Our strategy

The real estate investable market in the UK comprises £594bn of assets across a wide range of sectors including offices, industrial, healthcare, retail and residential. Rather than trying to invest in – and spread our management time across – all areas, we focus on three where we have sources of competitive advantage and can maximise the value from our portfolio and our talent.

These areas are: Central London offices; Major retail destinations; and Mixed-use urban neighbourhoods. What binds these three areas together is the importance of a sense of place to their enduring success, and to that of their surrounding areas. We strive to create, curate and activate places that inspire people, generating value for all our stakeholders.

To achieve our strategy successfully, we need a clear sense of purpose and a culture that supports, respects and motivates our people. The three – strategy, purpose, culture – are inextricably linked.

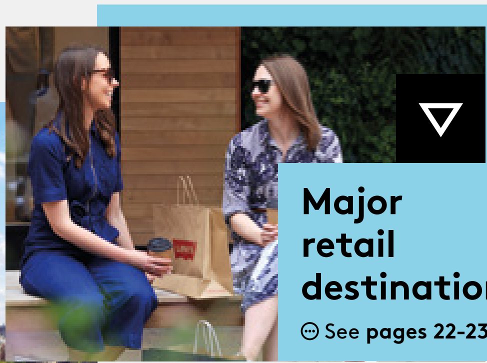
While our strategy is grounded in this central purpose, it is vital we make healthy, sustainable returns to enable our business to grow over time. Which is why we focus on those areas where we believe we have a genuine competitive edge.

We are a total-return business. In the current environment, our aim is to achieve mid to high single-digit annual returns on equity through the cycle, split almost equally between income and growth. The three investment areas we focus on are attractive because of the potential returns they can generate. We are not wedded to particular assets or regions, and prefer to be nimble, applying our skills to where we believe we can achieve the best total return over the long term.

A CLEAR FOCUS ON DRIVING GROWTH IN THREE KEY AREAS

See pages 20-21

Central London offices



Major retail destinations

See pages 22-23

Mixed-use urban neighbourhoods

See pages 24-25

Underpinned by a strong balance sheet and disciplined capital allocation

AREAS OF FOCUS

CENTRAL LONDON

In central London, we develop, own and manage offices that offer a variety of propositions to meet the evolving needs of occupiers, who range from global corporates to small, fast-growing businesses. Demand for our high-quality, sustainable office space is healthy, and this part of the portfolio can offer a blend of returns; from high-quality, low-risk income, through to profits from new development.

MAJOR RETAIL DESTINATIONS

In retail, we own and manage high-quality, major retail destinations that offer something special to brands and shoppers alike, in an increasingly omnichannel world. Shoppers are attracted to places that offer experiences they can't easily get elsewhere; brands are drawn to places where they can showcase their offer to a high number of shoppers. Our job is to bring the two together. Our high-quality portfolio, strong brand partner relationships and deep understanding of shoppers give us a real competitive edge.

MIXED-USE URBAN NEIGHBOURHOODS

Our focus on developing and investing in mixed-use urban neighbourhoods recognises that the lines between where we live, work and spend our leisure time are becoming increasingly blurred. This is creating an urgent need to reshape our cities so they are fit for the future. We are using our scale, expertise and experience to help adapt the built environment to meet people's changing needs. These projects take shape over a number of years and multiple phases, meaning each project can offer an attractive blend of income, growth and development-led returns over several years. Importantly, the phased nature of these projects means we can realise returns in stages, rather than wait for the overall completion of the project.

At our Capital Markets Day (CMD) in October 2020, we set out plans to recycle approximately £4bn of capital out of mature properties and those in 'subscale' markets. This was made up of c. £2.5bn of long-let London offices with limited asset management, and our £1.5bn portfolio of hotels, retail parks and leisure assets, where we have neither the scale nor the sources of competitive advantage to achieve our target returns.

At the CMD, we also set out our plans for reinvesting the proceeds from these disposals: investing in London office development and mixed-use urban schemes where the potential returns are attractive.

We have made significant progress with our strategy over the last 18 months. We have sold c. £1.1bn of assets and invested £695m in mixed-use urban opportunities through the acquisition of U+I Group PLC and a 75% share of MediaCity UK in Manchester. We have also invested £680m in our existing London development programme and the acquisition of a further 18.75% stake in Bluewater. The charts below show the progress we have made towards rebalancing our portfolio to focus on sectors with high-growth potential. With development potential in the portfolio now totalling c.£3bn, we have a clear path to achieving this rebalancing over the next five years or so.

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

In 2016, we were the first commercial real estate business in the world to set a science-based carbon reduction target and, in 2019, we increased our ambition to align with a 1.5-degree global warming scenario.

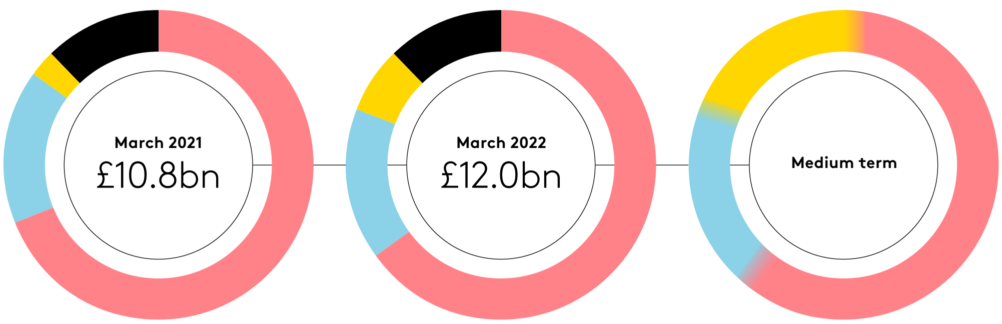
During this year, we announced a new net zero transition investment plan across our entire estate. This will ensure we remain at the forefront of everything the property sector is doing to tackle the climate crisis.

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

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

Our strategy's impact on portfolio weighting (%)

Chart 3



Portfolio split	March 2021	March 2022	Medium term
Central London	69%	65%	55-60%
Major retail destinations	16%	16%	20-25%
Urban mixed-use	3%	7%	20-25%
Subscale sectors	12%	12%	N/A

Our strategy continued

A total return approach that is aware of the importance of income

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

Strategy in action: Sustainability

Embodied carbon and 'energy in use' are terms that are becoming increasingly familiar to everyone in the industry. But for us, they are part of how we have approached design and management for many years. We have plans to invest c. £120m over the next nine years to replace carbon-intensive gas with low-carbon fuels such as renewable electricity. This is a long-term plan for a long-term future. We have targets for 2030, but they are simply intermediate steps to ensure we continue to work towards an office portfolio that minimises the embedded carbon in our buildings and the amount of energy needed to heat and cool them.

See **pages 44-57** to read more about our commitment to sustainability

c. £120m

Investment planned over the next nine years to replace carbon-intensive gas

Key performance indicators

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

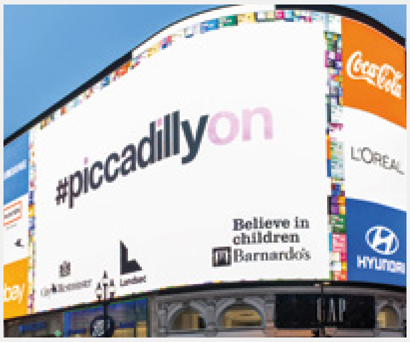
In addition to the performance metrics below, everyone has personal objectives to achieve for the year. For our Executive Directors, these focused on strategic development and execution, delivering performance and culture and values.

In addition to the annual bonus KPIs below, we set KPIs for LTIP awards in line with our remuneration policy. The measures and their weightings are:

Relative Total Shareholder Return 40%;
Total accounting return 40%;
ESG targets 20%.

Further information can be found in Remuneration on **pages 116-118**

EPRA earnings



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

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

Our performance in 2021/22
ACHIEVED – EPRA earnings of £355m were ahead of the £328m target

Total accounting return

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

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

Our performance in 2021/22
ACHIEVED – Total accounting return was 103p compared with the target of 27.5p

ESG

How we measure it
We have two targets: energy intensity reduction in all assets and embodied carbon reduction in assets under development

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

Our performance in 2021/22
ACHIEVED – Energy intensity reduction across all assets was 4%, in line with the 4% target. Embodied carbon reduction in our assets under construction was 20.7%, ahead of the target 16.5%

Our strategic focus

Focus on offices

Our view of the market

Despite further disruption from Covid-19, we have seen a more sustained recovery in the office portfolio, and over the coming months will be clearer about the space our customers will need. Customers want flexible options and strong sustainability credentials – so only the best space will thrive. Our portfolio is well placed to benefit from these trends.

If overall demand recovers strongly, the highest-quality space could see strong rental growth due to relative scarcity of supply. The weight of capital globally, and relative affordability of London, is supporting strong investor demand for the best space. We see a potentially strong market to address with our pipeline of developments, but pricing will make it difficult to acquire further development sites in the near future.

Our plan for our Central London portfolio

We will recycle capital out of assets with limited shorter-term prospects, taking advantage of strong pricing, to fund investment in growth opportunities across the Group. We sold Harbour Exchange and since the year-end exchanged contracts to sell 32-50 Strand for £195m.

We will complete and lease committed developments and secure planning consent for our secured medium-term projects. We added Liberty of Southwark, SE1 to our development programme following the U+I acquisition. We now have a pipeline of 1.8m sq ft of office-led development opportunities.

We will broaden the range of propositions across the portfolio so we can offer our products – Myo, Customised and Blank Canvas – in more locations. We introduced Myo at Dashwood in the City, with 35,000 sq ft of space across four floors. We will also add Myo to New Street Square and The Forge, SE1, our development in Southwark, which will open in the second half of this financial year.

With ESG as a consideration, our investment in air-source heat pumps and innovative AI systems to increase efficiency will ensure our portfolio remains sustainable and meets the needs of our customers.

Strategy in action

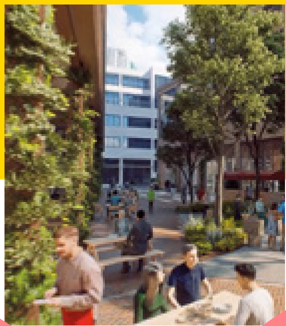
CUSTOMER FOCUS

We have a long-standing relationship with Deloitte at New Street Square. They occupied four buildings but wanted to bring their teams together. This provided an opportunity for us both. Deloitte have consolidated operations into the two newest buildings and released two assets we can redevelop. One will be home to Myo, our flexible office offer, while the other has become a redevelopment opportunity that we would not have gained access to for many years. Both Deloitte and Landsec benefit from these changes and, ultimately, this will enhance the overall New Street Square site – an attractive place to do business.

Strategy in action

A SENSE OF PLACE

Whether it's our cluster of buildings in New Street Square or our portfolio of assets in Southwark, we think it's vital to create a 'place' where people want to work, shop, spend their leisure time and live. Having the portfolio with the right space allowed us to meet the needs of Deloitte when they wanted to consolidate their space (see left). And at Southwark, we are adding to an already vibrant area of London with a mix of buildings that provide sustainable, flexible space. We're transforming old industrial buildings into modern places that renew the local area, and bring new people, businesses and ideas to Southwark.



THE PORTFOLIO

£7.8bn
of prime office space in central London with ancillary retail space

4.7%
like-for-like vacancy

£1.2bn
committed development programme due to complete by June 2023

£63m
office lettings or renewals, 4% ahead of valuers' assumptions

Committed development

56%
of space already pre-let

4
Committed development programme schemes in strong locations in central London

MARKET VIEW AND HOW WE CREATE VALUE

- → Investment market remains strong
- → Strong occupational demand for the best space
- → Optimise portfolio and leverage strong development track record
- → Provide sustainable, flexible space which meets customers' needs via places we create

OUR ACTION PLANS

- → Leverage strong development expertise, with up to three new starts this year
- → Monetise a further £1.5bn of mature assets, having already sold £1bn since late 2020
- → Grow our flexible office propositions to c. 15% of our portfolio

ces

Our strategic focus continued

Focus on retail

Our view of the market

Structural change in the retail sector has been profound and was accelerated by the pandemic. Shopping centre values are down c. 65% from their peak, and rents are down c. 40%. The UK has an over supply of physical retail space, with perhaps 25% of it likely to convert to other uses over the next five years. But physical retail is not dead. There is clear demand from guests for shopping centres with a great mix of retail, leisure and hospitality, but shopping centres need all three elements to thrive. And brand partners' omnichannel strategies are looking for the right space to support their online businesses. Typically, this means a smaller number of larger stores, in regionally-dominant shopping centres.

There are clear signs of rents and values stabilising, but landlords will bear more operational risk – shorter lease terms, linked to turnover. But with yields at c. 7.5% to 8% for prime shopping centres, we see opportunities to invest in the small number of centres that meet the criteria outlined above.

Our plan for our retail portfolio

We will concentrate on catchment-dominant locations we are confident will be long-term winners, by offering an experience that draws shoppers time and again. We will sell assets where we do not have scale or sources of competitive advantage: the retail parks from our subscale sector, for example. We will also make selective disposals and acquisitions, to ensure our portfolio always holds retail assets with long-term appeal to brand partners and guests. In the last year, we have made progress with our strategy by selling two retail parks and acquiring a further stake in Bluewater, Kent.

We will also invest in our portfolio. Some of our centres are too large, and we will replace some retail space with other offers such as leisure, food and beverage. Other centres may be the right size, but need some investment to fine-tune the configuration or mix of uses. On average, we will look to invest the capital equivalent to 10% of current asset values to ensure our centres are fit for the future.

During the last year, we also restructured our retail team. We now have teams dedicated to our brand partners, our guests and guest experience, and our portfolio. This helps us better respond to and anticipate our customers' needs. All property companies will need to become more operational in their approach to managing their businesses, and we are confident we have the structure in place to achieve this.

Strategy in action

A SENSE OF PLACE

Our focus is clear: we are curating social spaces to offer guests time well spent. Gunwharf Quays is on Portsmouth harbour, a stunning and lively location. We offer a great range of brands at this outlet centre, and it is a destination in its own right. But it is more than just a retail destination: there are over 30 different places to eat and drink, and there's a cinema, bowling alley and a hotel. It's also a great place to spend the evening, with plenty of entertainment including bars and a casino. This really is a social space that provides a great environment for brand partners and guests, and it also acts as a social hub for the local community.

Strategy in action

THE 'CENTRE' OF LEEDS

Our Trinity Leeds shopping centre is in the heart of Leeds' city centre shopping district. It has a great line up of over 70 retail brands and over 40 food and beverage brands, ranging from casual bites to fine dining. It also has an Everyman cinema and an innovative street food offer. And Trinity Leeds is popular with brands: Nespresso, Levi's and Space NK being the latest additions to the line up. We are using our space in innovative ways: the 'Student Study Hub' is a wifi-enabled area where people can work, study and meet. It adds a further sense of community to a centre already popular with the people of Leeds and the wider catchment.

THE PORTFOLIO

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

6.8%
like-for-like vacancy at March 2022

£29m
lettings signed or in solicitors' hands

19.6%
Footfall down vs 2020

1.1%
Like-for-like sales up vs 2020

228
lettings completed, +2% vs ERV

MARKET VIEW AND HOW WE CREATE VALUE

- Investment market stabilising
- Occupational demand improving and rents stabilising in prime locations
- A restructured and strengthened retail team
- Provide the places for brands to thrive

OUR ACTION PLANS

- Build on positive momentum with new, restructured retail team in place
- Continue to grow brand relationships, guest experience and occupancy
- Explore attractive prime opportunities where our expertise can drive growth

Our strategic focus continued

Focus on mixed-use urban neighbourhoods

Our view of the market

The idea of distinct areas or buildings being reserved for single uses is weakening. There is an increasing desire to see a mix of living, working and play within neighbourhoods, an appeal the pandemic highlighted. Quality of life, health and wellbeing, and environmental sustainability, are all themes that contribute to this, while political and societal awareness of these factors has increased considerably. Done well, these mixed-use urban communities can generate strong returns, as the appeal of the location and its amenity increases the value through phases of placemaking. At the same time, certain areas of our cities are rapidly becoming redundant and in need of regeneration. There is increasing political support for such projects, but very few developers with the scale and skills to take them on.

Our plan for our mixed-use urban neighbourhoods portfolio

The acquisition of U+I and the 75% share of MediaCity has expanded our development pipeline and accelerated the potential returns from this part of our strategy. Our near-term programme consists of five schemes which total 9m sq ft and include 7,000 homes. Two are in suburban London, two are in Manchester, and one in Glasgow. In Manchester, we will be able to start on site at Mayfield later this year and MediaCity next year. Our schemes in London are still subject to planning approval, with earliest starts on site of 2023 and 2024 for O2 Finchley Road and Lewisham respectively.

The multi-phase nature of these projects allows us to ration capital effectively and adjust our strategy over time. They are lower risk than a large, single-phase development such as an office. In addition to managing risk, the multi-phase nature also accelerates the returns from these schemes. When a phase is complete, it can start to generate income – each phase can then be retained as an income-generating asset, or can be sold, realising value and releasing capital to be deployed elsewhere.

Strategy in action

O2 FINCHLEY ROAD

The O2 Finchley Road includes a shopping centre, a large surface-level car park and a DIY store. The site is ideally located for development into a mixed-use neighbourhood as its local infrastructure includes two tube and two overground stations within walking distance. We submitted plans this year for a three-phased scheme of 1,800 homes, 180,000 sq ft of commercial space and 7.5 acres of public space and park. Work will start on the first phase in 2023, subject to planning, with earliest completion in the first quarter of 2026.

Strategy in action

MAYFIELD, CENTRAL MANCHESTER

At Mayfield, we have the opportunity to transform a former industrial area into a thriving mixed-use neighbourhood. In the heart of Manchester, this 24-acre site will be home to 1,500 apartments, 1.5m sq ft of offices and 120,000 sq ft of retail and leisure space, all set around 13 acres of public realm, including a 6.5 acre park – the first new park in Manchester for over a century. And sustainability is an essential part of the story: creating and linking communities and providing a sustainable place to live, work and play, all in a net zero scheme. We are already on site and have made good progress with the new park. We aim to start the first commercial building later this year, with completion of the first block in 2025.

THE PORTFOLIO

£0.9bn
portfolio of potential mixed-use urban schemes in London, Manchester and Glasgow

20%+
profit on cost expected to be delivered

75%
stake in MediaCity and recent acquisition of U+I Group PLC have accelerated our programme

£1.5bn
of capex over the next five years generating a potential development profit of £350m

7,000
homes could be delivered across five schemes

c.4m
sq ft of office, retail and leisure space potential across five schemes

MARKET VIEW AND HOW WE CREATE VALUE

→ Attractive mix of returns in sectors with strong investment and occupational demand

→ Closely aligned to our purpose

→ Build modern, sustainable mixed-use places, serving customers and the wider community

OUR ACTION PLANS

→ Deliver attractive mix of income, growth and development upside across multiple phases

→ Start Mayfield in 2022 and prepare MediaCity and O2, Finchley Road for start in 2023

→ Progress preparation of further large, mixed-use opportunities