

CORPORATE GOVERNANCE STATEMENT

Structure of the Governance section

The Governance section has been reorganised to follow the structure of the 2018 UK Corporate Governance Code (the 'Code'). Although we are not required to report under the 2018 Code until the 2019 Annual Report (due to be published in April 2020), we wished to transition our reporting to demonstrate how we will meet the new requirements and to provide additional disclosure on our governance arrangements.

BOARD LEADERSHIP AND COMPANY PURPOSE

An effective Board

Our Board is composed of highly skilled professionals who bring a range of skills, perspectives and corporate experience to our Boardroom (biographies are on pages 88 to 89). It is through this diversity, its deep understanding of our business, culture and stakeholders, that the Board generates sustainable long-term value.

Matters reserved for the Board

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 reviewed and approved the 'Schedule of matters reserved for the Board' in February 2019.

Annual strategy review

On an annual basis, the Board conducts a detailed review of its strategy to ensure it remains relevant, flexible and capable of adapting to our changing environment.

Through its review, the Board is able to assess and identify changing or emerging risks which could impact on the Group in the short and medium-term (further information on our principal risks is on pages 48 to 57). Our risk management procedures are discussed on page 111 to 112 of the Risk Committee's report.

The Board, Executive Committee and members of the senior management team met on 13 June 2018 to review, discuss and challenge the strategy. The meeting included:

- presentations from external advisers with insights into the political environment and how new technology may impact on our business;
- reviewing the five-year plan, various scenarios and sensitivity tests and the key assumptions underlying the projections; and
- discussions with senior management on occupier trends, our 'Fit for the Future' initiative (see page 78) and planning policy changes expected after local elections.

Information sharing

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.

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.

Stakeholder engagement

We recognise the importance of clear communication and proactive engagement with all of our stakeholders. A summary of our stakeholder engagement programmes is provided on pages 18 to 19.

How do we generate value for our stakeholders?

Through our core activities, illustrated in our business model, we add value to our unique portfolio and deliver long-term benefits to our stakeholders (more on our business model on pages 20 to 21).

Our shareholders have seen value through the total shareholder returns (TSR) achieved over the last 10 years (+395%) which has significantly outperformed the FTSE 350 Real Estate Super Sector (+114%). We have a progressive dividend policy – the compound growth of the ordinary dividend over the past ten years is 10.4%.

Further information on value creation for our other key stakeholders is on pages 18 to 19 of the Strategic report.

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 attend meetings to present on the matters being discussed, enabling their input into discussions. In order to reach all employees, the Board utilises the following additional engagement methods:

- Cilla Snowball is the dedicated Non-Executive Director for gathering the views of the workforce and oversees our employee engagement methods as chair of the newly established Responsible Business Committee;
- During 2019, two employees will be nominated by the workforce to become members of the Responsible Business Committee;
- The Directors host regular informal lunches with small groups of employees to share ideas, gather feedback and discuss the future of the Group;
- Our whistleblowing system includes an anonymous reporting line for employees to raise any concerns directly with the Board; and
- 'Town hall' meetings are frequently hosted by our Chief Executive. Employees can ask questions, anonymously if they wish, which are then answered to the whole workforce.

We are fortunate that more than 95% of our staff are based at a single location, 25 Savile Row, which enables effective and daily engagement.