

# Corporate governance statement

## Structure of the Governance section

The Governance section has been organised to follow the structure and principles (A to R) of the 2018 UK Corporate Governance Code (the Code) and illustrates how we have applied the Code principles and complied with the provisions. Further information on the Code and our compliance is on page 103.

### 1. Board leadership and Company purpose

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- A Effective Board (page 110)
- B Purpose, values and culture (page 111)
- C Governance framework and Board resources (page 112)
- D Stakeholder engagement (page 114)
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### 2. Division of responsibilities

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- F Board roles (page 118)
- G Independence (page 119)
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### 3. Composition, succession and evaluation

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- J Appointments to the Board (page 120)
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### 4. Audit, risk and internal control

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- M Financial reporting (page 131)  
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- R Performance outcomes in 2020 (page 150)  
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## Board leadership and Company purpose

### Effective Board

Our Board is composed of highly skilled professionals who bring a range of skills, perspectives and corporate experience to our boardroom (see pages 106, 107 and 120). In accordance with the Code, the role of the Board is to promote the long-term sustainable success of the Company, generate value for shareholders and contribute to wider society.

To ensure sufficient time for discussion, the Board utilises its five principal committees to effectively manage its time (see page 113). At each Board meeting, the agenda ensures sufficient time for the committee chairs to report on the contents of discussions, any recommendations to the Board which require approval and the actions taken.

The Board conducts a detailed annual review of our strategy (including our purpose and strategic objectives). The next strategy review is scheduled for June 2021 and will include high-level exploratory discussions to challenge whether the strategy remains fit for purpose. In addition, as we generate value through the core activities identified in our business model, the flexibility of the business model will also be assessed by the Board to ensure it remains 'future ready'.

p.32 Our strategy

p.30 Our business model

### Board members and attendance in 2020

	Attendance <sup>(i) (ii)</sup>
<b>Chairman</b>	
John Burns <sup>(iii)</sup>	100%
<b>Executive Directors</b>	
Paul Williams, CEO	100%
Damian Wisniewski, CFO	100%
Simon Silver <sup>(iii)</sup>	100%
Nigel George	100%
David Silverman	100%
<b>Independent Non-Executive Directors</b>	
Claudia Arney	100%
Lucinda Bell	100%
Richard Dakin	100%
Simon Fraser	100%
Helen Gordon	100%
Dame Cilla Snowball	100%

#### Notes:

<sup>(i)</sup> Percentages based on the meetings entitled to attend for the 12 months ended 31 December 2020

<sup>(ii)</sup> Additional Board and committee meetings were held during the year in response to the Covid-19 pandemic

<sup>(iii)</sup> Simon Silver retired from the Board on 26 February 2021 and John Burns will retire following the conclusion of the 2021 AGM

<sup>(iv)</sup> Mark Breuer and Emily Prideaux were appointed to the Board with effect from 1 February 2021 and 1 March 2021, respectively

## Board leadership during Covid-19

Early monitoring and preparation	Clear and proactive communication with stakeholders	Preparation for the future	Feedback and reflection
<p>The coronavirus was identified in early-2020 as an impending risk with the potential to be a significant disruptor to the Group. The Board and Risk Committee reviewed contingency plans, established a Covid-19 Working Group which was chaired by the CEO, and arranged additional meetings as the crisis evolved in order to provide oversight and leadership (see page 112).</p>	<p>During times of uncertainty, clear and proactive communication is essential to provide support and relief. We detail on the following pages how the Group proactively engaged with stakeholders during 2020 (pages 12, 13, 26, 27, 51, 114 and 115).</p>	<p>Covid-19 has had a profound impact on businesses, economies and society. The Board has considered the long-term implications on our business, reassessed our development pipeline, emerging risks and the design and operation of our office spaces. Our resilience is discussed further on pages 8 and 9.</p>	<p>The Board sought independent feedback via:</p> <ul style="list-style-type: none"> <li>• employee and occupier pulse surveys (see page 103), which enabled management to receive feedback and identify areas for further action; and</li> <li>• RSM, who performed an independent internal audit into the Company’s response to Covid-19 (see page 136).</li> </ul>

Further information on how the Covid-19 pandemic impacted on our governance framework and processes is on page 112.

## Purpose, values and culture

Our purpose, values and culture are disclosed on page 1.



Our purpose communicates the Group’s strategic direction and intentions to our employees, occupiers and wider stakeholders. Due to its importance, it is reconfirmed on an annual basis to ensure it continues to reflect the Board’s strategy, values and desired culture. Our progress towards achieving our purpose during 2020 can be reviewed on the following pages:

- How we have helped to improve and upgrade the stock of office space in central London (page 10).
- The above average long-term returns to our shareholders (page 164).
- The social, environmental and economic benefits brought to all our stakeholders (pages 46 to 63).

Our values articulate the qualities we embody and our underlying approach to doing business (responsibly, with integrity and openness). Our values are embedded in our operational practices through the policies approved by the Board (see page 116) and the direct oversight and involvement of the Executive Directors.

Our culture has developed from our values and is a key strength of our business. The benefits of a strong culture are seen in our employees’ engagement, retention and productivity. As the cultural tone of a business comes from the boardroom, safeguarding our culture is a key factor in the development of Board succession plans.

The Board reinforces our culture and values through its decisions, strategy and conduct. Further information on how our Board factors stakeholders into its decisions is on pages 114 and 116 and in its section 172(1) statement on pages 104 and 105.

The Board monitors and assesses the culture of the Group via:

- Regularly meetings with management and inviting employees to present at Board and committee meetings.
- Reviewing the outcomes of employee surveys.
- Assessing cultural indicators such as:
  - management’s attitude to risk;
  - compliance with the Group’s policies and procedures; and
  - key performance indicators including staff retention and engagement.
- Feedback from our wider stakeholders, including occupier pulse surveys.
- Messages received via the Group’s whistleblowing system.
- Health and safety data.
- Promptness of payments to suppliers.
- Training data and spend.
- Independent assurance is sought via the outsourced internal audit function and other advisers.

In addition to a question asking our employees to describe our culture, the employee survey also provides valuable insights into what is valued and seen as corporate norms. The Board was pleased to note that when our employees described the core characteristics of our culture in the 2019 employee survey, the top five responses were passionate, creative, professional, hard working and reputable. Further information on Board engagement with employees is on page 115.

The Executive Committee has been delegated responsibility for ensuring that policies and behaviours set at Board level are effectively communicated and implemented across the business. If the Board is concerned or dissatisfied with any behaviours or actions, it seeks assurance from the Executive Committee that corrective action is being taken. The Board has not needed to seek corrective action during 2020.

## Corporate governance statement continued

### Governance framework and Board resources

Corporate governance is essential to ensuring our business is run in the right way for the benefit of all of our stakeholders. Our governance framework (see page 113) was established to provide clear lines of accountability and responsibility. It also assists with the sharing of information and facilitates fast decision making and effective oversight.

Our governance arrangements support the development and delivery of strategy by:

- ensuring accountability and responsibility;
- facilitating the sharing of information to inform decisions;
- establishing engagement programmes with key stakeholders (see pages 26 and 27);
- maintaining a sound system of risk oversight, management and an effective suite of internal controls (see pages 84 to 99);
- providing independent insight and knowledge from the Non-Executive Directors; and
- facilitating the development and monitoring of key performance indicators (see pages 42 to 45).

If any Director has concerns about the running of the Group or a proposed course of action, they are encouraged to express those concerns which are then minuted. No such concerns were raised during 2020.

The Board maintains a formal schedule of matters which are reserved solely for its approval. These matters include decisions relating to the Group's strategy, capital structure, financing, any major property acquisition or disposal, the risk appetite of the Group and the authorisation of capital expenditure above the delegated authority limits.

Board approval is required for:	
Major property acquisitions or disposals	Valued above £20m
Major capital expenditure projects	Projected costs above £10m
Material occupier leases or contracts	Rental income greater than 7.5% of the Group's total rental income

Although the Board is formally required to authorise capital expenditure above this limit, the open nature of our organisation means that the Board is aware of all active projects within our portfolio. The Board review and approve the 'Schedule of matters reserved for the Board' on an annual basis.

The Directors utilise an electronic Board paper system which provides immediate and secure access to papers. The Chairman of the Board and the chairs of the committees set the agendas for upcoming meetings with support from the Company Secretary.

During 2020, due to the Covid-19 pandemic, the majority of Board and committee meetings were effectively held virtually using conference video and call facilities.

We aim to ensure that the information shared with our Board is of sufficient depth to facilitate debate and to fully understand the content without becoming unwieldy and unproductive. Papers are required to be clear and concise with any background material included as an appendix. We often invite the author of the paper/report to join the Board in their discussions, to enable our Directors to truly 'drill down' into the data supplied and question management directly.

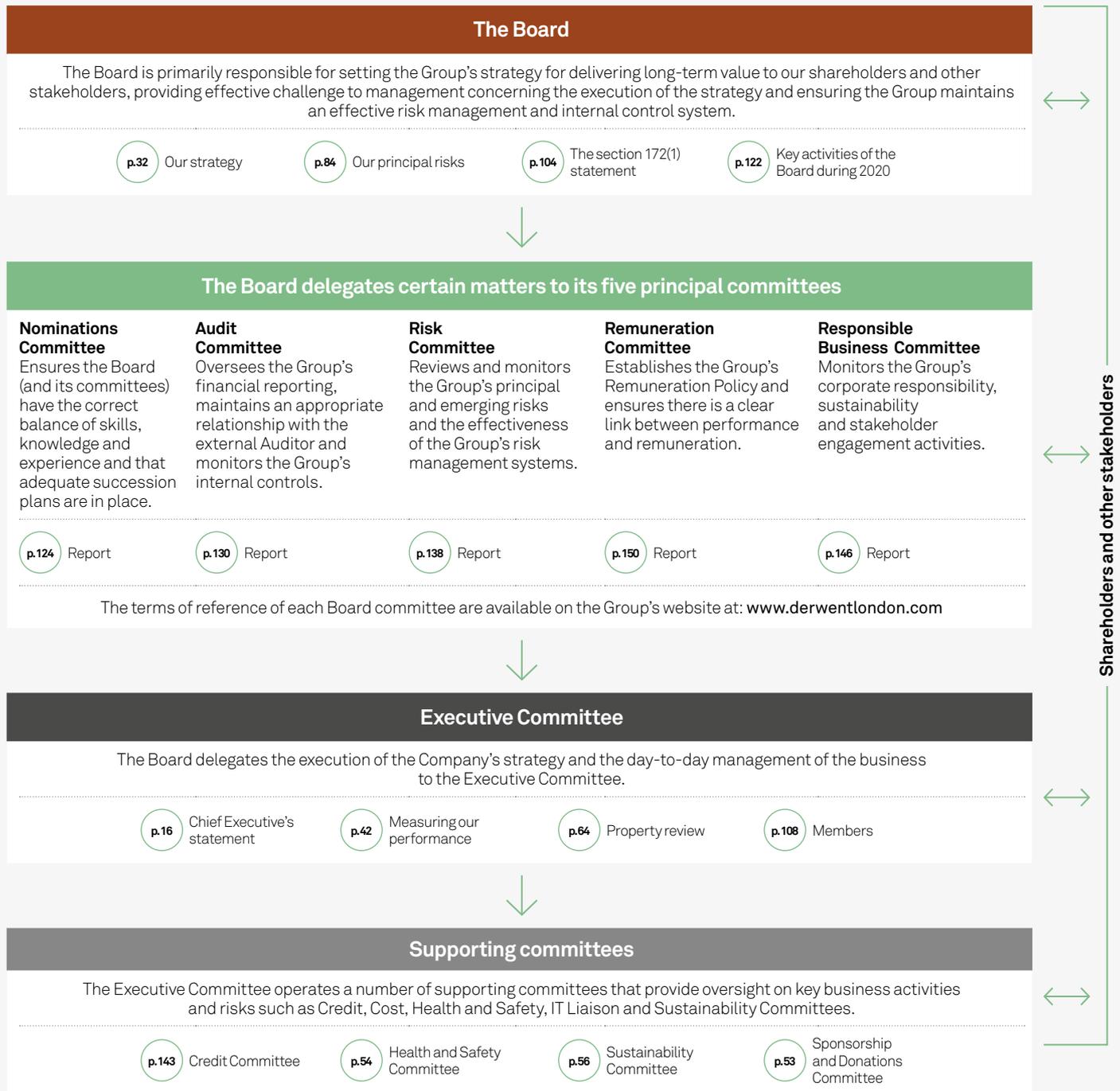
All Directors have access to the services of the Company Secretary and any Director may instigate an agreed procedure whereby independent professional advice may be sought at the Company's expense. No such advice was sought by any Director during the year.

### Impact of Covid-19 on the Group's governance systems

The Board's functioning	Risk oversight	Communications, reporting and disclosures	Remuneration
All Directors were able to offer additional availability for meetings, as required. Meetings were held virtually through secure conference video and call functionality. Due to the lockdown restrictions and the need to maintain social distancing, the Board hosted its 2020 Annual General Meeting as a closed meeting (see page 175).	In order to identify and manage the risks arising from Covid-19, the Board and Risk Committee held additional meetings during 2020 to ensure effective oversight and monitoring. Further information on the Board's risk management framework is on page 140. A case study on how we are protecting our occupiers is on page 143.	The Directors ensured that sufficient public disclosures were made about the actual and expected impacts of Covid-19 on our business and financial condition, which included quarterly rent collection updates. Our CFO, Damian Wisniewski, has addressed the FRC's five questions when reporting during uncertainty on page 135.	In response to the Covid-19 pandemic, Directors base salaries and fees were subject to a voluntary 20% waiver for the three-month period between 1 April 2020 and 30 June 2020 to support charitable initiatives. The impact of Covid-19 was also considered by the Remuneration Committee when finalising the annual bonus for 2020 (see page 151).

# Governance framework

We pride ourselves on conducting our business in an open and transparent manner. Our well-established culture ensures that our governance framework remains flexible, allowing for fast decision making and effective oversight (further information on page 111).



Our shareholders and other key stakeholders play an important role in monitoring and safeguarding the governance of our Group. Further information on how we engage with our shareholders is on page 114, employees on pages 12, 51 and 115, and other key stakeholders on pages 12, 13, 26 and 27.

## Corporate governance statement continued

### Stakeholder engagement

We recognise the importance of clear communication and proactive engagement with all of our stakeholders. Our stakeholder engagement programmes are kept under routine review by the Board.

This was of particular importance during 2020 due to the uncertainty and economic difficulties caused by Covid-19. Some of our engagement methods required adjustment in response to the restriction imposed by the government to slow the spread of the virus, including the use of conference call facilities to hold our 2020 Annual General Meeting (see page 175) and the postponement of our 2020 Stakeholder Day. We are hoping to hold our first Stakeholder Day in 2021. Further information will be made available on our website in due course.

p.26 Our stakeholders

p.10 Delivering value to customers

p.12 Supporting our stakeholders during 2020

p.104 The section 172(1) statement

### How do we engage with our shareholders?

Shareholders play a valuable role in safeguarding the Group's governance through, for example, the annual re-election of Directors, monitoring and rewarding their performance and engagement and constructive dialogue with the Board.

The Group aims to be as transparent as possible with the information it provides to investors and welcomes face to face interaction. Formally this can be done at our AGM, and our Chairman aims to routinely meet with institutional investors and report their views to the Board. However, Covid-19 restrictions have curtailed much of this activity, replacing it with a significant increase in virtual meetings and conferences. We describe our main engagement methods in the table below.

<b>Shareholder consultation</b>	We will always seek to engage with shareholders when considering material changes to either our Board, strategy or remuneration policies. In 2019, the Remuneration Committee consulted with 20 of our largest shareholders, representing 67.99% of our issued share capital, on our revised Remuneration Policy, a summary of which is on pages 155 to 158.
<b>Investor meetings</b>	During 2020, the Group held over 470 investor meetings with 203 existing and potential investors. Of these, 90 were shareholders at the year end and their ownership represented c.60% of the shares in issue. Due to the pandemic the majority of these were virtual meetings. These meetings are predominantly attended by our CEO, CFO and at least one other senior executive. The meetings focused on the Group's portfolio, strategy, the future of offices, the impact of Brexit, Covid-19 and working from home. Where significant views were expressed, either during or following the meetings, these were recorded and circulated to all Directors.
<b>Investor presentations and property tours</b>	During 2020, we hosted in-person year end and virtual interim results presentations and four property tours. Property tours and roadshow activity were severely restricted by the pandemic.
<b>Property conferences</b>	Due to the Covid-19 pandemic, the majority of conferences moved to a virtual format. During 2020, we attended 14 virtual property conferences.
<b>Annual General Meeting (AGM)</b>	The AGM provides an opportunity for private shareholders, in particular, to question the Directors and the Chairs of each of the Board committees. It was necessary to hold the 2020 AGM virtually due to the UK government's lockdown restrictions, however proceedings included a Q&A session for any shareholder or interested stakeholder to ask questions of the Board. Information on the 2021 AGM is on page 175, including how we would engage with shareholders in the event of a significant vote against an AGM resolution. We ensure that the Notice of AGM is issued at least 20 working days in advance of the AGM date.
<b>Annual Report</b>	Our Annual Report is available to all shareholders. Through our electronic communication initiatives, we aim to make our Annual Report as accessible as possible. Shareholders can opt to receive a hard copy in the post or PDF copies via email or from our website. Additionally, if a shareholder holds their Derwent London shares via a nominee account and encounters difficulty receiving our Annual Report via their nominee provider, they are welcome to contact the Company Secretary to request a copy.
<b>Corporate website</b>	Our website, <a href="http://www.derwentlondon.com">www.derwentlondon.com</a> , has a dedicated investor section which includes our Annual Reports, results presentations (which are made to analysts and investors at the time of the interim and full year results) and our financial calendar for the upcoming year.
<b>Development websites</b>	We also create websites for specific developments which are used to explain the Group's current projects in greater detail. For example, you can find further information on Soho Place W1 and The Featherstone Building EC1 here: <a href="http://www.1sohoplace.london">www.1sohoplace.london</a> and <a href="http://www.thefeatherstonebuilding.london">www.thefeatherstonebuilding.london</a>
<b>Senior Independent Director</b>	If shareholders have any concerns, which the normal channels of communication to the CEO, CFO or Chairman have failed to resolve, or for which contact is inappropriate, then our Senior Independent Director, Simon Fraser, is available to address them. Simon Fraser's contact details are on page 124.
<b>Other contacts</b>	Contact details for our Investor Relations team, Company Secretary and Registrars are available on page 252.

### How do we engage with our employees?

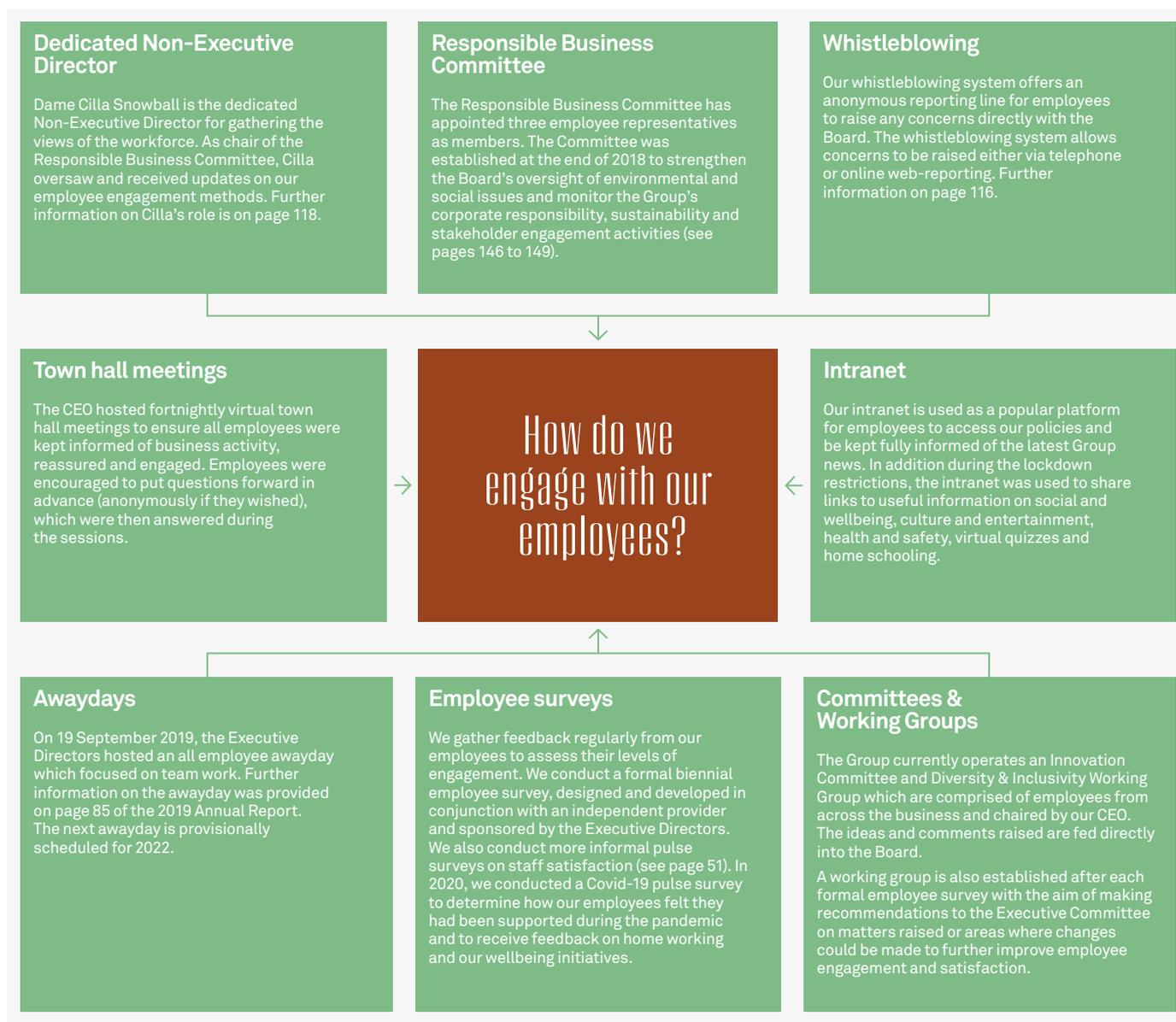
We have an experienced, diverse and dedicated workforce which is recognised as a key asset of our business. The Board and its Committees routinely invite members of the management team to join meetings to present on the matters being discussed, enabling their input into discussions. In order to reach all employees (including individuals engaged under contracts of service, agency workers, and remote workers), the Board utilises a combination of formal and informal engagement methods which are detailed below.

#### Non-Executive Director engagement with our employees

As the designated director for bringing the voice of employees into our boardroom, Dame Cilla Snowball suggested a two-way engagement event whereby the Non-Executive Directors (NEDs) would host a town hall meeting for all employees to attend. The NED town hall was initially intended to be a face-to-face event however due to Covid-19 it was conducted virtually on 12 October 2020.

The event opened with the NEDs introducing themselves, their role on the Board and their experiences. Employees were encouraged to submit questions, anonymously if they wished, via the three employee representatives of the Responsible Business Committee (Ally Clements, Davina Stewart and Jonathan Theobald). The questions were then answered live during the event by the NEDs and covered topics which included:

- The role of a Non-Executive Director and a Senior Independent Director.
- What attracted the NEDs to join the Board, what they enjoy about Derwent London and how we differ from other organisations.
- The main risks arising from, and following, the Covid-19 pandemic.
- Their views on working from home, its impact on creativity and mental health.
- The flexibility and resilience of Derwent London’s business model and strategy.
- How their businesses are handling Covid-19 and its impact on mental wellbeing.
- The roles of the Board’s principal committees and their key priorities during the year.



## Corporate governance statement continued

### Workforce policies and practices

The Board and Executive Committee review and approve all key policies and practices which could impact on our workforce and drive their behaviours. All policies are checked to ensure they support the Group's purpose and reflect our values (see page 111).

Policies are published on the intranet and contained within the employee handbook. Our employees are required to confirm their understanding of these policies upon recruitment and on an annual basis.

To ensure policies are embedded in our business practices, we hold presentations to staff which highlight the key messages and notify them of any changes. We operate a mandatory training programme which aims to reinforce key compliance messages in areas such as anti-bribery, modern slavery, conflicts of interest, etc.

**p.141** Compliance training

All employees (including the Board) are required to notify the Company as soon as they become aware of a situation that could give rise to a conflict or potential conflict of interest. The register of potential conflicts of interest is regularly reviewed to ensure it remains up to date. The Board is satisfied that potential conflicts have been effectively managed throughout the year (see page 119).

The Board approve the Remuneration Policy for the Executive Directors and, via the Remuneration Committee, has oversight of the wider workforce remuneration practices (further information on page 154). Our remuneration policies and practices are aligned with our pay principles, described on page 153, being:

- attract, retain and motivate;
- clarity and simplicity;
- alignment to strategy and culture;
- risk management;
- stewardship; and
- proportionality and fairness.

As a business, we seek to conduct ourselves with honesty and integrity and believe that it is our duty to take appropriate measures to identify and remedy any malpractice within or affecting the Company. Our employees embrace our high standards of conduct and are encouraged to speak out if they witness any wrongdoing which falls short of those standards.

Our whistleblowing procedures are included within our employee handbook, on our Group intranet and staff noticeboards. In addition to an independent telephone line and online portal for anonymous reporting of concerns, the Senior Independent Director acts as an independent point of contact for whistleblowing concerns. Following receipt of a whistleblowing message we have procedures in place to ensure an independent and proportionate investigation. Any significant issue relating to potential fraud is escalated to the Chair of the Audit Committee immediately. In addition, Dame Cilla Snowball (Chair of the Responsible Business Committee and designated Director for gathering the views of the workforce) will be advised of any significant concerns raised by our employees.

The Board receives updates from the Company Secretary on the operation of the whistleblowing system. During the year under review, we did not receive any whistleblowing messages (2019: no messages).

### Stakeholder impact analysis

The Board's procedures require a stakeholder impact analysis to be completed for all material decisions requiring its approval that could impact on one or more of our stakeholder groups. The stakeholder impact analysis assists the Directors in performing their duties under s172 of the Companies Act 2006 and provides the Board with assurance that the potential impacts on our stakeholders are being carefully considered by management when developing plans for Board approval.

The stakeholder impact analysis identifies:

- potential benefits and areas of concern for each stakeholder group;
- the procedures and plans being implemented to mitigate against any areas of concern; and
- who is responsible for ensuring the mitigation plans are being effectively implemented.

Employees completing the stakeholder impact analysis are provided with a training memo on the Board's duty to shareholders and other stakeholders, so that they are mindful of the importance of the analysis to the Board's discussions and, subsequently, so they can ensure the analysis provides sufficient and relevant information.

By thoroughly understanding our key stakeholder groups, the Board can factor their needs and concerns into boardroom discussions.

**p.104** The section 172(1) statement

**p.26** Our stakeholders

## 19-35 Baker Street W1 – factoring our stakeholders into our decisions

The 19-35 Baker Street development is due to commence in H2 2021. This 297,000 sq ft project will consist of 217,000 sq ft of office space, 28,000 sq ft of retail space (20 units), and 52,000 sq ft of residential (51 units). The site will feature a new public passageway to a landscaped courtyard, providing retail and leisure amenity.

Our stakeholder impact analysis identified the following:

### 1. Key benefits to our stakeholders

- The creation of a new central London destination, providing a east-west pedestrian link between Baker Street and Gloucester Place, new amenities and increased employment opportunities for the local area.
- The public experience at street-level will be enhanced.
- The new Baker Street office building will provide adaptable workspace for the future.
- We will continue to assist in improving local infrastructure, through s.106 contributions, Mayoral and Westminster Community Infrastructure Levy and Crossrail Contributions. In addition, Derwent London made significant contributions towards the Baker Street Two Way Project and will be replacing the paving around the development to enhance the street scene and safety for pedestrians.
- Our Main Contractor will engage with the City of Westminster to develop a programme for training apprentices and set targets for local employment and the use of local enterprises on the scheme, wherever possible.
- 30 Gloucester Place is a listed building which will be subject to extensive reconfiguration and refurbishment to create ten intermediate affordable residential units and office space at ground and lower ground. We will restore the condition of the building's exterior whilst improving its sustainability and connectivity.
- Sustainability has been integral to the project. Key features of the project are electric heating/cooling, air source heat pumps, smart building energy monitoring, water recycling bio-diverse roofs and verified carbon offset schemes. We are targeting certification of BREEAM 'Excellent' and LEED 'Gold'. The all electric scheme ensures zero emissions on-site which benefits local air quality. In addition, we will be planting new trees, with an enhanced plant scape within the courtyard.

### 2. Mitigating our stakeholders key concerns

- Traffic: A traffic management risk assessment will be conducted. Traffic on-site will be planned and controlled carefully. The contractors and their supply chain will be signed up to the CLOCS standards for construction logistics. The site is well served by public transport links and main contractors will actively promote the TfL cyclist awareness Fleet Operators Recognition Scheme.
- The surrounding area and businesses: The project will be enrolled in the Considerate Constructors Scheme. A detailed construction logistics strategy will be developed to minimise the impact on the surrounding area by making the site as self-sufficient as possible. At all times, works will be carried out in a safe and considerate manner with due regard to the public, adjoining properties, businesses, and road users. A Site Environmental Management Plan will be prepared, incorporating relevant guidance identified within the City of Westminster Code of Construction Practice.

- Site waste: A site waste management plan will be followed with all contractors being required to investigate opportunities to eliminate/reduce waste at source. Of all waste materials, 98% will be diverted from landfill.
- Noise and dust: Noise and dust monitoring equipment will be positioned around the site to ensure that the site remains within the limits stipulated by Westminster City Council. The construction method used for each activity will be modelled in software in order to calculate noise levels. If the model exceeds trigger levels, adjustments will be made until the required noise levels are met. To limit dust, best practice measures will be implemented, including jet washing of vehicles, road sweepers etc.
- Vibration: A degree of vibration is likely due to the nature of the works, however this will be carefully controlled, if it cannot be eliminated. A vibration and movement monitoring strategy will be produced, which sets limits using British Standard 5228 and 7385.
- Community engagement: Throughout our planning process, we have maintained close engagement with local residents, via letters, public exhibitions and consultations. Condition Surveys and relevant Party Wall Awards will be completed prior to construction. During construction, the Main Contractor will engage with the local community via a Site Community Plan.

# 98%

of all materials will be diverted from landfill

19-35 Baker Street W1 – CGI of proposed scheme



## Corporate governance statement continued

### Division of responsibilities

#### Board roles

There is clear division between executive and non-executive responsibilities which ensure accountability and oversight. The roles of Chairman and Chief Executive are separately held and their responsibilities are well defined, set out in writing and regularly reviewed by the Board.

#### Chairman, John Burns

- Responsible for the effective running of the Board and ensuring it is appropriately balanced to deliver the Group's strategic objectives
- Promote a boardroom culture that is rooted in the principles of good governance and enables transparency, debate and challenge
- Ensure that the Board as a whole plays a full and constructive part in the development of strategy and that there is sufficient time for boardroom discussion
- Effective engagement between the Board, its shareholders and other key stakeholders

#### Senior Independent Director, Simon Fraser

- Provide a 'sounding board' for the Chairman in matters of governance or the performance of the Board
- Available to shareholders if they have concerns which have not been resolved through the normal channels of communication with the Company
- To at least annually lead a meeting of the Non-Executive Directors without the Chairman present to appraise the performance of the Chairman
- To act as an intermediary for Non-Executive Directors when necessary and act as Chairman if the Chairman is conflicted
- To act as an independent point of contact in the Group's whistleblowing procedures

#### Non-Executive Directors (NEDs)

- Provide constructive challenge to our executives, help to develop proposals on strategy and monitor performance against our KPIs
- Ensure that no individual or group dominates the Board's decision making
- Promote the highest standards of integrity and corporate governance throughout the Company and particularly at Board level
- Determine appropriate levels of remuneration for the senior executives
- Review the integrity of financial reporting and that financial controls and systems of risk management are robust

#### Designated NED for gathering the views of our workforce<sup>(i)</sup>, Dame Cilla Snowball

Cilla Snowball has been designated the NED responsible for gathering the views of our workforce. This is achieved by:

- Attendance at key employee and business events, including property launches and the Summer Party
- Review messages received through the whistleblowing system from the Group's employees
- Monitor the effectiveness of engagement programmes established for employees
- Provide regular updates to the Board
- Monitor the outcome of employee surveys and provide input on their design

#### Chief Executive, Paul Williams

- To provide clear and visible leadership
- Execute the Group's strategy and commercial objectives together with implementing the decisions of the Board and its committees
- To keep the Chairman and Board apprised of important and strategic issues facing the Group
- To ensure that the Group's business is conducted with the highest standards of integrity, in keeping with our culture
- Manage the Group's risk profile and ensure actions are compliant with the Board's risk appetite
- Investor relation activities, including effective and ongoing communication with shareholders

#### Chief Financial Officer, Damian Wisniewski

- Support the CEO in developing and implementing strategy
- Provide financial leadership to the Group and align the Group's business and financial strategy
- Responsible for financial planning and analysis, treasury and tax functions
- Responsible for presenting and reporting accurate and timely historical financial information
- Manage the capital structure of the Group
- Investor relation activities, including communications with investors, alongside the CEO

#### Other Executive Directors

- Support the CEO in developing and implementing strategy
- Oversee the day-to-day activities of the Group
- Manage, motivate and develop staff
- Develop business plans in collaboration with the Board
- Ensure that the policies and practices set by the Board are adopted at all levels of the Group
- Investor relation activities, including communications with investors, alongside the CEO

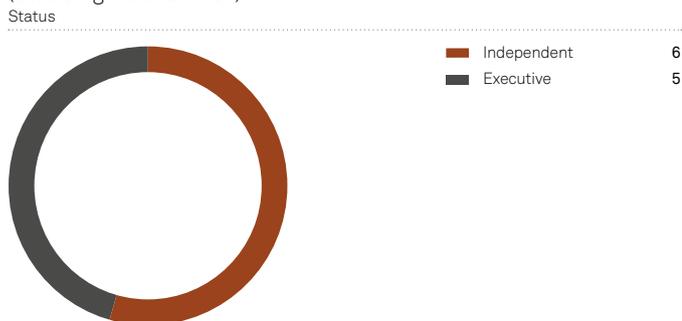
#### Company Secretary, David Lawler

- Secretary to the Board and its committees
- Develop Board and committee agendas and collate and distribute papers
- Ensure compliance with Board procedures
- Advise on regulatory compliance and corporate governance
- Facilitate induction programmes for Directors and assisting with their training and development, as required
- Responsible for communications with retail shareholders and the organisation of the Annual General Meeting
- Available to support all Directors

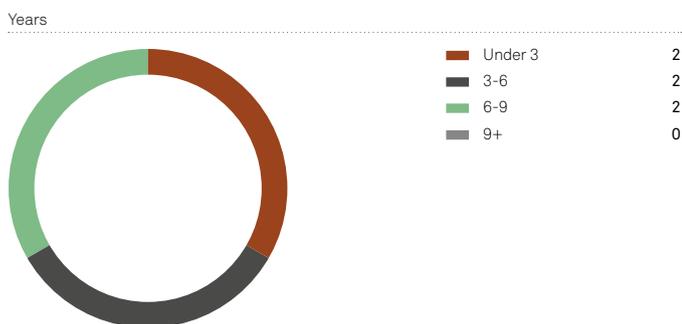
<sup>(i)</sup> Although Cilla Snowball is the designated Director for gathering the views of our workforce, the Chairman ensures that all Directors continue to remain engaged with our employees and challenge and contribute to discussions on workforce engagement.

## Independence

### Independence of the Board (excluding the Chairman)



### Tenure of the Non-Executive Directors



The Board has identified on page 110 which Directors are considered to be independent. As at 31 December 2020, 54.5% of our Board (excluding the Chairman) are independent Non-Executive Directors.

The Board has reconfirmed that our Non-Executive Directors remain independent from executive management and free from any business or other relationship which could materially interfere with the exercise of their judgement.

The Non-Executive Directors play an important role in ensuring that no individual or group dominates the Board's decision making. It is therefore of paramount importance that their independence is maintained. To safeguard their independence, Non-Executive Directors are not permitted to serve more than three three-year terms unless in exceptional circumstances (see page 125).

The Chairman held a number of meetings with the Non-Executive Directors without executive management being present. These meetings are useful to safeguard the independence of our Non-Executive Directors by providing them with time to discuss their views in a more private environment.

John Burns, co-founder of Derwent London plc and the CEO for over 30 years, was appointed Non-Executive Chairman for a two-year term from the 2019 AGM. The appointment was considered by the Nominations Committee to be a natural transitional step to preserve our culture and ensure an orderly succession following Robbie Rayne's decision to retire. As our Chairman was not independent upon appointment, we will be unable to comply with provisions 9 and 19 of the Code until Mark Breuer succeeds John as independent Non-Executive Chairman following the conclusion of the 2021 AGM (see page 103).

The announced Board changes will not impact on the independence balance of the Board: it will remain at 54.5% (excluding the Chairman). If the Chairman is included, then following the conclusion of the 2021 AGM, the percentage of independent Directors will improve from 50% to 58% of the Board.

### Other external appointments

The Board takes into account a Director's other external commitments when considering them for appointment to satisfy itself that the individual can discharge sufficient time to the Derwent London Board and assess any potential conflicts of interest.

Our Directors are required to notify the Chairman of any alterations to their external commitments that arise during the year with an indication of the time commitment involved. During the year under review, Lucinda Bell became a Non-Executive Director of Man Group plc (from 28 February 2020) and Claudia Arney became a member of The Takeover Panel (from 1 May) and Chair of Deliveroo (from 25 November). Both Lucinda and Claudia notified the Chairman in advance of their appointments, and the Board confirmed that it does not believe that these additional directorships will affect Lucinda's or Claudia's commitment to, or involvement with, the Derwent London Board nor will it give rise to a potential conflict of interest.

Executive Directors may accept a non-executive role at another company with the approval of the Board. Currently, none of our Executive Directors are directors of other listed companies. However, several of our Executive Directors are Trustees of charitable organisations or members of industry-related bodies.

When assessing additional directorships, the Board considers the number of public directorships held by the individual already and their expected time commitment for those roles (see biographies on pages 106 and 107). The Board takes into account guidance published by institutional investors and proxy advisers as to the maximum number of public appointments which can be managed efficiently.

All Directors have confirmed (as they are required to do annually) that they have been able to allocate sufficient time to discharge their responsibilities effectively (see table on page 110 for Board meeting attendance).

### Conflicts of interest

As a Non-Executive Director's independence could be impacted where a Director has a conflict of interest, the Board operates a policy that restricts a Director from voting on any matter in which they might have a personal interest unless the Board unanimously decides otherwise. Prior to all major Board decisions, the Chairman requires the Directors to confirm that they do not have a potential personal conflict with the matter being discussed. If a conflict does arise, the Director is excluded from discussions.

An example of this policy in effect is in relation to Richard Dakin, who is the Managing Director of Capital Advisors Limited (a wholly-owned subsidiary of CBRE) who are the Group's external valuers. To mitigate against a potential conflict of interest, Richard does not take part in any discussions on the valuation of the Group's property portfolio at either Board or committee level. In addition, he has no involvement in any decisions regarding the appointment of CBRE or the fees paid to them. During the annual performance evaluation of the Board, its committees and individual Directors, the impact of this role on Richard's independence has been considered. The Board continue to conclude that Richard remains independent both in character and judgement.

## Corporate governance statement continued

### Composition, succession and evaluation

#### Appointments to the Board

At Derwent London, we ensure that appointments to our Board are made solely on merit with the overriding objective of ensuring that the Board maintains the correct balance of skills, length of service and knowledge of the Group to successfully determine the Group's strategy.

Appointments are made based on the recommendation of the Nominations Committee with due consideration given to the benefits of diversity in its widest sense, including gender, social and ethnic backgrounds and personal strengths. The Nominations Committee report on pages 124 to 129 provides further information on:

- Board composition and Non-Executive Director tenure;
- Board appointments and induction;
- succession planning; and
- diversity.

#### Board skills, experience and knowledge

An effective Board requires the right mix of skills and experience. Our Board is a diverse and effective team focused on promoting the long-term success of the Group for the benefit of all stakeholders. The Directors' biographies are available on pages 106 and 107. The chart below provides an overview of the skills and experience of our Directors as at 31 December 2020.

#### Training

With the ever-changing environment in which Derwent London operates, it is important for our Executive and Non-Executive Directors to remain aware of recent, and upcoming, developments. We require all Directors to keep their knowledge and skills up to date and include training discussions with the Chairman in their annual performance reviews.

As required, we invite professional advisers to provide in-depth updates. Updates and training are not solely reserved for legislative developments but aim to cover a range of issues including, but not limited to, market trends, the economic and political environment, environmental, technological and social considerations.

Our Company Secretary provides regular updates to the Board and its committees on regulatory and corporate governance matters. In addition, we invite our Directors to attend courses hosted by the Deloitte Academy and PwC.

Our Directors receive training on their duties under section 172(1) of the Companies Act 2006 as part of their induction process from the Group's corporate lawyers, Slaughter & May LLP. The training is uploaded to the Board's paper portal for easy reference. In addition, at each meeting, the Board's pack of documents includes the codification of its duties alongside the meeting agenda to ensure it is at the forefront of discussions.

During 2020:

- All Directors participated in online compliance training courses on a range of topics including competition law, fraud awareness and cyber security (further information on page 141).
- The Board received regular market and leasing updates.
- External independent advisers frequently presented to the Board on the political and economic environment.
- The Executive Committee received a diversity and inclusion presentation from Albert Williamson-Taylor, a founding partner of AKT and their Design Director, to learn from his personal experience as a senior leader from a BAME background.
- The Responsible Business Committee received a presentation from EY on the UK National Equality Standard (see page 149).
- The Audit Committee received training on the valuation of the Group's portfolio and a year end/market environment update which covered the following:
  - the basis of valuing properties and areas to consider in the current market environment;
  - impairment work and the effect on the valuation; and
  - how various scenarios could affect year end.
- The Risk Committee received a legal update from Slaughter & May LLP in November.
- All Directors attended regular external briefing sessions from the major accountancy firms.

#### Skills and experience

<b>Executive and strategic leadership</b> Senior executive and directorship experience	7	5	<b>Health and safety, risk management</b> Experience in health and safety, risk management or internal controls	4	2
<b>Financial acumen</b> Senior executive experience in financial accounting, reporting or corporate finance	4	2	<b>Investor relations and engagement</b> Experience in investor relations (private or institutional) and engagement	7	5
<b>Property and real estate</b> Experience in property development, construction or real estate management	4	5	<b>Capital projects</b> Experience working in an industry with projects involving large-scale capital outlays and long-term investment horizons	6	5
<b>Governance and compliance</b> Prior experience as a Board member, industry or membership of governance bodies	7	3	<b>Remuneration</b> Prior Remuneration Committee membership and/or experience in relation to remuneration including incentive programmes	4	1
<b>Corporate responsibility and community relations</b> Experience in corporate or social responsibility, charitable bodies or human resources	4	4			

■ Number of Non-Executive Directors (including the Chairman)  
■ Number of Executive Directors

### Annual Board evaluation

On an annual basis, an evaluation process is undertaken which considers the effectiveness of the Board, its principal committees and individual Directors. This review identifies areas for improvement, informs training plans for our Directors and identifies areas of knowledge, expertise or diversity which should be considered in our succession plans. The Board follows a formal three-year cycle which was developed to enable reviews to be led from a fresh perspective, each year.

#### The evaluation for the year ended 31 December 2019

Last year's evaluation was described in the 2019 Annual Report on pages 112 and 113 and was externally facilitated by The Effective Board LLP. The evaluation identified a number of focus areas which the Board and its committees addressed during 2020:



Board or committee	Recommendation	Status
<b>Main Board</b>	Continue to perform annual reviews on the Group's culture and adherence to the Board's values and include specific questions in the employee appraisal process or biennial employee survey.	Culture was assessed as part of the 2020 Board evaluation. Specific questions will be included in the next employee survey in 2021.
	In light of the change of Chairman and Chief Executive, it was recommended that the Board considers having an investor audit to gain a comprehensive view of their perceptions of this change.	To be reviewed with the new Non-Executive Chairman, Mark Breuer, following his induction in H2 2021.
<b>Risk Committee</b>	The Committee should review how the risk management system and framework has worked when an existing risk or emerging risk has emerged and impacted on the Company.	Covid-19 has impacted on the Group's risk profile and risk management systems (see pages 84 and 138). RSM performed an internal audit into our Covid-19 response (see page 136).
	The next employee survey should try to assess the risk culture within the Company.	The next employee survey is due to be conducted in 2021.
<b>Nominations Committee</b>	Despite continuing diversity improvements, it was agreed that this will remain a focus area for the Committee during 2020.	Diversity and inclusion was a focus area for the Board and Nominations Committee during 2020 (see pages 127 and 128).
	Continue to focus on Executive Committee succession planning.	Further information on Executive Committee succession planning is on page 126.
<b>Responsible Business Committee</b>	A minor amendment suggested to the Committee's terms of reference.	This recommendation has been actioned and the updated terms of reference are available to download from our corporate website.

Note:

<sup>(a)</sup> There were no recommendations for the Audit or Remuneration Committee

#### The evaluation for the year ended 31 December 2020

The 2020 performance evaluation was internally facilitated by Simon Fraser and was informed by the recommendations arising from the 2019 evaluation. The process covered the following areas:

- The Group's strategy and its effectiveness.
- The management of the business, and stakeholder engagement, during the Covid-19 pandemic.
- The significant challenges that Derwent London is likely to face over the next 12 months.
- The composition of the Board and its principal committees.
- Each Director's contribution to the Board's discussions.
- Whether there are any issues concerning the Board's procedures, processes, including information provided to the members, and the resources made available to the Board.
- The effectiveness of the Chairman recruitment process and Board's succession planning.

The responses were collated and provided on an anonymous basis to the Chairman of the Board and the Chairs of each committee. As a result of this evaluation, the Board is satisfied that its structure, balance of skills and operation continues to be satisfactory and appropriate for the Group. Although the feedback received was extremely positive from all Board members, the Board identified a number of areas which it wishes to focus upon during 2021:

- The induction of Mark Breuer as Chairman Designate, and handover of responsibility from John Burns.
- Ensuring the Group's strategy remains appropriate in the current economic environment.
- Board diversity which will be factored into the Board's recruitment processes.

#### Re-election of Directors

In accordance with the Code, all the Directors will be putting themselves forward for re-election at the 2021 AGM, except Simon Silver who retired on 26 February 2021 and John Burns who will retire following the conclusion of the AGM. Mark Breuer and Emily Prideaux will be seeking election as Directors following their appointments to the Board on 1 February and 1 March 2021, respectively.

Following the formal performance evaluation (detailed above) and taking into account the Directors' skills and experience (set out on pages 106, 107 and 120), the Board believes that the (re-)election of each Director is in the best interests of the Company.

## Corporate governance statement continued

### Key activities of the Board during 2020

#### Overview

The Board met nine times during the year (including the Annual General Meeting). Additional meetings are arranged if necessary for the Board to properly discharge its duties. An overview of our Board's key activities is provided below.

#### Property portfolio

- Approved the acquisition of:
  - Blue Star House, Brixton SW9 for £38.1m before costs
- Approved the disposal of:
  - The long leasehold interest of 2 & 4 Soho Place W1 for £40.5m before costs
  - Sale of the Johnson Building EC1 for £170.0m before costs
- Approved the:
  - redevelopment of 19-35 Baker Street W1
  - Francis House SW1 refurbishment
  - submission of planning permission for Network House W1
- Reviewed the Post Completion report for the Brunel Building W2
- Received regular updates on the key construction projects including reviewing quarterly project cost reports
- Reviewed and approved the half-yearly independent valuations of the Group's property portfolio

Link to strategic objectives:

1.2.4.

#### Strategy and financing

- Reviewed the short and long-term implications of Covid-19 on the Group, our developments and occupiers
- Ongoing updates from the Executive Committee on the implementation of strategy throughout the year
- Regularly reviewed the Group's financial structure and position, including:
  - Approved a £100m Revolving Credit Facility (RCF) with Wells Fargo
  - Extended our main £450m RCF with our UK banking partners for a further year to 2025
  - Received an update on our Green Finance initiatives
- Regularly considered the impact of Brexit and political uncertainty on our business and strategy
- Reviewed the capital expenditure pipeline for the next five years
- Provided with regular updates on asset management, leasing and investment activities from the senior management team

Link to strategic objectives:

1.4.5.

#### Risk management and internal control

- Reviewed the Group's principal risks and considered emerging risks which could impact on the five-year plan
- Received a presentation from Capgemini on the cyber security audit performed during 2020
- Verbal updates from the Risk and Audit Committee chairs on the key areas discussed
- Updates on the assurance audits performed by RSM and the priority actions arising
- Received regular reports on health and safety matters, including the protocols introduced to ensure our buildings are safe for reoccupation (see page 143)
- Approved the 2020/21 mandatory compliance training programme
- Reviewed the tenant at risk register

Link to strategic objectives:

2.3.4.

	January	February	March	April	May
<b>Board and Committee meetings</b>		<ul style="list-style-type: none"> <li>• Audit Committee</li> <li>• Main Board</li> <li>• Executive Committee</li> <li>• Valuers Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Main Board</li> <li>• Remuneration Committee</li> <li>• Risk Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Main Board</li> <li>• Executive Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Main Board</li> <li>• Risk Committee</li> <li>• Responsible Business Committee</li> <li>• Executive Committee</li> </ul>
<b>Key announcements</b>	<ul style="list-style-type: none"> <li>• Acquisition of Blue Star House, Brixton SW9</li> </ul>	<ul style="list-style-type: none"> <li>• Derwent London 2019 results</li> </ul>	<ul style="list-style-type: none"> <li>• Message from CEO, Paul Williams, on Derwent London's response to the Covid-19 outbreak</li> </ul>	<ul style="list-style-type: none"> <li>• Q1 business, AGM and Covid-19 update</li> <li>• Bondholders meeting</li> </ul>	<ul style="list-style-type: none"> <li>• Information on the 2020 AGM</li> <li>• Result of AGM</li> </ul>

**Key Strategic objectives**

- |   |   |  |
|---|---|--|
| 1. To optimise returns and create value from a balanced portfolio | 3. To attract, retain and develop talented employees        | 5. To maintain strong and flexible financing |
| 2. To grow recurring earnings and cash flow                       | 4. To design, deliver and operate our buildings responsibly |  |

**Corporate reporting and performance monitoring**

- Reviewed the rolling forecasts and approved the 2021 budget
- Received updates from the chair of the Remuneration Committee on the key areas discussed
- Conducted a review of the Company's viability over the next five-year period
- Approved the year end and interim results
- Approved the Q1 and Q3 business updates
- Reviewed the 2020 Annual Report to ensure it is fair, balanced and understandable
- Published rent collection statistics as at 30 June and 30 September 2020

Link to strategic objectives:

1. 2. 5.

**Stakeholder engagement**

- Virtually hosted the Annual General Meeting (AGM) on 15 May 2020
- Approved the Net Zero Carbon Pathway (see page 28)
- Received updates from the chair of the Responsible Business Committee on the Group's sustainability initiatives and Covid-19 engagement response to local communities and tenants
- Received updates on our investor engagement programmes and regular investor relations reports
- Reviewed the results of employee and occupier pulse surveys on the Group's Covid-19 response
- Received progress updates on our diversity targets and focus areas (see pages 127 to 129)

Link to strategic objectives:

3. 4.

**Governance**

- Chairman succession (which led to the appointment of Mark Breuer as a Non-Executive Director and Chairman Designate on 1 February 2021)
- Approved the appointment of Emily Prideaux as an Executive Director effective from 1 March 2021
- Performed an internally facilitated evaluation of the Board, its Committees and all Directors led by the Senior Independent Director (see page 121)
- Performed an annual review of the Committees' membership (see page 125)
- Received regular governance updates from the Company Secretary
- Routinely considered the Board's conflict of interests
- Agreed that the Group would be assessed by EY under the UK National Equality Standard (see page 149)

Link to strategic objectives:

1. 3.

June	July	August	September	October	November	December
<ul style="list-style-type: none"> <li>• Main Board</li> <li>• Remuneration Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Executive Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Audit Committee</li> <li>• Main Board</li> <li>• Risk Committee</li> <li>• Valuers Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Executive Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Executive Committee</li> <li>• Responsible Business Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Audit Committee</li> <li>• Executive Committee</li> <li>• Main Board</li> <li>• Remuneration Committee</li> <li>• Nominations Committee</li> <li>• Risk Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Main Board</li> <li>• Nominations Committee</li> </ul>
<ul style="list-style-type: none"> <li>• Completion of 80 Charlotte Street W1</li> </ul>	<ul style="list-style-type: none"> <li>• June 2020 rent collection</li> <li>• Release of Net Zero Carbon Pathway</li> <li>• Disposal of 2 &amp; 4 Soho Place W1</li> </ul>	<ul style="list-style-type: none"> <li>• Interim results</li> <li>• Board change (Simon Silver's future retirement)</li> </ul>		<ul style="list-style-type: none"> <li>• September 2020 rent collection</li> </ul>	<ul style="list-style-type: none"> <li>• Q3 business update</li> </ul>	<ul style="list-style-type: none"> <li>• Board change (Future appointment of Emily Prideaux)</li> </ul>