

Green Financing Framework

Introduction

At Landsec, we create places that make a lasting positive contribution to our communities and our planet. We bring people together, forming connections with each other and the spaces we create. And we provide our customers, partners and people with a platform to realise their full potential.

We build and invest in buildings, spaces and partnerships to create sustainable places, connect communities and realise potential. This is our purpose, and sits at the heart of everything we do.

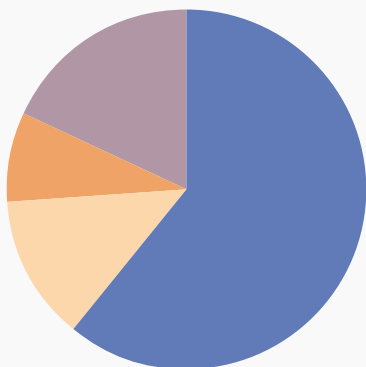
We are one of the largest real estate companies in Europe, with a £10.9 billion portfolio of retail, leisure, workspace and residential hubs spanning 24.0 million sq ft with 61% of the Group, by value, in Central London.

Landsec is shaping a better future by leading our industry on environmental and social sustainability while delivering value for our shareholders, great experiences for our guests and positive change for our communities.

Portfolio breakdown

September 2022

■ Central London	61%
■ Major retail destinations	18%
■ Mixed-used urban	8%
■ Subscale sectors	13%





The world has changed significantly in the last few years and as we recover from the pandemic, societal expectations of the role that businesses play in creating a sustainable future have risen exponentially.

Our purpose to create sustainable places, connect communities and realise potential, is at the heart of everything we do. Our refreshed sustainability framework 'Build well, Live well, Act well', launched in 2022, builds on our strong Environmental, Social and Governance (ESG) foundations and enables us to deliver on our purpose while also ensuring we are focusing on the global challenges that matter to our business and stakeholders. We have a privileged position to respond to global issues including climate change through reducing the amount of emissions emanating from the built environment. We also have the opportunity to shape our local communities and bring people together – our customers, colleagues and suppliers – to collaborate, share best practice and encourage sustainable behaviour.

We aim to lead our industry on sustainability, by addressing critical long-term issues – from climate change and its impact on the built environment to high levels of unemployment and inequality in some local communities. To address these issues, our sustainability programme is split into three core areas²:

— **Build Well:** When we buy, use and re-use resources efficiently, we see big benefits. We're always working to minimise our impact on the environment and do our part in tackling climate change while also reducing costs, for us and our customers. By building well we are also ensuring we are more resilient to challenges caused by climate change, such as shortages of resources and changing regulations.

— **Live Well:** We are a significant creator of jobs across real estate, construction, customer service and retail, and we have an important role in helping create a fairer, more inclusive economy. One that helps tackle the social inequalities specific to our local areas, and addresses the current and future skills we need.

— **Act Well:** Building strong relationships with our partners, customers, suppliers, communities and colleagues – developing plans so that everyone and every building has a role in delivering our vision.

We have clear and stretching commitments in these three areas, as can be found on our website³, and we're working hard to embed sustainability across the business. We consider the long- and short-term implications of our asset decisions, from buying to developing, managing or selling assets.

²Our sustainability strategy | Landsec
³Sustainability performance | Landsec

Leadership in climate resilience



With the built environment accounting for nearly 25% of all emissions in the UK, we aim to lead the way in reducing emissions⁴.

Following the two-degree pledge made at the COP21 Convention on Climate Change in Paris, in 2016 we became the first property company in the world to have its carbon emission target approved by the Science Based Targets initiative⁵. We have since updated our science-based carbon reduction target with approval from SBTi; playing a key part of our net zero carbon strategy.











In addition to reducing our operational emissions and committing to the procurement of renewable electricity, we're implementing an internal shadow carbon price to drive investment towards cleaner projects. We're also reducing carbon emissions across our construction activities by carefully selecting every raw material we use. And lastly – and this really is the last resort – we'll offset the remaining carbon from our construction impacts.

We were also one of the first companies globally to join all three of The Climate Group's RE100, EP100 and EV100 campaigns, a series of commitments for businesses to procure renewable energy, improve energy productivity and invest in electric transport infrastructure.

Finally, we are committed to implementing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), assessing and mitigating climate change risks across our portfolio, as well as, providing our stakeholders and investors accurate data and insight about the climate related risks and opportunities which are relevant to our business.

Through our ambitious commitments and targets, we're supporting the transition to a low-carbon world, creating benefits for our bottom line, reducing our customers' costs and bringing our partners along with us.

We also have Social and Governments Targets which can be found along with more details on our sustainability strategy and performance at landsec.com/sustainability.

BENCHMARK	LATEST PERFORMANCE
	<p>GRESB 2022 Real Estate Sector leader – received 5-star rating for the seventh consecutive year</p> <p>Standing Investments: Regional Listed Sector Leader for Europe within Diversified – Office/Retail (score 88%)</p> <p>Developments: Score 93%</p>
	<p>CDP 2022 A-list (top 1.5%) for the fifth consecutive year</p>
	<p>DSJI 2022 Score 82/top 99th percentile</p> <p>European Real Estate leader, ranking 5th globally</p> <p>Sustainability Yearbook 2022: Bronze Class distinction in the S&P Global Sustainability Awards</p>
	<p>Ecoact 2022 Ranked 3rd amongst FTSE 100 companies for our sustainability reporting and climate-related strategy</p>
	<p>EPRA 2022 Received our 9th Gold Award for best practice sustainability reporting</p>
	<p>FTSE4Good 2022 99th percentile We continue to retain our established position in the FTSE4Good Index</p>
	<p>ISS ESG 2022 Prime status. Rating B-. Decile rank 1/transparency level: very high</p>
	<p>MSCI ESG Rating 2022 AA rating</p>
	<p>Sustainalytics ESG Risk Rating 2022 9.4 (negligible risk) Included in 2023 Top-Rated ESG Companies List</p>
	<p>Stonewall Workplace Equality Index 2022 Bronze award for our 1st submission, acknowledging our efforts to advance LGBT+ equality</p>

⁴ UK Parliament, 'Emissions must be reduced in the construction of buildings if the UK is to meet net zero, MPs warn, (2022)

⁵ Case Study - Landsec - Science Based Targets

Our current environmental corporate commitments are:

Decarbonisation our portfolio

- 1 Reduce operational carbon emissions (tCO₂e) by 70% by 2030, for property under our management for at least two years (compared with a 2013/14 baseline)⁶.
- 2 Reduce average embodied carbon by 50% compared with a typical building by 2030 by prioritising asset retention where possible, smart design and using sustainable materials.
- 3 Reduce energy intensity by 45% by 2030 (compared with a 2013/14 baseline).
- 4 Source 85% of total energy (electricity, gas, heating and cooling) consumption from renewable sources by 2030.
- 5 Ensure 100% of assets located in areas highly exposed to climate risks have adaptation measures in place.

Enhancing nature and green spaces

- 6 Achieve a 25% biodiversity net gain by 2030 across our operational sites currently offering the greatest potential (2016/17 baseline).
- 7 Achieve a 15% uplift in biodiversity for all new developments by 2030.

Using resources efficiently

- 8 For every development, source 100% of core construction materials from ethical and sustainable sources, extending this across our full supply chain in due course.
- 9 Promote reuse and circular economy principles and achieve at least 75% annual recycling rate across our portfolio and new developments.

⁶ Operational carbon target includes scope 1,2 and partial scope 3 emissions



Green Financing Framework

This Green Financing Framework outlines how we propose to use the proceeds of green financing instruments to fund eligible green projects that support our business strategy. Under our Green Financing Framework, we will be able to issue Green Bonds, Loans or other financing instruments (collectively the 'Green Financing Instruments') to finance our sustainability efforts.

Framework Update

By updating the existing Framework, first published November 2019, Landsec aims to:

- Ensure the Framework is up to date and aligned with best market practices;
- Align the Framework with the updated Sustainability and overall strategy of Landsec;
- Amend the Use of Proceeds Categories to closer align to expected expenditures and market standards:

- Update to the Green Buildings category, creating New Development, Acquisitions and Major Refurbishments subcategories
- Update to the Renewable Energy and Energy Efficiency categories
- Removal of Sustainable Water and Wastewater management, Waste Management and Clean Transportation categories

- Take into consideration the EU Taxonomy Regulation (the 'EU Taxonomy') and the EU Taxonomy Delegated Acts on Climate Change Mitigation and Adaptation⁷, as well as the EU Proposal for an EU Green Bond Standard⁸;

- Diversify the range of potential funding by amending the previous Green Bond Framework to a Green Financing Framework.

The Framework has also been updated to align with the latest versions of the Green Bond Principles 2021 ('GBP')⁹ administered by the International Capital Market Association ('ICMA'), and the Green Loan Principles 2023 ('GLP')¹⁰ administered by the Loan Market Association ('LMA'), and their four core components:

- I. Use of Proceeds
- II. Project Evaluation and Selection Process
- III. Management of Proceeds
- IV. Reporting

⁷The EU taxonomy for sustainable activities
⁸The European green bond standard

⁹ICMA Green Bond Principles 2021
¹⁰LMA Green Loan Principles 2023




Use of proceeds

An amount equivalent to the net proceeds from the issuance of the Green Financing Instruments will be used to (re)finance, in part or in full, new and/or existing Eligible Green Projects, within one of the categories detailed below.

Eligible Green Projects may include physical assets such as green buildings, as well as capital expenditures and selected operating expenditures related to Eligible Green Projects.

Eligible Green Category	Subcategory	Description of Eligibility Criteria	Related EU Economic Activities, EU Environmental Objectives and UN SDGs
Green Buildings	Construction of new developments	<p>New developments of commercial buildings matching the following criteria:</p> <ol style="list-style-type: none"> Achieve or aim to achieve green building certification: <ul style="list-style-type: none"> — BREEAM Excellent or above, and/or — LEED Gold or above and at least one of the following criteria Reduce upfront embodied carbon emissions (RICS Modules A1-A5) in construction: <ul style="list-style-type: none"> — Achieve or aim to achieve embodied carbon intensity of 600 kgCO₂e/m² on commercial office development¹¹ and/or — At least 15% reduction in embodied carbon emissions, measured against the design stage baseline (RIBA Stage 3) and/or Achieve or aim to achieve best practice in energy efficiency performance: <ul style="list-style-type: none"> — EPC A or above, and/or — NABERS UK Energy 5 stars or above, 	<p>7.1 Construction of new buildings</p> <p>7.7 Acquisition and ownership of buildings</p> <p>EU Environmental Objectives: Climate Change Mitigation</p> 
	Acquisition	<p>New acquisitions of commercial buildings matching at least one of the following criteria</p> <ol style="list-style-type: none"> Achieve green building certification of: <ul style="list-style-type: none"> — BREEAM Excellent or above, and/or — LEED Gold or above and/or Achieve or aim to achieve best practice in energy efficiency performance: <ul style="list-style-type: none"> — EPC A or above, and/or — NABERS UK Energy 5 stars or above 	<p>7.7 Acquisition and ownership of buildings</p> <p>EU Environmental Objectives: Climate Change Mitigation</p> 
	Major refurbishments	<p>Existing Portfolio projects and Major refurbishments of commercial buildings that improve or aim to improve the energy efficiency performance of the building or space, achieving:</p> <ul style="list-style-type: none"> — EPC B or above <p>and at least one of the following criteria</p> <ul style="list-style-type: none"> — At least 30% improvement in energy efficiency, and/or — NABERS UK 4 stars or above 	<p>7.2 Renovation of existing buildings</p> <p>7.7 Acquisition and ownership of buildings</p> <p>EU Environmental Objectives: Climate Change Mitigation</p> 

¹¹ The embodied carbon intensity benchmarks are based on industry averages and previous developments.

Eligible Green Category	Subcategory	Description of Eligibility Criteria	Related EU Economic Activities, EU Environmental Objectives and UN SDGs
Renewable Energy		<p>Acquisition, installation, maintenance and repair of on-site renewable energy equipment, such as:</p> <ul style="list-style-type: none"> — solar photovoltaic systems or solar hot water panels — heat pumps — wind turbines — thermal or electric energy storage units — any ancillary technical equipment of the above 	<p>7.6 Installation, maintenance and repair of renewable energy technologies</p> <p>EU Environmental Objectives: Climate Change Mitigation</p> 
Energy Efficiency		<p>Acquisition, installation, maintenance or repair of energy efficiency equipment, such as:</p> <ul style="list-style-type: none"> — insulation equipment — energy efficient windows — energy efficient doors — energy efficient light sources — HVAC and water heating systems <p>Acquisition, installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings, such as:</p> <ul style="list-style-type: none"> — zoned/smart thermostats and sensing equipment — building automation and control systems — energy management systems — smart meters for gas, heat, cool and electricity — building energy management systems — light control systems, — façade or roofing elements such as solar shading or solar control functions 	<p>7.2 Renovation of existing buildings</p> <p>7.3 Installation, maintenance and repair of energy efficiency equipment</p> <p>7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings</p> <p>EU Environmental Objectives: Climate Change Mitigation</p> 

Process for Project Evaluation and Selection

We have strengthened the integration of sustainability into our business model by setting up a dedicated cross-departmental Green Financing Committee (GFC) to identify, select and monitor Eligible Green Projects to be funded by Green Financing Instruments. The GFC comprises of members of the Sustainability forum, in addition to the Group Treasurer.

The GFC's role will be to:

- Review, select, validate and monitor the pool of Eligible Green Projects annually, based on the Green Financing Framework;

- Validate annual reporting for investors;
- Monitor the on-going evolution related to the Sustainable Capital Markets in terms of disclosure/reporting in order to be in-line with market best practices; and
- Review the Framework to reflect any changes with regards to the company's sustainability strategies and initiatives.

The GFC will meet at least semi-annually following the issue of a Green Financing Instrument, or as further required in order to review and approve allocation of proceeds and reporting.



Risk Management

We have a strong focus on managing our Climate Related Risks, with procedures, processes, and risk management systems in place to identify, monitor and mitigate the adverse environmental impacts of our Eligible Green Projects.

The Board is responsible for the oversight of Landsec's approach to sustainability, which includes ownership and monitoring of climate-related risks and opportunities impacting the business. Our CEO is the Board's 'Sustainability Executive' and has overall accountability.

The key ESG Risks identified are: Climate change; Information security & Cyber threat; Health and Safety incidents and major resilience events. The primary owner for Environmental and Climate risk is Landsec's Corporate Affairs Director. The Head of ESG and Sustainability is the secondary owner, being the senior leader responsible for ensuring appropriate mitigation actions are taken. Our climate-change principal risk includes both transition and physical climate risk and is monitored on a quarterly basis using a series of Key Risk Indicators as detailed in the Metrics and Targets section of Landsec's TCFD statement included in the Annual Report, the latest version of which can be found on our website¹².

To support this governance structure the Sustainability Forum has been established as a senior leadership group, responsible for executing the strategy and delivering programmes of work needed to meet our sustainability targets. Its purpose is to support the Executive Leadership Team and the Board in delivering against our stated sustainability commitments and targets of our 'Build Well, Live Well, Act Well framework'. Their responsibilities include assigning resources for the delivery of actions (via working groups where required) and proposing recommendations to the Executive Leadership Team for the approval for sustainability related public documentation.

Implementing Risk Management

We have a clearly defined risk management framework enabling risk and opportunities to be managed appropriately by the business and our supply chain. Key elements that feed into this framework include Landsec's Sustainable Supply Chain Commitment, Materials Brief and Sustainable development toolkit.

The Sustainable Development Toolkit is a comprehensive guide for our development teams and all our external partners. It ensures that we design and develop our new schemes and major refurbishments in line with our sustainability vision, corporate commitments and targets. It also sets out a systematic approach for us to achieve sustainable development, culminating in a scheme-specific Sustainability Strategy. It is the role of Landsec's group sustainability team to ensure the toolkit is fit for purpose and to track the progress of all developments and refurbishments against the commitments set out in the toolkit.

This process, as well the embedding of sustainability in Landsec's operational activities is 3rd party certified to ISO14001 Environmental Management and ISO50001 Energy Management standards ensuring that Landsec manages its environmental responsibilities and approach to energy management in a systematic manner of international standard. Our full suite of sustainability policies and our governance structure are available on our website¹³.

¹² Reports | Landsec

¹³ Landsec's sustainability Governance structure and supporting policies

Management of Proceeds

The net proceeds from Landsec’s Green Financing Instruments will be deposited in a general account and an amount equivalent to the net proceeds will be earmarked for allocation to the Eligible Green Projects as selected by the GFC. The process will be in accordance with Landsec’s Green Financing Framework.

The Treasury team will be responsible for monitoring and updating all relevant information regarding the issuance of Green Financing Instruments and Eligible Green Projects in Landsec’s reporting systems. The balance of the tracked proceeds should be adjusted annually, in order to match allocations to Eligible Green Projects (re)financed during this period. Landsec commits, on a best effort basis, to reach full allocation within 24 months following each issuance.

Eligible Green Projects can include:

- I. Assets falling under the Green Buildings category included without a specific look-back period and at their appraisal value;
- II. Capital and operational expenditures with a maximum look-back period of 3 years

We will use our best efforts to replace any Green Projects that are no longer eligible or which have been disposed of as soon as practicable, within 24 months on a best efforts basis.

The payment of principal and interest on the Green Financing Instruments issued by Landsec under the Green Financing Framework will be made from its general funds and will not be linked to the performance of any Eligible Green Projects.

Unallocated Proceeds

Pending the allocation or reallocation, as the case may be, of the net proceeds, we will invest the balance of the net proceeds, at our own discretion, in cash and/or cash equivalents and/or other liquid marketable instruments, as per the company’s liquidity management policy.

Reporting

We will report on the allocation of net proceeds and associated impact metrics of the Green Financing Instrument(s) within one year from issuance date and annually thereafter until the net proceeds have been fully allocated. The combined Green Financing report will be available on the Landsec website¹⁴ for the lifetime of the relevant Green Financing Instruments, and will be updated in the event of any material change.

Allocation Report

The allocation reporting within the Green Financing report will include:

- The list of Eligible Green Projects (re)financed;
- The aggregated amount of allocation of the net proceeds to the Eligible Green Projects for each of the Eligible categories;
- The proportion of net proceeds used for financing versus refinancing; and
- The balance of any unallocated proceeds invested in cash and/or cash equivalents.

Impact Report

Within the Green Financing report, we will report on the impact of the Eligible Green Projects, providing relevant qualitative and quantitative performance measures associated with appropriate eligible category. We intend to align our impact reporting with the Handbook for ‘Harmonized Framework for Impact Reporting’, June 2021 version¹⁵. Subject to confidentiality agreements, competitive considerations, or a large number of underlying projects limiting the amount of detail that can be made available, the information may be presented on an aggregated portfolio basis. Impact metrics may include, but are not limited to:

Eligible Green Category	Example Impact Reporting Metrics
Green Buildings	<ul style="list-style-type: none"> — Type of scheme, certification level and m² gross building area — Annual GHG emissions reduced/avoided (in tCO₂e) relative to an established baseline — % of carbon emissions reduced/avoided relative to an established baseline
Renewable Energy	<ul style="list-style-type: none"> — Annual GHG emissions reduced/avoided (in tCO₂e) relative to an established baseline — Annual renewable energy generation (in KWh) — Capacity of renewable energy equipment installed (in KW)
Energy Efficiency	<ul style="list-style-type: none"> — Annual energy savings (in KWh) — Annual GHG emissions reduced/avoided (in tCO₂e) relative to an established baseline

¹⁴ Debt Investors | Landsec

¹⁵ICMA Handbook Harmonised Framework for Impact Reporting

External Review

Second Party opinion

The second party opinion (SPO) provider Sustainalytics has reviewed Landsec's Green Financing framework and certified its alignment ICMA Green Bond Principles 2021, LMA Green Loan Principles 2023 and market practices. The SPO will be made available at <https://landsec.com/investors/debt-investor>.

Post issuance verification

The allocation of Green Financing proceeds, adherence to Green Projects selection criteria, and environmental metrics will be reviewed by an independent third party assurer. The Limited Assurance letter will be made available on Landsec's website <https://landsec.com/investors/debt-investor>.



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