REMUNERATION COMMITTEE REPORT

Claudia Arney
Chair of the Remuneration Committee

2020 FOCUS AREAS

- Ensure the 2020 Remuneration Policy is effectively implemented following shareholder approval in May 2020
- Continue to keep wider workforce remuneration arrangements under review, taking these into account when considering remuneration arrangements for Executive Directors
- Continue to keep under review the effectiveness and relevance of performance conditions and comparator groups for variable remuneration

STRUCTURE

ANNUAL STATEMENT

Dear Shareholder,

As chair of the Remuneration Committee and on behalf of the Board, I am pleased to present our report on Directors' remuneration for 2019.

Linking Executive Directors' remuneration with our purpose and strategy

Our Remuneration Policy is designed to be simple and transparent and to promote effective stewardship that is vital to the delivery of the Group's purpose – to help improve and upgrade the stock of our office space in central London, providing above average long-term returns to our shareholders while bringing social and economic benefits to all our stakeholders.

Success against our strategic objectives is measured using our KPIs, which are largely embedded within the executive remuneration framework as illustrated by the chart on page 142.

Derwent London values openness and transparency. To this end, and mindful of media and societal focus regarding executive pay, the Committee strives to provide clarity on how pay and performance is reported at Derwent London and how decisions made by the Committee support the strategic direction of the Group. Our decision to renew the Remuneration Policy on broadly the same basis as before (see below) is, in part, based on the belief that the current arrangements are well understood by both internal and external stakeholders.

Performance outcomes in 2019

The Group has delivered sustained and strong returns to shareholders, despite continued economic uncertainty. As noted on page 160, a £100 investment in Derwent London shares at the start of 2010 would have generated a return (including reinvestment of dividends) of just under £373 in 10 years compared to the FTSE 350 Supersector Real Estate Index with a return of £249.

In 2019, the Group has delivered another year of strong financial and operating performance as outlined in the Strategic report. Notably, the Group has achieved a total property return of 7.4% and a total return of 6.6%. Taking into account our financial performance both in absolute terms and relative to REIT peer groups, as well as performance against strategic objectives, the Committee has approved the following incentive outcomes for 2019:

- an annual bonus vesting of 145.46% of base salary equivalent to 97% of maximum (see page 156).
- a PSP award vesting of 65.75% of maximum (see page 158).

The Committee considers that the annual bonus and PSP award vesting outcomes fairly represent the Group's underlying business performance and return to shareholders and no discretion has been exercised in relation to outcomes.

Remuneration Policy review

Our current Remuneration Policy, which was approved by shareholders at our 2017 AGM (with a vote in favour of 98.4%), is approaching the end of its three-year term. During 2019, the Committee conducted a comprehensive review of its executive remuneration framework which included consultation with 20 major shareholders (representing approximately 68% of our issued share capital) and three proxy voting agencies.

The Committee concluded that the Remuneration Policy continues to support the delivery of business strategy and the creation of shareholder value and, following consultation, we are not proposing any significant changes to the framework. The proposed policy refinements (see page 146) take account of changes to the UK Corporate Governance Code, feedback from shareholders and ensure that there is sufficient flexibility over the next three years to support the execution of strategy.

In particular, in response to specific shareholder feedback, the Committee, with the executives' agreement, plans to reduce the level of pensions for the current Executive Directors from 20%/21% of salary to 15% of salary by 1 January 2022, which is aligned with wider workforce levels. From 1 January 2020 pension allowance for all Executive Directors will be 20% of salary, this will be reduced to 17.5% of salary from 1 January 2021, and further reduced to 15% of salary from 1 January 2022. The Committee appreciates the rapidly evolving environment around pensions and believes that the proposed reduction demonstrates how seriously we take the view of shareholders on such issues.

An overview of the proposed changes and how they compare to the current Policy are summarised in the table below.

Executive pay and responsibilities
Following his succession to CEO, Paul Williams restructured the executive team, which resulted in a reduction in the number of Executive Directors from six to five and an increase in the size of roles and responsibilities for certain Executive Directors (see page 155).

After careful consideration, the Committee awarded Nigel George, David Silverman and Damian Wisniewski each an 8.6% salary increase to take account of the additional roles and responsibilities. The salary increases were effective from 17 June 2019, being the date that the restructure and other organisation changes were communicated to the workforce. Their salaries have therefore been increased from £442,000 to £480,000 per annum.

The three Executive Directors did not receive a salary increase on 1 January 2020 and therefore the increase outlined above is inclusive of their normal annual increase for 2020.

The increase in relation to the Executive Directors' additional responsibilities is therefore considered to be approximately 5.6% after taking into account a 3% annual increase. The average 2020 salary increase for the wider workforce was 7%.

Paul Williams and Simon Silver also did not receive a salary increase on 1 January 2020 and their base salaries remain £600,000 and £581,000 per annum, respectively.

Implementation of incentives in 2020
Annual bonus and PSP opportunities and performance measures remain unchanged for 2020. Some changes have been made to strategic targets which make up 25% of the bonus to reflect our evolving strategic priorities. These changes include an increase in the weighting on sustainability linked measures (see page 157).

On an annual basis, the Committee conducts a critical assessment of the performance targets and comparator groups used for the annual bonus and PSP. The Committee proposes to reduce the total property return targets for maximum vesting under the annual bonus and PSP from index +3% pa to index +2% pa. This is to ensure that the targets reflect a fair and appropriate level of stretch taking into account internal growth forecasts and the current and expected economic climate. This change brings our targets more in line with targets at comparable companies. The Committee consulted extensively with shareholders regarding this change and there was a strong level of support. Further information is available on page 146.

Conclusion
I look forward to receiving your support at our 2020 AGM on Friday 15 May, where I will be available to respond to any questions shareholders may have on this report, our refined Remuneration Policy or in relation to any of the Committee activities.

In the meantime, if you would like to discuss any aspect of our Remuneration Policy, please feel free to contact me through David Lawler, the Company Secretary, (telephone: +44 (0)20 7659 3000 or email: company.secretary@derwentlondon.com)

Claudia Arney
Chair of the Remuneration Committee
25 February 2020

Summary of proposed changes

Element	2017 Remuneration Policy	2020 Remuneration Policy
Maximum pension opportunity reduced for current Executive Directors and new hires	Up to 21% of salary.	Current Executive Directors: phased reduction over the next two years such that contributions are aligned with the wider workforce levels by 1 January 2022 (15% of salary). New appointment: pension contributions aligned with the wider workforce levels (15% of salary).
Extending the time horizon for annual bonus deferral	Amounts in excess of 100% of salary are deferred into shares, of which 50% are released after one year and the balance after two years subject to continued employment.	Amounts in excess of 100% of salary are deferred into shares, which are released after three years subject to continued employment.
Strengthening annual bonus and PSP malus and clawback provisions	Material misstatement of financial results, an error in assessing performance metrics which has led to an overpayment, and dismissal due to gross misconduct.	Serious reputational damage and corporate failure, in addition to the current circumstances.
Introducing post-employment shareholding guidelines	No guideline.	Executive Directors are required to retain a shareholding equal to: • 200% of salary (or actual shareholding at the point of departure if lower) for the first 12 months following stepping down as an Executive Director; • 100% of salary (or actual shareholding at the point of departure if lower) for the subsequent 12 months. The guideline will apply to all shares acquired pursuant to the exercise of deferred bonus and performance share plan awards after 1 January 2020. The guideline will not apply to shares purchased by Executive Directors.

REMUNERATION AT A GLANCE

To incentivise our employees to achieve our strategy, we provide market competitive remuneration which is both transparent and aligned with our culture.

WIDER EMPLOYEE CONSIDERATIONS

The Committee considers pay policies and practices for employees across the Group when making remuneration decisions for Executive Directors.

+7%

Average increase to our employees' base salaries effective from 1 January 2020 (excluding, Directors)

100%

Percentage of eligible workforce who received an annual bonus in respect of 2019 performance

31:1

CEO pay ratio (CEO: Median employee pay)

£89k

Total remuneration of the median employee

REMUNERATION POLICY AND STRUCTURE SUMMARY

Component	Key features
Base salary and benefits	Attract and retain high calibre executives
Pension	Currently up to 21% of salary Reduce to 15% of salary by 1 January 2022 (in line with wider workforce levels)
Annual bonus • 37.5% Relative TR • 37.5% Relative TPR • 25% Strategic	Maximum opportunity of 150% of salary Linked to key financial and strategic KPIs Any bonus earned in excess of 100% of salary is deferred into shares over three years
LTIP • 50% Relative TSR • 50% Relative TPR	Maximum opportunity of 200% of salary Linked to key financial KPIs Three-year performance period plus two-year holding period
Shareholding guidelines	200% of salary for all executives Guideline is met by all executives Post-employment guidelines apply

Notes:
(i) Strong link between performance against strategy and KPIs and reward
(ii) Supports long-term stewardship
(iii) Takes into account risk management

REWARD LINKED TO PERFORMANCE

Annual bonus earned by Executive Directors

Measure		Threshold	Maximum	Actual	Bonus earned (% max)
Relative TR	37.5%	-2.7	6.3	6.6	37.5
Relative TPR	37.5%	4.1	7.1	7.4	37.5
Strategic	25%				22.0
Total					**97.0**

PSP earned by Executive Directors

Measure		Threshold	Maximum	Actual	PSP earned (% max)
Relative TSR	50%	36.4	74.7	60.3	37.20
Relative TPR	50%	5.8	8.8	7.1	28.55
Total					**65.75**

The Committee considers that the annual bonus and PSP award vesting outcomes fairly represent the Group's underlying business performance and return to shareholders.

HOW OUR KPIs ARE EMBEDDED WITHIN THE EXECUTIVE REMUNERATION FRAMEWORK

Financial KPIs

Operational measures	
Total return	TR
Total property return	TPR
Total shareholder return	TSR
EPRA earnings per share	

Gearing measures
Gearing and available resources
Interest cover ratio

Performance measures

Annual bonus	
Relative total return (37.5%)	TR
Relative total property return (37.5%)	TPR
Strategic (25%)	S

PSP	
Relative total property return (50%)	TPR
Relative TSR (50%)	TSR

Performance against all KPIs is taken into account when assessing underlying business performance

Non-financial KPIs

Operational measures	
Reversionary percentage	
Development potential	S
Tenant retention	
Void management	S

Responsibility measures	
BREEAM	S
EPC	
Carbon intensity	S
Staff satisfaction	S

DIRECTORS' REMUNERATION POLICY

The following part of the report sets out the Remuneration Policy for the Group ('Policy'). This Policy will be put forward to shareholders for their binding approval at the AGM on 15 May 2020 and will apply to payments made from this date. Further details regarding the operation of the Policy for the 2020 financial year can be found on pages 150 to 165.

Executive Director policy table

The policy table below sets out the key elements of the remuneration package for Executive Directors.

Element	Purpose and link to strategy	How operated	Maximum opportunity	Performance measures
Base salary	To recruit, retain and motivate high calibre executives. Reflects experience and importance to the business.	Normally reviewed annually. Any increase is normally effective from 1 January. Factors taken into account in the review include: • the role, experience and performance of the individual and the Company; • economic conditions; • pay and conditions throughout the business; and • practice in companies with similar business characteristics.	While there is no maximum salary or salary increase, increases will normally be consistent with the policy applied to the workforce generally (in percentage of salary terms). Increases above this level may be awarded in certain circumstances such as, but not limited to: • where there is a change in role or responsibility; • an Executive Director's development or performance in role (e.g. to align a new hire's salary with the market over time); and • where there is a significant change in the size and/or complexity of the Group.	A broad assessment of personal and corporate performance is considered as part of the salary review.
Benefits	To provide a market competitive benefits package to help recruit and retain high calibre executives and to support their wellbeing.	Benefits include, but are not limited to, private medical insurance, car and fuel allowance and life assurance. Executive Directors may participate in the Sharesave Plan and any other all-employee plans on the same basis as other employees up to HMRC approved limits. In certain circumstances, the Committee may also approve additional one-off or ongoing allowances or benefits relating to the relocation of an Executive Director as may be required to perform the role. The Committee has the ability to reimburse reasonable business-related expenses and any tax thereon. The Committee may introduce other benefits if it is considered appropriate to do so.	Whilst there is no prescribed maximum cost of providing benefits, the value of benefits is set at a level which the Committee considers to be appropriate taking into account the overall cost to the Company in securing the benefits, individual circumstances, benefits provided to the wider workforce and market practice.	None.
Pension	To provide an appropriate level of retirement benefit.	The Company operates a defined contribution pension scheme. Executive Directors may receive cash payments in lieu of contributions (e.g. where contributions would exceed either the lifetime or annual contribution limits).	The maximum Company contribution or cash supplement (or a mix of both) for current Executive Directors will be aligned with the contribution available to the wider workforce over a two-year phased approach, as follows: • From 1 January 2020, 20% of salary; • From 1 January 2021, 17.5% of salary; and • From 1 January 2022 ,15% of salary. The maximum Company contribution (or cash payment in lieu) for a newly appointed Executive Director will be aligned with the contribution available to wider workforce (currently 15% of salary).	None.

REMUNERATION COMMITTEE REPORT CONTINUED

Element	Purpose and link to strategy	How operated	Maximum opportunity	Performance measures
Annual bonus	To incentivise the annual delivery of stretching financial targets and strategic goals. Financial performance measures reflect KPIs of the business.	Bonus awards are based on performance measures set by the Committee (typically measured over a financial year) against key financial measures and strategic objectives, and continued employment. Bonuses up to 100% of salary are paid as cash. Amounts in excess of 100% are deferred into shares for three years subject to continued employment. The Committee may decide to pay the entire bonus in cash where the amount to be deferred into shares would, in the opinion of the Committee, be so small it is administratively burdensome to apply deferral. Dividend equivalents may accrue on deferred shares. Such amounts will normally be paid in shares. Malus and clawback provisions apply (see table on page 145). The Committee has discretion to adjust the payment outcome if it is not deemed to reflect the underlying financial or non-financial performance of the business, the performance of the individual or the experience of shareholders or other stakeholders over the performance period.	Maximum opportunity of up to 150% of salary may be awarded in respect of a financial year.	At least 75% of the annual bonus will be based on financial measures with up to 25% based on strategic objectives. **Financial measures** Up to 22.5% of each bonus element will be payable for threshold performance, with full payout for maximum performance. No amount is payable for achieving below threshold performance. **Strategic objectives** Vesting will apply on a scale between 0% and 100% based on the Committee's assessment of the extent to which performance against the strategic objectives has been met.
Long-term incentives	To align the long term interests of the executives with those of the Group's shareholders. To incentivise value creation over the long-term and support stewardship.	Award of performance shares which vest after three years subject to performance measures set by the Committee and continued employment. Awards will be subject to a two-year post-vesting holding period. Dividend equivalents may accrue on performance shares. Such amounts will normally be paid in shares. Malus and clawback provisions apply (see table on page 145). The Committee has discretion to adjust the vesting outcome if it is not deemed to reflect appropriately the underlying financial or non-financial performance of the business, the performance of the individual or the experience of shareholders or other stakeholders over the performance period.	Maximum opportunity of up to 200% of salary may be awarded in respect of a financial year.	Performance measures are reviewed annually reflecting the Group's strategy and KPIs. At least one third of an award will normally be based on Total Shareholder Return (TSR). Up to 22.5% of each element of an award vests for achieving threshold performance, with full vesting for achieving maximum performance. No award vests for achieving below threshold performance.

Information supporting the Policy

Malus and clawback

Malus and clawback provisions apply to annual bonus, deferred bonus and performance shares over the following time periods:

	Malus	Clawback
Annual bonus	To such time as payment is made.	Up to two years following payment.
Deferred bonus	To such time as the award vests.	No clawback provisions apply (as malus provisions apply for three years from the date of award).
Performance shares	To such time as the award vests.	Up to two years following vesting.

Malus and clawback may apply in the following circumstances:

1. Material misstatement of financial results.
2. An error in assessing performance conditions which has led to an overpayment.
3. Dismissal due to gross misconduct.
4. Serious reputational damage (for awards granted in 2020 onwards).
5. Corporate failure (for awards granted in 2020 onwards).

Choice of performance measures

The performance measures used for annual bonus and PSP awards reflect the short- and long-term financial and strategic priorities of the business, and are aligned with performance measures used by our real estate sector peers. Stretching performance targets are set each year for the annual bonus and PSP awards. Maximum vesting will only occur for what the Committee considers to be outstanding performance.

A significant proportion of annual bonus and PSP awards are subject to performance relative to the real estate sector. This helps support an incentive framework whereby Executive Directors may be fairly and equitably rewarded for outperforming peers and delivering shareholder value in a cyclical market.

Details of the performance measures for the 2020 annual bonus and PSP awards are set out on page 153.

The Committee retains the ability to adjust or set different performance measures or targets if events occur (such as a change in strategy, a material acquisition and/or divestment of a Group business or a change in prevailing market conditions) which cause the Committee to determine that the performance measures and/or targets are no longer appropriate and the amendment is required so that they achieve their original purpose and are not materially less difficult to satisfy.

Share awards may be adjusted in the event of a variation of share capital or a demerger, delisting, special dividend or other event that may affect the Company's share price.

Legacy arrangements

The Committee retains discretion to make any remuneration payment and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) which are outside of Policy set out here:

- Where the terms of the payment were agreed before 16 May 2014 (the date the Company's first shareholder-approved policy came into force) or this Policy came into effect (provided that the terms of the payment were consistent with the shareholder approved Directors' Remuneration Policy in force at the time they were agreed).
- Where the terms of the payment were agreed at a time when the relevant individual was not a Director of the Company (or other persons to whom the Policy set out above applies), and in the opinion of the Committee, the payment was not in consideration of the individual becoming a Director of the Company or such other person.
- To satisfy contractual arrangements under legacy remuneration arrangements.

For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' no later than at the time the award is granted. This Policy applies equally to any individual who is required to be treated as a Director under the applicable regulations.

REMUNERATION COMMITTEE REPORT CONTINUED

Changes to the Directors' Remuneration Policy and summary of decision-making process

The Committee has undertaken a comprehensive review of the executive remuneration framework and concluded that it continues to support the delivery of our business strategy and the creation of shareholder value. Consequently, we are not proposing any significant changes to the framework. The proposed Policy refinements therefore take account of changes to the UK Corporate Governance Code and ensure that there is sufficient flexibility over the next three years to support the execution of strategy.

In determining the Policy the Committee followed a robust process which included discussions on the content of the Policy at five Remuneration Committee meetings. The Committee considered input from Management and our independent advisers, and consulted with major shareholders. The key changes are as follows:

- **Pension provision:** pension contribution or allowance for a newly appointed Executive Director has been aligned with the contribution available to the majority of the wider workforce (currently 15% of salary). Pension allowances for current Executive Directors will be aligned to the contribution available to the wider workforce over a two-year phased approach (see page 141).
- **Annual bonus deferral:** under the Policy, Executive Directors are to defer any amounts earned above 100% of salary into shares, but the shares will only be released after three years subject to continued employment (under the 2017 Policy, shares are released 50% after one year and 50% after two years).
- **Post-employment shareholding guideline:** the Committee has implemented a post-employment shareholding guideline.
- **Malus and clawback:** the circumstances in which malus and clawback may apply to annual bonus and PSP awards have been expanded to include serious reputational damage and corporate failure, therefore providing alignment with best practice.
- **Other:** other minor changes have been made to the wording of the Policy to simplify and aid its operation and to increase clarity.

Shareholding guidelines

Within-employment: Executive Directors are expected to build up and retain a shareholding equal to 200% of salary. Until the shareholding guideline is met, 50% of any deferred bonus awards or PSP awards vesting (net of tax) normally must be retained.

Post-employment: Executive Directors who step down from the Board following 1 January 2020 are required to retain a holding in 'guideline shares' equal to:

- 200% of salary (or their actual shareholding at the point of departure if lower) for the first 12 months following stepping down as an Executive Director.
- 100% of salary (or their actual shareholding at the point of departure if lower) for the subsequent 12 months.

'Guideline shares' do not include shares that the Executive Director has purchased or which have been acquired pursuant to deferred share awards or PSP awards which vested before 1 January 2020. Unless the Committee determines otherwise, an Executive Director or former Executive Director shall be deemed to have disposed of shares which are not 'guideline shares' before 'guideline shares'.

REMUNERATION POLICY - FACTORING OUR STAKEHOLDERS INTO OUR DECISIONS

How the pay of employees is taken into account and how it compares to the Executive Director Remuneration Policy

While the Company does not formally consult employees on remuneration in determining the Remuneration Policy for Executive Directors, the Committee does take into account the policy for employees across the workforce. In particular, when setting base salaries for Executive Directors, the Committee compares the salary increases with those for the workforce as a whole.

As part of the Committee's review of executive remuneration, it was noted that although a significant proportion of the workforce received pension contributions of 15% of salary, it was not all employees. The Committee agreed that with effect from 1 January 2020, all employees would receive pension contributions of 15% of salary.

The overall Remuneration Policy for Executive Directors is broadly consistent with the remainder of the workforce. The Company operates both bonus and share plan schemes for employees (albeit at lower quantum and subject to performance criteria more appropriate for their role) which are similar to those of the Executive Directors.

For further details of our approach to setting remuneration throughout the Group and our approach to ensuring that the 'employee voice' is heard on a range of issues in the boardroom please see page 151 of the Annual report on remuneration and page 104 of the Strategic report.

How the views of shareholders are taken into account

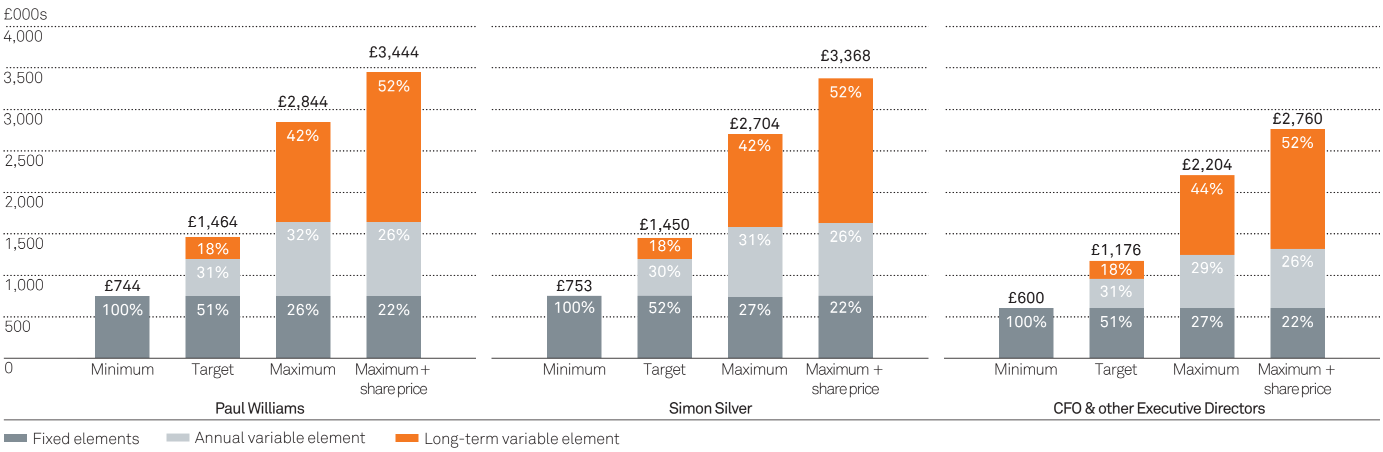
The Committee actively seeks dialogue with shareholders and values their input. A comprehensive shareholder consultation was undertaken in formulating the Company's revised Remuneration Policy. The Committee carefully considered the feedback received from major shareholders and proxy voting agencies as part of the Remuneration Policy review. Following specific feedback, the Committee altered its policy in respect of executive pension contributions so that by 1 January 2022, pension contributions for Executive Directors would be aligned with the entire workforce (further information on page 141).

On an ongoing basis, any feedback received from shareholders is considered as part of the Committee's annual review of remuneration. The Committee will also discuss voting outcomes at the relevant Committee meeting and will consult with shareholders if and when making any significant changes to the way the Remuneration Policy is implemented.

p.95 The section 172(1) statement

Remuneration scenarios for Executive Directors

The Committee aims to provide a significant part of the Executive Directors' total remuneration through variable pay and the following diagram illustrates the remuneration opportunity provided to the Executive Directors for various indicative levels of performance.



For the purpose of this analysis, the following assumptions have been made:

Minimum performance	• Fixed remuneration only
On target performance	• Fixed remuneration • 50% of the annual bonus is earned • 22.5% of the PSP vests
Maximum performance	• Fixed remuneration • 100% of the annual bonus is earned • 100% of the PSP vests
Maximum performance + 50% share price growth	• As per the maximum performance illustration, but also assumes for the purposes of the PSP that share price increases by 50% over the performance period.

Notes:
(i) 'Fixed remuneration' includes salary, pension and other benefits.
(ii) Salary levels applying on 1 January 2020.
(iii) Pension is based on the salary and pension policy applying from 1 January 2020.
(iv) Benefit levels are assumed to be the same as disclosed in the single figure for 2019.

Non-Executive Director policy table

The policy table below sets out the key elements of the remuneration package for Non-Executive Directors.

	Operation	Determination of fees
Chairman	The remuneration of the Chairman is set by the Board (excluding the Chairman). The Chairman receives an annual fee and benefits limited to the use of a driver, a secretarial provision and office costs. Non-significant benefits may be provided if considered appropriate. The Chairman does not receive pension or participate in incentive arrangements.	Fees are set taking into account: • The time commitment and responsibilities expected for the roles. • Practice in companies with similar business characteristics. Fees are reviewed periodically. Overall fees paid to the Chair and Non-Executive Directors will remain within the limits set by the Company's Articles of Association.
Non-Executive Directors	The remuneration for Non-Executive Directors is set by the Executive Directors. Non-Executive Directors receive a base fee plus additional fees for Committee chairship, Committee membership and for the Senior Independent Director. Additional fees may be paid to reflect additional Board or Committee responsibilities as appropriate. Non-Executive Directors may be eligible to receive benefits including but not limited to secretarial provision and travel costs. Non-Executive Directors do not receive pension contributions or participate in incentive arrangements.	

REMUNERATION COMMITTEE REPORT CONTINUED

Service contracts and compensation for loss of office

Executive Directors' service contracts do not have a fixed expiry date, however, they are terminable either by the Company providing 12 months' notice or by the executive providing six months' notice. Further details are set out in the Annual report on remuneration on page 152.

The principles on which the determination of compensation for loss of office will be approached are set out below.

	Policy
Payments in lieu of notice	Service contracts include a payment in lieu of notice clause which provides for monthly phased payments throughout the notice period which include pro-rated salary, benefits and pension only. Payments in lieu of notice are subject to mitigation.
Annual bonus	The extent to which any bonus will be paid out will be determined in accordance with the annual bonus plan rules. Executive Directors must normally be in employment on the payment date to receive an annual bonus. However, if an Executive Director leaves as a 'good leaver', the Executive Director will normally be considered for a bonus payment. It is the Committee's policy to ensure that any bonus payment reflects the departing Executive Director's performance. Unless the Committee determines otherwise, any bonus payment will be paid at the usual time following the determination of performance measures and be subject to a pro rata reduction for time served during the performance period.
Deferred bonus shares	The extent to which any unvested awards will vest will be determined in accordance with the deferred bonus plan rules. Unvested awards will normally lapse on cessation of employment. However, if an Executive Director leaves as a 'good leaver', the awards will continue and will vest at the normal vesting date. In exceptional circumstances, the Committee may decide that the Executive Director's deferred share awards will vest at the date of cessation of employment.
PSP	The extent to which any unvested awards will vest will be determined in accordance with the PSP rules. Unvested awards will normally lapse on cessation of employment. However, if an Executive Director leaves as a 'good leaver', the unvested awards will continue and will remain capable of vesting at the normal vesting date. To the extent that the awards vest, a two-year holding period would then normally apply. In exceptional circumstances, the Committee may decide that the Executive Director's awards will vest and be released early at the date of cessation of employment or at some other time (e.g. following the end of the performance period). In either case, vesting will depend on the extent to which the performance measures have been satisfied and will be subject to a pro rata reduction of the awards for time served from the grant date to the date of cessation of employment (although the Committee has discretion to disapply time pro rating if the circumstances warrant it). If an Executive Director leaves for any reason (other than summary dismissal) after an award has vested but before it has been released (i.e. during a holding period), their award will ordinarily continue to be released at the normal release date. In exceptional circumstances, the Committee may decide that the participant's award will be released early at the date of cessation of employment.
Change of control	Deferred bonus shares will vest in full in the event of a change of control or substantial exit. PSP awards will vest early in the event of change of control or substantial exit. The level of vesting will be determined taking into account the extent to which performance measures are satisfied at the date of the relevant event and, unless the Committee determines otherwise, awards will be pro rated for time served from the grant date to the date of the relevant event.
Other payments	In appropriate circumstances, payments may also be made in respect of accrued holiday, outplacement and legal fees. Awards under the Sharesave Plan may vest and, where relevant, be exercised in the event of cessation of employment or change of control in accordance with the Sharesave Plan rules. The terms applying to any buyout awards on cessation of employment or change of control would be determined when the award is granted. Such terms would normally be consistent with the principles outlined above. The Committee reserves the right to make payments by way of settlement of any claim arising in connection with the cessation of employment.

'Good leavers' includes: cessation of employment by reason of death, retirement, injury, ill health, disability, redundancy, transfer of employment outside of the Group, or any other reason as determined by the Committee.

Chair and Non-Executive Directors
John Burns was appointed to the role of Non-Executive Chairman on 17 May 2019 for a fixed period of two years and will step down from the Board during 2021. The Non-Executive Directors do not have service contracts but are appointed for initial three-year terms which thereafter may be extended, subject to re-election at each AGM. Details are set out in the Annual report on remuneration on page 152.

External appointments
Executive Directors may accept a non-executive role at another company with the approval of the Board (see page 110). The Executive Director is entitled to retain any fees paid for these services.

Recruitment and promotion policy
The remuneration of a new Executive Director will normally include salary, benefits, pension and participation in the annual bonus and PSP arrangements in accordance with the policy for Executive Directors' remuneration. In addition, the Committee has discretion to include any other remuneration component or award which it feels is appropriate taking into account the specific circumstances of the recruitment, subject to the principles and limits set out below. The key terms and rationale for any such component would be disclosed as appropriate in the Directors' remuneration report for the relevant year.

	Policy
Salary	Salary will be set taking into account the individual's experience and skills, prevailing market rates in companies of comparable size and complexity and internal relativities. Where appropriate the Committee may set the initial salary below the market level (e.g. if the individual has limited PLC Board experience or is new to the role), with the intention to make phased pay increases over a number of years, which may be above those of the wider workforce, to achieve the desired market positioning. These increases will be subject to continued development in the role.
Buy-out awards	Where an individual forfeits outstanding variable pay opportunities or contractual rights at a previous employer as a result of appointment, the Committee may offer compensatory payments or awards, in such form as the Committee considers appropriate, taking into account all relevant factors including the form of awards, expected value and vesting time frame of forfeited opportunities. When determining any such 'buyout', the guiding principle would be that awards would generally be on a 'like-for-like' basis unless this is considered by the Committee not to be practical or appropriate. Where possible the buyout award will be accommodated under the Company's existing incentive plans, but it may be necessary to utilise the exemption provided in the Listing Rules. Shareholders will be informed of any such payments in the following year's Annual report on remuneration.
Maximum level of variable remuneration	The Committee will not offer non-performance-related variable remuneration and the maximum level of variable remuneration which may be granted (excluding buyout awards) is 350% of salary, which is in line with the current maximum limit under the annual bonus and PSP.
Other elements of remuneration	Other elements may be included in the following circumstances: • An interim appointment being made to fill an Executive Director role on a short-term basis. • If exceptional circumstances require that the Chair or a Non-Executive Director takes on an executive function on a short-term basis. • If an Executive Director is recruited at a time in the year when it would be inappropriate to provide an annual bonus or PSP award for that year. Subject to the limit on variable remuneration set out above, the quantum in respect of the period employed during the year may be transferred to the subsequent year. • If the Executive Director is required to relocate, reasonable relocation, travel and subsistence payments may be provided (either via one-off or ongoing payments or benefits).

In the case of an internal appointment, any ongoing remuneration obligations or variable pay element awarded in respect of the prior role shall be allowed to continue according to its original terms, adjusted as relevant to take into account the appointment.

Fees payable to a newly appointed Chair or Non-Executive Director will be in line with the fee policy in place at the time of appointment.

REMUNERATION COMMITTEE REPORT CONTINUED

ANNUAL REPORT ON REMUNERATION

This part of the Directors' remuneration report explains how we have implemented our Remuneration Policy during 2019. The Remuneration Policy in place for the year was approved by shareholders at the 2017 AGM and is available to download on our website at: www.derwentlondon.com/investors/governance/board-committees

This Annual report on remuneration will be subject to an advisory vote at our 2020 AGM on 15 May 2020.

Role of the Remuneration Committee

The role of the Committee is to determine and recommend to the Board the Remuneration Policy for Executive Directors, and set the remuneration for the Chair, Executive Directors and senior management (including the Company Secretary). In doing so, the Committee ensures that the Remuneration Policy is aligned with the Company's key remuneration principles as well as taking into account the principles of clarity, simplicity, risk, predictability, proportionality and alignment to culture set out in the 2018 UK Corporate Governance Code.

Attract, retain and motivate	Support an effective pay for performance culture which enables the Company to attract, retain and motivate Executive Directors who have the skills and experience necessary to deliver the Group's purpose of helping to improve and upgrade the stock of office space in central London, providing above average long-term returns to our shareholders while bringing social and economic benefits to all our stakeholders. External market practice is considered when determining the Directors' Remuneration Policy.
Clarity and simplicity	Ensure that remuneration arrangements are simple and transparent to key stakeholders and take account of pay policies for the wider workforce. Details of the potential values that may be earned through the remuneration arrangements are set out in the Remuneration Policy.
Alignment to strategy and culture	Align remuneration with the Group's objectives and long-term strategy and reflect our culture through a balanced mix of short- and long-term performance-related pay and ensure that performance metrics remain effectively aligned with strategy.
Risk management	Promote long-term sustainable performance through sufficiently stretching performance targets, whilst ensuring that the incentive framework does not encourage Executive Directors to operate outside the Group's risk appetite (see page 132). Malus and clawback provisions apply to annual bonus and PSP awards, and the Committee has the means to apply discretion and judgement to vesting outcomes.
Stewardship	Promote long-term shareholdings by Executive Directors that support alignment with long-term shareholder interests. Executive Directors are subject to within-employment and post-employment shareholding guidelines. Once PSP awards have vested there is a two-year holding period during which Executive Directors are not able to sell their shares to support sustainable decision making.
Proportionality and fairness	Total remuneration should fairly reflect the performance delivered by the Executive Directors and the Group. The Committee takes into account underlying business performance and the experience of shareholders and other stakeholders when determining vesting outcomes, ensuring that poor performance is not rewarded. The Committee considers the approach to wider workforce pay and policies when determining Directors' Remuneration Policy to ensure that it is appropriate in this context.

The terms of reference for the Committee can be found on the Company's website at: www.derwentlondon.com/investors/governance/board-committees and were last updated in February 2019.

Committee composition

None of the members who have served on the Committee during the year had any personal interest in the matters decided by the Committee and are all considered to be independent. The Company Secretary acted as Secretary to the Committee.

	Independent	Number of meetings	Attendance
Claudia Arney, Chair	Yes	5	100%
Simon Fraser	Yes	5	100%
Helen Gordon	Yes	5	100%
Lucinda Bell[i]	Yes	4	100%
Stephen Young[i]	Yes	1	100%

[i] Stephen Young attended all meetings until he stepped down from the Board on 17 May 2019. Lucinda Bell replaced Stephen Young as a member of the Remuneration Committee from 17 May 2019.

The Committee's composition, responsibilities and operation comply with the principles of good governance (as set out in the 2018 UK Corporate Governance Code), with the Listing Rules (of the FCA) and with the Companies Act 2006.

Committee performance evaluation

As part of the externally facilitated evaluation performed by The Effective Board LLP during Q4 2019 , the Committee's effectiveness was subject to review. It was concluded that the Committee worked effectively and no recommendations were raised (further information on page 113).

Advisers to the Committee

The Committee has authority to obtain the advice of external independent remuneration consultants. Deloitte have been retained as the Committee's principal consultants since July 2018, following a competitive tender process. Deloitte is one of the founding members of the Remuneration Consulting Group. The Committee has been fully briefed on Deloitte's compliance with the voluntary code of conduct in respect of the provision of remuneration consulting services.

During the year under review, Deloitte provided independent assistance to the Committee in respect of, among other things, the following matters:

- Performance assessment against annual bonus and PSP targets.
- Determining salaries for certain Executive Directors following a change to the organisational structure and an increase in their roles and responsibilities.
- Review of the Directors' Remuneration Policy.
- Market practice and corporate governance update.

The fees paid to Deloitte for their services to the Committee during the year, based on time and expenses, amounted to £64,350.

Deloitte also provided sustainability and health and safety audit assurance consultancy, corporate tax consultancy and employment tax consultancy services to the Group. The Committee took this work into account and due to the nature and extent of the work performed, concluded that it did not impair Deloitte's ability to advise the Committee objectively and free from influence. It is the view of the Committee that the Deloitte engagement team that provide remuneration advice to the Committee do not have connections with Derwent London or its Directors that may impair their independence. The Committee therefore deem Deloitte capable of providing appropriate, objective and independent advice.

Shareholder voting and engagement

The Committee's resolutions at the Company's 2017 AGM in respect of the Remuneration Policy and the 2019 AGM in respect of the Annual report on remuneration, received the following votes from shareholders:

	2019 AGM Annual report on remuneration		2017 AGM Remuneration Policy	
Votes cast in favour	92.8m	99.5%	82.7m	98.4%
Votes cast against	0.5m	0.5%	1.3m	1.6%
Votes withheld	4.2m	4.3%	0.1m	0.1%
Total votes cast (including withheld)	97.5m	–	84.1m	–

The Committee was extremely pleased with the level of shareholder support at the 2019 AGM; further information on page 169.

The Committee encourages ongoing, open and constructive dialogue with shareholders and their representative bodies. During the year, the Committee consulted with major shareholders on changes to the Remuneration Policy and total property return performance targets. The Committee is very appreciative of the time taken by shareholders to provide their feedback which was taken into account in finalising the changes set out in this report.

Wider workforce considerations

When making remuneration decisions for Executive Directors, the Committee considers pay policies and practices across the wider workforce.

We value and appreciate our employees and aim to provide market competitive remuneration and benefit packages in order to continue to be seen as an employer of choice. The remuneration structure for our wider workforce is similar to that of our Executive Directors and contains both fixed and performance-based elements. Base salaries are reviewed annually and any increases become effective from 1 January.

The Committee is kept informed of salary increases for the wider workforce, as well as any significant changes in practice or policy.

We enrol all of our employees into an annual discretionary bonus scheme. Our approach is to reward our employees based on their individual performance and their contribution to the performance of the Group. In 2019, 100% of our workforce below Board level (not subject to probation) received an annual bonus (2018: 100%).

All employees are eligible to participate in our non-contributory occupational pension scheme operated as a Master Trust with Fidelity (further information on page 48). Fidelity offer all employees who are members of the pension scheme, ongoing support and training opportunities in respect of their pension and investments.

From 1 January 2020, all employees are eligible to receive an employer pension contribution equal to 15% of salary per annum.

In addition, our employees are invited into a non-contractual healthcare cash plan which offers an affordable way to help with everyday healthcare costs. Further information on our benefit package is available on page 84.

In order to align the interests of our employees and those of our shareholders, we operate an Employee Share Option Plan (ESOP). Employees, excluding the Directors, are eligible to join the ESOP subject to performance. The ESOP grants options which are exercisable after three years at a pre-agreed option price. In 2019, we granted 142,900 options to 72% of our workforce below the Board and Executive Committee.

In addition, to encourage Group-wide share ownership, the Company operates a HMRC tax efficient Sharesave Plan which was approved by shareholders at the 2018 AGM. The first grant under the Sharesave Plan was made on 30 April 2019 with a take-up rate of 70.6% of employees saving on average £182 per month (further information on page 159). Our communications approach was recognised by ProShare who awarded us 'Most Effective Communication of an Employee Share Plan (up to 500 employees)' at the ProShare 2019 Award Ceremony. Our communication approach was focused on being inclusive and included face-to-face briefings, conference calls, an open-door policy by the company secretarial team for anyone with questions, out-of-hours meetings for staff on shifts, all with the aim of supplementing email and hard copy information packs.

We have an open, collaborative and inclusive management structure and engage regularly with our employees on a range of issues including the Group's approach to remuneration. We do this through an appraisal process, structured career conversations, employee surveys, our intranet site, Company presentations, awaydays and our wellbeing programme (see pages 18 to 19, 84 to 85 and 104). Employee engagement is frequently measured and we have a designated Non-Executive Director, Cilla Snowball, who chairs the Responsible Business Committee.

While during the year we have not specifically consulted with employees regarding executive remuneration arrangements, the Committee feels that there is sufficient channels by which employee feedback on a range of matters can be fed into the Board.

REMUNERATION COMMITTEE REPORT CONTINUED

Relative importance of the spend on pay

In order to give shareholders an understanding of how total expenditure on remuneration (for all employees) compares to certain core financial dispersals of the Company, the table below demonstrates the relative importance of the Company's spend on employee pay for the period 2018 to 2019.

£m	2019	2018	% change
Staff costs	27.8	24.2	14.9
Distributions to shareholders[i]	75.6	152.2	(50.3)
Net asset value attributable to equity shareholders[ii]	4,421	4,202	5.2

Notes:

(i) Distributions to shareholders in 2018 included the payment of a special dividend of 75.0 pence per ordinary share, paid on 8 June 2018. If the special dividend is excluded, the percentage change in distribution to shareholders from 2018 to 2019 is 10.0%.

(ii) Net asset value attributable to equity shareholders was chosen as it is a key determinate of the Group's total return and is used by management to measure our progress. Further information, including how this figure is calculated, is on page 68.

Outside appointments for Executive Directors

Executive Directors may accept a non-executive role at another company with the approval of the Board. The Executive Director is entitled to retain any fees paid for these services. During 2019, our Executive Directors did not receive fees for their external appointments. Further information on our Executive Directors' external appointments is provided on pages 98 to 99.

Payments to past Directors and for loss of office

No payments were made to past Directors or in respect of loss of office during 2019.

Service contracts and letters of appointment

Executive Directors

	Date of service contract	Notice period	Service contract expiry date
Paul Williams, CEO[i]	22 November 2018	12 months' notice to the Executive Director and 6 months' notice from the Executive Director	Rolling service contract with no fixed contract end date
Damian Wisniewski, CFO	10 July 2019		
Simon Silver	16 May 2014		
Nigel George	10 July 2019		
David Silverman	14 August 2019		

Note:

(i) Paul Williams entered into a new service contract dated 22 November 2018 which became effective from 17 May 2019 following his succession to Chief Executive.

Non-Executive Directors

The Non-Executive Directors listed below do not have service contracts but are appointed for initial three-year terms which thereafter may be extended, subject to re-election at each AGM.

	Appointment date to the Board	Current tenure as at 1 January 2020	Date of latest appointment letter	Appointment letter expiry date
John Burns[i]	25 May 1984	35 years, 7 months	17 May 2019	14 May 2021
Simon Fraser	1 September 2012	7 years, 4 months	8 August 2018	1 September 2021
Richard Dakin	6 August 2013	6 years, 5 months	6 August 2019	6 August 2022
Claudia Arney	18 May 2015	4 years, 7 months	8 August 2018	31 May 2021
Cilla Snowball	1 September 2015	4 years, 4 months	8 August 2018	31 August 2021
Helen Gordon	1 January 2018	2 years	8 November 2017	1 January 2021
Lucinda Bell	1 January 2019	1 year	8 August 2018	1 January 2022

Note:

(i) John Burns was the appointed to the role of Non-Executive Chairman on 17 May 2019 for a fixed period of two years. John will step down as Non-Executive Chair during 2021, further information is available on page 116.

Implementation of Remuneration Policy for 2020

Base salary and fees

In light of the changes to salaries made during 2019, which are outlined on page 155, the Executive Directors did not receive a salary increase on 1 January 2020 (the wider workforce increase was 7%). Executive Directors will next be eligible for a salary increase with effect from 1 January 2021. There will be no change to the Non-Executive Director fees for the year ending 31 December 2020.

Benefits and pension

Benefits will continue to include a car and fuel allowance, private medical insurance and life assurance. Executive Directors' pension contributions will be reduced over the next two years to align with the pension contribution available to the wider workforce (currently at 15% of salary). From 1 January 2020, pension will be 20% of salary for all Executive Directors, with contributions being reduced to 17.5% of salary from 1 January 2021 and to 15% of salary from 1 January 2022.

Annual bonus
The maximum bonus potential for Executive Directors for 2020 is 150% of salary. In line with recent years, bonuses are subject to the following performance metrics:

Performance metric	Weighting	Targets
Total Property Return	37.5%	Performance measured against the MSCI IPD Central London Offices Total Return Index. Details of the targets are set out below.
Total Return	37.5%	Performance measured against a comparator group of real estate companies. Targets and amounts vesting for threshold and maximum performance are structured the same as in 2019 (see page 156). The comparator group constituents remain broadly the same as for 2019 (see page 156). The Committee has, however, decided to remove St Modwen Properties and Capital & Regional from the Comparator group. The Committee considered that St Modwen Properties and Capital & Regional are no longer of comparable size or operating in a comparable business area to be suitable peer constituents going forward. These companies will be replaced with Helical plc which the Committee considered to be a more appropriate comparator. The Committee will continue to keep the constituents of the comparator group under review each year to ensure it remains appropriate.
Strategic objectives	25%	The strategic targets for 2020 have been subject to a number of small changes to reflect our evolving strategic priorities. The weighting on sustainability linked measures has been increased (full details of the changes are in note iii on page 157).

Under the current policy, Executive Directors are required to defer any amounts earned above 100% of salary into shares, of which 50% are released after one year and the balance after two years subject to continued employment.

For annual bonuses earned in respect of 2020, Executive Directors will continue to be required to defer any amounts earned above 100% of salary into shares, these shares will only be released after three years subject to continued employment (under the 2017 Policy deferred shares are released 50% after one year and the balance after two years). This refinement simplifies the approach and extends the time horizon of the delivery of deferred shares.

Long-term incentives
The maximum PSP award potential for Executive Directors for 2020 is 200% of salary. In line with recent years, PSP awards are subject to the following performance metrics:

Performance metric	Weighting	Targets
Total Property Return	50%	Performance measured against the MSCI IPD All UK Property Total Return Index. Details of the targets are set out below.
Total Shareholder Return	50%	Performance measured against constituents of the FTSE 350 Super Sector Real Estate Index. Targets and amounts vesting for threshold and maximum performance are structured the same as in 2019 (see page 158).

Any vested PSP awards will be subject to a two-year post-vesting holding period (see page 158).

Total Property Return (TPR) targets
As part of the Remuneration Policy review, the Committee undertook a critical assessment of the Total Property Return targets for maximum vesting under the annual bonus and PSP, which have been set at Index +3% per annum in recent years.

Growth in the MSCI IPD Central London Offices and UK All Property Indexes has slowed considerably over the past four years. Forecast growth in the Indexes is also expected to be moderate over the next four years (less than 5% per annum). As the growth in the Indexes has slowed, this has had the effect of increasing the level of stretch of the target for maximum vesting as these are set on an absolute outperformance basis.

In light of this, the Committee has reduced the outperformance percentage required for maximum vesting to Index +2% per annum for both the annual bonus and PSP awards in 2020 (currently Index +3% per annum). The Committee strongly considers that these targets reflect a much fairer and appropriate level of stretch taking into account the Group's internal growth forecasts and the current and expected economic climate. The approach is also more consistent with that taken by our real estate peers. The Committee consulted extensively with shareholders regarding this change in targets and there was a strong level of support.

The table below sets out the Total Property Return targets for the annual bonus and PSP awards.

Annual bonus: TPR versus the MSCI IPD Central London Offices Total Return Index tested over the year ending 31 December 2020 **PSP award:** Annualised TPR versus the MSCI IPD UK All Property Total Return Index tested over the three-year performance period ending 31 December 2022	Vesting (% of TPR part of award)
Below Index	0%
Index	22.5%
Index + 2%	100%
Straight-line vesting occurs between these points	

Note that historically Total Return has been based on EPRA Net Asset Value. Following the change in the methodology published by EPRA, from 1 January 2020 Total Return will be calculated based on EPRA Net Tangible Assets (see note 39 on page 226). The Board believes that this definition is closely aligned with the previous definition used. The Committee will continue to keep the targets under review to ensure that they remain appropriate.

REMUNERATION COMMITTEE REPORT CONTINUED

Total remuneration in 2019

The table below sets out the remuneration paid to each Director for the financial years ended 31 December 2019 and 31 December 2018 as a single figure. A full breakdown of fixed pay and pay for performance in 2019 can be found on pages 155 to 159.

Executive Directors

	Fixed pay				Pay for performance					
					Bonus					
(£'000)	Salary	Taxable benefits	Pension and life assurance	Subtotal	Cash	Deferred	Performance LTIPs(i)(ii)(iii)	Subtotal	Other items in the nature of remuneration(iv)	Total remuneration
2019										
Paul Williams, CEO	543	24	123	690	543	247	811	1,601	2	2,293
Damian Wisniewski, CFO	463	23	102	588	463	210	811	1,484	2	2,073
Simon Silver	581	52	154	787	581	264	1,066	1,911	–	2,698
Nigel George	463	23	105	591	463	210	811	1,484	2	2,076
David Silverman	463	22	103	588	463	210	811	1,484	2	2,073
Former Executive Director										
John Burns(v)	260	21	59	340	260	118	893	1,271	–	1,611
2018										
Paul Williams	429	24	98	551	429	12	421	862	–	1,413
Damian Wisniewski	429	24	93	546	429	12	421	862	–	1,408
Simon Silver	564	55	149	768	564	16	568	1,148	–	1,916
Nigel George	429	26	96	551	429	12	421	862	–	1,413
David Silverman	429	21	95	545	429	12	421	862	–	1,407
Former Executive Director										
John Burns	657	71	155	883	657	18	661	1,336	–	2,219

Non-Executive Directors

	2019			2018		
(£'000)	Fees	Taxable benefits	Total	Fees	Taxable benefits	Total
John Burns(vi)	158	–	158	–	–	–
Simon Fraser	77	–	77	68	–	68
Richard Dakin	67	–	67	62	–	62
Claudia Arney	71	–	71	58	–	58
Cilla Snowball	67	–	67	51	–	51
Helen Gordon	56	–	56	47	–	47
Lucinda Bell(vii)	67	–	67	–	–	–
Robert Rayne(viii)	57	17	74	150	46	196
Stephen Young(viii)	39	–	39	62	–	62

Notes:

(i) Performance LTIPs for 2019 relate to the 2017 PSP awards which will vest on 20 March 2020 and for which the performance conditions related to the year ended 31 December 2019. The value is based on an estimate of expected vesting of 65.75% and the average share price over the last three months of the financial year ended 31 December 2019 of £36.22. This amount includes the value of additional shares awarded in respect of dividend equivalents. For details of the amount attributable to share price appreciation see page 158.

(ii) In the 2018 Annual Report, the potential value of 2016 PSP awards vesting for which the performance conditions related to the year ended 31 December 2018 was calculated using the average share price for the three months ended 31 December 2018, being £29.23. The 2018 Performance LTIP figures in the table above, have been restated to reflect the actual number of 2016 PSP awards which vested on 4 April 2019 using the share price on the day of vesting (being, £32.19). The restated value provides a difference of £2.96 per vested share in comparison to the estimates contained in the 2018 Annual Report on page 123. Further details of vesting is provided on page 164.

(iii) The 2016 PSP awards which vested on 4 April 2019 were granted on 4 April 2016 when the share price was £31.35. Between grant and the vesting date, the share price had increased to £32.19 which equated to an increase in value of each vesting share equivalent to £0.84. The proportion of the value disclosed in the single figure attributable to share price growth is therefore 2.7%. The Remuneration Committee did not exercise discretion in respect of the share price appreciation.

(iv) Included in the column for 'other items in the nature of remuneration' is the grant under the Derwent London Sharesave Plan made on 30 April 2019. These have been calculated based on the middle market share price on the date of grant being £31.70 minus the value of the awards at the option price which was £25.80. Further information on the Derwent London Sharesave Plan is on page 159.

(v) For the period 1 January 2019 to 17 May 2019, John Burns received a pro rata base salary as Chief Executive equivalent to £677,000 per annum. John Burns' annual bonus and LTIP vesting for 2019 were both subject to a pro rata reduction, further information is provided on pages 157 and 158.

(vi) For the period 18 May 2019 to 31 December 2019, John Burns' fees as Non-Executive Chair were £250,000 per annum subject to a pro rata reduction. In order to undertake his duties, John Burns is also provided with a driver and secretary, together with a contribution to his office running costs.

(vii) Lucinda Bell was appointed to the Board on 1 January 2019. From 17 May 2019, Lucinda Bell became Chair of the Audit Committee and a member of the Remuneration Committee following Stephen Young's retirement from the Board.

(viii) Robert Rayne and Stephen Young stepped down from the Board on 17 May 2019.

(ix) The Remuneration Committee did not exercise discretion in relation to remuneration outcomes for the year.

Executive Directors' remuneration in 2019

Remuneration for Executive Directors comprises the following elements:

Total remuneration

- **Fixed pay**: Base salary | Benefits | Pension
- **Variable pay**: Annual bonus | Long-term incentive
  - Performance-based

Fixed pay in 2019

Base salary

Salaries for the Executive Directors were increased by 3% with effect from 1 January 2019, to £677,000 for John Burns, £581,000 for Simon Silver and £442,000 for the other Executive Directors, which was in line with the cost of living increase awarded to the wider workforce.

Paul Williams' salary was increased to £600,000 effective from his appointment as CEO on 17 May 2019, as disclosed in our 2018 Directors' Remuneration Report on page 117. Paul's salary will next be reviewed with effect from 1 January 2021.

As announced on 8 August 2019, following his succession to CEO, Paul Williams restructured the executive team. This has resulted in a reduction in the number of Executive Directors from six to five and an increase in the size of roles and responsibilities for certain Executive Directors. In particular:

- Nigel George has taken responsibility for the development department.
- Damian Wisniewski continues to be responsible for providing financial leadership to the Group and, in addition, is supporting the CEO in investor relations, delivering the Group's 'Responsibility' agenda and developing and delivering the Group's strategy. To reflect Damian's expanded role and responsibilities, his job title has changed to Chief Financial Officer.
- David Silverman has added the leasing, asset and property management teams to his investment brief.

After careful consideration, the Committee awarded Nigel George, David Silverman and Damian Wisniewski each an 8.6% salary increase to take account of the additional roles and responsibilities. The salary increases were effective from 17 June 2019, being the date that the restructure and other organisation changes were communicated to the workforce. Their salaries have therefore been increased from £442,000 to £480,000 per annum.

The three Executive Directors did not receive a salary increase on 1 January 2020 and therefore the increase outlined above is inclusive of their normal annual increase for 2020. The increase in relation to the Executive Directors' additional responsibilities is therefore considered to be approximately 5.6% after taking into account a 3% annual increase. The average 2020 salary increase for the wider workforce was 7%.

Paul Williams and Simon Silver also did not receive a salary increase on 1 January 2020.

The Committee considers the salary decisions set out above to be fully justified in the context of the Company's size and complexity and the expansion of the Executive Directors' roles. The current total salary costs for the Executive Directors is equal to £2.62m per annum, compared to total salary costs of £3.03m per annum immediately prior to Paul's succession as Chief Executive, reflecting the reduction in the size of the executive leadership team.

The salaries shown in the table below are the actual pro rata salaries paid to the Executive Directors during the year ended 31 December 2019.

	2019 base salary	2018 base salary
Executive Directors		
Paul Williams, CEO [i]	**£543,118**	£429,000
Damian Wisniewski, CFO	**£462,462**	£429,000
Simon Silver	**£581,000**	£564,000
Other Executive Directors [ii]	**£462,462**	£429,000
Former Executive Director		
John Burns [iii]	**£259,517**	£657,200

Notes:

[i] Paul Williams was promoted to CEO from 17 May 2019.

[ii] Other Executive Directors are Nigel George and David Silverman.

[ii] The base salary shown in the table above for John Burns is for the period he was Chief Executive from 1 January 2019 to 17 May 2019. John Burns' Non-Executive Chair fee is disclosed on page 154.

REMUNERATION COMMITTEE REPORT CONTINUED

Benefits

Executive Directors are entitled to a car and fuel allowance and private medical insurance. The value of benefits paid in 2019. Further details can be found in the table below.

	Car and fuel allowance	Private medical insurance	Total 2019 taxable benefits
Executive Directors			
Paul Williams, CEO	£16,000	£7,518	£23,518
Damian Wisniewski, CFO	£16,000	£7,160	£23,160
Simon Silver	£39,055	£13,362	£52,417
Nigel George(i)	£16,458	£6,595	£23,053
David Silverman	£16,000	£5,345	£21,345
Former Executive Director			
John Burns(ii)	£13,607	£7,322	£20,929

Notes:
(i) Nigel George received a car allowance instead of a company car from 1 May 2019.
(ii) John Burns was eligible to receive his benefits in the role of Chief Executive until 17 May 2019.

Pension and life assurance

In addition to life assurance, Executive Directors receive a pension contribution or cash supplement (or a mix of both) of up to 20% of salary. Legacy arrangements for some Directors mean that a fixed amount is paid in addition to the 20% contribution, which results in a maximum pension contribution of up to 21% of salary.

There was no change in the pension contributions or life assurance received by the Executive Directors in 2019. As noted on page 152, Executive Directors' pension contributions will be reduced over the next two years to align with the pension contribution available to the wider workforce (currently at 15% of salary). The change in the annual cost of these benefits is due to increases in life assurance premiums.

Pay for performance

Determination of 2019 annual bonus outcome

The performance measures set for the year under review were a combination of financial-based metrics (worth 75% of the bonus potential) and strategic targets (worth 25% of the bonus potential). The maximum bonus potential for Executive Directors is 150% of salary. Based on actual 2019 performance, the annual bonus payment for Executive Directors is 97% of the maximum potential (2018: 68.5%; 2017: 53.6%). This has been derived as follows:

Financial-based metrics

Performance measure	Weighting % of bonus	Basis of calculation	Threshold(ii) %	Maximum(iii) %	Actual %	Payable %
Total return	37.5	Total return versus other major real estate companies(i)	-2.7	6.3	6.6	37.5
Total property return (TPR)	37.5	Versus the MSCI IPD Quarterly Central London Offices Total Return Index	4.1	7.1	7.4	37.5
Total bonus payable for financial based metrics						**75.0**

Notes:
(i) The major real estate companies contained in the comparator group for the 2019 annual bonus are: Big Yellow Group plc, The British Land Company plc, Capital & Regional plc, Capital & Counties Properties plc, Great Portland Estates plc, Hammerson plc, Intu Properties plc, Landsec plc, St Modwen Properties plc, Segro plc, Shaftesbury plc, Workspace Group plc.
(ii) For achieving the threshold performance target, i.e. at the MSCI IPD Index or median total return against our sector peers, 22.5% of the maximum bonus opportunity will become payable.
(iii) Total return payout accrues on a straight-line basis between the threshold level for median performance and maximum payment for upper quartile performance or better. For TPR, the payout accrues on a straight-line basis between the threshold level for Index performance and maximum payment for Index +3%.

Key
Strategic objectives

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

Strategic targets

The strategic targets for the annual bonus include a combination of operational and responsibility measures. They are key non-financial performance indicators (further information on page 40) and are linked to our strategic objectives.

Performance measure[ii]	Link to strategic objectives[i]	Target range[ii]	Maximum award	2019 achievement	Proportion awarded for 2019
Void management This is measured by the Group's average EPRA vacancy rate over the year.	1. 2.	7% to 2%	7.5%	0.8%	7.5%
Portfolio development potential This is measured by the percentage of the Group's portfolio by area, where a potential development scheme has been identified.	1.	35% to 45%	2.5%	43%	2.0%
Unexpired lease term This is measured by the 'topped-up' weighted average unexpired lease term of the Group's portfolio, including pre-let developments.	1. 2.	5 to 10 years	5.0%	8.3 years	3.3%
Sustainability This is assessed by the Group's achievements against the BREEAM benchmark at its new developments or major refurbishments.	4.	New build – Excellent Major refurbishment – Very good	2.5%	All sustainability targets have been achieved	2.5%
Carbon intensity This is measured by emissions intensity per m² of landlord-controlled floor area across our managed like-for-like portfolio.	4.	-2% to -4%	2.5%	-10%	2.5%
Staff satisfaction Staff surveys are used to assess this measure.	3.	80% to >95% of staff to be satisfied or better	5.0%	92.5%	4.2%
			25.0%		**22.0%**

Notes:
(i) Success against our strategic objectives is measured using our KPIs (see pages 40 to 43) and rewarded through our incentive schemes and annual bonus. The references above, show the link between our strategic objectives and our annual bonus targets (further information on our five strategic objectives can be found on pages 31 to 39).
(ii) Payout accrues on a straight-line basis, between threshold and maximum performance.
(iii) The strategic targets for the 2020 annual bonus will be broadly the same as those above except for the following changes: (1) to increase management focus in 2020, void management and carbon intensity will both be worth 5.0% of the bonus potential and staff satisfaction will be worth 2.5%; (2) the following target ranges have been strengthened: void management of 7% to 1%, portfolio development potential of 35% to 50% and carbon intensity of -5% to -10%; and (3) the introduction of a one-off target worth 5.0% of the bonus potential which requires the publication of our 'route map' during 2020, which details how we intend to become net zero carbon by 2030. The route map would be subject to external verification that it meets the Better Buildings Partnership Climate Change Commitment and best practice guidance.

The Committee also considered the underlying financial performance of the Group during 2019, taking into account performance against key financial indicators including profits, NAV and share price performance as well as our broader performance and the experience of stakeholders. The Committee also considered whether there had been a significant negative event (such as an ESG event) which would warrant an adjustment. The Committee concluded the proposed payout outcome of 97% of maximum to be appropriate and no discretion was exercised. The total bonus for each executive is therefore:

	Bonus payable		Cash bonus	Deferred bonus	
	% of maximum	% of salary	payable £'000	£'000	% of salary
Executive Directors					
Paul Williams, CEO	97	145.46	543	247	45.46
Damian Wisniewski, CFO	97	145.46	463	210	45.46
Simon Silver	97	145.46	581	264	45.46
Other Executive Directors[i]	97	145.46	463	210	45.46
Former Executive Director					
John Burns[ii]	97	145.46	260	118	45.46

Notes:
(i) Other Executive Directors are Nigel George and David Silverman, whose base salary and subsequently, annual bonus payout, will be identical.
(ii) John Burns was eligible to earn a pro rata bonus for the period 1 January 2019 to 17 May 2019.

In accordance with our Remuneration Policy, bonuses of up to 100% of base salary are paid as cash. Amounts in excess of 100% are deferred into shares of which 50% are released after 12 months and the balance after 24 months.

REMUNERATION COMMITTEE REPORT CONTINUED

Performance Share Plan (PSP) Vesting of awards

As shown in the table below, the PSP awards granted in 2017 will vest on 20 March 2020 at 65.75% of maximum.

Performance measure	Weighting % of award	Basis of calculation	Threshold[ii] %	Maximum[iii] %	Actual %	% vesting/ estimated vesting
Total property return (TPR)	50	MSCI IPD Quarterly UK All Property Total Return Index	5.8	8.8	7.1	28.55
Total shareholder return (TSR)	50	FTSE 350 Super Sector Real Estate Index[i]	36.4	74.7	60.3	37.20
						65.75

Notes:

[i] The constituents of the FTSE 350 Super Sector Real Estate Index as at the start of the Performance Period (i.e. 1 January 2017).

[ii] For achieving the threshold performance target, i.e. at the MSCI IPD Index or median TSR against our sector peers, 22.5% of the maximum award will vest.

[iii] For TSR (which is calculated based on a three-month weekday average Return Index excluding UK public holidays ended on: (1) the day before the performance period start date; and (2) the performance period end date) payout accrues on a straight-line basis between the threshold level for median performance and maximum payment for upper quartile performance or better. For TPR, the payout accrues on a straight-line basis between the threshold level for Index performance and maximum payout for Index +3%.

The Committee considered the underlying financial performance of the Group during the performance period, taking into account performance against key financial indicators including profits, NAV and share price performance as well as our broader performance and the experience of stakeholders. The Committee also considered whether there had been a significant negative event (such as an ESG event) which would warrant an adjustment. The Committee concluded the proposed vesting outcome of 65.75% of maximum to be appropriate and no discretion was exercised.

Therefore, the vesting for each executive will be:

	Number of awards granted	Number of shares vesting based on performance (65.75%)	Dividend equivalents(i) (number of shares)	Total number of shares vesting	Total estimate value of award on vesting
Executive Directors					
Paul Williams, CEO	30,850	20,283	2,111	22,394	£811,111
Damian Wisniewski, CFO	30,850	20,283	2,111	22,394	£811,111
Simon Silver	40,550	26,661	2,775	29,436	£1,066,172
Other Executive Directors[ii]	30,850	20,283	2,111	22,394	£811,111
Former Executive Director					
John Burns[iii]	47,250	22,336	2,326	24,662	£893,273

Notes:

[i] In accordance with the PSP rules, the Remuneration Committee has discretion to allow PSP participants to receive the benefit of any dividends paid on vesting shares between the grant date and the vesting date in the form of additional vesting shares.

[ii] Other Executive Directors are Nigel George and David Silverman, who were granted identical number of awards under the PSP grant in 2017.

[iii] John Burns' award was subject to a pro rata reduction for the period 17 May 2019 to the end of the performance period and is subject to the normal holding period of two years.

The value of the vesting awards is based on the average share price over the last three months of the financial year ended 31 December 2019 being £36.22. The estimated value of the vesting awards has been included within the 'single figure' total remuneration table on page 154.

The Company's share price rose by £13.10 between the grant date (20 March 2017) and the end of the performance period (31 December 2019) from £27.00 to £40.10. The proportion of the value disclosed in the single figure attributable to share price growth is therefore 48.5%. The Remuneration Committee did not consider that it was necessary to exercise discretion in respect of share price fluctuations since grant. It should be noted that as at 25 February 2020, the Company's share price rose to c.£43 (which exceeds the share price at grant by c.59%).

Holding period

In accordance with the PSP rules, vested awards are subject to a two-year holding period whereby at least the after-tax number of vested shares must be retained by the executive for a minimum of two years from the point of vesting. An overview of the holding periods for awards granted since 2015 has been provided below.

Grant	Grant date	Performance period	Vesting date	Holding period	Holding period ceases
2015 Grant	30 March 2015	1 January 2015 to 31 December 2017	3 April 2018	Two years	3 April 2020
2016 Grant	4 April 2016	1 January 2016 to 31 December 2018	4 April 2019	Two years	4 April 2021
2017 Grant	20 March 2017	1 January 2017 to 31 December 2019	20 March 2020	Two years	20 March 2022
2018 Grant	6 March 2018	1 January 2018 to 31 December 2020	8 March 2021	Two years	8 March 2023
2019 Grants	12 March 2019 14 August 2019	1 January 2019 to 31 December 2021	12 March 2022 14 August 2022	Two years	12 March 2024 14 August 2024

Overall, the Committee considers that the Remuneration Policy has operated as it intended during 2019 and that the pay outcomes are aligned with the experience of shareholders and other stakeholders.

Grant of LTIP awards

On 12 March 2019 and 14 August 2019, the Committee made the following awards under the Group's 2014 PSP to Executive Directors on the following basis:

	12 March 2019		14 August 2019[ii]	
	Number of shares awarded	Face value of award £	Number of shares awarded	Face value of award £
Paul Williams, CEO	27,174	883,970	6,713	197,496
Damian Wisniewski, CFO	27,174	883,970	–	–
Simon Silver	35,720	1,161,972	–	–
Other Executive Directors[i]	27,174	883,970	–	–

Notes:

[i] Other Executive Directors are Nigel George and David Silverman, who were granted identical number of awards under the PSP grant in March 2019.

[ii] Paul Williams was granted an award on 12 March 2019 which reflected his 2019 salary as a Property Director. As disclosed in our 2018 Annual Report (page 121), the Remuneration Committee had agreed a further Award would be made in August to reflect Paul's new pro rata salary as Chief Executive.

Awards were granted as nil-cost options and equivalent to 200% of base salary, with 22.5% of the award vesting at threshold performance. The share price used to determine the level of the awards was the closing share price on the day immediately preceding the grant dates of £32.53 and £29.42, respectively. The performance periods will run over three financial years and, dependent upon the achievement of the performance conditions, the awards will vest on 12 March 2022 and 14 August 2022 and will be subject to a two-year holding period as outlined on page 158.

50% of the award vests according to the Group's relative TSR performance versus the constituents of the FTSE 350 Super Sector Real Estate Index with the following vesting profile:

TSR performance of the Company relative to the TSR of the constituents of the FTSE 350 Super Sector Real Estate Index tested over the three-year performance period ending 31 December 2021	Vesting (% of TSR part of award)
Below median	0%
Median	22.5%
Upper quartile and above	100%
Straight-line vesting occurs between these points	

50% of the award vests according to the Group's TPR versus the MSCI IPD Quarterly UK All Property Total Return Index with the following vesting profile:

Annualised TPR versus the MSCI IPD Quarterly UK All Property Index tested over the three-year performance period ending 31 December 2021	Vesting (% of TSR part of award)
Below Index	0%
Index	22.5%
Index + 3%	100%
Straight-line vesting occurs between these points	

The Committee has discretion to reduce the extent of vesting in the event that it considers that performance against either measure is inconsistent with underlying financial performance. At least the after-tax number of vested shares must be retained for a minimum holding period of two years. To the extent that awards vest, the Committee has discretion to allow the Executive Directors to receive the benefit of any dividends paid over the vesting period in the form of additional vesting shares.

Grant of Sharesave Plan options

On 30 April 2019, the Company granted options under the Derwent London Sharesave Plan. The three-year contract for the Options started on 1 June 2019. These Options are exercisable at a price of £25.80 per share from 1 June 2022 and are not subject to any performance conditions.

Executive Directors	Monthly saving amount	Number of shares under option	Option price	Market price at grant	Value of award[i]
Paul Williams, CEO	£250	348	£25.80	£31.70	£2,053
Damian Wisniewski, CFO	£250	348	£25.80	£31.70	£2,053
Other Executive Directors[ii]	£250	348	£25.80	£31.70	£2,053

Notes:

[i] The value of the award is based on the middle market share price on the grant date minus the option price. Further information on the Derwent London Sharesave Plan is on pages 151 and 163.

[ii] Other Executive Directors are Nigel George and David Silverman.

REMUNERATION COMMITTEE REPORT CONTINUED

Managing shareholder dilution

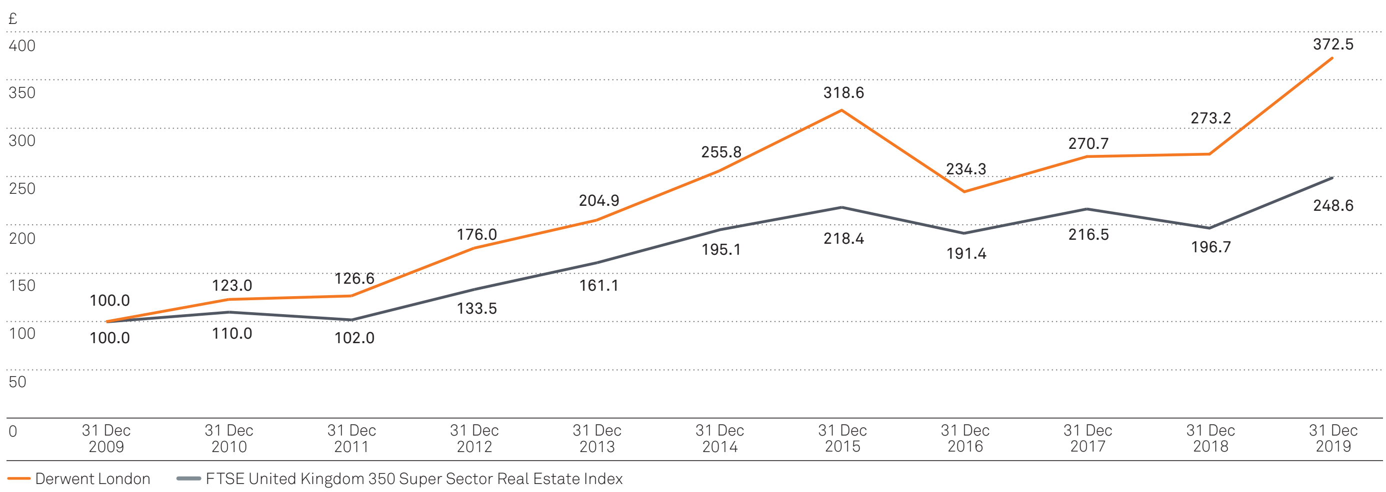
The table below sets out the available dilution capacity for the Company's employee share plans based on the limits set out in the rules of those plans that relate to issuing new shares.

	2019
Total issued share capital as at 31 December 2019	111.8m
Investment Association share limits (in any consecutive 10-year period):	
Current dilution for all share plans	2.4%
Headroom relative to 10% limit	7.6%
5% for executive plans – current dilution for discretionary (executive) plans	1.5%
Headroom relative to 5% limit	3.5%

Pay for performance comparison

The graph below shows the value on 31 December 2019 of £100 invested in Derwent London on 31 December 2009 compared to that of £100 invested in the FTSE 350 Super Sector Real Estate Index. The other points plotted are the values at intervening financial year ends. This index has been chosen by the Committee as it is considered the most appropriate benchmark against which to assess the relative performance of the Company for this purpose.

Total Shareholder Return (TSR)



Source: Datastream (Thomson Reuters)

Note: The TSR chart data is based on the 30-day average over the period 2 December to 31 December for each year.

Remuneration of the Chief Executive

Financial year ending	31/12/2010	31/12/2011	31/12/2012	31/12/2013	31/12/2014	31/12/2015	31/12/2016	31/12/2017	31/12/2018	31/12/2019	
Chief Executive	John Burns	John Burns	John Burns	John Burns	John Burns	John Burns	John Burns	John Burns	John Burns restated[i]	John Burns[ii]	Paul Williams[iii]
Total remuneration (single figure) (£'000)	2,304	2,387	2,721	2,478	2,648	2,529	1,403	1,681	2,219	1,611	2,293
Annual bonus (% of maximum)	87.5	90.0	85.4	95.0	92.6	74.2	23.3	53.6	68.5	97.0	
Long-term variable pay (% of maximum)	50.0	50.0	83.8	55.2	50.0	65.7	24.9	26.5	46.0	65.75	

Notes:

(i) John Burns' total remuneration for 2018 has been restated to reflect the actual number of 2016 PSP awards which vested on 4 April 2019 using the share price on the day of vesting (being, £32.19). The restated value provides a difference of £2.96 per vested share in comparison to the estimates contained in the 2018 Annual Report. Further details of total remuneration is provided on page 154.

(ii) The annual bonus (% of maximum) and long-term variable pay (% of maximum) for John Burns is based on remuneration in the role of Chief Executive.

(iii) Paul Williams' total remuneration is in respect of his tenure as Chief Executive from 17 May 2019. His salary, bonus and PSP has been subject to a pro rata time reduction.

Chief Executive pay ratio

As Derwent London has less than 250 employees, we are not required to disclose the CEO pay ratio. However, given our commitment to high standards of transparency and corporate governance, the Committee considers it appropriate to disclose the CEO pay ratio voluntarily.

For the year ended 31 December 2019, the Chief Executive's total remuneration as a ratio against the full-time equivalent remuneration of UK employees is detailed in the table below:

	Base salary	Total remuneration	CEO pay ratio
Year ended 31 December 2019			
25th percentile	£40,993	£63,211	44 : 1
50th percentile	£68,462	£89,274	31 : 1
75th percentile	£67,500	£153,828 (i)	18 : 1
Year ended 31 December 2018			
25th percentile	£45,057	£58,237	38 : 1
50th percentile	£59,250	£76,842	29 : 1
75th percentile	£75,000	£148,867	15 : 1

Note:

(i) Total remuneration includes one-off employee gains received through the exercise of options granted under the Employee Share Option Plan (see page 151). Due to the strength of our share price during 2019, there was an increase in the number of ESOP option exercised.

The Company has calculated the ratio in line with the reporting regulations using 'Method A' (determine total full-time equivalent remuneration for all UK employees for the relevant financial year; rank the data and identify employees whose remuneration places them at the 25th, 50th and 75th percentile). The following should be noted:

- Chief Executive remuneration for the year ended 31 December 2019 is based on the aggregated total remuneration earned by John Burns and Paul Williams in respect of their tenures as Chief Executive during 2019.
- Chief Executive remuneration for the year ended 31 December 2018 is John Burns' 2018 'single figure' which has been adjusted to reflect actual PSP vesting (further information on page 154). This adjustment has led to a minor change in the CEO pay ratio for the year ended 31 December 2018 in respect of the 25th and 50th percentile (from 37:1 and 28:1, respectively).
- The workforce comparison is based on the payroll data for the period 1 January to 31 December for all employees (including the Chief Executive but excluding the Non-Executive Directors).
- The workforce comparison includes employer pension contributions, life assurance and the healthcare cash plan.
- The CEO pay ratio has been rounded to the nearest whole number.

2019 has been an excellent year for the Group resulting in an increase in 'pay for performance' remuneration for all employees, including the Executive Directors. As a significant proportion of executive remuneration is dependent upon performance, this has increased the CEO pay comparator for 2019. In respect of median employee (50th percentile) total remuneration this has increased from £76.8k to £89.3k, an increase of c.16.2%.

The Board have confirmed that the ratio is consistent with the Company's wider policies on employee pay, reward and progression.

Percentage change in the remuneration of the Chief Executive

The table below shows the movement in the salary, benefits and annual bonus for the Chief Executive between the current and previous financial year compared to that for an average employee (excluding Directors).

£'000	2019	2018	% change
Chief Executive (i)			
Salary	636.0	657.2	-3.2%
Benefits	172.6	225.6	-23.5%
Bonus (annual incentive)	925.1	675.3	37.0%
Average per employee (ii)			
Salary	73.8	75.3	-2.0%
Benefits	15.4	14.2	8.4%
Bonus (annual incentive)	29.3	27.7	5.7%

Notes:

(i) 2019 salary, benefit and bonus figures for the Chief Executive are calculated based on the combined salary, benefits and bonus received by John Burns and Paul Williams during their respective tenures as Chief Executive.

(ii) All employees received an inflationary base salary increase on 1 January 2019. The average salary per employee was impacted by the 8.9% increase in our workforce during 2019.

REMUNERATION COMMITTEE REPORT CONTINUED

SCHEDULE TO THE ANNUAL REPORT ON REMUNERATION

(unaudited unless otherwise indicated)

Directors' interests (audited)

Directors' interests in shares

Details of the Directors' interests in shares are provided in the table below.

	Number at 31 December 2019					Number at 31 December 2018				
	Beneficially held	Deferred shares	Conditional shares	Share options	Total	Beneficially held	Deferred shares	Conditional shares	Share options	Total
Executive Directors										
Paul Williams, CEO(i)	60,632	363	93,841	348	155,184	53,708	–	85,884	–	139,592
Damian Wisniewski, CFO(i)	40,105	363	87,128	348	127,944	33,181	–	85,884	–	119,065
Simon Silver(ii)	132,767	476	114,533	–	247,776	183,087	–	113,738	–	296,825
Nigel George(i)	63,472	363	87,128	348	151,311	58,145	–	85,884	–	144,029
David Silverman(i)	36,720	363	87,128	348	124,559	29,796	–	85,884	–	115,680
Total	333,696	1,928	469,758	1,392	806,774	357,917	–	457,274	–	815,191
Non-Executive										
John Burns(iii)	432,595	556	91,836	–	524,987	661,497	–	132,536	–	794,033
Simon Fraser	2,000	–	–	–	2,000	2,000	–	–	–	2,000
Richard Dakin	–	–	–	–	–	–	–	–	–	–
Claudia Arney	2,500	–	–	–	2,500	2,500	–	–	–	2,500
Cilla Snowball	–	–	–	–	–	–	–	–	–	–
Helen Gordon	892	–	–	–	892	892	–	–	–	892
Lucinda Bell(iv)	1,000	–	–	–	1,000	1,000	–	–	–	1,000
Total	438,987	556	91,836	–	531,379	667,889	–	132,536	–	800,425

There have been no other changes to the above interests between 31 December 2019 and 25 February 2020.

Notes:

(i) Paul Williams, Damian Wisniewski, Nigel George and David Silverman each acquired 13,089 shares from the PSP 2016 grant which vested on 4 April 2019. The vesting shares included dividend equivalents in the form of 1,161 additional shares. To satisfy the tax liability arising, they each sold 6,165 shares immediately upon vesting at an average share price of £32.19 per share. On 30 April 2019, they were each granted 348 share options under the Derwent London Sharesave Plan, further information on page 163.

(ii) Simon Silver acquired 17,630 shares from the PSP 2016 grant which vested on 4 April 2019. The vesting shares included dividend equivalents in the form of 1,565 additional shares. To satisfy the tax liability arising, Simon sold 7,950 shares immediately upon vesting at an average share price of £32.19 per share. On 11 March 2019 and 20 June 2019, Simon sold 25,000 shares at an average sale price of £32.57 and £31.38, respectively. On 23 August 2019, Simon transferred 1,900 shares from his executive nominee account to his self-invested personal pension. There was no change in the number of shares beneficially held by Simon and he remains interested in the 1,900 shares that were the subject of the transfers. On 16 October 2019, Simon sold 10,000 shares at an average sale price of £34.94.

(iii) John Burns acquired 20,546 shares from the PSP 2016 grant which vested on 4 April 2019. The vesting shares included dividend equivalents in the form of 1,824 additional shares. To satisfy the tax liability arising, John sold 9,265 shares immediately upon vesting at an average share price of £32.19 per share. On 1 October 2019, John sold 90,183 shares at an average sale price of £33.35. On 15 November 2019, John sold 150,000 shares at an average sale price of £35.26.

(iv) Lucinda Bell acquired 1,000 shares in advance of becoming a Non-Executive Director of Derwent London plc on 1 January 2019.

Directors' shareholding guideline

Executive Directors are subject to within-employment and post-employment shareholding guidelines (see page 146). The within-employment shareholding guideline for the year ended 31 December 2019 expects all Executive Directors to work towards holding shares in Derwent London plc equivalent to 200% of base salary. As at 31 December 2019, all Executive Directors have exceeded the within-employment shareholding guideline.

Executive Director	Beneficially held shares	2019 salary[i]	Within-employment shareholding guideline: Target (% of base salary)	Within-employment shareholding guideline: Achieved (% of base salary)	Value of beneficially held shares[ii]
Paul Williams, CEO	60,632	£600,000	200%	405%	£2,431,343
Damian Wisniewski, CFO	40,105	£480,000	200%	335%	£1,608,211
Simon Silver	132,767	£581,000	200%	916%	£5,323,957
Nigel George	63,472	£480,000	200%	530%	£2,545,227
David Silverman	36,720	£480,000	200%	307%	£1,472,472

Notes:

[i] The base salaries shown in the table above are as at 31 December 2019. Further information on fixed pay during 2019 is provided on page 155.

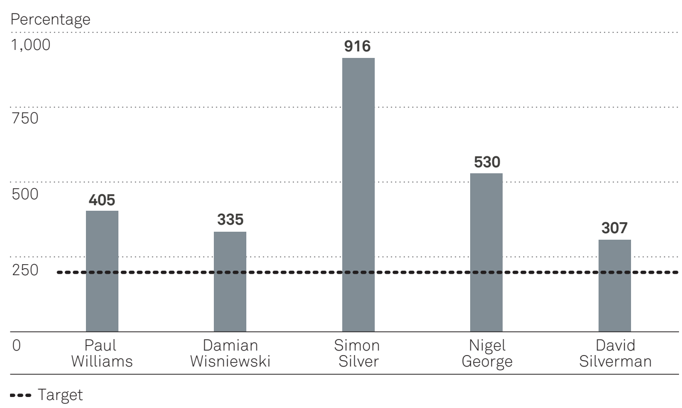
[ii] The value of the Executive Directors' beneficially held shares has been calculated using the average closing share price during the year ended 31 December 2019 of £40.10.

All Executive Committee members granted PSP awards are expected to work towards holding shares in Derwent London plc equivalent to 50% of base salary. There is no shareholding guideline for Non-Executive Directors.

The share ownership guidelines for Executive Directors and Executive Committee members requires them to retain at least half of any deferred bonus shares or performance shares which vest (net of tax) until the guideline is met. Only wholly-owned shares will count towards the guideline.

Due to the relatively large shareholdings of our Executive Directors, a small change in our share price would have a material impact on their wealth. For example, a 5% drop in our share price would result in a loss of value for our Chief Executive, Paul Williams, equivalent to approximately 20% of his base salary.

Shares held as a % of base salary



Sharesave Plan (audited)

To encourage Group-wide share ownership, the Company operates a HMRC tax efficient Sharesave Plan which was approved by shareholders at the 2018 AGM. The first grant under the Sharesave Plan was in 2019 (further information on page 151). The outstanding Sharesave options held by Directors are set out in the table below:

	At grant: Date of grant	At grant: Option price	During the year: 01 January 2019 (number)	During the year: Granted[i] (number)	During the year: Exercised (number)	During the year: Lapsed (number)	During the year: 31 December 2019 (number)	Market price at date of exercise (£)	Value at exercise £'000	Maturity date
Executive Directors										
Paul Williams, CEO	30/04/2019	25.8	–	348	–	–	348			01/06/2022
			–	348	–	–	348			
Damian Wisniewski, CFO	30/04/2019	25.8	–	348	–	–	348			01/06/2022
			–	348	–	–	348			
Nigel George	30/04/2019	25.8	–	348	–	–	348			01/06/2022
			–	348	–	–	348			
David Silverman	30/04/2019	25.8	–	348	–	–	348			01/06/2022
			–	348	–	–	348			
Other employees										
Other employees	30/04/2019	25.8	–	19,370	–	(556)	18,814			01/06/2022
			–	19,370	–	(556)	18,814			
Total			–	20,762	–	(556)	20,206			

Note:

[i] On 30 April 2019, the Company granted options over 20,762 shares under the Derwent London Sharesave Plan. The three-year contract for the Options started on 1 June 2019. These Options are exercisable at a price of £25.80 per share from 1 June 2022 and are not subject to any performance conditions.

REMUNERATION COMMITTEE REPORT CONTINUED

Long-term incentive plans (audited)

Performance Share Plan (PSP)

The outstanding PSP awards held by Directors are set out in the table below:

	At grant			During the year						
	Date of grant	Market price at date of grant (£)	01 January 2019 (number)	Granted[iii] (number)	Vested[i][ii] (number)	Lapsed (number)	31 December 2019 (number)	Market price at date of vesting (£)	Value vested £'000	Earliest vesting date
Executive Directors										
Paul Williams, CEO	04/04/2016	31.35	25,930	–	(13,089)	(12,841)	–	32.19	421	04/04/2019
	20/03/2017	27.00	30,850	–	–	–	30,850			20/03/2020
	06/03/2018	29.48	29,104	–	–	–	29,104			08/03/2021
	12/03/2019	32.53	–	27,174	–	–	27,174			14/03/2022
	14/08/2019	29.42	–	6,713	–	–	6,713			14/08/2022
			85,884	**33,887**	**(13,089)**	**(12,841)**	**93,841**			
Damian Wisniewski, CFO	04/04/2016	31.35	25,930	–	(13,089)	(12,841)	–	32.19	421	04/04/2019
	20/03/2017	27.00	30,850	–	–	–	30,850			20/03/2020
	06/03/2018	29.48	29,104	–	–	–	29,104			08/03/2021
	12/03/2019	32.53	–	27,174	–	–	27,174			14/03/2022
			85,884	**27,174**	**(13,089)**	**(12,841)**	**87,128**			
Simon Silver	04/04/2016	31.35	34,925	–	(17,630)	(17,295)	–	32.19	568	04/04/2019
	20/03/2017	27.00	40,550	–	–	–	40,550			20/03/2020
	06/03/2018	29.48	38,263	–	–	–	38,263			08/03/2021
	12/03/2019	32.53	–	35,720	–	–	35,720			14/03/2022
			113,738	**35,720**	**(17,630)**	**(17,295)**	**114,533**			
Nigel George	04/04/2016	31.35	25,930	–	(13,089)	(12,841)	–	32.19	421	04/04/2019
	20/03/2017	27.00	30,850	–	–	–	30,850			20/03/2020
	06/03/2018	29.48	29,104	–	–	–	29,104			08/03/2021
	12/03/2019	32.53	–	27,174	–	–	27,174			14/03/2022
			85,884	**27,174**	**(13,089)**	**(12,841)**	**87,128**			
David Silverman	04/04/2016	31.35	25,930	–	(13,089)	(12,841)	–	32.19	421	04/04/2019
	20/03/2017	27.00	30,850	–	–	–	30,850			20/03/2020
	06/03/2018	29.48	29,104	–	–	–	29,104			08/03/2021
	12/03/2019	32.53	–	27,174	–	–	27,174			14/03/2022
			85,884	**27,174**	**(13,089)**	**(12,841)**	**87,128**			
Former Executive Directors										
John Burns	04/04/2016	31.35	40,700	–	(20,546)	(20,154)	–	32.19	661	04/04/2019
	20/03/2017	27.00	47,250	–	–	–	47,250			20/03/2020
	06/03/2018	29.48	44,586	–	–	–	44,586			08/03/2021
			132,536	**–**	**(20,546)**	**(20,154)**	**91,836**			
Other employees										
Other employees	04/04/2016	31.35	28,270	–	(9,497)	(18,773)	–	32.19	305	04/04/2019
	21/03/2017	27.00	42,640	–	–	–	42,640			20/03/2020
	06/03/2018	29.48	42,484	–	–	–	42,484			08/03/2021
	12/03/2019	32.53	–	40,407	–	–	40,407			14/03/2022
			113,394	**40,407**	**(9,497)**	**(18,773)**	**125,531**			
Total			**703,204**	**191,536**	**(100,029)**	**(107,586)**	**687,125**		**3,218**	

Notes:

(i) The PSP award granted on 4 April 2016 vested on 4 April 2019 at a vesting level of 46.0%. The value of the vesting awards was based on the middle market share price on the vesting date and is inclusive of dividend equivalents in the form of additional vesting shares (see note ii for further details).

(ii) In accordance with the PSP rules, the Remuneration Committee has discretion to allow PSP participants to receive dividend equivalents upon the vesting of their awards, which is equivalent to the value of any dividends paid on those shares between the grant date and the vesting date. For the 2016 PSP grant, dividend equivalents were in the form of additional vesting shares and equated to dividends paid between April 2016 and April 2019. The dividend equivalent shares have been included in the table above, within the number of vesting awards, and equates to 1,824 shares for John Burns, 1,565 shares for Simon Silver and 1,161 shares each for the other Executive Directors.

(iii) The PSP awards granted on 12 March 2019 and 14 August 2019 will vest on 12 March 2022 and 14 August 2022, respectively. The performance targets attached to these awards are detailed on page 159.

	31/12/2019	31/12/2018	01/01/2018
Weighted average exercise price of PSP awards	**–**	–	–
Weighted average remaining contracted life of PSP awards	**1.20 years**	1.22 years	1.24 years

At each year end, none of the outstanding awards were exercisable. The weighted average exercise price of awards that either vested or lapsed in 2019 was £nil (2018: £nil). The weighted average market price of awards vesting in 2019 was £32.18 (2018: £30.78).

Deferred Bonus Plan

Details of the deferred bonus shares held by the Directors are set out in the table below:

	At grant			During the year						
	Date of grant	Market price at date of grant (£)	Original Grant (number)	01 January 2019 (number)	Deferred[(i)(ii)] (number)	Released (number)	31 December 2019 (number)	Market price at date of release (£)	Value at release £'000	Release dates
Executive Directors										
Paul Williams, CEO	20/03/2019	32.50	363	–	363	–	363			20/03/2020 22/03/2021
				–	363	–	363			
Damian Wisniewski, CFO	20/03/2019	32.50	363	–	363	–	363			20/03/2020 22/03/2021
				–	363	–	363			
Simon Silver	20/03/2019	32.50	476	–	476	–	476			20/03/2020 22/03/2021
				–	476	–	476			
Nigel George	20/03/2019	32.50	363	–	363	–	363			20/03/2020 22/03/2021
				–	363	–	363			
David Silverman	20/03/2019	32.50	363	–	363	–	363			20/03/2020 22/03/2021
				–	363	–	363			
Former Executive Directors										
John Burns	20/03/2019	32.50	556	–	556	–	556			20/03/2020 22/03/2021
				–	556	–	556			
Total				–	2,484	–	2,484			

Notes:

(i) The 2018 annual bonus in excess of 100% of salary, was deferred on 20 March 2019 and will be released in two tranches; 50% of the award will be released 12 months after deferral (on 20 March 2020) and the remaining balance after 24 months (on 22 March 2021).

(ii) The 2019 annual bonus in excess of 100% of salary, will be deferred in March 2020 and will be released in two tranches; 50% of the award will be released 12 months after deferral (in March 2021) and the remaining balance after 24 months (in March 2022). Further information on the 2019 annual bonus is on page 156.