Our strategy

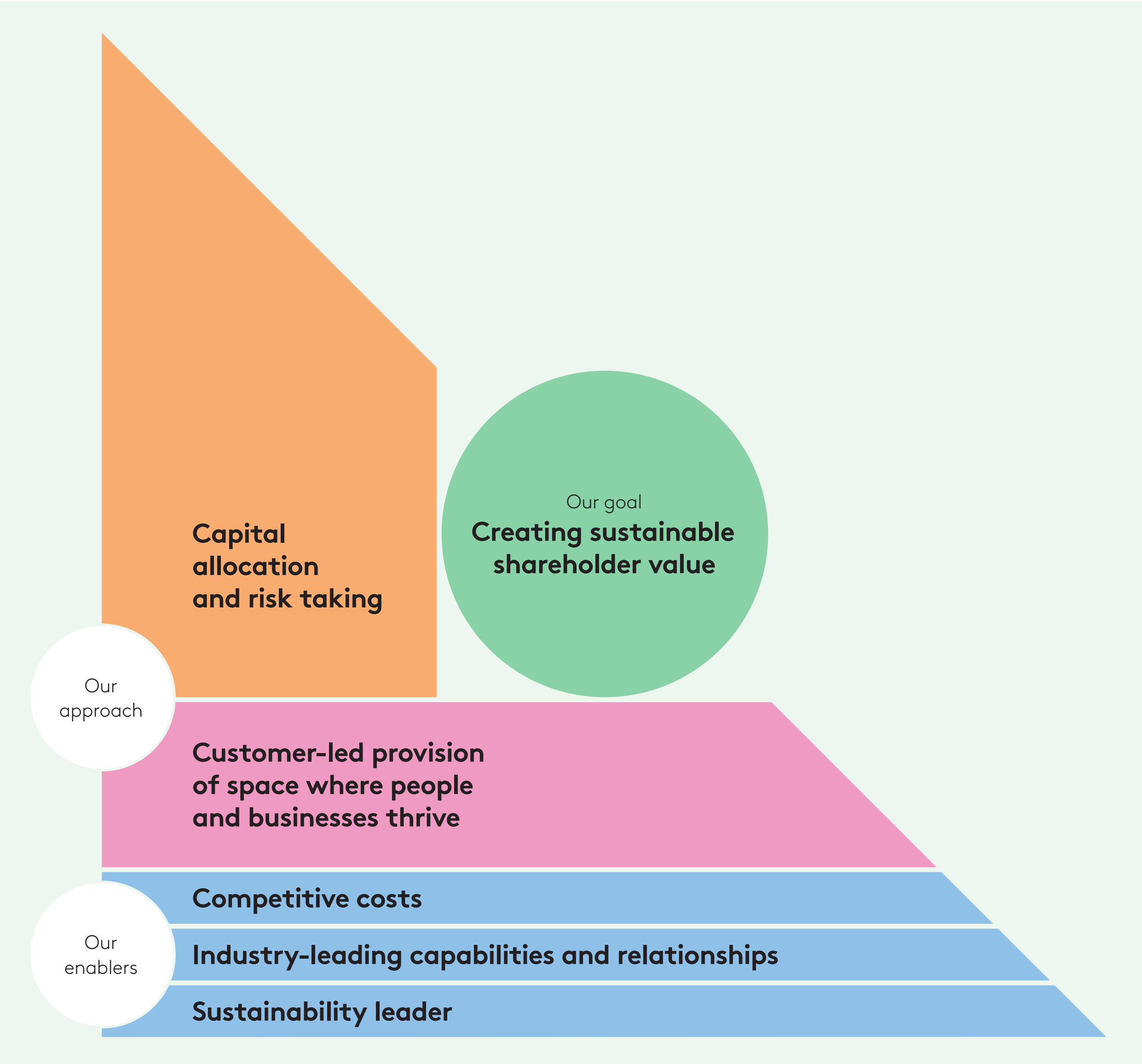
We create shareholder and social value by providing the right space for our customers and communities so that people and businesses can thrive.

Creating sustainable shareholder value

We make choices at asset, sector and portfolio level to optimise short- and long-term value creation and position ourselves to achieve attractive total shareholder returns over the long term. We aim to generate earnings per share growth to enable us to pay a progressive dividend.

See Our business model on pages 12-15 for more on how we create value

Our strategic approach



Strategic objectives

- Deliver sustainable long-term shareholder value
- Maximise the returns from the investment portfolio
- Maximise development performance
- Ensure high levels of customer satisfaction
- Attract, develop, motivate and retain high performance individuals
- Be a best-in-class counterparty to our partners and suppliers
- Continually improve sustainability performance

Capital allocation and risk taking

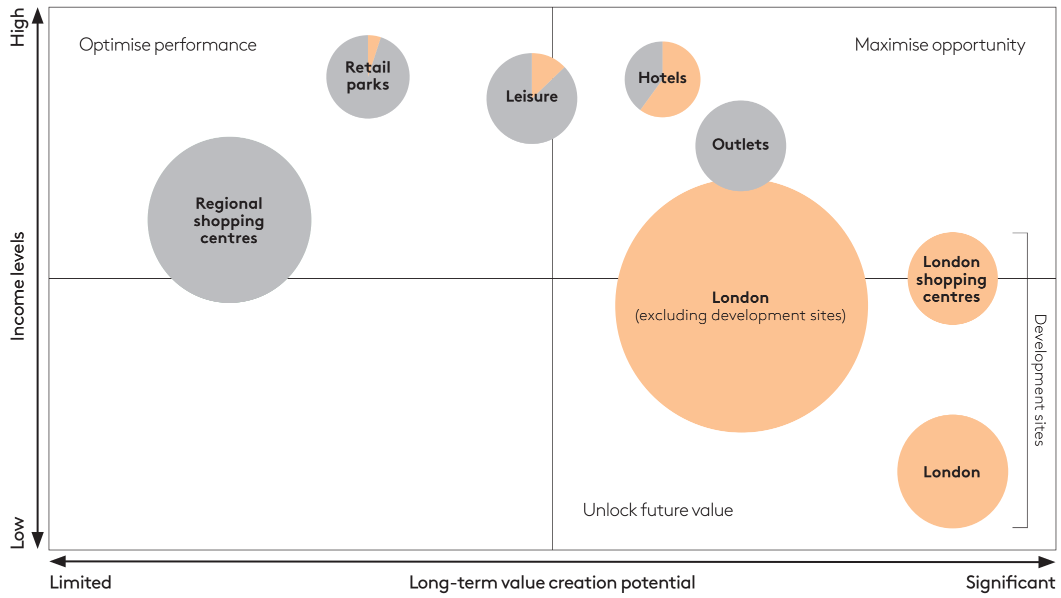
We regularly review the outlook and opportunities for our portfolio of assets and our markets. We use a consistent framework to formulate asset and market sector specific plans. These drive our core activities in an asset's life-cycle – buy, develop, manage, sell.

Our sector planning framework has four elements

- Portfolio characteristics and return drivers
- Risk and return outlook
- Market dynamics
- Our long-term approach to the market sector

Portfolio today

Approach to capital allocation



London (within M25) 65%
Rest of UK 35%

Market sectors

65% of our assets by value are located in London and we have for several years managed our business through two business units – London Portfolio and Retail Portfolio. Our London Portfolio comprised 58% by value of the Group's assets at 31 March 2019. This portfolio is predominantly made up of workspace, with supporting retail and leisure space in central London. The Retail Portfolio comprises 42% of the Group portfolio at 31 March 2019 with multiple sector holdings – 22% is regional shopping centres and retail parks, and 20% is outlets, hotels, leisure and our London shopping centres. In future, we will view our assets and operations as one integrated portfolio.

Opportunities and plans are specific to each asset. In the prevailing market conditions, our London Portfolio provides a mix of attractive income and long-term value creation potential.

Our Retail Portfolio predominantly comprises destination retail assets that provide higher income. In outlets and hotels, we see an opportunity for long-term value creation and further deployment of capital, but we believe there's less opportunity in regional shopping centres and retail parks. In contrast, our London shopping centres present significant development opportunities.

Locations

We buy and develop in thriving locations or places with excellent potential. Good transport links coupled with first-class buildings are becoming more highly valued than fashionable postcodes. Increasingly our business is focused on London and other major urban centres supported by long-term trends.

Development exposure

We use our capital and market-leading development capabilities to create adaptable, sustainable, customer-centred spaces. We do this to generate returns and portfolio income growth above those available from standing investments alone. Our current pipeline of development opportunities (shown in table 9) includes 3.6 million[1] sq ft of office and residential-led development opportunities in London.

Timing

We will develop on a pre-let basis at any time in the property cycle. However, we only commit to developing speculatively when we believe we will be completing and leasing the development into a market with strong demand.

1. This excludes our longer-term opportunities including Lewisham, SE13.

Risk

We believe that the best way to mitigate the risks inherent in owning and operating a commercial property portfolio is to:

— Seek assets in structurally supported markets with strong and enduring appeal to customers and consumers

— Manage spaces and places actively and responsibly

— Take early action to mitigate risks related to changes in climate, legislation, resource availability and the changing needs of our customers.

Development is riskier than owning and managing existing assets but offers the potential for greater returns. We seek to manage development risk through strong operational capabilities and processes, ensuring that speculative development is done at the right time in the cycle. We set carefully calculated limits on the amount of development we undertake at any given time in order to manage the risk in our portfolio.

Customer-led provision of space where people and businesses thrive

We aspire to be the market leader in providing space for our customers and communities. We do this by seeking to understand the needs and aspirations of our customers and communities and creating the best experiences for them. We use data and innovative digital technologies to support this work. Our developments are integrating a range of uses as ways of working, living, shopping and spending leisure time evolve. We expect this mixed use trend towards spaces to continue.

In workspaces, where occupiers are increasingly taking a 'core' and 'flex' model to their space requirements, we're helping customers to create more flexible, adaptable environments that support digitally-enabled ways of working and collaborating. In retail, we seek to own popular, experience-led destinations that are dominant in their catchment or part of a dynamic mixed use destination. In a fast-moving consumer market, we're also working closely with our retail and leisure customers to support them as they evolve their business models and use of physical space.

See the Portfolio review on pages 24-31 and Physical review on pages 40-44 for more on our assets and pipeline activities

Competitive costs; industry-leading capabilities and relationships; sustainability leader

We strive to secure capital and construction costs at competitive rates. This enables us to access and address development and investment opportunities in competitive property markets. Furthermore, maintaining a disciplined approach to ongoing operating costs optimises value to occupiers and the net income generated from market-determined gross rents.

We use debt to enhance equity returns and lower our cost of capital. The scale and security of our portfolio, and conservative balance sheet management, allow us to access debt capital at attractive rates – our weighted average cost of debt is currently 2.7%. This scale also helps us to be more efficient by spreading our overheads and the investments we make in capabilities, systems and relationships across a broad portfolio of assets.

Our capabilities, reputation and relationships with customers, communities, employees and partners are critical to the successful execution of our strategy. We seek to attract, develop and retain the best talent in the UK property sector and be a partner of choice to our supply chain.

Our development opportunities

	Development programme	Proposed developments			Planning/feasibility Office-led
Asset	**21 Moorfields** EC2	**Nova East** SW1	**One Sherwood Street** W1	**105 Sumner Street** SE1	**Portland House** SW1
					
Type	Development	Development	Development	Development	Refurbishment
Predominant use	Office	Office-led	Office-led	Office-led	Office-led
Status	On site	Cleared site	In demolition	Consented	In planning
Speculative/pre-let	Pre-let	Speculative	Speculative	Speculative	Speculative
Earliest start on site	n/a	n/a	n/a	October 2019	April 2020
Indicative total development cost required[1]	£0.6bn	£0.2bn	£0.2bn	£0.1bn	£0.5bn
Size (sq ft '000)[1]	564	167	144	131	401

1. Indicative total development cost required and size are our latest estimates for schemes at the feasibility stage and should be regarded as indicative only.
2. Including Castle Lane, SW1, Nova Place, SW1 and Wardour Street, W1.

We listen to, understand and work constructively with our key stakeholders. Experience tells us this is the best way to secure the long-term, sustainable success of our business. We do this by supporting people into work, boosting the resilience of our supply chain. We reduce operational costs for customers through energy efficiency projects. And our approach to sustainable design creates more desirable assets, attracting customers and consumers, giving them a reason to choose our destinations.

We have prioritised four capability areas for investment:

— Building better, faster and at lower cost with less waste, including using digital tools technology and approaches such as 'design for manufacture and assembly'
— Improving our processes and abilities to design, monitor and improve customer experiences
— Bolstering our capacity and capability to develop and operate mixed use sites
— Driving competitive advantage from sustainability through resilient supply chains, lower operational costs and more attractive assets.

See the Physical and Social reviews on pages 40-53 for more on our customers, communities, partners and employees

Strategy execution – areas of focus in 2019/20

- Maintaining like-for-like net rental income
- Providing property as a service, harnessing data and technology, to improve customer experiences
- Researching and trialling ways to build better, faster and for less
- Expanding customer offerings for Myo, Landsec Fitted and Landsec Lounges
- Progress on time and on budget at 21 Moorfields, EC2, One Sherwood Street, W1, Nova East, SW1 and 105 Sumner Street, SE1
- Progress plans for the future development pipeline of 2.6 million sq ft in the existing portfolio and seek to grow the pipeline through acquisitions and partnerships
- Delivery of key strategic MSUs at our major shopping centres
- Generating £4m of social value across our community programmes, in support of £25m corporate target by 2025
- Improving energy management in support of 2030 energy management corporate commitments

Table 9

		Planning/feasibility Residential-led	
Red Lion Court SE1	**Lavington Street** SE1	**Finchley Road** NW3	**Shepherd's Bush** W12
			
Development	Development/ refurbishment	Development	Development
Office-led	Office-led	Residential & retail	Residential & retail
Feasibility	Feasibility	Feasibility	Feasibility
Speculative	Speculative	Speculative	Speculative
July 2020	July 2020	October 2021	October 2021
£0.3bn	£0.4bn	£0.4bn	£0.5bn
324	370	~750	~610

3.6 million sq ft
Total floor space[2]

~£3bn
Total development cost