

MEASURING OUR PERFORMANCE

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
- Embodied carbon intensity
- 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

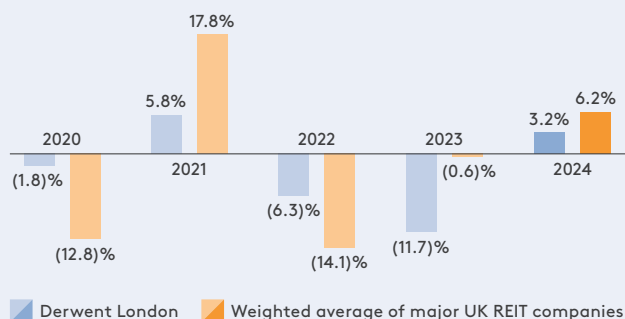
R Remuneration

→ Strategy / See page 27

Financial

1. Total return (TR)

TR is used to assess the value we have delivered for investors. Our aim is to exceed the average of other major UK real estate companies (our 'benchmark').



Our performance

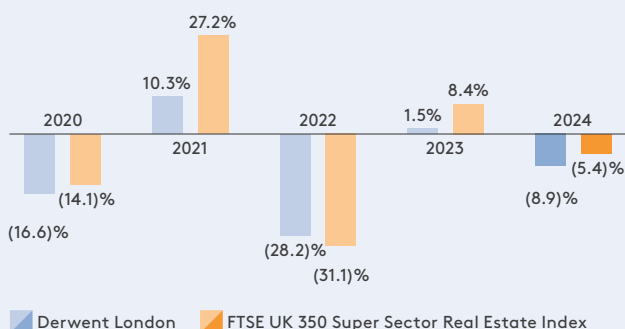
The Group's TR in 2024 was 3.2% compared to the benchmark of c.6.2% based on current estimates. Our average annual return over the past five years is -2.2%, a 1.5% pa underperformance against the benchmark -0.7%, mainly due to the office sector performing less well than other property sectors.

Strategic objectives **1 2 3 4 5**

A R

3. Total shareholder return (TSR)

TSR is used to measure the Group's success in providing above average long-term returns to its shareholders. We compare our performance against the FTSE 350 Real Estate Super Sector Index, measured 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 2024.

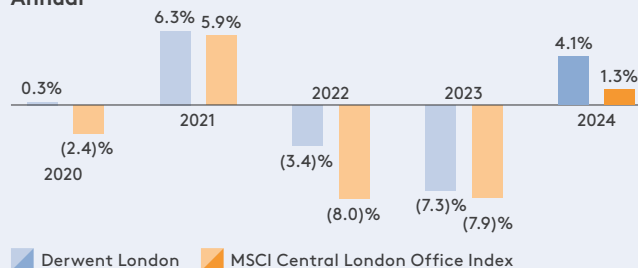
Strategic objectives **1 2 3 4 5**

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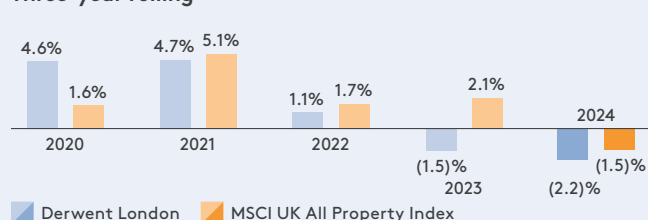
2. Total property return (TPR)

TPR 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

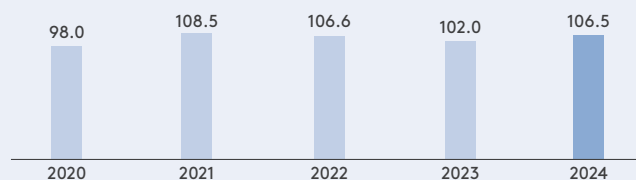
Good progress on delivery and de-risking of on-site projects resulted in a 2.8% outperformance of the MSCI Central London Office Index during 2024. The Group's three-year rolling average TPR is -2.2% pa, a 0.7% underperformance against the MSCI UK All Property Index. This was mainly due to the strength of the industrial sector in previous years.

Strategic objectives **1 2**

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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 to the IFRS profit can be found in note 38 on page 255.



Our performance

EPRA EPS increased 4.4% to 106.5p per share in 2024. This was mainly due to an increase in gross rental income at recently completed developments, and an increase in surrender premium income received in the year.

Strategic objectives **1 2**

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5. Gearing and available resources

The Group uses NAV gearing and EPRA LTV to monitor its capital position. The levels of cash and undrawn facilities, and uncharged properties remain under regular review to ensure sufficient flexibility to take advantage of acquisition and development opportunities.

| | 2023 | 2024 |
|-----------------------------|---------|----------------|
| EPRA LTV ratio | 27.9% | 29.9% |
| NAV gearing | 38.7% | 41.9% |
| Cash and undrawn facilities | £480m | £487m |
| Uncharged properties | £4,202m | £4,665m |

Our performance

After net investment in our portfolio of £150.6m in 2024, cash and undrawn facilities at year end increased to £487m.

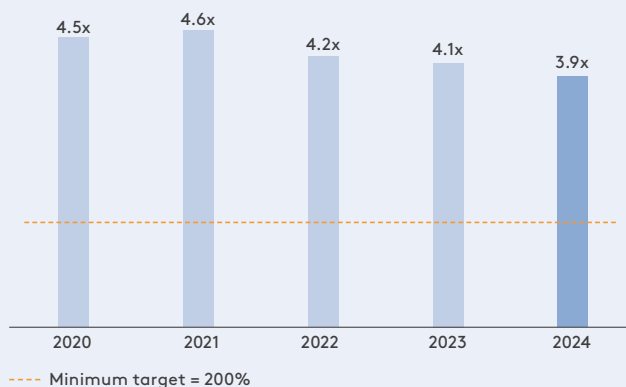
A fall in property values between June 2022 and June 2024 led to an increase in the NAV gearing and LTV ratios. However, with the stabilisation in valuations in H2 2024, both ratios remain at comfortable levels.

Strategic objectives **5**

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6. Interest cover ratio (ICR)

We aim for interest payable to be covered by net rental income at least two times. The basis of calculation, which is detailed in note 40 on page 261, is in line with the covenant which forms part of our unsecured bank debt.



Our performance

Net property income increased in the year but higher finance costs resulted in ICR decreasing slightly in 2024. We retain substantial headroom to the main ICR covenant of 1.45 times; rental income would need to fall by 62% before it was breached.

Strategic objectives **5**

A

Non-Financial

7. Reversionary percentage

This is the percentage by which cash flow from rental income would grow, assuming passing rent increases to the estimated rental value (ERV) and that on-site schemes are completed and fully let. This is used to monitor the Group's future income growth potential.

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|------|------|------|------|-----------|
| % | 54 | 65 | 49 | 50 | 57 |

Our performance

ERV increased by £10.9m to £320.5m in 2024, due to 4.3% rental value growth on standing and development properties, partly offset by disposals in the year. The £116m potential reversion at December 2024 is 57% of passing rent (£204m), of which 54% 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.

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|------|------|------|------|-----------|
| % | 43 | 48 | 43 | 44 | 47 |

Our performance

At the end of 2024, on-site developments and refurbishments represented 12% of the portfolio with a further 35% identified as potential schemes. Including the conditional acquisition of Old Street Quarter EC1, the development potential increases to 51%.

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

Strategic objectives **1**

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Non-Financial continued

9. Tenant retention

Maximising tenant retention, in the absence of regeneration plans, reduces void periods and vacancy levels, contributing to net rental income.

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|-------------------------------|------|------|------|------|-------------|
| Exposure (£m pa) ¹ | 12.5 | 19.7 | 13.2 | 21.5 | 17.9 |
| Retention (%) | 65 | 47 | 59 | 62 | 76 |
| Re-let (%) | 22 | 30 | 20 | 3 | 9 |
| Total (%) | 87 | 77 | 79 | 65 | 85 |

¹ Rental income subject to tenant breaks or expiries.

Our performance

Our retention and re-letting rate rose to 85% in 2024, partly due to timing of breaks and expiries but also evidence of the strong relationships we have with our tenants and the appeal of our product.

Strategic objectives 2

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11. BREEAM ratings

BREEAM is an environmental impact assessment for non-domestic buildings. Performance ratings are: 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 current on-site developments were rated BREEAM 'Outstanding'³ at Design Stage.

Strategic objectives 4**10. Void management**

To optimise our rental income we plan to minimise the amount of space immediately available for letting. Our aim is for this to remain below 10% of the portfolio's estimated rental value (ERV).

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|--------------|------|------|------|------|------------|
| Year end (%) | 1.8 | 1.6 | 6.4 | 4.0 | 3.1 |
| Average (%) | 1.3 | 2.3 | 5.7 | 4.3 | 3.2 |

Our performance

Our EPRA vacancy rate at year end was 3.1% and averaged 3.2% through 2024. The reduction compared to 2023 reflects a combination of strong letting activity of vacant space and a high retention and re-letting rate on lease breaks and expiries.

Strategic objectives 1 2

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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 developments 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.

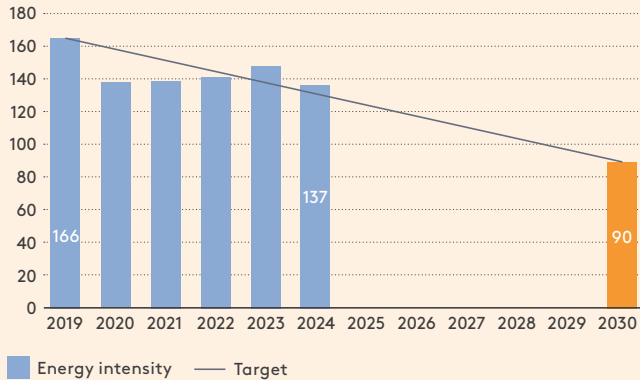
Our performance

Our two on-site developments are targeting an EPC rating of A².

Strategic objectives 4

13. Energy intensity

Energy intensity is measured as energy consumption over the gross internal floor area (kWh/sqm) across our managed portfolio. Our energy intensity target, which is aligned with our corporate target of achieving net zero by 2030, is 90 kWh/sqm in 2030, a reduction of 46% compared to our 2019 baseline.



Our performance

Energy intensity across our managed portfolio decreased by 8% from 2023 to 137 kWh/sqm, a reduction of 17% compared to the 2019 baseline. The decrease relates to a series of proactive initiatives implemented by the Property Management team, including shorter plant run-times, relaxed temperature set points and continued occupier engagement.

Strategic objectives 4

A R

15. Accident Frequency Rate (AFR)

This is calculated by multiplying the number of significant RIDDOR (Direct) injuries and incidents during the year by 1,000,000 and dividing by the total work exposure hours. This KPI, which was introduced in 2024, was previously based on total development RIDDORs injuries only.

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---------------------|------|------|------|------|------|
| RIDDOR (Direct) AFR | n/a | n/a | n/a | n/a | 1.35 |
| Developments | 2.72 | 1.26 | 3.60 | 4.38 | 1.75 |

Our performance

In 2024, the RIDDOR (Direct) AFR was 1.35 with 4 RIDDORs (Direct) reported. As a full year of data was not available for 2023, there is no prior year comparative.

Strategic objectives 4

A R

14. Embodied carbon intensity

Embodied carbon intensity is measured as the carbon emissions generated in the construction of new developments (upfront carbon, modules A1-A5) divided by the new gross floor area, measured in kgCO₂e/sqm. Our embodied carbon intensity targets are aligned with our net zero by 2030 pathway.

| | Completion | kgCO ₂ e/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 the embodied carbon footprint of our on-site developments, 25 Baker Street W1 and Network W1. Both projects are anticipated to have an embodied carbon intensity of 600 kgCO₂e/sqm or less, in line with our corporate targets.

Strategic objectives 4

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16. Staff satisfaction

We assess employee satisfaction through an annual staff survey, and target a satisfaction rate above 80%.

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|------|------|------|------|------|
| % | 96.3 | 90.5 | 88.4 | 87.5 | 91.2 |

Our performance

The measure of staff satisfaction increased to 91.2%, the highest it has been since 2020. This strong level is testament to our collaborative and supportive culture and the pride our staff feel in working at Derwent London.

Strategic objectives 3

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