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 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 assets in the Scheme (at their realisable value) to meet 100% of benefits as they fall due for payment to members and;
- build up assets to meet the cost of benefits already built up in respect of past service and ongoing Scheme management expenses.

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 Trustee also considers the Scheme's funding position on a more stringent "minimum risk" gilt basis as well as a solvency basis, which is used a proxy for the cost of fully insuring the Scheme's liabilities. 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 Scheme's liabilities are fully insured via bulk annuity provider, Just Retirement Ltd. The remaining surplus assets consist of cash only. The Trustee's investment strategy for the remaining assets will primarily be to provide sufficient liquidity to cover ongoing Scheme expenses. The level of liquidity is monitored regularly by the Trustee to ensure that it remains appropriate for controlling the risks identified under the 'Risk' section of this Statement.

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

The Trustee has delegated all day to day investment decisions to bulk annuity provider Just, and authorised investment managers in relation to the surplus balance.

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.

Finally, the Scheme holds insurance contracts with insurance company, Just Retirement Limited (JR) which ensure the future benefits of the full population of the Scheme's membership.

The Trustee considers all of these classes of investment to be suitable in the circumstances of the Scheme.

Choosing investments

The Trustee has appointed investment managers to manage the Scheme's investments. The investment managers 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. Where such tailoring is not directly achievable, the Trustee will invest in pooled funds where the objectives of the fund and the policies of the investment manager will be evaluated by the Trustee to ensure that they are appropriate for the needs of the Scheme.

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.

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 undertaking such review. 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 asset managers appointed are mandated to manage the surplus balance and provide liquidity to meet the residual expenses of the Scheme prior to the transition from full buy-in to buy-out. These objectives are fundamentally short term in nature. Balance between different kinds of investments

The Scheme's investment managers will hold cash like investments of ultra-low risk which reflects their views relative to their respective benchmarks or target returns. JR will hold a mix of investments that reflects the terms of the insurance policy.

Risk

As part of its risk management strategy the Trustee holds a bulk annuity policy in respect of all of the Scheme's liabilities. Given the buy-in, with respect of all the Scheme's liabilities and adoption of a lower risk investment strategy, the Trustee focuses on the risks associated with ongoing Scheme expenses and management of residual assets. The principal risk affecting the Scheme is:

- Liquidity, and in particular maintaining sufficient liquidity to meet ongoing expenses of the Scheme, The Trustee expects the bulk annuity, in respect of assets and liabilities, to immunise the Scheme from market risks such as credit risk and interest rate risk, inflation risk and longevity risk associated with the liabilities covered by the bulk annuity buy-in.

The Trustee expects the buy-in provider risk to be addressed through the supervisory regime applicable to insurance companies but monitors the monthly payment benefits from the buy-in provider to the Scheme and periodically, normally annually, monitors the financial covenant of the buy-out provider.

In respect of the remaining assets, the Trustee also considers the below as key asset risks facing the Scheme:

- 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.
- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.
- In relation to the insurance policy with JR, the Trustee also considers the following:
    - Environmental, Social and Governance (ESG) risks – the extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations.
    - Climate risk - The extent to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.

The Trustee provides a practical constraint on Scheme investments deviating greatly from the intended approach by investing in a range of investment mandates, each of which has a defined objective and benchmark.

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.
- Operational risk – The risk of loss as a result of fraud, cyber-attacks, poor advice, acts of negligence or lack of suitable process.
- Legislative risk – The risk that managers of the Scheme fail to comply with changes to legislation.

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).

Realisation of investments

In making the decision to invest the Scheme's residual assets, the Trustee considered the potential liquidity impact and took written advice on this matter. The Trustee also notes that the insured annuity policy is an illiquid asset of the Scheme.

Portfolio turnover

Given the Scheme's residual assets now consists of cash, the Trustee has expectations of a low 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 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.

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, however given the objectives of the Scheme, the Trustees do not expect this risk to be material.

Consideration of non-financially material factors in investment arrangements

Non-financially material factors are the views of members and beneficiaries including (but not limited to) their ethical views and their views in relation to social and environmental impact and present and future quality of life of the members and beneficiaries of the trust Section.

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.

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 believes that responsible share ownership and seeking the best long-term value for investment in shares requires active exercise of voting rights. However, the Scheme does not currently hold listed equity assets.

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.

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)

Prior to the Scheme's buy-in, the Trustee gave 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

Approved 5 December 2023