

NOMINATION COMMITTEE REPORT



ALAN DICKINSON —
COMMITTEE CHAIRMAN

Membership and meetings

The membership of the Committee and attendance at the three scheduled meetings held during the year ended 30 September 2018 are shown below:

		Independent	Date of appointment	Meetings eligible to attend
Alan Dickinson	Chairman	Yes ¹	22/05/14	👤👤👤
Ian Barlow	Member	Yes	01/09/16	👤👤👤
June Barnes	Member	Yes	22/05/14	👤👤👤
Duncan Hunter	Member	Yes	25/03/15	👤👤👤

👤 Meetings attended

1. On appointment as Chairman of the Company.

Introduction

This report sets out the role and responsibilities of the Nomination Committee and summarises the key activities and focus over the year. It explains the processes by which the Board ensures the effective operation of the Board, including a description of the work we have carried out in relation to succession planning, an update on the action points identified in last year's report arising from the 2017 Board evaluation and an explanation of the 2018 evaluation process.

Dear Shareholder,

I am pleased to present the report of the Nomination Committee covering our work in the year ended 30 September 2018. This report should be read in conjunction with the report on our compliance with the UK Corporate Governance Code (the 'Code') on pages 72 to 85. Changes to the Board during the year were the resignation of Robert Dyson and Mark Tagliaferri as Non-Executive Directors and, as a result, the Committee has continued its focus on the review of succession planning and the evolution of the Board. In 2017, the Board undertook its first externally facilitated evaluation and the process was continued this year with a questionnaire-based approach, led by our Company Secretary. This is described later in the report.

The composition of the Committee, which is reviewed by the Board annually, complies with Provision B.2.1 of the UK Corporate Governance Code with all members being independent Non-Executive Directors.

Role and responsibilities of the Nomination Committee

The key responsibilities of the Nomination Committee are to:

Leadership needs

- review the adequacy of succession planning of the Board and senior management.
- lead the process for new appointments to the Board, ensuring a balance of skills and experience.
- ensure the induction process for new Directors is appropriate.

Board balance and skills

- review regularly the size, structure and composition of the Board and its committees.
- ensure that Directors undertake to update their skills and knowledge by an ongoing process of training and development.

Evaluation

- review and lead the Board evaluation process.

Diversity

- review the diversity policy of the Group.
- satisfy itself that the policy is conveyed throughout the Group for recruitment, retention, development and succession planning.

Main activities during the year

- In light of the resignation of Robert Dyson and Mark Tagliaferri and as part of an ongoing review we assessed the structure, size and composition of the Board and its committees taking into account leadership needs and balance of skills, experience, knowledge and independence of Directors.
- Reviewed succession plans for Non-Executive Directors and monitored the progress of a phased rotation and refreshing of Directors.
- Oversaw the induction process for Jon Di-Stefano, who was appointed to the Board in September 2017.
- Received updates from management on measures taken to address the retention and development of senior executives.
- Reviewed the Directors proposed for election or re-election at the 2018 AGM and considered their performance, ability and suitability in the role. Recommended to the Board that they be proposed for reappointment.
- Discussed the time commitment of the role of Non-Executive Directors and confirmed that each Director was able to allocate sufficient time to performing the role effectively and that they devote ample time to their duties.
- Discussion of the training and development needs of the Non-Executive Directors.
- Ongoing review and monitoring of the action points arising from the 2017 Board evaluation.
- Agreed to proceed with an internally facilitated Board evaluation in 2018. The Chairman oversaw the process and led Board discussions of the action points arising from the evaluation.
- Approval of the Nomination Committee report for inclusion in the 2017 Annual Report and Accounts.
- Annual review of terms of reference.

The content of the agendas and papers of the Committee meetings ensures that the Nomination Committee fulfils its responsibilities in accordance with its terms of reference and with corporate governance and other regulatory requirements. The terms of reference can be found on the Company’s website. The Company Secretary sets the agendas for all meetings, which are discussed with the Chairman in advance and meet all the requirements to ensure that the Committee fulfils its role. The Company Secretary attends all meetings, providing advice and support as required. Other Directors attend the Committee meetings by invitation only.

Composition of the Board

In considering the composition of the Board, we review the balance of Executive Directors to Non-Executive Directors and the background, skills and experience, independence and diversity of the Board. We also review committee membership. Details of the composition of the Board and the division of responsibilities between the Chairman, Senior Independent Director and Executive Directors are contained in the corporate governance report.

The Board consists of a Non-Executive Chairman, three Executive Directors and four independent Non-Executive Directors. The membership of the Board and committees is well balanced in terms of skills, effectiveness, experience and independence and we

will seek to retain and enhance this balance when appointing any new Directors. A review of the Directors’ skillsets took place during the year and the analysis, which is summarised on the following page, will assist us in identifying areas of focus to consider when appointing new members of the Board. This will aid our succession planning and talent management. The skillsets matrix will be updated periodically and will be used as a tool for identifying Board requirements for the next three to five years in relation to skills, knowledge and experience. We are mindful of the need to balance continuity and refreshment of the Board. Collectively, the Directors have many years’ experience and a wide range of skills and knowledge to provide a strong and effective leadership.



Skills and experience of Directors



Succession planning

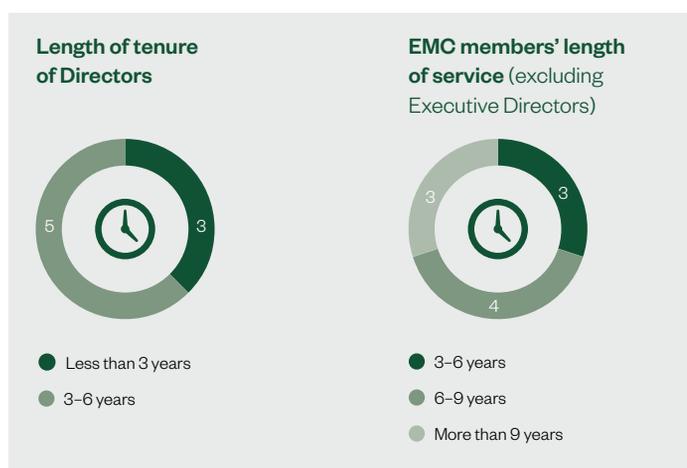
The Nomination Committee has continued its focus on this key area. It regularly reviews succession planning for Directors and also reviews and comments on the approach taken on succession plans for senior management. The Committee considers the opinions and advice of the Chief Executive and Managing Director in this process. During the year, the Committee reviewed the measures taken to retain and develop senior management including both financial and non-financial incentives, potential for career progression, the effectiveness of internal communication and an overview of job titles and job descriptions throughout the Group.

In discussing retention of staff, the Committee recognises the importance of employee engagement by methods such as regular meetings with management, presentations to staff, an informative staff newsletter, open lines of communication, annual performance appraisals, open plan offices, site visits by Non-Executive Directors, training and development and a share option scheme designed to incentivise and reward. The Committee will work with the Remuneration Committee which will, over the next year, take on more responsibility for setting the remuneration of senior management.

The Group’s policy is to invest in its workforce and we actively encourage all staff in their development and in the broadening of their skills and experience. During the year, a programme of widening roles and integrating skills across the Group has been introduced and an internal “jobs brokerage” has been encouraged. In addition, a training and development role has recently been created to oversee and co-ordinate the training and personal development of staff. The introduction of a mentoring programme to enable any member of staff to request mentoring from senior management has been discussed. This would enable staff to benefit from their mentor’s knowledge and experience and to assist and encourage progression upwards in the organisation, recognising career aspirations. The Committee has assessed the Group’s senior management structure and is satisfied that suitable progression, talent management and succession plans are in place for the management layer below Board level.

The Committee recognises the importance of adequate succession planning for the Board and senior management and will continue to review this over the coming year. The low staff turnover at management level demonstrates that the policy for the development, retention and reward of staff is successful and results in a stable senior management structure. The average length of service of the members of the Executive Management Committee (EMC) as at 30 September 2018 was 8.35 years, ranging from 3.4 years to 25.7 years.

As part of ongoing succession planning discussions for Non-Executive Directors, the Committee gives due consideration to corporate governance guidelines on length of service. Non-Executive Directors are appointed to the Board for a fixed initial term and will typically serve a second three-year term. A third term of up to three years may be served in certain circumstances but this would only be considered following a thorough review of the individual and of the Board composition. The chart below demonstrates the length of service of the Directors and senior management as at 30 September 2018.



Appointment process

The Nomination Committee leads the process for identifying the need for the appointment of new Directors, for the selection of candidates and for the eventual recommendation to the Board for their subsequent appointment.

The Committee recognises the importance and is supportive, of promoting greater diversity on the Board and gives this full consideration when proposing new appointments. The Board believes that the overriding policy for selection should be based on suitability for the role based on independence, skills, knowledge, experience and ability to promote the success of the Company. The ability of the Board as whole and of individual Non-Executive Directors to maintain an effective and constructive relationship with the Executive Directors is important, as is personality “fit” with both the Board and the culture of the Urban&Civic Group. It has previously been decided not to impose a quota relating to gender balance at Board level, but the Committee gives full consideration to achieving a diverse working environment when considering the appointment of any new Directors. For the most recent Board appointments, the Nomination Committee appointed an executive search consultant who was instructed to identify candidates, both men and women, with a range of backgrounds and experience. The Nomination Committee selected candidates from a shortlist, for interviews with members of the Committee. The preferred candidate was then invited to meet all Directors, following which the Nomination Committee recommended to the Board the appointment to the Board and any committees. The consultant had no prior connection with the Company or individual Directors.

Appointment process

- Selection of external recruitment consultant.
- Discussion with them of the candidate specification, paying due regard to diversity needs.
- Review of potential candidates.
- Identification of a shortlist for initial interviews with members of the Nomination Committee.
- Preferred candidate to be interviewed by other Board members.
- Recommendation to the Board for appointment.
- Induction programme organised by the Company Secretary.
- Proposed election by shareholders at the first AGM following appointment.

We will ensure that any executive search consultant we engage has adopted an industry standard voluntary code of conduct addressing gender and ethnic diversity.

On the appointment of a new Director, a formal letter of appointment or service agreement will be issued. For Non-Executive Directors, this will contain details of the terms of appointment, including the time commitment of the role. All new Directors are also asked to declare any interests which may constitute a conflict or a potential conflict of interest and details of these are included on the Company’s register of conflicts, which is maintained by the Company Secretary. This is updated throughout the year as required, with all Directors signing a compliance declaration as at the financial year end.

New Directors receive a comprehensive, tailored induction, facilitated by the Company Secretary, when they join the Board.

A typical induction programme includes:

- One-to-one meetings with all Directors.
- Guidance on the Group’s policies and procedures and on the legal, regulatory and governance framework of the Board.
- Visits to our key strategic sites.
- Meetings with senior management.
- Meetings with key advisers.

Thereafter, training is ongoing by means of site visits, presentations by management and advisers, attendance at external seminars, briefings on current developments and circulated updates on technical, regulatory and governance matters.

Diversity

The Group is committed to the principle of equal opportunity in employment and has adopted a diversity policy, which can be found on the Group’s website. The Company is committed to achieving a working environment which provides equality of opportunity and we seek to encourage the recruitment, development and retention of a diverse workforce and to eliminate discrimination. Both current and potential employees are offered the same opportunities regardless of background, gender, age, disability, religion, nationality, ethnic origin, sexual orientation or marital status. When recruiting, our screening, interview and selection process is in compliance with the Group’s diversity policy and seeks to achieve a diverse environment. We welcome and encourage the application by female candidates for roles in the Group, acknowledging that the diversity of recruitment will always be subject to the availability of suitable candidates. The Committee will continue to monitor, encourage and strengthen diversity within the Group. All our employees are expected to act in accordance with the Group’s diversity policy.

Gender diversity of the Board, senior management and the Group as at 30 September 2018 is shown below:



Board evaluation

A key requirement of good governance is to ensure that the Board operates effectively. The annual evaluation of the Board is one way in which we can monitor the effectiveness of the Board and committee structure and lead the process for continuous improvement. The Board has previously agreed that evaluation will be carried out annually, with an external party conducting the exercise at least every three years.

In 2017, Independent Audit was engaged to carry out an externally facilitated evaluation of Board and committee effectiveness. Independent Audit had no prior connection with the Company or individual Directors. A review of Board processes and procedures was followed up by interviews with the Directors and the Company Secretary, which formed the basis of the report and recommendations. The action points arising from this review have been monitored throughout the year with the progress against the action points being reviewed at each Board meeting as a standing item on all Board agendas.

I reported last year on the action points identified by the review and am now pleased to report on the progress we have made on these areas. These included the enhancement of Board reporting and improvement in communication between the Board and senior management. Executive management has responded to the needs of the Non-Executive Directors and, as a result, Board reporting has been streamlined and now meets our information needs allowing us to better appraise progress against strategic targets and to analyse risk. As reported in the corporate governance report, a programme of attendance at Board meetings by senior management, and at Executive Management Committee meetings

by Non-Executive Directors, has enhanced the relationship between the Board and management. The open dialogue and regular contact have facilitated the Committee's discussions on succession planning as we have a greater understanding of the roles and requirements of senior management. We receive regular updates on the Group's senior management structure and succession planning remains an important area of debate by the Committee, as discussed earlier in my report.

A further action point from 2017 was to increase the time devoted to the discussion of risk management and mitigation, and to embed throughout the Group. The management structure throughout the Group enables risk management discussions to be reported upwards from project level, through management committees and the EMC, up to the Audit Committee and Board. Risk reports are reviewed at every Audit Committee and Board meeting.

The 2018 Board evaluation process took the form of an online survey with all Directors required to submit a response to a series of questionnaires. The format of the questionnaires was devised by Independent Audit, in conjunction with the Company Secretary, providing the tools for an internal review with the benefit of an external perspective. Modules covered (as summarised below) were the progress on Board effectiveness since the evaluation process in 2017 and questionnaires relating to the Remuneration Committee, the Nomination Committee and the Audit Committee and risk. These covered the role and responsibility, composition, accountability and governance of the committees and the interaction of the committees with the overall Board structure.

The 2018 Board evaluation questionnaires covered:

Board effectiveness

- Strategic planning process.
- Communication of hurdle rates for projects.
- Resource management.
- Communication of risk appetite and risk management across the Group.
- Content of Board papers, information and support.

Remuneration Committee

- Reward strategy.
- Remuneration oversight.
- Internal/external engagement.

Audit Committee and risk

- Quality of external reporting.
- Assessment of external and internal auditors.
- Risk strategy and framework.
- Specific risk areas.

Nomination Committee

- Assessment of future strategy.
- Oversight of executive team.
- Recruitment planning.

2018 Board effectiveness review – conclusions and actions

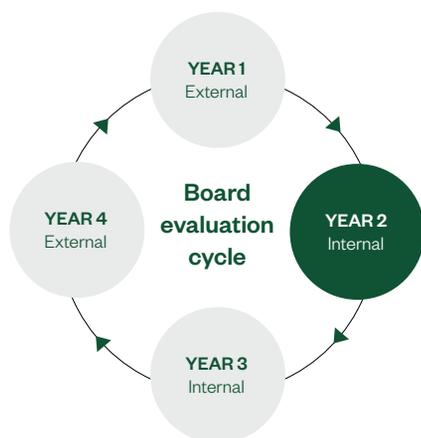
Recommendations included

- Board to review past decisions for lessons learnt.
- Joint venture relationships to be further reviewed.
- There is scope for the Directors to further enhance and refresh their knowledge.
- Review the role of the Remuneration Committee in light of the UK Corporate Governance Code.
- Devote more time to risk discussions.
- Nomination Committee to put in place adequate succession plans for Non-Executive Directors and senior management.

Agreed actions/progress

- A specific agenda item will be added to the annual strategy day agenda.
- Grant Thornton was engaged to carry out an internal audit of joint venture relationships. Further details can be found in the Audit Committee report.
- Non-Executive Directors are encouraged to seek additional training on any relevant area.
- This is in progress and we will report on our compliance with the 2018 UK Corporate Governance Code in our 2019 Annual Report.
- Board agendas and papers are structured to facilitate this.
- This is under review and is discussed at each Nomination Committee meeting.

The Company Secretary collated all questionnaire responses and prepared separate reports on the outcome of the evaluation process for review by the Chairman and by each respective committee Chair. A summary of the recommended actions was then discussed by the Board. The results were generally positive and demonstrated that Directors considered that the Board and committees are operating effectively. The anonymity of responses was guaranteed, promoting an open and frank exchange of views. The issues raised, action points arising and action taken are summarised above. In addition, all committees carry out an annual review of their performance against their role and responsibilities set out in their terms of reference.



The year ahead

We will continue to focus on:

- Succession plans for the Board and senior management.
- Ensuring that the recruitment process and diversity policy support the Group strategy.
- Talent management.
- Encouraging diversity in the Group.
- Overseeing year three of the rolling Board evaluation process.

Annual General Meeting

The Board has adopted the policy that all Directors are subject to annual election by shareholders as it supports the view that shareholders should have the right to vote on each Director’s re-election to the Board on an annual basis. On the recommendation of the Committee, the Board considers it appropriate to propose the reappointment of those Directors seeking re-election at the Annual General Meeting to be held on 13 February 2019.

Duncan Hunter has announced his intention to step down from the Board following the 2019 AGM.

Accordingly, the following resolutions relating to the appointment of Directors will be proposed:

- the re-election of Alan Dickinson as Chairman;
- the re-election of Nigel Hugill, Robin Butler and David Wood as Executive Directors; and
- the re-election of Ian Barlow, June Barnes and Jon Di-Stefano as Non-Executive Directors.

Further biographical information on all Directors can be found on pages 70 and 71.

The Nomination Committee has concluded that all of the Directors seeking re-election continue to be effective and to demonstrate commitment to their role and confirms to shareholders that they have the necessary skills, knowledge and experience to continue to discharge their duties effectively. The Board considers that they each provide valuable input to the operation of the Board. I hope that shareholders will support the Committee and vote in favour of these resolutions.

Alan Dickinson
Chairman of the Nomination Committee
28 November 2018