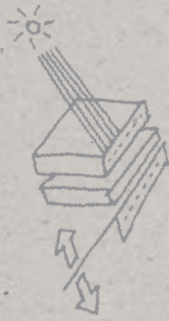


DOING CORPORATE RESPONSIBILITY REPORT 2006



1

Doing

See what we have been up to in 2005 – an action-packed record of addressing the key issues up and down the country. Page 01

2

Thinking

Our Group Chief Executive and leading specialists set out their vision of what corporate responsibility means in the property world. Page 15

3

Responding

Four stories showing how we are facing up to the challenges throughout our business. Page 27

4

Measuring

The headlines and key facts about our performance in each area of corporate responsibility, from customer satisfaction to greenhouse gas emissions. Page 45

Land Securities develops, manages and invests in commercial property in the UK. This corporate responsibility (CR) report describes what we are doing to improve our contribution to the communities where we operate, our impacts on the environment and our relationships with employees, customers, suppliers and investors.

www.landsecurities.com/doing

Data and targets

The data in this report is for the financial year 2005/06 unless otherwise specified. For full data visit www.landsecurities.com/doing.

We set targets for the period up to 31 March 2005, but not for the subsequent year because of changes in our business. Our new targets are set to 31 March 2007.

1

Doing

We are practical people who prefer getting on with things rather than endless theorising. Here we show you how we have been trying to live up to our responsibilities over the past year – such as helping communities, making our sites safer and properties more accessible, and increasing recycling.

Contents



In the Land of Illustration
Page 02



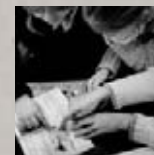
Improving access
Page 04



Health and safety
Page 06

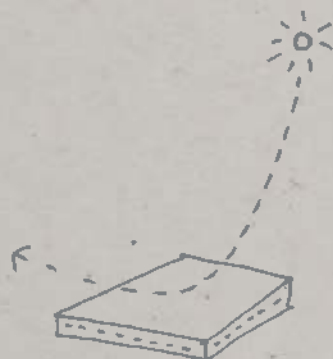


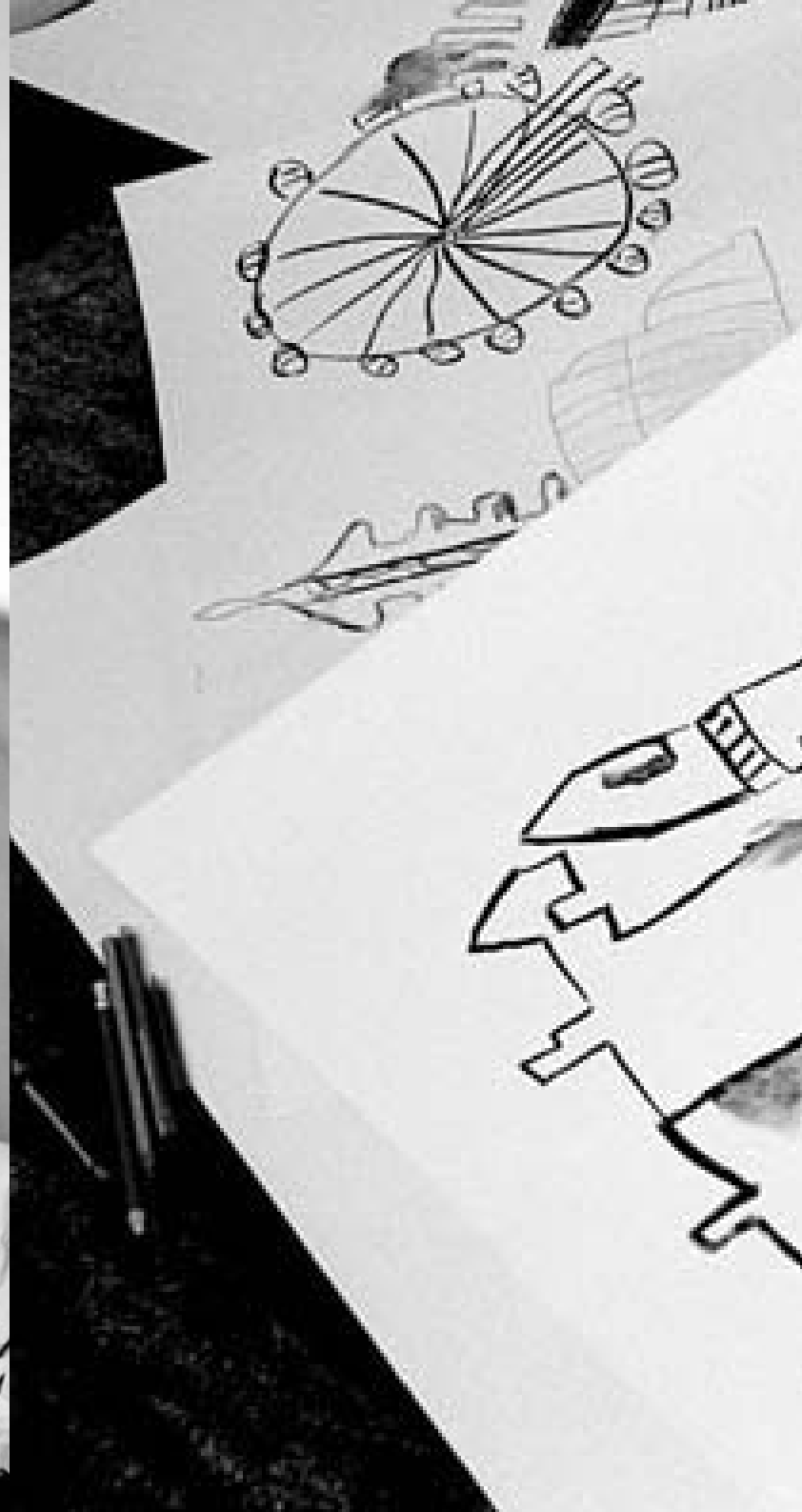
Recycling & emissions
Page 08



Reading projects
& Values into Action
Page 10

Company profile
Page 12







The world around you

'In the Land of Illustration' was a national art project reaching over 2,000 kids, dreamt up by the Prince of Wales Arts & Kids Foundation, supported by Quentin Blake and sponsored by Land Securities.

Access

Improving access is important to all our clients and customers. We have upgraded the Department for Work and Pensions' estate to make it compliant with the Disability Discrimination Act and the majority of our shopping centres now offer Shopmobility services and special parking bays.

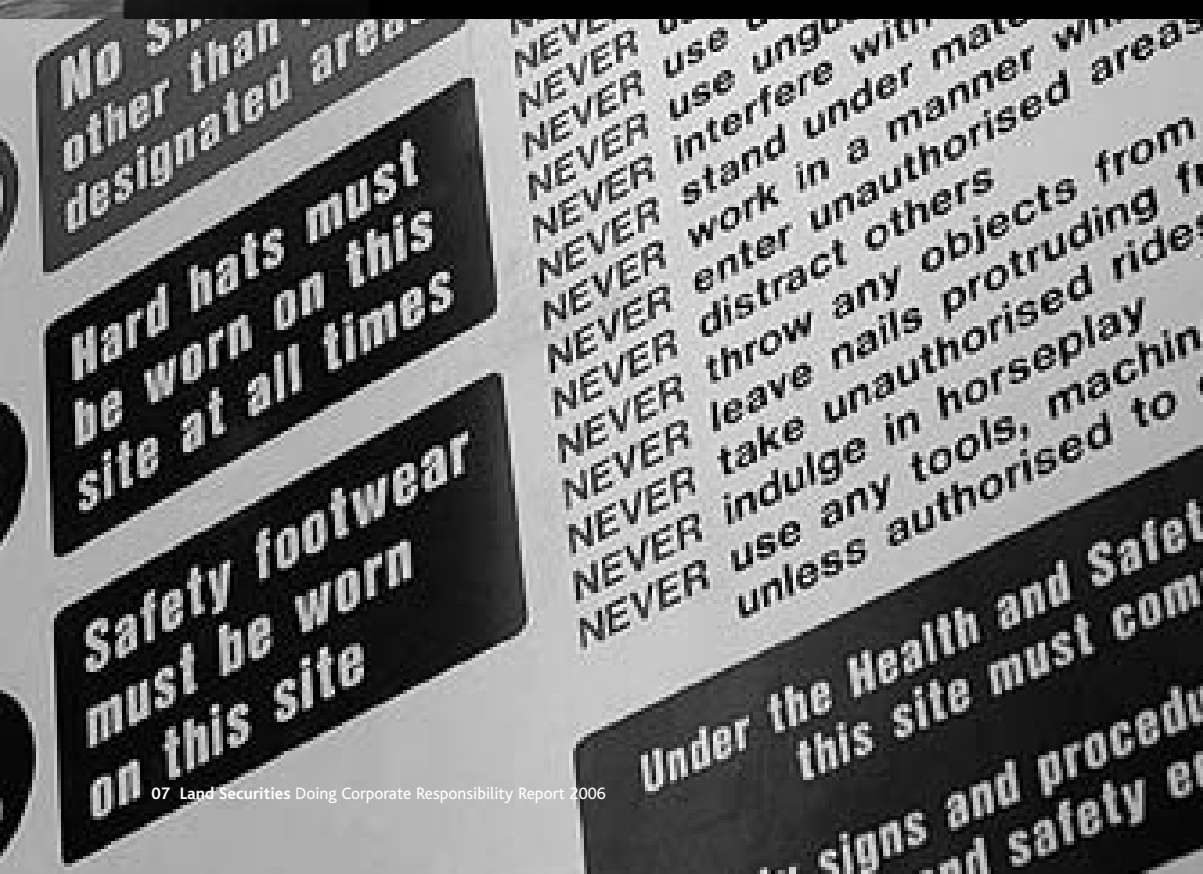






Making it safe

No fines or prohibition notices were served in the last 12 months. We believe this is because health and safety training is a priority for our employees and for our suppliers' and contractors' employees too.

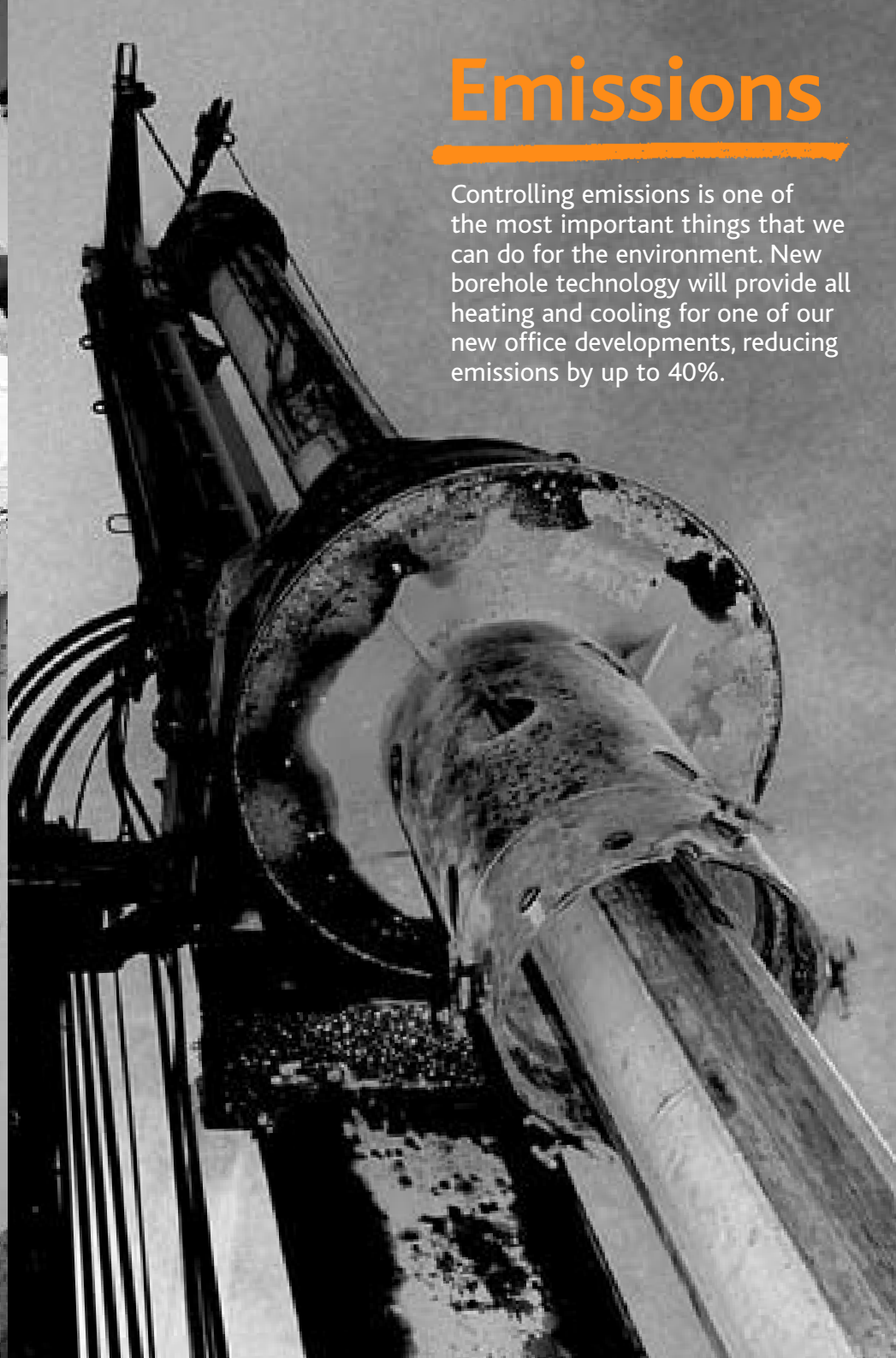




Recycling
Banks

21%

Sometimes small initiatives can make a big difference. We increased recycling in our shopping centre portfolio by 21% over the year.



Emissions

Controlling emissions is one of the most important things that we can do for the environment. New borehole technology will provide all heating and cooling for one of our new office developments, reducing emissions by up to 40%.

Getting involved

We encourage our employees to get involved with the community around them and helping kids to read is one simple way to make a difference.



LandSecurities



VIAwards 2005

Jim Portch

Has won the 2005
Annual Values into Action
Award for

Customer Service

Presented by *Frank Selig*
on 26 July 2006

inspire
Land Securities Group plc

327 nominations

We recognise and reward employees who demonstrate Land Securities' values and celebrate with them at our annual 'Values into Action' awards dinner.

We aspire to be the leader of good practice within the UK property industry and to live up to this vision through all our business activities, particularly those related to corporate responsibility.

Who we are

Land Securities is the UK's largest commercial property company owning more than £13.1 billion of commercial property. Our business is focused on three sectors of the UK property market: retail, London offices and property outsourcing, and we have market leading positions in these sectors.

We accommodate over 2,000 occupiers, both retailers and organisations.

We are quoted on the London Stock Exchange and are a member of the FTSE 100, the Dow Jones Sustainability and FTSE4Good indices.

Our vision

We aim to be recognised as the UK's leading property company.

Progress towards this goal will be measured by returns generated for shareholders, new business wins, customer retention and satisfaction levels, employee satisfaction and third party recognition of our achievements.

What we do

We are responsible for providing business accommodation and property services to more than 2,000 private and public sector clients across a commercial property portfolio which measures more than 6.5 million m² in size, equivalent to almost 1,000 football pitches. Our activities include investment, development and management of buildings.

Our property portfolio

The investment portfolio includes one million m² of office and retail floorspace in central London, 30 shopping centres, 30 retail parks and 10 supermarket properties. We renew our portfolio

through development activities and have a substantial development programme underway. We have major retail-led urban regeneration schemes in progress in Exeter and Bristol and schemes planned for Cardiff, Livingston and Corby. In central London we have recently completed a major development, Cardinal Place in Victoria, and have a number of commercial projects underway including New Street Square and 140 Wood Street in the City together with Bankside 123 on the Southbank.

We are also progressing one of Europe's largest regeneration schemes in the south-east at Kent Thameside, where we are planning the development of some 13,000 new homes together with 580,000m² of commercial accommodation.

We are responsible for 6.5 million m² of property across the UK.

Property outsourcing

We are market leaders in property outsourcing through Land Securities Trillium. Property outsourcing combines many elements of a client's property needs, from the provision of business accommodation and property services to development and estate management, into an integrated and bespoke property contract. We are providing accommodation and property-related services in this way to the Department for Work and Pensions, Norwich Union, Barclays Bank, the DVLA and Telereal.

Business principles

Our business principles are the foundation upon which we operate and define the way we go about our business. These aim to provide guidance to stakeholders about the way in which we manage all areas of our business with a view to benefiting from the positive aspects of what we do and to minimise the negative impacts of our activities.

1,800 employees

60,000+ people work in our shopping centres

200,000+ people work in offices managed by the Group

£12.9bn investment properties

Awards	
Category	Received
Property Week	Property Company of the year
Property Week	Office Developer of the year
Estates Gazette	Retail Company of the year
Estates Gazette	Office Company of the year
Global 100	Most Sustainable Corporations in the World
Indices – members of	
FTSE4Good	
Dow Jones Sustainability Index	
Global 100 Most Sustainable Corporations	

Our activities are governed by our core principles of:

- sound management
- financial stability
- the creation of attractive, sustainable returns for shareholders

We want to achieve our objectives and vision within a framework of high standards that takes account of the needs of all our stakeholders and our impact on the environment and communities in which we operate. As a leading property company we seek continuous improvement for both the Group and the property industry.

Business ethics

We aim to maintain the highest ethical standards in the conduct of our business and will not tolerate any behaviour or practice that compromises our integrity. Our business ethics policy, which can be found on our website, provides full details of the standards we apply to our core stakeholder groups of investors, customers, communities, suppliers and employees.

As a Land Securities employee our values embody the way we work and the way we treat others.

Core values

Our values embody the way we work and the way we treat others as a Land Securities employee. These are:

- integrity
- customer service
- excellence
- respect for the individual
- innovation

Health and safety

We take all reasonable steps to secure the health, safety and well being of all employees and those affected by our business activities, in accordance with our duties under the Health and Safety at Work Act 1974 and all other relevant legislation.

More than 200,000 people work in offices managed by the Group.

Environment and biodiversity

We will meet our obligations under environmental legislation and avoid or minimise any harm to the environment. In non-regulated areas we will strive to meet good practice, integrating biodiversity considerations into our activities, working in partnership with clients, agents, contractors and other suppliers.

Diversity

We are committed to providing equal opportunities to all our employees, whether full-time, part-time, temporary, secondee or job applicant, regardless of age, gender, disability, marital status, sexual orientation, religion, race, colour, creed, ethnic or national origin.

Human rights

We support human rights in our workplaces and will strive to meet the designated requirements.

£1,988.2m

(2005: £1,876.2m)

gross property income

£1,159.9m

(2005: £1,001.7m)

cost of goods, materials, services purchased

(excluding joint ventures)

£98.3m

(2005: £88.0m)

cost of staff remuneration

£683.3m

(2005: £246.6m)

tax charge

£238.9m

(2005: £175.5m)

total dividend payment



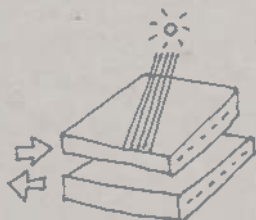
%

of targets achieved in 2004/2005

2

Thinking

The issues we face are complex. We often have to balance social, environmental and economic objectives. In this section we present provocative thinking about corporate responsibility (or sustainability, as it is sometimes described) – what it means for us, how to design energy-efficient offices, and how to nurture plant and animal species.



Contents



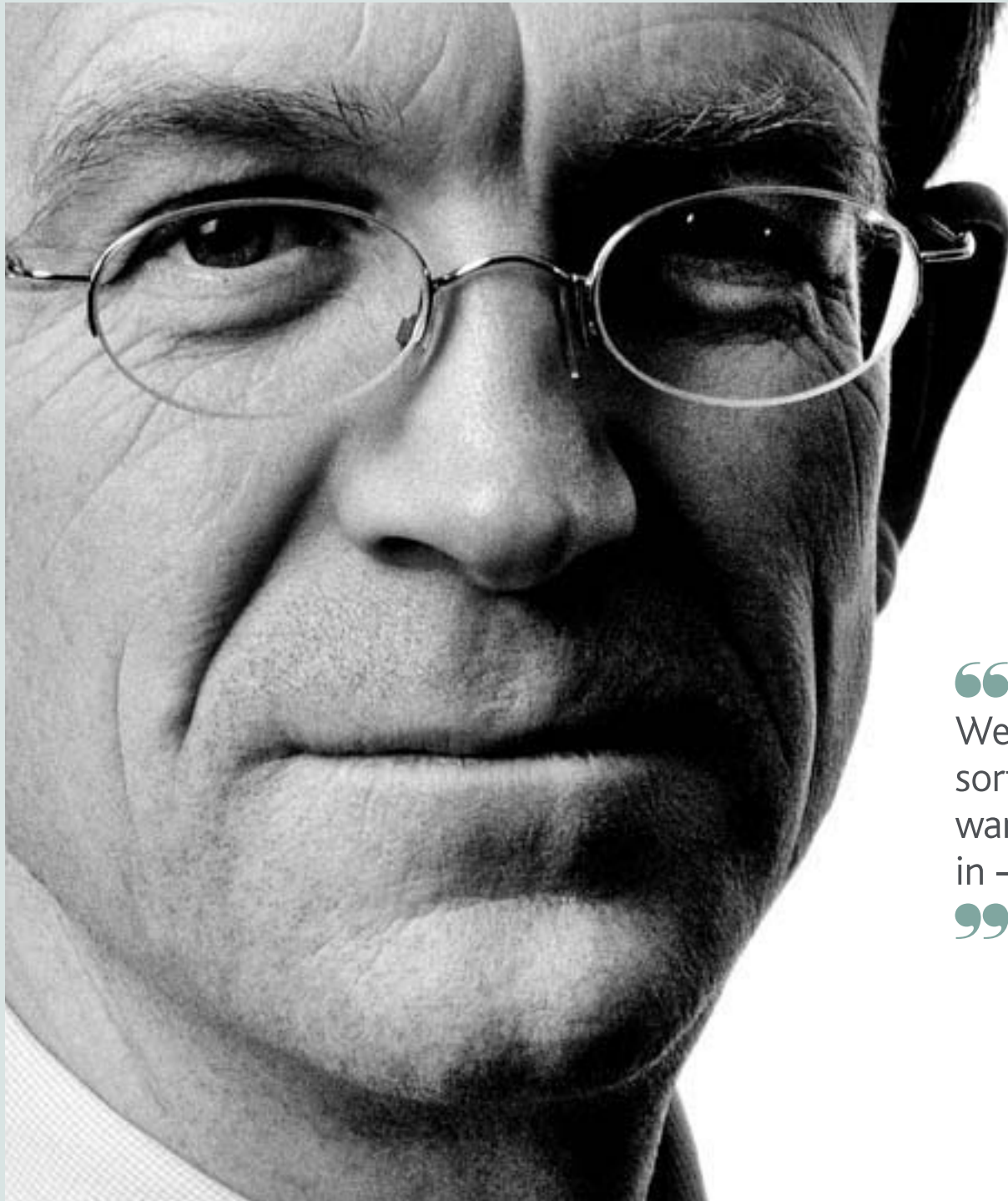
Our Group Chief Executive Francis Salway deals with the big questions and explains how Land Securities is addressing its responsibilities. [Page 16](#)



Leading architect Rab Bennetts says his profession needs to put environmental needs before ego, and design offices that people like to work in. [Page 20](#)



Plant and animal species are under threat. Biodiversity expert James Calow argues that there is plenty the property industry can do to help. [Page 24](#)

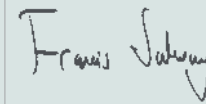


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We have to anticipate the sort of environment people want to work and shop in – now and in the future.

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What does corporate responsibility mean for the UK's leading property company?



Francis Salway
Group Chief Executive, Land Securities

Francis Salway has been Group Chief Executive of Land Securities since July 2004. He explains why he believes leadership means addressing social and environmental issues as well as financial returns.

What does corporate responsibility (CR) mean to you?
It is about managing our impact on the wider community. Our aim is to act responsibly in everything we do to maximise the positive interactions with communities and to limit the negative. An example of this is the way in which we address environmental issues on developments – through design and specification and then integrating our buildings into their local neighbourhoods through active community liaison programmes. But it is also about our own community – about being responsible employers and responsible managers of the business on behalf of our investors.

Why does this matter to Land Securities?

It is critical to the long-term success of the business. We want to deliver consistently good financial returns, and to achieve that we have to be forward looking and work on three, five, seven-year timeframes. It also provides our licence to operate – thousands of people work in our buildings and several million visits are made to

our retail properties every year. We have to anticipate the sort of environment people want to work and shop in – now and in the future. We also want Land Securities to be an organisation people are proud to work for.

What is the most important aspect of responsibility for you?

It is about designing and managing buildings that integrate with their surroundings in physical and social terms. For example, a shopping centre should be more than purely a retail activity. It should be a living part of a city centre. And when we develop a major office complex we hope to create spaces that are open to the public – spaces the public can use and enjoy.

Our scale provides that opportunity. At Cardinal Place in Victoria we have opened up new views to Westminster Cathedral. In Canterbury we have created new public squares.

Social aspects are important as well. At the White Rose Shopping Centre in Leeds there is a Study Support Centre which is used by

Thinking: Francis Salway

tenants and local schools. They help people relate to the subject by tying the learning to what is happening in the shopping centre – the maths is about shopping, for example.

We also need to keep improving environmental impacts. Through our efforts, our shopping centres recycle 25.8% of the waste from the shops.

You are talking about going beyond what you are required to do?

Absolutely. I believe it's important that we go beyond what is mandatory because we aspire to lead in this area. For example, we voluntarily undertake Environmental Impact Assessments (EIA) on all our developments above £5 million and not just on the very large ones as required by law. We have also been involved in community liaison on development proposals for five or six years, long before it started to become a requirement through planning regulations.

That sounds altruistic. Is this philanthropy or part of the business?

It is certainly not pure philanthropy. We see corporate responsibility as an integral part of the business and we derive benefit from it. It helps us win new contracts because customers want to see that we can manage these issues for them (see DWP page 34). And if you create a new development that feels like it has no relationship with the local community, in 15 years it is likely to be rejected and it will need major expenditure on remodelling. But something that feels a natural part of the community will have a much easier lifecycle.

But there are costs?

There are costs and there are also benefits. If we have engaged well with the community, people will have a better understanding of our development proposals and may be more favourably inclined to them. Some of the planning decisions we are involved in are the largest the local council will deal with for maybe five years – the wider community impacts are important to them. And community liaison also helps you to understand the majority view in the community, which can be important when there are vocal minority groups.

Is this a new approach for Land Securities?

We have always tried to be responsible in the way we manage our business. We began working on environmental issues and appointed an Environment Manager in 1997. I believe we have been at the



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It's about designing and managing buildings that integrate with their surroundings in physical and social terms.

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forefront of the industry since then, and we continue to do some research and development which keeps us ahead.

Has it really made a difference on the ground?

More than I would have expected. The first steps are challenging, but you then build a momentum.

Take waste – when we first started on this it was difficult to get retailers to co-operate. But the shopping centre teams are now successfully increasing the level of recycling, especially at The Bridges in Sunderland (see page 38). We have also helped the Department for Work and Pensions enormously to meet their environmental objectives (see page 34).

And on biodiversity, I was sceptical at first. I thought there was little we could do to contribute because so many of our developments are in city centres. But Dave Farebrother (our Environment Manager) took up the challenge and, with a lot of his energy behind it, we have made real progress.

What is the biggest challenge for Land Securities?

The fact that we are intermediaries. We have to make decisions on the design and specification of developments when we don't know who will be the occupiers. So, for example, if we go for high energy efficiency we could be less able to accommodate a bank's trading floor, or if we anticipate a bank's demanding high levels of power and cooling requirements we could end up with lower environmental performance.

The same applies to waste. The bulk of it is not created by us, but by our tenants. We can influence and facilitate but ultimately it comes down to how the occupiers manage their activities. We can't be three steps ahead. We have to keep just one step ahead and bring others with us.

Do your employees buy into this or do they tend to be sceptical about corporate responsibility?

Achievement always counteracts scepticism. Certainly, in our employee survey we are highly rated for our approach to corporate responsibility. People see the achievements, which are often due to the enthusiasm of a small number of people, and then follow them.

Objective-setting has been absolutely critical – we set objectives on environmental issues, then we lock in the successes and add

new objectives to keep moving forward. The wider CR objectives are harder to measure, but we have been working on more measurable objectives and this will help enormously.

What about investors? Are they interested in something beyond the balance sheet?

Unfortunately their approach to CR tends not to be co-ordinated. There is often a fund manager whose primary objective is financial, and a separate Socially Responsible Investment team. Ideally there should be better integration.

We do have constructive dialogue with socially responsible investors and that helps us. But they can be rather ideological, and we have to be practical. For example on timber sourcing, we currently aim to meet targets on larger schemes and then, over time, roll that down through other projects. On major projects you can get the verification which currently is just not available on smaller scale repair and maintenance jobs. But I am a believer in continuous improvement and I think as the larger clients push on an issue, it will progressively flow down through the supply chain.

You have talked a lot about environmental issues.

What about other aspects?

We will be placing increasing emphasis on community activity and education. We have invested over £100,000 on one project – In the Land of Illustration – which links shopping centres to local schools through art (see page 2). I am also personally involved with the Business In The Community Partners in Leadership programme, through which I work with a head teacher at a secondary school. It is a two-way learning process on leadership.

Do you see these kind of issues having a significant impact on the property industry in the medium term?

If you look 10 years ahead, the focus on global warming and its consequences will be intense – and more radical solutions will be being considered.

I believe we will be seeing constraints on the use of roads in some way – probably through road pricing. That will change location decisions, and property is, using the words of Lord Samuel (the founder of Land Securities), all about location, location, location. We need to be able to anticipate these changes.

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We see corporate responsibility as an integral part of the business and we derive benefit from it.

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How can we innovate to transform how buildings work?

Rab Bennetts is a co-founder of Bennetts Associates, which has pioneered environmental design and is the architect for the New Street Square development (see page 30). Here he sets out his vision for more sustainable office buildings.

Sustainability has become an enormously broad topic – too broad and abstract to get to grips with for some people. In my view, energy is the most important issue, but there are economic and social aspects, and several other important environmental factors in building offices.

We also need to take account of:

- Construction waste – this is important not only for efficiency in new construction but also in demolition. At New Street Square we recycled 93% of the demolition waste.
- Construction transport – it is possible to reduce transport emissions by sourcing locally rather than buying materials from all over the world.
- Water consumption – recycling water can cut clean water needs by half.
- Biodiversity – you can increase the number of species at a site (see page 24 – next think piece).

Taking account of these issues will not only create more sustainable offices, it will also provide buildings with a more local feel, rather than the standard glass-faced, air-conditioned office blocks that look the same the world over. If we design buildings to suit the

local climate, and use local materials, rather than cladding from Italy and granite from India, we not only reduce emissions but we also build dramatically different buildings, closer to the local culture and traditions.

The flexibility of the building is fundamentally where its economic sustainability comes from.

With the right approach you can design a building that is good for the people who will work there and meets cost criteria, but has environmental impacts of only half to two-thirds of a conventional building.

I think it's important to deal with sustainability in a practical way. The focus has to be on low energy, or rather low carbon dioxide emissions (we can use as much energy as we like if it's from renewable sources). This is critical because the climate is warming and there is overwhelming evidence that carbon dioxide emissions are an important factor.



Rab Bennetts
Co-founder, Bennetts Associates

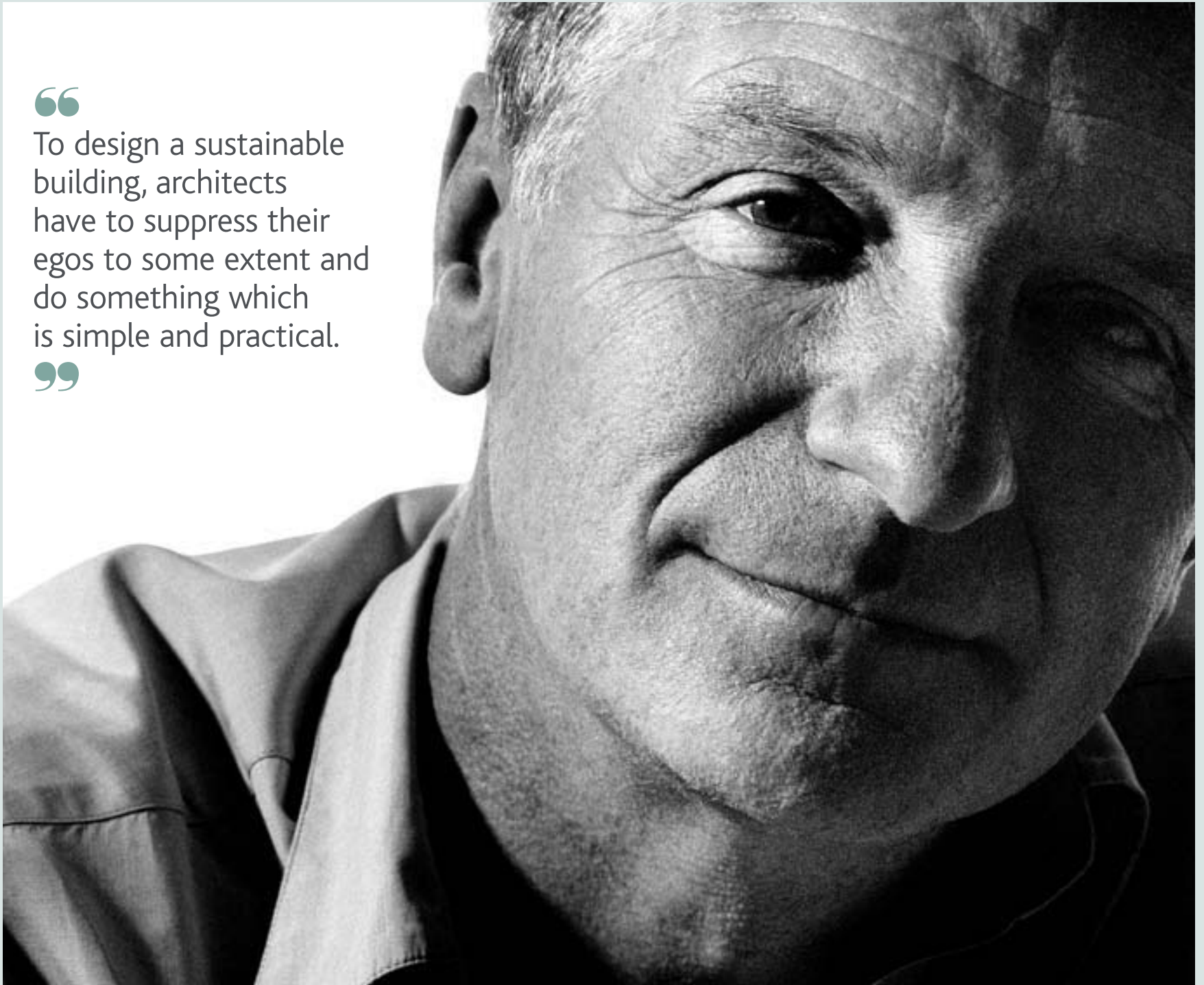
“If big companies with clout like Land Securities start saying they want sustainability, it makes a difference.

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To design a sustainable building, architects have to suppress their egos to some extent and do something which is simple and practical.

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Thinking: Rab Bennetts

Minimising emissions doesn't just mean improving the operational energy efficiency of the building in use. It's also about how you construct the building, when and how you throw it away. The CO₂ embedded in the building is typically a tenth of the energy used in running it. But that depends on the life of the building and the complexity of the design. The blocks which New Street Square is replacing were built in the 1960s. We mustn't do that again, demolishing buildings after 40 years.

With the right approach you can design a building that is good for the people who will work there and meets cost criteria.

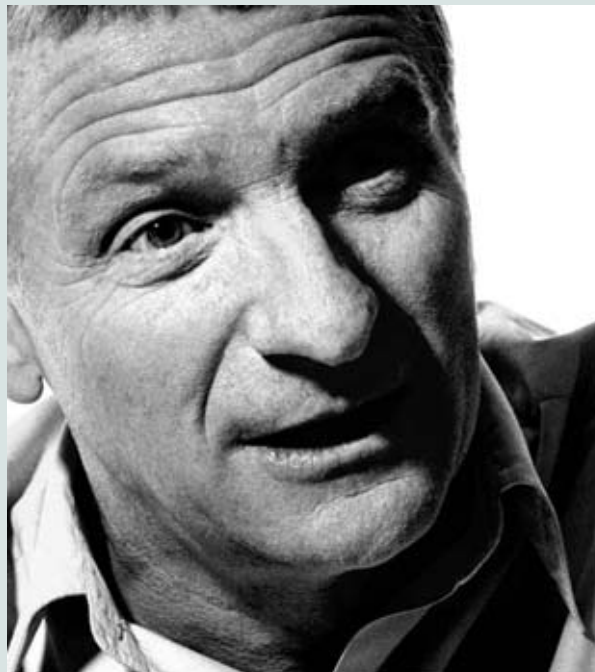
To design a sustainable building, architects have to suppress their egos to some extent and do something which is simple and practical. But a lot of architects are preoccupied with the 'big vision'. If it doesn't work, what's the point?

Complexity is also the enemy of sustainability. A lot of architects go down the low-energy route with extremely complex buildings. You need to find a balance. Using triple glazing and devices such as automatic flaps and vents can add substantially to the energy embedded in the building, so it may not reduce overall emissions, as much as it first appears.

The flexibility of the building is fundamentally where its economic sustainability comes from. The principal idea at New Street Square is structural and services flexibility. The buildings are adaptable in their plan arrangements so they can change over their lifetime.

So far as operational CO₂ is concerned, heating and cooling an office building are the critical aspects. The design determines the cooling options that will be possible, and too many designs leave only one option – energy-intensive air-conditioning.

In England, where the range of temperatures is relatively small between day and night and season to season, I believe there is little need to blow chilled air round a building all year round. For example, we have designed a building for BT which is like a



33%

You can design a building that meets cost requirements and occupiers' needs and also reduces environmental impacts by a third to a half.

50%

Recycling water can cut clean water needs by half.

call centre (and you can't get denser occupancy than that) but we have done it without conventional air-conditioning.

We have found that if you let the sun in it tips the balance towards full air-conditioning, so at New Street Square there is a high-specification 'envelope' with a high level of protection from the sun, using external louvres.

We are also using concrete structures in most of our buildings, rather than steel. Although cement has a high energy content, concrete provides the thermal stability which limits the heating and cooling of the building and allows you to use natural ventilation in many cases. If more active cooling is necessary, you can use underfloor air supply or chilled panels (like radiator panels but with cold water and slung from the ceiling).

As well as saving energy, using a chilled panel means the form of the structure can be exposed so people are not faced with the depressing sight of suspended ceilings from wall to wall. And we have found that people like to work in this kind of environment much more than an air-conditioned office, even though it might get a bit warm in summer sometimes. (In fact I believe the temperature standard needs to be changed. The standard is 22 degrees, but most people find they are not too hot until it gets beyond 26 degrees.)

Most of the buildings we have designed like this have been for owner-occupiers. They are much easier to deal with on these issues because you can talk to them directly. It's much more difficult for property companies like Land Securities because they don't know who the occupier is going to be. They have to second-guess the market, and there is a tendency for everyone involved to be conservative.

Land Securities has been more imaginative in searching for ways to be greener.

Land Securities has been more imaginative in searching for ways to be greener, but they can't just impose something which is hugely energy-efficient if it doesn't work in the market. So New Street Square will be a City-type building, with broad floors (from wall

to wall) which make natural ventilation more difficult. But we have made it possible to use underfloor ventilation or chilled panels.

There is still plenty of resistance in the property world to moving away from the standard air-conditioned office design. We met very serious resistance from the agents, who are inherently conservative.

In my view, there's something of a conspiracy between agents representing the landlord and the tenants to maintain the status quo. If you actually go and ask people at their desks, they don't like air-conditioning.

I think we are now on the cusp of sustainability becoming a marketing bonus rather than being seen as a negative.

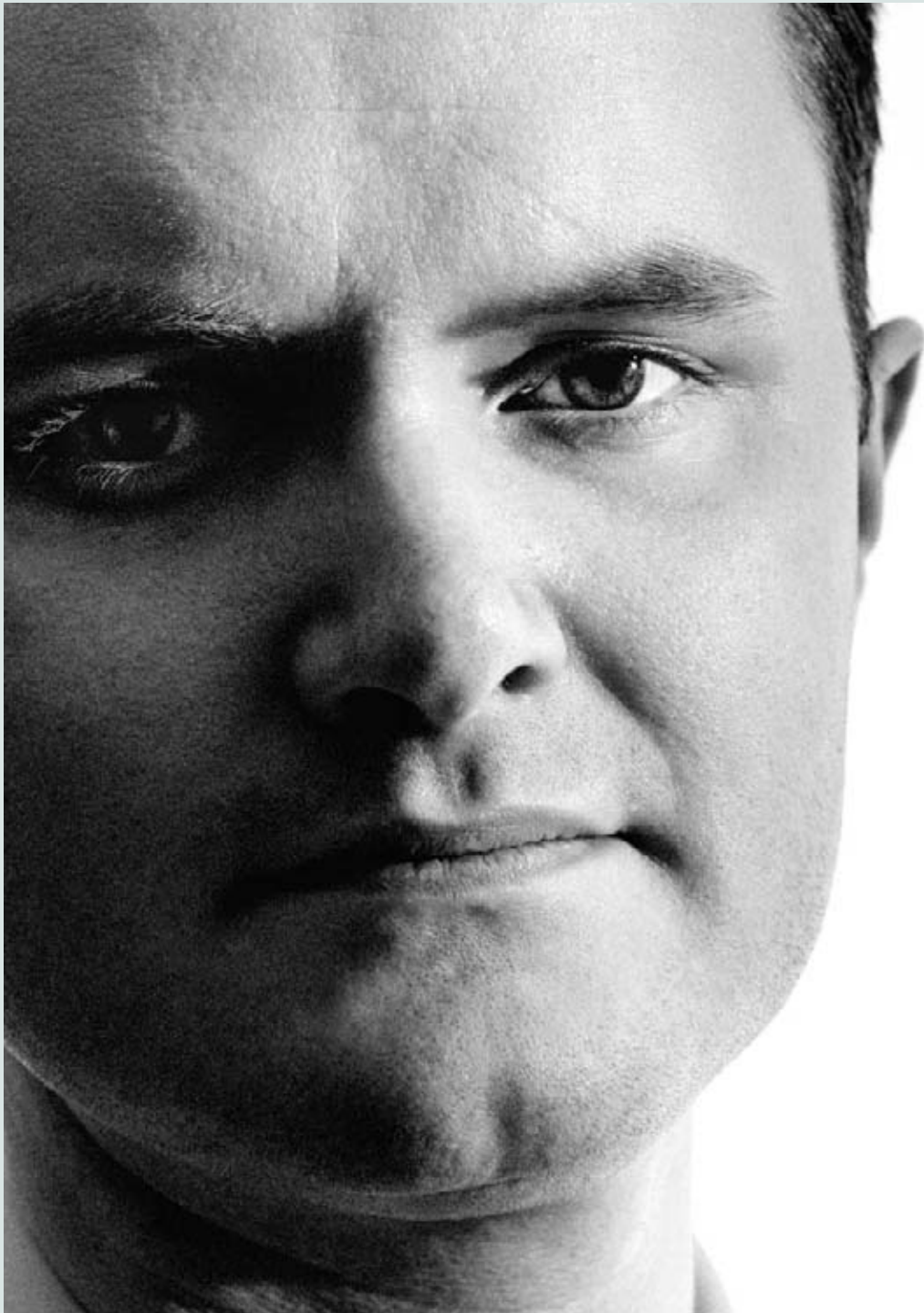
One of our ambitions is to try and persuade the agents to be more flexible, and we have achieved that at New Street Square. It's the first time I am aware that an office building has been designed so it can run either with full air-conditioning, or with chilled panels, or underfloor cooling. So even if the first tenants want conventional services, it can be changed the next time. The agents were happy because they had the choice of full air-conditioning.

In fact the tenants are turning out to be quite interested in the alternatives. They have never been asked before, but they have corporate responsibility policies which require them to reduce their emissions, so there is beginning to be a demand from that direction. I think we are now on the cusp of sustainability becoming a marketing bonus rather than being seen as a negative. If big companies with clout like Land Securities start saying they want it, it makes a difference.

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One of our ambitions is to try and persuade the agents to be more flexible, and we have achieved that at New Street Square.

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The key thing is to recognise that biodiversity isn't just about woodlands and wetlands. It is about city centres as well.

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How property companies can protect species and their habitats

Wildlife is often threatened by new greenfield developments, but species such as the song thrush, water vole and bats are also endangered in urban areas. Preserving the diversity of species and habitats is an important aspect of sustainable development. James Calow says there is plenty the property industry can do to improve.

Biodiversity is increasingly an environmental issue. People may not understand it as well as climate change, but it is just as important. Creatures such as bats are under threat and urgent action is necessary to retain and create habitats for such species.

The key thing is to recognise that biodiversity isn't just about priority habitats such as woodlands and wetlands. It is about city centres as well. We need urban habitat plans as part of local biodiversity action. Property companies' land holdings, shopping centres and offices, if effectively designed and managed, can make a key contribution and be a huge resource for biodiversity.

A big retail park development may well affect priority bird species, bats and invertebrates. Out-of-town centres have substantial shrub beds, hedgerows and grassland areas. Buildings often have planting boxes, shrub beds and land which can be enhanced next to parking and delivery areas. Office complexes may have pond areas. Companies need to look

at whether these features can be managed better, which can include simple measures such as installing bat boxes and bird feeding stations.

People might wonder whether it really matters if sparrows or bats disappear, or we lose natural areas.

People might wonder whether it really matters if the sparrows or bats disappear, or if we lose natural areas. It does matter, partly because we don't know precisely what the consequences would be. It's not always possible to predict what would happen if a species disappears. But sustainable development embraces the 'precautionary principle' and conserves the natural environment for future generations. Biodiversity resources are finite and irreplaceable. And we do know that natural areas are extremely valuable, helping to control floods, recycle waste and support our food system.



James Calow
Principal biodiversity consultant,
Middlemarch Environmental

Companies can benefit by creating high-quality environments. People appreciate biodiversity and prefer green areas to urban sprawl. It will set you apart from the crowd and can provide competitive advantage. People talk about a 'licence to operate' and that can be very significant for property companies. If you want to build a shopping centre or a housing development you need buy-in from the local community.

Some of this is mandatory – because species and habitats are protected and planning permissions include specific requirements. But while local planning authorities are required to consider biodiversity issues as part of the planning process, many could do more to maximise the opportunities. In any event, corporate responsibility is about going beyond what is mandatory, so companies should be looking at biodiversity action outside formal requirements.

With new developments it is essential to understand the important biodiversity features that need to be conserved and can be enhanced. There are legal requirements for protected species and habitats within the development area. But companies also need to consider impacts on areas adjacent to the site being developed, especially impacts on water systems which can have serious consequences for wildlife.

People appreciate it if you look after biodiversity and create green arteries rather than urban sprawl.

Design and construction plans should aim to retain valuable habitats and species, enhancing existing features and creating new habitats where possible. The BREEAM scheme, with its ecological component, is a key method of achieving this. Land Securities has already embraced this scheme at developments in Livingston and Cardiff.

Assessing biodiversity opportunities for an existing property portfolio can be daunting. One way is to work towards The Wildlife Trust's Biodiversity Benchmark – as Land Securities did with help from Middlesmarch. We assessed several sites, including a shopping centre in Stratford, East London. The company went on to achieve

the Biodiversity Benchmark. This is a way of testing the quality of management, similar to other management systems standards, setting out detailed requirements. It's an important test of your credentials, and like a gap analysis it identifies key areas to focus on which will provide opportunities for continuous improvement.

It can be difficult to assess a large property portfolio because somebody needs to make a physical inspection of all the sites. Land Securities and Middlesmarch developed a simplified assessment methodology which allowed non-technical staff to take part in a Biodiversity Action Day, during which they each spent no more than an hour surveying over 1,800 sites. They identified about 20 sites with opportunities for enhancement, such as changing the grass cutting regime to encourage insects and wild flowers, planting wild flowers, installing nesting boxes and insect boxes.

Armed with this kind of assessment, a company can begin to manage biodiversity effectively. Once you know what's there you can identify how to protect and enhance biodiversity and develop a programme of action. A Biodiversity Action Plan (BAP) will set out positive and negative impacts, how to manage them and achieve continual improvement. I would expect a property company to talk to local partners in developing a BAP and contribute to achieving the local BAP.

As with any aspect of management, measurement and reporting must be part of it. Companies need to identify and report on key indicators for the short and long-term. They should focus on biodiversity outcomes as well as aspects such as spending or the number of BAPs. It is the results – number of key species and quality of habitats – that matter, not just how much money the company is spending and how much effort it has put into the plans.

The fate of birds, bees and bats is important. It needs continual, professional management, not just occasional projects or one-off schemes.

“

Property companies' land holdings, shopping centres and offices can be a huge resource for biodiversity.

”

What do you think?

We welcome any feedback on issues covered in these think pieces. Comments can be sent to: doing@landsecurities.com

3

Responding

Our business includes developing, managing and investing in offices and shopping centres as well as managing diverse properties for major clients. In this section we describe how we manage corporate responsibility, how we are responding to challenges in each area, and how we aim to be a responsible employer.

Contents



New Street Square
Page 30



Department for Work
and Pensions
Page 34



The Bridges
Shopping Centre
Page 38



Our people
Page 42

Responding: How do we manage CR?

We see Corporate Responsibility (CR) as the driver for our business to achieve the balance between its environmental, social and economic responsibilities.

In part, the focus on CR issues over recent years has been driven by Government regulation, but equally there has been a growing level of shareholder and other stakeholder interest in the non-financial aspects of a company's performance. We also recognise that an effective CR programme can help to identify and manage business risks, generate operational competitiveness through resource efficiencies, and contribute towards enhancing our reputation and achieving differentiation in the market place.

The nature of Land Securities' business is such that we are closely aligned with the communities within which we operate. In designing, specifying and managing our developments and property portfolio, be they retail or offices, we need to have regard to their impact on the local environment. We want to create spaces the public enjoy using and employees are delighted to work in. We want to contribute to our local communities, notably in the areas of education and local enterprise, and we want our 1,800 staff across the country to be proud to work for Land Securities.

We therefore want to achieve our vision and objectives within a framework of high standards that takes account of the needs of all of our stakeholders and our impact on the environment and communities in which we operate.

CR Committee

To help achieve these objectives we have established a representative Group-wide CR Committee, which seeks to support and provide a framework for the range of CR initiatives undertaken nationally by all parts of our business.

The CR Committee comprises senior representatives from each area of the business and is chaired by the Chief Operating Officer of Land Securities Trillium. The Group Chief Executive is also a member of the Committee.

The CR Committee also establishes and publishes annual targets for each of the seven streams of activity we have identified as being key to Land Securities' CR performance:

- Customers
- Health and safety
- Employees
- Suppliers
- Community
- Investors
- Environment

Our response to CR is organised by these seven work streams as we believe this stakeholder/interest group structure best reflects the range of issues for a property business and how Land Securities is structured. It also allows us to place clear responsibility for each group at Senior Management level.

CR Committee

Committee Chair

Chief Operating Officer of Land Securities Trillium

Board representation

Group Chief Executive

Customers

Head of Property and Occupier Services

Health and Safety

Director of Health and Safety and Environment

Employees

Group HR Director

Suppliers

Head of Group Procurement

Community

Retail Operations Manager and Community Liaison Manager

Investors

Director of Corporate Communication

Environment

Assistant Director of Environment

Risk Management and Internal Audit

Business Standards Manager

Key highlights from our approach

The following examples of performance highlights capture our achievements against 2004/05 targets and further progress in the period 2005/06. They also serve to illustrate the breadth and range of activities addressed under our CR programme.

- We achieved 'leader' ranking in the Property Environment Group benchmark in 2005 and 2006 and were listed in the FTSE4Good and SAM Dow Jones Indices.
- Environmental Impact Assessments were produced on all major development projects.
- A biodiversity survey was undertaken across the entire DWP estate (no other property company has achieved this across its portfolio).
- Recycling improved by 21% against a target of 10% for the year.
- A process was established to trace back to source all timber used on major developments and DWP projects.
- Minimum CR standards were introduced into all supplier selection and evaluation documentation.
- Community Liaison Managers were appointed on development projects.
- The existing Land Securities Trillium Foundation, which supports staff volunteering in local communities, was expanded into a Group-wide scheme.
- There was a major increase in the provision of homeworking facilities to Land Securities staff.
- We became an active member of the Employers' Forum on Disability to raise the profile and awareness of diversity issues.
- We outperformed our agreed external benchmark on employee satisfaction.
- Strong performance was achieved in Makinson Cowell's Equity and Bond Investor Audits.
- Externally managed customer satisfaction surveys were undertaken across the Land Securities and Land Securities Trillium customer base.

Future outlook – key challenges

All businesses face the inevitable challenge of seeking continuous improvement across their activities. Land Securities is no different. It has, however, gained invaluable experience from its focus on the environment where, over the years, through a process of incremental steps and target setting, it now leads the property sector in environmental management.

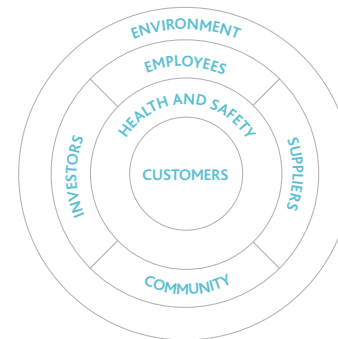
This approach has now been adopted across all the CR work streams, where each work stream manager has been empowered to agree and set targets which will provide the opportunity for further improvements across our business. And we have learnt from experience. The first targets set were, with the benefit of hindsight, over-ambitious, at a time when the business was changing rapidly, and for that reason we needed to extend the timeframe in which to achieve them. Our new targets for the year to 31 March 2007 are different in two ways. While fewer in number, they are more focused in output and therefore more 'measurable'. We look forward to being able to report positively on our achievements next year.

We outperformed our agreed external benchmark on employee satisfaction.

While we can demonstrate that we are making good progress across many areas of our business activities we still struggle with elements of supply chain management. As a business we have to balance shareholder value against the economic and practical aspects of supply chain management. As we report on page 49, in the major impact areas of construction, suppliers and Land Securities Trillium key supply chain management, we have made and continue to make significant progress. We are looking at how and when we should apply similar supply chain evaluation criteria more widely across our investment portfolio.

We have continued our focus on the customer, which brings the challenge of providing new and better customer focused services and products. It is our people who have anticipated and responded to this ongoing challenge. And in return, we continue and will continue to seek to provide career and personal development opportunities to ensure that we attract and retain the best people in the industry, who in turn contribute to our continued success.

CR Group model and areas of focus



Customers

Client and occupier satisfaction

Health and Safety

Health and safety training
Accident reporting
Risk assessment and audits

Employees

Communication and engagement
Rewards and recognition
Learning and development
Succession planning and talent management
Diversity

Suppliers

Investing in suppliers
Sharing knowledge
Health and safety and the environment
Monitoring supplier performance

Community

Learning and development
Charitable funds
Employee volunteering
Community consultation
Community communication

Investors

Awards
Shareholder analysis
Analysis of investors meetings
CR governance structures

Environment

External benchmarking
Environmental assessments
Recycling and waste management
Energy use; CO₂ emissions
Water use; Environmental innovation

Setting examples in the construction sector

Land Securities' New Street Square development, on London's New Fetter Lane, will provide over 60,000m² of office space and nearly 3,000m² of retail and leisure space around a tree-lined public square. We have aimed for environmental excellence in the five modern structures which will replace a collection of 1960s office buildings. Demolition began in November 2004 and the development is due to be completed in 2008.

Key facts

Total cost: £312m

Completion date: 2008

Office space: 62,340m²

Retail space: 2,980m²


Floor space let at March 2006: 24,542m²

20%

less concrete was used than in conventional developments

100%

of timber used will be from certified sustainable sources

A woman with short reddish-brown hair, wearing a dark grey pinstriped blazer, stands with her arms crossed on a construction site. She is smiling at the camera. Behind her is a green safety fence and a city skyline with various buildings under construction.

"We hope that the lessons learned at New Street Square will show the construction sector that sustainability is not just for niche projects. Initiatives here should be replicable on future Land Securities developments and in the wider construction industry."

Georgia Elliott-Smith
Director of the consultancy Element 4



Environmental improvements

- Over 180 tonnes of carpet tiles re-used in social projects
- 100% of all timber used will be from certified sustainable sources
- Target to achieve zero pollution incidents during demolition, construction and the life of the building
- Use of post-tension concrete reduced cement usage by 20%
- Buildings expected to use only two-thirds of the energy of conventional buildings

Supply chain management

"If the main contractors influence their supply chains then the benefits will spread to many other projects. We selected suppliers based on their sustainability credentials and all main contractors were required to sign the Sustainability Charter. We also required contractors to take a good look at their own supply chains."

Georgia Elliott-Smith, Director of the consultancy
Element 4

Community liaison & consultation

Cantillon, the demolition contractor, won the Corporation of London Considerate Contractors Scheme 'Chairman's Cup' for exceptional standards in construction activities and community liaison. McAlpine, the construction contractor, is seeking to match and improve on these standards.



93%
demolition materials
re-used or recycled



Shareholder value

"Sustainability ensures the long-term value of our assets. We want to deliver consistently good financial returns, and to achieve that we have to anticipate the sort of environment people will want several years ahead. These buildings combine environmental excellence with commercial requirements."

Francis Salway, Group Chief Executive, Land Securities

Sustainable development

"Sustainability has been central to the design. The development has been audited every month against objectives and targets in our Sustainability Charter which was agreed with the project partners."

Neil Pennell, Engineering Director, Land Securities

Customer needs

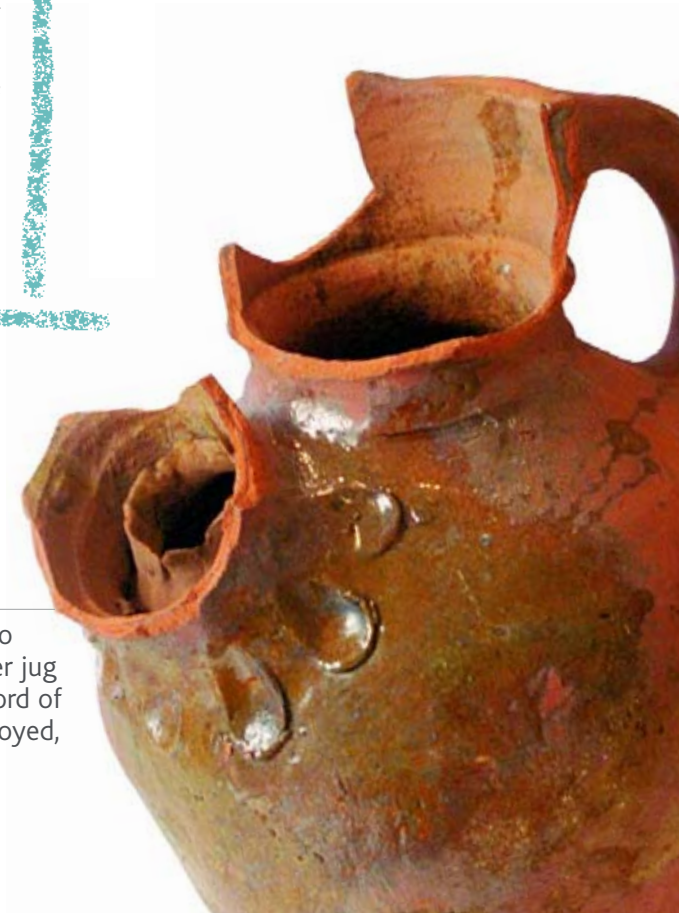
"We have created a building that offers flexibility and choice for tenants now and in the future. The buildings offer a range of heating and cooling systems to fit different customer requirements. The floors can also be divided for letting."

Neil Pennell, Engineering Director, Land Securities

Archaeological dig

"We carefully probed down – and back into history. Finds included a 17th century beer jug and medicine jars. It's great making a record of something that would otherwise be destroyed, and gaining information for the future."

Alison Telfar, Senior Archaeologist from the Museum of London Archaeological Services (MOLAS)



Responding: New Street Square

The demolition of 1960s office blocks and the construction of office and retail space at New Street Square represents the latest stage of our work on sustainability and will be a basis for further progress.

The design allows flexibility in use of the space as well as services, which will make the buildings adaptable and lengthen their useful life. It delivers lower energy embedded in the buildings as well as being designed to minimise energy use in operation (see page 20 – Rab Bennetts). Wooden louvres will be fitted to the buildings to protect it from the sun's heat, helping to reduce the need for air-conditioning. Using wood rather than metal saves energy in manufacturing, but this initially met considerable scepticism. Rab Bennetts, the architect for New Street Square, demonstrated its ability to withstand the elements in central London by building a prototype in the garden at his offices.

The design allows flexibility in use of the space as well as services, which will make the buildings adaptable and lengthen their useful life.

We have worked to a Sustainability Charter which sets out the vision for the project and was agreed with the main partners (including structural and service engineers and cost consultants). The broad objectives of the Charter are to minimise environmental impacts, maximise social benefits and create sustainable economic returns for all stakeholders. The Charter details almost 50 specific targets for environmental, economic and social objectives, and the partners review performance against these targets through a Sustainability Forum which meets regularly.

The Charter includes a health and safety target to achieve zero reportable accidents on site. There have been two reportable accidents in 405,715 construction hours. This figure is low compared to the industry average. The Charter has helped to reduce health and safety hazards. For example, more efficient handling of waste and better co-ordination with suppliers has reduced trip hazards, which are responsible for most site accidents.



“

There are people living only a narrow street away, so it's not surprising that there are concerns. But we've only had a handful of complaints.

”

BREEAM

All four main buildings have achieved an 'excellent' BREEAM rating.

Above left: The main contractor, McAlpine, holds monthly meetings with residents and we organise quarterly community liaison meetings.

Left: Using wood rather than metal will save energy in manufacturing.

Neil Pennell, Land Securities Engineering Director, says it is essential to set targets and measure performance.

"At New Street Square we're trying to push further ahead, to see what's possible. But we work on achievements, not aspirations, and that means measurement, as a basis for target-setting and assessing progress. For example, we started measuring water and fuel use on site. In order to set a target that is achievable you need to have a benchmark."

Demolition:

We aimed to save as much material as possible from the existing buildings and recycled 93% of demolition waste as well as re-using materials wherever possible.

The demolition also achieved several environmental improvements over conventional practices, including using a concrete crusher on site so aggregate from the demolition could be used for the piling material, landscaping and site roads. The Corporation of London only allowed this because of our strong record of responsibility in demolition.

Construction:

- We researched all the major construction materials to be used to identify those with minimal environmental impacts.
- The post-tension structure uses 20% less concrete than a conventional design and allowed for flexibility in cooling systems.
- We are using wooden louvres and other design features to deflect sunlight and reduce the need to cool the building.
- All timber will be certified as sustainably sourced.
- Monthly residents' meetings and quarterly community liaison meetings.

Operation:

- The design allows for the installation of either a traditional air-conditioning system or a more energy efficient 'chilled beam' system.
- Airtightness will be ahead of future regulatory requirements.
- 'Green roofs' and a 'green wall' (with grass and other vegetation) will encourage biodiversity and conserve surface water.
- 392 cycle spaces and showers to encourage cycling.

We were unable to incorporate some other elements, which we will aim to include in future developments:

- Renewable energy sources in construction, due to timings and cost.
- A more environmentally friendly recycled aggregate to produce concrete, as the available material had not been adequately tested.
- The use of biodiesel by suppliers.

Sustainability balances environmental, social and economic factors and this is evident at New Street Square. The design includes some much needed open space as well as including retail and leisure provision which will create a more vibrant community. The result is a development which will provide adequate economic returns as well as incorporating significant social and environmental advances. "There's no point in putting something up which is environmentally perfect if it is not a good place to work or costs the earth and you can't get tenants," says Georgia Elliott-Smith, Director of the consultancy Element 4, who has advised on the project.

Gerry Manning, the Project Manager, says it is important to learn from experiences at New Street Square, so future developments can build on this project. Measurement has been essential to provide that learning. "One of the greatest opportunities of the project was to collect data. Targets were set, some achieved, some not, but the lessons learned will provide a blueprint for future Land Securities developments."

The development achieves improvements throughout the process, from demolition through to operation of the building.

We are building on our experience at New Street Square and continuing to develop sustainable practices elsewhere. We are using borehole technology in our office development at Eastbourne Terrace which will save energy by providing heating and cooling for the whole building. This new technology fits with the Mayor of London's Green Charter.



392

cycle spaces, plus shower facilities, to encourage cycling

Where change and complexity are the norm

Land Securities Trillium owns and manages over 1,800 Department for Work and Pensions (DWP) properties, including over 1,000 Job Centres. The pioneering outsourcing deal began in 1998 and was extended five years later. The deal is known as the Private Sector Resource Initiative for the Management of the Estate (PRIME) and has been praised by the Government's auditors for its value to taxpayers.

Key facts

Annual revenue to Land Securities Trillium: £500m

Contract runs until: 2018

Total floor space: 2.5 million m²

Value of operating properties: £480m

Operating profit: £97.7m

30%

of energy from
renewable sources

£780m

estimated savings for
the taxpayer

A middle-aged man with grey hair, wearing a dark blue suit, white shirt, and a red tie with white diagonal stripes, stands on a modern building balcony. He is leaning on a glass railing with his hands clasped. The background shows a cityscape with glass-fronted buildings under a clear sky.

“We were able to address the maintenance backlog that resulted from under investment in the estate. We have succeeded in greatly improving basic services as well as environmental, health and safety performance and provision for disability.”

Chris Cooper
DWP Account Director
Land Securities Trillium



Environmental management


- 47% of waste recycled. Toilet paper and hand towels are sourced from the recycling mill which takes the waste paper.
- 2,000 waterless urinals installed across the estate.
- Target to install low cost biodiversity aids (e.g. bird and bat boxes) throughout the estate in 2006.

47%
of waste recycled

Health and safety management

"There are huge benefits from having a professional organisation based on site that delivers health and safety products. We are clearly getting a better service."

Brian Glew, Head of Estates and Facilities Management, DWP



Service partner relationships and service

The DWP now has only one contract with Land Securities Trillium rather than 157 separate service contracts. This delivers clear accountability and nationwide consistency. We are responsible for the service providers and operate a single call centre for all services, which receives around 400,000 calls every year.

30%
of energy from
renewable sources





Customer value

The National Audit Office estimated savings of £780m for the taxpayer over the life of the expanded contract and found that it offers best value for money for the taxpayer. See www.nao.org.uk

100%

of the estate compliant with the Disability Discrimination Act on schedule



Service auditing

An automated Performance Management System calculates financial penalties for any shortfalls in service standards. We can recoup some of the penalties if we maintain a high-quality service over the next three months.

Benefits of partnership

"We are not a property company. We need to focus on delivering benefits to the public. With this deal we disengaged from the risk and got the private sector to bring the estate up to standard."

Brian Glew, Head of Estates and Facilities Management, DWP

Responding: Department for Work and Pensions

The DWP contract is part of the private finance initiative (PFI) which brings private sector finance into public sector projects. But it is unique in the number of sites it covers and the extent of service provided. This is not just a property deal. It is the only PFI contract which completely outsources health and safety. It includes 13 services such as catering, maintenance and security.

Both Land Securities Trillium and the DWP had a lot to learn when the contract began in 1998. There have been difficulties but we have worked closely to overcome them. Brian Glew, Head of Estates and Facilities Management at the DWP, says the deal now works as well as it does because it is run as a partnership. "We didn't start out with a partnership approach. We both had to learn. Now we treat Land Securities Trillium as part of the departmental structure, so they are close to the customer."

Customer satisfaction will never be absolute but the department is getting a more professional service.

Chris Cooper, Land Securities Trillium's Account Director, says it was difficult in the early years to agree what was covered by the contract. "The concept was so new and the scope so wide that there was constant discussion about where responsibilities lay. In the end we jointly devised a 'What's in/What's out' document that itemised and agreed pretty well everything."

There are still some difficulties but Chris says they are resolved "in a grown-up way" thanks to the partnering relationship. Brian explains that the 'cultural differences' between a Government department and a commercial organisation make some tensions inevitable. There are still constant negotiations and Brian says: "Sometimes you just need to agree to differ and then discuss how to close the gap." He says that while it is important to identify common goals, the DWP also has to be realistic: "Land Securities Trillium needs to operate on a profitable basis, of course".

The biggest problems have been with furniture – especially furniture for staff with disabilities. Brian Glew says provision has been getting better slowly, "but they are still not quite there". Also, due to the current world situation, it has also been difficult

to meet the extra requirement for security guards as Job Centres change to an open plan layout.

Having Land Securities Trillium as a single point of contact is a huge improvement over the previous position with 157 separate service contractors around the country. But Brian wants even greater integration of services. "The service contractors still tend to work in isolation. In one case, cleaners mopped around a broken toilet seat for weeks and no one thought to tell maintenance about it. The service partners need to understand that they are in the business of delivering a full service."

But he is in no doubt that the contract has been good for the DWP. "We always ask ourselves whether we would be doing better if we had kept estate ownership and management within the department. The answer is no."

DWP staff have also given their seal of approval – about 90% have said in the DWP's customer satisfaction census over the past two years that they are very satisfied with the services they receive. And the National Audit Office has estimated the Government will save £780m over the life of the contract.

Land Securities Trillium has delivered leading environmental performance. "The DWP is seen as a leading department in Whitehall and Land Securities Trillium has helped us achieve this reputation", says Brian Glew. DWP has beaten Government energy and waste targets:

- We recycle around 47% of waste compared to a Government target of 40%.
- We buy 30% of energy from renewable sources, against a Government target of 10%.

Brian says we have responded well to central Government requirements and is pleased that we have launched a number of our own initiatives. Our 2005 Healthy Heating campaign to lower temperature settings by one degree will reduce energy use by 10%. 1,500 people took part in our Biodiversity Action Day (BAD) to assess the biodiversity potential of sites. We have allocated £5,000 in 2006 to install low-cost equipment such as bird and bat boxes and to carry out planting where possible. Our monthly poster campaign and newsletter 'Greenland' help communicate our environmental work to employees, contractors and clients.

“

We always ask ourselves whether we would be doing better if we had kept estate ownership and management within the department. The answer is no.

”

1,500

people took part in our Biodiversity Action Day (BAD) to assess the biodiversity potential of sites

90%

of customers said they are satisfied with the service they receive

We have also fitted water heaters which switch off when there is nobody around and have also saved water by installing around 2,000 dry urinals across the estate which are cleaned using enzymes.

Health and safety at the DWP is also better. Brian Glew says that there are a lot of extra demands on managers which mean that "customer satisfaction with health and safety will never be absolute." But he recognises there are huge benefits from having a professional organisation on site and DWP is getting a better service overall.

Land Securities Trillium also succeeded in complying with the requirements of the Disability Discrimination Act for the whole estate on time.

Partnering with a Government department can introduce political pressures. Brian Glew has praised us for helping to meet Freedom of Information Act (FOI) requirements: "Land Securities Trillium have enabled us to respond to FOI enquiries regarding the contract. Some companies would not have co-operated as well."

The contract means Land Securities Trillium carries financial risk, including the risk of empty property. This is a significant bonus for the department, especially considering its forthcoming restructuring.

As Chris Cooper explains, "We now have the systems and partners to deliver services smoothly. The challenge now will be to respond to the Department's target of a 25% reduction in floor space by 2008. We are working hard to move staff around and make better use of space."

Land Securities Trillium shares profits on any sales with the DWP. Brian Glew was frustrated until recently with the lack of progress on this from both Land Securities Trillium and the DWP. This changed in 2005 however, "Now Land Securities Trillium has begun to identify real value in the estate and we both stand to make a considerable development gain at Hinchley Wood in south-west London."



“

We buy 30% of energy from renewable sources, against a Government target of 10%.

”

Left: We are helping change the DWP's Job Centres to an open plan layout.

Putting the heart back into Sunderland

Land Securities acquired The Bridges Shopping Centre in 1993. We invested a further £40m in 2000 to extend and improve the Centre and have been rewarded with tremendous loyalty from the people of Sunderland. These pages highlight the social and environmental achievements which have delivered excellent performance to all our stakeholders.

Key facts

Total value: in excess of £150m

Total floor space: 47,840m²

Site acquired: 1993

Number of shops: 107


Department store: One

55%

of waste recycled

26million

customer visits each year

A man in a dark suit and blue patterned tie is smiling at the camera. He is standing in a large, brightly lit shopping mall with many people in the background. The mall has a high ceiling with exposed ductwork and lights.

"THE BRIDGES IS THE CENTRE OF THE COMMUNITY IN SUNDERLAND. OUR TEAM IS HEAVILY INVOLVED IN THINGS LOCALLY AND WE WORK HARD WITH OUR SERVICE PARTNERS TO DELIVER THE BEST POSSIBLE SERVICE TO RETAILERS, SHOPPERS AND THE COMMUNITY."

Phil Steele
Centre Manager

Environment in 2005

- 55% of waste recycled.
- All 1,700 light bulbs replaced with low-energy alternatives.
- We installed small cisterns and time switches on urinals which cut water use by 30%.
- We replaced 17 cleaning chemicals with three biodegradable products.
- All rubber gloves and bin bags used at the Centre are now biodegradable.
- Micro-fibre mops and cloths introduced (re-usable up to 400 times).



55% of waste is recycled

Retailer relations

- Nearly all retailers (93%) were very satisfied with their relationship with the management team and how the Centre is being run.
- Centre management's understanding of retailers needs was rated as 'good' or 'excellent' by 91 out of the 107 retailers at The Bridges.

Kingsley Lipsey Morgan Retailer Satisfaction Survey 2005



A centre's role



"People see The Bridges as the heart of the city and much more than a shopping centre. It's a focal point for everybody here in Sunderland – they meet their friends, have a coffee, go to the post office. It's got a real community feel."

Lindsey McKenna, Marketing Manager



90%

of retailers rated cleaning and refuse removal as 'good' or 'excellent'

Kingsley Lipsey Morgan Retailer Satisfaction Survey 2005



Community links

- Helped secure Arts Council funding for local school children to project their vision of Sunderland through dance and film.
- We helped raise £7,000 for the Grace House Appeal, a local charity for children.
- More than 80% of shoppers described The Bridges as "playing an important role in the community in Sunderland".

Business Blueprints survey 2005

City links

"If we just looked at what goes on in The Bridges and ignored the rest of the city then we would fail. We have taken the lead with City Centre Management and we have a strong network of contacts throughout the city."

Phil Steele, Centre Manager

£7,000

raised for the Grace House Appeal

Health and safety

"Maintaining a safe environment for our staff and shoppers is a priority for us. Every two hours the security team checks the whole Centre and they work with the cleaning team to deal with any hazards. If they see something they're not happy with they make sure it's changed."

Phil Steele, Centre Manager



Responding: The Bridges

The Bridges is one of the busiest shopping centres in the north-east, competing with the nearby Gateshead MetroCentre and Eldon Square in Newcastle. We work hard with our partners and tenants to please our 26 million visitors a year and continue to be the heart of the community. Behind the scenes we have improved energy and waste management and delivered excellent service to the 107 retailers – in the latest annual survey, 93% of retailers were 'very satisfied'.

There is always potential for tension between a shopping centre and the people who live near it but we work hard to avoid that. We provide space for events we feel are of interest to the community, such as local authority initiatives on truancy. We are also working with the police to try and stop 'at risk' teenagers from offending.

It takes 2,000 people to run The Bridges and the success of the shopping centre depends on attracting the best people. Staff turnover is low but we are looking ahead to encourage the next generation of skilled employees to stay and work in the area and to consider retailing as a career. In 2005 we worked with the development agency One North East and the training organisation Common Purpose to encourage young people to feel positive about where they live and to get involved with the local community.

We want The Bridges to benefit everyone and we are working hard to improve disabled access.

We host events for children to learn about retailing and to see how The Bridges works. We are planning to create a retail skills academy at the Centre in 2006 which will service the whole city. The academy will aim to attract young people with high potential into retailing as well as developing the skills of those already in the industry. Hundreds of people a year will be able to gain retail qualifications ranging from entry to degree level.

Our marketing events aim to support the local community as well as attracting people to the Centre. We organised a Christmas Wishes campaign where shoppers could write down a wish for the chance to win shopping vouchers, hampers and even a weekend break for two.



93%

of retailers were very satisfied with their relationship with Centre management

2,000

people run The Bridges

Left: Facilities services play an important role in keeping The Bridges clean and secure.

Also, in 2005 we sponsored 'In the Land of Illustrations', a project supported by the illustrator Quentin Blake. The project reached over 2,000 children nationwide and aimed to encourage them to think about, draw and take pride in the area where they live.

We demand high standards, and they are rewarded if they meet performance targets.

The Grace House Children's Hospice Appeal was the Centre charity for 2005/06. We helped raise £7,000 which will go towards building a hospice to care for eight terminally ill children and their families.

We rely on partners who provide cleaning, security and other services to deliver what shoppers and retailers need. We want to make The Bridges a great place to come and work, where our service partners feel that they are making a difference. We look for high quality managers whose loyalties lie with The Bridges. We demand high standards, and they are rewarded if they meet performance targets. In 2005, our operations manager Kevin Rusby won a Land Securities Values into Action award for team work. This award recognises employees for demonstrating one of our core values in their work.

The security team has won national awards. They now have defibrillators and have saved at least one life because they can help before the ambulance service arrives. The team get a refresher course from the local ambulance service every 10 weeks.

We take health and safety very seriously and are the only Centre in the company where the whole management team has a health and safety qualification. Health and safety training is also a condition of the lease for retailers. The security team checks the Centre every two hours and works closely with the cleaning staff to get health and safety issues resolved. Our claims record has improved so our liability insurance now costs less.

We want The Bridges to benefit everyone and we are working hard to improve disabled access. A member of the management team sits on the City Centre Disability Group and we fund the Sunderland Shopmobility Unit which is based at the Centre.

We also provide fully manned disabled toilets as well as disabled parking bays. The car park also caters specifically for mothers with young children.

We have improved our environmental impacts in several areas, which made us runner-up in the Green Apple Awards in 2005. We replaced 17 cleaning chemicals with three biodegradable products. The cleaning staff were sceptical at first, but after a trial period they thought the new products were great. We have replaced throw-away cloths with re-usable micro-fibre materials and all our bin bags and rubber gloves are biodegradable. We believe that we are the only shopping centre in the UK that uses entirely 'green' cleaning products.

Virtually all the shops have signed up with our new waste contractor, who recycles 55% of the Centre's waste – higher than any other Land Securities shopping centre – and won a national recycling award in 2004. The scheme saves tenants money too as they send less waste to landfill.

The Bridges is one of the busiest shopping centres in the north-east.

We are also saving money on water and energy, because we have improved the controls on the urinals, installed low-energy light bulbs and extended the power management system to the car park. Over the last two years we have saved £7,000 through a 19% reduction in electricity use and £3,000 because we have cut water consumption by 24%.

Transport is the most difficult environmental area we can address because many shoppers prefer to travel by car. In fact our business strategy is based on attracting shoppers from further afield, which is likely to increase the numbers who arrive by car. But we do have excellent public transport connections. The redevelopment in 2000 built on space that had been used for the bus station, which was upgraded and relocated next to the new shops. The Centre was built over the central train station so we also have excellent access through the rail network. We plan to place a train departures and arrivals screen at our new customer service desk in the Centre, which will make it easier for shoppers to use public transport.



Above: In 2005 we sponsored 'In the Land of Illustration', a project by the Prince of Wales Arts and Kids Foundation and supported by the illustrator Quentin Blake.

Values, ideas and action for employees

Wendy Franks is the Community Liaison Manager for the Land Securities development portfolio in London. Through her, we explain our approach to being a responsible employer, which means creating an involved, motivated and skilled workforce with people who participate fully in the business and in the community.

Key facts

21 awards for Ideas into Action 2005
327 nominations for Values into Action
3 full-time Community Liaison Managers
1,800 employees across the Group
£98.3m cost of staff remuneration

5

programmes for
employee engagement:


01 Values into action

02 Business Exchange Forum

03 Ideas into action

04 Employee Engagement Survey

05 LS Foundation



"It's refreshing to work in an environment where people are positive and committed to what they're doing. They really feel like they're making a difference as the buildings go up. I love London and I'm proud to be part of the way it's changing."

Wendy Franks
Community Liaison Manager, Land Securities

Responding: Our people

Wendy started working at Land Securities as a 'temp' after taking an Industrial Relations degree as a mature student. Then she successfully applied for the vacancy as Community Liaison Manager, beginning in August 2004. "I am the human interface. If anyone has a problem they can get in touch and I try to make sure that they have the right information and that no one is too badly affected," Wendy explains.

She was quickly struck by the positive atmosphere at Land Securities. "It was very apparent within the first week that there is a really positive working environment here, and that's still my experience to this day," she says.

But Wendy believes there is scope for the organisation to communicate better on a wider range of issues, particularly pay and benefits packages. Coming from a public sector background where pay structures and packages are very transparent, Wendy feels that the current practices at Land Securities are too opaque.

Wendy believes there is scope for the organisation to communicate better on a wider range of issues, particularly pay and benefits packages.

In response to comments like these we have run manager briefings on new pay and bonus schemes as well as providing more information to employees. We will continue to improve communications with employees in these areas.

We also revamped the Employee Survey to give employees more scope to comment on business matters like those raised by Wendy. Angela Williams, Group Human Resources Director, says: "Our focus was on communications in 2005. We set up Business Exchange Forums because there was no process for employees to communicate issues except through their line manager. We have also changed the survey so it is more about engaging employees about the business and trying to understand their views enabling us to respond wherever possible."

We offer education and training to everyone so we can develop employees who will help Land Securities be the market leader. Wendy has been on a number of training courses, including public relations, persuading and influencing, and presentation skills.

Each employee has a personal development plan with key performance indicators which are linked to bonuses. "I am currently agreeing my targets with my line manager," Wendy says. "My job is getting bigger so I am working to identify the skills I need to take on new responsibilities."

Angela says it is important to recognise people who demonstrate commitment to the company's core values and who come up with good ideas. "Every three months the Values Into Action scheme recognises people like Wendy – 327 of them in 2005 – who demonstrated company values in their work. And at the end of the year we have an awards dinner and choose the overall winner who receives a prize."

Ideas into Action is another programme which rewards employees – in this case for coming up with ideas that improve business practices. "Whatever level you're at you can have an idea for getting something to work better", Wendy says. The judges look for ideas that promote business growth, employee or customer satisfaction. Employees receive rewards worth between £500 and £2,500 depending on the impact the ideas have on improving the business.

The property world has traditionally been a white, male industry but Wendy says Land Securities seems more progressive. "There is a very inclusive work environment here. I went to a management conference and I was impressed by how many women there were. But perhaps we could do more to improve the wider diversity profile of the Group."

This issue is one we are hoping to address through the introduction of a diversity policy and training programme in 2006, complementing the Group's equal opportunities policy.

Wendy is also on the committee of The Land Securities Foundation, set up in 2000 to encourage employees to volunteer. Employees can spend two days a year of paid time volunteering, helping to forge important links with our communities. As Wendy explains "People can do something they're passionate about, or it can be used for team building, or people might have special skills they can contribute."

“

My job is getting bigger so I am working to identify the skills I need to take on new responsibilities.

”

£2,500

Ideas into Action rewards employees for ideas that improve business practices or results. Employees receive rewards worth between £500 and £2,500.

Want to find out more?

For more details please visit our website:
www.landsecurities.com/doing

4

Measuring

Here are the details of what we have been doing in each area. And since we have now been reporting performance for three years you can see whether we met our targets, where we have been improving – and where we have not. We also present our targets for 2006/07.

Contents

Customers
Page 46

Health and safety
Page 47

Employees
Page 48

Suppliers
Page 49

Community
Page 50

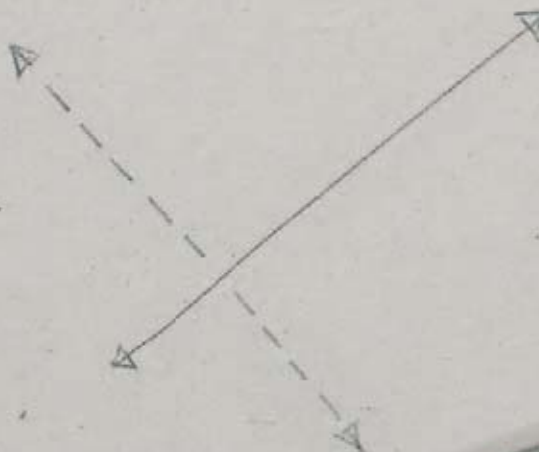
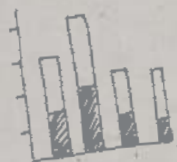
Investors
Page 51

Environment
Page 52

Statement
from advisors
Page 53

Targets 2006/07
Page 54

Jargon buster
Page 56



We are seeking to use our approach to customer service and satisfaction to differentiate Land Securities from other providers of commercial property accommodation. We aim to provide best-in-class levels of service so that occupiers and property outsourcing clients choose Land Securities as their commercial property business partner.

We also believe this approach will ensure that we have higher levels of customer retention than our peers.

Investment portfolio

Our investment portfolio represents some 95% of our business by asset value and is responsible for generating some 80% of our operating profits. The way we manage the investment portfolio and provide services to the occupiers not only contributes directly to our financial performance but also to our reputation as a landlord.

We were one of the first to introduce and publish customer satisfaction ratings across our business, and are one of the founders of an industry benchmark on customer satisfaction. The latest results for our portfolio are detailed in the tables.

We believe that there are three key benchmarks for customer satisfaction: overall satisfaction, willingness to recommend, and communication. Over the past few months we have been concentrating on these areas. We have:

- Developed and tested a new 'occupier portal' which will be introduced in phases from April 2006. This will give occupiers direct access to our internal systems to view property, lease and service charge information. This will improve the data available on-line and will make our organisation more accessible, by providing details of everyone an occupier might need to contact about their property needs.
- Restructured the way we provide services to our managed London estate, including the introduction of Estates Managers with direct responsibility for both relationship management and operational activities.
- Examined the way we can improve service standards across our shopping centres, and developed plans for improvements.
- Conducted a trial across our retail park portfolio, with Land Securities Trillium building service managers visiting a sample of parks regularly to provide support and a communication channel for the retail managers.

- Conducted a trial where retail park occupiers use our customer service centre to notify us of any problems on site, especially maintenance and security issues.

Property outsourcing

Our property outsourcing business contributes some 18% of the Group's operating profits and has led the industry in delivering customer service through technology, call centres and a unique network of third-party service providers.

Our largest contract is with the Department for Work and Pensions (see page 34) where we conduct an annual survey directly with representatives of the 130,000 office occupants. The results of the most recent survey (February 2006) show an overall satisfaction level of 90%, broadly consistent with previous years. We are pleased with increased satisfaction levels in these specific service areas:

- cleaning up by 9%
- building fabric up by 6%
- security up by 15%.

We believe the increase in the security score is a result of appointing Customer Care Officers across the JobCentre Plus estate, and introducing security technology in 520 DWP offices.

On the downside, satisfaction levels relating to our Customer Service Centre have dipped slightly (albeit they are still high), with speed of response down 1% to 95% and professionalism/helpfulness down 4% to 96%.

Investment property business surveys			
Shopping centres			
Objective	2004	Target	2005
Understanding needs	3.59	3.80	3.66
Communication	3.84	3.90	3.87
Willingness to recommend	94%	92%	94%
Responsiveness	3.93	3.80	3.85
Overall satisfaction	3.97	3.75	3.97
Retail Parks			
Objective	2004	Target	2005
Understanding needs	2.98	2.95	3.03
Communication	2.74	2.69	3.21
Willingness to recommend	84%	N/A	89%
Responsiveness	3.24	N/A	3.25
Overall satisfaction	3.27	N/A	3.33
Offices			
Objective	2004	Target	2005
Understanding needs	3.74	3.50	3.67
Communication	3.77	3.65	3.75
Willingness to recommend	94%	92%	94%
Responsiveness	3.77	3.80	3.88
Overall satisfaction	3.70	3.75	3.79

Scale 1 – Very poor

Scale 5 – Excellent

Property outsourcing

90%
overall DWP customer satisfaction

Want to find out more?

For more details please visit our website:
www.landsecurities.com/doing

We are committed to taking every reasonable step to secure the health and safety of our employees and anyone else who may be affected by our business activities. This includes contractors, customers and members of the public.

We produce a health and safety plan every year containing measurable objectives. We report progress against these objectives to the Board every month and we report key achievements in our Annual Report. Health and safety performance is included in the Group's 'balanced scorecard' measurement approach.

In 2005

We increased the number of full-time employees in the health, safety and environment team from 23 to 28. The team now has 16 health and safety managers, two environmental managers and 10 health and safety trainers.

We achieved Stage One of the occupational health and safety management system OHSAS 18001 for the DWP estate and are seeking full accreditation.

The Health and Safety Executive asked to feature our approach to health and safety as a best-practice case study, recognising Land Securities as a leader. We have also been recognised in the Top 10 FTSE 100 companies for reporting health and safety in Annual Reports and for achieving targets.

There were 295 notifiable incidents under the RIDDOR regulations (2004/05: 187). This was a significant increase over the previous year due to new accident reporting processes, the introduction of a company-wide accident reporting database, additional property outsourcing contracts and expansion of our investment portfolio.

Key performance indicator

The key performance indicator for health and safety is to ensure that we receive less than five health and safety improvement and prohibition notices a year. We have received none in the 2005 and 2006 reporting periods.

During 2006, health and safety will be introduced as a personal key performance indicator for all managers – influencing their bonuses.

Health and safety training

During 2005, 78 employees received occupational health and safety training to NEBOSH and IOSH standard. In addition, we also trained 1,163 managers and staff, making a total of 1,241 employees receiving health and safety training in the year.

We revised the health and safety induction programme for new starters and plan to provide this training via an interactive platform in 2006.

Accident reporting

We introduced a new system in 2005 called SOLAR (Safety On-line Accident and Reporting database) to record all health and safety incidents, improving reporting and management. SOLAR has been trialled successfully in the DWP estate and will be extended to the rest of the business during 2006.

We received a Royal Society for the Prevention of Accidents (RoSPA) Gold Award for our health and safety management systems and for the development of SOLAR.

Risk assessment and audits

In 2005, we carried out 340 risk assessments and health and safety audits across our investment and development portfolios. These assess compliance with legislation – scores across the portfolio were between 97–100%. We also conducted health and safety audits across Land Securities Trillium's contracts in line with contractual requirements.

Construction skills certification scheme

In 2005, we set out to ensure all staff involved in construction-related activities were accredited under the Construction Skills Certification Scheme (CSCS). Approximately 40% are now certified. We hope that this scheme will improve the competence of the construction industry, make it possible to measure the competence of site-based staff and make comparisons between contractors. After 2008 we will only work with CSCS certified contractors.

340

health and safety audits undertaken

(2004: 201)

RoSPA

Gold Award for health and safety management systems

No fines

for incidents of health and safety non-compliance

(2004: no fines)

295

RIDDOR Injuries

(2004: 187)

0

zero work-related fatalities

(2004: zero)

Want to find out more?

For more details please visit our website:
www.landsecurities.com/doing

Land Securities employs around 1,800 people across the UK who we believe are key to the ongoing growth and success of our business. This is driving our strategy to become the employer of choice in the property company sector.

We aim to attract, retain and develop high performing employees who can add value to the business and to local communities.

The Group has made considerable progress during the past 18 months, restructuring our human resource activity into the five areas against which we are now reporting.

Communication and engagement

About half our workforce are located outside a headquarter or regional office, so we are keen to engage with these 'mobile' employees as well as ensuring that all employees see communication as a two-way process. To achieve this we have introduced business exchange forums in advance of legislative requirements. These forums, which meet every three months, comprise an elected and representative group of employees who meet with senior management.

Last year we also took the opportunity to change our employee survey to provide more scope for employees to comment on business issues and to really focus on employee engagement rather than just opinions. We also have a wide range of communication tools in place.

Reward and recognition

To remain competitive and to recruit and retain the people we need we externally benchmark remuneration packages against a range of comparable organisations and professional skills areas. In addition to base salary the majority of our employees participate in performance related bonus schemes and are eligible for a range of benefits. Our final salary pension scheme is now closed to new members but employees are offered contributory pension schemes, health and life insurance, and a range of 'salary sacrifice' benefits such as HCI and childcare vouchers.

We received approval from shareholders for a revised bonus and long-term incentive scheme which was introduced to managers last year. This enables managers at all levels to be rewarded for their contribution at a personal, business unit and Group level.

Learning and development

We believe that ongoing learning and development is vital for the success of the business. Career development and progression is also an important motivator for many of our people. To ensure we remain ahead of the market and create an environment where employees feel that they are able to develop their capabilities we have recently introduced a new tailored learning and development (L&D) solution including an on-line L&D website.

At the same time we have updated L&D plans which will enable all employees to personalise their L&D requirements to match their individual needs as identified with their line manager. Our objective is that all employees will have a bespoke L&D plan in place by the end of this financial year as well as each department having a business focused plan for each area.

Succession planning and talent management

We review our succession management plans on an annual basis. This ensures that we effectively manage our talent across the organisation identifying individuals who have the potential to grow further within their areas of expertise as well as nurturing the talent for future management opportunities, linking closely to our learning and development programme.

Diversity

A further focus for the business is diversity. As a leader in the property industry we wish to address the challenges of recruiting a diverse workforce in the context of our industry. We are augmenting our existing equal opportunities policy with the introduction of a diversity policy and training programme in 2006.

81%

of employees feel positive about their job

87%

of employees believe Land Securities is a better employer than other companies

74%

of employees believe they have a reasonable work/life balance



Above: Our Values into Action programme recognises employees who demonstrate our core values in the workplace.

Land Securities is committed to evaluating suppliers to achieve compliance with legal, regulatory and ethical standards. This includes health, safety and the environment, corporate responsibility, financial stability, public liability and professional indemnity insurance cover.

New suppliers

We add between 70 and 90 new suppliers each month on average, reflecting growth in the range of activities as well as new requirements from existing business. We removed over 350 suppliers in 2004/05 as a part of a rationalisation programme. Supplier numbers per £m of turnover have fallen from 2.6 to 2.4.

Supplier evaluation

We continue to review processes and procedures for evaluating suppliers, the range and number of suppliers we have and the ways in which we monitor and manage key supplier performance.

We aim to make these processes more consistent across the Group and will achieve this partly by outsourcing evaluations of higher-risk suppliers. This is in line with other leading industries and sectors providing a more responsive, comprehensive and cost-effective process. The outsourced solution will provide the Group with an on-line repository of supplier information, which will be managed and maintained by a dedicated provider as part of a structured service delivery. The benefits of this solution are:

- Robust and documented risk assessment carried out on all identified high risk suppliers, including health and safety, environmental and CR criteria
- Ongoing evaluation and records maintained
- Visibility of potential risk
- Consultancy service providing advice on new/amended legislation and regulations
- Data accessible to business via web-based system

It is estimated that 50-60% of the supply base will be categorised as high risk and assessed via the outsourced solution. A supplier will be deemed high risk based on a set of criteria which considers, but not exclusively, the supplier's impact on health and safety, environment, commercial value and volume, core business, and the public. The remaining suppliers, deemed low risk, will be evaluated

independently of the outsourced solution, utilising a simpler set of assessment criteria.

Construction contracts

We have an extensive development programme in progress which makes the construction industry one of our most important suppliers. In the period to 31 March 2006 we let £700 million of construction contracts, which includes projects underway through Land Securities Trillium as well as the Land Securities Group. As a result of the scale of our development projects, most of which are substantial, in-town and on brownfield sites, we work predominantly with the top five construction contractors including Bovis Lend Lease, McAlpine, Skanska, Mace, and HBG.

We have now developed a sustainable development brochure to help our construction partners and other stakeholders to understand the approach we take to development. This document is available on our website and includes details of our sustainable suppliers guidelines, which we ask all our major contractors to adopt. We are particularly pleased with the impact this has had on recycling and the use of more sustainable materials as detailed in the New Street Square case history on page 30.

We usually now put a requirement in for major projects that all timber should be from recognised sustainably managed sources (and restrict this to FSC [Forestry Stewardship Council] if it is a Government building).

Construction skills certification scheme (CSCS)

We will be working with our health and safety colleagues to support supplier accreditation with this scheme, linking to our overall higher-risk supplier evaluation process. (See health and safety.)

4,500

Number of approved Land Securities suppliers in 2005

2,600

Number of approved Land Securities Trillium suppliers in 2005

5%

Proportion of non-approved suppliers

6

Suppliers delisted for CR reasons

Want to find out more?

For more details please visit our website:
www.landsecurities.com/doing

Measuring: Community

Our 28 shopping centres, extensive development programme and property outsourcing activities enable us to become involved in a wide range of community initiatives. We work hard to integrate our activities into the communities around us and aim to provide a safe, clean and accessible environment for occupiers and visitors to all our properties.

Given the scale of our activities, the initiatives outlined here are but a snapshot of our involvement across the UK.

Learning and development

Helping children to learn is a theme of many of our community initiatives, from the funding of courses and the provision of space to employee time and the supply of learning materials.

The study support centre at the White Rose Shopping Centre in Leeds provides learning facilities for children in the area. The centre has IT facilities and offers arts and crafts courses as well as running specific initiatives such as an anti-truancy programme. Centre management staff also assist South Leeds High School children with interview techniques to help prepare them for future job interviews.

We also promote adult and retailer learning. Stratford Shopping Centre ran a series of free courses in 2005 for local businesses to enhance their customer service and visual merchandising skills. All attendees completing the courses received an accredited qualification. In Livingston, the Almondvale Shopping Centre helped the West Lothian Adult Guidance Network to promote 'Adult Learners Week 2005'. The centre provided exhibition space free of charge and covered half of the advertising costs.

In the Land of Illustration

'In The Land of Illustration' was a major initiative between The Prince of Wales Arts & Kids Foundation, Land Securities and Quentin Blake to help thousands of children develop a love of visual art and illustration. The nationwide project inspired children to explore the area in which they live through illustration and the national exhibition included over 1,400 illustrations from 28 schools.

Charitable funds

Charitable funds have been established in certain regions to assist with the allocation of money to local initiatives. In Leeds, Land Securities has joined forces with other local businesses to create ARISE (the Alliance to Reward Initiatives and Social Enterprise)

where organisations or individuals can apply for awards of up to £1,000 in support of their charitable activity, with 27 grants awarded in the first year.

The Capital Commitment Fund provides grants of up to £5,000 to London community and voluntary groups. The first year's funding has been distributed to 12 Southwark-based projects with an outreach of approximately 2,200 people.

The Foundation

Land Securities recognises the many benefits volunteering can bring and it has established a volunteering programme to increase awareness and to encourage employee participation.

Community consultation

Communication with stakeholders is critical to the success of a project and is a process which is initiated at the earliest stages of a development and carries on right through the construction programme. A major development will have many stakeholders and Land Securities aims to communicate with all of them including the local community, amenity groups, national bodies, local Government representatives and other landowners. The consultation programme includes many initiatives such as the engagement of stakeholders in the preparation of the planning brief, public exhibitions and forums, local advertising and the creation of working party groups.

Managing the change

Our large development projects will be on site for a number of years so it is essential to manage stakeholder expectations and keep them informed, in particular of any works which may affect their environment. To achieve this, we employ Community liaison managers who communicate through regular meetings, newsletters, exhibitions, community forums and dedicated websites.

£580,000

donated to charities by the Land Securities Group

including £273,000 to trusts investigating archaeological sites

£130,000

corporate sponsorships

£500,000

of free floor space in our shopping centres given to organisations to promote their activities

£130,000

invested in NGOs and industry bodies



Above: 600 children attended a national exhibition of the artwork in London.

Measuring: Investors

We are committed to maintaining a communication programme with the investment community which goes beyond legislative requirements. We encourage a two-way dialogue with existing and potential investors – private, debt and equity – and with other commentators. We believe our proactive approach will result in a better understanding and a more open relationship.

In 2004, we increased the number of Investor Relations (IR) meetings and events by some 20% over the previous financial year. We maintained this level of activity throughout 2005/06. We held regular financial presentations, site visits and meetings with key audiences, including institutions, private shareholders, equity and debt analysts. We aim to provide a clear, honest and accurate picture of the Group's performance and future prospects, within the constraints of protecting price-sensitive information.

We are planning another Socially Responsible Investor site tour of New Street Square. We continued the private client broker communication programme and held a further meeting with The UK Shareholders Association (UKSA). We also re-launched the investor section of the Group website, which we consider to be an important medium for the timely and efficient dissemination of information to all stakeholders. The enhanced shareholder centre includes a comprehensive share price tool box, news service, document library, press kits and webcasting services.

The enhanced shareholder centre includes a comprehensive share price tool box, news service, document library, press kits and webcasting services.

We also promoted e-communications via a 'plant a tree' campaign, where we donated £5 for each investor who signed up for the electronic service resulting in a 35% increase in subscribers.

We monitor the effectiveness of our communication programme through feedback to the company, nominations for awards

and perception audits which are commissioned every two years. A bond and equity shareholder audit was conducted by Makinson Cowell in July 2005 and will be conducted again in 2007. The audit concluded that "the investor relations programme shows direct contact over the last 15 months with 160 funds accounting for 55% of the equity. This represents a high level of contact by any standard."

The investor relations programme is complemented by the Group's media programme which ensures that news and comment is delivered through the national, trade and local press. The programme includes regular meetings with the corporate communication team, senior management and Land Securities' Board.

Below: The re-launched investor section of the Group website



159

investor meetings held

35%

increase in investors registered for electronic communications

Awards	Received
IR Awards	Best in sector; highly commended for Annual Report and progress in IR
BDO Stoy Hayward	Best Property Report and Accounts winner 2004, Gold Standard 2005
European Public Real Estate Association	Best Report & Accounts winner 2004 and 2005
Thomson Extel Survey 2005	Best in Sector
Institutional Investor	Best in Sector

Want to find out more?

For more details please visit our website:
www.landsecurities.com/doing

Measuring: Environment

We have been measuring our environmental impacts for five years and believe that genuine progress can be made through a targeted programme of incremental improvements. Our detailed environmental data is now contained on the website.

Environmental management systems

We introduced an upgraded environmental management system (EMS), across the entire Group. In September 2005 this was certified to Phase IV of the British Standard BS8555, which helped us win the 2005 Liveable City award for environmental management. We are now seeking accreditation to ISO 14001, which is the standard we have achieved across the DWP contract (at around 1,800 sites one of the largest global certifications to date).

Asbestos

We have established an in-house asbestos management team which conducted 2,256 surveys across our property management and property outsourcing portfolios in 2005/06 (2004/05: 1,200).

CO₂ emissions

- The company car mileage data now covers 73% of company car drivers. The increase in car mileage to 3,274,020 reflects the addition of Land Securities Trillium new business.
- We are the only property company participating in the voluntary UK Emissions Trading Scheme with a multi-site portfolio and beat our reductions target for the fourth consecutive year.
- We participated in a programme of energy audits subsidised by the Carbon Trust, and implemented many of the recommendations in a year long trial at a London property.

BREEAM assessments

Although the use of BREEAM and EcoHome assessments has become standard practice for the Group this is still a differentiator within our peer group. These measures are the most recognisable sustainability benchmarking tool for both investors and occupiers.

Waste management

We have continued to target waste management and overall have made good progress across the portfolio. At our head offices in London paper consumption has decreased for the third year running, assisted by the introduction of double sided printers/copiers in 2005.

On recycling we have had mixed results, with our greatest success at the BBC where we radically altered the waste management process and have improved the recycling ratio to 70% for 2006 (31/03/05: 35%). At our shopping centres the recycling ratio has improved from 24.4% to 25.8%, and we have incorporated our new centres into the scheme. Recycling levels remain around 50% on the DWP contract after incorporating the JobCentre Plus properties but we continue to look at ways to improve recycling provisions.

Biodiversity

We retained our accreditation under the Business & Biodiversity Benchmark scheme run by The UK Wildlife Trusts. The Stage II survey programme has identified several locations with potential to enhance the local biodiversity and we are investing £10,000 on these initiatives across the DWP estate and our retail portfolio.

Communication

Our active communication programme was augmented by our first external environment conference. We welcomed some 100 delegates to Media Village, White City. Our service partners and contractors joined the Land Securities team to communicate progress on environmental management and sustainability, share ideas and best practice and to discuss new ways of raising awareness of corporate responsibility and environmental issues.

Future challenges

We remain aware of future challenges facing us, one of which is climate change. We have established a working group with a long-term remit to consider the potential impacts of climate change predictions on our business and how we might mitigate adverse effects or take advantage of new opportunities.

External benchmarking			
Score	2004	2005	2005 Rank
BiE Index	95.1%	82.3%	2nd in Sector
PEG Survey	79.0%	70.0%	2nd in Sector



Above: Land Securities' electric car replaces couriers between London offices, thereby reducing emissions.

71%

environmental targets

100% completed

(2004/05)

BS8555

certification across the Group

Want to find out more?

For more details please visit our website:
www.landsecurities.com/doing

Statement from advisors

Scope and methodology

The purpose of this statement is to provide Land Securities' stakeholders with third party assurance of the company's progress against CR and environmental targets set for the financial year 2004/05. It is not intended as a wider verification of Land Securities' management approach to CR, nor is it an assessment of the completeness or accuracy of any of the Key Performance Indicators or case studies contained within this report.

Upstream evaluated achievement against CR and environmental targets, based upon:

- Documented evidence from the period 1 April 2004 to 31 March 2005. This evidence included emails, internal memos, external communications and management reports – all demonstrating the extent to which actions undertaken by the company helped to achieve CR targets.
- A review and interrogation of internal reports of progress against targets, specifically in the case of environmental targets.
- Conversations with key members of staff, and in particular, CR Committee members, to investigate the detailed achievements under their relevant work streams.

The assessment by Upstream awarded progress on a scale of 0 to 100%, according to the degree of completeness observable through the evidence provided.

Opinion and commentary

Upstream's audit drew the following conclusions:

- There were a large number of targets set for 2004/05 – 53 in total (29 socio-economic and 24 environmental), representative of the key issues faced by a publicly listed property company such as Land Securities, and generally represented a progressive, 'beyond compliance' approach. The majority of targets were realistic and measurable, although in some cases appropriate assessment outputs were difficult to determine.
- Overall, 72% of targets (CR and environment) were fully achieved – 100% completion. Land Securities showed particularly strong performance against corporate, investor, community, supplier and environment targets. There were significantly more employee targets (by number) than for other categories – hence the challenge of achieving a high proportion at 100% completion.

- In total, 21 (72%) of the socio-economic targets and 17 (71%) of the environment targets were assessed at 100% completion (i.e. target fully achieved). A further 10% of the socio-economic targets and 17% of the environmental targets were substantially achieved (75% completion), leaving only 5 targets overall that were below 50% completion.
- Impressively, all environmental targets were substantially or fully achieved (at least 75% completion). 2 environmental targets were deemed 'not applicable' on assessment (due to circumstances), and one is ongoing as it relates to the company's corporate declaration under MACC2, to reduce average CO₂ emissions by 10% by 2010, compared to 1999/2000.
- 5 socio-economic targets showed either no evidence of progress, or no substantial progress (representing 17% of the CR targets). While relatively small in number, these can be explained as follows:

- 2004/05 was the first year in which socio-economic targets were set.
- There was a lack of familiarity in the requirements for formal documentation for assessment, making it difficult to award progress in a small number of cases.
- Changes in key personnel and in the composition of the CR Committee meant that accountability for certain targets was blurred.

- This level of achievement against both socio-economic and environmental targets is very strong. Land Securities has demonstrated commitment in the delivery of its public targets, which reflects the strong governance structures and CR management systems that now exist within the company to integrate CR issues into core business functions.
- It should be noted that, largely as a consequence of internal restructuring and more notably changes to the composition of the CR Committee, no socio-economic targets were set for the period April 2005 to March 2006. However, the company did set itself environmental targets for this period, and a detailed audit of progress against these will be made available on the company website once complete.

For Upstream recommendations please see the website.

Julie Hirigoyen
Director, Upstream

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Land Securities can be proud of its achievements to date, but must continue to look forward, to find creative ways to address the salient CR challenges faced by the property industry.

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53

targets were set
in 2004/05

We believe we have created comprehensive targets, covering each stakeholder area, which are realistic yet stretching. The achievement of these targets will challenge the business and help Land Securities to maintain its position as an industry leader.

Stakeholder group	Target
Customers	<ul style="list-style-type: none"> • Achieve 90% rating of 'very satisfied' or 'satisfied' with LST's overall service, as measured by the annual customer survey. • Complete on time 97% of all requests for services, raised by LST customers. • Achieve an overall satisfaction rating from customer surveys of 3.75 for London offices, 3.8 for shopping centres and 3.4 for retail parks. • Produce an Action Plan to address specific areas of concern identified through customer surveys, agreeing the Plan with occupiers and measuring performance against its completion with a minimum target of 75% of actions completed in the year.
Health and safety	<ul style="list-style-type: none"> • Ensure that we receive zero Prohibition and Improvement Notices per annum. • Ensure that 20% of construction related Service Partners and Contractors are accredited to Construction Skills Certification Scheme by end March 2007, increasing to 70% by 2008 and 100% by 2009. • Deliver relevant health and safety training to at least 30% of existing managers and staff (with an ultimate goal of delivering relevant health and safety training to 100% of existing managers and staff within any three year period). • Deliver health and safety induction training to all new starters.
Employees	<ul style="list-style-type: none"> • Achieve out-performance of the Expert Training Systems 'ETS' Benchmark on employee satisfaction. • Develop and communicate a diversity policy across the Group and ensure diversity training is available. • Review and update the existing 'payroll giving schemes' and promote across the organisation. • Actively promote family friendly policies across the Group and align with benefits provision. • Upgrade and explain our corporate responsibility policy and provide information about our approach in staff induction packs. • Under Defined Contribution Pension arrangements provide a choice for pension scheme members to enable them to invest their pension contributions in ethical funds.

28

targets set for the period to 31 March 2007

Stakeholder group	Target												
Suppliers	<ul style="list-style-type: none">• Develop and publish a brochure outlining Land Securities' Group suppliers approach, describing relevant corporate responsibility considerations, including the values and principles suppliers are expected to adhere to.• Integrate CR requirements in our new supplier evaluation procedures and documentation.												
Community	<ul style="list-style-type: none">• Promotion and communication of employee volunteering through The Land Securities Foundation, focusing on four key themes: education, employability, local enterprise and personal interest.• Provide through the Land Securities Capital Commitment Fund a total sum of £150,000 in small grants to local community and voluntary groups in Southwark and Westminster, specifically targeting projects with a focus on children, youth and education.• Undertake research across the shopping centre portfolio to identify potential opportunities for Land Securities to contribute to local educational initiatives, and introduce an Action Plan for at least three shopping centres by April 2007.• Establish a community link programme at two retail development sites.												
Investors	<ul style="list-style-type: none">• Implement 100% of the recommendations for improvement identified in the annual Investor Relations survey.• Organise a seminar for all Socially Responsible Investors to inform them of Land Securities' Corporate Responsibility approach and performance.												
Environment	<ul style="list-style-type: none">• Achieve the following design ratings for new developments, as verified by independent assessments:<table><tr><th>Development Type</th><th>Assessment type</th><th>Target</th></tr><tr><td>Major offices</td><td>BREEAM for offices</td><td>Very Good</td></tr><tr><td>Retail warehouse premises and shopping centres</td><td>BREEAM for retail</td><td>Very Good</td></tr><tr><td>Residential</td><td>EcoHome</td><td>Good</td></tr></table>• Complete a minimum of 20 Phase II biodiversity surveys and commence implementation of recommendations.• Benchmark all of our managed offices and shopping centres according to their environmental performance, against one another and against appropriate peers in the industry.• To monitor the water quality, extraction rate and temperature of the borehole water that provides heating and cooling to 40 Eastbourne Terrace and to assess the energy efficiency of the system in relation to conventional solutions.	Development Type	Assessment type	Target	Major offices	BREEAM for offices	Very Good	Retail warehouse premises and shopping centres	BREEAM for retail	Very Good	Residential	EcoHome	Good
Development Type	Assessment type	Target											
Major offices	BREEAM for offices	Very Good											
Retail warehouse premises and shopping centres	BREEAM for retail	Very Good											
Residential	EcoHome	Good											

4

targets set for health and safety, community and customers

2

targets set for suppliers and investors

6

targets set for employees and the environment

Want to find out more?

For more details please visit our website:
www.landsecurities.com/doing

Jargon buster

Aggregate

Pieces of broken or crushed stone or gravel used to make concrete.

Biodegradable

A biodegradable substance can be broken down by bacteria or living organisms in the environment.

Biodiesel

An alternative to petroleum-based diesel fuel made from renewable resources such as vegetable oils or animal fats.

Biodiversity

The variety of plant and animal life in a particular habitat. Preserving the diversity of species and habitats is an important aspect of sustainable development.

Borehole technology

This technology can be used to heat and cool a building using ground heat extracted from a borehole.

BREEAM (Building Research Establishment Environmental Assessment Method)

The most widely used means of reviewing and improving the environmental performance of buildings. BREEAM offers best practice in environmental design and management. www.bre.org.uk

BS8555 (British Standard 8555)

A guide for implementing an environmental management system such as ISO 14001.

Business in the Environment index

This index benchmarks companies against their peers, and industry sectors against each other, on the basis of their environmental engagement in key impact areas.

Business and Biodiversity benchmark scheme

A scheme run by The Wildlife Trusts that enables an organisation to assess its impact on the natural world. The scheme awards organisations for their biodiversity improvement.

Chilled beams

A low-energy method of cooling a building by running chilled water through pipes in the ceiling.

Embedded energy

This refers to the amount of energy used in the manufacturing of a material or building.

Environmental impact assessment (EIA)

A procedure to assess environmental implications of a project before it is undertaken. EIAs are a statutory requirement for significant projects in the UK.

Environmental management system (EMS)

A management system used by organisations for measuring and reducing environmental impacts.

Green arteries

Corridors of green space between developed areas. This promotes biodiversity and allows for species to move between green pockets in towns and cities.

Health and safety improvement notice

A notice served by a health and safety inspector if a regulation has been broken.

Health and safety prohibition notice

A notice served by a health and safety inspector when an activity presents the risk of serious personal injury. The notice requires the activity to stop until controls have been put in place.

Investors in People

The Investors in People Standard is a tool designed to advance an organisation's performance through its people.

ISO 14001

ISO 14001 is an international standard for the certification of environmental management systems. Companies certified to the standard are independently audited.

Louvres

Angled slats fixed at regular intervals to protect a building from the heat of the sun.

Post-tensioning

A method of reinforcing concrete or other materials with high-strength steel strands or bars, typically referred to as tendons.

RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations)

The UK requirement for reporting work-related accidents, diseases and dangerous occurrences.

Shopmobility

A scheme that aims to promote equality of access and to encourage independence of people with disabilities by providing mobility equipment such as scooters and wheelchairs.

Thermal stability

The ability of a material to store heat. Concrete has a relatively high thermal stability compared to steel, which is susceptible to large fluctuations in temperature.

UK Emissions Trading Scheme

A voluntary scheme for companies to reduce carbon dioxide emissions. The Government agrees targets with companies which can then buy allowances to meet their target or sell any spare allowances if they have achieved the target.

Land Securities would be pleased to receive your feedback or comments on any of the information contained in this report. Please contact:

Emma Denne
emma.denne@landsecurities.com

5 Strand
London WC2N 5AF

Tel: +44(0)20 7413 9000

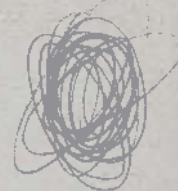
Fax: +44(0)20 7024 8017

Land Securities Group PLC
5 Strand, London WC2N 5AF

Telephone: +44 (0) 20 7413 9000

Email: doing@landsecurities.com

www.landsecurities.com/doing



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