

# NOMINATIONS COMMITTEE REPORT



**Simon Fraser**  
Chair of the Nominations Committee

## FOCUS AREAS IN 2019

- Continue to focus on succession planning and our talent pipeline
- Monitor the induction programme for Lucinda Bell
- Begin the search for our next Non-Executive Chairman

### Dear Shareholder,

I am pleased to present to you the report of the work of the Nominations Committee for 2018.

As previously identified in our 2017 Annual Report, Board succession has been a key priority during 2018. We had been mindful for some time that Robbie Rayne and John Burns might wish to retire from their current roles and had factored this possibility into our succession discussions.

A key factor in our succession plans has always been the importance of retaining the culture of the Group, which is a valuable core strength of the business. The appointment of John Burns as the next Non-Executive Chairman of the Company, for a two-year term, was a natural transitional step to preserve our culture and ensure an orderly succession.

In advance of finalising our succession plans, I consulted with 10 major shareholders (representing 57.5% of our issued share capital) to explain the Committee's rationale for John's appointment. During my discussions with shareholders and proxy voting agencies, I provided assurance that the Committee had factored the principles of good corporate governance into its planning, which included the following 'safeguards' to ensure the separation of leadership between the Chairman and Chief Executive:

- John's appointment is for a finite period of two years and he will be based at a separate office (not 25 Savile Row);
- The responsibilities of Chairman and Chief Executive are clearly defined and regularly reviewed;
- The next Non-Executive Chairman will be independent upon appointment; and
- I remain available as an intermediary to shareholders and Directors to raise any questions and concerns.

I was pleased with the overwhelming support received from our shareholders who posed no objections to our proposals and support John stepping into the role of Chairman until May 2021.

In conjunction with our Chairman succession planning, we undertook a thorough recruitment process for the role of Chief Executive. The calibre of our internal senior team is outstanding, and the Committee commends them for their commitment and passion for the business. It was after careful deliberation that the Committee unanimously recommended the appointment of Paul Williams as Chief Executive from 17 May 2019.

If you wish to discuss any aspect of the Committee's activities or succession plans, I will be attending the forthcoming AGM on 17 May 2019 and would welcome your questions. I am also available via our Company Secretary, David Lawler (telephone: +44 (0)20 7659 3000 or email: [company.secretary@derwentlondon.com](mailto:company.secretary@derwentlondon.com)).

I would like to take this opportunity to thank our shareholders for their continuing support.

**Simon Fraser**  
Chair of the Nominations Committee  
26 February 2019

### Committee composition

Our Committee consists of three independent Non-Executive Directors. At the request of the Committee, members of the Executive Committee, senior management team and external advisers may be invited to attend all or part of any meeting, as and when appropriate.

	Independent	Number of meetings	Attendance
Simon Fraser, Chair	Yes	4	100%
Cilla Snowball	Yes	4	100%
Richard Dakin	Yes	4	100%

It has been agreed by the Board that all Non-Executive Directors would become members of the Nominations Committee to ensure they are involved in discussions relating to succession planning and talent management. Therefore, with effect from 1 January 2019, Claudia Arney, Lucinda Bell and Helen Gordon will become members of the Nominations Committee. The Committee's role and responsibilities are set out in the terms of reference, which were last updated in August 2018 and are available on the Company's website at: [www.derwentlondon.com/investors/governance/board-committees](http://www.derwentlondon.com/investors/governance/board-committees)

### Meetings of the Committee

During the year under review, the Committee held four meetings (in May, August, and two in November) (2017: four meetings). In addition to the scheduled meetings, the chair of the Committee met with advisers and brokers for three meetings and held ad hoc calls in relation to Board succession.

### Board composition

As part of the Board's annual effectiveness review, described on page 99, the Committee considers the composition of the Board and its Committees in terms of its balance of skills, experience, length of service, knowledge of the Group and wider diversity considerations. In addition, consideration was given to the Committee(s) which Lucinda Bell would join following her appointment. The Committee consulted its succession plans and considered Lucinda's skills and experience before recommending her memberships to the Board.

Following the annual effectiveness review, it was confirmed that the membership of the Committees continues to be appropriate and in accordance with best practice and the 2016 UK Corporate Governance Code.

### Succession planning

As Directors we have a duty to ensure the long-term success of the Company, which includes ensuring that we have a steady supply of talent for executive positions and established succession plans for Board changes. The Committee considers the Group's succession planning on a regular basis to ensure that changes to the Board are proactively planned and co-ordinated.

### Non-Executive Directors (NED) terms of appointment

The Committee monitors a schedule on the length of tenure of the Non-Executive Directors, and reviews potential departure dates assuming the relevant Directors are not permitted to serve more than three three-year terms (see the table below).

	Appointment	Term of Appointment		
		3 years	6 years	9 years
Stephen Young <sup>(i)</sup>	2 August 2010	3 August 2013	4 August 2016	5 August 2019
Simon Fraser	1 September 2012	1 September 2015	1 September 2018	1 September 2021
Richard Dakin	6 August 2013	6 August 2016	6 August 2019	6 August 2022
Claudia Arney	18 May 2015	18 May 2018	18 May 2021	18 May 2024
Cilla Snowball	1 September 2015	1 September 2018	1 September 2021	1 September 2024
Helen Gordon	1 January 2018	1 January 2021	1 January 2024	1 January 2027
Lucinda Bell	1 January 2019	1 January 2022	1 January 2025	1 January 2028

Note:

<sup>(i)</sup> Stephen Young will step down from the Board on 17 May 2019.

### Chief Executive

Russell Reynolds Associates, an independent search agency, were retained to assist the Committee with the search for a new Chief Executive (they perform no other work for the Group and are signatories to the voluntary code of conduct for executive search firms). Russell Reynolds Associates carried out a detailed assessment of the available external candidates as well as the internal candidates.

The importance of retaining the Group's strong culture and the extensive experience of the senior management team was of paramount importance. It was after careful deliberation that the Committee unanimously recommended the appointment of Paul Williams as Chief Executive from 17 May 2019.

### Non-Executive Directors

At the beginning of the year, we began the search for a successor for Stephen Young who intends to step down, after nine years on the Board, in May 2019. Stephen has brought considerable knowledge and oversight as chair of the Audit Committee. It was therefore a key component of our specification that a new member of the Board bring a similar level of financial expertise and experience. Due to its wide network of contacts, the Committee was able to identify potential candidates without the use of an external search consultancy or open advertising.

We were delighted that Lucinda Bell joined our Board on 1 January 2019 and will succeed Stephen as chair of the Audit Committee. Lucinda's biography is available on page 89.

### Executive Committee

The Committee also monitors the development of the executive team below the Board to ensure that there is a diverse supply of senior executives and potential future Board members with appropriate skills and experience. The Executive Committee considers the adequacy of the Group's succession plans below the Board as part of the five-year strategy review and provides updates to the Committee.

### Appointment review

The Committee performed a rigorous review of Claudia Arney's, Cilla Snowball's and Simon Fraser's appointments, as their current term of office was due to expire in 2018. None of the Non-Executive Directors were present when their term of appointment was considered by the Committee.

The Committee is pleased to report that it is satisfied with the ongoing performance and commitment of Claudia, Cilla and Simon and has recommended that their appointments be extended for another three years.

# NOMINATIONS COMMITTEE REPORT CONTINUED

## Induction

The Company provides new Directors with a comprehensive and tailored induction process which includes visiting a number of the Group's properties with senior management, meetings with the Group's audit partner and corporate lawyer together with meetings with members of the senior management team.

If considered appropriate, new Directors are provided with external training that addresses their role and duties as a Director of a quoted public company.

Lucinda's induction programme followed a similar structure to Helen Gordon's, which was described in detail on page 103 of the 2017 Annual Report. Induction programmes are developed by the Group's Company Secretarial department and approved by the Chair of the Committee.

## Diversity and inclusion

Having a diverse, highly talented and skilled group of people at all levels at Derwent London is fundamental to our business success. Diversity and inclusion bring new ideas and fresh perspectives which fuel innovation and creativity. This is why we actively work to attract, retain and develop employees to improve our talent pipeline.

We fully support, and are signatories to, the Property Week Diversity Charter and the RICS Inclusive Employer Quality Mark. We are founding supporters of Real Estate Balance and we are also members of the City Women Network (CWN) which provides membership to all our senior female employees.

During the year, we hosted a CWN event at 25 Savile Row on the 'Changing workplace' presented by Monica Parker (HATCH Analytics). Monica was an exceptional speaker who brought to the forefront the importance of change to facilitate diversity in a practical and thought-provoking manner. We were delighted that a large number of our own staff attended the event.

## Board diversity

A diversified Board brings constructive challenge and fresh perspectives to discussions. We consider diversity, in its widest sense (and not limited to gender), during our Board composition reviews and during the development of recruitment specifications. Our gender diversity policy ensures that, where possible, each time a Director is recruited, at least one of the short list of candidates is female.

While we have identified areas where we could further improve our diversity balance, principally our ethnic and gender diversity, we do not positively discriminate during the recruitment process and are conscious that altering the diversity of the Board can only be done in conjunction with the underlying Board refreshment programme.

## Gender diversity targets

The Board are aiming to achieve the recommendations of the Hampton-Alexander Review and have 33% female representation on its Board, Executive Committee and senior management teams (direct reports to the Executive Committee) by 31 December 2020.

Following the appointment of Lucinda Bell on 1 January 2019, our gender balance at Board level has further improved to be 29% women (2017: 23%). From 17 May 2019, the Board's succession plans become effective, which results in:

- the gender balance of the Executive Committee being 18% women (the combined gender balance of the Executive Committee and its direct reports is 29.2% women); and
- Boardroom diversity improving to 33% women which achieves the Hampton-Alexander targets well in advance of the 31 December 2020 deadline.

The Board is confident it will achieve the gender balance target for the direct reports to the Executive Committee, however the gender balance of the Executive Committee is likely to remain a challenge. Improving the diversity of the Executive Committee can only be achieved through either increasing the size of the Committee (which is not considered a practical or effective solution) or through natural succession changes. Although it is disappointing that this target might not be achieved within the deadline, the Committee is focusing on the talent pipeline to the Executive Committee and the Board's focus areas which aim to improve diversity throughout the Group.

## Hampton-Alexander Review

Target		Progress during 2018	1 January 2019	Note <sup>(i)</sup>
Achieve the recommendations of the Hampton-Alexander Review and have 33% female representation	Board	+6%	29%	33%
	Executive Committee <sup>(ii)</sup>	+8%	17%	18%
	Direct reports to the Executive Committee <sup>(iii)</sup>	+3%	32%	n/a

Notes:

<sup>(i)</sup> Diversity balance of the Board and Executive Committee following the implementation of the announced succession plans due to become effective from 17 May 2019.

<sup>(ii)</sup> The combined diversity balance of the Executive Committee and its direct reports (excluding administrative and support staff) is 28.6% women as at 1 January 2019.

<sup>(iii)</sup> Direct reports to the Executive Committee, excluding administrative and support staff, is 32.4% women. Direct reports to the Executive Committee, including administrative and support staff, is 46.0% women.

## Diversity focus areas

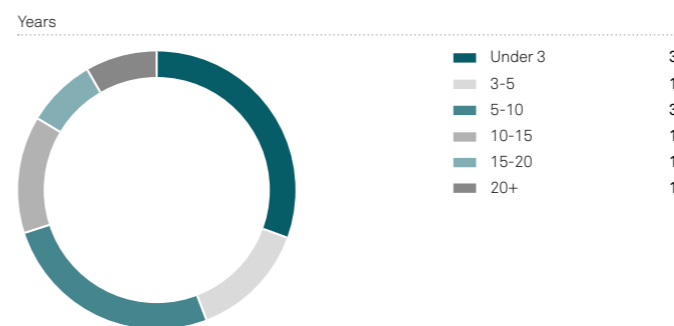
The Board has established clear focus areas which aim to promote the importance of diversity at all stages from attracting diverse and talented employees through to retention and promotion.

Area	Focus	Actions
Attracting diverse, highly skilled and talented employees	Tackle unconscious bias	<ul style="list-style-type: none"> <li>• Unconscious bias training to be provided to all staff involved in recruitment or performance appraisals in May 2019.</li> <li>• Executives and Heads of Departments will complete tests to enhance awareness of own unconscious bias.</li> <li>• Monitored the gender balance of new recruits and leavers (67% of professional recruits since 1 January 2018 were female).</li> </ul>
	Candidate shortlists to have gender balance All recruiters are signatories to the Standard Voluntary Code of Practice Recruit from a wide pool of talent (including women returning to work)	
Retaining the best talent	Focus on women returning to work Promote the importance of work/life balance	<ul style="list-style-type: none"> <li>• Identified the perceived barriers to agile working which will be addressed during 2019.</li> <li>• Introduction of parental transition coaching for men and women taking paternity/maternity leave which is provided in advance, during and upon their return.</li> </ul>
Promoting diversity	Gender balance within our internships and work experience placements Aim to encourage more girls to be interested in the construction and property industry and challenge harmful gender stereotyping Heads of Department demonstrate that we are an inclusive employer	<ul style="list-style-type: none"> <li>• Four female Group employees took part in an 'Inspire' event which aimed to challenge industry stereotypes.</li> <li>• Two young women recruited through the Hackney 100 work experience scheme.</li> <li>• 24% of our interns were female (2017: 29%). Two of our interns were via the 'Fitzrovia Youth in Action' charity.</li> </ul>

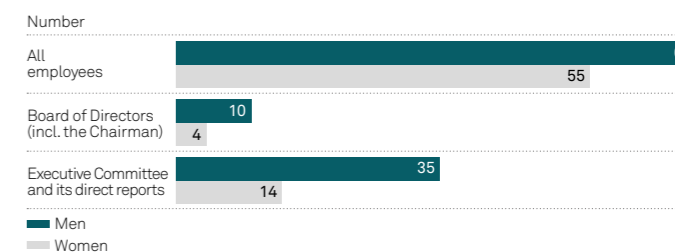
## The Group's composition and diversity

We have an experienced, diverse and dedicated workforce. The charts below provide a breakdown of our diversity as at 1 January 2019. The Board's composition as at 1 January 2019 is shown on page 99.

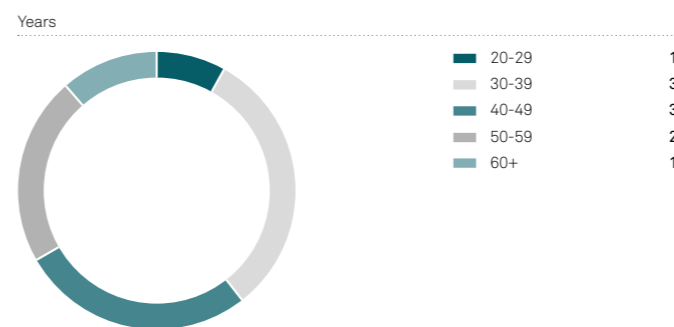
### Length of service



### Gender diversity



### Employees by age



### Ethnic origin

