

DIRECTORS' REPORT



TIMOTHY KITE
COMPANY SECRETARY

The Directors present their annual report and audited financial statements for the year ended 31 December 2015.

A review of the development of the Group's business during the year, the principal risks and uncertainties facing the Group and its future prospects is included in the Strategic Report earlier in this report.

The Board

At the end of the year the Board consisted of:

Seven non-executive Directors:

Robert Rayne	Chairman
Stuart Corbyn ¹	
Stephen Young	
Simon Fraser	Senior Independent Director
Richard Dakin	
Claudia Arney	
Cilla Snowball	

Six executive Directors:

John Burns	Chief Executive Officer
Simon Silver	
Damian Wisniewski	
Nigel George	
Paul Williams	
David Silverman	

¹ Stuart Corbyn was the Group's Senior Independent Director until 31 December 2015.

As noted in the Chairman's letter on Corporate Governance above, Stuart Corbyn is not deemed independent under the criteria set out in provision B.1.1. of the Code having served on the Board for more than nine years.

Whilst the Board, together with a number of institutional investors, does not consider length of service alone to be an accurate guide to a Director's independence, in view of Stuart's tenure it has specifically considered his independence.

As part of its review, the Board noted that Stuart had no relationships with management that might compromise his independence and that he had demonstrated commitment and diligence in carrying out his duties during the year. Given these factors, together with the robust challenge that he consistently presented to the executives and the manner with which he exercised his judgement, the Board was satisfied that Stuart maintained an independent state of mind.

However, despite this conclusion, in the interest of good governance, Stuart has stepped down from his positions as the Group's Senior Independent Director and Chairman of the Nomination Committee on 31 December 2015. In both of these roles he has been replaced by Simon Fraser.

The Group's Nominations Committee continues to monitor the composition, independence and balance of the Board to ensure that the non-executive Directors are able to constructively test the views of the executive Directors.

A key element of this monitoring process relates to the diversity of the Board having due regard to the requirements of the UK Corporate Governance Code and the requests made by Lord Davies of Abersoch through the Department for Business, Innovation & Skills. Whilst the Board does not consider quotas to be an appropriate determinant of its composition, it notes Lord Davies' original 25% target for women's representation on boards and the progress made towards this as set out in the 'Women on Boards – Five year summary' paper published in October 2015. The Board's policy in this regard is to avoid positive discrimination and continue to make appointments based purely on merit with the aim of ensuring that the Board has the correct balance of skills, experience, length of service and knowledge of the Group to meet the requirements of the business.

The appointments of Claudia Arney and Cilla Snowball during 2015 met last year's aim of the Nomination Committee to recruit an additional female director but, more importantly, the skills and experience that they bring to the Board enhance its diversity on a much broader basis.

The Board currently includes two females (15%) and the gender mix throughout the Group is illustrated in the diagrams on page 70.

Taking all factors into account the Directors believe that the Board has an appropriate balance of skills, experience, knowledge and independence to deliver the Group's strategy and to satisfy the requirements of good corporate governance.

The Nominations Committee also considers the Group's succession planning on a regular basis to ensure that changes to the Board are properly planned and co-ordinated and that, in the event of unforeseen circumstances, the Group would be able to continue to deliver its long-term strategy.

The development of the executive management team below the Board is also monitored to ensure that there is an appropriate and diverse supply of senior executives and potential future Board members.

Responsibilities

The Board is responsible for setting the Group's strategic aims, for ensuring that adequate resources are available to meet its objectives and for reviewing management performance. A formal list of matters reserved for the Board is maintained which includes decisions relating to strategy and management, structure and capital, internal control and corporate governance, major contracts, certain external communications and Board membership. The list is reviewed periodically.

The full Board met six times during the year and six meetings are scheduled for 2016. Extra meetings will be arranged if necessary. The Executive Committee, which consists of the executive Directors plus four of the Group's senior managers, met 11 times throughout the year. Both bodies are provided with comprehensive papers in a timely manner to ensure that they are fully briefed on matters to be discussed at these meetings.

Directors' attendance at Board and Executive Committee meetings during the year was as follows:

	Full Board	Executive Committee
Number of meetings	6	11
Executive		
John Burns	6	11
Simon Silver	6	11
Damian Wisniewski	6	11
Paul Williams	6	11
Nigel George	6	11
David Silverman	6	11
Non-executive		
Robert Rayne	6	–
Stuart Corbyn	6	–
Richard Dakin	6	–
June de Moller	5	–
Robert Farnes (until 30 June 2015)	2	–
Simon Fraser	6	–
Stephen Young	6	–
Claudia Arney (from 18 May 2015)	4	–
Cilla Snowball (from 1 Sept 2015)	2	–

A formal schedule, which has been approved by the Board, sets out the division of responsibilities between the Chairman, who is responsible for the effectiveness of the Board, and the Chief Executive Officer, who is responsible for the day-to-day operations of the business.

Board Committees

The Board maintains a number of Board Committees. The terms of reference of each Committee are available on the Group's website www.derwentlondon.com. Set out below are details of the membership and duties of the four principal committees that operated throughout 2015.

Remuneration Committee

Membership and attendance:

Simon Fraser	Chairman	•	•	•	•
Stuart Corbyn		•	•	•	•
June de Moller	(until Dec 2015)	•	•	•	0
Stephen Young		•	•	•	•
Claudia Arney	(from May 2015)	–	–	–	•

The Committee is responsible for establishing the Group's remuneration policy and individual remuneration packages for the executive Directors and selected senior executives. There were four meetings of the Committee in 2015 and the report of its activities is set out on pages 96 to 112.

Nominations Committee

Membership and attendance:

Stuart Corbyn	Chairman (until Dec 2015)	•	•
June de Moller	(until Dec 2015)	•	•
Simon Fraser	Chairman (from Jan 2016)	•	•
Richard Dakin		•	•
Cilla Snowball	(from Sept 2015)	–	–

The Committee's responsibilities include identifying external candidates for appointment as Directors and, subsequently, recommending their appointment to the Board. If requested, the Committee will make a recommendation concerning an appointment to the Board from within the Group. The Committee met twice during 2015 and the report of the Nominations Committee is on page 113.

Risk Committee

Membership and attendance:

Richard Dakin	Chairman	•	•	•
June de Moller	(until Dec 2015)	•	•	•
Stephen Young		•	•	•
John Burns		•	•	•
Damian Wisniewski		•	•	•
Cilla Snowball	(from Jan 2016)	–	–	–

The Committee's main responsibility is to review the effectiveness of the Group's internal control and risk management systems. It met three times during the year and the Committee's report is on page 114.

Audit Committee

Membership and attendance:

Stephen Young	Chairman	•	•	•	•
Stuart Corbyn		•	•	•	•
Richard Dakin		•	•	•	•
Simon Fraser		•	•	•	•
Claudia Arney	(from Jan 2016)	–	–	–	–

The Committee is responsible for reviewing, and reporting to the Board on, the Group's financial reporting and for maintaining an appropriate relationship with the Group's Auditor. The Committee met four times during 2015 and the report of the Audit Committee is on pages 116 and 117.

- – attended
- 0 – not attended

DIRECTORS' REPORT

CONTINUED

Performance evaluation

The Company again used Lintstock, an independent third party, to facilitate the annual review of the effectiveness of the Board and its Committees required by Code provision B.6.2.

As a result of last year's review, measures were taken during 2015 to make the Group's board papers more focused. This has enabled the Directors to identify and address the key issues more easily.

The responses also showed that the work undertaken by the Risk Committee on the Group's risk management process had improved performance in this area.

This year's review took the form of a confidential, online survey which was completed by all the Directors and the Company Secretary. The survey covered the processes and performance of the Board, its Committees and the Chairman. In view of the new Directors who joined the Board during the year, particular focus was given to the Group's induction process. The performance of individual Directors was assessed by the Remuneration Committee as part of the salary review process.

The facilitator consolidated the responses and prepared reports for the Chairman as well as the chairmen of the relevant Committees.

As a result of this evaluation, the Board is satisfied that the structure, balance of skills and operation of the Board continues to be satisfactory and appropriate for the Group.

In addition, the Chairman is satisfied that the non-executive Directors, whom are standing for re-election at the Annual General Meeting (AGM), continue to be effective and show a high level of commitment to their roles. In forming this assessment, the Chairman paid particular attention to those Directors that had served on the Board for more than six years.

The performance of the Chairman was assessed by the non-executive Directors under the leadership of the Senior Independent Director using the responses to that section of the survey.

Appointment and replacement of Directors

The Board shall consist of not less than two Directors and not more than 15. Shareholders may vary the minimum and/or maximum number of Directors by passing an ordinary resolution. Other than as required by the shareholding guideline monitored by the Remuneration Committee, a Director shall not be required to hold any shares in the Company. Directors may be appointed by the Company by ordinary resolution or by the Board. A Director appointed by the Board holds office only until the Company's next AGM and is then eligible for re-appointment. The Board or any Committee authorised by the Board may from time to time appoint one or more Directors to hold an employment or executive office for such period and on such terms as they may determine and may also revoke or terminate any such appointment.

Appointment of a Director from outside the Group is on the recommendation of the Nominations Committee, whilst internal promotion is a matter decided by the Board unless it is considered appropriate for a recommendation to be requested from the Nominations Committee.

The articles provide that, at every AGM of the Company, any Director who has been appointed by the Board since the last AGM, or who held office at the time of the two preceding AGMs and who did not retire at either of them, or who has held office with the Company, other than employment or executive office, for a continuous period of nine years or more at the date of the meeting, shall retire from office and may offer himself for re-appointment by the members. However, in accordance with Provision B.7.1 of the Code the Company subjects all Directors to annual re-election and therefore at the next AGM all the Directors will retire and, being eligible, offer themselves for re-election. Biographies of all the Directors are given on pages 80 and 81.

The Company may by special resolution remove any Director before the expiration of his period of office. The office of a Director shall be vacated if:

- he resigns or offers to resign and the Board resolves to accept such offer; his resignation is requested by all of the other Directors and all of the other Directors are not less than three in number;
- he is or has been suffering from mental or physical ill health and the Board resolves that his office be vacated;
- he is absent without the permission of the Board from meetings of the Board (whether or not an alternate Director appointed by him attends) for six consecutive months and the Board resolves that his office is vacated;
- he becomes bankrupt or enters into an agreement with his creditors;
- he is prohibited by a law from being a Director;
- he ceases to be a Director by virtue of the Companies Acts; or
- he is removed from office pursuant to the Company's articles.

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

If considered appropriate, new Directors are provided with external training that addresses their role and duties as a director of a quoted public company. Existing Directors monitor their own continued professional development and are encouraged to attend courses that keep their market and regulatory knowledge up-to-date. In addition, any training and development requirements are discussed during the one-to-one meetings between the Chairman and the Directors.

All Directors have access to the services of the Company Secretary and any Director may instigate an agreed procedure whereby independent professional advice may be sought at the Company's expense. Directors' and officers' liability insurance is maintained by the Company.

Powers of the Directors

Subject to the Company's articles, the Companies Act and any directions given by the Company by special resolution, the business of the Company will be managed by the Board who may exercise all the powers of the Company, whether relating to the management of the business of the Company or not. In particular, the Board may exercise all the powers of the Company to borrow money, to guarantee, to indemnify, to mortgage or charge any of its undertaking, property, assets (present and future) and uncalled capital and to issue debentures and other securities and to give security for any debt, liability or obligation of the Company or of any third party.

Directors

The Directors of the Company during the year and their interests in the share capital of the Company, including deferred shares and shares over which options have been granted under the performance share plan, are shown below. All of these interests are held beneficially.

There have been no changes in any of the Directors' interests between the year end and 25 February 2016.

During the year, a conditional grant of 157,505 shares was made to Directors under the Performance Share Plan (PSP) whilst 115,463 shares vested to the Directors from an earlier conditional award at a zero exercise price. The remaining 115,462 shares of this award made to Directors lapsed.

The Directors do not participate in the Executive Share Option Scheme.

Other than as disclosed in note 36 the Directors have no interest in any material contracts of the Company.

Conflicts of interest

The Company's articles permit the Directors to regulate conflicts of interest. The Board operates a policy for managing and, where appropriate, approving conflicts or potential conflicts of interest whereby Directors are required to notify the Company as soon as they become aware of a situation that could give rise to a conflict or potential conflict of interest. The register of potential conflicts of interest is regularly reviewed by the Risk Committee and the Board is satisfied that this policy has operated effectively throughout the period.

Communication with shareholders

The Company recognises the importance of clear communication with shareholders. Regular contact with institutional shareholders and fund managers is maintained, principally by the executive Directors, through presentations and visits to the Group's property assets. The Board receives regular reports of these meetings which include a summary of any significant issues raised by the shareholders. The Group's website www.derwentlondon.com, which includes the presentations made to analysts at the time of the Group's interim and full year results, together with the social media channels that the Group uses, provide additional sources of information for shareholders. Websites for specific developments are used to help explain the Group's current activities to shareholders in more detail. The Annual Report, which is available to all shareholders, reinforces this communication.

The AGM provides an opportunity for shareholders to question the Directors and, in particular, the Chairman of each of the Board Committees. An alternative channel of communication to the Board is available to shareholders through the Senior Independent Director.

Directors' interests in the Company's share capital

	Ordinary shares of 5p each		Options and deferred shares	
	31 Dec 15	31 Dec 14	31 Dec 15	31 Dec 14
R.A. Rayne ¹	4,194,703	4,409,295	–	–
J.D. Burns	694,498	738,244	139,545	163,203
S.P. Silver	239,887	294,887	119,717	139,963
N.Q. George	47,550	47,550	82,855	89,222
P.M. Williams	44,551	44,551	83,286	90,084
D.G. Silverman	16,469	16,469	81,733	85,737
D.M.A. Wisniewski	21,781	21,781	83,286	90,084
S.A. Corbyn	1,000	1,000	–	–
R.D.C. Dakin	–	–	–	–
J. de Moller (retired Dec 2015)	n/a	2,985	–	–
R.A. Farnes (retired May 2015)	n/a	5,628	–	–
S.W.D. Fraser	–	–	–	–
S.G. Young	1,000	1,000	–	–
C.I. Arney (appointed May 2015)	–	n/a	–	n/a
P.D. Snowball (appointed Sept 2015)	–	n/a	–	n/a

¹ Includes shares held by the Rayne Foundation and the Rayne Trust, both of which R.A. Rayne is a trustee.

DIRECTORS' REPORT CONTINUED

Risk management and internal control

The principal risks and uncertainties facing the Group in 2016 together with the controls and mitigating factors are set out on pages 72 to 77. The Board has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. Details of the price, credit, liquidity and cash flow risks that are inherent in the Group's business are given in note 23 on pages 148 to 155. The key elements of the Group's internal control framework which is designed to manage and control the Group's risks are:

- an approved schedule of matters reserved for decision by the Board and the Executive Committee supported by defined responsibilities and levels of authority;
- the day-to-day involvement of the executive Directors in all aspects of the Group's business;
- a comprehensive system of financial reporting and forecasting including both sensitivity and variance analysis;
- maintenance, updating and regular review by the Risk Committee of the Group's Risk Register which forms part of the risk management process; and
- a formal Whistleblowing Policy which includes access to an external help line.

The effectiveness of this system and the operation of the key components thereof have been reviewed for the accounting year and the period to the date of approval of the financial statements.

The Board was able to assess the effectiveness of the controls through the close day-to-day involvement of the executive Directors in the operation of many of the controls and the various reports that the Board receives which enable any significant control failure to be identified.

This review did not reveal any significant weaknesses in the Group's system of controls.

The Board has considered the need for an internal audit function but continues to believe that this is unnecessary given the size and complexity of the Group.

Report and accounts

The Board has considered the Group's report and accounts and, taking into account the recommendation of the Audit Committee, is satisfied that, taken as a whole, it is fair, balanced and understandable and provides the information necessary for the shareholders to assess the Company's position and performance, business model and strategy.

Share capital

As at February 2016, the Company's issued share capital comprised a single class of 5p ordinary shares. Details of the ordinary share capital and shares issued during the year can be found in note 26 to the financial statements.

Derwent London shares held by the Group

At 31 December 2015 the Group held 44,803 Derwent London shares in order to deliver the deferred bonus shares to the Directors and other senior executives when the deferral periods expire. Movements on the holding of these shares are detailed below:

Transaction	Number of 5p ordinary shares	Percentage of issued share capital %	Price £	Aggregate consideration £
Holding at 1 January 2014	33,436	0.033		494,680
Disposal on 2 April 2014	(24,275)	(0.024)	27.34	(663,678)
Acquired on 7 April 2014	29,062	0.028	27.34	794,555
Maximum holding during 2014 and holding as at 31 December 2014	38,223	0.037		625,557
Disposal on 26 March 2015	(23,693)	(0.021)	34.65	(820,962)
Acquired on 26 March 2015	30,273	0.027	34.65	1,048,959
Maximum holding during 2015 and holding as at 31 December 2015	44,803	0.043		853,554

Rights and restrictions attaching to shares

The Company can issue shares with any rights or restrictions attached to them as long as this is not restricted by any rights attached to existing shares. These rights or restrictions can be decided either by an ordinary resolution passed by the shareholders or by the Directors as long as there is no conflict with any resolution passed by the shareholders. These rights and restrictions will apply to the relevant shares as if they were set out in the articles. Subject to the articles, the Companies Act and other shareholders' rights, unissued shares are at the disposal of the Board.

Variation of rights

If the Companies Act allows this, the rights attached to any class of shares can be changed if it is approved either in writing by shareholders holding at least three-quarters of the issued shares of that class by amount (excluding any shares of that class held as treasury shares) or by a special resolution passed at a separate meeting of the holders of the relevant class of shares. This is called a 'class meeting'.

All the articles relating to general meetings will apply to any such class meeting, with any necessary changes. The following changes will also apply:

- A quorum will be present if at least two shareholders who are entitled to vote are present in person or by proxy who own at least one-third in amount of the issued shares of the class (excluding any shares of that class held as treasury shares).
- Any shareholder who is present in person or by proxy and entitled to vote can demand a poll.
- At an adjourned meeting, one person entitled to vote and who holds shares of the class, or his proxy, will be a quorum.

The provisions of this article will apply to any change of rights of shares forming part of a class. Each part of the class which is being treated differently is treated as a separate class in applying this article.

The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with them.

No person holds securities in the Company carrying special rights with regard to control of the Company.

Voting

Shareholders will be entitled to vote at a general meeting whether on a show of hands or a poll, as provided in the Companies Act. Where a proxy is given discretion as to how to vote on a show of hands this will be treated as an instruction by the relevant shareholder to vote in the way in which the proxy decides to exercise that discretion. This is subject to any special rights or restrictions as to voting which are given to any shares or upon which any shares may be held at the relevant time and to the articles.

If more than one joint holder votes (including voting by proxy), the only vote which will count is the vote of the person whose name is listed first on the register for the share.

Restrictions on voting

Unless the Directors decide otherwise, a shareholder cannot attend or vote shares at any general meeting of the Company or upon a poll or exercise any other right conferred by membership in relation to general meetings or polls if he has not paid all amounts relating to those shares which are due at the time of the meeting, or if he has been served with a restriction notice (as defined in the articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Act.

The Company is not aware of any agreements between shareholders that may result in restrictions on voting rights.

Restrictions on transfer of securities in the Company

There are no restrictions on the transfer of securities in the Company, except:

- That certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws).
- Pursuant to the Listing Rules of the Financial Conduct Authority whereby certain employees of the Company require the approval of the Company to deal in the Company's ordinary shares.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities.

Powers in relation to the Company issuing or buying back its own shares

The Directors were granted authority at the 2015 AGM to allot relevant securities up to a nominal amount of £1,844,402. That authority will apply until the conclusion of this year's AGM. At this year's AGM shareholders will be asked to grant an authority to allot relevant securities (i) up to a nominal amount of £1,852,868 and (ii) up to a nominal amount of £3,705,736 (after deducting from such limit any relevant securities allotted under (i)), in connection with an offer by way of a rights issue, (the 'section 551 authority'), such section 551 authority to apply until the end of next year's AGM.

A special resolution will also be proposed to renew the Directors' power to make non-pre-emptive issues for cash in connection with rights issues and otherwise up to a nominal amount of £555,860. A further special resolution will be proposed to renew the Directors' authority to repurchase the Company's ordinary shares in the market. The authority will be limited to a maximum of 11,117,210 ordinary shares and the resolution sets the minimum and maximum prices which may be paid.

Substantial shareholders

In addition to those of the Directors disclosed on page 89, the Company has been notified of the following interests in the issued ordinary share capital as at 25 February 2016.

	Number of shares	Percentage of issued share capital
Blackrock Investment Management (UK) Ltd	6,906,835	6.21
Norges Bank	5,547,762	4.99
Invesco Inc	5,242,406	4.72
Standard Life Investments	4,284,390	3.85
Lady Jane Rayne	3,593,838	3.23

DIRECTORS' REPORT CONTINUED

Significant agreements

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid, except that, under the rules of the Group's share-based remuneration schemes some awards may vest following a change of control.

Some of the Group's banking arrangements are terminable upon a change of control of the Company.

As a REIT, a tax charge may be levied on the Company if it makes a distribution to another company which is beneficially entitled to 10% or more of the shares or dividends in the Company or controls 10% or more of the voting rights in the company, (a substantial shareholder), unless the Company has taken reasonable steps to avoid such a distribution being made. The Company's articles give the Directors power to take such steps, including the power:

- to identify a substantial shareholder;
- to withhold the payment of dividends to a substantial shareholder; and
- to require the disposal of shares forming part of a substantial shareholding.

There is no person with whom the Group has a contractual or other arrangement which is essential to the business of the Company.

Amendment of articles of association

Unless expressly specified to the contrary in the articles of the Company, the Company's articles may be amended by a special resolution of the Company's shareholders.

Fixed assets

The Group's freehold and leasehold investment properties were professionally revalued at 31 December 2015, resulting in a surplus of £672.2m, before accounting adjustments of £20.8m. The freehold and leasehold properties are included in the Group balance sheet at a carrying value of £4,832m. Further details are given in note 16 of the financial statements.

Additional information

For the purposes of Listing Rule (LR) 9.8.4C R, the information required to be disclosed by LR 9.8.4 R can be found in the following locations:

Section in LR 9.8.4 R	Topic	Location in the annual report and accounts
1	Interest capitalised	Note 7 Page 134
2	Publication of unaudited financial information	n/a
3	Requirement subsequently deleted from the listing rules	–
4	Details of long-term incentive schemes	Page 108
5	Waiver of emoluments by a director	n/a
6	Waiver of future emoluments by a director	n/a
7	Non pre-emptive issues of equity for cash	n/a
8	Item (7) in relation to major subsidiary undertakings	n/a
9	Parent participation in a placing by a listed subsidiary	n/a
10	Contracts of significance	Page 92
11	Provision of services by a controlling shareholder	n/a
12	Shareholder waivers of dividends	n/a
13	Shareholder waivers of future dividends	n/a
14	Agreements with controlling shareholders	n/a

Post balance sheet events

Details of post balance sheet events are given in note 34 of the financial statements.

Going concern

Under Provision C.1.3 of the UK Corporate Governance Code, the Board is required to report whether the business is a going concern. In considering this requirement, the Directors have taken into account the following:

- The Group's latest rolling forecast for the next two years in particular the cash flows, borrowings and undrawn facilities. Sensitivity analysis is included within these forecasts.
- The headroom under the Group's financial covenants.
- The risks included on the Group's Risk Register that could impact on the Group's liquidity and solvency over the next 12 months.

The Group's risks and risk management processes are set out on pages 72 to 77 where the key risks in the Group's Risk Register that could be a threat to the Group's business model and capital adequacy together with the Group's Viability Statement are also presented.

Having due regard to these matters and after making appropriate enquiries, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence until at least 25 February 2017. Therefore, the Board continues to adopt the going concern basis in preparing the financial statements.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and that each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information.

Auditors

PricewaterhouseCoopers LLP, which was appointed in 2014 following a competitive tender process, has expressed its willingness to continue in office as the Group's auditor and accordingly, resolutions to reappoint it and to authorise the Directors to determine its remuneration will be proposed at the AGM. These are resolutions 17 and 18 set out in the notice of meeting.

Our carbon footprint

We present below our annual GHG (greenhouse gas) emissions footprint for 2015 compared to our 2014 footprint. We also include a set of intensity ratios appropriate for our business, both of which fulfil the requirements of the Companies Act 2006 (Strategic and Directors' Report Regulations 2013).

We have seen reductions in our corporate carbon generation by 1.38% and overall CO₂e/m² intensity reduction of 11%.

For further analysis and detail on our GHG emissions please see our Annual Sustainability Report, which can be found at www.derwentlondon.com/sustainability.

Total managed portfolio including corporate based emissions

			Whole year (Q1-4)		
			Years		
			2015	% change 2014 to 2015	2014
Scope 1	Energy-use	Gas (total building)	2,700	17.6	2,295
		Oil (total building)	48	(38.7)	78
	Travel	Fuel use in Derwent London company cars for business travel	11	(40.4)	19
	Fugitive emissions	Refrigerant emissions	427	(44.9)	774
Scope 2	Energy-use	Electricity use – generation (landlord-controlled areas and Derwent London occupied floor area)	5,406	(2.2)	5,527
Scope 3	Energy-use	Electricity use – WTT Generated Scope 3 Indirect GHG (landlord-controlled areas and Derwent London occupied floor area)	806	(4.3)	842
		Electricity use – T&D Direct & WTT T&D Indirect (landlord-controlled areas and Derwent London occupied floor area)	513	(7.9)	557
		Gas (total building)	363	17.9	308
		Oil (total building)	10	(38.3)	16
	Travel	Fuel use in Derwent London company cars for business travel WTT	2	(41.3)	4
		Business air travel WTT	3	(46.0)	5
		Business air travel	23	(43.7)	41
Water	Water use (total building)	55	19.4	46	
Total (Landlord only)	All	All	10,367	(1.38)	10,512
Out of scope	Energy-use	Biomass use (total building)	31	18.8	26
Tenant emissions Scope 1 + 2 + 3			15,562	8.7	14,316

Intensity

tCO ₂ e/£m turnover (Scopes 1 and 2 only, including Scope 1 fugitive emissions)	56.53	(10.0)	62.81
Intensity (tCO ₂ e/m ²) including Scope 1 fugitive emissions	0.025	(11.0)	0.028

Data notes

Reporting period	1 January 2015 to 31 December 2015
Baseline year	2014
Boundary (consolidation approach)	Operational control
Alignment with financial reporting	The only variation is that the GHG emission data presented does not account for single-let properties or properties for which we do not have management control. This is because we have no control or influence over the utility consumption in these buildings. However, the rental income of these properties is included in our consolidated financial statements. The percentage movements are calculated using the figures before rounding.
Reporting method	The Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard.
Emissions factor source	DEFRA, 2015 – www.ukconversionfactorscarbonsmart.co.uk .
Independent assurance	Public limited assurance (using ISAE 3000) provided by Deloitte LLP over all Scope 1, 2 and 3 GHG emissions data.
Data changes and restatements	No data changes or restatements in 2014.

DIRECTORS' REPORT CONTINUED

Annual General Meeting

The notice of meeting contained in the circular to shareholders that accompanies the report and accounts includes four resolutions to be considered as special business.

Resolution 19 is an ordinary resolution to renew the authority of the Directors under Section 551 of the Companies Act 2006 to allot shares. Paragraph A of the resolution gives the Directors authority to allot ordinary shares up to an aggregate nominal amount of £1,852,868 which represents about one-third of the issued ordinary share capital (excluding treasury shares) of the Company as at the latest practicable date prior to the publication of this document.

In line with guidance issued by the Investment Association, paragraph B of the resolution gives the Directors authority to allot ordinary shares in connection with a rights issue in favour of ordinary shareholders up to an aggregate nominal amount of £3,705,736, as reduced by the nominal amount of any shares issued under paragraph A of the resolution. This amount (before any reduction) represents approximately two-thirds of the issued ordinary share capital (excluding treasury shares) of the Company as at the latest practicable date prior to the publication of this document.

The Directors have no present intention of issuing shares except on the exercise of options under the Company's share option scheme, on the vesting of shares under the Company's performance share plan or in connection with the scrip dividend scheme. The authority will expire at the conclusion of next year's AGM or, if earlier, the close of business on 13 August 2017.

Resolution 20 is a special resolution to renew the Directors' authority under Sections 571 and 573 of the Companies Act 2006. The resolution empowers the Directors to allot shares or sell treasury shares for cash in connection with pre-emptive offers and the scrip dividend scheme (where the scrip election is made after the declaration (but before payment) of a final dividend) with modifications to the requirements set out in Section 561 of the Companies Act 2006. The resolution further empowers the Directors to allot or, in the case of treasury shares, sell shares for cash, otherwise than on a pre-emptive basis, up to an aggregate nominal value of £555,860 which is equivalent to approximately 10% of the issued share capital as at the latest practicable date prior to the publication of this document provided that, unless the proceeds of such allotment or sale are to be applied in connection with an acquisition or specified capital investment, this authority is limited to 5% of the issued share capital.

In respect of this aggregate nominal amount, the Directors confirm their intention to follow the provisions of the Pre-emption Group's Statement of Principles regarding cumulative usage of authorities within a rolling three-year period, which provide that usage in excess of 7.5% (excluding in connection with an acquisition or specified capital investment) should not take place without prior consultation with shareholders.

Allotments made under the authorisation in paragraph B of resolution 19 would be limited to allotments by way of a rights issue (subject to the right of the Board to impose necessary or appropriate limitations to deal with, for example, fractional entitlements and regulatory matters).

The authority will expire at the conclusion of next year's AGM or, if earlier, the close of business on 13 August 2017.

Resolution 21 is a special resolution to renew the authority enabling the Company to purchase its own shares. This authority enables the Directors to act quickly, if, having taken account of all major factors such as the effect on earnings and net asset value per share, gearing levels and alternative investment opportunities, such purchases are considered to be in the Company's and shareholders' best interest while maintaining an efficient capital structure. The special resolution gives the Directors authority to purchase up to 10% of the Company's ordinary shares and specifies the maximum and minimum prices at which shares may be bought. The authority will expire at the conclusion of next year's AGM or, if earlier, the close of business on 13 August 2017.

The Companies Act 2006 permits the Company to hold any such repurchased shares in treasury, with a view to possible re-issue at a future date, as an alternative to immediately cancelling them. Accordingly, if the Company purchases any of its shares pursuant to resolution 21, the Company may cancel those shares or hold them in treasury. Such a decision will be made by the Directors at the time of purchase on the basis of the Company's and shareholders' best interests. As at the date of the notice of meeting, the Company held no shares in treasury.

The total number of options to subscribe for ordinary shares outstanding at 25 February 2016 was 893,190 which represented 0.8% of the issued share capital (excluding treasury shares) at that date. If the Company were to purchase the maximum number of ordinary shares permitted by this resolution, the options outstanding at 25 February 2016 would represent 1.0% of the issued share capital (excluding treasury shares).

Resolution 22 is required to reflect the implementation of the Shareholder Rights Directive which, in the absence of a special resolution to the contrary, increased the notice period for general meetings of the Company to 21 days. The Company is currently able to call general meetings (other than an AGM) on 14 clear days' notice and would like to preserve this ability. The shorter notice period would not be used as a matter of routine, but only where the flexibility is merited by the business of the meeting and it is thought to be to the advantage of the shareholders as a whole. The approval will be effective until the Company's next AGM, when it is intended that a similar resolution will be proposed.

Approved by the Board and signed on its behalf by:

TIMOTHY J. KITE ACA
COMPANY SECRETARY

25 FEBRUARY 2016