SUSTAINABILITY REPORT 2016

LandSecurities

AT A GLANCE

Our Commitments
and Progress to date

Progress

- Complete
- On track
- Not on track

Commitments

- Existing commitment (retained)
- Existing commitment (extended)
- New commitment

CREATING JOBS AND OPPORTUNITIES

COMMUNITY EMPLOYMENT

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

PROGRESS
Employment secured for 779 people from disadvantaged backgrounds

FAIRNESS

COMMITMENT
Ensure the working environments we control are fair and ensure that everyone who is working on our behalf – within an environment we control – is paid at least the Living Wage by 2020

PROGRESS
All tenders and contractual clauses for new developments now stipulate Living Wage requirements

DIVERSITY

COMMITMENT
Make measurable improvements to the profile – in terms of gender, ethnicity and disability – of our employee mix

PROGRESS
Established and chaired a sector-wide People in Property Diversity Steering Group

HEALTH, SAFETY AND SECURITY

COMMITMENT
Maintain an exceptional standard of health, safety and security in all the working environments we control

PROGRESS
100% of employees completed M1 training and 98% have completed M2 within six months of joining the company

EFFICIENT USE OF NATURAL RESOURCES

RENEWABLE ELECTRICITY

COMMITMENT
Continue to procure 100% renewable electricity across our portfolio

PROGRESS
As of 1 April 2016, our group electricity contract is 100% renewable

WASTE

COMMITMENT
Send zero waste to landfill with at least 75% recycled across all our operational and construction activities by 2020

PROGRESS
Diverting 98.6% from landfill and recycling 72%

CARBON

COMMITMENT
Reduce carbon intensity ($kgCO_2/m^2$) by 40% by 2030 compared to a 2013/14 baseline, for property under our management for at least two years, with a longer-term ambition of an 80% reduction by 2050

PROGRESS
New commitment

ENERGY

COMMITMENT
Reduce energy intensity (kWh/m^2) by 40% by 2030 compared to a 2013/14 baseline, for property under our management for at least two years

PROGRESS
Previous commitment was to reduce the absolute energy consumption of our five largest energy consuming managed buildings by 15% by 2020 against a 2014 baseline. Achieved this year so have now set a more ambitious science-based carbon and energy reduction target

SUSTAINABLE DESIGN AND INNOVATION

NEW DEVELOPMENTS

COMMITMENT
Design all our new developments to meet or exceed best practice guidelines for carbon emissions and the use of energy, water and materials. Current targets are Very Good for Retail and Excellent for Offices

PROGRESS
Designing to meet or exceed Part L requirements. 98.3% of waste diverted from landfill. All office schemes on track for minimum of BREEAM Excellent and retail schemes Very Good

EMBODIED CARBON

COMMITMENT
Carry out embodied carbon analysis to inform the selection and procurement of building materials to reduce environmental impacts

PROGRESS
Embodied carbon assessments progressing on all major new developments

BIODIVERSITY

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

PROGRESS
Partnered with The Wildlife Trusts to develop a strategic action plan

WELLBEING

COMMITMENT
Ensure our buildings are designed and managed to maximise wellbeing and productivity

PROGRESS
Sponsored World Green Building Council Campaign "Better Places for people" to further understand how space affects wellbeing and how it can be measured

THIS YEAR WE DEFINED THE SUSTAINABILITY ISSUES THAT ARE MOST IMPORTANT TO OUR STAKEHOLDERS AND OUR BUSINESS. THEN WE REFINED OUR STRATEGY AND SET MORE CHALLENGING COMMITMENTS.

We also launched our Sustainability Matters training programme for everyone within the company. We were active participants at the Paris Climate Conference and have now set a new science-based carbon reduction target. And we took a leadership role on areas as diverse as employment, energy and biodiversity.

Over the following pages we talk about our priorities, the actions we've taken and the progress we've made – from 100% renewable electricity to our Community Employment Programme that's helping to transform lives and support communities.

CONTENTS

CHIEF EXECUTIVE'S STATEMENT

"WE NEED TO ACT IN THE RIGHT WAY SO THAT THE PEOPLE WE DEPEND ON KEEP SUPPORTING US."

Robert Noel, Chief Executive

Our vision is to be the best property company in the UK in the eyes of our customers, communities, partners and employees. Our sustainability vision reflects this ambition. We aim to be the sustainability leader in the UK listed real estate sector – a company that pioneers better ways to approach everything from community employment to energy, waste and biodiversity.

Why do we think it's so important to take a lead on sustainability? Because it helps to ensure this company remains healthy and successful for years to come. Put simply, we need to act in the right way so that the people we depend on keep supporting us.

The rationale for this approach is clear: people have a choice.

Our customers can choose whether to occupy or visit our spaces or not.
That means we must understand their changing needs and respond in the way we design, build and manage property. Yes, it's about helping occupiers to manage costs and meet environmental regulation. But it's also about providing great experiences inside our buildings, delivering modern space that helps our customers to attract new talent and support the wellbeing of their employees. It's about providing great experiences for people outside our buildings too, from the natural parkland at Bluewater to the new public realm we're opening up in Victoria, SW1.

Our communities can choose whether to support our development schemes and properties or not.
By regenerating land in a smart and thoughtful way we can deliver powerful economic benefits, creating thriving locations where people want to spend their time and money. We believe new developments must enhance the local area, a challenge we're meeting in current schemes across London and at our Westgate retail scheme in the historic centre of Oxford. We also believe the construction and management of our assets should generate jobs for local people, which is why we've extended our successful Community Employment Programme from London to Oxford. We'll be taking it out to our shopping centres over the next 12 months.

Climate change is an issue of importance for all of us. During the year we played an active role at the UN Conference on Climate Change in Paris (COP21), talking about our approach to sustainability and sharing experiences with others. Inspired by the steps taken towards a global agreement, we have set an ambitious science-based carbon reduction target for the company. We've also taken direct action, becoming the first property company in the UK to switch to fully renewable electricity.

Our partners can choose whether they want to work with us or not.
That's why we set high standards for our supply chain, always backing that up by acting according to our values, particularly the value of integrity. For example, our commitment to fair pay for employees is now matched by a requirement that our contractors, on all new developments, pay a Living Wage to anyone who works on our behalf.

Across the business we partner with a wide range of organisations, from suppliers to government, charities and industry peers. Over the past few years I have been delighted to help The Passage homelessness charity in Victoria, SW1. Working in partnership with Westminster City Council, Grosvenor Estate and Berkeley Homes, we ensured Section 106 funds were redirected to enable the charity to transform its dilapidated care centre, and we supported them during the works. The result? Instead of firefighting property issues The Passage can now focus on providing essential support to the local community.

Our employees can choose whether to spend their time here or go elsewhere.
In my experience the most talented people want to work for a company that believes in itself and, in turn, that they can truly believe in. Sustainability is central to this. I am convinced the importance we place on thinking in a rounded, long-term way provides us with an advantage in the competition for talent. Not least, it presents the sort of intellectual challenges our people relish. In February we launched our new Sustainability Matters online training programme for all of our employees. We will be developing the programme this coming year with a series of role-specific face-to-face modules. The messages within the programme will be reinforced later this year when we move to our new head office at 80-100 Victoria Street, SW1, where thoughtful refurbishment has already achieved BREEAM Outstanding at design stage.

We will only continue to thrive as a business if all of these people – customers, communities, partners and employees – choose us. Our shared agenda with these groups helps make Land Securities more resilient and more successful. Critically, investors are more likely to choose to invest in us if we're meeting the needs of everyone we depend on. It's a virtuous circle.

This year we carried out research to ensure that, in terms of sustainability, we continue to meet the changing needs and expectations of our stakeholders as we move forward. The findings of our materiality review are discussed in this report, together with an update on our commitments and actions. Following the review we have chosen to focus on three priority areas – creating jobs and opportunities, efficient use of natural resources, and sustainable design and innovation. Over the next 12 months you will see us work to lead in each of these areas, driven by our purpose of helping businesses to succeed, economies to grow and people to thrive.

Robert Noel
Chief Executive

STRATEGIC UPDATE

We are the largest listed commercial property company in the UK by market capitalisation. We buy, sell, develop and manage commercial property, with a focus on offices in London and retail across the UK.

Through our sustainability vision we aim to lead the UK listed real estate sector. We have often set the pace in certain areas of environmental and community activities. However, there's plenty of work to be done to achieve and sustain leadership, and the sustainability vision will inspire our work over the next 12 months and well beyond.

Our sustainability vision: to be the sustainability leader in the UK listed real estate sector – in the eyes of our customers, communities, partners and employees.

This year our focus has been on better understanding how sustainability impacts each of our stakeholder groups and what they want to see us do and achieve. That work started with a far-reaching brand perception review followed by a comprehensive materiality review. At the same time, we have continued to develop and implement more sustainable approaches to our activities and assets. And we have established a new sustainability strategy, commitments and system of governance.

SUSTAINABILITY COMMITTEE

Diagram 1

1 **Robert Noel***
Chief Executive

2 **Diana Breeze***
Group Human Resources Director

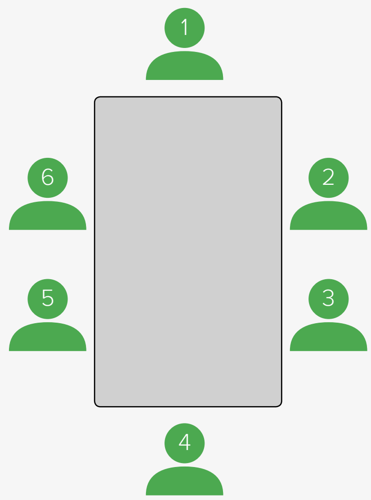
3 **Miles Webber***
Director of Corporate Affairs and Sustainability

4 **Caroline Hill**
Head of Sustainability

5 **Neil Pennell**
Head of Engineering & Design and London representative

6 **Jat Sahota**
Head of Commercial, Retail representative

*Members of our Executive Committee



GOVERNANCE

Sustainability is a top priority at Land Securities and has senior-level support. Our Chief Executive takes overall responsibility, with the wider Board receiving an annual update.

Ongoing oversight is carried out by our Sustainability Committee, which is chaired by the Chief Executive and attended by our Director of Corporate Affairs and Sustainability and Group HR Director – all members of our Executive Committee – together with our Head of Sustainability, Head of Engineering & Design and senior representation from the London and Retail businesses. The Committee meets quarterly and is the senior forum for determining our sustainability strategy and performance. Please see our Annual Report for further details on our governance structure and Committees.

The Sustainability Committee is supported by the Sustainability Working Group. This started as two separate working groups – one covering Environment & Energy, the other Society & Economy. Following the appointment of our new Head of Sustainability, Caroline Hill, we brought the two working groups together as part of an integrated sustainability programme and team.

The Sustainability Working Group also meets quarterly and is the delivery mechanism for making sure sustainability is considered and integrated throughout the business. The Working Group includes representatives from across the Retail and London businesses and from corporate functions. It looks at all aspects of our business, from development and project management to operations, insurance, engineering, HR, health and safety and marketing. The group is chaired by the Head of Sustainability.

The Working Group is supported by the Sustainability Team. Following a restructure of the business, we have brought together a single team that sits at Group level and supports the entire business with all aspects of sustainability. This includes community programmes, charity partnerships, volunteering, environmental and energy management. The team is led by the Head of Sustainability. This year, the team has focused on how we can transfer knowledge and capacity on sustainability throughout the organisation, particularly through our training programme Sustainability Matters.

It is absolutely key for us that sustainability is integrated into all areas of the business. So, as well as having a formal Committee and working group structure, we also ensure that members of the Sustainability Team attend team meetings and events in departments across the business. For example, we have sustainability representation on Brand and Risk/Assurance forums, and Sustainability Team members regularly attend Development, Operational and General Manager team meetings. The Director of Corporate Affairs and Sustainability sits on the Executive Committee and attends the Investment Committee; and we provide monthly written reports to the Executive Committee, both of which ensure the company's executive leadership team is always fully aware of sustainability when discussing issues and making key decisions.

STAKEHOLDER ENGAGEMENT

This year, as part of a company-wide brand perception review, we commissioned The Value Engineers to conduct quantitative and qualitative research on stakeholder perceptions of sustainability at Land Securities. The qualitative research consisted of over 50 phone interviews with investors, customers, government, media, partners and sustainability-related stakeholders. The interviews included questions designed to help us clearly understand the importance of sustainability to these audiences.

The key findings were that sustainability was viewed as important in the property sector, and stakeholders were keen to better understand our sustainability programme. There was a perception that, over time, it will be the companies that aren't doing anything on this agenda that will stand out, rather than those that do. Some respondents considered the property industry to be behind other industries on sustainability performance. Stakeholders believed that government legislation will drive compliance and it makes sense for the industry to lead the agenda rather than waiting for further legislation. There was also a perception that those companies that are driving the sustainability agenda are progressive, forward thinking and pioneering.

MATERIALITY REVIEW

Following the sustainability brand perception research, we decided we needed to explore further exactly which issues are most material to stakeholders and why, and what they want us to do in each key area. In 2015 we commissioned Jones Lang LaSalle (JLL) to conduct a detailed sustainability materiality review. This built on a previous review undertaken in 2013. JLL has extensive experience of undertaking sustainability materiality reviews and strategy reviews for a range of leading property companies and investors over 15 years.

The new review, which was completed in March 2016, was undertaken in line with best practice guidance, particularly methodologies supported by the Global Reporting Initiative (GRI) and AccountAbility. In particular, the GRI states that a combination of internal and external factors should be used to determine whether an aspect is material, with priority given to material aspects based on "influence on stakeholder assessments and decisions" and "significance of economic, environmental and social impacts to the organisation". Similarly, AccountAbility says organisations should "choose internal and external criteria to identify those issues relevant to drivers of business strategy and performances, and those issues which are most important to the stakeholders. The external criteria should be weighted to reflect most strongly those stakeholders that can influence the business".

> **"OUR SUSTAINABILITY AGENDA IS AN IMPORTANT ELEMENT OF HOW WE DELIVER CERTAINTY FOR CLIENTS. BY SETTING THE BAR HIGH, THE VERY BEST CLIENTS ENCOURAGE US TO EXPLORE NEW AND MORE INNOVATIVE WAYS OF WORKING. LAND SECURITIES IS ONE OF OUR MOST CHALLENGING CLIENTS IN THIS RESPECT – AND, BY VIRTUE OF THIS, ONE OF THE MOST EXCITING TO WORK WITH."**
>
> **Eddy Taylor,** Head of Sustainability and Carbon Management, Laing O'Rourke

2016 MATERIALITY REVIEW METHODOLOGY

Diagram 2

1 MASTER LIST OF MATERIAL ISSUES

Based on Land Securities' shortlist of JLL's list of material issues

2 MATERIALITY ISSUE

Using a ranking of one to eight, one being most important

3 RANKED LIST OF MATERIAL ISSUES

– Based on score from materiality tests
– Validation to check results are balanced representation of performance

4 WEIGHTING

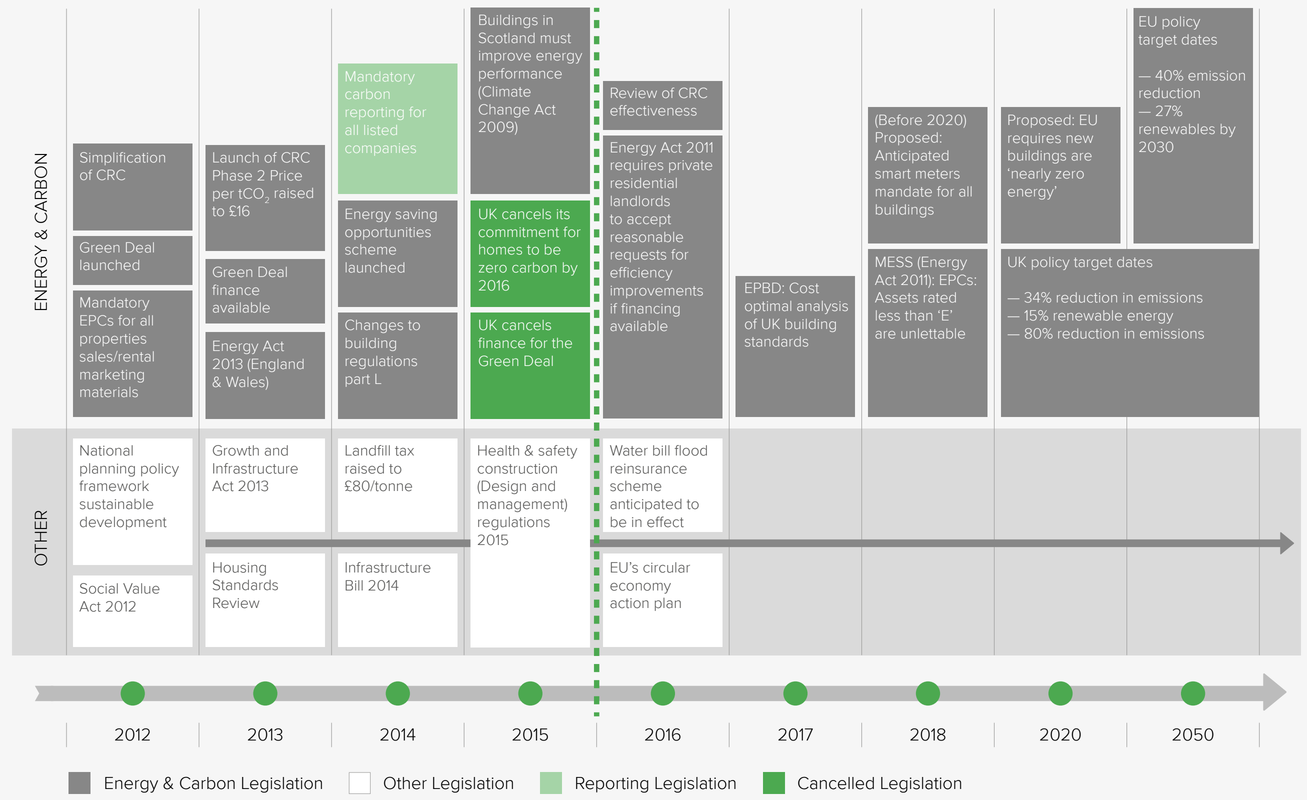
Weighted based on importance of source defined by Land Securities

5 MATERIALITY MATRIX

Using composite importance to stakeholders (tests 1, 2 & 4) for the Y axis and materiality to Land Securities (test 3) for the X axis

TIMELINE OF RELEVANT LEGISLATION

Chart 3



Master list of material issues
The first step of the review was to identify the potential list of sustainability issues relevant to us as a UK-based property company. A number of issues were adjusted or excluded to reflect the nature of our business, areas of operation and portfolio. The final list of material issues was:
— Biodiversity and green infrastructure
— Building health, wellbeing and productivity
— Climate change adaptation
— Community programmes
— Crime and safety
— Diversity
— Energy and carbon
— Enhancement of the public realm
— Health and safety
— Job creation
— Local economic development
— Responsible supply chain management
— Sustainable building design
— Transport connectivity and accessibility
— Waste
— Water

Legislation review
The review then identified the key legislative risks associated with the master list of sustainability issues. This looked at all predicted and scheduled EU and UK legislation related to the material issues through to 2020. It also noted UK and EU policy targets out to 2050.

Peer review
The next step was to conduct a review of the targets set by industry peers for each of the issues included in the long list of sustainability issues. The review found considerable range in the number of targets set for issues, from no publicly set targets for some areas through to 30 for energy and carbon. The latter is clearly an issue of considerable focus for peers, with 11 more targets set in this area than the second highest ranked issue, sustainable building design, which itself relates to energy consumption and carbon emissions.

Internal engagement
Engagement was undertaken with employees who are directly involved in delivering our sustainability strategy to identify the issues they believe are most material. Interviews were conducted with senior representatives from London and Retail, and an electronic survey was sent to team members. Interviewees and survey recipients were asked to identify eight material issues they thought we should address from the master list of sustainability issues.

External engagement
Interviews were then conducted with a range of external stakeholders. These included customers, investors, supply chain partners and community organisations.

Energy and carbon was considered the most material issue externally, with nearly 60% of interviewees suggesting it was either the most or second most material issue. Local economic development and Building health, wellbeing and productivity were seen as the second and third most material issues, reflecting growing interest in both of these areas. Responsible supply chain management was also considered to be particularly important.

During the consultation process interviewees were asked to comment on their current relationship with Land Securities around sustainability and how they would like this to evolve.

NEW MATERIALITY MATRIX

The output from the previous stages is a clear materiality matrix that plots issues according to their importance to stakeholders and their materiality to us at this point in time. The final matrix was based on the format recommended by GRI and AccountAbility, with appropriate weighting applied. The matrix shows that energy and carbon and sustainable building design are our most material issues.

OUR STRATEGY

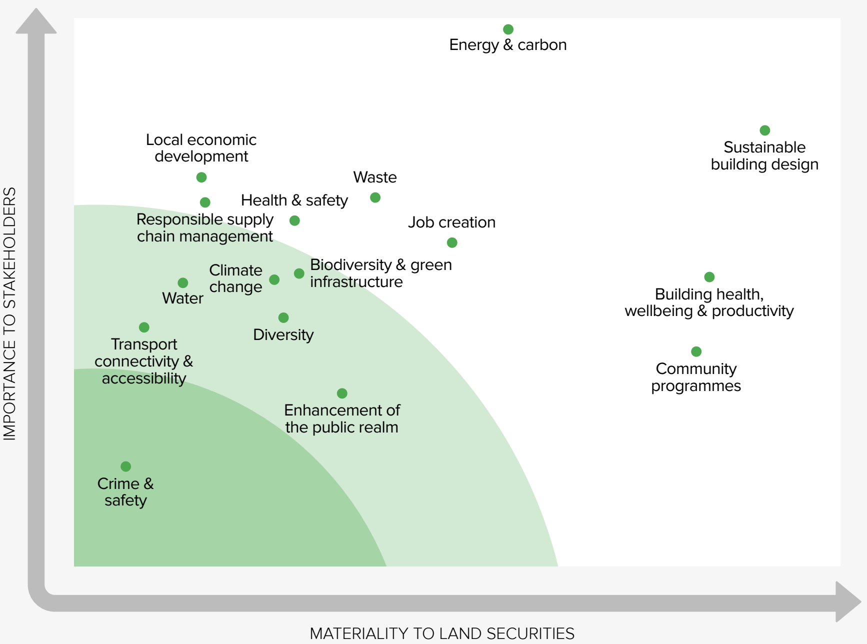
Following the materiality review we looked again at our sustainability strategy and programme to ensure they meet the needs of internal and external stakeholders; deliver the greatest value to us as an organisation; and keep us on the right trajectory to achieve our sustainability leadership ambitions. From this, we decided to focus activities on three priority areas:

— Creating jobs and opportunities
— Efficient use of natural resources
— Sustainable design and innovation.

These are now the foundation of our sustainability strategy.

2016 SUSTAINABILITY MATERIALITY MATRIX

Chart 4



OUR SUSTAINABILITY STRATEGY

Diagram 5

OUR COMMITMENTS

In light of the materiality review and evolved strategy, we reviewed all of our sustainability commitments. In some cases we decided that a commitment was not sufficiently ambitious and extended it. In particular, we have set a new science-based carbon reduction target. We have also made a public commitment to purchase green electricity across the portfolio; and have since achieved this with our new green electricity contract. We have extended our waste management target from 70% to 75% recycling. And we have added a new commitment on ensuring our buildings are designed to maximise wellbeing. We will also be reviewing all of our sustainability requirements for new developments during the coming year to ensure they meet our leadership ambitions. You can read about all of these commitments and our actions on the following pages.

In other areas, we have decided to refocus our commitments to reflect the new materiality matrix and the feedback from our stakeholders. For this reason we have changed the focus of our water commitments to be at the design stage rather than operational management, as this is where we have a greater ability to influence lower water use through design.

GROUP KPIs AND RISKS

As well as our longer-term sustainability commitments, each year the business sets itself a series of annual key performance indicators (KPIs). Sustainability issues can inform all of our business KPIs in some way but we also have a number of indicators specific to sustainability. You can see the sustainability-specific KPIs for 2015/16 (see KPI table). During the year we reviewed our indicators and set three sustainability-specific KPIs for 2016/17. These are:

— Deliver an impactful Sustainability Matters awareness raising and training programme – to achieve at least 95% completion of the online awareness raising course (level 1) and to have successfully rolled out face-to-face modules (level 2) across the business
— Support operational efficiency by conducting site-specific energy reduction assessments of the like-for-like portfolio to accelerate our existing energy management programme
— Continue our leading Community Employment Programme, and in particular achieve 170 people into jobs (129 from London, 31 from Retail and 10 from Group).

All of these targets are linked to remuneration.

Table 6

THEMATIC AREA	COMMITMENTS
Creating jobs and opportunities	— Help a total of 1,200 disadvantaged people secure jobs by 2020 — Ensure the working environments we control are fair and ensure that everyone who is working on our behalf – within an environment we control – is paid at least the Living Wage by 2020 — Make measurable improvements to the profile – in terms of gender, ethnicity and disability – of our employee mix — Maintain an exceptional standard of health, safety and security in all the working environments we control.
Efficient use of natural resources	— Continue to procure 100% renewable electricity across our portfolio — Reduce carbon intensity ($kgCO_2/m^2$) by 40% by 2030 compared to a 2013/14 baseline, for property under our management for at least two years, with a longer-term ambition of an 80% reduction by 2050 — Reduce energy intensity (kWh/m^2) by 40% by 2030, compared to a 2013/14 baseline, for property under our management for at least two years — Send zero waste to landfill with at least 75% recycled across all our operational and construction activities by 2020 — Please note that we are also committed to establishing an on-site generation target for the portfolio during the course of 2016.
Sustainable design and innovation	— Design all our new developments to meet or exceed best practice guidelines for carbon emissions and the use of energy, water and materials. Current BREEAM targets are Very Good for Retail and Excellent for Offices — Carry out embodied carbon analysis to inform the selection and procurement of building materials to reduce environmental impacts and achieve at least a 15% reduction in embodied carbon — Maximise the biodiversity potential of all our development and operational sites — Ensure our buildings are designed and managed to maximise wellbeing and productivity.

2015/16 KPIs Table 7

Target: 170 people through training and into jobs via our Community Employment Programme

Performance: 196 people through training and into jobs via our Community Employment Programme

Target: Mandatory health and safety training (M1 and M2) to be completed within six months of joining (M1 100%, M2 80%)

Performance: 100% of employees completed M1 training and 98% have completed M2 within six months of joining the company

Target: Leadership in gender and ethnic diversity

Performance: Met. For example, established and chaired a sector-wide People in Property Diversity Steering Group

As with our Group KPIs, sustainability is key to all of our principal and emerging risks but we have a number of current principal risks directly related to sustainability and health and safety, and emerging risks directly related to climate change, energy, wellbeing and security. See Diagram 8 for details of our current assessment of principal and emerging risks.

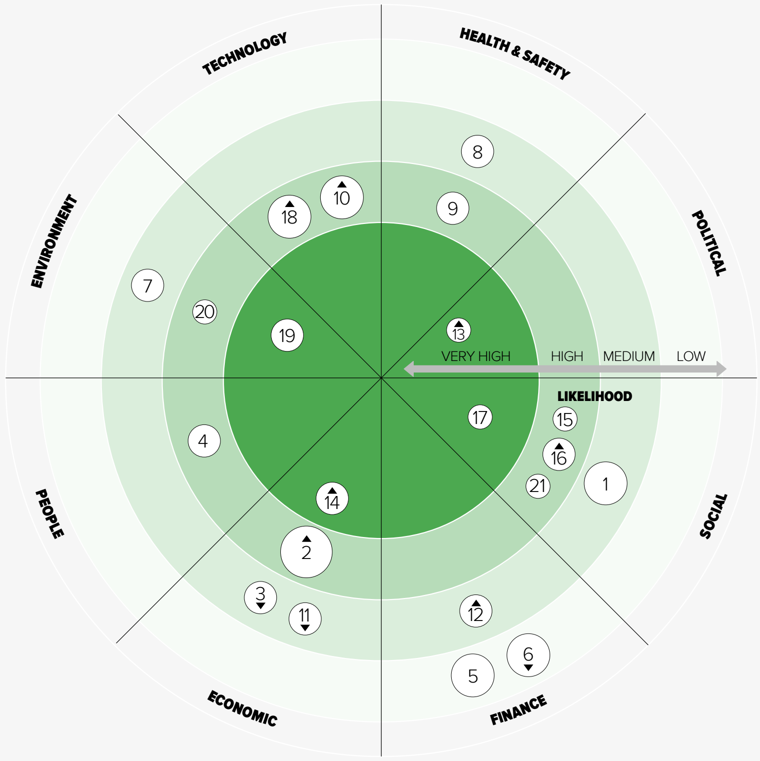
CURRENT ASSESSMENT OF PRINCIPAL AND EMERGING RISKS

Diagram 8

Impact
- Very high
- High
- Medium
- Low
- ▲ Increase from last year
- ▼ Decrease from last year

Current principal risk areas
1 Customers
2 Market cyclicality
3 Development
4 People
5 Liability structure
6 Financing
7 Sustainability
8 Health & safety
9 Security
10 Cyber

Emerging risks
11 Lack of UK competitiveness
12 Tax
13 Political unrest
14 Business rates
15 Demographic change
16 Living Wage
17 Modern Slavery Act
18 Lack of innovation
19 Resilience of portfolio to climate change
20 Energy supply
21 Organised crime



SUSTAINABILITY MATTERS

This year we launched a new training programme called Sustainability Matters to strengthen knowledge and capacity within the company. The first stage was an online awareness raising module. It conveyed to employees why sustainability matters here, how it is relevant to the different parts of our business and what it means for each person, both at work and home. This stage was launched in February 2016 to all staff and received great feedback. It is a Group KPI for the coming year to deliver the training to at least 95% of employees.

We are currently finalising the development of level 2 of the training programme, which will enable employees to further improve their sustainability understanding in terms of their specific role. To be delivered in partnership with the UK Green Building Council, this involves face-to-face training modules covering areas such as smart investments, integrated planning, reimagining design, responsible procurement and building better and more efficient operations.

Assurance

This year we engaged EY to conduct our sustainability assurance. EY are already our financial auditors; this is part of our journey to embed sustainability across the business and enhance the integrity, quality and usefulness of the information we provide. The EY statement at the end of this report discusses assurance in more detail.

INVESTING 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.

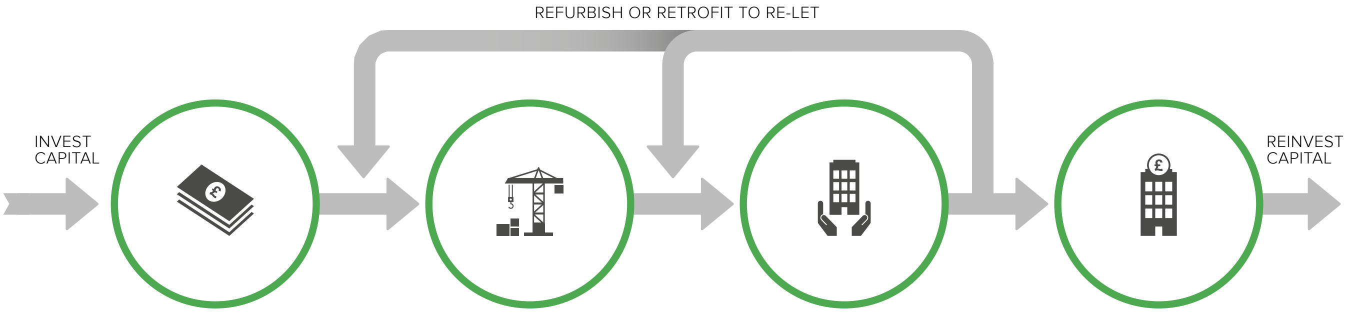
We believe that responding to people's needs – and giving careful consideration to the environment, economy and community – helps us to create enduring financial, social and physical value over the long term. Put another way, if we look after our cities, our cities will look after us.

Where we acquire or develop, we work closely with 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. Because we have control of assets, we can then take decisive action to improve things for the better.

Across the company, we aim to develop and manage buildings in a sustainable and innovative way; make efficient use of natural resources in everything we do; and create jobs and opportunities for the people who live near our assets, including marginal groups who are furthest from employment.

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

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 financial value for us over time.

Our investment manager will assess physical and environmental due diligence information on the state of the building. This will include details on physical and legislative risks that may affect performance and value. When we commit to buying a property, we bring long-term economic investment to that area.

DEVELOP

We develop when we see an opportunity to create space that will appeal to customers, enhance the area and create financial value for us.

We design for the safety, health and wellbeing of occupants, considering things such as air quality and natural lighting. We also design for efficiency and productivity. Behind the scenes we consider areas such as reception, loading bays, lift service and power supply, with an emphasis on operational resilience, energy use and the customers' experience.

We also design to improve the public realm around our buildings. And we consider the place within its context, including townscape 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.

MANAGE

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, waste and water 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.

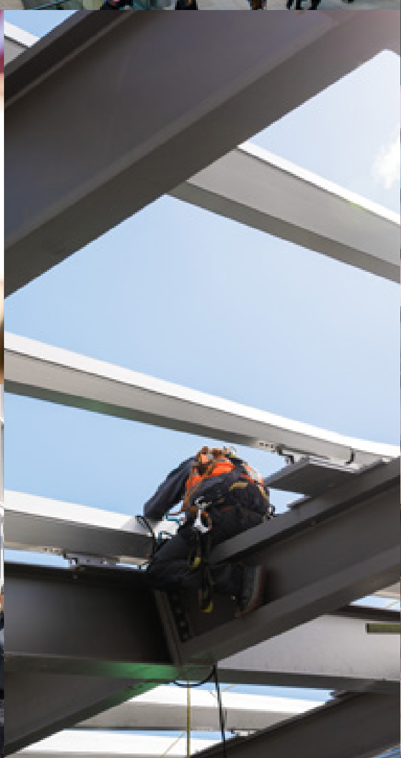
In this stage of the building's lifecycle our activities are similar to the development phase, from working with local authorities and groups to helping to increase aspirations and prosperity.

SELL

We sell an asset when we see an opportunity to deploy our capital more effectively elsewhere. Because of our investment and activity, the building we sell should perform at a higher level than the building we bought – financially, socially and environmentally. This should make it more valuable, which is good news for our shareholders and other stakeholders.

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

CREATING JOBS AND OPPORTUNITIES



Unemployment in the UK fell to a ten-year low in Spring 2016. While the overall picture is positive, there are still a significant number of people who are unemployed and have little prospect of gaining employment soon.

They include young people not in employment, education or training; ex-offenders; the homeless; people from British Black, Asian and minority ethnic backgrounds; and those with a disability. Women can face barriers to employment too. In construction, for example, women represent just 14% of professionals, according to Construction Industry Council research published in 2016.

Despite the difficulties these groups face accessing opportunities in property and construction, our industry faces a potential skills shortage. The Construction Industry Training Board estimates that up to 230,000 job positions must be filled by 2020. This represents a risk for us. In construction, a lack of people with the necessary expertise and qualifications can delay developments and push up construction prices. Inside the company, lack of diversity may restrict how our teams think, and it can create a disconnection between us and the communities who partner with us.

Our objectives in this area are clear. We want to ensure we have a skilled workforce for the future – within the company and across our industry. We want people living in our communities to be able to access training and job opportunities on our development sites and properties. And we want our assets to form part of prosperous and popular locations – places where people want to live, work and visit.

In response, our activities are focused on six key areas: community employment; education; charity partnerships and volunteering; diversity; fairness; and health, safety and security.

> **“THIS MORNING I WENT TO PAID WORK FOR THE FIRST TIME AFTER MORE THAN SEVEN YEARS. I WOULD LIKE TO THANK YOU FOR MAKING THE IMPOSSIBLE BECOME POSSIBLE.”**
>
> **Chantal Wasala-Beso,**
> Construction Academy candidate

COMMUNITY EMPLOYMENT

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

We work to help people from disadvantaged groups access training, job opportunities and apprenticeships in property, construction and customer service, often on our development sites and with partners who work alongside us. We also help to create opportunities for people once construction has finished, including with our service partners in our buildings and retail and hospitality customers who have space in our shopping centres. To do this successfully we collaborate with a wide range of organisations, from Local Authorities to community groups, supply chain partners, specialist training providers, charities and prisons.

Our award-winning employment programme
The Community Employment Programme (CEP) is the bedrock of our approach. Launched in 2011, it specifically helps those furthest from the labour market find meaningful employment. The programme started by addressing unemployment in the capital and skills gaps in the construction industry. Now we are extending the programme across our Retail Portfolio. In 2015 we launched the CEP at our Oxford development scheme. Here we've put everything we've learned so far to good use. Partnering with City of Oxford College, we have already delivered three programmes in total in Oxford, supporting 22 candidates into employment.

The CEP makes us a leader in employability in our industry and is recognised as a best practice model. It also demonstrates that we go over and above any Local Authority employment, skills and training obligations that we may have under a Section 106 planning agreement. During the year we won the Business in the Community Work Inclusion Award 2015. This is a terrific milestone that marks the commitment of our employment team and the many partners who make it work. We also won the 2016 Better Society National Commitment to the Community Award.

Better Society 2016 AWARDS WINNER National Commitment to the Community Award

AWARDS 2015 BUSINESS IN THE COMMUNITY

Equipping people for work

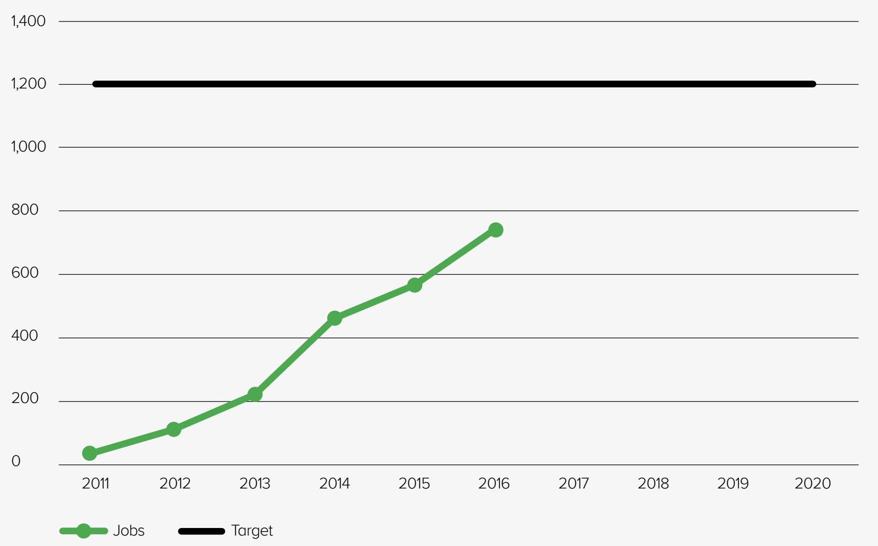
Through the CEP we run academies designed with and run by colleges and other partners. These provide sector-specific pre-employment qualifications, other relevant qualifications and work experience. Attendees on our Construction Academy complete a three-week training period followed by a two-week work placement. Launched in 2014, our Customer Service Academy is a two-week course at college followed by a maximum of one week's work experience. This equips candidates with the skills and experience required in sectors such as retail, facilities management and hospitality.

Along with these academies, we also financially support a number of charities that provide employability training. For example, this year we agreed a further one year of support for our national charity partner, Mencap. As part of this we will offer even more job opportunities to people with learning difficulties. We also work with a wide range of homelessness charities.

Within the company, we took five young people into the Land Securities Trainee Academy this year, providing them with a two-year apprenticeship in real estate. We now have eight apprentices in the business spread across London, Retail and Finance. In addition to the time spent with their main department, the trainees get the opportunity to rotate around business functions, including Sustainability.

CUMULATIVE TOTAL NUMBER OF JOBS SECURED

Chart 9



> **"LEAVING A LASTING LEGACY IS IMPORTANT TO BOTH MACE AND LAND SECURITIES. WE'RE WORKING CLOSELY TOGETHER AT NOVA, VICTORIA, SW1, TO PROVIDE OPPORTUNITIES TO LOCAL RESIDENTS WHO FACE BARRIERS TO EMPLOYMENT."**
>
> **Mark Reynolds,** Chief Executive, Mace

NOVA COMMUNITY IMPACTS

Diagram 10

DEVELOPMENT STAGE

People referred by local charities
Circle Collective, Cardinal Hume Centre, The Passage, Jobcentre Plus and Brixton Prison

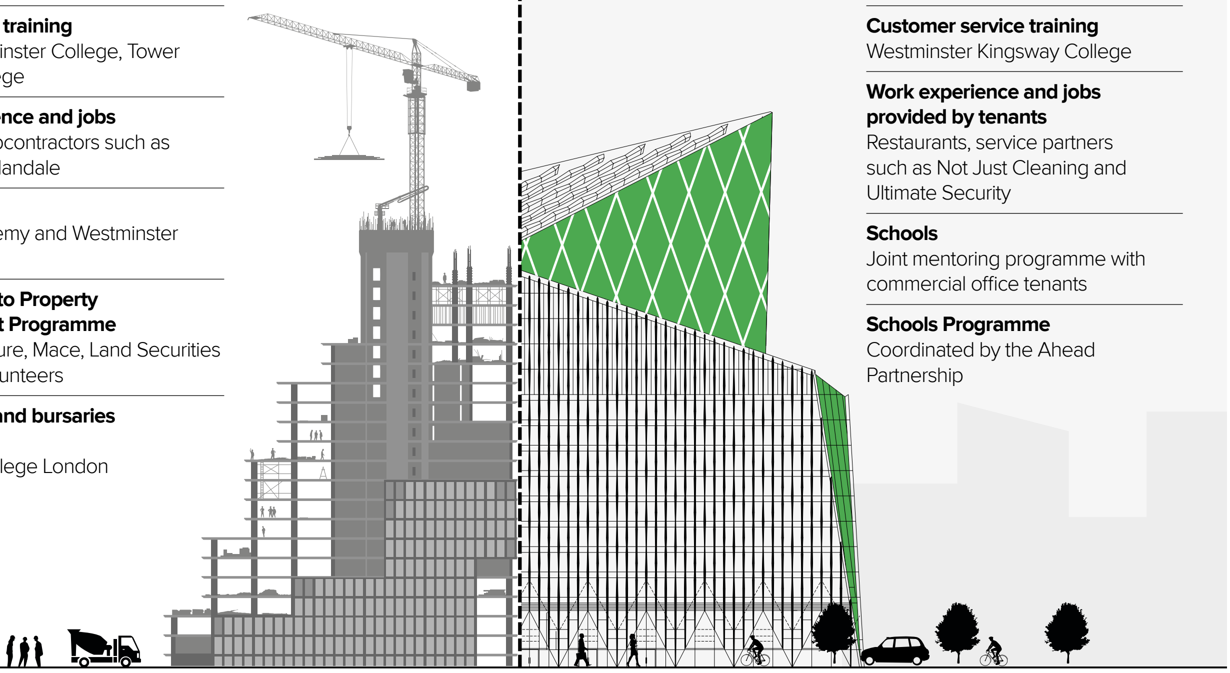
Construction training
City of Westminster College, Tower Hamlets College

Work experience and jobs
Mace and subcontractors such as Careys and Alandale

Schools
Pimlico Academy and Westminster City School

Introduction to Property Development Programme
PLP Architecture, Mace, Land Securities employee volunteers

Placements and bursaries for students
University College London



OPERATIONAL STAGE

People referred by local charities
Circle Collective, Cardinal Hume Centre, The Passage, Jobcentre Plus and Brixton Prison

Customer service training
Westminster Kingsway College

Work experience and jobs provided by tenants
Restaurants, service partners such as Not Just Cleaning and Ultimate Security

Schools
Joint mentoring programme with commercial office tenants

Schools Programme
Coordinated by the Ahead Partnership

BLUEWATER LEARNING SHOP

A partnership between Bluewater shopping centre, North West Kent College and Jobcentre Plus, The Learning Shop is an on-site employment and training hub that has become the model for similar schemes throughout the UK. The concept is unique: specialising in retail, customer service and recruitment, it delivers professional training and development. As a direct result of this initiative, when Bluewater opened Dartford experienced a 25% drop in unemployment, the largest single reduction anywhere in the UK. The Learning Shop has brokered employment for more than 46,000 people, trained almost 20,000 people and awarded over 15,000 qualifications. Run with our customers and partners, a 2015 Jobs Fayre was attended by 5,000 people, with 2,000 permanent and temporary jobs on offer from more than 80 of Bluewater's retailers and restaurants.

BRIXTON PRISON

As part of the work we do with offenders and serving prisoners, we have supported a new dry lining training centre in Brixton Prison. Opened in 2015 and created in partnership with Bounce Back, Lendlease, Measoms, Be Onsite, Knauf and Encon, this is the first centre of its kind in the country. Up to 70 participants can learn skills and gain qualifications on the course, helping them to enter the construction industry when they're released. We are also in the process of adding a scaffolding centre – again the first of its kind in the country – which is supported by Alandale Scaffolding and GKR Scaffolding. For every person we help divert from offending, the economy is saved around £75,000, and our communities are made safer.

GIRLS CAN DO IT TOO

Launching in summer 2016, this initiative aims to raise the profile of the construction sector to girls, encouraging more of them to consider a career in our industry. The scheme will provide practical experience and insight into how the industry works, with activities led by us, our partners and Ahead Partnership's Make the Grade programme. Together we hope to raise young girls' awareness of potential careers and so address future skills gaps in our industry. Also, by introducing girls to inspirational female mentors within the sector, we aim to position ourselves as a champion of gender diversity within our industry.

196

In 2015/16 the Community Employment Programme trained 231 individuals with 196 entering employment

779

Since 2011 we have trained 1,054 people and secured employment for 779

“YOUR WORK, REACHING OUT TO AND INSPIRING THE PEOPLE FURTHEST FROM THE LABOUR MARKET AND EQUIPPING THEM WITH THE SKILLS THEY NEED TO GET ON, IS TO BE COMMENDED.”

David Cameron MP, Prime Minister

“LAND SECURITIES IS A KEY PARTNER FOR WESTMINSTER CITY COUNCIL IN PROMOTING EMPLOYABILITY AND CAREERS IN SCHOOLS WITHIN THE BOROUGH.”

Ian Heggs, Tri-Borough Director of Schools Commissioning, Westminster City Council

EDUCATION

Through our education programmes we aim to:
— Help young people develop commercial skills and become more aware of careers in our wider industry
— Attract talent to Land Securities and promote diversity and social mobility within the property industry
— Engage young people and education institutions in the development of our local communities
— Engage our employees and the employees of partner companies in meaningful professional volunteering.

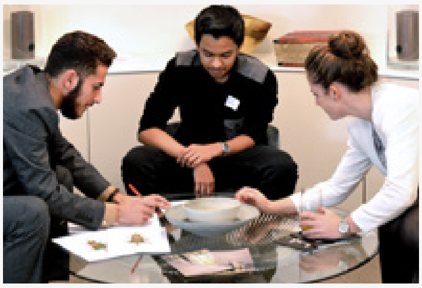
Along with these objectives, we find that successful activities can help to strengthen our relationships with the communities around our assets, including local pupils and their families, and with Local Authorities. It's all part of active placemaking, and of working to keep our strong reputation wherever we operate.

Connecting education and employment
We are active across the education spectrum, from schools to colleges and universities. Our focus is on establishing academic routes into our industry. Each of our shopping centres and several of our London office properties partner with at least one local school or college.

We are an Employer Partner in a new University Technical College (UTC) in Victoria, SW1. A long-term investment for us, the Sir Simon Milton Foundation Westminster UTC brings our education and employment priorities together, with its focus on the construction and engineering industries. Due to open its doors to 14-18 year olds in 2017, pupils will benefit from a secondary education that equips them equally well for work and further academic study. We're hoping this and other initiatives will help to create a new generation of engineers, designers, technicians and project managers capable of building Britain's future infrastructure.

The role of business is crucial in supporting education institutions to prepare young people for the world of work. Through our programme we give young people practical experience of interview situations and access to mentors to help them navigate towards a career, along with workshops and experience of the industry.

It's important that our work in this area addresses diversity and social mobility. The property industry is not the most diverse industry. Neither is it particularly representative in terms of socio-economic background. By concentrating our activity on schools in disadvantaged communities we hope to give many more young people – from a wide range of backgrounds – access to great education and career options.



INTRODUCTION TO PROPERTY DEVELOPMENT PROGRAMME

Developed and launched by us in 2012, this 10-session course is led by our volunteers and introduces sixth formers from two schools – Westminster City School and Pimlico Academy – to a variety of topics within the property development sector. These include construction, marketing, architecture and sustainability. The programme also delivers training in key employability skills, presentations and interacting within a professional environment. Tasked with developing a masterplan for Nova or 21 Moorfields, the pupils must pitch to industry experts. Key to the programme is collaboration, with our customers and partners supporting the programme by providing workshops, site visits and placements. Since its launch, 60 students have completed this programme, supported by 22 volunteers.

URBANPLAN

During the year we collaborated with industry partners to sponsor this new initiative, which introduces students to the market and non-market forces involved in the built environment. Working in teams, students form a fictional property development company and respond to a brief to redevelop a blighted site. In its first year UrbanPlan has been run in 15 schools across the country, with over 200 students and 75 volunteers participating from across our industry. Across UrbanPlan's programme as a whole, 40% of students are now considering a career in property, compared to 25% before the workshop.

WESTMINSTER MENTORING PROGRAMME

In July 2015 we completed a pilot mentoring programme for students from Westminster City School. Through this we've connected 40 young people with employees of our customers, including Microsoft, EDF Trading and AT&T. The companies supported the programme by promoting volunteer mentoring to their employees and hosting work placements. As a result of this pilot, we brought in education partner Ahead Partnership to manage the programme and have increased the number of business partners to seven, with 50 mentees and 50 mentors participating.

CHARITY PARTNERSHIPS AND VOLUNTEERING

In this area we work in partnership with charities to:

— Help disadvantaged people get work experience and jobs
— Support education for young people
— Respond to local inequalities and needs, such as homelessness.

Our scale means that we are able to provide great support and exposure for one national charity partner across our business, as well as supporting local groups at each of our shopping centres and other buildings. Our partnerships involve everything from providing space to hosting community awards, giving grants, offering pro-bono support and volunteering.

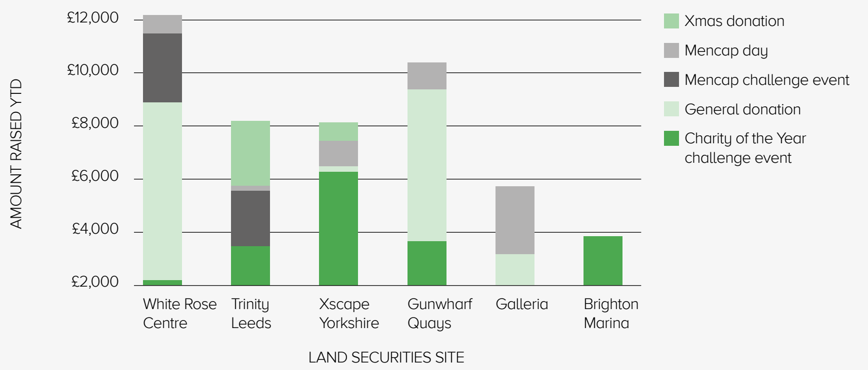
We find that bringing charity partners into our space adds flavour to people's shopping experience and enhances our brand and reputation. It's also an opportunity for our employees to come together to help. Looking ahead, we're keen to create closer connections between the people who visit our centres and our charity partners.

A national partnership with Mencap
We completed a second successful year of our partnership with Mencap and have committed to a third year. This year, we have hosted or brokered 16 work experience placements, created ten jobs and raised over £125,000. Across our portfolio a huge range of activities takes place to raise awareness and funds. The support for Mencap at Gunwharf Quays has been particularly impressive, with £15,000 raised since 2014; 17 employees volunteering time to refurbish Dolphin Court, a Mencap care home in Hampshire; and 25 people taking part in a sailing challenge in October.

Our Group-wide annual Mencap Day which took place on 5 November raised more than £18,000. Employees from across the business and Mencap clients participated in a day of fun Winter Fair-themed activities.

Our Step Up event proved to be a particular highlight. Organised in collaboration with Mencap, this involved participants climbing our buildings at Portland House, 5 Strand and 20 Fenchurch Street – a total of 6.1 km and over 1,500 steps. Runners finished in the Sky Garden, at the top of 20 Fenchurch Street, and were rewarded with fantastic views of the city and healthy treats compliments of Rhubarb, who manage the Sky Garden restaurant and bar.

RETAIL PORTFOLIO – MENCAP FUNDS RAISED 1 APRIL 2015 – 31 MARCH 2016 Chart 11



Local charity partnerships
All of our retail centres and London offices have a local charity partner. We work to build a long-term relationship with them and address the area's most critical issues. For example, in London and Oxford levels of homelessness are high, so we have developed long-term partnerships with four homelessness charities in London, and in Oxford we support Aspire Oxford, a charity that creates work opportunities for people facing barriers to employment.

In London we have also worked in partnership with Circle Collective. This social enterprise in East London uses a retail environment to inspire socially deprived young people to change their lives and be a positive influence in the community. Our partnership is a great example of the fully rounded package of support we provide to our charity partners. Here it includes pro-bono marketing advice from our Head of London Marketing, retail advice from our Retail Operations Manager and strategic support from our Community Manager, who also chairs the Circle Collective advisory board.

In the heart of Kent, where poppies are manufactured we were pleased to once again support the launch of the national poppy campaign at Bluewater, partnering with The Royal British Legion. At Bluewater alone £100,000 was raised to help armed forces personnel and their families.

Investing in local communities
In order to maximise community investment – and create a legacy for the local community – we invest in endowment funds. Through these, charitable contributions are part invested and each year the interest earned is distributed locally, with priority given to supporting jobs and opportunities. Doing it this way enables us to draw down match funding from partners and government schemes such as Community First.

In 2015 we set up the 20 Fenchurch Street Legacy Fund. A pioneering model for collaborative philanthropy, the fund was established with our joint venture partner in the 20 Fenchurch Street, EC3 development – Canary Wharf Group – along with the East End Community Foundation and a number of customers and supply chain organisations. It awards grants of up to £20,000 to deserving projects and services in Hackney, Newham, Tower Hamlets and the City of London, all of which help people find their way back into employment. This year more than £96,000 was awarded.

£727k
London Community Foundation fund (at March 2016)

£123k
Kent Community Foundation fund (at March 2016)

£110k
20 Fenchurch Street Legacy Fund total including partner funding (at March 2016)

6,745
Total number of employees volunteering hours this year

Employee impact
Our employee volunteering activities generate a number of key benefits. They provide our employees with an opportunity to add to their skills and gain a sense of personal fulfilment. They give us an opportunity to engage with and benefit local communities. And they help to demonstrate to our customers, communities and partners that we behave in a responsible manner.

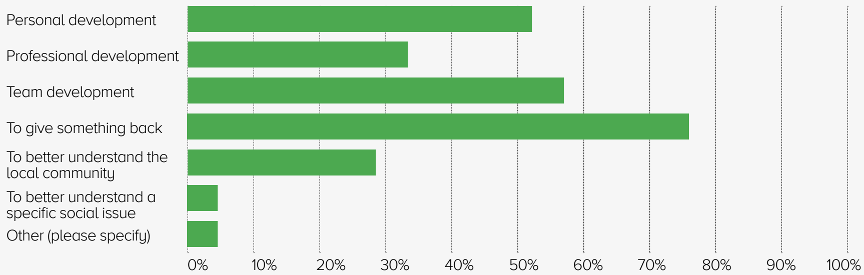
Volunteering and pro-bono expertise are often valued more by community partners than cash. Indeed, it is hard to quantify the effects of this work, but nonetheless the impacts are significant and broad ranging. Just one example of many: a Land Securities Project Director is a Trustee of the new Sir Simon Milton Foundation Westminster University Technical College. Through our volunteer, we have provided approximately £45,000 of in-kind support, including input across construction, marketing and curriculum development.

In total, this year more than 70 employees were involved in delivering our Education Programme. Those who took part developed their skills in communication, presentation, confidence and relationship building. Feedback has suggested that this has helped individuals perform better in their jobs, including how they relate to clients.

"FROM RAISING OVER £250,000 TO HOLDING WORKSHOPS WITH EMPLOYERS, LAND SECURITIES HAS HELPED MORE PEOPLE WITH A LEARNING DISABILITY EXPERIENCE THE PRIDE AND INDEPENDENCE THAT COMES FROM HAVING A JOB."

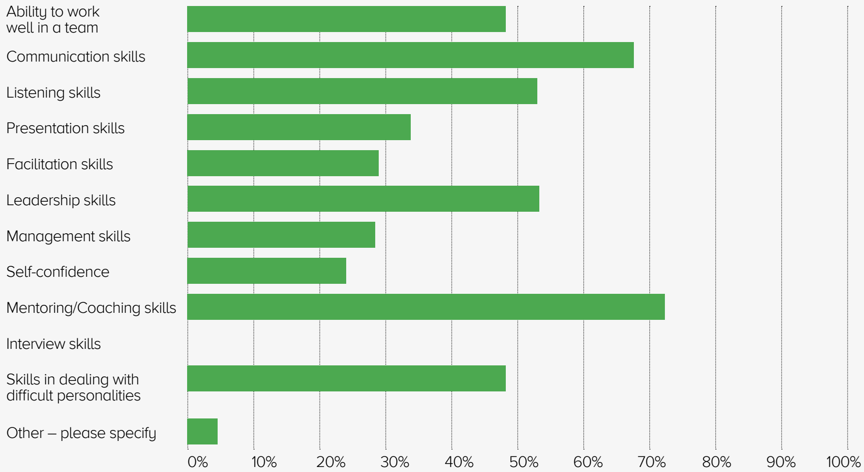
Jan Tregelles, Chief Executive, Mencap

EMPLOYEE VOLUNTEERING FEEDBACK: WHY DID YOU VOLUNTEER? Chart 12



NB. Respondents ticked all that applied to them.

WHICH WORK SKILLS DID YOU DEVELOP? Chart 13



NB. Respondents ticked all that applied to them.

THE PASSAGE

Based in Victoria, SW1, The Passage runs London's largest voluntary sector centre for homeless and vulnerable people, each day helping up to 200 men and women. This year saw the completion of a £13.9m refurbishment of its St Vincent's Centre, which provides residential and day care. We're part of a group of leading developers who, along with Westminster City Council, worked to ensure the charity's long-term future through securing funds for this much-needed transformation. We have also provided more than 200 hours of pro-bono project management support and helped 30 of the charity's homeless clients to get jobs as part of our Community Employment Programme.

ST VINCENT'S

Our Leeds Trinity shopping centre has developed a partnership with St Vincent's, a local charity that helps tackle the root causes of poverty. One aspect of our partnership is helping the charity's clients gain employment with partners at Trinity, from suppliers and service companies to retailers. We also help with St Vincent's StepUP programme, which provides a 20-week programme of tailored support for unemployed people.

DIVERSITY

Commitment
Make measurable improvements to the profile – in terms of gender, ethnicity and disability – of our employee mix

The talent pool within our industry isn't broad enough. We've seen for ourselves the benefits of a more diverse workforce. Bringing different experiences, ways of thinking and approaches into the company helps to enrich our culture and improve our performance.

Diversity fosters innovation and creativity, and enhances the way we consider and manage risk. And by making our workforce more representative of the diverse customers and communities we support, we are more likely to be able to anticipate and respond to people's needs.

We want to help lead our industry on diversity. But we also recognise we have some distance to go before we would consider ourselves a fully diverse organisation.

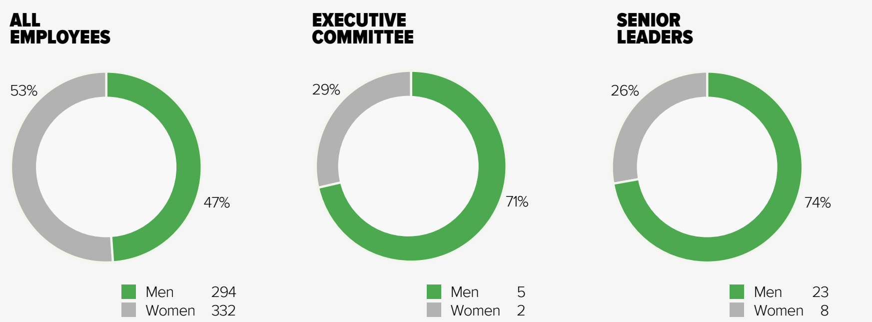
We have three priorities in this area. First, to ensure that the way we recruit and develop people enables us to attract diverse talent. Second, to create a truly inclusive culture within the business, removing any real or perceived barriers to people's progress. Third, to broaden the talent pool within our industry through effective collaboration.

Diverse recruitment and development
This year we have chosen to be assessed against both the National Equality Standard – the most rigorous diversity and inclusion initiative in the UK – and the Royal Institute of Chartered Surveyors' Inclusive Employer Quality Mark. We are encouraging our peers to do the same so collective action can be taken to tackle this sector-wide issue. We also introduced a mentoring programme targeted, although not exclusively, at mid-career women, provided Unconscious Bias training for hiring managers and launched new diversity and inclusion training for leaders and managers. We continue to enforce inclusive selection and promotion processes, using a third party provider and recognised assessment tools to support objectivity. And we now have eight school leavers from diverse backgrounds working in the business.

Diverse culture
During the year we integrated clear messages around diversity and inclusion into our re-articulation of the Land Securities values. We also started a series of Food for Thought briefing events around the subject of diversity. And we promoted Mencap's Work Experience week, providing placements across the business. We monitor the effectiveness of our actions by analysing responses to our Engagement Survey from different groups.

Diverse industry
This year we established and chaired a sector-wide People in Property Diversity Steering Group, with the objective of identifying some clear opportunities for cross-company collaboration, including outreach programmes for schools and building diversity objectives into procurement. During the year we were also founding supporters of the Real Estate Balance initiative, which aims to attract and develop more women in the sector. And our Education Programme has continued to help create stronger industry links with pupils and students in disadvantaged areas.

GENDER DIVERSITY Chart 14



FAIRNESS

Commitment
Ensure the working environments we control are fair and ensure that everyone who is working on our behalf – within an environment we control – is paid at least the Living Wage by 2020

Paying people a fair wage 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 being fair in our actions helps to strengthen our reputation with our communities and partners, which is essential if we're to succeed. To put it simply, being fair to everyone who works for and with us is the right way to act – ethically and commercially.

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

The government has also introduced a National Living Wage scheme. We will continue to follow the guidelines of the Living Wage Foundation, however, partly because their hourly rate is substantially higher and we aim to go beyond legislation.

Across the company, all employees are paid at least the Living Wage (with the exception of trainees and interns). In London, 29 of our 33 service partners have committed to paying the Living Wage. In the Retail Portfolio, we're making progress at different rates according to the location, type of asset – shopping centre, leisure, retail park – and timing of supplier contract renewals.

This year we devoted time to working with our principal contractors to ensure that they pay everyone a Living Wage by 2020. We communicated with our principal contractors in January 2016 informing them of our decision. All future tenders and contracts stipulate this requirement. We're developing audit and monitoring processes to ensure people are paid correctly.

£9.40 per hour
London Living Wage in 2016

£8.25 per hour
UK Living Wage in 2016, Living Wage Foundation

Modern Slavery Act
The Modern Slavery Act came into force in October 2015. It requires all UK companies with a turnover of £36m or more to report annually on its workforce and supply chain, specifically to confirm that workers are not enslaved or trafficked. We are carrying out due diligence to better understand the risks involved and will be setting out our compliance requirements and monitoring our approach to contractors. We appreciate that these issues can also affect smaller-scale but equally important partners that are not caught by the new legislation. So we will be helping them to meet our new standards and reporting requirements too.

"LAND SECURITIES' DECISION TO ENSURE THAT THE LONDON LIVING WAGE IS PAID ON ALL THEIR FUTURE CONSTRUCTION PROJECTS IS A MASSIVE STEP FORWARD IN THE BATTLE FOR DECENT PAY AND TREATMENT IN THE CONSTRUCTION INDUSTRY."

Jerry Swain, Regional Secretary for construction union, UCATT's London and South East Region

HEALTH, SAFETY AND SECURITY

Commitment
Maintain an exceptional standard of health, safety and security in all the working environments we control

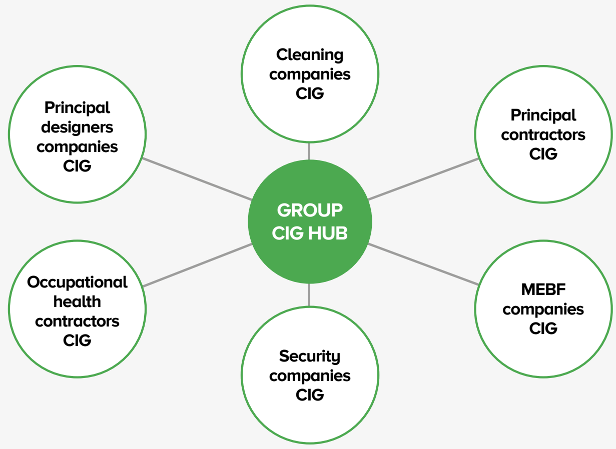
Our goal is to maintain an exceptional standard of health, safety and security in all the working environments we control. We aim to be a leader in this within our industry. Our specific objectives during the year were:

- Safety – zero reportable health and safety incidents
- Health – every worker to have a transferable occupational health record
- Wellbeing – all construction and managed portfolio partners to have a wellbeing policy.

Safety
In June 2015, a construction worker for one of our contractors died whilst unpacking a glass cladding panel at our 20 Eastbourne Terrace, W2 development. We were deeply saddened by this news and our thoughts remain with the individual's family, friends and colleagues. Work was immediately suspended on site and we liaised with the construction management team, our contractors and relevant authorities to understand and address the cause of this tragic accident, which is still under investigation by the Health and Safety Executive. We have worked with our contractors to review material storage and handling on site, as a preliminary investigation found that this was a contributory factor. We have shared information and insights on the incident with all of our principal contractors and are now working with them to further enhance standards, particularly in relation to the packing of materials for transportation and site procedures.

1 This requirement applies to permanent employees who are currently at work and so does not include contractors, interns or those currently on maternity or sick leave.
2 AFR calculation = Number of RIDDORs (non-fatal) x 100,000 divided by average number of workers = Accident Frequency Rate
HSE Industry benchmark = RIDDORs (non-fatal) = 260 over the financial year

OUR CONTINUOUS H&S IMPROVEMENT GROUPS (CIGS) Diagram 15



Maintaining high standards
We require any employee with a mandatory training obligation to complete it within six months of joining the company. This year, 100% of employees have completed M1 training and 98% have completed M2.[1]

The past 12 months saw the introduction of the Construction Design and Management Regulations 2015. In response, we are taking a more active role in setting new and higher standards – both within our contracts with suppliers and across our industry. An innovative tethering system introduced in 2014, which automatically catches dropped tools, is now implemented consistently on our sites. Our partner Skanska has adopted the system on its construction sites across Europe.

During the year we maintained our OHSAS 18001 certification. This internationally recognised accreditation is the benchmark for Health and Safety Management Systems. We also started our Primary Authority Partnering Agreement with Westminster City Council. The agreement introduces a duty on local enforcing authorities to consult Westminster City Council before visiting any Land Securities premises, which encourages efficiency and consistency.

For a number of years we have run a series of H&S Continuous Improvement Groups (see Diagram 15 for further details). We have followed this model in other areas of Sustainability this year, for example, establishing a Waste Continuous Improvement Group.

Security comes to the fore
From 1 April 2016 we extended our Health and Safety remit to include Security. We aim to take a leadership approach to threats that may impact our customers, communities, partners and employees such as terrorism, crime, cyber security and environmental issues. These issues potentially affect all areas of our business so we have put in place a robust governance structure.

OHSAS 18001 certified

8 reportable RIDDORs

218 v 260
our Accident Frequency Rate (AFR) versus industry average[2]

A LIGHTHOUSE FOR WORKERS
We support and help promote the construction industry charity Lighthouse. Amongst other things, the charity provides assistance, welfare, wellbeing and legal support to construction workers, helping to relieve hardship and stress. For example, it provides a phone hotline for workers in need of emotional support. Given the stresses involved in construction work – not least that some workers are far from home – we believe this is an important initiative.

"WHILE WORKING WITH LAND SECURITIES WE HAVE DEVELOPED AND SET NEW STANDARDS, NOT ONLY ON LAND SECURITIES' SITES BUT ACROSS OUR WHOLE BUSINESS AND THE CONSTRUCTION INDUSTRY. WE VALUE THEIR LEADERSHIP AND PARTNERING APPROACH."

Dylan Roberts, Director of Health and Safety, Skanska

EFFICIENT USE OF NATURAL RESOURCES

As a business we make substantial use of natural resources, from the energy required to develop and manage assets to the materials employed in construction. We aim to be thoughtful and smart in the way we buy, use, re-use and dispose of resources.

Being considered and proactive in our use of resources helps us to increase efficiency, reduce costs, minimise negative impacts and create assets with enduring appeal. Given the evolving challenges brought by climate change – from new weather patterns to tighter regulatory compliance requirements and higher public expectations – our approach also gives our portfolio greater resilience. We believe it can provide us with both a licence to operate and competitive advantage too, including during the planning process. And it can help us to attract and engage employees. This year we took our approach to a new level. Where we felt a target wasn't ambitious enough, we increased it. And where we faced a particularly complex challenge, we went even further in collaborating with our customers, communities and partners. Our work in this area is focused on climate change and carbon; energy; waste; and responsible supply chain management.

"LAND SECURITIES DESERVES TO BE CONGRATULATED FOR SHOWING REAL LEADERSHIP ON CLIMATE CHANGE BY BECOMING THE FIRST COMMERCIAL PROPERTY COMPANY TO ANNOUNCE LONG-TERM EMISSION REDUCTION TARGETS BASED ON THE SCIENCE. THIS GOES BEYOND AIMING FOR WHAT IS MERELY POSSIBLE OR ECONOMICALLY ATTRACTIVE TODAY."

Hugh Jones, Managing Director, Advisory, Carbon Trust Business Services

CLIMATE CHANGE AND CARBON

Commitments

Continue to procure 100% renewable electricity across our portfolio

Reduce carbon intensity ($kgCO_2/m^2$) by 40% by 2030 compared to a 2013/14 baseline, for property under our management for at least two years, with a longer-term ambition of an 80% reduction by 2050

The built environment is responsible for over one third of the developed world's CO_2 emissions. As the largest listed commercial property company in the UK, we have a responsibility to lead the way on reducing impacts.

COP21

In December 2015 world leaders met in Paris at the UN Conference on Climate Change, known as COP21, to negotiate global cuts to carbon emissions. The resulting agreement commits countries to limit global warming below 2°C – the tipping point at which damage will be irreversible, according to a consensus amongst climate scientists – and to ideally not go over 1.5°C. It requires countries to reach their peak greenhouse gas emissions (GHG) as soon as possible and for this to be followed by rapid decarbonisation. It also includes financial arrangements to help developing nations adapt.

In the run-up to COP21, Land Securities was one of hundreds of businesses that made significant pledges to action. In particular, we committed to:
— Report climate change information in mainstream reports as a fiduciary duty
— Engage responsibly in climate policy
— Procure 100% of electricity from renewable sources.

Following these pledges, our Head of Sustainability, Caroline Hill, was invited to take part in a panel at the UN Caring for Climate Business Forum on 'Integrating Climate in the Investment Chain: From Why to How'. The panel discussed recent research findings that suggest fiduciary duty – most notably the responsibility for managing shareholders' capital – is not an obstacle to integrating environmental and social issues, together with relevant governance matters, into the investment process. In fact, climate change evaluation is increasingly seen as critical to fulfilling fiduciary duty.

We are amongst a number of businesses and investors that have committed to produce and make use of information about climate change risk and opportunity on a common basis through the Climate Disclosure Standards Board's Climate Change Reporting Framework. This will see us report not only our absolute emissions data but also commit to report our climate change strategy, risks and opportunities, and trends and movement in our performance. In our case, this will include reporting on regulatory risks such as the recent Minimum Energy Efficiency Standards; physical risks; and reputational risk. It will also see us report on the main steps we are taking to improve our performance.

The review mechanism included within the text of the agreement requires governments to review their emission reductions every five years, starting in 2020, with successive commitments required to push for further action. This means that the business community can now plan accordingly, knowing that this is a long-term agreement. Policy certainty is key for unlocking the capital required to decarbonise the world's economies. We now have the confidence to continue on our journey towards ever-greater energy efficiency and use of renewables, including on-site generation.

New company-wide carbon target
In response to the move towards global agreement on carbon emissions, this year we worked with the Carbon Trust to analyse our performance and establish how we can play our part in the 2°C pathway. This is an important step to ensure the good work we've achieved over the past few years continues to be applied across the business.

Ensuring the efficient use of natural resources has many drivers, none bigger than reducing our GHG emissions and limiting our effect on global warming. By setting a company-wide carbon target we have emphasised this driver in our operational and development activities, linking our day-to-day impact to the global issue of climate change.

In setting this target we wanted to make sure it was ambitious and relevant, which is why we decided to set a science-based target. According to the World Resources Institute, targets adopted by companies to reduce GHG emissions are considered science-based if they are in line with the level of decarbonisation required to keep the global temperature increase below 2°C compared to pre-industrial temperatures, as described in the Fifth Assessment Report of the Intergovernmental Panel on Climate Change, the leading international body for the assessment of climate change.

Achieving our science-based carbon target will be driven by the efficient use of natural resources, sustainable waste management, and buying and producing zero and/or low-carbon energy wherever possible.

Science-based targets
Several methodologies have been developed to set science-based targets. The most recent was developed by the Science-Based Targets Initiative (SBTI). The SBTI is a partnership between CDP, UN Global Compact, World Resources Institute and WWF. We are the first commercial property company to sign up to the SBTI and announce a science-based target. This methodology, the Sectoral Decarbonisation Approach (SDA), enables companies for the first time to set a science-based target specific to their sector of operation. The SDA follows the decarbonisation pathway defined in the International Energy Agency's 2°C Scenario model, the target agreed to in Paris.

We fall into the services/commercial buildings sector, which uses an activity metric of square metres of floor space. This sector includes all activities related to trade, finance, real estate, public administration, health, food and lodging, education and commercial services. The required intensity pathway for the sector equates to reductions in carbon intensity of 48% by 2030 and 84% by 2050.

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

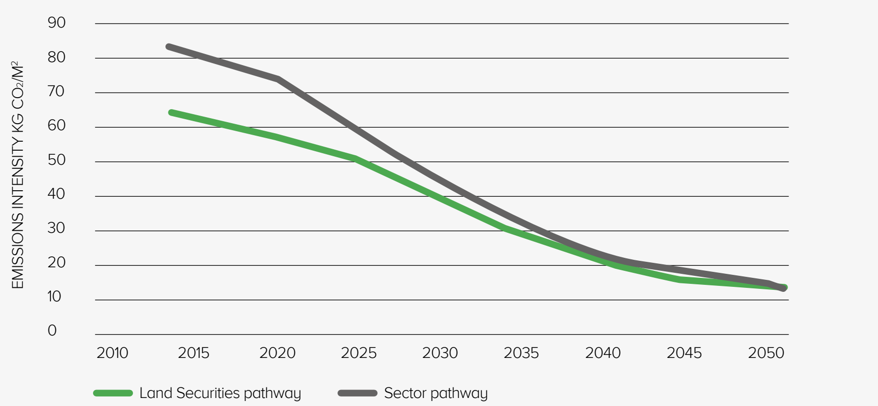
Our ambitious carbon target
Our target is to reduce carbon intensity ($kgCO_2/m^2$) by 40% by 2030 compared to a 2013/14 baseline, for property under our management for at least two years. This target will set us on the path to realise our long-term ambition of an 80% carbon intensity reduction by 2050. In order to achieve these carbon emission reductions we aim to reduce energy intensity (kWh/m^2) by 40% by 2030 compared to a 2013/14 baseline, for property under our management for at least two years.

Our targets extend to include not only the energy we use as a landlord but also the energy used by our customers when sub-metered from landlord supplies. Our approach is distinctive in our industry, with our peers focused largely on landlord-controlled and common areas. This highlights our commitment to working with our customers to help them reduce their impacts and the overall impacts of our assets.

To calculate our pathway, we used the Land Securities GHG inventory from 2013/14 as a baseline and applied the SDA calculation. The pathway applies to our like-for-like portfolio and covers all Scope 1 and 2 emissions (gas and electricity procured by us and used in common areas of our buildings) and Scope 3 emissions associated with downstream leased assets (gas and electricity procured by us but used directly by our occupiers). Our pathway starts at a lower point than the wider sector due to the relative efficiency of our building stock compared with the global average. It is also due to the large mix of retail space in our portfolio, which is generally less energy intensive than space in the wider service buildings sector.

Since confirming our new science-based carbon target we have submitted it to the science-based Target Initiative for review. This will add further assurance to the robustness of our target and its calculation.

LAND SECURITIES LOCATION-BASED SCOPE 1 & 2 – INTENSITY PATHWAY Chart 16



Transparent reporting
Not only is it essential to set ambitious and scientifically relevant targets, it's also necessary to report on progress consistently and transparently. Communicating our impacts and how we are acting to reduce them is important for our customers, communities, partners and employees.

We have disclosed our impacts and greenhouse gas emissions for many years. We report in line with both EPRA (European Public Real Estate Association) sustainability best practice – winning a gold award in 2014 and 2015 – and the Climate Disclosure Standards Board Reporting Framework. Both frameworks ensure we communicate our climate change strategy, risks and impacts clearly and in line with our peers. We also make further disclosures recommended by DEFRA (Department for Environment, Food & Rural Affairs) Environmental Reporting Guidance 2013 and the Greenhouse Gas Protocol.

We take data accuracy very seriously, as identifying and understanding our impacts is the first stage in being able to reduce them. This is why we have our data assured and this year we have commissioned EY as our assurance provider. An assurance statement from EY can be found on page 43, detailing which data sets have been included.

CDSB Climate Disclosure Standards Board

Moving to 100% renewable electricity
The International Energy Agency suggests that to be on a pathway to 2°C global warming by 2050 at least 65% of the world's electricity must come from renewables, rising from 22.8% in 2014. We're committed to realising the ambitions laid out in Paris and this includes leading the way in investing in renewable energy for all of our assets.

So, from 1 April 2016, our group electricity contract went 100% renewable with the appointment of Smartest Energy as our new provider. We're delighted to be supporting the UK's low carbon economy by working with SmartestEnergy and investing in large-scale renewable electricity generation. The contract helps secure a competitive price for our customers with great service levels, and it enables them to reduce their impacts too. For us, the new deal also means better contract terms such as lower management costs, better payment terms and a strong service level agreement. SmartestEnergy's supply is backed by REGOs (Renewable Energy Guarantees of Origin), the certification that guarantees electricity has been produced from renewable sources.

This makes us the first UK property company to join RE100, a collaborative initiative of influential businesses committed to 100% renewable electricity. The initiative is led by The Climate Group in partnership with CDP, and currently includes approximately 60 companies from around the world.

Addressing our climate change risks
We don't just look to lead in mitigating climate change but in identifying its risks as well. No matter how well we do in reducing our GHG emissions, there is a degree of climate change that is certain to occur. As a result we've identified global warming and environmental change as an emerging risk to the business and our assets. Understanding our risks and acting accordingly will ensure that our portfolio is sufficiently resilient to climate change, so we can continue to provide the right space for our customers and communities.

Climate change is bringing increasingly erratic and severe weather conditions. In the UK this includes hotter, drier summers; warmer, wetter winters; sea level rises; and increases in extreme weather events such as heavy rain and heat waves. It is important for us to review our assets, particularly older buildings, in relation to future climate projections.

One of the key risks we continue to face is the increase in the frequency and severity of floods. We monitor this carefully and evolve our strategy in response. This year we initiated a strategic risk assessment programme across our entire portfolio, which highlighted the sites facing the greatest risk. We are now carrying out flood impact and mitigation studies at these sites, allowing us to better understand the issues involved and the options available for managing them. Understanding flood risk is not only necessary for current assets but for future assets too, which is why we continue to build flood management planning into the way we design, develop and acquire buildings.

RE 100

SMARTEST CHOICE
Our new green electricity provider, SmartestEnergy, will be providing us with an annual energy label that enables us to display our renewable energy mix and the carbon emissions associated with it. Being able to demonstrate the reduced environmental impact of our buildings will help attract the right customers to our properties. It also demonstrates to current customers that we're acting on the issue of climate change and making their spaces more sustainable.

SHOWING LEADERSHIP AT COP21
Our Head of Sustainability, Caroline Hill, was at the UN Conference on Climate Change in Paris – COP21 – to talk about the pledges we have made and the work we are doing. Speaking on a number of platforms – including the UN Caring for Climate Business Forum's panel discussion of climate in the investment chain – Caroline shared insights on our strategy, performance and reporting.

She believes the presence of businesses helped the conference: "The leadership and ambition on the part of the private sector was a noticeable feature of both the run-up to and the actual negotiations in Paris. I think it is fair to say that the success coming out of Paris has, in part, been due to the leadership shown by business in demanding an ambitious agreement."

ENERGY

Commitment
Reduce energy intensity (kWh/m^2) by 40% by 2030 compared to a 2013/14 baseline, for property under our management for at least two years

Active energy management
Lowering energy demand at our assets is a key area for us in terms of decarbonising our portfolio. We're sharing the benefits of greater efficiency with our customers, helping them to meet regulatory obligations and reduce their energy bills.

Our commitments in this area include:
— Setting KPIs/targets in specific areas of environment
— Creating and implementing robust action plans and best practice operational controls
— Close and rigorous monitoring and measurement of data
— Clear and transparent reporting of performance.

For many years we've worked to reduce our energy requirements through active energy management at our sites. We focus not only on the energy used within landlord-controlled areas but also the energy used by our customers when sub-metered from landlord suppliers. This enables us to look at every aspect of an asset, then work closely with our customers and partners to find and implement better ways to manage energy use.

During the year we started to develop clear energy management plans for every asset in our portfolio. This identifies current performance, opportunities for improvements and priorities in terms of next steps, which are site specific.

ISO 50001
In September 2015, we integrated our Company-wide Environmental Management System (EEnMS) with detailed energy requirements to become ISO 50001 certified in addition to ISO 14001. This was driven by our pursuit of continuous improvement and our response to the Energy Savings Opportunities Scheme Regulations, which came into force in December 2014. It was our objective to become ISO 50001 certified ahead of the compliance deadline for new regulations. We achieved this three months before the deadline, across our entire portfolio of development and managed assets.

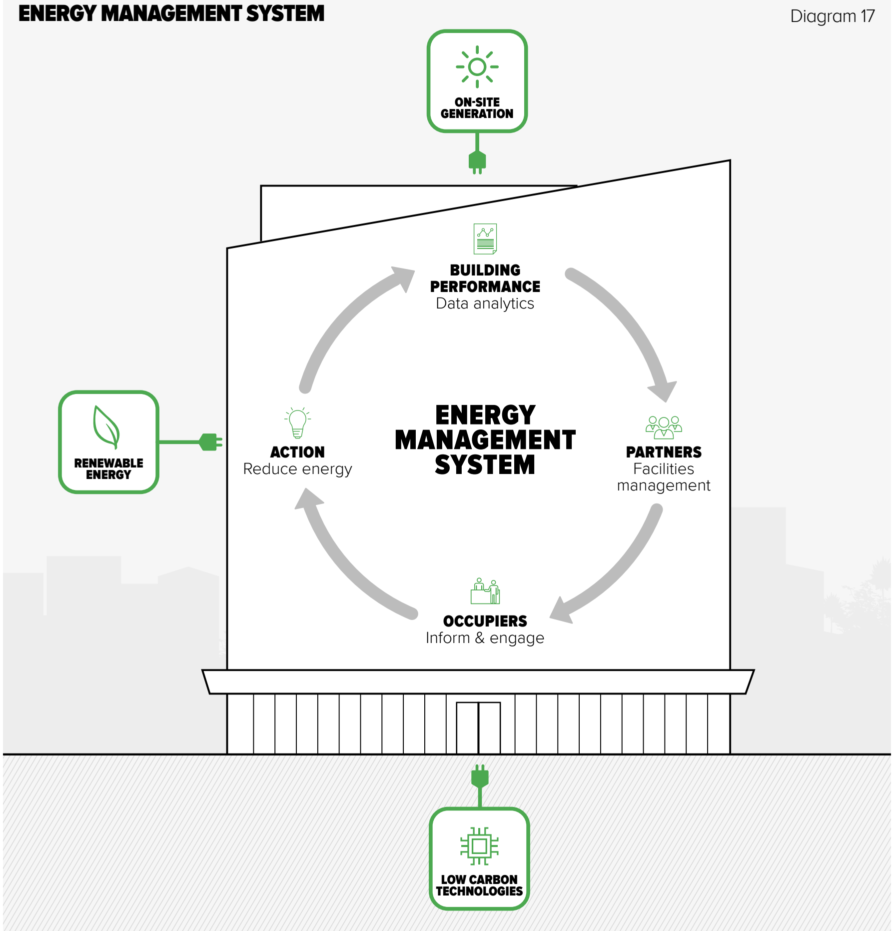
By implementing a fully integrated EEnMS that encompasses the principles of Plan, Do, Check, Review we have been able to fully embed good energy management practice as business as usual. Through the use of performance indicators, continuous engagement with service providers, regular monitoring and reporting and constant reviews of our progress, we are able to optimise the performance of our assets and eliminate unnecessary energy consumption.

Achieving ISO certification demonstrates our commitment to best practice in energy management. Continued certification, year on year, enables us to show positive engagement and improvement on risks. Wider benefits of an ISO 50001 certified EEnMS include:
— Cost savings in energy, waste, recycling and consumption
— Better integration of environmental and energy management into business practices
— Advantage over competitors when tendering for business
— Better management of environmental risks
— Compliance with individual UK countries' environmental regulations
— Potential insurance cover cost reductions
— Optimisation of resource-consuming assets
— Improvements to operations and capital cost decisions
— Supports and encourages environmental/energy management best practice
— Improves our ability to benchmark, measure and report energy intensity improvements
— Improves transparency and communication on the management of energy resources
— Helps in evaluating and prioritising new energy-efficient technologies
— Strong framework for promoting environmental and energy efficiency throughout the supply chain.

"WE ARE VERY PLEASED TO SUPPLY LAND SECURITIES WITH 100% RENEWABLE ENERGY. THEY HAVE DEMONSTRATED A REAL COMMITMENT TO RENEWABLES, LEADING THE WAY IN THE UK PROPERTY SECTOR BY BEING THE FIRST BRITISH REAL ESTATE COMPANY TO JOIN THE RE100."

Robert Groves, CEO, SmartestEnergy

ENERGY MANAGEMENT SYSTEM Diagram 17



Our performance
Overall, we have reduced our total energy consumed by 3% versus the previous year on a like-for-like basis, and total energy consumed in our absolute portfolio is down 6% versus our 2013/14 baseline year. Although our energy use is influenced by weather and occupancy patterns, a large proportion of this reduction is attributable to active energy management across our portfolios.

In London, we have reduced like-for-like total energy consumed by 4% versus the previous year. Establishing the EEnMS across the portfolio was a significant achievement but we must go further, continuously working to build in system-wide energy demand reductions along with quick-win solutions.

During the 2015/16 year we engaged NG Bailey to deliver proof of concept energy performance studies at our six highest energy-consuming properties in London. The studies focused on asset optimisation, capital replacement projects, facilities services and behavioural change. The team identified 52 opportunities for energy conservation. Potential annual savings of more than £300,000 were identified. To date, 43 measures have been implemented, realising savings of approximately £120,000 in the year, helping to contribute to an overall energy reduction of almost 7,000,000 kWh compared to the previous year.

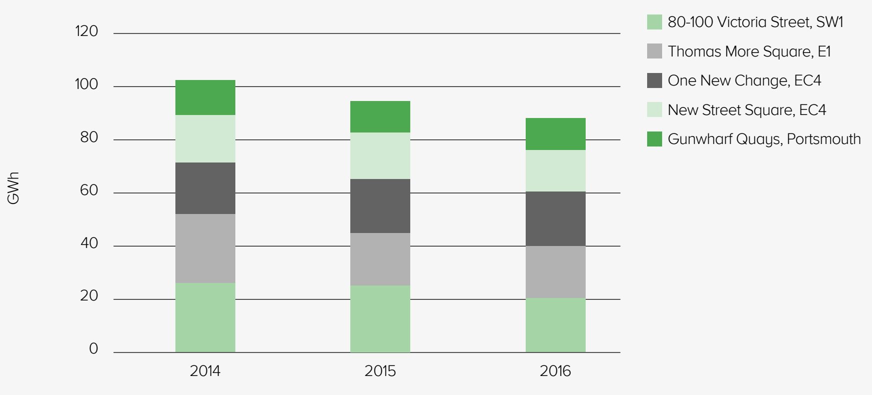
Throughout the year we also engaged with a number of occupiers to complete energy audits, going beyond landlord-controlled areas to complete joint energy saving initiatives such as intelligent lighting controls and the installation of heating and cooling systems linked to occupancy sensors to reduce consumption.

We are becoming more sophisticated and effective in the way we monitor and control the energy performance of our buildings. For example, this year we partnered with Demand Logic to roll out intelligent plant monitoring systems that identify energy saving opportunities and maintain building performance. This innovative tool has enabled us to collaborate with our customers and partners to enhance energy performance.

In Retail, like-for-like energy consumed dropped by 1% during the year due to a combination of operational efficiencies at a local level and the physical upgrading and replacement of infrastructure.

TOTAL ENERGY ACROSS THE LIKE-FOR-LIKE PORTFOLIO IN 2015 AND 2016 Chart 18

TOP FIVE ENERGY CONSUMING BUILDINGS 2014–2016 Chart 19



We have worked hard to apply our EEnMS consistently across the Retail Portfolio. Activities this year included fact-finding, site investigation and analysis of existing energy arrangements. We are measuring the consumption of utilities in a consistent manner across the portfolio and have a robust management system in place for key assets.

During the year we continued to improve lighting, notably at Gunwharf Quays, Portsmouth where more than 200 external lamps were upgraded. At the White Rose shopping centre in Leeds and the Westwood Cross retail park in Thanet we are currently upgrading car park lighting to LED, at Bluewater, Kent the service yard lighting has been upgraded and the West 12 shopping centre is replacing inefficient lighting in the mall area with LED.

Top five improvements
In 2013 we identified the five assets across the company that consumed the most energy. Since then we have worked to improve their performance. This year we reduced energy consumed by 15% for these assets compared to the 2013/14 baseline, thus meeting our previous 2020 energy reduction target. We have taken the learnings from this previous focus on our top five buildings and now applied this across the portfolio. This has led us to set a new portfolio-wide energy reduction target to reduce energy intensity (kWh/m^2) by 40% by 2030 compared to a 2013/14 baseline, for property under our management for at least two years.

“LAND SECURITIES IS THE FIRST UK PROPERTY COMPANY TO JOIN RE100 AND WE ARE DELIGHTED TO HEAR IT WILL BE PROCURING 100% RENEWABLE ELECTRICITY IN ALL OF ITS BUILDINGS THIS YEAR.”

Emily Farnworth,
RE100 Campaign Director,
The Climate Group

TOP FIVE ENERGY CONSUMING BUILDINGS – PROGRESS AGAINST TARGET Table 20

Site	2014 kWh	2015 kWh	2016 kWh	% change vs baseline	How this was achieved
80-100 Victoria Street, SW1	26,022,916	24,949,958	20,616,566	-21%	We've made central plant optimisation and local heating and cooling control improvements. We completed an energy audit on the highest energy user within the building, identifying a number of opportunities for energy reductions.
Thomas More Square, E1	25,724,034	19,461,459	19,390,615	-25%	Tenancy changes and reduced hours of occupier operations have meant lower energy consumption at the property. This was complemented by a refit of an electrical heating system to gas-fired boilers as part of a refurbishment project.
One New Change, EC4	18,930,676	20,142,958	19,594,193	-3%	We set a new baseline for 2015 as the original baseline for 2014 did not reflect full operation. We've identified projects to improve energy performance at the property, including better lighting and plant performance.
New Street Square, EC4	17,535,668	17,194,933	16,080,011	-8%	A new building management systems controls package was installed which has made central plant run more efficiently. We're now working to improve lighting controls and ventilation. An energy audit by NG Bailey with an occupier has also identified new ways to make the building more energy efficient in its areas. We're targeting a total energy saving of some 500,000 kWh.
Gunwharf Quays, Portsmouth	12,853,401	11,656,166	11,545,982	-10%	We've achieved savings through general plant optimisation, LED lighting and improved lighting controls, and we are looking at further opportunities for improvement.
Total				**-15%**	

COLLABORATION AT VICTORIA STREET, SW1

A key asset in our portfolio – and our future head office – 80-100 Victoria Street, SW1, has also been our highest consumer of energy in recent years. To address this, we completed a full energy review of the property to identify improvements in performance to eliminate wastage. The team found that gas and electricity consumption was higher than expected during unoccupied hours so they have improved key pieces of plant, including heating systems. Our teams also worked closely with occupiers and facilities management teams to find more flexible and appropriate ways to meet out-of-hours power needs and enhance lighting controls. Thanks to this collaborative approach, the asset is well on track to meet its energy reduction target.

FRESH AIR AT BLUEWATER, KENT

At Bluewater shopping centre in Kent our recommissioning of a natural ventilation system has enabled us to turn off the air conditioning on the malls and keep it off – even on very hot days. The environmental benefits are clear: a 13% reduction in energy consumption. But it's also meant the centre is more comfortable for shoppers, occupiers have lower service charges and we've reduced future spending on expensive equipment such as chillers.

Generating our own energy
As spare capacity margins on the UK's energy supply networks get tighter, we must reduce our grid dependency and generate more of our own energy on-site. This increases the resilience of our portfolio in the face of energy security issues. It also demonstrates our commitment to decarbonisation as we implement more low or zero carbon technologies. By implementing and maximising our use of cutting-edge renewable and generation technologies, we are working towards meeting our key sustainability objectives and supporting the UK's transition to a low carbon economy.

Our aim is to self-generate as much of the energy consumed at our properties as possible, and to increase this proportion of our overall consumption year on year. We are working to achieve this at design by selecting the least carbon intensive technologies possible, always looking to use technologies that will make the biggest positive impact through the lifecycle of the asset. Beyond design, we are looking at retrofitting technologies on our existing operational properties, including the installation of solar photovoltaic (PV) arrays at our shopping centres.

Energy generated this year
During the year we generated approximately 1.84 GWh of heat and power from the renewables installed across our portfolio. This is enough energy to support over 400 homes for a year. However, there is the potential to generate even more from those we have recently installed, including energy from low carbon technologies, which we will monitor closely over the next 12 months.

In London, these include our completed developments at 1 & 2 New Ludgate, EC4 and The Zig Zag Building and Kings Gate buildings in Victoria, SW1, which all use combined heat and power (CHP) technology to generate low carbon, heating, cooling and power efficiently.

"THE INCORPORATION OF CLEAN AND EFFICIENT FUEL CELL POWER FOR 20 FENCHURCH SUPPORTS CLEAN AIR AND LOW CARBON INITIATIVES IN THE CITY OF LONDON."

Chip Bottone, President and Chief Executive Officer, FuelCell Energy, Inc. and Managing Director, FuelCell Energy Solutions GmbH

"THAT YOU COMMITTED TO SUCH A LARGE AND HIGH-PROFILE PROJECT IS A TESTAMENT TO YOUR FORWARD-THINKING AND COLLABORATIVE APPROACH."

John Macdonald-Brown,
Director, Syzygy Renewables

This complements our existing on-site generation plant such as our hydrogen fuel cell at 20 Fenchurch Street, EC3 which is fully operational.

We continue to add solar PV to our existing portfolio. New installations at 1 & 2 New Ludgate, EC4 and The Zig Zag Building, SW1 complement existing installations at 62 Buckingham Gate, SW1 and 20 Fenchurch Street, EC3.

In Retail, this year we achieved significant progress on retrofitting PV to the portfolio. A desktop study was undertaken that identified potential sites for the installation of panels and this progressed to the final selection of six sites:
— White Rose, Leeds
— Trinity Leeds
— The Point, Bracknell
— The Galleria, Hatfield
— Cambridge Leisure Centre
— Xscape, Milton Keynes.

Structural surveys and planning applications are underway. The installations will be significant in scale and production, with a total capacity of 1,075 kWp over the entire project.

The 785 kWp array at White Rose, Leeds will produce an estimated 633,325 kWh per annum, which will account for approximately 20% of the entire landlord's consumption on the site. This project will dwarf the highly successful array 300 kWp installed at Gunwharf Quays, Portsmouth, which we believe is one of the largest PV arrays on a shopping centre in Europe. The arrays at The Galleria, Hatfield and Cambridge Leisure Centre have the potential to produce 423,000 kWh per annum and 100,000 kWh per annum and account for 5% and 18.5% of the landlord's consumption at each site.

AN INNOVATION IN THE CITY
At 20 Fenchurch Street, EC3 we've introduced a truly innovative energy solution: hydrogen fuel cell technology, similar to that originally developed for the Apollo and Shuttle space missions. The fuel cell – the first to be installed in the City of London – uses gas to produce electricity and heat efficiently, quietly and reliably, with zero emissions. It also helps cool the building when heat demand is low. The fuel cell will help reduce carbon emissions at the building by at least 270 tonnes per annum.

HERE COMES THE SUN
In Retail we are making good progress with our use of PV – panels that convert solar energy into electricity. Our Gunwharf Quays shopping centre in Portsmouth has led the way, having one of the largest arrays of PV on a shopping centre in Europe to date. We are applying the lessons we have learned there across the portfolio. That means including PV in new developments such as Westgate Oxford. But we're also retrofitting them to some of our existing assets, such as White Rose, Leeds where the PV will meet around 20% of the demand for power in the general areas controlled by us.

WASTE

Commitment
Send zero waste to landfill with at least 75% recycled across all our operational and construction activities by 2020

More than 10,000 tonnes of operational waste are generated at our properties each year. We offer our building occupiers the facilities needed to dispose of their waste, and it's our responsibility to ensure that this is done safely, securely and sustainably. Reflecting our drive to be leaders in our sector, this year we decided to reset the overall recycling target to a more ambitious 75%.

Collaboration cuts waste in London
Together with our lead waste services provider, Bywaters, we have been working closely with customers and service partners to improve waste management practices and recycling rates. We require all contractors on development projects to adopt our waste target. We also work with supply chain partners to improve the accuracy of waste measurement. And we help our customers to increase recycling through behaviour change initiatives.

Underlining the importance of collaboration, in 2015 we launched our first Waste Management Continuous Improvement Group – an innovation we initially introduced in Health & Safety. The group brings together representatives from our largest waste service providers to develop best practice and encourage innovation. It meets quarterly, looking at ways to increase recycling rates across the portfolio, trial new technologies and enhance engagement with occupiers.

Our performance this year
Our updated target is that 100% of waste should be diverted from landfill with no less than 75% of waste (by weight) recycled.

Last year we reported an average annual recycling rate of 49% in London. This year we achieved an average recycling rate of 76.1%, surpassing our original target of 70%. The portfolio continues to divert 100% of waste from landfill. Our significant increase in recycling rate is due to our work with occupiers and service partners to increase on-site segregation of waste, together with the installation of bespoke equipment. Our choice of working with one strategic waste service provider, Bywaters, has brought clarity, consistency and economies of scale.

This year several of our London sites have received Clean City Awards; a scheme run by City of London to reward businesses for responsible waste management practices:
20 Fenchurch Street, EC3 – Platinum level with Special Commendation
One New Change, EC4 – Platinum level
New Street Square, EC4 – Platinum level.

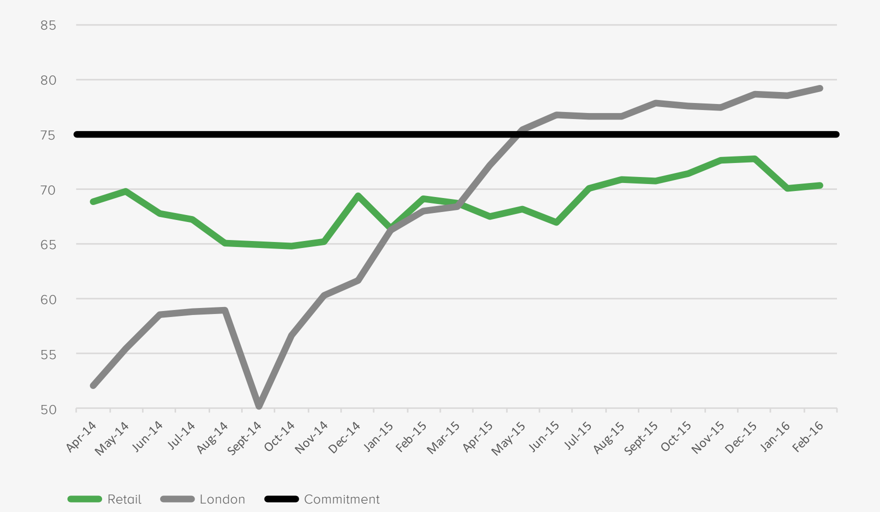
One example of what can be achieved through a focused approach to waste management is 20 Fenchurch Street, EC3, where the asset achieved an average recycling rate of 87% and diverts 100% of waste from landfill. The high recycling rate is the result of ongoing occupier and cleaning operator training, clear signage and colour coding of the waste area in the loading bay and the installation of a bespoke weight machine that allows occupiers to measure their waste and track performance.

Retail is a more challenging area for us as we have a much more diverse portfolio of assets and a number of service providers. However, during the year we achieved an average annual recycling rate of 70.7%, up from 67.3%, and a 98.2% diversion from landfill, up from 97.8%. This year a number of retail sites retendered their waste contracts and incorporated better recycling facilities. We've also improved the accuracy of data, moving from estimated data to weighed figures at more sites.

So against our increased commitment, our overall performance shows that Land Securities is diverting 98.6% from landfill and recycling 72.0% of its operational waste.

For information on our development waste targets see the Sustainable design and innovation section on pages 31–38.

LONDON AND RETAIL (INC. LEISURE) – % OF TOTAL WASTE RECYCLED Chart 21



THINKING ABOUT FOOD
With food-led businesses such as cafés and restaurants becoming a larger part of our portfolio, we're giving close attention to potential legislation such as the draft Food Waste Reduction Bill so we can help our customers drive improvements. If passed, the bill would set ambitious targets for waste reduction in the food industry. We aim to enable our customers to understand and meet their changing obligations, using better systems and technologies to handle materials such as cooking oils and unsold products.

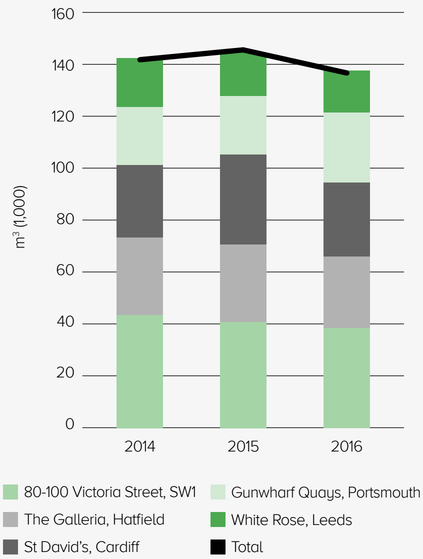
WATER

As relatively light users of water, our biggest area of influence is how we design our buildings to use water as efficiently as possible. Once our buildings are operational we have limited opportunity to reduce consumption. The materiality review carried out during the year confirmed that our stakeholders do not view water consumption across our portfolio as a material issue.

This year we reduced like-for-like consumption by 4% in London compared with last year. This is partly due to better water management procedures at assets where we control water use. This work has been supported by Energy and Water Reduction Plans implemented under ISO 50001. In the Retail Portfolio we have seen a 15% increase in like-for-like water consumption. This has been primarily driven by an increase in the water used directly by our tenants due to increased footfall.

Overall this means our consumption in water has increased by 6%. As for energy, over the year we focused our efforts on our five largest consuming assets, reducing water consumption by 4%. We have invested in technology such as automatic water metering, which provides better monitoring and targeting of consumption. One of our biggest opportunities for mains water reduction is during the development phase – by including rainwater harvesting technology within the design for new buildings, for example.

TOP FIVE WATER CONSUMING BUILDINGS 2014–2016 Chart 22



RESPONSIBLE SUPPLY CHAIN MANAGEMENT

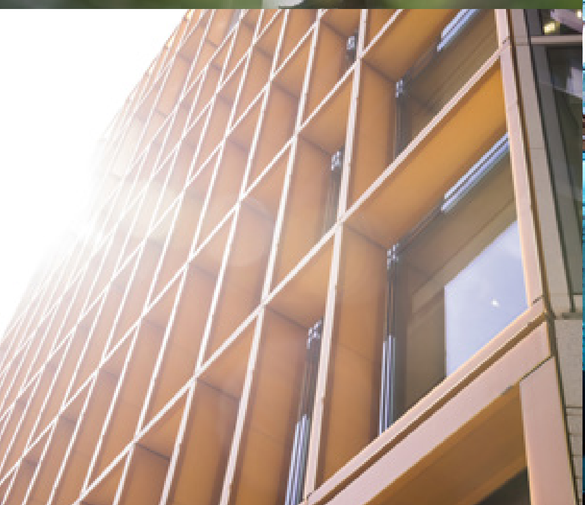
Responsible supply chain management is a key issue for our business. Over the course of the coming year, we will be conducting a sustainable procurement review to define what a sustainable supply chain looks like for the business. We will also be producing a responsible supply chain management policy which will outline our approach to the sustainable use of natural resources and consider the guidelines within the UN Global Compact.

> **"WE ARE SO PLEASED WITH THE RESULTS OF OUR PARTNERSHIP WITH LAND SECURITIES – WE HAVE GONE FROM STRENGTH TO STRENGTH AND CONTINUE TO IMPROVE PERFORMANCE ACROSS THE PORTFOLIO."**
>
> **John Glover**, Managing Director, Bywaters

TOP FIVE WATER CONSUMING BUILDINGS – PROGRESS AGAINST TARGET Table 23

Site	2014 m³	2015 m³	2016 m³	% change vs baseline	How this was achieved
80-100 Victoria Street, SW1	43,795	41,349	38,822	-11%	Water reduction plans have started on-site and further reductions are expected following refurbishment of washroom facilities using water-saving devices within toilets and shower rooms.
The Galleria, Hatfield	30,039	30,030	27,342	-9%	An extensive sub-metering project is underway to identify key water users at the site. This will help to understand both landlord and tenant water consumption in order for reductions to be made in the future.
St David's, Cardiff	27,863	34,168	28,686	3%	A comprehensive strategy has been implemented to ensure that steps are taken to reduce the consumption of water on-site. Initiatives include reducing water output per tap use and reducing volume of water in the system via Hippo Bags.
Gunwharf Quays, Portsmouth	21,964	22,170	26,679	21%	A comprehensive water meter upgrade programme is underway in order to achieve improved data accuracy.
White Rose, Leeds	19,117	17,008	15,997	-16%	There is a rolling programme of toilet refurbishment which has reduced the amount of landlord toilets available to the public. Refurbishment work also includes waterless urinals, leading to a drop in consumption.
Total				**-4%**	

SUSTAINABLE DESIGN AND INNOVATION



Buildings provide people with employment, education, places to meet, shop and spend recreational time. They also enable businesses to operate more efficiently and effectively. They are a fundamental part of economic activity and can generate enormous benefits for society. New buildings can have a substantial environmental impact through the land they are developed on, the materials and resources they use, and the waste produced along the way.

Our approach to new development should be well considered and innovative, with buildings planned, designed, constructed and operated in the most efficient way. We want to find new ways to support biodiversity in and around the places we create. And we want our buildings to be designed to maximise wellbeing and productivity.

Buildings should create value for us and our customers, communities and partners for years to come. Sustainable design can help make our operations more efficient and cost-effective, minimise future operational costs, mitigate the business risk of changing regulation and create resilient schemes with enduring appeal. It's also what the people who support us – from office occupiers to retailers, from Local Authorities to local communities – expect from us.

NEW DEVELOPMENTS

Commitment
Design all our new developments to meet or exceed best practice guidelines for carbon emissions and the use of energy, water and materials. Current BREEAM targets are Very Good for Retail and Excellent for Offices

Our Annual Report sets out our significant development programme. For each development, our Sustainable Development Brief provides a single point of reference for project teams during the development process. It summarises our requirements for sustainable design, green building certification and environmental management. The brief is used by consultants, contractors and stakeholders to outline our approach to sustainable development, ensuring that together we deliver on our environmental commitments, irrespective of the size or nature of a project.

Our principles for sustainable design:
— Reduce the use of energy and water
— Reduce embodied carbon
— Use responsibly sourced materials
— Incorporate green infrastructure.

Our principles for sustainable construction:
— Manage the supply chain responsibly
— Minimise the use of natural resources
— Maximise on-site efficiency
— Train and employ disadvantaged people from the local community
— Measure and report on impacts.

Our principles for sustainable operation:
— Give sufficient time for commissioning building systems
— Fine-tune the building's performance
— Re-evaluate performance after occupation
— Reduce and manage waste efficiently
— Enhance and maintain green infrastructure.

BREEAM STATISTICS (SQ FT) Table 24

Total space with BREEAM rating	6,285,258
Total tenanted areas	27,079,727
Total common areas	1,779,043
Total common & tenanted	28,858,770
Percentage of total BREEAM rated	**22%**

Rating	Total (sq ft)	% of total space
BREEAM Excellent	3,636,608	13%
BREEAM Very Good	1,268,991	4%
BREEAM Good	1,379,660	5%

Where Part L, the building code for carbon emissions is applicable, we are designing to meet or exceed the requirements. For developments already in construction, 98.3% of waste is being diverted from landfill and we are tracking our carbon emissions.

In terms of meeting BREEAM targets, all of our current office schemes are expected to achieve a minimum Excellent rating and our retail schemes to achieve a minimum of Very Good. We are also looking for opportunities to achieve Outstanding, including at our new head office at 80-100 Victoria Street, SW1, where Design Stage BREEAM has been awarded at 92% Outstanding under BREEAM fit-out 2014.

Nova, Victoria, SW1
Set for completion in 2016, this mixed-use development will be one of our most complex schemes to date, with four green building certifications running in tandem to deliver BREEAM and Code for Sustainable Homes. Energy efficiency is a major consideration for the development, supporting the Greater London Authority's 2025 plan for 25% of London's energy to be provided by decentralised energy and community heating schemes. We are helping to bring that vision a step closer by providing Nova, Victoria with its own energy centre. This will provide low carbon heating and cooling, reducing our customers' carbon footprint by up to 15%. The electricity created will be used to power the energy centre plant and has the ability to be fed into the local grid. The Nova, Victoria development will be a catalyst for change, creating one of the largest decentralised energy hubs in the UK. Nova will also bring significant economic impact to Victoria through job creation and visitor spending. We are currently conducting a socio-economic impact assessment to measure the impact of the development throughout its construction.

Westgate Oxford
Along with The Crown Estate, and together with key stakeholders Oxford City Council and Oxfordshire County Council, we are creating 804,500 sq ft of new retail, restaurants, cafés, leisure space and a cinema in Oxford city centre, together with new public squares and connections to surrounding streets. The centre is due to open in Autumn 2017 and is managed by our Westgate Oxford Alliance joint venture organisation.

Our shared objective is to create the UK's greenest shopping centre. To achieve this we will need to exceed national and local policy, embrace new techniques and technologies, and establish a sustainable retail heart for the city. During construction – and when the centre goes into operation – we will also have helped to create hundreds of jobs for local people through our Community Employment Programme.

A 45-point sustainability implementation plan was created to guide the team through delivering this ambitious vision, encompassing green building certification, socio-economic targets and innovative sustainable design solutions. The implementation process is unique, with external assurance provided by Oxford Brookes University who were engaged to ensure academic rigour in the design and procurement process.

The proposed development is aspiring to be the lowest whole life carbon retail destination in the UK, with an ultra-low carbon reduction target of over 25,000 tonnes agreed with Oxford City Council. A reduction in embodied carbon is targeted through the specification of recycled materials, the use of low carbon production techniques and local procurement. If achieved, the carbon saved will be equivalent to the total carbon generated by the construction of over 500 homes.

The development is targeting 20% of its operational energy to be generated from low or zero carbon technologies and will rely heavily on on-site generation of power. The project aims to assist Oxford Photovoltaics in bringing an innovative next-generation PV product to market, generating power from the roof of the centre (see 'A bright idea from Oxford'). On-site combined heat and power will enable Westgate to achieve an overall reduction in CO_2 emissions of 20% beyond Part L building regulations 2010. To further improve energy efficiency we are implementing a raft of passive design measures, including high levels of thermal efficiency.

Community relations are a priority for the scheme. Through employment initiatives, the creation of excellent new public space, expanded cycle and car parking facilities, and support for native ecosystems and biodiversity – as well as an amazing array of new shops and leisure – we aim to create a centre that local people value and enjoy; a new space that deserves its unique place at the heart of one of the UK's most historic, beautiful and vibrant cities.

Preparing our new office

In December 2016 we will move our office headquarters to 80-100 Victoria Street, SW1, a building that is part of our extensive property portfolio in Victoria. Relocation provides us with the opportunity to adopt a new workplace strategy aimed at increasing communication and collaboration. All staff – some 470 people – will be accommodated on a single floor plate designed to promote activity based working.

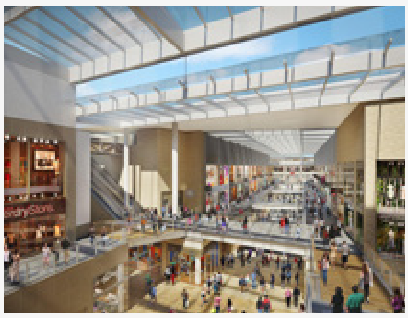
To support a healthy and productive office environment, we briefed workplace strategists KKS to create a space that will be full of light, and benefit from enhanced floor to ceiling heights through the exposure of ceiling soffits and services. The project is targeting BREEAM Outstanding under the 2014 fit-out assessment methodology, and will aim to achieve all available credits for materials.

The process of proposing and approving materials is requiring rigour and research by leading interiors and fit-out specialists. They are working towards every tile, paint and item of furniture making a contribution to create excellent air quality and a healthy internal environment. Each item of specification will also be responsibly sourced, ensuring traceability throughout the supply chain.

In addition to analysis of air quality and traceability, we are working with Sturgis Carbon Profiling to undertake an extensive whole life carbon reduction programme, incorporating life-cycle cost analysis, improvement of recycled content and reduction in embodied carbon through design and procurement. The project follows our overall target of 15% embodied carbon reduction, the first time this target has been applied to fit-out. This will be significantly more difficult to achieve than through traditional shell and core construction.

Waste is a key consideration, with all waste credits being targeted to support the BREEAM Outstanding rating. This has major implications for the way in which the project is delivered, with over 75% of the strip-out waste removed from the previous customers' demise needing to be directly recycled by specialist suppliers. Under fit-out contractor ISG, the project has to consider waste from the construction phase, with stringent waste reduction targets that require almost zero waste.

THE BREADTH OF OUR SUSTAINABLE DESIGN AND INNOVATION AT WESTGATE OXFORD



A BRIGHT IDEA FROM OXFORD

At our Westgate shopping centre development we're hoping to incorporate some breakthrough renewable energy technology invented locally. Oxford Photovoltaics' product uses a potentially game-changing solar cell in the form of a film that can be laid onto glass, providing a significant percentage of a building's electrical energy from sunlight. This approach could dramatically reduce the cost of installing solar technology on retail assets – and other buildings – and increase the total energy met by renewables at a site. By supporting the development of this technology, we're helping to pioneer an approach that could have benefits across our business and our industry, as well as generating jobs for local people.

EMBODIED CARBON

Commitment
Carry out embodied carbon analysis to inform the selection and procurement of building materials to reduce environmental impacts and achieve at least a 15% reduction in embodied carbon

Embodied carbon is the emissions produced from the creation, operation and final demolition of a building. It includes the carbon emissions that arise from the processing, manufacture and transportation of construction materials, but also the products and components required to maintain and refurbish a building throughout its lifecycle.

UK Building Regulations have prioritised operational energy to date, with embodied energy absent from legislation. Yet, as building performance improves, an increasingly significant volume of carbon will be produced during the construction and demolition phases. Long term, a continued focus on operational efficiency without action on embodied carbon could have the unintended consequence of achieving operational performance but missing the opportunity for a net carbon reduction over its entire life. Greater standardisation and wider use of embodied carbon reporting would help to address this, so it is important that key industry players, including us, take the lead.

We are working to ensure that the reduction of embodied carbon is embedded in our design development process across the company. We carry out embodied carbon assessments to inform the selection and procurement of building materials to reduce environmental impacts, focusing on products and materials that save costs and carbon. On projects such as Westgate Oxford and our retail scheme at Selly Oak the embodied carbon consultant is an integral member of the design team, working between architectural, structural and services disciplines to ensure all decisions take account of carbon.

At Selly Oak carbon reduction options have been outlined including timber windows and dematerialisation of the cladding design. The combination of these factors should help us to achieve our 15% embodied carbon reduction target for the project, which completes in 2017. At New Street Square, EC4, we carried out an embodied carbon assessment at the early design stage and this has enabled us to make design decisions that saved some 200 tonnes of carbon and reduced material costs in construction by more than £600,000 against original cost estimates.

The embodied carbon consultant's role develops further after we've appointed the main contractor. At this stage of the project there are considerable savings to be made as decisions about which factory or supplier to source from can affect embodied carbon savings. For example, 11,500 tCO_2e have been saved to date at Westgate Oxford in a joint effort to maximise recycled content and minimise embodied carbon. The role can also extend into fit-out, including furniture, fixtures and equipment. At present we are undertaking a lifecycle assessment on our new head office project to explore this. This includes analysis of surface finishes, mechanical and electrical equipment and also loose furniture.

As we widen the scope of our embodied carbon work we are exploring possibilities on a further four schemes. This includes a retail scheme at Worcester Woods; a mixed-use development behind Piccadilly Lights, W1; 21 Moorfields EC2; and the next phase of our Nova project at Victoria, SW1.

Our major development work in London is largely complete for this market cycle, which gives us an opportunity to think ahead and prepare for the next big wave of office developments. Looking forward, we are also doing more to develop our understanding and share our learnings with others – see 'Meeting the carbon challenge' for more on this.

MEETING THE CARBON CHALLENGE

To share our learnings with the wider industry, we are working with a team of eight high-profile partners to develop a framework and guidelines for the measurement and certification of whole-life carbon in buildings. There is a robust embodied carbon measurement standard available but little consistency across the industry in how this standard is interpreted. This inconsistency leads to significant variance in the volume of carbon savings being calculated, causing confusion and preventing wider use. The project, funded by Innovate UK and led by Sturgis Carbon Profiling, will complete next year and produce clear guidance on how assessments should be performed to ensure a consistent approach.

"USING LEARNING FROM COMMERCIAL PROJECTS, LAND SECURITIES ARE EXPANDING THEIR FOCUS ON EMBODIED CARBON INTO RETAIL AND FIT-OUT. WE'RE SEEING OUR ROLE CHANGE FROM A SPECIALIST CONSULTANT TO AN INTEGRAL PART OF THE DESIGN TEAM."

Simon Sturgis, Managing Director, Sturgis Carbon Profiling LLP

BIODIVERSITY

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

Biodiversity is the variety within and between all species of plants, animals and micro-organisms and the ecosystems within which they live and interact. It's an essential component of nature and provides food, fuel, shelter, medicines and other resources to society.

From rooftop gardens to planted walls, natural spaces and infrastructure can enrich the built environment and help promote wellbeing, providing space for relaxation and socialising for our customers and communities. It is believed that adding natural space and features can help our office customers to attract talent and retail customers to increase footfall and the dwell time people spend in store.

Of course, green infrastructure can also provide tangible environmental benefits such as shade, cooling and wind interception, improvements to air and water quality, better drainage and flood protection, and insulation in winter. It can provide a vital buffer for habitats and species too.

Green space and infrastructure is of increasing interest to planners and other regulators. So, for us, this area will be an increasingly important part of the planning process on future schemes.

Partnering with The Wildlife Trusts
We want to better develop our approach to wildlife and natural systems. These systems sustain our business, our communities and each of us as individuals. As an industry and as a business we can impact upon them in positive or negative ways.

Until now our industry has focused on legal compliance as a means of ensuring that negative impact is minimised. This fails to capitalise on the opportunities which nature gives us to provide the right space for customers and communities. Spaces with well-designed green infrastructure are rich in wildlife, and they promote wellbeing by re-establishing the connections between people and wildlife. They also improve environmental resilience and protect the natural systems that are the bedrock of our economy.

We have adopted a strategic target to maximise the biodiversity potential of our operational and development sites and have been working with The Wildlife Trusts to understand what this means for us in practice and what we need to do to achieve it – and demonstrate that we've achieved it through creating clear metrics and targets. The Wildlife Trusts are the UK's largest wildlife charity, dedicated to all wildlife whether in the countryside, town, city or at sea.

This is a complex area and we are addressing three main challenges, to:
— Create clarity for our stakeholders on what we are trying to accomplish and why
— Prioritise and manage resources to achieve the greatest impact
— Measure what we do in a meaningful way.

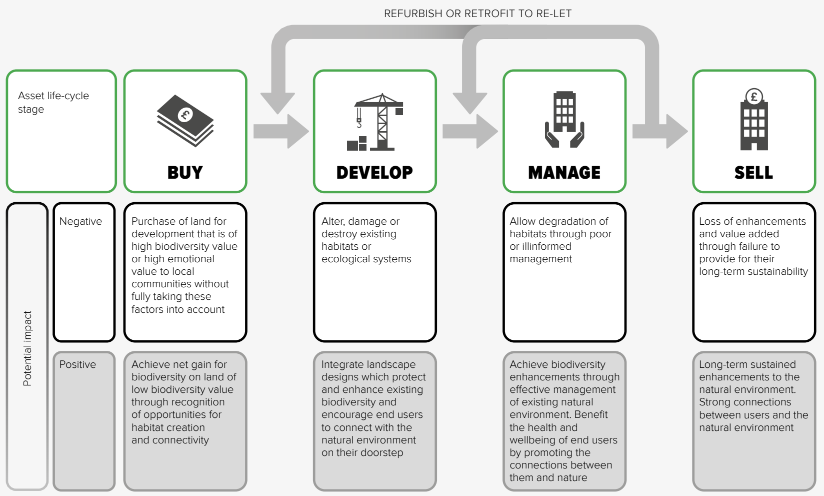
Together with The Wildlife Trusts, we are seeking answers to these challenges. We are working together to create a strategic action plan that will enable our commitment to be integrated into our business model. Sitting alongside this will be a simple methodology to enable the biodiversity value of our portfolio to be managed and measured, both locally and across the business.

During the year pilot studies were carried out at eight of our sites. Here we applied the methodology to identify potential improvements to the biodiversity value of the site. The success of this pilot means we have now been able to identify sites within our portfolio that hold the greatest potential to improve the value of biodiversity. This work will also enable us to define a set of meaningful KPIs through which we can monitor and report on

THE wildlife TRUSTS

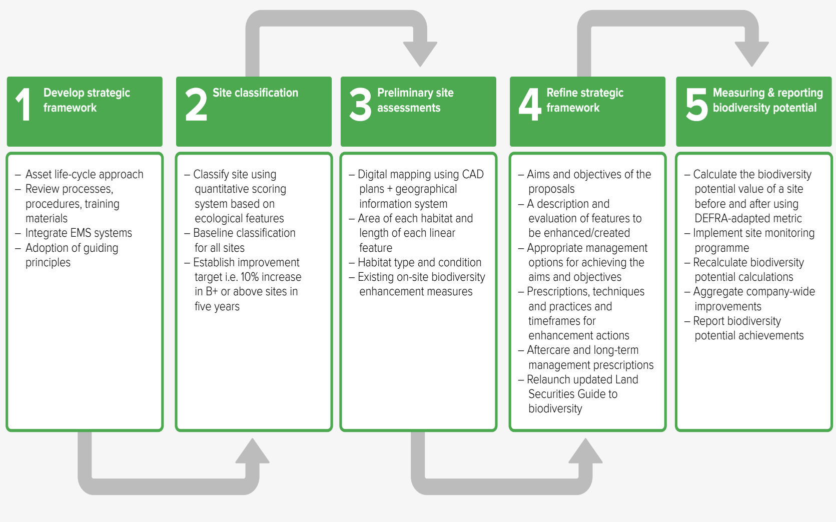
KEY BIODIVERSITY PRINCIPLES, ACTIONS AND IMPACTS WITHIN OUR ASSET LIFECYCLE

Diagram 25



IMPLEMENTING BIODIVERSITY IN OUR BUSINESS

Diagram 26



performance and support decision-making. Our approach is built on current recognised external metrics and guidelines, such as Corporate Natural Capital Accounting, the Global Reporting Initiative, BREEAM and the DEFRA metric, together with our own Environment and Energy Management System. Our goal is to fully integrate our biodiversity methodology into our work, prioritise the areas where we can make the biggest positive difference, and report back on progress in a clear and consistent way.

Green infrastructure
In 2016 we completed a number of schemes that feature substantial improvements to biodiversity management, including green roofs and landscaping at 1 & 2 New Ludgate, EC4.

The 1 New Ludgate building has extensive external planting with new terraces to the ninth floor offices. This features bands of perennial plants mixed with ornamental grasses in loose, natural arrangements, and new landscaping to the public realm including six semi-mature trees. The 2 New Ludgate building will have 6,189 sq ft of green Sedum roof that will encourage insect and birdlife in the centre of London. Green roofs are recognised as contributing to reduced heat-island effect and moderating rainwater run-off. The green roofs and terraces have increased the ecological value of the development by six species when measured under the BREEAM methodology.

The Westgate Oxford development will improve on-site ecology and biodiversity, with the previous Westgate site having offered little green infrastructure or soft landscaping. The extensive landscape design will include planting of native species to promote native and natural ecosystems and biodiversity. A vertical garden of climbing plants will be created at Middle Square to provide green habitat for birds and insects. Bird boxes will be sited within retained trees along Castle Mill Stream, with additional sheltering opportunities created for invertebrates, ensuring foraging places are provided for birds and insects.

We now have 12,900 sq ft of green walls totalling over 85,000 plants in central London, including one of the UK's largest green walls at 20 Fenchurch Street. These flexible, hydroponic wall systems can be installed in areas with limited space, improving air quality and enhancing urban biodiversity across the city. Some examples of green infrastructure and spaces within our portfolio are:

St David's Cardiff – a green roof with flora planted to attract and support fauna such as birds and bees (see page 38 for more information)

Bluewater, Kent – over 50 acres of parkland and lakes, with over 1 million trees and shrubs, orchards, lakes and 27 nationally rare and protected species

New Street Square, EC4 – a 2,600 sq ft green wall with 18,000 plants including fern and lavender, which is beloved of bees, hoverflies and people. The wall helps to create an arena for events that add to the area's sense of vitality and community

62 Buckingham Gate, SW1 – a 2,700 sq ft green wall with some 15,000 plants that improves the experience for pedestrians and livens up the façade, helping to create an inspiring work environment and imaginative public realm

20 Fenchurch Street, EC3 – along with one of the UK's largest green walls, a stunning Sky Garden where colour and flowers flourish all year round. Amongst the flowering plants in the Sky Garden are African lily (*Agapanthus*), red-hot poker (*Kniphofia*) and bird of paradise (*Strelitzia reginae*) interspersed with fragrant herbs including French lavender and rosemary

"THE COMMITMENT LAND SECURITIES IS MAKING WILL LEAD TO MORE WILDLIFE AND HEALTHIER ECOSYSTEMS IN THE LAND UNDER ITS CONTROL WHICH HELPS OUR ECONOMY AND ENVIRONMENTAL RESILIENCE."

Stephanie Hilborne OBE,
Chief Executive, The Wildlife Trusts

FLORA IN THE CITY

The visually stunning green wall at 20 Fenchurch Street is enormous. 7,600 sq ft in fact. It uses a hydroponic system where plant roots grow in liquid nutrients largely without soil. Green-fingered readers might like to know its 52,000 plants include Evergreen Hart's tongue; *Heuchera* Marmalade; *Lonicera* Maygreen; and long-fronded *Polystichum setiferum*. The flowering plants give bursts of colour and scent in the summer, with winterberries for year-round interest. The wall is a visually striking complement to our Sky Garden over 500 ft above.

WELLBEING

Commitment
Ensure our buildings are designed and managed to maximise wellbeing and productivity

When designing a new development we consider the effect our space will have on everyone who encounters it – from office customers and their employees to retailers, their employees and their customers; from visitors to neighbours; from people today to those who may experience the building ten or twenty years from now. Given the amount of time employees spend at work, and the importance of leisure hours, it's vital our office and shopping centres are safe, healthy and enjoyable places to spend time.

The Zig Zag Building
This office scheme on Victoria Street, SW1 provides 187,000 sq ft of high-end commercial office space on an island site. It's a key part of our transformation of the area. It also encapsulates how designing and managing for wellbeing makes good sense. From private terraces and exceptional light to cycle facilities, changing rooms and a quality of fresh air equivalent to that of a coastal town, it's a great place to spend your working hours. Customers recognise that the building can help them to attract and keep great talent, which is one of the key reasons why we completed lettings at the asset, well ahead of expectation.

"LAND SECURITIES HAVE SHOWN THEIR COMMITMENT AND LEADERSHIP BY SPONSORING THE BETTER PLACES FOR PEOPLE CAMPAIGN."

Julie Hirigoyen,
CEO, UK Green Building Council

The Zig Zag scheme has also vastly improved the public realm, with new space, shops, restaurants and cafés. Ten years ago it would have been almost unthinkable that people might choose to sit outside on Victoria Street drinking a coffee or enjoying a glass of wine. Good design has entirely changed the way people feel about and use the location.

Creating better places
The World Green Building Council (WorldGBC) campaign 'Better Places for People' aims to inspire and help companies consider the wider effect of their property decisions. In particular, it looks at how space can affect the health, wellbeing and productivity of those who work in, use and visit retail and office spaces. We are sponsoring the campaign and see this as an important initiative to better understand how buildings impact upon health and wellbeing.

As part of this campaign, we co-sponsored in 2015 a new report by the WorldGBC – 'Health, Wellbeing & Productivity In Retail: The Impact Of Green Buildings On People And Profit'. This aims to help retailers make the connections between environmental and economic performance through a more considered approach that draws together both human and environmental factors. It provides an invaluable framework to help companies develop and manage retail space in a way that works better for everyone.

UK GREEN BUILDING COUNCIL

WORLD GREEN BUILDING COUNCIL

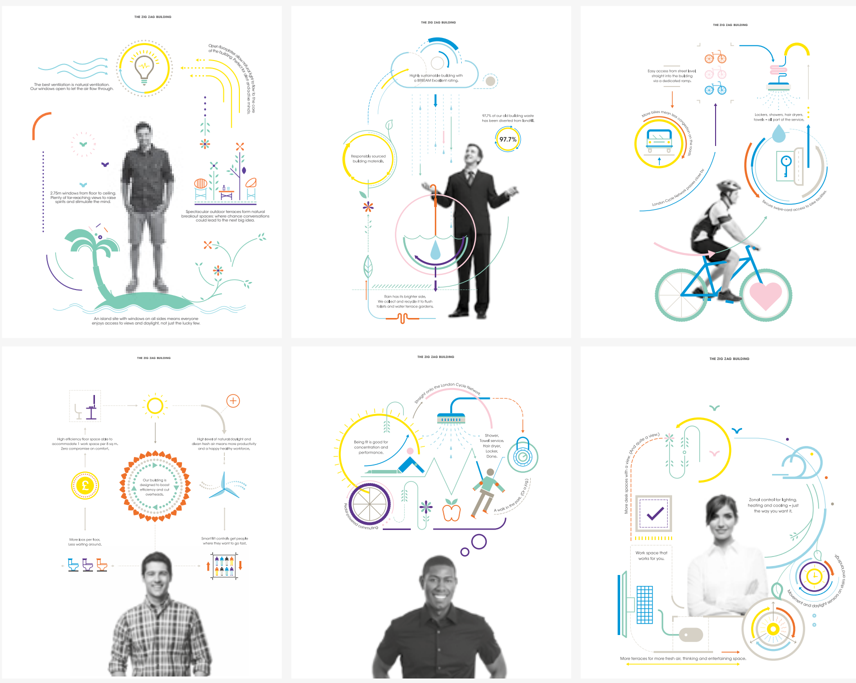
16%

Comfortable, well-ventilated, well-lit, safe workplaces increase productivity by as much as 16%, and job satisfaction by up to 24%. Source: https://desktime.com

CREATING A BUZZ AT ST DAVID'S

We've had beehives on the green roof of our St David's shopping centre in Cardiff for some time. More than 60,000 bees now live there. This gives us an opportunity to collaborate with all sorts of organisations from the local community. For example, we've given honey from our beehives to Cardiff University, supporting research into antibacterial foods. This year we partnered with Pollen8 Cymru on the Cardiff Urban Honey Bee Project. Students from the university took part in this educational challenge exploring the feasibility of launching a company to produce and market medicinal honey. Supported by volunteers from Land Securities and our partners, the students gained entrepreneurial skills together with a greater sense of the value of biodiversity.

ZIG ZAG MARKETING MATERIAL Diagram 27



ADDITIONAL DATA, ASSURANCE AND CONTACTS

GREENHOUSE GAS REPORTING

Understanding our impacts is an essential step in reducing them. We see it as necessary to report on natural resource consumption and greenhouse gas (GHG) emissions consistently and transparently in order to help drive improvement.

Communicating our impacts and how we are acting to reduce them is important for our customers, communities, partners and employees.

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 carbon reporting requirements, Land Securities is committed to EPRA Best Practice Recommendations for Sustainability reporting, and for which we have won a Gold award two years running. 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. We disclose data for both our like-for-like and absolute portfolios.[1]

Conversion factors
To convert our consumption data to report GHG emissions, we use the DEFRA recommended carbon conversion factors. These are expressed as 'local based' emission factors and have decreased compared with last year as a result of changes in the UK fuel mix.

This year we have elected also to report Scope 2 emissions, from the use of purchased electricity, using 'market based' emission factors, in line with new disclosure guidance from the GHG protocol. Whereas local based conversion factors are an average of the UK's fuel mix, market based factors are unique to your electricity supplier. This year our market based Scope 2 emissions are lower than those calculated with local based emission factors. This is due to our principal supplier having a larger proportion of cleaner electricity such as nuclear and renewables in its mix compared with the UK grid average. We anticipate this will further improve over the coming year due to our 100% renewable electricity contract, which started on 1 April 2016.

OVERALL CARBON FACTORS * (LOCAL BASED) Table 28

	2014/15	2015/16	Change
Electricity	0.61933	0.57492	-7.2%
Natural Gas	0.20980	0.20928	-0.2%

*Combined conversion factors including well-to-tank and transmission and distribution factors

Like-for-like portfolio energy consumption and greenhouse gas (GHG) emissions
The primary source of our GHG emissions is the energy consumed within our buildings. This equates to 97.4% of the total emissions reported this year. We have achieved a 3% reduction in like-for-like energy consumption this year compared with 2014/15. This reduction has contributed to a decrease in associated carbon emissions of 8.4%. Overall carbon intensity (tCO_2/m^2) has also dropped by 9% this year. These strong carbon reductions are a result of lower local based emission factors and energy efficiency improvements across the portfolio. Further reductions are anticipated next year as our Company-wide EEnMS continues to drive energy reductions.

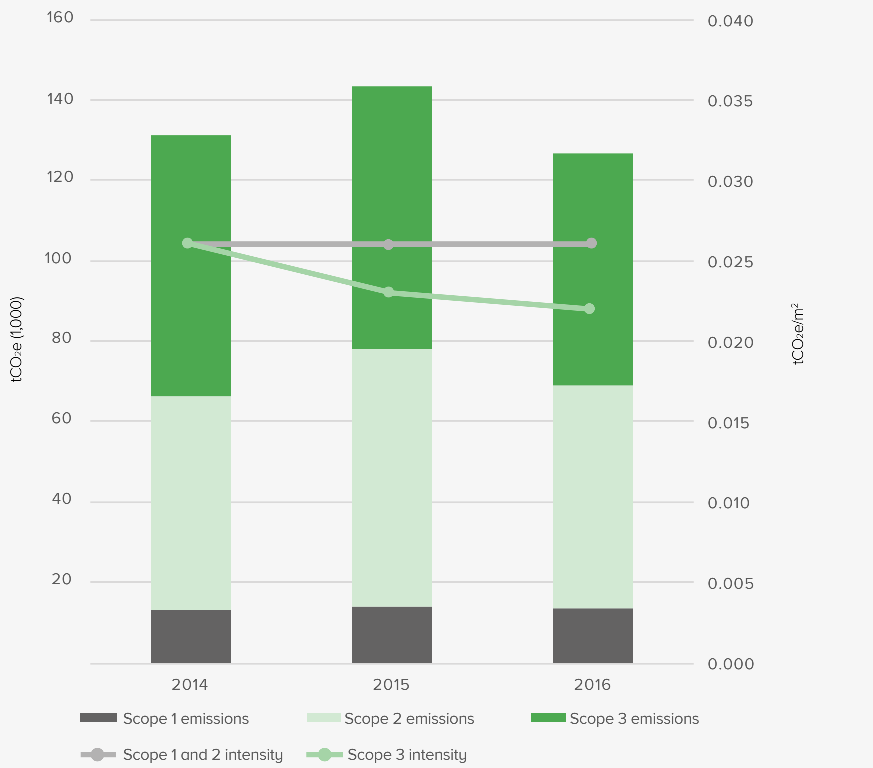
For a detailed breakdown of like-for-like emissions across the portfolio and conversion factors used see www.landsecurities.com/sustainability.

Absolute emissions
Across the absolute portfolio, we have seen energy reductions of 4% for both London and Retail. Combined with changes in the UK's carbon conversion factors, this has resulted in a substantial decrease in total carbon emissions of 12% compared with last year (Scopes 1, 2 and 3). Absolute carbon emission intensity has also decreased by 8% from last year as we continue to develop and manage efficient buildings coming into our operational portfolio.

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 energy to customers' demises.

Table 31 provides a breakdown of our Scope 1, 2 and 3 emissions with both local and market based conversion factors.

SCOPE 1, 2 AND 3 EMISSIONS AND INTENSITY ACROSS THE ABSOLUTE PORTFOLIO 2014–2016 Chart 29



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.
Scope 3 – Covers other indirect emissions, such as business travel, waste management and energy used directly by our customers.

1 Like-for-like portfolio: The like-for-like portfolio includes all properties which have been in the portfolio since 1 April 2014, but excluding those which were acquired, sold or included in the development pipeline at any time since that date. Absolute portfolio: The absolute portfolio includes all properties where Land Securities has 'operational control', where we purchase energy or appoint agents that control the purchase of energy. These are in line with both EPRA reporting guidelines and our current energy reporting methodology.

LIKE-FOR-LIKE PORTFOLIO – ENERGY AND GREENHOUSE GAS (GHG) EMISSIONS

Table 30

EPRA Sustainability Performance Measures				Land Securities			
	EPRA codes	Units of measure	Indicator		2014/15	2015/16	% change vs 2014/15
Energy	Elec - LfL	kWh	Electricity	for landlord shared services	82,948,332	82,379,680	-1%
				(sub)metered exclusively to tenants	53,736,239	49,675,246	-8%
				Total landlord-obtained electricity	136,684,571	132,054,926	-3%
	Fuels - LfL		Fuels	for landlord shared services	48,425,007	46,676,931	-4%
				(sub)metered exclusively to tenants	13,907,138	14,752,083	6%
				Total landlord-obtained fuels	62,332,145	61,429,014	-1%
	Total energy - LfL		Total energy	for landlord shared services	131,373,340	129,056,611	-2%
				(sub)metered exclusively to tenants	67,643,377	64,427,329	-5%
				Total landlord-obtained energy	**199,016,716**	**193,483,940**	**-3%**
	Energy - Int	kWh/m^2/ year	Energy intensity	Total building energy intensity	117	113	-3%
Greenhouse Gas Emissions	GHG - Dir - LfL	Annual tonnes CO_2e	Direct	Total direct GHG emissions - landlord shared services	8,957	8,610	-4%
				Total direct GHG emissions - (sub)metered to tenants	2,572	2,721	6%
				Total direct GHG emissions	**11,530**	**11,331**	**-2%**
	GHG - Indir - LfL		Indirect	Total indirect GHG emissions - landlord shared services (local)	39,691	37,976	-4%
				Total indirect GHG emissions - (sub)metered to tenants (local)	27,636	22,906	-17%
				Total indirect GHG emissions (local)	**67,327**	**60,882**	**-10%**
				Total indirect GHG emissions - landlord shared services (market)		22,183	
				Total indirect GHG emissions - (sub)metered to tenants (market)		13,294	
				Total indirect GHG emissions (market)		**35,477**	
	GHG - Int	tCO_2e/m^2/ year	GHG intensity	Total building GHG emission intensity (local factors)	0.046	0.042	-9%

ABSOLUTE PORTFOLIO – CARBON EMISSIONS 2014–2016

Table 31

Scope 1 and 2 mandatory reporting	(Local based emission factors)			(Market based emission factors)
Emissions	**2014**	**2015**	**2016**	**2016**
Scope 1 tCO_2e	13,047	13,926	13,443	13,443
Scope 2 tCO_2e	53,355	64,095	55,471	34,146
Scope 1 and 2 tCO_2e	66,402	78,020	68,914	47,589
Intensity				
Scope 1 and 2 tCO_2e/m^2	0.026	0.026	0.026	0.018
$kgCO_2e/m^2$	26.25	25.53	26.30	18.06
Scope 3 voluntary reporting				
Emissions	**2014**	**2015**	**2016**	**2016**
Scope 3 tCO_2e	64,954	65,602	57,961	45,463
Intensity				
Scope 3 tCO_2e/m^2	0.026	0.023	0.022	0.017
Total emissions	131,356	143,622	126,875	93,052

For a detailed breakdown of absolute emissions across the portfolio and conversion factors used see www.landsecurities.com/sustainability.

BENCHMARKING AND AWARDS

BENCHMARKING SCORES

Table 32

Activity	Performance
Carbon Disclosure Project (CDP)	2015: disclosure 99 / score C 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)	2015: score 77% 2014: score 78% 2013: score 67% 2012: score 68%
Dow Jones Sustainability Index (DJSI)	2015: score 72 / Percentile ranking 89 2014: score 70 / Percentile ranking 87 2013: score 72 / Percentile ranking 87 2012: score 70 / Percentile ranking 85
FTSE4Good	We continue to retain our established position in the FTSE4Good Index
EPRA	Received a Gold Award at EPRA Sustainability Awards 2015 and 2014 for sustainability reporting

COMMUNITY INVESTMENT DATA

Value of resources given	£2.8m equivalent of time, promotion and cash investment; 6,745 hours spent by employees volunteering
National Charity Partnership	£126,000 raised for partner Mencap in the second year of our three-year partnership, £135,500 raised in the first year

AWARDS AND MEMBERSHIP

Business in the Community Awards 2015	Winner: Freshfield Work Inclusion Award
Better Society Awards 2016	Winner: National Commitment to the Community Award

Better Society 2016 AWARDS WINNER National Commitment to the Community Award

CDP DRIVING SUSTAINABLE ECONOMIES

ROBECOSAM We are Sustainability Investing.

EPRA

FTSE4Good

LBG MEASURING COMMUNITY INVESTMENT

GRESB

INDEPENDENT ASSURANCE STATEMENT TO THE MANAGEMENT OF LAND SECURITIES GROUP PLC

We have performed a limited assurance engagement on selected performance data and statements presented in the Land Securities Group PLC (the Group) 2016 Sustainability Report (the Report).

Respective responsibilities
The Group's management are responsible for the collection and presentation of the information within the Report. Management are also responsible for the design, implementation and maintenance of internal controls relevant to the preparation of the Report, so that it is free from material misstatement, whether due to fraud or error.

Our responsibility, in accordance with management's instructions, is to carry out a 'limited level' assurance engagement on selected data and performance claims in the Report ("the subject matter information"). We do not accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the Report is entirely at its own risk.

What we did to form our conclusions
Our assurance engagement has been planned and performed in accordance with ISAE3000 (Revised)[1] and to meet the requirements of a Type 2 assurance engagement as defined by AA1000AS (2008).[2] The criteria we have used to evaluate the Report ("The Criteria") include the AA1000AS (2008) assurance principles of Inclusivity, Materiality and Responsiveness; and, for selected data, Land Securities' own criteria as set out in the Report.

The procedures we performed were based on our professional judgement and included the steps outlined below:

1. Interviewed a selection of the Group's management and reviewed company-level documents to understand the progress made in the area of sustainability during the reporting period and test the coverage of topics within the Report.

2. Conducted site visits to three development sites (Nova, Westgate and 1 New Street Square) to understand how the sustainability agenda is being managed at site-level.

3. Reviewed the Group's approach to stakeholder engagement through interviews with employees with responsibility for managing engagement activities and reviewed selected associated documentation.

4. Reviewed the Group's process for determining material issues to be included within the Report.

5. Reviewed the coverage of key issues within the Report against the key issues raised in external media reports and the sustainability reports of the Group's peers, as well as the topics discussed in our management interviews, site visits and by the Sustainability Committee and other internal working groups.

6. Interviewed staff responsible for data reporting and carried out the following activities to review selected sustainability data:
- Reviewed the guidance on data reporting, key processes and quality assurance performed.
- Selected a sample of data points from across the business and sought documentary evidence to support the data.
- Conducted a walk-through of data reported from a sample of sites to test consolidation.
- Reviewed any explanations provided for significant variances.
- Reviewed the Report for the appropriate presentation of the data including limitations and assumptions.

Our review of data processes was limited to the following selected data sets:

Topic	Selected Data
KPIs linked to executive remuneration	– People trained and into jobs through Community Employment Programmes – Mandatory health and safety training (M1 & M2) completed within 6 months of joining
KPIs under EPRA Reporting	– Direct GHG emissions ($MtCO_2e$) – Indirect GHG emissions ($MtCO_2e$) – GHG intensity from building energy (tCO_2e/m^2/ year)

7. Reviewed information or explanation about selected data, statements and assertions regarding the sustainability performance of the Group.

Responsiveness

Has the Group responded to stakeholder concerns?
- We are not aware of any matters that would lead us to conclude that Land Securities has not applied the responsiveness principle in considering the matters to be reported.

Completeness and accuracy of performance information
- We are not aware of any material reporting units that have been omitted from the stated scope of the Group-level sustainability data.
- Nothing has come to our attention that causes us to believe that the data relating to the above topics has not been collated properly from company-level systems.
- We are not aware of any errors that would materially affect the data as presented in the Report.

How plausible are the statements and claims within the Report?
- We have reviewed information or explanation on selected statements regarding the Group's sustainability activities presented in the Report and we are not aware of any misstatements in the assertions made.

Observations and areas for improvement
Our observations and areas for improvement will be raised in a report to the Group's management. Selected observations are provided below. These observations do not affect our conclusions on the Report set out above.
- Land Securities provides a detailed description of the materiality review that was undertaken this year to identify and prioritise the most critical sustainability issues for its business and wider stakeholders. This has resulted in a new sustainability strategy covering three focus areas: i) Creating jobs and opportunities; ii) Efficient use of natural resources; and iii) Sustainable design and innovation. The new strategy is simpler and more clearly articulates why sustainability is critical in running a successful property company. As the wider business context and stakeholder expectations change over time, Land Securities will need to periodically revisit this materiality review to ensure its sustainability strategy remains relevant for its business and wider stakeholders.

1 International Federation of the Accountants' International Standard for Assurance Engagements (ISAE3000) Revised, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information.
2 The 2008 edition of AccountAbility's AA1000 assurance standard.

The limitations of our review
Our evidence gathering procedures were designed to obtain a 'limited level' of assurance (as set out in ISAE3000 Revised) on which to base our conclusions. The extent of evidence gathering procedures performed is less than that of a reasonable assurance engagement (such as a financial audit) and therefore a lower level of assurance is provided.

Completion of our testing activities has involved placing reliance on the Group's controls for managing and reporting sustainability information, with the degree of reliance informed by the results of our review of the effectiveness of these controls. We have not sought to review systems and controls at the Group beyond those used for selected sustainability data (as presented in the table above).

We have only sought evidence to support the 2015/2016 performance data. We do not provide conclusions on any other data from prior years.

Our conclusions
Based on the scope of our review our conclusions are outlined below:

Inclusivity

Has the Group been engaging with stakeholders across the business to develop its response to sustainability issues?
– We are not aware of any key stakeholder groups that have been excluded from dialogue.
– We are not aware of any matters that would lead us to conclude that the Group has not applied the inclusivity principle in developing its response to sustainability issues.

Materiality

Has the Group provided a balanced representation of key topics concerning its sustainability performance?
– We are not aware of any key topics concerning the sustainability performance of the Group which have been excluded from the Report.
– Nothing has come to our attention that causes us to believe that the Group's management has not applied its processes for determining material issues to be included in the Report.

Responsiveness

Has the Group responded to stakeholder concerns?
– We are not aware of any matters that would lead us to conclude that Land Securities has not applied the responsiveness principle in considering the matters to be reported.

Completeness and accuracy of performance information
– We are not aware of any material reporting units that have been omitted from the stated scope of the Group-level sustainability data.
– Nothing has come to our attention that causes us to believe that the data relating to the above topics has not been collated properly from company-level systems.
– We are not aware of any errors that would materially affect the data as presented in the Report.

How plausible are the statements and claims within the Report?
– We have reviewed information or explanation on selected statements regarding the Group's sustainability activities presented in the Report and we are not aware of any misstatements in the assertions made.

Observations and areas for improvement
Our observations and areas for improvement will be raised in a report to the Group's management. Selected observations are provided below. These observations do not affect our conclusions on the Report set out above.
– Land Securities provides a detailed description of the materiality review that was undertaken this year to identify and prioritise the most critical sustainability issues for its business and wider stakeholders. This has resulted in a new sustainability strategy covering three focus areas: i) Creating jobs and opportunities; ii) Efficient use of natural resources; and iii) Sustainable design and innovation. The new strategy is simpler and more clearly articulates why sustainability is critical in running a successful property company. As the wider business context and stakeholder expectations change over time, Land Securities will need to periodically revisit this materiality review to ensure its sustainability strategy remains relevant for its business and wider stakeholders.
– The Report describes the plan to conduct a review into responsible supply chain management and to develop a new management policy on this topic next year. As part of this review, Land Securities will need to identify the most significant sustainability risks within its supply chain and consider how it can best manage and mitigate these risks. Current activities to respond to the forthcoming requirements under the UK Modern Slavery Act could be included within this review. Where possible, we encourage Land Securities to report on specific risks within its supply chain and steps being taken to address them in next year's Report.
– Land Securities has reported two commitments this year in relation to: i) Maximising the biodiversity potential of all its development and operational sites; and ii) Ensuring its buildings are designed and managed to maximise wellbeing and productivity. Currently, these commitments are set out as broad aims and the Report describes current initiatives with the Wildlife Trusts and the World Green Building Council to deliver against them. In future years, Land Securities could consider clearly defining the outcomes to be achieved from these commitments and measure progress towards them with meaningful metrics.
– Land Securities has well-structured processes for gathering, analysing and reporting energy consumption data across its London and Retail portfolios, which enables it to report Scope 1 and 2 greenhouse gas (GHG) emissions for its own operations and common areas in its properties. The report also includes Scope 3 GHG emissions associated with downstream leased assets and we encourage Land Securities to build on this good practice by incorporating other significant sources within its Scope 3 emissions from next year.

Our independence
We have implemented measures to comply with the applicable independence and professional competence rules as articulated by the IFAC Code of Ethics for Professional Accountants and ISQC1.[3] Ernst & Young's independence policies apply to the firm, partners and professional staff. These policies prohibit any financial interests in our clients that would or might be seen to impair independence. Each year, partners and staff are required to confirm their compliance with the firm's policies.

We confirm annually to the Group whether there have been any events including the provision of prohibited services that could impair our independence or objectivity. There were no such events or services in 2015/16. Our assurance team has been drawn from our global Climate Change and Sustainability Services Practice, which undertakes engagements similar to this with a number of significant UK and international businesses.

Ernst & Young LLP, London
16 May 2016

3 Parts A and B of the IESBA Code; and the International Standard on Quality Control 1 (ISQC1).

Contact
Caroline Hill
Head of Sustainability
T: +44 (0)20 7024 5462
E: caroline.hill@landsecurities.com

Produced by Brightsource Limited, a Cello Signal company.

Printed by CPI Colour.

This report is printed on Munken Smooth.

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C016486

Please recycle

The single most important thing you can do with this report when you have finished with it, is recycle it.

Design:
mslgroup.co.uk

Words:
Tim Rich and Land Securities

Photography:
David Hares
Luke Hayes

Land Securities Group PLC
5 Strand, London WC2N 5AF
+44 (0)20 7413 9000
www.landsecurities.com/sustainability


ierge
EVERYMAN