

# RESPONSIBLE BUSINESS COMMITTEE REPORT



## Dame Cilla Snowball

Chair of the Responsible Business Committee

## FOCUS AREAS IN 2020

- Challenge progress against the Group's net zero carbon strategy (see page 81)
- Ensure that the areas identified in the 2019 Employee Survey (see pages 84 and 85) are being appropriately responded to by management
- Review the Group's Modern Slavery Statement for the year ended 31 December 2019
- Review the Group's community engagement programmes

## Dear Shareholder,

I am pleased to present to you the report of the work of the Responsible Business Committee for 2019. I would suggest that this report is read alongside the Responsibility section on pages 76 to 91 which provides further information on Derwent London's ESG activities.

The Committee was established at the end of 2018 to strengthen the Board's oversight of environmental and social issues and monitor the Group's corporate responsibility, sustainability and stakeholder engagement activities. 2019 was our first year in operation and I detail on page 137 an overview of our activities which were structured around the Group's long-term sustainability objectives.

## Employee nominated members

At the Committee's meeting in December 2018, it was agreed that we would benefit from participation and input from the wider workforce and that two employees should be nominated to join the Committee as members.

I was pleased to welcome Ally Clements and Jonathan Theobald to the Committee and have provided further information on their nomination on page 139. Both Ally and Jonathan have been fully engaged with the Committee's activities and I am keen that they continue to strengthen the employee voice in our boardroom.

## Net zero carbon

In 2017, Derwent London agreed its first set of science-based targets (see page 82) and set the ambition to become net zero carbon by 2050. The Group was an early adopter of Task Force on Climate-related Financial Disclosure (TCFD) reporting (see page 83) and was the first UK REIT to arrange a revolving credit facility with a 'green' tranche (see page 74).

During the year, the Board brought forward its target for the current portfolio to be net zero carbon by 2030, a 20-year acceleration on its original plans. The net zero carbon strategy was approved by the Board and management will be actively working towards achieving this target. We are conscious that this will not be an easy task, particularly in respect of the managed portfolio, further information is on page 80.

## Reporting frameworks

We report under several frameworks to provide a complete picture of our responsibility progress and activities and to allow comparison with our peers and other companies. Our reporting aims to show not only a property-sector specific perspective (EPRA Best Practice Reporting measures) but also a broader international perspective (the Global Reporting Index and the United Nations Sustainable Development Goals). For further details on our EPRA measures, please see pages 223 to 228, and for our Global Reporting Index disclosures and United Nations Sustainable Development Goals alignment, see our Annual Responsibility Report.

If you wish to discuss any aspect of the Committee's activities, I will be available at the 2020 AGM on 15 May and would welcome your questions. I am also available via our Company Secretary, David Lawler (telephone: +44 (0)20 7659 3000 or email: company.secretary@derwentlondon.com).

## Dame Cilla Snowball

Chair of the Responsible Business Committee  
25 February 2020

### Committee composition

Our Committee consists of two independent Non-Executive Directors, the Chief Executive Officer (biographies are available on pages 98 to 99) and two employee nominated members. At the request of the Committee, members of the Executive Committee, senior management team and external advisers may be invited to attend all or part of any meeting, as and when appropriate.

	Independent	Number of meetings	Attendance <sup>(i)</sup>
Cilla Snowball, Chair	Yes	2	100%
Claudia Arney	Yes	2	100%
Paul Williams	No	2	100%
Ally Clements	Employee	2	100%
Jonathan Theobald	Employee	1	100%

<sup>(i)</sup> Percentages based on the meetings entitled to attend for the 12 months ended 31 December 2019

The Committee's role and responsibilities are set out in the terms of reference, which were last updated in December 2019 and are available on the Company's website at: [www.derwentlondon.com/investors/governance/board-committees](http://www.derwentlondon.com/investors/governance/board-committees)

### Meetings of the Committee

During the year under review, the Committee held two meetings (in June and December) (2018: one meeting to establish the Committee and approve its terms of reference).

### Committee performance evaluation

As part of the externally facilitated Board evaluation performed during Q4 2019, the Committee's effectiveness was considered. No issues arose from the evaluation. However, a minor alteration to its terms of reference was suggested (further information on page 113). Although it is early days for a full evaluation of this new Committee, the Board has welcomed its creation, in particular its positive contribution to furthering employee engagement.

### Human rights and modern slavery

The protection of human rights and fundamental freedoms is one of our key ESG priorities which we manage from an internal (within our business) and external perspective (within our supply chain and our relationships with contractors).

Internally, the Board monitors our culture to ensure we maintain our values and high standards of transparency and integrity. Our Human Resources team ensures that we have the right systems and processes in place to strengthen and sustain our culture. Further information on the development of our employees can be found on page 84. The Board's role in managing the Group's culture can be found on page 102.

Externally, we are active in ensuring our ESG standards are clearly communicated to our supply chains, principally via our Supply Chain Sustainability Standard (more on page 138). In addition, we are clear on our zero-tolerance position with regards to slavery and human trafficking as set out in our Modern Slavery Statement, which can be found at: [www.derwentlondon.com/investors/governance/modern-slavery-act](http://www.derwentlondon.com/investors/governance/modern-slavery-act)

Based on our ongoing risk assessment, we continue to believe the risk of any slavery or human trafficking in respect of our employees is low. The risk assessment of our supply chain indicated the potential greatest risk existed in the use of building contractors for our development schemes, as their work involves the use of subcontractors. This risk also exists in some of the companies that provide Derwent London with services such as cleaning and security. We ensure all of these suppliers are aware of the Modern Slavery Act 2015 and we require them to formally confirm they are in compliance with the legislation (see page 138).

During 2019, we continued to identify and implement ways to strengthen our policies and procedures in respect of the protection of human rights and prevention of modern slavery. This included more detailed and targeted training (see page 134) and ownership internally, with the appointment of a 'Champion'. We continued to monitor and cross-check our supply chain, from procurement to delivery.

### Key activities of the Committee during 2019

<b>Responsibility strategy and reporting</b>	
<ul style="list-style-type: none"> <li>Approved the Group's long-term responsibility priorities and focus areas</li> <li>Agreed the focus areas for the Responsibility section of the 2019 Annual Report</li> </ul>	Page 76: Responsibility section Page 77: Our ESG priorities Page 78: United Nations' SDGs
<b>Managing our assets responsibly and designing and delivering buildings responsibly</b>	
<ul style="list-style-type: none"> <li>Agreed management's approach to becoming net zero carbon by 2030</li> <li>Received a presentation on the Group's approach to ensuring our buildings are accessible for disabled visitors</li> <li>Received an update on our COP21 carbon reduction programme</li> <li>Reviewed the Supply Chain Sustainability Standard and received an update on supplier compliance</li> <li>Received training from Deloitte on Task force on Climate-related Financial Disclosures (TCFD)</li> <li>Reviewed our approach to the design of our buildings (and the implementation of the Sustainability Framework for Developments)</li> </ul>	Page 38: Designing our buildings Page 80: Net zero carbon Page 83: TCFD summary Page 138: Supply Chain Sustainability Standard
<b>Engaging and developing our employees</b>	
<ul style="list-style-type: none"> <li>Received a presentation on the wellbeing and health initiatives offered to employees</li> <li>Agreed the objectives of the 2019 Employee Survey</li> <li>Considered the initial outcomes of the 2019 Employee Survey and the feedback received from employees on the employee awayday</li> <li>Received feedback from the first cycle of employees undertaking the Fit for the Future programme</li> </ul>	Page 84: Wellbeing Page 84: 2019 Employee Survey Page 85: Employee awayday
<b>Creating value in the community and for our wider stakeholders</b>	
<ul style="list-style-type: none"> <li>Reviewed the Group's community engagement strategy, including the Community Funds, our objectives and targets</li> <li>Reviewed the Group's volunteering programme for staff to be involved in our community initiatives</li> <li>Received a presentation on the charitable donations and sponsorship committee and approved its terms of reference</li> <li>Received an update on the work experience programmes and mentorships</li> </ul>	Page 88: Community Strategy Page 89: Community Funds Page 89: Corporate giving

# RESPONSIBLE BUSINESS COMMITTEE REPORT CONTINUED

## Supply Chain Sustainability Standard

All suppliers with whom we spend more than £20,000 per annum are required to comply with, and provide evidence of how, they are implementing our Supply Chain Sustainability Standard (the Standard), which includes a minimum requirement that any form of corruption, bribery or anti-competitive behaviour or actions are not tolerated within our supply chain.

A summary of the Standard is below. The complete Standard is available to download on our website.

Aspect	Standards expected from our suppliers
Anti-bribery and corruption	<ul style="list-style-type: none"> <li>Operate an ethical business policy which sets out how they govern their business and supply chains.</li> <li>We will not tolerate any form of corruption, bribery or anti-competitive behaviour in our supply chain.</li> </ul>
Employment and labour practices	<ul style="list-style-type: none"> <li>Fair pay and working time practices which ensure compliance with the National Minimum Wage and the London Living Wage together with working time legislation.</li> <li>No use of exclusive 'zero hours' contracts.</li> <li>No illegal, forced or child labour.</li> <li>Suppliers to have appropriate equality and diversity policies to ensure the active promotion of employment diversity.</li> </ul>
Health and safety	<ul style="list-style-type: none"> <li>Adequate health and safety policies and management systems appropriate to the nature and scale of their business and service provision.</li> <li>To comply with Derwent London's health and safety standards and procedures.</li> </ul>
Community	<ul style="list-style-type: none"> <li>Support us in the successful delivery of our Community Strategy.</li> <li>Development contractors on our larger schemes have to achieve a minimum target score (currently 38) in the Considerate Constructors Scheme, and to undertake at least one community day every year during the life of a project.</li> <li>Offer full and fair opportunity for local suppliers to actively participate in our supply chains.</li> <li>Offer local employment and apprenticeship opportunities.</li> </ul>
Environmental	<ul style="list-style-type: none"> <li>Suppliers are to have robust environmental management policies and procedures in place.</li> <li>To comply with the Derwent London Sustainability Framework for Developments and/or Assets.</li> <li>We expect our main contractors to have a certified environmental management system (EMS) in place, accredited to ISO14001 or EMAS (Eco-Management and Audit Scheme).</li> </ul>
Payment practices	<ul style="list-style-type: none"> <li>Unless otherwise stated, we aim to pay our suppliers within 30 days or otherwise will do so in accordance with specified contract conditions.</li> <li>We are signatories of the Prompt Payment Code. Suppliers are required to adopt similar payment practices throughout their supply chains to ensure fair and prompt payment.</li> </ul>

During 2019, we requested evidence that our major suppliers were compliant with the Standard. This involved completion of a questionnaire and providing copies of key policies and procedures.

Overall, we received an excellent response rate from the suppliers and subcontractors asked to complete the questionnaire, with over 90% of respondents operating detailed policies to address issues such as anti-bribery and corruption, equal opportunities, employee development and GDPR. Furthermore, it was encouraging to learn that companies in our supply chain not only hold these policies but are committed to training their staff on these subjects.

The Executive Committee and Responsible Business Committee reviewed the responses received and agreed any follow-up actions required. A further audit of our suppliers is scheduled for 2020.

**p.19** How we engage with our suppliers

**p.90** Supply chain governance

## Responsible payment practices

We are signatories to the CICM Prompt Payment Code which confirms our commitment to best practice payment practices and the fair and equal treatment of suppliers. We are clear about our payment practices. Unless otherwise stated, we aim to pay our suppliers within 30 days or otherwise will do so in accordance with specified contract conditions. During 2019, we paid our suppliers within 25 days on average (2018: 28 days). We expect our suppliers to adopt similar practices throughout their supply chains to ensure fair and prompt treatment of all creditors (see our Supply Chain Sustainability Standard above).

## EMPLOYEES ON THE RESPONSIBLE BUSINESS COMMITTEE



1. Paul Williams, Chief Executive Officer 2. Ally Clements, Senior Property Marketing Co-ordinator 3. Cilla Snowball, Non-Executive Director  
4. Jonathan Theobald, Associate, Investment 5. Claudia Arney, Non-Executive Director

We have appointed two employees to the Responsible Business Committee via a ballot open to all employees. We received seven nominations from across the business (three male and four female candidates) and following a company-wide vote, Ally Clements and Jonathan Theobald became members of the Committee for a two-year period.

Ally Clements and Jonathan Theobald are fully-participating members of the Committee alongside Cilla Snowball, Claudia Arney and Paul Williams. It is envisaged that they will complete a two-year tenure on the Committee following which we will seek two new employee nominated members.

By having employees on a Board-level Committee we are bringing the voice of our employees into the boardroom and gaining additional insight.

“Being part of the Responsible Business Committee has been enlightening. It has allowed me to contribute towards aspects of the business, outside of my day-to-day role, on important topics that affect our environment and the wider community”

**Jonathan Theobald**  
Associate from the Investment Team  
Joined Derwent London in 2012