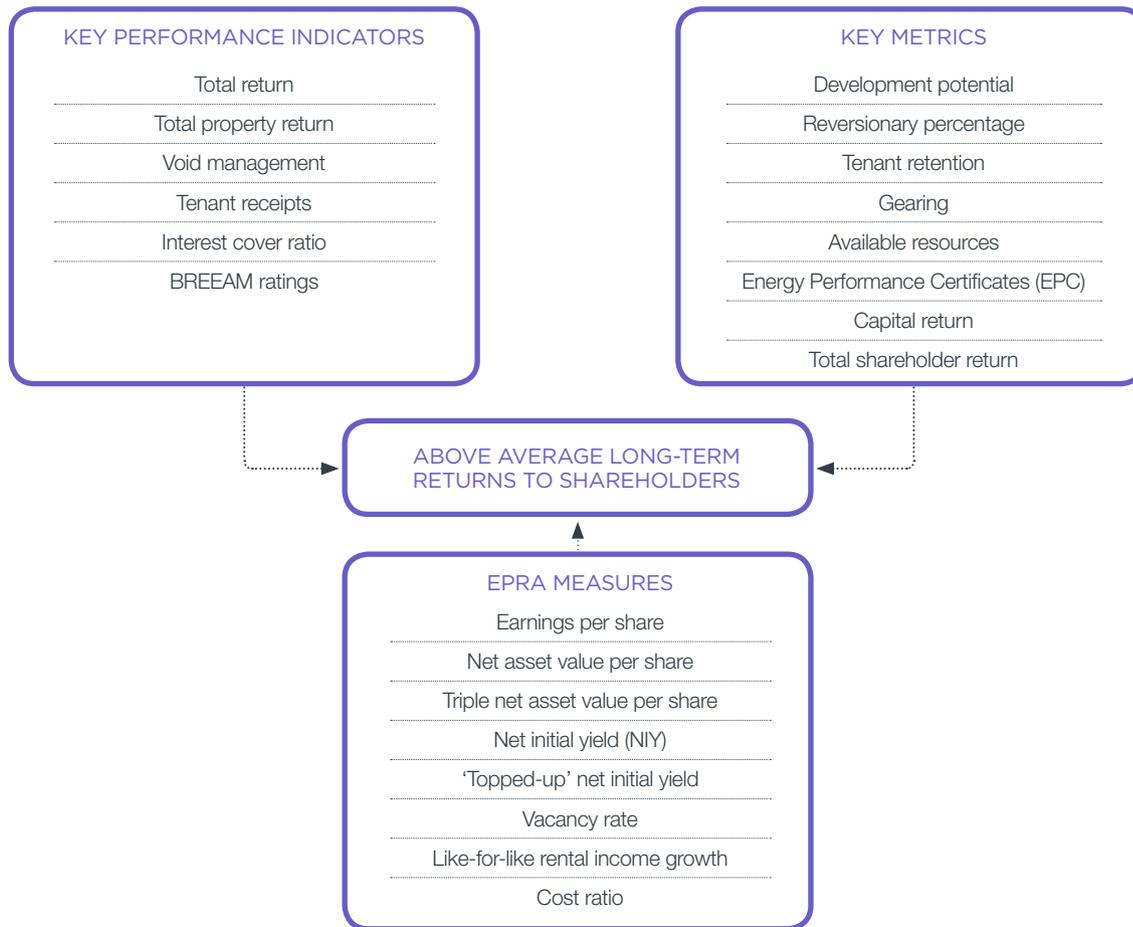


MEASURING OUR PERFORMANCE

Our objective is to provide above average long-term returns to shareholders through the execution of our strategy. In order to assess the effectiveness of the different strands of this strategy, we measure our performance in a number of different ways.



We have established a set of Key Performance Indicators (KPIs) which are measured against relevant external and internal benchmarks. In addition to these KPIs, we also use additional metrics as well as the various EPRA performance measures to monitor the performance of the business. For definitions please see pages 172 and 173.

Link to remuneration

There is a clear link from our performance measures to the remuneration structure of senior management.

These performance measures are reflected in the revised remuneration structure of senior management as follows:

Bonus scheme

The Group's bonus scheme takes into account the total return and the total property return together with a number of other key metrics referred to above.

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Long-term incentive plan

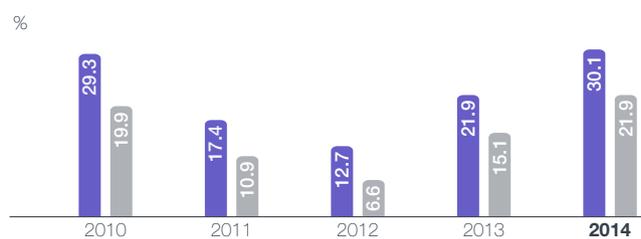
The vesting level of half an annual award depends on the Group's total shareholder return compared to that of a group of comparator companies. The vesting level of the other half reflects the Group's total property return compared to the IPD index.

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KEY PERFORMANCE INDICATORS

Total return

Our total return reflects the combined effectiveness of all the strands of our strategy. It equates to the combination of NAV growth plus dividends paid during the year and we aim to exceed the average of the other major UK REIT companies.



- Derwent London
- Weighted average of major UK REIT companies

Our performance

In 2014 our total return of 30.1% again comfortably exceeded our benchmark, the average of the other major REITs. Our cumulative performance over the past five years was 171% compared to the benchmark of 99%.

Strategies measured:

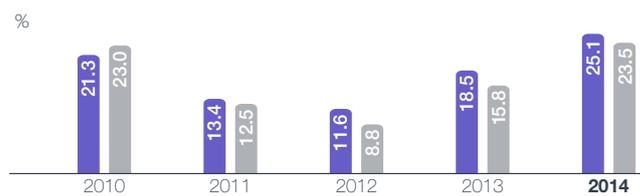
- Acquire properties
- Create well-designed space
- Optimise income
- Recycle capital
- Maintain strong and flexible financing

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Total property return (TPR)

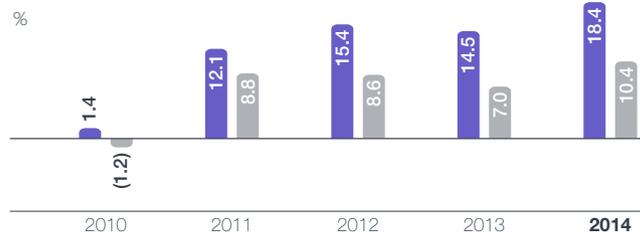
Our total property return gives an indication of the effectiveness of all the property related strands of our strategy. We aim to exceed the IPD Central London Offices Index on an annual basis and the IPD All UK Property Index on a three-year rolling basis.

Annual



- Derwent London
- IPD Central London Offices Index

Three-year rolling



- Derwent London
- IPD All UK Property Index

Our performance

We exceeded both of our IPD benchmarks again in 2014. Over the past five years we have exceeded the IPD Central London Offices Index and the IPD All UK Property Index by 12% and 61% respectively.

Strategies measured:

- Acquire properties
- Create well-designed space
- Optimise income
- Recycle capital

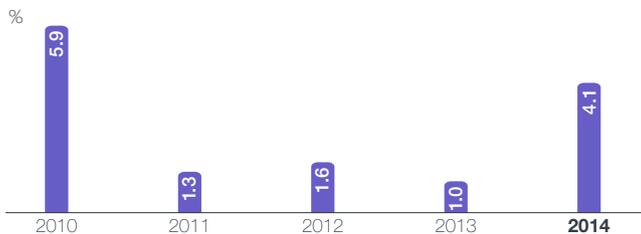
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MEASURING OUR PERFORMANCE CONTINUED

KEY PERFORMANCE INDICATORS CONTINUED

Void management

To optimise our rental income we plan to minimise the space immediately available for letting. We aim that this should not exceed 10% of the portfolio's estimated rental value.



Our performance

Due to our letting success over the past few years, the EPRA vacancy rate has remained consistently low and well below our maximum guideline of 10%. The rate of 4.1% at the year end has subsequently fallen to 2.1% as a result of lettings in 2015.

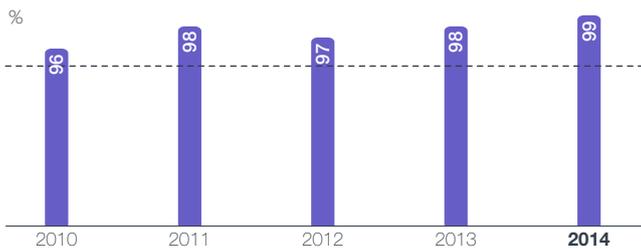
Strategies measured:

- Optimise income

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Tenant receipts

To maximise our cash flow and minimise any potential bad debts we aim to collect more than 95% of rent invoiced within 14 days of the due date.



--- Benchmark

Our performance

Due to the quality of our tenants and the performance of our credit control, rent collection has remained high over the past five years and consequently the level of defaults has been de minimis.

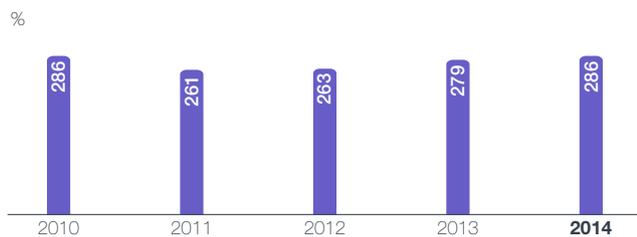
Strategies measured:

- Optimise income

Page 43

Interest cover ratio

We aim for our interest payable to be covered at least 1.5 times by net rents. The basis of calculation is similar to the covenant included in the loan documentation for our unsecured bank facility. Please see note 40 for the calculation of this measure.



Our performance

The net interest cover ratio comfortably exceeded our benchmark of 150% in each of the past five years.

Strategies measured:

- Acquire properties
- Recycle capital
- Maintain strong and flexible financing

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BREEAM ratings

Sustainability has always been at the heart of Derwent London's business model. It is important that our buildings are attractive to tenants and that they are also environmentally sound and efficient. BREEAM is an environmental impact assessment method for non-domestic buildings. Performance is measured across a series of ratings; Pass, Good, Very good, Excellent and Outstanding. We target that all of our developments in excess of 5,000m² should obtain a minimum BREEAM rating of 'Very good'.

	Completion	Rating
1-2 Stephen Street W1	2013/14	Very good
Tummill EC1	Q1 2015	Excellent
40 Chancery Lane WC2	Q2 2015 ¹	Excellent
Tottenham Court Walk W1	Q2 2015 ¹	Very good

¹ Expected

Our performance

We are pleased that our completions in 2014 met our benchmark. We expect all our 2015 projects to maintain this high performance.

Strategies measured:

- Create well-designed space

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KEY METRICS

Diversity of tenants

A diverse tenant base, both in number and across different industries, protects our income stream. This spread is monitored regularly and is shown in the graph on page 9.

Development potential

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

%	2010	2011	2012	2013	2014
	51	51	53	55	52

Our performance

The percentage of our portfolio which is available for redevelopment, regeneration or refurbishment was 52% at the end of 2014 and has remained above 50% for the past five years.

Strategies measured:

- Acquire properties
- Recycle capital

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Reversionary percentage

This is the percentage by which the cash flow from rental income would grow were the passing rent to be increased to the estimated rental value. It is used to monitor the potential future income growth of the Group.

%	2010	2011	2012	2013	2014
Reversion	27	42	46	56	64

Our performance

The 64% reversion in the portfolio demonstrates the growth potential in our income stream.

Strategies measured:

- Optimise income

[Page 40](#)

Tenant retention

Maximising tenant retention following tenant lease breaks or expiries, minimises void periods and contributes towards rental income.

	2010	2011	2012	2013	2014
Exposure (£m pa)	11.5	16.2	14.7	20.0	17.3
Retention (%)	72	72	81	74	63
Re-let (%)	17	21	5	14	10
Total (%)	89	93	86	88	73

Our performance

In order to protect our income stream, where we do not have redevelopment plans, it is desirable for us to retain tenants at lease expiry or break. Our retention and re-let rate was 73% in 2014 and averaged 86% over the past five years.

Strategies measured:

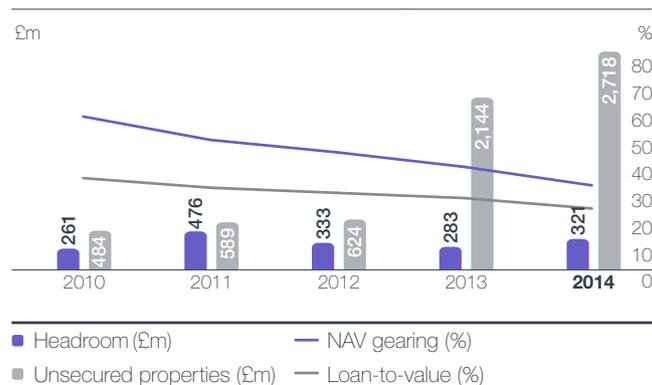
- Optimise income

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Gearing and available resources

Consistent with others in its industry, the Group monitors capital on the basis of NAV gearing and the loan-to-value ratio. Our approach to financing has remained robust and our gearing levels reflect our ability to finance our pipeline, cope with fluctuations in the market and to react quickly to any potential acquisition opportunities.

We carefully monitor our headroom (i.e. the difference between our total facilities and the amounts drawn under those facilities) and the level of unsecured properties to ensure that we have sufficient flexibility to take advantage of acquisition and development opportunities.



Our performance

Our gearing levels reduced again in 2014 and we increased headroom. The level of unsecured properties increased again after the move towards predominantly unsecured borrowing in 2013.

Strategies measured:

- Maintain strong and flexible financing

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MEASURING OUR PERFORMANCE CONTINUED

KEY METRICS CONTINUED

Energy Performance Certificates (EPC)

EPCs indicate how energy efficient a building is by assigning a rating from A (very efficient) to G (inefficient). We design projects to achieve a minimum of 'B' certificate for all new-build projects over 5,000m² and a minimum of 'C' for all refurbishments over 5,000m².

	Completion	Rating
1-2 Stephen Street W1	2013/14	C
Tummill EC1	Q1 2015	B
40 Chancery Lane WC2	Q2 2015 ¹	B
Tottenham Court Walk W1	Q2 2015 ¹	C

¹ Expected

Our performance

All our 2014 and 2015 completions have matched or are expected to match our benchmark.

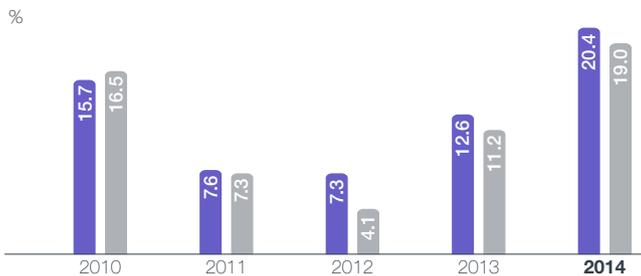
Strategies measured:

- Create well-designed space

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Capital return

In order to evaluate the performance of our portfolio we compare our performance against the IPD Central London Offices Index for capital growth.



- Derwent London
- IPD Central London Offices Index

Our performance

In 2014 we again exceeded our IPD benchmark, outperforming by 1.4% and over the past five years by a total of 8.8%.

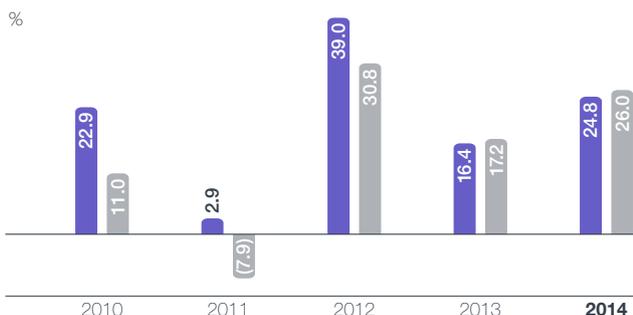
Strategies measured:

- Acquire properties
- Create well-designed space
- Recycle capital

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Total shareholder return (TSR)

To measure the Group's achievement of providing above average long-term returns to its shareholders we compare our performance against the FTSE All-Share Real Estate Investment Trust Index, using a 30-day average of the returns in accordance with industry best practice.



- Derwent London
- FTSE All-Share Real Estate Investment Trust Index

Our performance

2014 saw the Group marginally underperform our benchmark index. This result is partially due to our strong performance over the past five years which has resulted in a total outperformance of 58%.

Strategies measured:

- Acquire properties
- Create well-designed space
- Optimise income
- Recycle capital
- Maintain strong and flexible financing

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