

# NOMINATIONS COMMITTEE REPORT



**Simon Fraser**

Chair of the Nominations Committee

## 2020 FOCUS AREAS

- Continue the search for an independent Non-Executive Chairman to succeed John Burns from May 2021
- Monitor succession planning and our talent pipeline at Board and Executive Committee level
- Start planning for the recruitment of an independent Non-Executive Director during 2021

### Dear Shareholder,

I am pleased to present to you the report of the work of the Nominations Committee for 2019.

Since 1 January 2019, all Non-Executive Directors have been members of the Nominations Committee. As disclosed in the 2018 Annual Report, this was to ensure all Non-Executive Directors could be involved in discussions relating to succession planning and talent management.

### CEO succession

2019 was a transitional year for the Board as John Burns became Non-Executive Chairman and Paul Williams took up the role of CEO. In respect to these succession changes, we consulted with 10 major shareholders representing 57.5% of our issued share capital and have been delighted with the positive feedback received during consultation and after the AGM on 17 May 2019.

The safeguards in operation during the year to ensure the clear separation of leadership between Chairman and Chief Executive were:

- John's appointment is for a finite period of two years and he is 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 remained available as an intermediary to shareholders and Directors to raise any questions and concerns.

The Committee monitored the transition and I can confirm it was well managed.

### Chair succession

As promised the Committee has been working on finding a successor to John Burns as Non-Executive Chairman. The Committee will ensure that the incoming Chairman is independent upon appointment. Our progress to date has been promising and we envisage being able to announce John's successor in the second half of 2020, which will provide sufficient time for induction and handover. John is due to step down from the role of Non-Executive Chairman during 2021.

### Diversity

I am pleased to report that the targets for boardroom gender diversity and direct reports to the Executive Committee have been achieved well in advance of the Hampton-Alexander Review's deadline of 31 December 2020 (see page 119). As at 31 December 2019, 48% of our workforce is female (including Directors) (see page 121).

### Other activities

Other activities of the Committee during the year under review, have included the annual composition review of the Board and its principal committees and consideration of future Board succession plans (further information on pages 117 and 118).

### Further engagement

If you wish to discuss any aspect of the Committee's activities, I will be attending the forthcoming AGM on 15 May 2020 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)).

### Simon Fraser

Chair of the Nominations Committee  
25 February 2020

### Committee composition

Our Committee consists of six independent Non-Executive Directors (biographies are available on pages 98 to 99). 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	3	100%
Claudia Arney	Yes	3	100%
Lucinda Bell	Yes	3	100%
Richard Dakin	Yes	3	100%
Helen Gordon	Yes	3	100%
Cilla Snowball	Yes	3	100%

The Committee's role and responsibilities are set out in the terms of reference, which were last updated in August 2019 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 three meetings (in February, August and November) which occurred either before or after a scheduled Board meeting (2018: four meetings).

### Committee performance evaluation

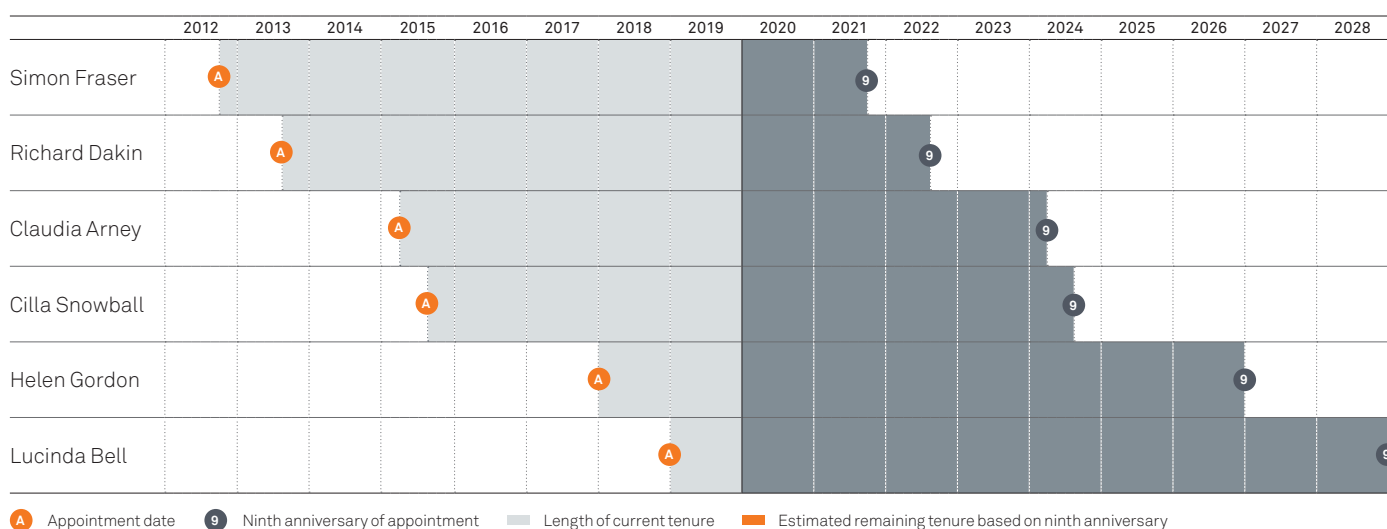
As part of the externally facilitated Board evaluation performed by The Effective Board LLP during Q4 2019, the Committee's effectiveness was subject to review. No significant issues arose from the evaluation, however, a number of minor focus areas were identified (further information on page 113).

### Board and Committee composition

On an annual basis, the Nominations 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.

### Non-Executive Directors (NED) tenure

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



The Committee's review aims to ensure each committee is appropriately composed to be effective and is conducted alongside discussions on Board succession and Non-Executive Director tenure.

The table below provides an overview of the composition of the Board's five principal committees. Further information on the Board's diversity is on page 119.

	Audit Committee	Risk Committee	Remuneration Committee	Nominations Committee	Responsible Business Committee
Simon Fraser	✓		✓	Chair	
Richard Dakin	✓	Chair		✓	
Claudia Arney	✓		Chair	✓	✓
Cilla Snowball		✓		✓	Chair
Helen Gordon			✓	✓	
Lucinda Bell	Chair	✓	✓	✓	
Number of independent NEDs:	4	3	4	6	2
Number of Executive Directors:	-	-	-	-	1
Number of Employee representatives:	-	-	-	-	2
<b>Total membership:</b>	<b>4</b>	<b>3</b>	<b>4</b>	<b>6</b>	<b>5</b>

During the year, two employees were nominated by their peers to become members of the Responsible Business Committee, further information is available on page 139.

Following the Committee's review, it was confirmed that the membership of the five principal committees continues to be appropriate, effective and in accordance with the 2018 UK Corporate Governance Code.

The Committee has agreed that its initial focus during 2020 will be on the appointment of an independent Non-Executive Chairman to succeed John Burns from May 2021. Following this appointment, the Committee will consider the need to recruit an additional Non-Executive Director during 2021 as Simon Fraser reaches his ninth anniversary on the Board in September 2021.

# NOMINATIONS COMMITTEE REPORT CONTINUED

## Appointment review

As Richard Dakin's current term of office was due to expire in August 2019, the Committee performed a rigorous review of his appointment. The Committee's review considered Richard's:

- contribution to boardroom discussion;
- independence;
- industry knowledge;
- length of tenure on the Board;
- outcome of his latest individual annual effectiveness review;
- Board composition (including diversity considerations); and
- time commitment to the appointment (including other external appointments).

Richard Dakin was not present when his term of appointment was considered by the Committee. The Committee is pleased to report that it is satisfied with Richard's ongoing performance and commitment and has recommended that his appointment be extended for another three years.

## 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. Induction programmes are developed by the Group's Company Secretarial department and approved by the chair of the Committee. If considered appropriate, new Directors are provided with external training that addresses their role and duties as a Director of a quoted public company.

We aim to limit the amount of information provided as reading material during an induction process. All new Directors are provided with access to our electronic Board paper system and the Group intranet which provides easy and immediate access to the following key documents:

- the Group's risk register and Schedule of Principal Risks;
- our latest budget and five-year plan;
- recent broker reports and feedback from our stakeholder engagement programmes;
- information on our sustainability initiatives;
- recent reports from the external Auditor, PwC; and
- Matters reserved for the Board and the Committee terms of reference.

Lucinda Bell's induction began during 2018 in advance of her appointment to the Board from 1 January 2019. An overview of her key induction events is provided in the timeline below.

## 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.

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.

## Timeline: Lucinda Bell's key induction events

<p><b>JUL 2018</b></p> <ul style="list-style-type: none"> <li>• Met with the CEO and Senior Independent Director;</li> <li>• Met with Claudia Arney, Chair of the Remuneration Committee, to gain an overview of how our Remuneration Policy ensures a clear link between performance and pay for executives; and</li> <li>• Met with the Group's brokers</li> </ul>	<p><b>OCT 2018</b></p> <p>Met our corporate lawyers, Slaughter &amp; May LLP</p>	<p><b>DEC 2018</b></p> <p>Met with the Group's external Auditor, PwC</p>	<p><b>FEB 2019</b></p> <ul style="list-style-type: none"> <li>• Met with the Group's external valuers</li> <li>• Met with the Head of HR and Head of Sustainability to gain an overview of stakeholder matters</li> </ul>	<p><b>1<sup>ST</sup> HALF OF 2019</b></p> <p>Individual meetings with members of the Executive Committee</p>
	<p><b>AUG 2018</b></p> <ul style="list-style-type: none"> <li>• Met with the Chairman of the Board; and</li> <li>• Stephen Young, Chair of the Audit Committee</li> </ul>	<p><b>NOV 2018</b></p> <p>Site tours of our major developments and properties with insights provided by our senior management team</p>	<p><b>JAN 2019</b></p> <p>Received a presentation on the Group's key development projects and the management of risks by Richard Baldwin, Head of Development</p>	<p><b>MAY 2019</b></p> <p>Visit to Scotland to receive an overview of our Scottish estate</p>

### 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 (further information on pages 84 to 85).

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.

### Board diversity policy

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 the development of recruitment specifications.

Our gender diversity policy ensures that, where possible, each time a Director is recruited, at least one of the shortlist of candidates is female.

Whilst 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.

On 5 February 2020, Sir John Parker published an update report on ethnic diversity. Currently 24% of our workforce identify as non-white. During 2020, the Committee will continue to focus on diversity at Board level and within the Group's talent pipeline with particular focus on ethnic diversity. The Board is aware and supportive of the recommendation that by 2024, all FTSE 250 Boards have at least one director of colour.

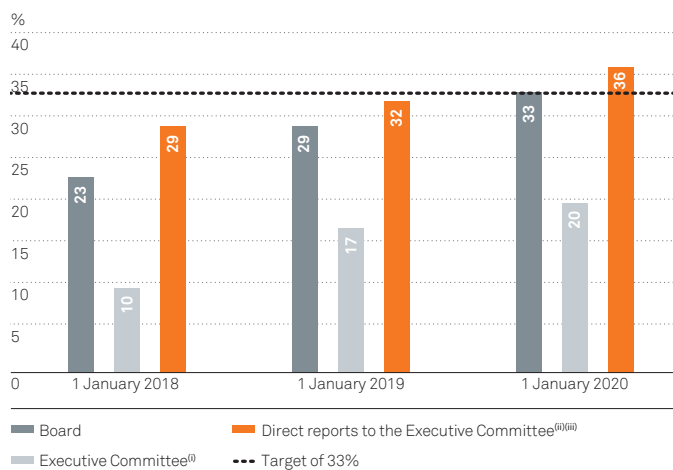
### Gender diversity targets

The Company have been working towards achieving 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.

The target for boardroom diversity and direct reports to the Executive Committee have been achieved well in advance of the deadline, however, our Executive Committee gender diversity remains a challenge. Since 2017, the gender balance of the Executive Committee has improved from 10% to 20% and the combined gender balance of the Executive Committee and its direct reports have improved from 25% to 32%.

Improving the diversity of the Executive Committee can only be achieved through either increasing its size (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 has been focusing on the talent pipeline to the Executive Committee and its diversity focus areas (see page 120) which aim to improve diversity throughout the Group.

### Hampton-Alexander Review



Notes:

- <sup>(i)</sup> The Executive Committee is composed of five Executive Directors and five senior managers (see page 100). If the Executive Directors are excluded from the calculation, the gender diversity of the Executive Committee is 40% women.
- <sup>(ii)</sup> The combined diversity balance of the Executive Committee and its direct reports (excluding administrative and support staff) is 31.7% women as at 1 January 2020.
- <sup>(iii)</sup> Direct reports to the Executive Committee, excluding administrative and support staff, is 35.5% women. Direct reports to the Executive Committee, including administrative and support staff, is 47.5% women.

# NOMINATIONS COMMITTEE REPORT CONTINUED

## 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.

Focus	Actions taken during 2019	Further actions required in 2020
<b>Attracting diverse, highly skilled and talented employees</b> <ul style="list-style-type: none"> <li>Tackle unconscious bias</li> <li>Candidate shortlists to have gender balance</li> <li>All recruiters are signatories to the Standard Voluntary Code of Practice</li> <li>Recruit from a wide pool of talent (including women returning to work)</li> </ul>	<ul style="list-style-type: none"> <li>Unconscious bias training provided to everyone involved in recruitment or performance appraisals</li> <li>All current recruitment agencies are signatories to the Code of Practice</li> <li>During the year under review:               <ul style="list-style-type: none"> <li>63% of new recruits have been female</li> <li>47% of new 'professional' recruits have been female</li> <li>This is a further improvement from 2018, when 47% of new recruits (and 31% of new professional recruits) were female</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>All employees to attend compulsory unconscious bias training</li> <li>Continue with current initiatives including to ensure:               <ul style="list-style-type: none"> <li>all recruitment agencies are signatories to the Code of Practice</li> <li>all shortlists have gender balance</li> <li>review of family-friendly policies</li> </ul> </li> </ul>
<b>Retaining the best talent</b> <ul style="list-style-type: none"> <li>Focus on women returning to work</li> <li>Promote the importance of work/life balance</li> <li>Equal opportunities for all</li> </ul>	<ul style="list-style-type: none"> <li>Introduction of parental transition coaching designed to support men and women, enabling them to achieve a seamless return to the workplace, during and after a period of extended leave</li> <li>We have continued to promote agile working and the importance of a work/life balance. During 2019, 56% of our staff worked agile (340 days in total)</li> <li>We have designed and implemented a 'core skills' training programme, open to all employees, focusing on personal development, advancement and leadership skills</li> <li>29 employees completed the recently established Fit for the Future programme during 2019</li> </ul>	<ul style="list-style-type: none"> <li>Continue to actively promote agile working arrangements and remove any perceived barriers</li> <li>Flexible working requests will continue to be accommodated whenever possible</li> <li>A further 28 employees to undertake the Fit for the Future programme</li> <li>Introduce an additional four new core skills workshops which includes a module on work/life balance</li> </ul>
<b>Promoting diversity</b> <ul style="list-style-type: none"> <li>Gender balance within our internships and work experience placements</li> <li>Aim to encourage more girls to be interested in the construction and property industry and challenge harmful gender stereotyping</li> <li>Heads of Department demonstrate that we are an inclusive employer</li> </ul>	<ul style="list-style-type: none"> <li>50% of all internships and work experience placements have been female (2018: 24% female) including two girls from 'Fitzrovia Youth in Action', Camden's leading youth charity supporting disadvantaged young people</li> <li>Three female work experience students came via the organisation Inspire! and their initiative 'City Talent'. A paid work placement initiative for financially disadvantaged young people aged 16-19 supporting young people (including BAME) from the boroughs of Camden, Islington and the City</li> <li>Two students (one male and one female) came via the Westminster organisation 2-3 Degrees, who provide employment opportunities for young people (including BAME) in Westminster as well as ways to improve their employability opportunities</li> <li>Two young women recruited through the Hackney 100 work experience scheme (unfortunately, one dropped out due to family/school pressures). The other young woman remains with us and is due to complete her placement in February. She has been supervised by two female role models at the White Chapel Building and White Collar Factory</li> <li>Four female employees took part in a career's carousel at Parliament Hill School (a secondary school for girls). The event was organised by Inspire! and aimed to challenge stereotypes</li> </ul>	<ul style="list-style-type: none"> <li>Participate in a further careers event during 2020</li> <li>Continue to have gender balance within our internships and work placements</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 2020. The Board's composition as at 1 January 2020 is shown on pages 109 and 119.

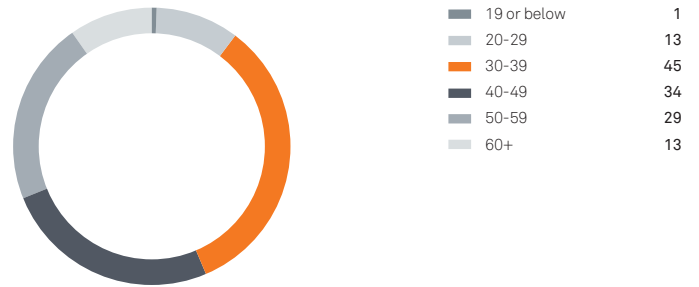
**Length of service**

Years



**Employees by age**

Years

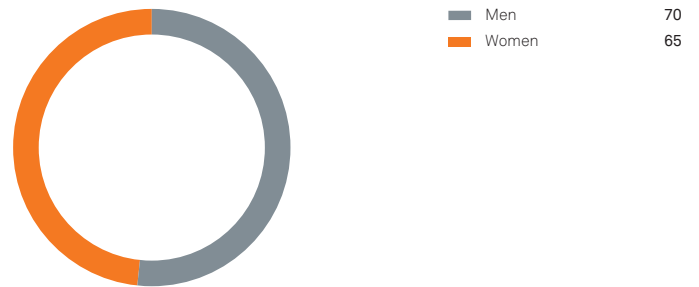


**Headcount by department**



**Gender diversity**  
(inc. Board of Directors)

Number



**p.119** Gender diversity of the Board and Executive Committee

**Ethnic origin**

Number

