MEASURING OUR PERFORMANCE

We use a balance of financial and non-financial key performance indicators (KPIs) to measure our performance and assess the effectiveness of our strategy. They are also used to monitor the impact of the principal risks that have been identified and a number are used to determine remuneration.

KEY PERFORMANCE INDICATORS

FINANCIAL

Operational measures
Total return
Total property return
Total shareholder return
EPRA earnings per share

Gearing measures
Gearing & available resources
Interest cover ratio

NON-FINANCIAL

Operational measures
Reversionary percentage
Development potential
Tenant retention
Void management

Responsibility measures
BREEAM ratings
Energy Performance Certificates
Energy intensity
Carbon intensity
Accident frequency rate
Staff satisfaction

Key to strategic objectives

TO OPTIMISE RETURNS AND CREATE VALUE FROM A BALANCED PORTFOLIO

TO GROW RECURRING EARNINGS AND CASH FLOW

TO ATTRACT, RETAIN AND DEVELOP TALENTED EMPLOYEES

TO DESIGN, DELIVER AND OPERATE OUR BUILDINGS RESPONSIBLY

TO MAINTAIN STRONG AND FLEXIBLE FINANCING

A Audited
A Assured
R Remuneration

STRATEGY / See page 38

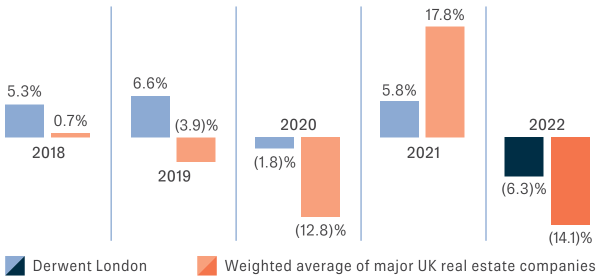
MEASURING OUR PERFORMANCE continued

FINANCIAL

1 TOTAL RETURN

Total return is EPRA NTA growth plus dividends paid during the year.

Our aim is to exceed the average of other major real estate companies (our 'benchmark').



Our performance

Total return in 2022 was -6.3%, against a benchmark of about -14.1% based on current estimates.

Derwent London's average annual return of 1.8% over the past five years against a benchmark of -3.1% demonstrates the ability of our business model to generate above average long-term returns.

Strategic objectives

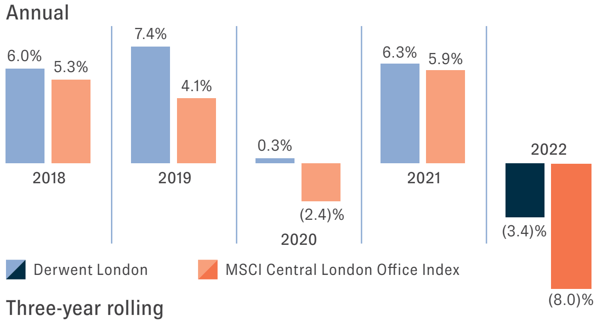
A R

2 TOTAL PROPERTY RETURN

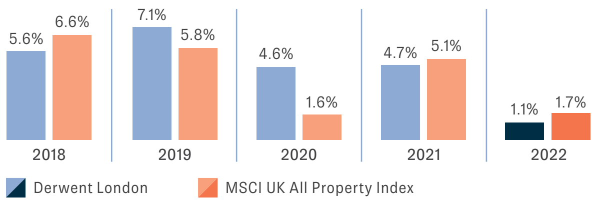
This is used to assess progress against our property-focused strategic objectives.

Our aim is to exceed the MSCI Central London Office Index on an annual basis and the MSCI UK All Property Index on a three-year rolling basis.

Annual



Three-year rolling



Our performance

Good progress on delivery and de-risking of projects has resulted in a 4.6% outperformance of MSCI Central London Office Index during 2022.

Derwent's three-year rolling average was 1.1% p.a., a 0.6% underperformance against the MSCI UK All Property Index. This was mainly due to the strength of the industrial sector in previous years.

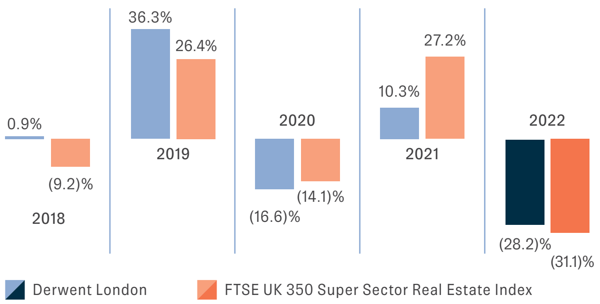
Strategic objectives

R

3 TOTAL SHAREHOLDER RETURN (TSR)

This measures the Group's success in providing above average long-term returns to its shareholders.

We compare our performance against the FTSE UK 350 Super Sector Real Estate Index, using a 30-day average of the returns in accordance with industry best practice.



Our performance

The fall in the share price during the year resulted in a TSR of -28.2%. Despite this decrease, in 2022 the Group slightly outperformed its benchmark index.

£100 invested in Derwent London 10 years ago would, at the end of 2022, have been worth £140, consistent with the benchmark index.

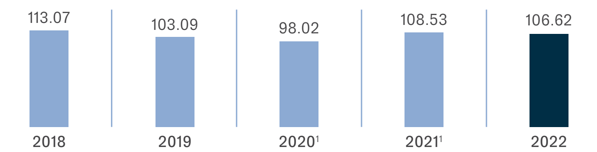
Strategic objectives

R

4 EPRA EARNINGS PER SHARE (EPS)

EPRA EPS is the principal measure used to assess the Group's operating performance and a key determinant of the annual dividend.

A reconciliation of this figure back to the IFRS profit can be found in note 40 on page 293.



Our performance

EPRA EPS fell 1.8% to 106.62p per share in 2022. Gross rental income was up in the year, mainly due to letting activity at newly completed developments, but this was offset by higher finance costs, and void costs incurred on the new developments. Additionally, the prior year benefitted from material one-off surrender premiums and other property income.

Strategic objectives

A

5 GEARING & AVAILABLE RESOURCES

The Group monitors capital on the basis of NAV gearing and the EPRA LTV ratio. We also monitor our undrawn facilities and cash, and the level of uncharged properties, to ensure we have sufficient flexibility to take advantage of acquisition and development opportunities.

	2021	2022
EPRA LTV ratio	22.3%	**23.9%**
NAV gearing	28.2%	**30.8%**
Cash and undrawn facilities	£608m	**£577m**
Uncharged properties	£4,769m	**£4,600m**

Our performance

Cash and undrawn facilities, which excludes restricted cash (tenant deposits and service charge balances), remained high at £577m, with our revolving bank facilities fully undrawn at the year end. The fall in property valuations has led to a slight increase in the NAV gearing and LTV ratios, but both remain at low levels.

Strategic objectives

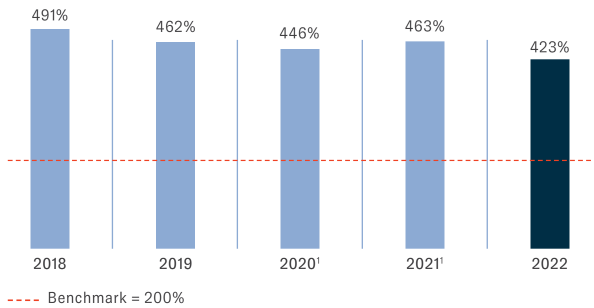
A

6 INTEREST COVER RATIO (ICR)

We aim for interest payable to be covered at least two times by net rents.

The basis of calculation is similar to the covenant included in the debt facility agreements for our unsecured bank facilities.

Calculation of this measure can be found in note 42 on page 299.



Our performance

The ICR decreased in 2022 mainly due to increased finance costs from higher average borrowings during the year. Despite this, rental income would need to fall by a further 65% before the main ICR covenant of 145% was breached.

Strategic objectives

A

NON-FINANCIAL

7 REVERSIONARY PERCENTAGE

This is used to monitor the potential future income growth of the Group.

It is the percentage by which cash flow from rental income would grow, assuming the passing rents increase to the estimated rental value (ERV), and assuming on-site schemes are completed and let.

	2018	2019	2020	2021	2022
%	72	79	54	65	**49**

Our performance

The Group's ERV increased by £10.7m to £304.6m. This was helped by commencing the scheme at Network W1, but is partly offset by disposals during the year. The 2022 ERV included potential reversion of £100.4m, 49% of the net passing rent of £204.2m, of which 46% is contracted.

Strategic objectives

8 DEVELOPMENT POTENTIAL

We monitor the proportion of our portfolio with refurbishment or redevelopment potential to ensure it contains sufficient opportunities for future value creation.

	2018	2019	2020	2021	2022
%	41	43	43	48	**43**

Our performance

At the end of 2022, on-site developments represented 8% of the portfolio with a further 35% identified as potential schemes. This excludes Old Street Quarter EC1.

We continue to seek opportunities to achieve the optimal balance between core income and development potential.

Strategic objectives

R

1 Restated – see note 2 on pages 247 to 250.

MEASURING OUR PERFORMANCE continued

NON-FINANCIAL continued

9 TENANT RETENTION

Maximising tenant retention, in the absence of redevelopment plans, minimises void periods and contributes towards net rental income.

	2018	2019	2020	2021	2022
Exposure (£m p.a.)	14.6	10.4	12.5	19.7	**13.2**
Retention (%)	76	83	65	47	**59**
Re-let (%)	14	7	22	30	**20**
Total (%)	90	90	87	77	**79**

Our performance

Our retention and re-let rate was 79% in 2022, slightly below the 85% average over the past five years.

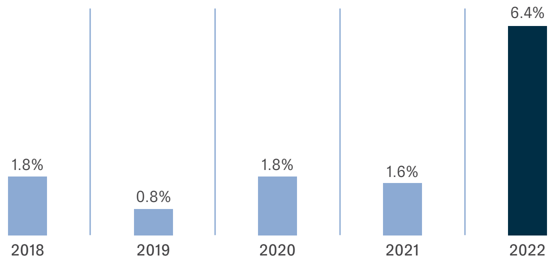
Strategic objectives

R

10 VOID MANAGEMENT

To optimise our rental income we plan to minimise the vacant space immediately available for letting.

We aim for this to remain below 10% of the portfolio's estimated rental value (ERV).



Our performance

At the end of 2022, our EPRA vacancy rate was 6.4%. This is partly due to the completion of two major developments, The Featherstone Building and Soho Place, in the year.

Strategic objectives

R

11 BREEAM RATINGS

BREEAM is an environmental impact assessment method for non-domestic buildings.

Performance is measured across a series of ratings: Pass, Good, Very Good, Excellent and Outstanding.

We target minimum BREEAM ratings of 'Excellent' for major developments and 'Very Good' for major refurbishments.

	Completion	Rating
Soho Place W1	H1 2022	Outstanding[3]
The Featherstone Building EC1	H1 2022	Outstanding[3]
25 Baker Street W1	H1 2025[1]	Outstanding[2]
Network W1	H2 2025[1]	Outstanding[1]

1 Targeted.
2 Certified at Design Stage.
3 Certified final rating.

Our performance

Following completions during the year, The Featherstone Building and Soho Place both received a BREEAM rating of 'Outstanding'.

25 Baker Street and Network, our two developments currently on site, were rated or expected to be rated BREEAM 'Outstanding' at Design Stage.

Strategic objectives

12 ENERGY PERFORMANCE CERTIFICATES (EPCs)

EPCs indicate the energy efficiency of a building. The ratings range from 'A' (very efficient) to 'G' (inefficient).

We target a minimum EPC of 'A' for major new-build schemes and 'B' for major refurbishments.

	Completion	Rating
Soho Place W1	H1 2022	B
The Featherstone Building EC1	H1 2022	A
25 Baker Street W1	H1 2025[1]	A[2]
Network W1	H1 2025[1]	A[1]

1 Targeted.
2 Stretch target.

Our performance

Soho Place and The Featherstone Building received an EPC of B and A, respectively.

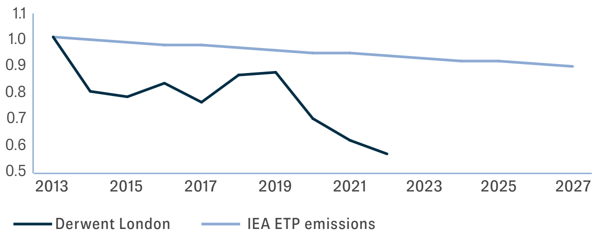
25 Baker Street[2] and Network, our two on-site developments, are both targeting a certification of A.

Strategic objectives

13 ENERGY INTENSITY

A measure of energy consumption (kWh) per square metre of landlord-controlled floor area across our managed like-for-like portfolio.

Our target is a decrease in the three-year rolling average of between 2% and 4% per annum.



Our performance

In 2022 landlord energy intensity in the like-for-like portfolio decreased by 7%. The decrease is in part due to a warmer winter, as well as property management initiatives including turning off gas boilers in summer. The 43% reduction achieved since our base year of 2013 means we are on course to meet our 2027 energy intensity target. The three-year rolling average reduction is 13%.

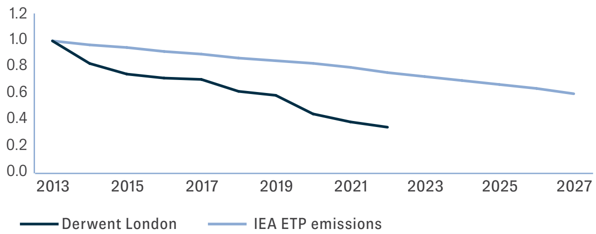
Strategic objectives

A R

14 CARBON INTENSITY

A measure of emissions intensity per square metre of landlord-controlled floor area across our managed like-for-like portfolio.

Our target is a decrease in the three-year rolling average of between 5% and 10% per annum.



Our performance

In 2022 landlord (Scope 1 & 2) emissions intensity in the like-for-like portfolio decreased by 10%. This is in part due to decarbonisation of the electricity grid, but also a 13% reduction in gas consumption. The 65% reduction achieved since our base year of 2013 means we are on course to meet our 2027 emissions target. The three-year rolling average reduction is 16%.

Strategic objectives

A R

15 ACCIDENT FREQUENCY RATE (AFR)

This is calculated based on the number of RIDDOR injuries during the year multiplied by 1,000,000 and divided by the number of hours worked. This was a new KPI introduced in 2021.

	2020	2021	2022
%	2.72	1.26	**3.60**

Our performance

In 2022, the AFR was 3.60% with three RIDDORs reported. This is an increase from 1.26% in 2021, in which two RIDDORs were reported. A reduction in the working hours on site in 2022 has also had an impact on the AFR.

Strategic objectives

A R

16 STAFF SATISFACTION

We assess employee satisfaction through a staff survey.

We target a satisfaction rate above 80%.

	2018	2019	2020	2021	2022
%	90.4	92.5	96.3	90.5	**88.4**

Our performance

Staff satisfaction remained high at 88% despite a marginal fall in 2022. This strong level is testament to our collaborative and supportive corporate culture and the pride our staff feel in working for Derwent.

Strategic objectives

R