Triodos Investment Management

BRITISH LAND COMPANY PLC

MEETING DATE	Tue, 19 Jul 2016 11:00 am	TYPE	AGM	ISSUE DATE	Tue, 05 Jul 2016	
MEETING LOCATION	The Montcalm London Marble Arch, 34–40 Great Cumberland Place, London W1H 7TW					
CURRENT INDICES	FTSE 100, FTSE EuroFirst					
SECTOR	Retail REITs					

	PROPOSALS	ADVICE

1 **Receive the Annual Report** — **Oppose**

Strategic Report meets guidelines. Adequate environmental and employment policies are in place and relevant, up-to-date, quantified environmental reporting is disclosed. However, the Board paid quarterly dividends during the year but has not requested shareholders' ratify the dividend. The vote by shareholders on the dividend, on unqualified accounts, discharges the duties of the directors in tandem with the legal responsibilities of the auditors, and reaffirms the necessity of reliably audited accounts for financial governance to function properly. On this basis, Triodos opposes this resolution.

2 **Approve the Remuneration Report** — **Abstain**

Overall disclosure of the remuneration report is in line with best practice. Disclosure of dividend equivalents on vested shares in particular is welcomed.
The changes in CEO pay over the last five years are considered in line with Company's TSR performance over the same period. However, the CEO's variable pay for the year is still considered excessive as it represents 300% of his salary. The amounts granted under all incentive plans can also lead to future excessive payouts. Finally, the ratio of CEO pay compared to average employee pay is also considered just above acceptable level, at 23:1.
Rating: AC.
Based on the rating, Triodos abstains on this resolution.

3 **Approve Remuneration Policy** — **Oppose**

Overall, the proposed changes to the policy (summarised below) are welcomed. The simplification of the remuneration structure by removing the Share Matching Plan (SMP) is in line with best practice. The implementation of mandatory holding period on the LTIP vested and the more stretching LTIP vesting scales are also considered appropriate.
However, important concerns still remain over the proposed remuneration policy. The overall maximum variable opportunity for the CEO remains unchanged and excessive (450% of salary), despite the suppression of the SMP. Also, certain features of the LTIP are also still not deemed appropriate: the performance period of three years is not considered sufficiently long-term and the performance conditions are not operating independently nor include non-financial metrics.
Finally, there are significant issues with the recruitment and termination policy. The level of upside discretion given to the Board on the vesting of share awards in case of termination is not considered appropriate. More importantly, the Company's policy which allows it to grant additional recruitment awards under the Co-Investment Share Plan (CIP) raises important concerns. The Company can offer a matching award of up to 225% of salary in shares if the newly recruited executive invests the same in the Company. It is noted that this matching award will still be subject to performance conditions. Also, the policy allows longer notice periods on recruitment (up to 24 months reducing to 12 months after the initial 12-month period of work), which is not best practice.
Rating: ADD.
The overall maximum variable opportunity for the CEO remains unchanged and excessive (450% of salary), despite the suppression of the SMP. Also, certain features of the LTIP are also still not deemed appropriate: the performance period of three years is not considered sufficiently long-term and the performance conditions are not operating independently nor include non-financial metrics. Based on these concerns, Triodos opposes this resolution.

4	**Re-elect Aubrey Adams** Independent Non-Executive Director.	**For**
5	**Re-elect Lucinda Bell** Independent Non-Executive Director.	**For**
6	**Re-elect Simon Borrows** Independent Non-Executive Director.	**For**
7	**Re-elect John Gildersleeve** Chairman. Independent upon appointment.	**For**
8	**Re-elect Lynn Gladden** Independent Non-Executive Director.	**For**
9	**Re-elect Chris Grigg** Chief Executive. 12 months rolling contract.	**For**
10	**Re-elect William Jackson** Independent Non-Executive Director.	**For**
11	**Re-elect Charles Maudsley** Executive Director. 12 months rolling contract.	**For**
12	**Re-elect Tim Roberts** Executive Director. 12 months rolling contract.	**For**
13	**Re-elect Tim Score** Independent Non-Executive Director.	**For**
14	**Re-elect Lord Turnbull** Senior Independent Director. Not considered independent owing to a tenure of over nine years. There is sufficient independence on the Board.	**For**
15	**Re-elect Laura Wade-Gery** Independent Non-Executive Director.	**For**
16	**Appoint the Auditors** PWC proposed for re-election. Non-audit fees represented 16.67% of audit fees during the year under review and 25% on a two-year aggregate basis. This level of non-audit fees is considered acceptable. A vote in favour is recommended.	**For**
17	**Allow the Board to Determine the Auditor's Remuneration** Standard proposal.	**For**
18	**Authorise the Scrip Dividend** The Board is seeking approval to enable the Company to continue to elect to offer shareholders a scrip dividend alternative to cash dividends. As shareholders are given the elective choice of either accepting or rejecting the proposed scrip dividend, a vote in favour of the resolution is recommended.	**For**
19	**Approve Political Donations** The proposed authority is subject to an overall aggregate limit on political donations and expenditure of £20,000. The Company did not make any political donations or incur any political expenditure and has no intention either now or in the future of doing so. Triodos considers political donations as an inappropriate use of shareholder funds.	**Oppose**

20 **Amend Existing Long Term Incentive Plan** **Oppose**

The Board is seeking approval of certain amendments to the British Land Long-Term Incentive Plan 2013 (LTIP) in connection with the revised Directors' Remuneration Policy (resolution 3). The main amendments to the LTIP are:

- in consequence of the termination of the Matching Share Plan, to increase the total value of awards that may be granted to any individual in any financial year;

– to reduce the proportion of an LTIP award that vests on achievement of the median level of performance; and

– to impose a compulsory two year holding period where awards granted to executive directors vest under the LTIP, thus extending the period within which clawback is available. While these last two proposed changes are welcomed, the proposed increase in maximum award opportunity under the LTIP in order to compensate for the termination of the Matching plan is not considered appropriate. The existing limit was already considered excessive, at 200% of salary.

In addition, there are still concerns about certain features of the LTIP: the performance period of three years is not considered sufficiently long-term and the performance conditions are not operating independently nor include non-financial metrics. Also, the level of upside discretion discretion given to the Board in case of termination with regard to outstanding share awards is not considered appropriate.

The use of the LTIP to compensate for the loss of the matching award is not supported and there are still concerns about certain features of the LTIP. Based on the above concerns, Triodos opposes this resolution.

21 **Issue Shares with Pre-emption Rights** **For**

The authority is limited to 33% of the share capital and another 33% in connection with a Rights Issue. All directors are standing for annual re-election. This resolution is in line with normal market practice and expires at the next AGM. Acceptable proposal.

22* **Issue Shares for Cash** **For**

Authority is limited to 5% of the Company's issued share capital and will expire at the next AGM. It is considered best practice that the general authority to issue shares for cash be sought in a separate resolution than the authority to issue shares for cash in connection with an acquisition or specified capital investment. The split between resolutions 22 and 23 into two separate authorities is therefore welcomed. Acceptable proposal.

23* **Issue Shares for Cash in connection with acquisitions or capital investments** **Oppose**

The Board is seeking approval to issue up to an additional 5% of the Company's issued share capital for cash for use only in connection with an acquisition or specified capital investment. Such proposal is not supported as it is considered that the 5% limit sought under the general authority is sufficient enough. Best practice is to seek special authority from shareholders in relation to specific transactions if such situations arise. Otherwise, the Company should use the general authority, as described in resolution 22, to finance small transactions. Triodos opposes this resolution.

24* **Authorise Share Repurchase** **For**

The authority is limited to 10% of the Company's issued share capital and will expire at the next AGM. Acceptable proposal.

25* **Meeting Notification-related Proposal** **Oppose**

All companies should aim to provide at least 20 working days notice for general meetings in order to give shareholders sufficient time to consider what are often complex issues. Although the proposed change is permissible by the Companies Act, Triodos does not support this resolution.

**** = Special resolution***

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Approve Remuneration Policy

Summary of proposed policy changes:

The Company will not be renewing its Matching Share Plan (MSP) which expires in July 2016 as it intends to move to a single long term incentive arrangement, which is best practice. The Remuneration Committee also introduced a two year holding period following LTIP vesting and maintained the compulsory deferral of a proportion of an Annual Incentive award into shares. It is providing more information about performance against Annual Incentive measures over the financial year and the percentage of LTIP that vests for achieving median performance under the new Policy has been reduced (from 25% to 20% of the award). It is noted that the LTIP award opportunity has however been increased from 200% of salary to 300% of salary, which raises concerns about potential excessive payments to Executives.

Proposal 14 - Re-elect Lord Turnbull

The senior independent director should provide a sounding board for the chairman and to serve as an intermediary for the other directors and shareowners when necessary. If the designated Senior Independent Director is not considered to be independent, then shareholders can not have complete confidence that the elected SID will be able to fulfil these roles as intended.

Proposal 25 - Meeting Notification-related Proposal

The proposed resolution reflects the implementation of the EU Shareholder Rights Directive into English law, which took place on 3 August 2009 as implemented by the company in its Articles of Association. Under the regulations, the minimum notice period for general meetings (other than Annual General Meetings) will increase to 21 days unless shareholders agree on a shorter notice period, in which case it may be 14 days. Shareholder approval is sought to call general meetings on 14 clear days notice.

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Researcher: Vincent Latour
Email: pircresearch@pirc.co.uk

Pensions & Investment Research Consultants Limited
8th Floor, Suite 8.02, Exchange Tower
2 Harbour Exchange Square
E14 9GE

Tel: 020 7247 2323
Fax: 020 7247 2457
http://www.pirc.co.uk

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