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[1]
- Embodied carbon intensity[1]
- Accident frequency rate
- Staff satisfaction

Key to strategic objectives

1 To optimise returns and create value from a balanced portfolio

2 To grow recurring earnings and cash flow

3 To attract, retain and develop talented employees

4 To design, deliver and operate our buildings responsibly

5 To maintain strong and flexible financing

A Audited

A Assured

R Remuneration

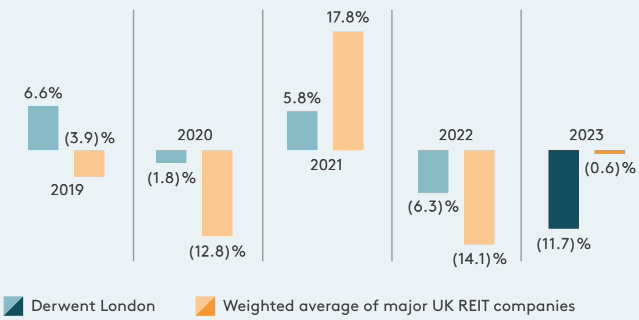
Strategy / See page 30

1 KPI introduced in 2023.

Financial

1. Total return (TR)

Total return is the movement in EPRA NTA 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 2023 was -11.7% against a benchmark of about -0.6% based on current estimates. Over the past five years, our average annual return is -1.7%, a 1.7% p.a. outperformance against the benchmark (-3.4%). This demonstrates the ability of our business model to generate above average long-term returns.

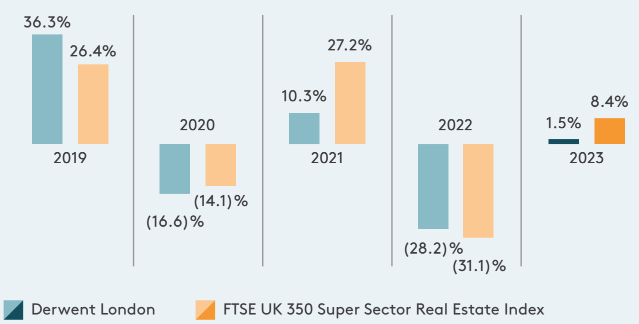
Strategic objectives 1 2 3 4 5

A 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, in comparison to those of our peers mainly invested in other property sectors, meant that the Group underperformed its benchmark index in 2023. Despite this, our ability to deliver long-term returns is demonstrated by the fact that £100 invested in Derwent London 10 years ago would, at the end of 2023, have been worth £122, which is just below the benchmark index of £126.

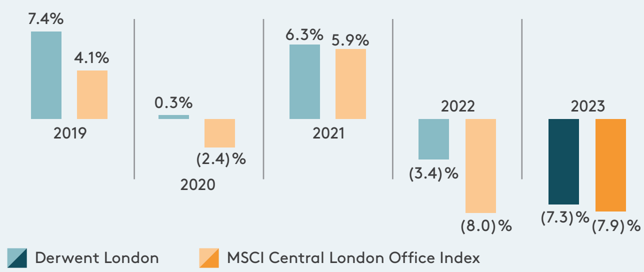
Strategic objectives 1 2 3 4 5

R

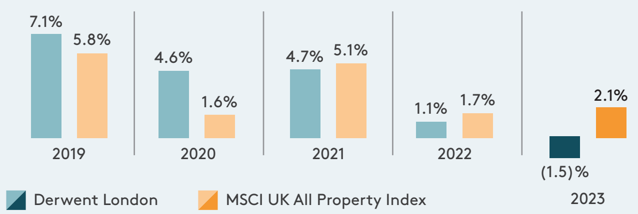
2. Total property return (TPR)

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

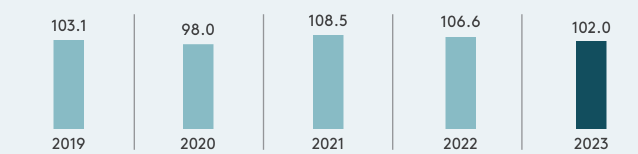
Good progress on delivery and de-risking of projects resulted in a 0.6% outperformance of the MSCI Central London Office Index during 2023. Derwent's three-year rolling average was -1.5% p.a., a 3.6% underperformance against the MSCI UK All Property Index. This was mainly due to the strength of the industrial sector in previous years.

Strategic objectives 1 2

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 265.



Our performance

EPRA EPS fell 4.4% to 102.0p per share in 2023. Despite an increase in gross rental income, mainly due to letting activity at recently completed developments, this was offset by void costs incurred on vacant space and higher admin costs.

Strategic objectives 1 2

A

5. Gearing & available resources

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

	2022	2023
EPRA LTV ratio	23.9%	**27.9%**
NAV gearing	30.8%	**38.7%**
Cash and undrawn facilities	£577m	**£480m**
Uncharged properties	£4,600m	**£4,202m**

Our performance

Cash and undrawn facilities at the year end remains substantial at £480m, following net investment in our portfolio of £114.6m.

The fall in property values in the year has led to an increase in the NAV gearing and LTV ratios, but both remain at low levels.

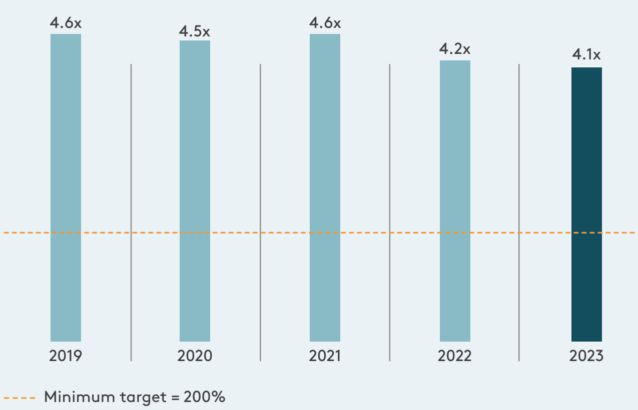
Strategic objectives 5

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 facility agreements for our unsecured bank debt.

Calculation of this measure can be found in note 42 on page 271.



Our performance

The ICR decreased in 2023. Gross income increased in the year but higher property expenditure resulted in net property income falling. Despite this, rental income would need to fall by a further 65% before the main ICR covenant of 145% was breached.

Strategic objectives 5

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.

	2019	2020	2021	2022	2023
%	79	54	65	49	**50**

Our performance

The Group's ERV increased by £5.0m to £309.6m. This was due to rental growth across the portfolio, including the on-site developments, partly offset by disposals in the year. The potential reversion at December 2023 was £103.1m, 50% of the net passing rent of £206.5m, of which 58% is contracted.

Strategic objectives 1 2

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.

	2019	2020	2021	2022	2023
%	43	43	48	43	**44**

Our performance

At the end of 2023, on-site developments represented 8% of the portfolio with a further 36% identified as potential schemes. This excludes Old Street Quarter EC1 (conditional acquisition).

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

Strategic objectives 1

R

MEASURING OUR PERFORMANCE continued

Non-Financial continued

9. Tenant retention

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

	2019	2020	2021	2022	2023
Exposure (£m p.a.)	10.4	12.5	19.7	13.2	**21.5**
Retention (%)	83	65	47	59	**62**
Re-let (%)	7	22	30	20	**3**
Total (%)	90	87	77	79	**65**

Our performance

Our retention and re-let rate was 65% in 2023. This is mainly due to minor refurbishment and improvement works being carried out on a number of units where leases expired towards the end of the year.

Strategic objectives 2 R

10. Void management

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

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

	2019	2020	2021	2022	2023
Year end (%)	0.8	1.8	1.6	6.4	**4.0**
Average (%)	1.2	1.3	2.3	5.7	**4.3**

Our performance

Our average EPRA vacancy rate for 2023 was 4.3% and at the end of 2023 it was 4.0%. This was helped by strong letting activity of vacant space, including at recently completed developments Soho Place W1 and The Featherstone Building EC1.

Strategic objectives 1 2 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
25 Baker Street W1	H1 2025[1]	Outstanding[2,3]
Network W1	H2 2025[1]	Outstanding[2]

1 Targeted
2 Certified at Design Stage
3 Excluding the offices at 30 Gloucester Place which was rated BREEAM 'Excellent' at Design Stage

Our performance

Our two developments currently on site were rated BREEAM 'Outstanding'[3] at Design Stage.

Strategic objectives 4

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
25 Baker Street W1	H1 2025[1]	A[1,2]
Network W1	H2 2025[1]	A[1]

1 Targeted
2 Excluding the offices at 30 Gloucester Place which has a target EPC of B

Our performance

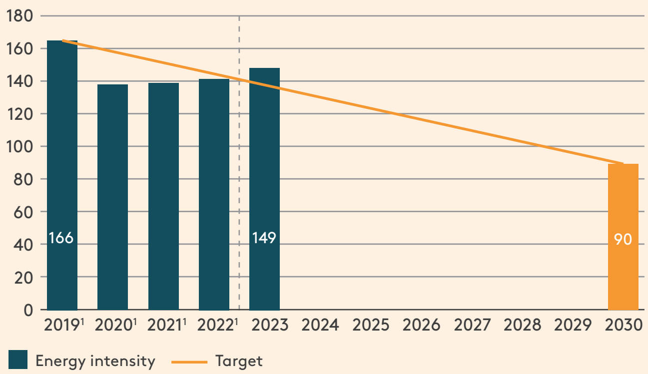
Our two on-site developments are targeting an EPC of A[2].

Strategic objectives 4

13. Energy intensity

The energy intensity reduction targets are aligned with the business' targets to achieve net zero by 2030.

Energy intensity is measured as energy consumption over the gross internal floor area (kWh/sqm) across our managed portfolio. The energy intensity target for 2030 is 90 kWh/sqm. This is a new KPI for 2023.



1 2019 to 2022 data restated – see page 60 for details.

Our performance

Energy intensity across our managed portfolio increased by 5% from 2022, but is a reduction of 10% from 2019 baseline.

The increase is primarily associated with Soho Place W1, The Featherstone Building EC1 and Francis House SW1 becoming operational following major works.

Strategic objectives 4

A R

15. Accident Frequency Rate (AFR)

This is calculated based on the number of RIDDOR injuries and incidents during the year multiplied by 1,000,000 and divided by the total work exposure hours. This was a new KPI introduced in 2021 based on development RIDDOR injuries, and subsequently revised in 2023 to also include employees and managed portfolio.

	2020	2021	2022	2023
Total (%)	n/a	n/a	n/a	**3.81**
Developments (%)	2.72	1.26	3.60	**4.38**

Our performance

In 2023, the total AFR was 3.81 with 8 RIDDORs reported. As a full year of data was not available for 2022, there is no prior year comparative.

Strategic objectives 4

A R

14. Embodied carbon intensity

The embodied carbon intensity reduction targets are aligned with the business' targets to achieve net zero by 2030.

Embodied carbon intensity is the measure of total carbon emissions generated in the construction of new developments divided by the new gross floor area, measured in $kgCO_2e/sqm$. This is a new KPI for 2023.

	Completion	$kgCO_2e/sqm$
25 Baker Street W1	H1 2025[1]	c.600
Network W1	H2 2025[1]	c.530

1 Targeted.

Our performance

We have worked closely with our designers and contractors to reduce carbon across our on-site developments, 25 Baker Street W1 and Network W1. The embodied carbon intensity for both projects is anticipated to be 600 $kgCO_2e/sqm$ or less, in line with our corporate targets.

Strategic objectives 4

R

16. Staff satisfaction

We assess employee satisfaction through a staff survey.

We target a satisfaction rate above 80%.

	2019	2020	2021	2022	2023
%	92.5	96.3	90.5	88.4	**87.5**

Our performance

Although the rate fell marginally in 2023, staff satisfaction remained high at 87.5%. This strong level is testament to our collaborative and supportive culture and the pride our staff feel in working for Derwent.

Strategic objectives 3

R