REPORT OF THE REMUNERATION COMMITTEE

This part of the Directors' Remuneration Report has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the Act). The overall remuneration policy has been developed in compliance with the principles of the 2014 UK Corporate Governance Code and the Listing Rules. The policy, having been approved by shareholders at the 2014 AGM, is currently intended to be applied throughout the three-year period that commenced on 16 May 2014. For information purposes only, the policy report is re-presented, although with changes made to reflect page references, removal of prior year information when no longer relevant, the dates of the service contracts signed after the 2014 AGM (although in line with the terms disclosed in the approved policy) and the removal of the remuneration scenario chart. The full original report can be viewed on the Company's website (www.derwentlondon.com). The annual statement by the Chairman of the Remuneration Committee and the annual report on Directors' remuneration will be put to an advisory vote at the 2016 AGM on 13 May 2016.

Directors' remuneration policy report

The Committee, on behalf of the Board, is responsible for determining remuneration packages for the executive Directors and selected other senior executives. It also oversees the operation of the Group's bonus scheme and PSP and considers the level of business risk that the remuneration structure encourages the executives to accept.

The key aims of the Committee's remuneration policy for senior executives are:

- to ensure that the Company attracts, retains and motivates executives who have the skills and experience necessary to make a significant contribution to the delivery of the Group's objectives;
- to incentivise key executives by use of a remuneration package that is appropriately competitive with other real estate companies taking into account the experience and importance to the business of the individuals involved, whilst also having broad regard to the level of remuneration in similar sized FTSE 350 companies. The Committee also takes account of the pay and conditions throughout the Company;
- to align, as far as possible, the interests of the senior executives with those of shareholders by providing a significant proportion of the Directors' total remuneration potential through a balanced mix of short and long-term performance related elements that are consistent with the Group's business strategy;
- to enable executive Directors to accumulate shareholdings in the Company over time that are personally meaningful to them;
- to ensure that incentive schemes are subject to appropriately stretching performance conditions and designed so as to be consistent with best practice; and
- to ensure that the Group's remuneration structure does not encourage management to adopt an unacceptable risk profile for the business.

The policy table opposite sets out the broad principles which will be applied when setting the individual remuneration packages of Directors. This should be read in conjunction with the recruitment and promotion policy on page 102 and the application of policy for 2016 on pages 103 to 112.

Executive Director policy table

	Purpose and link to strategy	How operated	Maximum opportunity	Performance metrics
Base salary	To help recruit, retain and motivate high calibre executives. Reflects experience and importance to the business.	Reviewed annually, with effect from 1 January. Review reflects: ■ Role, experience and performance. ■ Economic conditions. ■ Increases throughout the rest of the business. ■ Levels in companies with similar characteristics. Salaries are set after having due regard to the salary levels operating in companies of a similar size and complexity, the responsibilities of each individual role, individual performance and an individual's experience. Our overall policy, having had due regard to the factors noted, is normally to target salaries at around the market median level.	The current salary levels are detailed in the Annual Report on Remuneration on page 105 and will be eligible for increases during the period that the Directors' remuneration policy operates. During this time, to the extent that salaries are increased, increases will normally be consistent with the policy applied to the workforce generally (in percentage of salary terms). Increases beyond those linked to the workforce generally (in percentage of salary terms) may be awarded in certain circumstances such as where there is a change in responsibility, experience or a significant increase in the scale of the role and/or size, value and/or complexity of the Group. The Committee retains the flexibility to set the salary of a new hire at a discount to the market level initially, and to implement a series of planned increases over the subsequent few years, in order to bring the salary to the desired position, subject to individual performance.	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. Medical benefits to help minimise disruption to business.	Directors are entitled to private medical insurance, car and fuel allowance and life assurance. The Committee may provide other employee benefits to executive Directors on broadly similar terms to the wider workforce.	The maximum cost of providing benefits is not pre-determined and may vary from year-to-year based on the overall cost to the Company in securing these benefits for a population of employees (particularly health insurance and death-in-service cover).[1]	None.

[1] In relation to the types of benefits detailed in the above table, the only benefit which is considered to be significant in value terms is the provision of a company car (or the provision of cash in lieu of providing a company car). The value of the benefit will be either the taxable value assessed according to HMRC rules when a company car is provided or the cash amount in the case of cash in lieu of a company car. In either case, the provision of this benefit is limited to a cost of £50,000.

Executive Director policy table (continued)

	Purpose and link to strategy	How operated	Maximum opportunity	Performance metrics
Pension	To help recruit and retain high calibre executives and reward continued contribution to the business.	The Company operates a defined contribution pension scheme. Where contributions would exceed either the lifetime or annual contribution limits cash payments in lieu are made.	Directors receive a contribution or cash supplement of up to 20% of salary. Legacy arrangements for some Directors mean that a fixed amount is paid in addition to the 20% contribution. The continuation of these arrangements for existing employees means that their maximum pension will be up to 21% of salary.	None.
Annual bonus	To incentivise the annual delivery of stretching financial targets and personal performance goals. Financial performance measures reflect KPIs of the business.	Bonus payments are determined by the Committee after the year end, based on performance against the targets set. Bonuses up to 100% of salary are paid as cash. Amounts in excess of 100% are deferred into shares of which 50% is released after 12 months and the balance after 24 months. These deferred shares are potentially forfeitable if the executive leaves prior to the share release date. The bonus is not pensionable. Clawback provisions apply in the event of misstatement or misconduct.	Maximum bonus potential, for the achievement of stretching performance conditions is 150% of salary for all Directors.	Annual bonuses are earned based on performance measured against the following metrics: ■ Total return against other major real estate companies (up to 50% of the maximum bonus opportunity); ■ Total property return versus the IPD Central London Offices Total Return Index (up to 25% of the maximum bonus opportunity); and ■ Performance objectives tailored to the delivery of the Group's short-term strategy (up to 25% of the maximum bonus opportunity). Only 22.5% of the relevant bonus element will be payable for threshold performance against the financial measures (i.e. total return and total property return), rising to full payout for achieving challenging outperformance targets. The performance condition described above will be reviewed annually by the Committee (in terms of the companies against which relative total return performance is measured, the choice of IPD Index relating to total property return and the metrics and weightings applied to each element of bonus). Any revisions to the above structure would only take place should it be considered necessary in light of developments in the Company's strategy to ensure that the annual bonus remained aligned with the Company's strategy and KPIs. In any event, a substantial majority of bonus would be expected to remain subject to financial targets with a minority based on performance against performance objectives linked to the delivery of the Group's short-term strategy. Details of the bonus structure operating each year will be provided in the relevant annual report on remuneration.

	Purpose and link to strategy	How operated	Maximum opportunity	Performance metrics
Long-term incentive plan	To align the long-term interests of the Directors with those of the Group's shareholders. To incentivise value creation over the long-term. To aid retention.	The Committee makes a conditional award of nil-cost options each year. Vesting is determined by the Group's achievements against stretching performance targets over the three subsequent years and continued employment. The Group's performance against the targets is independently verified on behalf of the Committee. A further holding period of two years is required on the after tax number of vested shares. Dividends may be payable on vested shares. Clawback provisions apply in the event of misstatement or misconduct. Awards will be satisfied by either newly issued shares or shares purchased in the market. Any use of newly issued shares will be limited to corporate governance compliant dilution limits contained in the scheme rules.	Annual award limit: up to 200% of salary.	Long-term incentive awards vest based on three-year performance against a challenging range of total property return (50% of an award) and, separately, relative total shareholder return (50% of an award) performance targets. Total property return performance is measured relative to the IPD Central London Offices Index and total shareholder return performance is measured against a bespoke comparator group of real estate companies. 22.5% of each part of an award vests for achieving the threshold performance level with full vesting for achieving challenging outperformance targets for total property return (based on a prescribed out-performance premium of the IPD Central London Offices Index) or the upper quartile rank for total shareholder return. No awards vest for below threshold performance levels. The Committee will have discretion to reduce the extent of vesting in the event that it considers that performance against the relevant measure of performance (whether total shareholder return or total property return growth) is inconsistent with underlying financial performance. The performance condition described above will be reviewed annually by the Committee (in terms of the companies against which relative total return performance is measured, the choice of IPD Index relating to total property return and the metrics and weightings applied to each part of an award). Any revisions to the metrics and/or weightings would only take place should it be considered necessary in light of developments in the Company's strategy and following appropriate dialogue with the Company's major shareholders. Should a substantial reworking of the current approach be considered appropriate (e.g. replacing one of the current metrics with an alternative), this would only take place following a revised Directors' remuneration policy being tabled to shareholders.
Share ownership guidelines	To provide alignment between executives and shareholders.	Executive Directors are required to retain at least half of any shares vesting (net of tax) until the guideline is met.	John Burns – 200% of salary. Other executive Directors – 125% of salary. Non-executive Directors – No guideline.	None.

Executive Director policy table (continued)

	Purpose and link to strategy	How operated	Maximum opportunity	Performance metrics
Non-executive Directors' fees	To help recruit and retain, high calibre non-executives with relevant skills and experience. Reflects time commitments and scope of responsibility.	The remuneration for the Chairman is set by the full Board. The remuneration for non-executive Directors, is also set by the whole Board. Periodic fee reviews will set a base fee and, where relevant, fees for additional services such as chairing a Board Committee. The review will consider the expected time commitments and scope of responsibilities for each role as well as market levels in companies of comparable size and complexity.	The current non-executives' fees (and benefits where applicable) may be increased at higher rates than the wider workforce given that fees may only be reviewed periodically and to ensure that any changes in time commitment are appropriately recognised in the fee levels set.	None.

Operation of the annual bonus plan and LTIP policy
The Committee will operate the annual bonus plan and LTIP in accordance with their respective rules and in accordance with the Listing Rules of the FCA where relevant. As part of the rules the Committee holds certain discretions which, are required for an efficient operation and administration of these plans, and are consistent with standard market practice. These include the following discretions:

- Participants of the plans.
- The timing of grant of award and/or payment.
- The size of an award and/or a payment (albeit with quantum and performance targets restricted to the descriptions detailed in the policy table on pages 98 and 99).
- The determination of vesting.
- Discretion required when dealing with a change of control (e.g. the timing of testing performance targets) or restructuring of the Group.
- Determination of a good/bad leaver for incentive plan purposes based on the rules of each plan and the appropriate treatment chosen.
- Adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events and special dividends).
- The annual review of performance conditions for the annual bonus plan and Performance Share Plan from year-to-year.

If certain events occur (e.g. a material divestment or acquisition of a Group business), which mean the original performance conditions are no longer appropriate the Committee retains the ability to make adjustments to the targets and/or set different measures and alter weightings as necessary to ensure the conditions achieve their original purpose and are not materially less difficult to satisfy.

The outstanding share incentive awards which are detailed in tables 2 and 4 on pages 108 and 110 will remain eligible to vest based on their original award terms. In addition, all arrangements previously disclosed in the 2014 report of the Remuneration Committee will remain eligible to vest or become payable on their original terms.

Choice of performance measures and approach to target setting
The performance metrics that are used for annual bonus and long-term incentive plans are aligned to the Company's KPIs.

For the annual bonus a combination of sector specific financial performance measures are used. These are measured on a relative basis against sector peers and industry benchmarks such as IPD. The precise measures, targets and weightings chosen may vary, depending on the Company's strategy. Other objectives are set on an annual basis for each Director, directly linked to their role and responsibilities and the overall strategic focus at that time.

When compared to sector peers, targets are set in a range which is based on median performance delivering threshold payout, rising to full payout for performance at least equal to upper quartile. When compared to an industry benchmarking, equalling the index will deliver a threshold payout rising to full payout for substantial outperformance of the index. Only a minority of the bonus element will be paid for achieving threshold targets.

Long-term performance targets are set based on a combination of relative performance measures. Relative TSR is currently used as it provides a clear alignment between shareholders and executives. Other relative measures such as TPR against a relevant industry benchmark promotes the aim to maximise returns from the investment portfolio. Measuring Derwent's TPR against the TPR of the IPD Central London Offices Index ensures the Group's performance is being assessed on a consistent basis. As with annual bonus measures, the target range when compared to sector peers, is based on a market standard median to upper quartile ranking approach. When compared to an industry benchmarking, equalling the index will deliver a threshold payout rising to full payout for outperformance of the index. Only 22.5% of any long-term incentive will vest for achieving threshold targets.

How the pay of employees is taken into account and how it compares to executive Director remuneration policy
While the Company does not formally consult employees on remuneration, in determining the remuneration policy for executive Directors, the Committee takes account of the policy for employees across the workforce. In particular when setting base salaries for executives the Committee compares the salary increases with those for the workforce as a whole.

The overall remuneration policy for executive Directors is broadly consistent with the remainder of the workforce. However, whilst executive remuneration is weighted towards performance-related pay, the Company operates both option and bonus schemes for employees (albeit at lower quantum and subject to performance criteria more appropriate for their role) which are similar to those of the Directors.

How the views of shareholders are taken into account
The Committee actively seeks dialogue with shareholders and values their input in helping to formulate the Company's remuneration policy. Any feedback received from shareholders is considered as part of the Committee's annual review of remuneration policy. The Committee will also discuss voting outcomes at the relevant Committee meeting and will consult with shareholders when making any significant changes to the remuneration policy.

Service contracts and compensation for loss of office
As part of the major review of the Directors' remuneration structure undertaken in 2013/2014, all the executive Directors entered into new service contracts dated 16 May 2014. These 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 and are subject to mitigation. The new service contracts have no change of control provisions and all other elements were brought up to date in line with best practice.

Other than in the event of certain 'good leaver' events (such as redundancy or retirement), no bonus will be payable unless the individual remains employed and is not under notice at the payment date. With regards to LTIP awards, if a participant resigns voluntarily, the award lapses. The 2004 PSP rules provide standard 'good leaver' definitions for death, retirement, injury, ill-health, disability, redundancy or transfer of employment outside the Group, or any other reason at the Committee's discretion, whereby awards will vest at their original vesting date subject to performance criteria being achieved and time pro-rating (rounded up to the next completed service year for awards granted before 1 January 2013) to reduce vested awards for time served in the relevant period.

The 2014 LTIP includes a similar definition of a 'good leaver' as detailed above for the 2004 PSP. The extent of vesting for a good leaver under the 2014 LTIP will depend upon the extent to which the performance conditions have, in the opinion of the Committee, been satisfied over the original three-year performance measurement period and pro rating of the award to reflect the reduced period of time between its grant and vesting, although the Committee can decide not to pro-rate an award if it regards it as inappropriate to do so in the particular circumstances. Alternatively, for a 'good leaver', the Committee can decide that the award will vest when he/she leaves subject to the performance conditions measured at that time and the same pro-rating described above. Such treatment will apply in the case of death.

In the event of a change of control, the treatment detailed above for good leavers under the 2004 PSP and 2014 LTIP would apply albeit with performance tested over the shortened performance period.

Chairman and non-executive Directors
Neither the Chairman nor non-executive Directors are eligible for pension scheme membership and do not participate in the Company's bonus or equity-based incentive schemes.

The non-executive Directors listed below do not have service contracts but are appointed for three year terms which expire as follows:

Stephen Young	31 July 2016
Richard Dakin	31 July 2016
Claudia Arney	31 May 2018
Simon Fraser	31 August 2018
Cilla Snowball	31 August 2018

Stuart Corbyn's appointment was extended for one year to expire on 23 May 2016.

Mr Rayne has a letter of appointment, which runs for three years, expiring on 25 March 2016. In addition to his fee as Chairman, it provides for a car, driver and secretary, together with a contribution to his office running costs. His letter of appointment also contains provisions relating to payment in lieu of notice.

Recruitment and promotion policy
When facilitating an external recruitment or an internal promotion the Committee will apply the following principles:

Remuneration element	Policy
Base salary	Base salary levels 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 this 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.
Benefits	Benefits as provided to current executive Directors. The Committee may pay relevant relocation and legal expenses in order to facilitate a recruitment.
Pension	A defined contribution or cash supplement at the level provided to current executive Directors.
Annual bonus	The Committee would intend to operate the same annual bonus plan for all Directors, including the same maximum opportunity at 150% of salary, albeit pro-rated for the period of employment. However, depending on the nature and timing of an appointment, the Committee reserves the right to set different performance measures, targets and weightings for the first bonus plan year if considered necessary. Any bonus criteria in such circumstances would be disclosed in the following year's annual report on remuneration.
Long-term incentives	LTIP awards would be granted in line with the policy set out in the policy table, with the possibility of an award being made after an appointment. The maximum ongoing annual award would be limited to that of the current Chief Executive Officer. For an internal hire, existing awards would continue over their original vesting period and remain subject to their terms as at the date of grant.
Buy-out awards	Should it be the case that the Remuneration Committee considered it necessary to buy out incentive pay which an individual would forfeit on leaving their current employer, such compensation, where possible, would be structured so that the terms of the buy-out mirrored the form and structure of the remuneration being replaced (e.g. vested share awards may be replaced with shares in Derwent London while recently granted long-term incentive awards may be replaced with a performance related LTIP award). Where possible this will be accommodated under the Company's existing incentive plans, but it may be necessary to utilise the exemption under rule 9.4.2 of the Listing Rules. Shareholders will be informed of any such payments at the time of appointment.

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

Annual report on remuneration

Remuneration Committee

At the start of 2015, the Remuneration Committee (the 'Committee') consisted of Simon Fraser (Chairman), Stuart Corbyn, June de Moller and Stephen Young. Claudia Arney joined the Committee in May 2015 and June de Moller left it in December 2015. None of the members who have served during the year had any personal interest in the matters decided by the Committee, or any day-to-day involvement in the running of the business and, therefore, are considered to be independent. The full terms of reference of the Committee are available on the Company's website.

New Bridge Street (NBS) – a trading name of Aon plc – was retained to provide independent assistance to the Committee regarding the setting of salaries and the operation of the PSP and bonus scheme. In particular, NBS provides an independent assessment of outcomes under the bonus scheme and the extent of vesting of the conditional share awards under the PSP and ensures that the measures used for both schemes are comparable and consistent. The fees paid to NBS for these services, based on hourly rates, amount to £16,500. NBS did not provide any other services to the Group during the year and the Committee is satisfied that the advice provided by NBS is independent and objective.

No Director had any involvement in determining his own remuneration although some of the matters considered by the Committee, other than his own salary, were discussed with John Burns. The Company Secretary acted as secretary to the Committee.

Application of policy for 2016

Base salaries

The base salaries that are applicable from 1 January 2016, after allowing for a 3% increase are as follows:

- John Burns – £638,000
- Simon Silver – £547,500
- Damian Wisniewski – £406,500
- Paul Williams – £406,500
- Nigel George – £406,500
- David Silverman – £406,500

The salary increases of 3% are in line with those of the wider workforce.

Benefits and pension

Benefits will continue to include a car and fuel allowance, private medical insurance and life insurance. Pension benefits are provided by way of a Company contribution at up to 21% of salary for all executive Directors.

Annual bonus

The bonus will operate subject to the following metrics with a bonus potential of 150% for all executive Directors:

- 50% of bonus will be earned based on Derwent London's total return against other major real estate companies.
- 25% of bonus will be earned based on Derwent London's TPR versus the IPD Central London Offices Total Return Index.
- 25% of bonus will be earned subject to other performance objectives tailored to the delivery of the Group's short-term strategy.

For achieving the threshold performance target (i.e. at the IPD Index or median total return against our sector peers), 22.5% of the maximum bonus opportunity will become payable.

Total return pay-out accrues on a straight line basis between the threshold level for median performance and maximum payment for upper quartile performance. For TPR, the payout schedule starts to earn at Index, rising to Index +2.5% (for 75% of maximum) and then Index +5% for maximum.

Bonuses earned above 100% of salary will be subject to deferral into the Company's shares with half of the deferred element released on the first anniversary of the deferral and the remaining half released on the second anniversary.

The cash and deferred elements of bonuses are subject to provisions that enable the Committee to recover the cash paid (clawback) or to lapse the associated deferred shares (withhold payments) in the event of a misstatement of results for the financial year to which the bonus relates or for gross misconduct within two years of the payment of the cash bonus.

Long-term incentives

It is proposed that long-term incentive awards in 2016 will be granted at 200% of salary to all executive Directors.

Half of an award vests according to the Group's relative TSR performance versus real estate comparators with the following vesting profile:

TSR Performance of the Company relative to real estate sector peers tested over three years	Vesting (% of TSR part of award)
Below median	0
At median	22.5
Upper quartile	100
Straight-line vesting occurs between these points	

The peer companies for the 2016 award are:

Big Yellow Group plc	Intu Properties plc
The British Land Company plc	Land Securities plc
Capital & Regional plc	St Modwen Properties plc
Capital & Counties Properties plc	Segro plc
Great Portland Estates plc	Shaftesbury plc
Hammerson plc	Workspace Group plc

The other half of an award vests according to the Group's relative TPR versus the constituents of the IPD Central London Offices Total Return Index with the following vesting profile:

Derwent London's annualised TPR versus the IPD Central London Offices Total Return Index tested over three years	Vesting (% of TPR part of award)
Below median	0
At median	22.5
Median +2.5%	75
Median +5%	100
Straight-line vesting occurs between these points	

Performance periods will run over three financial years. For awards granted in 2014 and beyond, as a minimum, the after-tax number of vested shares must be retained for a minimum holding period of two years. This five-year aggregate period is considered appropriate for a Company focused on aligning executives with shareholders over the long-term.

Awards granted under the Company's 2014 LTIP include provisions that enable the Committee to recover value in the event of a misstatement of results for the financial year to which the vesting of an award related, or an error in calculation when determining the vesting result, or as a result of misconduct which results in the individual ceasing to be a Director or employee of the Group within two years of the vesting (i.e. clawback provisions apply). The mechanism through which the clawback can be implemented enables the Committee to (i) reduce the cash bonus earned in a subsequent year and/or reduce outstanding discretionary long-term incentive share awards (i.e. withholding amounts to become payable may be used to effect a clawback) or (ii) for the Committee to require that a net of tax balancing cash payment be made. Similar provisions applied under the Company's 2004 PSP in the event of a misstatement of the Company's results.

Non-executive Directors' fees

The fees effective from 1 January 2016 are: Chairman £150,000 (additional benefits are provided as detailed on page 102); base fee £42,500; Committee Chairman fee £7,500; Senior Independent Director fee £5,500; and Committee fee £4,000.

Directors' remuneration summary (audited)

Details of Directors' remuneration are given in table 1 below:

Table 1

2015	Salary and fees £'000	Benefits in kind £'000	Pension and life assurance £'000	Bonus Cash £'000	Bonus Deferred £'000	Sub total £'000	Gains from equity-settled schemes[1] £'000	Total £'000
Executive								
J.D. Burns	619	63	142	620	70	1,514	1,161	2,675
S.P. Silver	531	40	135	532	60	1,298	996	2,294
D.M.A. Wisniewski	395	22	87	394	45	943	634	1,577
N.Q. George	395	19	92	394	45	945	634	1,579
P.M. Williams	395	21	91	394	45	946	634	1,580
D.G. Silverman	395	20	87	394	45	941	608	1,549
Non-executive								
R.A. Rayne	150	42	–	–	–	192	–	192
S.A. Corbyn	67	–	–	–	–	67	–	67
J. de Moller	54	–	–	–	–	54	–	54
S.G. Young	62	–	–	–	–	62	–	62
S.W.D. Fraser	62	–	–	–	–	62	–	62
R.A. Farnes[2]	21	–	–	–	–	21	–	21
R.D.C. Dakin	62	–	–	–	–	62	–	62
C.I. Arney[3]	27	–	–	–	–	27	–	27
P.D. Snowball[4]	15	–	–	–	–	15	–	15
	3,250	**227**	**634**	**2,728**	**310**	**7,149**	**4,667**	**11,816**

[1] The gains from equity-settled shares are in respect of the 2013 award which will vest in April 2016 and for which the performance conditions were complete or substantially complete at 31 December 2015. The value is based on an estimate of expected vesting and the average share price over the last three months of 2015 of £37.05. As at 23 February 2016, the share price was £29.57.

[2] Robert Farnes retired from the Board in May 2015.

[3] Claudia Arney joined the Board in May 2015.

[4] Cilla Snowball joined the Board in September 2015.

2014	Salary and fees £'000	Benefits in kind £'000	Pension and life assurance £'000	Bonus Cash £'000	Bonus Deferred £'000	Sub total £'000	Gains from equity-settled schemes[1] £'000	Total £'000
Executive								
J.D. Burns	602	53	139	602	234	1,630	1,018	2,648
S.P. Silver	516	37	131	516	201	1,401	873	2,274
D.M.A. Wisniewski	383	21	85	383	149	1,021	555	1,576
N.Q. George	383	18	90	383	149	1,023	555	1,578
P.M. Williams	383	21	89	383	149	1,025	555	1,580
D.G. Silverman	383	20	85	383	149	1,020	516	1,536
Non-executive								
R.A. Rayne	150	31	–	–	–	181	1,196	1,377
R.A. Farnes	44	–	–	–	–	44	–	44
S.A. Corbyn	62	–	–	–	–	62	–	62
J. de Moller	47	–	–	–	–	47	–	47
S.G. Young	53	–	–	–	–	53	–	53
S.W.D. Fraser	57	–	–	–	–	57	–	57
R.D.C. Dakin	45	–	–	–	–	45	–	45
	3,108	**201**	**619**	**2,650**	**1,031**	**7,609**	**5,268**	**12,877**

[1] The value of gains from equity settled schemes presented in last year's report was based on an estimate of vesting and the average share price over the last three months of 2014. The value has been restated in this year's report to reflect the actual number of awards which vested and the share price on the date the awards were transferred to participants.

No payments were made to past Directors or in respect of loss of office during 2015 or 2014.

Benefits

Taxable benefits relates to car and fuel allowance, private medical insurance and life assurance.

Determination of 2015 annual bonus outcome

Provision has been made for a bonus for 2015 of 74.2% (2014: 92.6%) of the maximum potential. This has been derived as follows:

Performance measure	Weighting % of bonus	Basis of calculation	Threshold %	Maximum %	Actual %	Payable %
Total return	50.0	Total return of major real estate companies	20.6	25.4	23.0	30.0
Total property return	25.0	Relative to IPD Central London Offices Total Return Index	17.2	22.2	19.9	19.2

In addition to the above formulaic result, 25% of the annual bonus is measured against performance objectives. The factors considered by the Committee are as follows:

- **The financing structure of the Group**
  Measures used to assess performance in this area include the interest cover ratio KPI and two of the Group's key metrics – gearing and available resources.
- **Rent collection and the level of arrears**
  Tenant receipts is one of the Group's KPIs.
- **Delivery of projects both in terms of timing and costs**
  This is a key driver to the Group's total property return KPI and is monitored through regular progress reports to the Board and post completion reviews.
- **Health and safety performance**
  Both the Board and the Executive Committee receive regular health and safety reports and zero RIDDORS is one of the Group's CSR targets.
- **Void management and letting performance**
  Management of void space is one of the Group's KPIs and the Board receives regular reports on both these objectives.
- **Staff retention**
  This is considered a good proxy for staff welfare.
- **Governance**
  The Board aims to maintain a high level of governance as it considers this to be a key element in running a successful and sustainable business.
- **Reputation**
  The Board considers this to be a major asset of the Company and the risk of damage to the Group's reputation is one of the major risks identified on pages 72 to 77.
- **Design**
  This is key to maintaining and developing the Group's brand.

The total bonus estimated for each executive is therefore:

	Bonus payable			Deferred bonus	
	% of maximum	% of salary	Cash bonus payable	£	% of salary
J.D. Burns	74.2	111.3	619,500	70,189	11.3
S.P. Silver	74.2	111.3	531,500	60,219	11.3
D.M.A. Wisniewski	74.2	111.3	394,500	44,697	11.3
N.Q. George	74.2	111.3	394,500	44,697	11.3
P.M. Williams	74.2	111.3	394,500	44,697	11.3
D.G. Silverman	74.2	111.3	394,500	44,697	11.3

Long-term incentive plan

Half the awards granted in 2013 under the 2004 Performance Share Plan (PSP) were subject to a relative TSR performance measure and half subject to a growth in the net asset value measure. The performance condition was complete or substantially complete at the year end and the Committee made the following assessment of vesting:

Performance measure	Weighting % of award	Basis of calculation	Threshold %	Maximum %	Actual %	% vesting/ estimated vesting
Growth in NAV	50	Relative to IPD Central London Offices Total Return Index	65.4	80.4	87.4	50.0
Total shareholder return	50	TSR of major real estate companies	45.9	103.6	49.8	15.0

As required by the scheme rules, before allowing any vesting, the Committee considered whether these performance measures reflected the Group's underlying financial performance. Having considered a range of key financial indicators, including profits and NAV performance, the Committee concluded that, for the parts of the 2013 awards with measurement periods ending in 2015, this was the case.

Therefore, the vesting for each executive is estimated to be:

Executive	Number of awards vesting	Value of award on vesting[1] £
J.D. Burns	31,330	1,160,777
S.P. Silver	26,877	995,793
D.M.A. Wisniewski	17,108	633,851
N.Q. George	17,108	633,851
P.M. Williams	17,108	633,851
D.G. Silverman	16,412	608,065

[1] Based on the average share price over the last three months of the financial year of £37.05 and the estimated vesting percentage of 65.0%.

On 30 March 2015 the Committee made a LTIP award under the Group's 2014 LTIP to executive Directors on the following basis:

	Type of award	Basis of award granted % of salary	Share price at date of grant £	Number of shares awarded	Face value of award £	% of face value which vests at threshold
J.D. Burns	Nil-cost option	200	34.65	35,750	1,238,738	22.5%
S.P. Silver	Nil-cost option	200	34.65	30,675	1,062,889	22.5%
D.M.A. Wisniewski	Nil-cost option	200	34.65	22,770	788,981	22.5%
N.Q. George	Nil-cost option	200	34.65	22,770	788,981	22.5%
P.M. Williams	Nil-cost option	200	34.65	22,770	788,981	22.5%
D.G. Silverman	Nil-cost option	200	34.65	22,770	788,981	22.5%

If threshold performance is not achieved over the three-year performance period, none of the award will vest. The performance conditions are described in more detail on page 103.

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

Table 2

Market price at award date £	Earliest vesting date	J.D. Burns	S.P. Silver	N.Q. George	P.M. Williams	D.G. Silverman	D.M.A. Wisniewski	Employees	Total
16.43	01/04/14	58,550	50,250	31,950	31,950	27,350	31,000	12,750	243,800
17.19	12/04/15	57,720	49,475	31,500	31,500	29,230	31,500	12,620	243,545
21.20	08/04/16	48,200	41,350	26,320	26,320	25,250	26,320	10,560	204,320
Interest as at 1 January 2014		164,470	141,075	89,770	89,770	81,830	88,820	35,930	691,665
Shares conditionally awarded on 29 May 2014:									
Market price at award date £	Earliest vesting date								
27.12	29/05/17	44,355	38,050	28,245	28,245	28,245	28,245	12,745	208,130
Shares vested or lapsed during 2014:									
Market price at award date £	Market price at date of vesting £								
16.43	27.26	(32,325)	(27,743)	(17,640)	(17,640)	(15,100)	(17,115)	(7,039)	(134,602)
16.43	28.15	(134)	(115)	(73)	(73)	(62)	(71)	(29)	(557)
16.43	Lapsed	(26,091)	(22,392)	(14,237)	(14,237)	(12,188)	(13,814)	(5,682)	(108,641)
Interest as at 31 December 2014		150,275	128,875	86,065	86,065	82,725	86,065	35,925	655,995
Shares conditionally awarded on 30 March 2015:									
Market price at award date £	Earliest vesting date								
34.65	30/03/18	35,750	30,675	22,770	22,770	22,770	22,770	10,280	167,785
34.65	22/05/18	–	–	–	–	–	–	20,510	20,510
Shares vested or lapsed during 2015:									
Market price at award date £	Market price at date of vesting £								
17.19	35.27	(28,860)	(24,738)	(15,750)	(15,750)	(14,615)	(15,750)	(6,310)	(121,773)
17.19	Lapsed	(28,860)	(24,737)	(15,750)	(15,750)	(14,615)	(15,750)	(6,310)	(121,772)
Interest as at 31 December 2015		**128,305**	**110,075**	**77,335**	**77,335**	**76,265**	**77,335**	**54,095**	**600,745**

	31 December 2015	31 December 2014	1 January 2014
Weighted average exercise price of PSP awards	–	–	–
Weighted average remaining contracted life of PSP awards	1.29 years	1.26 years	1.21 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 2015 was £nil (2014: £nil). The weighted average market price of awards vesting in 2015 was £35.27 (2014: £27.26).

Awards made in 2013 and previous years were made under the Group's 2004 PSP whilst those made subsequently were made under the 2014 LTIP.

For awards granted under either the 2004 PSP or the 2014 LTIP:

- half of the shares vest based on TSR performance relative to a comparator group of companies; and
- for awards granted up to 2013, half of the shares vest based on NAV performance compared to properties in the IPD Central London Offices Total Return Index;
- for awards granted from 2014, half of the shares vest based on TPR performance compared to the properties in the IPD Central London Offices Total Return Index.

The TSR comparator group consists of a defined group of real estate companies. The comparator group for 2015 comprises the following – 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, Land Securities plc, St Modwen Properties plc, Segro plc, Shaftesbury plc and Workspace Group plc. Under the 2004 PSP 25% of awards subject to the TSR target vest for median performance over the three-year performance period increasing to full vesting for upper quartile performance. Median performance under the 2014 LTIP results in 22.5% of the award subject to the TSR target test vesting with full vesting still requiring upper quartile performance.

For awards granted up to 2013 if the Group's NAV performance matches that of the median performing property in the Index over the three-year performance period 25% of awards subject to the NAV target vest. Vesting increases on a sliding scale to full vesting for out-performing the median performing property by 5% per annum. For awards granted in 2014 and beyond median performance results in 22.5% of the award subject to the TPR target vesting. This increases to 75% vesting for outperforming the median by 2.5% per annum with full vesting being achieved for 5% per annum outperformance of the median.

The Committee has discretion to reduce the extent of vesting in the event that it feels that performance against either measure of performance is inconsistent with underlying financial performance.

For awards granted under the 2014 LTIP in 2014 and beyond, as a minimum, the after tax number of vested shares must be retained for a minimum holding period of two years.

Share option schemes

Disclosure relating to a share option scheme in which the Directors do not participate is given in note 13 on page 136.

Following the acquisition of London Merchant Securities plc (LMS) in 2007, options that had already vested under the LMS Executive Share Option Scheme were converted to options over Derwent London shares. Details of these options are given in table 3 below:

Table 3

	Exercise price £	Expiry date	R.A. Rayne
	9.92	01/09/14	25,274
	12.03	28/06/15	41,456
Interest as at 1 January 2014			66,730
No options were granted or lapsed in 2014			
Options exercised during 2014			
	Exercise price £	Market price at date of exercise £	
	9.92	27.99	(25,274)
	12.03	29.52	(20,000)
	12.03	29.99	(10,000)
	12.03	30.38	(11,456)
			(66,730)
Interest as at 31 December 2014			–
No options were granted, exercised or lapsed in 2015			
Interest as at 31 December 2015			**–**

R.A. Rayne made a gain of £nil on options exercised during the year (2014: £1,196,000).

The weighted average exercise price of options exercised during 2015 was £nil (2014: £11.23) and the weighted average market price at the date of exercise £nil (2014: £29.16).

Deferred bonus shares

Details of the deferred bonus shares held by the Directors are given in table 4.

Table 4

		J.D. Burns	S.P. Silver	N.Q. George	P.M. Williams	D.G. Silverman	D.M.A. Wisniewski	Total
Interest as at 1 January 2014		12,990	11,140	2,401	2,401	2,139	2,365	33,436
Deferred in 2014								
Date of deferment	Value per share on deferment £							
25/03/14	26.97	9,203	7,895	2,586	3,448	2,482	3,448	29,062
Vested in 2014								
Date of vesting	Value per share on vesting £							
02/04/14	27.34	(5,541)	(4,755)	(1,260)	(1,260)	(1,080)	(1,224)	(15,120)
02/04/14	27.34	(3,724)	(3,192)	(570)	(570)	(529)	(570)	(9,155)
Interest at 31 December 2014		12,928	11,088	3,157	4,019	3,012	4,019	38,223
Deferred in 2015								
Date of deferment	Value per share on deferment £							
25/03/15	35.27	6,639	5,695	4,227	4,227	4,227	4,227	29,242
Vested in 2015								
Date of vesting	Value per share on vesting £							
26/03/15	34.65	(3,725)	(3,193)	(571)	(571)	(530)	(571)	(9,161)
26/03/15	34.65	(4,602)	(3,948)	(1,293)	(1,724)	(1,241)	(1,724)	(14,532)
Interest at 31 December 2015		**11,240**	**9,642**	**5,520**	**5,951**	**5,468**	**5,951**	**43,772**

The market price of the 5p ordinary shares at 31 December 2015 was £36.72 (2014: £30.18). During the year, they traded in a range between £30.02 and £38.80 (2014: £24.58 and £30.73).

Directors' interests in shares and shareholding guideline

Details of the Directors' interests in shares and shareholding guidelines are given in table 5.

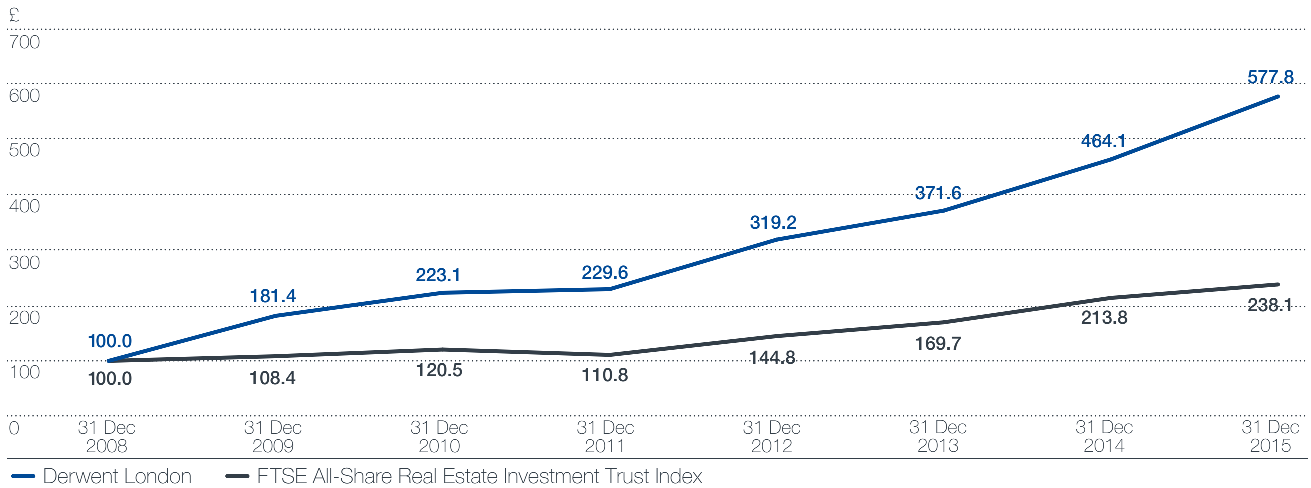
Table 5

	£'000			Number of shares			
	2016 salary	Shareholding guideline	Value of beneficially held shares[1]	Beneficially held	Deferred	Conditional	**Total**
J.D. Burns	638	1,276	20,536	694,498	11,240	128,305	**834,043**
S.P. Silver	547	684	7,093	239,887	9,642	110,075	**359,604**
D.M.A. Wisniewski	406	508	644	21,781	5,951	77,335	**105,067**
P.M. Williams	406	508	1,317	44,551	5,951	77,335	**127,837**
N.Q. George	406	508	1,406	47,550	5,520	77,335	**130,405**
D.G. Silverman	406	508	487	16,469	5,468	76,265	**98,202**

[1] Valued at £29.57, the value of a 5p ordinary share in the Company on 23 February 2016.

Details of non-executive Directors shareholdings are given on page 89.

Total shareholder return



Source: Thomson Reuters.

This graph shows the value, by 31 December 2015, of £100 invested in Derwent London on 31 December 2008 compared to that of £100 invested in the FTSE All-Share Real Estate Investment Trusts 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. To produce a 'fair value', each point is a 30-day average of the return.

Remuneration of the Chief Executive Officer 2008 – 2015

Year Ending	Executive	Total remuneration £'000	Annual bonus (% of max)	LTIP vesting (% of max)
31/12/15	J.D. Burns	2,675	74.2%	65.0%[1]
31/12/14	J.D. Burns	2,648	92.6%	50.0%
31/12/13	J.D. Burns	2,478	95.0%	55.2%
31/12/12	J.D. Burns	2,721	85.4%	83.8%
31/12/11	J.D. Burns	2,387	90.0%	50.0%
31/12/10	J.D. Burns	2,304	87.5%	50.0%
31/12/09	J.D. Burns	1,384	62.5%	47.6%
31/12/08	J.D. Burns	956	25.6%	36.5%

[1] Estimate.

REPORT OF THE REMUNERATION COMMITTEE
CONTINUED

Percentage increase in the remuneration of the Chief Executive Officer

	2015	2014	% change
Chief Executive (£'000)			
Salary	**619.5**	601.5	3.0
Benefits	**205.2**	192.2	6.8
Bonus	**690.0**	835.7	(17.4)
Average employee (£'000)			
Salary	**66.8**	63.4	5.4
Benefits	**13.6**	13.8	(1.4)
Bonus	**23.0**	18.6	23.6

The table above shows the movement in the salary, benefits and annual bonus for the Chief Executive Officer between the current and previous financial year compared to that for an average employee.

Relative importance of the spend on pay

	2015	2014	% change
Staff costs (£m)	**24.0**	22.4	7.1
Distributions to shareholders (£m)	**45.0**	38.4	17.2
Net asset value[1] (£m)	**3,923**	3,012	30.2

[1] The net asset value of the Group is shown for both years as it is the primary measure by which investors measure the success of the Group.

Statement of shareholder voting

At the Company's 2015 AGM, the report of the Remuneration Committee received the following votes from shareholders:

	Annual report on remuneration	
2014 AGM	m	%
Votes cast in favour	**84.3**	**99.5**
Votes cast against	**0.4**	**0.5**
Total votes cast	**84.7**	**–**
Votes withheld	**0.6**	**–**

The Directors' remuneration policy was not voted on at the 2015 AGM.

The disclosures on Directors' remuneration in tables 1 to 5 on pages 105 to 110 have been audited as required by the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board

SIMON W.D. FRASER
CHAIRMAN OF THE REMUNERATION COMMITTEE

25 FEBRUARY 2016