

# The section 172(1) statement

The Board of Directors confirm that during the year under review, it has acted to promote the long-term success of the Company for the benefit of shareholders, whilst having due regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006.

## Issues, factors and stakeholders

The Board has direct engagement principally with our employees and shareholders but is also kept fully apprised of the material issues of other stakeholders through the Executive Directors, reports from senior management and external advisers. On pages 26 and 27 we outline the ways in which we have engaged with key stakeholders and the material issues that they have raised with us.

s172 factor	Relevant disclosures
(a) the likely consequences of any decision in the long-term	Company purpose (page 1) Operating in challenging times (page 6) Central London office market (page 18) Investing in our pipeline (page 24) Our business model (page 30) Our strategy (page 32)
(b) the interests of the Company's employees	Non-financial reporting (page 58) Our people (page 50) Diversity and inclusion (page 50) Employee engagement (page 115)
(c) the need to foster the Company's business relationships with suppliers, customers and others	Delivering value to customers (page 10) Supporting stakeholders in 2020 (page 12) Responsible payment practices (page 135) Anti-bribery and corruption (page 142) Human rights and modern slavery (pages 57 and 149) Supply Chain Sustainability Standard (page 148)
(d) the impact of the Company's operations on the community and the environment	Net Zero Carbon Pathway (page 28) Supporting communities in 2020 (page 13) TCFD disclosures (page 60) Our Community Fund (page 53) Corporate giving (page 53)
(e) the desirability of the Company maintaining a reputation for high standards of business conduct	Derwent London brand (page 86) Culture and values (page 111) Whistleblowing (page 116) Internal financial controls (page 134) Awards and recognition (see inside back cover)
(f) the need to act fairly between members of the Company	Shareholder engagement (page 114) Annual General Meeting (AGM) (page 175) Rights attached to shares (page 173) Voting rights (page 174)

## Methods used by the Board

2020 was an unprecedented year. In addition to the main methods used by the Board (listed below), in response to the uncertainty and difficulties facing our stakeholders, the Board responded by:

- Holding additional meetings to ensure effective oversight of management decisions and policies, particularly in respect to:
  - financial support being offered to our occupiers;
  - our ability to safely operate our buildings;
  - supporting the local community and NHS; and
  - providing clear communications and support to our employees.
- Seeking independent verification that the business is responding proactively and effectively via:
  - RSM internal audit into our response to Covid-19 (page 136);
  - Occupier and employee pulse surveys (page 103); and
  - Capgemini cyber security audit in response to the increase in home working (page 144).

The main methods used by the Directors to perform their duties include:

- the Board sets the Group's purpose, values and strategy and ensures they are aligned with our culture (see page 111);
- the Responsible Business Committee monitors the Group's corporate responsibility, sustainability and stakeholder engagement activities and reports to the Main Board on its activities (see pages 146 to 149);
- the Board utilises a stakeholder impact analysis to assess the potential impact of significant capital expenditure decisions on our stakeholders (see page 116);
- the Board's risk management procedures identify the potential consequences of decisions in the short, medium and long-term so that mitigation plans can be put in place to prevent, reduce or eliminate risks to our business and wider stakeholders (see pages 138 and 145);
- strategy reviews which assess the long-term sustainable success of the Group and our impact on key stakeholders;
- direct and indirect stakeholder engagement (see pages 12 to 13 and 26 to 27);
- external assurance is received through audits, stakeholder surveys and reports from brokers and advisers; and
- specific training for our Directors and senior managers.

## Public interest statement – 2020

As a business that designs and manages office space, we are aware of our wider obligations to be a responsible business partner to our occupiers and within the communities in which we operate. As our activities impact on multiple stakeholder groups (see page 26), our Board ensures that stakeholder matters are central to its decision-making alongside the long-term financial success of our business.

We extend our obligations beyond the statutory requirements to add value and build long-term mutually beneficial relationships. Our obligations are incorporated into our purpose, which strongly influences our values (see page 1). We have detailed on pages 12, 13, 26, 27 and 105 how we have acted in the public interest during 2020.

## Principal decisions in 2020 and how we have met our public interest obligations

The key activities and principal decisions undertaken by the Board in 2020 are detailed on pages 122 and 123. We detail below how the Board factored stakeholders, and the information we received through engagement, into its decisions in 2020.

When making each decision, the Board carefully considered how it impacted on the success of the Group, its long-term (financial and non-financial) impact and had due regard to the other matters set out in section 172(1)(a) to (f) of the Companies Act 2006.

Stakeholder group	Engagement we received	Our response	Reference to further information
<b>Occupiers</b>	<p>During this challenging time, occupiers were understandably monitoring their costs and sought reductions wherever possible, especially when they were unable to fully utilise the services. Due to the lockdown restrictions, where feasible, we scaled back services at our buildings to reduce the financial cost to our occupiers. Despite the reduction, there were still some costs to be incurred.</p> <p>Through proactive and direct engagement with our occupiers, via our Asset Management team, we received early indications of which occupiers were facing particular financial difficulty due to Covid-19.</p>	<p>The Board approved the reduction of service charges for the March and June quarters by 25%. This was at a cost to the Company, and subsequent saving to our occupiers, of £4.1m.</p> <p>Principles were agreed early in the pandemic in respect to rent concessions which allowed for fast and consistent actions. The Directors approved the delegation of authority for approving rent concessions to small occupiers to senior management allowing for quicker response times which is critical in times of uncertainty. In total, this was at a cost of £0.9m to the Company in 2020, with the remaining cost of these concessions spread over the tenants' remaining lease terms. Particular attention was given to occupiers perceived to be most at risk, including retail and hospitality occupiers. The Board's support for these occupiers not only assisted the businesses themselves but also helped to preserve the amenity for the buildings' other occupiers and the local community.</p>	<a href="#">p.11</a>
<b>Suppliers</b>	<p>Through close collaboration with our principal contractors and main subcontractors we were kept apprised of their response to the pandemic and how it was impacting on their business, finances and staff.</p> <p>As a business, we utilise various third party services to assist in the management of our buildings, including cleaning and security services. The Directors were informed when our direct suppliers of services were required to furlough staff due to lack of work arising from the pandemic.</p>	<p>The Finance team worked hard to improve our average payment days from 25 days in 2019 to 20 days in 2020. This was despite the initial disruption to processes caused by home working. Improving our average payment days assisted our contractors with their cash flow and liquidity.</p> <p>To support furloughed third party service staff, the Directors agreed to 'top-up' wages by 20% so that there was no drop in income during the furlough period. The Board were mindful that a significant number of these workers were on relatively low wages and a 20% reduction under furlough would be significant.</p>	<a href="#">p.12</a>
<b>Local community</b>	<p>Through our charitable connections, and close relationships with local community services, we were aware that they were facing increased demand due to Covid-19 and donations and assistance were required.</p>	<p>The Directors increased the budget for charitable donations, sponsorship and community funding by 179% to £1.1m. This included £186,000 paid for by waivers of 20% of base salaries/fees from each Director for a three month period, effective from 1 April 2020. The salary/fee waiver was a personal cost to the Directors.</p>	<a href="#">p.13</a>
<b>Shareholders</b>	<p>The Covid-19 pandemic had a significant impact on the stock market and generally led to share prices falling and dividends being cancelled. There was considerable uncertainty surrounding whether dividend payments would be made to shareholders.</p>	<p>The Board considered the financial strength of the business and agreed to continue to pay the 2019 final dividend in June 2020 and to pay an interim 2020 dividend in October. This decision provided security to our shareholders who value the regular income received from our dividend payments.</p>	<a href="#">p.8</a>
<b>Employees</b>	<p>The Covid-19 pandemic and its uncertainty, caused understandable concerns around job security, ability to successfully work from home and safeguarding their health when returning to the office. Direct feedback from employees was fed into the Covid-19 Working Group established in February 2020 and this, in turn, was shared with the Board and Executive Committee.</p>	<p>The CEO and other Directors provided clear communication to staff, via regular town hall meetings which were open to all employees, that the Group would not furlough employees nor would there be redundancies. Transparent and detailed policies were published on the procedures for working safely at home, ensuring their wellbeing and safeguarding their health when they reoccupy the office. Considerable effort was made to ensure our employees and office spaces were safe when reoccupation was possible.</p>	<a href="#">p.12</a>
<b>NHS</b>	<p>Through community engagement, and our close relationship with University College Hospital, we were made aware that there was a lack of storage facilities for food and certain hospital staff were being housed in hotels as they were unable to stay with their families during the height of the pandemic.</p>	<p>The Directors responded by:</p> <ul style="list-style-type: none"> <li>providing use of 16 furnished flats at Charlotte Apartments to NHS staff at University College Hospital free of charge for 12 months, which has an equivalent rental value of c.£462,000;</li> <li>contributing to the UCL Medical Student Support Fund and the 1928 Project; and</li> <li>donating £20,000 to fund the purchase of commercial fridges to store food for NHS workers.</li> </ul>	<a href="#">p.13</a>

## Factoring our stakeholders into our decisions

We provide further examples on how our stakeholders impacted on the Board's discussions on the following pages:

[p.10](#) Delivering value to our customers

[p.12](#) Supporting our stakeholders in 2020

[p.117](#) 19-35 Baker Street W1