LandSecurities

Sustainability Report 2015

“WE HAVE WORKED TOGETHER TO CREATE A NEW CITY QUARTER THAT WILL BE WORTHY OF OUR HISTORY.”

Councillor Bob Price
Oxford City Council

AT A GLANCE

STRATEGY

1
new Sustainability Committee

2
supporting working groups

9
commitments

ENVIRONMENT

Development
5
development sites undergoing embodied carbon profiling

Energy
8%
overall energy reduction

Water
2%
overall water reduction

Waste
100%
waste diverted from landfill (excl. leisure portfolio)

96/A-
our highest score yet in Carbon Disclosure Project

100%
of our operations ISO14001 certified

0
environmental incidents

SOCIETY

Diversity
51%/49%
female/male gender balance

Diversity and employment
25
work experience placements for Mencap candidates

Diversity and employment
15
jobs secured for Mencap candidates

Employment
157
jobs secured for disadvantaged groups in London

Health and safety
131v260
our accident frequency rate versus industry average

Health and safety
6
reportable RIDDORs

£135,489
raised for Mencap

£3m
value of financial, time and in-kind contributions

8,940
hours volunteered by employees

We have always taken our responsibilities as a company seriously.

This year, following a review of sustainability within the business, we're taking our approach to the next level. In this report we set out our new, simplified sustainability commitments. We discuss the priority areas we're addressing to ensure we fulfil those commitments. And – as you'll see from the front cover – we share what some of our stakeholders say about sustainability and Land Securities in their own words.

Our new commitments are ambitious and far-reaching. Real, enduring change takes time – years not months. And genuine sustainability involves tackling the biggest and most complex issues, not just talking about things that are easy to achieve.

We will report to you on our progress clearly and consistently, starting here.

CONTENTS

CHIEF EXECUTIVE'S STATEMENT

Decisions we take today will have an effect years from now. This is why Land Securities must think a generation ahead. We should consider how people will view us in the future, not just accept current attitudes. We need to respond to both short-term needs and long-term priorities.

There's a simple business rationale for this balanced approach: if we don't behave in the right way today our stakeholders won't do business with us tomorrow. They have a choice. Customers can either occupy or visit our space or not. Communities can support our schemes and properties or not. Partners can choose whether they want to work with us or not. Employees can choose whether to spend their time here or go elsewhere. And investors will only consider investing in us if we're meeting the needs of these other groups.

Put simply, we will only continue to thrive as a business if all these people choose us.

For me, that's what sustainability at Land Securities is all about – acting in the right way so that the people we depend on continue to support us, well into the future, so that Land Securities remains healthy.

I believe our balanced approach creates business benefits. Take our shopping centre development at Westgate, Oxford. We wanted to create something new in the heart of one of the world's most beautiful historic cities. Why should the local authority and local people trust us to do that? Because we could point to the careful work we had done in the cathedral cities of Exeter and Canterbury; in London, next to St Paul's Cathedral at One New Change and right by Westminster Cathedral in Victoria; and in the centre of Leeds with Trinity too.

We could also show people in Oxford how we think about the future when managing resources such as energy and water, as well as by-products like construction waste. And we could show the remarkable work we've done in London to help unemployed people get jobs and apprenticeships.

Our scheme in Oxford is now moving ahead. The city will gain a fantastic, thoughtfully designed, low-carbon centre, along with jobs and business opportunities for local people.

> "If we don't behave in the right way today our stakeholders won't do business with us tomorrow."

Within Land Securities sustainability has evolved from a focus on single environmental issues, and tactical responses to community requests, to a wider and deeper activity. In fact, it's now central to our purpose of helping businesses to succeed, economies to grow and people to thrive.

This year activity has focused on enhancing the way we think about, manage and report on sustainability issues. I am responsible for sustainability at Board level and I'm supported by one strategic Sustainability Committee and two dedicated working groups. Accountability for performance is clear all the way down the line. And we're working in closer partnership with our stakeholders to ensure our agenda matches theirs.

I want to underline the importance we place on a longer perspective because it's central to what you will read in this Sustainability Report. When you're dealing with complex issues such as energy efficiency and diversity you can't just think in terms of months. It takes years to achieve meaningful improvements and it's never a straightforward path from A to B.

In this report we don't shy away from talking about what's difficult or where we need to do more. And we don't make false promises. The nine commitments we've introduced look beyond the immediate future and we expect to report back against them over a number of years. It's lasting change that really counts.

Robert Noel
Chief Executive

Strategic update:

WHERE WE ARE AND WHERE WE'RE HEADING

Land Securities is absolutely clear on its direction as a business, and clear on the role sustainability plays for us and for those we work with and for. Our purpose is to provide the right space for our customers and our communities – helping businesses to succeed, the economy to grow and people to thrive. Our vision is to be the best property company in the UK.

How do we turn our purpose and vision into action?

Our strategy is designed to ensure we are a sustainable business through the market cycles. We make understanding our customers' needs our top priority, so we provide the space businesses and people need to thrive. We also look beyond our buildings, shaping the future for good by ensuring our activities meet the expectations of our customers, communities, partners and employees.

Our aim is clear: to be the leader in sustainability in the UK-listed real estate sector. We recognise that to become a truly sustainable business we must think beyond short-term financial goals, always balancing wider social and environmental objectives with the need to create value for shareholders over time. But it's also important to note that, for us, sustainability is more than a noble sentiment; it can provide us with competitive advantage too – as a business and as an investment choice.

So how are we doing?

We've come a long way over the past few years, from a tactical approach to 'corporate responsibility' (CR) to pursuing a structured CR strategy. In 2014 we decided to look at where our efforts had taken us, and where our trajectory would take us next. A comprehensive external review, conducted by JLL and concluded in autumn 2014, examined sustainability within the business, from top to bottom. JLL also compared us against our peers.

The review identified some real strengths and some notable weaknesses. In short, we had done well but needed to go further; to move beyond CR to being a fully sustainable business (see Fig 2). We devoted senior management time to defining our next steps and will continue to do so as our sustainability strategy evolves. We were determined to put in place enduring, demanding commitments and meaningful, measurable actions. The result is our nine sustainability commitments. Each involves a stretching target or a clear objective.

Our five environmental commitments replace the 15 targets we were working to before. You'll see that workforce – our number one material issue and an area discussed in some depth in last year's report – is addressed directly in our four social commitments. When we talk about 'workforce' we think beyond just our employees; it's also about the socio-economic relationships we have with our customers, communities and partners (see Fig 1).

The review produced a range of recommendations. We identified three that should be addressed first and we've taken swift first steps in response.

1. Structure – get the right people in place

- We've created accountability for sustainability at Board level, with our Chief Executive taking overall responsibility.
- We've strengthened the team responsible for embedding sustainability in our strategy and operations. This includes the appointment of a Director of Corporate Affairs and Sustainability at Executive Committee level.

2. Governance – ensure we have clear management oversight of sustainability performance

- We've simplified our structure, creating a small Sustainability Committee – supported by two working groups covering environment and society – with the power to monitor and direct how sustainability is being embedded throughout the business.
- Our Chief Executive chairs the Sustainability Committee, and the new Director of Corporate Affairs and Sustainability chairs the two working groups.
- We've clarified line reporting on sustainability matters so everyone in the business has a clear understanding of what it means for them and their team. Day-to-day leadership is also clear, with one person heading up the environment work and another our society work (see Fig 3).

3. Priorities – stay focused on what matters most and inspire people to get involved in those areas

- We're building on the great work the company has done in this area over past years by giving more time and consideration to the most material issues, and will continue to review our materiality matrix to ensure we focus on relevant issues.
- We're working closely with more of our stakeholders to ensure we understand their sustainability priorities and will continue to do so as our strategy evolves (see Fig 4).
- We're simplifying the way we report on our sustainability activities – starting with our nine commitments – so people can follow what we're aiming to achieve and how we're progressing. We're also further integrating sustainability with our overall corporate reporting, so people can understand the role sustainability plays in strategy and performance, and its impact on the business.

We go into a new year with a clear set of commitments and priorities in place. Over the next 12 months – and well beyond – our energies will be focused on embedding them at every level of the Company; making sure they inform the decisions we take, big and small; forging an ever-closer link between strategy and sustainability; and working to have the biggest positive effect we can on the people and places around us.

Sustainability commitments

Fig 1

Environment

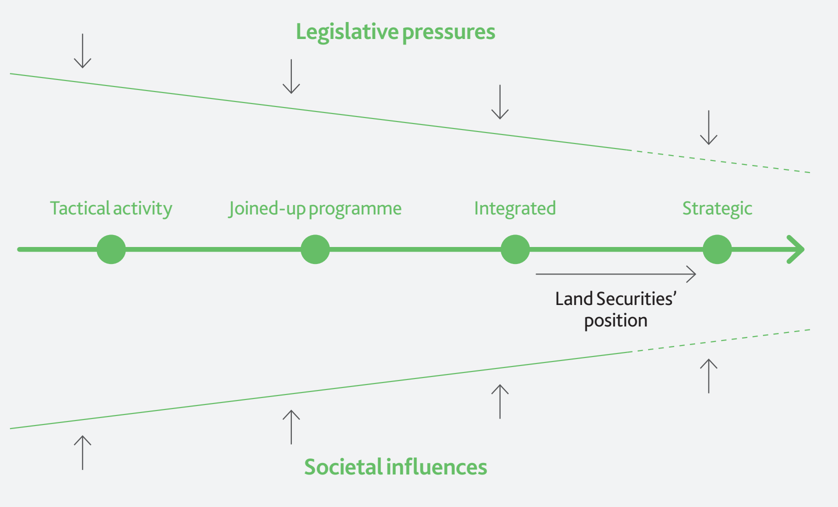
- Design all our new developments to meet or exceed best practice guidelines for carbon emissions and the use of energy, water and materials.
- Reduce the absolute energy consumption of our five largest energy-consuming managed buildings by 15% by 2020 (against a 2014 baseline).
- Reduce the water use of our five largest water-consuming managed buildings by 15% by 2020 (against a 2014 baseline).
- Send zero waste to landfill with at least 70% recycled across all our operational and construction activities by 2020.
- Maximise the biodiversity potential of all our development and operational sites.

Society

- Make measurable improvements to the profile – in terms of gender, ethnicity and disability – of our employee mix. We will be a leader in our industry in removing employment barriers faced by these groups.
- Maintain exceptional standards of both safety and health in all the working environments we control.
- Ensure the working environments we control are fair.
- Help 1,200 disadvantaged people secure jobs.

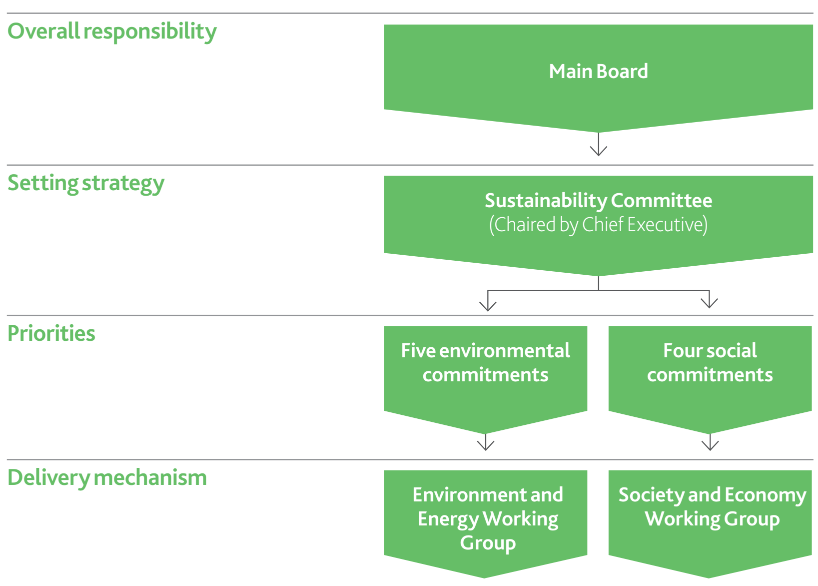
Our sustainability journey

Fig 2



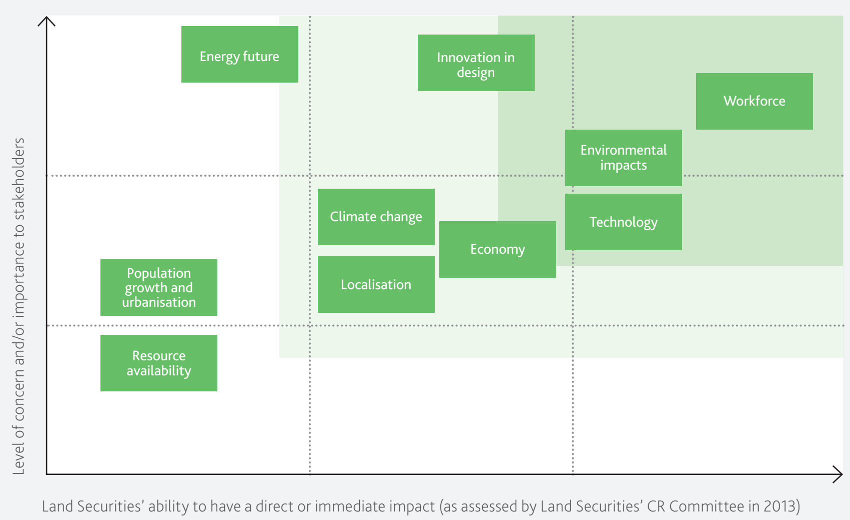
Governance

Fig 3



Materiality matrix

Fig 4



ADDING VALUE THROUGH THE LIFECYCLE

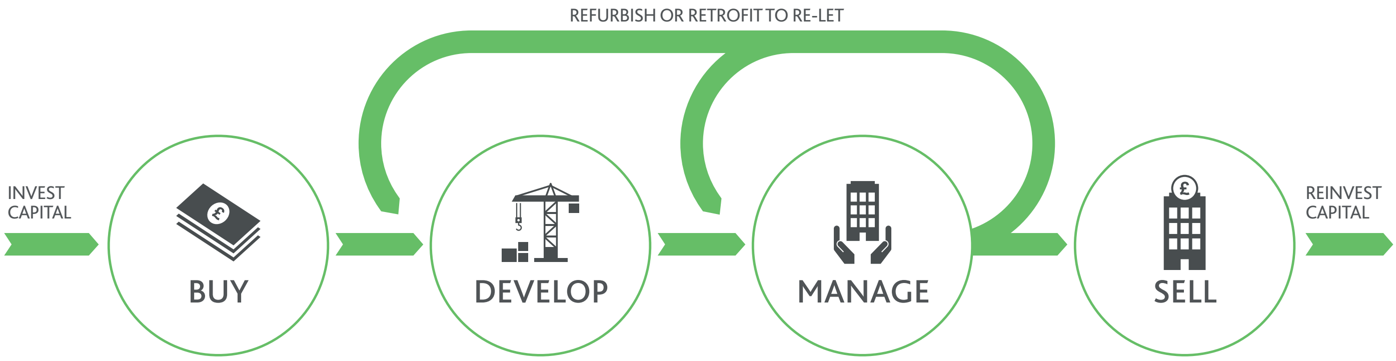
We aim to buy, develop, manage and sell assets in a way that benefits those closest to the company – our customers, communities, partners and employees.

We believe that responding to people's needs – and giving careful consideration to the environment, economy and community – helps us to create enduring value over the long term. Or put another way, if we look after our cities, our cities will look after us.

Where we acquire or develop, we work closely with our customers and communities to ensure the new space meets their needs and expectations. We manage most of the buildings we own which means we get to see how people interact with them and hear their views. So we gain a strong sense of what people really want from a particular building. And, because we have control, we can then take decisive action to improve things for the better.

Adding value through the lifecycle

The diagram below illustrates some of the ways in which we work to create value through the lifecycle of a typical asset.



Buy

Sustainability impacts

We acquire an asset if it has the potential to meet the evolving needs of our customers and communities; can be acquired at the right price; and is likely to generate value for us over time. With an eye on sustainable value, our investment manager will assess physical and environmental due diligence information on the state of the building. This will include details on physical risks that could decrease the value of the property and legislative risk that may affect its performance and value.

When we commit to buying a property, we bring long-term economic investment to that area.

Develop

Sustainability impacts

We develop when we see an opportunity to create technically resilient space that will appeal to customers, enhance the area and create financial value for us. We design for safety, health and wellbeing, considering things such as air quality and natural lighting. And we design for efficiency and productivity behind the scenes, considering areas such as reception, loading bays, lift service and power supply, with an emphasis on their effect on the customers' experience, operational resilience and energy use.

We also design to improve the public realm around our buildings, with health and safety in mind. And we consider the place within its context, including transport and communication connectivity, urban biodiversity and wider infrastructure.

Our development activity supports economic prosperity by helping to create job opportunities, both through construction and the ongoing use of the space. We work with the local authority to identify areas of social need, help people access opportunities and collaborate with our partners to address key issues. In particular, our activity enables young people to raise their aspirations, improve their skills and educational standards, and stand a better chance of getting a job.

For more on our approach to development and sustainability see page 8.

Manage

Sustainability impacts

We work with customers and the community to ensure a building operates as it was designed to. We redesign and refurbish space if we spot an opportunity to make it more attractive, useful and valued. We work with occupiers to manage energy, water and waste as cost-efficiency and environmental factors, which helps to protect the building from external risks such as price volatility, changing regulation, supply issues and premature obsolescence.

In this stage of the building's lifecycle our activities are the same as the development phase, from working with local authorities and groups to helping to increase aspirations and prosperity.

For more on our approach to asset management and sustainability see pages 10–15.

Sell

Sustainability impacts

We sell an asset when we see an opportunity to deploy our capital more effectively elsewhere. As a result of our investment and activity, we will sell a better-performing building than we bought. This should make it more valuable, which is good news for our shareholders.

We aim to build a positive legacy, leaving a place in a better state than when we arrived. By helping to make people's lives better, we strengthen our reputation and add value to our asset.

ENVIRONMENT

Our planet faces many resource issues, from energy and water to how we manage increasing demand for natural materials. These are reflected in the targets set by the UK Government and the expectations of society. We aim to be a force for good on the environment – working in smarter and more sustainable ways in our own operations while also helping our customers, communities and partners to respond to the challenges involved. This helps make us a stronger company: a business that can keep succeeding over the long term while making a big contribution to the wider world.

Commitment

DEVELOPMENT

Design all our new developments to meet or exceed best practice guidelines for carbon emissions and the use of energy, water and materials.

Why it's important

Designing developments the right way enables us to reduce our environmental impact, make our operations efficient and cost-effective, minimise future operational costs, mitigate the business risk of changing regulation and create schemes with enduring appeal to our customers and communities.

How we'll achieve it

- Design all new developments to outperform building energy performance requirements as defined in Part L of the Building Regulations 2013.
- Design all buildings to meet or exceed our BREEAM and Code for Sustainable Homes targets.
- Evolve our future development design standards to meet anticipated requirements for low-carbon buildings using our own Ultra Low Carbon definition.
- Carry out embodied carbon analysis and recycled content assessments to inform the selection and procurement of building materials to reduce environmental impacts.
- Minimise the use of energy in the construction process.
- Ensure all development partners continue to use our Sustainable Development Brief to guide decision making.

How we're doing

In the past, we have targeted a 25% reduction in CO_2 emissions against Part L of the 2010 Building Regulations. All current developments that are on site meet this standard.

Our new goal is to achieve reductions against the updated 2013 Building Regulations. These require cuts of 35% for offices, 10% in retail and 25% for residential. During the year two of our proposed schemes – Worcester Woods and 21 Moorfields, EC2 – integrated these performance requirements in their planning applications. Worcester Woods is a retail park development and 21 Moorfields an office and retail scheme. The planning applications – both submitted – set out clear energy performance targets for each scheme. We will monitor and report progress against the target as the planning and development process unfolds and are confident we will be able to achieve our ambitions.

In terms of meeting BREEAM targets, our new aim is for retail schemes to achieve as a minimum 'Very Good' rating (up from 'Good' last year) and offices to achieve a minimum 'Excellent' (up from 'Very Good').

The developments that are currently on site are all meeting their targeted rating and some – Westgate, Oxford, for example – meet the higher rating that we have introduced this year.

In terms of schemes in design, Worcester Woods is currently 'Good'. The move to 'Very Good' will demand that we meet tight requirements around enhancing on-site species. This won't be easy and we're currently developing an ecology strategy to help us achieve this. At 21 Moorfields our aim is to achieve 'Excellent' but it is too early to report progress.

In the absence of clear, industry-wide standards for low-carbon commercial buildings, we set and published an Ultra Low Carbon standard in 2011. To qualify, a building must achieve a reduction of at least 50% in the carbon emissions associated with its regulated energy – heating, cooling, ventilation, internal lighting and water heating. All residual emissions must be offset through allowable solutions. We aim to achieve this standard at two of our current developments. Westgate, Oxford is on course to meet and possibly exceed the target at project completion in 2017. At Zig Zag, SW1 – a mixed-use scheme in the heart of our Victoria regeneration area – the building is designed to achieve a 50.5% reduction.

Embodied carbon – the CO_2 emitted during the manufacture, transport and construction of building materials – is an important measure for assessing the impact of development.

In terms of schemes in progress, we have assessed embodied carbon performance at Westgate, Oxford, and are now working with our supply chain partners to improve performance. Our first step was to reuse more of the materials from the existing centre during construction. This will help us meet our additional target of minimising the use of energy and materials in the construction process. The data captured here has informed our new 15% reduction target.

At 1 New Street Square, by powder-coating, rather than anodising, the aluminium cladding we have saved approximately 200 tonnes of CO_2e.

We will assign consultants to assess embodied carbon performance when Worcester Woods and 21 Moorfields, and any other new schemes, move ahead after planning.

Our Sustainable Development Brief has been in place for many years. Reviewed annually, it is a vital tool in ensuring our partners continue to deliver against the highest standards.

For more on water use, please see page 12.

As well as working to improve our performance, we are also bringing together people from across our industry – and other sectors – to exchange insights and views. For example, our successful Environment Conference in 2014 saw sophisticated discussion and expert opinion around issues such as leadership, behaviour and innovation.

Looking ahead, we will continue to set targets for performance that go beyond those required by law and regulation. Our targets are ambitious – just what you would expect from a company aiming to lead its industry. By conveying what we expect, and ensuring this is represented in our tender documents, we ensure there's a level playing field for our supply chain partners. As legislation and regulation set ever-higher standards our level of outperformance will decrease, but we will always aim to go beyond requirements. As a result, our assets will perform better for our customers, our communities and us.

5

development sites undergoing embodied carbon profiling

“WE WANT WESTGATE TO BE THE LOWEST EMBODIED CARBON SHOPPING CENTRE IN THE UK”

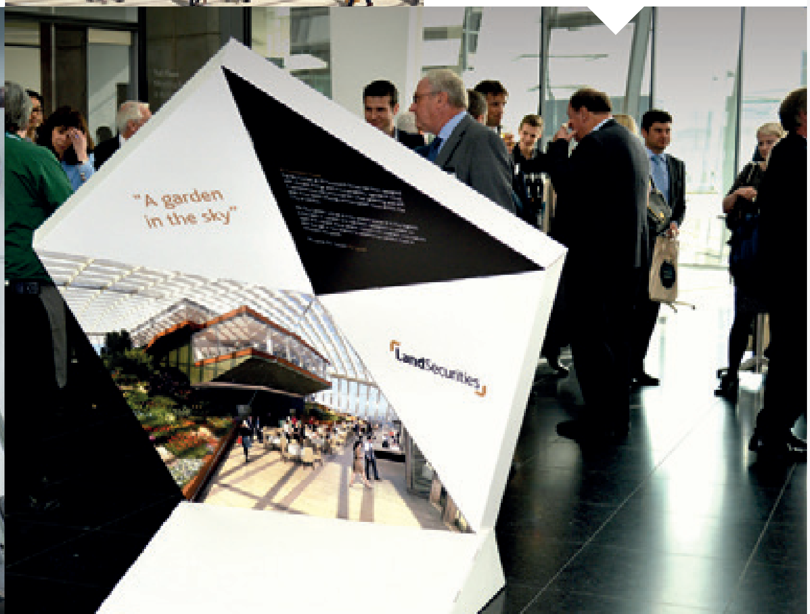
Neil Pennell, Head of Engineering and Design, Land Securities

“80.2% SCORE AND ‘EXCELLENT’ RATING”

BREEAM assessment for 20 Fenchurch Street

“IT WAS A WELCOME RE-INJECTION OF SUSTAINABILITY INSPIRATION”

Delegate, Land Securities’ Environment Conference 2014



“LAND SECURITIES IS LEADING THE INDUSTRY BY ACHIEVING COST-EFFECTIVE CARBON REDUCTIONS THROUGH BOTH POLICY AND EFFECTIVE SUPPLY CHAIN DELIVERY”

Simon Sturgis, Sturgis

“THE GREEN WALL AT 20 FENCHURCH ST MAKES A VITAL CONTRIBUTION TO THE CITY’S HEALTH”

Richard Sabin, Biotecture

Commitment

ENERGY

Reduce the absolute energy consumption of our five largest energy-consuming managed buildings by 15% by 2020 against a 2014 baseline.

Why it's important

The UK has committed to reduce CO_2 emissions by 80% by 2050 compared with 1990 levels. Commercial buildings account for around 18% of UK carbon emissions so it's important to reduce energy use in the sector to meet changing legislation, regulation and expectation, protecting the future value of our portfolio. Energy efficiency also provides us – and our customers – with greater protection from the rising cost of energy and threats to security of supply.

How we'll achieve it

- Develop and carry out site-specific energy reduction plans at the five largest energy-consuming buildings in the portfolio. For 2015 these were:
  - Times Square, EC4 (160 Queen Victoria Street)
  - Cardinal Place, SW1 (80–100 Victoria Street)
  - New Street Square, EC4 (Buildings 4, 5 and 6)
  - One New Change, EC4
  - Thomas More Square, E1.

These five assets account for 37% of the energy we use within our managed portfolio. The overall target reduction for the five buildings is 15% by 2020 compared with 2014. Interim targets are 5% by March 2016 and 10% by March 2018. We sold Times Square in March 2015 so our sixth largest energy-consuming building will join the top five.

Above and beyond this commitment we will:

- Apply best practice energy management processes to all buildings in the managed portfolio
- Ensure all buildings available for lease within the portfolio have an EPC (Energy Performance Certificate) rating of E or better by March 2017
- Support investment in energy-saving technologies and new initiatives
- Gain the formal support of customers to reduce energy use in buildings through behaviour change programmes.

How we're doing

We are developing five-year plans for each of the five assets, but during the year we have already introduced a range of measures to address energy performance within these buildings. As a result, the overall reduction across the five assets in the year was 7% against the 2014 baseline. Actions taken during the year included the following:

Times Square, EC4

We have experienced an 8% reduction at Times Square, which is in part due to retrofitting LED lighting and introducing movement sensors in some of the common parts.

Cardinal Place, SW1

We have carried out work on the chiller controls to optimise the system's operation. These improved controls have led to a significant drop in energy use in July and August and a 4% reduction in the year.

New Street Square, EC4

We achieved a 2% reduction this year by improving lighting controls in back of house areas and retrofitting LED lighting in common part areas. The replaced lighting system was just six years old, which underlines how quickly lighting technology is developing.

One New Change, EC4

A 6% increase this year was largely due to higher occupancy levels in the offices, with tenants moving in over the course of the 12 months. The figure also reflects that we now report on both the retail and office element as one building rather than separating them out. Meanwhile, the on-site ground source heat pump system – a truly groundbreaking technology in 2011 when it was installed – is performing efficiently, providing inexpensive renewable heat to customers and creating an income stream via the Renewable Heat Incentive.

Thomas More Square, E1

We experienced a 21% reduction this year. We believe the sole reason for this was a change in occupier, with an intensive energy-user moving out. This demonstrates the significant effect a customer's operations can have on our energy performance and the challenge of reporting consistently. This year we are installing a new gas-fired boiler system, which should see genuine savings made in the future.

Portfolio-wide improvements

As well as our focus on our five largest energy-consuming assets, we also continue to make improvements across the portfolio.

At Gunwharf Quays in Portsmouth, a new solar PV system – introduced in 2012 – has generated an estimated annual energy saving of 226,211 kWh, which is equivalent to a cost saving of approximately £27,000 in the year, together with additional financial benefits from government feed-in tariffs. We are now undertaking a review of how further PV could be introduced across our retail business.

10%
energy reduction in Retail Portfolio

8%
energy reduction in London Portfolio

7%
overall reduction in energy use at our five largest energy-consuming buildings (which account for 37% of our energy use)

£27,000
p.a. saving by installing PV at Gunwharf Quays

"THE SOLAR IS A BRIGHT IDEA BECAUSE IT KEEPS THE CAR PARK LIT WHILE SAVING US ENERGY AND MONEY"

Jack Busby, Portfolio Director, Land Securities

"WE'VE BEEN WORKING CLOSELY WITH LAND SECURITIES, AS A PARTNER AND CUSTOMER, TO DELIVER OPTIMAL WORKING ENVIRONMENTS, ALL THE WHILE KEEPING ENERGY USAGE IN CHECK AND SUSTAINABILITY TARGETS ON TRACK"

Richard Ward, Schneider Electric

"LAND SECURITIES' CAN-DO APPROACH MEANS WE CAN INNOVATE AND INVEST TO SUPPORT BUILDING OCCUPIERS IN THE FACE OF THE SIGNIFICANT GLOBAL ENERGY CHALLENGES THAT LAY AHEAD"

Chris Clarke, NG Bailey

At The Galleria designer outlet centre in Hatfield, we've reduced energy use by using fewer lights, adjusting timer settings, installing passive movement sensors and retrofitting LED lighting, decreasing electricity consumption by 4%.

We are embarking on a groundbreaking pilot energy performance programme with NG Bailey, which aims to make savings through building systems efficiencies, lifecycle upgrades and customer engagement within the constraints of the landlord/customer commercial model.

In addition we are trialling Demand Logic, a new web-based system that uses data analytics and infographics to identify building energy savings and performance improvements.

We estimate that this trial at Dashwood House has identified around £100,000 of savings.

As well as our business-wide ISO14001 Environmental Management System certification we will also be adopting ISO50001 as our Company-wide Energy Management System, to meet our compliance obligations under ESOS.

From April 2016 we will be looking to buy all of our electricity from 100% renewable sources. This reflects our ability to reduce our carbon impact through responsible procurement decisions as well as through traditional energy efficiency measures.

WE'RE NOT HEAVY USERS OF WATER, BUT WE DO TAKE WATER EFFICIENCY VERY SERIOUSLY

Commitment

WATER

Reduce the water use of our five largest water-consuming managed buildings by 15% by 2020 against a 2014 baseline.

Why it's important

The UK has a robust water infrastructure compared with many other countries, but greater variability in rainfall patterns means that scarcity issues occur in pockets around the country, notably often in the South East. Growing population density in urban centres further increases the risk of disruptions to supply and higher water bills. Lowering water use in our managed portfolio will minimise our reliance on local water infrastructure and reduce our customers' operating costs, increasing the appeal of our buildings.

How we'll achieve it

- Develop and carry out site-specific reduction plans at the five largest water-consuming buildings in the managed portfolio. For 2015 these were:
  - Times Square, EC4 (160 Queen Victoria Street)
  - Cardinal Place, SW1 (80–100 Victoria Street)
  - The Galleria, Hatfield
  - Gunwharf Quays, Portsmouth
  - St David's, Cardiff.

The overall target reduction for the five buildings is 15% by 2020 compared with 2014 landlord-controlled consumption levels. Interim targets are 5% by March 2016 and 10% by March 2018. We sold Times Square in March 2015 so it will be replaced in the top five by our sixth largest water-consuming managed building.

Above and beyond this commitment we will also:

- Apply best practice water management procedures to all assets where we control water use
- Maximise rainwater harvesting and grey water recycling through all new development sites and assess the benefit of retrofitting solutions in our existing portfolio
- Support investment in water-saving technologies and new initiatives, and install new metering for more accurate measurement and control
- Gain the formal support of customers to reduce water use in buildings through behaviour change programmes.

How we're doing

We are not major users of water but aim to be as efficient as possible. Significantly improving water use isn't easy for us, however. This is partly because we can only control what happens within the common parts of our retail properties; customers often make their own arrangements. This becomes particularly important if the occupier is a provider of food and drink. But, where we can, we share innovative ideas with our customers and help them to reduce both consumption and costs.

We saw a small reduction of 1% in the year, for landlord-controlled areas, against the baseline year 2014. Two of the top five properties improved and one saw no change, but water use at St David's and Gunwharf Quays increased. We are looking closely at the reasons for this and forensic water surveys have been commissioned at both to identify opportunities for savings.

Although not in the top five this year we have also implemented efficiency measures at New Street Square which we will be looking to adopt across the rest of the portfolio.

Looking ahead, we need to do more to measure and consider the use of water on our construction sites. We'll also start to apply our expertise on embodied carbon to embodied water in the supply chain.

1%

overall reduction in water use at our five largest water-consuming buildings

Commitment

WASTE

Send zero waste to landfill with at least 70% recycled across all our operational and construction activities by 2020.

Why it's important

The economic and environmental cost of sending waste to landfill is very high and the benefits of recovering waste streams to create value are well understood. By avoiding landfill costs and maximising waste recovery across all our activities we can minimise operational and construction costs and maximise the environmental benefit of this valuable reduction. Increasing legislation and regulation add momentum to the need for continuous improvement in this area.

How we'll achieve it

We have long been aware of the need to reduce, reuse and recycle materials and have continuously improved our performance over the years. The measures below will help us to go one step further.

- Continue to identify and implement solutions with supply chain partners that:
  - Reduce the amount of waste produced in the first instance
  - Recover as much value as possible from waste through recycling before considering other recovery options such as digestion and generating energy from waste.
- Continue to include the target for construction waste in all development contracts (including demolition).
- Encourage all existing partners working on Land Securities development projects to continue to voluntarily adopt these targets and work towards them.
- Work with supply chain partners to improve the accuracy of waste measurement.
- Gain the formal support of customers to work with us on waste reduction and recycling initiatives through behaviour change.

How we're doing

Across the board our target is that 100% of waste should be diverted from landfill with no less than 70% of waste (by weight) being recycled.

This year, in our London Portfolio, 100% was diverted from landfill but we saw a reduction in the recycling rate from 55% to 49%. While disappointing as a headline figure, the change is largely due to improved data. We have moved away from an estimated approach and now calculate waste by weight, which is more accurate.

Our shopping centres diverted 99.8% of their waste from landfill and recycled 71.1%. And our leisure sites are achieving a 92.6% diversion rate with 57.1% recycled. We are very pleased to see such positive retail and leisure figures as it is becoming difficult to achieve high recycling rates.

Retail customers are increasingly processing waste such as cardboard as they set their own recycling targets, while leaving difficult-to-dispose-of material such as wet waste to us.

In terms of development, 100% of waste should be diverted from landfill with no less than 70% of waste (by weight) being recycled across all development projects by 31 March 2020.

These specific targets only apply to our schemes at Worcester Woods and 21 Moorfields, EC2, both of which are at planning stage. With current construction activity, 100% of construction waste is being diverted from landfill.

Clearly, our performance on waste is dependent on the nature of our relationships with supply chain partners, particularly main contractors. We are working closely with them to agree processes, monitor performance and make improvements when necessary. We are using our role as a major client to set high standards, influence behaviour and share best practice. For example, we carry out workshops focused on waste reduction during the development design process. We work with our supply chain to improve the accuracy of waste data. And we help our occupiers to reduce waste.

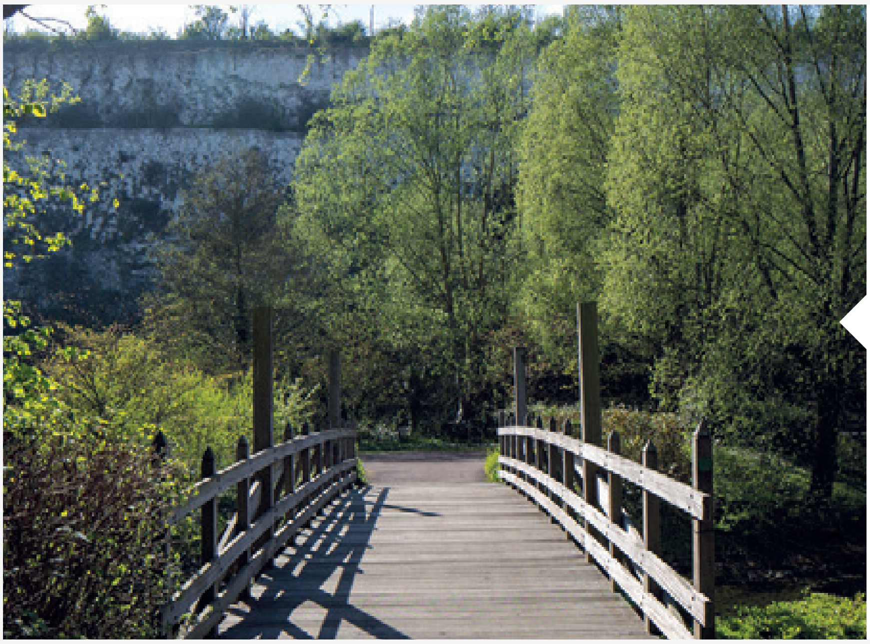
100%

waste diverted from landfill in London, Retail and construction

93%

waste diverted from landfill at leisure sites

GOOD WASTE MANAGEMENT CUTS COSTS AND IMPACTS



“PLANTING 100 TREES FOR EVERY ONE WE REMOVE IS JUST ONE WAY WE THINK LONG TERM ABOUT OUR IMPACT ON THE NATURAL ENVIRONMENT”

Sarah Beattie,
Senior Environment Manager, Land Securities

Commitment

BIODIVERSITY

Maximise the biodiversity potential of all our development and operational sites.

Why it’s important

Buildings often reduce the space and resources available to flora and fauna. On the other hand, thoughtful development and asset management can help to reduce negative impacts on the environment and, in some cases, help to support and promote local species. For example, habitats such as gardens and trees can act as stepping-stones within a wider network of connected green spaces, allowing wildlife to move more freely.

Green spaces enrich built environments and provide space for relaxation and socialising, so giving thought to biodiversity can bring potential benefits for our customers and communities. Green spaces and infrastructure are of increasing interest to planners and other regulators too, so considering biodiversity is an important part of the planning process for future schemes. And, as we all rely on nature, a thoughtful approach will have benefits for everyone.

How we’ll achieve it

This is a relatively undeveloped area within our sustainability programme, as it is within the property industry generally. There’s lots to be done and our aim is to help lead our industry in this area.

So, first, we need to have a full and clear understanding of how our development and operational sites affect biodiversity, what the opportunities are for maximising positive impact and how we can measure the effectiveness of the actions we take. We need to think long term, as measures carried out today might not produce tangible results for some years.

While we are shaping our strategy, we will continue to think about biodiversity when designing schemes and we’ll make improvements to existing assets whenever we spot good tactical opportunities. We’ll also be doing more to share our thinking and experiences on biodiversity with the wider world.

How we’re doing

This year we started work on developing the new biodiversity strategy that will be the foundation of our work in this area. We are looking hard at the often complex issues involved. Our goal is to ensure that what we do is meaningful and pragmatic. It won’t be easy to define clear measures of success but we are determined to do just that.

On practical work, we have continued to build in enhancements whenever we can. These include green roofs and walls, ponds, window boxes, bird and bat boxes, new trees and hedgerows. We have beehives too. And we’re also monitoring and managing invasive species.

One biodiversity commitment already well established within Land Securities is that, if we have to remove or displace a tree, we replant another 100. This year, for example, our White Rose Shopping Centre in Leeds ran a competition for a school to win 175 trees. Bruntcliffe School, Morley, won and new native species such as English oaks are now growing in school grounds.

In London, the opening of the Sky Garden at 20 Fenchurch Street, EC3, underlined how a well-designed garden can have a powerful impact on occupiers and visitors, adding to the appeal of the asset. During the year we also installed two green roofs at 1 and 2 New Ludgate, EC4. And at Bluewater we have seen how people from the local community, as well as visiting shoppers, delight in the parkland and lakes there.

This is just the start of a long process of maximising biodiversity, however. We need to keep thinking hard about what effect we can have. And we must collaborate with our many stakeholders – including supply chain partners – to ensure that what we learn along the way helps and inspires others to do more.

SOCIETY

The UK's cities and regions face some big challenges. Some are common to all. Others reflect specific local issues and needs. Real estate can have a big impact – for better or worse. By working closely with our many partners we aim to transform spaces and places, strengthen economies and create job opportunities. We do this by investing in the long-term future of our communities, looking after those who work with us and for us – going as far along the supply chain as possible – and ensuring we are a company people can trust.

Commitment

DIVERSITY

Make measurable improvements to the profile – in terms of gender, ethnicity and disability – of our employee mix. And lead our industry in removing the employment barriers faced by these groups.

Why it's important

Bringing different experiences, ways of thinking and approaches into the company helps to enrich our culture and improve our performance. It fosters innovation and creativity, and it enhances the way we consider and manage risk. And by making our workforce more representative of the diverse customers and communities we serve, we are more likely to be able to anticipate and respond to people's needs.

How we'll achieve it

Our commitment requires us to both improve our own performance and inspire change within our industry. We are clear on what we need to do within the Company. We do not yet have all the answers to industry-wide challenges on diversity.

Actions that are in our control include:

- Rolling out diversity training across the company
- Providing work experience opportunities at Land Securities and through our partners
- Recruiting a second cohort of Academy trainees
- Ensuring future employee initiatives consider and involve diversity
- Not accepting all-white male long lists for senior roles
- Establishing ways to ensure minority groups in Land Securities have a voice
- Continue to expand our Community Employment Programmes.

> "We are proud of our gender statistics but have more to do to develop a diverse talent pipeline for the future."
>
> Diana Breeze, Group HR Director, Land Securities

Outside our direct control, there are two broad groups to consider: the UK-listed real estate sector and the wider industry. We are working with both groups to agree which benchmarks should be used and create shared targets. Currently, this involves two key activities: comprehensive benchmarking against our peers, partners and other companies of a similar profile; and a detailed review of the assessment frameworks, standards and metrics needed to identify our current performance and show how we can improve.

How we're doing

We report on our diversity statistics regularly with an in-depth report presented to the Board every year. Our statistics on gender are positive, with women now making up 51% of our workforce, and with some very powerful senior role models (29% of the Executive Committee, 42% of the London, and 57% of the Retail Executive Committees are women).

Our ethnic mix has not improved, and we are convinced that the key to changing this is for us to work even more closely with the communities in which we operate. Along with our existing range of employment programmes, this year we created a Land Securities school leaver Trainee Academy. Although small, this has provided a very welcome injection of diverse school leaver talent into the business. We hope to grow this programme next year.

The diversity statistics for the property industry are not what we would like them to be. Internally, we have tried to break down the barriers, whether real or perceived, to anyone having a fulfilling career with us, irrespective of background, race, gender or disability. Our actions have included the rolling out of 'unconscious bias' training to all hiring managers and a new induction module on inclusive culture. We take this so seriously that this year, for the first time, we have added a Group key performance indicator on leadership in gender and ethnic diversity.

With regard to disability, we are keen to break down barriers. Find out more about this overleaf against our Employment commitment, where you will also read more about our investment in Academies and partnerships with organisations such as Mencap.

25

work experience placements for Mencap candidates of which 15 secured permanent jobs

3

New Trainee Academy launched with three school leavers

ROUTES TO EMPLOYMENT

ACADEMIC PROGRAMMES

Candidates via locally identified **Schools/colleges**
- School children <16 years
- At school or in further education 16–18 years
- School leavers
- Undergraduates
- Graduates
- Postgraduates

Academic programmes
Land Securities' initiated activity to raise awareness of opportunities and improve skills facilitated by Land Securities' volunteers.

'New or returning to work' programmes
Land Securities' initiated structured programmes designed to prepare young adults or those returning to work.

COMMUNITY EMPLOYMENT PROGRAMMES

Candidates via locally identified **Referral partners**
- Not in education, employment or training (NEETs)
- Long-term unemployed
- Learning disability
- Homeless
- Offenders

Employability hubs
Initiatives driven by Land Securities but working in partnership with referral partners and relying on supply chain job placements.

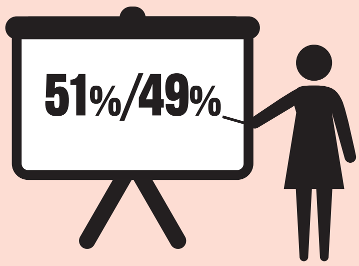
Grants/volunteers
Financial grants or Land Securities' time contributed to charitable or social enterprises designed to deliver employment outcomes.

Industry exposure, skills and experience

Opportunities and outcomes
- Land Securities and its peers
- With retail or office occupiers
- Through supply chain or other partners
- Progress to further education

"IT'S NOT JUST ABOUT FUNDRAISING, IT'S GREAT TO WORK WITH A PARTNER THAT CONSIDERS OUR NEEDS STRATEGICALLY"

Paddy Griffiths,
Head of Corporate Partnerships, Mencap



FEMALE/MALE GENDER BALANCE

"IT MEANS WE CAN HAVE A LIFE AND BE INDEPENDENT"

Vicky Hiles,
Trinity Kitchen

Commitment

EMPLOYMENT

Help a total of 1,200 disadvantaged people to secure jobs by 2020.

Why it's important

As a major developer and owner of property we can have a big socio-economic impact on an area. For example, by collaborating with our supply chain partners in smart ways we can create great job opportunities for local people, including those who are furthest from the jobs market. Increasing employment helps to enhance a local area, which makes our properties even more appealing to customers and strengthens our relationships with communities and partners.

Also, at a time when the property and construction industries are facing skills shortages, investment in community employment is one way in which we can help to increase the number of qualified people in the workforce, which is vital if future demand for new space is to be met.

How we'll achieve it

We offer two main routes into employment – academic and vocational.

The academic route sees us partner with schools, colleges and universities close to our operations. We offer a range of opportunities from single careers fairs and skills workshops to work experience placements, mentoring relationships and our Introduction to Property course.

Our initiatives in the vocational field focus on helping disadvantaged groups. Our Community Employment Programmes primarily aim to tackle both unemployment in the community and skills gaps in the construction and facilities management industries. We partner with a range of organisations and companies to create training, work experience and job opportunities for people who are finding it difficult to enter employment, including the long-term unemployed; ex-offenders; serving prisoners; homeless people; young people not in education, employment or training; people with learning disabilities; and women. Women currently represent just 11% of the workforce in construction, and only 2% of those involved in manual construction work.

How we're doing

In terms of our Community Employment Programmes in London, we record the number of people who progress from training and work experience into sustained employment. This year we helped 157 people move into employment. Since 2011, we have helped 823 people to get training and 315 to get work experience; 583 people have gained jobs and 32 people have become apprentices. In total, 3,419 people have benefited from the programmes.

As part of the activity in London, this year we worked with two charities – Bounce Back and BeOnsite – on a Release on Temporary Licence (ROTL) scheme with HM Prison Brixton. This programme enables prisoners who are due to be released within three months to gain work experience and enter employment in construction. The schemes can be complex to set up and run, but they help ex-offenders to settle in the outside world and contribute to society. This reduces reoffending rates, making significant cost savings to the economy. 40% of what offenders earn while working goes to victim support charities, until their release. During the year we provided work placements to six offenders.

In Oxford, the Westgate Oxford Employment and Skills Plan has been approved by Oxford City Council. The first meeting of the Employment and Skills Board has taken place, including representatives from Jobcentre Plus, Department for Work and Pensions, City of Oxford College and representatives from Oxford County and City councils. Our principal contractor, Laing O'Rourke, is implementing the Plan and the first intake to the Sector Based Work Academy was in May 2015. We are also applying what we've learnt from the London programmes, and are looking to create job opportunities in both construction and within the shopping centre once it opens.

Across the business we aim to get 170 people into jobs in 2015. Employment for disadvantaged people is so important to us it is a Group key performance indicator for the second year.

This year we worked closely with Mencap – our national charity partner – to help people with learning disabilities get a job. Through this we have seen for ourselves how difficult it can be for people with these disabilities to gain employment. We've also seen that those individuals often make superb employees. Over the 12 months our collaboration with Mencap and supply chain partners helped 25 candidates with work experience, from which 15 people went on to secure permanent jobs. We've also raised £135,489 for Mencap this year and provided Learning Disability Awareness training to 327 of our own teams and service partners. This training helps us break down barriers, but also improves our customer service.

157

jobs secured for disadvantaged groups (583 since the programme began in 2011)

3,419

people have benefited from the London Community Employment Programmes

£135,489

raised for Mencap

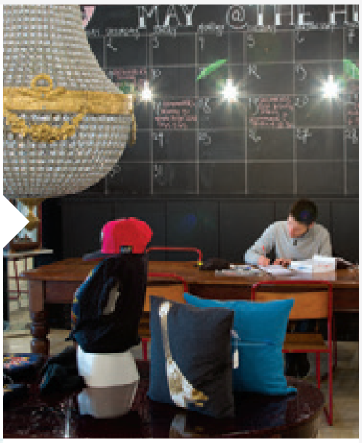
Looking ahead, there's a lot more than can be achieved on disability and employment. It's especially important that prospective employers recognise the particular needs of these candidates and adapt their recruitment processes. A flexible approach can lead to great rewards for everyone involved. We look forward to doing more in this area over the next 12 months.

Other initiatives in the year saw us:

- Give further support to the Sir Simon Milton Westminster University Technical College, which aims to inspire a new generation of engineers, technicians and business leaders when it opens in 2017
- Partner with 13 service providers, the Department for Work and Pensions and Jobcentre Plus to launch a new Facilities Management Academy which will provide pre-employment training, placements and a guaranteed job interview
- Recruit three young trainees into our Trainee Academy, which has been designed as an alternative to university. The Academy offers a two-year programme that sees the trainees gain experience across our business, together with qualifications. Our aim is to offer them permanent positions once they graduate
- Launch The Petit Miracles Hub at the West 12 shopping centre, Shepherd's Bush – a new and exciting business incubator project that provides space for new businesses and connects independent entrepreneurs from the local area with shoppers
- Enable disadvantaged adults to gain work experience and secure jobs through our partnership with the Beneficial Foundation at Gunwharf Quays. It has seen three young people employed by our service partner teams and six secure jobs with our retail customers
- Deliver our Introduction to Property course to 16 students this year, to prepare school-aged children for the world of work and expose them to opportunities in the real estate industry. Many of them will also be joining us for work experience placements. We have also partnered with our office customers in Victoria to support a local school with individual student mentors. To date 20 students have been assigned a mentor from either Land Securities, AT&T, EDF Trading or Microsoft
- Establish a school reward initiative that rewards good behaviour at Brighton Marina with a local secondary school that had previously been placed in 'Special Measures'. The school has seen significant behavioural improvements. We have hosted a streetdance workshop, bowling, cinema, picnics and cooking events with our retail customers' support.

"THE HUB IS A FANTASTIC PLATFORM FOR SHOWCASING LOCAL ENTREPRENEURSHIP"

Carl Meale,
Centre Manger of West 12



"IT'S IMPORTANT THAT WOMEN REALISE THERE IS MORE OUT THERE THAN JUST OFFICE JOBS"

Carlene Brooks, 2014 Employment Awards Highest Achiever

"THE JOBS CREATED HERE HAVE CHANGED THE LIVES OF MY CLIENTS AND I CANNOT THANK GUNWHARF QUAYS ENOUGH"

Robert Thompson, Employment Opportunities Co-ordinator, Portsmouth Partnership Board

Commitment

HEALTH AND SAFETY

Maintain an exceptional standard of both safety and health in all the working environments we control.

Why it's important

The safety of our own employees and those we ask to work on our behalf is paramount, and something from which we will never be distracted. We also have a duty of care to ensure that the health and wellbeing of those groups are not compromised through their work for us. These are fundamental responsibilities, but in taking care of our people we also generate business benefits – healthy and happy people perform better in their roles, work more effectively in their teams, are more likely to stay with the company and take even better care of our customers and communities.

How we'll achieve it

We aim to make the following three objectives standard across our construction sites and managed operations by 2020:

Safety – zero reportable health and safety incidents.

Health – every worker to have a transferable occupational health record.

Wellbeing – key construction and managed portfolio partners to have implemented a wellbeing policy.

Actions we are taking in pursuit of our objectives include:

- Providing a vision for behavioural change for our employees and supply chain through our One Best Way and Health and Safety Pledge, which in turn will help influence higher standards across the industry
- Encouraging visible leadership in safety and health, with senior leaders going out to see for themselves health and safety in action, and in turn being seen by the wider team and partners to take health and safety issues very seriously
- Introducing occupational medical surveillance on development projects that last longer than six weeks
- Ensuring our development sites are healthy and safe places to work and visit
- Ensuring our offices and retail spaces are healthy and safe places for people to shop, relax, work, visit and live
- Exceeding statutory health and safety compliance.

How we're doing

Our approach to safety starts from one central belief: accidents are avoidable and individual care, accountability and empowerment are key to keeping yourself and your colleagues safe. This is why we have embarked on a journey to 'Destination Zero' – a programme launched last year with the objective of eliminating all accidents, injuries and work-related ill health at our operations. During the year there were just six reportable incidents.

We have communicated our health and safety commitment and objectives within the business and these must be integrated in all tender documents. This creates a level playing field for all main contractors.

As part of this, every principal contractor must sign up to our Health and Safety Pledge, which sets out the standards we require. And once on board, all our principal contractors must attend our Continuous Improvement Groups, which are designed to bring together our supply chain partners to discuss issues, share knowledge and establish common standards. We will issue formal updates and standards regularly under our 'One Best Way' banner.

Within the Company, all new employees receive health and safety training that is appropriate to their job. This year training was made a Group key performance indicator, with performance reflected in executive remuneration. It requires anyone with a mandatory training obligation to complete it within six months of joining the Company. We must achieve 100% of 'critical' training in this time period and have targeted 80% of 'competency' training to be achieved.

On specific safety measures, we are giving particular attention to falling materials on our construction sites, which can pose a serious risk to members of the public and those working on site. During the year we introduced a new and innovative system that tethers tools to site workers. If a tool is dropped it is automatically caught by the tether. We required all our main contractors to adopt this system and it is now in place at our construction sites.

Over the last 12 months we also helped lead the adoption of higher standards on preventing fire during construction. Working with property development insurers and principal contractors, we defined a set of new best practice standards and shared these across our industry.

In terms of health and wellbeing, during the year we increased our requirements on principal contractors. Now all construction projects over six weeks' duration must provide an occupational health scheme. Within the business, we sent out our first wellbeing questionnaire to employees this year. This was designed to find out what wellbeing concerns and needs people have; the responses received will inform the design of our long-term health and wellbeing strategy. As with all of our health and safety activity, we aim to be a leader in our industry.

During the year we became OHSAS 18001-certified. This internationally recognised accreditation is the benchmark for Health and Safety Management Systems. Together with our ISO14001 accreditation for Environmental Management, this means that both health and safety procedures and environmental management are being carried out to the same high level – consistently – across the entire Company.

OHSAS 18001
certified

6
reportable RIDDORs

131v260
our accident frequency rate versus industry average

"FOR US GOOD HEALTH AND SAFETY STARTS WITH GOOD GOVERNANCE. IN TURN THAT SHOULD INSPIRE A CULTURE OF RESPECT, AWARENESS AND CONTINUOUS IMPROVEMENT"

Clive Johnson, Group Head of Health and Safety,
Land Securities

"THE TETHERING INITIATIVE DEMONSTRATES THAT LAND SECURITIES IS OPEN TO NEW IDEAS AND IS WELL AHEAD OF THE CURVE"

Tim McKevitt, Construction Director (Project Nova),
Mace Group Limited

"SITE FACILITIES WERE BOTH OUTSTANDING, AND WELL USED, INCLUDING ALTERNATIVE HEALTHY EATING AND EXAMPLES OF WORKFORCE CARE. THESE INCLUDED ANTI-BULLYING, TRAINING AND DEVELOPMENT, AND HEALTH AWARENESS"

Considerate Constructors Scheme,
2015 National Site Awards

> **"BEING ASKED TO TENDER BASED ON EXCELLENT CUSTOMER SERVICE RATHER THAN JUST LOWEST PRICE MEANS WE CAN ASSEMBLE THE BEST TEAM TO MEET LAND SECURITIES' NEEDS"**
>
> Eliot Seabourn-Wren,
> BaxterStorey

Commitment

FAIRNESS

Make sure the working environments we control are fair.

Why it's important

Being fair to our employees and those who work with us closely is the right way to act – ethically and commercially. Paying people a fair amount for their work helps us to attract and motivate great people. Ensuring that human rights are respected in our supply chain demonstrates we're a responsible business that thinks through the impact of its decisions and actions. And by being fair inside the Company we help to strengthen our reputation with our communities and partners outside, which is essential if we're to succeed.

How we'll achieve it

By 2020 everyone who is working on our behalf – within an environment we control – must be paid at least the Living Wage. This includes all of our direct employees, service partner employees within our managed portfolio assets and all construction workers on our sites.

Our leadership work on the Living Wage demonstrates how we can use our position as a customer to help improve standards within the property and construction industries. We are working closely with customers and partners to put in place a new approach that should generate benefits for everyone over time.

Meanwhile, our human rights policy applies across the Company and throughout the supply chain; we also require that our key suppliers adhere to the general principles in the policy. In addition, we will begin to look further into our construction supply chain to ensure we understand how our significant construction materials and packages are sourced. We want to ensure they are sourced in a way that reflects our principles and policies.

How we're doing

All employees within the Company are paid at least the Living Wage. In addition, the service partners working full time in our London office portfolio are also paid a Living Wage. In London, all part-time service partner workers will also be paid at least the Living Wage from April 2016.

We have a number of different types of retail assets – shopping centres, leisure assets and retail parks. All of these require a different process, on a different timeframe. Shopping centre teams at Lewisham and O2 centre are now being paid a Living Wage. Moving forward, the evolution to the Living Wage standard will vary from asset to asset as the change can only take place when contracts with partners are new or renewed – we don't move the goalposts for suppliers halfway through a contract.

In construction, our priority in the coming year is to work with our main contractors to ensure that payment of a Living Wage is achievable. The tendering process will play a key part, as will contractual clauses with main contractors. We need to make sure the audit and monitoring process is right as well and we want to do this without adding layers of bureaucracy.

Last year the Board signed off our human rights policy for the first time. This year we have extended our policy to key supply chain partners. The policy was issued to our key suppliers and to date we have received a compliance statement from 56%. Over the next 12 months we will look further into our supply chain to see how the issues are managed and how we can influence best practice through procurement.

100%
Land Securities employees paid at least a Living Wage

100%
full-time London Portfolio service partner employees paid at least a Living Wage

DATA

We want to ensure that key data used to measure our performance is easy for you to find and use. The following section presents important information in one place.

Data

SUSTAINABILITY REPORTING

Commercial property is responsible for approximately 18% of the UK's current carbon emissions. As a leader in this energy-intense industry, we have a responsibility to reduce its impact.

Having achieved our 2020 target by the end of last year, we have rebaselined using 2014 for our new 2020 targets. Against this baseline, there are reductions in both like-for-like energy and water consumption across the portfolio by 8% and 2% respectively.

To convert our energy data to report greenhouse gas (GHG) emissions, we use the DEFRA recommended carbon conversion factors. These have increased significantly in the current reporting year as a result of changes in the UK fuel mix. Changes to these conversion factors are outside of our control and due to their increase, as at 31 March 2015, we show a slight overall increase of 1% against our 2014 baseline (like-for-like) in normalised CO_2e emissions.

New for this year we also report information on our renewable energy installations and we have a total of 194 MWh generated electricity in our portfolio from PV installations at Gunwharf Quays and Europa House in Portsmouth and 62 Buckingham Gate, SW1.

EPRA updated its guidelines in 2014 and recommend for best practice that the floor area of the total portfolio covered by sustainable certificates is now reported stating the level of certification obtained. We are collating this information and will report it next year.

Reporting framework

Disclosures concerning GHG emissions became mandatory for Land Securities under the Companies Act in the 2014 financial year. As well as fulfilling these mandatory reporting requirements, see page 26, Land Securities is committed to EPRA Best Practice Recommendations for Sustainability reporting. We believe that such reporting improves transparency and performance. We also make further disclosures as recommended by DEFRA Environmental Reporting Guidance 2013 and the Greenhouse Gas Protocol.

We report our data using an operational control approach to define our organisational boundary. A detailed description of our methodology can be found at www.landsecurities.com/sustainability. Construction waste and energy data from our development sites is currently out of scope and is not included within our overall figures. However, as part of a best practice approach, this is recorded for our development sites and the findings are detailed in this section.

For headline absolute emissions see page 26. For a detailed breakdown of absolute emissions across the portfolio see www.landsecurities.com/sustainability.

Like-for-like performance

We analyse and explain our like-for-like performance across the portfolio against our selected performance indicators: GHG intensity and building water intensity.

Energy consumption and greenhouse gas emissions (like-for-like)

London offices *2015 vs. 2014*

The overall GHG intensity of the London offices has remained at 0.112 tCO_2e/m^2 in both the current reporting year and the 2014 baseline.

This static performance can be attributed to a number of factors, including energy efficiency improvements, the increase in carbon conversion factors and changes in portfolio composition which overall have effectively cancelled each other out.

However, there has been a 7% energy reduction within our London offices which can be attributed to a broad range of initiatives including plant optimisation. We have also been working together with our customers to reduce their energy demand, particularly outside core hours.

Retail shopping centres *2015 vs. 2014*

The overall GHG intensity of our shopping centres has remained at 0.050 tCO_2e/m^2 for 2015, the same level as the 2014 baseline.

The like-for-like GHG emissions have reduced marginally by 0.4% compared with the 2014 baseline. However, we have seen a 10% reduction in energy consumption due to projects at several centres which have focused on LED installations in both back of house and main mall areas. Plant optimisation has also contributed to improved energy use within the portfolio.

Leisure

The GHG intensity for the leisure portfolio was 0.12 tCO_2e/m^2, an increase of 2% on the 2014 baseline.

While there has been a 2% increase in GHG emissions in the leisure portfolio, there has been a 9% reduction in energy consumption. We have optimised plant run times where possible to ensure efficient running during operational hours, resulting in decreased consumption.

Water consumption (like-for-like)

London offices *2015 vs. 2014*

London office water intensity has decreased by 5% from 0.741 to 0.701 m^3/m^2.

Automatic water meter readers have been installed in the majority of our London office portfolio, allowing for more effective monitoring of the water consumption within the properties.

Retail shopping centres *2015 vs. 2014*

Retail shopping centre water intensity has increased by 2% from 0.953 to 0.972 m^3/m^2.

The increase is partly attributable to higher trading levels and increased footfall across our retail centres. Although our corporate water target relates to landlord-controlled water only, we will continue to engage with our retailers on efficiency measures as we recognise they account for a high proportion of the overall usage.

Leisure *2015 vs. 2014*

Leisure water intensity has decreased by 4% from 1.777 to 1.703 m^3/m^2. We are expecting an increase in the number of sites included within the leisure like-for-like portfolio in the 2016 reporting year which will bring further insight into water consumption in this area.

Waste management (like-for-like)

London offices

We are showing an 18% reduction in the total waste managed on site within the portfolio as some customers are taking advantage of the value of specific waste streams and are managing waste internally to generate revenue. We have seen a 6% decrease in recycling rates as this year we are no longer including certain client waste in our figures.

Retail shopping centres

There has been a 6% increase in the total waste being managed through our waste service partners on site in the current reporting year. There has also been an increase in the percentage of waste being recycled in our shopping centre portfolio, with a 9% increase when compared with the 2014 baseline. Improved waste service partner processes are providing us with more accurate data and are allowing us to engage with customers through waste awareness campaigns.

Leisure

During 2015 there have been changes in the waste management provider at several sites, which has improved management information. Greater accuracy in segregating waste streams and a clear focus on the issues has led to a significant reduction in waste to landfill in the leisure like-for-like portfolio. Next year, the number of assets included in this portfolio is likely to increase significantly.

Development, energy, water and waste *2015*

While not included in our like-for-like portfolio, we are recording energy, water and waste for our development sites through our construction teams. In 2015, the total energy consumption (electricity and gas) was 27,842 MWh and we recorded 8,383m^3 of water consumed on site. Next year we will be validating the data received from our development teams, increasing the scope of data collection and including fuel oil used on our sites.

Waste streams are recorded on development sites in the same way. In this reporting year, 230,749 tonnes of waste was recycled and 2,106 tonnes were sent to landfill.

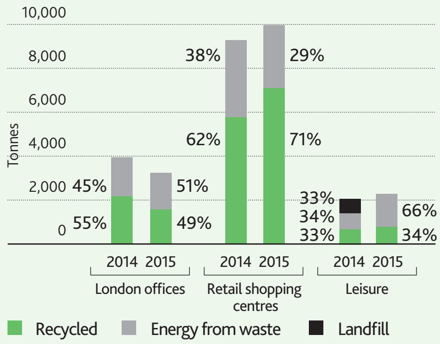
Conversion factors

Table 01

Overall carbon factor	2013/14	2014/15	Percentage change
Electricity	0.55991	0.61933	10.6%
Natural gas	0.21214	0.20980	-1.1%

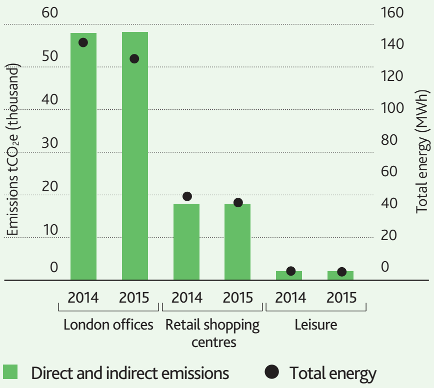
Combined conversion factors including well to tank and transmission and distribution factors.

Tonnes of waste disposed via different disposal routes, across the like-for-like portfolio in 2014 and 2015* Chart 01

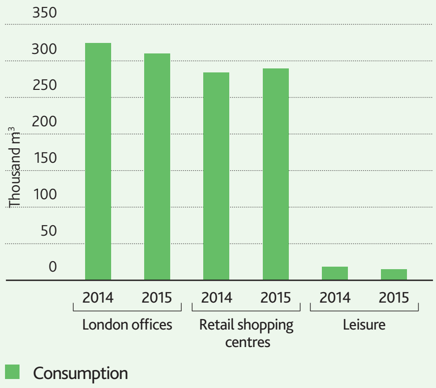


* This bar chart shows like-for-like portfolio performance. Our waste reduction target applies across the whole portfolio.

Direct and indirect GHG emissions and total energy across the like-for-like portfolio in 2014 and 2015 Chart 02



Water consumption across the like-for-like portfolio in 2014 and 2015 Chart 03



Like-for-like portfolio – selected performance indicators in 2015 and 2014 baseline Table 02

EPRA performance indicator	3.5	3.6	3.7	3.8	3.9	3.10			3.11		
	Total direct GHG emissions (annual metric tonnes CO_2e)	Total indirect GHG emissions (annual metric tonnes CO_2e)	GHG intensity from building energy (tCO_2e/m^2/year)	Total water withdrawal by source (annual m^3)	Building water intensity (m^3/m^2/year)	Total weight of waste by disposal route (annual metric tonnes – recycled)	Total weight of waste by disposal route (annual metric tonnes – EfW)	Total weight of waste by disposal route (annual metric tonnes – landfill)	Proportion of waste by disposal route (% of total by weight – recycled)	Proportion of waste by disposal route (% of total by weight – EfW)	Proportion of waste by disposal route (% of total by weight – landfill)
2015 Retail Portfolio											
Shopping centres and shops	3,568	13,593	0.050	279,603	0.972	6,901	2,800	1	71%	29%	0%
Retail warehouses and food stores	–	943	0.002	2,591	0.009	340	148	–	70%	30%	0%
Leisure and hotels	280	1,759	0.120	14,694	1.703	760	1,471	0	34%	66%	0%
Other	473	23	0.022	7,056	0.318	–	–	–	–	–	–
Landlord own consumption	–	28	0.141	–	–	–	–	–	0%	0%	0%
	4,321	**16,346**	**0.025**	**303,943**	**0.331**	**8,000**	**4,437**	**1**	**64%**	**36%**	**0%**
2015 London Portfolio											
West End	3,013	13,663	0.100	107,867	0.838	536	615	–	47%	53%	0%
City	1,199	17,581	0.133	69,579	0.494	212	238	–	47%	53%	0%
Midtown	1,443	9,134	0.105	72,831	0.805	496	529	–	48%	52%	0%
Inner London	11	10,290	0.110	50,906	0.732	307	241	–	56%	44%	0%
London offices	5,667	50,668	0.112	301,182	0.701	1,550	1,624	–	49%	51%	0%
London shops	669	2,452	0.071	34,177	0.955	908	780	–	54%	46%	0%
Other	82	154	0.087	3,260	1.236	3	4	–	38%	62%	0%
Landlord own consumption	162	1,044	0.104	6,777	0.584	78	17	–	82%	18%	0%
	6,580	**54,319**	**0.109**	**345,396**	**0.720**	**2,538**	**2,426**	**–**	**51%**	**49%**	**0%**
Total	**10,901**	**70,665**	**0.059**	**649,339**	**0.590**	**10,538**	**6,863**	**1**	**61%**	**39%**	**0%**
2014 Retail Portfolio											
Shopping centres and shops	4,247	12,979	0.050	274,330	0.953	5,621	3,435	59	62%	38%	0%
Retail warehouses and food stores	–	865	0.002	2,199	0.007	385	143	–	73%	27%	0%
Leisure and hotels	336	1,670	0.118	15,332	1.777	667	693	657	33%	34%	33%
Other	497	50	0.013	11,490	0.274	–	–	–	0%	0%	0%
Landlord own consumption	–	22	0.114	–	–	–	–	–	0%	0%	0%
	5,080	**15,586**	**0.024**	**303,351**	**0.321**	**6,672**	**4,290**	**717**	**57%**	**37%**	**6%**
2014 London Portfolio											
West End	3,619	12,996	0.100	99,569	0.774	677	584	–	54%	46%	0%
City	1,285	16,185	0.124	78,695	0.559	235	260	–	47%	53%	0%
Midtown	1,548	8,857	0.103	83,977	0.929	538	495	–	52%	48%	0%
Inner London	11	11,697	0.125	56,168	0.808	679	388	–	64%	36%	0%
London offices	6,463	49,736	0.112	318,409	0.741	2,128	1,726	–	55%	45%	0%
London shops	634	2,006	0.060	30,028	0.839	460	424	–	52%	48%	0%
Other	94	129	0.081	3,814	1.446	–	–	–	0%	0%	0%
Landlord own consumption	190	909	0.095	5,684	0.490	50	26	–	66%	34%	0%
	7,382	**52,779**	**0.107**	**357,935**	**0.746**	**2,637**	**2,176**	**–**	**55%**	**45%**	**0%**
Total	**12,462**	**68,365**	**0.057**	**661,286**	**0.587**	**9,310**	**6,466**	**717**	**57%**	**39%**	**4%**

Data

MANDATORY DISCLOSURES AND BENCHMARKING

Absolute performance

In order to satisfy the mandatory carbon reporting requirements, we report our absolute Scope 1* and 2* emissions and their intensity based on floor area. We also voluntarily report the Scope 3* emissions that are material to our business and can be reliably measured, for example, where we supply the energy to customers' demises.

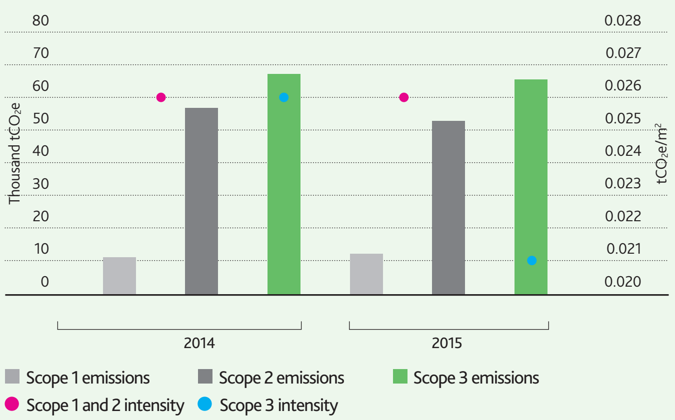
As illustrated in chart 04, total Scope 1 and 2 tCO_2e emissions have risen by 17% since last year which is primarily due to changes to the conversion factors issued by DEFRA** for use in our 2014/15 financial year as well as an increase in the size of our portfolio. However, the increased floor area has offset the increase in emissions to give a 3% reduction in Scope 1 and 2 emissions intensity.

Scope 3 emissions have increased marginally, up 1%. This increase, which is mainly related to the carbon associated with demised customer energy within our assets, is due to the change in conversion factors caused by a more carbon-intensive UK fuel mix. For a detailed breakdown of absolute emissions across the portfolio and conversion factors used see www.landsecurities.com/sustainability.

While we are obliged to report on absolute emissions by scope, as above, we believe our performance is best understood by monitoring the performance of our like-for-like portfolio against EPRA performance indicators, which are tailored for relevance to our industry on page 25. We achieved our 2020 target at the end of last year and have therefore rebased our new 2020 targets from a 2014 starting point.

Scope 1, 2 and 3 emissions and intensity across the absolute portfolio in 2014 and 2015

Chart 04



A detailed description of our methodology can be found at www.landsecurities.com/sustainability.

Scope 1 and 2 mandatory reporting

Table 03

	2014***	2015
Emissions		
Scope 1 tCO_2e	13,047	**13,926**
Scope 2 tCO_2e	53,355	**64,095**
	66,402	**78,020**
Intensity		
Scope 1 and 2 tCO_2e/m^2	0.026	**0.026**
$kgCO_2e/m^2$	26.25	**25.53**

Scope 3 voluntary reporting

Emissions		
Scope 3 tCO_2e	64,954	**65,602**
Intensity		
Scope 3 tCO_2e/m^2	0.026	**0.021**

* Scope definitions:
Scope 1: Covers direct GHG emissions from controlled operations such as combustion in owned boilers.
Scope 2: Covers indirect GHG emissions from the use of purchased electricity, heat or steam.
Scope 3: Covers other indirect emissions, such as business travel, waste management and water.
** When calculated using DEFRA 2013/14 conversion factors, our Scope 1 and 2 tCO_2e emissions have increased by 6% while the emissions intensity has decreased by 13%. Scope 3 tCO_2e have decreased by 8%.
*** 2014 figures have been restated where material changes were identified.

Additional performance highlights 2015

There are some additional disclosures we have not made within the body of this report. These relate to our performance against industry benchmarks and indices. We also disclose the amount of money raised for our charity partners, and the value of investments made in community initiatives.

Table 04

Activity	Performance
Benchmarking	
Carbon Disclosure Project (CDP)	2014: disclosure 96/score A- 2013: disclosure 88/score B 2012: disclosure 92/score B 2011: disclosure 60/score D
Global Real Estate Sustainability Benchmark (GRESB)	2014: score 78% 2013: score 67% 2012: score 68%
Dow Jones Sustainability Index (DJSI)	2014: score 70 2013: score 72 2012: score 70
FTSE4Good	We continue to retain our established position in the FTSE4Good Index
EPRA	Received a Gold Award at EPRA Sustainability Awards 2014 for sustainability reporting
Community	
Value of resources given	£3m equivalent value of time, promotion and cash investment; 8,940 hours spent by employees volunteering
National charity partnership	£135,489 raised for partner Mencap in the first year of our two-year partnership
Business in the community	Finalist: Freshfield Work Inclusion Award (winner notified July 2015)

ASSURANCE

Independent Assurance of Land Securities' 2015 Sustainability Report

ISAE 3000 Statement – Summary Version

June 2015

The nature of the assurance

Corporate Citizenship has been engaged by Land Securities to provide limited assurance of its Sustainability Report (the 'Report') for the year ended 31 March 2015. This statement of independent assurance by Corporate Citizenship is intended specifically for the Executive Directors of Land Securities. The opinions expressed in this statement are intended to extend understanding of Land Securities' non-financial performance and should not be used or relied upon to form any judgments, or take any decisions, of a financial nature.

Scope of our work

The subject matter of this year's assurance includes Land Securities' performance against its nine sustainability commitments as detailed in the Report, as well as the company's environmental reporting for the 2015 reporting period, which references environmental performance indicators in the following areas:

- Energy
- Water
- Waste
- Greenhouse Gas (GHG) Emissions – Scopes 1, 2 and 3 (tonnes CO_2-e).

The subject matter was evaluated based on the GRI Principles for Ensuring Report Quality: Balance, Comparability, Accuracy, Timeliness, Clarity, and Reliability. With regard to the environmental performance data, we also specifically reviewed its alignment with the European Public Real Estate Association's (EPRA) Best Practice Requirements on Sustainability Reporting (sBPR) – 2nd edition, September 2014 – and the UK Government's GHG conversion factors for company reporting. Our overall assurance process follows the guidance laid out in the International Standard on Assurance Engagements 3000 (ISAE3000). The assurance level is limited assurance.

The work programme

The assurance work was commissioned in October 2014 and was completed on 03 June 2015. Further details of the work programme and our full commentary and recommendations are available in the full version of this statement on the Land Securities website.

Commentary

The report sets out in a clear manner the company's nine new commitments, and we welcome the improved focus and clarity this brings in the reporting of year-on-year performance and long-term goals.

There is also a close alignment between these commitments and the issues identified through the company's materiality matrix, which adds confidence that Land Securities is in fact addressing the issues that are most important to the business and its stakeholders.

However, given the nature of some of its commitments we would welcome greater clarity on the boundaries of the company's influence and control. This will be the key to defining success in the future. For instance, how far can Land Securities control the actions of third parties with which it has commercial relationships (e.g. with suppliers and contractors)? What influence can it have over its tenants, across the various segments of the business? What aspects of its performance can it rightly take credit for versus what might be down to the actions of others?

In terms of environmental performance reporting, Land Securities has for the first time this year included the total energy generated by onsite renewables as part of its reporting in line best practice. The company's environmental reporting now conforms to the latest EPRA guidelines, with the exception that it does not yet report on the type and number or proportion of sustainably certified assets, which the company aims to report in future.

Recommendations

Based on the above commentary, and notwithstanding our overall conclusion below, we would recommend the following areas for improvement in future reports:

- Land Securities should ensure that each of its new headline commitments can be translated into clear, measurable performance indicators and time bound targets in order to hold itself accountable for its performance, particularly in relation to the company's social commitments and biodiversity, for which the specific key performance metrics are still being defined.
- Given several of the company's sustainability commitments have to be delivered in partnership with others, it is important that Land Securities develop robust methodologies for ensuring it can define clearly its own contribution to the positive sustainability impacts.
- On the issue of diversity, the company's reporting in this area places a strong emphasis on gender and ethnicity, however, more detail on what action Land Securities is taking on disability would help to improve the company's reporting going forward.
- In relation to environmental performance reporting, we would recommend continued alignment with EPRA guidelines and the inclusion of information on sustainably certified assets as mentioned in the above commentary.

Conclusion

The Report provides a clear overview of the company's overall sustainability performance during the period under review. On the basis of the work performed, nothing came to our attention that causes us to believe that the subject matter of our assurance as described above is materially misstated.

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