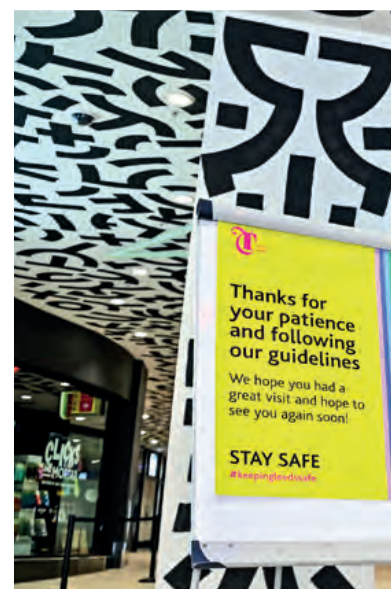


Responding to the present, planning for the future

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



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



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

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

OUR RESPONSE TO COVID-19

1 OUR CUSTOMERS

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

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

2 OUR PEOPLE

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

3 OUR COMMUNITIES

We continued with our community employment and education programmes throughout the last year. In addition, we gave grants totalling £500,000 to our

existing charity partners who were most in need.

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

4 OUR PARTNERS

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



2021 IN NUMBERS

27.0p

Dividend, up 16.4%

33.9p

Adjusted diluted earnings per share (2020: 55.9p)

985p

EPRA net tangible assets per share, down 17.4%

-15.9%

Total business return (2020: -8.2%)

£(1,393)m

Loss before tax (2020: £(837)m)

11.5 years

Weighted average maturity of debt

32.2%

Group loan-to-value

£6.5m

Social value created during the year

55%

Reduction in carbon emissions (tCO₂e) compared with 2013/14 baseline

£11.7bn

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

100%

We continue to procure 100% renewable electricity across our portfolio

100%

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

Fresh thinking to address new opportunities

WE ARE FOCUSED ON A CLEAR

PURPOSE...

"Sustainable places. Connecting Communities. Realising potential."

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

MARK ALLAN
CHIEF EXECUTIVE

...THAT SHAPES OUR NEW STRATEGY...

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

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

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

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

🔗 Read more about the ELT on pages 88-89

“I am confident we are well placed to capitalise on opportunities as they emerge.”

MARK ALLAN
CHIEF EXECUTIVE

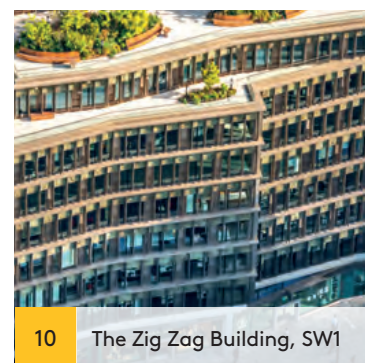
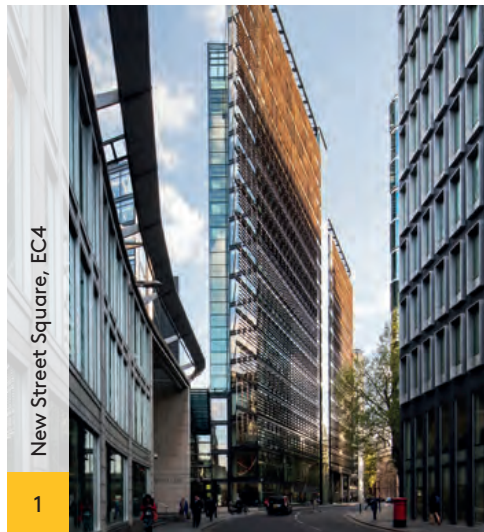
Responding to the present, planning for the future

continued

OUR TOP 10 ASSETS

(LISTED BY VALUE)

Landsec // Annual Report 2021 » Strategic Report



AMBITIOUS

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

LEADER

in ESG within Europe and globally.

MAINTAINING OUR ESG LEADERSHIP





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

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

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

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

📖 Read more on pages 56-63

BENCHMARK	LATEST PERFORMANCE
	<p>GRESB 2020</p> <ul style="list-style-type: none"> › Real Estate Sector leader – 5 star rated entity and Regional Listed Sector Leader for Europe within Diversified – Office/Retail (score 85%) › Global Listed Development Sector Leader for Office (score 94%)
	<p>CDP 2020</p> <ul style="list-style-type: none"> › A-list (top 2.8%) for the fourth consecutive year › Inclusion on the 2020 Supplier Engagement Leaderboard (top 7%)
	<p>DJSI 2020</p> <ul style="list-style-type: none"> › Score 85/top 99th percentile › European Real Estate leader, ranking 4th globally › Silver Class distinction in the S&P Global Sustainability Awards
	<p>WDI Awards</p> <ul style="list-style-type: none"> › WDI Award winner (most complete overall response) › Contingent Workforce Data Award winner › Supply Chain Data Award winner

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

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

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

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

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