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.

KPIs

Financial

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

Gearing measures
Gearing and available resources
Interest cover ratio

Non-financial

Operational measures
Reversionary percentage
Development potential
Tenant retention
Void management

Responsibility measures
BREEAM ratings
EPC
Energy intensity*
Carbon intensity
Accident Frequency Rate*
Staff satisfaction

* KPI introduced in 2021

Soho Place W1

Key
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

R Remuneration

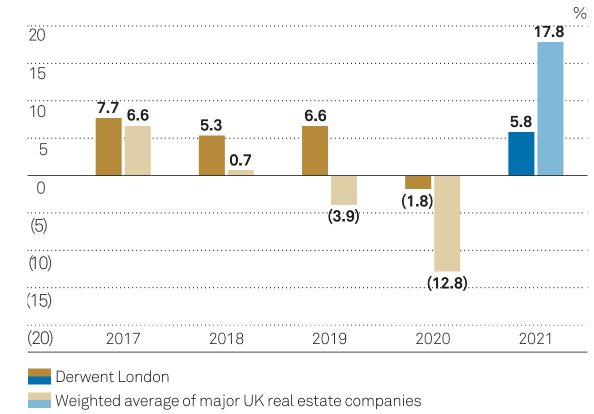
Financial KPIs	Our performance	Strategic objectives	Other

TOTAL RETURN

1. 2. 3. 4. 5. R

Total return equates to the combination of NAV growth plus dividends paid during the year. We aim to exceed our benchmark, which is the average of other major real estate companies.

Our total return in 2021 was 5.8%, against a benchmark of 17.8%, as the performance of several of our peers was positively impacted by their investment in other property sectors including the industrial sector. Despite this, Derwent London's average annual return of 4.7% over the past five years against a benchmark of 1.2% demonstrates the ability of our business model to generate above average long-term returns.



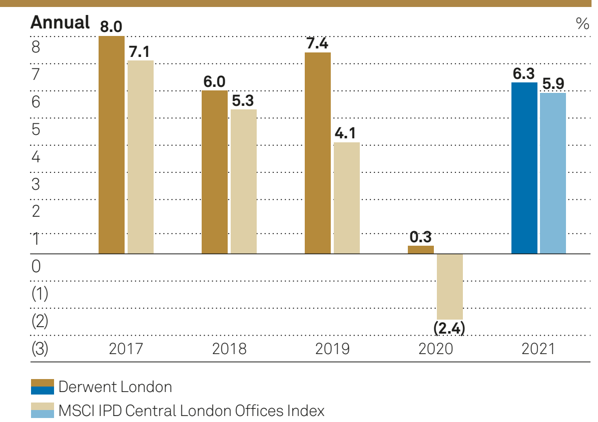
TOTAL PROPERTY RETURN

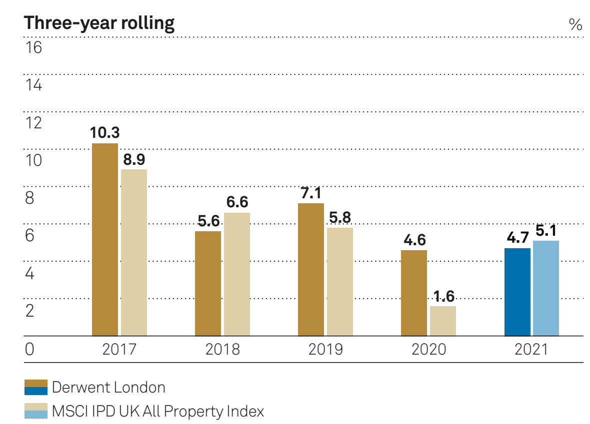
1. 2. R

Total property return is used to assess progress against our property-focused strategic objectives. We aim to exceed the MSCI Central London Offices Index on an annual basis and the MSCI UK All Property Index on a three-year rolling basis.

There was a 9.2% valuation uplift across our three major schemes in the year – Soho Place W1, The Featherstone Building EC1 and 19-35 Baker Street W1 – due to good progress on delivery and derisking of the projects. These developments contributed significantly to the portfolio's revaluation performance and were the main reason for the 0.4% outperformance of the MSCI Central London Offices Index during 2021.

The three-year rolling average of 4.7% pa demonstrates our ability to generate returns against a background of relatively stable rents and yields. This was a 0.4% underperformance against the MSCI UK All Property Index and was mainly due to the strength of the industrial sector in 2020 and 2021.





MEASURING OUR PERFORMANCE CONTINUED

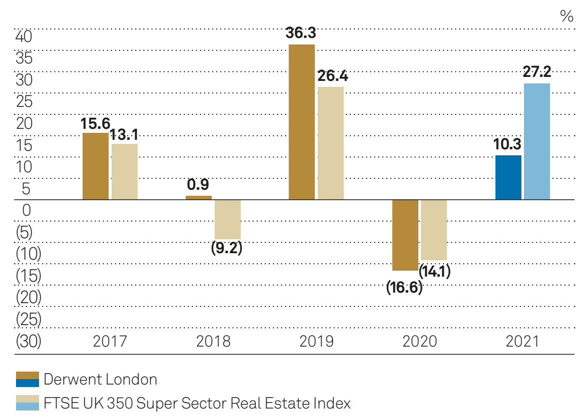
Financial KPIs | **Our performance** | **Strategic objectives** | **Other**

TOTAL SHAREHOLDER RETURN (TSR)

1. 2. 3. 4. 5. R

To measure 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.

The fall in the share price during the year, in comparison to those of our peers mainly invested in other property sectors, has meant that the Group underperformed its benchmark index in 2021. Despite this, the Group has delivered long-term returns slightly above the benchmark index, which is demonstrated by the fact that £100 invested in Derwent London at the start of 2012 was worth £271 at the end of 2021, compared with £266 for the benchmark index.

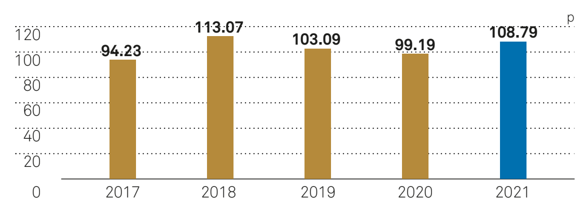


EPRA EARNINGS PER SHARE (EPS)

1. 2.

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.

EPS on an EPRA basis increased 9.7% to 108.79p per share in 2021. This is mainly due to the 2020 EPS being impacted by 9p per share of write-offs/impairment of receivable balances, to reflect the weakened financial position of some of our tenants. In 2021, write-off/impairment was only 1p per share. This was due to the improved financial position of many of our tenants. Note that the 2018 EPS included a one-off receipt of 14p per share.



GEARING AND AVAILABLE RESOURCES

5.

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.

Cash and undrawn facilities increased in the year following the £350m green bond issue. This was partially offset by net investment in our portfolio.

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

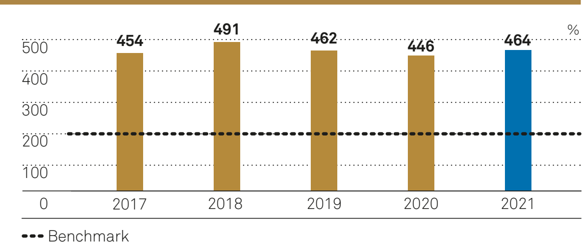
	2020	2021
LTV ratio	18.4%	20.8%
NAV gearing	24.3%	28.2%
Cash and undrawn facilities	£476m	£608m
Uncharged properties	£4,329m	£4,769m

INTEREST COVER RATIO (ICR)

5.

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 loan documentation for our unsecured bank facilities. See note 42 for the calculation of this measure.

The net interest cover ratio (ICR) increased again in 2021, mainly due to write-off/impairment of the receivable balances in 2020, which was included in net property income. As a result of the improved financial position of many of our tenants in 2021, there have been less write-offs/impairments required in the year. Rental income would need to fall by 69% before the main ICR covenant of 145% was breached.



80 Charlotte Street W1

Non-financial KPIs | **Our performance** | **Strategic objectives** | **Other**

REVERSIONARY PERCENTAGE

1. 2.

This is the percentage by which the cash flow from rental income would grow were the passing rent to be increased to the estimated rental value (ERV) and assuming the on-site schemes are completed and let. It is used to monitor the potential future income growth of the Group.

The Group's ERV increased by £2.7m during 2021 to £293.9m. This was helped by the uplift and full inclusion of 19-35 Baker Street, partly offset by disposals in the year. The 2021 ERV included potential reversion of £115.5m, 65% of the net passing rent of £178.4m, of which 47% is contracted.

	2017	2018	2019	2020	2021
%	69	72	79	54	65

DEVELOPMENT POTENTIAL

1. R

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

With on-site developments representing 14% of the portfolio at the end of 2021, and a further 34% identified as potential schemes, there are considerable opportunities to add value through regeneration. Following the reshaping of the portfolio in the year, which included selling some non-core assets and acquiring future development opportunities, our balance between core income and development potential is close to 50/50.

	2017	2018	2019	2020	2021
%	44	41	43	43	48

TENANT RETENTION

2. R

Maximising tenant retention following tenant lease breaks or expiries when we do not have redevelopment plans minimises void periods and contributes towards net rental income.

Our retention and re-let rate was 77% in 2021, which is below our average of 87% over the past 5 years. This is mainly due to minor refurbishment works being carried out on a number of units in which leases expired during the year.

	2017	2018	2019	2020	2021
Exposure (£m pa)[1]	6.4	14.6	10.4	12.5	19.7
Retention (%)	57	76	83	65	47
Re-let (%)	35	14	7	22	30
Total (%)	92	90	90	87	77

[1] Excl. properties sold during the year and space taken back for projects.

MEASURING OUR PERFORMANCE CONTINUED

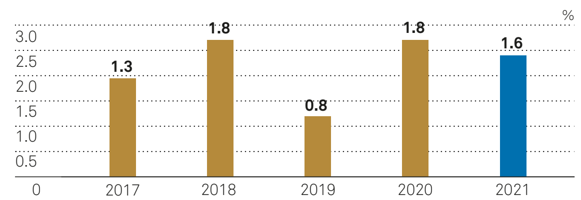
Non-financial KPIs	Our performance	Strategic objectives	Other

VOID MANAGEMENT

1\. 2. R

To optimise our rental income we plan to minimise the space immediately available for letting. We aim for this to be below 10% of the portfolio's estimated rental value.

Our ability to retain tenants and let space, particularly at our on-site developments and major refurbishments, has kept the vacancy rate low. At the end of 2021, our EPRA vacancy rate was under 2%, this was helped by the successful letting of all of 6-8 Greencoat Place SW1 prior to completion. Additionally, our asset managers have focused on tenant retention and the re-gearing of leases where possible across the portfolio.



BREEAM RATINGS

4\.

BREEAM is an environmental impact assessment method for commercial 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.

Our three developments currently on site were rated or expected to be rated BREEAM 'Outstanding' or 'Excellent' at Design Stage.

Following the completion of 80 Charlotte Street in 2020, it received a final BREEAM rating of 'Excellent' in 2021.

	Completion	Rating
Soho Place W1	H1 2022[1]	Outstanding[2]
The Featherstone Building EC1	H1 2022[1]	Outstanding[2]
19-35 Baker Street W1	H1 2025[1]	Excellent[1]

[1] Targeted
[2] Certified at Design Stage

ENERGY PERFORMANCE CERTIFICATES (EPC)

4\.

EPCs indicate the energy efficiency of a building by assigning a rating from 'A' (very efficient) to 'G' (inefficient). We target a minimum certification of 'A' for major new-build schemes and 'B' for major refurbishments.

Our three on-site developments, Soho Place, The Featherstone Building and 19-35 Baker Street are all targeting a certification of A or B.

	Completion	Rating
Soho Place W1	H1 2022[1]	B[1]
The Featherstone Building EC1	H1 2022[1]	A[1]
19-35 Baker Street W1	H1 2025[1]	A[1]

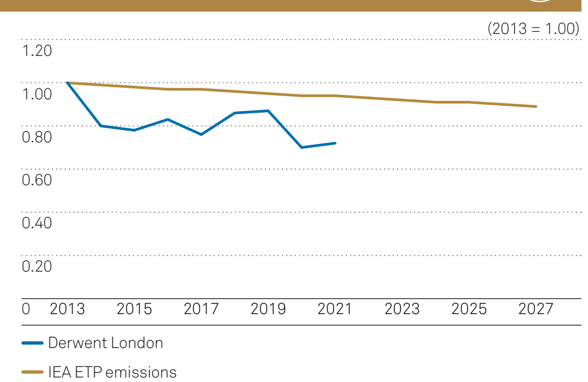
[1] Targeted

ENERGY INTENSITY

4\. R

This is a new KPI for 2021, and is measured by energy consumption (kWh) per square metre of landlord-controlled floor area across our managed like-for-like portfolio. Our target is an annual decrease of between 2% and 4% pa.

In 2021 landlord energy intensity in the like-for-like portfolio increased by 3%. This was outside our target range mainly due to increased occupation levels across the portfolio. The 28% reduction achieved since our base year of 2013 means we are on course to meet our 2027 energy intensity target. In 2022, we will continue to review our targets to ensure they are in line with our Net Zero Carbon Pathway.



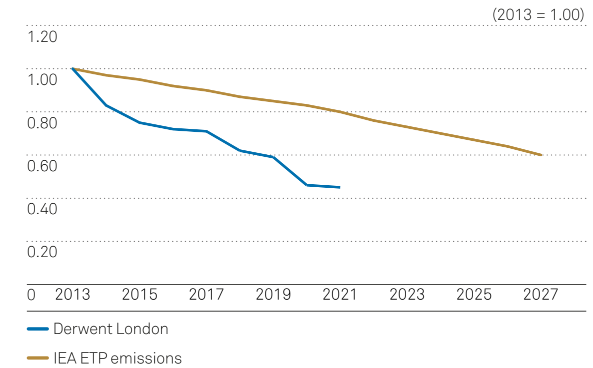
Non-financial KPIs	Our performance	Strategic objectives	Other

CARBON INTENSITY

4\. R

This is measured by emissions intensity per square metre of landlord-controlled floor area across our managed like-for-like portfolio. Our target is an annual decrease of between 5% and 10% pa.

In 2021 landlord (Scope 1 & 2) emissions intensity in the like-for-like portfolio decreased by 2%. Despite an increase in energy intensity as a result of the reoccupation levels across the portfolio, we are benefitting from the decarbonisation of the grid and the start of our transition to all electric heating and cooling systems. The 55% reduction achieved since our base year of 2013 means we are on course to meet our 2027 emissions target. In 2022, we will continue to review our targets to ensure they are in line with our Net Zero Carbon Pathway.



ACCIDENT FREQUENCY RATE (AFR)

4\. R

This is a new KPI for 2021, and 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.

In 2021, the AFR was 1.26 with only two RIDDORs reported. This is down from 2.72 in 2020, in which six RIDDORs were reported. The reduction has come mainly as a result of making health & safety a priority on all projects and ensuring the expectations and standards are communicated early on and included in all tenders.

	2020	**2021**
%	2.72	**1.26**

STAFF SATISFACTION

3\. R

The satisfaction of our employees is assessed through a number of questions in the staff survey. We aim to keep the satisfaction rate above 80%.

Despite another year of significant challenges for individuals and the business, staff satisfaction in 2021 remained high at 91%. We believe these figures reflect our collaborative and supportive workplace culture and the pride our staff feel in working for Derwent.

	2017	2018	2019	2020	**2021**
%	96.0	90.4	92.5	96.3	**90.5**