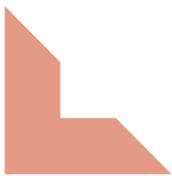


# Group Procurement Policy

11 May 2020

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## 1 Procurement strategy

### 1.1 Why we need one

Landsec acknowledges that the way it operates and behaves has a wide impact on the way it is perceived by its stakeholders - this includes suppliers.

Landsec's policy is to source goods and services effectively and fairly and to achieve best possible value, where value includes service, lifetime costs, quality, reliability and timeliness of delivery.

Landsec shall procure goods and services in accordance with the law and in a way that can demonstrate compliance with relevant legislation relating to matters such as anti-competitive behaviour, anti-bribery, health and safety regulations and data protection legislation.

Any procurement by Landsec must conform to its ethical, environmental and sustainability standards. Landsec requires a procurement policy at a Group level to ensure that it operates to a high professional standard that is consistent across the organisation. Landsec reports on this policy, and its compliance, to the Audit Committee acting on behalf of the Board.

Landsec has a duty to all its stakeholders (including customers and employees) to manage cyber security risks, protect the privacy of individuals, prevent the unauthorised disclosure, modification or destruction of information, whether accidental or intentional, and to ensure information confidentiality, availability and integrity.

### 1.2 Governance and the role of the Procurement Committee

Landsec's Procurement Committee provides oversight of the Group's procurement policy to ensure that it is:

- consistent with its strategy and Group values
- applied consistently across the business
- followed in spirit and process, and
- supported by compliance testing and internal audit.

The Procurement Committee meets at least quarterly and reports to the Group Executive Committee, and upwards to the Audit Committee if required.

The current Chair of the Procurement Committee is Tim Ashby, Group General Counsel and Company Secretary. The current members of the Committee are listed in [Appendix 1](#).

Terms of reference of the Committee include:

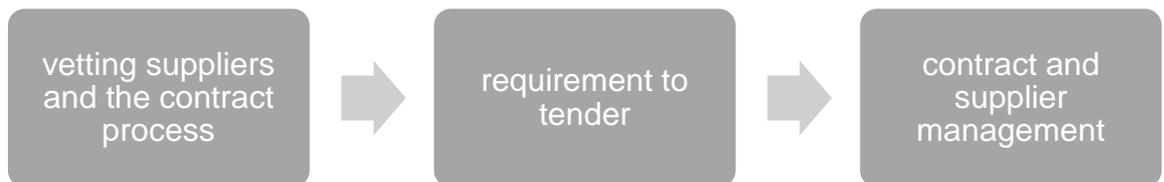


- To establish and communicate the Group's procurement policy, including the vetting of suppliers, the Group's tender process (when there is a requirement to tender) and contract/supplier management process
- To ensure that Landsec utilises its buying power well, monitors best practice in procurement and shares ideas and information on the performance of its suppliers
- To co-ordinate its supplier management expertise and knowledge
- To investigate or follow up on any breaches of policy in conjunction with internal audit or the Executive Committee.

Landsec has a duty to all its stakeholders (including customers and employees) to manage cyber security risks, protect the privacy of individuals, prevent the unauthorised disclosure, modification or destruction of information, whether accidental or intentional, and to ensure information confidentiality, availability and integrity.

## 2 The Procurement Policy

There are 3 elements to the policy:



### 2.1 Vetting suppliers and the contract process

Landsec has policies relating to the classification and choice of suppliers that it uses within its system.

These are required to:

- ensure that the Group's meets its policies on matters such as data protection, sustainability, employment practices and health and safety
- deliver a consistently high operating standard, and
- identify any credit or other performance issues before contracts are exchanged with any supplier.

### 2.2 Requirement to tender

Landsec has policies regarding the need to put contracts out to tender to ensure that:

- there is transparency and fairness in our choice of suppliers and
- Landsec can verify the quality of the product or service being offered against competitors in the market.



### 2.3 Contract and supplier management

The ongoing management of suppliers and contracts is just as important as the initial engagement. This is often where things can go wrong – or, if properly managed, where strong, long-lasting relationships with suppliers can be forged.

We need policies, supported by business practice, that ensure the process of contracting with a supplier does not end with the signing of an agreement – in many ways, that is simply the start of the relationship.

## 3 Contract



### 3.1 Contract process

Important - Landsec's policy is that signed contracts and purchase orders should be agreed and executed with all suppliers before goods are delivered or services are performed.

- This is particularly true of those suppliers classified as 'strategic' – please see below for supplier classification.
- The consequences of not having signed contracts in place with a supplier at the right time can be serious.
- The failure to have contracts in place is poor customer practice on our part.

**Pre-approval: A supplier must have an approved purchase order in order to be paid. To obtain a purchase order, the proposed new supplier must be registered on our supplier database, SIMS, which is linked to the company finance system. No purchase order, no payment.**

A supplier must be registered and approved on SIMS before any goods or services are contracted and/or ordered from them. SIMS is operated by our Supplier Management team and is linked to the company finance system. Therefore, it is impossible for purchase orders to be raised and payments made unless a supplier is registered and approved.

All new supplier requests shall be approved by a Senior Manager in line with the Approval Schedule for the Execution of Documents found here.



Before proposing a new supplier, the following questions should be answered:

- Are there any other suitable approved suppliers within the classification to provide the goods or services?
- Is the selected approver the most appropriate person to decide on a new supplier?  
and
- Have you collaborated with all internal expertise as necessary before deciding to propose the supplier?

Whoever is authorised to approve a new supplier is acknowledging that they have considered the questions listed above before agreeing to proceed. If the 'approver' as set out in the Approved Schedule is not available, this responsibility will default to their line manager.

- **Important note** - the person requiring the service or product which is the subject of the tender should not also be the approver of the supplier – this can compromise independence. The responsibility for approval should be passed to their line manager.

All Suppliers should be assigned a **Relationship Owner** upon achieving approved status and this will be noted on SIMS against the name of the supplier.

- For Strategic Suppliers, the Relationship Owner will be an individual responsible for managing the contractual relationship
- For other categories, the Relationship Owner may be a designated individual or a Business Department.

In each case, the Relationship Owner is responsible for ensuring that:

- their supplier's contracts are in date
- managing or directing the schedule of renewals, and
- if the contract expires, SIMS is updated with notes on the circumstances of the expiry (e.g. terminated or assigned upon sale of property, expired or awarded to new supplier).

### 3.2 Forms of Contract

It is Group policy and best practice to ensure that a contract is in place before the commencement of all services. If this is not possible, prior approval should be sought in advance as appropriate from the relevant level of authority – usually, CFO/Lexcom/Rexcom.

The Group's legal function is on hand to provide advice on contracts. In some cases, we will insist on our own form contracts but we don't do this for most commercial agreements.



Our standard forms of contract should be used for the appointment of building contractors and design team members. These are owned by the Head of London Portfolio Project Management and the Head of Retail Project Management.

No contract should be entered into for a time period of greater than 5 years without the approval of the CFO/Lexcom/Rexcom. Where a supplier (other than an existing IS software supplier) has been providing a service for more than 5 years and there has been no retendering within this period, one of the following is required:

- A benchmarking review; or
- A retendering; or
- Approval from an Executive Director to continue with the supplier.

### 3.3 Service Level Agreements and KPIs

With all service partner contracts, consideration should be given to performance measurement through the use of Service Level Agreements (SLAs) and/or Key Performance Indicators (KPIs) targeted at our core values.

SLAs will not be suitable or relevant in all circumstances. However, where used, the SLA should adequately define the specification or scope of the goods or services clearly setting out Landsec's expectations. Any KPIs should mirror the SLAs so there is no ambiguity or discrepancy between the two. Any SLAs and KPIs should be monitored by the relevant Business unit/Relationship Owner and action taken to address any poor performance.

### 3.4 Supplier classification

Landsec classifies its suppliers by grouping, importance and then by value within the Group (where value is defined as the total value of business with Landsec) as a whole:

- Strategic suppliers

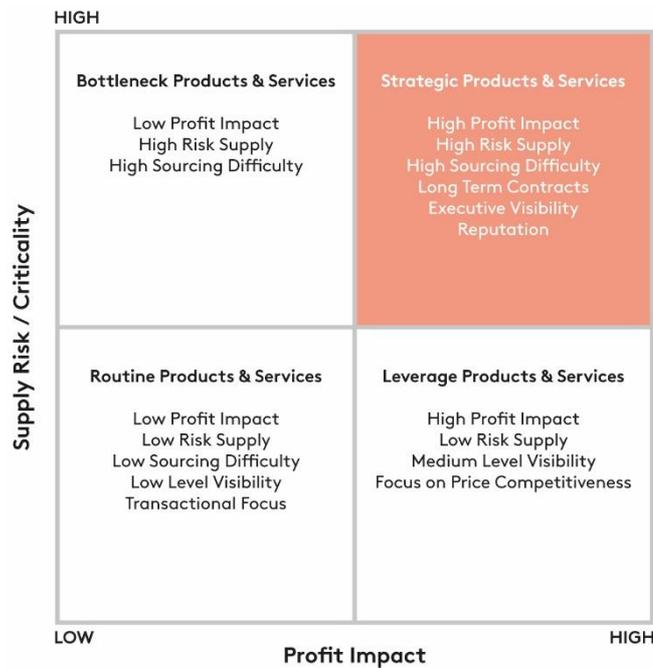
Our **strategic suppliers** are those that have particular importance to the Group, by reference to such factors as their supply risk and sourcing difficulty (the difficulty of replacing them if they should fail), the duration of their contract, Executive visibility and the potential impact to the Group's financial position or reputation if they should fail (or fail to perform).

As such, we apply higher standards to strategic suppliers, both before contracts are exchanged and further as part of the ongoing contract management process when they form part of our system. Each strategic supplier requires a designated Landsec Relationship Owner.

Strategic suppliers include those who supply products and merchandise to the Group, and providers of services to the Group. This includes any combination of goods and service



where service forms part of the procurement (for example, where goods require installation rather than just delivery). The number of strategic suppliers will represent only a small proportion of the number of suppliers used by the Group.

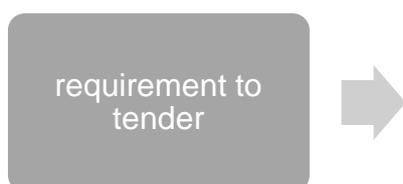


#### — Non-Strategic suppliers

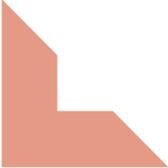
All suppliers to Landsec are important but, using the classification above, not all carry the same risk or threat should things go wrong. Indeed, the vast majority of suppliers used by the Group will not be regarded as Strategic Suppliers.

Accordingly, the governance and monitoring of those suppliers not regarded as strategic will be less, with fewer checks for example on their credit worthiness. This does not mean that these suppliers are not important or that they should not be managed well. We just don't have the resources to apply the same checks to all the suppliers on the system and, therefore, we rely on the Relationship Owner to manage.

## 4 Tender



Landsec has policies regarding the need to put contracts out to tender. This is required to ensure that there is transparency in our choice of suppliers and that Landsec is able to verify the quality of



the product or service being offered against the market. It also protects employees from any allegations of conflicts of interest.

A tender process is time-consuming when done properly but will normally result in a better outcome.

#### 4.1 Requirement to Tender

i. Service charge chargeable to occupiers – we acknowledge the importance of our role when we act as an intermediary in the procurement of goods or services which are then incorporated as part of the service charge recoverable from our occupiers.

As required by the RICS Code of Practice on Service Charges, all term contracts or project work relating to a service charge recoverable item shall be market tested (for example, by obtaining three or more quotes) or tendered irrespective of value.

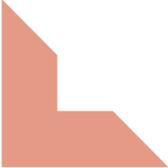
ii. Landsec contracts – goods to a contract value of £150,000 or more, and services to the value of £150,000 per annum or more, shall be tendered.

The requirements in (i) and (ii) are subject to the following exceptions:

- If the contract is placed pursuant to a framework agreement (subject to the framework agreement having been tendered and approved by Lexcom or Rexcom or, for Group Services, the CFO or Group General Counsel.
- Property sales
- Financial products (i.e. Treasury)
- Any contract within a Joint Venture (JV) where the JV partner, in agreement with Landsec, does not want a formal tender

If Lexcom or Rexcom or, for Group Services, the CFO or Group General Counsel, as appropriate, has agreed that the goods/services should not be tendered and this is minuted accordingly. When requesting exemption, the following information should be provided:

- Name of supplier
- Value of goods or service
- Term of contract and any renewal terms if applicable
- Conflicts of interest
- Rationale for choice of supplier
- The appointment of consultants or any third party contributing to managing the tender or managing the tendered work or project. This is subject to the consultant/third party being fully approved on SIMS and there is clear evidence that due consideration has been given to their selection and subsequent appointment as being appropriate for the work.



Finance credit checks are required for all new suppliers where the contract value exceeds £500,000. This is in addition to the finance credit checks required for all new Strategic Suppliers (see 5.2 below).

Evidence of all market testing and tender exercises should be stored on a central electronic filing system. Suppliers may be asked to comment on the tender process as part of our ongoing internal audit reviews and it is important that documentary evidence of the process is retained. How long such evidence should be stored will be the subject of a separate document retention policy.

#### 4.2 Tendering Procedure

The choice of suppliers to be invited to tender and the tender process itself should be governed by the principles of our Corporate Tendering Procedure, which can be found [here](#).

The Tender Approver may approve a less formal tender process than that set out in the Corporate Tendering Procedure and this should be noted on the Tender Approval Form.

The nature of the tender process may depend on the nature or type of goods or service being procured, or whether a panel is being appointed rather than one supplier being used. It may also apply, for example, where quality is deemed much more important than price and an emphasis is to be placed on interviews to assess quality of work.

Each year, the internal audit team will carry out a follow up exercise with some unsuccessful bidders to gauge their experience of the tender process, with a particular view to the fairness of the process and giving them a chance to report any irregularities in the process.

Bidders can use the Group's Whistleblowing Hotline if they want to raise any issues of concern. Details of the Hotline are to be included in the tender documentation.

#### 4.3 Gifts and Hospitality during Tenders

In accordance with this Gifts and Hospitality Policy (which can be found [here](#)), no gifts or hospitality can be accepted by any member of the tender panel from any bidder in the tender process for the duration of the tender and bidders should be informed of this when the tender process begins.

- If an offer of a gift or hospitality is made, the offer should be declined and the individual should immediately report this to the Tender Manager, who in turn should notify the Senior Manager who is the signatory on the Tender Approval Form.
- A decision will then be made as to whether such an offer has breached the terms of the tender process such that it results in the exclusion of the supplier.



## 5 Contract and Supplier Management



The ongoing management of suppliers and contracts is just as important as the initial engagement. This is often where things can go wrong – or, if properly managed, where strong, long-lasting relationships with suppliers can be forged.

The following elements are essential:

Completion of purchase orders in accordance with the Group's delegated authority policy

Filing (electronically) the signed contract documents and contract variations. Contract variations include any future contract amendments to the original contract (this may be simply email correspondence that varies the contract terms)

Ongoing supplier management of both the contract and the relationship.

### 5.1 Completion of Purchase Orders and Contract Documents

If you permit a service to be commenced or goods to be acquired before the raising of a Purchase Order and, where appropriate, the signing of a formal contract/letter of appointment, this may end up as a disciplinary issue.

It is preferable to defer the start of a contract than allow it to commence without the appropriate form of contract having been signed by the parties. If terms have been agreed then we have a speedy contract execution process; if terms have not been agreed then this indicates that there is uncertainty as to what the parties expect and often leads to costly disputes.

Essential contracts may commence under a letter of intent subject to the prior approval of a Head of Department, and shall be monitored by Lexcom or Rexcom or, for Group Services, by the CFO or Group General Counsel until the contract is signed. The Legal team should be involved in letters of intent to ensure that they are properly limited in scope.

### 5.2 Ongoing checks - credit

All suppliers will be credit checked by the Group's Supplier Management team as follows:

- All suppliers at registration
- Strategic Suppliers – on appointment and annually



- All other suppliers – at least every 3 years.

Any checks indicating a supplier is at risk of financial failure shall be fully investigated by the appropriate business financial function who will report their recommendation to:

- For Strategic Suppliers – The Relationship Owner.
- For other services and goods suppliers – The assigned business department manager.

A decision shall be made by the Relationship Owner/business department manager as to the risk to Landsec of the continuation of the supplier's approved status. The Supplier Management team shall be informed of the decision and the appropriate action taken e.g. supplier suspended and SIMS updated accordingly. For Strategic Suppliers, decisions should be notified to the Procurement Committee for information.

All suppliers are responsible for keeping their SIMS records up to date. The Supplier Management team will email suppliers whose documents or information achieve a non-compliant status e.g. document expiry. Any supplier with non-compliant documents will have their status changed on SIMS to "Unapproved", preventing orders being placed with them. In order to keep our supplier lists current, the Supplier Management team will suspend the account of any supplier with whom an order has not been placed in the previous 15 months. Suspended accounts can be reactivated by contacting the Supplier Management team.

For Development Projects, there should be active management of suppliers and sub-contractors:

the Principal Contractor will be a Strategic Supplier and will be subject to extensive scrutiny of performance, credit and financial strength, and measurement of targets.

- the Principal Contractor's sub-contractors for major packages (where the package value is above £5m or where the demise/loss of the sub-contractor would impact the critical progress of the works (significant negative impact on Landsec)) should be subjected to regular financial risk assessments.

These assessments should be reviewed by Landsec at monthly project meetings as a fixed agenda item. Contingency plans should be established for any sub-contractor deemed high risk or where concerns have been raised.

### 5.3 Reporting and Analysis

The SIMS interface with Landsec's financial system shall generate reports and dashboards to compare spend by supplier for each major spend category heading from service charge recoverable, nonrecoverable and development expenditure (DEX) and be capable of filtering the total spend down the spend category hierarchy to specific item code level.



#### 5.4 Suspending Suppliers

For various reasons it may be in the best interests of Landsec to suspend a supplier, preventing them from being used by any part of the business for a fixed period of time.

Reasons for suspending a supplier could include poor performance, legal disputes, financial difficulties or illegal activity, or their failure to comply with our own SIMS processes.

Should a Landsec employee wish to add a supplier to the suspension list, they should send this request, along with the reasons why, to their Senior Manager (as defined by their capability of approving suppliers on the SIMS). Should the Senior Manager agree with the proposal, they should send the request to the CFO/Lexcom/Rexcom for approval. Once approved, it will be handed over to the Procurement Committee for a decision.

The Committee will take into account where and how the supplier is currently being used, and for what, in order to assess any potential impact on the business of being suspended. If the suspension is approved, the Committee will notify the originator of the request, the requester's senior manager and the Supplier Management team. The Supplier Management team will suspend the supplier's account on the SIMS with a note attached that the supplier should not be re-instated for 5 years without Procurement Committee authorisation.

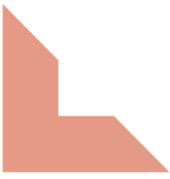
### 6 Other

#### 6.1 Data protection

Data protection is now a critical issue for all businesses and there are statutory procedures to be followed (and, in some cases, statutory fines to be paid) when things go wrong. There are several different elements to the importance of data protection:

- Safeguarding personal data and remaining compliant with the General Data Protection Regulation
- Safeguarding corporate and commercially sensitive data by ensuring that it is transmitted and held securely
- The use of measures and safeguards to minimise the risk of data loss, either through cyber attack from outside or a failure to protect data through internal systems and training.

The ownership and security of data is a critical factor to be considered in all contractual situations. Where data is relevant to the contract (and err on the side of caution if there is any doubt), specialist input from our legal and data protection teams must be obtained before contracts are signed.



## 6.2 Technology and Data

Technology and data underpins much of what we do as an organisation. Any purchasing, procurement or arrangement of contracts involving technology or data services must consult specialists from the Tech Team and Legal Team from the very first point of consideration and before procurement activity begins. This will ensure that technology is assessed, procured and implemented optimally and meets Landsec's strategic and operational objectives.

The Workspace and Tech pages on Knowledge Library contain details of how to engage the Tech Team for all business and technology requirements.

Technology and data services are defined as any of the following when assessing, introducing or modifying systems or services in our corporate or property environments:

- Data processing services where a third party is accessing, collecting, storing, transferring or deleting data, including Personal Data (e.g. pension administration services, e-commerce platforms, direct marketing services)
- Customer engagement and experience technologies (e.g. digital screens for advertising or interactive purposes)
- Any technology, hardware or devices which rely on connectivity or can be connected to a network or the internet (e.g. cameras, sensors, workstations, payment card or access card readers)
- Wi-Fi, internet, mobile or networking connectivity services (e.g. local area networks or internet connections)
- Technology maintenance and support contracts (e.g. CCTV system or network support agreements)
- Software, software licenses or cloud service subscriptions (e.g. cloud-based survey tools, on-premise building automation software)

If there is any uncertainty whether goods or services contain any element of technology or data, the Tech Team and Legal Team must be consulted.

All contracts, licences or other appointments shall require referral to the Landsec Group Legal Department and Tech Team Procurement Manager to advise on the terms to be agreed in all cases where it appears from any documentation provided that any of the following criteria apply:

### **Contracting Party**

- The contracting party for Landsec is anyone other than Land Securities Properties Limited (co. no. 961477)
- The contract relates to a specific property or portfolio of properties
- Any security or performance guarantee is to be provided by the Landsec entity Strategic or High Risk Supplier and Restraint on Trade



- The supplier is identified as a strategic supplier as defined in the procurement policy
- The supplier has been identified as “high risk” by any credit report
- There is any exclusivity or restraint on use of other suppliers providing the same or similar functions or services

#### **Duration**

- The agreement is for a duration of three years or more without the ability to break without cause
- The term contains provisions for an “auto-renewal” on an anniversary of the start date for a term in excess of 1 year

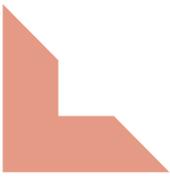
#### **Value**

- The total minimum or anticipated value of the contract or licence (whether alone or with other services provided by the supplier) is (or anticipated to be) £150,000 or more;
- Increases in any annual or recurring fees are not subject to a cap, or the cap is higher than 3% above a recognised UK inflation index
- Interest accrues on amounts after less than 30 days after becoming due and/or at a rate greater than 4% above a recognised bank’s base rate from time to time
- The supplier proposes a cap on liability of the fees paid in 12 months or a lower amount

#### **Data and Compliance Issues**

- Landsec’s data in the system or service are confidential or restricted or the purpose of the service includes a significant element of processing of personal data (in such case the Privacy and Compliance Officer must also be notified and the supplier must comply with relevant data protection questionnaire and requirements)
- The governing law and choice of jurisdiction is not the laws or courts of England & Wales

The Document Execution and Approval Process must be followed in respect of all relevant agreements to confirm that the policies have been complied with.



## **Appendix 1**

As a minimum, the Procurement Committee shall include the following persons/departments:

- Company Secretarial - Group General Counsel (Committee Chair)
- Group Services – Chief Financial Officer (Deputy Committee Chair)
- Retail Development – Head of Retail Project Management
- London Property Management – Head of Property Management
- Retail Commercial – Property Services Director
- Tech Team – Head of Tech Team
- Risk and internal audit – Head of Risk and Internal Audit

Minutes shall be taken at all meetings of the Procurement Committee.

### **Procurement Enquiries**

Assistance with any procurement or supplier management enquiries can be sought from the following persons:

- Legal – Group General Counsel or Head of Legal
- Corporate Affairs & Sustainability – Corporate Affairs & Sustainability Director
- Data Protection – Compliance and Privacy Officer
- Tech team – Robert Batley
- Human Resources – HR Director
- Health, Safety & Security – Group Head of Health, Safety & Security
- Finance – Group Financial Controller
- Information Systems – Head of Information Systems
- Group Tax & Treasury – Group Tax & Treasury Director
- Internal Audit – Director of Risk Management & Internal Audit
- London Development & Small Works – Project Director
- London Services – Ian Burr / Melissa Cooper
- Retail Development & Small Works – Head of Retail Development
- Retail Services – Tim Hollands / Neil Gravett