Statement of Investment Principles

This is the Statement of Investment Principles (the "Statement") made by the Trustee of the Pension and Assurance Scheme of the Land Securities Group of Companies ("the Scheme") in accordance with the Pensions Act 1995 (as amended). The Statement, which was approved by the Trustee on 15 July 2021, is subject to periodic review at least every three years and without delay after any significant change in investment policy.

In preparing this Statement, the Trustee has consulted with the employer to the Scheme (Land Securities PLC) and has taken and considered written advice from the Investment Practice of Hymans Robertson LLP.

The Scheme is a defined benefit scheme which is no longer accruing benefits.

The Trustee is aware of the Myners Code of Conduct for Investment Decision Making and has reviewed its responsibilities and activities in the context of the Code.

Scheme objective

The primary objective of the Scheme is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. The Trustee's over-riding funding principles for the Scheme are as follows:

- to ensure there are sufficient and appropriate assets in the Scheme (at their realisable value) to cover the expected cost of providing members' past service benefits; and
- to set the employer contribution at a level which is sufficient to recover any shortfall in assets relative to the value placed on accrued liabilities over the longer term.

The value of liabilities is calculated on the basis agreed by the Trustee and the Company based on the advice of the Scheme Actuary. The funding position is monitored quarterly by the Trustee and formally reviewed at each triennial actuarial valuation, or more frequently as required by the Pensions Act 2004.

Investment strategy

The Trustee has translated its objectives into a suitable strategic (asset allocation) benchmark for the Scheme.

The strategic benchmark is reflected in the choice and mix of funds in which the Scheme invests, and the benchmarks given to individual investment managers which, in aggregate, are consistent with the overall strategy.

The investment strategy takes due account of the maturity profile of the Scheme (in terms of the relative proportions of liabilities in respect of pensioners and non-pensioners), together with the level of disclosed surplus or deficit (relative to the funding bases used) and the Trustee's view of the covenant of the principal employer. The long-term objective is to reduce the level of investment risk in the portfolio so that the strategy only targets a modest level of additional return when compared with the long-term funding target.

The Trustee monitors strategy relative to its agreed asset allocation benchmark. It is intended that investment strategy will be reviewed at least every three years following actuarial valuations of the Scheme and will normally be reviewed annually. Written advice is received as required from professional advisers.

The Trustee monitors the performance of Scheme investments relative to agreed criteria on a quarterly basis.

The Trustee has delegated all day to day investment decisions to authorised investment managers.

Kinds of investment to be held

The Scheme may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash, property and commodities either directly or through pooled funds. The Scheme may also make use of repurchase agreements, contracts for differences and other derivatives (or in pooled funds investing in these products) for the purpose of efficient portfolio management or to hedge specific risks. The Trustee considers all of these classes of investment to be suitable in the circumstances of the Scheme and, collectively, to offer the Scheme appropriate diversification of investments.

Choosing investments

The Trustee has appointed Legal and General Assurance (Pensions Management) Limited (L&G), BMO Global Asset Management (BMO) and M&G Investments (M&G) as the managers of the Scheme's assets. The Trustee has also appointed an insurer, Just Retirement Limited (JR), to manage a buy-in contract on behalf of the Scheme. The asset managers and the insurer are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

The types of investment held and the balance between them is deemed appropriate by the Trustee given the liability profile of the Scheme, its cashflow requirements, the funding level and the Trustee's objectives. The Trustee has appointed each of its investment managers to deliver a specific benchmark or performance target using appropriate underlying investments, which overall will align to deliver the broader Scheme investment strategy. The Trustee ensures that all manager engagements have clearly defined benchmarks, objectives and management parameters.

Remuneration for each mandate is determined at the inception of each mandate based on commercial considerations and typically set on an ad valorem basis. The Trustee periodically reviews the fees paid to all of its managers against industry standards

Within L&G, the Trustee has decided to invest on a pooled fund basis. The pooled funds selected are managed on a passive basis, whereby the manager seeks to match rather than exceed the performance of the benchmarks of the funds in which investment is made. These include leveraged gilt funds to help the Scheme achieve its strategic hedge ratios.

The BMO mandate is invested in a pooled corporate bond fund.

The Trustee has appointed M&G to invest in asset backed securities through a pooled fund.

The Trustee is satisfied that the investments described above are consistent with the objectives of the Scheme, particularly in relation to diversification, risk, expected return and liquidity.

The Trustee reviews the nature of Scheme investments on a regular basis, with particular reference to suitability and diversification. The Trustee seeks and considers written advice from a suitably qualified person when determining the appropriateness of each manager and mandate for the Scheme, particularly in relation to diversification, risk, expected return and liquidity. If, at any time, investment in a security or product not previously known to the Trustee is proposed, appropriate training and advice is sought and considered to ensure its suitability and diversification.

The Trustee recognises the long-term nature of the Scheme liability profile and appoints its managers to invest in such a way that generates long term sustainable returns. The Trustee will carry out necessary due diligence on the underlying investment decision making process, to ensure the manager makes investment decisions over an appropriate time horizon aligned with the Scheme objective.

The duration of each mandate is determined by the Trustee at the inception of each mandate. The Trustee generally engages managers on an ongoing basis with no pre-determined term of appointment. The Trustee expects the minimum duration of the appointment will be three years, this being the period over which performance of the mandate can be appropriately evaluated although all mandates are subject to ongoing review against various financial metrics and non-financial considerations in addition to their continued appropriateness within the investment strategy For buy-in contracts, the Trustee expects the term of the appointment to be the lifetime of the investment.

The Trustee reviews the performance of each of its managers and mandates on a regular basis against a series of metrics, including financial performance against the benchmark and objectives of the mandate, the exercise of stewardship responsibilities (including engagement with issuers) as set out in greater detail below, and the management of risks. Material deviation from performance or risk targets is likely to result in the mandate being formally reviewed.

The Trustee will measure a fund's relative tracking error where appropriate. Managers are expected to provide explanation for any significant deviations away from benchmark or target.

The Scheme's benchmark asset allocation is shown in the Appendix.

Balance between different kinds of investments

L&G will hold a mix of investments within each pooled fund that reflects that of its respective benchmark indices or exposures. BMO and M&G will hold a mix of investments which reflect their views relative to their respective benchmarks and return targets. Each manager will maintain a diversified portfolio of securities. JR will hold a mix of investments that will reflect the terms of the buy-in insurance policy.

Risk

The Scheme is exposed to a number of risks which pose a threat to the Scheme meeting its objectives. The principal risks affecting the Scheme are:

Funding risks

- Financial mismatch – The risk that Scheme assets fail to grow in line with the developing cost of meeting the liabilities.

- Changing demographics –The risk that longevity improves, and other demographic factors change, increasing the cost of the Scheme benefits.

- Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Scheme's liabilities.

The Trustee measures and manages financial mismatch in two ways. As indicated above, the Trustee has set a strategic asset allocation benchmark for the Scheme. The Trustee assesses risk relative to that benchmark by monitoring the Scheme's asset allocation and investment returns relative to the benchmark. The Trustee also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

The Trustee keeps mortality and other demographic assumptions, which could influence the cost of benefits, under review. These assumptions are considered formally at triennial valuations.

The Trustee seeks to mitigate systemic risk through a diversified portfolio, but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

Asset risks

- Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- Illiquidity - The risk that the Scheme cannot meet its immediate liabilities because it has insufficient liquid assets.
- Currency risk – The risk that the currency of the Scheme's assets underperforms relative to Sterling (i.e. the currency of the liabilities).
- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

The Trustee manages asset risks as follows. The Trustee provides a practical constraint on Scheme investments deviating greatly from the intended approach by investing in a range of pooled funds managed by L&G, BMO and M&G, each of which has a defined objective and benchmark.

By investing across a range of quoted assets, the Trustee recognises the need for access to liquidity in the short term. The Scheme's strategic benchmark is not highly exposed to investments denominated in foreign currencies.

In appointing three investment managers, the Trustee has considered the risk of underperformance by any single investment manager. In addition, the appointment of a passive manager for a large proportion of the assets also significantly reduces the scope for underperformance relative to the chosen benchmarks or exposures.

The Trustee does not expect managers to take excess short-term risk and will regularly monitor the managers' performance against the benchmarks and objectives set on a short, medium and long terms basis.

Other provider risk

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Trustee seeks professional advice.
- Custody risk - The risk of losing economic rights to Scheme assets, when held in custody or when being traded.
- Credit default - The possibility of default of a counterparty in meeting its obligations.

The Trustee monitors and manages risks in these areas through a process of regular scrutiny of its providers, and audit of the operations it conducts for the Scheme, or has delegated such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds).

Expected return on investments

Over the long term, the overall level of investment returns is expected to exceed the rate of return assumed by the Trustee in the funding of the Scheme.

Realisation of investments

All of the Scheme’s pooled fund investments may be realised quickly if required.

Portfolio turnover

The Trustee has expectations of the level of turnover within each mandate which is determined at the inception of the mandate, based on the Trustee’s knowledge of the manager, investment process and the nature of the portfolio. Whilst the Trustee expects performance to be delivered net of costs, including the costs of trading within the portfolio, the Trustee expects managers to report on at least an annual basis on the underlying assets held within the portfolio and details of turnover costs. The Trustee will challenge its managers if there is a sudden change in portfolio turnover or if the level of turnover seems excessive.

Costs

The Trustee is aware of the importance of monitoring the investment managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustee recognises that, in addition to annual management charges there are other costs incurred by managers that can increase the overall cost incurred by the investments.

The Trustee receives annual cost transparency reports covering all of its investments and asks that the managers provide this data in line with the appropriate Cost Transparency Initiative ("CTI") template for each asset class. This allows the Trustee to understand exactly what it is paying its managers. The Trustee works with its investment consultant and investment managers to understand these costs in more detail where required.

The Trustee believes that net of all cost performance assessments provide an incentive for investment managers to manage these costs. However, it also understands that regular monitoring of these costs will improve the incentives on investment managers to control any inefficiencies.

Cost Transparency

The Trustee expects all investment managers to provide full cost transparency in line with industry standard templates. Prior to their appointment, the Trustee expects investment managers to confirm their adherence to providing this information.

The Trustee assesses the performance of the investment managers on a quarterly basis and the remuneration of the investment managers on an annual basis. On an annual basis, all of the investment managers are asked to provide details of the costs incurred in managing the Scheme's assets, using industry standard disclosure templates. These costs include portfolio turnover costs (transaction costs). Where the disclosed costs are out of line with expectations the managers will be asked to explain the rationale, including why it is consistent with their investment strategy.

Consideration of financially material factors in investment arrangements

The Trustee recognises that the consideration of financially material factors, including Environmental, Social and Governance (ESG) factors, is relevant at different stages of the investment process. The Trustee further recognises that the financial materiality of any factor, including ESG factors, is context specific and that whilst some factors may be relevant to certain stocks/assets, they may not be relevant to others. The Trustee will consider such factors in the development and implementation of its investment arrangements, for the purposes of determining the selection, retention and realisation of investments, where there is sufficient data or evidence to allow them to systematically do so. Where there is not sufficient data or evidence, it will engage with its investment managers to ensure they take such considerations into account within their decision making. The strategic benchmark has been determined using appropriate economic and financial assumptions from which expected risk/return profiles for different asset classes have been derived. These assumptions apply at a broad market level and are considered to implicitly reflect all financially material factors other than climate change.

The Trustee considers the risk of climate change to be an important consideration in the choice of investments and expects its investment managers to take this risk into account where this is financially material to their choice of investments.

The Trustee expects the investment managers to take all financially material factors into account where relevant and the terms of the mandates permit.

- In passive mandates, the Trustee recognises that the choice of benchmark dictates the assets held by the investment manager and that the manager has limited freedom to take account of factors that may be deemed to be financially material. The Trustee accepts that the role of the passive manager is to deliver returns in line with the market and believe this approach is in line with the basis on which the current strategy has been set.
- In active mandates, the Trustee recognises that the manager has freedom to exercise discretion as to the choice of assets held. The Trustee expects the manager to take into account all financially material factors in the selection of assets within their portfolios and to be able to demonstrate their approach when challenged.

Consideration of non-financially material factors in investment arrangements

The Trustee has not taken account of any non-financially material factors in the investment arrangements. The Trustee has determined that the practicalities of applying exclusions outweigh the impact that may otherwise arise.

The Trustee does not explicitly take the views of individual members and beneficiaries of the Scheme into account in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors" under the 2018 Regulations). Where members make an active decision to share their views on such matters with the Trustee, the Trustee will note and have due regard to them.

Stewardship & Engagement

The Trustee recognises that stewardship encompasses the exercise of voting rights, engagement by and with investment managers and the monitoring of compliance with agreed policies. The Trustee expects the investment managers to comply with the 2020 UK Stewardship Code.

The Trustee reviews the stewardship activities of its Investment Managers on an annual basis covering both engagement and voting and will report on this in its annual Engagement and Implementation Statement.

The Trustee does not normally engage directly but believes it appropriate for its investment managers to engage with key stakeholders which may include corporate management, regulators and governance bodies, relating to their investments in order to consider the management of conflicts of interest and improve corporate behaviours, improve performance and mitigate financial risks.

Responsibility for investment decisions has been delegated to the investment managers which includes consideration of the capital structure of investments and the appropriateness of any investment made. Where managers are responsible for investing in new issuance, the Trustee expects the manager to engage with the issuer about the terms on which capital is issued and the potential impact on the rights of new and existing investors.

The Trustee separately considers any conflicts of interest arising in the management of the Scheme and its investments and has ensured that each manager has an appropriate conflicts of interest policy in place.

The Trustee aims to monitor the managers' engagement activity on an annual basis in conjunction with its investment advisers. Where the Trustee deems it appropriate, any issues of concern will be raised with its managers for further explanation. The Trustee and its investment advisers may also challenge the managers on the impact of any significant issues including, where appropriate, ESG issues that may affect the prospects for return from the assets.

Additional Voluntary Contributions (AVCs)

The Trustee gives members the opportunity to invest in a range of vehicles at the members' discretion.

Signed for and on behalf of the Trustee of the Pension and Assurance Scheme of the Land Securities Group of Companies

Nita Tinn

David Smith

Appendix – Manager Arrangements

The table below sets out the Scheme's target allocation, excluding the buy-in, and Annual Management Charges ("AMCs"):

Fund	Manager	Benchmark	AMC	Benchmark Allocation
Equity Index Funds				
Future World	L&G	Composite	0.19%	20.0%
Total Equities				**20.0%**
LDI Gilt Funds				
2068 IL Gilt	L&G	2068 Index Linked Gilt	0.05%	-
2062 Leveraged IL Gilt	L&G	2062 Index Linked Gilt	0.17%	-
2055 IL Gilt	L&G	2055 Index Linked Gilt	0.05%	-
2055 Leveraged Gilt	L&G	2055 Conventional Gilt	0.17%	-
2050 IL Gilt	L&G	2050 Index Linked Gilt	0.05%	-
2049 Leveraged Gilt	L&G	2049 Conventional Gilt	0.17%	-
2047 IL Gilt	L&G	2047 Index Linked Gilt	0.05%	-
2042 Leveraged IL Gilt	L&G	2042 Index Linked Gilt	0.17%	-
2042 Leveraged Gilt	L&G	2042 Conventional Gilt	0.17%	-
2040 Leveraged IL Gilt	L&G	2040 Index Linked Gilt	0.17%	-
2037 IL Gilt	L&G	2037 Index Linked Gilt	0.05%	-
Total IL Gilts				**50.0%**
Cash Fund				
Sterling Liquidity Fund	L&G	7-Day LIBID	0.125%	-
Total Cash				**-**
Credit Funds				
Institutional All Stocks Corporate Bond Fund	BMO	Merrill Lynch £ Non-Gilts All Stocks	0.20%	10.0%
Credit Opportunity Fund IV	M&G	3-Month LIBOR	0.30%	20.0%
Total Credit				**30.0%**
Total Assets ex buy-in				**100.0%**

The corporate bond fund with BMO has an explicit outperformance target, to exceed the benchmark by 1% p.a. gross of fees. The equity and gilt funds with L&G are passively managed pooled funds and so aim to track the relevant indices. The Sterling Liquidity Fund is an actively managed pooled fund, although there is no explicit outperformance target. The M&G Credit Opportunity Fund IV does not have an explicit outperformance target, although the stated intention is for it to achieve returns of 1-3% p.a. above the benchmark.

The funds are not automatically re-balanced back to the benchmark allocation. The Trustee monitors and reviews asset allocation every quarter and decides on any relevant actions.