

# Procurement

## Procurement Policy

Land Securities' philosophy is to source and/or negotiate with suppliers from its preferred listing managing our supply-base and improving supplier alliances. It is the company's desire to form long term, mutually beneficial and trust-based relationships. In this respect all Land Securities procurement activity aims to achieve the best possible value. Value includes not only the initial purchase price but also continuing costs over the lifetime of the goods or services. For example, finance, depreciation, maintenance and energy costs. Value also includes quality, reliability, timeliness and reliability of their delivery.

However, "the best possible value" is wider than even this. Our purchasing, both of goods and services and the methods we use to procure them, must comply with all appropriate legislation, and must conform to the highest ethical, social and environmental standards.

In summary the objectives of Procurement are to:

- Manage Land Securities supplier base and related supply chain, via supplier selection strategy and the performance evaluation process
- Provide both internal and external customers with value for money solutions
- Protect Land Securities Group and individuals through the delivery of procurement solutions and development of processes and procedures compliant with the relevant legislation, as well as company Delegations of Authority. (DoA)

## Procurement Policy Sub-Categories

The following sub-categories have been developed to underpin the above policy statement, which include guidelines, processes and procedures:

1. Supplier Selection for Goods/Services
2. Tendering
3. Performance of Suppliers
4. Code of Conduct for Purchasing
5. Payment to Supplier
6. Delegations of Authority
7. Procurement Service Requests
8. Procurement Guidance Notes
9. Mobilisation for New Portfolio (LST)
10. Supplier Contract Data Capture
11. Legality
12. Corporate Social Responsibility
13. Health and Safety
14. Intellectual Property and Commercial Information
15. Information Sharing
16. Reporting and Supplier Data Sources

**Sub-Category 1:*****Supplier Selection for Goods/Services***

The guidelines for the selection of a supplier for a good or service have been developed in the form of a procedure. This procedure is to be used by any employee that has identified a requirement that cannot be sourced or serviced internally. The [Supplier Selection for Goods/Services Procedure](#) (COR/PRO/0008) can be found using the attached link.

**Sub-Category 2:*****Tendering***

Land Securities has a generic tendering procedure that is to be used on all competitive tenders for both project specific and contract/agreement requirements. It provides the business with step-by-step instructions for the tender process, which is supplemented by a toolkit of generic tender documentation. The [Procurement by Tender Procedure \(under development\)](#)

**Sub-Category 3:*****Performance of Suppliers***

The performance evaluation of our supplier's activities while working for Land Securities is vital to the ongoing drive for improved service delivery, value for money, reduced life cycle costs, and to meet client expectations.

The Procurement Team therefore manage a periodic performance review of the Land Securities supplier base that is detailed in the [Supplier Performance Review Procedure \(COR/PRO/0009\)](#).

Whilst the Procurement Team owns the performance review process, it is the employees' responsibility to ensure supplier reviews are completed in an objective manner and submitted within the designated timeframe.

**Sub-Category 4:*****The Code of Conduct for Purchasing***

Land Securities insists on ethical standards from our suppliers, and in turn we must exhibit the highest ethical standards ourselves. We must not only be fair and above board in our dealings, but avoid any conduct that is capable of having any adverse interpretation put upon it.

Any improper approaches, whether in the form of inducements or threats, must be reported, even if they are sufficiently ambiguous to allow an innocent construction. All our employees when undertaking any purchasing activity must remember the [Land Securities Group Business Ethics Policy](#).

The following points should be particularly noted:

***Gifts, hospitality and other inducements***

It should be noted that government departments have very strict rules on offering cash, goods, services, hospitality or any gift that could be construed as an inducement or a bribe. Land Securities staff must not accept cash from a potential or existing client, customer, service/supply partner, government body or any person or persons connected with such people or organisations in any circumstance or client arena.

The guidance in the attached table should be adhered to as strictly as possible. Each department is responsible for maintaining their own version of the [Gifts & Hospitality Log Table](#) (link included), with ownership sitting with the department head.

***Conflict of Interest***

When dealing with suppliers, potential conflicts of interest can sometimes arise. For example spouses or other relatives may be employed by the supplier company, or personal friendships may grow up over time. Such potential conflicts should be reported to the line manager as soon as they are identified. They will not normally prevent trading with the company concerned, but it may be in everybody's interests to arrange for the expenditure to be handled by someone else.

Occasionally former employees may be potential suppliers – indeed their knowledge of the business and operations may make them particularly suitable. It is important that they do not receive or expect special consideration.

If their 'inside knowledge', for instance of Land Securities cost structures, appears to give them an unfair competitive advantage, it may be desirable to take steps to ensure fair competition among all relevant suppliers.

Employees should avoid as far as possible dealing with Land Securities suppliers in their private affairs, particularly if this is likely to put them under some obligation to the supplier. Where such arrangements are unavoidable, it is essential that they ensure that they are not offered any sort of deal which is not commonly available, and which could be construed as a reward for actions taken in the course of their employment.

**Sub-Category 5:**

**Payment to Supplier**

Land Securities' standard payment terms are Net 30 days from the date of receipt of an appropriate VAT invoice. However, specific contracts/agreements may stipulate alternative payment terms agreed between Land Securities and the supplier at the commencement of the contract. Suppliers are entitled to receive their payment within the payment terms provided their goods or services have met our contractually agreed specifications. Unreasonably delaying payment benefits us little or at all financially, can cause significant cash-flow problems to our suppliers, especially smaller firms, generates an unnecessary and unpleasant administrative burden in dealing with irate suppliers, and erodes the atmosphere of mutual trust which we are trying to establish. It is the duty of everyone involved in purchasing to ensure that the information necessary to generate payment is passed through as quickly as possible.

Where a supplier has failed to complete the 'paperwork' to the level necessary to allow us to pay, he must be informed of this, and of what he needs to do, as quickly as possible.

If a supplier has failed to supply goods or services to our satisfaction, and it is thus necessary to withhold payment, this must be reported to the Procurement Team (or procuring party if not Procurement) along with all the documentation irrespective of who or which department placed the original order. The department who placed the order will be responsible for ensuring that the supplier rectifies his omissions before payment is authorised.

**Sub-Category 6:****Delegations of Authority**

All procurement activities must adhere to the company wide Delegations of Authority put into place by the relevant Finance group.

The DoA have been created to ensure that all financial commitments are given the correct level of visibility in terms of management authorisation within the business, and thus appropriately reviewed for the level of associated risk and commitment. Group Procurement is therefore committed to ensuring that the DOA requirement is supported by all procurement initiatives as per the relevant DoA procedure found in the BPL.

Land Securities Trillium - Delegations of Authority Procedure: [COR/FIN/0001](#)

Levels of Delegated Authority & Bank Mandate Summary Tables: [A00066](#)

**Sub-Category 7:****Procurement Service Requests**

The Procurement Service Request is the formal method by which all internal customers (at Land Securities Trillium) can effectively communicate a procurement requirement to the Procurement Team for action. The process ensures that all procurement request initiatives are captured, recorded, and planned into the Procurement Team's work schedule. The [Procurement Service Request](#) Procedure (COR/PRO/0005) can be found on the BPL or using the link provided.

**Sub-Category 8:****Procurement Guidance Notes**

A Procurement Guidance Note (PGN) details the step-by-step process of placing orders for components with each of the Land Securities supply partners. To ensure a consistent approach in relation to direct and indirect ordering (where indirect means orders placed by a contractor/consultant on Land Securities' behalf), all contractors or consultants ordering components from the supply partners, on Land Securities projects, will be instructed by the Procurement Team to follow the relevant guidance notes. The [Procurement Guidance Notes](#) (link included) can be found with the Procurement Catalogue on LandLink.

**Sub-Category 9:****Mobilisation for New Portfolio (LST)**

The mobilisation of a new client portfolio (Land Securities Trillium specific) is a complex and lengthy process that requires in-depth planning and resource allocation. Therefore a procurement specific mobilisation procedure has been developed to enable the business to identify all procurement activities and requirements that will help ensure a smooth transition of all in scope services. The [Procurement Mobilisation Procedure \(COR/PRO/0010\)](#) can be found using the attached link.

**Sub-Category 10:****Supplier Contract Data Capture (under development)**

There is a business requirement to have national visibility of all contracts entered with suppliers and contractors across all Land Securities operations. This requirement is born out of the current practice of engaging suppliers/contractors prior to the actual contract agreement being finalised and signed-off, thus leaving Land Securities open to potentially high levels of risk.

For this reason contract information will be held in a Contracts Database that will be maintained by Procurement and visible to the business through LandLink. This process therefore relates to all departments and all types of contract. Details of the Contracts Data Capture Process will be provided in the [Supplier Selection for Goods/Services Procedure \(COR/PRO/0008\)](#).

**Sub-Category 11:****Legality**

Land Securities' activities must fully respect all applicable UK and European laws and regulations. This includes taxation law – while we will use any legal opportunity to reduce our tax burden, we will not be a party to the evasion of income, sales or value added taxes, customs duties or other charges, either by Land Securities or our suppliers. In addition we must obey, where relevant:

- International laws, agreements and treaties to which the UK government is party.
- The laws of other countries (for example, when purchasing on behalf of an overseas subsidiary, or for incorporation into goods that will be exported to another country with different rules).
- Ensure full compliance and demonstration of valid and appropriate insurance cover.
- Ensure full compliance and demonstration of a Health & Safety policy, where applicable.

**Sub-Category 12:****Corporate Social Responsibility**

Land Securities recognises the ever-increasing need for positive attention in areas such as corporate social responsibility as a corporate contributor to our environment.

For this reason Land Securities procurement activities will be conducted so that any supplier that has the necessary abilities to be of service to us has a fair opportunity to secure our business. In particular, we must be on our guard to ensure that our procedures do not place unnecessary obstacles in the way of small companies, new companies and companies owned or managed by members of minority or disadvantaged groups.

Land Securities will, as far as is possible, work only with suppliers that our own customers would be prepared to trade with. We will therefore avoid using companies, at home or overseas that exploit child or sweated labour, that disregard basic health and safety provision, that 'pirate' the intellectual property of others, or that wilfully and avoidably damage the environment. With regards to the environment, our purchasing choices will favour products showing clear environmental advantages unless there are significant reasons for not doing so.

Land Securities has a responsibility to suppliers, therefore wherever possible, when problems arise with a supplier's performance or behaviour, we will work with the company concerned to help them meet our requirements.

Our Procurement philosophy will also seek to strengthen the potential supply chain evaluation processes and procedures, in consultation with our Health, Safety and Environmental Directorate, to better align our procurement strategy with our corporate social responsibility.

The current procedures support the selection of Service/Supply Partners based on the following key areas of ability, stability, technical, financial, HSE performance, attitude and demonstrable compliance (For those aspects not currently mandated by legislation we seek a positive and supportive corporate stance that reflects our own position, aspirations and goals):

- Technical competence and progression
- Technical and operational innovation
- Financial stability and supportive history
- Clean litigation history
- Positive industrial relations
- Acceptable client references
- Operating site accessibility
- Acceptable trading terms and conditions
- ISO 14001 certification with supporting Environmental Policy
- Named responsible executives
- Policy with regard to use of environmentally hazardous materials
- Recycling activities (current and planned)
- Sustainability policy
- Environmental monitoring processes
- Staff training
- Influence exerted on sub contractors relating to the above
- Record of and/or pending Environmental Agency prosecutions
- Health and safety policy
- Resource attributable to the above
- Training, monitoring, audit and recording processes
- Details of any prosecution or enforcement notices from the HSE
- The WEE Directive

It is our intention to further drive and encourage the above standards into the quarterly supplier audit process together with the associated supplier communication and review forums. This aims to reinforce the selection criteria to maintain or improve upon these standards and attention to these important values.

### **Sub-Category 13:**

#### **Health and Safety Requirements**

Land Securities considers Health and Safety an important discipline, which forms an integral part of the procurement processes.

The company has a detailed Health and Safety policy, which details organisational arrangements and operational procedures. Our Health and Safety documentation is easily accessible via the BPL. We require similar from our service and supply providers.

The procurement department plays a vital role in ensuring the safety of the properties we provide and/or manage and the Health and Safety of third parties (service and supply partners, client's/tenants employee's, members of the public and other providers).

Our principal focus will be to ensure, prior to approval that contracts are procured in an appropriate manner and that the service/supply partner's contractors, consultants and other providers are as far as can reasonably be ascertained competent for the roles for which they are being considered. We will always request details of:

- Health and Safety Policies
- Risk assessments

- Method Statements
- Insurance Details
- Accident History
- Historical information and professional standing
- Relevant and appropriate registrations and affiliations

Having made initial documentation checks (prior to approval) we will then undertake to review such in a timely manner to ensure their continued validity.

Following approval we will also then conduct performance reviews with assistance from the Corporate Health and Safety Unit in order to ensure as far as is practicable on-going competence in this respect.

#### **Sub-Category 14:**

##### **Intellectual property and commercial information**

Land Securities' intellectual property such as designs, patents, trademarks and knowledge is valuable to us. This information must never be passed to a supplier, for whatever reason, without the approval of your Director and/or the Head of Group Procurement. Whenever such information is passed over, even as part of an invitation to quote or tender, the recipient must have signed a [Confidentiality Agreement - F0540](#) (a template version can be accessed using the link provided).

Land Securities' suppliers are often involved in design and development work on our behalf, either alone or in conjunction with our own staff. Wherever this is the case, the contract must specify the ultimate owner of the intellectual property so created. This may include rough drafts, supporting calculations, prototypes, mock-ups and in the case of printed matter, plates, progressives, bromides and artwork.

Land Securities' employees must determine if there are any licences through 3<sup>rd</sup> party providers being utilised by a supplier on behalf of Land Securities. An evaluation of the risks associated with such an arrangement should be undertaken to ensure such pitfalls are brought to the attention of those involved in the procurement process.

In any instance where Land Securities are buying from a supplier something which we, or our customers, are likely to need to reproduce or copy at a later date, the contract must make clear our right to do so and where appropriate the terms of payment due.

Similar considerations extend to all forms of commercial information. Our employees must never pass to a supplier, information that they do not need to know (although equally we have a duty to ensure that suppliers do receive the information they need to do their work for us). We must respect the confidentiality of information we learn about and from our suppliers.

Suppliers must also be aware that they are not allowed to use our name, or information about any work they may have performed for us, in any sort of promotional material without our prior approval.

#### **Sub-Category 15:**

##### **Information Sharing**

Good intelligence work is vital to effective procurement. Everyone involved on our behalf has the opportunity to contribute to our knowledge, and to benefit from the information held in the Procurement Team.

To recap, the following must be reported to the Procurement:

- Any actual or potential unethical approach or inducement, evidence of restrictive practices, possible conflicts of interest
- Information on illegal or unacceptable practices by a supplier which could be to our discredit if we were known to be a customer
- Failure by a supplier to meet our requirements, in terms of quality, quantity or delivery

- All requests by a supplier to vary the terms of contract after it has been agreed
- Occasions where the prices or other terms offered by a preferred supplier or under a call-off contract appear to be less favourable than is available elsewhere in the marketplace
- Warranties, guarantees, service agreements etc must be lodged with the Procurement Team
- In addition it is recognised that there is a responsibility within other teams around the business (EG LS Trillium Commercial Team) who will manage directly change and variation processes. As such and where relevant please ensure you refer to those departmental specific procedures.

In addition employees are encouraged to report the following:

- New sources of supply, new products or services that may meet our needs
- Instances of outstanding good work by suppliers
- Ideas for further streamlining and improving our efficiency

### **Sub-Category 16:**

#### **Reporting and Supplier Data Sources**

The reporting requirements of procurement related activities are largely driven by business requirements. The Procurement Team will therefore develop reports as and when they are identified by the business, as well as by proactive initiatives.

Current reports/data sources available to the business are as follows:

[Supplier Performance Reviews](#) (link included) - details the results from the quarterly performance reviews.

[Contracts Database](#) – contains contract information on main suppliers (under development).

[Procurement Catalogue](#) (link included) – contains list of component suppliers with product information with which Land Securities have formal agreements.

[Procurement Monthly Report](#) – provides an overview of procurement activities and project initiatives on a monthly basis (a publishable version of the senior management report is currently under development).