

Directors' remuneration report

Dear fellow shareholder,

I would like to introduce our Directors' remuneration report for 2008. Over the following pages we set out the principles and practice for Director remuneration, with information on what has been paid to whom and why. Throughout the report you will see a clear alignment between the rewards for Directors and the relative performance of the Company against a set of independent industry benchmarks. As a Board we are committed to operating with transparency; in line with this commitment we have provided a question and answer section with concise responses to some of the most common queries.

Alison Carmvath

Alison Carmvath
Chair, Remuneration Committee

What are the Company's pay principles in terms of remuneration for Directors?

Our pay and rewards should attract the best people to the business and incentivise them to produce superior returns for our shareholders. Therefore we believe we should reward people for achieving and exceeding Company targets. This is why a substantial part of our Executive Directors' reward is performance-related pay, with incentives to exceed industry benchmarks.

There are three key elements to the remuneration we provide:

Salaries reflect an individual's consistent performance and contribution to the business, as defined and decided by the Remuneration Committee. We aim to pay salaries at a mid-market level. Please see page 68 for more details on basic salaries.

Annual bonuses reward performance according to a set of key performance indicators, aimed at ensuring the Company delivers on its key priorities for the year. There is a bonus opportunity of up to 100% of basic salary and, at the Remuneration Committee's discretion, this can be increased to 130%. There is also an additional bonus opportunity of up to 200% of basic salary for exceptional performance. However, no Director may earn a bonus of more than 300% of basic salary in total. *Tables 51 and 52* on page 69 set out the criteria for each type of bonus.

Long-term incentive plan rewards for Directors are aligned with our long-term business objectives and the level of value created for shareholders. Please see page 70 for more on long-term incentives.

Why do you pay salaries in the mid-range for the industry?

With salary levels in the mid-range for our industry there is very strong motivation for Directors to achieve outperformance – and so secure a bonus. We believe this medium salary/high bonus approach creates greater value for shareholders.

What were the Executive Directors paid this year?

This table details the salaries and benefits, annual bonuses and long-term incentives – excluding pensions – given to our Executive Directors this year.

Table 48
What was the Executive Directors' remuneration for 2007/08? (£'000)

	Salary and benefits	Annual bonuses	Long-term incentives*
F W Salway	641	1,326	916
I D Ellis	431	538	626
M R Hussey	432	1,195	572
R J Akers	374	991	420
M F Greenslade	402	841	652

*Based on value of shares at 31 March 2008

Profits were down; why isn't this reflected in pay levels for Directors?

Salary levels are set according to market salary levels and the specific role of each Executive Director. They do not vary in line with the Company's profits in the year.

Annual bonuses are calculated according to specific criteria for each individual. These criteria relate to aspects of performance Directors can influence directly, such as performance against an independent industry benchmark. Directors who received a bonus this year did so because they met or exceeded their targets, and so helped the Company achieve relative outperformance.

This is a sound basis for setting bonus levels as it incentivises Directors to prioritise long-term value creation. It also means that in a strong growth market the Company must still outperform the market if Directors are to earn a bonus – they do not benefit simply because the market has grown. The Company must also outperform in poor market conditions if Directors are to receive a bonus.

The independent industry sector benchmarks we use are provided by the Investment Property Databank (IPD).

Directors who received a bonus this year did so because they met or exceeded their targets, and so helped the Company achieve relative outperformance.

How is share price performance factored into the Directors' remuneration?

It is factored in through the long-term incentive plan and also through awarding part of the annual bonuses in the form of deferred shares which vest after three years. However, it is not considered best practice to make share price performance a major incentive. This could encourage Directors to make decisions that bolster the share price in the short-term rather than decisions that benefit the Company and its shareholders in the long term.

However, all Executive Directors must, within five years of joining the Board, own shares with a value of at least 1.5 x basic salary – and for the Group Chief Executive 2.0 x basic salary – to ensure their interests are aligned with those of shareholders.

How have the discretionary bonus pool and the additional bonus opportunity been reflected in Directors' remuneration this year?

Ian Ellis was awarded a bonus from the discretionary bonus pool amounting to 45% of basic salary in recognition of the successful launch of the £1.1bn Trillium Investment Partners Fund in challenging market conditions. As a consequence of the significant relative outperformance in comparison with IPD benchmarks, which represented some £800 million of value preservation for shareholders, Richard Akers and Mike Hussey were awarded bonuses under the additional bonus opportunity of 200% of basic salary, with Francis Salway and Martin Greenslade being awarded bonuses of 130% of basic salary.

How much do you pay Non-executive Directors?

We pay a base fee and in 2007 this was set at £55,000 and set for two years. Non-executive Directors are paid further amounts for specific duties and responsibilities, such as chairing a committee, but are not paid more for attending Board Committee meetings. Please see [Table 56a](#) for more information on what we paid our Non-executive Directors this year.

Compliance

This report has been prepared by the Remuneration Committee (the Committee) in accordance with Section 1 of the Combined Code on Corporate Governance, the Companies Act 1985, as amended by the Director's Remuneration Report Regulations 2002 (the Regulations), and the Listing Rules of the Financial Services Authority. In accordance with the Regulations, this report has been approved by the Board and will be submitted to shareholders for approval at the Annual General Meeting to be held on 17 July 2008.

PricewaterhouseCoopers LLP has audited *Tables 54, 55, 56a, 56b, 57, and 59* and associated footnotes.

The Committee

Members of the Committee

The Committee was chaired by Sir Winfried Bischoff throughout the period under review. The other members of the Committee are Paul Myners (Chairman of the Board who was an independent Director at the time of his appointment as Chairman), and independent Non-Executive Directors David Rough, Sir Stuart Rose, Bo Lerenius and Alison Carnwath.

On 1 April 2008, Sir Winfried Bischoff retired from the Board and on that date Alison Carnwath assumed the chair of the Committee.

Sir Winfried Bischoff is the Chairman of Citigroup Inc., the parent company of one of the Group's principal relationship banks. However, by virtue of his character and experience the Board did not consider this relationship to compromise his independence.

Responsibilities of the Committee

The key responsibilities of the Committee take full account of the recommendations contained within the Combined Code and include the following:

- To determine and recommend to the Board an overall strategy for the remuneration of the Chairman, Executive Directors and senior managers
- To determine and recommend to the Board the individual remuneration packages for the Chairman (who is not present when his own remuneration is discussed), Executive Directors and senior managers
- To oversee any significant changes to employee benefits, including pensions
- To approve the design of and targets for performance-related incentive schemes
- To oversee the operation of all incentive schemes, including the award of incentives, and to determine whether performance criteria have been met.

You can see the Committee's terms of reference at www.landsecurities.com

Advisors to the Committee

The Group Human Resources Director, Angela Williams, provides information and advice to the Committee. The Committee has appointed and receives advice from Hewitt New Bridge Street (HNBS) and also makes use of various published surveys to help determine appropriate remuneration levels. HNBS has no other connection with the Group.

The Group Chief Executive and Group Human Resources Director are invited to attend meetings of the Committee but no Director is involved in any decisions relating to their own remuneration.

As detailed in the Corporate Governance report on page 63, the Committee's performance is reviewed annually by the Chairman with the assistance of the Company Secretary.

Remuneration policy and philosophy

The Group's remuneration policy seeks to provide remuneration in a form and amount to attract, retain and motivate high-quality management, recognising that the Group operates in a competitive market for talent. Emphasis is placed on delivering superior reward for achieving and exceeding the Group's business plan. A substantial proportion of the Executive Directors' remuneration is delivered through performance related pay. Executive Directors have substantial incentives to out-perform industry performance benchmarks.

A summary of the principal components of Executive Directors' remuneration is set out below. *Chart 49* illustrates the balance between fixed and variable pay at the target and maximum performance levels, assuming maximum participation in the Long Term Incentive Plan (LTIP). This information reflects the policy that operated during the year under review and there was no change in the balance between fixed and variable pay during that period.

The Group's remuneration policy is reviewed regularly, along with the balance between fixed and variable pay, to ensure that it remains appropriate and recognises developments in corporate governance best practice. Performance targets are set to align with Group strategic objectives and key performance indicators (KPIs) as outlined on page 7. *Tables 51 and 52* show how these elements are aligned.

During 2007/08, the Committee reviewed and made changes to two areas of remuneration for Executive Directors – the discretionary bonus pool and the additional bonus opportunity for exceptional performance. Further details of these changes are given below. The Committee also gave extensive consideration to remuneration matters associated with the proposed demerger of the Group. Details of these arrangements will be contained in the documentation to be sent to shareholders in connection with this transaction.

2007/08 Directors' remuneration

Executive Directors' remuneration comprises:

- Fixed pay, including basic salary, together with pension payments/contributions and benefits in kind; and
- Variable pay, comprising:
 - annual bonus
 - long-term incentives

Basic salary

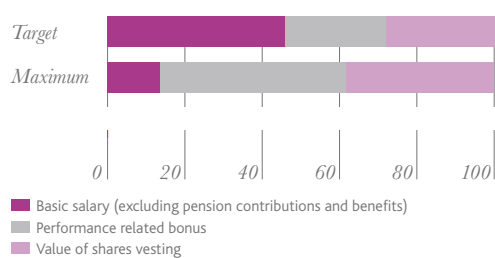
Executive Directors receive a salary which reflects their responsibilities, experience and performance. Salaries are reviewed annually with any changes taking place in July. The review process includes the use of comparator information and reports from the Group's remuneration consultants.

The Group's policy is to set salary around the mid-market rate, but the Committee is mindful of the need to treat pay comparisons with caution to avoid an upward ratchet of remuneration levels with no corresponding improvement in performance. The Committee also takes account of pay and employment conditions across the Group, especially when determining annual salary increases.

The current salaries of the Executive Directors (and in brackets, revised salaries to take effect from July 2008) are as shown in *Table 50*.

Chart 49

What was the balance of fixed versus variable pay? (%)



Source: Organisation

Annual bonus

During the year under review, the Executive Directors had individually tailored annual bonus performance targets that provided the potential to earn up to 300% of base salary.

The annual bonus opportunity was structured in two distinct parts:

- Bonus Opportunity: up to 100% of salary

The performance targets that applied to this part of the Executive Directors' annual bonus opportunity are set out in *Table 51*.

Table 50

What are the Executive Directors salaries?²

	Current	From 1 July 2008
F W Salway	£625,000	£645,000
M F Greenslade	£400,000	£414,000
I D Ellis	£420,000	£434,700
M R Hussey	£420,000	£434,700
R J Akers	£360,000	£372,600

Table 51

What were the criteria for the Directors' 2007/08 bonuses?²

F W Salway	Total returns in excess of WACC	Group profit	Performance of all business units	Strategic Review
M F Greenslade	Total returns in excess of WACC	Group profit	Performance of Group support functions	Strategic Review
I D Ellis	Total returns in excess of WACC	Group profit	Trillium profit	New business wins/opportunities
M R Hussey	Total returns in excess of WACC	Group profit	Investment performance	Business unit revenue profit
R J Akers	Total returns in excess of WACC	Group profit	Investment performance	Business unit revenue profit

Table 52

What were the targets for the Directors' additional bonus opportunities?²

Executive Directors	Performance Measures and Range	Additional Bonus
Managing Director of the Retail Portfolio	2%–4% outperformance of the relevant Retail business total property return (TPR) Benchmark ¹	0%–200%
Managing Director of the London Portfolio	2%–4% outperformance of the relevant London business total property return (TPR) Benchmark ¹ . Delivery of major office lettings at Ebbsfleet Valley, Kent ²	0%–200%
Chief Executive of Land Securities Trillium	4%–6% annual return on total capital employed above Weighted Average Cost of Capital (8%–13% above WACC for geared equity)	0%–200%
Chief Executive and Finance Director	Aggregated performance of London and Retail Businesses and Trillium relative to the above measures	0%–200%

1. The relevant sector benchmarks are provided by IPD and relate to ungeared total property return (reflecting the increase in the value of all assets plus income streams arising from those assets in the year). IPD benchmarks are generally acknowledged as the industry standard.

2. Applies only to major office lettings in excess of 50,000 sq. ft. at Ebbsfleet Valley, Kent, subject to profitability criteria.

Table 53

What annual bonus was each Director awarded?²

Executive Directors	% of year end salary	
	Total Bonus earned 2007/08	Total Bonus earned 2006/07
Chief Executive	212	109
Group Finance Director	210	104
Managing Director of the Retail Portfolio	275	71
Managing Director of the London Portfolio	285	106
Chief Executive of Land Securities Trillium	128	295

The Committee calibrated the bonus targets so that the achievement of a maximum payout under this part of the bonus arrangements would represent performance in excess of the Group budget and individual targets. 25% of any bonus award is compulsorily deferred into the Company's shares for a period of three years and receives a Matching Award under the terms of the LTIP (see below).

- Additional Bonus Opportunity: up to 200% of salary

This part of Executive Directors' annual bonus opportunity is intended to reward exceptional performance and value creation for shareholders. The performance targets that applied during 2007/08 are set out in [Table 52](#).

Total Property Return (TPR) was chosen as a performance measure for the investment portfolio element of the business because it is used both internally and externally within the property sector for measurement of relative performance. For the Chief Executive of Land Securities Trillium, the excess total return above the weighted average cost of capital (WACC) was employed because it remains a key measure of Land Securities Trillium's underlying financial performance.

The Committee calibrated the bonus targets that applied to this part of the Executive Directors' bonus opportunity so that the performance required was above that required for bonuses of up to 100% of salary. To provide some context as to the challenging nature of the performance targets, the TPR conditions are based on more than 10 years of historic data and require TPR performance to fall broadly within the top 30th percentile of each relevant Investment Property Databank (IPD) performance benchmark if any additional bonus is to be earned. The Committee considered the performance targets set for the Chief Executive, Land Securities Trillium to be as challenging as these TPR targets.

This year, to reflect Mike Hussey assuming responsibility for the Ebbsfleet Valley project in Kent, an additional similarly challenging criterion was introduced relating to the securing of major office lettings at that project, but this will not result in the additional bonus opportunity exceeding 200% in a single year.

During 2007/08 the Committee decided to adjust the requirement to carry forward both under- and over-performance against the relevant benchmarks into the next financial year. Now a payout for beating the IPD benchmark by more than 2% is conditional upon the relative

performance in that year and the prior year exceeding the IPD benchmark. For example:

- In year 1 performance is 1% below the IPD benchmark
- In year 2 performance is 3% above the IPD benchmark
- Payout for year 2 is based on performance in that year as the aggregate performance over the two years is at least equal to the benchmark.

The Committee considers this approach provides a greater individual incentive than targets recalibrated annually based on historic performance. The Committee's objective in introducing the additional bonus was to encourage a striving for material outperformance every year.

Half of any bonus earned between 100% and 300% of salary during 2007/08 was compulsorily deferred into the Company's shares for a period of three years which is considered highly retentive. Any deferral under this part of the annual bonus arrangements is not the subject of a matching award under the LTIP.

In recognition of the strategic importance of delivering the demerger of Land Securities Group into three separate trading entities, the Remuneration Committee is to apply alternative stretching performance criteria to both the Group Finance Director and Chief Executive's additional bonus opportunities in 2008/09.

These performance criteria are measurable and include:

- Achievement in relation to the budgeted costs of the demergers
- Achievement in relation to ongoing operational costs of all three business areas
- Delivery of process milestones to agreed timescales
- Other relevant criteria.

The Finance Director's entire additional bonus opportunity will be based on these revised criteria with the Chief Executive retaining half his additional bonus opportunity on the same conditions as for 2007/08 and half on the revised criteria above.

Alternative performance criteria, which are demerger-related, will also apply for the Chief Executive of Trillium in 2008/09. The criteria relate to the value ascribed to Trillium as a separate company and the conduct of the demerger of Trillium.

Other Executive Directors will remain on the 2007/08 targets, however, the Remuneration Committee will retain discretion to apply more appropriate targets related to the demerger if it considers it appropriate to do so.

Following a successful demerger, the bonus payouts will be up to 60% in cash with the balance paid in shares over up to a further two years. This is considered to provide a focused incentive over the critical timeline to the anticipated demergers.

Any bonus payouts related to the revised targets set out above or amendments to the 2007/08 targets for the other Executive Directors would be fully disclosed and explained in the relevant Prospectus or subsequent Directors' Remuneration Report.

Executive Directors have also been eligible to participate in a discretionary bonus pool for all employees which, if applicable, is normally in the range of 5-30% of salary. During 2007/08, the Committee agreed that discretionary bonus awards of up to 50% of salary may be granted in exceptional circumstances within the maximum of 130% of base salary for total annual bonus (excluding the additional bonus for exceptional performance). Such discretionary bonus payments are subject to an overall cap of £750,000 for payments to all Executive Directors in any one year. It remains the Committee's intention not to pay aggregate annual bonuses in excess of 300% of salary.

The actual total bonus payouts, inclusive of the additional bonus opportunity described above, that were earned in respect of the two financial years ended 31 March 2007 and 2008 are set out in [Table 53](#).

Long-term incentives

Executive Directors participate in the Long-Term Incentive Plan (LTIP) approved by Shareholders in 2005. The LTIP replaced the share option scheme approved in 2002 and also replaced, from 2006/07, the performance share matching plan, also approved in 2002. No changes were made to the operation of the LTIP in 2007/08. There is no retesting in relation to long-term incentives for Executive Directors.

The LTIP consists of the facility to make annual awards of Performance Shares and Matching Shares.

LTIP Performance Shares

In the year under review, Executive Directors were eligible to receive conditional awards of shares of up to 100% of salary ([Table 55](#)).

LTIP Matching Shares

Matching share awards are linked to co-investment by participants in shares ([Table 55](#)).

A Director's investment can be made through the deferral of an annual bonus award (with the maximum permitted investment by this means of 25% of base salary). Investment can also be made through the pledging of shares purchased in the

Table 54
What Performance Shares vested this year? (audited)

	Cycle ending	Award date	Market price at award date (p)	Shares awarded	Shares vested	Vesting date
F W Salway	2008	04/07/05	1405	21,234	21,234	04/07/08
I D Ellis	2008	04/07/05	1405	17,536	17,536	04/07/08
M R Hussey	2008	04/07/05	1405	14,600	14,600	04/07/08
R J Akers	2008	04/07/05	1405	8,228	8,228	04/07/08

*See Note 7 on page 72

Table 55
What LTIP and Matching Shares were awarded and vested this year?(audited)*

	Cycle ending	Award date	Market price at award date (p)	Shares awarded	Shares vested	Vesting date
F W Salway LTIP shares	2008	29/07/05	1393	40,464	40,464	29/07/08
	2009	29/06/06	1767	29,793	–	29/06/09
	2010	29/06/07	1731	36,106	–	29/06/10
Matching shares	2009	31/07/06	1973	30,302	–	31/07/09
	2010	31/07/07	1695	30,960	–	31/07/10
I D Ellis LTIP shares	2008	29/07/05	1393	24,631	24,631	29/07/08
	2009	29/06/06	1767	20,150	–	29/06/09
	2010	29/06/07	1731	24,263	–	29/06/10
Matching shares	2009	31/07/06	1973	17,564	–	31/07/09
	2010	31/07/07	1695	20,652	–	31/07/10
M R Hussey LTIP shares	2008	29/07/05	1393	23,927	23,927	29/07/08
	2009	29/06/06	1767	19,574	–	29/06/09
	2010	29/06/07	1731	24,263	–	29/06/10
Matching shares	2009	31/07/06	1973	18,144	–	31/07/09
	2010	31/07/07	1695	24,462	–	31/07/10
R J Akers LTIP shares	2008	29/07/05	1393	20,056	20,056	29/07/08
	2009	29/06/06	1767	12,306	–	29/06/09
	2010	29/06/07	1731	20,797	–	29/06/10
Matching shares	2009	31/07/06	1973	14,914	–	31/07/09
	2010	31/07/07	1695	19,004	–	31/07/10
M F Greenslade LTIP shares	2008	28/09/05	1471	22,679	22,679	28/09/08
	2009	29/06/06	1767	18,710	–	29/06/09
	2010	29/06/07	1731	23,108	–	29/06/10
Matching shares	2008	30/09/05	1479	16,666	16,666	30/09/08
	2008	01/06/06	1799	4,557	4,557	01/06/09
	2009	31/07/06	1973	16,844	–	31/07/09
	2010	31/07/07	1695	20,726	–	31/07/10

*Subject to performance tests (see page 73).

Table 56a

What emoluments did Directors receive? (£'000) (audited)

	Basic salary and fees	Benefits ¹	Bonuses		Deferred bonus shares ²		Total emoluments excluding pensions	
	2007/08	2007/08	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07
Executive:								
F W Salway	619	22	791	536	535	119	1,967	1,268
A M Collins (resigned 19 October 2006)	–	–	–	146	–	49	–	457
I D Ellis ³	413	18	451	669	87	483	969	1,546
M R Hussey	413	19	686	338	509	74	1,627	803
R J Akers	355	19	563	190	428	52	1,365	582
M F Greenslade	385	17	501	282	340	71	1,243	702
	2,185	95	2,992	2,161	1,899	848	7,171	5,358
Non-Executive:								
P G Birch (Chairman to 1 January 2007)	–	–	–	–	–	–	–	194
D Rough	77	–	–	–	–	–	77	69
Sir Winfried Bischoff	65	–	–	–	–	–	65	58
Sir Stuart Rose	55	–	–	–	–	–	55	50
B A Lerenius	55	–	–	–	–	–	55	50
A J Carnwath	55	–	–	–	–	–	55	50
P Myners (appointed a Director on 1 September 2006 and Chairman on 1 January 2007) ⁹	250	110	–	–	–	–	360	80
Total	2,742	205	2,992	2,161	1,899	848	7,838	5,909

Table 56b

What emoluments did Directors receive? (£'000) (audited)

	Pensions		Performance shares vested ⁶		LTIP and matching shares vested		Gain on exercise of share options	
	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07
Executive:								
F W Salway	155	148	315	271	601	–	–	465
A M Collins (resigned 19 October 2006)	–	95	–	–	–	190	–	–
I D Ellis	103	95	260	599	366	–	–	–
M R Hussey ⁴	103	131	217	398	355	–	–	542
R J Akers ⁴	97	136	122	53	298	–	–	105
M F Greenslade ⁴	96	131	–	–	652	–	–	–
	554	736	914	1,321	2,272	190	–	1,112
Non-Executive:								
P G Birch (Chairman to 1 January 2007)	–	–	–	–	–	–	–	–
D Rough	–	–	–	–	–	–	–	–
Sir Winfried Bischoff	–	–	–	–	–	–	–	–
Sir Stuart Rose	–	–	–	–	–	–	–	–
B A Lerenius	–	–	–	–	–	–	–	–
A J Carnwath	–	–	–	–	–	–	–	–
P Myners (appointed a Director on 1 September 2006 and Chairman on 1 January 2007)	–	–	–	–	–	–	–	–
Total	554	736	914	1,321	2,272	190	–	1,112

Notes:

- Benefits consist of the provision of a company car or car allowance, private medical insurance and life assurance premiums.
- Deferred bonus shares represent the value ascribed to shares awarded under the Deferred Bonus Plan. This therefore includes the deferred bonus shares to be awarded in July 2008 but vesting in July 2011.
- I D Ellis received fees of £36,875 from Rok plc in respect of his Non-executive Directorship of that company.
- The pension contributions for M R Hussey, R J Akers and M F Greenslade for 2006/07 contained additional contributions to correct a shortfall in respect of prior years.
- Pensions of **£61,902** (2007: £61,708) resulting from unfunded historic benefit obligations were paid to former Directors or their dependants.
- The Performance Share award for 2007/08 represents the value of shares that will vest as a result of performance targets satisfied during the year to 31 March 2008.
- For awards made under the Performance Share Matching Plan, vesting of awards is equally dependent on the growth in EPS (defined to be normalised adjusted diluted EPS (NADEPS) and TPR measured over a three year period. 25% of the total award vests for NADEPS growth of 2.5% p.a. rising on a straight-line basis to 50% of the total award vesting for achieving NADEPS of 4% p.a. The remaining half of an award vests, dependent on the Company's TPR equalling, or exceeding, the IPD All Fund Universe Index over a rolling three year period.
- The Committee determined that the long-term incentive awards made under the Performance Share Matching Plan in 2005, vested in full.
- From 1 April 2007, the Company agreed to assume, from Marks & Spencer Group plc, the cost of supplying a driver (including all employment costs) and fleet vehicle for Paul Myners. For 2007/08, the cost of this arrangement to the Company was £110,081.

market. Such additional investment is permitted to bring the Director's total investment to 50% of base salary (for this purpose the value of pledged shares is taken as the amount of gross salary that would have been required to fund the purchase of the shares). Accordingly, Executive Directors are eligible to receive a matching award of shares under the LTIP which is made at a ratio of up to 2 for 1 on a gross to net tax basis (up to 100 shares for every 30 purchased out of net income). The maximum Matching Share award is over shares with a value of 100% of salary.

Awards of LTIP Performance Shares and Matching Shares are subject to the same performance

conditions measured over three years. Half of any award will vest based on achieving increases in Normalised Adjusted Diluted Earnings Per Share (NADEPS). The other half will vest dependent on the Group's TPR equalling, or exceeding, IPD weighted indices that reflect the sector mix of Land Securities' investment portfolio. The targets:

- NADEPS Target
 - Growth of RPI + 3% per annum – 12.5% of the award vests;
 - Growth of RPI + 5% per annum – 50% of the award vests; and
 - Straight-line vesting occurs between these points.

- TPR target
 - Performance equal to the sector weighted IPD index – 12.5% of the award vests
 - Performance equal to the sector weighted IPD index plus 1% per annum – 50% of the initial award vests
 - Straight line vesting occurs between these points.

An overview example of the vesting range is shown in *Chart 60*.

The Committee considers NADEPS and TPR to be key long-term measures of the Group's performance.

Table 57

What options over ordinary shares do Directors have? (audited)

	Note	Granted during year			Exercised during year			No of options at 31/03/08	Exercise price (pence)	Exercisable dates
		No	Grant price (pence)		No	Exercise price (pence)	Market price on exercise (pence)			
F W Salway	(2)	43,065	–	–	–	–	–	43,065	1,159	07/2007-07/2014
I D Ellis	(2)	34,375	–	–	–	–	–	34,375	788	07/2006-07/2013
	(2)	41,759	–	–	–	–	–	41,759	1,159	07/2007-07/2014
	(3)	2,546	657	1,460	2,546	650	1,690	657	1,460	10/2010-04/2011
M R Hussey	(2)	23,727	–	–	–	–	–	23,727	1,159	07/2007-07/2014
	(3)	1,726	–	–	–	–	–	1,726	957	10/2009-04/2010
R J Akers	(1)	10,500	–	–	–	–	–	10,500	869	07/2004-07/2011
	(2)	7,750	–	–	–	–	–	7,750	788	07/2006-07/2013
	(2)	11,500	–	–	–	–	–	11,500	1,159	07/2007-07/2014
	(3)	1,392	–	–	–	–	–	747	957	10/2009-04/2010
			–	–	–	–	–	645	1,523	09/2011-03/2012
M F Greenslade	(3)	1,075	–	–	–	–	–	1,075	1,523	09/2011-03/2012

Notes:

- 2000 Executive Share Option Scheme. Vesting of awards is dependent on the Company's growth in normalised adjusted EPS exceeding the growth in RPI by 2.5% per year.
 - 2002 Executive Share Option Scheme. Vesting of awards is dependent on the Company's growth in normalised adjusted EPS exceeding the growth in RPI by at least 2.5% per year.
 - 2003 Savings Related Share Option Scheme. Not subject to performance conditions because it is available to all staff and HM Revenue & Customs' rules do not permit performance conditions to be set out for this type of scheme.
- The total number of options over ordinary shares held by F W Salway, I D Ellis, M R Hussey, R J Akers and M F Greenslade at 31 March 2008 was 43,065, 76,791, 25,453, 31,142 and 1,075 respectively. The total number of options over ordinary shares held by all Directors at 31 March 2008 was 177,526.
- The range of the closing middle market prices for Land Securities' shares during the year was 1377p to 2198p. The middle market price on 31 March 2008 was 1485p.

Table 58

What interests in shares do Directors have?

	Ordinary Shares		Deferred shares		LTIP performance shares**		Matching Shares**	
	2008	2007	2008	2007	2008	2007	2008	2007
	F W Salway	85,310	66,948	26,016	25,076	106,363	70,257	61,262
I D Ellis	59,849	26,407	63,672	48,122	69,044	44,781	38,216	17,564
M R Hussey	34,957	21,957	28,780	23,638	67,764	43,501	42,606	18,144
D Rough	11,400	7,675	–	–	–	–	–	–
Sir Winfried Bischoff	8,750	8,750	–	–	–	–	–	–
S A Rose	10,000	10,000	–	–	–	–	–	–
B A Lerenius	18,000	12,000	–	–	–	–	–	–
A J Carnwath	68,620	6,514	–	–	–	–	–	–
R J Akers	23,058	9,322	10,989	8,773	53,159	32,362	33,918	14,914
M F Greenslade	14,045	6,345	6,546	2,199	64,497	41,389	58,793	38,067
P Myners (appointed 1.09.07)*	20,000	10,000	–	–	–	–	–	–

* At date of appointment

** Subject to performance conditions (see page 73)

Table 59
Defined benefit pension scheme (audited)

	Accrued benefit at 31 March 2008 £	Increase in accrued benefits excluding inflation £	Increase in accrued benefits including inflation £	Transfer value of increase in accrued benefit excluding inflation £	Transfer value of accrued benefits at 1 April 2007 £	Transfer value of accrued benefits at 31 March 2008 £	Increase in transfer value net of directors' contributions £
R J Akers	24,918	1,879	2,754	26,723	224,387	352,679	124,940

The 'Increase in transfer value net of Directors' contributions' differs from the 'Transfer value of increase in accrued benefit' in that it reflects changes in the transfer value assumptions and market conditions over the year less the Directors' own contributions to the pension scheme.

The transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11. The transfer values of the accrued entitlement in respect of qualifying service represents the value of assets that the pension scheme would need to transfer to another pension provider on transferring the liability in respect of the Directors' pension benefits that they earned in respect of qualifying service. They do not represent sums payable to individual Directors and, therefore, cannot be added meaningfully to annual remuneration.

The maximum number of shares which could potentially vest as a result of historic long-term incentive awards and the number of shares which vested in the financial year are shown in *Table 55*. The Group's policy is to use market-purchased shares to satisfy the vesting of LTIP Performance and Matching Shares and for Deferred Share Awards. Future awards are partially hedged through on-market share purchases by an Employee benefit Trust which held 1,336, 275 shares at 31 March 2008.

Share options

Land Securities has historically operated share option arrangements for Executive Directors. Vesting of share options was subject to performance tests and was dependent on growth in NADEPS exceeding RPI by at least 2.5% per annum. Following the adoption of the LTIP in 2005/06, no further awards of share options have been made to the Executive Directors.

For grants made over the period 2000 to 2004, the Committee determined that the required level of increase in NADEPS was achieved and as a result the executive share options granted during that period are exercisable in full. Directors' options over ordinary shares are shown in *Table 57*.

Directors' emoluments

Table 56a and *56b* set out Directors' emoluments for the year under review and the financial year ended 31 March 2008. The basis of disclosure is on an 'accruals' basis, that is the annual bonus and Deferred Bonus Shares columns include the amount that will be paid and awarded respectively for performance achieved in the financial year under review. The Performance Shares 2007/08 column includes the value of Performance Shares which will vest in July 2008 as a result of performance measured over a three year period ended 31 March 2008.

Pensions

The Company operates a contributory money purchase pension scheme which was introduced for all staff joining the Group from 1 January 1999. Prior to the introduction of the contributory money purchase arrangement the Company provided pension benefits on a defined benefit basis. Following a review of pension provision in light of the tax changes that came into effect from 1 April 2006, it was decided that Executive Directors would continue to be entitled to a pension benefit that is equivalent to 25% of their base salary. Executive Directors have the flexibility

to determine how this 25% of salary benefit is used, as follows:

- Pension contributions may be made into the Land Securities contributory money purchase scheme up to the personal level that is advised plus a cash contribution on the balance
- 25% cash payment on base salary to invest outside Land Securities pension arrangements

Richard Akers participates in a defined benefit pension scheme (*Table 59*) which was open to property management and administration staff until 31 December 1998. This scheme is designed to provide, at normal retirement age, a pension of 1/60th of Pensionable Salary for each year of pensionable service. The scheme also provides lump sum death-in-service benefits on death before normal retirement age of four times Pensionable Salary and pension provision for dependants of members. Only basic salary is treated as Pensionable Salary. The benefits provided to Richard Akers are based on a Pensionable Salary which is subject to the statutory earnings cap. With effect from 1 April 2006 the defined benefit pension scheme has moved to future accrual on a 'CARE' (Career Average Revalued Earnings) basis on either a 1/80th accrual or 1/60th accrual subject to employee contributions. Richard Akers chose to accrue benefits on a 1/60th basis with employee contributions of 1% of basic salary in 2006, 3% of basic salary in 2007 and 5% of basic salary thereafter.

The balance of Richard Akers' pension allowance is paid to him to invest outside Land Securities pension arrangements.

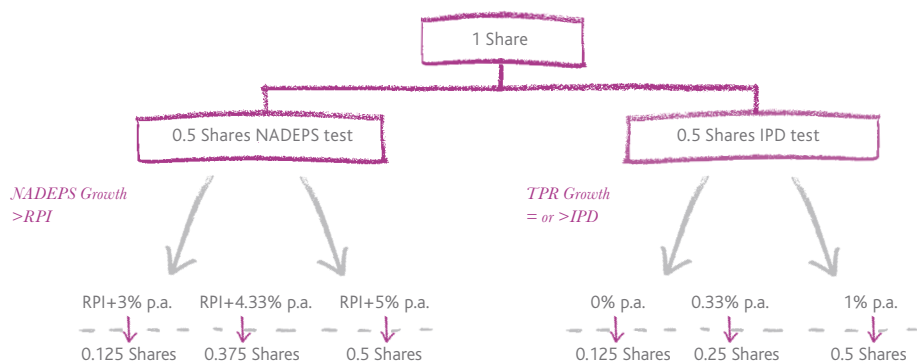
As disclosed in last year's Directors' remuneration report, the changes made to pension provision in 2006/07 did not provide a tax advantage to Executives and the changes made were cost neutral to the Company.

Non-executive Directors

The annual fees of the Chairman of the Board are determined by the Committee having regard to independent advice. The other Non-executive

Chart 60

What is the vesting range for LTIP Performance and Matching Shares?



Directors each receive a fee agreed by the Board following a review of fees paid by comparable organisations. The Board also takes into account the time commitments of the Non-executive Directors, which are reviewed annually as part of the Board appraisal process.

No increases in Non-Executive Directors' fees were awarded during the year under review since as part of a review of such fees in 2006/07 it was agreed to maintain the level of fees for a period of two years. The base Non-executive Directors' fee remained at £55,000. No additional fees are payable for attendance at Board or Committee meetings or for membership of Board Committees, but the additional fees outlined below are payable in respect of specific responsibilities:

Chair of Audit Committee	£15,000
Chair of Remuneration Committee	£10,000
Senior Independent Director	£7,500

Sir Christopher Bland serves as Non-executive Chairman of Trillium and receives additional fees of £100,000 per annum in respect of this role. Neither the Chairman nor the other Non-executive Directors receive any pension benefits from the Company, nor do they participate in any bonus or incentive schemes. Non-executive Directors are appointed under letters of appointment which provide for an initial term of service of three years. A specimen letter of appointment is available on the Company's website at www.landsecurities.com. The dates of the current letters of appointment of the Non-executive Directors are shown in *Table 61*.

The appointment of the Non-executive Directors can be terminated upon one month's notice while the appointment of the Chairman can be terminated upon three months' notice.

Table 61
When were the Non-executive Directors appointed?

Name	Date of appointment*	Date of current letter of appointment
D Rough	2 April 2002	29 April 2004
Sir Stuart Rose	21 May 2003	29 April 2004
B A Lerenius	1 June 2004	6 May 2004
A J Carnwath	1 September 2004	7 June 2004
P Myners	1 September 2006	20 Sept 2006
Sir Christopher Bland	1 April 2008	9 April 2008
R N Haythornthwaite	1 April 2008	24 April 2008
K O'Byrne	1 April 2008	9 April 2008

*Date of appointment to the Board of Land Securities Group PLC or its predecessor company, Land Securities PLC.

Sir Winfried Bischoff was appointed to the Board on 1 November 1999 and retired from the Board on 1 April 2008.

Service agreements

The Committee's policy on service agreements for Executive Directors is that they should provide for 12 months' rolling notice of termination by the Company. As a result, the unexpired term and the notice periods (both from the Company and from the Executive Director) are 12 months and there are no service contracts with provisions for predetermined compensation on termination which exceeds 12 months' salary and benefits in kind. Any proposals for the early termination of the service agreements of Directors or senior executives are considered by the Committee.

The dates of appointment and the dates of the service agreements of the Executive Directors are in *Table 62*.

Table 62
When were the Executive Directors appointed?

Name	Date of appointment*	Date of contract
F W Salway	2 April 2001	31 May 2005
M F Greenslade	1 September 2005	1 September 2005
I D Ellis	20 November 2002	28 January 2003
M R Hussey	30 September 2004	1 January 2006
R J Akers	17 May 2005	17 May 2005

*Date of appointment to the Board of Land Securities Group PLC or its predecessor company, Land Securities PLC.

The service agreements of the Executive Directors provide for phased payments of amounts payable on termination, in order to mitigate amounts potentially payable by the Company. Bonus, LTIP, redundancy and outplacement payments are considered by the Committee and are dependent on the circumstances of leaving and the rules of the relevant bonus and incentive schemes.

Chart 63
What is the total shareholder return produced by the Company?



Source: Thomson Financial

The Chairman and the other Non-executive Directors do not have service agreements with the Company.

Board approval is required before any external appointment may be accepted by an Executive Director. Any fees earned in relation to outside appointments are retained by the Executive Director.

Directors' shareholdings

The interests of the Directors in the shares of the Company as at 31 March are shown in *Table 58*.

There have been no changes in the shareholdings of the Directors between the end of the financial year and 13 May 2008, save that on 1 May 2008 Alison Carnwath acquired 59 shares under the Company's Dividend Reinvestment Plan. No Director had any other interests in contracts or securities of Land Securities Group PLC or any of its subsidiary undertakings during the year.

Shareholding guidelines

The Committee believes that it is important for a significant part of the compensation of each Executive Director to be tied to ownership of the Company's shares so that each Executive Director's interest in the growth and performance of the Company is closely aligned with the interests of our shareholders. The Committee has, therefore, established share ownership guidelines for the Company's Executive Directors. These guidelines require the Chief Executive to own shares with a value equal to twice his base salary and for other Executive Directors to own shares with a value equal to 1.5 times their base salary. An Executive Director must normally satisfy the guidelines within five years of his date of appointment or the date of introduction of this requirement in order to qualify for future awards of long-term incentives.

In May 2007, the Committee determined that Francis Salway and Ian Ellis had met the revised share ownership guidelines and in May 2008 the Committee agreed that Mike Hussey had met the revised guidelines. The Committee continues to monitor the other Executive Directors' progress against the guidelines on an annual basis.

In addition, Non-executive Directors are required to own shares with a value equal to their annual fees within three years of the date of their appointment.

Information regarding senior managers below Board level

The Group currently employs 34 senior managers in positions below Board level. None of these senior managers is paid at a rate higher than the Executive Directors and the structure of their remuneration package, including bonuses, is broadly consistent with that of Executive Directors. The senior managers are not eligible to participate in the additional bonus opportunity (that is above 100% of salary) for the delivery of exceptional financial returns described in this report but they are eligible to participate in the discretionary bonus pool of up to 50% of salary. During the year under review, bonuses for this group of employees ranged from 51% to 106% of salary, with an average bonus of 72% of salary.

Performance graphs

As required by legislation covering the Directors' remuneration report, *Chart 63* illustrates the performance of the Company measured by total shareholder return (share price growth plus dividends paid) against a 'broad equity market index' over a period of five years. As the Company is a constituent of the FTSE All Share Real Estate sector this index is considered to be the most appropriate benchmark for the purposes of the graph.

The Committee also considered that it would be helpful to provide an additional line to illustrate performance compared with the FTSE 100 index over the previous five years of the Company (*Chart 63*).

Signed for and on behalf of the Board by



Alison Carnwath

Report of the Directors – Additional disclosures

Share capital

The company was authorised at the Annual General Meeting held on 17 July 2007 to repurchase in the market ordinary shares representing up to approximately 10% of the issued share capital at that time with such authority to expire at the 2007 Annual General Meeting. 4,671,000 shares were repurchased in the year to 31 March 2008. A resolution to renew this authority in respect of up to approximately 10% of the issued share capital will be proposed at the 2008 Annual General Meeting.

Substantial shareholders

At 13 May 2008 the interests in issued share capital which had been notified to the Company under Part VI of the Companies Act 1985 are shown in *Table 64*.

Table 64

Which shareholders own over 3% of the Company's shares?

	Number of shares	%
Barclays plc/Barclays Global Investors	27,835,730	5.99
Legal and General Investment Management Limited	20,764,132	4.47
M&G Investment Management Limited	16,943,210	3.64
ABP Investments	16,697,313	3.59

Directors' indemnities

On 5 May 2006 the Company agreed in writing to indemnify each of the Directors against any liability incurred by the Director in respect of acts or omissions arising in the course of their office. The indemnity only applies to the extent permitted by law. A copy of the deed of indemnity is available for inspection at the registered office and at the Annual General Meeting.

Auditors and disclosure of information to auditors

So far as the Directors are aware, there is no relevant audit information of which the auditors are unaware and each Director has taken all reasonable steps to make himself or herself aware of any relevant audit information and to establish that the auditors are aware of that information.

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the Annual General Meeting.

Provisions on change of control

There are a number of agreements which take effect, alter or terminate upon a change of control; none of these are considered significant in relation to the Company. The Company's share schemes contain provisions which take effect in the event of a change of control. The provisions in relation to share schemes do not entitle participants to a greater interest in the shares of the Company than

that created by the initial grant or award under the relevant scheme.

Payment policy

The Group is a registered supporter of the CBI's Better Payment Practice Code to which it subscribes when dealing with all of its suppliers. The Code requires a clear and consistent policy that payments are made in accordance with contract or as required by law; that payment terms are agreed at the outset of a transaction and adhered to; that no amendments to payment terms are made without the prior agreement of suppliers; and that there is a system which deals quickly with complaints and disputes to ensure that suppliers are advised accordingly without delay when invoices or parts are contested. The effect of the Group's payment policy is that its trade creditors at the financial year end represented seven days' purchases.

Annual General Meeting

Accompanying this report is the Notice of the Annual General Meeting which sets out the resolutions for the meeting. These are explained in a letter which accompanies the Notice.

By order of the Board

P M Dudgeon
Secretary
13 May 2008