



Land Securities Group PLC
5 Strand
London WC2N 5AF

Dear shareholder,

The Board is committed to high standards of corporate governance. Your Company is compliant with section 1 of the 2008 Combined Code on Corporate Governance. We aim to lead our industry in the areas of Corporate Responsibility, environmental management, health and safety, customer service, and employee communication and development. Pursuit of this aim is helping to set Land Securities apart as an attractive employer, a valued partner, and a strong business with a sustainable future.

While it is important that we continue to enhance our formal structures, processes and procedures, good governance is ultimately about people – about the way everyone within this Company thinks and acts. For this reason, we place strong emphasis on behaviour, at all levels. The Board takes seriously its responsibility to demonstrate leadership so that good practice flows through the Company and informs the decisions and actions taken by employees each day. Ultimately, we aim to build a sustainable business for the long term, creating value for shareholders as a reward for taking risks.

In this section of the Annual Report, we define the high standards of corporate governance set out by the Board and review relevant actions and events from the year. We have included separate overviews from the Chairmen of the Audit and Remuneration Committees, together with my overview of the activities of the Nominations Committee. We commissioned a thorough, independent Board and Committee evaluation this year and you can read a summary of the outcome of this work on [p68](#).

A handwritten signature in black ink that reads "Alison Carnwath".

Alison Carnwath
Chairman

How we govern the Company

Compliance with the Combined Code

The Directors consider that the Company has complied fully with the provisions set out in section 1 of the Combined Code on Corporate Governance (the Code) as updated in June 2008 throughout the year ended 31 March 2010. Further details of how Land Securities applied the main principles of the Code can be found in this report and in the Corporate Governance section of the Company's website, www.landsecurities.com. The website also contains the terms of reference of the Audit, Nominations and Remuneration Committees.

The role of the Board

The Board was responsible for providing leadership for the Group. It ensured that the right strategy is set, acceptable risks are taken and appropriate financial and human resources were in place in order to deliver value to shareholders and benefits to the wider community. It also set standards for ethical behaviour and for monitoring environmental and health and safety performance. It sought to understand the needs of customers and stakeholders and to get closer to senior staff across the Group.

The Board operated in accordance with a written schedule of matters which require Board consideration, a copy of which is available on the Company's website, www.landsecurities.com. This schedule is backed by clearly defined written limits of delegated authority across the Group. The principal matters reserved to the Board include:

- authorisation of significant transactions in excess of £150m
- dividend policy
- internal controls and risk management (via the Audit Committee)
- remuneration policy (via the Remuneration Committee)
- shareholder circulars and listing particulars
- matters relating to share capital, such as share buybacks
- treasury policy and significant fundraising
- appointment/removal of Directors and Company Secretary

Board meetings and the agenda

During the year, the Board held eight principal Board meetings, at which the following subjects were discussed:

- Strategy – the Board held an off-site meeting at which the Company strategy was reviewed in the context of the macro- and micro-economic environment, potential legislative changes, competitor strategies and the need for the Company to create and exploit competitive advantage. An additional strategy session was held in the summer of 2009 to consider whether the Group's strategy remained appropriate in the context of the unprecedented events which affected the property and financial markets in 2008 and early 2009.
- Business plans – the Board reviewed at six-monthly intervals the five year forecasts, annual budget and business plan, all of which are designed to support the Company's strategy. In addition the Board reviewed a balanced scorecard which covers a number of non-financial measures.
- Progress reporting – as part of the detailed Board reporting, the papers circulated to the Board in advance of each meeting included business performance updates from the Chief Executive and the Group Finance Director. In addition, the half-yearly and annual results, together with a comparison of investment property performance to IPD indices on a six-monthly basis, were reviewed in detail.
- Compliance and external relationships – the Board reviewed Investor Relations, HR and Pensions, Corporate Governance, Health and Safety (with quarterly updates), Environmental performance, Board performance evaluation and Corporate Responsibility matters.

In addition to scheduled Board meetings, the Non-executive Directors are available throughout the year. From time to time they attend Board meetings arranged on an ad hoc basis or, if they are unable to attend such meetings, provide feedback in advance of the meeting. In addition, from time to time matters arise which require urgent approval prior to the next scheduled Board meeting and in such instances the approval of all Directors is sought by email. Non-executive Director sessions were held at the conclusion of Board meetings. A series of informal dinners was also held, attended by the Non-executive Directors and senior employees below Board level.

Board balance and independence

The roles of the Chairman and Chief Executive were split, with clear written guidance to support the division of responsibility.

The Chairman was primarily responsible for the effective working of the Board, ensuring that all Directors were able to play a full part in its activities. The Chairman was also responsible for ensuring effective communication with shareholders and making sure that all Board members are aware of the views of major investors.

The Chief Executive was responsible for all aspects of the operation and management of the Group and its business. His role included developing, for Board approval, an appropriate business strategy and ensuring that the agreed strategy was implemented in a timely and effective manner.

There was strong non-executive representation on the Board, which currently consists of the Chairman, four Executive Directors and six Non-executive Directors. The Board regards each of the six Non-executive Directors as being fully independent and the Chairman was independent at the time of her appointment to that position. The Board is satisfied that no individual or group of Directors has unfettered powers of discretion and that an appropriate balance exists between the Executive and Non-executive members of the Board. The Chairman held regular meetings with the Non-executive Directors without Executive Directors being present.

Details of the roles, backgrounds and other commitments of the Directors are shown in the Directors' biographies on [p55](#).

Board access to appropriate information

The Board was supplied with information in a form and quality to enable it to take informed decisions and to discharge its duties. Directors are provided with regular detailed briefings on the Group's business, the markets in which it operates and the overall economic and competitive environment. Other areas addressed included legal issues and responsibilities of Directors, the Group's governance arrangements and its Investor Relations programme. All Directors were encouraged to challenge and make further enquiries of the Executive Directors or management, as they considered appropriate.

The Company Secretary, through the Chairman, was responsible for advising the Board on governance matters and for ensuring good information flows within the Board. All Directors had access to the advice and services of the Company Secretary, as well as access to external advice, if required, at the expense of the Group (the procedure for Directors wishing to seek such external advice is published on the Group's website, www.landsecurities.com). No such external advice was sought by any Director during the year.

The minutes of the Audit, Nominations and Remuneration Committees were sent to the Board; minutes of the Nominations and Remuneration Committees may be subject to redaction, with the agreement of the relevant Committee, where this is considered necessary to exclude matters relating to a specific Director. The Committee Chairmen also reported to the Board on the outcome of Committee meetings at the subsequent Board meeting.

The Board instituted a series of meetings with senior employees below Board level which provided these employees with exposure to the Board and enabled the Board to learn more about the day-to-day running of the business.

Professional development support and training for Directors

Newly appointed Directors went through an induction programme before or immediately after their appointment to the Board. If this was their first appointment to the Board of a listed company, the induction programme included training on the responsibilities of a Director. A comprehensive and customised induction programme was provided for Chris Bartram on appointment which covered all of the significant areas of the Group's business, co-ordinated by the Company Secretary in accordance with guidelines issued by the Institute of Chartered Secretaries and Administrators (ICSA).

Non-executive Directors were encouraged to visit the Group's major properties to enable them to gain a greater understanding of the Group's activities. In addition, one Board meeting each year is held at an 'off-site' location and incorporates a visit to one of the Group's principal properties or developments. The 'off-site' meeting in January 2010 was held in central London and included a presentation on, and visit to, the Group's properties located in Victoria.

This year a series of Board development sessions has been instituted. This consists of briefings from external speakers providing the Board with a different perspective on matters relevant to the markets in which the Group operates, together with updates on subjects relating to their duties as Directors. Subjects covered or planned to be covered include an alternative view of the outlook for the property market set in the context of historical cycles, treasury and derivatives, and legal and health and safety aspects for directors of a property company.

The Board supports Executive Directors taking up Non-executive Directorships of listed companies as part of their continuing development as this will benefit the Company. As a matter of policy, such appointments are normally limited to one Non-executive Directorship. No such appointments were held by the Executive Directors during 2009/10.

Evaluation of the performance of the Board

A formal and rigorous evaluation of the performance of the Board, its Committees, the Directors and the Chairman is conducted each year as the Company recognises that their effectiveness is critical to its success. For the last few years the Board has undertaken a self-assessment. This year Independent Audit Limited (Independent Audit), an independent firm of consultants who specialise in board performance and corporate governance, was appointed to undertake a thorough independent review of the performance of the Board and its Committees. The process involved a review of information provided to the Board and Committees followed by confidential interviews with the Directors, the Company Secretary and the Head of Risk Management.

Independent Audit's report concluded that the Board and its Committees continue to operate effectively. It identified a small number of further actions to help support our commitment to continuous improvement. The key areas of focus are:

- Formalising at more frequent intervals a review of the interaction of assets and liabilities.
- Continuing to improve the relevance and user-friendliness of information going to the Board.
- Exploring ways for the Non-executive Directors to increase further their understanding of the business and the time they spend collectively and individually with Executive Directors.
- Considering whether agenda time should be made available for more free-ranging discussions.
- Exploring ways of framing the Board's risk appetite in more explicit terms and communicating it to the business.

The Board and its Committees will monitor progress and continue to review critically their effectiveness during the year ahead.

The Chairman's performance and leadership were reviewed in a one-to-one with the Senior Independent Director, while the Chairman held one-to-one interviews with the individual Board Directors to discuss their contribution.

Conflicts of interest

A new statutory duty on Directors to avoid conflicts of interest with the Company came into force in October 2008. The Company's Articles of Association were amended in July 2008 to allow the Directors to regulate conflicts of interest. The Board has adopted a policy and effective procedures for managing and, where appropriate, approving conflicts or potential conflicts of interest. Under these procedures, Directors were required to declare all directorships or other appointments to companies which are not part of the Land Securities Group and which could give rise to conflicts or potential conflicts of interest, as well as other situations which could give rise to a potential conflict of interest. This year the monitoring of these procedures was delegated to the Nominations Committee. The Committee agreed that there was a potential for conflicts of interest to arise in relation to the position of Chris Bartram as Executive Chairman of Orchard Street Investment Management. This was addressed by ensuring that, where appropriate, he was excluded from discussions and relevant information on potential acquisitions of property.

Approach to Investor Relations

Land Securities has a comprehensive Investor Relations programme which aims to provide existing and potential equity and bond investors with a means of developing their understanding of the Company and raising any concerns or issues they may have. Principal investors were offered meetings with senior management on a regular basis. In addition, the Chairman, Alison Carnwath, maintained contact with principal investors to keep the Board informed of their views. Further detail on the Group's Investor Relations activity is provided in our Corporate Responsibility Report 2010 www.landsecurities.com/crreport10.

The Board also received independent feedback on Investor Relations through a biennial presentation by Makinson Cowell, an independent adviser. Makinson Cowell undertook a comprehensive Investor Relations audit in 2009/10, benchmarking all aspects of the Investor Relations programme and interviewing principal investors to obtain their views on management and business performance. The Investor Relations department also received feedback from analysts and investors every six months through its corporate advisers.

An investor conference is held every year, focusing on the Retail and London businesses in alternate years. The conference provided investors and analysts with an update on the business, property tours and, importantly, an opportunity for the attendees to meet management below the executive level. The presentations and an audio-cast or web-cast of the conference were made available on the corporate website to enable those investors who could not attend to access all the information disclosed at the conference.

The Chairman and the Senior Independent Director normally attend the annual and half-yearly results meetings to which investors are invited and their attendance was notified to investors in advance. The Senior Independent Director was available to shareholders should they have any concerns which could not be resolved through the normal channels of communication with the Chairman or Chief Executive. No such concerns were raised by shareholders during the year ended 31 March 2010.

In relation to private shareholders, we actively encouraged feedback and communication, both on the Annual Report, at the Annual General Meeting and through regular meetings with the United Kingdom Shareholders' Association (UKSA).

The Annual General Meeting provided all shareholders with an opportunity to question the Company on matters put to the meeting including the Annual Report. Shareholders attending the Annual General Meeting were given a detailed presentation by the Group Chief Executive on the activities and performance of the Group over the preceding year. From the 2007 Annual General Meeting onwards, voting has been conducted by poll instead of by show of hands, since the result is more democratic because all shares represented at the meeting are voted and added to the proxy vote lodged in advance of the meeting. The results of proxy voting at general meetings were published on the Company’s website, www.landsecurities.com, as required by the Code.

Financial reporting and the ‘going concern’ basis for accounting

The Board seeks to present a balanced and understandable assessment of the Group’s position and prospects, and details are given in the Report of the Directors.

In order to satisfy themselves that the Company has adequate resources to continue in operational existence for the foreseeable future, the Directors have reviewed assumptions about future trading performance, valuation projections and debt requirements contained within the Group’s current five-year plan and reported against, internally, on a monthly basis.

This, together with available market information and the Directors’ knowledge and experience of the Group’s property portfolio and markets, has given them sufficient confidence to continue to adopt the going concern basis in preparing the accounts.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Internal controls to manage risk

The Board is responsible for the Group’s system of internal control and for reviewing its effectiveness. This system is designed to mitigate rather than eliminate the risk of failure to meet business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board confirms that its system is designed to be in accordance with the 2005 version of the Turnbull guidance. It has been in place for the year under review and up to the date of approval of the Annual Report and financial statements.

The key features of our system of internal control include:

- Strategic and business planning – the Group produces and agrees a business plan each year, against which the performance of the business is regularly monitored. Balanced scorecards are prepared that set out targets for a wide variety of key performance indicators, including risk management and internal audit actions.
- Investment appraisal – capital projects, major contracts and business and property acquisitions are reviewed in detail and approved by the Investment Committee and/or the Board where appropriate, in accordance with delegated authority limits.
- Financial monitoring – profitability, cash flow and capital expenditure are closely monitored and key financial information is reported to the Board on a monthly basis, including explanations of variances between actual and budgeted performance.
- Systems of control procedures and delegated authorities – there are clearly defined guidelines and approval limits for capital and operating expenditure and other key business transactions and decisions. Operational and financial procedures and controls are maintained on the Group’s intranet.
- Risk management – we have an ongoing process to identify, evaluate and manage the risks faced by the Group. The risk management process is set out in [Chart 44](#). We rate each risk in terms of probability of occurrence and potential impact on performance, and we identify mitigating actions, control effectiveness and management responsibility. Our approach is supported by an oversight structure. This includes the Audit Committee, which reviews on behalf of the Board the effectiveness of our risk management process.

The Group has established practices to monitor the risks and effectiveness of controls in relation to its financial reporting and consolidation processes including the related information systems. These are designed to ensure that any changes in accounting standards, as well as any areas of accounting judgement are identified and subject to consideration by management, the external auditors and the Audit Committee. A risk management framework is in place to identify, evaluate and manage risks, including key financial reporting risks. The effectiveness of key financial controls is subject to management assessment and self certification, and independent evaluation by the internal audit function.

In addition, the integrity of the financial reporting and consolidation processes and the completeness and accuracy of financial information are subject to review by Executive Management, the Audit committee and the Board.



Key risk management processes

An awareness of risk was embedded throughout the organisation. The principal tools used to assess and manage risk were:

- Six-monthly assessments – a compliance questionnaire was completed twice a year (before external reports are issued), which was signed off by senior managers, providing assurances that our business activities have been conducted appropriately (a similar questionnaire was completed annually in respect of joint ventures).
- Internal audit – this team was responsible for reviewing and testing key business processes and controls, including following up the implementation of management actions and reporting any overdue actions to the Audit Committee. The Director of Internal Audit and Risk Management reported to the Chief Executive and had direct access to the Audit Committee Chairman. The internal audit function operated a risk-based audit approach and provided a summary report on the operation of the system of risk management and internal control to support the Board's annual statement.
- Key controls – the implementation of a key controls toolkit, which was signed off by senior managers, providing assurance that key controls are both embedded and operating effectively within the business.

The Audit Committee reviewed the effectiveness of internal audit activities including the scope of work, authority and resources of the internal audit function. The Audit Committee on behalf of the Board reviewed the effectiveness of the systems of internal control and risk management. The review covered all material areas of the business including financial, operational and compliance controls and risk management. In performing its review of effectiveness, the Audit Committee took into account the following reports and activities:

- Internal audit reports on reviews of business processes and activities, including action plans to address any identified control weaknesses.
- Management's sign off on the effectiveness of the key controls.
- External auditors report on any issues identified in the course of their work, including internal control reports on control weaknesses, which were provided to the Audit Committee as well as executive management.
- Risk management reporting, including the status of actions to mitigate major risks and the quantification of selected risks.

The Board confirms that no significant failings or weaknesses have been identified from that review.

The Company has established a whistleblowing policy and hotline to enable employees to raise public interest issues on a confidential basis. The Committee was advised on a regular basis of any whistleblowing incidents.

Table 45

Attendance at Board and Committee meetings

The number of principal Board and Committee meetings attended by each Director during the financial year was as follows:

	Board (8 meetings)	Audit Committee (5 meetings)	Nominations Committee (2 meetings)	Remuneration Committee (4 meetings)
Alison Carnwath	8/8	–	2/2	4/4
Francis Salway (Group Chief Executive)	8/8	–	–	–
Martin Greenslade	8/8	–	–	–
Mike Hussey*	2/2	–	–	–
Richard Akers	8/8	–	–	–
David Rough (Senior Independent Director)	8/8	5/5	–	4/4
Sir Stuart Rose	7/8	–	0/2	2/4
Bo Lerenius	7/8	4/5	2/2	3/4
Sir Christopher Bland	8/8	–	1/2	–
Kevin O'Byrne	8/8	5/5	–	–
Chris Bartram*	6/6	2/3	–	–
Robert Noel*	2/2	–	–	–

*Actual attendance/maximum number of meetings a Director could attend as a Board/Committee member.

A note on Committees

Over the following pages you can read reports from the Chairmen of the Nominations Committee and the Audit Committee. The Remuneration Committee determines the remuneration and conditions of employment of the Executive Directors and senior employees, and you will find that Committee's activity described in detail in the Directors' remuneration report.

A note from the Nominations Committee



Land Securities Group PLC
5 Strand
London WC2N 5AF

Dear shareholder,

The Committee seeks to ensure that there is a balanced and effective Board in terms of skills, knowledge and experience. It also reviews the leadership needs of the Group and is responsible for identifying and developing talent across the Group. This year the Nominations Committee comprised myself, Sir Christopher Bland, Sir Stuart Rose, David Rough and Bo Lerenius.

During the year under review, the principal focus of the Committee was succession planning for both the Board and across the Group as a whole. The Committee looks at identifying and developing internal talent as well as bringing in new people to ensure that we have the right skills in key areas of the business. We met four times. Two of these meetings were arranged on an ad hoc basis to consider and recommend to the Board the appointments of Chris Bartram and Robert Noel. External search consultants were used in relation to the appointment of Chris Bartram.

At the remaining two meetings, the Committee considered Board structure, size, composition and succession needs, keeping under review the balance of membership and the required blend of skills, knowledge and experience of the Board. We decided to propose all Board members for re-election at the Annual General Meeting every year in order to enhance accountability to shareholders.

Having reviewed the effectiveness and commitment of Non-executive Directors at the conclusion of their specified terms of office, the Committee made recommendations to the Board on their reappointment. The Committee concluded that all of the Non-executive Directors were demonstrating a high level of time commitment and effectiveness in respect of their Board participation. If a Non-executive Director has served on the Board for more than six years, the Committee conducts a particularly rigorous review before making its recommendation to the Board. There are currently two Non-executive Directors who have served on the Board for more than six years, David Rough and Sir Stuart Rose, who joined the Board in April 2002 and May 2003 respectively. Bo Lerenius joined the Board in June 2004 and, accordingly, was subject to a particularly rigorous review prior to being proposed for re-election at the 2010 Annual General Meeting.

During the year the Committee reviewed the time required from Non-executive Directors, and the annual performance evaluation was used to support the Board's conclusion that the Non-executive Directors were spending sufficient time to fulfil their duties. The Committee also reviewed succession plans for Executive Directors and senior managers.

When considering candidates, the Committee used – and continues to use – objective criteria. All appointments are made on merit.

Alison Carnwath
Chairman, Nominations Committee

A note from the Audit Committee



Land Securities Group PLC
5 Strand
London WC2N 5AF

Dear shareholder,

I would like to summarise the approach adopted by the Audit Committee and report on the work of the Committee over the past year.

During the year under review, membership of the Audit Committee comprised myself, David Rough and Bo Lerenius, together with Chris Bartram, who joined the Committee following his appointment to the Board in July 2009.

The Committee aims to ensure that the Company has appropriate processes in place to identify potential risks and develop mechanisms for avoiding or mitigating those risks. The Committee is assisted in this by the external auditors and by our internal audit and risk management team. The Committee's written terms of reference are available on the Company's website, www.landsecurities.com. Our principal oversight responsibilities cover:

- internal control and risk management
- internal audit
- external audit (including auditor independence)
- financial reporting

The Committee met five times during the year. As Audit Committee Chairman, I invited other Group Board Directors to attend from time to time. In addition, the Director of Risk Management and Internal Audit and representatives from the external auditors, PricewaterhouseCoopers LLP (PwC), were also present at each meeting. The Committee also met separately with the external and internal auditors. In addition, as Chairman of the Audit Committee, I met separately with the external valuers. The Committee undertook the following activities at its meetings:

- reviewed the half-yearly and annual results and considered any matters raised by management and the external auditors
- reviewed and approved the audit plans for the external and internal auditors
- monitored the scope, effectiveness, independence and objectivity of the external audit
- discussed the results of internal audit reviews, significant findings, management action plans and the timeliness of resolution
- reviewed the reports and processes which support the Board's sign-off on the system of internal control [p69](#)
- reviewed reports on the Group's risk management measures and actions

In conjunction with the Board appraisal detailed on [p68](#), the Committee also reviewed its own effectiveness and concluded that it had continued to operate as an effective Audit Committee.

This year we introduced a risk workshop for the whole Board, to allow all Directors to contribute to the process of identifying and rating the Company's risks. We intend to repeat this process, holding a full risk workshop every two years. Follow-up to the output from this workshop is scheduled for the Audit Committee and Board meetings.

During the year, the Audit Committee appraised the effectiveness of the external auditors, PwC, and the external audit process. The evaluation process included feedback

from relevant members of management and the results were reported to the Board and Audit Committee.

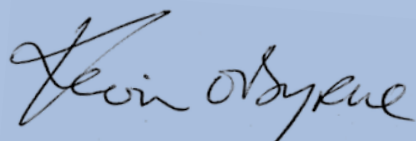
Throughout the year, the Company had a policy and procedures in place to monitor and maintain the objectivity and independence of the external auditors. The policy requires prior approval by the Chairman of the Audit Committee of non-audit work above a de minimis threshold level of £25,000. On a six-monthly basis, the Audit Committee reviewed a summary of all non-audit work. In addition to the audit related services, PwC provided the following services during the year:

- taxation advice, including planning and compliance
- advice on IFRS accounting.

Details of the amounts paid to PwC are set out in [note 7](#) to the financial statements. The level of non-audit fees has fallen significantly compared to the previous year, during which PwC carried out extensive work on the disposal of Trillium and the Rights Issue. The external auditors reported to the Committee that they remained independent and had maintained internal safeguards to ensure their objectivity.

During the year, the Committee applied its policy and procedures to monitor the objectivity of the external valuers, Knight Frank. For further information on the processes and methodology adopted by the external valuers, please refer to [p33](#) of this report. The valuers and external auditors have full access to each other. These advisers have a dialogue and exchange of information that is independent of the Group. The Audit Committee Chairman attends key valuation meetings (as do the external auditors) to be assured of the independence of the process. In addition, Knight Frank presented to the Audit Committee following completion of their 2009/10 valuation process.

In line with the Carsberg Committee report, we have a fixed fee arrangement with our valuers. The proportion of total fees paid by the Company to the total fee income of Knight Frank LLP was less than 5%. The Audit Committee regularly reviews the total fees the Company pays to Knight Frank as a proportion of the total fees paid to all of our property advisers. The Committee is satisfied it represents only a small proportion of the total.



Kevin O'Byrne
Chairman, Audit Committee

Although all of the Committee members are considered to be appropriately experienced to fulfil their role, Kevin O'Byrne is considered as having significant, recent and relevant financial experience in line with the Code. Further details of each of the independent Directors are set out on [p55](#)