan	**1**	**–**	–	–
Executive Share Option Scheme	**–**	**1**	–	1
Sharesave Plan	**–**	**1**	1	1
Restricted Share Plan	**2**	**2**	1	1
	6	**7**	4	5

A summary of the main features of each type of plan is given below. The plans have been split into two categories: Executive plans and Other plans. For further details on the Executive plans, see the Directors' Remuneration Report on pages 100 to 113.

Executive plans:

Long-Term Incentive Plan (LTIP)

The LTIP is open to Executive Directors, Executive Leadership Team members and senior management members with awards made at the discretion of the Remuneration Committee. 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). There were no awards exercised during the year (2022: the weighted average share price at the date of vesting during the year was 752p). The estimated fair value of awards granted during the year under the scheme was **£7m** (2022: £7m).

Deferred Share Bonus Plan (DSBP)

The Executive Directors' annual bonus is structured in two distinct parts made up of an initial payment and deferred shares. The shares are usually deferred for one or two years and are not subject to additional performance criteria. Awards are satisfied by the transfer of existing shares held by the EBT at nil consideration. The weighted average share price at the date of vesting during the year was **615p** (2022: 703p). The estimated fair value of awards granted during the year under the scheme was **£2m** (2022: £1m).

Notes to the financial statements
for the year ended 31 March 2023 continued

35 › Share-based payments continued

Other plans:

Executive Share Option Scheme (ESOS)

The 2005 ESOS was previously open to managers not eligible to participate in the LTIP, but was largely replaced by the new Restricted Share 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 (2022: none). The estimated fair value of awards granted during the year under the scheme was **£nil** (2022: £nil).

Sharesave Plan

Under the Sharesave Plan, Executive Directors and other eligible employees are invited to make regular monthly contributions into a Sharesave plan operated by Equiniti. On completion of the three or five year contract period, ordinary shares in the Company may be purchased at a price based upon the middle market price on the three dealing days immediately preceding the date of invitation less 20% discount. The weighted average share price at the date of exercise for awards exercised during the year was **717p** (2022: 764p). The estimated fair value of awards granted during the year under the scheme was **£1m** (2022: £1m).

Restricted Share plan (RSP)

The RSP started in the year ended 31 March 2020. It is open to qualifying management level employees with awards granted as nil cost options. Awards are discretionary and are granted over ordinary shares of the Company at the middle market price on the day immediately preceding date of grant. Awards normally vest after three years and are not subject to performance conditions. Awards are satisfied by the transfer of shares from the EBT and lapse ten years after the date of grant. The weighted average share price at the date of exercise for awards exercised during the year was **697p** (2022: 787p). The estimated fair value of awards granted during the year under the scheme was **£6m** (2022: £2m).

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	
	2023 Number (millions)	2022 Number (millions)	**2023 Number (millions)**	2022 Number (millions)	**2023 Pence**	2022 Pence
At the beginning of the year	**2**	2	**2**	2	**805**	821
Granted	**2**	1	**1**	–	**685**	662
Exercised	**–**	–	**–**		**736**	635
Lapsed	**(1)**	(1)	**–**	–	**699**	781
At 31 March	**3**	2	**3**	2	**768**	805
Exercisable at the end of the year	**–**	–	**1**	1	**2,072**	1,367
	Years	Years	**Years**	Years		
Weighted average remaining contractual life	**1**	1	**2**	3		

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 2023			Outstanding at 31 March 2022		
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]	**–**	**5**	**1**	–	3	1
400 – 599	**552**	**1**	**1**	552	1	2
600 – 799	**665**	**–**	**3**	725	–	–
800 – 999	**936**	**–**	**4**	936	–	5
1,000 – 1,199	**1,022**	**1**	**3**	1,022	1	4
1,200 – 1,399	**1,328**	**–**	**2**	1,328	–	3

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	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Share price at grant date	**687p**	696p	**716p**	696p	**706p**	697p	**644p**	683p
Exercise price	**n/a**	n/a	**n/a**	n/a	**n/a**	n/a	**615p**	584p
Expected volatility	**39%**	35%	**39%**	35%	**39%**	35%	**39%**	35%
Expected life	**3 years**	3 years	**1.41 years**	3 years	**3 years**	2.88 years	**3 to 5 years**	3 to 5 years
Risk-free rate	**2.37%**	0.29%	**1.92%**	0.27%	**1.96%**	0.27%	**1.65% to 1.71%**	0.22% to 0.40%
Expected dividend yield	**5.47%**	0%	**nil**	nil	**5.25%**	4%	**5.75%**	4%

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	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Long-Term Incentive Plan	**689p**	696p	**n/a**	n/a	**39%**	35%	**33%**	35%	**53%**	55%

Notes to the financial statements
for the year ended 31 March 2023 continued

36 › Ordinary share capital

A *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	
	2023 £m	2022 £m
Ordinary shares of $10^{2}/_{3}$p each	**80**	80

	Number of shares	
	2023	2022
At the beginning of the year	**751,328,142**	751,313,063
Issued on the exercise of options	**53,077**	15,079
At 31 March	**751,381,219**	751,328,142

The number of options over ordinary shares from Executive plans that were outstanding at 31 March 2023 was **5,223,270** (2022: 3,278,372). If all the options were exercisable at that date then **5,223,270** (2022: 3,278,372) 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 2023 was **1,636,828** (2022: 1,768,677). If all the options were exercisable at that date then **565,439** new ordinary shares (2022: 635,473) would be issued and **1,071,389** shares would be required to be transferred from the EBT (2022: 1,133,204).

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. There were no treasury shares transferred to the EBT during the year ended 31 March 2023 (2022: 3,049,943) to satisfy future awards under employee share plans. At 31 March 2023, the Group held **6,789,236** ordinary shares (2022: 6,789,236) with a market value of **£42m** (2022: £53m) in treasury. The Company's voting rights and dividends in respect of the treasury shares, including those own shares which the EBT holds, continue to be waived.

37 › Own shares

A *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	
	2023 £m	2022 £m
At the beginning of the year	**30**	11
Transfer of treasury shares	**–**	21
Transfer of shares to employees on exercise of share options	**(1)**	(2)
At 31 March	**29**	30

Own shares consist of shares in Land Securities Group PLC held by the EBT in respect of the Group's commitment to a number of its employee share option schemes (note 35).

The number of shares held by the EBT at 31 March 2023 was **3,831,399** (2022: 3,938,343). The market value of these shares at 31 March 2023 was **£24m** (2022: £31m).

38 › Contingencies

The Group has contingent liabilities in respect of legal claims, tax queries, contractor claims, guarantees and warranties arising in the ordinary course of business, as well as contingent liabilities for fire safety remediation arising from the Building Safety Act 2022, for which it is not yet possible to quantify any potential future liability.

The Group has received queries from tax authorities relating to historical transactions which may result in additional tax liabilities. Based on an assessment of the relevant tax rules, in addition to advice received from external parties, the Group does not believe that any tax is due and has written to the authorities explaining that position. It is not possible to accurately state the timing of any potential outflow, as the Group awaits further correspondence from the tax authorities. The Group has not disclosed an estimate of the financial effect as it is considered this could be prejudicial to its position.

It is not anticipated that any material liabilities will arise from the contingent liabilities.

39 › Related party transactions

Subsidiaries

During the year, the Company entered into transactions, in the normal course of business, with related parties as follows:

	2023 £m	2022 £m
Transactions with subsidiary undertakings[1]:		
Recharge of costs	**(288)**	(193)
Dividends received	**500**	-
Interest paid	**(120)**	(99)

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 2023				Year ended and as at 31 March 2022			
	Income/ (expense) £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	**6**	**–**	**69**	**–**	9	5	73	
Southside Limited Partnership	**3**	**–**	**75**	**–**	3		75	–
St. David's Limited Partnership[1]	**(1)**	**(123)**	**–**	**–**	2	(8)	1	–
Westgate Oxford Alliance Limited Partnership	**(2)**	**(8)**	**6**	**–**	1	(11)	1	–
Other	**–**	**(33)**	**23**	**(14)**	–	51	6	(1)
	6	**(164)**	**173**	**(14)**	15	37	156	(1)

1. On 24 March 2023 the Group acquired the remaining 50% interest in St David's. From that date, the results of the operations from St David's are consolidated together with other subsidiary undertakings. Results from its operations prior to that date are included as share of profit or loss from joint ventures. For further details on the acquisition refer to note 14.

Associates

Details of transactions and balances between the Group and its associates are as follows:

	Year ended and as at 31 March 2023				Year ended and as at 31 March 2022			
	Income £m	**Net investments into associates £m**	**Amounts owed by associates £m**	**Amounts owed to associates £m**	Income £m	Net investments into associates £m	Amounts owed by associates £m	Amounts owed to associates £m
Associates	**–**	**(1)**	**6**	**–**		4	6	–

Notes to the financial statements
for the year ended 31 March 2023 continued

39 › 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 100 to 113.

	2023 £m	2022 £m
Short term employee benefits[1]	**5**	4
Share-based payments	**4**	2
	9	6

1 *Short-term employee benefits include pension allowance.*

40 › Operating lease arrangements
A *Accounting policy*

The Group earns rental income by leasing its properties to tenants under non-cancellable operating leases. Leases in which substantially all risks and rewards incidental to ownership of investment properties are retained by the Group as the lessor are classified as operating leases. Payments, including prepayments, received under operating leases (net of any incentives paid) are charged to the income statement on a straight-line basis over the period of the lease.

At the balance sheet date, the Group had contracted with tenants to receive the following undiscounted future minimum lease payments:

	2023 £m	2022 £m
Not later than one year	**455**	461
Later than one year, but not more than two years	**427**	459
Later than two years, but not more than three years	**382**	434
Later than three years, but not more than four years	**333**	388
Later than four years, but not more than five years	**299**	337
More than five years	**2,595**	3,142
	4,491	5,221

The total of contingent rents, primarily turnover based rents, recognised as income during the year was **£51m** (2022: £35m).

41 › Events after the reporting period
Since 31 March 2023, the Group sold or exchanged contracts to sell certain interests in trading properties acquired as part of U+I Group PLC in the previous financial year.

No other significant events occurred after the reporting period but before the financial statements were authorised for issue.

Business analysis – EPRA disclosures

EPRA net asset measures

Table 69

31 March 2023	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
Net assets attributable to shareholders	**7,005**	**7,005**	**7,005**
Shortfall of fair value over net investment in finance lease book value	**(6)**	**(6)**	**(6)**
Deferred tax liability on intangible asset	**1**	**1**	**–**
Goodwill on deferred tax liability	**(1)**	**(1)**	**(1)**
Other intangible asset	**–**	**(2)**	**–**
Fair value of interest-rate swaps	**(42)**	**(42)**	**–**
Shortfall of fair value of debt over book value (note 22)	**–**	**–**	**324**
Excess of fair value of trading properties over book value	**12**	**12**	**12**
Purchasers' costs[1]	**617**	**–**	**–**
Net assets used in per share calculation	**7,586**	**6,967**	**7,334**

	EPRA NRV	EPRA NTA	EPRA NDV
Diluted net assets per share	**1,020p**	**936p**	**986p**

31 March 2022	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
Net assets attributable to shareholders	7,917	7,917	7,917
Shortfall of fair value over net investment in finance lease book value	(6)	(6)	(6)
Deferred tax liability on intangible asset	1	1	–
Goodwill on deferred tax liability	(1)	(1)	(1)
Other intangible asset	–	(2)	–
Fair value of interest-rate swaps	(21)	(21)	–
Excess of fair value of debt over book value (note 22)	–	–	(107)
Purchasers' costs[1]	698	–	–
Net assets used in per share calculation	8,588	7,888	7,803

	EPRA NRV	EPRA NTA	EPRA NDV
Diluted net assets per share	1,157p	1,063p	1,052p

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 70

Measure	Definition for EPRA measure	Notes	31 March 2023 EPRA measure
EPRA earnings	*Recurring earnings from core operational activity*	5	**£393m**
EPRA earnings per share	EPRA earnings per weighted number of ordinary shares	5	**53.1p**
EPRA diluted earnings per share[1]	EPRA diluted earnings per weighted number of ordinary shares	5	**53.1p**
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	**£6,967m**
EPRA Net Tangible Assets per share	Diluted Net Tangible Assets per share	5	**936p**
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	**£7,334m**
EPRA net disposal value per share	*Diluted net disposal value per share*	5	**986p**
EPRA loan-to-value (LTV)[2]	Ratio of adjusted net debt, including net payables, to the sum of the net assets, including net receivables, of the Group, its subsidiaries and joint ventures, all on a proportionate basis, expressed as a percentage	21	**33.2%**
		Table	
Voids/vacancy rate	ERV of vacant space as a % of ERV of Combined Portfolio excluding the development programme[3]	71	**4.2%**
Net initial yield (NIY)	Annualised rental income less non-recoverable costs as a % of market value plus assumed purchasers' costs[4]	73	**4.9%**
Topped-up NIY	NIY adjusted for rent free periods[4]	73	**5.2%**
Cost ratio[5]	Total costs as a percentage of gross rental income (including direct vacancy costs)[5]	74	**25.2%**
	Total costs as a percentage of gross rental income (excluding direct vacancy costs)[5]	74	**21.0%**

1. In the year ended 31 March 2023, share options are excluded from the weighted average diluted number of shares when calculating EPRA diluted earnings per share because they are not dilutive, based on IFRS loss for the year.
2. EPRA LTV is a new measure introduced by EPRA in the current year. The EPRA measure differs from the Group LTV presented in note 21 as it includes net payables and receivables, and includes trading properties at fair value and debt instruments at nominal value rather than book value. EPRA LTV was not presented in the financial statements as at 31 March 2022 as the measure had not yet been introduced. EPRA LTV would have been presented as 35.5% at 31 March 2022.
3. This measure reflects voids in the Combined Portfolio excluding only properties under development.
4. This measure relates to the Combined Portfolio, excluding properties currently under development, calculated by our external valuer and includes certain developments that currently generate income from meanwhile use. Excluding all developments, the EPRA NIY is 5.4% and the EPRA topped up NIY is 5.9%, refer to Table 4 in the Operating and portfolio review for further details. Topped-up NIY reflects adjustments of £39m for rent free periods and other incentives.
5. This measure is calculated based on gross rental income after rents payable and excluding costs recovered through rents but not separately invoiced of £9m

EPRA vacancy rate

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.

Table 71

	31 March 2023 £m
ERV of vacant properties	26
ERV of Combined Portfolio excluding properties under development	617
EPRA vacancy rate (%)	**4.2**

Change in net rental income from the like-for-like portfolio

Table 72

	2023 £m	2022 £m	Change £m	Change %
Central London	**251**	225	**26**	**12**
Major retail	**120**	137	**(17)**	**(12)**
Subscale sectors	**95**	74	**21**	**28**
	466	436	**30**	**7**

EPRA Net initial yield (NIY) and Topped-up NIY

Table 73

	31 March 2023 £m
Combined Portfolio	10,239
Trading properties	130
Less: Properties under development, trading properties under development and land	(1,158)
Like-for-like investment property portfolio, proposed and completed developments, and completed trading properties	**9,211**
Plus: Allowance for estimated purchasers' costs	559
Grossed-up completed property portfolio valuation (a)	**9,770**
EPRA annualised cash passing rental income[1]	532
Net service charge expense[2]	(15)
Void costs and other deductions	(40)
EPRA Annualised net rent[1] (b)	**477**
Plus: Rent-free periods and other lease incentives (annualised)	35
Topped-up annualised net rents (c)	**512**
EPRA NIY (b/a)[3]	**4.9%**
EPRA Topped-up NIY (c/a)[3]	**5.2%**

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.
3. The above table includes certain developments that currently generate income from meanwhile use. Excluding all developments, the EPRA NIY is 5.4% and the EPRA topped up NIY is 5.9%; refer to Table 4 in the Operating and portfolio review for further details

Business analysis – EPRA disclosures
continued

Cost analysis

Table 74

	£m
Gross rental income (before rents payable)	**659**
Rents payable	(12)
Gross rental income (after rents payable)	**647**
Net service charge expense	(12)
Net direct property expenditure	(77)
Bad and doubtful debts expense	3
Segment net rental income	**561**
Net indirect expenses	(84)
Segment profit before finance expense	**477**
Net finance expense – Group	(73)
Net finance expense – joint ventures	(11)
EPRA earnings	**393**

Direct property costs £86m

Net indirect expenses[2] £84m

	2023 Total £m	2023 Cost ratio %[1]	2022 Total £m	2022 Cost ratio %[1]
Gross rental income (before rents payable)	**659**		594	
Costs recovered through rents but not separately invoiced	(9)		(7)	
Adjusted gross rental income	**650**		587	
Rents payable	(12)		(8)	
EPRA gross rental income	**638**		579	
Managed operations	**10**		10	
Tenant default	**(3)**		(12)	
Void related costs	**27**		25	
Other direct property costs	**48**		47	
Development expenditure	**14**		11	
Asset management, administration and compliance	**74**		79	
Total costs (incl. direct vacancy costs)	**170**		160	
Costs recovered through rents	(9)		(7)	
EPRA costs (incl. direct vacancy costs)	**161**	**25.2**	153	26.4
Less: Direct vacancy costs	(27)		(25)	
EPRA costs (excl. direct vacancy costs)	**134**	**21.0**	128	22.1

1. Percentages represent costs divided by EPRA gross rental income.
2. Net indirect expenses amounting to **£18m** (2022: £8m) have been capitalised as development costs and are excluded from table 74. See note 14 of the financial statements for the Group's policy on capitalising indirect expenses.

Acquisitions, disposals and capital expenditure

Table 75

Investment properties	Group (excl. joint ventures) £m	Joint ventures £m	Adjustment for non-wholly owned subsidiaries £m	Year ended 31 March 2023 Combined Portfolio £m	Year ended 31 March 2022 Combined Portfolio £m
Net book value at the beginning of the year	**11,207**	**771**	**(145)**	**11,833**	10,342
Transfer from joint venture	**23**	**(12)**	–	**11**	–
Acquisitions	**218**	**5**	–	**223**	757
Capital expenditure	**356**	**(13)**	**(3)**	**340**	350
Capitalised interest	**22**	–	–	**22**	17
Net movement in head leases capitalised	**(16)**	**(9)**	–	**(25)**	62
Disposals	**(1,319)**	**(111)**	–	**(1,430)**	(98)
Net (deficit)/surplus on revaluation of investment properties	**(827)**	**(30)**	**9**	**(848)**	409
Transfer to trading properties	**(6)**	–	–	**(6)**	(6)
Net book value at the end of the year	**9,658**	**601**	**(139)**	**10,120**	11,833
(Loss)/profit on disposal of investment properties	**(144)**	–	–	**(144)**	115

Trading properties	£m	£m	£m	£m	£m
Net book value at the beginning of the year	**145**	**1**	–	**146**	36
Acquisitions	–	–	–	–	145
Transfer from investment properties	**6**	–	–	**6**	6
Capital expenditure	**3**	–	–	**3**	6
Disposals	**(17)**	**(1)**	–	**(18)**	(41)
Movement in impairment	**(19)**	–	–	**(19)**	(6)
Net book value at the end of the year	**118**	–	–	**118**	146
Profit on disposal of trading properties	**1**	–	–	**1**	1

Acquisitions, development and other capital expenditure

	Investment properties[1] £m	Trading properties £m	Combined Portfolio £m	Combined Portfolio £m
Acquisitions[2]	**223**	–	**223**	902
Development capital expenditure[3]	**280**	**(2)**	**278**	310
Other capital expenditure	**60**	**5**	**65**	46
Capitalised interest	**22**	–	**22**	17
Acquisitions, development and other capital expenditure	**585**	**3**	**588**	1,275

Disposals	£m	£m
Net book value – investment property disposals	**1,430**	98
Net book value – trading property disposals	**18**	41
Net book value – other net assets	**52**	8
(Loss)/profit on disposal investment properties	**(144)**	115
Profit on disposal – trading properties	**1**	1
Other	**(3)**	–
Total disposal proceeds	**1,354**	263

1. See EPRA analysis of capital expenditure table 76 for further details.
2. Properties acquired in the year.
3. Development capital expenditure for investment properties comprises expenditure on the future development pipeline and completed developments.

Business analysis – EPRA disclosures
continued

EPRA analysis of capital expenditure

Table 76

			Other capital expenditure								Year ended 31 March 2023
	Acquisitions[1] £m	Development capital expenditure[2] £m	Incremental lettable space[3] £m	No incremental lettable space £m	Tenant improvements £m	Total £m	Capitalised interest £m	Total capital expenditure Combined Portfolio £m	Total capital expenditure – joint ventures (Group share) £m	Adjustment for non-wholly owned subsidiaries £m	Total capital expenditure – Group £m
Central London											
West End offices	–	–	–	3	3	**6**	–	**6**	–	–	**6**
City offices	–	–	–	19	–	**19**	–	**19**	–	–	**19**
Retail and other	–	–	–	2	2	**4**	–	**4**	–	–	**4**
Developments	–	**264**	–	–	–	–	**22**	**286**	–	–	**274**
Total Central London	–	**264**	–	**24**	**5**	**29**	**22**	**315**	–	–	**303**
Major retail											
Shopping centres	**216**	–	–	7	2	**9**	–	**225**	**(1)**	–	**226**
Outlets	–	–	1	1	7	**9**	–	**9**	–	–	**9**
Total Major retail	**216**	–	**1**	**8**	**9**	**18**	–	**234**	**(1)**	–	**235**
Mixed-use urban											
Completed investment	–	–	–	6		**6**	–	**6**	–	**(3)**	**9**
Developments	**7**	**16**	–		–	–	–	**23**	**(6)**	–	**29**
Total Mixed-use urban	**7**	**16**	–	**6**	–	**6**	–	**29**	**(6)**	**(3)**	**38**
Subscale sectors											
Leisure	–	–	–	2	2	**4**	–	**4**	**(1)**	–	**5**
Hotels	–	–	–	–	–	–	–	–	–	–	–
Retail parks	–	–		1	2	**3**	–	**3**	–	–	**3**
Total Subscale sectors	–	–	–	**3**	**4**	**7**	–	**7**	**(1)**	–	**8**
Total capital expenditure	**223**	**280**	**1**	**41**	**18**	**60**	**22**	**573**	**(8)**	**(3)**	**584**
Timing difference between accrual and cash basis								(131)	1	3	(135)
Total capital expenditure on a cash basis								**442**	**(7)**	–	**449**

1. Investment properties acquired in the year.
2. Expenditure on the future development pipeline and completed developments.
3. Capital expenditure where the lettable area increases by at least 10%.

Business analysis – Group

Top 12 occupiers at 31 March 2023

Table 77

	% of Group rent[1]
Central Government	5.8
Accor	5.4
Deloitte	2.4
Cineworld	2.0
Boots	1.7
Taylor Wessing	1.4
Peel	1.1
BBC	1.1
M&S	1.0
Sainsbury's	1.0
H&M	1.0
Next	0.9
	24.8

1 On a proportionate basis.

Property Income Distribution (PID) calculation

Table 78

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
(Loss)/profit before tax per income statement	**(622)**	875
Accounting profit on residual operations	**(67)**	(62)
(Loss)/profit attributable to tax-exempt operations	**(689)**	813
Adjustments		
Capital allowances	**(43)**	(36)
Capitalised interest	**(22)**	(15)
Revaluation deficit/(gain)	**848**	(409)
Tax exempt disposals	**142**	(117)
Capital expenditure	**5**	4
Other tax adjustments	**(27)**	(28)
Goodwill amortisation and impairment	**5**	9
Estimated tax-exempt income for the year	**219**	221
PID thereon (90%)	**197**	199

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 (2022: £nil).

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.

Business analysis – Group
continued

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 2023 and 31 March 2022:

Table 79

	PID allocation			Ordinary dividend	Total dividend
	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m	Pre 31 March 2022 £m	£m	£m
Dividends paid in year to 31 March 2022	**–**	67	–	–	67
Dividends paid in year to 31 March 2023	**158**	132	–	–	290
Minimum PID to be paid by 31 March 2024	**39**	–	n/a	n/a	n/a
Total PID required	**197**	199			

The Group has met all the REIT requirements, including the payment by 31 March 2023 of the minimum Property Income Distribution (PID) for the year ended 31 March 2022. The forecast minimum PID for the year ended 31 March 2023 is £197m, which must be paid by 31 March 2024. The Group has already made PID dividends relating to 31 March 2023 of £158m, leaving £39m 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 £134m (2022: £154m), of which £38m (2022: £57m) was directly borne by the Group including environmental taxes, business rates and stamp duty land tax. The Group has a low tax risk rating from HMRC.

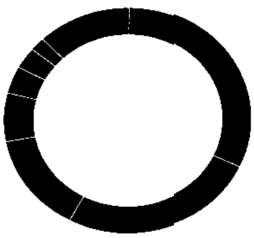
REIT Balance of Business
To retain the Group's REIT status, it must meet conditions from the REIT legislation. At least 75% of the Group's assets and 75% of the Group's income must relate to qualifying activities. The results of these tests at the balance sheet date are below:

Table 80

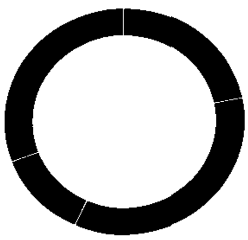
	For the year ended 31 March 2023			For the year ended 31 March 2022		
	Tax-exempt business	**Residual business**	**Adjusted results**	Tax exempt business	Residual business	Adjusted results
Profit before tax (£m)[1]	319	(18)	301	265	10	275
Balance of business – 75% profits test	100.0%	0.0%		96.4%	3.6%	
Adjusted total assets (£m)[1]	10,357	609	10,966	12,230	671	12,901
Balance of business - 75% assets test	94.4%	5.6%		94.8%	5.2%	

1. Calculated according to REIT rules.

Annual net rent breakdown by occupier business sector Chart 81



Floor space (million sq ft)[1] Chart 82



1. Joint ventures are reflected at 100% values, not Group share.

Sustainability performance

Greenhouse gas reporting

In line with requirements set out in the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, and in accordance with the Streamlined Energy and Carbon Reporting (SECR), this statement reports our GHG emissions for financial year ending 31 March 2023.

Streamlined energy and carbon reporting (SECR)

Methodology

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 Greenhouse Gas (GHG) Protocol, including scope 1, 2 and 3 emissions.

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.

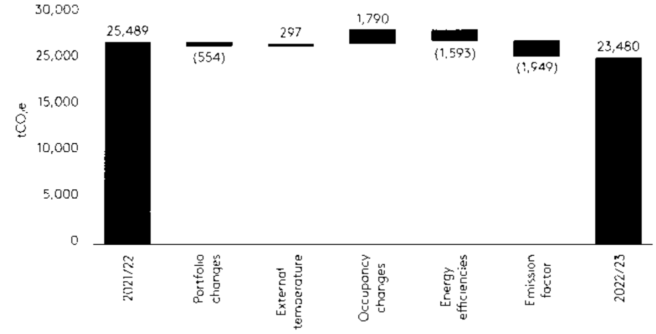
Scope 2 emissions are reported using both the "location-based" and "market-based" accounting methods. Location-based emissions are reported using the UK Government's 'Greenhouse gas reporting: conversion factors 2022'. Scope 2 market-based emissions are reported using the conversion factor associated with each individual electricity, heating and cooling supply, either obtained directly from the supplier or from their official company website.

Scope 3 emissions are those that are a consequence of our business activities, but which occur at sources we do not own or control and which are not classified as scope 2 emissions. The GHG Protocol identifies 15 categories of which 8 are directly relevant for Landsec. Our scope 3 reporting methodology is detailed in our Sustainability Performance and Data Report on landsec.com/sustainability/reports-benchmarking.

Landsec – Scope 1 and 2 emissions Table 83

		Location based emission factors			Market-based emission factors		
Emissions	**Unit**	2020/21	2021/22	**2022/23**	2020/21	2021/22	**2022/23**
Scope 1	tCO_2e	7,554	7,151	6,681	7,554	7,151	**6,681**
Scope 2	tCO_2e	18,434	18,338	16,798	2,079	2,054	**2,954**
Scope 1 and 2	tCO_2e	25,988	25,489	23,480	9,633	9,205	**9,636**
Intensity							
Scope 1 and 2	$kgCO_2e/m^2$	14.23	14.12	12.70	5.27	5.10	**5.21**

Landsec Scope 1 and 2 emissions – year on year driving factors Chart 84



Scope 1 and 2 GHG emissions using location-based emission factors have decreased by 8% compared with the previous reporting year, despite an increase in occupancy levels. The decrease has been largely due to changes in emissions factors and actions taken to drive energy efficiency across our assets.

The detailed breakdown of main factors driving the change in our scope 1 and scope 2 can be seen in chart 84 ***Landsec Scope 1 and 2 emissions – year on year driving factors***. In terms of market-based emissions, we have seen a small increase (5%) due to the inclusion of two assets that have come under our operational control from 2022.

Sustainability performance
continued

Landsec – Energy Consumption

Table 85

	Unit		Location based emission factors 2020/21	2021/22	**2022/23**
Natural Gas	kWh	For landlord shared services	27,504,757	34,618,470	**31,202,547**
		(Sub)metered to tenants	12,686,608	17,627,638	**19,526,063**
		Total Natural Gas consumption	40,191,365	52,246,108	**50,728,610**
Electricity	kWh	For landlord shared services	74,375,665	81,414,523	**82,227,618**
		(Sub)metered to tenants	46,107,177	48,120,743	**51,168,404**
		Total Electricity consumption	120,482,841	129,535,266	**133,396,023**
District Heating and Cooling	kWh	For landlord shared services	5,472,813	5,551,710	**4,973,961**
		(Sub)metered to tenants	3,589,825	4,170,874	**4,263,285**
		Total Heating and Cooling consumption	9,062,638	9,722,584	**9,237,246**
Total Energy Consumption	kWh	For landlord shared services	107,353,234	121,584,703	**118,404,126**
		(Sub)metered to tenants	62,383,610	69,919,255	**74,957,753**
		Total Energy consumption	169,736,845	191,503,958	**193,361,879**
Energy intensity	kWh/m²		93	106	**105**

Table 85 shows the absolute energy consumption with a breakdown by landlord and tenant consumption. This year, absolute energy intensity has slightly decreased by 1% compared with the previous year, largely due to energy efficiencies achieved from our active energy management programme and Net Zero Transition Investment Plan. Initiatives have included for example, lighting upgrades, further software modifications in our building management systems (BMS) to optimise the operation of our central plant services and a targeted customer engagement programme with our office occupiers.

Landsec – Carbon Footprint

Table 86

GHG Scope	Category	2020/21 Emissions (tCO_2e)	2020/21 % of total value chain	2021/22 Emissions (tCO_2e)	2021/22 % of total value chain	**2022/23 Emissions (tCO_2e)**	**2022/23 % of total value chain**
Scope 1		7,554	3.3%	7,151	3.2%	**6,682**	**2.7%**
Scope 2		18,434	8.0%	18,338	8.3%	**16,798**	**6.9%**
Scope 3		205,235	88.8%	195,875	88.5%	**219,792**	**90.3%**
	Purchased goods and services (PG&S)	34,004	14.7%	21,623	9.8%	**27,516**	**11.3%**
	Capital goods	84,261	36.4%	76,397	34.5%	**97,069**	**39.9%**
	Fuel- and energy-related activities	5,052	2.2%	7,765	3.5%	**6,792**	**2.8%**
	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	284	0.1%	516	0.2%	**625**	**0.3%**
	Business travel	33	0.0%	40	0.0%	**135**	**0.1%**
	Employee commuting	168	0.1%	159	0.1%	**104**	**0.0%**
	Upstream leased assets	n/a	0.0%	Excluded	0.0%	**Excluded**	**0.0%**
	Downstream transportation and distribution	n/a	0.0%	Excluded	0.0%	**Excluded**	**0.0%**
	Processing of sold products	n/a	0.0%	Excluded	0.0%	**Excluded**	**0.0%**
	Use of sold products	n/a	0.0%	Excluded	0.0%	**Excluded**	**0.0%**
	End-of-life treatment of sold products	n/a	0.0%	Excluded	0.0%	**Excluded**	**0.0%**
	Downstream leased assets	81,432	35.2%	89,375	40.4%	**87,551**	**36.0%**
	Franchises	n/a	0.0%	Excluded	0.0%	**Excluded**	**0.0%**
	Investments	n/a	0.0%	Excluded	0.0%	**Excluded**	**0.0%**
Total emissions		231,223		221,363		**243,272**	

Table 86 provides a breakdown of our entire emissions inventory, including indirect emissions from our value chain activities (i.e. scope 3 emissions). Our scope 3 reporting allows us to identify the most significant categories in our value chain that contribute to our carbon footprint – Capital goods and Downstream leased assets, make up over 76% of our total emissions.

Capital goods include the emissions associated with the manufacture and transport of materials used within our development activities and portfolio projects. Downstream leased assets are those emissions associated with energy consumed by our customers within our assets.

The emissions from our development activities have decreased by 25% due to the fact that the four projects on-site are nearing completion and the materials delivered during this phase are much less carbon intensive than in the earlier phases of structural works. In table 87, we provide the amount of embodied carbon emissions reported for each development in 2022/23.

In relation to Downstream leased assets, we continue engaging our customers (specifically those in our retail assets) to increase the share of primary tenant energy usage data (now at 63% – a 6% increase compared with last year), thereby increasing data accuracy. There's a 2% reduction in carbon emissions as compared with last year for this category which can be explained by the increase of actual data included in the calculation.

Because both categories represent a significant proportion of our total carbon footprint, we are committed to understanding the source of these emissions and taking action to reduce them. As such, for all our development and refurbishment schemes, we undertake life-cycle assessments, following the RICS guidance document 'Whole life carbon assessment for the built environment' 1st Edition and BS EN 15978. We will adopt the latest RICS guidance document once adopted. The assessment considers both the upfront 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 upfront embodied carbon emissions from supply chain (A1-A5) on a project-by-project basis and track these through to the completion of our buildings. We also track the carbon emissions from Modules B and C to ensure that the decisions we make for upfront embodied carbon do not lead to negative consequences in the long term, for example higher replacement rates. Once all reduction opportunities have been achieved, we offset the remainder of the upfront embodied carbon emissions of our buildings at practical completion, in alignment with the UK Green Building Council guidelines. We also carefully design our buildings to minimise the energy demand of our operations and meet this demand through renewable electricity contracts.

Sustainability performance

continued

Upfront Embodied Carbon – Development pipeline

Table 87

Development	Current forecasted embodied carbon intensity $kgCO_2e/m^2$ (RICS Modules A1-A5)	% reduction from typical building[1] – 2030 target of 50%	Embodied carbon emissions reported in 2022/23 (tCO_2e)
21 Moorfields, EC2	1,210	n/a – new target set in 2021, after the buildings were designed	9,012
Lucent, W1	1,096		4,841
n2, SW1	964		7,231
The Forge, SE1	863		5,080
Timber Square, SE1	535[2]	-47%	1,012
Portland House, SW1	395	61%	9
Mayfield – The Poulton, Manchester	Acquired sites undergoing significant design changes – no data available		
Mayfield – The Republic, Manchester			
Red Lion Court, SE1	600	-40%	
Liberty of Southwark, SE1	Acquired sites undergoing significant design changes – no data available		
55 Old Broad Street, EC2	721	-28%	
Hill House, EC4	Too early design – no data available		
O2 Finchley Road, NW3 (average)	535	-37%	
N3E	577	32%	
N4	528	-38%	
N5	543	-36%	
Media City, Greater Manchester – Plot C3	Acquired sites undergoing significant design changes – no data available		
Buchanan Galleries, Glasgow – Block A	1,041	4%	
Buchanan Galleries, Glasgow – Block B	876	-12%	
Lewisham, SE13	Too early design – no data available		
Average reduction across development pipeline		-36%	
Average upfront embodied carbon intensity	Office: 640 Residential: 535		
Total embodied carbon emissions reported in 2022/23 (tCO_2e)			**27,185**

1. Typical offices: $1,000kgCO_2e/m^2$ and typical residential. $850kgCO_2e/m^2$ (source. GLA Whole Life Carbon Guidance).
2. Total embodied carbon baseline for Timber Square project has been reviewed to exclude sequestration in accordance with industry guidelines and the RICS guidance document on whole life carbon. If sequestration is taken into account, the forecasted embodied carbon intensity is $448kgCO_2e/m^2$ (GIA).

Assurance

Landsec's auditor, EY, has once again conducted sustainability assurance. This is part of our journey to embed sustainability across the business and enhance the integrity, quality and usefulness of the information we provide. EY performed a limited assurance engagement on selected performance data and qualitative statements in the 'People and Culture', 'Our approach to sustainability', 'Build well', 'Live well', 'Act well' and 'TCFD' sections of the Strategic Report pages 34-53; the sustainability content in the 'Additional Information' section of the Landsec 2023 Annual Report pages 195-198; and the online Sustainability Performance Data Report 2023. This report and the full assurance statement is available at **landsec.com/sustainability/reports-benchmarking**.

Alternative performance measures

The Group has applied the European Securities and Markets Authority (ESMA) 'Guidelines on Alternative Performance Measures' in these results. In the context of these results, an alternative performance measure (APM) is a financial measure of historical or future financial performance, position or cash flows of the Group which is not a measure defined or specified in IFRS.

The table below summarises the APMs included in these results and where the reconciliations of these measures can be found. The definitions of APMs are included in the Glossary.

Table 88

Alternative performance measure	Nearest IFRS measure	Reconciliation
EPRA earnings	Profit/loss before tax	Note 4
EPRA earnings per share	Basic earnings/loss per share	Note 5
EPRA diluted earnings per share	Diluted earnings/loss per share	Note 5
EPRA Net Tangible Assets	Net assets attributable to shareholders	Note 5
EPRA Net Tangible Assets per share	Net assets attributable to shareholders	Note 5
Total return on equity	n/a	Note 5
Adjusted net cash inflow from operating activities	Net cash inflow from operating activities	Note 13
Combined Portfolio	Investment properties	Note 14
Adjusted net debt	Borrowings	Note 21
Group LTV	n/a	Note 21
EPRA LTV	n/a	Note 21

Combined Portfolio analysis

Total portfolio analysis

	Market value[1]		Valuation movement[1]		Rental income[1]		Annualised rental income[2]		Net estimated rental value[3]	
	31 March 2023 £m	31 March 2022 £m	**(Deficit)/ surplus £m**	**(Deficit)/ surplus %**	**31 March 2023 £m**	31 March 2022 £m	**31 March 2023 £m**	31 March 2022 £m	**31 March 2023 £m**	31 March 2022 £m
Central London										
West End offices	**2,653**	3,013	**(222)**	**(8.0)**	**140**	138	**134**	135	**146**	147
City offices	**1,304**	1,928	**(234)**	**(15.4)**	**76**	75	**61**	76	**87**	101
Retail and other	**1,095**	1,131	**14**	**1.3**	**76**	70	**42**	47	**56**	54
Developments[6]	**1,190**	1,709	**(37)**	**(3.0)**	**21**	10	**5**	10	**57**	112
Total Central London	**6,242**	7,781	**(479)**	**(7.3)**	**313**	293	**242**	268	**346**	414
Major retail										
Shopping centres	**1,196**	1,141	**(60)**	**(4.8)**	**120**	111	**114**	108	**123**	101
Outlets	**684**	743	**(67)**	**(8.9)**	**59**	56	**56**	56	**60**	61
Total Major retail	**1,880**	1,884	**(127)**	**(6.4)**	**179**	167	**170**	164	**183**	162
Mixed-use urban										
Completed investment	**389**	409	**(24)**	**(5.9)**	**24**	10	**24**	24	**26**	24
Developments[6]	**426**	486	**(48)**	**(9.4)**	**34**	33	**28**	29	**31**	32
Total Mixed-use urban	**815**	895	**(72)**	**(7.8)**	**58**	43	**52**	53	**57**	56
Subscale sectors										
Leisure	**476**	569	**(99)**	**(17.7)**	**51**	46	**51**	49	**50**	51
Hotels	**408**	422	**(13)**	**(3.2)**	**30**	16	**31**	16	**28**	25
Retail parks	**418**	466	**(58)**	**(12.1)**	**28**	29	**28**	29	**30**	29
Total Subscale sectors	**1,302**	1,457	**(170)**	**(11.6)**	**109**	91	**110**	94	**108**	105
Combined Portfolio	**10,239**	12,017	**(848)**	**(7.7)**	**659**	594	**574**	579	**694**	737
Properties treated as finance leases					**(2)**	(8)				
Combined Portfolio	**10,239**	12,017	**(848)**	**(7.7)**	**657**	586				
Represented by:										
Investment portfolio	**9,603**	11,217	**(813)**	**(7.9)**	**603**	534	**536**	531	**655**	687
Share of joint ventures	**636**	800	**(35)**	**(5.5)**	**54**	52	**38**	48	**39**	50
Combined Portfolio	**10,239**	12,017	**(848)**	**(7.7)**	**657**	586	**574**	579	**694**	737

Total portfolio analysis continued

Table 89

	Net initial yield[4]		Equivalent yield[5]	
	31 March 2023 %	Movement in like-for-like[7] bps	31 March 2023 %	Movement in like-for-like[7] bps
Central London				
West End offices	**4.8**	55	**5.1**	46
City offices	**3.3**	(33)	**5.2**	53
Retail and other	**4.1**	(33)	**4.6**	13
Developments[6]	**0.3**	–	**4.6**	–
Total Central London	**3.5**	39	**4.9**	42
Major retail				
Shopping centres	**8.1**	21	**7.9**	39
Outlets	**6.5**	63	**7.2**	45
Total Major retail	**7.5**	15	**7.6**	40
Mixed-use urban				
Completed investment	**5.4**	28	**6.4**	61
Development[6]	**5.3**	n/a	**5.8**	n/a
Total Mixed-use urban	**5.3**	28	**6.1**	61
Subscale sectors				
Leisure	**8.0**	130	**8.3**	116
Hotels	**6.6**	249	**6.7**	117
Retail parks	**6.5**	87	**6.4**	69
Total Subscale sectors	**7.1**	147	**7.2**	96
Combined Portfolio	**4.8**	41	**5.8**	50

Represented by:				
Investment portfolio	**4.7**	n/a	**5.6**	n/a
Share of joint ventures	**5.6**	n/a	**5.8**	n/a
Combined Portfolio	**4.8**	n/a	**5.8**	n/a

Notes:
1. Refer to Glossary for definition.
2. Annualised rental income is annual 'rental income' (as defined in the Glossary) at the balance sheet date, except that car park and commercialisation income are included on a net basis (after deduction for operational outgoings). Annualised rental income includes temporary lettings.
3. Net estimated rental value is gross estimated rental value, as defined in the Glossary, after deducting expected rent payable
4. Net initial yield – refer to Glossary for definition. This calculation includes all properties including those sites with no income.
5. Equivalent yield – refer to Glossary for definition. Future developments are excluded from the calculation of equivalent yield on the Combined Portfolio
6. Comprises the development pipeline – refer to Glossary for definition.
7. The like-for-like portfolio – refer to Glossary for definition.

Reconciliation of segmental information note to statutory reporting

Reconciliation of segmental information note to statutory reporting for the year ended 31 March 2022

Table 90

	Year ended 31 March 2022					
	Group income statement £m	Joint ventures[1] £m	Adjustment for non-wholly owned subsidiaries[2] £m	Total £m	EPRA earnings £m	Capital and other items £m
Rental income	537	52	(3)	586	586	–
Finance lease interest	8	-	–	8	8	–
Gross rental income (before rents payable)	**545**	**52**	**(3)**	**594**	**594**	**–**
Rents payable	(6)	(2)	–	(8)	(8)	–
Gross rental income (after rents payable)	**539**	**50**	**(3)**	**586**	**586**	**–**
Service charge income	78	9	(1)	86	86	–
Service charge expense	(90)	(10)	2	(98)	(98)	–
Net service charge expense	(12)	(1)	1	(12)	(12)	–
Other property related income	25	3	–	28	28	–
Direct property expenditure	(94)	(10)	–	(104)	(104)	–
Movement in bad and doubtful debt provisions	13	(1)	–	12	12	-
Segment net rental income	**471**	**41**	**(2)**	**510**	**510**	**–**
Other income	3	–	–	3	3	–
Administrative expenses	(80)	(2)		(82)	(82)	–
Depreciation	(5)		–	(5)	(5)	–
EPRA earnings before interest	**389**	**39**	**(2)**	**426**	**426**	**–**
Share of post-tax profit from joint ventures	33	(33)	-	–	–	–
Net surplus/(deficit) on revaluation of investment properties	416	(3)	(4)	409	–	409
Profit on disposal of investment properties	107	8	–	115	–	115
Profit on disposal of joint ventures	2	-	–	2	-	2
Profit/(loss) on disposal of trading properties	2	(1)	–	1	–	1
Gain on modification of finance lease	6	–	–	6	-	6
Movement in impairment charge on trading properties	(6)	–	–	(6)	–	(6)
Impairment of goodwill	(6)	–	–	(6)	–	(6)
Business combination costs	(8)		–	(8)	–	(8)
Operating profit/(loss)	**935**	**10**	**(6)**	**939**	**426**	**513**
Finance income	25	–	–	25	9	16
Finance expense	(85)	(10)	–	(95)	(80)	(15)
Profit/(loss) before tax	**875**	**–**	**(6)**	**869**	**355**	**514**
Taxation	**–**	**–**	**–**	**–**		
Profit/(loss) before tax	**875**	**–**	**(6)**	**869**		

1 Reallocation of the share of post tax loss from joint ventures reported in the Group income statement to the individual line items reported in the segmental information note.
2. Removal of the non wholly owned share of results of the Group's subsidiaries. The non-wholly owned subsidiaries are consolidated at 100% in the Group's income statement, but only the Group's share is included in EPRA earnings reported in the segmental information note.

Ten year summary

Income statement

Table 91

Year ended and as at 31 March

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Revenue	**791**	679	635	741	757	830	781	936	765	712
Costs	**(382)**	(308)	(333)	(274)	(271)	(321)	(260)	(404)	(329)	(244)
	409	371	302	467	486	509	521	532	436	468
Share of post-tax (loss)/profit from joint ventures	**(1)**	33	(192)	(151)	(85)	27	69	199	326	196
(Loss)/profit on disposal of investment properties	**(144)**	107	8	(6)	-	1	19	75	107	16
Profit/(loss) on disposal of investments in joint ventures	**–**	2	–	–	–	66	(2)	–	3	2
Profit on disposal of other investments	**–**	–	–	–	–	–	13	–	–	–
Net (deficit)/surplus on revaluation of investment properties	**(827)**	416	(1,448)	(1,000)	(441)	(98)	(186)	739	1,771	607
(Loss)/gain on modification of finance lease	**(6)**	6	–	-		–	–	–	–	–
Operating (loss)/profit	**(569)**	935	(1,330)	(690)	(40)	505	434	1,545	2,643	1,289
Net finance expense	**(53)**	(60)	(63)	(147)	(83)	(548)	(268)	(185)	(207)	(165)
Net gain on business combination	**–**	–		–			–	–	2	5
(Loss)/profit before tax	**(622)**	875	(1,393)	(837)	(123)	(43)	166	1,360	2,438	1,129
Taxation	**–**	–	–	5	4	(1)	1	2	–	8
(Loss)/profit for the year	**(622)**	875	(1,393)	(832)	(119)	(44)	167	1,362	2,438	1,137
Net (deficit)/surplus on revaluation of investment properties[1]:										
Investment portfolio	**(827)**	416	(1,448)	(998)	(440)	(98)	(187)	736	1,768	609
Share of joint ventures	**(30)**	(3)	(198)	(181)	(117)	7	40	171	269	155
Adjustment for non-wholly owned subsidiaries[2]	**9**	(4)	–		–	-		–	–	-
Total	**(848)**	409	(1,646)	(1,179)	(557)	(91)	(147)	907	2,037	764
EPRA earnings	**393**	355	251	414	442	406	382	362	329	320
Results per share										
Total dividend payable in respect of the financial year	**38.6p**	37.0p	27.0p	23.2p	45.55p	44.2p	38.55p	35.0p	31.85p	30.7p
Basic (loss)/earnings per share	**(83.6)p**	117.4p	(188.2)p	(112.4)p	(16.1)p	(5.8)p	21.1p	172.4p	308.6p	144.8p
Diluted (loss)/earnings per share	**(83.6)p**	117.1p	(188.2)p	(112.4)p	(16.1)p	(5.8)p	21.1p	171.8p	307.4p	144.3p
EPRA earnings per share	**53.1p**	48.0p	33.9p	55.9p	59.7p	53.1p	48.4p	45.9p	41.7p	40.7p
EPRA diluted earnings per share	**53.1p**	47.8p	33.9p	55.9p	59.7p	53.1p	48.3p	45.7p	41.5p	40.5p
Net assets per share	**945p**	1,070p	975p	1,182p	1,341p	1,404p	1,418p	1,434p	1,293p	1,016p
Diluted net assets per share	**942p**	1,067p	973p	1,181p	1,339p	1,404p	1,416p	1,431p	1,288p	1,012p
EPRA Net Tangible Assets per share	**936p**	1,063p	985p	1,192p	1,348p	1,410p	1,422p	1,433p	1,296p	1,016p

1. Includes our non-wholly owned subsidiaries on a proportionate basis.
2. This represents the interest in MediaCity which we do not own but consolidate in the Group numbers.

Ten year summary
continued

Balance sheet

Table 92

As at 31 March

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Investment properties	**9,658**	11,207	9,607	11,297	12,094	12,336	12,144	12,358	12,158	9,848
Intangible assets	**6**	8	8	14	20	34	36	38	35	–
Net investment in finance leases	**21**	70	152	156	159	162	165	183	185	187
Loan investments	**–**		–	–	–	–		–	50	50
Investment in joint ventures	**533**	700	625	824	1,031	1,151	1,734	1,668	1,434	1,443
Investment in associates	**3**	4	–	–	–	–	–	–	–	–
Trade and other receivables	**146**	177	170	178	176	165	123	86	53	35
Other non-current assets	**67**	61	22	32	30	49	51	44	29	14
Total non-current assets	**10,434**	12,227	10,584	12,501	13,510	13,897	14,253	14,377	13,944	11,577
Trading properties and long-term development contracts	**118**	145	36	24	23	24	122	124	222	193
Trade and other receivables	**365**	368	354	433	437	471	418	445	404	366
Monies held in restricted accounts[1] and deposits	**4**	22	10	9	36	15	21	19	10	15
Cash and cash equivalents[1]	**41**	128	–	1,345	14	62	30	25	14	21
Other current assets	**4**	5	6	48	14	–	–	–	–	–
Total current assets	**532**	668	406	1,859	524	572	591	613	650	595
Non-current assets held for sale	**–**	–	–	–	–		–	–	283	–
Borrowings	**(315)**	(541)	(906)	(977)	(934)	(872)	(404)	(19)	(191)	(513)
Trade and other payables	**(306)**	(320)	(252)	(270)	(273)	(294)	(302)	(289)	(367)	(320)
Other current liabilities	**(24)**	(11)	(7)	(2)	(18)	(14)	(7)	(19)	(10)	(12)
Total current liabilities	**(645)**	(872)	(1,165)	(1,249)	(1,225)	(1,180)	(713)	(327)	(568)	(845)
Borrowings	**(3,223)**	(4,012)	(2,610)	(4,355)	(2,847)	(2,858)	(2,859)	(3,222)	(3,985)	(3,262)
Trade and other payables	**(17)**	(8)	(1)	(1)	(1)	–	(25)	(28)	(30)	(23)
Other non-current liabilities	**(9)**	(12)	(2)	(5)	(5)	(8)	(9)	(47)	(45)	(4)
Redemption liability	**–**	–	–	–	(36)	(37)	(36)	(35)	(35)	(33)
Total non-current liabilities	**(3,249)**	(4,032)	(2,613)	(4,361)	(2,889)	(2,903)	(2,929)	(3,332)	(4,095)	(3,322)
Net assets	**7,072**	7,991	7,212	8,750	9,920	10,386	11,202	11,331	10,214	8,005
Net debt[2]	**(3,348)**	(4,254)	(3,509)	(3,942)	(3,747)	(3,654)	(3,219)	(3,229)	(4,193)	(3,744)
Market value of the Combined Portfolio	**10,239**	12,017	10,791	12,781	13,750	14,103	14,439	14,471	14,031	11,859
Adjusted net debt[2]	**(3,287)**	(4,179)	(3,489)	(3,926)	(3,737)	(3,652)	(3,261)	(3,239)	(4,172)	(3,948)

1. The Balance Sheets for the years ending 31 March 2022 and earlier have not been restated for the purpose of this table for the change in classification between Cash and cash equivalents and monies held in restricted accounts and deposits following the IFRIC classification during the year to 31 March 2023.
2. Net debt and adjusted net debt exclude amounts payable under head leases for reporting periods from, and including, the year ended 31 March 2022. Net debt and adjusted net debt for prior periods included in the table above have not been restated, but would have excluded amounts payable under head leases of £61m (2021), £30m (2020, 2019 and 2014), £31m (2018 and 2017), £14m (2016) and £17m (2015).

Subsidiaries, joint ventures and associates

As at 31 March 2023, 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, except for entities with a footnote indicating their country of registration and address.

Company name
Barrack Close Limited
Beyond Green Developments (Broadland) Limited
Birmingham International Park Limited
BLEL Limited
BLIL Limited
Blueco Limited[12]
Bluewater Outer Area Limited[12]
Bruform Limited
Burghfield Bolt Limited
Burlington House Developments Limited[4]
Castleford (UK) Limited
Cathedral (Brighton) Limited
Cathedral (Bromley 2) Limited
Cathedral (Bromley Esco) Limited
Cathedral (Bromley) Limited
Cathedral (Greenwich Beach) Limited
Cathedral (Preston Barracks) Limited
Cathedral (Sittingbourne) Limited
Cathedral Special Projects (H) Limited
Crossways 2000 Limited
Crossways 3065 Limited
Crossways 7055 Limited
Dashwood House Limited[12]
Deadhare Limited
Development Securities (Armagh) Limited
Development Securities (Curzon Park) Limited
Development Securities (Edgware Road No.1) Limited
Development Securities (Furlong) Limited
Development Securities (Greenwich) Limited
Development Securities (Hammersmith) Limited
Development Securities (HDD) Limited
Development Securities (Ilford) Limited
Development Securities (Investment Ventures) Limited
Development Securities (Investments) PLC
Development Securities (Launceston) Limited
Development Securities (Maidstone) Limited
Development Securities (Nailsea) Limited
Development Securities (No.22) Limited
Development Securities (No.9) Limited
Development Securities (Romford) Limited
Development Securities (Sevenoaks) Limited[5]
Development Securities (Slough) Limited

Company name
Development Securities Estates Limited
Drake Bideford Limited[6]
DS (Ringwood) Limited[6]
DS (Thatcham) Limited[6]
DS Investment Properties LLP
DS Jersey (Capital Partners) Limited[6]
DS Jersey (No 1) Limited[6]
DS Jersey (No 10) Limited[6]
DS Jersey (No 2) Limited[6]
DS Jersey (No 3) Limited[6]
DS Jersey (No.5) Limited[6]
DS Jersey (Notting Hill) Limited[6]
DS Jersey (Renewables) Limited[6]
DS Jersey Corporate Services Limited[6]
DS Renewables LLP
DS Robswall Ireland (Residential) Limited[4]
DS Wessex Barnstaple Limited
ECC Investments Limited
Elystan Developments Limited
EPD Buckshaw Village Limited
Executive Communication Centres (Birmingham) Limited
Executive Communication Centres Limited
Furlong Shopping Centre Limited
Future High Streets Limited
Greenhithe Holdings Limited[9]
Greenhithe Investments Limited[9]
Greenwitch Limited
Griffe Grange Wind Farm Limited
Gunwharf Quays Limited[12]
HDD Burghfield Common Limited
HDD Didcot Limited
HDD Lawley Village Limited
HDD Llanelli Limited
HDD Newcastle Under Lyme Limited
HDD Newton Leys Limited
HDD RAF Watton Limited
Hendy Wind Farm Limited
I AM PRS Limited
Kent Retail Investments Limited[12]
Kingsland Shopping Centre Limited
L.& P. Estates Limited
L.S.I.T.(Management) Limited
Land Securities (Finance) Limited
Land Securities Buchanan Street Developments Limited[12]

Subsidiaries, joint ventures and associates
continued

Company name
Land Securities Capital Markets PLC
Land Securities Consulting Limited
Land Securities Development Limited[12]
Land Securities Ebbsfleet (No.2) Limited
Land Securities Ebbsfleet Limited[12]
Land Securities Insurance Limited[11]
Land Securities Intermediate Limited
Land Securities Lakeside Limited[12]
Land Securities Management Limited[12]
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[1]
Land Securities SPV'S Limited[12]
Land Securities Trading Limited[12]
Land Securities Trinity Limited[14]
Landsec Limited
LC25 Limited[12]
Leisure II (North Finchley Two) Limited[10]
Leisure II (North Finchley) Limited[10]
Leisure II (West India Quay LP) Shareholder Limited
Leisure II (West India Quay Two) Limited[10]
Leisure II (West India Quay) Limited[10]
Leisure Parks I Limited[12]
Leisure Parks II Limited[12]
LS (Eureka Two) Limited
LS (Eureka) Limited
LS (Fountain Park Two) Limited
LS (Fountain Park) Limited
LS (Jaguar) GP Investments Limited
LS (Parrswood Two) Limited
LS (Parrswood) Limited
LS (Riverside Two) Limited
LS (Riverside) Limited
LS (Victoria) Nominee No.1 Limited
LS (Victoria) Nominee No.2 Limited
LS 1 New Street Square Developer Limited
LS 1 Sherwood Street Developer Limited[14]
LS 1 Sherwood Street Limited[12]
LS 105 Sumner Street Developer Limited[12]

Company name
LS 123 Victoria Street Limited[12]
LS 130 Wood St Limited
LS 21 Moorfields Development Management Limited[12]
LS 60-78 Victoria Street Limited[12]
LS 62 Buckingham Gate Limited[12]
LS Aberdeen Limited
LS Aldersgate Limited[12]
LS Banbridge Phase Two Limited
LS Bexhill Limited[12]
LS Bracknell Limited[12]
LS Braintree Limited[12]
LS Buchanan Limited[12]
LS Canterbury Limited
LS Cardiff (GP) Investments 2 Limited
LS Cardiff (GP) Investments Limited
LS Cardiff 2 Limited
LS Cardiff Holdings Limited[14]
LS Cardiff Limited[12]
LS Cardinal Limited[12]
LS Castleford Limited[14]
LS Chadwell Heath Limited[12]
LS Chattenden Marketing Limited
LS Chesterfield Limited[12]
LS City Gate House Limited
LS Company 2 Limited
LS Company 23 Limited[2]
LS Company 24 Limited[3]
LS Company 25 Limited
LS Company 26 Limited
LS Company 27 Limited
LS Company 28 Limited
LS Company 29 Limited
LS Company 3 Limited
LS Company 30 Limited
LS Company 31 Limited
LS Company 32 Limited
LS Company 33 Limited
LS Company 34 Limited
LS Company 35 Limited
LS Company 36 Limited
LS Company 37 Limited
LS Company 38 Limited
LS Company 39 Limited
LS Company Secretaries Limited
LS Developer 3 Limited[13]

Company name
LS Company 36 Limited
LS Development Holdings Limited[12]
LS Director Limited
LS Dundas Square Limited
LS Eastbourne Terrace Limited
LS Easton Park Development Limited
LS Easton Park Investments Limited[14]
LS Entertainment Venues Limited[14]
LS Ewer Street Limited
LS Finchley Road Limited[12]
LS Forge Bankside Limited
LS Galleria Limited
LS Great North Finchley Limited[12]
LS Greenwich Limited
LS Gunwharf Limited
LS Harrogate Limited
LS Harvest (GP) Investments Limited[12]
LS Harvest 2 Limited[12]
LS Harvest Limited
LS Hill House Developer Limited
LS Hill House Limited[12]
LS Hotels Limited
LS Kings Gate Residential Limited[14]
LS Kingsmead Limited
LS Leisure Parks Investments Limited
LS Lewisham Limited[12]
LS Liberty of Southwark Limited
LS London Holdings One Limited
LS London Holdings Three Limited[14]
LS Moorgate Limited[12]
LS MYO 123 Victoria Street Limited
LS MYO Dashwood House Limited
LS Myo Limited[12]
LS MYO New Street Square Limited[12]
LS n2 Limited[12]
LS New Street Square Investments Limited
LS Nominees Holdings Limited[12]
LS Nova Development Management Limited[14]
LS Nova GP Investments Limited
LS Nova LP1 Limited[12]
LS Nova LP2 Limited[14]
LS Nova Place Limited[12]
LS Occupier Limited[14]
LS Old Broad Street Developer Limited
LS Old Broad Street Limited[14]

Company name
LS One New Change Developments Limited
LS One New Change Limited
LS Oval Limited[12]
LS Park House Development Management Limited
LS Poole Retail Limited[12]
LS Portfolio Investments Limited[12]
LS Portland House Developer Limited[12]
LS Project 92 Limited[12]
LS Property Finance Company Limited
LS QAM Limited[12]
LS Red Lion Court Developer Limited[12]
LS Red Lion Court Limited
LS Retail Warehouses Limited[12]
LS Rose Lane Limited
LS Shepherds Bush Limited[12]
LS Southside Limited[12]
LS Street Limited[12]
LS Taplow Limited[12]
LS Thanet Limited[12]
LS Timber Square Developer Limited[12]
LS Timber Square Limited
LS Tottenham Court Road Limited[12]
LS Victoria Properties Limited[12]
LS West India Quay Limited[12]
LS Westminster Limited
LS White Rose Limited[12]
LS Workington Limited[12]
LS Xscape Castleford Limited[12]
LS Xscape Milton Keynes Limited[12]
LS Zig Zag Limited[12]
Luneside East Limited
Mayfield Medlock Limited
Njord Wind Developments Limited
Nova Developer Limited[12]
Oriana GP Limited
Oriana LP Limited[12]
OSB (Holdco 1) Limited
OSB (Holdco 2) Limited
Oxford Castle Apartments Limited
Percy Place DS (Ireland) Limited[4]
Public Private Partnership (H) Limited
Purplexed LLP
Purplexed Powerhouse Energy Limited
Purplexed Powerhouse Limited
Ravenseft Properties Limited[12]

Company name
Retail Property Holdings Trust Limited
RHD (Dartmouth) Limited
Rhoscrowther Wind Farm Limited
Rivella Properties Bicester Limited
Rosefarm Leisure Limited
Sevington Properties Limited
St David's (Cardiff Residential) Limited[12]
St David's (General Partner) Limited[12]
St. David's (No.1) Limited
St. David's (No.2) Limited
St. David's Limited Partnership[12]
STRD Holding Company Limited[6]
The City of London Real Property Company Limited[12]
The Deptford Project 2 Limited
The Deptford Project Limited
The Imperial Hotel Hull Limited
The Telegraph Works Limited
The X-Leisure (General Partner) Limited[12]
Tops Shop Estates Limited
Triangle Developments Limited
Triangle London Limited
U and I (8AE) Limited
U and I (Ashford) Limited
U and I (Bromley Commercial) Limited
U and I (Broombridge) Ind Limited[4]
U and I (Cambridge) Limited
U and I (Development and Trading) Limited
U and I (Golf) Limited
U and I (GVP) Limited
U and I (Harwell) Limited
U and I (Innovation Hubs) Limited
U and I (Management) Ireland Limited[4]
U and I (PB) Commercial Limited
U and I (Pincents Lane) Limited
U and I (White Heather) Limited[4]
U and I (WIE) Limited
U and I Company Secretaries Limited
U and I Director 1 Limited
U and I Director 2 Limited
U and I Exit Limited
U and I Finance PLC
U and I Group Limited
U and I Investment Portfolio Limited
U and I IPA Limited
U and I IPA SC Limited
U and I IPB Limited

Company name
U and I IPC Limited
U and I Netherlands BV[7]
U and I Plus X TC Limited[8]
U and I Powerhouse Limited
U and I PPP Limited
U and I Retail Limited[5]
Wallis Court Buckshaw Limited
Wassand Wind Farm Limited
Westminster Trust Limited(The)
Whitecliff Developments Limited
Willett Developments Limited
X-Leisure (Bentley Bridge) Limited
X-Leisure (Boldon) Limited
X-Leisure (Brighton Cinema II) Limited
X-Leisure (Brighton Cinema) 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[12]
X-Leisure Management Limited
Xscape Castleford Limited[10]
Xscape Castleford No.2 Limited[10]
Xscape Milton Keynes (Jersey) No.2 Limited[10]
Xscape Milton Keynes Limited[10]

1. Subsidiary directly held by the Company, Land Securities Group PLC.
2. The name of this company was changed to Mayfield Poulton Limited on 21 April 2023.
3. The name of this company was changed to Mayfield Republic Limited on 20 April 2023.
4. C/O William Fry, 2 Grand Canal Square, Dublin 2, Ireland, D02 A342.
5. C/O James Cowper Kreston The White Building, 1-4 Cumberland Place, Southampton, SO15 2NP.
6. Fifth Floor, 37 Esplanade, St. Helier, JE1 2TR, Jersey.
7. Prins Bernhardplein 200, 1097 JB Amsterdam, PO Box 990, 1000 AZ Amsterdam, Netherlands.
8. 85 Great Portland Street, First Floor, London, England, W1W 7LT
9. 44 Esplanade, St Helier, JE4 9WG, Jersey.
10. IFC 5, St Helier, JE1 1ST, Jersey
11. Dorey Court, Admiral Park, St Peter Port, Guernsey, GY1 4AT
12. Exempt from the requirement of the Companies Act 2006 ("the Act") relating to the audit of individual accounts by virtue of Section 479A of the Act.
13. The name of this company was changed to LS Workplace Managed Services Limited on 5 May 2023.

Subsidiaries, joint ventures and associates

continued

As at 31 March 2023, the Company had an interest (as shown), direct or indirect, in the ordinary share capital of the following subsidiaries, joint ventures and associates. All entities included below are registered in the UK at 100 Victoria Street, London, SW1E 5JL, except for entities with a footnote indicating their country of registration and address. Where the Group share of ordinary share capital is from 75% to 100%, these entities are subsidiaries of the Company. Where the share of ordinary share capital is from 50% to 74%, these entities are joint venture interests based on *contractually agreed sharing of control with* joint venture partners. All other holdings are associate interests.

Company name	Group share %
Bluewater Two Limited	75%
Bluewater REIT Limited	75%
Cathedral (Movement Greenwich) LLP	53%
CDSR Burlington House Developments Limited[6]	20%
Central Research Laboratory (Hayes) Limited[6]	50%
Circus Street Developments Limited	50%
Curzon Park Limited	50%
Ebbsfleet Investment (GP) Limited	50%
Ebbsfleet Nominee No.1 Limited	50%
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%
Heart of Slough Management Company Limited[7]	67%
Kensington & Edinburgh Estates (South Woodham Ferrers) Limited	50%
Landmark Court Partnership Limited	51%
Mayfield Development (General Partner) Limited	50%
Mayfield Development Partnership LP	50%
Minevote Public Limited Company	50%
Northpoint (No.4) Limited	42%
Northpoint CH Limited	42%
Northpoint Developments Limited	42%
Northpoint KC Limited	42%
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%
Opportunities for Sittingbourne Limited	50%

Company name	Group share %
Peel Holdings (Media) Limited[5]	75%
Peel Media (Holdings) Limited[5]	75%
Peel Media (Orange) Limited[5]	75%
Peel Media Canalside Limited[5]	75%
Peel Media Development (Holdings) Limited[5]	75%
Peel Media Development (Residential 1) Limited[5]	75%
Peel Media Development (Residential 2) Limited[5]	75%
Peel Media Development Limited[5]	75%
Peel Media Development Residential (Holdings) Limited[5]	75%
Peel Media Limited[5]	75%
Plus X Brighton Limited[8]	50%
Plus X Holdings Limited[8]	50%
Plus X Unity Place Limited[8]	50%
Schofield Centre Limited[9]	50%
Southside General Partner Limited	50%
Southside Limited Partnership[4]	50%
Southside Nominees No.1 Limited	50%
Southside Nominees No.2 Limited	50%
Spirit of Sittingbourne LLP	65%
Tarmac Clayform Limited	50%
Tarmac Guildford Limited[9]	50%
The Bund Limited[5]	75%
The Ebbsfleet Limited Partnership	50%
TLD (Landmark Court) Limited	99%
Triangle London Developments LLP	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%
White Lion Walk Limited[9]	50%
YC Shepherds Bush (Market) Limited[1]	19%
YC Shepherds Bush Limited[1]	19%

Limited by guarantee	Group share %
Connaught Place (Hale Barns) Management Company Limited	n/a
Development Securities (No.19) Limited	n/a
Lightbox (MediaCityUK) Management Company Limited[5]	n/a
Preston Barracks Management Company Limited	n/a
St David's Dewi Sant Merchant's Association Limited	n/a
399 Edgware Road Management Company Limited	n/a

Unit Trusts	Group share %
DS Cardiff Unit Trust[3]	100%
Nailsea Unit Trust[3]	100%
The X-Leisure Unit Trust[2]	100%
Xscape Castleford Property Unit Trust[2]	100%
Xscape Milton Keynes Property Unit Trust[2]	100%
West India Quay Unit Trust[4]	50%

1. 2 Bentinck Street, London, England, W1U 2FA.
2. IFC 5, St Helier, JE1 1ST, Jersey.
3. Fifth Floor, 37 Esplanade, St Helier, JE1 2TR, Jersey.
4. 26 New Street, St. Helier, JE2 3RA, Jersey.
5. Venus Building 1 Old Park Lane, TraffordCity, Manchester, England, M41 7HA.
6. C/O William Fry, 2 Grand Canal Square, Dublin 2, Ireland, D02 A342.
7. The address of this company was changed from C/O Ashby Capital, 1 St Vincent Street, London, United Kingdom, W1U 4DA to 100 Victoria Street, London, SW1E 5JL on 20 April 2023
8. 85 Great Portland Street, First Floor, London, England, W1W 7LT.
9. Ground Floor T3 Trinity Park, Bickenhill Lane, Birmingham, United Kingdom, B37 7ES.

Shareholder information

Financial calendar

Table 93

	2023
Annual General Meeting[1]	6 July
Final dividend[2]	21 July
2023/24 Half-yearly results announcement	14 November
	2024
2023/24 Financial year end	31 March
2023/24 Annual results announcement[3]	14 May

1. The Annual General Meeting is scheduled to be held at 10 00 am on Thursday, 6 July 2023 at 80 Victoria Street, London SW1E 5JL For further details, please see the Notice of Meeting, comprising a letter from the Chairman, resolutions proposed and explanatory notes which can be found on the Company's website: **landsec.com/agm.**
2. The Board has recommended a final dividend of 12 0 pence per ordinary share, payable wholly as a Property Income Distribution, subject to shareholders' approval at the forthcoming Annual General Meeting.
3. Provisional.

Share register analysis as at 31 March 2023

Table 94

Holding range:	Number of holders	%	Number of ordinary shares	%
1-1,000	6,001	66.9	2,146,232	0.3
1,001–5,000	1,764	19.7	3,599,624	0.5
5,001-10,000	275	3.1	1,900,796	0.3
10,001–50,000	378	4.2	9,258,727	1.2
50,001–100,000	128	1.4	9,404,201	1.2
100,001 -500,000	220	2.5	51,785,570	6.9
500,001–highest[1]	198	2.2	673,286,069	89.6
Total	**8,964**	**100**	**751,381,219**	**100.0**

Share register analysis as at 31 March 2023

Table 95

Held by:	Number of holders	%	Number of ordinary shares	%
Private shareholders	7,593	84.7	8,256,497	1.1
Nominee and institutional investors[1]	1,371	15.3	743,124,722	98.9
Total	**8,964**	**100.00%**	**751,381,219**	**100.0**

1 Including 6,789,236 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: **landsec.com/investors**.

The website also includes information about the latest Landsec share price and dividend information, news about the Company, its properties and operations, and how to obtain further information.

Registrar: Equiniti

Our Company Registrar, Equiniti, can assist with queries regarding administration of shareholdings, such as bank account payment details, dividends, lost share certificates, change of address or personal details, and amalgamation of accounts. You can contact Equiniti as follows:

Online:

Equiniti offer a free and secure online share management service to shareholders called EQ Shareview, which also provides access to current share prices, voting by proxy, buying and selling shares, and receipt of electronic shareholder communications.

Registration to EQ Shareview is available on our website: **landsec.com/investors/shareholders-equity-investors** or Equiniti at: **shareview.co.uk**.

Telephone:

Your shareholder account number will be required when calling.
Telephone: 0371 384 2128[1]
International dialling: +44 (0)121 415 7049[1]

Post:

Equiniti
Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom

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 on the investor page or on **shareview.co.uk**.

UK Real Estate Investment Trust (REIT) taxation and status on payment of dividends
As a UK REIT, Landsec does not pay corporation tax on Qualifying Activities, which are rental profits and chargeable gains relating to its property rental business.

At least 90% of income derived from Qualifying Activities must be distributed as Property Income Distributions (PIDs). For most shareholders, PIDs will be paid after deducting withholding tax at 20%. However, certain categories of shareholder may be able to receive PIDs gross, (i.e. without deduction of withholding tax).

These categories are principally UK companies, charities, local authorities, UK pension schemes and managers of ISAs, PEPs and Child Trust Funds.

A REIT may additionally pay ordinary dividends which will be treated in the same way as dividends from non-REIT companies.

Further information on UK REITs and the forms required to be completed to apply for PIDs to be paid gross are available on the Landsec website or from the Registrar: **landsec.com/investorsshareholders-equity-investors/uk-reit-regime-and-dividends**.

Payment of dividends to UK resident shareholders
Dividend payments by cheque ceased from October 2020 and all shareholders are now required to have their dividends paid directly into their personal bank or building society account or alternatively sign up to our Dividend Reinvestment Plan (see below). Under this arrangement, dividend confirmations are still sent to your registered address.

Receiving dividends directly into a nominated account has a number of advantages, including the crediting of cleared funds on the actual dividend payment date.

Shareholders who have not already done so should contact the Registrar (Equiniti) or complete a mandate instruction available on our website **landsec.com/investorsshareholders-equity-investors/dividend-information** and return it to the Registrar. Alternatively, these details can be sent via their Equiniti Shareview online account, which is available on our website on the investors page under shareholders or directly at Equiniti: **shareview.co.uk**.

Payment of dividends to non-UK resident shareholders
As applicable to UK resident shareholders, dividend payments by cheque ceased from October 2020 and all shareholders are now required to have their dividends paid directly into their personal bank or building society account. Payments to overseas accounts are made a few days after the Company's dividend payment date.

Shareholders who have not already done so are encouraged to contact the Registrar (Equiniti) on +44 (0)371 384 2030[1] or download an application form online at **shareview.co.uk** or provide these details via their Equiniti Shareview online account.

This service is available in over 90 countries worldwide.

Dividend Reinvestment Plan (DRIP)
The DRIP provides shareholders with the opportunity to use cash dividends to increase their shareholding in Landsec. It is a convenient and cost-effective facility provided by Equiniti Financial Services Limited. Under the DRIP, cash dividends are automatically used to purchase shares in the market as soon as possible after the dividend payment. Any residual cash will be carried forward to the next dividend payment.

Details of the DRIP, including terms and conditions and participation election forms, are available on our website in the investor section under shareholders.

These are also available by post from:
Dividend Reinvestment Plans Equiniti
Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA
Telephone: +44 (0)371 384 2268[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 +44 (0)345 603 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: **shareview.co.uk/dealing**. For postal dealing, call +44 (0)371 384 2030[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.

Shareholder information

continued

ShareGift

Shareholders with a small number of shares, the value of which would make them uneconomic to sell, may wish to consider donating them to a charity through ShareGift, a registered charity (No. 1052686) which specialises in using such holdings for charitable benefit. A ShareGift donation form can be obtained from the Registrar. Further information about ShareGift is available at:
sharegift.org
help@sharegift.org
Telephone: +44 (0)20 7930 3737
ShareGift 4th Floor Rear, 67/68 Jermyn Street, London SW1Y 6NY

Individual Savings Account (ISA)

The Company has arrangements in place to provide an ISA which is managed by:
Equiniti Financial Services Limited
Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA
Telephone: +44 (0)345 0700 720[1]

Capital Gains Tax

For the purpose of Capital Gains Tax, the price of a Landsec share at 31 March 1982, adjusted for the capitalisation issue in November 1983 and the Scheme of Arrangement in September 2002, was 203p.
On the assumption that the 5 for 8 Rights Issue in March 2009 was taken up in full and there were no fractional shares in the 2017 share consolidation, the adjusted price, post consolidation, for Capital Gains Tax purposes would be 229p per share. Further details on UK tax on gains on a sale of Landsec shares can be found on our website **landsec.com/investorsshareholders-equity-investors/uk-tax-gains-sale-landsec-shares**

Data protection

A copy of the Shareholder Privacy Notice can be found on our website: **landsec.com/policies/privacy-policy/shareholders**.

Unclaimed assets register

The Experian Unclaimed Asset Register (UAR) was decommissioned. You can continue to uncover lost and dormant assets with Estatesearch **(estatesearch.co.uk)**.

Unsolicited mail

The Company is obliged by law to make its share register available on request to other organisations which may result in shareholders receiving unsolicited mail. To limit the receipt of unsolicited mail, shareholders may register for free with the Mailing Preference Service, an independent organisation by visiting **mpsonline.org.uk**, or by telephone on: +44 (0)20 7291 3310.

Shareholder security

In the past, some of our shareholders have received unsolicited telephone calls or correspondence concerning investment matters from organisations or persons claiming or implying that they have some connection with the Company. These are typically from purported 'brokers' who offer to buy shares at a price often far in excess of their market value. These operations are commonly known as 'boiler rooms'.

Shareholders are advised to be very wary of any offers of unsolicited advice, discounted shares, premium prices for shares they own or free reports into the Company. If you receive any such unsolicited calls, correspondence or investment advice:

- ensure you get the correct name of the person and firm;
- check that the firm is on the Financial Conduct Authority (FCA) Register to ensure that they are authorised at Home **(fca.org.uk)**;
- use the details on the FCA Register to contact the firm;
- call the FCA Consumer Helpline (freephone 0800 111 6768) if there are no contact details in the Register or you are told they are out of date; and
- if you feel uncomfortable with the call or the calls persist, simply hang up.

Additionally, feel free to report and/or discuss any shareholder security matters with the Company. To do this, please call: +44 (0)20 7413 9000 and ask to be put through to a member of the Governance and Company Secretarial department or email: shareholderenquiries@landsec.com

1. Lines are open 8.00am 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. If calling from outside the UK, please ensure the country code is used.

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
Telephone: +44 (0)20 7413 9000
landsec.com

Company secretary
Marina Thomas
Company Secretary
shareholderenquiries@landsec.com

Investor relations
Edward Thacker
Head of Investor Relations
enquiries@landsec.com

Registrar
Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Telephone: +44 (0)371 384 2128
If calling from outside the UK, please ensure the country code is used.
For deaf and speech impaired customers, Equiniti welcome calls via Relay UK. Please see relayuk.bt.com for more information.
shareview.co.uk

Auditor
Ernst & Young LLP
1 More London Place
London SE1 2AF
Telephone: +44 (0)20 7951 2000
ey.com

External advisers
Principal valuers: CBRE and JLL
Financial adviser: UBS
Solicitors: Slaughter and May
Brokers: UBS

Glossary

Adjusted net cash inflow from operating activities
Net cash inflow from operating activities including the Group's share of our joint ventures' net cash inflow from operating activities.

Adjusted net debt
Net debt excluding cumulative fair value movements on interest rate swaps and amounts payable under head leases. It generally includes the net debt of subsidiaries and joint ventures on a proportionate basis.

Book value
The amount at which assets and liabilities are reported in the financial statements.

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.

Development pipeline
The development programme together with future developments.

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.

EPRA
European Public Real Estate Association.

EPRA earnings
Profit before tax, excluding profits on the sale of non current assets and trading properties, profits on development contracts, valuation movements, fair value movements on interest-rate swaps and similar instruments used for hedging purposes, debt restructuring charges, and any other items of an exceptional nature

EPRA loan-to-value (LTV)
Ratio of adjusted net debt, including net payables, to the sum of the net assets, including net receivables, of the Group, its subsidiaries and joint ventures, all on a proportionate basis, expressed as a percentage. The calculation includes trading properties at fair value and debt at nominal value.

EPRA net disposal value (NDV) per share
Diluted net assets per share adjusted to remove the impact of goodwill arising as a result of deferred tax, and to include the difference between the fair value and the book value of the net investment in tenant finance leases and fixed interest rate debt.

EPRA net initial yield
EPRA net initial yield is defined within EPRA's Best Practice Recommendations as the annualised rental income based on the cash rents passing at the balance sheet date, less non recoverable property operating expenses, divided by the gross market value of the property. It is consistent with the net initial yield calculated by the Group's external valuer.

EPRA Net Reinstatement Value (NRV) per share
Diluted net assets per share adjusted to remove the cumulative fair value movements on interest rate swaps and similar instruments, the carrying value of deferred tax on intangible assets and to include the difference between the fair value and the book value of the net investment in tenant finance leases and add back purchasers' costs.

EPRA Net Tangible Assets (NTA) per share
Diluted net assets per share adjusted to remove the cumulative fair value movements on interest-rate swaps and similar instruments, the carrying value of goodwill arising as a result of deferred tax and other intangible assets, deferred tax on intangible assets and to include the difference between the fair value and the book value of the net investment in tenant finance leases.

Equivalent yield
Calculated by the Group's external valuer, equivalent yield is the internal rate of return from an investment property, based on the gross outlays for the purchase of a property (including purchase costs), reflecting reversions to current market rent and such items as voids and non-recoverable expenditure but ignoring future changes in capital value. The calculation assumes rent is received annually in arrears.

ERV – Gross estimated rental value
The estimated market rental value of lettable space as determined biannually by the Group's external valuer. For investment properties in the development programme, which have not yet reached practical completion, the ERV represents management's view of market rents.

Fair value movement
An accounting adjustment to change the book value of an asset or liability to its market value (see also mark-to-market adjustment)

Finance lease
A lease that transfers substantially all the risks and rewards of ownership from the Group as lessor to the lessee.

Gearing
Total borrowings, including bank overdrafts, less short-term deposits, corporate bonds and cash, at book value, plus cumulative fair value movements on financial derivatives as a percentage of total equity. For adjusted gearing, see note 21.

Gross market value
Market value plus assumed usual purchaser's costs at the reporting date.

Head lease
A lease under which the Group holds an investment property.

Interest Cover Ratio (ICR)
A calculation of a company's ability to meet its interest payments on outstanding debt. It is calculated using EPRA earnings before interest, divided by net interest (excluding the mark to market movement on interest-rate swaps, foreign exchange swaps, capitalised interest and interest on the pension scheme assets and liabilities) The calculation excludes joint ventures.

Interest-rate swap
A financial instrument where two parties agree to exchange an interest rate obligation for a predetermined amount of time. These are generally used by the Group to convert floating rate debt or investments to fixed rates.

Investment portfolio
The investment portfolio comprises the investment properties of the Group's subsidiaries on a proportionately consolidated basis where not wholly owned.

Lease incentives
Any incentive offered to occupiers to enter into a lease. Typically, the incentive will be an initial rent-free period, or a cash contribution to fit-out or similar costs For accounting purposes, the value of the incentive is spread over the non-cancellable life of the lease.

Like-for-like portfolio
The like for-like portfolio includes all properties which have been in the portfolio since 1 April 2021 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 rat o 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.

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.

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.

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.

Property Income Distribution (PID)
A PID is a distribution by a REIT to its shareholders paid out of qualifying profits. A REIT is required to distribute at least 90% of its qualifying profits as a PID to its shareholders.

Qualifying activities/Qualifying assets
The ownership (activity) of property (assets) which is held to earn rental income and qualifies for tax-exempt treatment (income and capital gains) under UK REIT legislation.

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.

Reversionary or under-rented
Space where the passing rent is below the ERV.

Reversionary yield
The anticipated yield to which the initial yield will rise (or fall) once the rent reaches the ERV.

Security Group
Security Group is the principal funding vehicle for the Group and properties held in the Security Group are mortgaged for the benefit of lenders. It has the flexibility to raise a variety of different forms of finance.

SONIA
The Sterling Overnight Index Average reflects the average overnight interest rate paid by banks for unsecured sterling transactions with a range of institutional investors. It is calculated based on actual transactions and is often used as a reference rate in bank facilities.

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 in line with EPRA guidance.

Total return on equity
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 EPRA earnings, other than rents payable, financing costs and provisions for bad and doubtful debts, expressed as a percentage of gross rental income before rents payable adjusted for costs recovered through rents but not separately invoiced.

Total development cost (TDC)
Total development cost refers to the book value of the site at the commencement of the project, the estimated capital expenditure required to develop the scheme from the start of the financial year in which the property is added to our development programme, together with capitalised interest, being the Group's borrowing costs associated with direct expenditure on the property under development. Interest is also capitalised on the purchase cost of land or property where it is acquired specifically for redevelopment. The TDC for trading property development schemes excludes any estimated tax on disposal.

Trading properties
Properties held for trading purposes and shown as current assets in the balance sheet.

Turnover rent
Rental income which is related to an occupier's turnover.

Vacancy rates
Vacancy rates are expressed as a percentage of ERV and represent all unlet space, including vacant properties where refurbishment work is being carried out and vacancy in respect of pre-development properties, unless the scale of refurbishment is such that the property is not deemed lettable. The screen at Piccadilly Lights, W1 is excluded from the vacancy rate calculation as it will always carry advertising although the number and duration of our agreements with advertisers will vary.

Valuation surplus/deficit
The valuation surplus/deficit represents the increase or decrease in the market value of the Combined Portfolio, adjusted for net investment and the effect of accounting for lease incentives under IFRS 16 (previously SIC-15). The market value of the Combined Portfolio is determined by the Group's external valuer.

Voids
Voids are expressed as a percentage of ERV and represent all unlet space, including voids where refurbishment work is being carried out and voids in respect of pre-development properties. Temporary lettings for a period of one year or less are also treated as voids. The screen at Piccadilly Lights, W1 is excluded from the void calculation as it will always carry advertising although the number and duration of our agreements with advertisers will vary. Commercialisation lettings are also excluded from the void calculation.

Weighted average 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.

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. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'anticipates', 'aims', 'ambition', 'milestones', 'objectives', 'outlook', 'plan', 'probably', 'project', 'risks', 'schedule', 'seek', '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.

This report is printed on paper certified in accordance with the FSC® (Forest Stewardship Council®) and is recyclable and acid-free.

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 CarbonNeutral® Printing Company.

MIX
Paper from responsible sources
FSC
www.fsc.org
FSC® C022913

Designed and produced by:
SALTERBAXTER
salterbaxter.com

Words:
Landsec and Richard Owsley

Photography:
Landsec
Andrew Urwin