

# Nomination Committee

## Committee Chairman



Alan Dickinson

## Other members



Ian Barlow



June Barnes



Robert Dyson



Duncan Hunter



Mark Tagliaferri

## Dear Shareholder,

I am pleased to present the report of the Nomination Committee for the year ended 30 September 2017. During the year the Committee continued its review of succession planning and Board composition, recommending to the Board the appointment of Jon Di-Stefano as an independent Non-Executive Director and the appointment of June Barnes as Chair of the Remuneration Committee, succeeding Robert Dyson. The Board also undertook its first externally facilitated evaluation process, which is described later in this report. The Committee met on four occasions during the year, with three scheduled meetings and one unscheduled meeting. A summary of the main activities of the Committee during the year, including the appointment and induction process for Jon Di-Stefano, is found in this report.

## Membership and meetings

The membership of the Committee and attendance at the three scheduled meetings held during the year ended 30 September 2017 are shown below:

		Independent	Date of appointment to the Committee	Meetings attended/eligible to attend
Alan Dickinson	Chairman	Yes <sup>1</sup>	22 May 2014	3/3
Ian Barlow	Member	Yes	1 September 2016	3/3
June Barnes	Member	Yes	22 May 2014	3/3
Robert Dyson	Member	Yes	25 March 2015	3/3
Duncan Hunter	Member	Yes	25 March 2015	3/3
Mark Tagliaferri	Member	No	22 May 2014	3/3

1. On appointment as Chairman.

The composition of the Committee complies with Provision B.2.1 of the UK Corporate Governance Code (the 'Code') with a majority of its members being independent Non-Executive Directors. The Company Secretary, who attends all meetings, is secretary to the Nomination Committee and provides advice and support as required. Other Directors attend the Committee meetings by invitation only.



### **Role and responsibilities of the Nomination Committee**

The key responsibilities of the Nomination Committee are:

- to give adequate consideration to the succession planning and leadership needs of the Group;
- to lead the process for new appointments to the Board;
- to review regularly the size, structure and composition of the Board and its committees;
- to review the Board evaluation process; and
- to review the diversity policy of the Group.

The agendas and papers of the Committee meetings are established to ensure that the Nomination Committee fulfils its responsibilities in accordance with its terms of reference, which can be found on the Company's website at [www.urbandcivic.com](http://www.urbandcivic.com). The Company Secretary sets the agendas for all meetings, which are discussed with the Chairman in advance. The annual timetable of agenda items ensures that the Committee fulfils its function under the terms of reference and meets all obligations required under corporate governance and other relevant regulations.

### **Main activities**

The main activities of the Committee during the year were as follows:

- The Committee has devoted much time to the issue of Board succession and continues to progress plans of a phased rotation and refreshing of Directors.
- Review of the role potential and succession plans for senior management on a short, medium and long-term basis, including the retention, motivation and development of senior executives and the level below them.
- Recommendation to the Board for the appointment of a new Non-Executive Director and a new Chair of the Remuneration Committee, as discussed later in this report.
- The Chairman oversaw the Board evaluation process and led discussions at Board meetings of the action points arising from the evaluation.
- Recommendation to the Executive Directors that an operational board committee be established. As a result, a structure of executive committees has been set up. Further details are contained in the Corporate Governance report on pages 81 and 82.
- The Committee addressed gender diversity in the Group and satisfied itself that recruitment practices were in line with the Group's diversity policy.
- Recommendation to the Board that each of the Directors be proposed for election or re-election at the 2017 AGM, following consideration of their performance.
- Approval of the Nomination Committee report for inclusion in the 2016 Annual Report and Accounts.
- Annual review of terms of reference.

### **Composition of the Board**

In 2016, the Nomination Committee commenced a review of the composition of the Board. In light of the Company's non-compliance with the Code requirements at that time, it made recommendations to the Board that were subsequently adopted and reported on in last year's Annual Report and Accounts. The year ended 30 September 2017 represents the first full year under the structure of a separate Chairman and Chief Executive and I am pleased to report that the reorganisation has proved to be successful and beneficial to the Board. The division of responsibilities between the Chairman and Chief Executive has been established in writing and approved by the Board. Further details are contained in the Corporate Governance report on page 80.

During the year, Jon Di-Stefano was appointed as an independent Non-Executive Director and a member of the Audit Committee. Jon brings with him a wealth of financial and housing sector experience. As a serving executive on another board, we will learn and benefit from Jon's insight into board practice and governance procedures.

The process by which the Nomination Committee considered the candidates for the appointment is explained in this report.

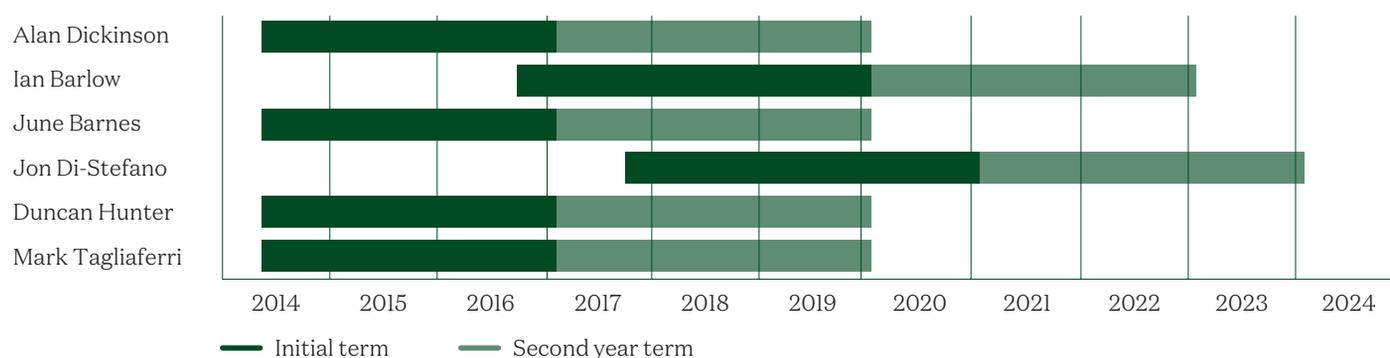
Other changes to the Board were the appointment of June Barnes as Chair of the Remuneration Committee, succeeding Robert Dyson, who has announced his intention to step down from the Board following the 2018 AGM. Robert will continue to be a member of the Remuneration Committee until the AGM and we are thankful for his valuable support and advice.

Following the changes over the last two years, the Board now consists of a Non-Executive Chairman, three Executive Directors and six Non-Executive Directors. The membership of the Board and committees is well balanced in terms of skills, effectiveness, experience and independence. I was considered to be independent on my appointment as Chairman and, of the six other Non-Executive Directors, five are considered to be independent.

### Succession planning

The Nomination Committee regularly discusses issues relating to succession plans for Directors and senior management and the input of the Chief Executive and Managing Director in this process is valued. In reviewing succession planning for both Executive and Non-Executive Directors, the Committee considers the leadership needs of the Company and the balance of skills and experience of the Board, taking into account the balance between continuity and refreshment. During the year, the Committee undertook a review of the Group's senior management structure assessing the progression of senior executives to ensure that a suitable succession planning process is in place for the management layer below Board level. The Group's policy is to actively encourage executive management in their development and in the broadening of their experience and to seek to maintain their loyalty, which is demonstrated by the low staff turnover at management level. The Committee will continue to regularly review succession planning for the Board and senior management.

As part of ongoing succession planning discussions, the Committee gives due consideration to corporate governance guidelines on the length of service of Non-Executive Directors and has taken into account the fact that the appointment date of five of the seven Non-Executive Directors is deemed to be 22 May 2014, being the date of admission of the Company to the standard listing segment of the Official List and to trading on the London Stock Exchange. Non-Executive Directors are appointed to the Board for an initial term and will typically serve a second three-year term. A third term of up to three years may be served but this would be subject to a thorough review of the individual and of the Board as a whole, and of the need for the refreshment of the Board. A phased refreshment of the Board has commenced and the chart below demonstrates the length of service of the Non-Executive Directors.



Note: Robert Dyson has been excluded from this table as he will not be seeking re-election at the 2018 AGM.

## JON DI-STEFANO'S INDUCTION TO THE BOARD

The Company Secretary organised a comprehensive induction programme for Jon Di-Stefano. This included meetings, briefings and site visits. One-to-one meetings were arranged with all Directors and also with the Company's audit partner. The Company Secretary provided guidance on the Group's policies and procedures on the legal, regulatory and governance framework of the Board, including compliance with the UK Corporate Governance Code and terms of

reference of the Board committees. She also briefed Jon on Board procedures, such as the annual timetables of Board and committee agenda items, and Board papers. Jon is in the process of carrying out visits to our key strategic sites, accompanied on each visit by a member of our senior management team. This will enable Jon to gain a valuable overview not just of our operations but also of the senior management structure.



## Appointment process

Appointments to the Board are made on merit against objective criteria and with due regard to the benefits of diversity on the Board. The Nomination Committee leads the process for recognising the need for Board appointments, for the identification of candidates and for the recommendation to the Board for their subsequent appointment. The Board supports recommendations and guidance to promote greater female Board representation and gives this full consideration when proposing new appointments to the Board. The Board believes that the overriding policy for selection should be based on the best person for the role based on skills, knowledge, experience and ability to promote the success of the Company. When considering the appointment of Non-Executive Directors, the Committee also takes into account independence and the provision of an effective and constructive relationship with the Executive Directors. The Nomination Committee has previously decided that it would not impose a quota relating to gender balance at Board level, but gives full consideration to achieving a diverse working environment when considering the appointment of any new Directors.

When considering the appointment of Ian Barlow in 2016, the Nomination Committee appointed an executive search consultant, The Zygos Partnership ('Zygos'). At that time, Zygos identified a number of suitable candidates, both men and women, with a range of backgrounds and experience, and shortlisted five for consideration by the Nomination Committee. When considering the appointment of a new Non-Executive Director this year, we considered several candidates, including some who had been shortlisted last year. We considered each of the shortlisted candidates' skills, experience, background and personality "fit" with both the Board and the culture of the Urban&Civic Group. Following this review, Jon Di-Stefano was invited to meet the Directors and, as a result, the Nomination Committee recommended to the Board that Jon be appointed as a Non-Executive Director and member of the Audit Committee. We were delighted that Jon was available to accept the role and welcome him to the Board. As a serving executive director of Telford Homes Plc, we will benefit from the insight gained from his experience as a director of another listed company.

Zygos has adopted an industry standard voluntary code of conduct addressing gender and ethnic diversity. Zygos has no other connections to the Company.

On Jon's appointment, a formal letter of appointment was issued containing details of the terms of his 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. Details of these are included on the Company's register of conflicts, which is maintained by the Company Secretary.

New Directors receive a tailored induction facilitated by the Company Secretary. Following his appointment, a comprehensive induction was organised for Jon Di-Stefano.

## Diversity

The Company is committed to a culture that promotes diversity, including gender diversity, and to achieving a working environment which provides equality of opportunity. The Board and senior management seek to encourage the recruitment, development and retention of a diverse workforce and to eliminate discrimination. Employees are expected to act in accordance with the Group's diversity policy. The Committee has reviewed the Group's recruitment practices and is satisfied that the screening, interview and selection process is broad ranging and in compliance with the Group's diversity policy. It is acknowledged that the property industry faces a challenge when recruiting as it is often the case that female candidates do not apply for roles in the industry. As a Group, we seek to recruit, encourage and develop both males and females but recruitment will always be driven by the availability of suitable candidates. The Committee will continue to monitor diversity within the Group.

Gender diversity of the Board, senior management and the Group as at 30 September 2017 is shown below:



As part of our ongoing commitment to diversity within the Group, we intend to undertake a staff engagement survey which will incorporate a questionnaire seeking staff views on a variety of areas including Group culture, management, career progression, remuneration and diversity within the Group, and how employees view management's approach and attitudes to diversity.

### Board evaluation

During the year under review, Independent Audit were engaged to carry out an externally facilitated evaluation of Board and committee effectiveness. They reviewed Board agendas and papers, processes and procedures and held confidential, in depth interviews with all Directors and the Company Secretary. They provided a detailed report on their findings which they presented to the Board and led a discussion about the recommendations. A list of action points was drawn up by the Company Secretary and the progress made is reviewed as a standing item on all Board agendas.

One area meriting discussion and action was the improvement of Board reporting. The Non-Executive Directors recognise that the information provided in Board papers has been plentiful and detailed but have encouraged the Executive Directors to provide more concise and streamlined reports. The Non-Executive Directors have worked with executive management to ensure they fully understand our information needs and recognise the importance of measuring performance against projections to enable a clear appraisal of progress, in conjunction with financial and risk analysis. The evaluation highlighted the open dialogue Directors have with management, which is invaluable in creating an effective and successful working relationship.

Following the review, we have introduced a programme of senior managers attending Board meetings, each making a presentation to the Board. This ensures a two-way process of communication between Non-Executive Directors and senior management. We have found it very useful and informative to have regular contact with senior management, which also aids our succession planning discussions.

We welcomed Independent Audit’s feedback from Directors on the time allocation and quality of our discussions at Board meetings and have adjusted our agendas to make more effective use of our Board meeting time.

Independent Audit has no connection or previous relationship with the Company.

Board effectiveness review		
Key recommendations from the 2017 Board evaluation process	Agreed actions/progress	Status
The Board to devote more time to discussion of risks and mitigating actions.	A special risk session took place in September 2017, in addition to the review of risk that takes place at each Audit Committee and Board meeting.	W-I-P
Executive Directors to be encouraged to continue embedding risk management across the organisation.	The establishment of the Executive Management Committee (EMC) will ensure that senior management considers risk from a “bottom-up” perspective.	W-I-P
Board composition to be reviewed and refreshed to ensure Non-Executive Directors bring the relevant skills and experience that the Group requires for the future.	The Nomination Committee has commenced a review of succession planning and will continually assess this in the coming year.	W-I-P
Board relationships to be enhanced by members spending more informal time together.	Informal meetings of the Board are now included in the Board calendar.	√
The Board to devote more time to oversight of leadership development.	The Managing Director prepares a six monthly update on the senior management structure, for review by the Nomination Committee.	W-I-P
Create opportunities for the Board to see a broader range of senior managers in the boardroom.	A member of senior management is invited to attend each Board meeting.	√
Executive Directors to be encouraged to provide information which is concise, highlights the key issues and shows clear progress against strategic objectives.	Executive Directors are overseeing the streamlining of reporting to the Board, a process led by the EMC.	W-I-P
The Board to make more effective use of Board meeting time and discussions.	Board agendas have been adjusted to allow more efficient time allocation at Board meetings.	√

### **Directors standing for election/re-election**

The Board believes that the requirements of Code Provision B.7.1 of the UK Corporate Governance Code should be fulfilled, notwithstanding that the Company is not in the FTSE 350. This provision requires all Directors of such companies to be subject to annual election by shareholders and the Board has chosen to comply with this provision 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. The Board has considered the proposed reappointment of Directors at the Annual General Meeting to be held on 8 February 2018, at which 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 election of Jon Di-Stefano and the re-election of Ian Barlow, June Barnes, Duncan Hunter and Mark Tagliaferri as Non-Executive Directors.

As previously mentioned, Robert Dyson will not be standing for re-election at the 2018 AGM. He has worked in the property sector for over 40 years and advised this Company (and its predecessor, the Terrace Hill Group) for ten years. The Board is grateful to him for his contribution to the Group's success during his tenure as a Director.

Further biographical information on all Directors can be found on pages 76 to 78.

The Nomination Committee has concluded that all of the Directors seeking election or 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. I hope that shareholders will support the Committee and vote in favour of these resolutions.

**Alan Dickinson**

Chairman of the Nomination Committee  
27 November 2017