

Contributing to the success of **London's West End**

PLACES

PEOPLE

SPACES

Shaftesbury

Annual Report 2021

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carnaby.co.uk

sevendials.co.uk

chinatown.co.uk

thisissoho.co.uk

theyardscoventgarden.co.uk

Shaftesbury is a Real Estate Investment Trust (REIT) which invests exclusively in the heart of London's West End.

Our purpose is to contribute to the success of London's West End by curating lively and thriving villages where people live, work and visit.

Our values



Responsible



Long term



Community minded



Original



Human

▲ Read more on pages 76 to 77

Portfolio clustered in iconic locations



16.0 acres

and 1.9 acres owned in joint venture

1.9m sq ft

commercial and residential space
and 0.3m sq ft in joint venture

c. 600

buildings

▲ Read more on pages 12 to 13

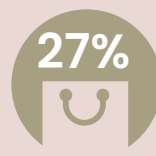
Adaptable mixed-use buildings with management flexibility

Hospitality & leisure



37%

Retail



27%

Offices



18%

Residential



18%

% of wholly-owned portfolio valuation

▲ Read more on page 15

Experienced, innovative team



Employees: **54**

Female: **69%**

Male: **31%**

Senior leadership team: **16 years**
average length of service

▲ Read more on pages 76 to 78

The Shaftesbury proposition

As long-term custodians of our ownership clusters, we adopt a holistic approach to delivering long-term social and economic value for the benefit of our stakeholders. By combining our strengths, culture and values, we achieve success beyond profit to contribute to the success of the West End.

Impossible-to-replicate portfolio

- Clustered in the busiest parts of the West End
- Focused on uses with a long history of occupier demand exceeding availability
- Small to medium-sized space with competitive rental levels

▲ Pages 12 to 15



Experienced and innovative management team

- Forensic knowledge of the West End property and occupier markets
- Skilled in adapting our buildings and space to meet occupiers' evolving needs
- Culture of innovation

▲ Pages 76 to 78



Long-term village management strategy

- Focus on sustained income growth
- Adaptable portfolio with a mix of uses
- Modest capital expenditure model

▲ Page 16



Long-term growth prospects

- Benefitting from London's global city status, scale and economic outlook
- Exceptional locations bring long-term resilience

▲ Page 14



Responsible

- Sustainable re-use of buildings
- Net zero carbon 2030
- Good relationships with occupiers, local authorities and local communities
- Open and inclusive culture
- Effective governance and risk management

▲ Sustainability: pages 58–69; Stakeholder engagement: pages 70–75; Our people and culture: pages 76–78; Risk management: pages 86–87; Governance: page 109



Low risk

- Target stable long-term income and capital returns
- Prudent financial and risk management
- Tax-efficient REIT structure

▲ Pages 82 to 83



PLACES PEOPLE SPACES





Interview with the Chief Executive

Brian Bickell
answers questions
on our performance
and activities during
this challenging year,
the evolution of our
business and longer-
term challenges
and priorities



Looking back over the year, how will you remember it?

Clearly, it's been a year dominated by the Covid-19 pandemic. Although at the time of my statement in December last year there were the first signs of effective vaccines and a route out of this national and global crisis, we faced a further four months of lockdown, and then three months of gradually easing restrictions before "Freedom Day" on 19 July. That day marked the first time in 17 months that our 600+ hospitality and retail occupiers, and businesses across the West End, could begin to trade normally.

What followed has been a remarkable bounce back in activity across the West End, as domestic visitors and workers returned, with footfall and spending in our villages well on the way to returning to, or in some cases already exceeding, their pre-pandemic levels.

Particularly heartening has been the sustained recovery, starting in April, in demand from businesses looking to take space in our locations, as well as the return of residential occupiers, and since then we have concluded new lettings with a rental value of £17.0 million. With our occupancy now close to pre-pandemic levels, this is a clear endorsement of the actions we have taken throughout the pandemic to protect the offer and appeal of our villages and the long-term prospects for our portfolio.

With the long and often dispiriting days of last winter behind us, and the streets now once again buzzing with life, the year can only be described as an economic and emotional roller-coaster.

How has your pandemic strategy positioned the business for recovery?

From the outset of the pandemic in early March 2020, our focus has been to support our occupiers, employees and local community through this unprecedented period of disruption. For businesses which relied on the West End's year-round, seven-days-a-week footfall, trading and global attraction, the sudden loss of revenue posed an existential threat to their survival. We set ourselves the task of doing all we could to give them the financial support and confidence for as long as necessary to ensure they could restart trading and repair their businesses as soon as Government restrictions allowed.

Our support, tailored to individual occupier's needs, was given through a mix of waiving and deferring rents, drawing against rent deposits, extending lease tenures, digital (and when permitted) physical marketing initiatives and providing additional al fresco seating capacity where possible. Our support has been successful in mitigating vacancy across our portfolio, enabling all our villages to fully reopen with their popular hospitality and retail line-up largely intact, driving a strong and sustained revival in footfall and spending. This in turn has been a catalyst for the swift rebound in occupancy, as businesses and residents seek space with us, which has led to a recovery in the valuation of our portfolio in the second half, reversing half of the 10% decline we saw in the first six months of the year.

What has been the effect on this year's results?

Occupier financial support measures have been in place throughout the year and were increased when it became clear that footfall-reliant businesses had lost most of the valuable festive trading period at the end of last year, and were unlikely to resume operations until April at the earliest.

With conditions improving as restrictions were lifted, our financial support began to taper and was largely withdrawn from October 2021. In the event of reimposition of extended restrictions, we will take appropriate action to further support our occupiers.

Inevitably, our net property income decreased this year, falling 13% to £64.7 million as a result of reduced occupancy, the rental support we provided, charges for expected credit losses and an increase in property charges, largely as a consequence of significantly higher vacancy levels. Compared with the year ended 30 September 2019, the 17-months of pandemic dislocation has resulted in a 34% decline in annual net property income.

“The long and often dispiriting days of last winter are behind us and the streets are now once again buzzing with life”

Our portfolio, which was valued at the year end at £3.0 billion, is now seeing the first signs of a return to growth.

The valuation deficit (net of disposal profits) reported in the first half of £331.4 million was partly offset by a recovery in values in the second half, as confidence and activity returned to the occupational market and both vacancy levels and provisions for future rental support decreased. Reflecting the more-optimistic operating and trading outlook, investor confidence became more positive, particularly in the latter months of the year. As a result, taking the year as a whole, the net valuation deficit amounted to £196.9 million, compared to £698.5 million in 2020.

The loss for the year after the annual revaluation deficit and taxation amounted to £194.9 million, compared with a loss of £699.5 million last year. EPRA earnings², which exclude valuation movements and disposal profits, were £13.3 million, compared with £29.4 million last year.

At 30 September 2021, EPRA NTA² stood at £6.19 (2020: £7.28)¹, a decline of 15%. Of the decrease, 56 pence related to the equity raise in November 2020, and 53 pence mainly reflected the annual net valuation declines in the wholly-owned and Longmartin portfolios, offset by retained earnings.

The equity raise in November 2020 ensured we had the financial resilience to weather pandemic disruption this year. With the strength of our Balance Sheet, we have the financial capacity to deal with further disruption, if necessary, and we are well-positioned to take advantage of investment opportunities providing the outlook remains positive. At 30 September 2021, our loan-to-value ratio² was 24.9% and available resources amounted to £311.3 million.

“Footfall and spending in our villages are well on the way to returning to, or in some cases already exceeding, their pre-pandemic levels”

¹ Adjusted for the bonus element inherent in our equity raise in November 2020

² Alternative performance measure: see page 193

Now that operating conditions are improving, what is the Board's view on dividends?

In March 2020, as the implications of the pandemic for the Group's business became apparent, in order to preserve liquidity, the Board took the very difficult decision to suspend its strategy of progressive growth in dividends, for the first time since the Company floated in 1987.

In May 2021, the Board declared an interim dividend of 2.4p, primarily to meet the PID requirements of REIT legislation, which obliged us to make a distribution in respect of last year's profit, calculated by reference to tax rather than accounting rules.

The recent revival of the West End and the Group's operations, and prospects for a sustained improvement have changed our operational outlook. With our strong financial position, the Board is now able to reinstate its progressive distribution policy, with the resumption of dividends which will track the growth in net property income and earnings over time.

The Board is therefore pleased to recommend a final dividend for the year of 4.0 pence per share, which, if approved at the 2022 AGM, will be paid on 11 February 2022.

“ The Board is now able to reinstate its progressive distribution policy, with the resumption of dividends which will track the growth in net property income and earnings over time ”

Is the fast-improving outlook influencing your investment strategy?

Last year, pandemic uncertainties led us to place a moratorium on new schemes and acquisitions, other than by exception. Existing schemes have continued to completion, and where space has become vacant, we have continued to ensure it is refurbished appropriately to enhance letting prospects. This has been an important factor in enabling us to satisfy the recent rapid recovery in demand for space across our locations, leading to the continuing reduction in vacancy towards more-normal levels.

With the revival of the West End firmly established, and strong occupier demand across each of our uses, we are now relaxing our moratorium on new schemes and acquisitions. We have already identified a number of schemes which we expect to start in 2022.

The local investment market is now coming back to life, having been exceptionally quiet during the extended period of pandemic disruption. While long-term private owners of buildings in our locations are traditionally reluctant to sell, we have been able to acquire or contract to purchase five buildings within our core ownership clusters during the year, at a total cost of £21.1 million. They each offer medium-term asset management opportunities and will benefit our adjoining holdings.

We expect further opportunities to appear in the period ahead, as the re-opening of the local investment market to domestic and overseas buyers may spur owners to sell buildings, particularly those requiring investment to restore their income potential.

We have taken advantage of investor appetite to sell two buildings which we no longer consider to be part of our longer investment strategy, realising gross proceeds of £12.3 million. This included a disposal contracted since year end for £7.0 million, 14% above book value at 30 September 2021. We intend to continue the selected disposal of the limited number of buildings that no longer meet our investment criteria.

What trends are you seeing as we emerge from the pandemic?

There has been a noticeable acceleration in trends which were already apparent before the onset of the pandemic, as well as changes in expectations as society begins to recover from an unprecedented period of disruption to patterns of life and activity. Being prepared for a future that may be very different to past experience is embedded in our culture, which has always encouraged, embraced and anticipated change.

Having endured long periods of lockdown and travel restrictions, it is clear that visitors are keener than ever to have fresh and exciting choices and experiences when they come back to the West End and our villages, in contrast to the limited and often formulaic offer available in their locality while travel was heavily restricted.

Our choice of occupier has always been based on offering visitors something not readily available elsewhere, whether in retail or hospitality. Our widely-admired reputation and long experience in supporting new concepts and ventures is attracting a plethora of independent operators and start-ups to our villages, further enhancing their appeal both to visitors and other similar, like-minded businesses.

A common theme across all uses is occupiers' interest in, and expectations of, our sustainability credentials and strategy, as they prefer to locate their businesses with a responsible space provider. We will be working even more closely with them in the years ahead to help deliver our shared sustainability goals.

Structural changes in retail have been apparent for some time, as online shopping continues to grow and consumer spending patterns change. However, retailers continue to seek space in the best locations and to cluster with complementary businesses. Interestingly, we are now seeing growing interest from internet brands which meet our exacting criteria seeking to locate in our villages, which align with their target market and brand values.

“ Our widely-admired reputation and long experience in supporting new concepts and ventures is attracting a plethora of independent operators and start-ups to our villages ”

We are able to offer new retailers the certainty that comes from the long-term careful curation of our high-footfall areas, relatively smaller shops at rental levels which are competitive compared with neighbouring locations, and a landlord who will continue to support their businesses.

Shorter lease terms and a risk-sharing, turnover-related element in rental terms are increasingly common in retailers' requirements. Our successful retail leasing strategy has already adapted to these expectations.

Creativity in the hospitality sector, bringing forward exciting new casual dining concepts and experiences, has continued apace, with good investor support both for start-ups and expansion plans of experienced operators based in the best locations. Our generally smaller units in exceptionally busy, central West End locations are much sought after, which is reflected in the recent reduction in vacancy to pre-pandemic levels.

Covid restrictions have raised the popularity of al fresco seating, both for operators and their customers, and we have been able to extend our outdoor capacity to c. 2,500 seats across our mostly pedestrianised streets and courtyards. We have worked closely with Westminster and Camden Councils and local residents to provide additional temporary outdoor seating during the summer months, involving road closures and pavement extensions. We are developing proposals to reinstate some of the additional capacity on a permanent basis, subject to agreement with all stakeholders.

“A common theme is occupiers' interest in, and expectations of, our sustainability credentials and strategy, as they prefer to locate their businesses with a responsible space provider”

For some time, smaller office occupiers have had the option of taking flexible space in co-working buildings. As an important provider of the smaller space in our central locations, we now offer “Assemble by Shaftesbury”, a fully fitted and affordable option for potential occupiers, with a modular design based on collaborative working. Coupled with flexible leasing terms, this product is proving very popular and is delivering increased rent and reduced void and rent-free periods.

The first pandemic lock down last year saw an exodus from the West End of overseas students, workers and others returning to their countries of origin. The reopening of the West End and all its attractions has seen a rapid return of demand for apartments in our locations, and has reduced our residential vacancy from 123 flats at 31 March 2021 to zero at the year end.

What have you learnt from the pandemic and how will that influence your plans for the future?

The measures taken by governments around the world to control the pandemic have resulted in the extended periods of closure and restrictions, destabilising the ecosystems of footfall-reliant city centres. At the heart of one of the leading global cities, the West End has experienced exceptional disruption, but its revival is now firmly established.

Daily domestic visitor footfall is recovering, and the return of office-based workers is underway. However, international tourist and business visitor numbers are currently not expected to reach pre-pandemic levels for several years and could also be further affected by environmental challenges in aviation and mass long-haul travel. For us, this has reinforced our view that, first and foremost, our hospitality and retail strategy should continue to focus on a mid-market, innovative offer that appeals to the West End's huge local and domestic audience.

Collaboration between local stakeholders, ranging from local and statutory authorities and neighbouring long-established estates to local community groups, has been an important aspect of the West End's success. The pandemic has seen even greater dialogue and co-operation, and as a major owner some of its most popular and high-profile locations, we have made an important contribution to addressing the many challenges which have arisen and in planning for recovery. Working closely with those who share our commitment to ensuring the West End has a sustainable and prosperous future as a global destination will be even more important in the years ahead.

Despite the disruption caused by the pandemic, significant extra workloads and the challenges of working remotely, as a team we have devoted considerable time to ensure we learn from this period and consider how we position the business for the years ahead. This has encompassed assessing our internal resilience, how we can manage our business more effectively, the resource we will need in a faster-changing, less-predictable post-pandemic world, and how we continue to adapt and refresh our offer both to our occupiers and the millions who visit our locations every year, and meet the expectations of other stakeholders.

“As a team we have devoted considerable time to ensure we learn from this period and consider how we position the business for the years ahead”

Much of these discussions have been part of our “Shaftesbury: Next Chapter” project, advised and supported by Professor Greg Clark, CBE, advisor to cities across the globe. The initial outputs from this project included:

- identifying and understanding the issues faced by London and the West End which could affect their recovery from the pandemic and longer-term macro challenges;
- the macro trends in visitor and occupier expectations and how our strategy will need to respond and adapt;
- how sustainability priorities will affect the environment in which we operate;
- the steps we need to take now to anticipate change and identify and capitalise on opportunities; and
- the resources needed to position the business in a fast-changing world.

We have already taken action to:

- adapt our operational structure and processes based on a “One Shaftesbury” cross-business approach;
- streamline our out-sourced business model;
- recruit additional resource to add specialist skills to our team and grow our “next generation” talent; and
- refresh our sustainability commitments and goals.

We will be launching further projects in the coming months, including the first stages of our three-year IT and digital transformation programme, developing the services we offer our occupiers, and how we can better engage with our West End communities and stakeholders to address the change and challenges ahead for us all.

How have you advanced your sustainability agenda this year?

As a long-term, experienced and responsible investor, sustainability issues have always been an important aspect of delivering our strategy. Our approach to the stewardship of our unique portfolio of mostly heritage buildings has always focused on low impact repurposing and refurbishment rather than demolition and redevelopment. Engagement with, and practical and financial support for, our local community has also been a long-established principle in how we behave as a business.

This year our focus has been on preparing our Net Zero Carbon strategy and action plan, which we announced in November 2021. Our aim is to be carbon neutral for our own emissions by 2025 and to commit to Net Zero Carbon across the business by 2030. Rather than just announce our target date, we have also produced a roadmap of actions we will now be implementing to achieve our goals as well as signposting the challenges we will face along the way.

Engaging with our 800+ commercial occupiers, to help them reduce the carbon and other environmental impacts of their business, will make an important contribution to achieving our own goals. The close and supportive relationship we have with our occupiers, many of whom already have their own aims and strategies in place, will underpin our actions and results.

Meanwhile, our rolling programme of improving our buildings, averaging some 10% of our floor space annually, will bring incremental energy performance rewards in the period to 2030 and beyond. Our overriding aim is to deliver real improvement rather than rely on carbon offsetting to achieve our Net Zero target.

It is not feasible at present to accurately estimate the direct costs of delivering our Net Zero roadmap. However, based on the cost of the considerable incremental improvements we have made to our portfolio already as part of our modest average annual expenditure over many years of c.1% of portfolio value, we currently do not expect a material increase in future yearly capital spend.

Real estate ownership is not just about buildings. How have your local community and team fared during this difficult period?

Our aim is to use our expertise, resources and influence to benefit our local community. Many in our local community continue to face particular challenges as a result of the pandemic and we have maintained our efforts and financial support for those in need. In addition to addressing current to pandemic-related issues, we particularly focus on help for younger people, supporting agencies such as the Young Westminster and Young Camden Foundations, as well as educational initiatives. At our annual community breakfast in September, we brought together 34 charities and stakeholder organisations, which indicates the breadth of our local engagement.

We work with a range of partners including not-for-profit organisations, charities, schools and colleges, and other local community groups. Our support is provided in a variety of ways, from financial and in-kind donations, provision of free or subsidised space, to promoting their causes and time given by our employees. This year, our community investment totalled £1.2 million (2020: £0.9 million), which reflects increased provision of accommodation and employee volunteering time.

“Our team’s commitment, enthusiasm and determination has been unwavering and the rapid recovery we are now seeing, as well as positioning the business for a return to long-term prosperity, is a testament to their dedication”

Throughout the entire period of pandemic disruption, we have been acutely aware of the pressures our colleagues have faced in both their work and private lives. This been exacerbated by the dramatic changes in the way we worked as a team, when we were unable to be in the office together, and the unprecedented challenges of mitigating the consequences for our business of the situation and uncertainties we faced. Our team’s commitment, enthusiasm and determination has been unwavering and the rapid recovery we are now seeing, as well as positioning the business for a return to long-term prosperity, is a testament to their dedication.

Clearly you are much more optimistic than this time last year or at the half year. How are you positioning the business in the recovery and beyond?

The global pandemic has been the most disruptive event we have experienced in generations, within a few months bringing unprecedented uncertainties and upheaval in the normal patterns of our lives. The availability of effective vaccines has radically improved the prospects of the crisis receding, but the pandemic may have a lasting effect on behaviours and individuals' expectations and aspirations.

It is too soon to assume the pandemic is now firmly behind us, with the continuing risks of virus variants and further disruption. In the UK and beyond, emerging concerns regarding inflation, shortages of labour, global supply chain issues, debt levels and government finances are now affecting the economic outlook. Meanwhile, the global climate crisis and the imperatives of decarbonisation and sustainability are now the priorities of governments, businesses and communities around the world.

“ We believe that the combination of our exceptional and adaptable portfolio, and our culture, people and relationships will deliver a sustained return to growth and prosperity, and ensure we live up to the expectations of our shareholders and other stakeholders, for many years to come ”

The long-term success of London and the West End reflect their ability to embrace and adapt to challenges and change, drawing on their wealth of talent, creativity and diversity. Despite near-term challenges, they will continue to be a magnet for international businesses, tourists and investment, underpinned by their local and domestic appeal.

Our response to the economic and social disruption caused by the pandemic has been to support our occupiers and community and to work with our fellow West End stakeholders. Its success has been rewarded by the speedy recovery in footfall and trading across our villages, which in turn has enhanced their appeal to new businesses and residents and restored our occupancy levels. It is also an endorsement of our credentials as a long-term, responsible, supportive landlord and partner. Our equity issue in November 2020 provided working capital to fund expected operating losses and capital expenditure and, in doing so, ensured we had the financial resources to sustain our occupiers and the local community through the crisis and, if necessary, in any further prolonged periods of disruption.

Throughout, we have remained focused on positioning the business for a changing future, ensuring we are well equipped in terms of people, culture and strategy to navigate the macro and local changes and challenges ahead. Our 35 years of experience of the West End, the enthusiasm and commitment of our team, and the wide range of advisors who support us, are valuable and important assets.

There has been great progress on our road to recovery in recent months. Although there is still further to travel before certainty and confidence fully return, we believe that the combination of our exceptional and adaptable portfolio, and our culture, people and relationships will deliver a sustained return to growth and prosperity, and ensure we live up to the expectations of our shareholders and other stakeholders, for many years to come.



Business model and strategy

Delivering long-term economic and social value for our stakeholders and contributing to the success of London's West End through our proven, evolving strategy

Our resources

Portfolio of mixed-use buildings clustered in iconic locations in the heart of London's West End

CARNABY	🚶🏠🚶
COVENT GARDEN	🚶🏠🚶
CHINATOWN	🚶🏠🚶
SOHO	🚶🏠🚶
FITZROVIA	🚶🏠🚶

▲ Read more on pages 12-15

Experienced, innovative team

Based in Carnaby, within 15 minutes' walk of all our holdings

Employees: **54**

Senior leadership team: **16 years** average length of service

Supported by a broad range of external advisors who bring insight and perspectives

▲ Read more on pages 76-78

Strong financial base

Loan-to-value: **24.9%**

Available resources: **£311.3m**

Weighted average debt maturity: **8 years**

▲ Read more on pages 83-84

Underpinned by

Our culture and values

▲ Read more on pages 76-78

Effective governance and risk management

▲ Read more on pages 86-87 and 109

Stakeholder relationships

▲ Read more on pages 70-75

What we do

Investment

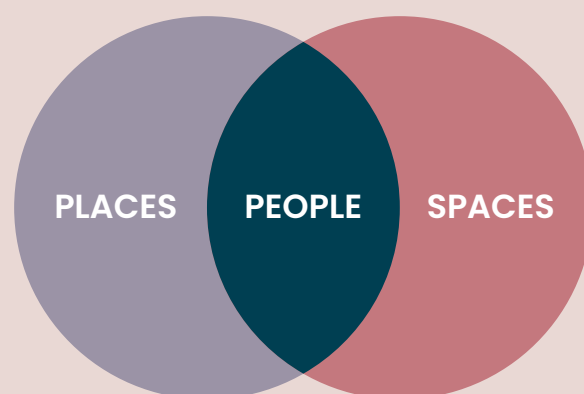
Invest in adaptable, mixed-use buildings in high footfall locations close to the West End's major employment locations, transport hubs and visitor attractions

Focus on hospitality, retail and leisure uses

Establish ownership clusters

▲ Read more on pages 14-15

Village management



Foster vibrant and thriving places which are destinations of choice for consumers, residents, businesses and visitors

Provide spaces which meet the needs of businesses, visitors and residents

▲ Read more on pages 16-43

Sustainability

Sustainable building **re-use** and **refurbishment**

Protect heritage of our buildings while improving energy efficiency

Engage and collaborate with occupiers and our local community to promote positive sustainable actions

Creating **healthy** and **inclusive places** where people live, work and visit

Promote diversity, talent and **creativity** across our local communities

▲ Read more on pages 58-69

How we create long-term value



Invest in prosperous areas with an ecosystem of businesses, visitors and residents



Focus on uses with a long history of occupier demand exceeding availability of space



Ownership clusters

- enable a long-term cohesive strategy to unlock rental and capital value potential
- bring economies of scale
- allow the benefits of individual improvements to be compounded across nearby holdings



Leverage our knowledge and expertise

- of the West End market, our areas and their audiences
- to manage and improve buildings to unlock latent value and enhance long-term income prospects



Foster vibrant environments where occupiers can thrive

- attract growing footfall and trading
- evolve our offer to meet changing consumer trends
- provide competitively-priced space
- sustained occupier demand and high occupancy drives rental growth and returns



Improve our buildings

- adapt space to ever-changing consumer trends and occupier requirements
- extend buildings' useful economic lives
- modest capital expenditure model improves net returns



Use our relationships and networks

- engaging with, understanding and balancing the needs of local stakeholders to deliver positive outcomes

To deliver on our long-term strategic priorities



Deliver sustainable, long-term benefits for all our stakeholders



Long-term growth in rents and portfolio value



Grow recurring earnings, cash flow and dividends



Minimise the environmental impact of our operations



Attract, develop and retain talented people

Near-term strategic priorities are designed with our long-term objectives in mind, rather than for short-term gain. Value creation and success against our strategic priorities and objectives are measured using KPIs, which are reflected in remuneration.

▲ Read more on pages 44-48

This year

25.5%

Total Shareholder Return

£64.7m

Net property income

(14.6)%

Total Accounting Return¹

(52.0)p

Loss per share

£2.4bn

Net assets

3.5p

EPRA earnings per share¹

£6.19

EPRA NTA¹

4.0p

Dividend per share

£1.2m

Value of community contribution


90%

Employee engagement

¹ Alternative performance measure: page 193


Impossible-to-replicate portfolio

Since the early 1990s, we have invested exclusively in the heart of London's West End, concentrating on iconic, high-footfall locations

 GOODGE STREET

Fitzrovia (0.9 acres)

London's oldest dining district, renowned for its abundance of small restaurants, bistros, cafés, pubs and bars. Its large residential, student and working populations add to the area's buzz and cosmopolitan feel. Our ownerships are on, or close to, Charlotte Street and Goodge Street.

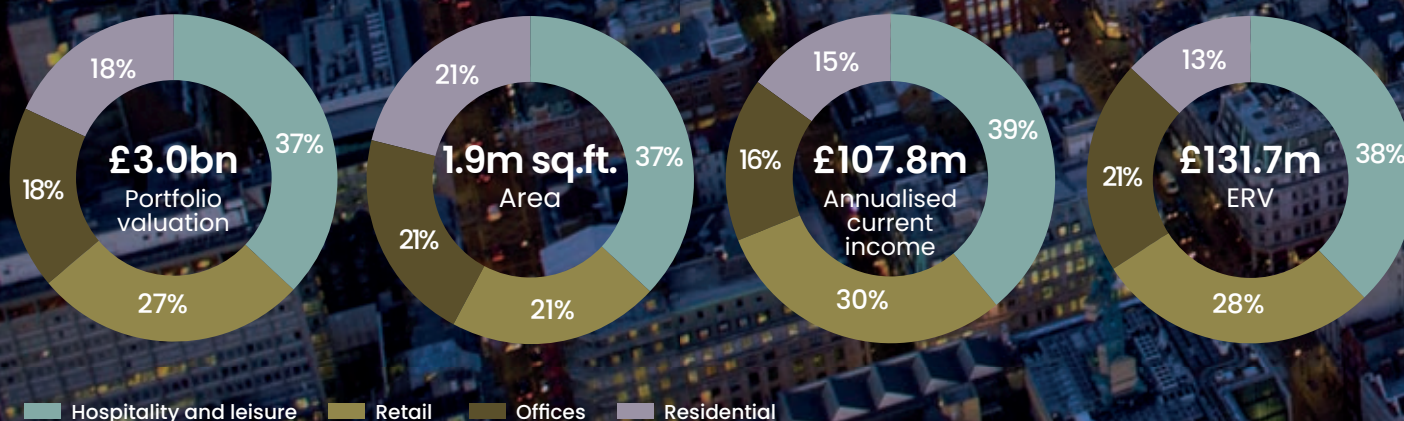
 TOTTENHAM COURT ROAD

Longmartin (1.9 acres)

This joint venture owns a long leasehold interest in a 1.9-acre cluster of mixed-use buildings, centred on St Martin's Courtyard in Covent Garden, which offers a range of hospitality, leisure and retail concepts, alongside over 100,000 sq. ft. of office space and 75 apartments.



Wholly-owned portfolio



Covent Garden (5.0 acres)

Our wholly-owned ownerships in Covent Garden are located in Seven Dials, the Opera Quarter and the Coliseum area. Seven Dials comprises a seventeenth century network of streets, courtyards and warehouse buildings radiating from the sundial monument, which have a mix of shops, restaurants, cafés, bars, theatres and hotels.

To the east and west of the Covent Garden Piazza, the Opera Quarter and Coliseum holdings have a high concentration of restaurants, cafés and bars reflecting their close proximity to major theatres, cinemas and hotels.












Investing in the heart of London's West End

Establishing and extending ownership clusters in high footfall locations in the heart of London's West End

For many years, we have invested exclusively in the heart of London's West End, establishing and extending ownership clusters in high footfall areas which have an ecosystem of visitors, workers, and residents, close to major employment locations, transport hubs and visitor attractions.

We adopt a disciplined approach to investment, concentrating on buildings which add to our existing villages. In identifying and establishing emerging clusters, we focus on busy streets close to West End landmarks which suffer from fragmented ownership and landlords with their own agendas, leading to a lack of strategic curation and investment and rental tones which are significantly lower than nearby prime locations. Whilst the buildings we buy tend to contain a mix of uses, we prefer those which either have, or have the potential for, a predominance of hospitality, retail or leisure uses on the lower floors.

Why we invest in London's West End

One of the leading global cities, London has the largest economy of any Western European city and generates around one quarter of UK GVA. Its population is estimated at 9.0 million, with forecasts of 9.4 million by 2030¹. Additionally, there is a similar population in south east England, within easy commuting or visiting distance. The breadth of its economy encompasses:

- a world-leading financial and commercial centre;
- a major hub for creative industries, from technology to media;
- a globally-recognised location for education and research;
- home to world-class visual and performing arts facilities; and
- an unrivalled variety of heritage and cultural attractions which draws huge numbers of domestic and international visitors.

London's economy is currently recovering and, with its global appeal, is expected to continue to grow as an economic powerhouse over the long term, attracting both domestic and foreign direct investment.

At the heart of the city, the West End is a world-class destination for innovative and accessible dining, shopping, leisure, entertainment and culture, drawing over 200 million visits annually². Its series of interconnected urban villages, each with unique character, provide a vibrant and diverse community of visitors, workers and residents.

In normal times, the West End's huge working population, estimated at 730,000 in the City of Westminster alone³, makes it the largest employment centre in the UK and provides a regular, daily customer base for its hospitality, retail and leisure businesses. Together with an overlay of exceptional numbers of domestic and international visitors, this brings a busy, seven-days-a-week trading environment, with an affluent customer base, underpinning its long-term prosperity. In turn, this drives sustained occupier demand in a market of constrained supply of commercial space, which is fundamental to our villages' long-term prospects.

The West End is at the heart of the capital's extensive transport network which makes it accessible to a wide catchment. In normal times, the six underground stations closest to our villages handle over 200 million passengers annually⁴. The network will be further improved with the long-anticipated opening of the Elizabeth Line, starting with the central section in the first half of 2022, followed by a wider service between Maidenhead and Shenfield later next year or early 2023. This huge infrastructure project will increase network capacity, extend the West End's catchment area, shorten travel times and change footfall patterns, factors which are expected to increase visitor numbers and spending. Our portfolio is uniquely well-placed to benefit from this with all our ownerships a short walk from the new Tottenham Court Road and Bond Street interchanges.

1. GLA Economics

2. New West End Company, in normal times

3. Westminster Property Alliance/Arup

4. Transport for London



Benefits of ownership clusters

Ownership clusters bring opportunities to add further value through:

- implementing cohesive, long-term asset management strategies to unlock rental and capital value potential;
- the potential to combine adjacent buildings to rationalise and improve the space we offer;
- exercising control over the timing of delivery of space for letting across villages;
- the ability to move uses between buildings to maximise potential income prospects; and
- economies of scale in the provision of services for us and our occupiers.

Crucially, the benefits of individual improvements we make, such as increased footfall and spending, and higher rental tones, compound across our nearby holdings, driving long-term growth in rental and capital values at modest outlays.

Mixed-use buildings focused on uses with a long history of occupier demand exceeding availability of space

Providing a diversified mix of income streams, our mixed-use portfolio typically comprises restaurants, shops, cafés, bars and pubs over lower floors with offices, residential, or a mix of both on upper floors. Our 1.1 million sq. ft. of hospitality, retail and leisure space provides 69% of our annualised current income and 66% of ERV.

In our areas, there is a long history of occupier demand exceeding the availability of space, which often is restricted by listed building and conservation area legislation. This limits the opportunity for large-scale redevelopment to materially increase the supply of new accommodation, particularly at lower-floor levels. Consequently, our portfolio has historically benefited from high occupancy levels and growing income, which together underpin the long-term prospects for rental growth.

Buildings with management flexibility

In our long experience, our portfolio of mostly smaller, mixed-use buildings provides considerable management flexibility. This includes the ability to improve, reconfigure and repurpose space, enabling us to adapt buildings to meet current demand and anticipate future market trends in occupier requirements. Significantly, with our focus on uses which reduce our exposure to obsolescence, capital expenditure is modest – typically representing less than 1% of portfolio value annually – an important factor in long-term shareholder value creation.

Disposals

With our focused acquisition strategy to establish and extend long-term ownership clusters, disposals are rare. However, we keep the portfolio under review to identify and sell individual buildings which, through change of circumstances, are no longer considered to be of core importance to our long-term strategy, and where disposals will not damage the integrity and long-term value of the portfolio.

Virtually impossible-to-replicate portfolio

Our portfolio has been assembled over 35 years. The buildings we seek to acquire are typically in long-term private, rather than institutional, ownership and existing owners are generally averse to selling assets which have a long history of high occupancy, reliable cash flow and long-term growth prospects. Consequently, it would be virtually impossible now to assemble and replicate a portfolio such as ours in the West End.



Long-term village asset management strategy

Through our holistic long-term management strategy, we:

- create vibrant and thriving places which are destinations of choice for businesses, visitors and residents; and
- provide spaces which meet the needs of occupiers.

Sustainability is embedded across everything we do.

Our multi-faceted and constantly-evolving strategy is to give people reasons to visit and spend time in our villages, whether it be for social interaction, cultural interest, to work, shop or dine, or the sense of community. We look to provide places where people can enjoy themselves, feel comfortable, find something interesting and different, have experiences and gain memories.

▲ Read more on pages 17-43

What we do

Why we do this

Careful curation of street-level occupier mix

- Activate streets by clustering hospitality, retail and leisure on lower floors
- Favour new concepts, independent operators and international brands making their UK debut
- Strong preference for mid-market, innovative formats, rather than formulaic national chains

- Provide visitors with differentiated, interesting and varied experiences
- Encourage new hospitality and retail concepts to adapt to ever-changing tastes and expectations
- All-day casual dining experience provides a halo effect on footfall, attracting visitors, increasing dwell time and driving improved trading in our villages

Modern, flexible approach to leasing

- Relatively short leases for retail, offices and residential. Hospitality businesses generally require longer leases
- Trial new concepts
- Provide amenities and services to support occupiers' businesses

- Encourage occupier demand
- Provide opportunities to constantly evolve the occupier mix to bring fresh and interesting consumer experiences

Improving the streetscape

- Work with local authorities to invest in the public realm, including widening pavements, pedestrianisation, improved lighting and traffic management initiatives
- Interesting and innovative art installations
- Greening and other amenities such as communal seating

- Create safe, clean and welcoming environments for occupiers, their customers and residents to encourage longer stays and repeat visits
- Provide al-fresco seating
- Provide visitors with points of interest, "Instagram moments" and memories

Improving our buildings and accommodation

- Maintain the fabric of buildings, respecting their traditional features
- Refurbish and reconfigure space to provide occupiers with more efficient trading space
- Repurposing under-utilised space to introduce alternative uses
- Relocating uses between buildings

- Provide hospitality, retail and leisure occupiers with more efficient trading space and anticipate market trends
- Provide accommodation that meets office occupiers' and residents' expectations
- Enhance buildings' rental potential, unlock latent value and extend their useful lives
- Improve energy efficiency of our buildings and how our accommodation is used by occupiers

Promoting villages to a wide audience

- Multi-channel marketing targeting visitors, consumers and occupiers
- Active digital strategy including village websites and extensive social media presence
- Campaigns and initiatives such as shopping, food and music events
- Decorate our villages e.g. at Christmas and Chinese New Year
- Collaborate with occupiers' promotional and digital campaigns

- Raising awareness of the unique experiences our villages offer to differentiate them from other London destinations
- Promote footfall and occupier demand

Engagement with stakeholders and local community

- Understand stakeholder expectations
- Maintain good relationships with occupiers, local authorities and local communities, based on trust and respect

- Creating thriving places where people and businesses want to be
- Balancing the complex and differing needs of a variety of stakeholders

Village asset management interview

Charles Owen
Property Director

Andrew Price
Property Director

Jenna Slade
Senior Portfolio Executive

“It’s the work Shaftesbury does that gives our villages the sparkle”

What is the purpose of your village management strategy?

JS: It’s all about driving long-term value. As an asset manager, you have an overview of everything and a really good understanding of our villages, the hospitality, retail and leisure, as well as the offices, residential, public realm and the sense of place we want to create. It also includes the softer side too, like the customer journey, how the estate presents as a whole and balancing the needs of local stakeholders. Our role is to bring those strands together, to have the holistic view. You can then really start to drive value in ways other than just doing deals and reconfiguring space.

“Our role is to bring the strands together, to have the holistic view. You can then really start to drive value”

Why does it matter?

CO: We can do sustainability projects, we can do leasing, we can do development, but we need to have an overriding strategy that brings all these different elements together to create a great place, a destination of choice for occupiers, residents, businesses and visitors.

“Our aim is to improve our villages in ways that complement the surrounding areas”

What difference does Shaftesbury make to the West End?

AP: We understand that our areas form just part of the patchwork that is the West End and our aim is to improve them in ways that complement surrounding areas. Unlike others, we are not seeking to create massive buildings or to carry out wholesale redevelopment. We work with our areas, nurturing them and collaborating with communities. It’s like taking a piece of jewellery or a gem and polishing it.

CO: Our core values include being human, original and long-term. In selecting hospitality, retail and leisure occupiers, we often choose independent brands or new concepts to provide something different and interesting. Our decisions are based on the occupiers’ individual merits and what they bring to our villages. We aim to start a relationship grounded in genuine care and interest – we want our occupiers to thrive to enable us to thrive. Together, these values set us apart. If we didn’t do this, our villages could become quite stale and ordinary. It’s the work Shaftesbury does that gives our villages the added sparkle.

What informs your strategy?

CO: Our forensic knowledge of the West End plays an important role in our decisions. It's all about knowing your market and having the vision for what your area could be. We look at what's happening in the market, have the foresight to see the direction of change, and make sure we are providing the best-in-class offer, environment and experience for our visitors, workers, residents, businesses and communities.

For example, we saw a gap in the market for more hospitality in Seven Dials. Using our experience to make changes within a listed Victorian warehouse, including making best use of planning permissions, we created the space which now hosts the popular Seven Dials Market.

Also, by owning all, or the majority of, the buildings around it, and having a strategy and vision for the overall area, means when you put something in for the long term, it has a positive knock-on effect to all the buildings around it, adding variety and value to the entire village.

JS: Our strategy is informed by, amongst other things, occupier demand. If there's demand for smaller retail units, we can create smaller shops. If there's demand for bigger units, we can provide those. Our buildings are very flexible.

Visitor expectations inform our strategy too. We curate areas within our villages for particular visitor needs and the experience they are seeking, such as Monmouth Street's collection of womenswear brands or the cluster of menswear brands on Earlham Street. We seek to showcase independent, interesting, and unique brands and venues to give our visitors a different experience from other areas in the West End.

“ We make sure we are providing the best-in-class offer, environment and experience for our visitors, workers, residents, businesses and communities ”

Why is place important?

JS: Creating a sense of place is part of curating the area. Brands understand that we've got a strong vision of the desired tenant mix for each area. That gives them confidence to work with us because they know we're going to make sure that they're going to be surrounded by complementary uses and brands. In turn, that creates areas which are busy and full of life, ensuring our occupiers have the best environment in which to thrive.

AP: One of the key things that's been happening for years, whether it be through technology or social change, is that people have an awful lot more choice over how and where they spend their time. This means you have to really work on your areas to create a sense of place, an experience and a positive atmosphere where people want to be.

“ People have an awful lot more choice over how and where to spend their time. It means you have to really work on your areas to create a sense of place ”

What is the role of the public realm in creating great places?

AP: When you're talking about a sense of place, the public realm is vital. When you go through an area looking at art installations and the period buildings, it adds interest. We care about the experience our visitors and occupiers have, and we work hard with our partners to ensure we are creating a better public realm. People expect places to be safe, to be clean and their experience is enhanced if they are freely able to wander and explore.

CO: The public realm is part of the overall effect. You can have a great public realm, but if you've got the wrong occupiers it won't work. Equally, you can have the best occupiers, but if the street looks terrible, it's going to put people off. Coming to one of our villages is about an overall experience. People want to visit, live or work in an area that is engaging, has interesting things happening, both in buildings and outside, and is attractive, clean, and safe.

JS: The real power of the public realm is how it can change the whole perception and feel of an area, and increase dwell time. Nice planting and seating is good for office tenants that don't have access to outside space of their own, and it also benefits residential tenants. Both can enjoy their lunch outside.

It can also create a point of interest. Things like the bulbs hanging above Ganton Street, the lanterns in Chinatown, or the shimmer flag on Carnaby Street all provide Instagrammable moments.

“ People want to visit, live or work in an area that is engaging, has interesting things happening, and is attractive, clean and safe ”

Has increased pedestrianisation made a difference?

JS: Pedestrianisation gives us more flexibility to really drive interest and footfall to an area. If you walk down Carnaby Street you've got spaces for people to walk, where people can sit; they can really enjoy the area. On other streets in the West End, where there is no pedestrianisation, you're dodging people and traffic all the time. It just doesn't feel as nice. Pedestrianisation has definitely added something very positive to the experience in our villages. Obviously, air quality is better and there is less traffic noise too.

AP: I really like that shift from people passing through to people actually spending more time in our areas. When I look at Chinatown, and especially during the summer, the tables and chairs for al fresco dining have added a new dimension. Pre-pandemic, Chinatown wasn't known for its al fresco dining. In fact, a lot of the operators didn't think that their type of cuisine suited outdoor eating, but that's been proven to be wrong and they are embracing it wholeheartedly.

What are the advantages of your outsourced business model?

CO: In a way we get the best of both worlds because we insist on a very close working relationship with our advisors, but we also benefit from their experience gained elsewhere working on other projects. The key to successfully using the outsourced model is close collaboration and a clear understanding of priorities.

JS: We recently moved our property management to one outsourced provider which is already providing efficiencies across our portfolio and provides us with the opportunity to really focus on the strategic asset management priorities and providing our tenants with a consistently high level of customer service and innovation.

AP: Continually improving the service and offer we provide to tenants is very important to our business model and by working with a wide variety of outsourced advisors we are able to innovate quickly and strive for best-in-class results through adding new advisors as and when necessary.

What about the buildings?

AP: When you're looking at streetscapes and historic buildings that have been there for hundreds of years, that very much makes up the character of an area. While it is important that this character is preserved, our areas do evolve and our challenge is to find ways in which to mix the old with the new, so our heritage buildings can keep up with evolving requirements. This balance is one of the reasons why people want to occupy our space.

JS: Our understanding of the space and of the market creates opportunities to add value by evolving the use of our buildings. This is a key function of asset management – thinking about what the best use is for different parts of buildings, how we can rationalise, reconfigure or repurpose our accommodation, whether that be the lower floor hospitality, retail and leisure space, or the upper floors. It's considering, for example, whether offices would be a better use above a restaurant than residential. Or whether we can swap uses between buildings so that we can use space more appropriately, for example, converting small offices back to their original residential use. It's thinking about our buildings holistically.

Do the buildings constrain what you can do?

CO: The West End is a very busy location. There are numerous rules around what you can and can't do with buildings which do provide challenges, but that's where we add value. We know the West End, how it works and are experts at navigating around and working with both policies and heritage buildings. The fact our buildings are generally small and uncomplicated means making changes can be quick and cost-effective, which helps us to respond more immediately to demand.

Generally, we work with the existing fabric of our buildings, refurbishing, reconfiguring them and repurposing space where the alternative uses add value to the village.

The introduction, last year, of a new planning use class for commercial accommodation has provided us with opportunities to repurpose space between, say, retail and hospitality, giving us extra options to adapt our buildings to match demand.

How do you work with stakeholders?

JS: It's really important to have the trust of local stakeholders and to be transparent about what we're doing. We engage with stakeholders, working with them and seeking to come to a balance that works for everyone. It's important to make sure we're aware of the different needs of the others around us and they, too, are aware of ours. We have to work together to come to a balance that works for everyone. That kind of collaboration has been vital during the recovery.

AP: Stakeholders are one of the keys to place making. When you look at Chinatown, to ignore the Chinese community that have been there for decades and who add so much to the character of the area, would be wrong. We're not always going to agree on everything. However, we understand the importance of communication and listening as we have long-term involvement in the area and, once you introduce change, you have to live with it.

And with the Shaftesbury team?

JS: It's all interlinked. With Sam Bain-Mollison's and Julia Wilkinson's leasing teams, it's about collaborating to agree the right tenants for the right buildings as that helps create a sense of place. Then working with the marketing team to promote the villages and create experiences that give people great memories.

“ We engage with stakeholders, working together to come to a balance that works for everyone ”

What are you most proud of?

JS: Creating areas people love. It's just really nice to work somewhere that's vibrant. It is also great to be involved in a brand's journey. I love seeing those entrepreneurial tenants that come in, are given an opportunity, and then it just turns out a real success.

AP: I am really proud that when Chinatown reopened after the first lockdown, the majority of its occupiers and its sense of place were intact. It was the same in Carnaby and Seven Dials. We've protected that feel for all our villages, which puts us in good stead moving through the recovery.

CO: The thing I love about this job is that you see change happen. You see the combination of changes you make coming together to create a vibrant, constantly evolving, place that people love to visit.

There's nothing more satisfying than walking through an area and seeing people shopping, eating, drinking, going to and from their offices or their flats, enjoying it and appreciating the area for what it is. That's ultimately what our goal is.

Get that right and you'll get the returns from it, whether the market is good or bad.

Promoting our villages interview

Karen Baines
Head of Group Marketing
and Communications



**“We tell the story
of our areas and
brands to raise their
profile and stand
out from other
London and West
End destinations”**

Why do you promote your villages and how?

Marketing is a key aspect of the holistic curation of our popular and buzzy villages. We promote our areas and brands to domestic and international audiences to encourage footfall and spending. We can't assume visitors to the West End will know of, or come to, our areas. Therefore, we tell the story to raise their profile and stand out from other London and West End destinations. Key to this is collaboration with our hospitality, retail and leisure occupiers to promote their businesses, showing how they provide unique experiences.

Our promotional activities include campaigns and events, such as shopping evenings, food or music festivals and our innovative Christmas decorations. As well as active engagement with trade and consumer press, our digital strategy includes dedicated websites for each of our villages and have a strong social media presence and engagement across both Western and Chinese channels.

What are the key drivers of consumer behaviour?

Now more than ever, it is experience. People are looking for something above and beyond when they visit anywhere, whether they are office workers, residents or visitors. We all have lots of choice, so we all want something enriching and enjoyable from the places where we choose to spend our time. We all need a reason to visit anywhere.

In this context, we are in a very strong position. Our villages are well-known, and rich in history and heritage, which gives us our unique selling proposition.

“ People are looking for something above and beyond when they visit anywhere, whether they are office workers, residents or visitors ”

What does that mean for communication?

Visitors want to feel connected. They want to feel valued and listened to, but to also have a sense of discovery. That means we adopt a bespoke, rather than cookie-cutter, approach to our communication.

It's thinking about how people interact with our places, what they want from them, think of them and how they use them. Communication uses that insight to engage more effectively, so we build loyalty and a preference for our villages and occupiers.

Has the pandemic changed how Shaftesbury communicates?

When the West End was in lockdown, we kept the identity of our villages going, by taking what people were missing from Carnaby or Chinatown or Seven Dials to them digitally through increased social media content, videos and collaborations with brands.

Having pivoted our villages from being largely physical, to purely digital, they are now back to being omni-channel; each is a place you can visit for real, but which will also continue to add value and play a role in consumers' lives when they are not here. The approach has been highly successful in establishing, maintaining and growing engagement between visitors, our occupiers and our villages.

What are your communications priorities for the coming year?

We need to keep listening to our audiences. What do they want from the villages, from our occupiers and from Shaftesbury? What do they want the villages to be? We need to understand the sentiment and the factors influencing behaviours, then use that knowledge to engage effectively.

“ The West End is just so vibrant and exciting. To play an active role in helping shape a part of that is very fulfilling ”

What do you enjoy most about your role, Shaftesbury and the West End?

The West End to me is just so vibrant and exciting. To play an active role in helping shape a part of that is very fulfilling. I also really enjoy knowing you have helped someone enjoy their day out or their weekend away, and love that we aren't working in an environment or an organisation where it's one size fits all.

Seven Dials Winter Festival

Seven Dials Winter Festival, a three-day shopping, dining and cultural event, featured on-street entertainment, creative workshops, live music, poetry readings, and illustrators. Visitors were able to enjoy mulled wine carts, hot chocolate stations and festive food, all complemented by a Christmas light installation and in-store offers from Seven Dials' independent and flagship brands. It was a good opportunity to celebrate Seven Dials and attract visitors this year, having been prevented from doing so due to pandemic restrictions in 2020.

Typically, when we organise events such as this, we partner with charities. In this case, our chosen charity was the Young Camden Foundation, which supports the local, younger generation to address issues such as mental health, youth safety and digital poverty.



Hospitality and leisure

We are the largest single provider of hospitality space in the West End, with high-profile and busy destinations such as Chinatown, Kingly Court and Seven Dials Market

325

restaurants, cafés,
bars and pubs

0.7m

sq ft

Wide choice of creative and accessible casual dining experiences, from breakfast through to late night dining

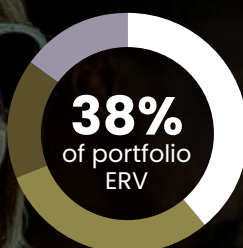
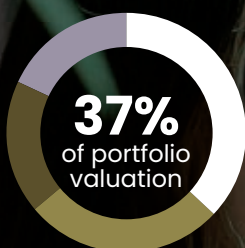
£1.1bn

valuation

£49.9m

ERV

Halo effect on footfall, attracting visitors, increasing dwell time and driving improved trading in our villages



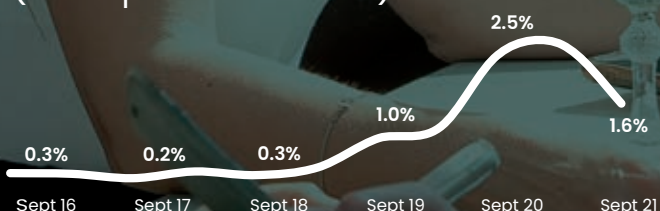
Favour mid-market and distinctive formats, often supporting new independent concepts or international entrants, rather than formulaic chains



Carnaby **26%**
Covent Garden **25%**
Chinatown **36%**
Soho **8%**
Fitzrovia **5%**

New lease terms typically 15 years with turnover-related rental top-ups, giving us the higher of market rent and a percentage of sales

5 year EPRA vacancy (% of portfolio ERV)



Hospitality and leisure interview

Julia Wilkinson
Restaurant Director



“Our high footfall locations are the reason why operators take their first site with us, but the relationship with Shaftesbury is the reason why they take their second and third”

What is the over-riding theme when you are selecting new hospitality and leisure occupiers?

We all love and are very passionate about Shaftesbury, the West End and our villages. That's why we're always challenging ourselves with every letting to bring something new to the village, to the street, to our portfolio. Our skill in curation is all about finding those new ideas and making our villages such exciting destinations.

You always have to be pushing the boundaries and striving to create that point of difference that will surprise visitors. We want them to keep coming back, whether it's to find something new or to return to old favourites.

How do you do it?

First and foremost, we're all customers of our hospitality, retail and leisure businesses. We "work above the shop", which is amazing. None of our sites is more than a 15-minute walk away from our office, and we are constantly in and out of the shops and the restaurants.

We keep in close contact with all our occupiers, seeing how they are doing, watching them thrive. They will often approach us when they're ready to take on a second site or want to explore an opportunity in another village and we're always delighted to have those conversations. There's nothing we love more than working with operators who've got lots of ideas, and to be able to help them grow.

We also have a fantastic team of external leasing agents, most of whom we have worked with for many years. They know us very well and understand what we're looking for, plus, importantly, they also know what we're not looking for. We very much work hand-in-hand when we're developing our village strategies, when we're targeting operators, and when we're just going out to cast the net.

Do businesses approach you?

Given Shaftesbury's profile and reputation in the market, we're very fortunate that we receive a lot of direct approaches. We always welcome and encourage this in every way we can. I have a running joke that there's no such thing as a wasted cup of coffee. We'll always have a chat with anyone who's interested in taking space with Shaftesbury. You never know where it's going to lead you.

There's also a huge amount of groundwork and relationship building. Many times, we will be introduced to an operator or will approach a concept we like without any particular village or unit in mind. It'll just be a fact-finding mission for both of us to get to know one another, and we'll continue that conversation on and off for months or even years until the right site or opportunity comes up.

Our long-term perspective is another key feature of the way that we curate our villages. We may identify an operator or concept we like, but if we don't have the best site for it, we are better off waiting rather than rushing and having the wrong match. Sometimes that's a hard decision to make, but Palomar was a great example of why the approach is right. They bid on two locations before we eventually worked with them on a site on Rupert Street, Chinatown, which has proved to be a highly successful unit for them and for us. Sometimes, it's best just to bide your time.

Why do you work so hard to curate an eclectic mix?

Absolutely key to the decision-making process is finding the right fit for the villages. It's not just about who offers the highest rent. It is about creating a range of complementary choices for customers and a reason to come back time and time again.

Ultimately, if we can identify that right fit, both we and the occupier will benefit in the long run. They will thrive, our villages will see more footfall, other occupiers will benefit from the halo effect, as a team we have a new hot place to spend time in and, over the long term, our income will increase at rent review and through the turnover-related rent top ups in the hospitality leases.

The most recent letting we've done in Kingly Court is a great example. We had a basement with planning consent for a restaurant, bar, or a live performance venue. We went for a jazz bar. While they did not offer the highest rent, we knew they would bring in a whole new audience to Kingly Court who can then discover the restaurants as well.

We mustn't forget how important it is to generate interesting stories for the media to keep our villages in customers' minds. The jazz bar is a really exciting new story which reminds people, who perhaps haven't been back to Kingly Court for a while, they now have a new reason to visit.

“We are creating a range of complementary choices for customers and a reason to come back time and time again”

What are the risks?

We've never been driven by covenant strength in the traditional sense. That's why we never really targeted the big private equity-backed operators with multiple sites nationwide. We generally deal with founder-led businesses and that's proved to be a successful strategy because truly invested operators tend to have more longevity. It is one of the reasons why we're in good shape at the moment.

“We generally deal with founder-led businesses and that's proved to be a successful strategy because truly invested operators tend to have longevity”

It's not just finding the great ideas either, but having operators able to evolve with the markets and maximize the potential of their concepts. That's the real test of creativity. We know when a new business takes a site, they will not be offering the same menu in two, five or ten years' time. Their concept will evolve to keep their customer base excited and coming back for more.

It comes back to pushing ourselves, striving to be different, to take chances, to bring something new. That's the challenge that we're often facing, but it's a great challenge to have.

Not every concept hits the ground running though, but if there is a failure because the concept hasn't worked, the surety for us is in the location. If a site comes back to us, we know we are able to re-let it very easily. Taking those risks is an essential part of our strategy.



How is the market changing?

I remain amazed by the creativity our occupiers showed under the stress of the pandemic and the different directions they took. They've diversified their businesses for the long run, expanded their social media following and built new customer bases. They've been forced to really look at their models, their cost bases, how they operate, and they're coming out fighting fit.

Businesses are also now very aware of their sustainability responsibilities, from their fit out, through to how they operate and what they offer. We are seeing a lot more plant-based operators coming through, for example, as consumers reduce their consumption of red meat. They are looking at how they source produce, not just because it is the right thing to do, but because this resonates with their customers.

Customers have also become more focused on independent operators, largely driven by engaging with their local independent businesses, rather than predictable chains, particularly while working from home during much of the last 18 months. As they are returning to their offices in the West End, we're seeing their preference for independents and smaller businesses. Those are their local businesses when they are at work.

Why do businesses want to be in Shaftesbury's villages?

First and foremost because they're the best locations in one of the best cities in the world: London's food scene is second to none.

The local office workforce and our residential tenants are absolutely key as well. In the next phase in Shaftesbury's evolution, we will embrace that more and nurture our villages' ecosystems of office workers, residents, shops, and restaurants. We all rely on each other.

Our high footfall locations are the reason why they take their first site with us, but the relationship they develop with Shaftesbury is the reason why they take their second and third.

It's also little details, like allowing operators to have a free rein over things like their signage and how they personalise their spaces, rather than being over-controlling as a landlord. We have that trust.

“Restaurateurs are looking to build and create something for the long run. That very much reflects our philosophy”

Does 'place' matter?

When you compare our villages to other West End villages, and perhaps wider central London villages, they tick all the boxes. You've got the restaurants and great shops. They're attractive, accessible and have great heritage. They are the full package. Our streets are largely pedestrianised, with a capacity for around 2,500 external seats, which is hugely valuable to our hospitality occupiers.

It's also about having great and interesting dining locations, for example Kingly Court, Chinatown, and Seven Dials Market all have their own unique appeal. Each has an energy, and you can have a different experience every time you come, but it feels distinct, and it feels natural.

When you visit any of these places, it is a point in time, but one that's constantly evolving. Chinatown won't be the same tomorrow as it was yesterday. That's one of the things I particularly enjoy about working on all the villages. It is the natural flow of new names coming in, concepts evolving, and, occasionally, operators moving on. The great thing about London is it has been here many years, and it's in a constant state of evolution. You never want to preserve anything permanently. You embrace the fact it's going to evolve.

How do you innovate?

We innovate by never just accepting the status quo. We constantly push ourselves and don't just take the easy route on any lettings. We are always evolving and striving to do better, not just with lettings, but in the way we support our occupiers and how we communicate.

Leisure is an area where we particularly want to go further. Pushing the boundaries of the experience economy is increasingly important, whether it's looking at music, competitive socialising, or other areas.

What do you enjoy most about your role leading hospitality and leisure?

I love that every day is different. That I meet somebody new and learn something new. I love talking to hospitality operators because they are warm, creative and interesting people. It's just a joy really to do my job. Ultimately, you are working with them to create something quite special which other people will come to and enjoy.

It's also building something for the long-term. Restaurateurs don't go into the industry to make a quick buck. Instead, they are looking to build and create something for the long run. That's really nice to see because it very much reflects our philosophy.

Imad's Syrian Kitchen

We first met chef Imad Alarnab through his involvement with the charity Choose Love, which supports refugees around the world. Formerly the owner of a successful group of restaurants, cafés and juice bars in Damascus, Imad's business was destroyed during the Syrian civil war and he left the country, arriving alone as a refugee in the UK in 2015.

Having worked as a car washer and then salesman, he partnered with Choose Love to help raise funds. This provided the opportunity for Imad to trial Syrian street-food pop-ups which we were delighted to support by providing space in Seven Dials and then Carnaby. These proved to be an almost instant success with our local customer base, often with long, sell out queues for his signature falafel, hot sauce, hummus and pitta bread.

Inevitably, the success of the pop-ups led Imad to the position where he had the confidence, profile and offers of practical and financial support to consider re-building his Damascus restaurant business with us.

We were keen to help Imad transition from pop-ups to a permanent site from which he could offer a broader menu, crucially with manageable start-up costs and the security of a longer-term base, and, in 2020, he leased a restaurant on the 2nd floor of Kingly Court. Whilst the pandemic delayed his scheduled November 2020 launch date to summer 2021, Imad's Syrian Kitchen has become one of this year's most talked about restaurant openings and has fast established Imad as one of the West End's most respected Middle Eastern restaurateurs.



**“ To me, the restaurant is
Imad personified, warm,
welcoming and full of light ”**

Julia Wilkinson, Restaurant Director

Retail

Our shops, mainly clustered in Carnaby, Seven Dials and Soho, make an important contribution to the West End's reputation as a leading global retail destination

283

shops

0.4m

sq ft

£0.8bn

valuation

£36.7m

ERV

Mid-market, innovative, independent brands, rather than predictable national chains

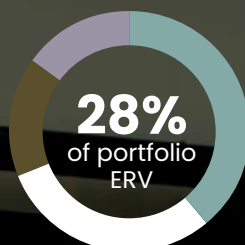
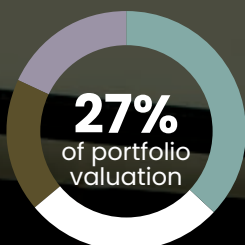
Mix of fashion, footwear, accessories, health & wellbeing, lifestyle

Competitive rents compared with nearby streets

Wide range of shop sizes and rental tones: flexibility for retailers to expand or introduce new concepts

Leases typically 3-5 years; opportunity to keep brand line-up fresh and interesting

Reconfiguring larger shops and re-purposing space, where appropriate, to meet current demand for smaller shops



Carnaby **50%**
Covent Garden **25%**
Chinatown **15%**
Soho **8%**
Fitzrovia **2%**

5 year EPRA vacancy
(% of portfolio ERV)



Retail interview

Samantha Bain-Mollison
Retail Director



“London is one of the great international retail destinations. It’s a platform for brands to make a statement and then expand”

What is your vision for retail?

It’s delivering genuine and authentic experiences, to create a scene that people want to visit. Our shops are generally small and are typically occupied by independent operators or new concepts, which give consumers interesting choices.

We see so many brands where the people behind them care about getting it right. They want to provide consumers with an experience, add another level of value to the area, and join in with the local community. They invest a huge amount of their personality into the stores. Customers will often meet the founders, who can tell their brand story and sell their product. Annie’s Ibiza is a great example: she’s in the shop, selling her dresses to you. Another is Mark Powell Tailoring, where Mark will personally fit your suit. Rather than just buying a product from afar, you will be taking away a piece of that actual brand.

Where we have bigger stores, even more so post-pandemic, the retailers are focusing on what makes the store special or unique, appealing to consumers they’ve never attracted before.

What does the retail mix add?

London is one of the great international retail destinations. It’s a platform for brands to make a statement and then expand. A lot of the time, brands choose our locations for their first store, or a concept store among a handful they’re going to do. They are setting the scene for their future.

Through the curation of our retail mix, we strive to create great retail experiences for consumers, whether they are residents, local workers or visitors. By making sure it’s interesting, we can drive footfall and spending, providing the stage-set for our occupiers to thrive.

“Brands choose our locations for their first store, or a concept store, among a handful they’re going to do”

How do you choose brands?

Our retail strategy is well known, which helps. We've got such a cool tenant mix that our villages are the "place to be".

We remain very selective when choosing brands. We don't just let a store to a retailer because they're interested. As for hospitality and leisure, we interview potential occupiers; and famously, our selection process is a little bit like "Dragon's Den". Retailers have to prove they're going to add value to our villages, bring something different and interesting, have a strong brand and marketing strategy to bring customers, that they're going to be part of the community, they're going to take part in our marketing events and campaigns, etc. They don't need to join everything, but we want them to be part of the Shaftesbury family.

We also have an encyclopedic knowledge of brands. We have visited many retail destinations and it means we are likely to have a view on a brand prior to meeting them. We usually already know where they would fit into our portfolio. We have a list of target retailers, which makes the conversation and decision-making process very easy if they approach us. Similarly, we know exactly who we don't want.

A number of times we have seen new concepts coming out of the US, Canada and Asia, for example, and have visited one of those stores prior to them having London on their agenda. That makes a huge difference to our understanding.

Likewise, seeing brands in wholesale or multi-brand concepts or spaces helps build our picture of who their customer base is and therefore where we would place them in our portfolio.

“We remain very selective when choosing brands. They have to prove they're going to add value to our villages, bring something different and interesting, have a strong brand and marketing strategy to bring customers”

What influences your decisions?

There are many layers to choosing brands. We can be influenced by absolutely anything a brand does across all channels and media, positively or negatively.

As well as the interview, we research a brand, reading the press and looking at, for example, Twitter, Instagram and Tik Tok to see how they engage with consumers and what their reputation is like. Sustainability is really important too. A brand will not be successful if they are not acting with a long-term sustainability mentality. It's that simple.

Talking through our future plans for our villages and streets is a key part of having a long-term partnership with brands. As is thinking about cannibalisation. We're not going to put three shops next to one another that are going to eat into each other's sales. We want all our businesses to thrive.

We consider all of that and then talk and walk retailers through our villages to see where they're best placed. A lot of the time they'll have a view and we'll have a view, but we work together. It's a collaborative process that means we are completely comfortable with our decision. It's about working with them to reflect what their business needs and giving them the platform to trade well. Ultimately, if they prosper, that is good for our long-term returns.

We are also happy to trial stores. A lot of the time we'll work with a retailer to understand their data and ours, and then move them from one street to another, or upsize them into a different store which works better for them long term.

Who are your target consumers?

Generally, across the portfolio, we target accessible brands that appeal to Londoners. If we attract Londoners to our villages, tourists will naturally follow.

Carnaby and Soho attract fashion and streetwear brands appealing to youth culture. It's the heritage of the fashion, music and art, plus the history of the location, particularly since the swinging '60s. We have built on the inherent youth culture of the area, which includes possessing a certain attitude, and curating a set of like-minded brands.

Now we have a well-established retail line-up, we have to be careful to keep the mixture of cool and accessible brands fresh. We also want to ensure we have other types of retail that also appeal to our core consumers, such as record and vintage stores. Our retail strategy focuses on a young and cool consumer searching for things that are new and exciting.

Seven Dials appeals to a slightly older customer, typically with a higher disposable income and looking for retailers who trade responsibly and provide transparency about their supply chain, including sourcing ethical or natural ingredients/materials, working practices, and pricing, as well as the circular economy. We focus on owner-run or independent businesses who appeal to this customer and it is no coincidence we have a number of B-Corp businesses (companies that balance purpose and profit) operating in Seven Dials.

“We target accessible brands that appeal to Londoners. If we attract them into our villages, tourists will naturally follow”

How important are relationships?

Our relationships with retailers matter. We love working closely with all our occupiers and when you have a partner you can trust, usually you can create an even better story together. We start with the interview where we get to know the people running the brands. They know they can come to speak to us and say, “We need to expand”, or “I need to take a site for a second brand, what have you got?”. By understanding their needs we can consider what’s going to make the difference for them opening the store or not.

Some of our relationships have lasted decades and are highly valued, as with any successful partnership. Often the founders of brands will move to a different business or start a new concept and then come back to us to talk about their next brilliant idea or project.

Shaftesbury is well known for behaving with integrity. During the pandemic, we provided financial and other support to our retail, hospitality and leisure occupiers, and this went a long way to preserving many of those businesses through a really bleak time. Through the 35 years of Shaftesbury, it is a business you can trust, and I love being a part of it.

What are the risks?

As with our approach to hospitality businesses, we want independents, new start-ups and new concept stores. Whilst their covenant strength is important, it is not a deciding factor; rather we are focused on concepts we think will be interesting, bring their own customer base, drive footfall and thrive. By being selective in our process, we are creating a line-up of brands that really care. That reduces risk, and with so many smaller units, we have an inherent resilience.

“By being selective in our process, we are creating a line-up of brands that really care. That reduces risk”

How has the pandemic changed things?

The closure of department and multi-brand stores has been interesting because brands who had outlets or representation in those stores have lost that presence and their exposure to new consumers. We’ve got brands coming to us who have lost their wholesale accounts across the UK and want to raise their profile with consumers again. They are looking for a shop in the right location to showcase their products and make a statement about their brand in the right way. This change in direction is great for us.

Interestingly, during the course of the pandemic, the digital marketplace has become congested and the costs of acquiring new customers has increased prohibitively, particularly for new direct-to-consumer brands. Now, online brands are trying to find new ways to connect with customers. For them, a physical presence is a great way to showcase their brand; it might be part retail sales, part showroom, part office space, but the key is it really represents exactly who they are and their brand story. We find that they tend to be very selective in where they locate, and they want to be in areas that resonate with their target audience and are affordable, which really plays to the strengths of our portfolio.

How do you think about your space?

We like to reimagine the use of buildings in innovative ways and partner with brands who think about spaces creatively. Third Man Records on Marshall Street is a good example. They are a record label who have stores in the US and have now opened their first shop in the UK in Carnaby. They have a recording studio in their basement open to the public, which includes an original machine that WWII soldiers used to record messages on vinyl to be sent back to their families in America. Customers can use it to create their own vinyl and play it in the store. It is brilliant and adds something unique for visitors. They also use the space to host small live performances.

“We like to reimagine the use of buildings in innovative ways and partner with brands who think about spaces creatively”

What excites you most about your role?

I get excited by working with creative operators and thinking how we can incorporate their ideas into our space.

I also love the fact there is always something interesting happening in our villages. It could be a temporary installation, an event or a great pop-up. During the Tokyo Olympics, for example, we had a pop-up in Carnaby Street with Ben Mosley, an expressionist painter and artist-in-residence for Team GB. He was creating an official Olympics-sponsored mural, documenting the GB team’s live endeavours daily, and customers could view our team’s progression as well as the progress of his artwork. At the end of the Olympics, he sold the art as collectable non-fungible tokens. It was a moment in time, but that’s what makes Shaftesbury and our villages so special.

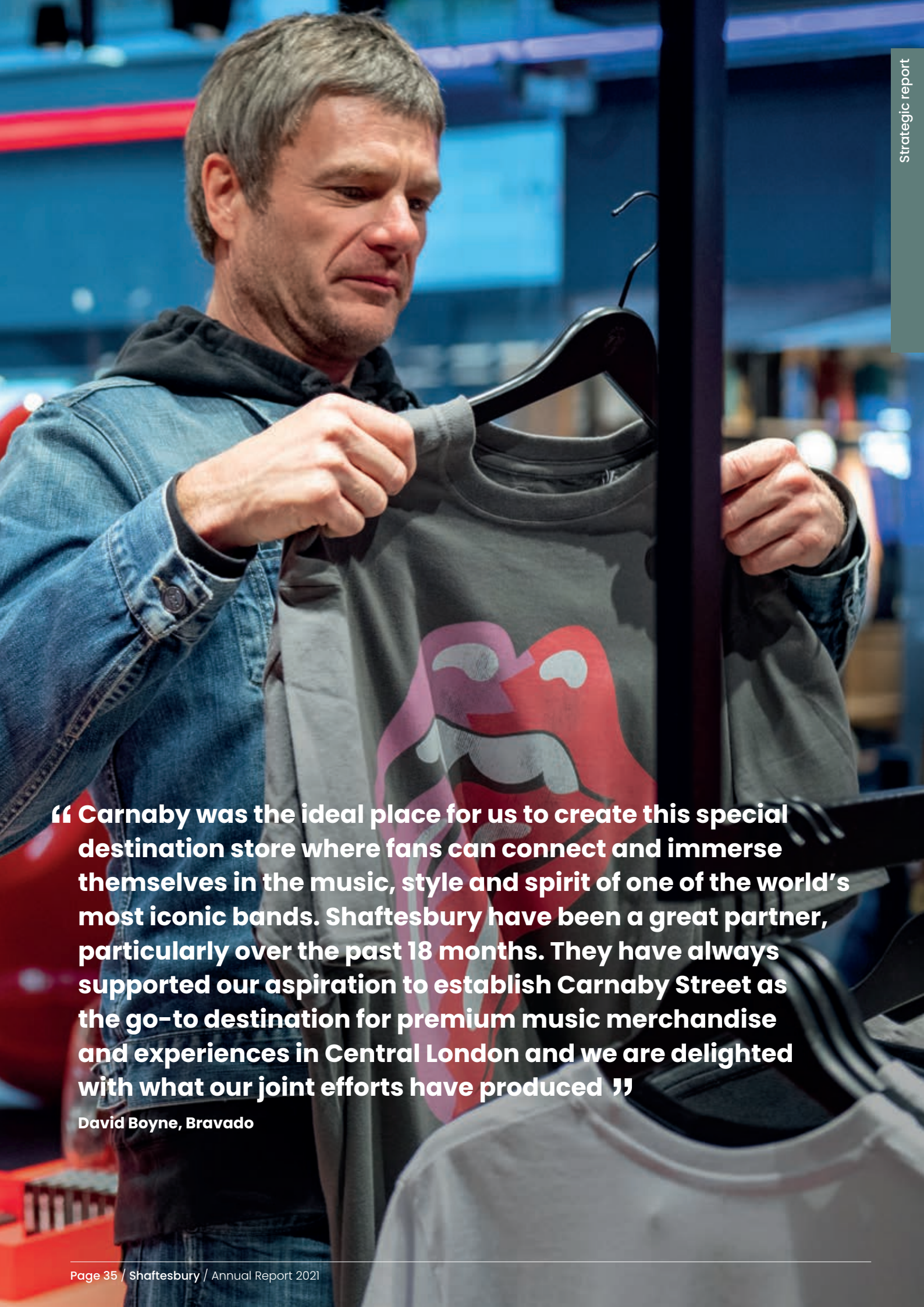
“I get excited by working with creative operators and thinking how we can incorporate their ideas into our space”

RS No 9 Carnaby Street

We have collaborated with Bravado International Group (part of Universal Music Group) since 2012, when we worked with the Rolling Stones for our Carnaby Christmas lights installation, celebrating their 50th Anniversary. Resonating with Carnaby and Soho's rich music heritage, the rock and roll themed installation included clusters of suspended gold vinyl records telling the story of the band from creation to present day, as well as the famous Hot Lips logo on the Carnaby Street arch. The band also launched a pop-up shop for three months, selling limited edition products, merchandise and music. The installation and shop both became a global news story, and drew huge numbers of visitors to Carnaby.

More recently, we again worked with Bravado and the Rolling Stones to provide a permanent store, RS No. 9 Carnaby Street, a flagship shop conceptualised by the band as their first and only permanent retail space. The interior includes large digital screens and a state-of-the-art sound system playing archive footage from the band's career. You can find Rolling Stones conceptual art as well as Carnaby RS No 9 branded merchandise and apparel unique to the shop, alongside traditional band merchandise, clothing, and music. To mark the launch of their shop, a limited edition vinyl of the album Goats Head Soup was given to the first customers sparking queues of hundreds of fans on the opening day.

In September 2021, Bravado helped us launch another experiential pop-up shop for Queen, which is open until January 2022. It celebrates five decades of their music, sells limited edition music releases, fashion collaborations and has weekly product drops and in-store events. When we work on partnerships like this, we always ask that the tenant supports a charity partner. Queen has their own charity, The Mercury Phoenix Trust which raises funds and awareness for HIV and AIDS. Proceeds from an exclusive Freddie Mercury t-shirt in store will go to the charity.

A man with short grey hair, wearing a blue denim jacket over a black hoodie, is holding up a grey t-shirt on a black hanger. The t-shirt features a large, stylized graphic of a red and purple bird or creature. He is looking at the t-shirt with a focused expression. The background is a blurred retail store with shelves and other clothing items.

“ Carnaby was the ideal place for us to create this special destination store where fans can connect and immerse themselves in the music, style and spirit of one of the world’s most iconic bands. Shaftesbury have been a great partner, particularly over the past 18 months. They have always supported our aspiration to establish Carnaby Street as the go-to destination for premium music merchandise and experiences in Central London and we are delighted with what our joint efforts have produced ”

David Boyne, Bravado

Offices

We are an important provider of small, flexible office space in the West End

313

suites

0.4m

sq ft

£0.5bn

valuation

£28.3m

ERV

Generally small, flexible and affordable accommodation

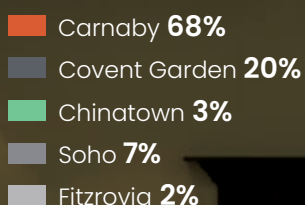
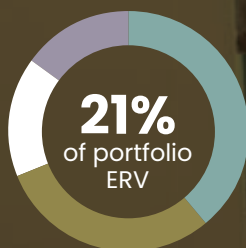
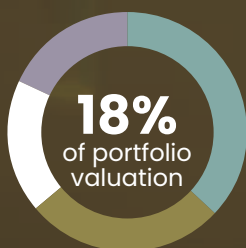
Range of office sizes provides opportunity for occupier expansion

Typical occupiers: SME media, creative, fashion and tech businesses

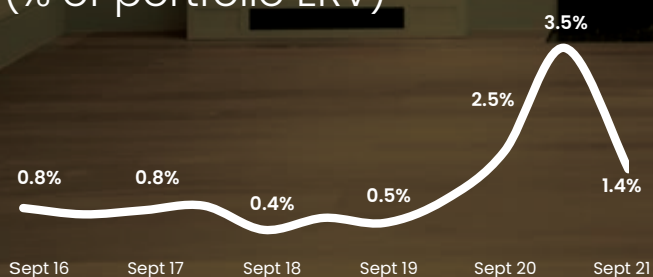
Typical lease term: 2-5 years

Fitted options and digital leasing introduced in the year

History of high occupancy and good retention rates



5 year EPRA vacancy (% of portfolio ERV)



Offices interview

Isabel Thomas
Head of Offices



“ We have a reputation as a responsible landlord with a creative approach. Office occupiers and their representatives engage with us because they know that we’re approachable, responsive, and innovative ”

What is your vision for office leasing?

Our vision is to offer distinctive office products consistently across the portfolio and create places where people are happy to work.

Our office space is above our restaurants, cafés and shops, is boutique in style and relatively affordable. We can offer a range of office sizes, typically from small 200 sq. ft. suites up to large floors of around 9,000 sq. ft. The average letting is close to 1,500 sq. ft. Across the portfolio, our average rents and ERVs are £56 per sq. ft. and £63 per sq. ft.

Our offices are typically occupied by small and medium-sized businesses in the media, creative, fashion and tech sectors. Those type of businesses have traditionally found their natural home in Carnaby, Soho and Covent Garden, and are attracted by our vibrant locations, the flexibility and affordable accommodation we provide, and the community of similar businesses in this creative part of London.

The pandemic has accelerated changing business workspace requirements. Our approach is to anticipate and accommodate the broad range and evolving requirements both of existing office occupiers and those we’re welcoming into our portfolio. That could be flexible leasing for a fast-growing start-up, better collaboration space, fitted accommodation or a larger suite for an established global brand.

We’re looking to develop long-term partnerships with our occupiers; we want them to thrive and have a good work-life experience within our villages. Ultimately, we aim to retain occupiers within our portfolio, supporting them as they adapt and grow.

What do offices contribute to villages’ ecosystems?

Office occupiers are a key complementary part of the community in our villages, bringing a source of customers for our restaurants, cafés, pubs, bars and shops. It’s not only the employees working for that business, it’s everyone who visits their office and clients they take out for lunch.

Even with a hybrid working model, we have a lot of office workers who do come Monday to Friday, and those who spend fewer days in the West End tend to concentrate their socialising and shopping into those days.

Why do businesses want to be in Shaftesbury’s offices?

Businesses are attracted to our offices as they’re located in vibrant neighbourhoods in the heart of the West End. They provide that unique sense of community, through our village curation, and a mix of amenities that’s very hard to replicate, set against the backdrop of the history and heritage that our areas offer.

Also, we have a reputation as a responsible landlord with a creative approach. Office occupiers and their representatives engage with us because they know that we’re approachable, responsive, and innovative.

What do they want from their space?

The pandemic has rapidly changed the role of the office. Workplaces have evolved beyond just being desks. They now need to be a lot more exciting to work in, which is an important aspect in attracting and retaining talent. They have to be places to collaborate, be creative, and must support employee engagement and wellbeing.

Offices are the place where companies can promote their brand and foster their culture. Occupiers don't want to feel like they're in temporary accommodation. They want to wave the flag for their business and make a statement: "We've made this commitment, and this is our front door. Come to visit us, our doors are open, and we want to meet you".

It's very hard for businesses to persuade their staff to come back to the office if they don't offer everything the employee can get at home and more. At home, an employee might have their favourite local coffee shop or somewhere to go for lunch. We're replicating that feeling, but in an interesting, buzzy, amenity-rich environment.

Is sustainability playing a bigger role in occupiers' decision making?

Sustainability is at the heart of everything we do and we're seeing it move higher and higher up occupiers' agendas too, because it matters to both their businesses and their employees. Occupiers want their landlord to be responsible and committed to doing the right thing. Our long-term sustainability strategy, our net zero carbon roadmap and how we support the local community are important aspects influencing potential occupiers' leasing decisions.

▲ Read more on sustainability on pages 58–69

“ Sustainability is at the heart of everything we do and we're seeing it move higher and higher up occupiers' agendas too ”

How is Shaftesbury keeping pace with the changing needs of occupiers?

Office occupiers are becoming more demanding. In response to changing demands, this year, we launched Assemble by Shaftesbury, a fitted office product, which has proved to be a popular addition to our overall offer.

▲ Read more on Assemble by Shaftesbury on page 39

This year, we started offering digital end-to-end leasing, a technology solution which provides a simple, user-friendly experience and speeds up the process for occupiers to take space.

“ The pandemic has rapidly changed the role of the office. They have to be places to collaborate, be creative, and support employee engagement and wellbeing ”

Are you marketing your offices differently now?

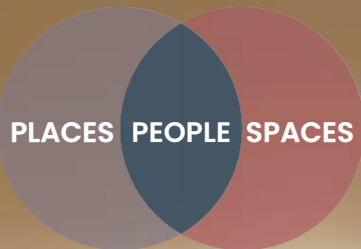
We think of employees as consumers and are developing our office offer accordingly. We have made a really interesting switch from previously mainly targeting the CEO and other decision-makers, to now appealing to employees in our marketing because their views carry much more weight and power than ever before.

For example, for the offices in our 72 Broadwick Street scheme, we have a very consumer-led campaign, entitled 'For every you', to speak to employees, firstly, and then their employers. If a CEO of a business takes a tour, we know they will have their employees' interests at heart, and will be walking around that office thinking, "If I take this space, will my employees enjoy coming here? Will they be excited and proud to work here? Does it offer them what they want out of a creative new office?".

With more people choosing to cycle to work in the post-pandemic world, we need to be able to offer them somewhere to park their bike, somewhere to have a shower, and certainty that they're going to get a space. This year, we launched the Carnaby Cycle Hub, which is a shared facility for buildings across the village which don't have their own cycle provision. It is proving very popular.

What do you enjoy most about your role?

I feel lucky to work in such a lively and exciting part of London. I think my favourite part of my role is seeing businesses move into our spaces and grow within our portfolio. To support occupiers on their journey and continually building that partnership between us is very satisfying.



Assemble by Shaftesbury

Assemble by Shaftesbury was launched earlier this year as a fully fitted option for office suites over 800 sq. ft. It particularly appeals to businesses seeking both a hassle-free office move and a workspace with their own front door and brand presence that a serviced office cannot provide. It takes away the headache of doing an office fit-out, allowing them to focus on what they do best, which is running their own business.

Offering a selection of pre-designed interior schemes focused on collaborative spaces and a variety of work environments to support creative, agile working, it has fast become an established and popular product in the market, significantly reducing letting periods. The feedback from occupiers on the choice of designs and collaborative delivery process has been immensely positive.

Since it was introduced, we have completed 12 leases across 28,000 sq. ft. and, currently, we have 3,000 sq. ft. under offer.

Residential

633

apartments

0.4m

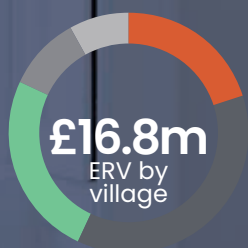
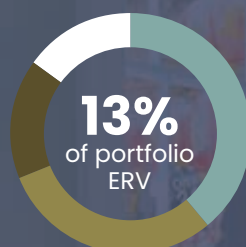
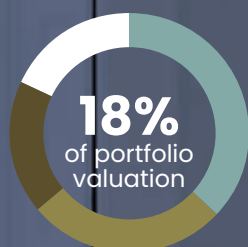
sq ft

£0.5bn

valuation

£16.8m

ERV



Mostly mid-market apartments:

- mainly studios, one or two-bedrooms
- largely unfurnished

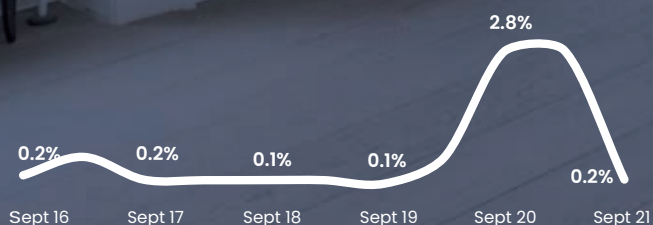
Occupancy traditionally high (> 98%); reliable cash flow

Rolling upgrade programme continues – improving energy performance, modernising layouts, upgrading specifications

Lease term: 3 years with rolling break options after six months

Lease rather than sell apartments to retain control over whole buildings rather than compromise long-term value creation opportunities over lower floors

5 year EPRA vacancy (% of portfolio ERV)



Residential interview

Shelley Webb
Head of Group Residential



“ Residential brings people to our villages. They’re there every day, shopping, dining, socialising, enjoying the places we curate ”

Why is residential important to Shaftesbury?

The residential element of our portfolio has grown significantly since I started in 2003. At that time, we had about 200 flats and now we have over 600. As well as being an interesting use for the upper floors of the buildings, residential brings people to our villages. They’re there every day, they’re shopping in our shops, dining in our restaurants, socialising in our bars, enjoying the places that we curate. For them, it’s their home. That’s really important – it adds to the sense of community.

Why do people choose to live in Shaftesbury’s villages?

Even though we have competition throughout central London, lots of people want to live in the West End and choose our villages specifically because of their soul. They are unique and have a buzz about them that people want to be a part of. So much so, in fact, we typically only have a handful of flats available at any one time.

We have a broad range of tenants including people working in and around the area, often for a few years only. Students are a key group for us. They represent around 40% of our tenants and tend to be attracted to our villages because of their convenience and the character. When you’re in our villages, you’ve got the West End on your doorstep. We’re quite close to some of the big universities as well as the art and fashion universities, which attract students that are interested in living in a quirky area.

We also have a number of long-term tenants who have stayed within our portfolio. They might move around to different properties within it, but they like being in our areas.

How important is creating a sense of place?

People can choose to rent in a high-rise development with various amenities – a concierge, a cinema and a gym – but the building could be quite soulless, it may be located in an area without much going on and have poor transport links. By contrast, we curate lively villages that people want to be part of.

While each village has its own brand identity and character, our management of each is consistent, which helps attract overseas tenants, in particular. If they already know, for example, Carnaby or Chinatown, that will lead them to us. If we have no availability in one area, we can show them others and demonstrate how we manage them in the same way, taking away uncertainty on how we will deal with them and what they will get by being a tenant.

That is where Shaftesbury’s brand is becoming increasingly important. One of the things we’re looking to expand on now is making our residential offer more of a brand for potential tenants to identify with and say, “Right, that’s a Shaftesbury property. I like the areas and I know they behave responsibly”.

“ People want to live in the West End and choose our villages because of their soul ”

“ Millennials and Gen Z’s, in particular, are very focused on sustainability. They are interested in the initiatives we support, our work with local community stakeholders and our net zero carbon aspirations. Those things show we care ”

How important is sustainability to your tenants?

Millennials and Gen Z’s, in particular, who tend to be the majority of our tenants, are very focused on sustainability. They ask quite a few questions, such as have we got LED lights, is the wooden floor FSC approved, and are they able to recycle? Not so long ago, nobody asked those questions, but there is definitely a trend towards that.

They are also interested in the initiatives we support, such as the Wild West End and our bee projects, our work with local community stakeholders and our net zero carbon aspirations. Those things have become a good marketing tool because it shows we care and behave responsibly; it all goes back to our core values.

How do you evolve your residential offer?

Our standard lease is normally three years and our flats are unfurnished. However, with our development at 72 Broadwick Street, we are introducing a new furnished product, branded Carnaby Lofts, in collaboration with Soho Home.

▲ [Read more on Carnaby Lofts on page 43](#)

More generally, we have a rolling programme of refurbishment to ensure our apartments are up to date, provide the “mod cons” tenants want, reflect the latest interior design trends, and improve their energy efficiency.

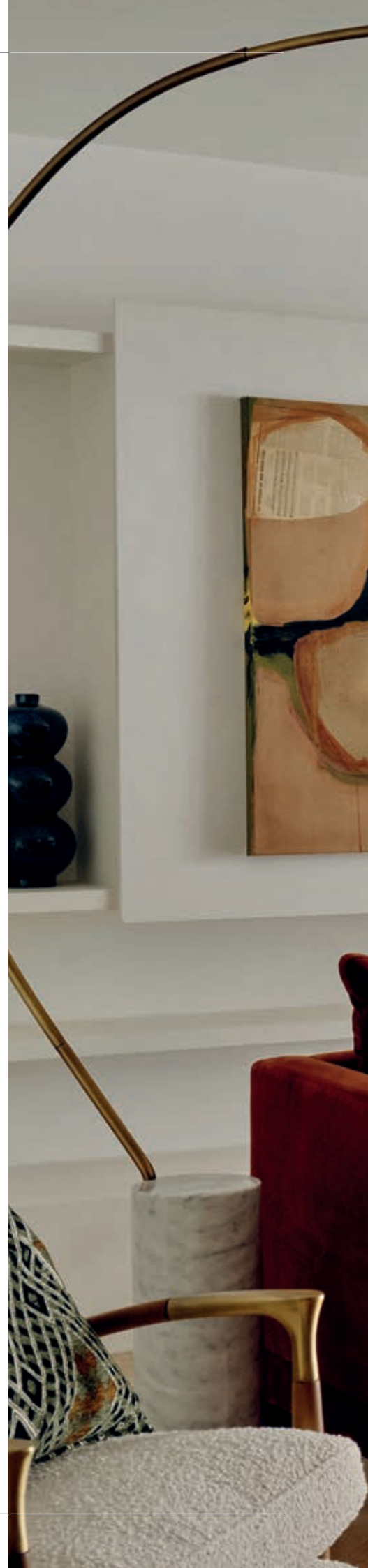
Do you see opportunities to further grow the residential element of the business?

We’re always looking for opportunities to expand. If a building becomes vacant, we look at the pros and cons of how to purpose the upper parts. Some buildings are better as offices and others are more suited to residential. I work closely with Isabel Thomas and the asset management team to determine the right solution.

What do you enjoy most about your role?

I have enjoyed seeing our residential portfolio grow, not just in size, but in what we offer. I also enjoy how closely, quickly, and effectively we work as a team. While we are all experts in our respective fields, we all share the same passion for the West End and our villages. We love the places we are part of and that shows through in what we achieve together.

“ I have enjoyed seeing our residential portfolio grow, not just in size, but in what we offer ”



Carnaby Lofts

Whilst we have traditionally let our apartments unfurnished, we are developing a furnished interior offering, to widen their appeal and allow us to satisfy a growing demand for turnkey apartments. We are introducing this new product in our 72 Broadwick Street mixed-use scheme, which has fifteen apartments, each with outside space or a balcony. Branded Carnaby Lofts, these apartments will offer a lifestyle choice for residents.

For these apartments, we have collaborated with Soho Home, who also have a shop in Carnaby, to provide interior design and furniture handpicked from their range. The quality, craftsmanship and design of the furniture will complement our apartments to deliver a best-in-class offer for the surrounding area. The apartments are bright and airy, with floor to ceiling windows to provide excellent natural light. The open-plan living space leads out onto a terrace or balcony and the interior palette is a mix of light and dark which works well with the signature style of Soho Home's furniture.

Near-term strategic priorities

2020/21 priorities

Key initiatives

Progress in the year

Manage net property income

- Reduce vacancy
- Provide financial and non-financial support to occupiers
- Improve rent collection
- Develop our flexible and efficient leasing model
- Having peaked at 11.9% at 31 March 2021, EPRA vacancy reduced to 6.0% (2020: 10.2%) by 30 September 2021. Available-to-let vacancy reduced to 2.9% (2020: 9.1%)
- Occupier support included rent concessions, restructured leases, and drawings on rent deposits
- Introduced monthly invoicing for majority of occupiers
- Non-financial support:
 - extensive marketing initiatives
 - collaboration with the Mayor of London's promotional agency
 - lobbying for and introducing more al fresco seating
- Rent collection for year: 58% and increasing as the recovery gathers pace
- Introduced Assemble by Shaftesbury, a fitted office option; introduced digital leases for offices

▲ *Portfolio report: page 50*

Manage liquidity

- Manage debt covenants
- Minimise non-essential expenditure (including schemes)
- Consider strategic acquisitions and selective disposals of buildings no longer considered core to our long-term strategy
- Secured debt waivers, where required and managed covenants
- Reduced service charges, whilst maintaining critical services
- New refurbishment schemes commenced only where space became available. Space under refurbishment decreased to 170,000 sq. ft. (2020: 200,000 sq. ft.)
- Net investment (excluding capital expenditure): £8.1 million. Further acquisition contracted during the year: £7.5 million (excluding purchase costs)

▲ *Portfolio report: pages 50-53*

▲ *Financial report: pages 83-84*

Attract, develop and retain talent

- Finalise appraisal and reward strategy
- Continue development programmes
- Recruit for new roles required
- Provide regular team updates
- Implemented quarterly appraisal process, personal bonus objectives and development objectives
- Leadership development programmes rolled out
- Recruited for new roles to increase specialist skills
- Regular all-team presentations and events
- Trialling hybrid working model
- High levels of engagement and satisfaction achieved in employee survey

▲ *Our people and culture: pages 76-78*

Sustainability strategy

- Carry out sustainability materiality analysis
- Develop and finalise net zero carbon target
- Prepare sustainability framework
- Materiality analysis completed, and sustainability framework prepared
- Net zero carbon target, strategy and roadmap completed

▲ *Sustainability: pages 58-65*

Manage stakeholder relationships

- Maintain regular contact with our two local authorities. Liaise with adjoining owners
- Maintain close relationships with shareholders, lenders and local groups
- Strengthen relationships with tenants
- Maintained regular dialogue with key officers and councillors across both councils, particularly around al fresco dining initiatives and specific Covid-related challenges
- Financial and non-financial support provided to occupiers throughout the pandemic
- Regular meetings (virtual/in-person/tours) with shareholders, bondholders, debt providers during the year
- Additional Covid Community Fund support offered to local groups
- Community Breakfast held in September 2021

▲ *Stakeholder engagement: pages 70-75*

▲ *Portfolio report: pages 50-52*

2021/22 priorities

Key initiatives

Key risks to achievement

Grow net property income

- | | |
|--|--|
| <ul style="list-style-type: none"> • Manage vacancy • Improve rent collection • Return to ERV growth • Identify new hospitality opportunities through change of use • Expand use of Assemble by Shaftesbury and develop product for smaller offices • Expand use of digital office leasing platform and consider for hospitality, retail and leasing | <ul style="list-style-type: none"> • Macroeconomic factors • Reduction in spending and/or footfall in our areas • Significant increase in tenant default/failure • We are unable to adapt to tenant demands/shifts in market offer by competitors, or we fail to anticipate changes in rental growth • Changes in regulatory environment • Volatility of neighbouring areas • Failure to innovate |
|--|--|

Investment and liquidity

- | | |
|--|---|
| <ul style="list-style-type: none"> • Acquisitions within our established and emerging clusters • Selected disposals of limited number of non-core properties • Identify and implement new refurbishment schemes • Refinance revolving credit facility • Manage debt covenants • Manage property costs in an inflationary environment | <ul style="list-style-type: none"> • Macroeconomic factors • Decline in the UK real estate market • Reduction in spending and/or footfall in our areas • Significant increase in tenant default/failure • Financing risk • Owners unwilling to sell buildings |
|--|---|

Attract, develop and retain talent

- | | |
|---|--|
| <ul style="list-style-type: none"> • Deliver planned development programmes • Create clear career progression paths and promotion criteria • Increase awareness of equality, diversity and inclusion across the business • Evolve hybrid working model, whilst retaining culture and creativity | <ul style="list-style-type: none"> • Failure to attract, recruit and develop talented people • Failure to protect or demonstrate our values • Wellbeing of employees and potential fatigue following the pandemic |
|---|--|

Create a sustainable future

- | | |
|---|---|
| <ul style="list-style-type: none"> • Embed targets and expand actions relating to our net zero carbon roadmap and sustainability focus areas • Engage with occupiers and supply chain to promote and support low carbon behaviours • Develop energy use intensity targets for our buildings • Improve portfolio energy efficiency through refurbishment programme | <ul style="list-style-type: none"> • Failure to meet our sustainability strategy objectives • Changes in regulatory environment • Failure to identify and mitigate climate change risk |
|---|---|

Strengthen external relationships and perceptions

- | | |
|---|--|
| <ul style="list-style-type: none"> • Develop and implement our community commitment • Provide financial and in-kind support to the local community and introduce 6-monthly support reviews • Grow awareness of Shaftesbury, our purpose, achievements, values and sustainability initiatives with key stakeholders and potential occupiers • Launch new corporate website | <ul style="list-style-type: none"> • Damage to reputation with local stakeholders and communities • Misconduct or poor standards by third party agents • Failure to protect or demonstrate our values |
|---|--|

▲ Principal risks and uncertainties: page 88

Measuring our performance

We use a balance of financial and non-financial metrics to measure our performance. These include both long-term performance and operational measures, aligned with our long-term strategy.

Performance over the past two years, inevitably, has been dominated by the effects of the pandemic, which particularly impacted our footfall-reliant villages in the West End.

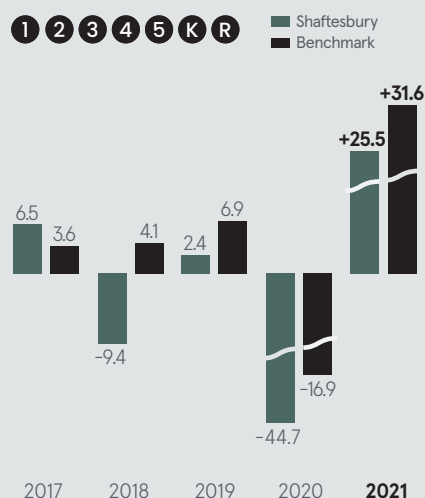
Strategic objectives to deliver a positive, long-lasting contribution to London's West End

- | | | | | | |
|---|--|---|--|--|--|
| <p>1</p> <p>Deliver sustainable, long-term benefits for all our stakeholders</p> | <p>2</p> <p>Long-term growth in rents and portfolio value</p> | <p>3</p> <p>Grow recurring earnings, cash flow and dividends</p> | <p>4</p> <p>Minimise environmental impact</p> | <p>5</p> <p>Attract, develop and retain talented people</p> | <p>K</p> <p>KPI</p> <p>R</p> <p>Remuneration</p> |
|---|--|---|--|--|--|

▲ Business model and strategy: pages 10 to 11

Alignment with strategy and link to remuneration

Total Shareholder Return (%)



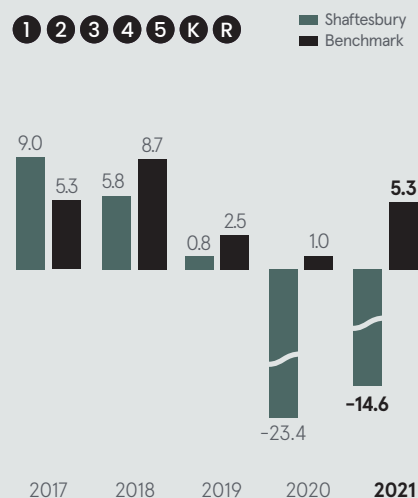
Measures shareholder value creation, taking into account share price movements and dividends in the period. We benchmark against the FTSE 350 REIT Index.

In 2021, our TSR was 25.5%, 6.1 percentage points below the benchmark. The higher TSR compared with 2020 largely reflects the increase in our share price during the year as pandemic concerns receded.

Performance over three years relative to the benchmark is a measure in the LTIP scheme. Underperformance against the benchmark over the past two years reflects the particularly severe impact of the pandemic on the West End relative to other real estate sectors.

▲ Remuneration report: pages 148-149

Total Accounting Return^{1,2} (%)



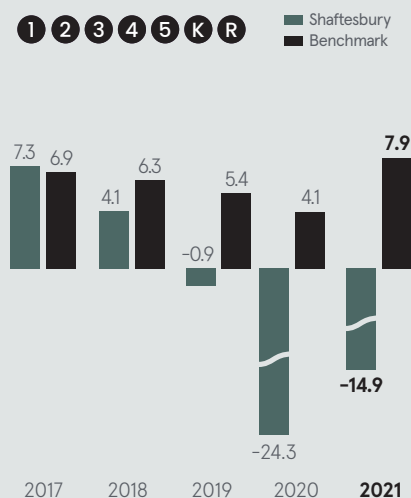
Overall measure of performance, taking into account growth in EPRA NTA plus dividends paid, as a ratio of EPRA NTA at the start of the period. For the benchmark above, we use a market capital-weighted index of FTSE 350 REITs.

In 2021, TAR was -14.6%, driven by a decrease in NTA (see right). The calculation includes the 2.4 pence per share interim dividend paid in July 2021.

For our LTIP, we measure TAR over three years relative to the benchmark. As for TSR, underperformance against the benchmark reflects the relative impact of the pandemic on the West End over the past two years, together with the impact of the equity issue in November 2020.

▲ Remuneration report: pages 148-149

EPRA NTA^{1,2} growth (%)



Standard real estate industry measure of valuation creation. For our LTIP, we benchmark three-year growth in EPRA NTA on an absolute basis against RPI+3%.

▲ Remuneration report: pages 148-149

EPRA NTA decreased by 15.0% this year, underperforming the benchmark (+7.9%). The decrease in NTA was primarily due to property valuation declines, driven by the pandemic, together with the impact of the equity issue in November 2020.

▲ Financial report: page 82

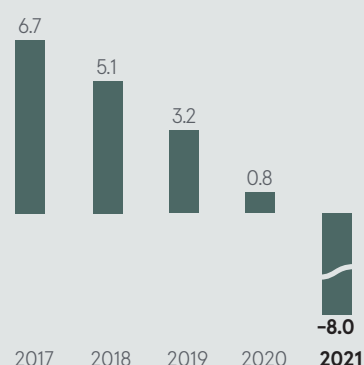
▲ Portfolio valuation: pages 54-57

▲ Equity issue and associated refinancing: page 83

Rental growth

Commercial leasing vs ERV³ (%)

2 3 K



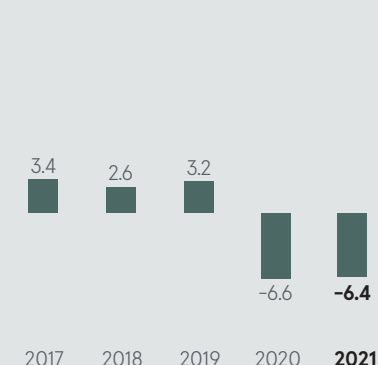
Our strategy has delivered growth in annualised current income and rental values over many years. Through our leasing activity, we convert previously assessed rental potential into contracted income, whilst establishing new rental levels which provide evidence for leasing negotiations and for our valuers in assessing ERVs.

With rental values impacted by the pandemic, commercial leasing transactions during the year were concluded 8.0% below ERV at September 2020. Lettings and renewals were 11.2% below September 2020 ERV in the first half. In the second half, they were concluded 5.9% below September 2020 ERV, but 0.7% above March 2021, as occupier demand for space increased.

▲ Leasing activity: page 50

Like-for-like ERV growth³ (%)

2 3 K



Measures growth in the rental potential of our wholly-owned portfolio.

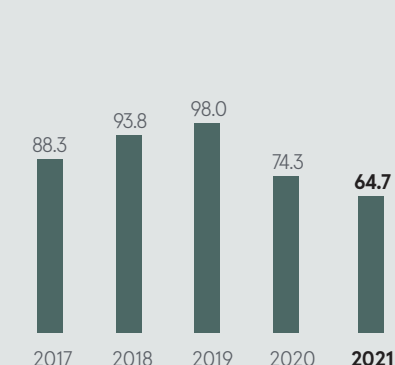
In 2021, like-for-like ERV decline was 6.4%, of which the decrease in the first half was 6.3%. Over the second half of the year, rental values largely stabilised.

▲ Wholly-owned portfolio valuation: page 57

Income

Net property income (£m)

2 3 K



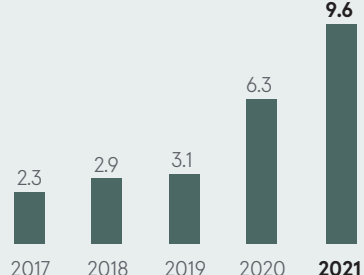
Growth in net property income is a key driver of earnings and dividends. This year, it decreased by 12.9% to £64.7 million. Rental income decreased by £9.4 million to £105.0 million as a result of continued pandemic-led occupier rental support and higher vacancy. There were further charges for expected credit losses and impairments (together: £17.7 million). Property charges, excluding recoverable service charge costs, increased by £4.4 million, largely due to vacancy-related costs, increased letting costs and costs associated with increased pandemic-related activity.

▲ Financial report: page 81

Occupancy

Quarterly average underlying EPRA vacancy^{3,4} (%)

2 3 K



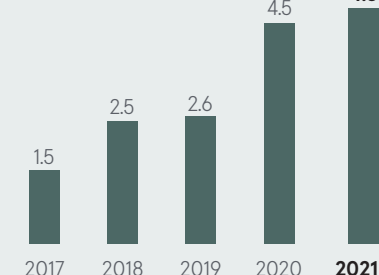
High occupancy and letting property quickly are key factors in sustaining good cash flows from our portfolio. The pandemic continued to adversely impact vacancy, particularly in the first half of the year, which saw EPRA vacancy increase from 10.2% to 11.9%. Increased occupier demand in the second half led to record leasing activity and, by 30 September 2021, EPRA vacancy had fallen to 6.0%, of which 3.1% was under offer. Quarterly average underlying EPRA vacancy was 9.6%.

The average time that space has been available-to-let during the year, weighted by the ERV of that space was 4.8 months, with the pandemic adversely impacting occupier demand, particularly in the first half of the year.

▲ Portfolio report: page 50

Weighted average vacant period^{3,4} (months)

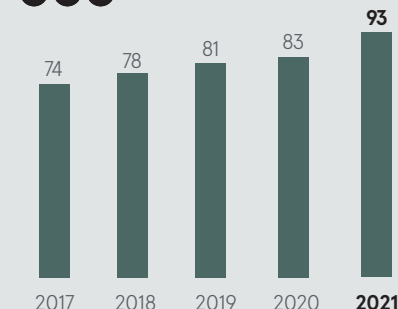
2 3 K



Energy performance

% of demises with EPC rating A-E

1 2 4



We aim to improve energy performance with each refurbishment scheme. This year, the number of demises with an EPC rating of at least E has increased by 10 percentage points to 93%. As part of our Net Zero Carbon 2030 strategy, we are now targeting minimum grade B EPC ratings on all commercial refurbishments over £250,000.

▲ Environment: page 64; Climate risk and opportunity: page 93

1 Alternative performance measure. See page 193.

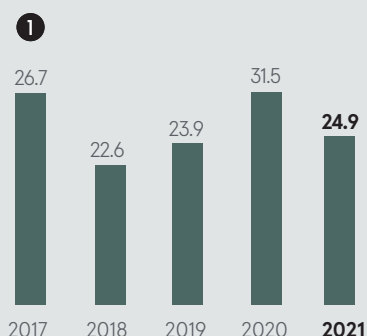
2 2017 to 2020 adjusted for the bonus element inherent in our equity raise in November 2020

3 Wholly-owned portfolio

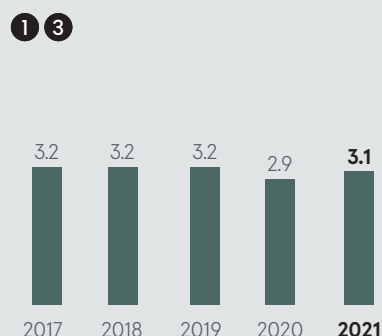
4 Excluding exceptional larger schemes

Financial management

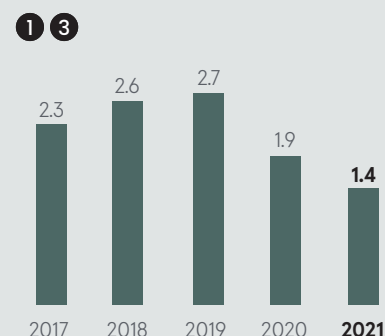
Loan-to-value^{1,3} (%)



Blended cost of debt^{2,3} (%)



Interest cover³ (x)



We operate with conservative leverage levels with long-term fixed interest arrangements forming the core of our debt finance. In 2021, our loan-to-value ratio decreased to 24.9%, predominantly due to the equity issue in November 2020, which increased our financial resources by £294.4 million, the impact of which was partly offset by a like-for-like decrease in the portfolio valuation of 5.4%.

The blended cost of debt increased from 2.9% to 3.1% during the year, following the repayment and cancellation of a £125.0 million revolving credit facility in November 2020.

Interest cover, being operating profit before investment property disposals and valuation movements divided by net finance costs, decreased from 1.9 times to 1.4 times, largely due to the combination of lower net property income and increased administrative expenses.

▲ Financial report: page 84

Other operational measures

In addition to our KPIs, other operational metrics we monitor in assessing the performance of the business include:

Portfolio management	2021	2020
Growth/(decline) in annualised current income 3 ▲ See page 57	(1.9)%	(6.4)%
Reversionary potential 2 ▲ See page 57	22.2%	27.7%
Space undergoing refurbishment (% of portfolio ERV) 2 3 ▲ See page 52	8.9%	10.1%
Our people	2021	2020
Staff retention 5 ▲ See page 77	100%	92%
Staff engagement 5 ▲ See page 76	90%	100%
Financial	2021	2020
EPRA earnings per share ^{3,4} 3 ▲ See page 80	3.5p	9.4p
Sustainability and stakeholders	2021	2020
GRESB rating 4 K ▲ See page 63	73%	64%
EPRA Sustainability BPR rating 4 K ▲ See page 63	Gold	Gold
Value of community contribution as a % of EPRA earnings 1 ▲ See page 66	9.0%	2.9%

A number of KPI measures used as remuneration metrics in previous years, were not used in the current year, with bonus metrics changing to reflect the extraordinary conditions due to the pandemic and to capture our near-term focus on maximising income collection, maintaining occupancy levels and controlling property costs during the period of uncertainty. The KPIs referred to were commercial leasing vs ERV, like-for-like ERV growth, net property income, quarterly average underlying EPRA vacancy and weighted average vacant period. This was a one-year change only and bonus metrics in the coming year will include some of these KPIs once again. GRESB rating and EPRA Sustainability BPR ratings are no longer used in remuneration and will be removed from our KPI reporting next year.

▲ Remuneration report: page 148

1 Based on net debt

2 Including non-utilisation fees on undrawn bank facilities

3 Alternative performance measure. See page 193.

4 2020 adjusted for the bonus element inherent in our equity raise in November 2020



Portfolio report

Following a challenging period since March 2020, operating conditions improved in the second half of the year, particularly since July 2021 when all legal pandemic restrictions were relaxed

Leasing activity

Following reduced levels of leasing activity in the previous year, we have seen a significant improvement in occupier interest across all uses in our carefully curated, central and popular locations, particularly in the six months to 30 September 2021 as pandemic restrictions were relaxed. During the year, we concluded 207 commercial and 373 residential leasing transactions with a combined rental value of £33.9 million. By rental value, almost 60% of the transactions occurred in the second half of the financial year.

Letting activity during the year

	2021			2020
	H1 £m	H2 £m	£m	£m
Commercial				
Lettings and lease renewals ¹	7.9	12.7	20.6	11.4
Rent reviews	2.0	1.4	3.4	6.2
	9.9	14.1	24.0	17.6
Residential	4.1	5.8	9.9	6.0
	14.0	19.9	33.9	23.6

1. Includes estimated turnover rent

Commercial lettings and renewals with a rental value of £20.6 million were concluded, on average, 8.0% below September 2020 ERV, with transactions in the first and second halves of the year being concluded 11.2% and 5.9% lower than September 2020 ERV, respectively. Importantly, rents achieved in the second half were 0.7% above ERVs at March 2021, with increases for hospitality, leisure and offices being partly offset by a decrease in respect of retail transactions, particularly for larger shops, where the market trend is now to offer a greater element of turnover-related rent.

Rent reviews (rental value: £3.4 million) were concluded 10.2% above previous rents and 6.5% ahead of September 2020 ERV.

Residential lettings and renewals amounted to £9.9 million, with rents 7.8% lower than previous levels. Throughout the period of pandemic disruption, there has been an historically high level of vacant residential accommodation across the West End, depressing rents. With the rapid recovery in occupancy levels since early summer, rental levels stabilised in the second half of the year and we are now beginning to see growth.

Occupancy

With the recovery in occupier demand, we have seen a reduction in vacancy across all uses since pandemic restrictions began to be relaxed in April 2021. At 30 September 2021, EPRA vacancy was £8.0 million and represented 6.0% of portfolio ERV, down from 10.2% at 30 September 2020 and 11.9% at 31 March 2021. Of the total, 2.9% was available to let and 3.1% was under offer.

Available-to-let space

Available-to-let space has decreased for all uses during the year. At 30 September 2021, it represented 2.9% of ERV (2020: 9.1%) and extended to 53,000 sq. ft. (2020: 182,000 sq. ft.). Our upper floors now only account for 33% of available-to-let vacancy, having represented 64% of the total at 31 March 2021.

	Hospitality and leisure	Retail ¹	Offices	Residential	Total
ERV (£m)					
2021	0.6	2.0	1.3	-	3.9
2020	2.6	4.1	2.3	3.7	12.7
% of portfolio ERV					
2021	0.4%	1.5%	1.0%	-	2.9%
2020	1.9%	2.9%	1.6%	2.7%	9.1%
Area ('000 sq. ft.)					
2021	6	25	22	-	53
2020	35	40	38	69	182

1. Includes nine shops let on temporary basis with an ERV of £1.0 million (0.8% of portfolio ERV); 2020: £2.4 million; 1.7% of portfolio ERV

Space under offer

At 30 September 2021, space under offer extended to 57,000 sq. ft. (2020: 22,000 sq. ft.) and represented 3.1% of ERV (2020: 1.1%).

	Hospitality and leisure	Retail	Offices	Residential	Total
ERV (£m)					
2021	1.5	1.8	0.6	0.2	4.1
2020	0.9	0.4	0.2	0.2	1.7
% of portfolio ERV					
2021	1.1%	1.5%	0.4%	0.1%	3.1%
2020	0.6%	0.3%	0.1%	0.1%	1.1%
Area ('000 sq. ft.)					
2021	24	18	9	6	57
2020	12	5	2	3	22

Hospitality and leisure

Demand for hospitality space has continued throughout the year, gathering pace over the second half, with interest dominated by independent businesses. Encouragingly, the best sites are now attracting multiple bids and some existing occupiers have taken additional sites with us.

We have generally achieved lettings on conventional lease terms, although with slightly longer rent-free periods and/or stepped rents to assist occupiers with their cash flows through the recovery. At 30 September 2021, we had just three restaurants and three cafés available to let, extending to 6,000 sq. ft. and with an ERV of £0.6 million. Additionally, ten restaurants, cafés and bars, extending to 24,000 sq. ft. (ERV: £1.5 million), were under offer.

▲ Read more on hospitality and leisure on pages 24-29

Retail

After a subdued start to this financial year, we now have a healthy level of demand from a broad mix of businesses. This includes independent brands or concepts, together with established domestic and international retailers, who choose our areas as their base in central London, showing confidence in our curated and relatively affordable streets where they can trade alongside like-minded brands.

Shorter leases, structured with a stepped base rent together with a turnover-based element, have been a feature of retail lettings this year. Whilst turnover elements may remain commonplace over the near term, we are already seeing leases beginning to shift towards more normal terms with the proportion of base rent increasing as retailers' confidence recovers. Retailers continue to expect a higher specification of landlord basic fit out.

At 30 September 2021, fourteen smaller shops and six larger shops, extending to 25,000 sq. ft., were available to let (ERV: £2.0 million), including nine (ERV: £1.0 million) let on a temporary basis. Fourteen shops with a combined ERV of £1.8 million were under offer.

▲ Read more on retail on pages 30–35

Offices

Office vacancy grew during the pandemic, reaching 3.5% of portfolio ERV in March 2021, compared with a pre-pandemic level at typically less than 1%, with office occupiers not renewing leases while their workforce was working from home. However, from 1 April 2021, we saw a noticeable pick-up in demand, as businesses planned for the return of their staff, and looked to improve the quality of their workspace. Assemble by Shaftesbury, our fully fitted option for offices over 800 sq. ft., continues to prove popular, as the trend towards greater flexibility, speed of occupation and collaboration in office working practices accelerates. We achieve higher rents with this option and, crucially both void periods and lease incentives are reduced. We are currently developing a similar product for smaller offices. During the year, we have also introduced a digital office leasing platform in Carnaby and Seven Dials, which has proved popular. We plan to extend this to other villages in the coming year.

With the increase in demand, office vacancy had fallen to 1.4% of portfolio ERV at 30 September 2021, of which 0.4% was under offer. 23 suites, extending to 22,000 sq. ft. (ERV £1.3 million) were available to let, down from 50 suites across 62,000 sq. ft. at 31 March 2021 (30 September 2020: 43 offices; 38,000 sq. ft.).

▲ Read more on offices and "Assemble by Shaftesbury" on pages 36–39

Residential

Prior to the pandemic, we typically had around 1% of our 600+ apartments available to let at any time. However, over the second half of last year, vacancy levels increased significantly to around a quarter of our residential portfolio, as occupiers from overseas returned to their countries of origin and people moved outside of central London. Since 1 April 2021, there has been a marked and sustained increase in demand for our apartments from a broad range of occupiers, wishing to be back in our vibrant villages, and benefitting from a softening of rents compared with pre-pandemic levels. At 30 September 2021 we had no available apartments and ten flats were under offer.

▲ Read more on residential and our furnished offering on pages 40–43

Occupancy outlook

Since 1 October 2021, leasing momentum has continued, with lettings and renewals with a rental value of £5.4 million concluded. EPRA vacancy had decreased by 1.1% to 4.9% of ERV, of which 1.7% was under offer. Following completion of refurbishment schemes, available-to-let vacancy increased to 3.2% of ERV.

Economic headwinds and the risk of further Covid variants and associated disruption might dampen the recovery. However, we remain confident that our best-in-class locations, together with the size and relative affordability of our space, our flexible approach to leasing and proven village management strategy, will continue to be important to potential occupiers over the long term.

▲ Read more on our long-term village management strategy on pages 16 to 22

Rent collection

Rent collection % as at 26 November 2021

	9 months to 30 June 2021	3 months to 30 September 2021	Year ended 30 September 2021
Rent collected	52%	75%	58%
Rent waived	41%	14%	34%
Rent outstanding	7%	11%	8%
Contracted rent	100%	100%	100%

For the year ended 30 September 2021, we have now collected 58% of contracted rents. However, there has been a significant improvement in collection rates since July 2021.

Throughout the year, rent collection rates have varied by use, with residential and office collections higher than those for hospitality and retail businesses which, inevitably, are reliant on footfall.

For the nine months ended 30 June 2021, a period dominated by pandemic restrictions which prevented, or curtailed, the ability for our hospitality, retail and leisure occupiers to trade and where "work from home" guidance was in place, we collected 52% of rent and waived 41%.

The final three months of the financial year coincided with the relaxation of all legal pandemic restrictions and, from September 2021, we saw a noticeable increase in the numbers of office workers returning. During this period, our rental support began to taper, with just 14% of rent waived. To date, we have collected 75% and 11% remains outstanding.

From 1 October 2021, we ceased granting rent waivers, other than on an exceptional, case-by-case basis.

Rent collection rates continue to improve as the recovery gathers pace. We have now collected 80% of October's rent and expect further collections will be made over the coming month.

We continue to collect arrears. However, those which relate to periods prior to the relaxation of pandemic restrictions are being dealt with separately from any post-lockdown debts. Eventual recovery of amounts due will depend on tenants' future income generation and financial capacity to meet these commitments.

Refurbishment and reconfiguration schemes

We continue to improve and repurpose our buildings to adapt to ever-changing occupier requirements, enhance environmental performance and augment our portfolio's long-term income prospects. In normal times, we often seek to secure vacant possession of space to create asset management opportunities.

This year, we prioritised protecting existing income, and concentrated on progressing existing schemes and carrying out improvements on space that became available, rather than actively seeking to increase scheme activity. The reconfiguration of some of our larger shops continues, reflecting the acceleration of retailer demand for smaller, more-affordable space to showcase their brands. Where space is released, we introduce alternative uses, taking advantage of recent changes in planning regulations where possible.

Given the recent recovery in footfall and spending, and with portfolio occupancy improving, we are now considering opportunities to accelerate schemes and ideas that were put on hold during the past eighteen months.

During the year, we commenced new schemes with an ERV of £5.4 million and completed projects with an ERV of £8.1 million. Capital expenditure totalled £37.4 million, including £17.2 million on our 77,000 sq. ft. scheme at 72 Broadwick Street, Carnaby.

At 30 September 2021, space held for, or under, refurbishment extended to 170,000 sq. ft., and represented 8.9% of total ERV, down from 10.1% last year.

Space held for or undergoing refurbishment

	Hospitality and leisure	Retail	Offices	Residential	Total	% of portfolio ERV
ERV (£m)						
72 Broadwick Street						
2021	2.6	-	2.3	0.7	5.6	4.2%
2020	3.4	0.4	1.5	0.6	5.9	4.1%
Other schemes						
2021	0.8	1.1	3.6	0.7	6.2	4.7%
2020	1.1	1.8	4.7	0.8	8.4	6.0%
Total						
2021	3.4	1.1	5.9	1.4	11.8	8.9%
2020	4.5	2.2	6.2	1.4	14.3	10.1%
Area ('000 sq. ft.)						
2021	45	17	84	24	170	
2020	63	22	85	30	200	

72 Broadwick Street, Carnaby

Whilst Covid-19 restrictions caused some disruption to site activity, particularly in the first half of our financial year, good progress has been made as this scheme approaches completion. During the year, the retail unit and basement hospitality space (together, 6,600 sq. ft.) have been handed over, both of which are under offer. Having secured dual-use planning consents over certain parts of the building, we have now reclassified 9,500 sq. ft. of space from hospitality and leisure to offices.

72 Broadwick Street ERV

	Hospitality and leisure £m	Retail £m	Offices £m	Residential £m	Total £m	% of total ERV
30 Sept 2020	3.4	0.4	1.5	0.6	5.9	4.1%
Space completed	(0.2)	(0.3)	-	-	(0.5)	
Space to now be let as offices	(0.6)	-	0.6	-	-	
Change in ERV	-	(0.1)	0.2	0.1	0.2	
30 Sept 2021	2.6	-	2.3	0.7	5.6	4.2%
Pre-let	2.6	-	-	-	2.6	2.0%
Available to let once completed	-	-	2.3	0.7	3.0	2.2%

The scheme will complete in phases from early next year, with final completion now anticipated in spring 2022. Capital expenditure during the year was £17.2 million and, at 30 September 2021, the remaining cost to complete this scheme is estimated at £7.9 million.

The hospitality and leisure space is pre-let to Equinox, an American fitness and lifestyle brand, with handover expected in the New Year and we already have interest in two thirds of the office accommodation. Once complete, we will market the fifteen new apartments for rent on a furnished basis.

▲ Read more on page 43

Other schemes

At 30 September 2021, other schemes extended to 101,000 sq. ft. with an ERV of £6.2 million (4.7% of ERV), of which 6,000 sq. ft (ERV: £0.4 million) was under offer and 5,000 sq. ft. (ERV: £0.3 million) was let on a short-term basis pending commencement of works.

Schemes underway included 12,000 sq. ft. of hospitality space, 17,000 sq. ft. of retail space, 58,000 sq. ft. of office accommodation and 27 apartments. A number of these schemes will complete in the coming financial year, which will initially increase EPRA vacancy but will provide a useful contribution to income and earnings once let.

Public realm improvements

In Seven Dials, work with local stakeholders has brought about a long-term traffic reduction plan, following Camden Council's successful trial this year. To be implemented in early December 2021, this plan should reduce through traffic in the area by as much as 90%, significantly improving visitors' experience and air quality.

Whilst outdoor dining has not previously been a significant feature in Chinatown, the relaxation of pandemic restrictions earlier this year saw restaurants benefiting from short-term pandemic legislation allowing them to utilise the pavements of Chinatown's pedestrianised streets. This proved to be successful, adding additional covers and bringing a new dynamic to the vibrancy of this village. We are currently working on a long-term al fresco seating strategy to ensure Chinatown evolves as an attractive high quality outdoor dining environment.

In Carnaby, proposals to provide a new public space at the increasingly important eastern entrance to Carnaby from Broadwick Street are progressing, with a public consultation on the removal of traffic expected in early 2022. We are also working with urban design specialists on plans to animate and create a greener environment in Newburgh Quarter.

Longmartin asset management

In the following narrative, all figures (except areas) represent our 50% share.

To date, 84% of contracted rent for the year has been collected, 11% has been waived and 5% remains outstanding. The higher relative collection rate, compared with that for the wholly-owned portfolio, mainly reflects Longmartin's higher proportion of offices and larger international retailers.

During the year, lettings and rent reviews with a rental value of £1.7 million were concluded (2020: £1.6 million), including two newly created restaurants in St Martin's Courtyard.

At 30 September 2021, the ERV of Longmartin's vacant space was £0.7 million (2020: £1.1 million) and space with an ERV of £0.6 million was under refurbishment (2020: £0.1 million), which included 12,000 sq. ft. of office accommodation, shops extending to 6,000 sq. ft. and four apartments. Capital expenditure in the year was £0.5 million.

Acquisitions and disposals

We have long found that existing private owners are traditionally reluctant to sell, other than in periods of uncertainty or financial pressure, or if their personal circumstances change. This year, acquisition opportunities remained limited, especially during periods of lockdown, which discouraged existing owners from bringing properties to the market due to uncertainty regarding the duration of restrictions and difficulties for prospective purchasers to inspect buildings. Despite this, we have added to our existing ownership clusters, acquiring four buildings in Seven Dials, Coliseum and Soho for £13.2 million, including costs. The buildings offer medium-term asset management opportunities and comprise four shops, 4,200 sq. ft. of office accommodation and four apartments. We also contracted to buy a further building in Seven Dials for £7.5 million, net of acquisition costs, which completed in October 2021.

As the revival of the West End gathers pace, we are aware of buildings potentially becoming available in our areas. Whilst they are likely to have vacancy issues and require investment to improve their accommodation or combine with our existing holdings, they represent valuable opportunities to add to the long-term value of our established ownership clusters.

We continue discussions regarding the potential purchase of a leasehold interest in 90-104 Berwick Street, although there is no certainty a transaction will be concluded.

In April 2021, we completed the disposal of a non-core building in Soho for £5.3 million. Since 1 October 2021, we contracted to sell a building in Coliseum for £7.0 million, 13.8% above book value at 30 September 2021. Further disposals from a limited pool of buildings no longer core to our long-term strategy are currently being considered.



Wholly-owned portfolio valuation

At 30 September 2021, the portfolio was valued at £3.0 billion (2020: £3.1 billion). The like-for-like decrease over the year was 5.4%, comprising a decline of 10.1% in the first half, followed by an increase of 5.2% during the second half. Rental values have now largely stabilised and both rent collection and investment sentiment continue to recover. At 30 September 2021, the portfolio equivalent yield was 3.92% (30.9.2020: 3.95%; 31.3.2021: 4.1%).

After allowing for acquisitions, disposals, capital expenditure and changes in lease incentives and costs included in receivables, the revaluation deficit for the year was £196.9 million.

Six months ended 31 March 2021

The portfolio valuation at 31 March 2021 was carried out while the UK was in its third national lockdown and prior to the initial reopening of the West End economy in April and May. Against this backdrop, our portfolio was valued at £2.8 billion, following a like-for-like capital decline over six months of 10.1%, which brought the compound decline over 18 months to 26.6%, which had largely occurred since the beginning of the pandemic.

The decline in this six-month period was predominantly driven by:

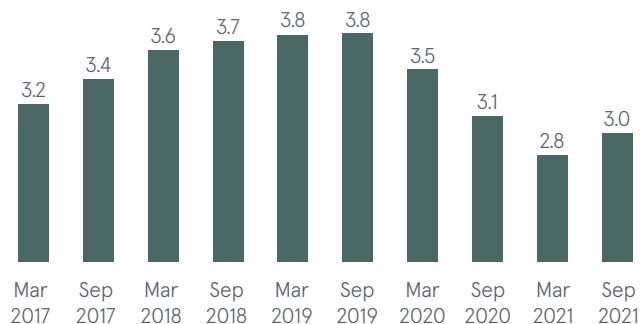
- increased valuation yields for hospitality, retail and leisure, reflecting investor sentiment for these footfall reliant businesses, given prevailing uncertainties at the valuation date; and
- like-for-like decreases in ERVs across all uses, although predominantly in hospitality and leisure and retail. For retail, the decline was significantly higher in streets with larger shops and/or rental tones compared with that for our smaller shops, which proved to be more resilient. This bifurcation was driven by more shallow retail occupier demand for larger shops, where the total occupancy costs are higher, a trend which has been accelerated by the pandemic.

Six months ended 30 September 2021

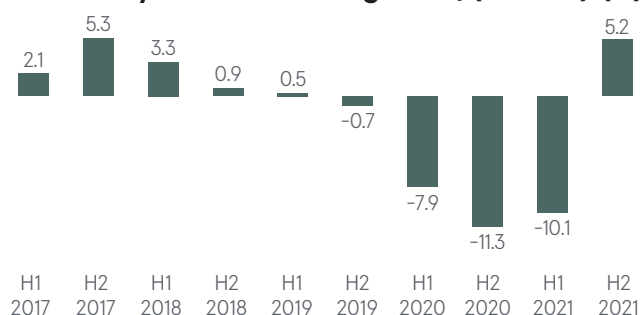
The valuation at 30 September 2021 reflected improving market conditions, higher occupancy levels and a more certain outlook. The 5.2% like-for-like increase was largely due to:

- the stabilisation of rental values;
- a tightening of valuation yields, particularly for hospitality, retail and leisure, reflecting a more positive outlook for operating conditions and occupier demand; and
- a reduction in the valuer's estimate of the potential short-term loss of income from occupier rental support.

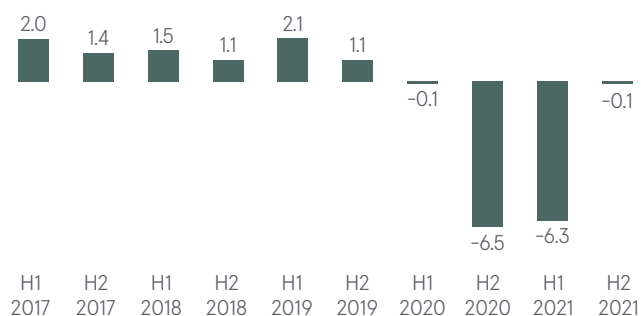
Half-yearly portfolio valuation (£bn)



Six-monthly L-f-L valuation growth/(decline) (%)



Six-monthly L-f-L ERV growth/(decline) (%)



Half-yearly portfolio equivalent yield (%)



Valuation analysis at 30 September 2021

	Hospitality and leisure	Retail	Offices	Residential	2021 Total	2020 Total
Valuation (£m)	1,127	812	539	533	3,011	3,137
Annualised current income (£m) ¹	42.3	32.4	17.2	15.9	107.8	109.9
ERV (£m)	49.9	36.7	28.3	16.8	131.7	140.3
Topped up initial yield	4.0%	4.0%	3.1%	N/A	3.5%	3.1%
Equivalent yield	4.2%	4.2%	4.6%	2.2%	3.9%	3.9%
LfL valuation movement²						
- 6 months to 31 March 2021	(11.0)%	(18.2)%	(3.7)%	0.5%	(10.1)%	(7.9)%
- 6 months to 30 September 2021	5.6%	6.0%	4.3%	3.9%	5.2%	(11.3)%
- Year to 30 September 2021	(6.0)%	(13.3)%	0.5%	4.4%	(5.4)%	(18.3)%
LfL ERV change						
- 6 months to 31 March 2021	(5.6)%	(11.3)%	(1.7)%	(4.0)%	(6.3)%	(0.1)%
- 6 months to 30 September 2021	(0.1)%	(0.2)%	1.9%	(2.8)%	(0.1)%	(6.5)%
- Year to 30 September 2021	(5.7)%	(11.5)%	0.2%	(6.8)%	(6.4)%	(6.6)%

1. Including estimated turnover-related income; excluding stepped rents and rent-free periods.

2. Like-for-like, taking into account acquisitions, disposals, capital expenditure and adjusting for reclassifications between categories. Alternative performance measure. See page 193.

In previous years, we have presented the key valuation data by village. However, we now consider it is appropriate to report these metrics by occupier use, being consistent with how we report operational performance. The valuation table by village is included on page 197.

The valuation decline during the year predominantly related to retail and hospitality uses which, together, represent almost two-thirds of the portfolio value. Office values were stable over the year and residential values increased.

Hospitality and leisure

During the year, the valuation of hospitality and leisure space decreased on a like-for-like basis by 6.0%, driven by ERV decline of 5.7%, of which 5.6% was in the first half. Valuation yield expansion at 31 March 2021 had largely reversed by 30 September 2021.

Currently, the valuers have not recognised any potential value from turnover-related rental top-ups. As the recovery continues, the likelihood of generating income from these income streams increases and they may then be reinstated into the valuation.

Retail

The valuation of our retail accommodation declined, on a like-for-like basis, by 13.3% during the year, with some of the 18.2% decline reported at 31 March 2021 reversing in the second half. The decrease was largely due to the 11.3% decrease in ERVs in the six months to March 2021. Over the following six months, ERVs were broadly stable. Valuation yields compressed by around 25 basis points in the second half, having previously expanded by between 15 and 35 basis points at 31 March 2021.

Where there are turnover elements in retail leases, the valuers assess a prudent estimate of the cash flow these are likely to deliver.

Offices

Office yields remained broadly stable during the year, although the valuers increased their letting period assumptions. Having declined by 1.7% in the first half of the year, ERVs recovered, increasing by 1.9% over the six months to 30 September 2021.

Residential

Residential ERVs declined by 6.8% in the year, while surplus space to let in the West End was absorbed. With strong occupier demand, rents have now stabilised.

Having increased by 0.5% in the six months to 31 March 2021, our residential values increased by 3.9% in the second half, reflecting the improving residential investment market. The average capital value of our apartments is £1,405 per sq. ft. (2020: £1,335 per sq. ft.).

Rental support concessions

Starting in March 2020, the valuers have made deductions for their estimate of the short-term income impact of rental support likely to be granted to occupiers. At 30 September 2021, the majority of these deductions were removed, recognising improved footfall and trading, together with our strategy to now grant concessions only on an exceptional, case-by-case basis. At 30 September 2021, the valuation included provisions for rental support amounting to circa £10 million (2020: circa £57 million).

Potential for greater value

Cushman & Wakefield, independent valuer of our wholly-owned portfolio, has continued to note that:

- our portfolio is unusual in its substantial number of predominantly restaurant, leisure and retail properties in adjacent, or adjoining, locations in London's West End; and
- there is a long record of strong occupier demand for these uses in this location and, as a result, high occupancy levels, which underpin the long-term prospects for rental growth.

Consequently, they have reiterated to the Board that some prospective purchasers may recognise the rare and compelling opportunity to acquire, in a single transaction, substantial parts of the portfolio, or the portfolio in its entirety. Such parties may consider a combination of some, or all, parts of the portfolio to have a greater value than currently reflected in the valuation included in these results, which has been prepared in accordance with RICS guidelines.

Valuation outlook

The combination of investor appetite for the best locations, available liquidity and affordable finance, yet scarce investment opportunities in the West End, will be important in supporting yields. The value of control over areas cannot be underestimated, bringing the ability to curate and drive growth over the long term which, together with an improving confidence in the trading outlook, will be important in the near-term valuation trend. Whilst there is a flight to quality, near-term downside risks persist including the impact on occupiers of higher leverage post pandemic, increasing costs and supply chain disruption, as well the risk of further pandemic restrictions, increased finance rates and continued structural changes in shopping trends. A good trading period leading up to, and over, Christmas and New Year will be critical for our hospitality, retail and leisure businesses.



Annualised current income and ERV

Prior to the pandemic, over many years, our long-term village management strategy delivered sustained growth in both annualised current income and rental values; key drivers of long-term value creation. In our leasing activity, we aim to convert the portfolio's reversionary potential in to contracted income and cash flow, whilst establishing new rental tones, the benefit of which is often compounded across nearby holdings.

▲ Long-term village management strategy: page 16

The pandemic has had a negative impact on rents. Current annualised income decreased as our vacancy grew and rents were reset. By March 2021, it had fallen to £104.9 million (2020: £109.9 million), more than 10% lower than the pre-pandemic level at 30 September 2019. With a high volume of leasing activity in the second half of the year, at 30 September, it had risen to £107.8 million, which will increase further on expiry of current rent-free periods, as contractual uplifts in rent fall due and as letting transactions in hand complete.

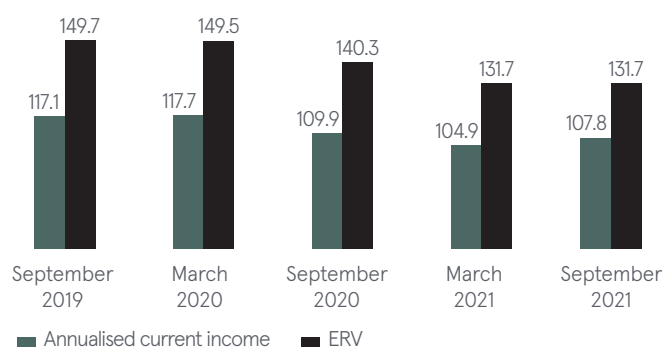
Estimated rental values have decreased by 12.6% during the pandemic, with footfall-reliant uses experiencing the largest falls compared with ERVs at 30 September 2019:

- Hospitality and leisure: -12.1%
- Retail: -20.8%
- Offices: -1.5%
- Residential: -9.0%

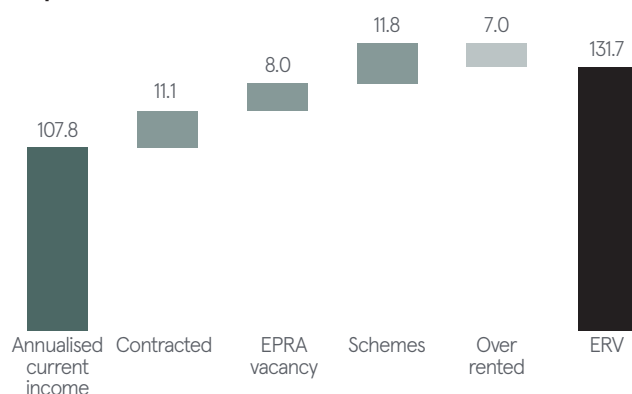
During the year, portfolio ERV decreased on a like-for-like basis by 6.4% to £131.7 million (2020: £140.3 million), of which 6.3% was recorded in the first half.

At 30 September 2021, portfolio ERV was 22.2% ahead of annualised current income. The components of the reversion are set out below.

Reversion (£m)



Components of the reversion (£m)



Typically, our portfolio has a long history of being under rented. However, following the decrease in ERVs over the past two years, our valuers estimate that our accommodation is currently over-rented, on average, by £7.0 million (30.9.20: £2.5 million; 31.3.21: £7.1 million).

Whilst the risk of further virus variants remains, currently, occupier demand is good and our vacancy is approaching pre-pandemic levels. Absent further pandemic disruption, the balance between demand for, and availability of, space in our villages should bring about a return of pricing tension.

Longmartin valuation

In the narrative below, all figures represent our 50% share.

During the year, Longmartin's long leasehold property valuation decreased by 6.2% from £175.0 million to £164.5 million. As with the wholly-owned portfolio, the valuation performance in the second half was significantly better than in the first half.

The decline in the year was driven by an overall decrease in ERV of 6.9% from £8.8 million to £8.2 million, of which 6.3% was recorded in the first half of the year. At 30 September 2021, the equivalent yield was 4.0% (2020: 4.1%).

The majority of the valuation decrease was in retail, which declined by 24.8%. Hospitality and leisure increased by 4.9%, offices declined by 2.2% and residential values remained stable.

Valuation growth/(decline) by use

	% of portfolio	Six months ended 31 March 2021	Six months ended 30 September 2021	Year ended 30 September 2021
Hospitality and leisure	20%	(2.2)%	7.3%	4.9%
Retail	19%	(21.2)%	(4.6)%	(24.8)%
Offices	44%	(2.2)%	-%	(2.2)%
Residential	17%	-%	-%	-%
	100%	(6.4)%	0.2%	(6.2)%

After allowing for capital expenditure and changes in lease incentives and costs included in receivables, the revaluation deficit was £11.3 million.

Now valued at £31.5 million, Longmartin's retail space predominantly comprises large units on Long Acre, a street with large shops and relatively high overall rents. With occupier demand for such space continuing to be depressed, the street has a high level of both actual and shadow vacancy. Since 2017, Longmartin's retail valuation has declined by 65%. During the year, top retail rental tones have decreased by a further 22.2% to £350 per sq. ft. (30.9.20: £450; 31.3.21: £375), 51% below the peak in rental tones of £710 per sq. ft. in 2017. Retail yields are now in the range 4.0% to 4.75% (2020: 4.25% to 4.75%).

Hospitality and leisure increased by 7.3% over the second half of the year, compared with a 2.2% decline in the first half. This was largely due to a 5.8% increase in ERV over the six months to 30 September 2021, reflecting recent leasing activity, both by Longmartin and in the wider market.

Sustainability

2030

net zero carbon
commitment

50%

commitment to reduce
absolute scope 1 & 2
greenhouse gas emissions
by 2030 from a 2018 base
year, validated by the Science
Based Targets initiative

EPCs



■ A-E **93%**
■ F&G **4.4%**
■ Unassessed **2.6%**

2025

commitment to be
carbon neutral for
our own operations

Zero

accident frequency rate

7.1%

reduction in landlord
controlled greenhouse
gas emissions

100%

renewable energy for our
wholly-owned portfolio

110%

increase in biodiverse
area since 2016

£1.2m

value of cash, time and
in-kind contributions to
the local community

99.5%

of refurbishment waste
diverted from landfill

All data for the financial year 2020-21 and all
comparisons are year on year, unless stated

Sustainability

interview

Matt Smith
Head of Sustainability



“ We are invested in the long-term success of our areas, our occupiers, and the local community ”

What does sustainability mean to Shaftesbury?

We are committed to being a responsible business. For us, that means investing for the long term, continuing to support our local communities, and operating in an environmentally sustainable manner. We utilise the full reach of our operations, our influence, and the unique profile of our villages to achieve meaningful environmental and social outcomes. We believe small actions add up and through our relationships we can have more impact than acting alone.

We want to continue to take a leadership position on sustainability and be considered the destination of choice for sustainably-minded businesses in the West End.

Why does sustainability matter to the business?

It has always been part of who we are as a business and that is reflected in our purpose and values. We are invested in the long-term success of our areas, our occupiers, and the local community.

Shaftesbury has always adopted a sustainable approach of extending the useful life of buildings. This helps protect local heritage while avoiding the significant environmental impact of new development.

We are proud of our positive impact over the years but our recent commitment on zero carbon marks a change of pace. The whole business is on board and that makes a significant difference to what we can achieve.

How will Shaftesbury achieve its target of becoming a net zero carbon business by 2030?

We have made a bold commitment and have set out how we plan to do this in our net zero carbon roadmap which is available on our website.

To become net zero carbon, our operations will be energy efficient and powered by renewable energy where possible, our refurbishment projects will minimise embodied carbon, and any remaining carbon emissions will be balanced by high quality and traceable offset schemes. Our priority will always be the reduction of emissions before the use of offsets. We are not just counting our own emissions but also including emissions from the energy use of tenants in our buildings.

We are also committed to a science-based target to reduce our carbon emissions at the rate required to limit global temperature rise to 1.5°C above pre-industrial levels. This is what scientists agree is required to avoid the worst impacts of climate change.

To achieve our targets, we have an ongoing programme of energy efficient building refurbishments, addressing about 10% of our floorspace each year. We also have the opportunity, through excellent relationships with occupiers, to encourage them to adopt low carbon behaviours. Our approach to protecting and refurbishing buildings already means we have low levels of embodied carbon, but we have opportunity to do more.

We don't have all the answers yet. We're on a journey and will constantly revisit and review our approach.

How will you measure progress?

We report comprehensively on our sustainability performance through our annual Sustainability Data Report. As part of our net zero carbon commitment, we will disclose how we're tracking against our science-based targets on an annual basis.

Sharing our ideas and experience, while learning from others, will be key to meeting the climate challenge.

“As part of our net zero carbon commitment, we will disclose how we're tracking against our science-based targets on an annual basis”

Is the nature of the portfolio, particularly the heritage buildings, an advantage or disadvantage?

We are fortunate to have a wonderful portfolio of buildings that play a critical role in attracting people to the West End. It is in our interest to continue to protect and improve them to maintain the character of such unique destinations. By preserving our buildings, we minimise the material use and the embodied carbon associated with construction.

At the same time, it can prove more difficult to improve the energy efficiency of heritage buildings. There are instances where the compromise between energy efficiency interventions and heritage protection limits what we are able to achieve.

So, from a sustainability perspective, heritage buildings potentially convey some advantages?

There is now a greater appreciation of the carbon impact of a building across its whole life. That means considering emissions during construction or refurbishment, as well as in its operation.

If you can build something to last and it meets the long-term needs of the occupants, then by its very nature it becomes a more sustainable option. We have buildings that have been standing for over 150 years, and our job is to enable them to continue meeting the needs of occupiers, local people, and the community, long into the future.

“We have buildings that have been standing for 150 years, and our job is to enable them to continue meeting the needs of occupiers, local people, and the community, long into the future”

How have views of sustainability changed in recent years?

There's been a huge shift in how sustainability is perceived, with increasing numbers of people making environmentally-conscious decisions about their lifestyles. We've seen a lot more news about climate change, especially due to the increased frequency of extreme weather events. We've seen political moves as local and national governments declare climate emergencies. It's not just climate either; public awareness of the impacts of plastic has increased, and people want to know that brands have ethical supply chains, both in terms of the environment and their employees.

Many brands now have sustainability so high on their agenda that if we are not seen as a sustainable landlord, then they'll be looking to go elsewhere. Our opportunity is to understand how we can add value and how we can help support them to be more sustainable.

How do you determine your priorities?

We look to our corporate purpose, our values and lessons learned from previous projects and successes. It is important that our sustainability priorities are directly connected with our core business activities.

It is also critical we listen to the views of our external stakeholders, our partners and our employees. This year, we conducted an extensive materiality analysis, which is a process where we asked a cross-section of our stakeholders what matters most from a sustainability perspective and where they think we can have the greatest impact.

We have used this information to guide our sustainability focus areas for the next three years. These are the sustainable use and re-use of our buildings, supporting our communities, and to influence, motivate and collaborate with our stakeholders.

“It is important that our sustainability priorities are directly connected with our core business activities”

What does it mean in practical terms?

It is about continually reducing our environmental impact and using our connections and influence to support local communities.

We need to continue to improve the energy efficiency of many of our 600 buildings to meet regulatory requirements, but also to achieve the aims of our net zero carbon commitment. It's also about reducing waste by applying circular economy principles and future-proofing our buildings to make sure our portfolio can cope with the impacts of climate change and continues to meet the needs our occupiers.

How do you work with stakeholders to achieve Shaftesbury's sustainability goals?

We have this great opportunity, through our relationships with our occupiers, local community and industry bodies, to have a much bigger impact than working alone.

We're aware that many of our occupiers are small businesses, so they might not have the time nor in-house expertise to achieve what they want around sustainability. In the future, we want to offer them more support, and that's everything from information on sustainable shop or restaurant fit-outs, to putting them in touch with employment programmes and providing guidance on how to introduce small changes to improve sustainability.

In addition to the net zero carbon strategy, what else is Shaftesbury doing?

We have a long history of putting sustainability at the heart of what we do, both in terms of minimising our impact on the environment but also in supporting our local communities.

As a responsible, long-term investor in our villages, being a good neighbour and focusing on local issues is essential. We work with local charities and not-for-profit organisations to help them address the most pressing local challenges. By partnering with grassroots organisations, we can leverage their knowledge and relationships to maximise the value of our support.

There's been a lot of disruption to people during the pandemic. We've strived to maintain relationships with the community as a stable and dependable partner. We've continued working with our key partners, like the Young Westminster Foundation and the Young Camden Foundation, through whom we have been able to support multiple projects that have had a direct impact on the groups we want to help, particularly young people.

Is biodiversity a challenge in the West End?

We are working hard to continue to add green space and increase biodiversity across our portfolio; it provides places for nature, creates significant benefits for people's wellbeing, and helps make our places more attractive to visitors.

The challenge comes from the limited amount of physical space available to create new biodiverse habitats, and ensuring those spaces are sufficiently connected to allow species to move between them. We need to be innovative to identify space. This year we worked with a local charity, Urban Growth London, to help introduce more plant boxes across the estate.

We are a founding partner of Wild West End, which is all about bringing local landowners together to help connect green spaces and promote best practice.

“By partnering with grassroots organisations, we can leverage their knowledge and relationships to maximise the value of our support”

Why was the Community Investment Committee established?

We have a community investment fund which is controlled by our Community Investment Committee. The Committee, chaired by one of our property directors, is drawn from people across the business. It gives us a consistent way to assess applications to the fund and make sure that contributions align with our commitment to support young people and local communities. It enables us to build and maintain relationships by agreeing longer-term commitments to some of our key partners.

What do you enjoy most about your role?

I get to work with people across the business, helping to realise our sustainability aspirations. It's also about supporting inspiring people from our community partners and occupiers who are leading great sustainability initiatives in their own business.

I've got an incredible opportunity to promote sustainability to a wider audience, supporting our occupiers in their communications but also, because of the profile of our villages, we can talk directly to the millions of visitors that come each year.

“We are working hard to continue to add green space and increase biodiversity across our portfolio; it provides places for nature, creates significant benefits for people's wellbeing, and helps make our places more attractive to visitors”

Our approach to sustainability

We are committed to investing for the long term, to operate in a sustainable manner, support our local communities and achieve positive environmental and social outcomes.

Our approach of extending the useful economic lives of our buildings, through refurbishment, change of use and reconfiguration enables us to protect the unique heritage of the West End whilst improving the energy efficiency of our buildings and minimising carbon emissions.

We continue to partner with local charities and not-for-profit organisations that align with our social sustainability aspirations, using their skills and knowledge to maximise the positive impact that we can make.

This year we have taken our sustainability commitments to the next level, setting an ambitious net zero carbon commitment that will guide many of our business decisions over the next decade. We have listened carefully to our stakeholders, refocusing our sustainability strategy on the issues that matter most to them and where we as a business can have the greatest positive impact.

Sustainability is at the heart of our values, and we are committed to leading the change that is required.

▲ Read more on our net zero carbon commitment on page 64 and our sustainability focus areas on page 63

UN Sustainable Development Goals and Global Compact



We support the ten principles of the UN Global Compact on human rights, labour, environment, and anti-corruption. We became a signatory in February 2015 and have annually reviewed and updated our sustainability policies to reflect our commitment.

We have identified the Sustainable Development Goals that are most relevant to our business, integrating them into our sustainability policies and targets. Our Sustainability Data Report, which is available on our website, contains our UN Global Compact Communication on Progress.



Embedding sustainability across our business

Sustainability is considered in major strategic and operational decisions. We have an Executive Sustainability Committee, established in 2016, chaired by our CEO, at which employees from across the business consider all aspects of sustainability and review our policies. In November 2021, we established a Board level Sustainability Committee to monitor progress against our sustainability strategy and net zero carbon commitment and make recommendations to the Board.

Our support for local communities is co-ordinated by the Community Investment Committee, ensuring that we have a fair, consistent and effective approach to the allocation of funds and in-kind support.

To continually improve sustainability performance, we set annual targets and communicate our sustainability policies to our employees, advisors, suppliers, occupiers, and other stakeholders. Our sustainability policies are available on our website as we believe that good governance requires transparency.

Our sustainability strategy, policies and action plan are reviewed and considered annually by the Board Sustainability Committee. Material changes to sustainability-related risks, including climate change, are considered by both the Risk Committee and the Board.

Industry collaboration

We continue to actively participate in a range of industry groups, to share experiences and promote the adoption of best practice for sustainable real estate. Principal industry memberships include the Better Buildings Partnership, Business for Societal Impact and the Westminster Property Association. We also continue to be an active member of the Wild West End initiative, a partnership with neighbouring estates and business groups, to improve biodiversity across the West End.



Industry recognition and standards

We participate in a range of benchmarks to help guide our sustainability strategy and provide independent verification of our progress. We have increased our GRESB score in 2021 and maintained our EPRA Gold status for a 4th year. We had a CDP score of B for 2020 and continue to score well on a range of benchmarks, demonstrating a comprehensive approach to sustainability and well managed risks. As part of our net zero carbon commitment, we have validated our scope 1 & 2 targets through the Science Based Targets initiative. We have also become signatories to the Better Buildings Partnership Climate Commitment.



Modern Slavery and human rights

We have policies in place which address human rights, modern slavery, and the ethical conduct of our business. Our sustainability policies and our Supplier Code of Conduct are provided to our key suppliers, who are required to adhere to the same high standards we set for ourselves. In 2021, we completed a risk assessment for modern slavery and all employees were required to complete an online training programme.

Our Modern Slavery Statement, updated in February 2021, is available on our website.

We have signed up to the Living Wage Foundation and require that workers in our supply chain are paid at least a Living Wage.

Health and Safety

Our Board has overall responsibility for health and safety. In our refurbishment projects, responsibility for health and safety is identified in all pre-tender documentation and is monitored by site managers and project managers. Our Health and Safety Committee oversees all group-wide health and safety matters and our managing agent oversees day-to-day matters throughout the portfolio.

There were no reportable health and safety incidents in the portfolio during the year. The accident frequency rate for employees was zero (2020: zero) and there were no health and safety prosecutions, enforcement actions or fatalities.

Our material issues

In Spring 2021, we undertook a detailed materiality study to better understand the issues that matter most to our stakeholders. More than 50 external stakeholders were questioned, representing people from our local community, occupiers, suppliers, investors, and lenders. In addition, a detailed review of the major issues was undertaken by an expert consultant.

It was clear that sustainability remains a high priority for stakeholders and our actions to date have been recognised.

The research highlighted several key priorities:

- Continuing our policy of sustainable building re-use and refurbishment, whilst considering culture and heritage protection.
- Reducing carbon emissions and adapting to climate change.
- Positively influencing and supporting our occupiers and supply chain.
- Continuing our community engagement, advocacy, and investment activities.
- Promoting skills and employment opportunities for local people.
- Addressing occupier health and wellbeing, and promoting inclusivity.

In addition, we noted the importance of well-managed spaces, health and safety and our response to the pandemic.

Sustainability focus areas

We have refreshed our sustainability strategy for the next three years to focus on the areas that our stakeholders tell us are most important to them. We have identified three key focus areas:

1. Sustainable building re-use

Preserving the heritage of the West End is crucial to its long-term success. The protection and re-use of buildings can reduce the carbon emissions associated with construction, help to achieve our net zero carbon aspirations and improve the long-term resilience of our portfolio. This focus will also help us to communicate the clear benefits of protecting buildings, especially regarding embodied carbon emissions.

2. Supporting our local community

The West End has a vibrant community, but the boroughs of Westminster and Camden have some of the highest levels of inequality in the country. We want to create more employment opportunities for local people and address the lack of diversity in our industry. We will continue our support for young people and our local communities through the partnerships that we have developed with grassroots local organisations.

3. Influence, motivate and collaborate

Our most significant environmental impact comes from the activities of our occupiers and supply chain. By supporting and partnering with them, we can maximise our positive impact and help to promote positive sustainability actions. We know that collaborating with the local community groups ensures that our investment is directed to projects that most effectively meet local needs.

Environment

Our environmental strategy is built on the principle of extending the useful lives of our heritage buildings. Re-using and enhancing existing buildings, rather than demolition and redevelopment, is fundamentally a sustainable approach; increasing energy efficiency whilst avoiding carbon emissions and use of materials associated with new construction.

Action on climate change

We recognise the need to take urgent action on climate change, setting ambitious targets for reducing our carbon emissions and making sure that our business is resilient to climate-related risks.

We have committed to an ambitious 2030 net zero carbon target for scope 1, 2 & 3 emissions. In doing so we shall reduce our emissions at a rate at least in line with a 1.5°C science-based target. Full details of our commitment can be found on our website. In addition, we have set a 2025 target to be carbon neutral for our own operations.

Our Scope 1 & 2 emission reduction target has been verified by the Science Based Target initiative (SBTi). This target is to reduce absolute scope 1 & 2 emissions by 50% by 2030 from a 2018 base year. The SBTi does not validate scope 3 targets for companies with less than 500 employees.

Our science-based targets are the minimum position; we shall work to increase our rate of de-carbonisation across all our activities.

▲ [Read more on our approach to climate risk in our TCFD disclosure on page 93](#)

Performance update

A comprehensive report on our sustainability performance can be found in our Sustainability Data Report on our website.

BREEAM

For all refurbishment projects with a value over £1 million, we target BREEAM Excellent certification with a minimum of Very Good. Since we introduced this requirement, we have had 23 schemes certified, extending to approximately 11% of the portfolio by floor area.

EPCs

Under the Minimum Energy Efficiency Standards (MEES) regulations, all new lettings are required to have an Energy Performance Certificate (EPC) of grade E or above to demonstrate their energy efficiency. This will apply to all properties from 2023. As of 30 September 2021, 93% of properties were A to E grade (1,453 demises), an increase from 83% last year. Some properties are omitted as they do not require an EPC at this time; for example the buildings are under development, where the lease pre-dates the 2008 regulations, or they are demises such as sub-stations. Further, a small number are exempted under the regulations, as the costs of doing the works are prohibitive and would be too disruptive to occupiers. As part of the ongoing refurbishment programme, we will undertake works to improve their ratings as the demises become vacant, or we will work with tenants to meet the requirements of the regulations.

We are also considering our longer-term approach to effectively meeting or exceeding future EPC requirements, as MEES regulations become more stringent.

Energy, water, waste, and greenhouse gases

Our direct energy consumption is relatively small as it only encompasses the common areas of our buildings. On a like-for-like basis, electricity consumption has dropped by 2.9% during the year, continuing our recent downward trend. Annual reductions are in part due to the ongoing programme of energy efficient refurbishment, but we also need to recognise the significant impact that the pandemic has once again had on operations over the year.

We continue to purchase electricity sourced from renewables across our wholly owned portfolio. Excluding the benefit of purchasing renewable electricity, we have still seen our scope 1 & 2 greenhouse gas (GHG) emissions drop by 7.1% from the previous year.

Our water consumption only relates to common parts and remains relatively low. Overall consumption has reduced by 16.2% during the year, much of which can be attributed to reduced occupation of our space during the pandemic.

This year the total volume of waste we collect across our managed portfolio has reduced by 34.4%, primarily due to lower footfall attributable to pandemic restrictions. Recycling rates have remained relatively flat at 31.1%. The amount of waste from refurbishment projects is minimised by re-using materials whenever possible. Where this is not feasible, material is sent to waste transfer stations which operate a zero waste to landfill policy, where possible, achieving a combined total of 99.5% diverted from landfill for the year.

▲ [Read more on our GHG emissions reduction in our SECR statement on page 96](#)

Valuing natural resources

We significantly reduced our environmental impact by minimising the use of new materials in our refurbishment projects and responsibly sourcing new material. 90.2% of our timber is from sustainably certified sources and the remaining small amount is sourced in line with EU Timber Regulations.

Retaining and re-using buildings' façades and primary structures is an important feature of our refurbishment schemes. During the year, at least 80% of facade and structure was re-used on the vast majority of our refurbishment schemes.

Biodiversity

We continue to seek every opportunity to increase biodiversity across our portfolio, this year achieving a further 6.9% uplift in area. We have exceeded our 5-year plan target (set in 2016), increasing biodiversity by 110% (target: 50%). We have set a new target to increase areas by a further 25% by 2025, recognising that opportunities are becoming more limited. We will continue to focus on improving the quality of green space, whilst connecting and sharing best practice with neighbouring landowners as a founder member of the award-winning Wild West End initiative.



PLACES PEOPLE SPACES

“The project was a great opportunity for young people to develop their skills and help improve our local environment”

Keith Morgan, CEO,
Young Camden Foundation

Seven Dials in Bloom

To support the West End revival, we installed a collection of floral designs to welcome visitors back to Seven Dials as part of our Seven Dials in Bloom project. Partnering with the social enterprise, Urban Growth London, a collection of floral designs were installed to celebrate the recovery of the West End. The installations were crafted from re-used and re-purposed items including theatre seats and an old piano and planted with pollinator friendly plants recommended by the Wild West End, to encourage biodiversity.

Our community partner, Young Camden Foundation, was selected as charity partner for the initiative, with many young people given the opportunity for hands-on involvement in the installation. A tap donation point for visitors was installed on each of the seven installations.

Camden Council's scheme to increase al fresco seating was also an opportunity for us to install twenty-four planters around the pavement seating areas which were introduced so that visitors could sit safely outside, with attractive and biodiverse planting. As the al fresco scheme has been extended for another year, we have renewed the planting for winter.

Community

We remain committed to supporting our local community, with a particular emphasis on young people. We work with a range of partners including not-for-profit organisations, charities, educational establishments, and other local community groups. By working with local organisations, we can build long-term relationships that maximise the value generated from our own resources and influence.

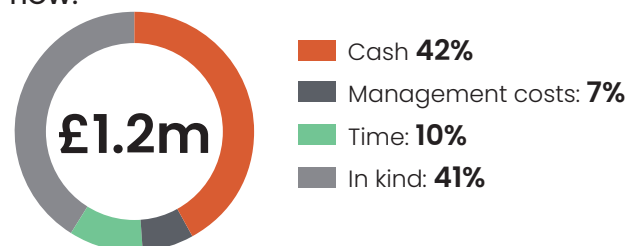
Our Community Investment Committee (CIC) is responsible for overseeing our programme of community investment initiatives in line with our focus on supporting young people and communities in the boroughs of Westminster and Camden.

This year our focus has been on providing targeted support to help our local community partners to recover from the impacts of the pandemic. Our support has taken a variety of forms, including financial and in-kind donations through provision of short and long-term accommodation, and time given by our employees. In 2021, the value of our contributions totalled £1.2m, an increase of 33.7% on last year. This is set out below and detailed in our Sustainability Data Report, available on our website. This increase is due mainly to the provision of more space for charities and not-for-profits, and additional staff volunteering time.

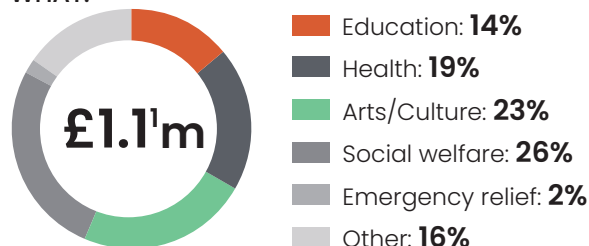
Our change in focus from last year has resulted in a lower proportion of spend on emergency relief which was necessary during the pandemic, with a greater emphasis on arts and culture to support the recovery.

In September we hosted our seventh annual community breakfast, which brought together thirty-four of our stakeholder organisations in an informal atmosphere to network and build relationships. Held at the House of St. Barnabas, this was the first in person networking event for many organisations in eighteen months.

HOW:



WHAT:



Engagement and activities during the year

We have undertaken a wide range of activities this year and supported impactful local programmes. A full list of our community partners can be found in our Sustainability Data Report, available on our website.

In-kind space

Higher than normal vacancy rates caused by the pandemic have allowed us to provide space, free of charge, during and post lockdown, enabling charities and not-for-profits to remain visible when their normal fund-raising activities have been severely restricted.

We have continued to provide space on Kingly Street for graduate tailors in partnership with the London College of Fashion. This is the second phase of this project, welcoming two new graduate tailors and seeing one of the first group, Joshua Millard, open his first stand-alone store in Carnaby.

Organisations benefitting from pop-up space included refugee charity Choose Love and My Runway Group, a youth empowerment organisation whose shop in Carnaby provided an opportunity for black-owned businesses to reach new customers.

Youth and education

We have established a partnership with the University of Westminster to fund a scholarship covering fees and a bursary for an undergraduate student studying Real Estate for the final two years of their degree. The University has a high percentage of students from ethnically diverse backgrounds, many of whom are the first of their family to attend university.

We have continued our support for the Young Westminster and Young Camden Foundations by helping to fund their Brighter Futures Fund and Heads Up Mental Health Fund respectively. These have proved extremely successful, bringing much needed assistance to local disadvantaged young people. Working in partnership with expert organisations such as Young Westminster and Young Camden Foundations means that our funding reaches the projects and people where it has the most impact.

Our schools' programmes have continued to support the Soho Parish School and funded a post-pandemic catch-up fund at St Clement Dane Primary School in Seven Dials. Promoting the next generation of theatre talent, we funded the Mousetrap Theatre Project's – 'Change Your Tune Programme' at the St Augustine Church of England Primary School, where students created a 'mini musical'.

1 Excluding management costs.

Community support

Homelessness remains a challenge to some of the most vulnerable people in our local community. We have continued to fund an outreach worker from The Connection at St-Martin's-in-the-Field who works with the street community across the West End.

We have continued our successful partnership with the House of St Barnabas in Soho who run an employability programme through their private members club. Seventeen participants have graduated this year with City & Guilds accredited skills in hospitality and business.

Community groups

Throughout our villages we continue to contribute to a range of activities and organisations such as the London Chinese Community Centre and the Chinese Information and Advice Centre in Chinatown.

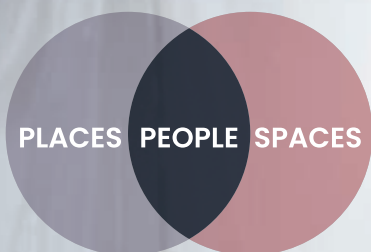
Sustainability year ahead

In the coming year, we have a number of strategic sustainability priorities:

- Embed targets relating to our net zero carbon commitment.
- Continue to support our local community partners.
- Engage with occupiers to promote and support low carbon behaviours.
- Improve environmental data collection and analysis capabilities.
- Develop appropriate energy use intensity targets to measure the performance of our buildings.
- Identify the most effective measures to increase the efficiency of our portfolio and improve EPC ratings in line with current and future MEES requirements.
- Promote health and wellbeing by improving green spaces, air quality and green transport initiatives.

Community breakfast event at the House of St. Barnabas





Chinese Community Centre

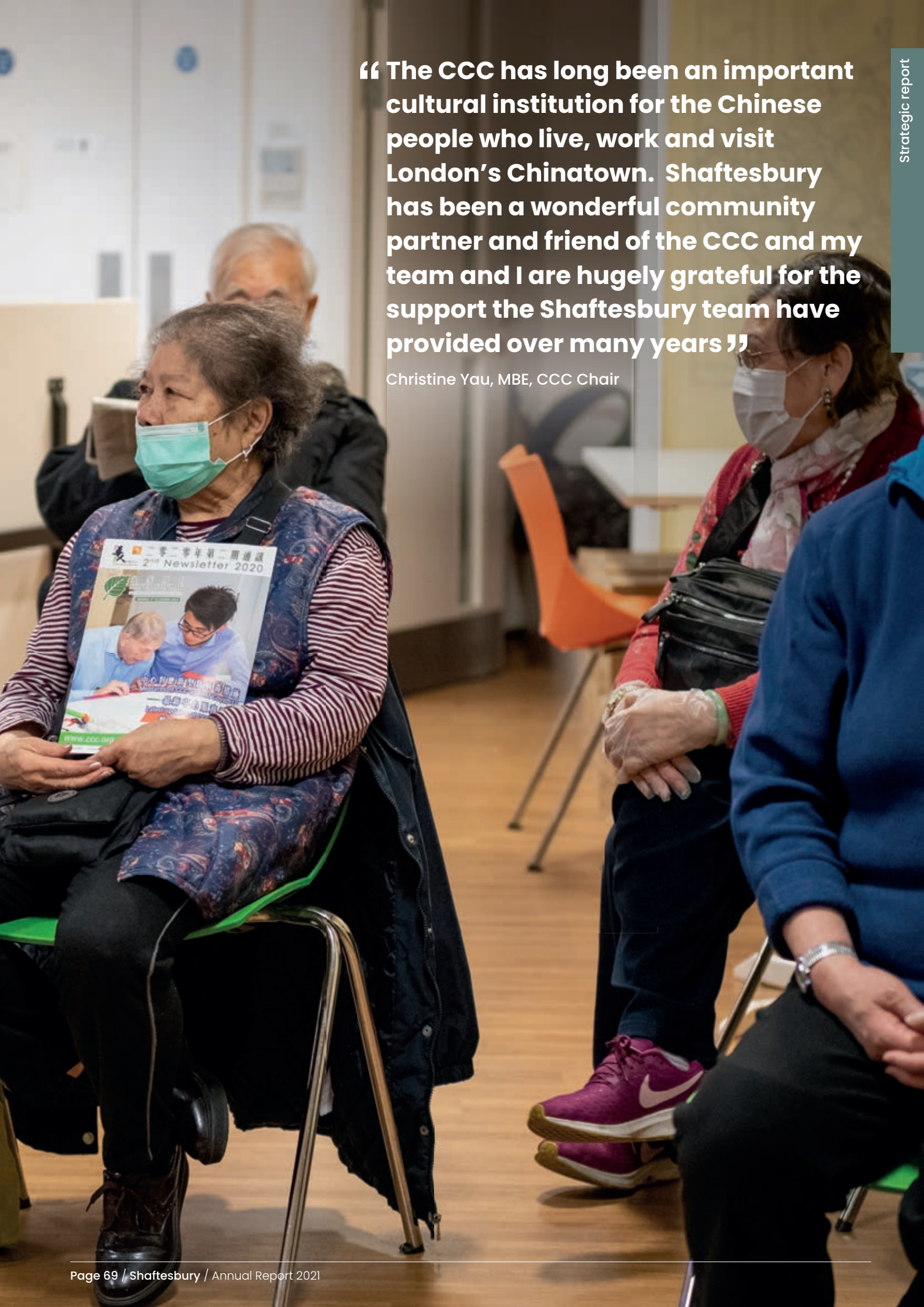
The Chinese Community Centre (“CCC”) in the heart of Chinatown, provides a home from home for the community and aims to preserve Chinese identity, culture and art.

Shaftesbury has been a supporter for over twenty years and has been involved in a number of notable initiatives including:

- funding a part-time position to provide advisory services over a range of queries to improve their quality of life and wellbeing. In 2020/21, this service continued throughout lockdown by telephone, with a focus on organising vaccination appointments and with over 1,500 queries being dealt with;
- recognising the lack of Chinese language speaking doctors in local Soho GP practices, for the last two years we have helped fund a Sunday health and wellbeing clinic providing both physical and mental health services, enabling valuable counselling services to continue throughout the lockdown; and
- in 2021, we funded the return of a youth worker from furlough to run the youth club and summer youth project, bringing together young people in a range of activities that had been put on hold during periods of lockdown.

“The CCC has long been an important cultural institution for the Chinese people who live, work and visit London’s Chinatown. Shaftesbury has been a wonderful community partner and friend of the CCC and my team and I are hugely grateful for the support the Shaftesbury team have provided over many years”

Christine Yau, MBE, CCC Chair



Stakeholder engagement

We are committed to engaging with our stakeholders and building long-term relationships founded on respect, integrity, and transparency.

Stakeholders	Material issues this year	Why we engage
Occupiers Our occupiers are the wide range of retailers, hospitality and leisure operators, office tenants and residents throughout our portfolio of c.600 buildings.	<ul style="list-style-type: none">• Well-managed properties and public realm• Individuals' health and wellbeing• The attractiveness and vibrancy of our villages• Continuity of their businesses in light of the pandemic• An approachable landlord	Our long-term strategy has always recognised the importance of creating areas where people want to live, work and visit. The success of this strategy is based on our ability to understand and respond to our occupiers' and potential occupiers' priorities and aspirations.
Visitors Our visitors are anyone who comes to our villages or engages with us through our digital channels.	<ul style="list-style-type: none">• Our provision of a unique mix of retail, hospitality and leisure, innovative street installations, communal seating and way-finding across our villages• Informative and engaging social media and communications, promoting our areas and our occupiers• Provision of appropriate health and safety measures	Visitors create the vibrancy of our villages and are vital to the success of our retail, hospitality, and leisure occupiers.
Employees Our employees include those employed directly by Shaftesbury on a permanent or fixed term contract.	<ul style="list-style-type: none">• Internal communication and ways of working• Management of workloads and resourcing• Wellbeing• Flexible working practices• Opportunities for development and progression	Our employees are responsible for implementing our strategy. In addition, they are the ambassadors of our business. It is important, therefore, that we are able to attract and retain talented employees who live our values.



How we engage

Our asset managers and managing agents communicate directly with existing occupiers with the aim of creating close relationships and working collaboratively. Throughout the pandemic, proactive engagement with our occupiers was paramount to understand their individual circumstances in relation to the impact of the pandemic and the nature of support we could provide.

Our village online portals offer us the ability to provide occupier information specific to them together with regular information updates, and for occupiers to raise any issues.

Our asset managers and leasing agents also communicate directly with potential occupiers to fully understand their requirements and, in the case of retailers and hospitality and leisure operators:

- how they would add to the vibrancy of our villages; and
- which of our units and locations would best suit their brand.

During the year, we engaged with our visitors through a variety of marketing initiatives, our websites, social media channels and press coverage.

We encourage open and constructive dialogue throughout the business. This year, this was through a range of virtual and in-person meetings within and between teams. We also continued with our regular virtual 'All Shaftesbury' team meetings, introduced at the start of the pandemic.

In addition to our annual employee survey, during the year we asked for specific feedback on proposed hybrid ways of working and wellbeing arrangements.

Richard Akers is our designated non-executive director for employee engagement and sponsors Shaftesbury's culture group, made up of a cross section of employees.

In 2020/21 we introduced:

- quarterly performance conversations;
- informal meetings between the non-executive directors and the members of the Strategy and Operations Executive Committee; and
- ran recognition workshops for all employees.

Outcomes of our 2021 engagement

- During the pandemic, financial support was provided to occupiers through a number of measures, including rent concessions and varying lease structures
- Occupiers provided with regular updates on changes in government guidance through our occupier portals
- During 2021 we introduced the use of digital leasing for office leases to save both time and cost and provide a simplified, user-friendly process for all involved
- We applied for licenses and supplied communal tables and chairs for those occupiers who had limited or no outside dining capacity
- We liaised with occupiers to help promote their offerings during lockdown
- £33.9 million new lettings and lease renewals
- 6.0% EPRA vacancy as at 30 September 2021, of which 3.1% was under offer

- This year we undertook 25 different campaigns and activations across the villages to drive footfall and engage with our visitors
- We also grew our digital community by 10.8% through the pivoting of our marketing campaigns to create our village experience online and highlighting our occupiers' alternative lockdown offerings
- In response to the pandemic, we enhanced our health and safety measures including provision of hand sanitiser points across the portfolio and in building common parts and applied anti-viral coating throughout Kingly Court, additional cleaning and collaborated with our local councils to introduce timed road closures and additional outdoor seating to provide a safer visitor experience

- Eight all-employee virtual meetings held
- 91% response rate from employees for our engagement survey
- 90% of employees proud to work for Shaftesbury
- Eleven permanent employees recruited across the business to meet resourcing requirements
- Feedback from the employee survey, including positive themes and areas for improvement, were discussed by the Board and employee culture group
- Home support including wellbeing initiatives offered to all employees
- Feedback from a flexible working pulse survey used to create the trial hybrid working policy of returning to the office for a minimum of three days a week
- 100% employee attendance at recognition workshops
- 100% permanent staff retention

Further information

Interview with the Chief Executive: pages 4 to 9

Long-term village management: pages 16 to 43

Portfolio report: pages 50 to 53

Sustainability: pages 61 and 63

Annual bonus outcome: page 150

Supporting our occupiers for the long-term: page 117

Long-term village management: pages 16 to 22

Public realm improvements: pages 52 and 53

Employee engagement: page 76

Pandemic support and employee wellbeing: page 76

How the Board monitors culture and employee engagement: page 112

Strategic People Plan: page 78

KPIs – staff retention and engagement: page 48



Stakeholders	Material issues this year	Why we engage
Local communities Our communities are those people who live, work in, or visit our villages, as well as local organisations including business enterprises, schools, and charities.	<ul style="list-style-type: none">• Our understanding of the wide variety of needs across our communities and how we can support them• That we keep them regularly informed of our activities and initiatives and understand how these activities can be shaped by the views and needs of local people and organisations	The vibrancy of our villages is impacted by the success of our local community’s wide variety of projects and initiatives.
Our suppliers Our suppliers are all those who have a direct working or contractual relationship with us including our managing agents, leasing agents, contractors and project managers and a wide range of advisors across numerous professional disciplines.	<ul style="list-style-type: none">• Ongoing collaboration• Clear communication• Appropriate resourcing• Fair payment terms	Long-term constructive and open relationships based on mutual trust with suppliers who reflect our values are essential for delivery of a tailored, high quality level of service to our occupiers and our ongoing success.
Our partners Our partners include our local authorities, Business Improvement Districts, neighbouring landowners, and West End tourism partners.	<ul style="list-style-type: none">• The proactive engagement and support of local statutory and economic plans and strategies to support the recovery of the West End	As a responsible landlord and business, we are committed to working collaboratively with our wide range of local partners and engaging constructively with local government to ensure that the West End remains a lively, safe and preferred destination for domestic and international visitors.

Stakeholder engagement continued



How we engage	Outcomes of our 2021 engagement	Further information
<p>Through the year, we liaised with our community partners and others in relation to projects we could support for the benefit of our local communities and engaged with local enterprises to help support initiatives in our areas.</p> <p>We are on the steering group for the Soho Neighbourhood Forum.</p> <p>We are on the Board of the Soho Business Alliance.</p>	<ul style="list-style-type: none"> • 57 grants awarded totalling £482,000 in financial contributions and 28 in-kind projects, together with volunteering time and management support • Through our work on the Soho Neighbourhood forum steering group, we worked to ensure the Neighbourhood Plan was adopted in September 2021 • Liaised with local amenity societies and community groups including The Soho Society and Covent Garden Community Association to discuss future proposals in our areas 	<p>Engagement and activities during the year: pages 66 and 67</p> <p>How we have supported London's Chinese Community Centre: pages 68 and 69</p> <p>Sustainability: page 61</p> <p>Sustainability focus areas: page 63</p>
<p>This year we held frequent meetings, both virtually and in person, to ensure regular collaboration and communication, including progress updates.</p>	<p>As a result of our engagement this year we have:</p> <ul style="list-style-type: none"> • agreed a new business plan with our managing agent to drive forward efficiencies and consistency in our processes and procedures; • created a centralised platform for all leasing data across the portfolio; • effectively managed our refurbishment schemes in light of the challenges faced as a result of the pandemic and Brexit; and • led an online seminar to our contractors, project managers and managing agents on sustainability across our portfolio. 	<p>Village asset management: page 19</p> <p>Embedding sustainability in our business: page 62</p> <p>Our material issues: page 63</p> <p>Sustainability focus areas: page 63</p> <p>Refurbishment and reconfiguration schemes: page 52</p> <p>Our business conduct: pages 118 and 119</p>
<p>Our engagement is undertaken in a wide variety of ways, depending upon our partners, and included face-to-face and virtual meetings, consultations, submission of responses to policy consultations and surveys.</p>	<p>This year we have:</p> <ul style="list-style-type: none"> • submitted responses on Westminster City Council and London Borough of Camden policy consultations and surveys covering planning, licensing, street entertainment, and engaged on a number of different public realm strategies and traffic proposals across the West End; • worked with Westminster and Camden Councils to facilitate road closures and secure extra space for al fresco dining during the gradual relaxation of pandemic restrictions following the various lockdowns; • we are a member of the Zero Emissions group, working with a group of West End landowners and BIDs working with Westminster City Council to reduce emissions in Westminster; and • supported the London & Partners Recovery Plan for London. 	<p>Industry collaboration: page 62</p> <p>Public realm improvements: pages 52 and 53</p> <p>Near-term strategic priorities – manage stakeholder relationships: page 44</p>



Stakeholders	Material issues this year	Why we engage
Joint ventures Our joint venture partner is The Mercers' Company with whom we have the 50:50 Longmartin joint venture.	<ul style="list-style-type: none"> • Agreement of strategies to enhance our joint venture portfolio • A well-managed estate 	To ensure the success of the joint venture, adding value to our respective holdings.
Finance providers Our finance providers include lenders and bondholders.	<ul style="list-style-type: none"> • Compliance with our financial covenants 	We aim to have a close and open relationship with our finance providers based on a mutual understanding. Our engagement includes keeping them apprised of our business performance and activities, covenant compliance and actions proposed in relation to underlying secured assets
Investors Our investors comprise the owners of our business.	<ul style="list-style-type: none"> • Our investment case • Our governance • Financial and business performance • Delivering on our purpose and long-term strategic objectives 	We value our relationships with our shareholders and use our engagement to regularly update them on our activities and understand their priorities

Stakeholder engagement continued



How we engage	Outcomes of our 2021 engagement	Further information
Board meetings are held at regular intervals throughout the year, with site visits as appropriate. Between Board meetings, management meetings are held to oversee day-to-day operations.	<ul style="list-style-type: none"> • Approved the annual Longmartin Business Plan covering actions proposed 	<p>Longmartin asset management: page 53</p> <p>Longmartin finance: page 84</p>
This year, we have engaged in a variety of ways including virtual and in person meetings and, with the easing of restrictions, taking our finance providers on tours of our portfolio where appropriate.	<ul style="list-style-type: none"> • Secured extensions to ICR covenant waivers in our £250 million term loans to January 2022 • Cancelled our £125 million revolving credit facility • Repaid £100 million drawings against our remaining credit facility • Arranging covenant waivers • Regular updates on our activities and performance • Regular credit updates for bond holders 	Financing: pages 83 and 84
<p>Our investor relations programme includes formal results announcements every six months together with periodic trading and news updates, one-to-one meetings, roadshows, property tours and our Annual General Meeting.</p> <p>In November 2020, we provided the opportunity for shareholders to ask questions through our website in advance of our equity raise.</p> <p>In February 2021, due to government restrictions, our AGM was held virtually, providing all shareholders the opportunity to ask questions and vote electronically.</p> <p>In December 2020, March and May 2021, credit update calls were provided to bondholders.</p>	<ul style="list-style-type: none"> • Feedback from shareholder meetings and communications with Jonathan Nicholls, Brian Bickell and Chris Ward was discussed with the whole Board • 95.77% votes in favour of our equity raise received at the November 2020 General Meeting • Feedback from shareholder meetings with Sally Walden and Jennelle Tilling discussed with the Remuneration Committee and the Board and used to develop our 2022 Remuneration Policy • All resolutions at our February 2021 AGM passed with a majority in excess of 97.5% with the exception of two special resolutions relating to the disapplication of pre-emption rights 	<p>Balance sheet strength, considerations of our shareholders and governance: page 117</p> <p>Our Annual General Meeting: page 119</p> <p>Engagement with our shareholders: pages 111, 119 and 139</p>

Our people and culture

We employ a small team who are at the heart of our culture. Our long-term strategic priority is to attract and develop talent and ensure we provide an environment where they can thrive.

Our values

We have five core values that guide our behaviours and ways of working, which demonstrate our commitment to doing the right thing – for our business, our stakeholders, and employees.

These values are a critical part of our success. They help make Shaftesbury a great place to work and enable us to achieve our strategic priorities. Our values are an important aspect when hiring new people and we ensure they are embedded in every aspect of the employee journey.

Our culture: the “Shaftesbury Way”

Aligning with our values, our culture is one of respecting tradition but bringing innovation, acting with courtesy, respect and integrity, not being afraid to embrace change, seeking challenge, trying new things and evolving. We are inclusive, encouraging difference and welcoming new people, ideas and perspectives to enable everyone to be themselves, have a voice, and contribute to the delivery of our goals.

Combining our experience, enthusiasm, culture and values, we seek to achieve success beyond profit by delivering sustainable long-term benefits for our stakeholders and people, building a thriving working culture and making a positive, long-lasting contribution to the success of London’s West End.

Embedding our purpose, culture and values

We ensure that our clearly articulated purpose and values are embedded throughout the stages of our employment lifecycle, from how we recruit to how we measure performance and reward our team.

This year, we have introduced individual bonus metrics, which include demonstrating our values. Also, our new quarterly performance conversation has encouraged managers and their direct reports to measure how they are demonstrating the Shaftesbury values in their everyday work.

Employee engagement

We are committed to gaining regular feedback from our team and to act on the feedback we receive. This year, there was a high level of engagement from staff when we conducted our all-employee survey, which achieved a 91% response rate. The results were very positive, particularly in responses relating to overall employee engagement. Over 90% of respondents agreed with the statements “I am proud to work for Shaftesbury” and “I would recommend Shaftesbury as a great place to work”.

Another measure of positive employee engagement is our 100% permanent employee retention rate, reflecting our commitment to look after employees and make Shaftesbury a great place to work.

Key positive themes:

- employee wellbeing with people feeling supported during the pandemic;
- increased knowledge of our purpose and values;
- employees feel fairly remunerated for their roles when compared with the marketplace; and
- employees feel able to speak up and raise concerns with their managers.

Areas for improvement:

- employees want more clarity around career paths and progression routes;
- improved internal communications and specifically the cascade of information from Committee meetings to the rest of the team; and
- ways of working, including the impact of hybrid working, managing the volume of meetings and decision-making structures.

We are assessing these issues currently and putting in place improvements, including regular all team updates to share progression against our strategic priorities.

Another way we listen to how our employees are feeling about working for Shaftesbury is through the Culture Group, which comprises a cross section of employees representing different departments and levels of experience within the business.

This year, key activities of the Culture Group were to explore ways in which the business can enhance its culture of recognition, and review the results of the 2021 employee survey with Richard Akers, Non-Executive Director with responsibility for employee engagement.

Pandemic support and employee wellbeing

At the heart of Shaftesbury is our team and looking after their wellbeing during the pandemic has been a key priority for the Board and leadership team. We continued to employ all the team on their full terms and conditions during the pandemic and put in place a programme of wellbeing support.

From the start of the pandemic, we ensured everyone was able to work from home effectively, including introducing new technology, alongside providing a wellbeing and social connection programme. Our remote support programme included:

- Technology and home office set up
- Lockdown coaching
- Wellbeing seminars
- Virtual Tai-Chi and Yoga workshops
- Self-care support library
- Flexible start and finish times
- Virtual social events and connection time

When government advice changed so that we were able to return to the office, we consulted with the team and put in place a range of actions to ensure a safe and supportive return such as a gradual return to the office, social distancing measures introduced including a temporary satellite office, and trialling a hybrid working approach, requiring employees to be in the office for a minimum of three days a week.

As at 30th September 2021:

54

headcount

7.4 years

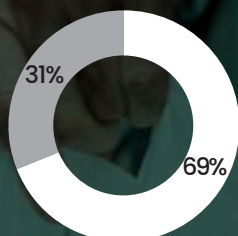
average length of service

100%

employee retention rate¹

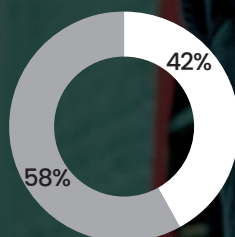
<1%

absenteeism



female / male ratio

Female
Male



Strategy and Operations
Executive Committee

Female
Male

Key achievements

- Wellbeing support throughout the pandemic
- Trial of hybrid working
- Key new hires to bring in targeted expertise
- New quarterly performance conversation process
- Introduced individual bonus objectives
- People development programmes across the business

2022 priorities

- Roll out of leadership development programmes and career progression support
- Create clear career progression paths and promotion criteria
- Development of Equality, Diversity & Inclusion Strategy
- Update 3 year people plan (2022 – 2025)

Our values



Human

Building relationships, inside and outside the business, based on openness, empathy, trust and respect – showing genuine interest and care for each other and those with whom we work.

We celebrate difference and encourage diversity. A variety of backgrounds, experiences, characteristics and preferences leads to wider perspectives, increased creativity, better decision making and inclusive spaces where everyone can feel welcome, be themselves, and reach their potential.

Outside of our workplace, we promote the diversity agenda, including gender, ethnicity, social background and sexual orientation.



Original

We see change as opportunity to arrive at fresh solutions and better outcomes.

From finding and nurturing new talent to challenging and evolving our thinking, we welcome new ideas, approaches and perspectives and encourage ideas from our people, business partners and communities.

This is an important aspect in the curation of our villages, including how we use our buildings, the occupiers we choose, where innovative concepts are favoured over predictable formats found elsewhere, and the events we organise.



Community minded

As a responsible, long-term investor in our areas, being a good neighbour and focusing on local issues is essential. Working closely and collaboratively with our communities and local authorities, we combine our influence and expertise to address issues and challenges, promote public realm improvements and create vibrant, inclusive places.



Responsible

As long-term custodians of the areas in which we invest, we hold ourselves accountable to a wide-range of stakeholders. It is important that we do the right thing, in the right way, acting responsibly and with integrity.

We invest in staff well-being and development, cultivate relationships with our business partners and stakeholders, holistically curate our villages and behave in a socially-responsible manner.



Long term

We take a long-term, holistic approach to our villages.

From our partnerships and people, to the impact we wish to make, our decision making is forward-looking and focused on long-term sustainable benefits rather than short-term gains.

¹ Permanent employees

Strategic People Plan

This financial year represented year three of the Shaftesbury Strategic People Plan, which targets five strategic pillars:

- Engagement – to understand and drive high levels of employee engagement
- Experience – to be recognised for providing a distinctive and positive employee experience, aligned with our purpose and values
- People development and capability – to grow capability now and for the future
- People performance – to develop an active performance culture and practices
- Sustainable workforce – to have a more healthy, inclusive and sustainable working environment

We made good progress during the year across all five of the strategic pillars. However, the pandemic required the re-prioritisation of a number of planned activities. Progress against our roadmap is monitored regularly and shared with employees and the Board. A key action this year was to recruit more specialist skills to the team to ensure we have the breadth of in-house knowledge and experience to position the business for success in a fast-changing, post-pandemic environment.

In response to feedback from last year's survey, we:

- rolled out 'Performance Conversations @ Shaftesbury', our new performance review process. Moving away from annual appraisals, we introduced a focus on regular performance conversations and equipped managers and their reports to have better two-way conversations about performance; and
- introduced better clarity regarding the link between both individual contribution and performance and reward, particularly in the bonus scheme.

In the coming year, we will update the Strategic People Plan for the next three years, in line with our overall strategic business objectives.

Talent development

We operate with an outsourced business model, employing a small team and working with a wider group of external advisors. Developing and retaining our talent for the future is an essential ingredient in our success and we continue to tailor development solutions to support the needs of our team. We have recently commenced the roll-out of targeted leadership development programmes across the business to supplement individual professional development support.

Rewarding our people

In setting reward packages for our team, we use the Aon Hewitt Property Remuneration Survey and other industry-wide surveys to benchmark salaries annually, ensuring we are competitive with our peers in the sector and that we operate in a fair and consistent way across the business. This year, we also implemented key actions from the reward review conducted in 2020, changing our bonus scheme to introduce individual objectives (rather than solely rewarding based on corporate objectives) to recognise below Board performance and contribution to the business.

Promoting diversity and inclusivity


We have a policy to promote diversity and inclusivity across the business, recognising that a group that is diverse in nature, irrespective of visible and non-visible differences, backgrounds, gender, experience and orientation is able to provide differing perspectives and challenge.

We strive for an inclusive culture with a collaborative environment that is open to different ideas and styles of thinking, where all of our people feel they can be themselves and contribute to the Company's success. Whether someone has been here three days, three months or three years, we ensure everyone has a voice. We treat everyone with fairness, respect and openness, and encourage our people to share ideas, develop their skills and reach their potential. Our commitment extends to the standards we expect of the businesses with whom we partner and work.

Diversity is considered at every level of recruitment. All appointments are made on merit and based on objective criteria. We support initiatives to promote diversity within the real estate sector. We are a member of the 30% Club, which is a campaign to achieve a minimum of 30% representation of women on FTSE 350 boards.

The Hampton-Alexander review, which is an independent, business-led initiative supported by the Government, aims to increase the number of women in leadership positions in FTSE 350 companies. In 2020, for the fourth year running, Shaftesbury was top of the FTSE 250 in the Hampton-Alexander review for the highest female representation on the executive committee and direct reports.

In the coming year, we will develop an equality, diversity and inclusion strategy, identifying areas for improvement and focus. To ensure we are objectively assessing our culture and ways of working in this context, we will work with a specialist consultancy to guide and advise us through this process.

A photograph showing a group of people participating in a community cleanup or volunteering activity at Stave Hill Ecology Park. In the foreground, a man in a black long-sleeved shirt and blue jeans is using a long-handled tool to clear vegetation. He is wearing yellow gloves and smiling. In the background, other people are also working, and there are trees and a playground structure visible.

In the summer, we spent a day volunteering at Stave Hill Ecology Park, a 5.2 acre nature area in London. The park, which is open to the public at all times, has been designed and managed to form a mosaic of grassland, woodland scrub and wetland habitats which support a wide variety of wildlife.

Financial report

The year was dominated by pandemic disruption, with Government restrictions in place for over nine months, materially affecting our occupiers' businesses. Whilst we have seen a significant and sustained recovery in operations during the second half, as restrictions were relaxed, macro conditions have inevitably had a material impact on our results for the year.

Presentation of financial information

As is usual practice in our sector, we produce alternative measures for certain indicators, including earnings, earnings per share and NTA, making adjustments set out by EPRA in its Best Practices Recommendations. These recommendations are designed to make the financial statements of public real estate companies more comparable across Europe, enhancing the transparency and coherence of the sector. Further details on APMs used, and how they reconcile to IFRS, are set out on page 193.

Given the impact of the pandemic on the business over the past two financial years, we have included 2019 comparatives in the summaries of the Income Statement, Balance Sheet, liquidity and net debt below to provide users of the Annual Report with additional useful information.

Financial support provided to occupiers

Financial support provided to occupiers during the pandemic has been largely in the form of waivers of rent. In some cases, there were associated lease modifications e.g. break options removed or terms extended.

The cost of these arrangements is spread over the remaining or revised lease term. The resulting deferred cost balance is assessed for impairment, and the net balance, after amortisation or impairment, is deducted from the valuation of investment properties and so is initially charged to revaluation gains or losses. As the balance is amortised or impaired, there is a charge within net property income and an equal credit to revaluation gains or losses.

The straight lining of rental support provided results in income being recognised in excess of cash received in the year. As a result, currently, EPRA earnings are higher than the related cash flows, but this will reverse in future years as this accrued income unwinds through amortisation although the differential will also be impacted by changes in related impairment provisions. We have introduced a new APM this year, Covid-adjusted EPRA earnings, which considers EPRA earnings "as if" the cost of waivers had been recognised immediately in the Income Statement rather than spread. This only applies to waivers where there were no associated lease modifications. Whilst this is not in accordance with IFRS, we consider that it provides useful supplementary information for investors, lenders and the equity research community to assess earnings on a normalised basis, as well as under IFRS. As noted on page 82, this APM will be one measure the Board will use in considering dividends in future years.

Charges for expected credit losses and impairments

The financial statements include significant charges for expected credit losses in respect of trade receivables and impairments of lease incentives and deferred letting costs. In assessing the provisions in respect of these items, we consider a number of factors including financial challenges being experienced by tenants which reduce their ability to pay back arrears and increase the risk of tenant default. With trading conditions improving in the second half of the year, the risk of tenant default has lessened, which has led to reduced impairment provisions against lease incentive and deferred letting cost balances. Whilst our occupiers' trading has improved, the prospect of recovering material amounts of arrears that built up during periods of Government restrictions still remains uncertain, which is reflected in our provisions for expected credit losses.

Summary income statement

	2021 £m	2020 £m	2019 £m
Rental income ¹	105.0	114.4	117.3
Charges for expected credit losses and impairments	(17.7)	(21.9)	-
Property costs ¹	(22.6)	(18.2)	(19.3)
Net property income	64.7	74.3	98.0
Administrative expenses	(21.6)	(14.4)	(15.2)
Valuation deficits and disposal profits	(196.8)	(698.2)	(12.5)
Operating (loss)/profit	(153.7)	(638.3)	70.3
Net finance costs	(30.2)	(31.8)	(30.5)
Share of Longmartin post-tax loss	(11.0)	(29.4)	(13.8)
(Loss)/profit before tax	(194.9)	(699.5)	26.0
Tax	-	-	-
Reported (loss)/profit for the year	(194.9)	(699.5)	26.0
Basic (loss)/earnings per share	(52.0)p	(222.7)p	8.3p
EPRA earnings²	13.3	29.4	54.6
EPRA earnings per share^{2,3}	3.5p	9.4p	17.4p

1. Net of recoverable service charge costs.

2. Alternative performance measure. See page 193.

3. 2019 and 2020 adjusted for the bonus element inherent in the equity raise in November 2020

Loss after tax for the year was £194.9 million, £504.6 million lower than last year (2020: £699.5 million) and basic loss per share was 52.0p (2020: 222.7p). The decrease in loss after tax was largely due to the £501.4 million reduction in valuation deficits, net of disposal profits, to £196.8 million (2020: £698.2 million).

The other main movements against last year were:

- a reduction in rental income, resulting from occupier pandemic support and higher vacancy levels throughout the year;
- an increase in property costs, particularly non-recoverable and vacancy-related expenses;
- higher charges for expected credit losses, reflecting the challenging conditions being experienced by our occupiers in the year; and
- increased administrative expenses, largely due to increased employee costs, including higher headcount, provisions for National Insurance, increased charges for variable and equity-settled remuneration, together with higher insurance costs and professional fees.

These factors were partly offset by:

- lower impairment charges, reflecting reduced tenant default risk; and
- a reduction in our share of losses in the Longmartin joint venture, following a decrease in its revaluation deficit.

EPRA earnings

EPRA earnings is a measure of the level of underlying operating results and an indication of the extent to which dividends are supported by recurring earnings. In our case, EPRA earnings exclude portfolio valuation movements, profits on disposal of investment properties, and deferred tax arising in the Longmartin joint venture.

EPRA earnings amounted to £13.3 million, £16.1 million lower than last year (2020: £29.4 million). EPRA earnings per share amounted to 3.5p (2020: 9.4p) and take into account the greater number of shares in issue, following our equity raise in November 2020. The comparatives have been adjusted for the bonus element inherent in the equity raise in November 2020.

EPRA earnings ¹	£m	£m
2020		29.4
Movements:		
Rental income	(9.4)	
Expected credit losses and impairment charges	4.2	
Property costs	(4.4)	
Net property income		(9.6)
Administrative costs	(7.2)	
Net finance costs	1.6	
Longmartin	(0.9)	
Total movement		(6.5)
2021		13.3

1. Alternative performance measure. See page 193.

Covid-adjusted EPRA earnings¹

	2021 £m	2020 £m	2019 £m
EPRA earnings	13.3	29.4	54.6
Less: income recognised during waivers	(22.4)	(11.5)	-
Movements in associated impairment provisions and write-offs	1.7	8.2	-
Covid-adjusted EPRA earnings	(7.4)	26.1	54.6
Covid-adjusted EPRA earnings per share	(2.0)p	8.3p	17.4p

1. Alternative performance measure. See page 193.

The rationale for this APM is set out on page 80. At 30 September 2021, the balance of accrued income in respect of waivers was £26.5 million, and the associated impairment provisions, amounted to £2.5 million. The net balance will amortise through the Income Statement over a number of years, in line with the related unexpired lease terms. We make estimates when assessing the level of provisions and, these estimates could change in future years which would change the amount charged to the Income Statement. These estimates are set out in note 3 to the financial statements.

Net property income

Compared with last year, rental income has reduced by £9.4 million to £105.0 million (2020: £114.4 million).

The decrease predominantly reflects higher vacancy levels and rental support granted to occupiers during the year. This was particularly evident in the first half of the year, a period dominated by pandemic restrictions, including over four months of lockdown. Rental income during this period was £48.9 million, 18% lower than pre-pandemic levels.

Whilst not yet back at pre-pandemic levels, during the second half of the year, rental income increased by 10.4% to £56.1 million as restrictions were gradually lifted, vacant space was let, footfall and trading recovered and our rental support started to taper.

	2021 £m	2020 £m	2019 £m
Rental income			
6 months ended 31 March	48.9	59.9	58.6
6 months ended 30 September	56.1	54.5	58.7
	105.0	114.4	117.3

On a like-for-like basis, excluding the impact of acquisitions and disposals, the decrease in rental income over the year was 8.5%.

Service charge income reduced by £2.4 million to £7.7 million (2020: £10.1 million), reflecting increased vacancy through the year. Together with the decrease in rental income, revenue decreased by 9.5% to £112.7 million (2020: £124.5 million).

Despite improving cash collections over the second half of the year, charges for expected credit losses against tenant receivables increased by £3.4 million to £16.4 million (2020: £13.0 million).

This reflects rent arrears written off during the year, together with our assessment of the likelihood of collection of remaining arrears, particularly those in respect of our hospitality, retail and leisure occupiers which accrued prior to the full relaxation of pandemic restrictions in July 2021.

Impairment charges in respect of lease incentive and deferred letting cost balances decreased by £7.6 million to £1.3 million (2020: £8.9 million), following a reduction in our impairment provision reflecting the reduced likelihood of tenant default, given the improvement in trading conditions in the second half.

▲ Portfolio report: pages 50–51

Property charges, excluding recoverable service charge costs, increased by £4.4 million to £22.6 million (2020: £18.2 million). This was largely due to:

- significantly reduced occupancy during the year, which resulted in increased vacancy-related costs, including business rates and lower service charge recoveries;
- increased letting costs following the high volume of leasing transactions, particularly in the second half; and
- additional non-recoverable costs as a result of increased pandemic-related activity across our villages, including arranging additional external seating capacity, security and cleaning.

The risk of further pandemic restrictions is still with us. However, assuming a continued recovery, the benefit of lettings and the consequential improvement in occupancy during the second half will be an important factor in growth in rental income and reduced costs in the coming year.

After irrecoverable costs and charges for expected credit losses and impairments, net property income for the year was £64.7 million, £9.6 million below last year (2020: £74.3 million).

Administrative expenses

	2021 £m	2020 £m	2019 £m
Total employee costs	14.7	8.2	10.0
Other administrative expenses	6.9	6.2	5.2
Total administrative expenses	21.6	14.4	15.2

The increase in administrative expenses over the year, totalling £7.2 million, of which £6.5 million related to total employee costs, largely reflecting:

- additional headcount, an important investment in the future, strengthening the depth of talent in our team, including specialist expertise. Together with the 2020 annual pay review, and taking into account the directors waiving 20% of salary, pension contributions and fees for four months last year, this increased costs by £1.4 million over the year;
- an additional provision for National Insurance on equity-settled remuneration of £0.9 million, as a result of the increase in our share price this year, compared with a credit following the share price decrease in 2020;
- increased charges for equity-settled remuneration of £0.7 million; and
- an increase in the charge for annual bonuses, including National Insurance, of £3.1 million. The charge in 2020 was significantly reduced with the directors not being awarded a bonus and employees receiving a modest award.

The increase in other administrative costs was mainly due to higher insurance costs and professional fees, partly offset by a release of accruals for irrecoverable VAT and savings made on IT.

▲ Our people and culture: pages 76–78

▲ Remuneration report: page 148

Valuation deficit and disposal profits

Our portfolio's revaluation deficit was £196.9 million (2020: £698.5 million). This represented a like-for-like valuation decrease of 5.4%, comprising a 10.1% decrease in the first half of the year and a 5.2% increase in the second half. The deficit takes into account the increase in lease incentive balances during the year amounting to £24.5 million.

We sold one building during the year, realising a profit on disposal, after sales costs, of £0.1 million.

▲ Portfolio report: pages 53–55

Net finance costs

Net finance costs decreased by £1.6 million to £30.2 million (2020: £31.8 million) and included interest income of £0.7 million (2020: £0.7 million). Savings in bank interest and charges of £1.8 million, following the refinancing in November, were partly offset by an accelerated write-off of unamortised loan issue costs amounting to £0.2 million.

Share of Longmartin post-tax loss

Our share of Longmartin's post-tax losses decreased by £18.4 million to £11.0 million (2020: £29.4 million) and included a revaluation deficit, our share of which was £11.3 million (2020: £35.8 million). Excluding these revaluation losses and deferred tax movements, our share of EPRA earnings from Longmartin decreased by £0.9 million to £0.4 million (2020: £1.3 million) largely due to reduced rental income and increased charges for expected credit losses.

Our share of the deferred tax charge in Longmartin was £0.1 million (2020: credit £5.1 million), and comprised a charge resulting from the increase in the rate of corporation tax from 19% to 25% from April 2023, following the UK Finance Act 2021, offset by a credit in respect of the property revaluation deficit in the year.

Tax

The Group's tax strategy is to account for tax on an accurate and timely basis. Our appetite for tax risk is low and we structure our affairs based on sound commercial principles, rather than engaging in aggressive tax planning. We maintain an open dialogue with HMRC with a view to identifying and solving issues promptly. In 2019, HMRC confirmed our status as a 'low risk' taxpayer. Our tax strategy is available on our website.

As a REIT, the Group's activities are largely exempt from corporation tax and, as a result, there is no tax charge in the year (2020: £nil). We continue to meet the requirements in the REIT regulations.

We do collect and pay other taxes and levies e.g. payroll taxes, VAT, stamp duty land tax, business rates, and withholding tax on Property Income Distributions. During the year, the total amount paid in respect of these taxes amounted to £2.6 million (2020: £13.3 million). The decrease was largely the result of net VAT refunds this year, reflecting lower rental cash collections, compared with VAT payments in the previous year. In addition, our share of taxes, including corporation tax, levied on, or collected by, Longmartin was £1.2 million (2020: £1.0 million).

Dividends

As a REIT, we are required to distribute a minimum of 90% of rental profits, calculated by reference to tax rather than accounting rules, as a PID. Notwithstanding this, our policy is to maintain progressive growth in dividends, reflecting the long-term trend in our income and EPRA earnings. To the extent that dividends for a year exceed the amount available to distribute as a PID, we pay the balance as ordinary dividends. Principal risks and uncertainties, including those which might affect income and earnings, are set out on pages 88 to 92.

The Board monitors our ability to pay dividends out of available resources and distributable reserves. Our forecasts take into consideration future liquidity requirements, which include prospective dividend payments. Where possible, subsidiary companies distribute the majority of their distributable profits to Shaftesbury PLC annually. Currently, there are no restrictions on any subsidiaries' ability to distribute profits. At 30 September 2021, we had distributable reserves of £282.1 million.

During the year an interim dividend of 2.4p per share was declared, to fulfil the Group's PID requirements for the year ended 30 September 2020. The distribution, totalling £9.3 million, was paid in July 2021.

The Board has recommended a final dividend of 4.0p per share (2020: nil). If approved at the 2022 AGM, the dividend will be paid on 11 February 2022, with 2.75p as a PID and 1.25p as an ordinary dividend. Totalling £15.4 million, the final dividend is 11.1% higher than EPRA earnings per share, reflecting the sustained revival of the West End and our operations, much improved prospects for the return to normal conditions and our strong financial position. As noted on page 80, in future years, EPRA earnings will likely be lower than the related cash flows, as the cost of rent waivers unwinds. Consequently, from next year, we will use Covid-adjusted EPRA earnings as one measure in determining the level of dividends.

Balance Sheet

	2021 £m	2020 £m	2019 £m
Investment properties	2,964.1	3,115.5	3,765.9
Investment in joint venture	85.8	96.8	127.6
Net debt	(748.5)	(987.0)	(905.8)
Other net assets	71.3	55.3	19.5
Net assets	2,372.7	2,280.6	3,007.2
EPRA NTA per share^{1,2}	£6.19	£7.28	£9.61
Total Accounting Return^{1,2}	(14.6)%	(23.3)%	0.8%

1. Alternative performance measure. See page 193.

2. 2019 and 2020 adjusted for the bonus element inherent in the equity raise in November 2020

The increase in net assets of £92.1 million during the year was largely due to the net proceeds of the equity issue in November 2020, amounting to £294.4 million, partly offset by the loss after tax of £194.9 million and the interim dividend.

EPRA NTA

EPRA NTA makes adjustments to reported net assets to provide a measure of the fair value of net assets on a long-term basis. Assets and liabilities which are not expected to crystallise in normal circumstances are excluded. In our case, the calculation excludes deferred tax related to property valuation surpluses and deficits in the Longmartin joint venture. The comparatives for 2019 and 2020 have been adjusted for the bonus element inherent in the equity issue in November 2020.

During the year, EPRA NTA per share decreased by 15.0% to £6.19 (2020: £7.28) principally due to the impact of the equity raise in November 2020 and the revaluation deficits in the wholly-owned portfolio and Longmartin:

EPRA NTA ¹	Pence per share
2020 (as previously reported)	743
Adjustment for bonus element inherent in the equity raise	(15)
2020 (as adjusted)	728
Equity issue impact	(56)
Revaluation movements	
- Six months ended 31 March 2021	(89)
- Six months ended 30 September 2021	35
	(54)
EPRA earnings less interim dividend	1
2021	619

1. Alternative performance measure. See page 193.

Total accounting return measures shareholder value creation, taking into account the movement in EPRA NTA together with dividends paid.

This year, TAR was -14.6%, reflecting the reduction in EPRA NTA, partly offset by the interim dividend of 2.4p per share.

Financing

Having maintained our financial resilience through an equity raise in November 2020, we have weathered the pandemic storm, so far, and have the financial capacity to deal with further disruption. However, assuming the recovery is sustained, we are now well positioned to return to long-term growth and take advantage of portfolio investment opportunities.

Financing strategy

Investment in our portfolio is funded through a combination of equity and debt, with equity providing the permanent capital to support our long-term strategy. Debt provides capital for investment in our portfolio. Under REIT rules, we are required to distribute the majority of our recurring earnings. Furthermore, the importance of our ownership clusters in long-term value creation means that opportunities to recycle capital are limited.

We adopt a prudent approach to our capital structure, seeking to minimise financing risk. Typically, when prospective financial ratios, including, but not limited to, gearing, approach the upper limit of our tolerance, we look to secure additional equity funding to mitigate these risks and provide financial capacity to support the long-term growth of the business.

Key aspects of our financing policy include conservative leverage, diversified sources of finance and a spread of debt maturities. The core of our debt finance is secured, long-term arrangements, consistent with the long-term nature of our business model, investment strategy and income streams, with the majority of interest fixed. Working capital is provided through a secured revolving credit facility.

In managing financing risk, we aim to maintain:

- significant levels of available liquidity to cover contractual commitments and provide us with speed of execution when acquisitions become available;
- a prudent loan-to-value ratio across the Group, with headroom above loan-to-value covenants in our debt facilities; and
- a pool of unsecured properties which could be used to top up debt security if necessary, to comply with loan-to-value covenants.

Equity issue and associated refinancing

Anticipating the consequences of a protracted period of pandemic-related disruption and recovery, and the potential near-term implications for revenue and property values, in November 2020, we issued 76.75 million shares, representing approximately 25% of our issued share capital, at £4 per share. This reduced our leverage and both refinancing and asset-related covenant risks, and provided working capital to fund forecast operating losses and capital expenditure until macro and local conditions recovered. After issue costs, the net proceeds were £294.4 million.

Following completion of the equity issue, we cancelled our £125 million revolving credit facility (RCF) which was undrawn and had a contractual maturity in May 2022. In doing so, we removed a near-term refinancing risk in this period of uncertainty and released £252 million of charged properties to top up our pool of uncharged assets, reducing loan-to-value risk across our other debt arrangements. The cancellation removed the facility's annual commitment cost of £0.8 million.

We used £100 million of the proceeds to repay drawings against our remaining RCF (£100 million, maturity February 2023), which remains available to be re-drawn, provided that we remain compliant with all requirements in the loan agreement, including the financial covenants. Whilst undrawn, the annualised interest saving is estimated at £1.0 million.

Related party transactions are disclosed in note 19 to the financial statements.

Liquidity

At 30 September 2021, available liquidity was £311.3 million (2020: £197.8 million) comprising £211.3 million of cash and our undrawn RCF (£100 million). Capital commitments to be funded from these resources totalled £18.8 million.

	2021 £m	Pro-forma ¹ 2020 £m	2020 £m	2019 £m
Cash	211.3	267.2	72.8	54.0
Undrawn floating rate RCF	100.0	100.0	125.0	225.0
Available resources	311.3	367.2	197.8	279.0
Commitments	(18.8)	(31.0)	(31.0)	(82.4)
Pro-forma available resources	292.5	336.2	166.8	196.6

1. 30 September 2020 position, pro-forma for the net proceeds of the equity issue in November 2020, termination of our £125 million revolving credit facility and repayment of drawings under the £100 million revolving credit facility.

Net debt and cash flows

Movement in net debt	£m
2020	987.0
Operating cash inflow	(8.9)
Net portfolio investment	48.8
Interest cover covenant waiver deposits	5.1
Net proceeds from share issue	(294.4)
Interim dividend	9.3
Other	1.6
2021	748.5

Following the repayment of drawings under our RCF, gross debt decreased by £100.0 million to £959.8 million during the year (2020: £1,059.8 million). Net debt decreased by £238.5 million to £748.5 million (2020: £987.0 million) largely due to:

- net proceeds from the equity issue, totalling £294.4 million.
- net cash inflow from operating activities, before net interest payments, of £38.3 million, £4.8 million higher over the year (2020: £33.5 million). The year-on-year increase reflected a combination of the impact on working capital of the change from invoicing occupiers quarterly in advance, to monthly in advance from 1 October 2020, which altered the timing of cash receipts, and cash collections against 2020 trade debtors, including through drawings against rent deposits. These factors were partly offset by the pandemic impact on our income and property costs this year.
- net interest paid of £29.4 million, down £1.6 million over the year (2020: £31.0 million) due to the refinancing in November 2020.
- portfolio investment of £48.8 million (2020: £44.2 million), comprising capital expenditure of £34.9 million, and £19.1 million in respect of acquisitions, net of the return of a deposit in respect of the potential acquisition of 90-104 Berwick Street and £5.2 million of disposal proceeds.

▲ Portfolio report: page 53

Further deposits were made in respect of interest cover covenant waivers during the year. The net cash outflow of £5.1 million is a combination of new deposits made totalling £5.4 million and the return of a deposit, amounting to £0.3 million, following the cancellation of a revolving credit facility.

Financial position

Following the equity issue, our loan-to-value ratio reduced on a proforma basis from 31.5% to 22.1%. By 30 September 2021, it had increased to 24.9% largely due to the portfolio valuation decline in the year.

▲ Portfolio report: page 54

At 30 September 2021, the weighted average maturity of debt facilities was 8.0 years with the earliest maturity being our £100 million RCF in February 2023. We plan to refinance this facility in the coming year. The blended cost of debt was 3.1% (2020: 2.9%) and the marginal cost of drawing on our RCF was 1.1% (2020: average marginal cost of both RCFs then in place: 0.7%).

In September 2021, we replaced LIBOR with SONIA as the pricing benchmark in our RCF ahead of its discontinuance at the end of 2021.

Debt summary¹

	2021 £m	Pro-forma ² 2020 £m	2020 £m	2019 £m
Debt ³	959.8	959.8	1,059.8	959.8
Cash	(211.3)	(267.2)	(72.8)	(54.0)
Net debt	748.5	692.6	987.0	905.8
Loan-to-value ^{4,5}	24.9%	22.1%	31.5%	23.9%
Gearing ^{4,5,7}	31.4%	26.8%	43.1%	30.0%
Interest cover ^{4,6}	1.4x	N/A	1.9x	2.7x
% drawn debt fixed	100%	100%	91%	100%
Blended cost of debt ^{4,8}	3.1%	3.1%	2.9%	3.2%
Marginal cost of undrawn RCF	1.1%	1.0%	0.7%	1.6%
Weighted average maturity of debt (years)	8.0	9.0	8.3	9.3
Sources of finance (fully drawn basis)				
Bonds	54%	54%	49%	49%
Term loans	36%	36%	32%	32%
Revolving credit facilities	10%	10%	19%	19%

1. Data excludes our 50% share of Longmartin's non-recourse debt.
2. 30 September 2020 Proforma for the net proceeds of the equity issue in November 2020, termination of our £125 million revolving credit facility and repayment of drawings under the £100 million revolving credit facility.
3. Excludes loan issue costs
4. Alternative performance measure. See page 193.
5. Based on net debt.
6. Ratio of operating profit before investment property disposals and valuation movements to net finance costs.
7. Based on EPRA net assets.
8. Including non-utilisation fees on undrawn bank facilities.

Debt maturity profile

Year of maturity	Facility type	Total facility £m
2023	Revolving credit facility ¹	100
2027	Bonds	290
2029	Term loan	135
2030	Term loan	130
2031	Bonds	285
2035	Term loan	120

1. Undrawn at 30 September 2021

Debt covenants

The financial covenants in our debt arrangements are summarised on page 196.

Interest cover covenant waivers are in place at 30 September 2021 as follows:

Facility	Facility amount	ICR waiver	Notes
RCF	£100m	October 2021	1
Term loan	£134.8m	January 2022	2
Term loan	£250m	January 2022	2

1. This waiver has now expired. In the event that we require further waivers which either are not granted, or are subject to restrictions we find unacceptable, our liquidity position would allow us to part cancel or terminate the facility ahead of its contractual maturity.
2. In the absence of interest cover covenant waivers from the providers of our term loans, we can remedy interest cover ratio shortfalls with cash deposits, although there are restrictions on the number of times these remedies can be used.

At 30 September 2021, amounts held on deposit in respect of these waivers amounted to £13.8 million (2020: £8.7 million), which will be repaid to the Group once the waivers have ceased and we are compliant with the covenants in the respective agreements.

At the latest testing dates, we were compliant with the ICR covenants across all our finance facilities, including our bonds.

We have complied with our LTV covenants throughout the year. Our individual debt arrangements have specifically charged assets as security and we have a pool of unsecured properties. Through charging these unsecured properties, we estimate we could withstand a 39% decrease in valuations before reaching the limit of our loan-to-value covenants. If we were to cancel our RCF and release its assets to be charged against other loans, this tolerance would increase to 46%.

We have assessed ICR and LTV covenant compliance as part of our going concern and viability analyses. In our severe but plausible scenario, we anticipate that we will continue to meet these covenants, either absolutely or through use of cash cure remedies, for the period of the Viability Statement.

▲ Viability Statement: page 98

Longmartin finance

The figures below represent our 50% share.

The Longmartin joint venture has a £60 million fixed-rate term loan maturing in 2026.

At 30 September 2021, Longmartin's net debt was £57.5 million, representing a loan-to-value ratio of 34.9%, up from 33.1% at 30 September 2020, largely due to the property valuation decrease in the year.

Longmartin has complied with the LTV covenant in its term loan agreement throughout the year and remains compliant since.

Longmartin has agreed an interest cover covenant waiver to January 2022 and the lender has confirmed that after the maturity of this waiver, it will not test the covenant until April 2022. If it were tested now, it would be compliant.

The lender holds £2.7 million on deposit in respect of this waiver, which is refundable once the waiver has ended and Longmartin is compliant with its covenants. The loan is non recourse to Shaftesbury.



Risk management

Risk tolerance and management is embedded across the business, with the tone and culture set by the Board. During the pandemic, our near-term risk landscape changed and adapting to rapidly-shifting circumstances to manage risk was crucial. Whilst pandemic uncertainties remain, with the recent recovery, the challenges and risks are starting to abate.

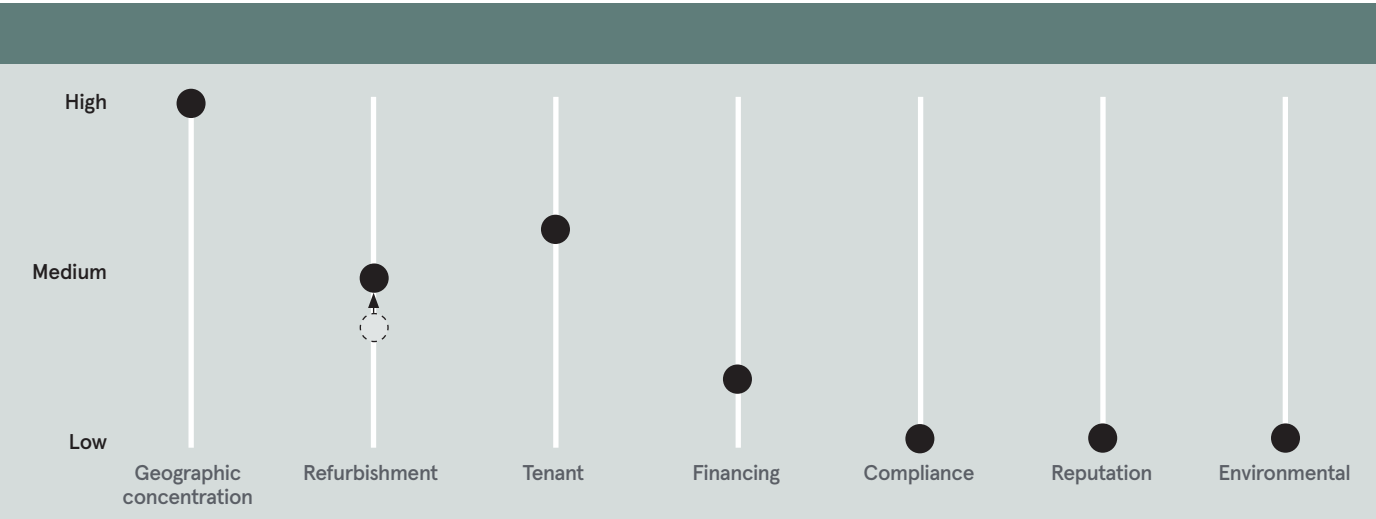
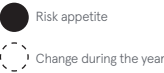
Context

We invest exclusively in the heart of London’s West End, concentrating on establishing ownership clusters in iconic, high-footfall locations. This investment strategy has delivered long-term success for the Group. Although the Covid-19 pandemic disrupted performance over the past eighteen months, we are now experiencing a marked improvement in operating conditions. Whilst the risk of virus variants and further restrictions remain with us, the near-term risk landscape has improved.

Important factors in considering risk across the Group include:

- an experienced executive and senior leadership team, with an average tenure of 16 years¹, and an in-depth knowledge of our business and the West End property market. We are based in one location, close to all our holdings;
▲ *Leadership team: pages 102-107*
- the nature of our portfolio does not expose us to risks inherent in material speculative development schemes;
▲ *Investing in the heart of London’s West End: pages 14-15*
- our diverse tenant base limits exposure to any single occupier;
- our Balance Sheet is managed on a conservative basis with moderate leverage, long-term finance, a spread of loan maturities, and with the majority of interest costs fixed;
▲ *Financing: page 83*
- our culture encourages open dialogue within the whole team and with our wide range of external advisors;
▲ *Our people and culture: page 76*
- simple group structure; and
- governance framework which includes clearly defined responsibilities and limits of authority.
▲ *Governance overview: page 109*

1. Strategy and Operations Executive Committee



The Board’s attitude to risk is embedded in the business, with the Strategy and Operations Executive, which includes executive directors, closely involved in all aspects of the business and significant decisions. The whole Board approves capital, debt and non-routine transactions above a relatively low specified level.

Incentive targets and benefits are set to achieve the Group’s purpose, long-term strategic objectives and near-term priorities, whilst encouraging decisions to be made on the basis of long-term benefit, rather than short-term gain.

Risk appetite

Inevitably, investing in one location presents an inherent geographic concentration risk and there are certain external factors which we cannot control. However, in executing our management strategy, we seek to minimise exposure to operational, reputational and financial risks, recognising that our appetite to risk varies across different elements of our strategy, as shown in the diagram below.

Our appetite for tenant risk remains medium to high. A key aspect of our long-term village management strategy is careful occupier selection. We choose innovative and often independent concepts rather than formulaic national chains. We are interested in what they bring to our villages, rather than prioritising their financial covenant. For us, the security is in the land we own, recognising that occupier demand normally exceeds availability of space in the West End.

▲ *Long-term village management strategy: page 16*

In the previous year, our appetite for refurbishment risk reduced as we prioritised income and liquidity preservation over actively securing vacant possession of space for schemes. Now that operating conditions are improving, our appetite for risk has reverted to pre-pandemic levels. We are now planning on progressing schemes that had been put on hold during the pandemic.

▲ *Refurbishment and reconfiguration schemes: page 52*

We adopt a prudent approach to our capital structure, seeking to minimise financing risk. However, with debt forming part of the funding stack, we accept a low-medium level of risk.

▲ *Financing: page 83*

Monitoring and managing risk

Effective management of risk is critical to the successful delivery of the Group's strategic priorities. Ultimate responsibility for risk rests with the Board but day-to-day management of risk is integrated in the way the Group conducts business and its culture. Risks are addressed as they arise and, where significant, are discussed more widely with the Strategy and Operations Executive.

During the pandemic, in common with many businesses, the ability to predict near-term income has been impaired. Therefore, the Group's financial forecasts have been prepared under a variety of market scenarios to reflect a range of potential outcomes, including severe but plausible downside cases. While some uncertainties remain, this will continue to be the case.

Our risk management and control framework is shown in the diagram below. It enables us to effectively identify, evaluate and manage our principal and emerging risks.

We consider risk as follows:

- daily at an operational level by senior management;
- weekly at executive director meetings; and
- monthly at Strategy and Operations Executive meetings.
- bi-annually (or as needed) by the Risk Committee.

The Board has overall responsibility for risk management and the systems of internal control. The Audit Committee monitors the effectiveness of the risk management process and regularly assesses the adequacy and effectiveness of the internal control systems, reporting on its conclusions to the Board. Such systems are designed to manage, rather than eliminate, the risks faced by the business and can provide only reasonable, not absolute, assurance against material misstatement or loss.

On a day-to-day basis, risks are addressed as they arise and, where significant, are discussed more widely with the Strategy and Operations Executive. Issues that have arisen and how risks have changed are key inputs to the Risk Committee.

The day-to-day management of the Group's portfolio is outsourced with oversight and decision making remaining with the Group. The Group monitors managing agent performance and has established financial and operational controls to ensure that they maintain an acceptable level of service and provide reliable financial and operational information. The managing agent shares its internal control assessments with the Group.

The Risk Committee meets twice a year, or more frequently as needed, and reports to the Audit Committee and Board.

Assessing risk and internal controls

Significant risks and mitigating controls are detailed in the risk register.

Risks are considered in terms of the likelihood of occurrence and their potential impact on the business. In assessing impact, a number of criteria are considered, including the effect on our strategic objectives, operational or financial matters, our reputation, sustainability, stakeholder relationships, health and safety and regulatory issues. Risks are assessed on both gross (assuming no controls are in place) and residual (after mitigation) bases.

To the extent that significant risks, failings or control weaknesses arise, appropriate action is taken to rectify the issue and implement controls to mitigate further occurrences. Such occurrences are reported to the Audit Committee.

The Group's processes and procedures to identify, assess, and manage its principal risks and uncertainties were in place throughout the year and remained in place up to the date of the approval of the Annual Report.

Assurance

Whilst we do not have a formal internal audit function, the Risk Committee oversees the provision of assurance on controls to the Audit Committee. Normally, this comprises a rolling programme of external reviews on processes and the effectiveness of controls, supplemented with controls testing by management. Results of the reviews and recommendations are reported to the Audit Committee and followed up by the Risk Committee.

This year, the operation of key controls in the strategic risk register was reviewed externally, supplemented by testing of other key mitigating actions by management. Recognising the challenges that remote working would present, the programme of external reviews of individual processes has been paused. However, we now have a rolling three year plan for such reviews, commencing in the coming year.



Principal risks and uncertainties

This report should be read in conjunction with the Viability Statement on pages 98 to 99.

Risk landscape

With our strategy of investing in one location, the risk of an event which prevents or deters people coming to the West End has long been on our risk register.

▲ Read more why we invest in London's West End on page 14

The Covid-19 pandemic had a major impact on the West End and all aspects of our business. In last year's Annual Report, we reported that significantly reduced footfall, together with restrictions on opening hours and social distancing measures, presented our occupiers with tough operational and financial challenges. For us, this resulted in reduced rent collections, increased costs, a slowdown in occupier demand, increasing vacancy, pressure on rental values, decreased valuations and increased financing risks. These challenges, elevated a number of principal risks. The recovery we have seen during the second half of the financial year, has led to some of these risks and challenges beginning to subside, although the risk of further pandemic disruption remains.

Throughout the pandemic, the Strategy and Operations Executive met regularly to consider a rapidly evolving range of topics, including occupiers, our people, communities, day-to-day operations, finance, IT, communications, liaison with our neighbours and local authorities, regulations and recovery. The Board has also met frequently during this period and has received updates from management.

In November 2020, we strengthened the Balance Sheet through an equity raise, which reduced our leverage and both refinancing and asset-related covenant risks. It also provided working capital to ensure we could fund expected operating losses and capital expenditure until conditions stabilised.

Strategic objectives		
1 Deliver sustainable, long-term benefits for all our stakeholders	2 Long-term growth in rents and portfolio value	
3 Grow recurring earnings, dividends and cash flow	4 Minimise environmental impact	5 Attract, develop and retain talented people
Evolution of risk		
↗ Risk increased → Risk unchanged ↘ Risk decreased		
Residual risk		
● Low ● Medium ● High ● Very high		

Our tenant support strategy during the pandemic was successful in preserving much of our hospitality, retail and leisure tenant base. With significantly improving operating conditions over recent months, we are now only granting occupier rental support on an exceptional, case-by-case basis.

The risk of further Covid variants, and whether current vaccines will deal with them effectively, remains. Infection surges may result in further government restrictions which could disrupt or prevent our hospitality and retail occupiers from trading and set back the post-pandemic recovery. Our experiences and learnings over the past two years will be extremely important should this be the case.

Principal strategic risks and uncertainties

The Board has carried out a robust assessment of the principal strategic and emerging risks and uncertainties which might prevent the Group achieving its strategic objectives. These risks and uncertainties, their mitigation and the evolution of risk during the year are set out below.

We cluster our strategic risks in the following categories: external factors, geographic concentration, market and consumer, brand and reputation, governance, data and internal control, and people. Risks are scored on a scale from low to very high.

Strategic risks currently not considered to be principal risks

In view of mitigating actions, the following strategic risks are not currently considered to be principal risks or uncertainties:

Category	Risk	Residual risk
Brand and reputation	Misconduct or poor operational standards by third party agents	●
	Damage to reputation with local stakeholders and communities	●
	Failure to innovate	●
	Failure to protect or demonstrate our values	●
Governance, data and internal control	Significant cyber security breach leading to disruption and/or loss of data	●
	Expulsion from REIT regime through non-compliance	●
	Health and safety matters	●
	Failure to meet our sustainability strategy objectives	●
People	Failure to attract, retain and develop talented people	●
	Succession planning	●

Principal risks downgraded during the year



Taking into account the changing risk landscape and the mitigating actions/controls, the residual risks in respect of the following strategic risks have been reduced this year. In each case, the residual risk is now considered to be medium and, consequently, are now not considered to be principal risks or uncertainties:

Changes in regulatory environment		
Potential causes	Consequences	Commentary on change in risk rating
<ul style="list-style-type: none"> Unfavourable changes to national or local planning and licensing policies. Tenants acting outside of planning/licensing consents. Growing complexity and level of sustainability regulation. Regulation/guidance in respect of pandemic social distancing both within our portfolio and in connection with domestic and international travel. 	<ul style="list-style-type: none"> Ability to maximise the growth prospects of our assets restricted. Reduced tenant profitability/increased occupier financial distress. Reduced occupier demand. Increased costs. Reduced earnings. Decrease in property values and NAV (amplified by gearing). Reduction of spending/footfall in our areas. 	<ul style="list-style-type: none"> All legal social distancing restrictions lifted in July 2021. Net Zero Carbon strategy developed; includes plans to improve buildings to meet more stringent Minimum Energy Efficiency Standards Sustainability targets are included in remuneration and each refurbishment or reconfiguration scheme appraisal. We ensure our properties are operated in compliance with local and national regulations. We use specialist advisors on planning and licensing. Tenant compliance with planning consents and licences is regularly monitored. <p>▲ Sustainability: pages 58–64</p>
Strategic objectives 1 2 3 4	Residual risk: 2020:  2021: 	

We are unable to adapt to tenant demands/shifts in market offer by competitors, or we fail to anticipate changes in rental growth		
Potential causes	Consequences	Commentary on change in risk rating
<ul style="list-style-type: none"> Rapidly changing occupier requirements. Structural changes in consumer behaviour and spending. Occupiers becoming increasingly cost conscious leading to: <ul style="list-style-type: none"> reduced space requirements and consequential lower occupational costs, including investment in fit-out; and an increased reluctance to contribute fully towards building service charge and insurance costs. Increased vacancy across the West End. Shaftesbury tenant proposition becomes uncompetitive. Flexible working could change office requirements. 	<ul style="list-style-type: none"> Reduced income and earnings. Increased vacancy and related costs. Increased irrecoverable expenditure. Additional capital expenditure required to compete on fit-out standards. Pressure on ERV, leading to decline in capital values and NAV (amplified by gearing). Risk of loan covenant breaches. 	<ul style="list-style-type: none"> With the improvement in the operating environment, ERVs stabilised over the second half of the financial year. Occupiers are still focusing on the quality of the location. Through the holistic curation of our villages, our flexible approach to leasing and our relatively affordable rents, we have competitive advantage, compared with owners of single buildings in streets with fragmented ownerships. Developing occupier offer, including white-boxing of retail units, and introducing Assemble by Shaftesbury. Record leasing levels in the second half and available-to-let vacancy had fallen to 2.9% by 30 September 2021. Our portfolio of mostly smaller mixed-use buildings provides considerable management flexibility to adapt our accommodation to meet space requirements. Improved data insights capability following recruitment of Head of Insights during the year. Increased engagement with occupiers following our support during the pandemic. Covenants have been forecast under a severe-but-plausible downside scenario described in the viability assessment and are expected to be met. <p>▲ Long-term village management strategy: page 16 ▲ Portfolio report: page 50 ▲ Assemble by Shaftesbury: page 39 ▲ Carnaby Lofts: page 43 ▲ Viability statement: page 98</p>
Strategic objectives 1 2 3	Residual risk: 2020:  2021: 	

Principal risks downgraded during the year continued

Financing risk

Potential causes	Consequences	Commentary on change in risk rating
<ul style="list-style-type: none"> Reduction in income or values as a result of other principal risks. Changing lease structure landscape to more flexible leases and/or risk sharing. 	<ul style="list-style-type: none"> Loan covenant breaches or reliance on waivers from lenders. Insufficient liquidity to meet obligations. Ability to raise new finance or refinance existing debt may be impaired. Forced disposal of properties. 	<ul style="list-style-type: none"> Our equity raise in November 2020 ensured that we maintain a strong equity base, have the financial capacity to deal with further pandemic disruption and are well positioned return to long-term growth as pandemic issues recede. Vacancy has decreased significantly in the second half and cash collections are improving. Occupier rental support is now only being granted on an exceptional, case-by-case basis. We review our capital structure and debt covenants regularly; forecasts include covenant headroom review. Interest cover covenant waivers extended during the year and we expect to meet interest cover covenants in our debt facilities through secured waivers and the improving operating conditions. Additionally, our term loans have interest cover cash cure mechanisms. Gearing maintained at low levels. We maintain a pool of uncharged assets to top up security held by lenders, if required. This pool was bolstered through the release of security following the termination of an undrawn revolving credit facility, providing further headroom in our loan-to-value covenants. Covenants have been forecast under a severe-but-plausible downside scenario described in the viability assessment and are expected to be met. <p>▲ <i>Financing: page 83</i> ▲ <i>Viability Statement: page 98</i></p>
Strategic objectives 1 3	Residual risk: 2020:  2021: 	

Emerging risks

The Board and Audit Committee review and discuss emerging risks facing Shaftesbury.

Emerging risks are circumstances or trends which are often rapidly evolving which could significantly impact the Company's financial strength, competitive position or reputation within the next three years or over a longer term. Generally, the impact and probability of occurrence are not yet fully understood and consequently necessary mitigations have not yet fully evolved.

Outlined below is a non-exhaustive list of emerging risks assessed during the year.

Climate change

We regard climate change to be a principal risk. Our net zero carbon strategy and roadmap consider the near to medium-term horizons. However, we recognise that climate change and the transition to a low carbon economy will present significant long-term risks and opportunities for our business. Whilst we consider the physical risks to our portfolio (e.g. flooding) to be low, the longer-term implications of climate change are less well known, and so, over a longer time horizon, this is an emerging risk.

Failure to identify and mitigate risks could lead to disruption to our operations, damage to our reputation, and inhibit our ability to attract visitors and occupiers, which ultimately could lead to a reduction in the value of our portfolio. We are continuing to de-carbonise our portfolio and will incur additional costs in the low energy refurbishment of buildings.

▲ *Task Force on Climate-related Financial Disclosures: page 93*

Other emerging risks

Other emerging risks considered include:

- supply chain issues and skills shortages. These are included as sub-sections of individual principal risks and uncertainties;
- volatility of neighbouring areas, for example the current decline of quality on Oxford Street, although footfall in Carnaby and Soho has benefitted from the closure of key larger shops;
- IT infrastructure breakdown. We have invested significantly in IT infrastructure over the past two years and this investment will continue as we transform our data capabilities across the business. This included employee training on IT security topics and becoming accredited with Cyber Essentials Plus. No information security breach has occurred in the last three years;
- the long-term impacts and conditions caused by the pandemic, including population growth reversal with people moving out of central London. Whilst conditions have improved during the second half of the year, this is a risk that is kept under review. We have found that demand for our apartments has increased significantly during the pandemic recovery to date; and

▲ *Portfolio report: page 50*

- wellbeing of employees and potential fatigue following the pandemic. Wellbeing has been a key priority during the pandemic and continues in the recovery.

▲ *Pandemic support and employee wellbeing: page 76*

Principal risks and uncertainties

1. External factors

Macroeconomic factors		
Potential causes	Consequences	Mitigation
<ul style="list-style-type: none"> • Macroeconomic shocks or events. • Increasing cost of finance. • Longer-term Covid-19 impacts including inflation, higher taxation and recession. 	<ul style="list-style-type: none"> • Lower consumer confidence/spending. • Reduced visitor numbers. • Reduced business confidence and investment. • Supply chain disruption, higher import costs and skills shortages. • Reduced occupier profitability/increased financial distress/default. • Reduced occupier demand. • Higher vacancy. • Downward pressure on rents. • Reduced rental income and declining earnings. • Reduced capital values and NAV (amplified by gearing). • Risk of loan covenant breaches. 	<ul style="list-style-type: none"> • Focus on locations and uses which historically have proved to be economically resilient. • Actively promote our areas to drive footfall. • Curation of our villages to maintain places that are popular. • Regularly review our capital structure and debt covenants; forecasts include covenant headroom review. • Gearing maintained at low levels. • We maintain a pool of uncharged assets to top up security held by lenders, if required. <p>Commentary</p> <ul style="list-style-type: none"> • Our equity raise in November 2020 ensured our financial base remains strong. • The pool of uncharged assets was bolstered through the release of security following the termination of an undrawn revolving credit facility, providing further headroom in our loan-to-value covenants. • Interest cover covenant waivers extended during the year and we expect to meet interest cover covenants in our debt facilities through secured waivers and the improving operating conditions. Additionally, our term loans have interest cover cash cure mechanisms. • Covenants have been forecast under a severe-but-plausible downside described in the viability assessment and are expected to be met. <p>▲ <i>Why we invest in London's West End: page 14</i> ▲ <i>Long-term village management strategy: page 16</i> ▲ <i>Financing: page 83</i> ▲ <i>Viability statement: page 98</i></p>
Strategic objectives 1 2 3	Evolution of risk: 	Residual risk: 2020: 2021:

Decline in the UK real estate market		
Potential causes	Consequences	Mitigation
<ul style="list-style-type: none"> • Changes to political landscape. • Increasing bond yields and cost of finance. • Reduced availability of capital and finance. • Lower relative attractiveness of property compared with other asset classes. • Changing overseas investor perception of UK real estate. • Structural changes in retail and office sectors. 	<ul style="list-style-type: none"> • Reduced property values. • Decrease in NAV (amplified by gearing). • Risk of loan covenant breaches. • Ability to raise new debt funding curtailed. 	<ul style="list-style-type: none"> • Focus on assets, locations and uses where, in normal conditions, there is a structural imbalance between availability of space and demand. • Establish asset clusters to provide the opportunity to drive long-term growth and returns. • Regularly review investment market conditions including bi-annual external valuations. • Reconfigure and repurpose space to respond to, and anticipate, changing occupier demand. • Gearing maintained at low levels. • We maintain a pool of uncharged assets to top up security held by lenders, if required. <p>Commentary</p> <ul style="list-style-type: none"> • The value of control over areas, bringing the ability to curate and drive growth over the long term which, together with an improving operational outlook, will be important in the near-term valuation trend. • Our wholly-owned portfolio valuation declined by 10.1% in the first half of the year. With improved operating and investment conditions, it increased by 5.2% in the second half. • Occupier demand recovery has led to a significant decrease in vacancy. • The combination of investor appetite for the best locations, available liquidity and affordable finance, yet scarce investment opportunities in the West End, will be important in supporting yields. • Whilst there is a flight to quality, near-term downside risks persist including the impact on occupiers of higher leverage post pandemic, increasing costs and supply chain disruption, as well as the risk of further pandemic restrictions, increased finance rates and continued structural changes in shopping trends. A good trading period over Christmas and New Year will be critical for our hospitality, retail and leisure businesses. • Our equity raise in November 2020 ensured our financial base remains strong. • The pool of uncharged assets was bolstered through the release of security following the termination of an undrawn revolving credit facility, providing further headroom in our loan-to-value covenants. • Interest cover covenant waivers extended during the year and we expect to meet interest cover covenants in our debt facilities through secured waivers and the improving operating conditions. Additionally, our term loans have interest cover cash cure mechanisms. • Covenants have been forecast under a severe-but-plausible downside described in the viability assessment and are expected to be met. <p>▲ <i>Why we invest in London's West End: page 14</i> ▲ <i>Portfolio report: page 50</i> ▲ <i>Financing: page 83</i> ▲ <i>Viability statement: page 98</i></p>
Strategic objectives 1 2 3	Evolution of risk: 	Residual risk: 2020: 2021:

2. Geographic concentration

Reduction in spending and/or footfall in our areas

Potential causes	Consequences	Mitigation
<ul style="list-style-type: none"> An event that adversely impacts our occupiers' ability to trade, e.g. pandemics, terrorism or the threat of terrorism. Macro economic conditions e.g. recession, declining disposable income, unemployment. Decline in the popularity of the West End and particularly our areas leading to decreasing visitor numbers. Changes in consumer tastes, habits and spending power. Change in working habits and/or people choosing to live outside of London. Competing destinations. 	<ul style="list-style-type: none"> Lower sales densities. Reduced tenant profitability/increased occupier financial distress/tenant default. Reduced occupier demand. Higher vacancy. Reduced rental income and declining earnings. Reduced ERV, capital values and NAV (amplified by gearing). Risk of loan covenant breaches. 	<ul style="list-style-type: none"> Footfall and customer spending are important ingredients for the success of our restaurant, leisure and retail tenants. Key aspects of our management strategy are to: ensure our areas maintain a distinct identity; seek out new concepts, brands and ideas to keep our areas vibrant and appealing; and actively promote our areas. The Board regularly monitors performance and prospects. Maintain building reinstatement and loss of rent insurance. Detailed business continuity and crisis communications plans in place. Gearing maintained at low levels. We maintain a pool of uncharged assets to top up security held by lenders, if required. <p>Commentary</p> <ul style="list-style-type: none"> Whilst being invested in one area is a risk, our ownership clusters are also a strength and an opportunity, giving us control and allowing us to curate our villages to maintain places that are popular. Lifting of legal pandemic social distancing regulations has led to a recovery in footfall. Leases largely based on turnover have been limited to retail lettings, and as the recovery has progressed, the proportion of rents linked to turnover in new lettings has reduced. Retail represents 28% of portfolio ERV. Whilst hybrid working has grown in prevalence, we are finding that office workers' socialising and spending habits are compressed into fewer days and they are more likely to visit at the weekends. Public transport is important in making our areas more accessible to a wide range of visitors. The central section of the Elizabeth Line is now scheduled to open in the first half of 2022, with a wider service later that year or in early 2023. This line is expected to significantly improve the West End's connectivity. Covenants have been forecast under a severe-but-plausible downside described in the viability assessment and are expected to be met. <p>▲ <i>Why we invest in London's West End: page 14</i> ▲ <i>Long-term village management strategy: page 16</i> ▲ <i>Financing: page 83</i> ▲ <i>Viability statement: page 98</i></p>
Strategic objectives 1 2 3 4 5	Evolution of risk: 	Residual risk: 2020: 2021:

3. Market and consumer

Significant increase in tenant default/failure

Potential causes	Consequences	Mitigation
<ul style="list-style-type: none"> Decline in turnover (see reduction in spending and/or footfall in our areas). Increasing cost base and supply chain disruption (see macroeconomic factors). Occupiers with increased leverage due to the pandemic Pandemic restrictions being re-introduced Wind down of Government Covid-19 support, including increase in business rates in April 2022 and removal of concessionary VAT rate for restaurants. Economic headwinds including recession, declining disposable income, unemployment, inflation, cost of finance. 	<ul style="list-style-type: none"> Lower sales densities, reduced tenant profitability. Reduced income and earnings. Increased vacancy and related costs. Frictional cost of re-letting. Reduced ERV, capital values and NAV (amplified by gearing). Risk of loan covenant breaches. 	<ul style="list-style-type: none"> Rent from any single tenant is not material - the top ten tenants represent less than 10% of our rent roll. Flexible leasing strategy. Curation of our villages to drive footfall and spending to give occupiers the potential to thrive. Regular monitoring of tenant trading by the Executive Operations Committee. Head of Insights recruited and project underway to transform how we manage and interpret data. Majority of occupiers now invoiced monthly to help manage their cash flows. Tenant deposits held against unpaid rent obligations at 30 September 2021: £8.3 million. Gearing maintained at low levels. We maintain a pool of uncharged assets to top up security held by lenders, if required. <p>Commentary</p> <ul style="list-style-type: none"> Our support through rent concessions was critical for our hospitality, retail and leisure occupiers during the pandemic. Footfall and spending is recovering and our support is now only being granted on an exceptional, case-by-case basis. Occupier demand has improved and available space in our villages has now largely been absorbed. Vacancy levels are now close to the long-term average. Occupiers face a number of headwinds including inflation, energy costs, staff shortages, and the wind down of Government support, which could reduce profitability or their ability to service their debt. Covenants have been forecast under a severe-but-plausible downside described in the viability assessment and are expected to be met. <p>▲ <i>Long-term village management strategy: page 14</i> ▲ <i>Portfolio report: page 50</i> ▲ <i>Financing: page 83</i> ▲ <i>Viability statement: page 98</i></p>
Strategic objectives 1 2 3	Evolution of risk: 	Residual risk: 2020: 2021:

Climate risk and opportunity

Task Force on Climate-related Financial Disclosures

We have outlined our current approach to identifying and managing our most significant climate change risks. We consider this to be an iterative process and we will continue to improve our understanding and evolve our disclosures in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Since our initial disclosure in 2020, we have undertaken a scenario analysis of physical and transitional risks and opportunities, the outcomes of which are considered in this disclosure. We have also set a comprehensive net zero carbon target to be achieved by 2030 and science-based targets.

Governance

We have developed robust processes to ensure that climate risks are considered in relevant business decisions and our corporate strategy.

Board oversight

In November 2021, we established a Board level Sustainability Committee which includes two non-executive directors and the CEO. This Committee will meet at least three times a year and has oversight of climate related issues, which are a recurring agenda item. Annually, the sustainability strategy and associated policies are considered for the year ahead. The Board Sustainability Committee reports to the main Board periodically, and as required.

Management role

Our Executive Sustainability Committee, chaired by our CEO, meets at least quarterly. The committee has oversight of climate related risks including policy, regulatory and legal risk. It reports directly to the Board Sustainability Committee and the Risk Committee. Executive Sustainability Committee membership is drawn from across the organisation and includes executive management, finance, and the Head of Sustainability.

Responsibilities for the implementation of our sustainability strategy and policies, which include actions on climate change, are set out in our Sustainability Action Plan which is updated annually and is available on our website. These responsibilities apply to Shaftesbury employees as well as managing agents and project managers working on behalf of the Group.

Strategy

Risks that have been identified over the short, medium and long term

Our business is wholly located in the West End of London, which limits the scope of the risks that we face but does increase the aggregated risk of a physical single event. There are several risks identified associated with the transition to a low carbon future, in terms of consumer behaviour, market expectation, regulation and technology changes. The location of our portfolio, in a single legal jurisdiction, means that we adhere to a single set of national regulations.

Through a detailed scenario analysis, we have identified a range of climate change related risks and opportunities, the most material of which are set out below. We recognise that the climate related risks become less predictable over the longer term, and we will continue to review and update our risk analysis.

Short term (0-1 years)

- Challenges of significantly improving building energy efficiency and addressing future Minimum Energy Efficiency Standards (MEES) in current domestic and non-domestic refurbishment projects, especially for many of the heritage buildings in our portfolio.
- Current and prospective tenants are increasingly concerned about the energy efficiency and sustainability credentials of the buildings that they occupy.

Medium term (1-5 years)

- We expect to see a continuing evolution of planning requirements and tenant expectations for sustainable buildings, which will require a continued investment in our portfolio.
- Achieving the necessary reduction in carbon emissions across our portfolio required to meet our net zero carbon strategy and science-based targets.
- Potential increased levies on fossil fuel heating systems or additional costs associated with transition to lower emissions technologies.

Long term (5-30 years)

- Challenges of meeting evolving MEES requirements.
- Energy performance in buildings are likely to require improvements beyond those of MEES for both domestic and commercial properties.
- Hotter summers will increase costs for maintaining required levels of cooling or create a reputational risk of not being able to provide the indoor environment required by tenants.
- Costs associated with designing/retrofitting buildings for increased resilience to more intense rainfall.
- Water supplies to London may be insufficient requiring local authorities to constrain supply at times.
- Increased disruption to the local energy network due to extreme weather events.
- Impact on existing and future biodiversity installations from increasing temperatures or changes in rainfall patterns.
- Carbon offset costs inflate beyond the parameters used for our net zero carbon analysis, resulting in higher costs.

Impact of identified risks and opportunities on business strategy and financial planning	<p>The identified climate-related risks impact our approach to the procurement and refurbishment of buildings, the management of the portfolio and the evolution of our sustainability strategy.</p> <p>Central to our strategic response to climate change is the development of our net zero carbon 2030 commitment and the actions that are being taken to increase the energy efficiency of our portfolio and de-carbonise our activities in line with our science-based targets which have been validated by the Science Based Targets initiative (SBTi).</p> <p>Our refurbishment strategy, which addresses about 10% of floorspace a year, has a positive mitigation effect on many of the key risks that we have identified. This approach improves the overall energy efficiency and resilience of our portfolio to climate change, helping to meet legislative requirements and the changing needs of our stakeholders. Our policy of refurbishment of properties rather than demolition and rebuild minimises our embodied carbon emissions associated with construction activities.</p> <p>Targets have been set for the minimum EPC of new refurbishment projects and we are considering how best to ensure that we are able to comply with potential future changes to MEES regulation.</p> <p>We have continued our annual review process, which measures energy consumption within the common parts of the portfolio and monitors the extent to which refurbishment of existing buildings increases portfolio energy efficiency. We have limited third party verification for our carbon reporting.</p> <p>We are now collecting energy consumption data from tenant-controlled areas of our portfolio. This improves our overall view of the portfolio and enables us to monitor progress in line with our net zero carbon target.</p> <p>As a landlord we are in a strong position to positively influence our tenants and encourage energy efficiency and low carbon behaviour.</p> <p>We are also committed to increasing green space, which is an important tool in climate change adaptation. Since 2016 we have achieved significant increases in green space across the portfolio and have set targets for 2025.</p>
Resilience of our strategy	<p>Our strategy considers a broad range of potential climate scenarios, from a '2 degree or lower' or 'tailwinds' best-case scenario, on one hand, to a series of high emissions (physical risks) or 'headwinds' (transition risks) scenarios, on the other.</p> <p>We are committed to investing for the long-term in the West End, continually improving our portfolio and delivering efficient and resilient buildings. This is underpinned by our established policies and procedures, which are set out in our Sustainability Action Plan. Consideration is given to the costs of upgrading EPCs and achieving BREEAM certification on eligible projects.</p> <p>Setting an ambitious net zero carbon and science-based target aligned with a 1.5-degree scenario puts our strategy in line with the latest climate science, reducing the risk that we will need to recalibrate our targets or make significant changes to our long-term strategy. We have clearly set out the level of decarbonisation required by 2030, ensuring that the business is making resilient long-term decisions and individuals across the business and supply chain are aware of our commitments.</p> <p>Despite a significant level of resilience, we are aware of the need to continue to develop our understanding of climate change risks and adapt our response.</p>
Risk Management	
Process for identifying and assessing climate risks	<p>Climate change risks are assessed by the Executive Sustainability Committee, the Risk Committee and the Board.</p> <p>The Risk Committee meets twice a year and is chaired by our CFO. It reviews key strategic and emerging risks, both operational and financial, including sustainability-related issues. We regard climate change to be a principal risk. However, as the longer-term implications of climate change are less well-known, it is also considered an emerging risk.</p> <p>▲ <i>Read more on risk management and principal risks and uncertainties on pages 86 to 92</i></p> <p>We have completed a climate risk scenario analysis which has been reviewed by our Sustainability Committee and Board Sustainability Committee in November 2021. These scenarios include low and high emission pathways for the UK and consider 'balanced', 'tailwinds' and 'headwinds' pathways that will impact our transitional risks:</p> <ul style="list-style-type: none"> • Low Emission 'better than 2 degrees' scenario, consistent with the IPCC's Representation Concentration Pathway (RCP) 2.6 global forcing scenario • High Emission '4 degree' scenario consistent with the IPCC's RCP 8.5 global forcing scenario. • Balanced scenario, which sits between the following two scenarios, with regard to the timescale and magnitude of the various aspects of the transition to zero carbon buildings. • Tailwinds scenario characterised by high levels of behavioural change, research & development (R&D) and implementation of low carbon technology. • Headwinds scenario whereby the UK still meets its 2050 Net Zero target, but initial progress is slow. Under this scenario, there is limited progress in behavioural change, energy efficiency measures and low carbon technology roll-out.

Process for managing identified risks	<p>Our approach to climate change risk management is embedded in our Sustainability Policy and Sustainability Action Plan, which set out our climate related policies, targets and KPIs. We have set science-based carbon reduction targets for scope 1 and 2 emissions and a comprehensive net zero carbon 2030 commitment, which will be the foundation of our carbon emissions reduction strategy over the next 9 years.</p> <p>▲ <i>Read more on our carbon net zero strategy on page 93</i></p> <p>Performance against a KPI for carbon emissions reduction will be considered in the calculation of executive and management financial remuneration for the year to 30 September 2022. We have clearly set out our commitment to becoming a net zero business and ensuring that the business is aware of the scale of the challenge and the actions that we need to take.</p> <p>▲ <i>Remuneration Report: page 148</i></p> <p>Physical risks are managed and mitigated through our ongoing programme to improve the energy efficiency of our buildings and our investment in increasing green space across our portfolio. We are committed to identifying and reducing the fundamental risks, despite the purchase of comprehensive insurance policies.</p> <p>We have robust policies and procedures in place to manage supply chain risks, including green lease clauses to encourage sustainable behaviour from tenants. These are reviewed annually.</p>
How processes are integrated into overall risk management process	<p>The Head of Sustainability is a member of the Risk Committee and is responsible for highlighting climate risks in the context of wider business risk discussions. This Committee meets twice a year, or more frequently as required.</p> <p>The Risk Committee reviews significant risks to the business, operational and financial, including sustainability-related issues. An internal risk control report is produced from the meeting. The report is submitted to the Board but not publicly available. Key risks disclosed in the annual report and half year report.</p> <p>▲ <i>Read more on risk management and principal risks and uncertainties on pages 86 to 92</i></p>
Metrics and targets	
Metrics used to assess climate-related risks and opportunities	<p>Alongside our Annual Report we publish a detailed Sustainability Data Report and Sustainability Action Plan. These documents, which detail annual targets and performance, can be found on our website.</p> <p>Full details of the metrics used to assess climate related risks are set out in our annual Sustainability Data Report. Key metrics include:</p> <ul style="list-style-type: none"> • Greenhouse gas intensity from building energy consumption (tonne CO₂e/m²); • Total direct greenhouse gas emissions (tonne CO₂e); • Total indirect greenhouse gas emissions (tonne CO₂e); • Total water consumption (m³); • EPC performance (% breakdown on EPC ratings by count and floor area in m²); • Building Certification – BREEAM rating (number of assessments and total area assessed in m²); and • Biodiversity (green features area in m²).
Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	<p>Our scope 1, 2 and selected scope 3 emissions are reported in line with EPRA and detailed in our Sustainability Data Report and summarised in our Streamlined Energy and Carbon Report on page 96.</p>
Targets used to manage climate-related risks and opportunities against targets.	<p>We have a science-based target to reduce absolute scope 1 and 2 GHG emissions 50% by 2030 from a 2018 base year, and to measure and reduce scope 3 emissions. This has been validated by the Science Based Targets initiative.</p> <p>We have set a target for the business and our operations to be Net Zero Carbon by 2030, this commits us to reducing emissions in line with a 1.5 degrees or better scenario.</p> <p>Other key targets include:</p> <ul style="list-style-type: none"> • 3% absolute annual reduction in landlord-controlled energy consumption; • 5% like for like annual reduction in landlord-controlled energy consumption; • Achieve BREEAM 'Very Good' for all developments and/or refurbishment schemes of a capital value above £1 million; • Refurbishment schemes over £250,000 to achieve minimum Grade B EPC rating (EPC C for residential); and • Increase biodiverse space by 25% by 2025, from a 2021 baseline. <p>Performance against these targets can be found in our Annual Sustainability Data Report.</p>

Streamlined Energy and Carbon Reporting (SECR) disclosure

Greenhouse gas emissions

We report our greenhouse gas emissions (GHG) and energy consumption in compliance with the requirements of The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Our scope 1 and 2 emissions statements cover the reporting period 1 October 2020 to 30 September 2021 and are detailed in the table below. Scope 1 is defined as direct emissions that include any gas data for landlord-controlled parts and fugitive emissions from air conditioning are included where it is our responsibility within the managed portfolio. Scope 2 is defined as indirect energy emissions which include purchased electricity throughout the Group's operations within landlord-controlled parts. The figures relate to landlord controlled common parts such as lobbies, staircases or vacant units are therefore minimal. The boundary of reporting excludes tenant consumption in our properties, as the leasing arrangements put responsibility for energy operation and direct payment for supply on the tenants. Therefore, these emissions fall within Scope 3 (leased assets).

Electricity used in refurbishment projects has been included where material. This materiality threshold includes the projects which exceed a value of £250,000 and/or exceed 3 months in duration. The energy consumption at refurbishment projects below this criteria is captured within the common parts data reported by managing agents, who deal with the day-to-day management of the portfolio.

Energy consumption and GHG emissions

We have committed to reducing its scope 1 and 2 emissions by 50% by 2030 from a 2018 baseline year (CO₂e). This target has been independently verified and approved by the Science Based Targets initiative (SBTi). We have also committed to becoming a net zero carbon business by 2030 as set out in our Net Zero Carbon Commitment, available on the company website.

Overall, energy consumption has reduced year-on-year reflecting fluctuations in occupier numbers primarily attributed to the effects of Covid-19. Total energy use from electricity and natural gas has decreased by 3%, from 4,361,669 kWh reported in 2020, to 4,232,902 kWh in 2021. This included all landlord-controlled areas as well as energy consumed on refurbishment projects. 100% of emissions and energy use reported are applicable for UK only, as we do not have any other global operations.

The reduction in energy use along with the increased use of renewable energy in the UK national grid has led to a decrease in our Scope 1 and 2 emissions by 7.1% from 975 tCO₂e in FY2020 to 906 tCO₂e in FY2021. Scope 1 emissions have decreased by 6.2% compared with the previous reporting year, which can be attributed primarily to the replacement of boilers with a heat pump at a property in Opera Quarter and removal of common parts boiler at another property, also in Opera Quarter. This has led to a reduction in gas consumption across Opera Quarter from 249,641 kWh in FY2020 to 11,156 kWh in FY2021.

With respect to market-based emissions, all of the wholly owned portfolio within operational control has used green tariff electricity with resulting zero emissions. Electricity was purchased as part of the refurbishment schemes, with our largest refurbishment scheme at 72 Broadwick Street accounting for 45.5 tCO₂e of these market-based emissions, and is included in the 2021 data below.

	UK GHG emissions FY2021 (gross tCO ₂ e)	UK GHG emissions FY2020 (gross tCO ₂ e)	UK Energy consumption FY2021 (kWh)	UK Energy consumption FY2020 (kWh)
Scope 1 ¹	198	211		
Natural gas	164	199	893,758	1,081,476
Refrigerant losses	34	12		
Scope 2 location-based (electricity)	708	764	3,339,144	3,280,193
Scope 2 market-based (electricity)	103	160		
Total (location-based)	906	975		
Intensity metric	tCO ₂ e/£M	tCO ₂ e/£M	kWh/£M	kWh/£M
Total emissions and energy/£M revenue	8.0	7.8	37,559	35,033

1. Shaftesbury does not have any fleet or company cars hence no emissions are reported from transport fuel (mobile combustion) or other energy sources in scope 1. Therefore, only emissions from stationary combustion are included.

2. Shaftesbury has quantified and reported emissions from the following greenhouse gases (as applicable): carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF₆).

Energy efficiency actions undertaken in the year

We have continued to progressively increase the extent of LED lighting in our properties as well as the addition of some motion sensors in buildings. We have also undertaken improvements and upgrades to improve energy efficiency through refurbishment programmes.

There has been limited scope for improvements due to Covid-19 and associated restrictions, but where feasible, we have undertaken energy efficiency improvements in line with our 2019 Energy Savings Opportunities Scheme (ESOS) Report. In addition to the above, we continue to target the following actions:

- reviewing existing energy management practices in specific buildings; and
- further engaging with tenants and employees to increase awareness and identify opportunities for savings.

In total, a potential saving of 205 tonnes of GHG is anticipated once all the recommendations and upgrades are implemented. Further details are contained within the Sustainability Data Report, which is available on the company website.

We are reporting on two emissions intensities: performance against turnover and common parts floor areas. Common parts floor areas includes 131 properties. The emissions intensity figure was 35.9 kgCO₂e/m² (0.036 tonnes CO₂e/m²), a decrease from last year's 39.5 kgCO₂e/m² (0.039 tonnes CO₂e/m²). Against turnover, the intensity has increased from 7.8 tonnes per £million of total revenue to 8.0 tonnes per £million of total revenue.

Methodology

The energy and carbon statements disclosed in this report have been calculated using an operational control reporting boundary and in accordance with the following standards:

- WRI/WBCSD (2004). Greenhouse Gas Protocol: Corporate Accounting and Reporting Standard – Revised Edition;
- WRI/WBCSD (2015). Greenhouse Gas Protocol: Scope 2 Guidance for market-based reporting; and
- Department for Environment, Food & Rural Affairs and Department for Business, Energy & Industrial Strategy (2019): Environmental reporting guidelines: Including Streamlined Energy and Carbon Reporting requirements’.

We have applied the appropriate greenhouse gas conversion factors from UK Department for Business, Energy and Industrial Strategy (BEIS) 2021. We have used accurate consumption data for reporting of emissions for the majority of supplies accounting for the above reported emissions. Where there have been data gaps, we have used reasonable estimations such as pro-rata extrapolation to ensure complete coverage for the reporting year, as feasible.

Third Party Data Verification

Avieco Ltd has conducted the verification of Shaftesbury's GHG emissions statements for the period 1 October 2020 to 30 September 2021, through which it is confirmed that the reported emissions for scope 1, 2 and 3 (specified categories) have received limited verification in accordance with the requirements of the ISO 14064 – part 3: 2019 standard.

The boundary of the verification included the landlord areas from the properties where Shaftesbury has sole ownership and operational control, additionally this verification includes the joint venture at Longmartin. The verification engagement assessed the year-on-year performance change, the intensity metric (tCO₂e/annual turnover) compared to financial year 2020, 2019 and 2018 as well as the total energy consumption (electricity and natural gas) as required by “Companies (Directors’ Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018” (“the 2018 Regulations”).

Based on the verification procedures detailed in the full statement (Annex 2 of the Sustainability Data Report), we found no evidence to suggest that Shaftesbury's GHG inventory is not materially correct and prepared in accordance with the internal reporting methodologies and WBCSD/WRI GHG corporate, scope 2 and scope 3 standards.

Viability statement

The directors have assessed the Group's viability and confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period to 30 September 2024.

Period of assessment

In December 2020, the directors reduced their period of viability assessment from five years to three years. This was in recognition of the level of uncertainty and the unprecedented pace of change in both our operating environment and the wider economy arising from the Covid-19 pandemic and that this resulted in reasonable expectations carrying a much lower degree of confidence than they had previously.

Whilst the Board monitors prospects over a longer period in the execution of the Group's strategy, and whilst operating conditions have improved over the second half of the financial year, the Board continues to consider that to make longer-term forecasts would require greater clarity with regard to the long-term implications of the Covid-19 pandemic on our occupiers, consumer behaviour and the wider economy. The Board has, therefore, continued to use a three-year viability assessment period.

The directors confirm that they have no reason to expect a material change in the Group's viability immediately following the end of the three-year assessment period.

Assessment process

In its assessment, the Board has considered a three-year review of the Group's viability, prepared by senior management.

The review considered the potential impact of the principal risks which could affect solvency or liquidity in 'severe but plausible' scenarios for a range of public health and macroeconomic outcomes, arriving at a single severe-but-plausible downside scenario which assumes these impacts are felt simultaneously.

The directors paid particular attention to those risks which could result in reduced income, profitability and capital values, a shortfall in liquidity or a breach of debt covenants.

Severe-but-plausible downside scenario

The severe-but-plausible downside scenario assumes a resurgence of the virus in the UK in the immediate future, leading to the reimposition of Covid restrictions of a scale, duration and effect similar to those seen in the period December 2020 to June 2021, interrupting our retail and hospitality occupiers' ability to trade, further damaging their long term prospects and setting back the UK's recovery from the pandemic by twelve months.

The pandemic is one among many possible triggers for the Group's principal risks. However, by focusing on a resurgence of the virus, management have modelled the simultaneous confluence of the impacts of these risks in a single plausible near-term scenario.

This is intended to present an extreme sensitivity analysis, flexing the key inputs to the Group's forecasts, in unison, to model more severe adverse impacts and delays in recovery from the pandemic to assess the Group's earnings, liquidity and debt covenant compliance under stress.

Key assumptions

The key assumptions imagined in the severe-but-plausible downside scenario along with their link to the Group's principal risks are set out below.

During the year, the Group down-graded its assessment of the three strategic risks which were elevated in the first phase of the pandemic, but which are now no longer considered principal risks. Should the severe-but-plausible downside scenario materialise, these risks would again be elevated. We have therefore continued to link these risks to our assumptions.

- West End footfall and consumer spending is assumed to fall abruptly in December 2021 as restrictions are imposed. They are then assumed to recover slowly from Q2 FY 2022 onwards as restrictions are eased, before returning to current levels by the end of Q2 FY 2023 and pre-pandemic levels in FY 2024.

1 3 4 7 8

- Rent collection rates to fall to c.40% in Q2 FY 2022 as tenant support would be reintroduced in the form of rent waivers. Rent collection would then improve progressively in response to improving footfall and consumer spending, reaching pre-pandemic levels by Q2 2024.

1 3 4 7 8

- Total portfolio vacancy (including scheme vacancy) to increase to a peak of c.23% in FY 2022, a level higher than at its peak in the year ended 30 September 2021. This reflects the more fragile state of our occupiers' finances due to the continuing impact of the pandemic and other factors such as disruption to supply chains and staffing shortages.

1 3 4 6 7 8

- Immediate decreases in rental values of c.10% for ground floor uses, and c.5% for upper floors. This would crystallise as a reduction in income as tenancies reach breaks or expiries or tenants default, and would result in reduced capital values.

1 2 3 4 7 8

- Increased non-recoverable property and service charge costs of c. £5 million per annum.

1 3 4 6

- No acquisitions or disposals are assumed. The completion of existing refurbishment schemes is assumed, after which capital expenditure is assumed to continue broadly in-line with the historical trend.

- In view of the Group's Balance Sheet strength, following the November 2020 equity raise, no further change in the capital structure is assumed.

- Dividends would be suspended in the event that EPRA earnings fell to a loss, and would otherwise be reduced to levels which conserve liquidity while maintaining the Group's compliance with the REIT regime.

- Our £100 million revolving credit facility is assumed to remain undrawn and to expire at maturity, without being refinanced. No other changes to the Group's financing are assumed.

Principal risks

1 Macro-economic factors	2 Decline in the UK real estate market	3 Reduction in spending and/or footfall in our areas	4 Significant increase in tenant default/failure
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Emerging risks

5 Climate risk

Strategic risks down-graded during the year

6 Changes in regulatory environments	7 We are unable to adapt to tenant demand / shifts in market offer by competitors, or we fail to anticipate changes in rental growth	8 Financing risk
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Climate risk

The near-term impact of climate change risks within the viability assessment period is expected to be very limited. Interruptions to trade from severe weather events are possible but would be consistent with impacts considered in the severe-but-plausible downside assumptions described above. Our forecasts assume an increase in capital expenditure to enable us to meet our net zero carbon targets and evolving minimum energy efficiency standards.

Assessment

The Group's investment strategy is focused on hospitality, retail and leisure uses which, in the West End, prior to the onset of the pandemic, had a long record of resilience and growth. Its village management strategy had delivered high occupancy and sustained income growth over the long term.

However, starting in March 2020, Covid-19 containment measures resulted in an acute fall in income and severe operating and financial challenges, particularly for the Group's hospitality, retail and leisure occupiers. With work-from-home guidance, office vacancy increased, as did residential vacancy as overseas residents left the UK and others moved outside the centre of London.

Since the start of the relaxation of restrictions in April 2021, and following an effective vaccination programme, we have seen an encouraging recovery in footfall, visitor spending and occupier demand in our villages. This recovery has been reflected in improved rent collection and occupancy in our portfolio.

It is the Board's expectation that the fundamentals of the investment strategy remain sound and that the impacts of the pandemic on the business will largely reverse in the medium-term.

The Group's hospitality, retail and leisure operators are already facing economic challenges from the accumulation of leverage during the pandemic, the tapering of government support schemes as well as supply chain and staffing pressures. In the severe-but-plausible downside scenario, their situation could deteriorate further, elevating the risk of tenant failure.

However, over the course of the last 18 months, the Group's strategy of occupier rental support, largely in the form of rent waivers has proved successful in mitigating widespread tenant failure.

Equipped with the experience and learnings from our response to the pandemic, the Group anticipates that it will be better placed to respond to future episodes pandemics or other such external event which might lead to materially reduced footfall, visitor spending and an increased risk of tenant failure. A resumption of tenant support would lead to a reduction in our cash flows and earnings and would be detrimental to the Group's ability to return to pre-pandemic levels of profit and dividends. However, it would not threaten the Group's viability unless loan covenants were breached and were not capable of being cured.

A reduction in capital values might put viability at risk if loan-to-value covenants on the Group's debt cannot be satisfied. Declining values may also curtail its ability to raise new debt funding, but no new funding is expected to be required due to the Group's cash reserves. The debt facility due to be refinanced in the viability period is not currently expected to be drawn.

The severe-but-plausible downside scenario considers sustained low levels of rent collection, decreases in ERVs and increases in vacancy, costs and tenant incentives, all occurring in unison. These effects are of such a severity that average net property income over the viability period would be approximately two-thirds of the pre-pandemic level. Cash generated from operating activities (before interest) would fall to as low as half of the pre-pandemic level. Both measures would be at significantly lower levels in the first year of the viability assessment period when the Covid-19 containment measures are assumed to be in place.

Under this severe-but-plausible downside scenario, the Group anticipates that the interest cover covenants on its term loans would be breached, the worse affected of the two until the final quarter of FY 2023. The interest cover covenants on its other loans would come under pressure but are not expected to be breached.

However, throughout the viability assessment period, the Group can make up income shortfalls for the affected term loans using cash deposits or additional assets with sufficient contractual income from its pool of unsecured properties. The number of occasions on which cash cure rights may be used is limited but the directors expect to have sufficient use-rights to extend through the viability period. The Group has sufficient reserves of liquidity and uncharged assets to meet either eventuality.

Reverse stress testing

The Board has used reverse stress testing to estimate the level to which capital values and income would need to fall before it was unable to cure a breach in its loan-to-value or interest cover covenants.

The Board estimates that the Group could withstand a further 39% overall decrease in valuations before reaching the limit of its loan-to-value covenants. If it were to cancel its revolving credit facility (which is not expected to be utilised in its severe-but-plausible downside scenario) and release its security to be charged against other loans, this tolerance would increase to 46%.

The Board considers the likelihood of a decline of this magnitude to be remote in view of the prime nature of the assets in the portfolio and the 22.7% decline already experienced in the two years ended 30 September 2021, which has largely been a result of the pandemic.

The Group re-calculated its forecast interest cover covenant headroom, assuming the allocation of uncharged assets to debt facilities that would be necessary to sustain these valuation declines.

At the point of lowest headroom in the severe-but-plausible downside scenario, a period in which the relevant measure of income is already assumed to be at approximately two-thirds of its pre-pandemic level, the Group could sustain a further income decline of up to 43%. This tolerance would increase to 53% in the event that the revolving credit facility were cancelled and its charged assets made available to secure against other loans.

Conclusion

Whilst the severe-but-plausible downside scenario would present significant challenges over the viability period, the directors' assessment is that, in view of the Group's cash reserves, its expected covenant compliance and cure rights, and the reverse stress testing set out above, the Group would remain viable.

The strategic report on pages 1 to 101 was approved by the Board on 29 November 2021.

Brian Bickell
Chief Executive

Chris Ward
Chief Financial Officer

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Non-financial information statement

As we have fewer than 500 employees, we are not required to comply with the Non-Financial Reporting requirements contained in the Companies Act 2006. However, due to our commitment to promoting the transparency in our reporting and business practices, we have elected to provide further information in the table below in order to help stakeholders understand our position on key non-financial matters.

You can find our policies on our website: <https://www.shaftebury.co.uk>

Topics	Our key policies and standards ^{1,2}	Additional information
Environmental matters	Sustainability policy and action plan Requirements for management of the portfolio Requirements for refurbishment projects Supplier code of conduct Our commitment to Net Zero Carbon	For more on sustainability: see pages 62, 63 and 67 For more on how we protect the environment: see pages 64 and 65 For more on greenhouse gases: see pages 96 and 97 For more on net zero carbon: see pages 59 and 64
Employees	Our Values Anti-bullying and harassment policy Board diversity policy Disability policy Equal opportunities policy Flexible working policy Sustainability policy and action plan Health, safety and wellbeing policy Volunteering policy	For more on our culture, values and people: see pages 76 to 79 For more on diversity and inclusion: see pages 78 and 126 For more on our flexible working policy: see page 76
Human rights	Sustainability policy and action plan Modern slavery and human trafficking statement Supplier code of conduct	For more on modern slavery and human rights: see pages 63, 118 and 119
Social matters	Sustainability Committee terms of reference Community Investment Committee terms of reference Sustainability policy and action plan Supplier code of conduct	For more on our stakeholder relationships: see pages 70 to 75 For more on sustainability: see pages 58 to 63 and 67
Bribery and anti-corruption	Bribery and anti-corruption policy Conflicts of interest policy Expenses policy Anti-money laundering policy Gifts and hospitality policy Share dealing policy Supplier code of conduct Whistleblowing policy Tax strategy	For our audit committee report: see page 132 For more on modern slavery and human rights: see pages 63, 118 and 119 For more on our behaviours: see pages 118 and 119 For more on conflicts of interests: see page 118 For more on tax strategy: see page 82
Business model		For more on our strategy and business model: see pages 10 and 11
Principal risks and uncertainties		For our risk report: see pages 86 to 95
Non-financial key performance indicators		For more on non-financial key performance indicators: see pages 47 and 48

1. Certain group policies and internal guidelines are not published externally

2. Further information is available on our website, including our Supplier Code of Conduct and our Sustainability Policy

Leadership team



Brian Bickell
Chief Executive



Ruth Anderson
Non-Executive
Director



Simon Quayle
Executive Director



Tom Welton
Executive Director



Helena Coles
Non-Executive
Director

Jennelle Tilling
Non-Executive
Director

Richard Akers
Non-Executive
Director

Sally Walden
Non-Executive
Director

Jonathan Nicholls
Chairman of
the Board

Chris Ward
Chief Financial
Officer

Leadership team: the board

<p>Brian Bickell Chief Executive</p> <p>Date appointed to the Board July 1987</p> <p>Independent: No</p> <p>Key strengths and experience</p> <ul style="list-style-type: none">• a chartered accountant• long tenure with Shaftesbury• extensive experience within the property sector• proven record of driving strategy, delivering success and setting an open and transparent culture <p>Brian joined Shaftesbury in 1986 and was appointed Finance Director in 1987. He was appointed as Chief Executive in 2011.</p> <p>Brian is responsible for implementing the Shaftesbury strategy and the day-to-day operations of the Group.</p> <p>Committee memberships: Strategy and Operations Executive Committee (Chair) Risk Committee Disclosure Committee (Chair) Sustainability Committee Executive Sustainability Committee (Chair)</p> <p>Current external appointments Director of Longmartin Properties Limited, Deputy Vice Chair of Westminster Property Association. A trustee of Young Westminster Foundation.</p>	<p>Chris Ward Chief Financial Officer</p> <p>Date appointed to the Board January 2012</p> <p>Independent: No</p> <p>Key strengths and experience</p> <ul style="list-style-type: none">• a chartered accountant• has financial and real estate experience, which contribute to the Group’s strategy• Prior to joining Shaftesbury, Chris was Finance Director of the UK and Nordic countries for Redevco for nine years. <p>Chris is responsible for financial accounting, tax and IT matters.</p> <p>Committee memberships: Strategy and Operations Executive Committee Risk Committee (Chair) Disclosure Committee Pension Committee (Chair) IT User Group (Chair)</p>	<p>Simon Quayle Executive Director</p> <p>Date appointed to the Board October 1997</p> <p>Independent: No</p> <p>Key strengths and experience</p> <ul style="list-style-type: none">• a chartered surveyor• long tenure with Shaftesbury• knowledge of the West End property market which provides valuable knowledge and insight to our villages and strategy <p>Simon joined Shaftesbury in 1987 and was appointed as Property Director in 1997.</p> <p>Simon is responsible for the asset management and operational strategy in Carnaby, Soho and Fitzrovia.</p> <p>Committee memberships: Strategy and Operations Executive Committee Health, Safety and Wellbeing Committee (Chair) Executive Sustainability Committee</p> <p>Current external appointments Member of the Strategy Board for ZSL.</p>	<p>Tom Welton Executive Director</p> <p>Date appointed to the Board October 1997</p> <p>Independent: No</p> <p>Key strengths and experience</p> <ul style="list-style-type: none">• a chartered surveyor• long tenure with Shaftesbury• commercial experience and knowledge of the Group and West End property market which provides value to our villages and strategy <p>Tom joined Shaftesbury in 1989 and was appointed as Property Director in 1997.</p> <p>Tom is responsible for the asset management and operational strategy in Covent Garden and Chinatown.</p> <p>Committee memberships: Strategy and Operations Executive Committee</p> <p>Current external appointments Director of Longmartin Properties Limited.</p>
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Jonathan Nicholls **N**

Chairman of the Board

Date appointed to the Board

September 2016

Independent: Yes on appointment to the Board

Key strengths and experience

- over 21 years' experience of public company boards and their operations
- over 22 years' of experience within the property sector

Jonathan was finance director of Hanson plc between 1998 and 2006, and of Old Mutual plc between 2006 and 2008.

Jonathan has been a non-executive director and chairman of the audit committee of Great Portland Estates plc (2009 to 2016), SIG Plc (2009 to 2017) and DS Smith plc (2009 to 2019).

Jonathan was senior independent director at Great Portland Estates plc between 2014 and 2016, and at DS Smith plc between 2013 and 2019.

Current external appointments

Chairman of Ibstock plc.

Richard Akers **NARS**

Senior Independent Director

Date appointed to the Board

November 2017

Independent: Yes

Key strengths and experience

- a chartered surveyor
- provides a broad range of real estate knowledge and experience at board level

Prior to joining Shaftesbury, Richard was a senior executive of Land Securities Group PLC from 1995, and joined the main board in 2005 as managing director of the retail portfolio until 2014. Previously, non-executive director, senior independent director and chairman of the remuneration committee and safety, health and environmental committee of Barratt Developments PLC and non-executive director of Unite Group plc from 2018 to 2021.

Richard was appointed Senior Independent Director and designated non-executive director for employee engagement in February 2019.

Current external appointments

Chairman of Redrow PLC.

Sally Walden **NAR**

Non-executive director

Date appointed to the Board

October 2012

Independent: Yes

Key strengths and experience

- provides knowledge and insight into remuneration, financial markets and fund management

Sally held senior fund management roles in Fidelity International from 1984 to 2009.

Current external appointments

Trustee of the Fidelity Foundation and director of the Pantry Partnership.

Jennelle Tilling **NAR**

Non-executive director

Date appointed to the Board

January 2019

Independent: Yes

Key strengths and experience

- Fellow of The Marketing Society
- over 25 years' experience of consumer marketing, digital and innovation within food retail brands, which complements the skills on the Board

Jennelle held a variety of senior marketing roles for over 17 years at Yum! Restaurants, and is the founder and chief brand strategist at Marketing with Insight.

Current external appointments

Non-executive director of Camelot, non-executive director of Yorkshire Building Society and trustee for Guide Dogs to the Blind.

Ruth Anderson **NAR**

Non-executive director

Date appointed to the Board

December 2020

Independent: Yes

Key strengths and experience

- chartered accountant with over 30 years experience advising UK and global businesses
- followed by over 10 years experience on public company boards

From 2010 to 2020 Ruth was a board member and chaired the audit committee at Ocado Group plc (2010 to 2019), Travis Perkins plc (2011 to 2020) and Coates Group plc (2014 to 2018). Prior to her non-executive career Ruth was with KPMG for 33 years, where she was a partner for 20 years, including as a UK board member from 1998 to 2004 and a vice chair from 2005 to 2009.

Helena Coles **NARS**

Non-executive director

Date appointed to the Board

July 2021

Independent: Yes

Key strengths and experience

- over 25 years' experience in equity and financial markets
- provides knowledge and insight on ESG investment matters

Helena is an experienced portfolio manager and equities analyst, and previously co-founded a specialist emerging markets asset management firm in a joint venture with State Street Global Advisors. She has also held roles at Fidelity International and the Bank of England, focusing on ESG and banking supervision respectively.

Current external appointments

Non-executive director of JPMorgan Emerging Markets Investment Trust Plc, independent investment advisor to the Joseph Rowntree Charitable Trust and advisory committee member of the Schroders Charity Authorised Investment Funds. She is also a trustee of the Feathers Association.

Key to Committee Membership

N Nomination Committee

A Audit Committee

R Remuneration Committee

S Sustainability Committee

■ Committee Chair

Senior management team



Karen Baines

Head of Group Marketing and Communications

Date joined Shaftesbury 2016

Responsibilities

Group strategic marketing and PR for consumer, trade and corporate communications.

Committee memberships:

Strategy and Operations Executive Committee
Community Investment Committee



Sam Bain-Mollison

Retail Director

Date joined Shaftesbury 2011

Responsibilities

Group retail strategy and leasing.

Committee memberships:

Strategy and Operations Executive Committee
Executive Sustainability Committee



Lydia Clarkson

Head of Public Realm and Policy

Date joined Shaftesbury 2016

Responsibilities

Group wide public realm projects and stakeholder liaison.

Committee memberships:

Executive Sustainability Committee



Alastair Deutsch

Head of Finance

Date joined Shaftesbury 2020

Responsibilities

Financial planning and analysis, strategic commercial insights, treasury, tax, investor relations and IT.

Committee memberships:

Strategy and Operations Executive Committee
IT User Group
Risk Committee



Jenna Slade

Senior Portfolio Executive

Date joined Shaftesbury 2019

Responsibilities

Asset management of Carnaby and Fitzrovia.

Committee memberships:

Strategy and Operations Executive Committee
Health, Safety and Wellbeing Committee
Risk Committee



Matt Smith

Head of Sustainability

Date joined Shaftesbury 2020

Responsibilities

Group wide environmental and social strategy.

Committee memberships:

Community Investment Committee
Health, Safety and Wellbeing Committee
Risk Committee
Executive Sustainability Committee



Isabel Thomas

Head of Offices

Date joined Shaftesbury 2021

Responsibilities

Group office strategy and leasing.



Matt Thompson

Head of Property Insights

Date joined Shaftesbury 2021

Responsibilities

Responsible for data and insights across the business.

Committee memberships:

IT User Group



Stefanie Doede

Group Financial Controller

Date joined Shaftesbury
2016

Responsibilities

Financial reporting, risk management and control, internal and external audit management.

Committee memberships:

Risk Committee
Executive Sustainability Committee
Health, Safety and Wellbeing Committee



Desna Martin

Company Secretary

Date joined Shaftesbury
2020

Responsibilities

Leads on corporate governance within the Group and advising the Board. Company Secretary to the Longmartin joint venture Board.

Committee memberships:

Strategy and Operations Executive Committee
Community Investment Committee
Disclosure Committee
Pension Committee
Risk Committee



Charles Owen

Property Director

Date joined Shaftesbury
2012

Responsibilities

Asset management of Covent Garden and a member of the Longmartin joint venture management committee.

Committee memberships:

Strategy and Operations Executive Committee
Community Investment Committee
Risk Committee
Executive Sustainability Committee



Andrew Price

Property Director

Date joined Shaftesbury
2001

Responsibilities

Group acquisitions strategy and asset management of Chinatown and Soho.

Committee memberships:

Strategy and Operations Executive Committee
Community Investment Committee (Chair)
Pension Committee
Risk Committee



Shelley Webb

Head of Group Residential and Kingly Court

Date joined Shaftesbury
2003

Responsibilities

Group-wide residential management and strategy, and asset management of Kingly Court.

Committee memberships:

Executive Sustainability Committee



Julia Wilkinson

Restaurant Director

Date joined Shaftesbury
1997

Responsibilities

Group restaurant and leisure strategy and leasing.

Committee memberships:

Strategy and Operations Executive Committee
Pension Committee



Vaughan Williams

Head of Facilities and Property Management

Date joined Shaftesbury
2019

Responsibilities

Property operations, technology and refurbishment strategy, procurement, health and safety obligations, and service charge management for the portfolio.

Committee memberships:

Health, Safety and Wellbeing Committee
Risk Committee
Executive Sustainability Committee
IT User Group



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Overview – Governance

Leadership and purpose

An overview of how the Board monitors purpose and culture, its key activities throughout the year and its governance framework.

Chairman Introduction
How the Board monitors culture and employee engagement
Principal Board activities
The role of the Board and its Committees during the year
Our s172(1) statement
Conflicts of interest
Our business conduct
Significant votes against resolutions at our Annual General Meeting
Relations with shareholders

▲ See more about our approach to leadership and purpose on pages 110 to 119

Division of responsibilities

Describes the roles of the directors and review of director independence

Roles and responsibilities of the directors
Independence and effectiveness
Board tenure
Committee membership
Board skills

▲ See more on our approach to division of responsibilities on pages 120 to 122

Composition, succession and evaluation

Sets out our consideration of Board composition, succession planning and the Board evaluation

Nomination Committee Report
Our 2020/21 Board evaluation process

▲ See more on our approach to composition, succession and evaluation on pages 124 to 128

Audit, risks and internal controls

Explains the role of the Audit Committee in ensuring the integrity of the financial statements and oversight of our risk management and internal control systems

Audit Committee Report

▲ See more on our approach to audit, risks and internal controls on pages 130 to 135

Remuneration

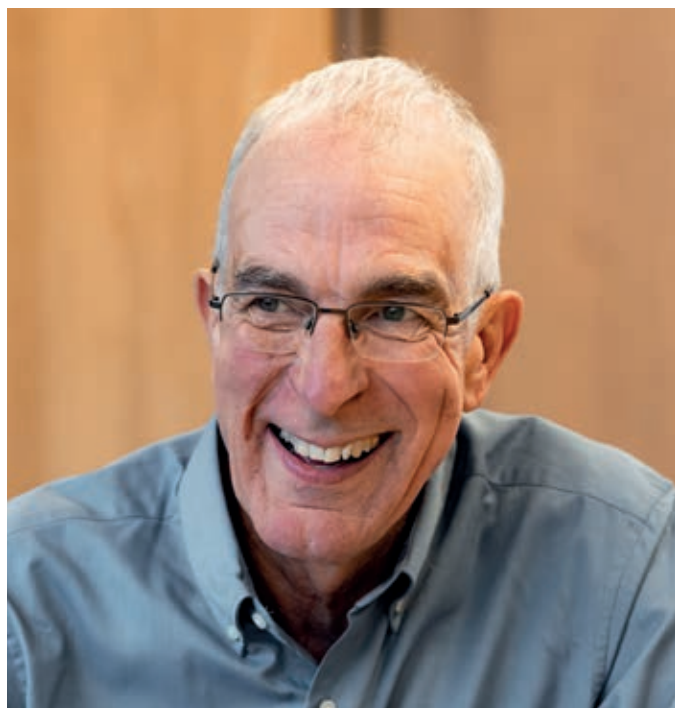
Outlines our remuneration policies which support our strategy and promote the long-term sustainable success

Directors' remuneration report
Remuneration at a glance
Remuneration Policy
Annual remuneration report

▲ See more on our approach to remuneration on pages 136 to 155

Compliance with the UK Corporate Governance Code 2018 (the "2018 Code")

The Board considers it has complied in full with the Code throughout the year ending 30 September 2021, with the exception of Provision 38. This provision requires the alignment of executive director pension contributions with the wider workforce. As explained in the Directors' remuneration report on page 137 and Remuneration Policy on page 144, we have committed to align the contribution levels of the current executive directors with the workforce contribution rate by 1 October 2022. Any new executive directors will be aligned on appointment. The governance report on pages 109 to 155 sets out how the Company has complied with the principles and provisions within the 2018 Code.



Leadership and purpose

Chairman's leadership

Good governance, our close relationships with our stakeholders, and the strength and depth of our team are fundamental to how Shaftesbury operates.

Dear shareholder

I am pleased to introduce the Corporate Governance report for the year ended 30 September 2021. The Board recognises that how we do business is key in delivering on our purpose and strategy, and that good governance continues to be fundamental in our responses to the challenges we face.

Board focus and oversight

This year has been dominated by the Covid-19 pandemic, and the impact on the business of protracted periods of lockdown and lengthy restrictions affecting many aspects of the West End economy. In addition to day-to-day operational matters, the Board's focus and oversight extended to the financial implications of the challenging operating environment, how to support our occupiers, the effect on our working arrangements, staff morale and well-being and how we could use the experiences of this unprecedented period to innovate and improve the resilience of our business for the long term. In addition, the Board ensured our sustainability and environmental priorities, policies and action plans continued to be progressed. For more on our Board activities and deliberations on these areas see pages 114, 117 and 118.

A key focus for the Board from the beginning of the Covid-19 disruption has been maintaining occupancy across the Group's portfolio. We believe this approach, underpinned by a strong financial base following our equity issue of £307 million, which completed in November 2020, has positioned the business to return to long-term growth.

Sustainability and our impact on our communities and the environment

In September 2021, we approved our sustainability strategy for the three years ahead which focuses on supporting our community, our role in influencing, motivating and collaboration with our occupiers and suppliers and sustainable building re-use. As part of this we committed to become a net zero carbon business by 2030 together with a roadmap of specific targets between 2022 and 2025. For more on our approach to sustainability see pages 58 to 67. Our long record of re-using and enhancing existing buildings, rather than demolition and redevelopment, aids in maintaining our level of embodied carbon emissions. However, key for us in achieving our net zero carbon 2030 target are the actions that we will need to take, working with our occupiers, in how they use our buildings and how they can reduce their carbon impact.

Board members and meeting attendance

	Scheduled Board meetings (4 held)	Additional Board meetings
Chairman		
Jonathan Nicholls	4/4	13/13
Executive directors		
Brian Bickell	4/4	13/13
Simon Quayle	4/4	13/13
Tom Welton	4/4	13/13
Chris Ward	4/4	13/13
Non-executive directors		
Richard Akers	4/4	13/13
Sally Walden	4/4	13/13
Jennelle Tilling	4/4	13/13
Ruth Anderson¹	3/3	7/7
Helena Coles²	1/1	1/1
Dermot Mathias³	2/2	7/7

1. Ruth Anderson joined the Board on 21 December 2020 and could have attended a maximum of three scheduled meetings.

2. Helena Coles joined the Board on 1 July 2021 and could have attended a maximum of one scheduled meeting.

3. Dermot Mathias retired from the Board on 25 February 2021 and could have attended a maximum of two scheduled meetings.

Board and committee changes

Succession planning is an important part of our governance processes. In November 2020, we were delighted to have Ruth Anderson join our Board bringing her wide ranging financial and audit committee chair experience to replace those of Dermot Mathias who retired at our 2021 AGM. Sally Walden, our Remuneration Committee chair will retire at our 2022 AGM having served nine years on the Board.

On behalf of the Board, I would like to thank Sally for her valued contribution to the Board over the past nine years and her considered chairmanship of the Remuneration Committee.

As part of our succession planning for Sally's retirement from the Board, in June 2021, we were pleased to welcome Helena Coles to the Board bringing her extensive fund management experience and ESG investment perspectives.

More information on Ruth and Helena's induction process can be found on page 127.

In anticipation of Sally Walden's retirement from the Board, Jennelle Tilling has shadowed Sally on our 2022 triennial Remuneration Policy review and will take over as Remuneration Committee chair from our 2022 AGM.

In November 2021, we created a new Board Sustainability Committee in recognition of the importance of oversight of the implementation of our sustainability strategy and monitoring of progress against the targets which we have set ourselves. This Committee initially comprises Brian Bickell and Helena Coles and is chaired by Richard Akers. The Board will retain responsibility for the setting of sustainability strategy.

Board evaluation

This year our Board evaluation was undertaken internally and led by Richard Akers, our Senior Independent Director. I am pleased that the Board and its Committees were considered to be working effectively. Details of the process, the findings of the review and our progress against 2020 objectives can be found on page 128.

Engaging with stakeholders

Critical to our long-term success is the strength of our stakeholder relationships. Whilst the Board's regular direct stakeholder engagement is with shareholders and employees, a key part of our role is oversight of the team's relationships with a wide range of stakeholders including occupiers, the local community, suppliers, finance providers, our joint venture partner, visitors, local authorities, adjoining property owners and industry associations. At each scheduled Board meeting we consider this through operational reports and a specific stakeholder engagement report of actions undertaken by the management team. For more details on how we have engaged with stakeholders and the outcome of that engagement see pages 70 to 75 and 115 to 118.

A team effort

We were pleased that our September 2021 employee engagement survey reflected a high level of employee engagement. I would like to thank the Shaftesbury team for their hard work during this very challenging year in which they have demonstrated our values through continuing to nurture the vital relationships we hold with our stakeholders, embracing change, adapting and being innovative in the ways in which we work, to help us be able to emerge for the pandemic as strong as possible.

Engaging with our shareholders

In addition to our investor relations programme led by Brian Bickell and Chris Ward as detailed on page 119, during the year I have offered to meet with, or been in communication with, shareholders holding over 70% of Shaftesbury's share capital, providing feedback from those communications to the Board. Similarly, Sally Walden and Jennelle Tilling have also engaged with our major shareholders and institutional advisor organisations to discuss and develop our 2022 Remuneration Policy, providing feedback from those meetings to both the Remuneration Committee and the Board.

Last year, whilst we were unable to invite shareholders to attend our 2021 AGM in person we offered shareholders the opportunity to attend, ask questions and be able to vote at the meeting virtually. This year, we intend to offer a hybrid AGM enabling shareholders to either attend in person or virtually, and arrangements regarding our 2022 AGM can be found in our 2022 AGM Notice.

Finally, I would like to finish this report by thanking our shareholders for their continued support, particularly through this challenging year.

Jonathan Nicholls
Chairman

29 November 2021

How the Board monitors culture and employee engagement

Our Board and our senior management team understand that culture is set from the top. With a relatively small team of just over 50 employees, there is a high level of interaction between the Board and employees, enabling all directors to see our culture and values in action.

Key ways in which we have sought to embed our values or how the directors have monitored the Group's culture this year have included:

- a wide cross-section of the team and all of the directors being involved in developing the key themes of "Shaftesbury: Next Chapter" project;
- undertaking our annual employee survey which gathered feedback on wellbeing, reward, inclusion and development together with questions relating to the community engagement, data and IT to provide insights for projects relating to our community commitment and digital transformation;
- the inclusion of the company's values as part of employees' performance reviews;
- Richard Akers involvement with the Culture Group;
- following the appointments of Ruth Anderson and Helena Coles, employees across our teams were involved in their induction programme, including meetings and property tours. More information on these can be found on page 127;
- non-executive directors meet regularly with members of the Strategy and Operations Executive Committee on a rotational basis outside of formal meetings;
- overseeing the return to office and trial hybrid working policies based on employee feedback;
- the holding of an all-employee workshop to enhance our culture of recognition;
- offering coaching to all our employees throughout the pandemic; and
- through regular all-employee meetings, including question and answer sessions with Richard Akers and Ruth Anderson. Whilst these were held virtually during the pandemic, from November 2021 they are now held in person.

Our employee engagement survey confirmed that our employees felt extremely positive about working for Shaftesbury, supported during the pandemic and that they are able to have open and constructive conversations with their managers. As part of the actions in response to this year's survey, our focus for the year ahead will be to:

- provide clarity around career paths and progression; and
- review ways to improve the flow of internal communication and our ways of working, particularly in light of hybrid/flexible working patterns.

A conversation with Ruth Anderson

Ruth Anderson joined the Board as a non-executive director in December 2020. In March 2021, we invited Ruth to an all-employee meeting to give employees an insight into her career before Shaftesbury and her first impressions since joining the Company.

Ruth discussed her career and the opportunities and challenges she had faced over the years including being a woman in a senior position. Ruth stressed the importance, when working through challenging situations, of employee trust, optimism, team spirit and trying to see things from the eyes of the customer.

In response to questions from employees, Ruth explained that Shaftesbury's values of being human, long-term and community minded had particularly resonated with her and she was delighted to be involved in a company instrumental in shaping the West End. She had also been extremely impressed with the work done by the Shaftesbury team in supporting our occupiers throughout the pandemic and was confident that this would result in people actively seeking to return to our villages as restrictions eased.

Positive feedback was received from the session which was attended by all employees.

Sally Walden, Alastair Deutsch, Desna Martin and Richard Akers meeting informally



The role of the Board and its Committees during the year

The Board Jonathan Nicholls				
<ul style="list-style-type: none"> • 4 scheduled meetings • Sets Group strategy • Oversees the alignment of the Group's purpose, culture and values, strategy and risk • Considers the balance of interests between stakeholders for the long term success of the Company • Oversees the Group's governance <p>▲ Board activities: pages 114, 117 and 118 ▲ Division of responsibilities of directors: pages 120 to 122 ▲ Directors' biographies: pages 104 and 105</p>				
Audit Committee Ruth Anderson <ul style="list-style-type: none"> • 3 scheduled meetings • Oversees the Group's valuation and financial reporting processes • Reviews the adequacy and effectiveness of internal financial controls and risk management systems including the need for internal audit • Reviews the independence and effectiveness of the auditors <p>▲ Audit Committee Report: pages 130 to 135</p>	Nomination Committee Jonathan Nicholls <ul style="list-style-type: none"> • 6 scheduled meetings • Reviews the structure, size and composition of the Board • Oversees succession planning and development of a diverse pipeline • Recommends appointments to the Board <p>▲ Nomination Committee Report: pages 124 to 128</p>	Disclosure Committee Jonathan Nicholls <ul style="list-style-type: none"> • Meets as required • Ensures compliance with the Market Abuse Regulation 	Sustainability Committee¹ Richard Akers <ul style="list-style-type: none"> • 3 scheduled meetings • Oversees the Company's implementation of the Group sustainability strategy • Recommends changes in sustainability strategy to the Board 	Remuneration Committee Sally Walden <ul style="list-style-type: none"> • 4 scheduled meetings • Determines the remuneration policy for executive directors, chairman and senior employees • Ensures the link between culture, performance and remuneration • Monitors employee remuneration and related policies <p>▲ Remuneration Committee Report: pages 136 to 155</p>
Risk Committee Chris Ward <ul style="list-style-type: none"> • Meets at least twice a year • Reviews and monitors the Group's principal and emerging risks • Oversees the effectiveness of the Group's risk management systems <p>▲ Risk management: pages 86 and 87 ▲ Principal Risks: pages 88 to 92 ▲ Climate risk and opportunities: pages 93 to 95</p>	Strategy and Operational Executive Committee Brian Bickell <ul style="list-style-type: none"> • Meets monthly • Develops and implements strategy, operational plans and policies and procedures • Monitors operational and financial performance • Monitors risks and opportunities • Ensures appropriate team resourcing, development and succession 			Pension Committee Chris Ward <ul style="list-style-type: none"> • Meets at least once a year • Oversight of the governance and operation of the Shaftesbury pension scheme
Community Investment Committee Andrew Price <ul style="list-style-type: none"> • Meets at least 4 times a year • Oversees the Group's community investment programme and activities <p>▲ Community: pages 66 to 69</p>	Executive Sustainability Committee Brian Bickell <ul style="list-style-type: none"> • Meets at least 4 times a year • Recommends the sustainability strategy to the Board • Sets the annual action plan <p>▲ Environment: pages 64 and 65 ▲ Sustainability: pages 62 and 63</p>	IT User Group Chris Ward <ul style="list-style-type: none"> • Meets at least 4 times a year • Monitors the alignment of the Group's IT and strategy • Reviews the performance of the outsourced IT function 	Health, Safety & Wellbeing Committee Simon Quayle <ul style="list-style-type: none"> • Meets at least 4 times a year • Has oversight of occupational health, safety and wellbeing • Monitors the Group's policy and performance against best practice for health and safety 	

1. Established on 10 November 2021. A full report on the Sustainability Committee activities will be included in the 2022 Annual Report.

Principal Board activities

Principal Board activities in 2020/21

The Board met 17 times during the year. At every scheduled Board meeting, the Board receives an update from the executive directors and the company secretary on the operating environment, portfolio activities, financial performance and prospects, equity markets, stakeholder engagement and governance.

During the year, the majority of meetings of the Board and its Committees have been conducted virtually. The agendas have been developed with focus on the pandemic, its impact on the business and the current Group priorities.

The table below provides examples of our discussions, transactions and appointments during the year.

Strategy

- Members of the Strategy and Operations Executive Committee presented to the Board and discussed the FY 2021 operational objectives
- Considered and approved the Group acquisition and disposal strategy
- All directors involved in “Shaftesbury: Next Chapter” project
- Considered and approved the 2021 sustainability strategy

▲ *Sustainability focus areas: page 63*

Operations

- Received updates on the impacts of the pandemic and consequent lockdowns on Shaftesbury’s business and actions being taken to mitigate them
- ▲ *Interview with the Chief Executive: pages 4 to 9*
- Discussed the decision to transition the management of the portfolio from two managing agents to one and the expected improvements in occupier service and operational efficiencies and received updates on the transition process
- Approved the disposal of a property
- Discussed the Group’s digital transformation programme
- Received reports on health and safety across the portfolio

Finance, tax and corporate reporting

- Agreed the structure for the equity raise, and the recommendation to shareholders to approve the November 2020 Firm Placing, Placing and Open Offer for Subscription to raise gross proceeds of £307 million

▲ *S.172 statement: pages 115 to 118*

- Approved the half-year and year-end results and trading statements
- Approved the interim dividend as a PID of 2.4p to shareholders in July 2021

▲ *Dividends: page 82*

- Approved the updated tax strategy

Governance

- Regular consideration of the Group’s governance structure
- Approved the appointment of Ruth Anderson and Helena Coles as non-executive directors

▲ *Ruth Anderson and Helena Coles’ induction programmes: page 127*

- Approval of updated compliance policies, including Anti-Bribery and Corruption, Share Dealing, Whistleblowing and Conflicts of Interest
- Approved the updated Board Diversity policy
- Approval of the 2021 Modern Slavery Statement
- Received updates from the Chairs of the Audit, Remuneration and Nomination Committees
- Approved the external appointment of Richard Akers as Chair of Redrow plc

Stakeholder Engagement

- Discussion of updates received from the Chairman, Chief Executive, Chief Financial Officer following engagement with investors, and reports from brokers and analysts
- Consideration of a stakeholder engagement summary at each scheduled Board meeting setting out interaction undertaken throughout the group with a wide range of stakeholders

Sustainability

- Discussed the sustainability materiality review and established focus areas
- Consideration of the net zero carbon roadmap and approval of the 2030 net zero carbon commitment
- Approval of the three-year sustainability strategy

▲ *Our approach to sustainability: pages 62 and 63*

- Oversight of the Community Investment Committee activities and approval of the budget

People & Culture

- Received updates on recruitment of additional employee resource
- Considered employee flexible working arrangements following lockdown

▲ *Employee engagement: page 76*

- Discussed the results from the employee survey, positive themes and areas identified for improvement
- Received updates from the Chairman of the Nomination Committee on Board composition, succession and talent development
- Received updates from the Chairman of the Remuneration Committee on Board and employee remuneration

▲ *Consideration of remuneration and related policies below the Board: page 140*

Risk management and internal control

- Review of operational initiatives undertaken in response to the pandemic
- Considered the principal and emerging risks following review by the Risk and Audit Committees and the associated mitigating actions

▲ *Risk management: pages 86 to 95*

- Received presentations on cyber security governance

Our s172 (1) Statement

The Board of directors confirm that during the year under review, it has acted to promote the long-term success of the company for the benefit of shareholders, whilst having due regard to the matters set out in section 172(a) to (f) of the Companies Act 2006.

Engagement with stakeholders

The Board principally engages with our employees and shareholders but is also kept fully apprised of the material issues of other stakeholders and receives a combination of reports from the executive directors, senior managers, and advisors to understand the views of the Group's stakeholders regarding day-to-day operations. On pages 70 to 75 we outline the ways we have engaged with key stakeholders and the outcome of that engagement.

Methods used by the Board

In addition to the main methods used by the Board to perform their duties, this year the Board continued with its additional meetings between formal scheduled board meetings to provide approval and effective oversight of management recommendations and decisions, particularly in respect to:

- the November 2020 equity raise;
- financial support and lease structures offered to our occupiers and potential occupiers;
- employee well-being and resourcing;
- development of our sustainability strategy; and
- our business model, shareholder engagement and governance.

For more on s172 matters and stakeholder engagement:

The main methods used by the Directors to perform their duties include:

- oversight of the Group's purpose, strategy, and values, and their alignment with our culture;
- consideration of the Group's risk appetite, principal risks, and mitigation;
- consideration of engagement undertaken by the executive directors and the wider team across the business; and
- external assurance and guidance received from the auditors and reports from brokers and advisors.

s172 factor	Relevant disclosure	Annual Report page numbers
(a) The likely consequences of any decisions in the long-term	The Shaftesbury proposition	1
	Our business model and strategy	10 and 11
	Investing in the heart of London's West End	14 and 15
	Long-term village management strategy	16 to 43
	Q&A with the Chief Executive	4 to 9
	Our approach to sustainability	62 and 63
	Chairman's letter	110 and 111
	Principal Board activities in 2020/21	114
(b) The interests of the Company's employees	Non-financial reporting	101
	Our people and culture	76 to 78 and 112
	Diversity and inclusion	78 and 126
	Employee engagement	76
	Strategic People Plan	78
	Talent development	78
	Monitoring of our culture and engagement with employees	112
	Our approach to remuneration	140
	Consideration of remuneration and related policies below the Board	140
(c) The need to foster the Company's business relationships with suppliers, customers, and others	Our business conduct	118 and 119
	Modern slavery and human rights	63, 118 and 119
	Industry collaboration	62
	Sustainability focus areas	63
	Stakeholder engagement	70 to 75
	Principal Board activities in 2020/21	114

S172 factor	Relevant disclosure	Annual Report page numbers
(d) The impact of the Company's operations on the community and the environment	Stakeholder engagement	72 and 73
	Our approach to sustainability	62 and 63
	Our long-term sustainability strategy	118
	Community	66 and 67
	Chairman's letter	110 and 111
	Environment	64
	Remuneration Committee Chair's letter	139
(e) The desirability of the Company maintaining a reputation for high standards of business conduct	Our people, culture and values	76 to 78
	Stakeholder engagement	70 to 75
	Our business conduct	118 and 119
	Whistleblowing	119 and 132
	Risk management	86 to 95
(f) The need to act fairly between members of the Company	Relations with shareholders	119
	Balance sheet strength, consideration of our shareholders and governance	117

Isabel Thomas, Head of Offices, with the Board on a tour of the development of 72 Broadwick Street



Board consideration of stakeholder interests and s172(1) matters

In response to the pandemic, in addition to two key areas of our support for our occupiers and equity raise also included in our 2020 Annual Report, we progressed our sustainability and environmental priorities as outlined on page 118. Other examples of how the Board has considered stakeholder interests and s172(1) matters in its decision making in 2020/21 are included in our 'Principal activities in 2020/21' on page 114, and how the Board manages culture and employee engagement on page 112.

Supporting our occupiers for the long-term

Our purpose is to curate vibrant and thriving villages in the heart of London's West End for the benefit of all our stakeholders. At its core is a holistic approach to patient, long-term curation of our villages by providing distinctive and appealing experiences for visitors, occupiers, their customers and residents. A key component of this strategy is the mix and appeal of our hospitality, retail and leisure occupiers. The effective closure of the West End, through the various lockdowns, and long periods of restricted trading had an immediate and very challenging impact on all footfall-reliant businesses, which are inevitably cash-flow sensitive. As a result, our focus since the beginning of the pandemic has been to help our occupiers through this challenging period by providing financial and other practical support to retain and attract occupiers, mitigating vacancy to help to preserve the long-term value and prospects of our exceptional portfolio.

During the year, the Board has supported the Strategy and Operations Executive Committee's recommendations on rent concession strategies, lease restructure and incentive arrangements. In addition, it supported a permanent change in policy, from October 2020, to vary our leases to provide the option for commercial lessees to pay rent and service charges monthly, rather than quarterly in advance, in order to align our rent collection with the cash flows of our occupiers.

The Board was kept informed of other engagement and initiatives undertaken across the business with our local authorities, adjoining landowners and Business Improvement Districts to help support occupiers, and drive footfall across the portfolio.

The result of these actions has been a reduction in available-to-let vacancy level to 2.9% as at 30 September 2021.

Balance sheet strength, consideration of our shareholders and governance

In responding to the pandemic, the Board's view is that maintaining occupancy across the Group's portfolio, wherever possible, will protect the long-term value of the business. When the pandemic recedes, this approach, together with a strong financial base, should position the business to return to long-term growth.

With the prospect of materially reduced rent collections and growing vacancy our strategy since March 2020, has been to preserve liquidity, with a moratorium on non-essential expenditure, new schemes and acquisitions, other than by exception.

The Board assessed the Group's financial position in light of the implications of the Covid-19 pandemic and considered a range of options to optimise the Group's long-term capital structure. It concluded that we should prioritise maintaining a strong financial base and appropriate liquidity levels, focusing on debt and gearing levels, and that a material level of disposals to address financing risks would not be in the long-term interests of the Group. Accordingly, it determined that it would be in the best long-term interest of the Group to raise additional equity.

▲ *Financing: page 83*

Extensive consideration was given to the most appropriate structure for an equity issue, balancing execution and equity market risks with our strong desire to ensure a share issue respected the pre-emption rights of shareholders as far as possible.

The Board's decision to structure the equity raise by way of a combination of a Firm Placing, a Placing and Open Offer and an Offer for Subscription took into account a number of factors. These included the dilution to shareholders not able, or only partially able, to take part in the Firm Placing, the total net proceeds to be raised and the advice that the structure provided a lower level of market risk than a rights issue in the then current market environment which had been impacted by a combination of uncertainties, including Covid-19, the US election and Brexit. The Board believe that the Firm Placing and excess entitlement facility of the Open Offer enabled the Company to satisfy demand from current shareholders wishing to increase their equity in the Company as well as potential new investors. Furthermore, the Offer for Subscription allowed an opportunity for other potential investors, including employees and retail investors, to become shareholders in the Company. The Board also sought to balance the dilution to existing shareholders arising from the Firm Placing and Offer for Subscription with the benefit of bringing in substantial investors with firm commitments to ensure the success of the capital raise. Shareholder approval of the arrangement was sought through a number of resolutions at a general meeting to authorise the transaction. The resolutions were passed with a minimum vote in favour of 95.77%.

In undertaking the Firm Placing and Open Offer, we required an independent report for our Prospectus. Whilst we believed that EY as our auditors were best placed to provide this, we were conscious that the fees might be seen as an impairment to their independence. We engaged with EY, who consulted with the FRC and obtained clearance in advance of being appointed to undertake the work.

▲ *External auditors: page 135*

Whilst the Board remains focused on liquidity preservation while uncertainty persists and operating cash flows are reduced, to fulfil the Group's PID requirements for the year ended 30 September 2020, the Board approved an interim dividend of 2.4p and is seeking approval from shareholders at the 2022 AGM to pay a final dividend of 4.0p split 2.75p as a PID and 1.25p as an ordinary dividend.

Our long-term sustainability strategy

Fundamental to our 2021 sustainability strategy was that it addressed matters important to our stakeholders and aligned with our purpose.

During spring 2021, we commissioned a materiality review, undertaken by an external consultant, of environmental and sustainability areas considered to be both the most important to our stakeholders and having the most impact on our business. This review and resultant report involved consultation with stakeholders, horizon scanning of industry trends, relevant current and emerging legislation, and priorities for the industry.

Following an employee workshop and mapping of the themes identified from the review against our UN Sustainable Development Goals, three focus areas for the strategy were presented to the Board which included clear commitments to continued stakeholder engagement:

- Sustainable building re-use
- Supporting our community
- Influence, motivate and collaborate

In line with the overarching sustainability strategy, underlying the focus area of sustainable building re-use is our net zero carbon 2030 target and roadmap which was considered by the Board over a number of meetings. As part of this, the Board set the secondary commitment that our business should be carbon neutral in respect of its own emissions by 2025. The Board also considered it important that the challenges involved in achieving the targets were communicated and that:

- our strategy is likely to evolve over time; and
- collaboration with our occupiers is key to help them reduce their environmental impact.

In discussing the targets, the Board agreed that reporting progress against the targets would be important and, therefore, whilst the Board should be responsible for approving the strategy, in November 2021, it was agreed a separate Board Sustainability Committee should be formed to oversee the implementation of the sustainability strategy and other community related initiatives.

Conflicts of interest

The Company's Articles of Association allow the Board to authorise any actual or potential conflicts of interest that may arise from the directors' external relationships or commitments. We have an established procedure whereby any potential conflicts of interest are declared at the start of each Board meeting and a director who has a conflict of interest is not counted in the quorum or entitled to vote when the Board considers the matter in which the director has an interest. On an annual basis, actual and potential conflicts are formally reviewed in respect of both the nature of individuals' roles and their time commitment. No actual or potential conflicts arose during the year.

The external interests of new directors are considered as part of the recruitment process, and, if appropriate, authorised by the Board on appointment. Any additional external appointments, which are subject to Board approval, are also considered by the Board in relation to the nature of the appointment and time commitment.

This process was utilised in Richard Akers accepting his role as Chair of Redrow plc during the year. No actual or potential conflicts of interest arose with the appointments of Ruth Anderson or Helena Coles.

The Board considers these procedures to be working effectively.

Our business conduct

We aspire to the highest standards of business conduct based on respect, integrity and transparency. As a small team, our Board and Strategy and Operations Executive Committee have a high level of oversight over the group's activities, policies and procedures.

We support the ten principles of the UN Global Compact on human rights, labour, environment and anti-corruption. While we do not have a separate human rights policy, our expectations on human rights are set out across a number of our policies and procedures, and we expect suppliers, as a minimum, to adhere to all relevant human rights, employment and health and safety legislation and comply with standards and codes specific to their business. Due to our outsourced model, it is important that the values and behaviours of our suppliers are consistent with our own and that new suppliers sign up to our Supplier Code of Conduct, which was last updated in January 2021. In February 2021, we published our latest Modern Slavery Act statement, which can be found on our website, which sets out the actions undertaken during the year to prevent modern slavery and human trafficking in our business and supply chain.

	2020			2021	
	October	November	December	January	February
Board and Committee Meetings	Board update calls Remuneration Committee	Board Meeting	Board update call Nomination Committee Remuneration Committee Audit Committee		Board update call Board Meeting Nomination Committee
Key announcements and investor engagement	Equity raise	General Meeting to approve Capital Raise Year-end results Analyst presentation Year-end results investor roadshow	Appointment of Ruth Anderson as Non-Executive Director		Annual General Meeting Trading Statement

Throughout the year, the Board reviewed and approved our updated formal compliance policies including our anti-money laundering, anti-bribery and corruption, share dealing, whistleblowing and conflicts of interest policies. Following Board approval, these were launched to all employees with training as required.

Our culture is open and transparent, and our employees are encouraged to speak up if they witness or suspect any wrongdoing, or behaviour which does not align with our high standards. Our formal whistleblowing policy, under which employees and suppliers can report any concerns either through our chief executive, company secretary, senior independent director or through an independent hotline and online portal. Following receipt of a whistleblowing report, we have procedures to follow to ensure that an appropriate investigation is undertaken. This policy is reviewed by the Audit Committee and the Board annually.

Significant votes against at our Annual General Meeting

At the 2021 AGM, the two resolutions relating to the authority to allow shares on a non-pre-emptive basis received votes against in excess of 20%, which under the Investment Association guidance is a significant vote against.

The Board was disappointed in this outcome given that each of the resolutions followed the provisions of the Pre-Emption Group's Statement of Principles for the disapplication of pre-emption rights and reflected UK listed company market practice.

Subsequent to the AGM, we have engaged with the shareholder in relation to the relevant resolutions and understand that the shareholder felt that, following the capital raise undertaken by the Company in 2020, the authorities were unlikely to be imminently required, and also that certain of its own shareholders do not generally support authorities for directors to issue shares other than on a pre-emptive basis.

The Board will continue to propose resolutions to shareholders which it considers to be in the best interests of the long-term success of the Company.

Relations with shareholders

The Board considers the views of our shareholders and contact with potential investors to be an important aspect of corporate governance. The chief executive has day-to-day responsibility for investor relations and provides regular feedback to the Board.

For the December 2020 annual results presentation to analysts, a live video webcast with replay facilities was made available on our website. As a result of Government guidance on social distancing during the year, a pre-recorded presentation of the half year results was provided with a live Q&A session for analysts. The recordings were made available on our website.

Due to the social distancing guidance, shareholders were not permitted to attend our February 2021 AGM in person. However, shareholders were provided with the opportunity to participate remotely, ask questions and vote electronically.

In total over 220 meetings were held with UK and overseas existing and potential institutional investors as well as equity market analysts. Following the easing of lockdown restrictions, we were able to reinstate tours of our portfolio, which provide an opportunity for investors to see our villages, understand our management strategy and to meet our senior leadership team.

A timeline of investor relation activities undertaken during the year is below.

December 2020	Results for the year ended 30 September 2020 Analyst presentation Year end results investor roadshow
February 2021	Annual General Meeting Trading update statement
May 2021	Interim results Analyst presentation and investor roadshow
August 2021	Trading update statement

During the year:

- Jonathan Nicholls offered to meet with or has been in communication with shareholders holdings over 70% of Shaftesbury share capital (see more on page 111); and
- Sally Walden and Jennelle Tilling engaged with major shareholders and their representative bodies to discuss our 2022 Remuneration Policy proposals (see more detail on page 139).

2021							
March	April	May	June	July	August	September	
Board update calls	Board update call Remuneration Working Group	Board Meeting Nomination Committee Remuneration Committee Audit Committee	Board update calls Nomination Committee Remuneration Working Group	Board update call Remuneration Working Group	Nomination Committee	Board Meeting Nomination Committee Remuneration Committee Audit Committee	
Bondholder Update		Half-year Report Interim results Analyst presentation Interim results investor roadshow		Appointment of Helena Coles as Non-Executive Director		Trading update statement	

Division of responsibilities

Roles and responsibilities of the directors

The Board currently comprises of the non-executive chairman, four executive directors and five independent non-executive directors. There is clear division between executive and non-executive responsibilities which ensure accountability and oversight. The Board has overall responsibility of governance throughout the Company.

The Board delegates some of its responsibilities to the Audit, Nomination, and Remuneration Committees. The work of these Committees can be found in their reports on pages 130, 124 and 136 respectively. In November 2021, a Board Sustainability Committee was formed and the work of this Committee will be included in the 2022 Annual Report. Each of these Committees' has its own terms of

reference, which are available on our website. Each Committee assesses its effectiveness annually as part of the evaluation process as set out on page 128.

The Board also delegates operational matters to the Strategy and Operations Executive Committee, except for certain matters reserved for the Board. These matters are set out in the Board Schedule of Matters, which can be accessed on our website.

The roles of Chairman, Chief Executive and Senior Independent Director are separately held, are well defined, set out in writing and regularly reviewed by the Board.

Chairman: Jonathan Nicholls	<p>In his role as Chair, Jonathan Nicholls is responsible for:</p> <ul style="list-style-type: none"> • Leading the Board in the consideration, challenge, support and oversight of the Company's strategy and implementation • Ensuring that the Board as a whole plays a full and constructive part in the development of strategy and that there is sufficient time for discussion • The promotion of and oversight of the achievement of Company's purpose, values and culture to enable transparency, debate and challenge • Monitoring the Company's risk profile • Effective engagement between the Board, its shareholders and other key stakeholders and understanding stakeholder views • Leading on the review of the Board's effectiveness • Oversight of succession planning • Ensuring regular discussion by the non-executive directors without management present <p>As part of his role as Chairman, Jonathan chairs the Nominations Committee</p>
Chief Executive: Brian Bickell	<p>As Chief Executive, Brian Bickell is responsible for:</p> <ul style="list-style-type: none"> • Adapting and executing the Group's strategy and commercial objectives in response to changing market conditions and risks • The operational performance and financial performance of the Group • To keep the Chairman and the Board apprised of important and strategic issues facing the Group • Ensuring the Company's business is conducted with the highest standards of integrity, in keeping with the Company's values • Oversight of the Group's skills, diversity, management development and succession • Communication with the Board, employees and other stakeholders <p>As part of his role as Chief Executive, Brian is on the Longmartin joint venture Board, chairs the Strategy and Operations Executive Committee and Executive Sustainability Committee and has Board responsibility for HR matters</p>
Chief Financial Officer: Chris Ward	<p>As Chief Financial Officer, Chris Ward:</p> <ul style="list-style-type: none"> • Supports the Chief Executive in developing and implementing strategy and managing risk • Provides financial leadership and the alignment of the Company's business and financial strategy and management of the Company's capital structure • Is responsible for financial planning and analysis, treasury, tax and IT functions • Is responsible for presenting and reporting accurate and timely financial information • Responsible for investor relations activities, including communications with investors, alongside the Chief Executive <p>As part of his role, Chris chairs the Risk, IT and Pension Committees</p>
Other Executive Directors: Simon Quayle, Tom Welton	<p>As Executive Directors, Simon Quayle and Tom Welton:</p> <ul style="list-style-type: none"> • Support the Chief Executive in developing and implementing the Group's strategy and objectives • Develop and execute business plans in collaboration with the Chief Executive, Chief Financial Officer and senior management • Oversee the day-to-day activities of the Group in line with the Group's values <p>As part of his role, Tom is a member of the Longmartin joint venture Board and Simon is Chair of the Health, Safety and Wellbeing Committee and a member of the Executive Sustainability Committee.</p>
Senior Independent Director: Richard Akers	<p>In addition to his role as a Non-Executive Director, in his role as Senior Independent Director, Richard Akers:</p> <ul style="list-style-type: none"> • Provides a 'sounding board' for the Chairman and acts as an intermediary for non-executive directors when necessary • Is available to shareholders as required as an alternative contact to the Chairman • Leads the non-executive directors in the evaluation of the Chairman's performance • Acts as an independent point of contact in the Group's whistleblowing procedures • Responsible for the Chairman succession planning working closely with the Nomination Committee
Designated Non-Executive Director for employee engagement: Richard Akers	<p>In his role as Designated Non-Executive Director for employee engagement, Richard Akers:</p> <ul style="list-style-type: none"> • Acts as Board sponsor for the Employee Culture Group • Attends Shaftesbury staff presentations as appropriate • Monitors feedback from and actions proposed as a result of employee surveys, reporting to the Board or Remuneration Committee as appropriate • Reviews any whistleblowing matters raised by employees
Non-Executive Directors: Richard Akers, Ruth Anderson, Helena Coles, Jennelle Tilling Sally Walden,	<p>In their role as non-executive directors and members of the Nomination, Audit, Remuneration and Sustainability Committees, Richard Akers, Ruth Anderson, Helena Coles, Jennelle Tilling and Sally Walden:</p> <ul style="list-style-type: none"> • Give an external perspective and provide constructive challenge to the executive directors and members of the Strategy and Operations Executive Committee to help develop proposals on strategy • Ensure that no individual or group dominates the Board's decision making • Monitor performance of the Group's strategy within the risk management framework • Promote the highest standards of integrity and corporate governance throughout the Company and particularly at Board level • Review the integrity of financial reporting and that financial controls and systems of risk management are robust • Determine appropriate levels of remuneration for the senior executives <p>Richard Akers, Ruth Anderson and Sally Walden are responsible for chairing the Sustainability, Audit, Remuneration Committees respectively</p>

Independence and effectiveness

In accordance with the Code, all directors are subject to annual re-election, and at least half the Board, excluding the Chairman, are independent non-executive directors.

The Board believes that it, and its committees, have the appropriate combination of skills, experience and knowledge to enable them to carry out their duties effectively. The Nomination Committee keeps under review the tenure of all directors, the effectiveness of individual directors and overarching Board diversity.

The Board considers all our non-executive directors are considered to be independent and free from any business or other relationship which could materially interfere with the exercise of their judgement. Our non-executive directors remain independent from executive

management, and they meet regularly with the Chairman to allow them the opportunity to discuss their views privately.

The Board recognise the importance of each director being able to dedicate sufficient time to effectively discharge their duties and responsibilities. The commitment expected is considered by the Board on each director appointment and was a key consideration this year in the recommendation of Helena Coles' appointment to the Board. Directors undertake additional external appointments, which are periodically reviewed by the Nomination Committee and the Board. The Board is satisfied that each director has sufficient time to carry out their responsibilities.

During the year ended 30 September 2021, additional Board roles for which Board approval was sought and received included Richard Akers becoming Chairman of Redrow Plc.

Board tenure

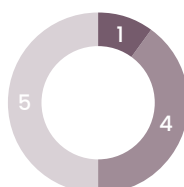
Director	Year joined	1987	1990	1995	2000	2005	2010	2015	2020	2021	Length of time (to 30 Sept 2021)
Brian Bickell	1987										34 years 9 months
Tom Welton	1997										24 years
Simon Quayle	1997										24 years
Chris Ward	2012										9 years 8 months
Sally Walden (NED)	2012										9 years
Jonathan Nicholls (NED)	2016										5 years
Richard Akers (NED)	2017										3 years 9 months
Jennelle Tilling (NED)	2019										2 years 8 months
Ruth Anderson (NED)	2020										9 months
Helena Coles (NED)	2021										3 months

Board skills

	Leadership	Property and real estate	Food, beverage, retail	Corporate finance	Accounting / finance	Fund management / financial markets	Consumer marketing	ESG
Executive Directors								
Brian Bickell	+	+		+	+	+		+
Chris Ward	+	+		+	+	+		
Simon Quayle	+	+	+				+	
Tom Welton	+	+	+				+	
Non-Executive Directors								
Jonathan Nicholls	+	+		+	+	+		
Richard Akers	+	+	+					+
Ruth Anderson	+		+	+	+			
Helena Coles	+			+		+		+
Sally Walden	+			+	+	+		
Jennelle Tilling	+						+	

Independence of directors

- Chairman
- Executive directors
- Independent non-executive directors



Committee membership

	Board	Nomination Committee	Audit Committee	Remuneration Committee	Sustainability Committee	Disclosure Committee	Strategy & Operations Executive Committee (SOE)	Risk Committee	Community Investment Committee	Pension Committee	Exec Sustainability Committee	IT User Group	Health, Safety and Wellbeing Committee
Chairman													
Jonathan Nicholls Non-Executive Chairman	C	C		+		C							
Executive directors													
Brian Bickell Chief Executive	+				+	+	C	+			C		
Chris Ward Chief Financial Officer	+					+	+	C		C		C	
Simon Quayle Executive Director	+						+				+		C
Tom Welton Executive Director	+						+						
Non-executive directors													
Richard Akers Senior Independent Director	+	+	+	+	C								
Jennelle Tilling Non-Executive Director	+	+	+	+									
Sally Walden Non-Executive Director	+	+	+	C									
Ruth Anderson Non-Executive Director	+	+	C	+									
Helena Coles Non-Executive Director	+	+	+	+	+								
Strategy and Operations Executive Committee members													
Samantha Bain-Mollison Retail Director							+				+		
Karen Baines Head of Group Marketing & Communications							+		+				
Alastair Deutsch Head of Finance							+	+				+	
Desna Martin Company Secretary						+	+	+	+	+			
Charles Owen Property Director							+	+	+		+		
Andrew Price Property Director							+	+	C	+			
Jenna Slade Senior Portfolio Executive							+	+					+
Julia Wilkinson Restaurant Director							+			+			

C: Chair +: Member

PLACES PEOPLE SPACES



Nomination committee report

This year our focus has been on the recruitment of two non-executive directors, oversight of team succession planning and our employee development programmes planned for 2022

Nomination Committee members and attendance

Number of meetings attended (6 held)

Jonathan Nicholls (Chair)	● ● ● ● ● ●
Richard Akers	● ● ● ● ● ●
Jennelle Tilling	● ● ● ● ● ●
Sally Walden	● ● ● ● ● ●
Ruth Anderson ¹	● ● ● ● ● ●
Helena Coles ²	● ● ● ● ● ●
Dermot Mathias ³	● ●

1. Ruth Anderson joined 21 December 2020 and could only attend a maximum of five meetings.
2. Helena Coles joined 1 July 2021 and could only attend a maximum of one meeting.
3. Dermot Mathias resigned 2 February 2021 and could only attend a maximum of two meetings.

Key responsibilities

- Monitor and review the structure, size, composition (including skills, knowledge, experience, and diversity) of the Board and its Committees
- To ensure that there are sufficient plans in place for the orderly and effective succession of the Board and senior leadership team
- To oversee the development of a diverse pipeline for succession
- Keep under consideration directors' skills, experience, and independence
- Lead the process for Board appointments
- Review the time commitment expected from directors
- Review the results of the Board performance evaluation that relate to its composition, diversity and how effectively members of the Board work together

2021 areas of focus

- Undertook the search and appointment process for the new non-executive directors and recommended to the Board the appointment of Ruth Anderson and Helena Coles
- Reviewed non-executive director succession plans
- Reviewed executive director succession and senior management succession plans
- Considered senior management development programmes planned for 2022
- Reviewed the Committee's effectiveness

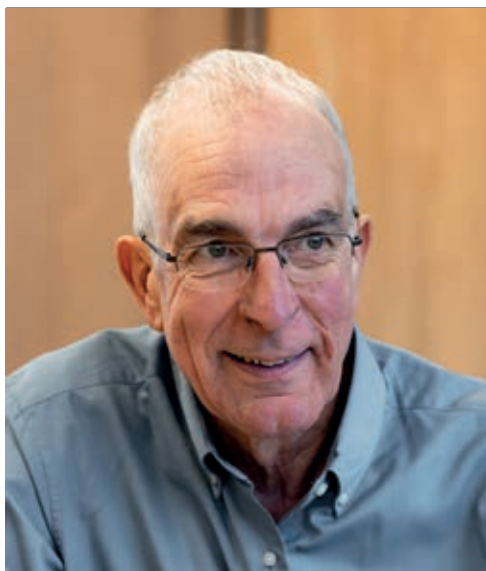
How the Committee operates

The Nomination Committee is comprised solely of independent non-executive directors, and is chaired by the Chairman of the Board, Jonathan Nicholls.

At the Nomination Committee Chair's request, the Chief Executive, executive directors, and our HR adviser attend parts of meetings to discuss non-executive director recruitment and team development as appropriate.

In making any recommendations for Board appointments, the Nomination Committee consults with the Chief Executive and other members of the Board as appropriate.

In making recommendations to the Board on non-executive appointments, the Nomination Committee specifically considers the expected time commitment of the proposed non-executive director and other commitments they already have. Agreement of the Board is also required before a director may accept any additional commitments to ensure possible conflicts of interest are identified and that directors will continue to have sufficient time to devote to the Company.



Dear shareholder

As Chair of the Nomination Committee, I am pleased to present our report for 2021. This year, our focus has been on the non-executive director recruitment and induction, succession planning and talent development.

Succession planning

Non-executive director recruitment

As outlined in our 2020 Report, in anticipation of Dermot Mathias' retirement from the Board at our AGM in February 2021, we were delighted to appoint Ruth Anderson to the Board and Chair of the Audit Committee and a member of our Nomination and Remuneration Committees in December 2020. Ruth has over 20 years' experience as a KPMG partner acting as tax and business advisor to a range of UK and global businesses and was previously Audit Committee chair of Ocado plc, Coats Group plc and Travis Perkins plc.

As Sally Walden will have served over nine years on the Board by the time of our 2022 AGM, in February 2021 we began our search for her replacement. Inzito, an independent executive search firm, was engaged to compile a diverse list of candidates following a review of the attributes sought in the candidate by both the Nomination Committee and the Board. Inzito has no connection with the Company or any individual directors other than to assist with executive and non-executive succession planning and appointment processes. Candidates were initially interviewed by Brian Bickell and me with a shortlist interviewed by the other executive and non-executive directors. After due consideration, the Committee recommended the appointment of Helena Coles who joined the Board in June 2021. Helena, who has over 30 years' experience in equity investment and fund management and has also previously held roles focusing on ESG, is a member of all of the Board Committee including our Sustainability Committee established in November 2021.

Board and committee composition

In considering the re-election of directors, the Nomination Committee reviews Board succession and non-executive director tenure annually, including the composition of the Board and its committees in relation to the balance of skills, experience, length of service, knowledge of the business and wider diversity of views. The Committee recommends the re-election (and in the case of Helena Coles, her election) of the directors to the Board by shareholders at the 2022 AGM, with the skills and experience of each director set out on pages 104, 105 and 121.

As part of our orderly succession process, Jennelle Tilling, who will take over as Remuneration Committee chair from the 2022 AGM, has been shadowing Sally Walden in our 2022 triennial Remuneration Policy review and consultations with shareholders on the proposed changes.

The Nomination Committee recognises that our executive directors have a long tenure with the Company. Their succession remains under regular review, together with consideration of the size of the Board. The Committee is satisfied that there are appropriate succession plans in place, involving consideration of both internal and external candidates.

Talent pipeline

Through our Strategy and Operations Executive Committee, our key senior management team below the Board work closely with the executive directors in the implementation of the Company's strategy and oversight of operations. This structure both ensures an appropriate breadth and depth below Board level and aids in the personal development of our senior management team.

During the year, our talent pipeline has been strengthened through a number of external appointments including the recruitment of Isabel Thomas as Head of Offices and Matt Thompson as Head of Property Insights.

In September 2021, following a reprioritisation of planned activities under our Strategic People Plan as a result of the pandemic, the Committee reviewed the content of the four 2022 development programmes for the Strategy and Operations Executive Committee, the heads of departments below the Strategy and Operations Executive Committee, managers, and recently recruited managers and professionals.

▲ *Our Strategic People Plan: page 78*

▲ *Talent development: page 78*

Diversity and inclusion

As of 30 September 2021, 40% of our Board are women, which exceeds the Hampton Alexander Review target and we have one director of ethnic background, in line with the Parker Review.

The Board recognises the importance of diversity and a culture of inclusion, which brings with it new ideas and fresh perspectives across the business, as well as fostering constructive challenge to established behaviours and attitudes giving a breadth of viewpoints and debate that aids decision-making and supports the business more effectively.

The Board considers that quotas are not appropriate in determining its composition and has, therefore, chosen not to set formal targets but keeps diversity under consideration in all aspects of Board composition. The Nomination Committee works with executive search consultants who provide a diverse selection of candidates for Board appointments enabling selection to be based upon merit, objective criteria and expected contribution to the Group's culture.

Below Board level, we have a gender-diverse talent pool, with 63% female membership on our Strategy and Operations Executive Committee (excluding the executive directors) and, of our direct reports to the Strategy and Operations Executive Committee, 68% are female. Whilst all appointments are made on merit and based on objective criteria, we recognise that diversity includes but is not

limited to gender, and as a company we can do more to promote wider diversity. This is an area for us to address in the coming year.

Initiatives we support to promote diversity, including within the real estate sector, include our being:

- a signatory to the 30% Club which is a campaign to achieve a minimum of 30% women on FTSE 350 boards;
- a member of Real Estate Balance whose objective is to achieve a better gender balance at board and executive management level, in the real estate industry, by supporting the development of a female talent pipeline across the sector; and
- a corporate sponsor of Freehold, a London-based forum for LGBT real estate professionals.

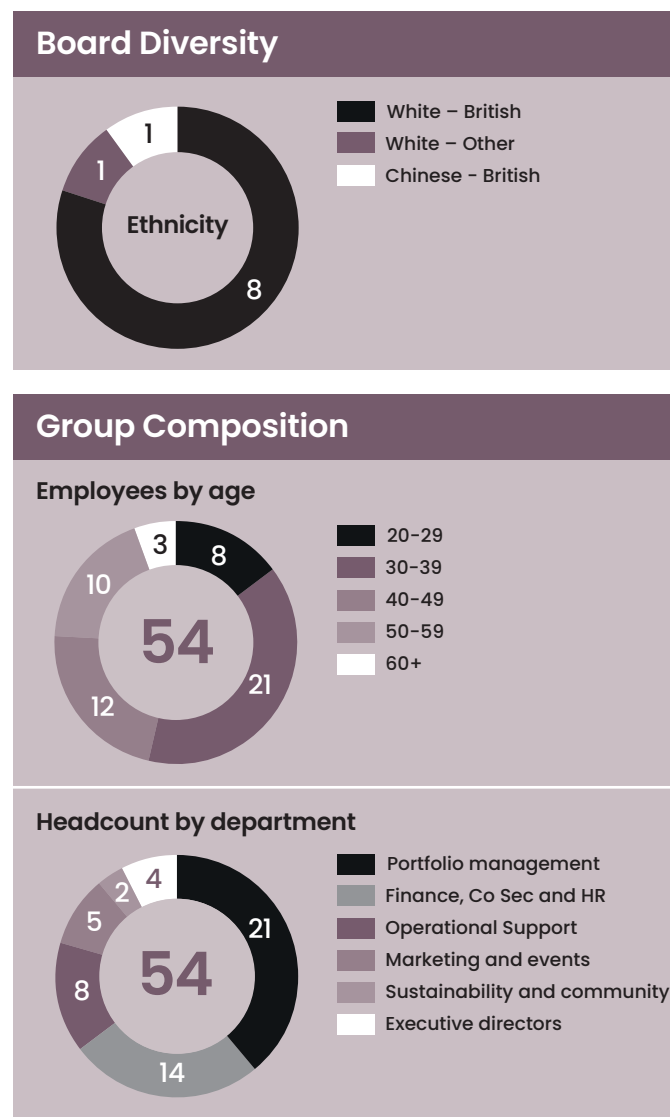
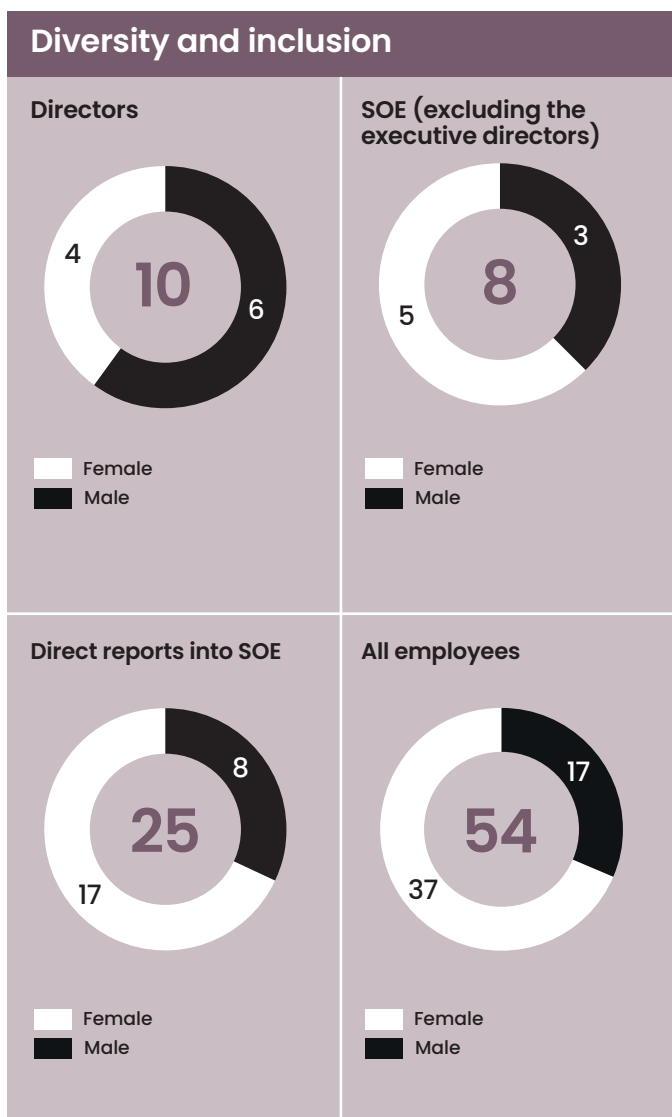
▲ Promoting diversity and inclusivity: page 78

Looking forward, the Nomination Committee will continue to develop and monitor succession plans both at the Board and senior management level and keep under review the development programmes for our talented team.

Jonathan Nicholls

Chair of the Nomination Committee

29 November 2021



Ruth Anderson and Helena Coles' induction programmes

All new non-executive directors joining the Board undertake a formal personalised induction programme designed to provide an understanding of the business, strategy, culture, key stakeholders, governance, and management. For Ruth Anderson and Helena Coles, their induction programmes included the following elements:

- one-to-one meetings with the executive directors and the Chairman, covering strategy, operational and financial matters, people, the control environment, capital structure and funding;
- tours of our villages with the relevant portfolio teams;
- briefings from senior executives and advisors across our key business areas and operations including tenant selection, marketing, asset management, human resources, IT and cyber security, shareholder engagement and sustainability;
- access to reference materials including the valuation process, the corporate team and governance structures, policies; and
- in her role as Chair of the Audit Committee, Ruth also had meetings with the valuers and auditors, a session on GDPR and attended, in an observer capacity, the 2020 year-end Board and Committee meetings.



“I feel comfortable picking up the phone and being able to talk with anyone in the business”

Helena Coles

Governance



“My induction programme was the best one I have ever had”

Ruth Anderson

Our 2020/21 Board evaluation process

Our 2021 Board evaluation process

Board evaluation process

As part of our three-year external Board evaluation cycle, we carried out this year's review of the effectiveness of the board and committees internally. There were two parts to the evaluation process:

- questionnaires completed by each member of the Board, to gather comments on a range of matters including: Board and Committee composition, Board topics, processes and effectiveness, accountability and behaviours, Committee effectiveness and evaluation of the Chairman; and
- interviews conducted by Richard Akers as Senior Independent Director supported by the Company Secretary, Desna Martin, including feedback on individual Board members' performance.

The results and feedback from the questionnaires and interviews were collated by the Company Secretary on behalf of Richard Akers and overall scores, positive feedback, observations, and areas for further consideration were reviewed by the Board and Committees at the September 2021 Board and Committee meetings. Following this meeting, Jonathan Nicholls and Brian Bickell prepared an appropriate action plan for the year ahead.

As part of the September 2021 Board meeting, Richard Akers as Senior Independent Director also led an evaluation of the Chairman.

Conclusions from this year's Board evaluation

The overall conclusion from this year's evaluation was that the Board and its Committee continue to operate to a high standard with all members actively contributing with a diverse range of views leading to constructive Board discussions.

Areas of strength identified included:

- the diversity of skills and thought;
- well-managed Board and Committee meetings dealing with complex issues;
- an open and collegiate culture; and
- the non-executive directors providing an appropriate level of support and challenge which was valued by the executive directors.

In addition, the Board felt that the Chairman had managed the Board and the Nomination Committee extremely well through a challenging year and that he was considered to be well respected and approachable by the wider team.

Output of 2021 Board evaluation: Areas of focus for the year ahead

Area of focus	Objective
Board and Committee structure	Further consideration of the merits and remit of a Board Sustainability Committee.
Risks and opportunities	Revisiting of the Board strategy process and risk appetite, including involvement of the wider team and external experts.
People and talent pipeline	Continued focus by the Nomination Committee on talent development with involvement of the individual directors as appropriate. More exposure of senior management to the Board as part of talent development and direct feedback and insight into the company culture.

Progress against the Group's 2020 evaluation

Area of focus	Objective	Our performance
Strategy and risk	Regular consideration of the resilience of the business model.	The additional Board calls introduced in the year were used to provide a better understanding of the operational challenges faced during the pandemic disruption and the actions taken by the senior management team.
	Consideration of the Group's science-based targets as part of its sustainability strategy.	Presentations from the Head of Sustainability on the sustainability strategy, including science-based targets, were received and discussed by the Board at the April and September 2021 Board meetings as part of the development of Shaftesbury's net zero carbon 2030 strategy launched in November 2021.
Stakeholder engagement	Reviewing the strengths of the Group's stakeholder relationships.	A report on stakeholder engagement by the executive directors and senior management with a wide range of stakeholders, which includes the strength of Shaftesbury's relationship and actions being taken to improve those relationships is reviewed by the Strategy and Operations Executive Committee prior to being tabled at each scheduled Board meeting.
Culture and Board operations	Continued monitoring of the Group's culture and ways of working including the Group's outsourced business model.	During the year the Board monitored the impact of extended periods of working from home and the development of a trial hybrid working policy from 7 September 2021. The Board agreed that in person meetings and regular interaction with employees and property tours were important but that ad hoc Board calls were beneficial to be kept up to date on operational matters. The Board considered the rationale for, and progress on, consolidating Shaftesbury's outsourced property management service from two to one property manager to provide better service to occupiers, greater efficiencies, and uniformity of reporting, all of which were heightened during the pandemic.



Audit Committee Report

The Committee's role is to oversee the integrity of the Group's financial reporting, risk management and our audit processes

Audit Committee members and attendance

Number of meetings attended (3 held)

Ruth Anderson (Chair)	● ●
Richard Akers	● ● ●
Jennelle Tilling	● ● ●
Sally Walden	● ● ●
Helena Coles	●
Dermot Mathias	●

1. Ruth Anderson joined 21 December 2020 and could only attend a maximum of two meetings.
2. Helena Coles joined 1 July 2021 and could only attend a maximum of one meeting.
3. Dermot Mathias resigned 2 February 2021 and could only attend a maximum of one meeting.

Key responsibilities

- Monitor the integrity of the Group's financial reporting and consider significant judgements, assumptions and estimates made by management
- Advise the Board on various statements made in the Annual Report, including those on viability, going concern, risks and controls and whether, when read as a whole, the Annual Report and Accounts is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy
- Review the work of the external auditor and valuers
- Responsible for the relationship with the external auditor and consideration of their reappointment, their reports to the Committee, performance, objectivity and independence, including the level of provision of non-audit services
- Review of the Company's internal financial controls, and internal control and risk management systems
- Ongoing monitoring of the need for internal audit
- Review of the Company whistleblowing policy and procedures
- Oversight of cyber security

2021 areas of focus

Financial reporting

- Review of the half year and full year financial statements including key judgements, estimates and assumptions, going concern and viability statements
- Consideration and recommendation to the Board as to whether the Annual Report and Accounts was fair, balanced and understandable
- Meetings with the valuers in respect of the half year and year end portfolio valuations
- Meetings with the auditors in respect of the half year and year end results

Audit

- Audit plan and strategy
- Consideration of the independence and effectiveness of the external auditor
- Review of audit and non-audit fees

Controls and assurance

- Review of risks and controls, including reports from the Risk Committee and external advisors, and management's testing of the operation of controls
- Consideration of the need for internal audit

Governance

- Review of the Committee's effectiveness

How the Committee operates

At the start of the financial year, the Committee comprised four independent non-executive directors, Dermot Mathias as Chair, Richard Akers, Sally Walden and Jennelle Tilling. Ruth Anderson and Helena Coles became members of the Committee on their appointment to the Board on 21 December 2020 and 1 July 2021 respectively. Ruth Anderson became Chair of the Committee on Dermot Mathias' retirement from the Board on 25 February 2021.

The biographies of the Committee members, set out on page 105 demonstrate the diversity of experience of Committee members, including property, hospitality and leisure, marketing and finance. Ruth Anderson, as a chartered accountant with many years of senior financial experience, satisfies the requirement to have appropriate recent and relevant financial experience.

At the Audit Committee Chair's request, all or part of the meetings are attended by the Chairman, Chief Financial Officer, members of the senior management team, the external auditor and external advisors as appropriate.

The Committee meets with the external valuers of the wholly owned portfolio and Longmartin joint venture, and the auditor without management present in respect of our half-year and year-end results, to discuss any matters which they may wish to raise.

The Committee receives comprehensive reports for consideration on a timely basis in advance of meetings, which facilitate a good level of discussion and challenge by the Committee.

Throughout the year, the Audit Chair meets with executive directors and members of the senior management team, as appropriate, to obtain a good understanding of key issues affecting the Group which helps the Chair in her oversight of the agenda and discussions at Committee meetings.



Dear shareholder

I am pleased to present my first Audit Committee report to you as Chair for the year ended 30 September 2021, which provides an overview of the key activities and focus of the Committee during the year.

The impact of the Covid-19 pandemic has been significant and has required us all to adjust the way we work and how we provide oversight and challenge. Despite this disruption, the Committee has been pleased with the performance and commitment shown by the Shaftesbury team, the independent valuers, and our external auditor.

Financial reporting

Valuation of the portfolio, accounting considerations and other assumptions and estimates

The valuations provided by the external valuers are a key determinant of the Group's net asset value. As such, one of our key responsibilities is to review the valuation process and the key assumptions made by the valuers and their independence. Following our review, we are satisfied that the valuation process is robust, the assumptions and estimates used in the valuation are appropriate and that both external valuers remain independent and objective.

Key accounting and disclosure matters considered by the Committee included:

- revenue recognition and the treatment of lease incentives;
- provisions for expected credit losses and impairments; and
- APMs included in the Annual Report.

▲ *Significant accounting matters and key areas of assumptions and estimates: pages 133 and 134.*

Viability and Going Concern statements

The Committee considered the going concern statement in the Interim Statements and Annual Report, and the viability statement in the Annual Report. This included reviewing the work undertaken by management, which included severe but plausible downside forecasts which factored in the Group's principal risks and uncertainties, including further significant pandemic restrictions, and the appropriateness of a three-year viability assessment period. Following this review, we were satisfied that management had conducted robust viability and going concern assessments and recommended approval of the statements to the Board.

▲ *Viability and going concern statements: page 133.*

2021 Annual Report

The executive directors have confirmed that they were not aware of any material misstatements in the Interim Statements and Annual Report. The external auditor confirmed that it had found no material misstatements in the course of their work.

After reviewing reports from management and, following discussions with the external auditor and valuers, the Committee is satisfied that:

- the processes used for determining the values of assets and liabilities have been appropriately reviewed, challenged and were sufficiently robust;
- the financial statements appropriately addressed the significant assumptions and key estimates, both in respect of the amounts reported and the disclosures;
- the group has adopted appropriate accounting policies; and
- both the external auditor and valuers remain independent and objective in their work.

Fair, balanced and understandable

The Board as a whole is responsible for determining whether the 2021 Annual Report and Accounts is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy. The Committee's role in this assessment is covered on page 134. For the year ended 30 September 2021, the Committee confirmed to the Board it was satisfied that the Annual Report and Accounts was fair, balanced and understandable.

Risk, control and assurance

The Risk Committee, chaired by the Chief Financial Officer, evaluates the Group's strategic and emerging risks, associated controls and mitigating arrangements, reporting to the Audit Committee and the Board half yearly.

Whilst we do not have a formal internal audit function, reviews of key controls are conducted through a combination of assessments by external parties and reviews by management, as appropriate, to provide assurance on the Group's risk and control arrangements. During the year, we engaged external advisors to undertake a review of the effectiveness of key internal controls in the Group's strategic risk register. The Committee has also approved a rolling three-year assurance plan for the review of the Group's key controls and processes, on a rotational basis, by external advisors.

Cyber security

During the year, the Committee received an update in relation to progress on actions being undertaken to enhance cyber security in accordance with the Group's IT infrastructure plan.

Whistleblowing

The Committee reviews the Group's whistleblowing policy and procedures annually and reports on its findings to the Board. The Company's whistleblowing procedures include an independent, confidential hotline through which employees' or third parties can anonymously raise a matter of concern. Alternatively, employees or third parties can contact the Chief Executive, Company Secretary or Senior Independent Director. During the year, there were no whistleblowing instances reported.

Independence and effectiveness of the auditor and auditor reappointment

In normal circumstances, non-audit fees form a relatively minor proportion of work carried out by the external auditor, EY. As reported last year, in undertaking the Group's equity issuance, we required the work of a reporting accountant, including an independent report on the working capital statement. Whilst we believed that EY, as our auditor, were best placed to provide these services, we were cognisant of auditor independence and, therefore, engaged not only with EY but also with the FRC on this matter. The FRC's clearance was obtained in advance of appointing EY to undertake the work. In seeking the FRC's clearance, given the timing of the work, an exemption was sought to exceed the 70% non-audit fee cap for both the year ended 30 September 2020 and 30 September 2021. Separately, the Audit Committee considered the safeguards that EY put in place to ensure its independence in undertaking this work.

The Committee remains satisfied with the effectiveness of the external audit and its interaction with EY. It also remains confident that EY's objectivity and independence are not in any way impaired by the provision of non-audit services and, based on the Committee's recommendation, the Board is proposing that EY be reappointed as the Company's external auditor at the 2022 AGM.

▲ *External auditor and audit fees: pages 134 and 135.*

Committee effectiveness

I believe that the quality of discussion and the challenge provided by all members of the Committee to management, the external auditors, valuers and advisors, together with the quality of papers provided, enables us to perform our role effectively. Following the external review in 2020, this year, the evaluation was undertaken through a questionnaire and interviews with the Senior Independent Director. I am pleased that the review confirmed that the Committee continues to operate effectively and appropriately.

I would like to thank the other members of the Committee, the Shaftesbury team, valuers and external auditors and advisors for their support during my first year.

Ruth Anderson

Chair of the Audit Committee

29 November 2021

Significant accounting matters and key areas of assumptions and estimates

Considerations	Action taken and conclusions
Valuation of the Group's and Longmartin's investment properties	
<p>The valuation of investment properties is a key determinant of the Group's net asset value as well as indirectly impacting executive and employee remuneration. The valuation is conducted by independent valuers. However, valuations are inherently subjective and require significant estimates to be made including, but not limited to, market yields, ERVs and void periods.</p> <p>At 30 September 2021, the valuation of investment properties was £3.0 billion. Our share of the valuation of investment properties held in the joint venture was £164.5 million.</p> <p>Further information on the approach taken by the valuers in valuing the portfolio and a sensitivity analysis on equivalent yields and ERV is set out in note 10 to the financial statements.</p> <p>▲ <i>Portfolio report: pages 54 to 57</i></p>	<p>The Audit Committee Chair and members of the Audit Committee met the valuers without management present, to review the valuations at 31 March and 30 September. The Audit Committee together with the Chairman of the Board, the Chief Executive, Chief Financial Officer and the external audit team met with the valuers at the May and November Committee meetings to discuss the valuation included in the half year and year end financial statements. At these meetings, consideration was given to:</p> <ul style="list-style-type: none"> analysis and commentary by management; presentations from Cushman & Wakefield, valuers of the wholly-owned portfolio, and Knight Frank, who value Longmartin's investment properties, which include comparable evidence for the key assumptions and estimates adopted; and an assessment by the external auditor, which uses its in-house real estate valuers as part of its audit. <p>The Committee considered the disclosures in the financial statements and was satisfied that they were appropriate. The Committee met with both valuers in private to understand whether they had any concerns and was satisfied that there were none.</p> <p>Annually, the valuers also confirm that the fees they receive are not a material part of their overall fee income. Further details in respect of the valuers, including fees for valuation and non-valuation services, are given in note 10 to the financial statements. The Committee remains satisfied that the valuers are objective and independent. Following its reviews, the Committee was satisfied that the valuations had been carried out appropriately and were suitable for inclusion in the Group's accounts.</p>
Accounting for rent waivers as lease modifications	
<p>Under IFRS, the cost of rent waivers is spread over the remaining term of the lease, or extended term if the lease has been extended in exchange for the waiver. At 30 September 2021, the lease incentive balance amounted to £46.5 million (2020: £28.8 million).</p> <p>▲ <i>Financial report: page 80</i></p>	<p>The Committee considered papers from management on the accounting treatment for lease modifications and waivers and discussed the accounting treatment with the external auditor. The Committee was satisfied that the accounting treatment for rent waivers and lease modifications was appropriate, in line with IFRS.</p>
Provisions for expected credit losses and impairments	
<p>At 30 September 2021, tenant arrears amounted to £20.8 million (2020: £26.0 million).</p> <p>Provisions against these arrears totalled £14.1 million (2020: £14.3 million). The Income Statement charge for expected credit losses in the year was £16.4 million (2020: £13.0 million).</p> <p>Management have also assessed the carrying value of lease incentive and deferred letting cost balances, in view of occupiers' financial and operational challenges and the likelihood of tenant failure and considered whether these balances were impaired. The charge for impairments within net property income during the year was £1.3 million (2020: £8.9 million).</p> <p>▲ <i>Financial report: page 80</i></p>	<p>As an area of significant estimation, the Committee considered the methodology used by management and the rationale for the assumptions made in assessing expected credit losses and impairments.</p> <p>The external auditor specifically reported on the provisions made.</p> <p>The Committee concluded it was satisfied with the methodologies and assumptions used by management in assessing the provisions for expected credit losses and impairments, and that the disclosures in the financial statements were appropriate.</p>
Viability and going concern statements	
<p>The significant uncertainties resulting from the impact of the Covid-19 pandemic on the economic environment in which the Group operates have improved in recent months, following the success of the vaccine programme and the recovery in footfall and occupier confidence in the markets in which the Group operates.</p> <p>Nevertheless, in light of remaining uncertainty, the Board has placed a particular focus on the appropriateness of adopting the going concern basis in preparing the consolidated financial statements for the year ended 30 September 2021.</p> <p>▲ <i>Viability statement: pages 98 and 99; Going concern statement: page 157</i></p>	<p>In considering these statements, the Committee reviewed forecasts from management which considered severe but plausible downside scenarios which flexed the key assumptions, in unison, to model the Group's earnings, liquidity and debt compliance under stress. The forecasts also considered a number of key aspects, including:</p> <ul style="list-style-type: none"> loan covenant compliance including waivers received from the Group's finance providers and covenant cure rights available to the Group; available liquidity and financing capacity; and refinancing of debt facilities. <p>The forecasts also included reverse stress testing of debt covenants.</p> <p>Following review and discussion, the Committee concurred with management's recommendation that the viability assessment period should remain at three years, and was satisfied that management had conducted robust assessments of going concern and viability. It recommended to the Board that it could approve and make the viability and going concern statements and the three-year assessment period for the viability statement.</p>

Significant accounting matters and key areas of assumptions and estimates

Considerations	Action taken and conclusions
Alternative Performance Measures	
<p>The Group uses a number of APMs in the Interim Statements and the Annual Report, in order to provide supplementary information. The majority of the APMs are standard across the real estate sector.</p> <p>The APMs and their purpose, are summarised on pages 193 and 194.</p> <p>Management presented a report on the use of APMs and highlighted a new APM in this year's Annual Report, Covid-adjusted EPRA earnings. It explained the rationale for this measure and the disclosures made which are set out on pages 80-81.</p> <p>It also highlighted the removal of three APMs, which it considered did not provide useful supplementary information anymore: Net asset value per share and Diluted net asset value per share are not materially different to EPRA NTA, and the use of adjusted EPRA earnings per share has been discontinued because it no longer serves its purpose in assisting the Board in making decisions on dividends. The rationale for discontinuing with these APMs is set out on page 194.</p>	<p>The Committee considered the report from management and discussed the purpose of the new APM and the discontinuance of three APMs.</p> <p>It also reviewed the relevant disclosures and reconciliations in the accounts, including ensuring that APMs:</p> <ul style="list-style-type: none"> • are not given more prominence than measures under IFRS • are explained, including the rationale for their use • where relevant, are reconciled to IFRS <p>The Committee noted that the material adjustments are not cash items, and that, as a REIT, there were no material tax matters.</p> <p>Following its review, the Committee was satisfied with the use of APMs and the related disclosures in the Annual Report.</p>

Fair balanced and understandable

On behalf of the Board, the Committee discussed a report from the Chief Financial Officer and Group Financial Controller covering the Annual Report and Accounts.

The Committee considered whether the Annual Report and Accounts, taken as whole:

- included a clear explanation of the impact of the pandemic on company operations and financial statements;
- had been open and honest about the challenges, opportunities and successes throughout the year;
- provided clear explanations of our KPIs and how they link to our strategy and remuneration;
- explained our business model, strategy and accounting policies simply, clearly and precisely;
- incorporated clear sign posting to additional information where necessary;
- had a consistent tone throughout the Annual Report; and
- was in line with what had been reported and considered by the Board throughout the year.

The Committee considered whether the Annual Report and Accounts:

- was a fair, balanced and understandable assessment of the Company's position and prospects;
- provided the necessary information for shareholders to assess the Company's performance, business model and strategy; and
- had been written in straightforward language, without unnecessary repetition.

The Committee reported to the Board that it was satisfied that the Annual Report and Accounts was fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

External auditor

The Company has complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

The Committee has a primary responsibility for managing the relationship with the external auditor, which includes being satisfied that they remain effective and independent. Under this responsibility, the Committee review the performance of the auditors and their independence annually.

Following a competitive audit tender process, EY were appointed as external auditor for the year ended 30 September 2016. At the 2021 AGM, shareholders re-appointed EY as the external auditor for the year ended 30 September 2021 and authorised the Board to fix the external auditor's remuneration. The year under review is Dan Saunders' third year as engagement partner following a partner rotation in 2019.

Following the 2020 year end audit, the Committee assessed the performance of the external auditor, their qualifications, expertise, resources, independence, and the effectiveness of the audit process. This assessment was undertaken through discussions with the Chief Financial Officer and Group Financial Controller and review of a detailed assessment questionnaire. The Chair of the Committee and the Chief Financial Officer also met with an independent partner from EY to discuss the assessment. EY separately also confirmed its independence and confirmed to the Committee that:

- it has internal procedures in place to identify any aspects of non-audit work which could compromise its role as auditor and to ensure the objectivity of the audit report;
- the total fees paid by the Group during the year do not represent a material part of its firm's fee income; and
- it considers that it has maintained audit independence throughout the year.

In assessing EY's continued audit independence, the Committee considered the level of non-audit fees which included work on our equity issuance (see page 132). Factors taken into account included:

- the nature of the work undertaken by EY and consideration of the relevant independence threats and safeguards in place. For example, the working capital exercise was carried out by a separate team and led by a separate engagement partner. In addition, there was no self review threat as EY did not prepare any information used for financial reporting;
- all of the non-audit services provided in the year, including the reporting accountants work, were permissible under the UK Ethical Standard;
- for the two years prior to the equity issuance, non-audit services performed by EY were principally only in respect of the review of the half year results and other non-audit services not exceeding £10,000 p.a.; and
- EY did not perform any other non-audit services for the year ended 30 September 2020 and 30 September 2021 apart from the half year review and usual assurance work noted above.

The Committee considered the depth of discussions held with the external auditor and how it had challenged the Group on its approach to significant assumptions and estimates. The Committee was satisfied that EY had sufficiently challenged the Group throughout the year and that its relationship with EY was one of openness and professionalism.

The Committee concluded that:

- it was satisfied with EY's performance throughout the year, the effectiveness of the external audit and the interaction between the auditors and the Committee members;
- it was satisfied with the auditors' qualifications, expertise and resource; and
- it remained confident that EY's objectivity and independence were not impaired by the provision of non-audit services.

As such, the Committee has recommended to the Board that they be recommended for re-appointment as external auditor for the year ending 30 September 2022, at the 2022 AGM.

The Chair of the Committee will discuss any feedback arising from the annual assessment with the EY team in advance of the next audit.

Audit fees

Fees payable to the external auditor for audit and non-audit services are set out in note 6 to the Financial Statements on page 172.

The Committee's policy is that non-audit assignments are not awarded to the external audit firm if there is a risk that audit independence and objectivity could be compromised. Under our non-audit work policy, other than in exceptional circumstances, non-audit fees should not exceed 70% of the audit and assurance fees over a rolling three-year period. The award of any non-audit assignment to the auditors in excess of £25,000 is subject to prior approval of the Committee. Our executive directors have authority to approve non-audit assignments to the auditors under £25,000, however, if this reaches a cumulative amount of £100,000 in a year (including the half year review), the authority for the executive directors falls to £5,000.

As a consequence of EY's work on the Group's equity issue in November 2020 (as outlined in more detail under Independence and effectiveness of the auditor and auditor reappointment on page 132), non-audit fees were 87% of audit fees in the year ended 30 September 2021 (2020: 175%), and were 137% (2020: 303%) of the average audit fees for the preceding three years.

The external auditor was also paid £37,000 (2020: £36,000) for its audit of the Longmartin joint venture. The Company's 50% share of this was £18,500 (2020: £18,000).

Risk management and internal control

The main elements of the Group's internal control framework are set out below:

- Schedule of matters reserved for the Board.
- Clear remit and terms of reference for all Board committees.
- The Group's published tax strategy sets out the approach to tax risk management and governance.
- Executive directors being closely involved in the day-to-day operations of the business, with regular meetings with senior management.
- Risks and internal controls are monitored by management on a day-to-day basis.
- The Risk Committee formally assesses strategic and emerging risks and the related controls or mitigations, and reports to the Committee.
- Formal reviews of the effectiveness of financial, operational and compliance controls by management and external advisors are reported to the Audit Committee.
- The Group's whistleblowing policy and hotline procedures where employees may raise any matters of concern confidentially are reviewed by the Audit Committee annually.

Twice a year, the Audit Committee carries out a review of the Group's principal and emerging risks, including the identification of those business, financial and operational risks which may impact on the Group's strategic objectives. As part of its review of the control environment, the Committee considers reports from management, the work undertaken by external advisors and feedback from the external auditor. Key control observations, exceptions and management actions are reviewed and discussed. The Committee reports to the Board on its review of the Group's risks and internal controls.

Internal audit

The Committee regularly assesses the need for an internal audit function. The Committee has advised the Board that, currently, it considers there to be no need for an internal audit function. This conclusion is based on the simple Group structure, focused nature of the business, and close involvement of executive management with day-to-day decision making.

To supplement reviews of risk management and internal control arrangements undertaken by management, from time-to-time, the Committee appoints third parties to provide further assurance and their reports are made available to the external auditor. This year, an external review was carried out covering the key financial, operational and compliance controls operated within the business. This included controls over valuations, sustainability, health and safety, finance, tax, and cyber security and data governance. The findings were reported to the Committee. Management testing of other controls in the strategic risk register was also considered by the Committee.

The Committee has approved a three year rolling assurance plan, which will commence in the coming year. This plan will be adjusted, over time, to take into account further identified risk areas

Remuneration

Directors' remuneration report

Our aim is to align the remuneration both of our executive directors and employees to performance against the Group's purpose, values and strategy for the long-term success of the business

Remuneration Committee members and meeting attendance

Number of meetings attended (4 held)

Sally Walden (Chair)	●	●	●	●
Ruth Anderson ¹			●	●
Richard Akers	●	●	●	●
Jennelle Tilling	●	●	●	●
Helena Coles ²				●
Dermot Mathias ³		●	●	

1. Ruth Anderson joined 21 December 2020 and could only attend a maximum of two meetings.
2. Helena Coles joined 1 July 2021 and could only attend a maximum of one meeting.
3. Dermot Mathias resigned 2 February 2021 and could only attend a maximum of two meetings.

Key responsibilities

- Determine the Remuneration Policy for executive directors, and the remuneration framework for senior management
- Monitor the appropriateness of the Remuneration Policy
- Ensure that executive directors are remunerated fairly and responsibly with the long-term interests of the Company in mind
- Keep under review employee remuneration, related policies and alignment of incentives and rewards with the Company culture
- Consider the appropriateness of the directors' remuneration framework compared with arrangements for other employees
- Review and approve the performance targets and outcomes (using discretion where appropriate) for the annual bonus scheme and LTIP
- Ensure that the remuneration report and disclosures are easy to read, understandable, accurate and complete

2021 areas of focus

- Reviewed the 2020 annual bonus outcomes
- Considered the 2017 LTIP vesting and approved 2020 LTIP grants
- Reviewed executive directors' salaries
- Set the 2021 annual bonus and LTIP targets
- Considered executive director pension levels and alignment with employees
- Reviewed and approved employee pay and 2021 reward proposals
- Consulted with major shareholders on the Remuneration Policy to be proposed at the 2022 AGM
- Evaluated the performance of Deloitte as independent remuneration advisors
- Reviewed the Committee's effectiveness

How the Committee operates

The Remuneration Committee is composed solely of independent non-executive directors and is chaired by Sally Walden. On Sally's retirement from the Board at the 2022 AGM, Jennelle Tilling will become Chair of the Committee.

The Committee was advised during the year by Deloitte, independent remuneration consultants appointed by the Committee in 2015, following a tender process. Deloitte attend Committee meetings and provide advice on remuneration for the executive directors, the Remuneration Policy and employee remuneration as instructed by the Committee, together with regular market and best practice updates.

At the Remuneration Committee Chair's request, some meetings, or parts of meetings, are attended by the Chairman of the Board, Chief Executive and the external remuneration advisor, Deloitte. Shaftesbury's external HR advisor attends meetings, as appropriate, in relation to workforce remuneration and related policies.

During the year, the Committee held a number of working groups to consider various aspects of executive remuneration and the proposed 2022 triennial Remuneration Policy.



Dear shareholder

On behalf of the Committee, I am pleased to present our 2021 Directors' remuneration report. I am also pleased to report that, at our 2021 AGM, our Directors' remuneration report was approved with over 99% voting in favour.

UK law requires listed companies to seek shareholder approval for the renewal of their Directors' Remuneration Policy at least every three years. As our policy was last approved by shareholders at our 2019 AGM, we will be submitting an updated policy to shareholders at our 2022 AGM. The Policy is set out on pages 142 to 147. The remainder of the report on pages 148 to 155 summarises the remuneration outcomes in respect of the reporting year and proposed director remuneration for the year ahead. This report will be subject to an advisory shareholder vote at the 2022 AGM.

Policy renewal

The Remuneration Policy sets out our approach to the reward of executive and non-executive directors. Our aim is to set a fair and responsible remuneration structure, which encourages both executive and employee behaviours which reflect our culture and values and fosters team continuity through incentives aligned with our strategy and long-term objectives.

In advance of the renewal of our Policy, during 2021, the Committee undertook a review of the Policy to consider whether it remains appropriate for the business and reflects evolving shareholder expectations and market practice. As part of this review, we considered alternative structures but concluded that the current approach remains fit-for-purpose and continues to support the delivery of our strategy and long-term objectives, whilst encouraging executive continuity. Therefore, the Committee is not proposing to make any major changes to the structure of the Policy. However, we are proposing some amendments:

- to align with evolving best practice; and
- in the interests of fairness, address a shortfall in market competitiveness via an increase to LTIP award levels.

Alignment with best practice

The new Policy will formalise changes adopted since the 2019 Policy to align with best practice. This includes:

- the commitment to reduce the pension received by incumbent executive directors to the rate received by all other employees (17.5% of salary) with effect from 1 October 2022; and
- the post-employment shareholding guideline, under which executive directors are expected to retain their minimum level of shareholding (200% of salary or, if lower, their actual shareholding) for a period of two years from the date of cessation of their employment. As part of our review of the Policy the Committee reviewed the level of the post-employment shareholding and we consider this level to be in line with the market.

In addition, we intend to:

- strengthen the malus and clawback provisions which apply to the bonus and LTIP. In line with best practice, a number of additional events ("error in performance condition assessment", "serious reputational damage", and "corporate failure") will be added to our existing provisions; and
- introduce a mandatory deferral of 50% of any bonus earned into deferred shares for three years. This will replace our current approach under which executive directors can voluntarily defer their bonus and receive an uplift in bonus. Our proposed approach is simpler and more transparent, more closely aligns to market practice and ensures, unlike the voluntary approach, that an element of bonus deferral will always apply for our executive directors. There is no change to the maximum bonus opportunity of 150% which is aligned to market and shareholder guidance.

LTIP

As part of the Policy review, the Committee assessed the market positioning of executive director remuneration both against other UK-listed companies of a similar size and our property sector peers. Taking into account the positioning of both salary and LTIP award levels, it concluded that total compensation is generally positioned around or below the lower quartile of the market. Whilst the Committee continues to adopt a sensible and moderate approach to levels of executive pay, we concluded this year that the current market positioning had fallen unacceptably and unsustainably below the market competitive range. As a result, we propose to increase the LTIP award level for executive directors to 200% of salary with effect from the 2022 awards. Our rationale is based on the following:

- we prefer to make any increase to the remuneration package in the form of an increased LTIP award as this best aligns with the interests of our shareholders, emphasising performance-tested, long-term, share-based pay;
- our incentive framework is re-balanced more towards the long term, which we believe aligns better with our strategy and business model;
- the proposed award size of 200% is a reasonable market competitive level of LTIP award, and total compensation will remain at the lower end of the market range; and
- our current shareholder-approved Remuneration Policy already allows awards of up to 200% in exceptional circumstances. As part of the revised policy we will remove any additional exceptional limit setting the maximum award under any circumstances at 200% of salary.

Alignment with employees

A part of the Committee's remit is the oversight of employee remuneration. I can confirm that, in considering the 2022 Remuneration Policy, the Committee is satisfied with the review of the market competitiveness of remuneration for all employees undertaken during the year. In addition, reflecting our team approach, the remuneration structure for employees broadly aligns to that provided to the executive directors, with all permanent employees participating in the LTIP and annual bonus scheme with the same corporate performance targets. For more detail see page 140.

Pay and performance in 2020/21

The focus of the Committee has been to ensure fair levels of executive director and employee reward to reflect performance and achievements in the context of the unprecedented and challenging operational, pandemic-disrupted, environment faced by the business. Our business model was severely affected by the extended periods of lockdown and trading restrictions, which put at risk the survival of many of our occupiers in the hospitality, leisure and retail sectors. Our response was focused on a comprehensive and pro-active approach to support our occupiers, preserving liquidity, the resilience of our balance sheet, and reinforcing our strong stakeholder relationships.

In view of the extremely uncertain outlook for 2021, this year's annual bonus targets were based on a simplified framework of one financial measure, together with sustainability and corporate performance measures, aligned to our operational and financial priorities for the year. Of the bonus opportunity, 75% was based on cash flow from net property income, aligned our commercial priority of maximising income collection, maintaining occupancy levels and managing property costs during the year. The remainder was based on stretching corporate and sustainability projects, which particularly focused on ensuring the business was positioned to respond to the challenges and opportunities that could affect its strategy in a post-pandemic recovery and beyond.

The cash flow from net property income performance target was initially set by reference to the central case in our 2020 viability statement, with a stretching upper target range. Mid-year, the Committee reviewed actual half year performance and considered the much-improved prospects for the lifting of pandemic restrictions in the second half, which could have a positive impact on cash flow prospects. As a result, the Committee materially increased the target cash flow range for the full year to ensure it remained stretching in the context of the potential operational implications of a sustained recovery. Cash flow from net property income for the year of £32.5 million was in excess of the upper end of the revised target range, materially out-performing the Board's original and revised expectations for performance. This exceptional performance reflected the successful actions taken by our team throughout the year, with effective engagement with, and support for, our commercial and residential occupiers, which enabled our villages to quickly re-open, minimised vacancy and was important in attracting new occupiers for space which had become available. As a result of our strategy and actions taken to address the pandemic disruption, the Board has been able to resume dividends.

Corporate objectives were set to align to the priorities in our strategy for the year, which addressed the operational challenges we faced in this extremely difficult environment. In addition to managing our day-to-day operations, we re-appraised our operational resilience structure and processes, introducing a number of changes to ensure we would emerge from the pandemic stronger, able to build on the best of what we do, and, through our "Shaftesbury: Next Chapter" project, continuing to innovate for the longer term to deliver value to our wide range of stakeholders in the years ahead. An important aspect was to ensure we continued to retain and motivate our talented team, as well as recruit to increase our in-house knowledge and experience.

We also devoted considerable effort to refreshing our sustainability strategy to ensure it addresses areas material to our stakeholders and sets a clear commitment and roadmap to achieving a challenging net carbon zero target (see pages 59 and 60).

As a result, of the performance delivered against these targets, the outcome of the sustainability and corporate targets was close to the maximum. Further detail on our business performance for the year can be found on page 44.

In determining the final bonus outcome, in line with good practice and our established approach, the Committee also took into account a broader assessment of performance and market circumstances. The Committee appreciates that the cashflow performance was aided by the timing and success of the vaccination programme and the Government's roadmap out of lockdown, providing the public with the confidence to return to our villages as restrictions were eased. After due consideration, in the context of the year as a whole, the Committee exercised downward discretion, supported by the executive directors, to reduce the bonus by 22.5% to 75% of the maximum. Details of the bonus performance targets and assessment can be found on page 150.

With respect to the LTIP, the challenging backdrop of the last eighteen months has had a material adverse effect on the valuation of our portfolio, which has impacted on our relative share price performance. This resulted in nil vesting of both the 2018 LTIP award's absolute and relative measures, for the third consecutive year.

The year ahead

Salaries for the executive directors were reviewed in the context of an average increase for employees of 4.6%. The Committee determined that the executive directors should receive an increase of 3.5% with effect from 1 October 2021.

The annual bonus targets for the coming year reflects our expectation of a steady and uninterrupted return to normal operating conditions and growth. For more details see page 148.

The maximum opportunity for the 2021 bonus will remain at 150% of salary but with mandatory deferral of 50% of any bonus earned into deferred shares for three years. We will continue to set challenging performance targets, whilst retaining discretion to allow the Committee to ensure the final outcome is appropriate to the overall performance delivered.

For our LTIP, awards will be made to the executive directors as soon as practicable after our 2022 AGM at 200% of salary, subject to shareholder approval of the new Policy. The Committee reviewed the performance measures and targets which apply to the LTIP and determined the following approach for the forthcoming awards:

- We will simplify and amend the framework such that 50% will be based on Total Shareholder Return (TSR) and 50% on Total Accounting Return (TAR). The TAR element will be assessed on both a relative and absolute basis (25% on each). We believe these performance measures remain appropriate and the amended weighting provides a better overall balance between shareholder value and property portfolio performance metrics.
- For the TSR component, we will continue to measure performance relative to the FTSE 350 REITs, but vesting will be based on the ranked position of our TSR against the constituent companies of the FTSE 350 REITs Index, rather than against the Index itself. Threshold vesting will occur for median ranking rising to full vesting for upper quartile performance, in line with market practice.
- For the TAR component, the relative component will continue to be assessed against a peer group of FTSE 350 REITs. The target range for the absolute growth component has been set at 4.5% to 10.5% per annum. This represents a significant increase on the NAV growth range in last year's award (0% to 5%). In line with market trends, we are also widening the range (between threshold and maximum) from 5 to 6 percentage points to reflect the continued uncertainty and lack of visibility in the market, and reduce the risk of binary outcomes in the LTIP vesting.

Further detail on the performance measures for this award are set out on pages 148 and 149.

Sustainability in incentives

The Committee is aware of the importance of including our sustainability objectives and targets, where appropriate, in our management incentive framework and these are already included within our annual bonus performance measures. Following the launch of our net zero carbon 2030 commitment in November 2021, we expect to be in a position to consider objectives and targets, aligned directly to our sustainability strategy, for LTIP awards in the period covered by the Policy. We have, therefore, included flexibility to be able to include sustainability targets in both our annual bonus and LTIP within our proposed 2022 Policy.

Engagement with shareholders

As Chair of the Committee, I consult with shareholders on a regular basis regarding executive remuneration. As I will be retiring from the Board at the 2022 AGM, Jennelle Tilling, will succeed me as Chair of the Remuneration Committee and we have worked closely together this year as part of the succession process.

Ahead of publication of this report, Jennelle and I engaged with shareholders representing over 70% of our share capital and their representative bodies. I would like to thank those shareholders and proxy voting advisors for their time in helping the Committee develop the proposed 2022 Remuneration Policy.

We hope that you will continue to support our approach to remuneration, and the resolutions approving both this report, and the revised Directors' Remuneration Policy, at the 2022 AGM.

Finally, I would like to thank my fellow Committee members, senior management, and external consultants for their contributions during the year.

Sally Walden

Chair of the Remuneration Committee

29 November 2021

Context for our approach to remuneration

We have 54 employees, including four executive directors. The combined holdings of the executive directors is 3.7 million shares (market value at 30 September 2021 of circa £22.2 million). This equates to individual holdings of between 3 and 19 times their annual salary. These substantial holdings have been built up over a number of years through a combination of:

- taking annual bonuses in shares through the Deferred Annual Share Bonus Scheme;
- retaining shares from the LTIP; and
- acquiring shares for cash.

Executive directors and employees have a close involvement and direct impact on the continuing development and implementation of the Group's strategy. Consequently, the Committee considers it appropriate that, in setting objectives and measuring performance, a significant element is attributed to team, rather than individual, performance.

The average length of service of the executive directors is 28 years and members of the Strategy and Operations Executive Committee (excluding executive directors) is 9 years.

Consideration of remuneration and related policies below the Board

One of the Committee's key responsibilities is the oversight of remuneration and related policies below the Board and alignment of those incentives and awards with the Group's strategic aims and culture. We offer remuneration packages to all employees which are market competitive and broadly align with the same structure provided to executive directors.

All eligible permanent employees:

- participate in the LTIP and the annual bonus scheme;
- have the opportunity to defer their annual bonus into shares;
- are eligible to participate in Sharesave, and receive health and life insurance; and
- receive a pension contribution of 17.5% of salary, which is significantly above typical market levels.

The Committee considers it important that employee engagement and feedback is taken into account in setting the Company's remuneration framework. This year, following our inaugural employee reward survey in 2020, we reviewed our employee incentives to ensure they continued to be effective in attracting, retaining and motivating both in the current environment and the long term.

As part of this review, we:

- considered the appropriateness and level of restricted share awards for key senior management;
- reviewed the remuneration structure for employees below the board;
- approved the bonus levels proposed according to roles, and the introduction of personal objectives for 30% of the bonus for employees below the Board as part of the annual bonus scheme to ensure better reward of individuals' contributions to the Group's performance. The introduction of personal objectives, which was a change in the alignment of employee and executive director pay, was initially discussed with the Strategy and Operations Executive Committee and then explained to employees at an all-employee presentation at the start of the financial year. Feedback from our 2021 employee survey was that employees appreciated these changes and were more incentivised to perform; and
- Agreed the executive directors' recommendation for the level of base salary increase for employees below the Board.

Compliance with the 2018 UK Corporate governance Code

In designing the 2022 Remuneration Policy, the Committee had regard to the provisions set out in paragraph 40 of the 2018 UK Corporate Governance Code. In the Committee's view, the proposed Remuneration Policy and current practices address these factors as set out below:

Clarity

Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce

The Committee proactively engaged with shareholders and their representative bodies as part of the Policy renewal process (engaging with shareholders representing over 70% of the share register as part of the 2022 Policy review). Remuneration packages of employees broadly align with the executive director structure and all eligible employees participate in the annual bonus and LTIP scheme.

Simplicity

Remuneration structures should avoid complexity and their rationale and operation should be easy to understand

The Company operates a simple pay model which is weighted towards variable pay. As part of the 2022 Remuneration Policy, the Committee propose to simplify the executive director bonus plan arrangements to introduce a mandatory 50% deferral into shares of the annual bonus earned and simplify the performance measures under the LTIP.

Risk

Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated

There is discretion to reduce variable pay if the Committee does not consider the formulaic outcome to be appropriate in the circumstances, which has been operated in four out of the last seven years. All plans include the ability to operate malus and clawback where appropriate. A proportion of executive director bonus is deferred into shares for three years and post-cessation shareholding guidelines apply to mitigate the risk of short-term behaviours.

Predictability

The range of possible reward values to individual directors and any other limits or discretions should be identified and explained at the time of approving the Policy

The Policy includes a scenario chart showing potential remuneration levels on various assumptions. All awards are subject to maximum grant levels as set out in the Policy, together with the discretions set out under 'Risk' above.

Proportionality

The link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance

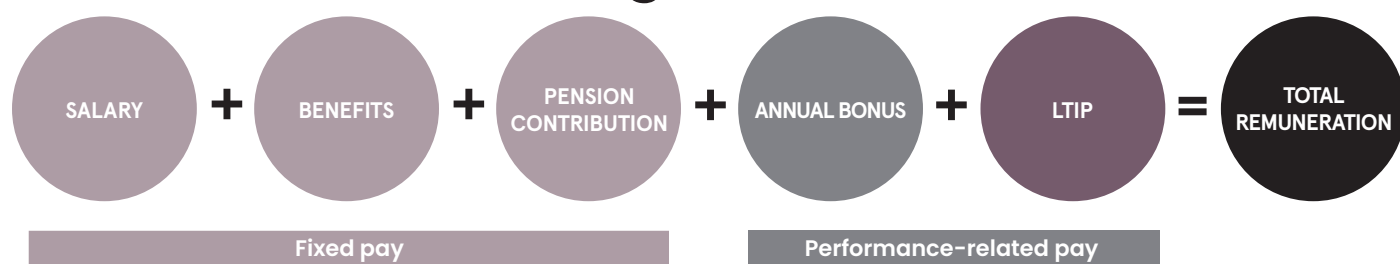
Total remuneration should fairly reflect the performance delivered by the executive directors and the Group. The Committee takes into account underlying business performance and the experience of shareholders when determining vesting outcomes.

Alignment to culture

Incentive schemes should drive behaviours consistent with Company purpose, values, and strategy

The annual bonus plan and LTIP targets are designed to align remuneration with the Group's objectives and long-term strategy and are consistent with Group's purpose, values, and strategy.

Remuneration at a glance

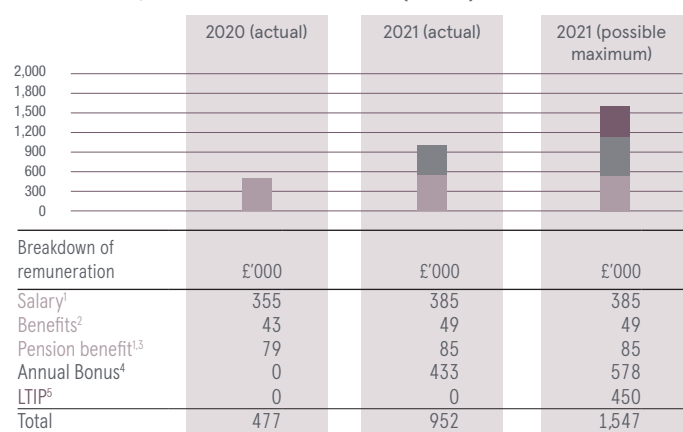


Director Remuneration 2021

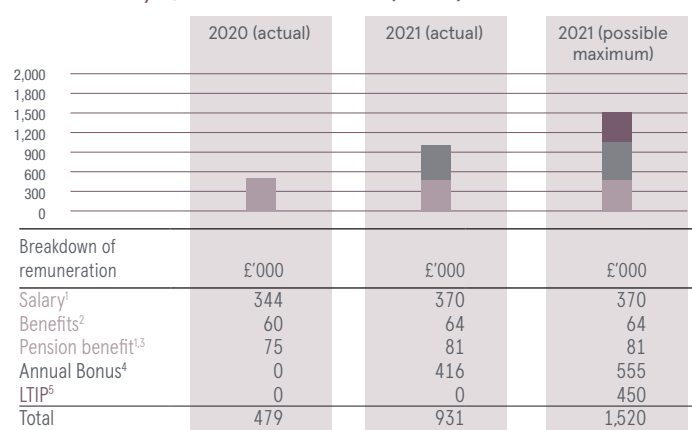
Brian Bickell, Chief Executive (£'000)



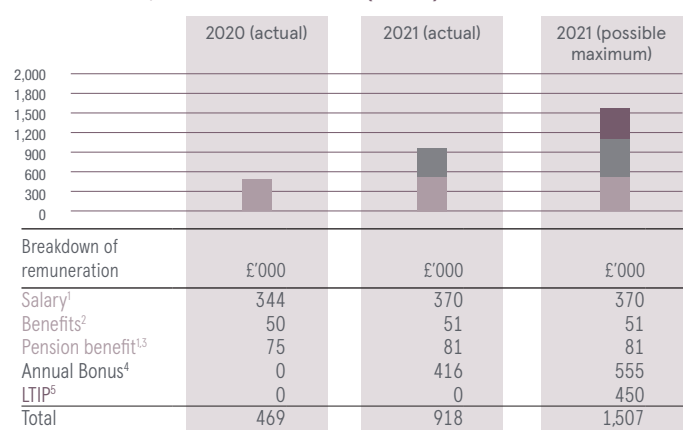
Chris Ward, Chief Financial Officer (£'000)



Simon Quayle, Executive Director (£'000)



Tom Welton, Executive Director (£'000)



1. 2020 salaries and pension entitlements, reflect a four month 20% waiver of salary and pension entitlements.

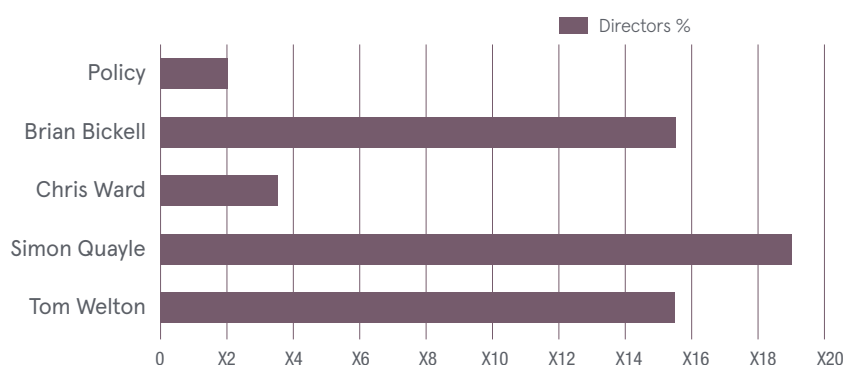
2. Benefits comprise car allowance, permanent health insurance, life insurance, health insurance and Sharesave options which have been valued based on the monthly savings amount and the discount on the option price of 20% at grant.

3. Pension contribution is 25% of salary and may be taken in cash (in part or entirely). The cash equivalent is reduced by any resultant tax liability borne by the Group. The Committee has determined that the pension rate for incumbent directors will be reduced to the employee rate of 17.5% of salary with effect from 1 October 2022 in line with shareholder guidance.

4. Payment for performance in respect of the relevant financial year. No bonus was awarded for the financial year ended 30.09.2020.

5. Reflects the vesting of shares in the LTIP in respect of performance for the relevant financial year. The performance conditions for the three-year performance periods to 30 September 2020 and 30 September 2021 were not met resulting in nil vesting.

Value of shareholding vs. shareholding policy (% of salary¹)



Under the Remuneration Policy, executive directors are expected to build a shareholding of 200% (as at date of appointment to the Board), of salary to be accumulated over five years from appointment.

Executive directors are expected to retain this minimum level of shareholding (or, if lower, their actual shareholding) for a period of two years from the date of cessation of their employment. The requirement shall apply to shares received from the vesting of company share awards.

1. Based on share price at 30.09.21 of £6.085 and salary as at 1.10.2020.

Remuneration Policy

Set out below is our Policy on directors' remuneration, which will be proposed for a binding vote at the 2022 AGM, in line with the three-year regulatory cycle. If approved, the Policy will be effective from that date.

Changes to the remuneration policy

As set out in Sally Walden's introductory letter, the key features of the current structure have been retained under the new Policy, with changes proposed only to formalise modifications implemented during the life of the current Policy, to align LTIP levels to market, and to reflect the latest shareholder expectations. The main changes are as follows:

- **Pension alignment** – In line with shareholder expectations for executive pension contributions to be aligned to the rate available to the majority of the workforce and, as committed to previously, we will reduce the maximum pension contribution for incumbent executive directors from 25% of salary to the all-employee rate (currently 17.5% of salary) with effect from 1 October 2022.
- **Post-cessation shareholding requirements** – As previously committed to, executive directors are expected to retain their minimum level of shareholding (200% of salary or, if lower, their actual shareholding) for a period of two years from the date of cessation of their employment.
- **Annual bonus deferral** – The approach to bonus deferral for bonuses earned under the new Policy will be simplified and become mandatory. Executive directors will be required to defer 50% of any annual bonus award into shares for a period of three years.

- **LTIP maximum** – The normal maximum LTIP award will be increased from 150% of salary to 200% of salary. There will no longer be a higher "exceptional" award limit.

- **Malus and clawback** – The scenarios under which malus and clawback provisions can be applied have been enhanced to fully align with investor guidance.

The Committee followed a robust process when undertaking the review of the Remuneration Policy, which took place over the course of 2021 ensuring alignment with the strategic direction of the Group whilst also taking into consideration key corporate governance developments since the last review of the Policy and the latest investor thinking. The Committee also sought advice from its independent advisor and consulted with shareholders holding over 70% of our share capital. In line with best practice, directors do not participate in discussions regarding their own remuneration.

Executive directors

Element	Link with strategy	Operation	Maximum potential value	Performance measures and performance periods
Salary	Fixed remuneration at a level appropriate to skills, experience, and complexity of the role.	<p>Salaries are normally reviewed annually with effect from 1 October. Salary increases are ordinarily in line with the broader employee population but on occasions may need to recognise other factors, for example, an increase in the scale, scope or responsibility of the role, and developments in the wider competitive market.</p> <p>Sector and other relevant market data (e.g. against constituent companies of the FTSE 350 REIT Index) may be requested from remuneration advisors.</p> <p>The emphasis in the Group's remuneration policies is to place greater weight on performance-based rewards within the overall remuneration package.</p>	<p>The Committee does not specify a maximum salary or maximum salary increase.</p> <p>Further details on salary levels and any increases are provided in the Annual Remuneration Report.</p>	None.

Executive directors continued

Element	Link with strategy	Operation	Maximum potential value	Performance measures and performance periods
Annual bonus	To incentivise performance in the reporting year through the setting of targets at the beginning of the year. These annual targets are consistent with the Group's long-term strategy. The deferral of an element of bonus into shares seeks to align directors' interests with those of shareholders and discourage short-term decision making.	<p>Annual performance targets are set by the Committee at the beginning of the year and are linked to the Group's strategy and key business objectives.</p> <p>At the end of the financial year, the Committee evaluates performance against these objectives, whilst also taking into account overall performance. The Committee also satisfies itself that short-term targets have not been met at the expense of long-term goals.</p> <p>Within the parameters of the scheme, the Committee has discretion to adjust bonus outcomes (upwards or downwards) as it considers appropriate.</p> <p>Minimum performance required for any part of the bonus to be earned is calibrated so as to be appropriately stretching and achievable.</p> <p>50% of any bonus awarded will normally be deferred into shares (in the form of a conditional award of shares or a nil-cost option). These awards vest after a minimum of three years from grant under the Company's deferred bonus plan. No further performance conditions apply. Awards may also, at the Committee's discretion, be settled in cash.</p> <p>Malus and clawback provisions apply to all elements of the bonus (as described in the section below).</p>	Up to 150% of salary.	<p>Performance targets are set by the Committee.</p> <p>Performance is assessed against a set of key financial and non-financial annual measures which may vary each year depending on the annual priorities of the business and prevailing market conditions.</p> <p>Measures will be weighted in alignment with the Group's objectives for each year. A substantial part of the total bonus will be based on quantitative KPIs.</p> <p>Further details of the measures, weightings and targets applicable are provided in the Annual Remuneration Report for that year.</p>
LTIP	To incentivise and reward performance over the long-term, aligning directors' interests with those of shareholders and to encourage the management of the Group's business in accordance with its long-term strategy and goals.	<p>Awards may be granted in the form of nil cost options, conditional share awards or, at the Committee's discretion, be settled in cash. These awards vest after a period of three years, subject to performance.</p> <p>At the end of the performance period, performance against the targets is calculated, and the percentage of awards that will vest is determined.</p> <p>Unless the Committee determines otherwise, vested shares will then be subject to an additional holding period before participants are entitled to receive their shares. A holding period will normally last for two years, unless the Committee determines otherwise.</p> <p>Malus and clawback provisions apply to the LTIP (as described in the section below).</p>	Maximum value of 200% of salary at date of grant.	<p>The awards will be subject to performance targets measured over a three-year period. It is intended that these performance measures are aligned to strategic objectives and shareholder value.</p> <p>For awards granted in 2022, the performance measures will be as follows:</p> <ul style="list-style-type: none"> • Total Accounting Return (TAR); and • Total Shareholder Return (TSR) measured relative to a relevant index of peers. <p>The Committee has discretion to use different or additional performance measures (for example sustainability related) or weightings for awards in future years to ensure that the LTIP remains appropriately aligned to the prevailing business strategy and objectives.</p> <p>The detailed targets are set out in the Annual Remuneration Report.</p> <p>Threshold vesting will be no higher than 25% of maximum.</p> <p>The Committee may amend or substitute any performance measure applicable to an LTIP award if an event occurs that causes the Committee to determine an amended, or substituted, measure would be more appropriate and not materially less difficult to satisfy.</p> <p>The Committee will consider the Group's underlying performance over the performance period and has discretion to adjust the final vesting level to take this into account.</p>

Executive directors continued

Element	Link with strategy	Operation	Maximum potential value	Performance measures and performance periods
All employee plans	Part of overall package for all employees, encouraging share ownership.	Executive directors are eligible to participate in other share plans, which are offered on similar terms to all employees, for example Sharesave and SIP.	The limits are as defined by HMRC from time to time.	None.
Pension	Part of overall package for executive directors providing appropriate remuneration and retirement benefits	Contribution paid into a personal pension plan or taken as a cash equivalent, reduced for any resultant tax liability borne by the Group.	For any executive director appointed after 29 November 2021, the maximum contribution or cash allowance is 17.5% of salary, aligning to the pension rate available to the majority of the wider workforce. For any executive director appointed prior to 29 November 2021, the maximum contribution or cash allowance remains 25% of salary, this will reduce to the rate available to the workforce currently 17.5% of salary with effect from 1 October 2022.	None.
Other benefits	Part of overall package for executives providing comprehensive remuneration.	Each executive director currently receives: <ul style="list-style-type: none"> • car allowance • private medical cover • life insurance • permanent health insurance Newly-appointed directors will not receive a car allowance. Other benefits may be provided if considered reasonable and appropriate by the Committee, including, but not limited to, housing allowance and relocation allowance.	There is no maximum value. Benefits are set at a level which the Committee determines is reasonable and appropriate. The value may vary depending on service provided, cost and market conditions.	None.
Shareholding guidelines	To further encourage long-term alignment between executives and shareholders.	Executive directors are expected to build up a shareholding of 200% of salary (as at the date of appointment to the Board), to be accumulated over five years from appointment. Following cessation of employment, executive directors are expected to retain this holding or, if lower, their actual shareholding, for a period of up to two years from the date of cessation of their employment. Shareholding includes shares subject to deferred annual share bonus awards, though reduced in number to reflect that the holding is subject to income tax and national insurance deductions on exercise. Shares received under the LTIP and deferred annual share bonus scheme are required to be retained on a net of tax basis, until the minimum shareholding level is attained.	N/A	N/A

Notes to the table:

- The performance measures set by the Committee for the annual bonus scheme reflect Group KPIs and short-term measures which are consistent with, and support, the Group's strategic goals of long-term growth in rental income and net asset value. The Committee may make reasonable changes to the measures or weightings each year in order to ensure continued alignment with strategy.
- LTIP performance measures are selected to align the interests of directors with those of shareholders. Performance targets are set by the Committee to be appropriately stretching and achievable taking into account the Group's strategic priorities and the economic environment in which the Group operates.
- The Committee reserves the right to make any remuneration payments, and payments for loss of office (including exercising any discretion available to it in connection with such payments), notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed: (i) before 8 February 2019 (the date the Company's previous directors' Remuneration Policy approved by shareholders in accordance with section 439A of the Companies Act came into effect); (ii) before the Policy set out above came into effect, provided that the terms of the payment were consistent with the Directors' Remuneration Policy (approved by shareholders in accordance with section 439A of the Companies Act) in force at the time they were agreed; or (iii) at a time when the relevant individual was not a director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a director of the Company. For these purposes "payments" includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted.
- The Committee may make minor amendments to the Policy (for regulatory, exchange control, tax or administrative purposes, or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

Non-executive directors and chairman

Element	Link with strategy	Operation	Maximum potential value	Performance measures and performance periods
Fees and benefits	To provide market-competitive director fees.	<p>Fees are normally reviewed on an annual basis. Sector and other relevant market data may be requested from remuneration advisors where required.</p> <p>A further fee is payable to reflect the additional time commitment required for other Board duties, such as chairing Board committees or acting as Senior Independent Director.</p> <p>The fee paid to the Chairman is determined by the Committee and fees to non-executive directors are set by the Board.</p> <p>Benefits may be provided to non-executive directors if considered reasonable and appropriate by the Board.</p> <p>Non-executive directors are not eligible to participate in any performance-related variable remuneration including the annual bonus and LTIP schemes.</p>	As with the Policy for the executive directors, the Policy does not specify a maximum fee or level of increase.	None.

Difference between policy for directors and employees

Pay and benefits throughout the Group are taken into consideration when setting remuneration policy. Employees below Board level are offered broadly the same remuneration structure as the executive directors, although not all employees are eligible for all benefits provided to executive directors. Individual salary levels, percentage levels of awards in the annual bonus and LTIP vary according to employees' level of responsibility. With effect from 1 October 2022, the executive director pension contribution will align with that available to the workforce (17.5% of salary). The same Group performance criteria, where relevant, are applied to executive directors and other employees.

As the same broad remuneration structure, including participation in the annual bonus and LTIP, is cascaded to all employees, the Committee did not formally consult employees when drawing up the policy for executive directors. We did, however, engage with employees, on the divergence of their remuneration from the Directors' Remuneration Policy as a result of the inclusion of personal objectives, for employees only, as part of the annual bonus plan.

Malus and clawback

The Committee has discretion to exercise the following malus and clawback provisions in respect of the annual bonus and the LTIP in certain circumstances. These circumstances include, but are not limited to, material misstatement of the financial statements, gross misconduct, an error in the assessment of a performance condition (or calculation being based on inaccurate information), serious reputational damage of the Group or material corporate failure.

In these circumstances, the Committee may:

- reduce a bonus prior to payment, or reduce the vesting of a deferred share or LTIP award prior to vesting;
- require, at any time prior to the third anniversary of payment, a participant to return the value of the cash bonus received;
- require, at any time prior to the fifth anniversary of grant, a participant to return the value of the LTIP awards received.

Recruitment policy

Executive directors

A newly-appointed director's remuneration would be proposed by the Committee and approved by the Board in line with the Policy. The Group offers salary, benefits, annual bonus and awards under the LTIP, as described in the table on pages 142 to 144.

Where an individual forfeits remuneration with a previous employer as a result of appointment to the Company, the Committee may offer compensatory payments or awards to facilitate recruitment. Any such payments or awards would be in such form as the Committee considers appropriate to be in the best interests of the Company and would, where appropriate, reflect the nature, time horizons and performance requirements attaching to that remuneration. There is no limit on the value of such compensatory awards, but the Committee's intention is that broadly the value awarded would be no higher than the value forfeited. The Committee has the discretion to implement a one-off arrangement for the purposes of buy-out awards only, in accordance with Listing Rule 9.4.2 R.

External appointment

Element	Approach	Maximum annual grant value*
Salary	The salaries of appointees will be determined by reference to relevant market data, experience and skills of the individual, internal relativities and their current salary. Where new appointees have initial salaries set below market, any shortfall may be managed with phased increases, subject to the individual's development in the role.	N/A
Annual bonus	In line with the limits set out in the Policy table. For executive directors joining part way through a year, awards would normally be pro-rated. The Committee may determine different performance targets for the new recruit, to reflect the shortened period in role.	150% of salary
LTIP	New appointees will be granted awards under the LTIP as described in the policy table. The Committee may amend or alter the performance targets for the new recruit, as it considers appropriate.	200% of salary

*excludes compensation for variable remuneration lost on leaving a former employer

Internal appointment

In the event of appointing a new executive director by way of internal promotion, the Policy will be consistent with that for external appointees as detailed above. Any variable pay element awarded in respect of the prior role or any other continuing remuneration obligations existing prior to appointment may be allowed to continue in accordance with its terms.

Non-executive directors

Newly appointed non-executive directors are paid fees at a level consistent with existing non-executive directors. Fees would be paid pro-rata in their first year.

Loss of office payment

Provisions for payments on termination contained in executive directors' service contracts are set out below:

	Date of appointment	Date of current contract	Notice period	Termination arrangements (in lieu of notice periods)
Brian Bickell	1.10.2011	6.6.2011	One year's notice	Termination by payment of salary plus benefits, payable monthly and subject to mitigation
Chris Ward	9.1.2012	3.10.2011	One year's notice	Termination by payment of salary plus benefits, payable monthly and subject to mitigation
Simon Quayle	1.10.1997	8.10.1997	One year's notice	Termination by payment of salary
Tom Welton	1.10.1997	8.10.1997	One year's notice	Termination by payment of salary

Any new executive director would be appointed on the same loss of office terms as Brian Bickell and Chris Ward, namely twelve months' salary and benefits, payable monthly and subject to mitigation.

The terms of appointment of non-executive directors are documented in letters of appointment. Non-executive directors have a one-month notice period and their appointment would terminate without compensation if not re-elected at an AGM.

All contracts are available for inspection at the Company's registered office.

Approach to other remuneration payments on termination of employment and change of control

In addition to the contractual provisions regarding payment on termination set out above, the Group's incentive plans and share schemes contain provisions for termination of employment:

Component	Good leaver*	Bad leaver*	Change of control**
Annual bonus	May be eligible, at the discretion of the Committee, to receive an award based on the achievement of the performance targets and reduced pro-rata for time served in the year. Any such bonus will normally be delivered in cash and shares (per the Policy table) but the Committee retains discretion to deliver the bonus solely in cash and to pay it at the normal cash payment date.	Outstanding award forfeited	At the discretion of the Committee
Deferred Annual Share Bonus Scheme	Awards vest on the normal vesting date unless the Committee determines the award should vest following cessation of employment.	Outstanding unvested awards are forfeited	Awards vest at date of change of control

Component	Good leaver*	Bad leaver*	Change of control**
LTIP	Unvested awards will vest at the same time as if the individual had not left the Group, unless the Committee determines the award should vest following the cessation of employment. Vested awards remain subject to the two-year post-vesting holding period***. The extent to which an unvested award vests will be determined by the Committee, taking into account normal performance conditions, and, unless the Committee determines otherwise, the proportion of the vesting period the participant has served.	Outstanding unvested awards are forfeited Vested awards remain subject to the two-year post-vesting holding period	Awards vest at date of change of control (and are released) taking into account, in the case of unvested awards, the performance conditions and, unless the Committee determines otherwise, the proportion of the vesting period that has elapsed
All employee plans	In line with HMRC rules	In line with HMRC rules	In line with HMRC rules

* Good leaver provisions relate to termination of office or employment by reason of death, disability, injury, the participant's office or employment being with a company or business which ceases to be a member of the Group or, in other circumstances, at the discretion of the Committee (for example redundancy or retirement).

Bad leaver provisions apply under all other circumstances.

** Alternatively, on a change of control, awards may be exchanged for equivalent awards of shares in a different company. In the event of a demerger, delisting, special dividend or other event which, in the Committee's opinion, would materially affect the current or future value of the Company's shares, the Committee may allow awards to vest and be released early on the same basis as for a change of control. Alternatively, in these circumstances or in the event of a variation of the Company's share capital, the Committee may adjust the number of shares subject to an award.

*** If a participant leaves during a holding period for any reason, his award will normally be released at the same time as if he had not left the Group, unless the Committee determines it should be released following his cessation of employment. However, if a participant is summarily dismissed, his award will immediately lapse.

The use of any discretion described above would be disclosed in the Annual Report for the relevant year.

Consideration of shareholder views

Shareholders, representing over 70% of the Company's issued share capital, have been given the opportunity to comment and question the Committee on the Remuneration Policy and the proposed changes. The Chairman of the Committee was available to discuss the Policy with shareholders and governance bodies. Shareholder responses were considered by the Committee and taken into account when finalising the proposals.

External appointments

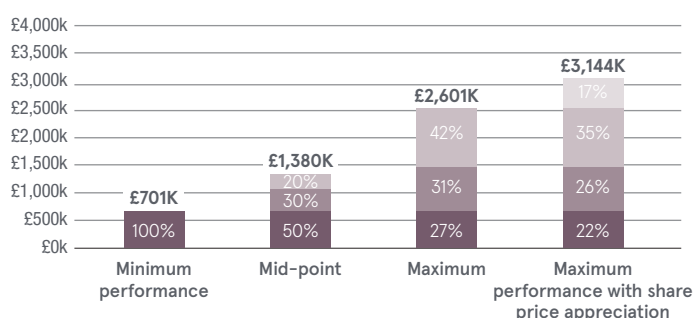
Executive directors are permitted to accept external appointments, subject to the prior approval of the Board, where there is no conflict or adverse impact on their role. Any fees arising from such appointments may be retained by the executive director where the appointment is unrelated to our business.

Potential remuneration for directors

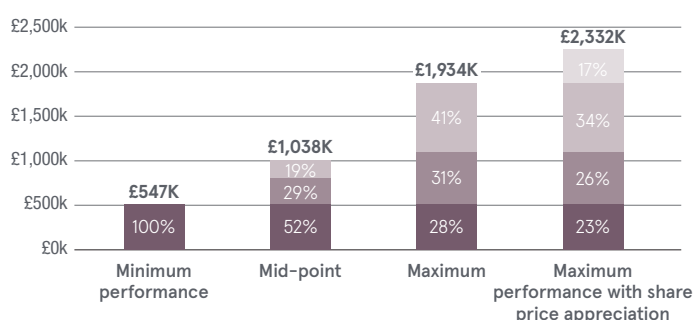
The charts below set out the potential remuneration receivable by directors for below threshold, on-target and maximum performance. Potential reward opportunities are based on this Policy and applied to salaries as at 1 October 2021. Note that the projected values exclude the impact of any share price movement or dividend accrual.

The minimum scenario reflects salary, pension, and benefits (i.e. fixed remuneration) which are the only elements of the executive directors' remuneration packages not linked to future performance. The on-target scenario reflects fixed remuneration as above, plus bonus pay-out of 75% of salary and LTIP threshold vesting at 25% of maximum award. The maximum scenario reflects fixed remuneration, plus full pay-out of all incentives. In accordance with the reporting regulations, no share price appreciation or depreciation has been assumed in calculating the values shown in the charts below (with the exception of the final column which shows the impact of a 50% increase in share price in relation to the LTIP, in line with regulatory requirements).

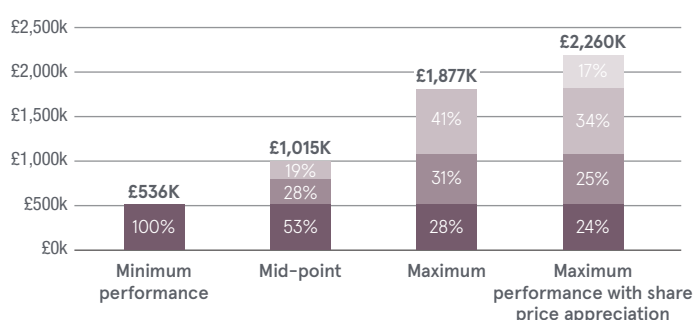
Brian Bickell (£'000)



Chris Ward (£'000)



Simon Quayle and Tom Welton (£'000)



■ Salary/benefits ■ Annual bonus ■ LTIP ■ Share price appreciation

Annual remuneration report

Set out below is the annual remuneration report on directors' pay for the year ended 30 September 2021. The report details how we will apply the proposed Remuneration Policy for the year ahead and how we implemented the current Policy during the financial year.

Statement of implementation of remuneration for year ending 30 September 2022

Executive directors' salaries from 1 October 2021

	1.10.2021 £'000	1.10.2020 £'000	Increase
Brian Bickell	543	525	3.5%
Chris Ward	398	385	3.5%
Simon Quayle	383	370	3.5%
Tom Welton	383	370	3.5%

For employees below the Board, the average increase was 4.6%.

2022 annual bonus targets

The maximum bonus opportunity is 150% of salary.

50% of any bonus must be deferred into shares which vest after a three year period.

The performance measures for the year are set out below. These represent a balanced mix of our financial, operational, sustainability and corporate objectives for the year. Disclosure of annual bonus targets for the year ending 30 September 2022 is therefore deemed to be commercially sensitive. The targets will be disclosed retrospectively next year, provided they are no longer commercially sensitive.

Measure	Percentage weighting
Rental growth (KPI)	
Deliver growth in ERVs	15%
Convert ERVs to contractual income (KPI)	
Commercial lettings/reviews/renewals at or above valuers' ERVs twelve months earlier	15%
Rent collection	15%
Occupancy (KPI)	
Maximise portfolio occupancy, whilst ensuring tenant selection criteria is maintained	15%
Sustainability	20%
Corporate	20%

LTIP

Subject to the approval of the Remuneration Policy, LTIP awards of 200% of salary will be granted after the 2022 AGM. Performance will be measured over a three year period which commenced on 1 October 2021. A two year post-vesting holding period will apply to these awards. The Committee will consider the Group's underlying financial performance over the three year measurement period before determining the final vesting level. The Committee will assess whether any potential "windfall gains" have arisen, in accordance with guidance from shareholder bodies.

The vesting of this award will be subject to three performance measures, as shown in the following tables. For further background on the changes from last year, see the Chair's letter on pages 137 and 139.

TSR (relative to constituents of the FTSE 350 REIT Index) - 50% weighting	Vesting Schedule (for this component)
Below median performance	0%
Median performance	25%
Between median and upper quartile performance	Pro-rata on a straight line basis between 25% and 100%
Upper quartile performance	100%

TAR (absolute growth target) ¹ - 25% weighting	Vesting Schedule (for this component)
Less than 4.5% pa	0%
4.5% pa	25%
Between 4.5% pa and 10.5% pa	Pro-rata on a straight line basis between 25% and 100%
10.5% pa or more	100%

TAR relative to market cap-weighted index of FTSE 350 REITs ¹ - 25% weighting	Vesting Schedule (for this component)
Below index	0%
Equal to index	25%
Between index and index +2% per annum	Pro-rata on a straight line basis between 25% and 100%
Index +2% per annum or above	100%

1. TAR measures growth in EPRA NTA plus any dividends (or other distributions to shareholders which reduce NTA) paid during the period expressed as a percentage of EPRA NTA at the start of the year.

Non-executive directors' fees from 1 October 2021

Non-executive director fees are reviewed every two years, however, this will now be undertaken annually. Following the most recent review, the first since 2019, taking into account market data, the following changes were agreed and will take effect from 1 October 2021:

- Fees for the Chairman will be increased from £235,000 to £250,000 per annum.
- Fees for non-executive directors will be increased from £60,000 to £65,000 per annum.
- There is an additional fee of £15,000 where a non-executive director chairs a committee and for the Senior Independent Director. The Chairman does not receive an additional fee for chairing the Nomination Committee.

Remuneration for year ended 30 September 2021

Single total figure of remuneration for executive directors (audited)

	Salary		Benefits ²		Pension benefit ³		Total Fixed		Annual bonus ⁴		LTIP ⁵		Total Variable		Total	
	2021 £'000	2020 ¹ £'000	2021 £'000	2020 ¹ £'000	2021 £'000	2020 ¹ £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Brian Bickell	525	488	22	21	115	107	662	616	591	-	-	-	591	-	1,253	616
Chris Ward	385	355	49	43	85	79	519	477	433	-	-	-	433	-	952	477
Simon Quayle	370	344	64	60	81	75	515	479	416	-	-	-	416	-	931	479
Tom Welton	370	344	51	50	81	75	502	469	416	-	-	-	416	-	918	469

- 2020 salaries and pension entitlements, reflect a four month 20% waiver of salary and pension entitlements by all executive directors
- Benefits comprise car allowance, permanent health insurance, life insurance, health insurance and Sharesave options which have been valued on the monthly savings amount and the discount on the option price of 20% at grant.
- Pension contribution is currently 25% of salary for incumbent directors and may be taken in cash (in part or entirely). The cash equivalent is reduced by any resultant tax liability borne by the Group. The Committee has determined that the pension rate for incumbent directors will also be reduced to 17.5% of salary with effect from 1 October 2022, in line with shareholder guidance.
- The outcome of the bonus is explained on the table on page 150. Executive directors have elected to receive this amount solely in deferred shares under the terms of the current Policy.
- Reflects the vesting of shares in the LTIP in respect of performance for the relevant financial year. The performance conditions for the three-year performance period to 30.9.2021 and 30.9.2020 were not met and, therefore, none of the awards vested.

Single total figure of remuneration for non-executive directors (audited)

	Fee		Committee chair/ Senior Independent Director fee		Total Fixed ²	
	2021 £'000	2020 ¹ £'000	2021 £'000	2020 ¹ £'000	2021 £'000	2020 £'000
Jonathan Nicholls	235	218	-	-	235	218
Richard Akers	60	56	15	13	75	69
Sally Walden	60	56	15	13	75	69
Jennelle Tilling	60	56	-	-	60	56
Ruth Anderson ³	47	-	9	-	56	0
Helena Coles ⁴	15	-	-	-	15	0
Dermot Mathias ⁵	24	56	6	13	30	69

- Non-executive directors waived 20% of their fees for four months from 1.4.2020 in response to the Covid-19 pandemic.
- Non-executive directors do not receive any variable remuneration.
- Joined the Board on 21.12.2020.
- Joined the Board on 1.7.2021.
- Retired from the Board on 25.2.2021.

Annual bonus outcome for year ended 30 September 2021

Retrospective disclosure of the targets for the 2021 annual bonus scorecard is provided below.

This year, in addition to managing our day-to-day operations in a challenging environment we used the opportunity of the disruption of our business model to re-examine how we operate with a view to emerging from the pandemic stronger, capitalising on the best of what we do, and innovating for the longer term and to attract, retain and motivate our talented team to continue to deliver value to our wide range of stakeholders.

Measure	Weighting	Target/achievement against	Percentage achieved
Cash flow from net property income Cash flow from net property income adjusted to remove a number of items such as subsequent collection of arrears at 30.9.2020, receipts of surrender premia and cash received in advance of the coming year. It was also moderated to remove the impact of working capital movements from property costs	75%	<ul style="list-style-type: none"> Target maximum cash flow £31 million. Actual cash flow generated £32.5 million. EPRA vacancy reduced across the portfolio (% of total ERV 1.10.2020: 10.2%; 30.9.2021: 6.0%). Maximised occupancy and secured lettings in the face of unprecedented pandemic disruption. Extensive engagement with our commercial occupiers to offer tailored financial assistance to their circumstances. Adapted leasing model to offer rent waivers, deferrals, stepped rents, rebased and turnover related rents for retail. Regular engagement by the team with our occupiers across the uses to monitor individual tenants' trading and collection of contracted rents. As at 30.9.2021, 54% of contracted rents collected against a target set in November 2020 of 25%. Introduced "fully fitted Assemble" option for office occupiers (and roll out of digital office lease). Recreated of our village experiences online to highlight occupiers' alternative lockdown offerings and attract visitors back to our villages on the easing of lockdown. 	75%
Sustainability and corporate projects Refresh sustainability strategy and set Net Zero Carbon commitment, strategy and roadmap Initiatives to position the business to anticipate and adapt to a post-pandemic operating environment Drive HR initiatives including development and implementation of the Shaftesbury reward and recognition programme, employee engagement and wellbeing	25%	<ul style="list-style-type: none"> Stakeholder material consultation undertaken to identify the key issues and priorities of a wide range of stakeholders, leading to the preparation, Board approval and launch of a refreshed and comprehensive sustainability strategy. Set carbon neutral and net zero carbon commitments, strategy and delivery roadmap which was approved by the Board. Included detailed three-year goals. Set key priorities to support local community, with particular focus on young people and employment issues. Externally-facilitated Board and team-wide project to identify global and societal trends that could impact our business model, and the steps we need to take now to our adapt our business and operational culture to improve resilience, anticipate and plan for structural changes and identify new opportunities. Implemented changes to internal management structure and processes to improve efficiency and collaboration, focusing on a "One Shaftesbury" rather than village approach. Initiated three-year IT and digital transformation programme to provide better access to data and insights. Reviewed and streamlined our-sourced business model and rationalised use of external advisors across a range of disciplines. Reviewed our team resource, to ensure we have the necessary internal skills to navigate growing complexity and change, and to ensure we have a pipeline of experience and talent in our next generation of employees. Established working groups tasked with overseeing development of strategy in key areas including place and occupier mix, data and insights, developing our corporate brand and profile and stakeholder engagement. New quarterly performance review process embedded including the introduction of personal bonus objectives set for all employees following feedback from 2020 employee survey. Wellbeing pulse survey feedback used to develop hybrid working arrangements to ensure employee wellbeing and support effective and collaborative working. 90% of employees felt proud to work for Shaftesbury and would recommend Shaftesbury as a great place to work. 93% of people felt able to have an open conversation with their manager. 	22.5%
Total			97.5%
Impact of exercise of Committee discretion			(22.5)%
Total bonus due after application of discretion			75%

Committee's exercise of discretion

The Committee believes that annual bonus awards should fairly reflect overall performance in the context of prevailing general economic and property market conditions and exercises discretion, where appropriate, to take account of overall financial performance and future prospects of the Company.

The Committee has exercised discretion in the award of bonuses for the year ended 30 September 2021. The table below shows historic exercise of discretion by the Committee.

Year	Actual bonus percentage potential according to achievement table	Bonus percentage after exercise of discretion by Remuneration Committee
2015	70%	Reduced to 60%
2016	82%	Reduced to 60%
2017	55%	No change at 55%
2018	52.5%	No change at 52.5%
2019	57.5%	No change at 57.5%
2020	25%	Reduced to 0%
2021	97.5%	Reduced to 75%

LTIP vesting for performance period to 30 September 2021

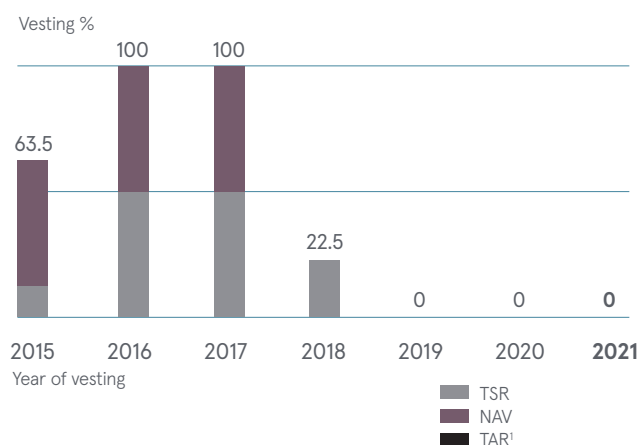
The detailed performance against targets which resulted in 0% vesting of the LTIP in 2021 is as follows:

Annualised TSR of the Company's shares less annualised TSR of the FTSE 350 REIT index	Annual vesting criteria	Performance
Less than 0% pa	0%	Performance in the three-year period to 30 September 2021: -11.0% (benchmark: 5.5%)
0% pa	25%	
Between 0% pa and 5.5% pa	Pro-rata on a straight line basis between 25% and 100%	
5.5% pa or more	100%	Vesting outcome (for this third of the award) is zero

Annualised NAV growth less annualised RPI growth	Award vesting criteria	Performance
Less than 3% pa	0%	Performance in the three-year period to 30 September 2021: -13.9% pa versus RPI growth of 2.8% pa
3% pa	25%	
Between 3% pa and 7% pa	Pro-rata on a straight line basis between 25% and 100%	
7% pa or more	100%	Vesting outcome (for this third of the award) is zero

TAR against peer group comprising FTSE 350 REITs	Award vesting criteria	Performance
Below median	0%	Performance in the three-year period to 30 September 2021: -33.3% (benchmark: 13.3%)
Median	25%	
Between median and upper quartile	Pro-rata on a straight line basis between 25% and 100%	
Upper quartile	100%	Vesting outcome (for this third of the award) is zero

Historic LTIP vesting performance



1. The TAR performance measure is only applicable to 2018 LTIP award vesting in 2021.

Share scheme interests awarded during the year (audited)^{1,2}

	Scheme	Face value at date of award £'000
Brian Bickell	LTIP ²	656
Chris Ward	LTIP ²	481
Simon Quayle	LTIP ²	462
Tom Welton	LTIP ²	462

1. Deferred Annual Share Bonus Scheme: No annual bonus was awarded to executive directors for the year ended 30.9.2020.

2. LTIP: Awards of nil cost options were made by the Committee at 125% of salary. The face value is calculated using the average share price over the five days prior, up to and including 21.12.2020, to determine the number of shares awarded, being £5,421. There is a three-year performance period with a two-year post-vesting holding period. As disclosed in last year's report, in the context of the decrease in our share price as a result of the impact of the pandemic over the period prior to the grant of this award, the Committee's assessment on the final vesting level will include consideration of whether any potential "windfall gains" have arisen, in accordance with guidance from shareholder bodies.

Directors' shareholdings and share scheme interests at 30 September 2021 (audited)

	Shares owned outright	Shareholding requirement met ²	Value of shares owned outright as a percentage of salary ³	Deferred shares ⁴	Shares under option not vested and subject to performance criteria ⁴	Shares vested and subject to two year post-vesting holding period	Sharesave
Executive directors							
Brian Bickell	1,336,539 ¹	Yes	1,549%	95,527	267,916	-	4,377
Chris Ward	223,471 ¹	Yes	353%	66,965	194,463	-	4,638
Simon Quayle	1,154,139	Yes	1,898%	67,334	188,899	-	4,377
Tom Welton	942,007 ¹	Yes	1,549%	67,334	188,899	-	4,377
Non-executive directors							
Jonathan Nicholls	57,500						
Richard Akers	14,896						
Sally Walden	61,250 ¹						
Jennelle Tilling	12,500						
Ruth Anderson ⁵	5,000						
Helena Coles ⁶	-						
Dermot Mathias ⁷	28,708						

1. Includes shares held by persons closely associated.

2. Based on share price at 30.9.2021 of £6.085 and salary as at 1.10.2020.

3. Under the Remuneration Policy, executive directors are expected to build up a shareholding of 200% of salary (as at the date of appointment to the Board), to be accumulated over five years from appointment.

4. On exercise or vesting, deferred shares and LTIP nil cost options are subject to income tax and national insurance. The number that will actually be transferred will be reduced if directors sell sufficient to meet their income tax and employees' national insurance liability.

5. Joined the Board on 21.12.2020.

6. Joined the Board on 1.7.2021.

7. Retired from the Board on 25.2.2021 and shareholding stated as at that date.

Additional details on the share awards summarised in this table are provided on pages 153 and 154, with further explanation on the operation of the plans set out in the Remuneration Policy table.

1 Deferred Annual Share Bonus Scheme

	Date of grant	Market price on date of grant £	Entitlement to ordinary shares		
			At 1.10.2020	Awarded in year	At 30.9.2021 ¹
Brian Bickell	3.12.2018	8.65	46,255	-	46,255
	12.12.2019	9.1475	49,272	-	49,272
			95,527	-	95,527
Chris Ward	3.12.2018	8.65	32,287	-	32,287
	12.12.2019	9.1475	34,678	-	34,678
			66,965	-	66,965
Simon Quayle	3.12.2018	8.65	32,656	-	32,656
	12.12.2019	9.1475	34,678	-	34,678
			67,334	-	67,334
Tom Welton	3.12.2018	8.65	32,656	-	32,656
	12.12.2019	9.1475	34,678	-	34,678
			67,334	-	67,334

1. Following the equity issue announced on 22.10.2020, and approved by shareholders on 17.11.2020, the shares awarded under the Deferred Annual Share Bonus Scheme have been restated to reflect the new share capital of the Company. These were technical adjustments to align share plan participants with shareholders.

2 LTIP

Nil cost options are granted subject to a three year performance period. Any award that vests is then subject to a two year post-vesting holding period.

	Date of grant	Market price on date of grant £	Number of ordinary shares under option		
			At 1.10.2020	Granted during year	At 30.9.2021 ¹
Brian Bickell	4.12.2018 ^{1, 2}	8.67	73,261	-	73,261
	12.12.2019 ¹	9.15	73,598	-	73,598
	22.12.2020	5.42	-	121,057	121,057
			146,859	121,057	267,916
Chris Ward	4.12.2018 ^{1, 2}	8.67	51,715	-	51,715
	12.12.2019 ¹	9.15	53,973	-	53,973
	22.12.2020	5.42	-	88,775	88,775
			105,688	88,775	194,463
Simon Quayle	4.12.2018 ^{1, 2}	8.67	51,715	-	51,715
	12.12.2019 ¹	9.15	51,868	-	51,868
	22.12.2020	5.42	-	85,316	85,316
			103,583	85,316	188,899
Tom Welton	4.12.2018 ^{1, 2}	8.67	51,715	-	51,715
	12.12.2019 ¹	9.15	51,868	-	51,868
	22.12.2020	5.42	-	85,316	85,316
			103,583	85,316	188,899

1. Following the equity issue announced on 22.10.2020, and approved by shareholders on 17.11.2020, the shares granted under the LTIP have been restated to reflect the new share capital of the Company. These were technical adjustments to align share plan participants with shareholders.

2. As described on page 151, the performance conditions over the three years ended 30.9.2021 have not been met. These awards will therefore lapse.

3. The LTIP vesting criteria for the awards granted in 2019 and 2020 can be found in their respective Annual Reports, available on our website at www.shafesbury.co.uk.

3 Sharesave

Options are granted at a 20% discount to the market price on the date of grant up to the maximum monthly savings amount permitted by HMRC over three or five years. Participants have six months from the date of vesting to exercise.

	Date of grant	At 1.10.2020	Granted during year	Lapsed during year	At 30.9.2021 ¹	Option price ¹ £	Vesting date
Brian Bickell	1.7.2016	2,067	-	-	2,067	7.26	1.8.2021
	28.6.2019	2,310	-	-	2,310	6.49	1.8.2024
		4,377	-	-	4,377		
Chris Ward	28.6.2019	1,386	-	-	1,386	6.49	1.8.2022
	9.7.2020	3,252	-	-	3,252	4.62	1.8.2025
		4,638	-	-	4,638		
Simon Quayle	1.7.2016	2,067	-	-	2,067	7.26	1.8.2021
	28.6.2019	2,310	-	-	2,310	6.49	1.8.2024
		4,377	-	-	4,377		
Tom Welton	1.7.2016	2,067	-	-	2,067	7.26	1.8.2021
	28.6.2019	2,310	-	-	2,310	6.49	1.8.2024
		4,377	-	-	4,377		

1. Following the equity issue announced on 22.10.2020, and approved by shareholders on 17.11.2020, the options granted, and the option price under the Sharesave have been restated to reflect the new share capital of the Company. These were technical adjustments to align share plan participants with shareholders.

Percentage change in remuneration of the Board of Directors

The table below shows the percentage annual change in remuneration of each executive and non-executive director against Shaftesbury employees as a whole for each of the last two financial years.

	Base salary/ fees ²		Benefits ^{3,5}		Annual bonus ^{4,5}	
	2021	2020	2021	2020	2021	2020
Average employee (% change) ¹	7.5%	8.8%	52.9%	-16.7%	202%	-51.1%
Brian Bickell	7.6%	-4.1%	2.4%	-4.4%	N/A	-100%
Chris Ward	8.5%	-0.8%	3.3%	-6.1%	N/A	-100%
Simon Quayle	7.6%	-4.2%	2.4%	-4.4%	N/A	-100%
Tom Welton	7.6%	-4.2%	4.9%	-9.1%	N/A	-100%
Jonathan Nicholls	7.8%	-3.3%	N/A	N/A	N/A	N/A
Richard Akers	8.7%	8.4%	N/A	N/A	N/A	N/A
Sally Walden	8.7%	2.5%	N/A	N/A	N/A	N/A
Jennelle Tilling	7.1%	-2.6%	N/A	N/A	N/A	N/A
Helena Coles ⁶	N/A	N/A	N/A	N/A	N/A	N/A
Ruth Anderson ⁶	N/A	N/A	N/A	N/A	N/A	N/A

1. This table shows the change in average salary, taxable benefits and bonus for all employees that were employed for the full years ended 30.9.2020 and 30.9.2021. Average employee pay has been calculated using a mean per capita on a full-time equivalent basis. These figures exclude the executive and non-executive directors.

2. Stated taking into account the 20% waivers of salary by all executive directors and of all non-executive fees for four months of the financial year ending 30.9.2020 as a result of the Covid-19 pandemic.

3. The Company's health care costs fell in the year to 30.9.2020 and rose in the year to 30.9.2021 resulting in a larger relative difference in the cost of benefits for employees than directors.

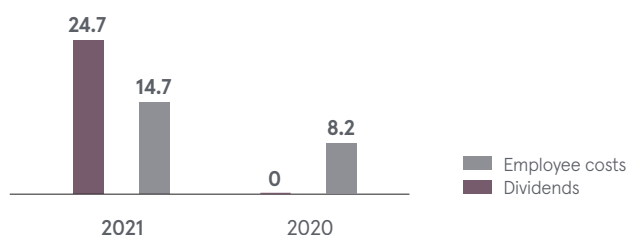
4. The executive directors received no annual bonus for the year ended 30.09.2020 and, therefore, no % comparison to bonuses awarded for the year ended 30.09.2021 can be included in the table.

5. Non-executive directors receive no benefits and do not participate in the annual bonus scheme.

6. Ruth Anderson and Helena Coles joined the group on 20.12.2020 and 1.7.2021 respectively. As such there is no comparative for the previous year.

Note that there is no requirement to disclose a CEO pay ratio as the number of employees (54) falls significantly below the threshold of 250 employees for disclosure under this provision. However, further detail on the significant degree of alignment between executive director and employee reward is set out on page 140.

Relative importance of spend on pay (£m) chart¹

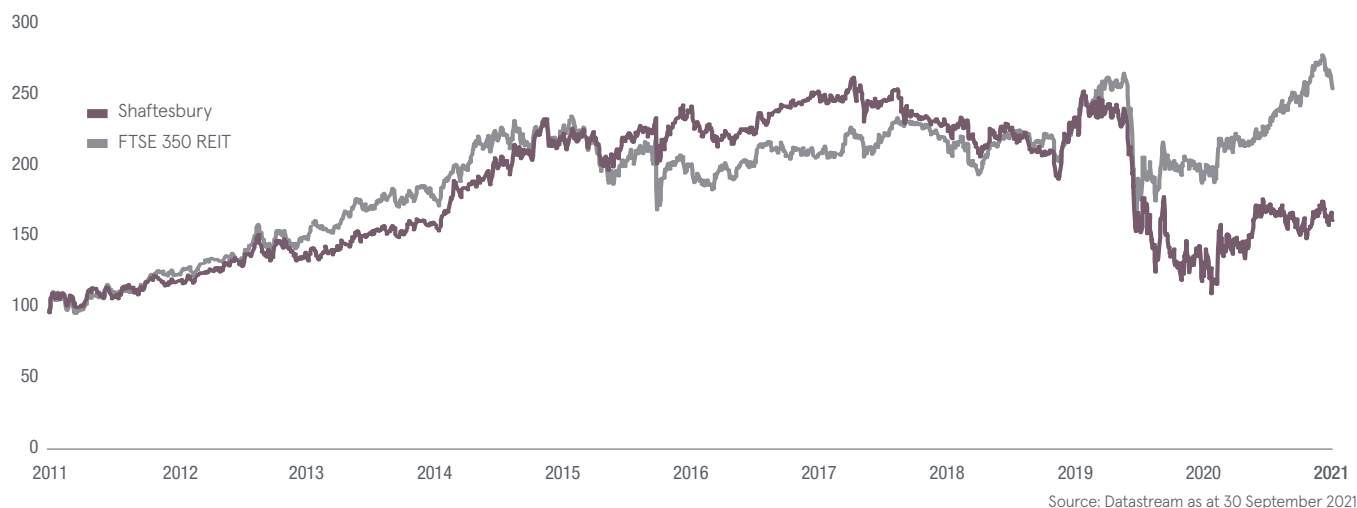


1. Includes interim dividend of £9.3 million paid to fulfil REIT PID obligations in respect of 2020, and recommended final dividend in respect of the year ended 30.9.2021.

Review of past performance

The chart below shows the TSR for the Company compared with the FTSE 350 REIT Index, of which the Company is a constituent, over ten years. The Committee uses this index as one measure of performance for awards of shares under the LTIP, as it considers this an appropriate measure against which the relative performance of the Company should be compared for the purposes of considering executive directors' remuneration.

Ten-year TSR chart to September 2021



Ten-year chief executive single total figure of remuneration

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Chief Executive single total figure of remuneration (£'000)	1,198	1,075	1,455	1,523	1,954	1,830	1,191	1,083	616	1,253
Annual bonus payout (% maximum)	40%	40%	75%	60%	60%	55%	52.5%	57.5%	0%	75%
Long-term incentive award vesting (% maximum)	100%	50%	50%	63.5%	100%	100%	22.5%	0%	0%	0%

Shareholder voting

Shareholders voted on the Remuneration Policy at the 2019 AGM, and on the Annual Remuneration Report at the 2021 AGM. Voting by shareholders representing 90.76% and 90.27% of the issued share capital, in 2019 and 2021 respectively, on the resolutions, was as follows:

	For	% For	Against	% Against	Total votes	Withheld
2019 Remuneration Policy	197,412,262	70.76	81,571,987	29.24	278,984,249	712,552
2021 Annual Remuneration Report	345,451,949	99.61	1,343,487	0.39	346,795,436	83,378

The Committee notes that the 2019 Remuneration Policy resolution received significant votes (defined as above 20%) against. The Company's 2022 Remuneration Policy will be put to shareholders for approval at the 2022 AGM.

On behalf of the Board

Sally Walden

Chair of the Remuneration Committee

29 November 2021

Advisor to the Committee

Deloitte LLP act as independent advisor to the Committee. They are a member of the Remuneration Consultants Group and voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK. The Committee is satisfied that the Deloitte LLP engagement partner and team that provide remuneration advice to the Committee do not have

connections with the Group that may impair their objectivity and independence. The fees charged by Deloitte LLP for the provision of independent advice to the Committee during the financial year were £87,650 (excluding VAT).

Deloitte LLP provided no other services to the Group during the year.

Directors' report

The directors present their report on the affairs of the Group and the audited consolidated financial statements for the year ended 30 September 2021.

UK Corporate Governance Code

The Company has applied and complied with the provisions of the 2018 UK Corporate Governance Code (the Code) throughout the Company's financial year, with the exception of Provision 38. This provision requires the alignment of executive director pension contributions with the wider workforce. As explained in the Directors' remuneration report on page 137 we have committed to align the contribution levels of the current executive directors with the workforce contribution rate (17.5%) with effect from 1 October 2022. Any new executive directors will be aligned on appointment. For full details of the Code, please refer to the FRC's website at www.frc.org.uk.

Disclosures by reference

Information that is relevant to this report including information required by the Companies Act 2006, Disclosure and Transparency Rule 7.2 and Listing Rule 9.8.4R is incorporated by reference into this report. This information can be found in the annual report as follows:

Content	Pages
Strategic report	1 to 101
Likely future developments in the business	
- Q&A with the Chief Executive	4 to 9
Employment, human rights and environmental matters	
- Our people and culture	76 to 79
- Sustainability	58, 62 and 63
- Environment	64 and 65
Stakeholder engagement	70 to 75
Section 172 statement	115 to 119
Viability statement	98 and 99
Corporate governance	109 to 155 and 158
Directors' waiver of emoluments	149
Financial instruments	180 to 182

Company status

Shaftesbury PLC is a public limited liability company incorporated under the laws of England and Wales (company number 01999238). It is the holding company of the Shaftesbury group of companies and has a premium listing on the London Stock Exchange main market. Shaftesbury PLC is a Real Estate Investment Trust (REIT) and constituent member of the FTSE 250 Index.

Share capital

During the year, the Company undertook a Firm Placing, Placing and Open Offer and Offer for Subscription which increased the Company's share capital by 76,750,000 ordinary shares. A further 47,323 ordinary shares were issued at nil cost on the exercise of LTIP options. At 30 September 2021, the Company's issued share capital comprised 384,214,860 ordinary shares of 25p each.

The Company has one class of ordinary shares. All shares rank equally and are fully paid. No person holds shares carrying special rights with regard to control of the Company. There are no restrictions on the transfer of shares, on voting rights, or on the size of a holding, which are governed by the Articles of Association and prevailing legislation. In accordance with the Articles of Association, the Company may impose restrictions on, amongst other things, the size of a holding to preserve its REIT status. The directors are not aware of any agreements between holders of shares in the Company that may result in restrictions on the transfer of shares or on voting rights.

Major shareholders

Information provided to the Company pursuant to the FCA's DTRs is published on a Regulatory Information Service and on the Company's website. As at 30 September 2021 and 29 November 2021, the following information has been received in accordance with DTR 5, from holders of notifiable interests in the Company's issued share capital.

Notifiable interests	Ordinary shares	% of capital disclosed ¹	Nature of holding
Norges Bank	98,925,310	25.75	Direct
Capital & Counties Properties	96,971,003	25.24	Direct
Resolution Capital	19,219,580	5.00	Direct

1. As at date of notification.

Purchase of own shares

The Company was granted authority at the 2021 AGM to make market purchases of its own ordinary shares. This authority will expire at the conclusion of the 2022 AGM and a resolution will be proposed to seek further authority. No ordinary shares were purchased under this authority during the year or in the period from 1 October 2021 to 29 November 2021.

Results and dividends

The results for the year ended 30 September 2021 are set out in the Group statement of comprehensive income.

▲ *Group statement of comprehensive income: page 166*

An interim property income distribution of 2.4 pence per ordinary share was paid on 2 July 2021.

The directors recommend a final dividend in respect of the year ended 30 September 2021 of 4.0 pence per ordinary share (2020: nil), making a total dividend for the year of 6.4 pence per ordinary share (2020: nil). If authorised at the 2022 AGM, the dividend will be paid on 11 February 2022 to members on the register at the close of business on 14 January 2022. The dividend will be paid partly as a PID (2.75 pence) and partly as an ordinary dividend (1.25 pence). The 2022 AGM will be held on 4 February 2022 at 11.00 am at the Ham Yard Hotel, 1 Ham Yard, London, W1D 7DT.

Events after the Balance Sheet date

There were no significant events occurring after the reporting period, but before the financial statements were authorised for issue on 29 November 2021.

Change of control

The Longmartin joint venture and a number of debt financing agreements contain clauses which take effect upon a change of control of the Group and may alter or terminate these agreements. The Company's share schemes contain provisions relating to the vesting and exercising of options in the event of a change of control of the Group.

Directors and directors' shareholdings

Rules governing the appointment and replacement of directors are contained in the Articles of Association. Changes to the Articles of Association are only permitted in accordance with legislation and must be approved by a special resolution of shareholders which is in line with the Code and the Company's Articles of Association.

Details of the directors who served during the year ended 30 September 2021 and up to the date of approval of the financial statements, their interests in the ordinary share capital of the Company and details of options granted under the Group's share schemes are set out in the directors' remuneration report which is incorporated by reference to this report and can be found at pages 152 to 154.

No member of the Board had a material interest in any contract of significance with the Company, or any of its subsidiaries, at any time during the year.

The Board manages the business of the Company under the powers set out in the Articles of Association. These powers include the directors' ability to issue or buy back shares.

Directors' indemnities and directors' and officers' liability insurance

The Company's agreement to indemnify each director against any liability incurred in the course of their office to the extent permitted by law remains in force.

The Group maintains Directors' and Officers' Liability Insurance.

Authorisation of directors' conflicts of interests

Directors are required to notify the Company of any conflict or potential conflict of interest and make an annual declaration. The Board confirms that no conflicts have been identified or notified during the year and, accordingly, the Board has not authorised any conflicts of interest as permitted by the Articles of Association.

Going concern

The Group's going concern assessment is summarised in note 1 of the financial statements (Basis of Preparation, page 170). It considers forecasts of the Group's available liquidity, committed expenditure, likely ongoing levels of costs, cash flows, income, debt covenants and other performance measures in a severe-but-plausible downside scenario. The assessment covers the period from the date of authorisation of these consolidated financial statements to 31 December 2022 (the "going concern period"). On the basis of this assessment, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the going concern period. On this basis, the Board has continued to adopt the going concern basis in preparing the consolidated financial statements.

Political donations

The Company did not make any political donations during the year (2020: nil).

Disclosure of information to auditors

Each director has confirmed that:

- so far as they are aware, there is no relevant audit information of which the auditors are unaware; and
- they have taken all reasonable steps to ascertain any relevant audit information and ensure the auditors are aware of such information.

This confirmation is given in accordance with section 418 of the Companies Act 2006.

Greenhouse gas emissions

We are committed to becoming a net zero carbon business by 2030, and we consider this commitment and the ongoing reduction of carbon emissions to be of strategic importance to the business. We have set out the details of our commitment, along with the steps that we will be taking to reduce our carbon emissions, in our Net Zero Carbon Roadmap, published on 11 November 2021. This can be found on our website at: www.shafesbury.co.uk

Our Streamlined Energy and Carbon Reporting (SECR) disclosures are set out on pages 96 and 97 of the Annual Report 2021. This includes our annual scope 1 and 2 GHG emissions footprint and an appropriate intensity metric for annual comparison. This fulfils the requirements of The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Full details of our greenhouse gas (GHG) emissions are disclosed in our Sustainability Data Report, which can be found on our website.

2022 annual general meeting

The 2022 AGM will include resolutions dealing with authority to issue shares, disapplication of pre-emption rights, authority to purchase the Company's own shares and authority to call a general meeting on not less than 14 days' notice. The resolutions are set out in the Notice of Meeting in a separate circular to shareholders which accompanies this Annual Report. The Notice of Meeting and Annual Report are available on the Company's website.

This year, shareholders and their duly appointed representatives and/or proxies are invited to physically attend the AGM or participate remotely via live videocast which you can access by logging on to <https://web.lumiagm.com>. If you decide to participate remotely, you will be able to submit your questions immediately before and during the meeting via <https://web.lumiagm.com>. Full details of the manner in which the AGM will be operated can be found in the Notice of Meeting. The AGM will be held on 4 February 2022 at 11:00 am at Ham Yard Hotel, 1 Ham Yard, London, W1D 7DT.

Independent auditors

A resolution for the re-appointment of Ernst & Young LLP as auditors to the Company will be proposed at the 2022 AGM. The directors, on the advice of the Audit Committee, recommends their re-appointment.

By Order of the Board

Desna Martin
Company Secretary

Shaftesbury PLC
Incorporated, registered and domiciled
in England and Wales number 1999238
22 Ganton Street
Carnaby
London W1F 7FD

29 November 2021

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable UK law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and the Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and Company for that period. Under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, group financial statements are required to be prepared in accordance with international financial reporting standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. In preparing these financial statements, the directors are required to:

- select suitable accounting policies in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and Company's financial position and performance;
- state that the Group and Company has complied with the Companies Act 2006 (and IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union) IFRSs as adopted by the EU, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Group and Company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations.

A copy of the financial statements of the Group is placed on the Company's website. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Information published on the internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement under the Disclosure and Transparency Rules

Each of the directors, whose names and functions are listed on pages 104 and 105 confirm that, to the best of their knowledge the:

- consolidated financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- Strategic Report contained on pages 1 to 101 of the Annual Report includes a fair review of the development and performance of the business and the position of the Company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Directors' statement under the Code

Each of the directors confirm that, to the best of their knowledge, the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's performance, business model and strategy.

This directors' responsibilities statement was approved by the Board and signed on its behalf by:

Brian Bickell
Chief Executive

29 November 2021

Chris Ward
Chief Financial Officer

29 November 2021

Independent Auditor's Report

To the members of Shaftesbury PLC

Opinion

In our opinion:

- Shaftesbury PLC's Group financial statements and Parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent company's affairs as at 30 September 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union;
- the Parent company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Shaftesbury PLC (the 'Parent company') and its subsidiaries (the 'Group') for the year ended 30 September 2021 which comprise:

	Group	Parent company
Balance Sheet	✓	✓
Statement of Comprehensive Income	✓	
Cash flow statement	✓	✓
Statement of changes in equity	✓	✓
Related notes 1 to 27, including a summary of significant accounting policies	✓	✓

The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards to the Group financial statements, International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union and as regards the Parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and Parent company's ability to continue to adopt the going concern basis of accounting included the following:

- We confirmed our understanding of management's process and evaluated the method used to prepare the Group's going concern assessment for the going concern period, being the period to 31 December 2022, which is at least 12 months from when the financial statements are authorised for issue. We obtained management's assessment, including identifying the key assumptions which influenced the cash flow forecasts, liquidity and covenant compliance. We focused on management's assumptions around the continued recovery from the Covid-19 pandemic and their assumptions used in modelling a downside scenario of further restrictions being imposed in winter 2021-22.
- We challenged the appropriateness of the forecasts by comparing assumptions to historical performance and our knowledge of current trading conditions and external benchmarking. We assessed management's considerations related to material climate change impacts, including in relation to capital expenditure, in the going concern period. We challenged key assumptions by checking consistency with corroborative evidence, including to our work on the investment property valuations, and by searching for independent contradictory evidence. We applied further sensitivities to stress test the liquidity of the Group over the going concern period.
- We agreed key terms in the financing arrangements such as loan maturity dates, covenants and cure rights to the underlying agreements and obtained copies of waivers received from lenders.
- We recalculated covenant calculations using the forecasts and evaluated whether the covenants would be met during the going concern period. We considered the assessment of our Chartered Surveyors of the likelihood of future falls in property values which would result in future breaches of loan to value covenants. We assessed the effectiveness of mitigating actions available to management and the existence of sufficient cure rights to cover the duration of forecast breaches within and immediately following the going concern period to avoid breaching the covenants when current waivers received from lenders expire.
- We read board minutes to identify any matters that may impact the going concern assessment.
- We reviewed the disclosures in the financial statements relating to going concern with a view to confirming that they appropriately disclose the risk, the impact on the Group's operations and results and potential mitigating actions.

In assessing the Group's ability to continue as a going concern, we made the following observations:

- the Covid-19 pandemic has impacted on the operations and results of the Group. The most significant have been the collection of rent and service charges and the decline in property values. There continues to be judgement in assessing the future impact of the pandemic and the UK Government's response to it;
- we have not identified any material climate-related risks that should be incorporated into the company's forecasts not already included in the base case;
- waivers received from term loan lenders expire in January 2022, however the Group has cash cure rights available to mitigate forecast interest cover covenant breaches within and immediately following the going concern period under a severe but plausible downside scenario; and
- management conclude that following the Group's equity raise, the Group will continue to maintain sufficient liquidity over the going concern period. In the 'severe but plausible' downside scenario where interest cover covenants are forecast to be breached after existing interest cover waivers expire, management's assessment concludes that the Group has sufficient liquidity to cure these breaches through, and immediately following, the going concern period, and the Group has sufficient unencumbered assets to remain in compliance with the loan to value covenants on its facilities.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent company's ability to continue as a going concern for the going concern period, being the period to 31 December 2022, which is at least 12 months from when the financial statements are authorised for issue. Going concern has also been determined to be a key audit matter.

In relation to the Group and Parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	<ul style="list-style-type: none">The Group operates in London's West End and consists of a single reporting segment across eleven statutory entities. All of the Group's Companies were included in the scope of the audit. The Group audit team performed direct testing of the Longmartin joint venture balances which are included within the Group. The Group audit scope is consistent with the prior year.
Key audit matters	<ul style="list-style-type: none">The valuation of investment propertyRevenue recognition including the timing of revenue recognition, and the treatment of rents and incentivesProvisions for expected credit losses on rent receivables and lease incentives
Materiality	<ul style="list-style-type: none">Overall Group Materiality: £34m which represents 1% of total assets.Specific Group Materiality: £3.1m which represents 5% of operating profit before investment property valuation movements and net finance costs and excluding the provision for expected credit losses.

An overview of the scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group, effectiveness of Group-wide controls and changes in the business environment when assessing the level of work to be performed at each entity.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk: The valuation of investment property

£3,010.5m (2020: £3,137.4m) (plus £164.5m (2020: £195.0m) being the Group's share in the Longmartin joint venture)

- ▲ Refer to the Audit Committee Report: page 133
- ▲ Accounting policies: pages 189-190
- ▲ Note 10 of the Consolidated Financial Statements: pages 173-174

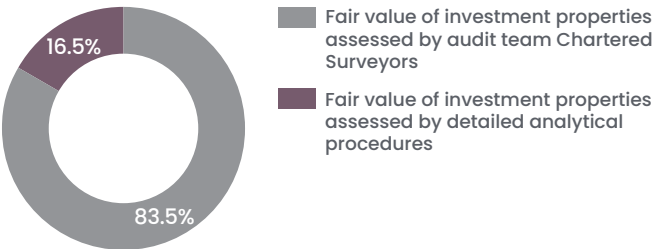
The valuation of investment property (including properties held in the joint venture) requires significant estimation by management and the external valuers. Any input inaccuracies or unreasonable assumptions used in the estimate (such as the estimated rental value and yield profile applied) could result in a material misstatement in the statement of comprehensive income and balance sheet.

There is also a risk that management may unduly influence the significant judgements and estimates in respect of property valuations in order to achieve property valuation and other performance targets to meet market expectations or bonus targets.

Our response to the risk

Our audit procedures around the valuation of investment property included:

- We obtained an understanding of the Group's controls over data used in the valuation of the investment property portfolio, including management's review of the valuations, to ensure the controls were designed and implemented correctly.
- We met with the external valuers, Cushman & Wakefield and Knight Frank, to understand the methodology used, and the basis for assumptions adopted including yields, ERVs, void periods, tenant incentives and how climate risk considerations have been reflected in the valuation.
- We assessed how the valuers have reflected the continued impact of and future uncertainties associated with COVID-19 in the valuations. We assessed the assumptions around rent collection levels in the short term, taking into account potential further government action, trading restrictions and the risk of tenant failure. We challenged these assumptions and looked for contra indicators in other evidence we obtained during the audit including:
 - recent rent collection data from tenants and subsequent cash receipts
 - the level of waivers and concessions granted to tenants by the Group
 - Management's assessment of the recoverability of tenant related balances, and performing a search for known Company Voluntary Arrangements and tenants with financial issues



- The Group audit team includes Chartered Surveyors who tested a sample of properties. They challenged the valuation approach and assumptions. The sample size they tested accounted for 83.5% of the fair value of investment properties. They additionally tested the investment properties held in the Longmartin joint venture.

- Our Chartered Surveyors compared the equivalent yields applied to each property to an expected range of yields taking into account market data and asset specific considerations. They also assessed the other assumptions applied by the external valuers, such as the estimated rental values and corroborated these to the rental tones set by relevant open market lettings, rent renewals and market reports.
- Together with our Chartered Surveyors, we obtained the sources of information used by the external valuers. We searched for available market evidence by researching leasing and investment transactional evidence from property transaction databases and market reports, looking for contra indicators to challenge the yields and ERVs adopted.
- In respect of the properties not in the sample tested by our Chartered Surveyors (16.5% of the fair value), we performed detailed analytical procedures on a property-by-property basis. This involved forming an expectation of the fair value of each property in the portfolio by reference to relevant external market data relating to capital growth rates. We investigated further the valuations of those properties which were not in line with our initial expectations which included further discussions with management and the external valuers and, where appropriate, involvement of our Chartered Surveyors.
- We evaluated the competence of the external valuers which included consideration of their qualifications and expertise, as well as their independence.
- We made enquiries of the external valuers and inspected their terms of reference to confirm that they had not been subject to undue influence or direction from management.
- The audit team and our Chartered Surveyors performed site visits for a sample of properties to enable us to assess the stage of completion of, and gain specific insights into, these refurbishments/developments.
- We utilised our detailed analytical procedures and work of the Chartered Surveyors described above in order to assess for evidence of undue management influence.
- For properties under significant refurbishment. We vouched the costs incurred to date and agreed the cost to complete estimates to approved budgets and contractual arrangements. We met with property surveyors to discuss the project costs and risks associated with the significant projects.
- We performed testing over the inputs to the valuations. For a sample of properties, we tested the contracted rent and key lease terms used by the valuers back to lease agreements.

Key observations communicated to the Audit Committee

We audited the inputs, assumptions and reviewed the methodology used by the external valuers.

We did not identify any exceptions or material errors in the input testing for the sample we tested.

We conclude that the valuation of each of the assets in the sample tested by our Chartered Surveyors are within a reasonable range.

We conclude that management provided an appropriate level of review and challenge over the valuations and we did not identify evidence of undue management influence or bias.

We concluded that the inputs and methodology applied are reasonable and that the external valuations are an appropriate assessment of the fair value of investment properties at 30 September 2021.

Risk: Revenue recognition, including the timing of revenue recognition, and the treatment of rents and incentives

£82.0m of rental income (FY20: £102.5m), £23.0m adjustment for lease incentives (FY20: £11.9m)

▲ Refer to the Audit Committee Report (page 133); Accounting policies: page 189

▲ Note 5 of the Consolidated Financial Statements (page 172)

Market expectations and profit based targets may place pressure on management to distort revenue recognition. This may result in overstatement or deferral of revenues to assist in meeting current or future targets or expectations.

In order to distort rental income, management could manipulate the deferred revenue balance, the IFRS rent adjustment for lease incentives, or the treatment of operating lease modifications resulting from COVID-19 which relate to the current year.

Our response to the risk

- We performed detailed testing for a sample of leases by agreeing the annual rent back to the terms of the lease agreements, including identifying rent-free periods, turnover rents, break dates and other incentives.
- Our audit procedures in respect of rental income included using the underlying invoice and rent collection data from Shaftesbury's managing agents. We used data analytics-based auditing techniques to ensure the correct recognition of revenue recorded in the year ended 30 September 2021. To do this we:
 - Correlated the posting of transactions between revenue, receivables and cash accounts;
 - Agreed a sample of cash receipts to lease agreements, invoices, and bank statements;
 - Reviewed the pattern of revenue recognised on a monthly basis and investigated any unusual journals entries or trends; and
 - Considered cut-off risk by selecting a sample of journals before and after 30 September 2021 and agreed these to supporting invoices.
- In respect of the deferred income recognised at year end we:
 - Performed analytical procedures to confirm the deferred income balance is materially within our expectations, based on the timing of invoicing.
 - Substantively tested a sample of balances by agreeing the timing of rent recognised to invoices or rent agreements.
- Our audit procedures in respect of lease incentives included:
 - Testing that the lease income, including the treatment of lease incentives and concessions, is on a straight-line basis, and in accordance with IFRS 16 Leases.
 - Verifying the completeness of the lease incentives recorded by confirming that leases with rent frees or other concessions from our detailed testing of the tenancy schedule have been included in the calculation.
 - Assessing the operating lease modifications arising from COVID-19 through:
 - ~ Obtaining an understanding of the types of rent concessions provided to tenants and assessing the impact on revenue recognition under IFRS 16
 - ~ Updating our understanding of the controls in place to record the lease modifications

- Testing, on a sample basis, lease incentives recognised through recalculation based on rent concession invoices and the audited tenancy schedule, to verify the accuracy of management's lease modification calculations
- Assessing the 'effective date' of the lease modifications with reference to available evidence of the agreement between landlord and tenant
- We have assessed the adequacy of the disclosures in the financial statements and whether they appropriately reflect the current impact of COVID-19 on the revenue recognition of the Group.
- We evaluated whether the revenue recognition policies adopted complied with IFRS.
- We performed audit procedures specifically designed to address the risk of management override of controls including journal entry testing to confirm that the processing and timing of journals to record revenue is consistent with our expectations.

Key observations communicated to the Audit Committee

We audited the timing of revenue recognition, treatment of rents and incentives, and assessed the risk of management override.

We assessed the accuracy and completeness of the accounting for operating lease modifications, in response to COVID-19.

Based upon the audit procedures performed, we conclude that revenue has been recognised on an appropriate basis in the year.

The procedures we carried out over revenue recognition apply to all the Group's revenue and the revenue in the Longmartin joint venture.

Risk: Provisions for expected credit losses on rent receivables and lease incentives

£14.1m provision for expected credit losses on rent receivables (FY20: £14.3m) and £2.6m for lease incentives (FY20: £8.2m)

▲ Refer to the Audit Committee Report (page 133); Accounting policies (page 190); and ▲ Note 5 of the Consolidated Financial Statements (page 172)

The provision for expected credit losses on rents receivable and lease incentive assets requires estimation using historical and forecast information available at the balance sheet date.

This estimation is more difficult with events brought on by the COVID-19 pandemic and government action restricting trading for the Group's tenants. There is a risk that the provision recognised in the financial statements is not in accordance with IFRS 9 and does not represent the credit risk to the Group at the year end.

The provision for expected credit losses on rent receivables is an estimation of the likelihood that tenants will settle unpaid rents owing to Shaftesbury at 30 September 2021. The provision for expected credit losses on lease incentives requires an assessment of whether the lease contract is likely to remain in place until the planned end of the lease term.

Our response to the risk

We performed procedures to address the heightened risk of non-payment of rent receivables and the risk of future tenant default in the current environment, including:

- We obtained an understanding of the Group's controls over the calculation of the provisions, including management's assessment of the risk of non-payment and risk of future tenant default, to ensure the controls were designed and implemented correctly.

- We performed additional procedures to assess the financial health of the Group's tenants. These procedures included: obtaining a list of known Company Voluntary Arrangements, performing press searches for evidence of tenant financial difficulty, holding discussions with the external valuers and with the Group's property surveyors and reviewing tenancy information and rent collection data to identify those tenants with a higher risk of default. We assessed whether those higher risk tenants had been appropriately provided for at the year end, in both the provision for expected credit losses on rent receivables and lease incentives.
- We assessed the significant assumptions adopted by management in the provision for expected credit losses on rent receivables and lease incentives. The most significant of these being the probability of default for the tenants, based on their risk profile. We challenged this assumption in light of other information we obtained during the audit including the rent collection assumptions made by external valuers, and by management in their going concern assessment.
- Given the high degree of estimation uncertainty, we performed sensitivity analysis on the probability of default in order to derive a range of reasonable outcomes for the provision for expected credit losses on rent receivables and lease incentives.
- We assessed the credit risk assessment prepared by management. We validated the tenant deposits in place, obtaining confirmations of balances held by the managing agents.
- We tested the completeness of the expected credit loss provision by comparing the tenants included in the provision workings to audited tenancy schedules and to the audited lease incentive schedule.
- We tested the clerical accuracy of the provision workings and verified that the provision was calculated in accordance with management's policy. For any exceptions to this policy, we obtained supporting evidence to validate the provision amount.
- We assessed the adequacy of the disclosures in the financial statements for the provision for expected credit losses on rent receivables and lease incentives.

Key observations communicated to the Audit Committee

We audited the provision for expected credit losses on rent receivables and lease incentives.

We assessed the risk of tenant default and non-collection of rents as a result of current market conditions. We searched for indicators of tenant financial distress and considered whether the risk of default was appropriately considered in the provisions. We have also considered the consistency of management's estimates about future rent collections with other information we obtained during the audit.

We have tested the key inputs to the provisions including the existence of available rent deposits which reduce the Group's exposure to credit losses.

We conclude that the provision for expected credit losses on rent receivables and lease incentives recognised is fairly stated as at 30 September 2021, and that the disclosures in the financial statements are in accordance with IFRS.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

The table below sets out the materiality, performance materiality and threshold for reporting audit differences applied on our audit:

	Basis	Materiality	Performance Materiality	Audit Differences
Overall	1% of total assets	£34m	£26m	£1.7m
Specific	5% of operating profit before investment property valuation movements, net finance costs and excluding the provision for expected credit losses.	£3.1m	£2.3m	£153k
Applicable for account balances not related to investment properties, loans and borrowings.				
Parent Company	2% of net assets	£34m	£25m	£1.7m

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

Overall materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole. We determined that total assets would be the most appropriate basis for determining overall materiality given that key users of the Group's financial statements are primarily focused on the valuation of the Group's assets, mainly comprising the investment property portfolio. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures. For planning purposes this was initially based on total assets as at 31 March 2021.

During the course of our audit, we reassessed our planning materiality. As a result, there was an increase in our overall materiality reflecting the valuation gain on investment properties between the time we set planning materiality and 30 September 2021. Our materiality basis and threshold have remained consistent with planning. In the prior year audit we adopted an overall materiality of £33m based on 1% of total assets.

Specific materiality

We assessed that for account balances not related to investment properties (either wholly owned or within the joint venture) and loans and borrowings, a misstatement of less than overall materiality for the financial statements could influence the economic decisions of users. We have determined that specific materiality for these areas should be based on operating profit before investment property valuation movements, net finance costs and excluding the provision for expected credit losses. We believe that it is appropriate to use a profit-based measure for specific materiality as profit is also a focus of users of the financial statements.

In the prior year, we considered the impact of Covid-19 on the Group and the reduction in operating profit in 2020 and adopted a specific materiality of £3.4m based on a normalised basis, being 5% of the average operating profit before investment property valuation movements and net finance costs for 2018, 2019 and 2020.

For the current year, we have not applied a normalised basis based on a three-year average, in recognition of there being a longer term impact on the Group's performance as a result of concessions granted due to Covid 19 rather than the impact being limited to a single year. We have reverted to the previous basis used prior to 2020 of basing specific materiality on operating profit before investment property valuation movements and net finance costs and adjusted this to exclude the provision for expected credit losses. We assessed this as being appropriate due to our audit having a specific response to this area as explained in the key audit matters section above. The adoption of an adjusted basis in setting materiality reflects our assessment of what a user considers to be material to the financial statements.

Accordingly, we calculated the specific materiality that we apply to all balances other than investment properties and loans and borrowings, based on operating profit before investment property valuation movements, net finance costs and excluding the provision for expected credit losses. This resulted in a lower specific materiality being adopted of £3.1m.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement is that overall performance materiality and specific performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group should be 75% (2020: 75%) of the respective materiality. Our objective in adopting this approach is to confirm that total detected and undetected audit differences do not exceed our materiality for the financial statements as a whole.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to the Committee any uncorrected audit differences relating to investment properties and loans and borrowings in excess of £1.7m, as well as uncorrected audit differences in excess of £153k that relate to our specific testing of the other account balances not related to investment properties and loans and borrowings. These are set at 5% of their respective planning materiality. We also agreed to report differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, including the Strategic report, Governance and Other information set out on pages 1 to 158, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 170;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 170;
- Directors' statement on fair, balanced and understandable set out on page 158;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 86;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems as set out on pages 86 to 95, and;
- The section describing the work of the audit committee set out on pages 130 to 135.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 158, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and Parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most relevant to the presentation of the Annual Report and Accounts are those that relate to the reporting framework (IFRS, the Companies Act 2006 and UK Corporate Governance Code), the relevant tax regulations in the United Kingdom, including the UK REIT regulations. There are no significant industry specific laws or regulations that we considered in determining our approach. We understood how the Group is complying with those frameworks through enquiry with Management, and by identifying the Group's policies and procedures regarding compliance with laws and regulations. We also identified those members of Management who have the primary responsibility for ensuring compliance with laws and regulations, and for reporting any known instances of non-compliance to those charged with governance. We corroborated our enquiries through our review of Board minutes and papers provided to the Board and the Audit Committee, as well as consideration of the results of our audit procedures to either corroborate or provide contrary evidence which was then followed up. Our assessment included the tone from the top and the emphasis on a culture of honest and ethical behaviour.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by reviewing the Company's risk register and enquiry with Management and the Audit Committee during the planning and execution phases of our audit. We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how Management monitors those programmes and controls.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved:
 - Enquiry of members of senior management, and when appropriate, those charged with governance, regarding their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the financial statements;
 - Reading minutes of meetings of those charged with governance;
 - Obtaining electronic confirmations from the Group's banking providers to vouch the existence of cash balances and completeness of loans and borrowings;
 - Obtaining and reading correspondence from legal and regulatory bodies, including the FRC and HMRC; and
 - Journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business.

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the audit committee, we were appointed auditors of the Company on 7 December 2015 and we were reappointed by the Company at the AGM on 5 February 2016 to audit the financial statements for the year ended 30 September 2016 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 6 years, covering the years ended 30 September 2016 to 30 September 2021.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent company and we remain independent of the Group and the Parent company in conducting the audit. As disclosed in the company's audit committee report, we have obtained an exemption from the FRC in respect of the non-audit services provided to the Group in 2020 and 2021, which exceeded the 70% non-audit services fee cap. We confirm that there are appropriate safeguards in place and that we remain independent.
- The audit opinion is consistent with our conclusion report to the audit committee

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Daniel Saunders
Senior statutory auditor

for and on behalf of Ernst & Young LLP
Statutory Auditor
London

29 November 2021

Group statement of comprehensive income

For the year ended 30 September 2021

	Notes	2021 £m	2020 £m
Revenue		112.7	124.5
Expected credit losses		(16.4)	(13.0)
Impairment charges		(1.3)	(8.9)
Property charges		(30.3)	(28.3)
Net property income	5	64.7	74.3
Administrative expenses	6	(21.6)	(14.4)
Operating profit before investment property disposals and valuation movements		43.1	59.9
Profit on disposal of investment properties	7	0.1	0.3
Net revaluation deficit on investment properties	10	(196.9)	(698.5)
Operating loss		(153.7)	(638.3)
Finance income		0.7	0.7
Finance costs	8	(30.9)	(32.5)
Share of post-tax loss from joint venture	12	(11.0)	(29.4)
Loss before tax		(194.9)	(699.5)
Tax charge for the year	9	-	-
Loss and total comprehensive loss for the year		(194.9)	(699.5)
Loss per share:			
Basic and diluted ¹	24	(52.0)p	(222.7)p

1. The 2020 comparative per share data has been restated following the equity raise in November 2020 to adjust for the inherent bonus element. See note 24 for further information.

Balance sheets

As at 30 September 2021

		Group		Company	
	Notes	2021 £m	2020 £m	2021 £m	2020 £m
Non-current assets					
Investment properties	10	2,964.1	3,115.5	-	-
Accrued income	11	34.1	16.3	-	-
Investment in joint venture	12	85.8	96.8	59.0	59.0
Property, plant and equipment		1.0	1.2	4.7	5.4
Trade and other receivables	14	15.9	3.7	12.2	-
Investment in subsidiaries	13	-	-	1,409.7	1,226.8
		3,100.9	3,233.5	1,485.6	1,291.2
Current assets					
Trade and other receivables	14	44.4	45.0	97.4	161.5
Cash and cash equivalents	15	211.3	72.8	195.6	61.5
Total assets		3,356.6	3,351.3	1,778.6	1,514.2
Current liabilities					
Trade and other payables	16	31.6	19.7	51.8	4.4
Non-current liabilities					
Trade and other payables	16	-	-	3.3	3.8
Borrowings	17	952.3	1,051.0	(0.4)	99.0
Total liabilities		983.9	1,070.7	54.7	107.2
Net assets		2,372.7	2,280.6	1,723.9	1,407.0
Equity					
Share capital	19	96.1	76.9	96.1	76.9
Share premium	20	653.8	378.6	653.8	378.6
Share-based payments reserve	20	2.4	1.3	2.4	1.3
Retained earnings	20	1,620.4	1,823.8	971.6	950.2
Total equity		2,372.7	2,280.6	1,723.9	1,407.0

The Company made a profit of £29.9 million (2020: £59.8 million) in the year.

On behalf of the Board who approved and authorised for issue the financial statements on pages 166 to 190 on 29 November 2021.

Brian Bickell
Chief Executive

Chris Ward
Chief Financial Officer

Cash flow statements

For the year ended 30 September 2021

		Group		Company	
	Notes	2021 £m	2020 £m	2021 £m	2020 £m
Operating activities					
Cash generated from/(used in) operating activities	23	38.3	33.5	(14.7)	(17.0)
Interest received		0.2	0.4	0.2	0.3
Interest paid		(29.6)	(31.4)	(0.9)	(2.6)
Net cash from/(used in) operating activities		8.9	2.5	(15.4)	(19.3)
Investing activities					
Investment property acquisitions		(19.1)	(13.3)	-	-
Investment property disposals	7	5.2	0.3	-	-
Capital expenditure on investment properties		(34.9)	(31.2)	-	-
Purchase of property, plant and equipment		(0.1)	(0.1)	(0.1)	(0.1)
Increase in cash held in restricted accounts	15	(5.4)	(8.7)	(1.0)	(1.3)
Decrease in cash held in restricted accounts	15	0.3	-	0.3	-
Dividends received from joint venture		-	1.4	-	1.4
Increase in loans to joint venture		(1.5)	(4.3)	(1.5)	(4.3)
Amounts received from subsidiaries		-	-	15.9	40.2
Amounts provided to subsidiaries		-	-	(49.2)	(64.2)
Net cash used in investing activities		(55.5)	(55.9)	(35.6)	(28.3)
Financing activities					
Proceeds from share issue	19	307.0	-	307.0	-
Share issue costs	19	(12.6)	-	(12.6)	-
Proceeds from borrowings	17	-	150.0	-	150.0
Repayment of borrowings	17	(100.0)	(50.0)	(100.0)	(50.0)
Equity dividends paid	22	(9.3)	(27.8)	(9.3)	(27.8)
Net cash from financing activities		185.1	72.2	185.1	72.2
Net change in cash and cash equivalents		138.5	18.8	134.1	24.6
Cash and cash equivalents at the beginning of the year	15	72.8	54.0	61.5	36.9
Cash and cash equivalents at the end of the year	15	211.3	72.8	195.6	61.5

Statements of changes in equity

For the year ended 30 September 2021

	Notes	Share capital £m	Share premium £m	Share-based payments reserve £m	Retained earnings £m	Total equity £m
Group						
At 1 October 2020		76.9	378.6	1.3	1,823.8	2,280.6
Loss and total comprehensive loss for the year		-	-	-	(194.9)	(194.9)
Dividends paid	22	-	-	-	(9.3)	(9.3)
Share-based payments		-	-	1.9	-	1.9
Release on exercise of share options		-	-	(0.8)	0.8	-
Share issue	19	19.2	275.2	-	-	294.4
At 30 September 2021		96.1	653.8	2.4	1,620.4	2,372.7
At 1 October 2019		76.9	378.6	1.3	2,550.4	3,007.2
Loss and total comprehensive loss for the year		-	-	-	(699.5)	(699.5)
Dividends paid	22	-	-	-	(27.8)	(27.8)
Share-based payments		-	-	0.7	-	0.7
Release on exercise of share options		-	-	(0.7)	0.7	-
At 30 September 2020		76.9	378.6	1.3	1,823.8	2,280.6
Company						
At 1 October 2020		76.9	378.6	1.3	950.2	1,407.0
Profit and total comprehensive income for the year		-	-	-	29.9	29.9
Dividends paid	22	-	-	-	(9.3)	(9.3)
Share-based payments		-	-	1.9	-	1.9
Release on exercise of share options		-	-	(0.8)	0.8	-
Share issue	19	19.2	275.2	-	-	294.4
At 30 September 2021		96.1	653.8	2.4	971.6	1,723.9
At 1 October 2019		76.9	378.6	1.3	917.5	1,374.3
Profit and total comprehensive income for the year		-	-	-	59.8	59.8
Dividends paid	22	-	-	-	(27.8)	(27.8)
Share-based payments		-	-	0.7	-	0.7
Release on exercise of share options		-	-	(0.7)	0.7	-
At 30 September 2020		76.9	378.6	1.3	950.2	1,407.0

The Company's distributable reserves are disclosed in note 20 to the financial statements.

Notes to the financial statements

For the year ended 30 September 2021

1. Basis of preparation

Shaftesbury PLC ("the Company") is a public company limited by shares, incorporated, registered and domiciled in England and Wales. It is listed on the London Stock Exchange. The address of the registered office and its registered number are given on page 157.

The financial statements of the Company, and the consolidated financial statements of the Company and its subsidiaries (collectively, "the Group"), have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The Group financial statements have been prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial statements have been prepared in Pounds Sterling and under the historical cost convention as modified by the revaluation of investment properties.

The Company is the ultimate parent company of the Group. The Company has not presented its own Statement of Comprehensive Income, as permitted by Section 408 of the Companies Act 2006. The Company made a profit of £29.9 million (2020: £59.8 million) in the year.

Going concern

The significant uncertainties resulting from the impact of the Covid-19 pandemic on the economic environment in which the Group operates have improved in recent months, following the success of the vaccine programme and the recovery in footfall and occupier confidence in the markets in which the Group operates.

Nevertheless, in light of remaining uncertainty, the Board has placed a particular focus on the appropriateness of adopting the going concern basis in preparing the consolidated financial statements for the year ended 30 September 2021.

The Group's going concern assessment covers the period from the date of authorisation of these consolidated financial statements to 31 December 2022 (the "going concern period"), and takes into account its liquidity, committed expenditure, and likely ongoing levels of costs.

In preparing the assessment of going concern, the Board has considered forecasts of the Group's available liquidity, committed expenditure, likely ongoing levels of costs, cash flows, income, debt covenants and other performance measures in a severe-but-plausible downside scenario. This scenario envisages, in the immediate future, a resurgence of the virus and a reimposition of Covid restrictions of a scale, duration and effect consistent with those imposed in winter 2020/21. The pandemic is one among many possible triggers for the Group's principal risks. However, by focusing on a resurgence of the virus, management have modelled the simultaneous confluence of the impacts of these risks in a single plausible near-term scenario.

The most severe impacts of this severe-but-plausible downside scenario are assumed to occur within the going concern period, including rent collection falling to c.40% in Q2 FY 2022, total vacancy reaching a peak of c.23% in Q3 FY 2022 as well as an immediate increase in property costs. Our assumptions are outlined in detail in the viability statement on page 98.

Under this severe-but-plausible downside scenario, the Group anticipates that within and immediately following the going concern period, the interest cover covenants on its term loans would be breached. The interest cover covenants on its other loans would come under pressure but are not expected to be breached. Throughout the going concern period and the anticipated subsequent breaches, for all affected term loans, the Group can make up income shortfalls using cash deposits or additional assets with sufficient contractual income from its pool of unsecured properties. The number of occasions on which cash cure rights may be used is limited but the directors expect to have sufficient use-rights to extend through the going concern period. The Group has sufficient reserves of liquidity and uncharged assets to meet either eventuality.

The near-term impact of climate change risks within the going concern period is expected to be very limited. Interruptions to trade from severe weather events are possible but would be consistent with impacts considered in the severe-but-plausible downside scenario. Our forecasts assume an increase in capital expenditure to enable us to meet our net zero carbon targets and evolving minimum energy efficiency standards.

At 30 September 2021, the Group's loan-to-value ratio was 24.9%.

It is the Group's expectation that it will remain in compliance with the loan-to-value covenants on its individual debt arrangements even under the severe-but-plausible downside scenario.

However, were these covenants to come under pressure they can be managed through the addition of security from the Group's pool of unsecured assets.

Through charging these unsecured properties, the Group estimates that it could withstand a 39% decrease in valuations before reaching the limit of its loan-to-value covenants. If it were to cancel the undrawn revolving credit facility and release its assets to be charged against other loans, this tolerance would increase to 46%. The Board considers the likelihood of a decline of this magnitude to be remote in view of the prime nature of the assets in the portfolio and the 22.7% decline already experienced in the two years ended 30 September 2021, which has largely been a result of the pandemic.

The undrawn revolving credit facility expires in February 2023, but the Group does not expect to rely on it for liquidity at any time. There are no other debt maturities until 2027.

Whilst the severe-but-plausible downside scenario would present significant challenges over the going concern period, the directors' assessment is that, in view of the Group's cash reserves, its expected covenant compliance and cure rights, and the reverse stress testing set out above, they can have a reasonable expectation that the Group has adequate resources to continue in operational existence for the going concern period. On this basis, the Board has continued to adopt the going concern basis in preparing the consolidated financial statements.

2. Changes in accounting policies

The Group's significant accounting policies are disclosed in note 27. The accounting policies and methods of computation used are consistent with those of the previous financial year, with the exception of new standards and amendments to standards, which became effective in the financial year.

New standards adopted during the year

The following standards and amendments to existing standards were relevant to the Group, adopted from 1 October 2020, and did not have a significant impact on the financial statements:

- IAS 1 and IAS 8 (amendments) – Definition of material
- IFRS 3 (amendment) – Definition of a business
- IFRS 9, IAS 39 and IFRS 7 (amendments) – Interest rate benchmark reform
- IFRS 16 (amendment) – Covid-19 related rent concessions

Standards relevant to the Group but not yet effective

The following amendments to existing standards were relevant to the Group, are not yet effective, and have not been adopted early. They are not expected to have a significant impact on the financial statements:

- IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amendments) – Interest rate benchmark reform (Phase 2)
- IAS 1 (amendment) – Classification of liabilities as current or non-current

3. Significant judgements, assumptions and key estimates

The preparation of the financial statements in accordance with IFRS requires the directors to make judgements and estimates about the carrying amounts of assets and liabilities, in applying the Group's accounting policies. The judgements and estimates are based on historical experience and other relevant factors, including expectations of future events, and are reviewed on a continual basis. Although the estimates are made using the directors' best knowledge of the amount, event or actions, actual results may differ from the original estimates.

The directors did not make any significant judgements in the preparation of these financial statements, which is consistent with the financial statements for the prior year.

Significant areas of estimation uncertainty

The key estimates made in the current year financial statements are the valuation of investment property and the provision for expected credit losses for trade receivables, impairment of lease incentives and deferred letting costs. This is consistent with the prior year.

Investment property valuation

The investment property portfolio is valued by independent third party valuers. Cushman & Wakefield value the properties owned by the Group, and Knight Frank LLP value the properties owned by the Longmartin joint venture.

Valuations are inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental income. As a result, the valuations the Group places on its property portfolio require estimates to be made, including, but not limited to, market yields, ERVs, void periods and, currently, the likely short-term impact of rent concessions. These estimates are based on assumptions made by the valuers. The most significant assumptions are those in respect of market yields and ERVs, which are summarised on page 197 and are in accordance with the RICS Valuation – Global Standards. Given the inherent subjectivity, the valuations are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the commercial property market. This may mean that the value of the Group's properties differs from their valuation reported in the financial statements, which could have a material effect on the Group's financial position.

Further information on the approach taken by the valuers in valuing the portfolio and a sensitivity analysis on equivalent yields and ERV, which are the most significant assumptions impacting the fair values, is set out in note 10 to the financial statements.

Provisions for expected credit losses, impairment of lease incentives and deferred letting costs

In preparing the financial statements, estimates are made in assessing expected credit losses in respect of trade receivables, lease incentives and deferred letting costs. In normal circumstances, these estimates draw on historical information, such as recent payment history. However, in the current market with greater uncertainty, the focus is more on forecast information, taking into account expectations about trading levels, footfall and tenants' ability to pay arrears, and, with respect to lease incentives and deferred letting costs, whether it is likely tenants will serve out the remainder of the contractual terms of their leases. In assessing provisions, the Group identifies risk factors associated with each use (hospitality and leisure, retail, office and residential).

The Group assesses the likely recovery of trade receivables for potential provisions, which are estimated using a forward-looking expected credit loss model for each receivable from an occupier. In determining the provision, the Group considers both recent payment history and future expectations of occupiers' ability to pay or possible default in order to recognise a lifetime expected credit loss allowance.

Where the credit loss relates to revenue already recognised in the Income Statement, the expected credit loss allowance is recognised in the Income Statement. Expected credit losses totalling £16.4 million (2020: £13.0 million) were charged to the Income Statement in the year.

The gross trade receivables balance subject to estimation uncertainty is £20.8 million. An increase of 5% to the provision percentage applied will increase the provision by £0.9 million. A decrease of 5% to the provision percentage applied will decrease the provision by £1.1 million.

Accrued income from lease incentives and deferred letting costs are subject to impairment review at each year end. In determining the impairment provision, the Group reviews leases on an individual basis, making a provision based on an expected credit loss model, using information available about the likelihood of a lease terminating earlier than the date of contractual break option or expiry. With trading conditions improving in the second half of the year, the risk of tenant default has lessened, which has led to reduced impairment provisions against lease incentive and deferred letting cost balances. Whilst occupiers' trading has improved, the prospect of recovering material amounts of arrears that built up during periods of Government restrictions still remains uncertain, which is reflected in the Group's provisions for expected credit losses.

The gross accrued income balance from lease incentives which is subject to estimation uncertainty is £46.5 million. An increase of 5% to the provision percentage applied will increase the provision by £1.9 million. A decrease of 5% to the provision percentage applied will decrease the provision by £1.3 million.

The Group has no significant concentrations of credit risk. The trade receivables balance is spread across a large number of different tenants with no single debtor representing more than 2% of the total balance due (2020: 3%). However, the Group's debtors include counterparties in sectors that have increased exposure to Government-imposed Covid-19 lockdown restrictions, which may increase the risk of non-payment.

See note 5 for further information on expected credit losses and impairment charges.

4. Segmental information

IFRS 8 requires operating segments to be reported in a manner consistent with the internal financial reporting reviewed by the chief operating decision maker. The chief operating decision maker of the Group is the Board. The Board is responsible for reviewing the Group's internal reporting in order to assess performance.

The information reviewed by the Board is prepared on a basis consistent with these financial statements. That is, the information is provided at a Group level and includes both the IFRS reported results and EPRA measures (see pages 193 to 194 for an explanation on the EPRA measures used in these financial statements).

The Group's properties are all located in London's West End, and are all of a similar type. The properties are typically mixed-use buildings with hospitality, leisure and retail on the lower floors and offices and apartments on the upper floors. As the properties share similar economic characteristics we consider them to be one operating segment. As such, no segmental financial information is presented.

5. Net property income

	2021 £m	2020 £m
Rental income (excluding lease incentives)	82.0	102.5
Adjustment for lease incentives	23.0	11.9
Rental income	105.0	114.4
Service charge income	7.7	10.1
Revenue	112.7	124.5
Expected credit losses	(16.4)	(13.0)
Impairment charges	(1.3)	(8.9)
	95.0	102.6
Service charge expenses	(7.7)	(10.1)
Other property charges	(22.6)	(18.2)
Property charges	(30.3)	(28.3)
	64.7	74.3

Impairment charges of £1.3 million (2020: £8.9 million) include £1.7 million (2020: £8.2 million) for tenant lease incentive balances and a £0.4 million credit (2020: £0.7 million charge) for deferred letting cost balances. See page 194 for property charges in respect of investment properties that were vacant during the year.

6. Administrative expenses

	2021 £m	2020 £m
Employee costs	14.7	8.2
Depreciation	0.3	0.3
Other head office costs	6.7	6.0
	21.7	14.5
Less: administrative fees received from the joint venture	(0.1)	(0.1)
	21.6	14.4

	2021 £m	2020 £m
Employee costs (including the directors)		
Wages and salaries	10.5	6.3
Social security costs	1.7	0.3
Other pension costs	0.5	0.3
Equity-settled remuneration	2.0	1.3
	14.7	8.2

Included within equity-settled remuneration is a charge of £1.4 million (2020: £1.0 million) for the LTIP and SAYE schemes. Note 21 includes a summary of the principal assumptions made at the last grant dates for these schemes. Details of the employee costs for the Group's key management personnel are set out in note 26.

	2021 number	2020 number
Average monthly number of employees		
Executive directors	4	4
Head office and property management	42	33
Estate management	1	1
	47	38

	2021 £000	2020 £000
Auditor remuneration		
Audit of the Company	114	99
Audit of the Group	262	228
Total fees for audit services	376	327
Audit related assurance services – half year review	45	45
Other assurance services	75	234
Total assurance services	120	279
Other non-audit services	207	293
Total fees for non-audit services	327	572
Total fees	703	899

The auditor provided no taxation services to the Group in 2021 (2020: £nil). The auditor acted as reporting accountants in connection with the Company's equity raise that completed on 18 November 2020. Total non-audit fees payable to Ernst & Young for permissible non-audit services were £790,000. Of this, £274,000 related to work completed in 2021 and £516,000 for 2020.

Total fees for non-audit services represented 87% (2020: 175%) of the total fees for audit services. See page 135 of the Audit Committee Report which sets out further considerations in respect audit and non-audit fees.

7. Profit on disposal of investment properties

	2021 £m	2020 £m
Net sale proceeds	5.2	0.3
Book value	(5.1)	-
	<u>0.1</u>	<u>0.3</u>

Disposal profits in 2020 relate to residential long leasehold tenure extensions.

8. Finance costs

	2021 £m	2020 £m
Mortgage bond interest	13.9	13.9
Bank and other interest	15.7	17.4
Issue cost amortisation	1.3	1.2
	<u>30.9</u>	<u>32.5</u>

9. Tax charge for the year

The Group's wholly-owned business is subject to taxation as a REIT. Under the REIT regime, income from its rental business (calculated by reference to tax rather than accounting rules) and chargeable gains from the sale of its investment properties are exempt from corporation tax.

10. Investment properties

	2021 £m	2020 £m
At 1 October	3,115.5	3,765.9
Acquisitions	13.2	13.3
Disposals	(5.1)	-
Refurbishment and other capital expenditure	37.4	34.8
Net revaluation deficit on investment properties	(196.9)	(698.5)
Book value at 30 September	2,964.1	3,115.5
Fair value at 30 September:		
Properties valued by Cushman & Wakefield	3,010.5	3,137.4
Lease incentives and costs included in receivables	(46.4)	(21.9)
Book value at 30 September	2,964.1	3,115.5

The investment properties valuation comprises:

	2021 £m	2020 £m
Freehold properties	2,805.7	2,929.0
Leasehold properties	204.8	208.4
	<u>3,010.5</u>	<u>3,137.4</u>

Investment properties were valued at 30 September 2021 by professionally qualified external valuers. The Group's wholly-owned portfolio is valued by Cushman & Wakefield, members of the Royal Institution of Chartered Surveyors (RICS).

All properties were valued on the basis of fair value and highest and best use, in accordance with IFRS 13 and the RICS Valuation – Global Standards, which incorporate the International Valuation Standards and the Valuation UK National Supplement (the "RICS Red Book") edition current at the valuation date. When considering a property's highest and best use, the valuer considers its actual and potential uses which are physically, legally and financially viable. Where the highest and best use differs from the existing use, the valuer considers the use a market participant would have in mind when formulating the price it would bid and reflects the cost and likelihood of achieving that use.

The fair value of the Group's investment properties has primarily been determined using a market approach, which provides an indication of value by comparing the subject asset with similar assets for which price information is available. The external valuer uses information provided by the Group, such as tenancy information and capital expenditure expectations. In deriving fair value, the valuer also makes a series of assumptions, using professional judgement and market observations. These assumptions include, but are not limited to, market yields, ERVs, void periods, and currently, the short-term impact of rent concessions. The key assumptions are the equivalent yields and estimated future rental income (ERVs), as set out on page 197. Equivalent yields are based on current market prices, depending on, inter alia, the location, condition and use of the properties. ERVs are calculated using a number of factors which include current rental income, market comparatives and local occupancy levels. Whilst there is market evidence for the key inputs, and recent transaction prices for similar properties, there is still a significant element of estimation and judgement. As a result of adjustments made to market observable data, these significant inputs are deemed unobservable.

10. Investment properties continued

Since the key inputs to the valuation are unobservable, the Group considers all its investment properties fall within Level 3 of the fair value hierarchy in IFRS 13. The Group's policy is to recognise transfers between hierarchy levels as at the date of the event or change in circumstances that caused the transfer. There have been no transfers during the year (2020: none).

The major inputs to the external valuation are reviewed by the senior management team. In addition, the valuer meets with the external auditor and the Audit Committee. Further details of the Audit Committee's responsibilities in relation to valuations can be found in the Audit Committee Report on pages 130 to 133.

Fees were agreed at fixed amounts in advance of the valuations being carried out. Non-valuation fees, including letting and other advice provided to the Group, represented 47% of total fees for the valuation of the Group's investment properties. Cushman & Wakefield confirmed that the total fees paid by the Group represented less than 5% of its total revenues in the current year.

Sensitivity analysis

As noted in the significant judgements, assumptions and key estimates section in note 3, the valuation of the Group's property portfolio is inherently subjective. As a result, the valuations the Group places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the commercial property market.

The sensitivity analysis below illustrates the impact on the fair value of the Group's properties, from changes in the key assumptions.

	Change in ERV				Change in Yield			
	-10% £m	-5% £m	+5% £m	+10% £m	-0.5% £m	-0.25% £m	+0.25% £m	+0.5% £m
(Decrease)/increase in the fair value	(271.8)	(144.4)	113.5	245.2	505.0	231.3	(197.5)	(370.0)

These key unobservable inputs are inter-dependent. All other factors being equal, a higher equivalent yield would lead to a decrease in the valuation of a property, and an increase in the ERV would increase the capital value, and vice versa.

At 30 September 2021, the Group had capital commitments of £18.8 million (2020: £31.0 million). This included £15.1 million relating to future capital expenditure for the enhancement of the Group's investment properties (2020: £31.0 million) and £3.7 million for an acquisition, conditional on certain requirements being met (2020: £nil). See pages 52 to 53 for a discussion of the Group's property activity during the year. Details of the restrictions on the Group's investment properties are set out in note 17.

11. Accrued income

	2021 £m	2020 £m
Accrued income in respect of lease incentives	43.9	20.6
Less: included in trade and other receivables (note 14)	(9.8)	(4.3)
	34.1	16.3

At 30 September 2021, the Group held impairment provisions totalling £2.6 million (2020: £8.2 million) against lease incentive balances. See note 3 for further information.

12. Investment in joint venture

	2021 £m	2020 £m
Group		
At 1 October	96.8	127.6
Share of losses	(11.0)	(29.4)
Dividends received	-	(1.4)
Book value at 30 September	85.8	96.8
	2021 £m	2020 £m
Company		
Shares at cost		
At 1 October and 30 September	59.0	59.0

The Company owns 7,782,100 B ordinary £1 shares in Longmartin Properties Limited, representing 50% of that company's issued share capital. The company is incorporated in Great Britain and registered in England and Wales and is engaged in property investment in London. Longmartin Properties Limited's principal place of business and registered office is the same as the Group, as set out on page 157. Control of Longmartin Properties Limited is shared equally with The Mercers' Company, which owns 50% of its issued share capital.

12. Investment in joint venture continued

At 30 September 2021, the joint venture had capital commitments of £3.6 million (2020: £0.1 million) relating to future capital expenditure for the enhancement of its investment properties, of which, 50% relates to the Group.

The summarised Statement of Comprehensive Income and Balance Sheet used for equity accounting purposes are presented below:

	2021 £m	2020 £m
Statement of Comprehensive Income		
Rental income	14.1	15.3
Service charge income	1.3	1.9
Revenue	15.4	17.2
Expected credit losses	(2.1)	(0.4)
Impairment charges	(0.4)	(0.8)
	12.9	16.0
Other property charges	(2.7)	(2.9)
Service charge expenses	(1.3)	(1.9)
Property charges	(4.0)	(4.8)
Net property income	8.9	11.2
Administrative expenses	(0.3)	(0.3)
Operating profit before investment property valuation movements	8.6	10.9
Net revaluation deficit on investment properties	(22.6)	(71.7)
Operating loss	(14.0)	(60.8)
Finance costs	(7.2)	(7.3)
Loss before tax	(21.2)	(68.1)
Current tax	(0.4)	(0.9)
Deferred tax	(0.3)	10.2
Tax (charge)/credit for the year	(0.7)	9.3
Loss and total comprehensive loss for the year	(21.9)	(58.8)
Loss attributable to the Group	(11.0)	(29.4)
	2021 £m	2020 £m
Balance Sheet		
Non-current assets		
Investment properties at book value	336.4	358.0
Accrued income	2.4	1.8
Other receivables	1.3	1.3
	340.1	361.1
Cash and cash equivalents	5.1	4.3
Other current assets	8.5	5.7
Total assets	353.7	371.1
Current liabilities	34.1	30.0
Non-current liabilities		
Secured term loan	120.0	120.0
Other non-current liabilities	28.0	27.5
Total liabilities	182.1	177.5
Net assets	171.6	193.6
Net assets attributable to the Group	85.8	96.8

13. Investment in subsidiaries

	2021 £m	2020 £m
Shares in Group undertakings		
At 1 October	1,226.8	1,238.3
Additional share capital issued by subsidiaries	182.9	-
Impairment of shares in subsidiaries	-	(11.5)
At 30 September	1,409.7	1,226.8

During the year, a number of subsidiaries issued share capital to the Company. All transactions were settled through intercompany indebtedness. In 2020, two subsidiary companies distributed £12.5 million to the Company. The distributions were settled by intercompany indebtedness. Following this, the Company impaired its investment in these subsidiaries.

The full list of the Company's subsidiary undertakings is presented below. Except where indicated otherwise, the Company owns, directly, all of the ordinary issued share capital:

Active subsidiaries:

Shaftesbury Carnaby PLC	Shaftesbury AV Investment Limited
Shaftesbury Covent Garden Limited	Shaftesbury AV Limited ¹
Shaftesbury Chinatown PLC	Shaftesbury CL Investment Limited
Shaftesbury Soho Limited	Shaftesbury CL Limited ¹

Dormant subsidiaries:

Carnaby Estate Holdings Limited	Chinatown London Limited
Carnaby Investments Limited	Shaftesbury Investments 2 Limited
Carnaby Property Investments Limited ¹	Shaftesbury Investments 4 Limited
Chinatown Estate Holdings Limited	Shaftesbury Investments 5 Limited
Chinatown Property Investments Limited ¹	Shaftesbury Investments 6 Limited
Covent Garden Estate Holdings Limited	Shaftesbury Investments 7 Limited
Shaftesbury Covent Garden Property Investments Limited ¹	Shaftesbury Investments 8 Limited
Shaftesbury Charlotte Street Limited	Shaftesbury Investments 9 Limited
Charlotte Street Estate Holdings Limited	Shaftesbury Investments 10 Limited
Shaftesbury West End Limited	Shaftesbury WE Limited ²

1. 100% of the share capital of these subsidiaries is held by other Group companies.

2. In an effort to simplify the Group structure, this subsidiary was dissolved on 9 October 2021.

All of the companies are either engaged in property investment or dormant. They are incorporated in Great Britain and are registered in England and Wales. The registered office of the subsidiaries is the same as the Group, as set out on page 157.

14. Trade and other receivables

	Group		Company	
	2021 £m	2020 £m	2021 £m	2020 £m
Current trade and other receivables				
Trade receivables	20.8	26.0	-	-
Provision for expected credit losses	(14.1)	(14.3)	-	-
	6.7	11.7	-	-
Accrued income in respect of lease incentives (note 11)	9.8	4.3	-	-
Amounts due from subsidiaries	-	-	93.1	144.6
Amounts due from joint venture	1.7	11.8	1.7	11.8
Other taxation	0.9	2.9	-	1.4
Prepayments	11.3	1.9	0.6	0.5
Other receivables	14.0	12.4	2.0	3.2
Total current trade and other receivables	44.4	45.0	97.4	161.5
Non-current trade and other receivables				
Amounts due from joint venture	12.2	-	12.2	-
Other receivables	3.7	3.7	-	-
Total non-current trade and other receivables	15.9	3.7	12.2	-

Trade receivables represent amounts due from tenants. Within this balance is £3.9 million (2020: £3.6 million) owed for service charges.

See note 18 for further information on the provision for expected credit losses.

Cash deposits totalling £8.3 million (2020: £14.3 million) were held against tenants' rent payment obligations. The deposits are held in bank accounts administered by the Group's managing agent and are not included within the Group Balance Sheet.

15. Cash and cash equivalents

	Group		Company	
	2021 £m	2020 £m	2021 £m	2020 £m
Cash at bank	211.3	72.8	195.6	61.5
Restricted cash (included in other receivables in note 14):				
Non-current other receivables	3.7	3.7	-	-
Current other receivables	13.8	8.7	2.0	1.3
	17.5	12.4	2.0	1.3

Restricted cash relates to cash held on deposit as security for certain secured term loans and secured bank facilities, and where there are certain conditions restricting their use.

16. Trade and other payables

	Group		Company	
	2021 £m	2020 £m	2021 £m	2020 £m
Current trade and other payables				
Deferred rental income	3.1	3.4	-	-
Accruals and deferred service charge income	3.3	1.1	-	-
	6.4	4.5	-	-
Trade payables and accruals in respect of capital expenditure	7.3	4.8	-	-
Amounts due to subsidiaries	-	-	44.3	-
Other taxation and social security	1.2	0.5	1.8	0.5
Other payables and accruals	16.7	9.9	5.3	3.5
Lease liabilities	-	-	0.4	0.4
Total current trade and other payables	31.6	19.7	51.8	4.4
Non-current trade and other payables				
Lease liabilities	-	-	3.3	3.8
Total non-current trade and other payables	-	-	3.3	3.8

All deferred service charge income of the prior year was recognised as income in the current year.

17. Borrowings

Group

	2021			2020		
	Nominal value £m	Unamortised issue costs £m	Book value £m	Nominal value £m	Unamortised issue costs £m	Book value £m
Mortgage bonds	575.0	(3.9)	571.1	575.0	(4.4)	570.6
Secured bank facilities	-	(0.4)	(0.4)	100.0	(1.0)	99.0
Secured term loans	384.8	(3.2)	381.6	384.8	(3.4)	381.4
Total Group borrowings	959.8	(7.5)	952.3	1,059.8	(8.8)	1,051.0

In November 2020, the Group cancelled its £125.0 million revolving credit facility, which was undrawn. The Group also repaid £100.0 million of drawings against its remaining revolving credit facility, which remains available to be re-drawn.

Details of the Group's current financial position are discussed on pages 83 to 84.

The Group's borrowings are secured by fixed charges over certain investment properties held by subsidiaries, with a carrying value of £2,444.1 million (2020: £2,697.9 million), and by floating charges over the assets of the Company and/or certain subsidiaries. To the extent there is a fixed charge over a property, consent is needed from the relevant lender for the fixed charge to be removed, for example, in the case of a disposal of that property. There are currently no restrictions on the remittance of income from investment properties.

17. Borrowings continued

Net debt reconciliation

	Cash flows			Non-cash items £m	30.9.2021 £m
	1.10.2020 £m	Inflows £m	Outflows £m		
Non-current borrowings					
Mortgage bonds	575.0	-	-	-	575.0
Secured bank facilities	100.0	-	(100.0)	-	-
Secured term loans	384.8	-	-	-	384.8
Loan issue costs	(8.8)	-	-	1.3	(7.5)
	1,051.0	-	(100.0)	1.3	952.3
Loan issue costs ¹	8.8	-	-	(1.3)	7.5
Cash & cash equivalents (note 15)	(72.8)	(351.0)	212.5	-	(211.3)
Net debt at 30 September 2021	987.0	(351.0)	112.5	-	748.5

1. Loan issue costs are eliminated in the calculation of net debt.

	1.10.2019 £m	Cash flows		Non-cash items £m	30.9.2020 £m
		Inflows £m	Outflows £m		
Non-current borrowings					
Mortgage bonds	575.0	-	-	-	575.0
Secured bank facilities	-	150.0	(50.0)	-	100.0
Secured term loans	384.8	-	-	-	384.8
Loan issue costs	(10.0)	-	-	1.2	(8.8)
	949.8	150.0	(50.0)	1.2	1,051.0
Loan issue costs ¹	10.0	-	-	(1.2)	8.8
Cash & cash equivalents (note 15)	(54.0)	(185.6)	166.8	-	(72.8)
Net debt at 30 September 2020	905.8	(35.6)	116.8	-	987.0

1. Loan issue costs are eliminated in the calculation of net debt.

Availability and maturity of borrowings

	2021			2020		
	Committed £m	Drawn £m	Undrawn £m	Committed £m	Drawn £m	Undrawn £m
Repayable between 1 and 5 years	100.0	-	100.0	225.0	100.0	125.0
Repayable between 5 and 10 years	839.8	839.8	-	554.8	554.8	-
Repayable after 10 years	120.0	120.0	-	405.0	405.0	-
	1,059.8	959.8	100.0	1,184.8	1,059.8	125.0

Interest rate profile of interest bearing borrowings

	2021		2020	
	Debt £m	Interest rate	Debt £m	Interest rate
Secured bank facilities	-	-	100.0	1.66%
Secured term loans	384.8	3.85%	384.8	3.85%
Mortgage bonds 2027	290.0	2.35%	290.0	2.35%
Mortgage bonds 2031	285.0	2.49%	285.0	2.49%
Weighted average cost of drawn borrowings		2.99%		2.87%

The Group and Company also incur non-utilisation fees on undrawn facilities. At 30 September 2021, the charge on the undrawn facility of £100.0 million (2020: £125.0 million) for the Group and Company was 0.64% (2020: 0.68%).

The credit margin on the Group and Company's secured bank facility was 1.6% (2020: 1.46%).

17. Borrowings continued

Company

	2021			2020		
	Nominal value £m	Unamortised issue costs £m	Book value £m	Nominal value £m	Unamortised issue costs £m	Book value £m
Secured bank facilities	-	(0.4)	(0.4)	100.0	(1.0)	99.0
Total Company borrowings	-	(0.4)	(0.4)	100.0	(1.0)	99.0

At 30 September 2021, there were no drawings against the Company's secured bank facility (2020: £100.0 million). The Company is still able to benefit from this committed revolving credit facility, and as such, unamortised issue costs of £0.4 million (2020: £1.0 million) continue to be carried in the Balance Sheet.

Net debt reconciliation

	Cash flows				
	1.10.2020 £m	Inflows £m	Outflows £m	Non-cash items £m	30.9.2021 £m
Non-current borrowings					
Secured bank facilities	100.0	-	(100.0)	-	-
Loan issue costs	(1.0)	-	-	0.6	(0.4)
	99.0	-	(100.0)	0.6	(0.4)
Loan issue costs ¹	1.0	-	-	(0.6)	0.4
Cash & cash equivalents (note 15)	(61.5)	(323.4)	189.3	-	(195.6)
Net debt at 30 September 2021	38.5	(323.4)	89.3	-	(195.6)

1. Loan issue costs are eliminated in the calculation of net debt.

	Cash flows				
	1.10.2019 £m	Inflows £m	Outflows £m	Non-cash items £m	30.9.2020 £m
Non-current borrowings					
Secured bank facilities	-	150.0	(50.0)	-	100.0
Loan issue costs	(1.3)	-	-	0.3	(1.0)
	(1.3)	150.0	(50.0)	0.3	99.0
Loan issue costs ¹	1.3	-	-	(0.3)	1.0
Cash & cash equivalents (note 15)	(36.9)	(191.9)	167.3	-	(61.5)
Net debt at 30 September 2020	(36.9)	(41.9)	117.3	-	38.5

1. Loan issue costs are eliminated in the calculation of net debt.

Availability and maturity of borrowings

	2021			2020		
	Committed £m	Drawn £m	Undrawn £m	Committed £m	Drawn £m	Undrawn £m
Repayable between 1 and 5 years	100.0	-	100.0	225.0	100.0	125.0

18. Financial instruments

Categories of financial instruments (book value)	Notes	2021 £m	2020 £m
Group			
Financial assets			
Trade and other receivables	14	6.7	11.7
Amounts due from joint venture	14	13.9	11.8
Other receivables	14	17.7	16.1
Cash and cash equivalents	15	211.3	72.8
		249.6	112.4
Financial liabilities			
Trade and other payables – due within one year	16	(24.0)	(14.7)
Interest bearing borrowings	17	(952.3)	(1,051.0)
		(976.3)	(1,065.7)
Net financial instruments		(726.7)	(953.3)
Company			
Financial assets			
Amounts due from subsidiaries	14	93.1	144.6
Amounts due from joint venture	14	13.9	11.8
Other receivables	14	2.0	3.2
Cash and cash equivalents	15	195.6	61.5
		304.6	221.1
Financial liabilities			
Trade and other payables – due within one year	16	(5.3)	(3.5)
Lease liabilities ¹	16	(3.7)	-
Amounts due to subsidiaries	16	(44.3)	-
Interest bearing borrowings	17	-	(99.0)
		(53.3)	(102.5)
Net financial instruments		251.3	118.6

1. On adoption of IFRS 16, lease liabilities of £4.2 million were separately disclosed in note 2 of the prior year financial statements.

Other receivables relate to cash held on deposit, which have certain conditions restricting their use which are due between 2029 and 2035.

Fair values of financial instruments

The Group's mortgage bonds and secured term loans are held at amortised cost in the Balance Sheet. The fair value of these financial instruments is £1,005.1 million (2020: £988.9 million). The difference between the fair value and the book value is not recognised in the reported results for the year. The fair values have been calculated based on a discounted cash flow model using the relevant reference gilt and appropriate market spread. The valuation technique falls within Level 2 of the fair value hierarchy in IFRS 13.

The fair values of the Group's and Company's cash and cash equivalents, and those financial instruments included within trade and other receivables, interest bearing borrowings (excluding the mortgage bonds and the secured term loans), and trade and other payables are not materially different from the values at which they are carried in the financial statements.

Contractual cash flows

The tables below summarise the undiscounted contractual cash flows arising on interest bearing financial liabilities based on conditions existing at the Balance Sheet date. The Group has no obligation to repay its mortgage bonds or secured term loans in advance of their maturities between 2027 and 2035. The Group's secured bank facility matures in 2023.

Group

	Book value £m	Contractual cash flows £m	<1 year £m	1-2 years £m	2-5 years £m	5-10 years £m	>10 years £m
30 September 2021							
Financial liabilities							
Interest bearing borrowings:							
Principal (note 17)	952.3	959.8	-	-	-	839.8	120.0
Interest	3.0	256.7	28.7	28.7	86.2	95.4	17.7
Total	955.3	1,216.5	28.7	28.7	86.2	935.2	137.7
30 September 2020							
Financial liabilities							
Interest bearing borrowings:							
Principal (note 17)	1,051.0	1,059.8	-	-	100.0	554.8	405.0
Interest	2.9	289.4	30.4	30.4	86.8	112.4	29.4
Total	1,053.9	1,349.2	30.4	30.4	186.8	667.2	434.4

18. Financial instruments continued

Company

	Book value £m	Contractual cash flows £m	<1 year £m	1-2 years £m	2-5 years £m	5-10 years £m	>10 years £m
30 September 2021							
Financial liabilities							
Interest bearing borrowings:							
Principal (note 17)	-	-	-	-	-	-	-
Interest	0.1	0.1	0.1	-	-	-	-
Lease liabilities ¹	3.7	4.4	0.6	0.6	1.7	1.5	-
Total	3.8	4.5	0.7	0.6	1.7	1.5	-
30 September 2020							
Financial liabilities							
Interest bearing borrowings:							
Principal (note 17)	99.0	100.0	-	-	100.0	-	-
Interest	-	4.0	1.7	1.7	0.6	-	-
Total	99.0	104.0	1.7	1.7	100.6	-	-

1. On adoption of IFRS 16, lease liabilities with a book value of £4.2 million were separately disclosed in note 2 of the prior year financial statements.

Management of financial risks (Group and Company)

An overview of the Group's risk management policies and the principal risks and uncertainties is set out on pages 88 to 95. The disclosure below provides further detail regarding financial risk management.

Credit risk

Credit risk refers to the risk that a counterparty will default on their contractual obligations resulting in financial loss to the Group.

The Group defines default as the failure to meet contractual obligations as such obligations fall due. Generally, default risk is managed through a large and diverse tenant base so that tenant credit risk is widely spread.

Prior to entering into contractual arrangements, where appropriate, tenants are required to provide cash deposits to mitigate the potential loss in the event of default. Tenant deposits are referred to in note 14.

During the pandemic, the Group supported its occupiers through a package of measures, including waivers of rent obligations, which has been critical in mitigating tenant default risk, particularly for our hospitality, retail and leisure occupiers. Over the second half of the year, trading conditions have improved and rent collection rates are improving, although are not yet back at pre-pandemic levels. During this period, occupier demand has improved and available space in the Group's portfolio has now largely been absorbed. The Group's rental support has tapered and is now only being provided on an exceptional, case-by-case basis. However, occupiers face a number of headwinds including inflation, energy costs, staff shortages and the wind down of Government support, which could reduce profitability or their ability to service their debt. Whilst tenant default risk, and hence credit risk associated with our tenants, has decreased in the year, it remains one of the Group's principal risks.

▲ *Principal risks and uncertainties: page 88*

In respect of tenant arrears, the Group identified risk factors associated with each use (hospitality, retail, office and residential) and calculated provisions taking into account the type of use, rent deposits held and rent collections, on a tenant-by-tenant basis. The Group was able to utilise £1.2 million (2020: £2.3 million) of the £8.3 million (2020: £14.3 million) tenant rent deposits held by the managing agent (see note 14) at 30 September 2021 to offset unpaid rent receivables. Absent the assumed use of tenant deposits held by the managing agent at 30 September 2021 as collateral against arrears at that date, the maximum exposure to credit risk for the Group was £5.5 million (2020: £9.4 million). Tenant arrears are derecognised when there is no longer a reasonable expectation of collection.

Where cash is deposited with banks or financial institutions, the Group considers the counterparty credit rating and places amounts with different banks or financial institutions to spread counterparty credit risk. Deposits and liquidity requirements are reviewed on a weekly basis.

The Company's credit risk management, objectives and policies are consistent with those of the Group.

Capital risk

The capital structure of the Group consists of equity and net borrowings, including cash held on deposit. The type and maturity of the Group's borrowings is set out in note 17 and the Group's share capital and reserves are set out in notes 19 and 20 and the Statement of Changes in Equity. The Group regularly reviews its loan covenant compliance.

The Group's capital management objectives are to continue as a going concern and to provide enhanced shareholder returns whilst maintaining an appropriate risk reward balance to accommodate changing financial and operating market cycles.

During the year, reduced rent collections and vacancy continued to put pressure on interest cover covenants in certain of the Group's debt arrangements. Waivers from lenders, originally secured in 2020, were extended. In November 2020, following an assessment by the Board of the Group's financial and liquidity position in light of the impact of the pandemic, the Group issued equity, raising net proceeds of £294.4 million. Having maintained the Group's financial resilience, the Group has weathered the pandemic storm and is now well positioned to return to long-term growth and take advantage of portfolio investment opportunities.

The Group's capital structure and financing strategy are discussed in the Strategic Report on page 83.

▲ *Principal risks and uncertainties: page 88*

18. Financial instruments continued

Liquidity risk

The Board keeps under review the Group's funding requirements, available facilities and covenant compliance to ensure it has sufficient funds available to meet its existing and planned commitments. The Group's liquidity position and requirements were considered as part of the assessment noted in capital risk management (above).

Market risk

Interest rate risk arises from the Group's use of interest bearing financial instruments, and is the risk that future cash flows from financial instruments will fluctuate due to changes in interest rates and credit costs. The Board keeps the Group's interest rate risk under review, particularly in light of expectations of future interest rate movements.

The Group's policy is to minimise interest rate risk through long-term fixed rate debt. Following the equity issue in November 2020, the Group cancelled one of its revolving credit facilities and repaid its other revolving credit facility. Both facilities bore variable rate interest. At 30 September 2021, 100% of the Group's drawn borrowings were fixed rate. As such, the Group's exposure to changes in long-term interest rates and the potential impact on the Group's results and financial position is considered to be insignificant.

19. Share capital

Group and Company	2021 number million	2020 number million	2021 £m	2020 £m
Allotted and fully paid (ordinary 25p shares)				
At 1 October	307.4	307.4	76.9	76.9
Share issue	76.8	-	19.2	-
At 30 September	384.2	307.4	96.1	76.9

On 18 November 2020, the Company issued 76.8 million shares, representing approximately 25% of its issued share capital, at £4 per share. After issue costs of £12.6 million, the net proceeds were £294.4 million. Issue costs directly attributable to the transaction have been accounted for as a deduction from share premium. Following the share issue, the Company's issued share capital was 384,167,537.

In accordance with IFRS, the discount element inherent in the equity raise has been accounted for as a bonus issue of 6.7 million shares. Earnings per share information (see note 24) has been restated for the comparative period presented, by adjusting the weighted average number of shares to include the impact of the bonus shares.

In respect of the equity issue, Capital & Counties Properties PLC ("Capco") and Norges Bank ("Norges") were related parties of Shaftesbury PLC for the purposes of the Listing Rules and participated in the equity issue in respect of 16,250,000 and 19,245,032 shares respectively, for a total consideration of approximately £65 million and £77 million respectively. In respect of Capco, this transaction was disclosed via the Regulatory News Service on 22 October 2020, in accordance with LR11.1.10R. In respect of Norges, the issue of shares was a transaction of sufficient size to require shareholder approval under chapter 11 of the Listing Rules as announced via the Regulatory News Service on 22 October 2020. This approval was granted at the Extraordinary General Meeting on 17 November 2020. Shaftesbury PLC received written confirmation from its sponsor that the terms of the transactions were fair and reasonable as far as Shaftesbury PLC's shareholders were concerned.

20. Reserves

The Statement of Changes in Equity is set out on page 169.

The following describes the nature and purpose of each of the reserves within equity:

Reserve	Description and purpose
Share premium	Amount by which the fair value of the consideration received for ordinary shares exceeds the nominal value of shares issued, net of expenses.
Share-based payments reserve	Reserve used to recognise the value of equity-settled remuneration provided to employees.
Retained earnings	Cumulative gains and losses recognised in the Statement of Comprehensive Income, net of dividends and adjustments for equity-settled remuneration.

The Company's retained earnings include amounts distributable of £282.1 million (2020: £261.4 million).

21. Share-based remuneration

The Group operates a long-term incentive plan (LTIP), sharesave scheme (SAYE) and a deferred annual share bonus scheme (DASBS). A summary of the rules of the schemes is set out in the Remuneration Policy on pages 142 to 145.

LTIP and SAYE schemes

The following share options granted to executive directors and employees were outstanding at 30 September 2021:

Date of grant	At 1.10.2020	Awarded	Technical adjustment ¹	Exercised	Lapsed	At 30.9.2021	Exercisable 30.9.2021	Option exercise price ¹	Weighted average price at exercise	Exercise period
SAYE										
03.07.2015	2,593	-	55	-	(2,648)	-	-	£6.80	-	-
01.07.2016	6,072	-	129	-	-	6,201	6,201	£7.26	-	2021-2022
30.06.2017	8,677	-	186	-	(6,885)	1,978	-	£7.58	-	2022-2023
28.06.2019	8,685	-	184	-	-	8,869	-	£6.49	-	2022-2025
09.07.2020	117,557	-	2,522	-	(7,414)	112,665	-	£4.62	-	2023-2026
08.07.2021	-	27,923	-	-	-	27,923	-	£4.83	-	2024-2027
LTIP										
08.02.2016	45,627	-	1,696	(47,323)	-	-	-	Nil	£5.54	2020
12.12.2017	346,060	-	7,282	-	(353,342)	-	-	Nil	-	-
04.12.2018 ²	398,440	-	8,614	-	-	407,054	-	Nil	-	-
12.12.2019	461,460	-	9,974	-	-	471,434	-	Nil	-	2022-2029
24.07.2020	256,350	-	5,543	-	-	261,893	-	Nil	-	2022-2023
22.12.2020	-	862,999	-	-	-	862,999	-	Nil	-	2023-2030
22.12.2020	-	39,043	-	-	-	39,043	-	Nil	-	2022-2023
	1,651,521	929,965	36,185	(47,323)	(370,289)	2,200,059	6,201			

1. Following the equity raise in November 2020, the outstanding number of options and the option price have been restated to reflect the inherent bonus element in the equity raise. These were technical adjustments to align share plan participants with shareholders.

2. All share options will lapse at the vesting date in December 2021.

	At 1.10.2020	Awarded	Exercised	Lapsed	At 30.9.2021
Weighted average exercise price	0.45	0.16	-	0.28	0.35
Weighted average remaining contractual life	2.66				2.66

The fair value of option grants is measured by Lane Clark & Peacock LLP, Actuaries & Consultants. For the grants made during the year, the main inputs and assumptions, and the resulting fair values, are as follows:

	SAYE 3 Year	SAYE 5 Year	LTIP	LTIP
Grant date	08.07.21	08.07.21	22.12.20	22.12.20
Share price at date of grant	£5.87	£5.87	£5.22	£5.22
Exercise price	£4.83	£4.83	Nil	Nil
Expected life of award (years)	3	5	3 or 5	2 or 3
Share return volatility (per annum)	35%	29%	28%	n/a
Risk free discount rate (per annum)	0.1%	0.3%	(0.1%)	n/a
Index return volatility (FTSE 350 REIT Index)	-	-	21%	n/a
Correlation between the Company's shares and those in the FTSE 350 REIT	-	-	75%	n/a
Index				
Dividend yield	0.4%	0.4%	-	n/a

	SAYE 3 Year	SAYE 5 Year	LTIP (TSR)	LTIP (NAV)	LTIP (TAR)
Fair values:					
SAYE	£1.88	£1.94	-	-	-
No holding period	-	-	£2.54	£5.22	£5.22
Contingent holding period	-	-	£2.43	£5.00	£5.00
Two year holding period	-	-	£2.31	£4.75	£4.75

The assumed volatility was determined taking into account factors including the historical volatility of the Company share price. Actual future volatility may differ, potentially significantly, from historic volatility.

The vesting conditions relating to options granted in the year under the LTIP are described in the Annual Remuneration Report on pages 148 to 149.

21. Share-based remuneration continued

Deferred annual share bonus scheme

	2021 Shares	2020 Shares
At 1 October	568,144	616,042
Awarded	128,343	164,771
Technical adjustment ¹	16,536	-
Exercised	(190,528)	(212,669)
At 30 September	522,495	568,144

1. Following the equity raise in November 2020, the outstanding number of deferred bonus shares have been restated to reflect the inherent bonus element in the equity raise. These were technical adjustments to align share plan participants with shareholders.

22. Dividends

	Pence per share ¹		2021 £m	2020 £m
	PID	Ordinary		
Final dividend for: Year ended 30 September 2019	5.25p	3.75p	-	27.8
Interim dividend for: Year ended 30 September 2021	2.4p	-	9.3	-
Dividends paid in the year			9.3	27.8

1. Following the equity raise in November 2020, the comparative per share data has been restated to adjust for the inherent bonus element (see note 19). The restated dividends per share for the final dividend for the year ended 30 September 2019 are: 5.14p (PID) and 3.66 (ordinary). The dividend per share information included in the table above is as originally stated.

A final dividend of 4.0p per share was recommended by the Board on 29 November 2021. Subject to approval by the shareholders at the 2022 AGM, the final dividend will be paid on 11 February 2022 to shareholders on the register at 14 January 2022. 2.75p of the dividend will be paid as a PID and 1.25p will be paid as an ordinary dividend. The dividend totalling £15.4 million will be accounted for as an appropriation of revenue reserves in the year ending 30 September 2022. See page 82 of the Strategic Report for commentary on dividends.

The trustee of the Company's Employee Benefit Trust waived dividends in respect of 528,867 (2020: 568,144) ordinary shares during the year.

23. Cash flows from operating activities

	Notes	Group		Company	
		2021 £m	2020 £m	2021 £m	2020 £m
Operating activities					
Profit before tax		(194.9)	(699.5)	29.9	59.8
Adjusted for:					
Lease incentives recognised net of impairment	5	(21.3)	(3.7)	-	-
Share-based payments		1.9	0.7	1.9	0.7
Depreciation	6	0.3	0.3	0.3	0.3
Net revaluation deficit on investment properties	10	196.9	698.5	-	-
Profit on disposal of investment properties	7	(0.1)	(0.3)	-	-
Net finance costs		30.2	31.8	0.7	2.3
Transactions with subsidiaries		-	-	(52.4)	(87.3)
Impairment of subsidiaries	13	-	-	-	11.5
Dividends received from joint venture	12	-	-	-	(1.4)
Share of post-tax loss from joint venture	12	11.0	29.4	-	-
Cash flows from/(used in) operations before changes in working capital		24.0	57.2	(19.6)	(14.1)
Changes in working capital:					
Change in trade and other receivables		6.4	1.5	3.2	(0.7)
Change in trade and other payables		7.9	(25.2)	1.7	(2.2)
Cash generated from/(used in) operating activities		38.3	33.5	(14.7)	(17.0)

Transactions with subsidiaries in the table above includes amounts for administrative charges, finance charges and dividends which were settled through intercompany indebtedness.

See note 17 for the cash flow movement in net debt.

24. Performance measures

Earnings per share

	2021			2020 (as restated) ²		
	Loss after tax £m	Number of shares ¹ million	Loss per share pence	Loss after tax £m	Number of shares ¹ million	Loss per share pence
Basic and Diluted	(194.9)	374.8	(52.0)	(699.5)	314.1	(222.7)

EPRA earnings per share

The calculations below are in accordance with the EPRA Best Practice Recommendations.

	2021			2020 (as restated) ²		
	Profit after tax £m	Number of shares ¹ million	Earnings per share pence	Profit after tax £m	Number of shares ¹ million	Earnings per share pence
Basic	(194.9)	374.8	(52.0)	(699.5)	314.1	(222.7)
EPRA adjustments:						
Net revaluation deficit on investment properties (note 10)	196.9		52.5	698.5		222.4
Profit on disposal of investment properties (note 7)	(0.1)		-	(0.3)		(0.1)
Adjustments in respect of the joint venture:						
Investment property valuation deficit	11.3		3.0	35.8		11.4
Deferred tax	0.1		-	(5.1)		(1.6)
EPRA earnings	13.3	374.8	3.5	29.4	314.1	9.4

Covid-adjusted EPRA (loss)/earnings per share

	2021			2020 (as restated) ²		
	Profit after tax £m	Number of shares ¹ million	Earnings per share pence	Profit after tax £m	Number of shares ¹ million	Earnings per share pence
EPRA earnings	13.3	374.8	3.5	29.4	314.1	9.4
Less: Income recognised for tenant waivers	(22.4)		(6.0)	(11.5)		(3.7)
Add: Movement in associated impairment provisions & write-offs	1.7		0.5	8.2		2.6
Covid-adjusted EPRA (loss)/earnings	(7.4)	374.8	(2.0)	26.1	314.1	8.3

Like-for-like rental growth

	2021 £m	2020 £m
Rental income in current year	105.0	114.4
Adjusted for impact of:		
Impact of acquisitions	(0.3)	(1.7)
Impact of disposals	(0.2)	-
Like-for-like rental income in current year (A)	104.5	112.7
Rental income in previous year	114.4	117.3
Adjusted for impact of:		
Impact of acquisitions	-	(0.5)
Impact of disposals	(0.2)	-
Like-for-like rental income in previous year (B)	114.2	116.8
Like-for like (decline)/growth in rental income ((A-B)/B)	(8.5)%	(3.5)%

1. Weighted average number of shares.

2. Earnings per share information has been restated for the comparative period presented by adjusting the weighted average number of shares to include the impact of the equity issue (see note 19). The discount element inherent in the equity raise has been accounted for as a bonus issue of 6.7 million shares in 2020.

24. Performance measures continued

EPRA net asset measures

	2021		
	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
IFRS net assets	2,372.7	2,372.7	2,372.7
Dilutive effect of share options ¹	0.8	0.8	0.8
Deferred tax ²	8.6	8.6	-
Difference between fair value and carrying value of debt:			
Secured term loans ³	-	-	(51.5)
Mortgage bonds	-	-	(1.1)
Investment property purchasers' costs	213.3	-	-
Total	2,595.4	2,382.1	2,320.9
Number of diluted shares (million)	385.0	385.0	385.0
Diluted net assets per share (£)	6.74	6.19	6.03

	2020 ⁴		
	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
IFRS net assets	2,280.6	2,280.6	2,280.6
Dilutive effect of share options ¹	0.7	0.7	0.7
Deferred tax ²	8.5	8.5	-
Difference between fair value and carrying value of debt:			
Secured term loans ³	-	-	(48.0)
Mortgage bonds	-	-	11.4
Investment property purchasers' costs	222.5	-	-
Total	2,512.3	2,289.8	2,244.7
Number of diluted shares (million) (as restated)	314.7	314.7	314.7
Diluted net assets per share (£) (as restated)	7.98	7.28	7.13

Total accounting return (TAR)

	2021 pence	As restated ⁴ 2020 pence
Opening EPRA NTA (A)	728.0	961.0
Closing EPRA NTA	619.0	728.0
Decrease in the year	(109.0)	(233.0)
Dividends paid in the year	2.4	8.8
TAR (B)	(106.6)	(224.2)
TAR % (B/A)	(14.6)%	(23.3)%

1. Increase in shareholders' equity, which would arise on the exercise of share options.

2. Our 50% share of deferred tax in the joint venture.

3. Includes the wholly-owned Group's secured term loans and our 50% share of secured term loans in the joint venture.

4. Net asset per share information has been restated for the comparative period presented by adjusting the number of shares to include the impact of the equity issue (see note 19). The discount element inherent in the equity raise has been accounted for as a bonus issue of 6.7 million shares in 2020.

24. Performance measures continued

Financing ratios

	2021 £m	2020 £m
Loan-to-value and gearing		
Nominal value of debt	959.8	1,059.8
Cash and cash equivalents	(211.3)	(72.8)
Net debt (A)	748.5	987.0
Fair value of investment properties (B)	3,010.5	3,137.4
Loan-to-value (A/B)	24.9%	31.5%
 EPRA net assets (C)	 2,382.1	 2,289.8
Gearing (A/C)	31.4%	43.1%
Interest cover		
Operating profit before investment property disposals and valuation movements (A)	43.1	59.9
 Finance costs	 30.9	 32.5
Finance income	(0.7)	(0.7)
Net finance costs (B)	30.2	31.8
Interest cover (A/B)	1.4x	1.9x
Cost of debt		
Blended cost of drawn borrowings	3.0%	2.9%
Commitment fees on undrawn secured bank facilities	0.6%	0.7%
Blended cost of debt	3.1%	2.9%

See pages 193 to 194 for explanations on why we use these performance measures.

25. Operating leases

The Group as a lessor

Future aggregate minimum rentals receivable under non-cancellable operating leases based on contracted rental income at the year end:

	2021 £m	As restated 2020 £m
Not later than one year	88.5	91.2
Later than one year but not later than five years	229.9	257.9
Later than five years	200.1	199.0
	518.5	548.1

The Group has over 1,250 leases granted to its tenants. These vary depending on the individual tenant and the respective property and demise. Typical lease terms are set out in the Strategic Report on pages 24 to 40.

The prior year figures have been restated by £66.5 million to remove rental income that related to cancellable periods in our operating leases, which had been incorrectly included. This change had no impact on net assets nor reported results in either of the years presented.

The Company as a lessee

Future aggregate minimum payments in respect of a non-cancellable operating lease based on annual amounts payable at the year end:

	2021 £m	2020 £m
Not later than one year	0.6	0.6
Later than one year but not later than five years	2.3	2.3
Later than five years	1.4	2.0
	4.3	4.9

The Company leases its head office accommodation from a wholly-owned subsidiary.

26. Related party transactions

Transactions during the year between the Company, its subsidiaries and the joint venture are disclosed below:

	2021 £m	2020 £m
Transactions with subsidiaries:		
Administrative fees receivable	16.4	11.1
Dividends receivable	30.9	72.6
Interest receivable	5.6	3.2
Interest payable	0.5	0.2
Share capital issued by subsidiaries	182.9	–
Transactions with the joint venture:		
Administrative fees receivable	0.1	0.1
Loans advanced to the joint venture	1.5	4.3
Dividends receivable	–	1.4
Interest receivable	0.6	0.4

Amounts due from subsidiaries and the joint venture are disclosed in note 14 and amounts due to subsidiaries are disclosed in note 16. All amounts are unsecured, repayable on demand and bear a market rate of interest. These balances have been assessed for expected credit losses under IFRS 9. In light of the subsidiaries' and joint venture's financial position the impairments are deemed immaterial.

Directors are considered the only key management personnel. Apart from the directors' remuneration set out in the Annual Remuneration Report on pages 148 to 155, and below, there were no other transactions with directors.

Remuneration of key management personnel

The remuneration of the executive directors, who are the key management personnel of the Group, is set out below. Further information regarding the remuneration of individual directors is given in the Annual Remuneration Report on pages 148 to 155.

	2021 £m	2020 £m
Directors' emoluments		
Short-term employee benefits	3.1	2.9
Other long-term benefits	1.2	–
Share-based payments	0.7	0.6
	5.0	3.5

27. Significant accounting policies

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiaries.

Subsidiaries are those entities controlled by the Company. Control exists when the Company is exposed to variable returns and has the ability to affect those returns through its power over the entity. All intercompany transactions and balances are eliminated on consolidation. The accounting policies of the subsidiaries are consistent with those adopted by the Group.

In the Company's Balance Sheet, investments in subsidiaries are included at cost less any provision in respect of impairment loss.

Net property income

Net property income comprises rental income, service charge income, property expenses, service charge expenses, expected credit losses on rent receivables and service charge receivables and impairment of lease incentives and deferred letting costs.

Rental income arises from operating leases granted to tenants. Rental income, including stepped rents, is recognised on a straight-line basis over the term of the lease. Rental income uplifts arising as a result of rent reviews are recognised when agreement of terms is reasonably certain.

The cost of lease incentives offered to tenants to enter into a lease, typically initial rent-free periods and sometimes capital contributions, is recognised on a straight-line basis over the non-cancellable period of the lease, being the earlier of its expiry date or the date of the first break option.

As lessor, the Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Payments received from tenants to surrender their lease obligations are recognised immediately in the Group Statement of Comprehensive Income.

Contingent rents, being lease payments that are not fixed at the inception of a lease, for example turnover rents, are variable consideration and are recorded as income in the year in which they are earned.

The Group's revenue from contracts with customers, as defined in IFRS 15, includes service charge income. Service charge income is recognised as income over time in the year in which the services are rendered. Revenue is recognised over time because the tenants benefit from the services as soon as they are rendered by the Group. The actual services provided each reporting period are determined using costs incurred as the input method. As the Group acts as a principal, service charge income and costs are shown gross in the financial statements.

Irrecoverable property costs, including vacant costs and other property expenditure, are expensed to the Statement of Comprehensive Income in the year to which they relate. Initial direct costs incurred in arranging an operating lease are added to the carrying value of investment properties, and are subsequently recognised as an expense over the lease term on the same basis as the lease income.

Employee benefits

Share option schemes

The Company administers a long-term incentive plan (LTIP) and a sharesave scheme (SAYE). The cost of granting share options to employees under these schemes is recognised in the Statement of Comprehensive Income based on the fair value at the date of grant. The expense is recognised on a straight-line basis over the vesting period based on the number of options that are expected to vest.

The fair value of the long-term incentive plan is calculated using the modified binomial pricing model and the Monte Carlo simulation pricing model for the non-market based and market based conditions respectively. At each reporting period, the non-market based condition is reassessed and the impact, if any, of a revision to original estimates is recognised in the Statement of Comprehensive Income.

The fair value of the sharesave scheme is calculated using a modified binomial pricing model.

Deferred annual share bonus scheme

Under the Company's annual bonus scheme, employees have the option to take their annual bonus in either cash or shares. Where employees opt to take the bonus in cash, it is expensed to the Statement of Comprehensive Income in the year in which it relates.

Where employees opt to take all, or part, of their bonus in shares, the Company offers a matching award of up to 50%, subject to continued employment throughout the performance period. The cost of the matching award is recognised on a straight-line basis over the performance period. The remaining expense is recognised in the year to which it relates. Leaver provisions during the performance period are set out in the Remuneration Policy which is available on the Company's website.

Pension contributions

Payments to the defined contribution plan are charged to the Statement of Comprehensive Income as they fall due.

Investment properties

Investment properties are initially recognised on acquisition at cost, including related acquisition costs, when the Group assumes control of the property. Investment properties are revalued annually to reflect fair value. Fair value is determined either by external professional valuers or by the directors in the case of properties sold shortly after the period end. The fair value, as determined by the valuers, is adjusted for unamortised lease incentive and deferred letting cost balances.

27. Significant accounting policies continued

Gains or losses arising on the revaluation of investment properties are included in the Statement of Comprehensive Income. Depreciation is not provided in respect of investment properties.

Additions to properties include costs of a capital nature only. Expenditure is classified as capital when it results in future economic benefits which are expected to accrue to the Group. All other property expenditure is written-off in the Statement of Comprehensive Income as incurred.

Premiums payable to tenants in connection with the surrender of their lease obligations are capitalised if they arise in connection with a value-enhancing project, otherwise they are recognised immediately in the Statement of Comprehensive Income.

Amounts received by way of compensation for dilapidations from tenants vacating properties are credited against the cost of reinstatement works. Where the Group has no intention of carrying out such works, the amounts received are credited to the Statement of Comprehensive Income.

Disposals of investment properties are recognised in the period when control of the property transfers to the buyer. Typically, disposal will either occur on unconditional exchange of contracts or completion. Where completion is expected to occur significantly after exchange, or where the Group continues to have significant outstanding obligations after exchange of contracts, control will not usually transfer until completion. Any gain or loss on disposal, being the difference between the net disposal proceeds and the carrying value of the property, is included in the Statement of Comprehensive Income in the period in which the property is derecognised.

All of the Group's leases to its tenants are operating leases except where the Group grants long leasehold interests to tenants, in which case, as substantially all the risks and rewards of ownership are transferred to the tenant, the property is not recognised as an investment property.

Acquisitions

Where properties are acquired through corporate acquisitions and there are no significant assets (other than investment property) and liabilities, and without a business being acquired, the acquisition is treated as an asset acquisition. In all other cases, the acquisition is treated as a business combination.

Joint ventures

Joint ventures are those entities over which the Group has joint control, established by contractual agreement. The Group has one joint venture, the investment in which is accounted for using the equity method. On initial recognition the investment was recognised at cost. Subsequently, the carrying amount is increased or decreased to recognise the Group's share of the profit or loss of, and dividends from, the joint venture. The Group's investment in the joint venture is presented separately on the Balance Sheet and the Group's share of the joint venture's post-tax profit or loss for the year is also presented separately in the Statement of Comprehensive Income.

Where there is an indication that the Group's investment in its joint venture may be impaired, the Group evaluates the recoverable amount of its investment, being the higher of the joint venture's fair value less costs to sell and value in use. If the recoverable amount is lower than the carrying value an impairment loss is recognised in the Statement of Comprehensive Income.

If the Group's share of losses in the joint venture equals or exceeds its investment in the joint venture, the Group does not recognise further losses, unless it has legal or constructive obligations to make payments on behalf of the joint venture.

In the Company's Balance Sheet, the investment in its joint venture is stated at cost less any provision for impairment loss.

Trade receivables and payables

Trade receivables are recognised at fair value and subsequently held at amortised cost, less any provision for impairment.

Tenant lease incentives are included in current trade and other receivables when the amounts to be charged against rental income fall within one year of the Balance Sheet date. Amounts which will be charged against rental income in more than one year are included in non-current assets.

The Group assesses expected credit losses for trade receivables and impairment on lease incentives on a forward-looking basis. See note 3 and note 18 for further information.

Trade payables are recognised at fair value and subsequently held at amortised cost.

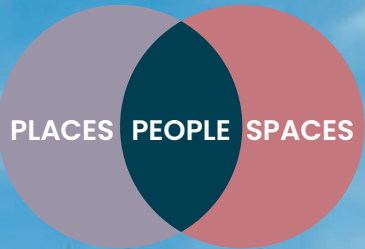
Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and on-demand bank deposits.

Cash held on deposit which has certain conditions restricting its use and is not available on demand, liquid or readily convertible, is classified within other receivables.

Borrowings and costs of raising finance

Borrowings are initially recognised at fair value net of transaction costs incurred and are subsequently held at amortised cost. Issue costs and premiums are written-off to the Statement of Comprehensive Income using an effective interest rate method.



5 Year Summary

Income Statement

	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Rental income	105.0	114.4	117.3	112.8	103.4
Service charge income	7.7	10.1	9.6	9.3	8.1
Revenue	112.7	124.5	126.9	122.1	111.5
Expected credit losses	(16.4)	(13.0)	-	-	-
Impairment charges	(1.3)	(8.9)	-	-	-
Property charges	(22.6)	(18.2)	(19.3)	(19.0)	(15.1)
Service charge expenses	(7.7)	(10.1)	(9.6)	(9.3)	(8.1)
Net property income	64.7	74.3	98.0	93.8	88.3
Administrative expenses	(21.6)	(14.4)	(15.2)	(13.7)	(14.1)
Revaluation movements and disposal profits	(196.8)	(698.2)	(12.5)	127.7	231.7
Operating (loss)/profit	(153.7)	(638.3)	70.3	207.8	305.9
Net finance costs	(30.2)	(31.8)	(30.5)	(31.2)	(32.7)
Change in fair value of derivatives	-	-	-	-	22.0
Share of post-tax (loss)/profit from joint venture	(11.0)	(29.4)	(13.8)	(1.1)	6.4
(Loss)/profit before tax	(194.9)	(699.5)	26.0	175.5	301.6
Tax charge for the year	-	-	-	-	-
(Loss)/profit after tax	(194.9)	(699.5)	26.0	175.5	301.6
EPRA earnings	13.3	29.4	54.6	51.7	45.2
Basic EPS ¹	(52.0)p	(222.7)p	8.3p	56.9p	105.8p
EPRA EPS ¹	3.5p	9.4p	17.4p	16.8p	15.9p
Total dividends per share payable in respect of the financial year ¹	6.4p ²	-	17.3p	16.4p	15.7p

1. Earnings and dividends per share information has been restated for the comparative periods presented, by adjusting the weighted average number of shares to include the bonus element inherent in the equity issue in November 2020 (see note 19 to the financial statements).

2. Includes the final dividend of 4.0p for the financial year ended 30 September 2021, subject to approval by the shareholders at the 2022 AGM and the interim dividend of 2.4p, in respect of the year ended 30 September 2021, paid to fulfil the Group's PID obligations under REIT legislation.

Balance Sheet

	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Investment properties (book value)	2,964.1	3,115.5	3,765.9	3,714.8	3,407.3
Investment in joint venture	85.8	96.8	127.6	143.9	148.0
Other non-current assets	51.0	21.2	18.2	14.9	14.4
Non-current assets	3,100.9	3,233.5	3,911.7	3,873.6	3,569.7
Cash and cash equivalents	211.3	72.8	54.0	118.5	45.6
Other current assets/(liabilities)	12.8	25.3	(8.7)	(10.5)	(19.6)
Borrowings	(952.3)	(1,051.0)	(949.8)	(948.6)	(948.8)
Net assets	2,372.7	2,280.6	3,007.2	3,033.0	2,646.9
EPRA NTA (diluted) ¹	£6.19	£7.28	£9.61	£9.70	£9.32
Total Accounting Return ¹	(14.6)%	(23.3)%	0.8%	5.8%	9.0%
Net debt	748.5	987.0	905.8	841.3	914.2
Loan-to-value	24.9%	31.5%	23.9%	22.6%	26.7%

1. Net asset per share and Total Accounting Return information has been restated for the comparative periods presented, by adjusting the number of shares to include the bonus element inherent in the equity issue in November 2020 (see note 19 to the financial statements).

Alternative Performance Measures (APMs)

The Group has applied the European Securities and Markets Authority (ESMA) guidelines on alternative performance measures in these annual. An APM is a financial measure of historical or future financial performance, position or cash flows of the Group which is not a measure defined or specified in IFRS. APMs provide supplementary information which we consider to be useful to the users of the Annual Report, but should not be viewed in isolation.

Set out below is a summary of APMs used in these annual results. EPRA performance measures are a set of standard disclosures for the property sector as set out in EPRA's in its Best Practices Recommendations (BPR). The recommendations are designed to make the financial statements of public real estate companies more comparable across Europe, enhancing the transparency and coherence of the sector. Except for EPRA measures, APMs may not be comparable with similarly titles measures presented by other companies.

APM	Nearest IFRS measures	Summary	Purpose	Explanation and reconciliation
Income Statement				
EPRA earnings and earnings per share	Profit and total comprehensive income for the period and earnings per share	A measure of a company's operating performance and the extent to which dividends are underpinned by recurring operating activities. The calculation removes the impact of investment property valuation movements, profits on disposal of investment properties and deferred tax arising in the Longmartin joint venture.	EPRA BPR	Note 24 and Financial report (page 80)
Covid-adjusted EPRA earnings and earnings per share	Profit and total comprehensive income for the period and earnings per share	Provides additional information on EPRA earnings "as if" the cost of rent waivers had been recognised immediately in the Income Statement rather than spread over the remaining lease term.	We consider this useful additional information for investors, lenders and equity analysts	Note 24 and Financial report (pages 80-81)
Like-for-like growth/decline in rental income	Revenue	Provides supplementary information on the change in rental income growth excluding the impact of acquisitions, disposals and larger refurbishment schemes.	We consider this useful for investors	Note 24 and Financial report (page 81)
EPRA cost ratio	N/A	Measure of operating costs as a % of gross rental income	EPRA BPR	Page 194
Blended cost of debt	N/A	Weighted average cost of drawn borrowings, plus non-utilisation fees on undrawn borrowings at the Balance Sheet date.	Widely used by equity analysts and investors	Note 24 and Debt summary (page 84)
Interest cover	N/A	Measure of the number of times operating profit before investment property disposals and valuation movements covers net finance costs.	Widely used by equity analysts and investors	Note 24 and Debt summary (page 84)
Balance Sheet				
EPRA net tangible assets (NTA) and NTA per share	Net assets	Net assets, adjusted to exclude assets and liabilities which are not expected to crystallise in normal circumstances. In our case, the calculation excludes deferred tax related to property valuation surpluses and deficits in the Longmartin joint venture.	EPRA BPR Used as a measure in remuneration	Note 24 and Balance Sheet (page 82)
EPRA net disposal value (NDV) and NDV per share	Net assets	The value of net tangible assets, assuming an orderly sale of the assets, achieving fair values as reported in the Balance Sheet. It includes deductions for liabilities that would crystallise in this scenario, including deferred tax and the difference between the fair value and carrying value of financial liabilities.	EPRA BPR	Note 24
EPRA net reinstatement value (NRV) and NRV per share	Net assets	The value of net assets on a long-term basis, assuming no disposals. Assets and liabilities that are not expected to crystallise in normal circumstances, such as deferred taxes on property valuation surpluses, are excluded. It is a reflection of what would be needed to recreate the company. Purchasers' costs which have been deducted in arriving at the fair value of investment properties are added back	EPRA BPR	Note 24
EPRA capital expenditure	Refurbishment and other capital expenditure	Measures total capital outlay on investment property, including acquisitions and capital expenditure, and our share of these items in the Longmartin joint venture	EPRA BPR	Page 195
Valuation growth/decline	Net surplus/deficit on revaluation of investment properties	Revaluation surplus/deficit excluding the impact of acquisitions and disposals during the reporting period, expressed as a percentage return on the valuation at the beginning of the period adjusted, on a time weighted basis, for capital expenditure during the period	Provides supplementary information on the valuation performance of those assets in the portfolio in both the current and previous years. Widely used by equity analysts and investors.	Portfolio valuation (pages 54-57)
Net debt	Borrowings less cash and cash equivalents	Measure of the financing position at the Balance Sheet date	Widely used by equity analysts and investors	Note 24 and Financial report (page 83)
Loan-to-value	N/A	Measures the level of leverage as a percentage of the fair value of investment properties	Widely used by equity analysts and investors	Note 24 and Financial report (page 84)
Gearing	N/A	Measures the level of leverage as a percentage of net assets in the calculation of EPRA NTA	Widely used by equity analysts and investors	Note 24 and Financial report (page 84)
Other				
Total accounting return	N/A	Measures shareholder value creation, taking into account the movement in EPRA NTA together with dividends paid during the period.	Used as a measure in remuneration	Note 24 and Financial report (page 82)

Following the introduction by EPRA of three new measures of net asset value in its Best Practices Recommendations in October 2019, EPRA NAV and EPRA NNNNAV are no longer in use, and, accordingly are no longer presented as APMs. The new measures are EPRA Net Reinstatement Value (NRV), EPRA Net Tangible Assets (NTA) and EPRA Net Disposal Value (NDV). These measures became effective from 1 October 2020.

We are no longer presenting net asset value per share and diluted net asset per share as separate APMs on the basis that they are not materially different from EPRA NTA. Also, we are no longer using nor presenting adjusted EPRA earnings. This had been a measure of EPRA earnings adjusted to add back the non-cash accounting charge for equity-settled remuneration and was used to assist the Board in making decisions on dividends. However, in future the Board plans on using a new measure, Covid-adjusted EPRA earnings, as its benchmark in making dividend decisions. It removes the impact of rent waivers (where there were no associated lease modifications, such as lease extensions) granted during the pandemic from EPRA earnings. Discussions with equity analysts and lenders have indicated that this would be useful supplementary information.

Where this report uses like-for-like comparisons, these are defined within the Glossary.

EPRA measures

The following is a summary of the EPRA performance measures included in this Annual Report. The measures are defined in the Glossary.

Measure	Definition	Page	2021	2020
Earnings	Earnings from operational activities, excluding fair value movements in respect of properties, profits on disposal of investment properties and deferred tax arising in our joint venture	80	£13.3m	£29.4m
Earnings per share¹	EPRA earnings per weighted average number of ordinary shares	80	3.5p	9.4p
Capital expenditure	Capital expenditure categorised between acquisitions and on the investment portfolio, including our proportional share of joint venture capital expenditure	195	£51.1m	£49.7m
NTA	Net assets, assuming exercise of share options, adjusted to remove deferred tax arising in our joint venture	186	£2,382.1m	£2,289.8m
NDV	Net assets, assuming exercise of share options, adjusted to include the excess of fair value of debt over book value	186	£2,320.9m	£2,244.7m
NRV	Net assets, assuming exercise of share options, adjusted to remove deferred tax arising in our joint venture but to add back investment property purchasers' costs	186	£2,595.4m	£2,512.3m
NTA per share¹	NTA divided by the number of shares at the Balance Sheet date on a diluted basis	186	£6.19	£7.28
NDV per share¹	NDV divided by the number of shares at the Balance Sheet date on a diluted basis	186	£6.03	£7.13
NRV per share¹	NRV divided by the number of shares at the Balance Sheet date on a diluted basis	186	£6.74	£7.98
Net Initial Yield (NIY)	Current annualised rental income less non-recoverable property costs as a % of property valuation plus assumed purchasers' costs	197	3.1%	3.0%
Topped-up NIY	NIY adjusted to reflect expiry of rent-free periods and stepped rents	197	3.5%	3.1%
Vacancy	ERV of vacant space as a % of ERV of all properties	50	6.0%	10.2%
Cost ratio	Total costs as a % of gross rental income - including direct vacancy cost	194	40.9%	28.1%
	Total costs as a % of gross rental income - excluding direct vacancy cost	194	36.8%	26.5%

1. 2020 per share information has been restated for the bonus element inherent in the equity raise in November 2020.

As disclosed in note 4 to the financial statements, the Group's properties are all located in London's West End and are all of a similar type. The properties are typically mixed-use buildings with hospitality, leisure and retail on the lower floors and small offices and apartments on the upper floors. As the properties share similar economic characteristics, we consider them to be one operating segment. Like-for-like calculations of growth in values and rents are therefore stated on an aggregated basis.

EPRA cost ratio

	Note	2021 £m	2020 £m
Gross rental income			
Revenue	5	112.7	124.5
Less: service charge income	5	(7.7)	(10.1)
Share of joint venture rental income	12	7.1	7.6
		112.1	122.0
Cost			
Property charges	5	30.3	28.3
Less: service charge expenses	5	(7.7)	(10.1)
Share of joint venture property expenses	12	1.4	1.5
Administrative expenses	6	21.6	14.4
Capitalised property and administrative expenses		-	-
Share of joint venture administrative expenses	12	0.2	0.2
Total costs		45.8	34.3
Vacant property costs		(4.2)	(1.7)
Share of joint venture vacant property costs		(0.4)	(0.3)
Total costs excluding vacant property costs		41.2	32.3
EPRA cost ratio (including vacant property costs)		40.9%	28.1%
EPRA cost ratio (excluding vacant property costs)		36.8%	26.5%

1. We do not capitalise property nor administrative expenses.

2. The above figures exclude expected credit losses and impairment charges.

Investment properties

Whilst our portfolio is geographically concentrated in London's West End, it is granular in nature, with c. 600, generally small buildings, often clustered in contiguous blocks. It is not practical to provide detailed property-by-property information recommended by EPRA's BPR. However, an analysis of our portfolio, split by occupier use, is set out on page 55.

We own 100% of our properties, except for property held by our Longmartin joint venture, in which we have a 50% interest. The breakdown of our wholly-owned portfolio between freehold and long leasehold ownership is set out on page 173.

At 30 September 2021, we had 819 commercial and 582 residential leases, with no individual tenant representing a material amount of our current annualised income. The ten largest commercial tenants represented just 9.5% of current annualised income. As our tenant base is so granular, we do not believe listing the top ten tenants, nor a detailed analysis of tenant business sector is useful. However, the analysis on page 55 sets out details of income and rental values by occupier use.

EPRA vacancy by occupier use is set out on page 50.

Like-for-like growth/(decrease) in annualised current income and ERV is set out on page 57. Like-for-like decrease in rental income is set out on page 185.

Development disclosures

Our wholly-owned portfolio is mostly within Conservation Areas and around 20% of our buildings are listed. We do not carry out material speculative developments. Our capital expenditure commitments are low, with an average annual spend of around 1% of portfolio value. Included in this are numerous small schemes, and generally no one scheme is material.

At 30 September 2021, we had one larger scheme, details of which are set out on page 52. An overview of assets held for, or undergoing, refurbishment is set out on page 52.

EPRA capital expenditure

	2021 £m	2020 £m
Group		
Acquisitions	13.2	13.3
Investment property capital expenditure		
- On acquisitions during the year	-	-
- On like-for-like portfolio	37.4	34.8
Joint venture (our 50% share)		
Investment property capital expenditure	0.5	1.6
	51.1	49.7

Details of acquisitions and capital expenditure in the year are set out on pages 52 to 53.

Debt covenants

Set out below is a high-level summary of the financial covenants in our debt agreements. It does not describe every detail in the agreements.

Interest cover

	Frequency of testing	Summary of measure	Min	Comments
Bonds	Half yearly	Net property income of specifically secured assets, adjusted to exclude certain costs, to gross interest payable under the bonds.	1.15x	Calculation is based on the annualised income accruing at the testing date, or due to accrue within three months. Security top-up (or purchase and cancel sufficient bonds) to 1.25x required if ICR falls below 1.15x.
Term loans	Quarterly	Net property income of specifically secured assets, adjusted to exclude certain costs, to gross interest payable under the loans.	1.4x -1.5x	3-month backward looking test based on actual receipts. 12-month projected test. Cure rights available. Waivers until January 2022.
Revolving credit facility	Quarterly	Consolidated net rental income plus dividends from joint venture to consolidated net interest.	1.5x	Based on Group half year and full year reported information, and management accounts in the interim quarters. Waiver until October 2021.

Loan-to-value

	Frequency of testing	Summary of measure	Max	Comments
Bonds	Half yearly	Nominal value of bonds to valuation of specifically secured assets.	66.67%	Security top-up (or purchase and cancel sufficient bonds) to 60.0% required if LTV exceeds 66.67%.
Term loans	Quarterly	Debt to valuation of specifically secured assets.	60% -70%	Cure rights available. Cash waterfall applies if LTV > 65% (£250m term loan).
Revolving credit facility	Quarterly	Amounts drawn to valuation of specifically secured assets.	66.67%	Cure rights available. Draw stop at 50% during term of ICR waiver.

The revolving credit facility also contains a Group gearing covenant, where the ratio of consolidated borrowings to consolidated tangible net worth cannot exceed 1.75x.

Longmartin term loan

	Frequency of testing	Summary of measure	Max	Comments
Interest cover	Quarterly	Net property income of specifically secured assets, adjusted to exclude certain costs, to gross interest payable under the loan.	1.3x	3-month backward looking test based on actual receipts. 12-month projected test. Cure rights available Waiver to January 2022.
Loan-to-value	Quarterly	Debt to valuation of specifically secured assets.	60%	Cure rights available.

Portfolio valuation analysis at 30 September 2021

	Hospitality & leisure	Retail	Offices	Residential	Wholly owned portfolio	Longmartin joint venture ¹
Fair value (£m)	1,127	812	539	533	3,011	165
Annualised current income ⁵ (£m)	42.3	32.4	17.2	15.9	107.8	6.0
ERV (£m)	49.9	36.7	28.3	16.8	131.7	8.2
% of total fair value	37%	27%	18%	18%	100%	
% of annualised current income	39%	30%	16%	15%	100%	
% of ERV	38%	28%	21%	13%	100%	
Average ERV (£ psf)	72	83	63	44	67	61
WAULT (years)	8	3	3	Note 2		Note 3
Initial yield	3.5%	3.6%	2.7%	2.1%	3.1%	2.8%
Topped up initial yield	4.0%	4.0%	3.1%	N/A	3.5%	3.2%
Equivalent yield	4.2%	4.2%	4.6%	2.2%	3.9%	4.0%
Area (sq. ft. m)	0.7	0.4	0.4	0.4 ⁴	1.9	0.3
Units	325	283	313	633 ⁴		121

1. Shaftesbury's 50% share (fair value, annualised current income and ERV).

2. Residential typically let on three-year assured shorthold tenancies with mutual rolling two-month break options after the first six months.

3. Hospitality & leisure: 12 years, retail: 3 years, offices: 4 years.

4. Excluding apartments which are sold off on long leases, covering approximately 224,000 sq. ft.

5. Including estimated turnover related rents.

Wholly-owned portfolio valuation by village at 30 September 2021

	Valuation £m	Annualised current income ¹ £m	ERV £m	Valuation decline ² %	Equivalent yield %
Carnaby	1,147	39.7	54.1	(7.3)%	4.2%
Covent Garden	800	27.6	33.5	(6.7)%	3.7%
Chinatown	690	26.8	28.2	(2.1)%	3.8%
Soho	253	9.9	10.8	(1.6)%	3.8%
Fitzrovia	121	3.8	5.1	(4.6)%	3.7%
2021	3,011	107.8	131.7	(5.4)%	3.9%
2020	3,137	109.9	140.3		3.9%

1. Including estimated turnover related rents

2. Like-for-like, taking into account acquisitions, disposals and capital expenditure. Alternative performance measure. See page 193.

Shareholder Information

Corporate Timetable

Financial Calendar

Annual General Meeting and AGM statement	4 February 2022
2022 half year results	May 2022

Dividend and bond interest

Proposed 2021 final dividend:

- Ex-dividend	13 January 2022
- Record date	14 January 2022
- Payment date	11 February 2022

2022 interim dividend

July 2022

Bond interest

30 September/31 March

Shareholder enquiries

All enquiries relating to holdings of shares or bonds in Shaftesbury PLC, including notification of change of address, queries regarding dividends and interest payments, or the loss of a certificate, should be addressed to the Company's registrar. Contact details for the registrar are outlined below. Other enquiries should be sent to: investor.relations@shaftesbury.co.uk

Company website

The Company has a corporate website, which maintains a digital version of the most recent Annual Report and financial statements, as well as other information. Other information includes announcements made by the Company and the current share price of the Company. The site can be found at www.shaftesbury.co.uk

Effect of REIT status on payment of dividends

As a REIT, we do not pay UK corporation tax in respect of rental profits and chargeable gains relating to our property rental business. However, we are required to distribute at least 90% of the qualifying income (broadly calculated using the UK tax rules) as a PID.

Certain categories of shareholder may be able to receive the PID element of their dividends gross, without deduction of withholding tax. Categories which may claim this exemption include: UK companies, charities, local authorities, UK pension schemes and managers of PEPs, ISAs and Child Trust Funds.

Further information and the forms for completion to apply for PIDs to be paid gross are available on our website or from the registrar.

Where we pay an ordinary dividend this will be treated in the same way as dividends from non-REIT companies.

Registrar

Equiniti Limited
Aspect House, Spencer Road
Lancing
West Sussex, BN99 6DA

Telephone 0371 384 2294 (International +44 121 415 7047). Lines open 8.30am to 5.30pm, Monday to Friday (excluding public holidays in England and Wales). Equiniti can also be contacted by email at: customer@equiniti.com

Shareholder accounts may be accessed online through www.shareview.co.uk. This gives secure access to account information instructions. There is also a Shareview dealing service which is a simple and convenient way to buy or sell shares in the Company.

Secretary and registered office

Desna Martin, BCom, FCS(Aust), ACIS
22 Ganton Street
Carnaby
London W1F 7FD

Glossary of terms

2018 Code

The FRC's UK Corporate Governance Code 2018, which applied to the Company from 1 October 2019.

Alternative Performance Measure (APM)

A financial measure of historical or future financial performance, position or cash flows of the Group which is not a measure defined or specified in IFRS.

Annualised current income

Total annualised actual and 'estimated income' reserved by leases at a valuation date. No rent is attributed to leases which were subject to rent-free periods at that date. It does not reflect any ground rents, head rents nor rent charges and estimated irrecoverable outgoings at the valuation date. 'Estimated income' refers to gross ERVs in respect of rent reviews outstanding at the valuation date and, where appropriate, ERV in respect of lease renewals outstanding at the valuation date where the fair value reflects terms for a renewed lease.

Like-for-like growth in annualised current income is the change during a period, adjusted to remove the impact of acquisitions and disposals, expressed as a percentage of annualised current income at the start of the period.

Best Practices

Recommendations (BPR)

Standards set out by EPRA to provide comparable reporting between investment property companies.

Business Improvement District (BID)

A defined area in which a levy is charged on all business rate payers in addition to the business rates bill. This levy is used to develop projects which will benefit businesses in the local area.

Blended cost of debt

Weighted average cost of drawn borrowings, plus non-utilisation fees on undrawn borrowings.

Building Research

Establishment Environmental Assessment Method (BREEAM)

An environmental impact assessment method for commercial buildings. Performance is measured across a series of ratings: Pass, Very Good, Excellent and Outstanding.

Carbon emissions

In the context of this report this is shorthand for greenhouse gas emissions.

Compound Annual Growth Rate (CAGR)

The year-on-year growth rate of an investment over a specified period of time.

CPI

Consumer Price Index.

Direct energy consumption

Emissions from sources that are owned or controlled by the reporting company.

Dow Jones Sustainability Index

A family of indices evaluating the sustainability performance of publicly listed companies.

DTR

The Financial Conduct Authority's Disclosure and Transparency Rules.

Embodied Carbon

The total greenhouse gas (GHG) emissions generated to build or refurbish an asset. This includes emissions from extraction, manufacture/processing, transportation and assembly.

Energy Performance Certificate (EPC)

An asset rating setting out how energy efficient a building is, rated by its carbon dioxide emission on a scale of A to G, with A being the most energy efficient.

EPRA

European Public Real Estate Association.

EPRA adjustments

Standard adjustments to calculate EPRA measures, in accordance with its BPR.

EPRA cost ratio

Total costs as a percentage of gross rental income.

EPRA earnings

The level of recurring income arising from core operational activities. It excludes all items which are not relevant to the underlying and recurring portfolio performance.

EPRA EPS

EPRA earnings divided by the weighted average number of shares in issue during a reporting period.

EPRA Net Disposal Value (NDV)

The value of net tangible assets, assuming an orderly sale of the business' assets, achieving fair values as reported in the Balance Sheet. It includes deductions for liabilities that would crystallise in this scenario, including deferred tax and the difference between the fair value and carrying value of financial liabilities. When presented as a per share figure, it takes into account the potentially dilutive effect of outstanding options granted over ordinary shares.

EPRA Net Reinstatement Value (NRV)

The value of net assets on a long-term basis, assuming no disposals. Assets and liabilities that are not expected to crystallise in normal circumstances, such as deferred taxes on property valuation surpluses, are excluded. It is a reflection of what would be needed to recreate the company. Purchasers' costs which have been deducted in arriving at the fair value of investment properties are added back. When presented as a per share figure, it takes into account the potentially dilutive effect of outstanding options granted over ordinary shares.

EPRA Net Tangible Assets (NTA)

A measure of net assets which recognises that companies buy and sell assets and therefore takes into account deferred tax liabilities on sales, unless there is no intention to sell in the long run. When presented as a per share figure, it takes into account the potentially dilutive effect of outstanding options granted over ordinary shares.

EPRA sBPR

EPRA Best Practice Recommendations on Sustainability Reporting.

EPRA vacancy

The rental value of vacant property available (excluding property which is held for, or undergoing, refurbishment), expressed as a percentage of ERV of the total portfolio.

Equivalent yield

Equivalent yield is the internal rate of return from an investment property, based on the gross outlays for the purchase of a property (including purchase costs), reflecting reversions to current market rent, and such items as voids and non-recoverable expenditure but disregarding potential changes in market rents.

ESG

Environment, Social and Governance.

ESOS

Energy Savings Opportunity Scheme.

Estimated Rental Value (ERV)

The market rental value of properties, estimated by the Group's Valuers. Like-for-like ERV growth is the change in ERV during a period, adjusted to remove the impact of acquisitions and disposals, expressed as a percentage of ERV at the start of the period.

Fair value

The amount at which an asset or liability could be exchanged between two knowledgeable, willing and unconnected parties in an arm's length transaction at the valuation date.

FCA

Financial Conduct Authority.

FRC

Financial Reporting Council.

FTSE4Good

A series of benchmarks and tradable indexes for ESG investors, which was launched in 2001.

GHG

Greenhouse gas emissions.

Global Real Estate Sustainability Benchmark (GRESB)

An organisation which measures and provides an Environmental, Social and Governance (ESG) benchmark for real estate and infrastructure investments across the world.

Gross Value Added (GVA)

An economic productivity metric measuring economic contribution to a sector or area.

Gearing

Nominal value of Group borrowings expressed as a percentage of EPRA net assets.

IFRS International Financial Reporting Standards.	Minimum Energy Efficiency Standards (MEES) Applies to private rented residential and non-domestic property to encourage the improvement of the buildings' energy efficiency.	SDG UN Sustainable Development Goals.
Initial yield The net initial income at the valuation date expressed as a percentage of the gross valuation. Yields reflect net income after deduction of any ground rents, head rents and rent charges and estimated irrecoverable outgoings at the valuation date.	Net debt The nominal value of the Group's borrowings less cash and cash equivalents.	Sharesave or SAYE (Save-As-You-Earn) A savings-related share option scheme. Employees are granted options to acquire shares at the end of a three or five-year vesting period using savings accumulated through salary sacrifice.
Interest cover ratio (ICR) Operating profit before investment property disposals and valuation movements, divided by finance costs net of finance income.	Net initial yield Net initial income at the date of valuation expressed as a percentage of the gross valuation. Yields reflect net income after deduction of any ground rents, head rents, rent charges and estimated irrecoverable outgoings.	Sterling Overnight Interbank Average Rate (SONIA) Overnight risk-free interest rate paid by banks for unsecured Sterling transactions.
Internal Rate of Return (IRR) The rate of return that if used as a discount rate and applied to the projected cash flows that would result in a net present value of zero.	Net Zero Carbon When relevant GHG emissions attributable to operations of the business are minimised and outstanding emissions are balanced by removing an equivalent amount from the atmosphere.	TCFD Task Force for Climate-related Financial Disclosure.
Key Performance Indicator (KPI) Activities aligned to business objectives against which the performance of the Group is assessed.	Paris Agreement An agreement by participating countries to combat climate change and adapt to its effects. The central aim is to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2 degrees Celsius above preindustrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius.	Topped-up net initial yield Net initial yield at the valuation date as if the contracted rent in respect of leases which are subject to contractual rent free periods is payable from the valuation date and as if any future stepped rental uplifts under leases had occurred.
Leasing activity The rental value secured from lettings, rent reviews and lease renewals during a period.	Property Income Distribution (PID) A PID is a distribution by a REIT to its shareholders paid out of qualifying profits. A REIT is required to distribute at least 90% of its qualifying profits as a PID to its shareholders.	Total Accounting Return (TAR) The change in EPRA NTA per ordinary share plus dividends paid per ordinary share during the period of calculation, expressed as a percentage of the EPRA NTA per share at the beginning of the period.
Like-for-like growth in rental income The increase in rental income during an accounting period, adjusted to remove the impact of acquisitions, disposals and changes as a result of larger refurbishment schemes, expressed as a percentage of rents receivable in the previous accounting period.	Real Estate Investment Trust (REIT) A REIT is a tax designation for an entity or group investing in real estate that reduces or eliminates corporation tax on rental profits and chargeable gains relating to the rental business, providing certain criteria obligations set out in tax legislation are met.	Underlying EPRA vacancy The rental value of available to let vacant property (excluding property which is held for, or undergoing, refurbishment and EPRA vacancy due to exceptional larger refurbishment schemes) expressed as a percentage of ERV of the Group's investment property portfolio. It is measured at the reporting date and, when reported for a reporting period, it is presented as the quarterly average during that period.
Listed building A building officially recognised as having special historical or architectural interest and therefore protected from demolition or alteration without prior approval.	Reversionary potential The amount by which ERV exceeds annualised current income, measured at a valuation date.	Valuation growth/decline The valuation movement and realised surpluses or deficits arising from the Group's investment property portfolio expressed as a percentage return on the valuation at the beginning of the period adjusted, on a time weighted basis, for acquisitions, disposals and capital expenditure. When measured on a like-for-like basis, the calculation excludes those properties acquired or sold during the period.
Loan-to-value (LTV) Net debt expressed as a percentage of the fair value of property assets.	RPI Retail Price Index.	Weighted average vacant period The average time that space has been available to let (excluding property which is held for, or undergoing, refurbishment and EPRA vacancy due to exceptional larger refurbishment schemes) across the wholly-owned portfolio from the start of the period to the reporting date, weighted by the ERV of that space.
London Benchmarking Group (LBG) Global standard in measuring and managing corporate community investment.	Scope 1 emissions Direct GHG emissions from owned or controlled sources such as gas used for heating.	WAULT Weighted average unexpired lease term, assuming tenant break options are exercised.
London Inter-Bank Offered Rate (LIBOR) Average rate of interest used in lending between banks on the London interbank market, which is used as a reference for setting interest rates on other loans.	Scope 2 emissions Indirect GHG emissions from the generation of purchased energy such as electricity.	
London Living Wage An hourly rate of pay, calculated independently to reflect the high cost of living in the capital.	Scope 3 emissions All indirect GHG emissions (not included in scope 2) that occur in the value chain of the reporting company.	
Long Term Incentive Plan (LTIP) An arrangement under which an employee is awarded options in the Company at nil cost, subject to a period of continued employment and the attainment of performance targets over a three-year vesting period.	Science Based Targets A carbon emissions target that it is in line with the scale of reductions determined to be required to prevent the worst effects of climate change.	



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