

**Governance**





# Corporate governance review

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Annual report on remuneration

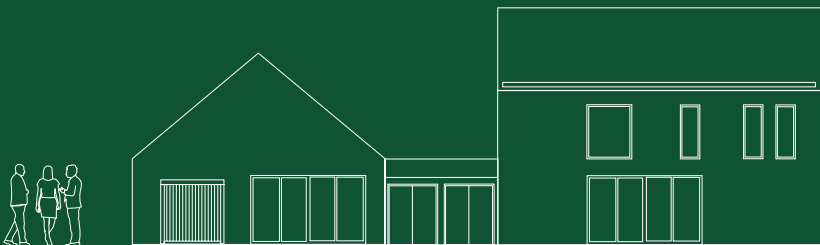
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**Dear Shareholder,**

This governance section of the Annual Report (including the Nomination and Governance Committee report on pages 88 to 98, the Audit Committee report on pages 99 to 105 and the Directors' Remuneration report on pages 106 to 125) describes how the Company has applied the main principles contained within the UK Corporate Governance Code (the 'Code'). The 2018 edition of the Code (the '2018 Code') is applicable only to accounting periods beginning on or after 1 January 2019 but, given the increasing rigour of the 2018 Code and as explained in last year's Annual Report, the Board has taken the decision to adopt a year earlier than formally required.

The Company confirms that, throughout the year ended 30 September 2019, it has complied fully with the principles and provisions of the 2016 edition of the Code and, other than areas where work is ongoing as explained in the reports, with the principles and provisions of the 2018 Code. Accordingly, set out in the following pages is a demonstration of the Company's compliance during the year ended 30 September 2019 with the 2018 Code, which includes cross-references to other parts of the Annual Report to assist with reviewing compliance during the year. Compliance with Section 5 (Remuneration) is set out in the Directors' Remuneration report on pages 106 to 125.

A copy of the 2016 and 2018 editions of the Code can be found on the Financial Reporting Council's website at [www.frc.org.uk](http://www.frc.org.uk).

During the year, the Board agreed that the Nomination Committee remit should be expanded and, as a result, this committee has been renamed the Nomination and Governance Committee. This committee will oversee all matters relating to corporate governance and will report to and advise the Board on such matters. Whilst the Board retains responsibility for governance, the new structure will enable full and detailed discussion of all governance issues in a dedicated forum. The Committee will report to the Board after every meeting and will make recommendations and proposals as appropriate. The Board will continue to have ultimate responsibility for approval of all Group policies and governance related matters.

During the year, the Board appointed two new independent Non-Executive Directors to the Board and I am delighted to welcome Rosemary Boot and Sanjeev Sharma to the Company. Both bring valuable knowledge and experience to the Board and we look forward to the contributions they will bring to Board discussions. Rosemary's experience includes being chief financial officer of Future Cities Catapult, group finance director of the Carbon Trust and an investment banker. Sanjeev is chief property portfolio officer of M&G Real Estate and was previously Head of Human Resources at NatWest Life Assurance Limited. The Nomination and Governance Committee report sets out the processes to support these changes and the induction programme provided to the new Directors. Both Rosemary Boot and Sanjeev Sharma will stand for election at the 2020 AGM.

The Nomination and Governance Committee considers succession plans for both the Board and senior management, and an explanation of this process is in the Nomination and Governance Committee report.

Earlier this year, Duncan Hunter, our Senior Independent Non-Executive Director, resigned from the Board and following his departure, Ian Barlow was appointed as Senior Independent Non-Executive Director. Ian stepped down as Chair of the Audit Committee although he remained a member of this committee. Jon Di-Stefano was appointed as Chair of the Audit Committee and as a member of the

Nomination and Governance Committee. All the above changes took effect on 13 February 2019.

Subsequent to the year-end, Telford Homes (of which Jon Di-Stefano is Chief Executive) was acquired by Trammell Crow Company which is a wholly owned subsidiary of CBRE Group Inc. ("CBRE"). CBRE is a large global organisation with various business divisions and Trammell Crow Company is a separate entity from CBRE Limited, which acts as the Company's valuers. The Board is satisfied that, notwithstanding this business relationship, Jon's role as Chief Executive of Telford Homes does not currently conflict with CBRE's role as the Company's valuers. The Board has therefore agreed that it considers Jon to be independent. To avoid the possibility of any potential or actual conflict of interest in the future in matters relating to the valuation of the Company's assets, Jon stepped down as chair and member of the Audit Committee on 18 November 2019 and Ian Barlow resumed the role of chair on the same date.

Rosemary Boot has been appointed as a member of the Remuneration Committee and the Audit Committee and Sanjeev Sharma as a member of the Remuneration Committee, all with effect from 23 May 2019. With effect from 1 January 2020, Jon Di-Stefano will be appointed as a member of the Remuneration Committee.

I would like to record my grateful thanks to Duncan for his unfailing support and vital contribution to the Group during his tenure as a Director.

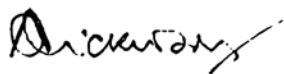
Biographical details of all Directors are included on the following pages and our Board and Committee structure and membership is set out in the corporate governance report. In line with the 2018 Code, the specific reasons why the contribution of each Director is important to the Company's long-term sustainable success are set out in the notice of the 2020 Annual General Meeting, posted with this Annual Report.

As a Board, we assess annually the skills, knowledge and experience of the Directors and believe that the Board continues to demonstrate a good spread of background and experience and to operate effectively and in the best interest of the Company and its stakeholders. An analysis of the Board's skillset can be found in the Nomination and Governance Committee report.

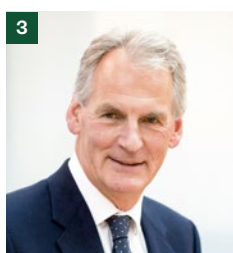
Our commitment to good governance extends beyond the boardroom and is strongly supported by management and by the culture of the Group. The Board is working on enhancing our engagement with employees and a description of this process can be found in the corporate governance report.

All Directors will attend the AGM to be held on 6 February 2020 and we look forward to meeting shareholders, who are all invited to attend. The meeting provides a productive forum with the opportunity to present a brief update on the Group's operations and to answer questions by shareholders.

Each Board committee presents its own detailed report in the following pages, including its main activities during the year and the key focus areas for 2019/20.



**Alan Dickinson**  
Non-Executive Chairman  
27 November 2019



**Committee key**

- A Audit Committee
- NG Nomination and Governance Committee
- R Remuneration Committee
- EMC Executive Management Committee
- Bold** Committee chair

Tenure is as at 30 September 2019.

**1. Alan Dickinson** NG  
Non-Executive Chairman

<b>Appointed to the Board</b> 22 May 2014	<b>Independent</b> Yes, on appointment as Chairman
<b>Appointed as Chairman</b> 24 March 2016	<b>Tenure</b> 5 years and 4 months

**Experience**  
Alan has spent more than 50 years in banking, joining the Royal Bank of Scotland in 1973, having started his career with Westminster Bank in 1968. A former chief executive of RBS UK, he is an experienced retail and corporate banker with a strong strategic focus and considerable experience of the corporate world and the impact of current and past economic cycles upon markets and market participants.

**External appointments**  
Alan is a non-executive director of Lloyds Banking Group and a director of the England and Wales Cricket Board. Alan will be appointed as Senior Independent Director of Lloyds Banking Group on 1 December 2019 and will assume the additional role of deputy chairman in May 2020.

**2. Nigel Hugill** EMC  
Chief Executive

<b>Appointed to the Board</b> 22 May 2014	<b>Tenure</b> 5 years and 4 months
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**Key responsibilities**  
Nigel is responsible for the development and achievement of Group objectives and strategy, as approved by the Board. He ensures effective communication with investors and other stakeholders.

**Experience**  
Nigel has held numerous senior positions within the property and regeneration industry over a career spanning 30 years, including serving as special policy adviser to Sir Bob Kerslake at the HCA. He was chief executive officer of Chelsfield plc from 1992 to 2005 and executive chairman of Lend Lease Europe from 2005 to 2008, having joined the company through the joint acquisition of the residential developer Crosby. Nigel was a founding director, along with Robin Butler, and executive chairman of Urban&Civic Limited, which was established in 2009 and was a precursor to Urban&Civic plc. He was presented with the Estates Gazette Lifetime Achievement Award in 2016.

**External appointments**  
Nigel is chairman of the Royal Shakespeare Company and the respected urban think tank Centre for Cities. He is co chair of the Finance and Estates Committee and is a member of Council of the London School of Economics.

**3. Robin Butler** EMC  
Managing Director

<b>Appointed to the Board</b> 22 May 2014	<b>Tenure</b> 5 years and 4 months
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**Key responsibilities**  
Robin has overall responsibility for the operational performance of the Group's business and the management of the regional offices.

**Experience**  
Robin joined Elliott Bernerd in 1985 and in 1986 became a founding director of Chelsfield plc and was a main board director until the sale of the business in 2004. At Chelsfield he was involved in regeneration projects of metropolitan scale and international significance, including Merry Hill, Paddington Basin, White City (now Westfield) and Stratford City in London. He joined Lend Lease Europe in 2005 and was appointed chief executive in 2006. Robin was a founding director of Urban&Civic Limited with Nigel Hugill in 2009, which was a precursor to Urban&Civic plc.

**External appointments**  
Robin is on the board of the Royal Academy of Music and is chairman of New Heritage, the regeneration body for Dudley MBC.

**4. David Wood** EMC  
Group Finance Director

<b>Appointed to the Board</b> 1 July 2016	<b>Tenure</b> 3 years and 3 months
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**Key responsibilities**  
David is responsible for financial strategy, treasury, management and statutory reporting and tax.

**Experience**  
David joined Urban&Civic in April 2010, having previously held senior finance positions at Minerva plc, Multiplex Developments and Chelsfield plc. Having qualified as a chartered accountant with Deloitte & Touche, David has over 20 years of experience in the real estate sector.

**External appointments**  
None.

**5. Ian Barlow** A/NG/R  
Senior Independent Non-Executive Director

<b>Appointed to the Board</b> 1 September 2016	<b>Independent</b> Yes
	<b>Tenure</b> 3 years and 1 month

**Experience**  
Ian was senior partner (London) at KPMG until his retirement in 2008. Other previous roles include chairman of WSP Group plc and Think London, the direct inward investment agency for London, and board member of the London Development Agency. Ian is a fellow of the Institute of Chartered Accountants in England and Wales and of the Chartered Institute of Taxation. He holds an MA in engineering science from the University of Cambridge.

**External appointments**  
Ian is a non-executive director of The Brunner Investment Trust plc, Foxtons Group plc and Goodwood Estate Company Limited. Ian will be appointed as chairman of Foxtons Group plc at or before their AGM to be held in May 2020.

## 6. June Barnes A/NG/R

### Non-Executive Director

**Appointed to the Board** 22 May 2014  
**Tenure** 5 years and 4 months

**Independent**  
 Yes

**Experience**  
 June left the East Thames Group, a housing association, in 2014 after serving as group chief executive for over 16 years. She trained as a town planner and is also a member of the Chartered Institute of Housing. June has served on a number of boards and working groups over the years concerned with the built environment and poverty. She was chair of the London Sustainable Development Commission from 2005 to 2008 and, more recently, vice chair of the National Housing Federation, a board member of the Institute for Sustainability and a member of the London Mayor's Design Advisory Group.

**External appointments**  
 June is currently a trustee of the Building Research Establishment, a member of the Jersey Architecture Commission and the London Borough of Sutton Design Panel, and a board member of the Hornsey Housing Trust.

## 7. Rosemary Boot A/R

### Non-Executive Director

**Appointed to the Board** 10 May 2019  
**Tenure** 4 months

**Independent**  
 Yes

**Experience**  
 Rosemary was the chief financial officer of Future Cities Catapult, one of a network of technology and innovation centres established by the UK Government. She has also worked at Circle Housing Group and was involved in setting up the Government-owned Low Carbon Contracts Company and Electricity Settlements Company. From 2001 to 2011 she was group finance director of the Carbon Trust and, prior to that, she worked for 16 years as an investment banker primarily advising large listed UK companies on mergers and acquisitions.

**External appointments**  
 Rosemary is a non-executive director of Impact Healthcare REIT plc, a UK care home real estate investment trust that is listed on the London Stock Exchange, and is a non-executive director of Southern Water Services Limited. She is also a trustee of Green Alliance, the environmental think tank and a director of Chapter Zero, the organisation that seeks to raise awareness of climate change as a business issue with non-executive directors.

## 8. Jon Di-Stefano NG

### Non-Executive Director

**Appointed to the Board** 1 September 2017  
**Tenure** 2 years and 1 month

**Independent**  
 Yes

**Experience**  
 Jon joined Telford Homes as financial director in October 2002 where he built up a strong finance function and played a significant role in establishing relationships with the group's banking partners and institutional investors. Jon became chief executive on 1 July 2011 and is responsible for the group's strategic direction, the approach to risk management and all other long-term business planning. He recently played a key role in the group's acquisition by CBRE. Prior to joining Telford Homes, he had one year with Mothercare following five years with Arthur Andersen.

**External appointments**  
 Jon is chief executive of Telford Homes.

## 9. Sanjeev Sharma R

### Non-Executive Director

**Appointed to the Board** 10 May 2019  
**Tenure** 4 months

**Independent**  
 Yes

**Experience**  
 Sanjeev has been a director of M&G Real Estate since 2001 and is chief property portfolio officer, where he has global responsibility for portfolio management, operational teams, governance and operational risk. Prior to joining the M&G group, he was Head of Human Resources at NatWest Life Assurance Limited. Sanjeev is a fellow of the Chartered Institute of Personnel and Development.

**External appointments**  
 Sanjeev is chief property portfolio officer of M&G Real Estate.

## 10. Heather Williams EMC

### Company Secretary

**Appointed** 26 August 2015

Attends all meetings of the Board and the Nomination and Governance, Audit and Remuneration committees.

**Key responsibilities**  
 Heather is responsible for the Group's corporate governance and compliance with listed company requirements and Group policies. She provides support and advice to the Chairman and to the Board and its committees and is responsible for the management of Board procedures.

**Experience**  
 Heather is a fellow of the Institute of Chartered Secretaries and Administrators with over 20 years' experience of working in the company secretarial area. She was previously company secretary to Petropavlovsk plc and to Helical plc. Her experience also includes nearly nine years as an investment trust company secretary.



Urban & Civic plc

## Corporate governance report

### Introduction

The 2018 UK Corporate Governance Code (the '2018 Code') was published in July 2018 and applies to financial periods commencing on or after 1 January 2019. As explained in last year's Annual Report, the Company is therefore not required to report on its compliance with the 2018 Code until the financial year ending 30 September 2020. We undertook to seek early adoption and to report to shareholders on compliance with the provisions set out in the 2018 Code.



The Board considers the Company's stakeholders in its discussions and takes account of their views and feedback.

The governance section of the Annual Report (pages 66 to 129) sets out the actions taken by the Board and its committees to work towards full compliance with the 2018 Code.

### Key steps taken include:

- A review by each of the committees of its terms of reference and recommendation to the Board to adopt revised terms of reference reflecting the provisions of the 2018 Code and the continued compliance with the 2016 edition of the Code. Subsequent adoption by the Board of a revised schedule of matters reserved for the Board and approval of the updated terms of reference of the Nomination and Governance, Audit and Remuneration committees.
- A review of whistleblowing procedures and agreement that the Board should receive whistleblowing reports at each Board meeting. Previously, this review was the remit of the Audit Committee. During the year, there were no incidents of whistleblowing.
- Analysis of the Group's stakeholder engagement and its compliance with section 172 Companies Act 2006.
- Agreement of the introduction of a mechanism for engagement with employees. Work is ongoing in this area.
- The Board has approved (on the recommendation of the Remuneration Committee) amendments to the rules of the Group's Performance Share Plan and Annual Bonus Plan to reflect the provisions of the 2018 Code.
- The Board considered and agreed a definition of the workforce to ensure consistent and fair treatment in relation to Group policies and practices, whistleblowing, and remuneration and related policies, including pension. This also ensures consistency in the investment in and reward of the workforce and engagement with the workforce.

### Leadership structure

The Group has five independent Non-Executive Directors in addition to the Chairman, Alan Dickinson, who was independent on appointment. Ian Barlow has been appointed as Senior Independent Non-Executive Director. The Board has reviewed the composition of the Board during the year and is of the opinion that the current Board and committee structure works effectively and to the benefit of shareholders and the Group as a whole. Given the nature and size of the business, it believes that the balance of Executive and Non-Executive Directors is appropriate and works efficiently.

The Code requires that the Board, its committees and individual directors should demonstrate sufficient knowledge, skills, experience and independence to carry out their respective duties and responsibilities effectively. Appointments to the Board are led by the Nomination and Governance Committee and a description of the process is found in the report of that committee.

The Board has established three committees with a membership of Non-Executive Directors: the Nomination and Governance, Audit and Remuneration committees. The chair and members of these committees are appointed by the Board, following recommendation by the Nomination and Governance Committee and consultation with the relevant committee chair. The committees operate in accordance with their terms of reference which can be found on our website. The Board receives a report from each committee chair at the Board meeting following each committee meeting. Minutes of committee meetings are circulated to the Board following each meeting.

Information on the committees and reports of their respective chairs are found on:

#### ► Nomination and Governance Committee

➔ page 88

#### ► Audit Committee

➔ page 99

#### ► Remuneration Committee

➔ page 106

### Operation of the Board

The Board held six scheduled meetings during the year. In addition to these meetings, the Board held a Strategy Day and a number of unscheduled Board and committee meetings. These unscheduled meetings were held to discuss ad hoc issues, routine or administrative matters or matters of a time sensitive nature. The Chairman and the Company Secretary, in conjunction with the Executive Directors, identify any requirement for additional meetings. Ad hoc meetings do not necessarily require full Board attendance but all Directors are given the opportunity to attend and to comment on the proposals, with papers being circulated in advance. Directors are expected to attend all scheduled Board meetings, the annual Strategy Day, the Annual General Meeting and all meetings of committees of which they are a member. All Directors in office at the time attended the AGM in February 2019 and the Board strategy meeting held in July 2019. If a Director is unable to attend a meeting they have the opportunity beforehand to discuss any agenda items with the Chairman or with management, and their comments and views will be recorded in discussions at the meeting. The attendance record of the Directors at the scheduled Board meetings is shown on the following page. Attendance at committee meetings is shown in the individual reports of the Nomination and Governance, Audit and Remuneration committees. Non-committee members attend committee meetings by invitation and, where appropriate, members of the senior management team are invited to give a presentation at Board meetings.

The Board considers the Company's stakeholders in its discussions, including shareholders and employees, and takes into account their views and feedback.



**Board meetings attended/eligible to attend**

	Meetings attended/ eligible to attend
<b>Chairman</b>	
Alan Dickinson	<b>6/6</b>
<b>Executive Directors</b>	
Nigel Hugill	<b>6/6</b>
Robin Butler	<b>6/6</b>
David Wood	<b>6/6</b>
<b>Non-Executive Directors</b>	
Ian Barlow	<b>6/6</b>
June Barnes	<b>6/6</b>
Rosemary Boot	<b>3/3</b>
Jon Di-Stefano	<b>6/6</b>
Sanjeev Sharma	<b>3/3</b>

An annual calendar of agenda items for the Board and all committees is maintained by the Company Secretary and the process ensures that all governance, regulatory and financial matters are reviewed at appropriate intervals and that each committee complies with its duties as set out in its terms of reference. The Company Secretary discusses the Board agendas with the Chairman and this process ensures that the papers circulated to the Board contain sufficient detail to enable the Board to fulfil its duties. Board papers are circulated electronically to all Directors in advance of each meeting to enable them to fully consider the issues to be discussed. Meetings are led by the Chairman, who encourages open discussions and debate. Where appropriate, Non-Executive Directors constructively challenge and question the Executive Directors on the progress and strategy of the Group and provide support and experience, from an independent perspective, to senior management. They offer guidance and advice and ensure that management is accountable for its actions in managing the Company's operations. Selected members of the Executive Management Committee (EMC) attended Board meetings during the year presenting on topics of relevance, thus increasing the range of views and input available to the Non-Executive Directors.

The Board has ultimate responsibility for the Group's risk management and internal controls and carries out a review of the Group's risks at every Board meeting. The Board recognises the dependence on management in the internal controls and risk management of the Group and the EMC is fully engaged in this process. At an operational level, the Strategic Development Committee (SDC), Commercial Development Committee (CDC) and Gatesby Estates assess the risks of each individual project and their reports and assessment of risk are reviewed by the EMC, for upward reporting to the Board. The Board has previously agreed that, due to the size and structure of the Group, it does not recommend the appointment of a separate risk committee and has instead allocated responsibility to the Audit Committee. The Board has appointed Grant Thornton to fulfil the internal audit function, a process overseen by the Audit Committee. For further details see the risk review on pages 34 to 43 and the report of the Audit Committee on pages 99 to 105.

During the year, the Chairman held meetings with the Non-Executive Directors without the Executive Directors present and the Senior Independent Director maintained regular contact with the Non-Executive Directors. The Board also meets regularly on an informal basis to facilitate discussions on the Group's business and the wider environment outside the more formal structure of a Board meeting.

**Directors' conflicts of interest**

Under the Companies Act 2006 (the 'Act'), Directors are subject to a statutory duty to avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or may possibly conflict, with the interests of the Company. As is permissible under the Act, the Company's Articles of Association allow the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company. Directors are required to notify the Company under an established procedure as soon as they become aware of any situation that could result in a conflict or potential conflict of interest. Any conflicts or potential conflicts are noted at each Board meeting and a register of conflicts is maintained by the Company Secretary. The Board considers these procedures to be working effectively.

The Board has considered the position of Jon Di-Stefano following the acquisition of Telford Homes by Trammell Crow Company, a wholly owned subsidiary of CBRE Group Inc. ("CBRE") and is satisfied that Jon's role as Chief Executive of Telford Homes does not currently conflict with CBRE's role as the Company's valuers. This is further explained on page 67.



The Board has ultimate responsibility for the Group's risk management and internal controls and carries out a review of the Group's risks at every Board meeting. The Board recognises the importance and value of the involvement of management in the internal controls and risk management of the Group. Management throughout the Group is fully engaged in this process.

### Board information

All Directors have access to the advice and support of a professionally qualified and experienced Company Secretary, who works with the Chairman to ensure that adequate information is made available to the Board and its committees. The Company Secretary is responsible for corporate governance, planning the agendas for the annual cycle of Board and Committee meetings and maintaining Group policies, processes and procedures that ensure the effective and efficient functioning of the Board and its committees. The appointment or removal of the Company Secretary is subject to Board approval.

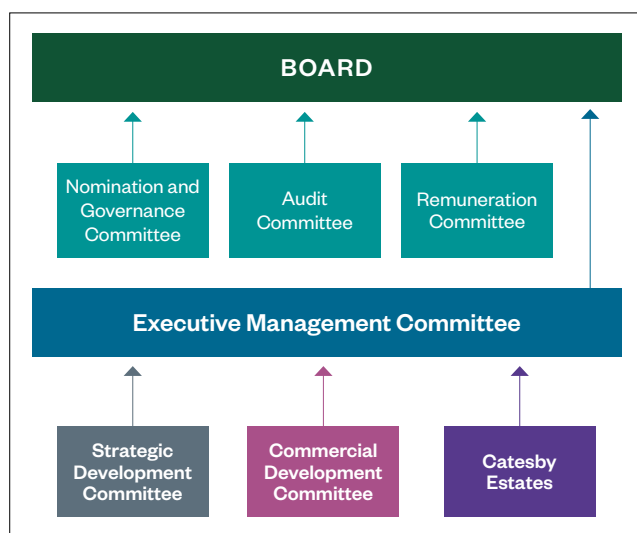
Prior to all Board and committee meetings, Directors receive agendas and supporting papers, which contain market, property, financial, governance and risk updates together with any other papers relating to specific agenda items as required. Presentations and verbal updates are also given at each Board meeting and open discussions take place on all agenda topics. In between scheduled Board meetings, ad hoc and transactional papers are circulated to Directors to allow appropriate review and consideration. There is open communication between Non-Executive and Executive Directors and the wider workforce and objective and constructive challenge by the Non-Executive Directors is welcomed. Directors are able to make enquiries or requests for further information from management. The Company Secretary facilitates professional development and ensures compliance with Board, regulatory and corporate governance procedures.

Minutes of all Board and committee meetings, including ad hoc meetings, are circulated to all Directors after each meeting and are included in the following Board pack, providing the opportunity for review and for the Board to confirm that they accurately reflect the discussions held and the decisions taken, prior to signature by the chair of that meeting. Committee chairs also provide a verbal update to the Board on matters discussed at every committee meeting. This process also enables full Board discussion of any items of business as required. A detailed action list is circulated following each meeting and the Company Secretary co-ordinates the agendas and Board papers to ensure that management has dealt with all outstanding action points, the progress of which is reviewed at each subsequent meeting.

If requested, Directors are able to seek any further information or take independent professional advice that they may require in the performance of their duties, at the expense of the Company.

## Division of responsibilities

There is a division of responsibilities of the Board and its committees and of the Chairman, Senior Independent Director and executive management. The Board has adopted a formal schedule of matters reserved for its decision and, whilst a division in responsibilities between the Board and its committees is important, it is vital that the Board retains control of key decisions. The Board has delegated specific areas of responsibility to the Nomination and Governance, Audit, Remuneration and Executive Management committees. Each of these committees has the authority to make decisions in accordance with its terms of reference, which are reviewed on an annual basis to take into account any changes to regulations and/or best practice. The terms of reference of all committees and the schedule of matters reserved for the Board have been updated during the year and now reflect the provisions of the 2018 Code. Any amendments to a committee's terms of reference are subject to Board approval.



The key responsibilities are summarised below

### Board of Directors

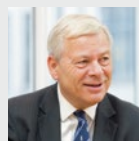


#### Key responsibilities:

- Leadership and direction – setting the Company's purpose, values, strategy, objectives and standards and aligning with culture
- Achievement of the long-term sustainable success of the Company, generating value for, and balancing the interests between, its shareholders, employees and other stakeholders
- Health and safety management and reporting

### Committees

#### Nomination and Governance Committee



#### Alan Dickinson (Chair)

Ian Barlow  
June Barnes  
Jon Di-Stefano

#### Key responsibilities:

- Review of the structure, size and composition of the Board and its committees
- Oversight of succession planning for the Board and senior management
- Recruitment and appointment process for new Directors
- To oversee the annual Board evaluation
- Develop and review the Group's governance framework
- To oversee and monitor all matters relating to corporate governance

### Executive Management Committee



#### Robin Butler (Chair)

Executive Directors  
Members of the senior management team

[➔ Read more on page 77](#)

### Strategic Development Committee

#### Key responsibilities

- Oversight and reporting on infrastructure projects

- Maintenance of effective risk management and internal control systems
- Approval of significant acquisitions and disposals
- Overall financial performance of the Group
- Approval of interim and annual financial statements
- Dividend policy
- Corporate governance
- Environmental and sustainability policies
- Approval of procedures for the detection of fraud and the prevention of bribery, and review of the Group's whistleblowing policy and related reporting
- Appraisal of other core Group policies
- Understanding of the views of stakeholders and consideration of their interests and the matters set out in section 172 of the Companies Act 2006 in Board discussions and decision making
- Review of the processes for effective engagement with the workforce, shareholders and other stakeholders
- To assess and monitor culture and to ensure that policies, practices and behaviour throughout the Group are consistent with the Company's culture and values and support its long-term sustainable success

### Audit Committee



**Ian Barlow (Chair)**  
June Barnes  
Rosemary Boot

**Key responsibilities:**

- Financial reporting and the integrity of the financial statements
- Risk management
- To oversee and monitor internal controls and the work of internal audit
- Supervision of the relationship with the external auditor

### Remuneration Committee



**June Barnes (Chair)**  
Ian Barlow  
Rosemary Boot  
Sanjeev Sharma

**Key responsibilities:**

- Review and recommendation to the Board of the remuneration policy for Executive Directors
- Review of the structure of remuneration for senior management
- Determine the remuneration packages of the Executive Directors, the Company Secretary and senior management
- Review the Executive Directors' objectives and achievements
- Review workforce remuneration and related policies and engagement with the workforce on remuneration matters

**Key responsibilities:**

- Implementation of the Group strategy determined by the Board
- Oversight of the day to day management of the Group and its employees, including the development, progress and risk management of projects
- Effective health and safety management
- Implementation of all Group policies and legislation where applicable throughout the Group
- Oversight of the Group's HR policies, office management and workforce issues
- Overview of Group communications

### Commercial Development Committee

**Key responsibilities**

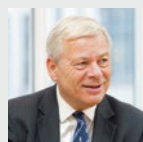
- Oversight and reporting on commercial projects

### Catesby Estates

**Key responsibilities**

- Oversight and reporting on the Group's land promotion business

## Division of responsibilities continued



### Chairman – Alan Dickinson

#### Key responsibilities:

- Leadership of the Board
- Ensure constructive communication between Executive and Non-Executive Directors
- Ensure appropriate delegation of authority from Board to management
- Promotion of high standards of corporate governance
- Ensure that new Directors participate in an appropriate induction programme and that the ongoing development needs of the Directors are met
- Ensure that the performance of the Board, committees and individual Directors is assessed at least annually
- Representation of the Company to stakeholders and communication with shareholders



### Senior Independent Director – Ian Barlow

#### Key responsibilities:

- Alternative point of contact for investors
- Intermediary between the Chairman and the other Directors
- Sounding board for the Chairman on Board matters
- To lead the Chairman's annual performance appraisal



### Chief Executive – Nigel Hugill

#### Key responsibilities:

- Leadership of the Company
- Development and achievement of the Group's objectives and strategy
- Identification of acquisitions and disposals of major projects and new business opportunities
- Effective implementation of Board decisions
- Representation of the Company to stakeholders and communication with shareholders



### Managing Director – Robin Butler

#### Key responsibilities:

- Leadership of the Company
- Development and achievement of the Group's objectives and strategy
- Review of the operational performance of the Group's business
- Identification of acquisitions and disposals of major projects and new business opportunities
- Day to day responsibility for risk management and internal controls
- HR policies and management



### Finance Director – David Wood

#### Key responsibilities:

- Review of the operational performance of the Group's business
- Day to day responsibility for risk management and internal controls
- Financial strategy and management, including budget, banking and finance



### Company Secretary – Heather Williams

#### Key responsibilities:

- Secretary to the Board and its committees
- Advice on corporate governance and regulatory matters
- Implementation of Group policies and procedures
- Management of Board and committee procedures
- Inductions for new Directors

## Executive Management Committee



**Robin Butler** (Managing Director) (Chair)

**Nigel Hugill** (Chief Executive)

**David Wood** (Group Finance Director)

**Rebecca Britton** (Communities, Communications and Partnerships Manager)

**Paul Brocklehurst** (Chief Executive – Catesby)

**Richard Coppell** (Development Director – Strategic Land)

**Richard Hepworth** (Director of Project Management)

**Tim Leathes** (Development Director – Strategic Land)

**Philip Leech** (Property Director – Commercial)

**David Morris** (Planning Director – Catesby)

**Myron Osborne** (Land and Development Director – Catesby)

**James Scott** (Director of Planning and Communication)

**Nigel Wakefield** (Development Director – Strategic Land)

**Heather Williams** (Company Secretary)

### Role

The EMC was established with the key aim of overseeing the implementation of Board strategy and policies and to provide feedback and recommendations from the executive team and the workforce to the Board. The EMC is responsible to the Board and the Chair of the EMC reports to the Board at each meeting. The Board has access to all EMC papers and minutes. The EMC's role is to support the Board in the performance of its duties within the bounds of its authority, in areas such as the development and implementation of strategy, operational plans, policies, procedures and budgets, health and safety and the monitoring of operating and financial performance against targets, objectives and key performance indicators set by the Board. The EMC will examine all investments, realisations and major capital expenditure proposals prior to recommendation to the Board, and is responsible for optimising the allocation and adequacy of the Group's resources. The EMC assesses, controls and monitors risk and internal controls and health and safety reporting. The EMC also develops and oversees HR policies and procedures and the workforce remuneration policy (below Board level). During the year, the EMC met six times, with meetings scheduled shortly before Board meetings, providing relevant and current comment to the Board on any matters of significance. Non-Executive Directors attend EMC meetings on a rotational basis which helps to ensure that the Board maintains a good understanding of management and staff views on issues of importance.

The management committee structure ensures a strong working relationship between the Board and the executive management team and has provided senior management with a structured forum to address a range of issues.

Three other committees report to the EMC: the Strategic Development Committee, the Commercial Development Committee and Catesby Estates.



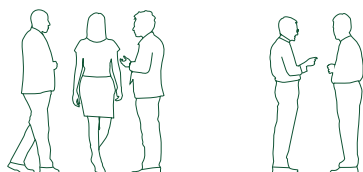
## Main activities of the Board during the year ended 30 September 2019



### Strategy

A Strategy Day was held in July 2019 and provided the Board with an in-depth review and discussion of Group strategy. This annual forum provides the opportunity for Non-Executive Directors to share their expertise and experience and to provide guidance and an independent perspective to the direction of the business.

Presentations to the Board by management and items discussed included the business plan, financial plan, capital allocation, risk review, shareholder base and share price performance.



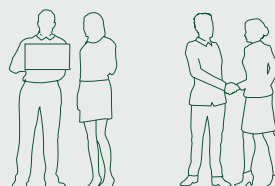
### Operations

- Reports and presentations from Executive Directors and senior management at every Board meeting covering the progress of each of the Group's developments.
- Periodic recommendations and risk assessment by management for site acquisitions requiring Board approval.
- Review of health and safety reports covering the Group's strategic and commercial sites and the Group's offices.
- Site visits by Non-Executive Directors.
- Review of the procedures in place for credit check processes for counterparties.



### Financial

- Approval of the Report and Accounts and preliminary announcement of results for the year ended 30 September 2018.
- Approval of interim results for the six months to 31 March 2019.
- Approval of Group loan facilities.
- Approval of business plan and budget for 2018/19.
- Review at every Board meeting of:
  - budget/cash flow;
  - the Group's borrowing facilities in relation to current strategic forecasts; and
  - loan covenant compliance.





### Directors

- Appointment of Rosemary Boot and Sanjeev Sharma to the Board.
- Appointment of new Senior Independent Director.
- Review of the membership of all Board committees.
- Review of Non-Executive Directors' fees.
- Consideration of each Director's commitment to and effectiveness in their role and recommendation for re-election at the AGM.
- Training and development of Directors on relevant areas, including the continuing obligations and responsibilities of directors under a premium listing.



### Shareholders

- At every Board meeting a major shareholder analysis report is reviewed. The Board also reviews feedback from any investor meetings.
- Approval of any final and interim dividend proposals. The Company operates a dividend reinvestment scheme allowing cash dividends to be automatically reinvested as shares.
- Approval of the transfer of listing category of ordinary shares from the standard to premium listing segment of the Official List of the FCA.
- Annual General Meeting held in February.



### Risk

- At every Board meeting, reports are reviewed on:
  - The Group's risk identification, management and mitigation process;
  - Project risks for each of the Group's developments;
  - Internal controls reports;
  - GDPR monitoring.



### Governance

- Adoption of the 2018 Code and monitoring of actions taken to ensure compliance.
- Review of the outcomes and resulting actions arising from the 2018 Board evaluation.
- Discussion on the mechanism for employee engagement including updates of the progress in establishing an employee advisory group.
- Extension of the remit of the Nomination Committee to include responsibility for governance.
- Review of any actual or potential conflicts of interest of Directors at every meeting.
- Approval of the process for the 2019 Board evaluation.
- Approval of updated terms of reference of all committees and the schedule of matters reserved for the Board, in line with 2018 Code.



### Policy and procedures

- Annual review and approval of the Group's modern slavery and human trafficking statement.
- Sustainability review.
- Review of Group policies:
  - Anti-corruption and bribery policy.
  - Gifts and hospitality policy.
  - Diversity policy.
  - Equal opportunities policy.
  - Charitable donations policy.

### Key activities of the Board in 2018/19

- Appointment of two new independent Non-Executive Directors.
- Adoption of the 2018 UK Corporate Governance Code.
- In depth review of Group Strategy.
- Approval of financial results for the year ended 30 September 2018 and the half year ended 31 March 2019.
- Transfer of listing category of ordinary shares from standard to premium listing segment of the Official List of the FCA.
- Approval of new Group loan facilities.

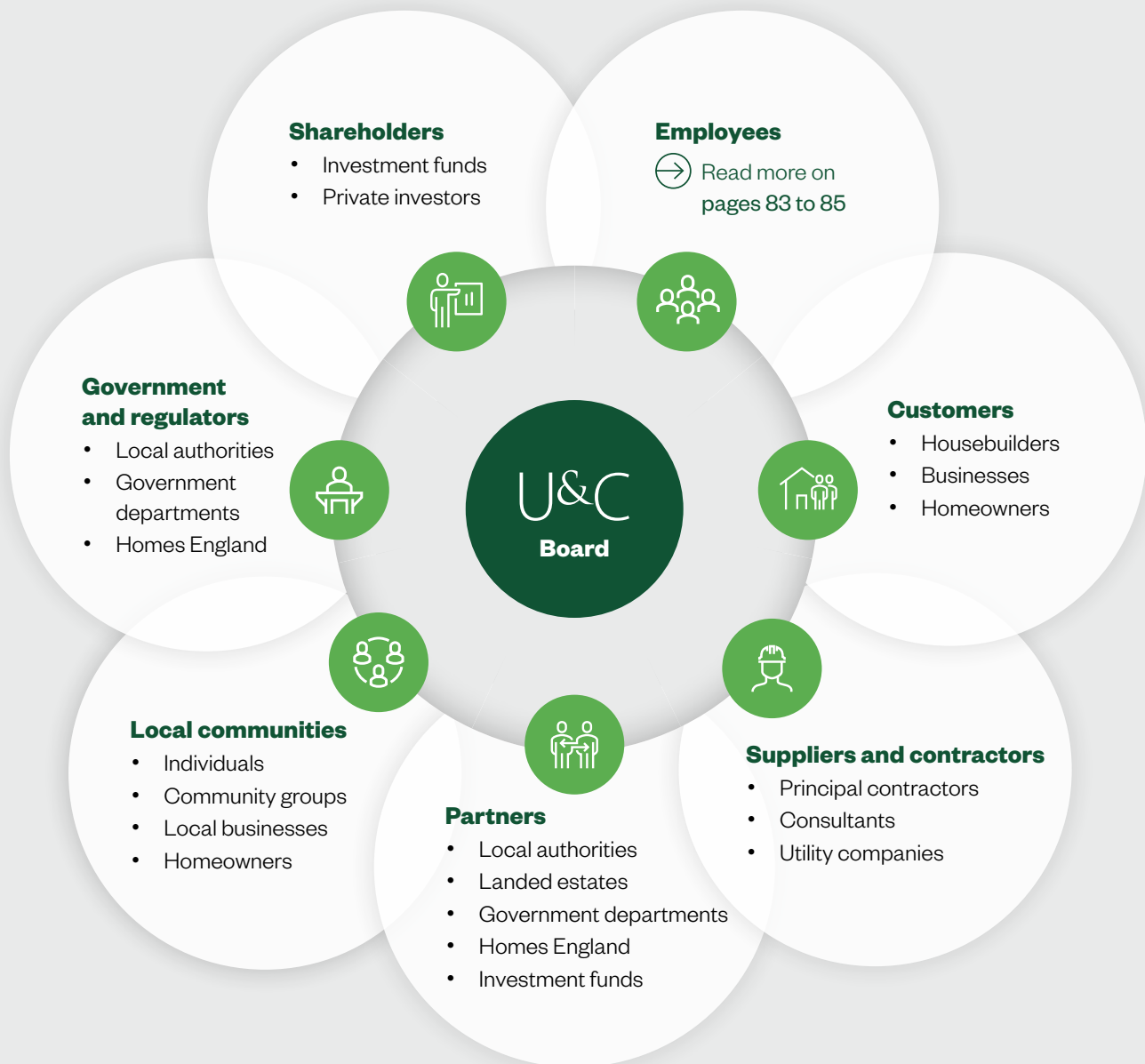
### Key focus areas for 2019/20

- Implementation of strategic priorities.
- Development of succession plans of the Board and senior management.
- Sustainability review.
- Continued focus on risk management and internal audit review.
- Review of the Directors' remuneration policy.
- Ongoing work towards full compliance with the 2018 UK Corporate Governance Code.
- Continued programme of communication and interaction with stakeholders.
- Employee engagement.
- Progress work on culture.



## How the Board engages to deliver value


The long-term success of our business is critically dependent on the way we work with a large number of important stakeholders. We aim to create value for our stakeholders every day. The table overleaf sets out our focus on the key relationships and shows how we engage with stakeholder groups to consider the interests of stakeholders in our decision making process and to help inform our strategy and delivery.



**Key stakeholder relationships:**

Shareholders	Customers	Suppliers & contractors	Partners	Other stakeholders
<p><b>What do we want from them?</b></p> <ul style="list-style-type: none"> <li>Trust</li> <li>Confidence</li> <li>Understand what we do</li> <li>Value how we do it</li> <li>Increase investment</li> <li>Grow investor base</li> </ul>	<p><b>What do we want from them?</b></p> <ul style="list-style-type: none"> <li>Trust</li> <li>Quality</li> <li>Value</li> <li>Repeat business</li> <li>Diversity</li> <li>Sustainable approach</li> <li>Recommendation</li> </ul>	<p><b>What do we want from them?</b></p> <ul style="list-style-type: none"> <li>Trust</li> <li>Flexibility</li> <li>Reliability – consistency</li> <li>Sustainable approach</li> <li>Safe environment</li> </ul>	<p><b>What do we want from them?</b></p> <ul style="list-style-type: none"> <li>Trust</li> <li>Understand what we do</li> <li>Investment</li> <li>Freedom to operate</li> <li>More opportunities</li> <li>Recommendation</li> </ul>	<p><b>What do we want from them?</b></p> <ul style="list-style-type: none"> <li>Trust</li> <li>Understand what we do</li> <li>Support</li> <li>Investment</li> <li>Recommendation</li> <li>Jobs/skills</li> </ul>
<p><b>What do they want from us?</b></p> <ul style="list-style-type: none"> <li>NAV growth</li> <li>Profit growth</li> <li>ESG leadership</li> <li>Transparency</li> <li>Timely and accurate reporting</li> <li>Clear strategy and execution</li> <li>Dividends</li> </ul>	<p><b>What do they want from us?</b></p> <ul style="list-style-type: none"> <li>Serviced land supply</li> <li>Quality</li> <li>Site marketing</li> <li>Jobs and skills support</li> <li>Health and safety support</li> <li>Equality</li> </ul>	<p><b>What do they want from us?</b></p> <ul style="list-style-type: none"> <li>Certainty of payment</li> <li>Regularity of work</li> <li>Flexible procurement</li> </ul>	<p><b>What do they want from us?</b></p> <ul style="list-style-type: none"> <li>Transparency</li> <li>Timely and accurate reporting</li> <li>Cost control and efficient budgeting</li> <li>Delivery</li> <li>Quality</li> <li>Legacy</li> <li>Recognition</li> </ul>	<p><b>What do they want from us?</b></p> <ul style="list-style-type: none"> <li>Delivery</li> <li>Quality</li> <li>Timely and accurate reporting</li> <li>Long-term alignment</li> <li>Jobs and skills</li> <li>Meaningful community engagement</li> </ul>

**Our engagement with stakeholders:**

Key stakeholder	How we engaged with them
<p><b>Shareholders</b></p>	<ul style="list-style-type: none"> <li>Annual Report</li> <li>Strategic site brochure</li> <li>Investor presentations</li> <li>Website</li> <li>RNS announcements</li> <li>Site tours</li> <li>Conference participation</li> <li>Press</li> </ul>
<p><b>Employees</b></p> <p> Read more on pages 83 to 85</p>	<ul style="list-style-type: none"> <li>Internal communications</li> <li>Engagement with Non-Executive Directors</li> <li>Open door culture</li> <li>Learning and development</li> <li>All staff events</li> </ul>
<p><b>Customers</b></p>	<ul style="list-style-type: none"> <li>Site-specific branding</li> <li>Sales information</li> <li>Press</li> <li>Websites</li> <li>On-site service and consortia meetings</li> <li>Consistency of contractual arrangements</li> </ul>
<p><b>Suppliers and contractors</b></p>	<ul style="list-style-type: none"> <li>Framework arrangements</li> <li>Regular meetings</li> <li>Client points of contact</li> <li>Two-stage procurement</li> <li>Negotiation</li> </ul>
<p><b>Partners</b></p>	<ul style="list-style-type: none"> <li>Site-specific reporting and Board meetings</li> <li>Site tours</li> <li>Annual Report</li> <li>Strategic site brochure</li> <li>Informal feedback</li> </ul>
<p><b>Local communities</b></p>	<ul style="list-style-type: none"> <li>Project work</li> <li>Community engagement</li> <li>Newsletters</li> <li>Press</li> </ul>
<p><b>Government and regulators</b></p>	<ul style="list-style-type: none"> <li>Consultations</li> <li>Industry meetings</li> <li>Statutory processes</li> <li>Informal dialogue</li> </ul>

## How the Board engages to deliver value continued

### CASE STUDY

#### SME Housebuilder Conference

Homes England, Savills and Urban&Civic brought a group of SME housebuilders together from across the Midlands and South of England in May at Houlton, to discuss the SME's role in addressing housing need and to increase the diversity of delivery on large scale developments.

Savills set the scene through the broad housing market and delivery context, focusing particularly on the challenges and opportunities faced by the sector. Homes England described its clear support via the Home Building Fund which is responding to the constraints within the SME sector by providing targeted development finance. Urban&Civic then explained its delivery model and how its approach to providing service land parcels is reducing barriers to entry for SMEs on its large scale sites.

Family owned company, Francis Jackson Homes, are already on site at Urban&Civic owned Priors Hall in Corby. Managing Director Nick Jackson attended the event and said; "Access to land and finance continue to be the main constraints faced in the market for many SME builders and it is encouraging to see U&C and Homes England addressing that. The U&C model de-risks land and provides a really strong development platform for us to deliver our high quality product alongside national house builders. Combined with the injection of cash through Homes England to accelerate infrastructure on these sites, we are collectively creating really attractive and popular places to live."



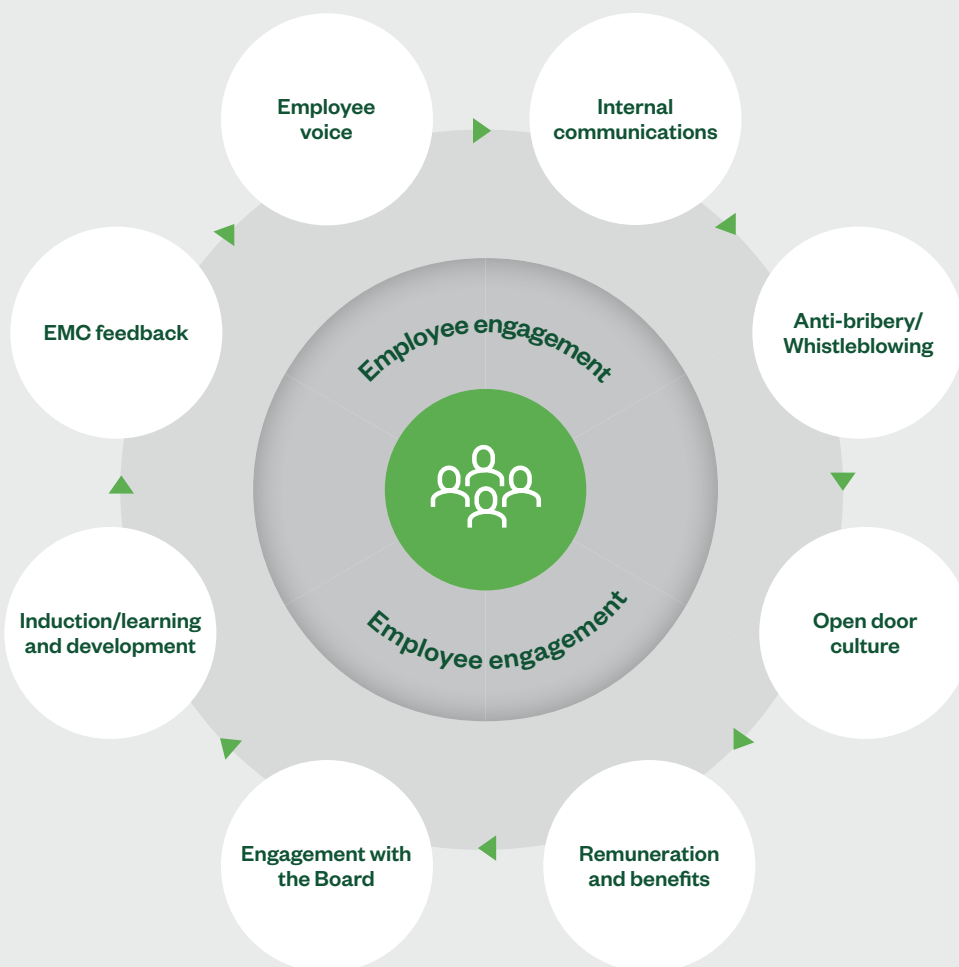
### CASE STUDY

#### U&C take on This Morning in Manchester

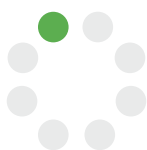
Employee engagement was overhauled in 2019 with a new format for the annual staff conference where members of the team took on the roles of daytime talk show hosts, aimed at creating and presenting more engaging content. The day featured a mix of one-on-one in-depth interviews, entertaining activities with audience participation and fun segments linking the U&C business to food, fashion and fitness. Refreshingly informative, the agenda covered business growth, culture and values, and an insight into our governance as well as features on HR, Learning and Development and Internal Communications, and contextual analysis of the political and economic landscape and our navigation through this. We even had a cooking session on how to bake the Master Developer way. We piloted the use of polling app Slido to provide us with real time audience feedback, insight and questions. The annual conference ranked one of the most influential and powerful tools for internal communications in an employee survey in February 2019, driving the continued investment into innovating and growing this valuable engagement tool for the business. The conference forms a key part of our internal communications strategy for 2020.

## Employee engagement

We aim to maintain an open, diverse and inclusive working environment and we encourage strong links between the workforce, management and the Board. Examples of how we develop and engage with our employees are below.



### Employee voice

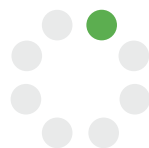


The Board and management, by consultation with employees, are in the process of assessing the most appropriate approach for engagement with the workforce to ensure that the Directors fully understand and appreciate their views and feedback on a variety of matters, including issues such as employment policies, practices and conditions, and to put in place a structure to promote an open and transparent culture, building on our existing mechanisms. This will supplement our existing channels to ensure that employees' views are heard at Board level. Working group meetings have been held with members of staff from a range of business streams and office locations and our current intention is to establish a workforce engagement forum at which any matters

affecting the workforce can be discussed for onward engagement with the Board and/or relevant Board committees. No members of senior management will be appointed to this panel to ensure open debate of a range of topics or matters of concern, dictated by staff requests. The Board will review the effectiveness of this structure and, if it is felt that a different approach may be more suitable, will review alternative options. We will report back further on the progress of our engagement with the workforce in next year's report. Methods by which we already engage with and support the workforce are set out below, demonstrating our broader employee engagement.

## Employee engagement continued

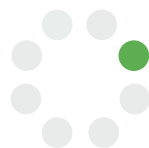
### Internal communications



The growth of our business, in both employee numbers and office locations, means that internal communications is an evolving challenge to management. We hold an annual staff offsite meeting at which all employees attend for a variety of presentations and interactive activities. The event is led by employees, who drive the format and take part in the presentations. This provides useful two-way feedback between the workforce and management on a range of issues. Management takes forward key findings and recommendations arising from these lively discussions, which provide a valuable means of communicating employees' views. All employees are invited to join the live webcast of the Company's interim and annual results presentation and we also publish a regular newsletter which is circulated internally, updating

on strategic, operational and employment issues. We have carried out two employee surveys during the year, one on internal communications and one on perceptions of the Group's core values. We introduced a new facility this year to enable staff at our offices to attend internal meetings via video conference and by a desktop link. This was in direct response to a request communicated through the results of the internal communications survey. The impact of this facility is that Group employees across all our offices can now feel more connected to each other and can attend meetings without the need to travel to one central location. This facilitates improved communication between offices and therefore enables the workforce to be more informed about the business.

### Anti-corruption and bribery and whistleblowing procedures

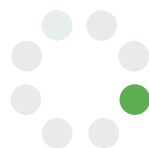


In line with the Bribery Act 2010, the Group has in place written policies on avoiding and not tolerating bribery or corruption. The Board has approved an anti-corruption and bribery policy, a gifts and hospitality policy and a whistleblowing policy, which have been circulated to all Directors and employees. The anti-corruption and bribery policy and whistleblowing policy are also found on our website. All employees are provided with copies of these policies on joining the Group and are required to undertake online training at the commencement of employment and annually thereafter. They are required to confirm in writing, on an annual basis, that they have complied with the anti-corruption and bribery policy and gifts and hospitality policy throughout the year. The Audit Committee reviews, on a six-monthly basis,

declarations made by Directors and employees under the Group's gifts and hospitality policy above an agreed threshold. Any non-compliance is reported to the Board. There were no such matters reported during the year.

Under the whistleblowing policy, Directors, management, employees and external stakeholders can report in confidence any concerns they may have of malpractice, financial irregularity or breaches of any Group procedures. During the year, the responsibility for the review of anti-bribery and whistleblowing reports (submitted by management) moved from the Audit Committee to the Board, in line with the 2018 Code and reports are reviewed at each Board meeting. No issues were reported during the year under review.

### Open door culture



All our offices are open plan, which creates an opportunity for open discussion, effective communication and direct feedback from employees to management.

### Remuneration and benefits



The Remuneration Committee oversees all Group remuneration and benefits policies and, with the assistance of the HR Manager, considers employee opinions and feedback on remuneration policies and processes. We consider external market data and seek to ensure that our employees are competitively rewarded. Staff have access to an Employee Assistance Programme providing confidential advice and support.

## Engagement with the Board



Good communication with employees is key to our business and Non-Executive Directors maintain ongoing contact by regular site visits and informal meetings at the Group offices, both in London and at our regional offices. They are encouraged to spend time with staff in the absence of the Executive Directors, which has strengthened the relationship with senior management and contributed to a greater understanding of Group culture and of issues affecting the workforce. Non-Executive Directors attend, on a rotational basis, meetings of the EMC at which views of employees and issues affecting them are discussed.

Members of senior management are regularly invited to attend Board meetings, enhancing the open dialogue between Non-Executive Directors and those below Board level.

The Board also received a report on the outcome of the employee surveys conducted during the year and on the feedback from the staff offsite meeting. The report included the actions proposed and/or taken by management in direct response to the feedback.

## Induction/learning and development



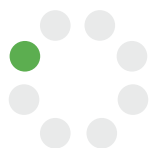
The Group's policy is to invest in its workforce and we actively encourage all employees in the broadening of their skills and experience. An internal learning and development function has been established to oversee and co-ordinate the training and personal development of employees. During the year we appointed an HR Manager who works closely with this function. We recognise the value of our people and seek to develop that asset. Employees are actively encouraged to develop in their role and to use their talents and skills across the organisation. Several of our employees volunteer in roles outside the organisation enabling them to utilise their knowledge to the benefit of others and to gain experience elsewhere. This is viewed as a useful and incentivising tool for development. A register of all such roles is maintained by the Company Secretary to ensure that no conflicts of interest or undue time demands are placed on employees.

Newly appointed employees attend a presentation by Executive Directors and senior management, introducing them to the Group, covering areas such as the history and structure of the Group's business, vision and values, operations and Group policies and processes. This forms part of a wider induction process which is led by the learning and development function and the individual's line manager.

During the year, we have enhanced our performance review system by introducing a more formalised process.

Exit interviews take place with all leavers and an annual report is made to the Remuneration Committee on any significant issues or trends.

## EMC feedback



The EMC has the direct responsibility for seeking employee views and feedback on areas such as the performance review and annual compensation review processes and the employment and governance policies of the Group. The EMC, through its Chair, reports to the Board on these issues at each Board meeting. The Board also reviews the minutes of each EMC meeting. The establishment of an employee advisory group, the progress of which is expected over the coming year, will change the role of the EMC in relation to employee feedback. We will report back further next year.

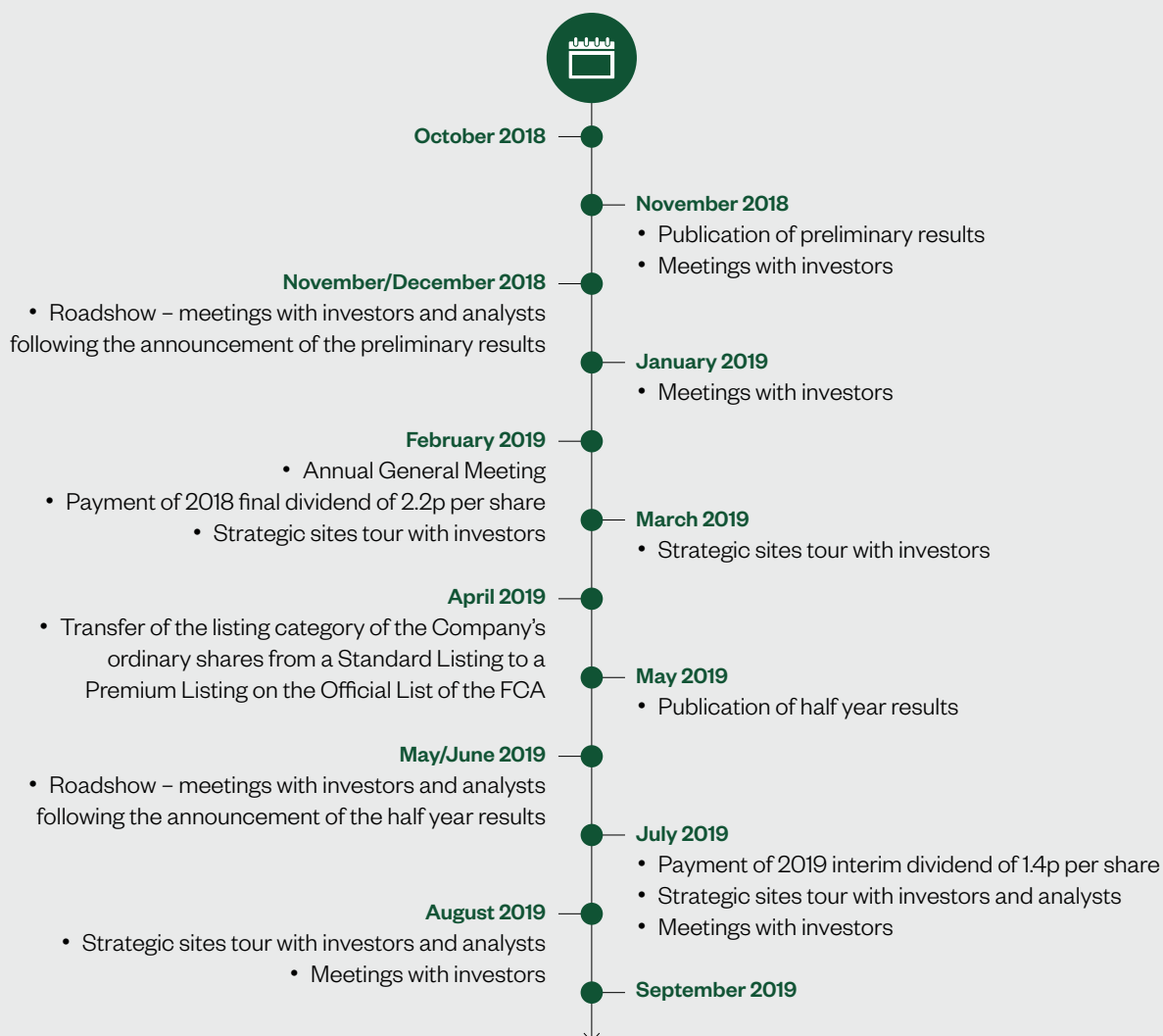
## Relations with shareholders

Communication with existing and potential shareholders is given a high priority by the Board, which believes that understanding the views of shareholders is key to the success of the Company. The Chairman, the Chief Executive and the Finance Director are the Group's principal representatives and hold meetings with investors, analysts and other interested parties throughout the year to communicate the Company's strategy and performance. Ian Barlow, as Senior Independent Non-Executive Director, is available to meet with shareholders at their request to discuss any issues or concerns they have or, if other communication channels fail, to resolve queries raised. He is willing to hold meetings with shareholders whenever requested. The chairs of each committee are also available to discuss with shareholders any matters relating to their responsibility. No such requests were received from shareholders during the year.

At each Board meeting, the Board reviews a report on the Company's major shareholders and feedback from any meetings with investors and analysts. This enables Directors to develop a strong understanding of the views of the Company's major investors. Shareholder engagement and communication occur throughout the financial year, including presentations, one-to-one meetings, conferences and site visits. The Group's website is an important source of information, enabling shareholders to keep up to date with the Company's activities. Regulatory announcements made by the Company are maintained on the website which also contains all other material information including Annual Reports and share price information. A live webcast of the presentation of the Group's half and full year results is broadcast, enabling shareholders to raise questions directly with the Chairman and Executive Directors.

### Calendar of events

Investor Relations activity for the financial year ended 30 September 2019



CASE STUDY

## Seeing is believing

During the course of the year we have run many stakeholder tours around our sites for a wide range of investors, Homes England, government departments, local authorities and community groups. These tours allow stakeholders to experience the scale and quality of the Master Developer delivery in person and allow us to explain the various ingredients that go into creating fully serviced land parcels. They form an essential part of our external outreach and wider knowledge sharing, ensuring we can promote innovation and best practice. Seeing really is believing when operating across a large scale strategic site.



## Annual General Meeting

The Company's Annual General Meeting provides an opportunity for shareholders to raise any questions or points of concern with Directors and to vote on the resolutions proposed. At the 2020 AGM, to be held on 6 February 2020 at 10.00 a.m. at The Savile Club, 69 Brook Street, London W1K 4ER, it is intended that all resolutions will be voted on by poll. This will allow more time for shareholders attending to raise any concerns and to ask questions. Details of the number of proxy votes for, against and withheld on each resolution will be disclosed at the meeting and will be posted on the website after the meeting.

The Board has adopted the policy that all Directors will be subject to annual reappointment by shareholders. Biographies of Directors are on pages 68 and 69 and separate resolutions relating to their election or re-election are contained in the notice of meeting for the 2020 AGM, circulated with this Annual Report.

The Company will give shareholders at least 20 working days' notice of Annual General Meetings. Details of the resolutions to be proposed at the 2020 AGM can be found in the notice of meeting.

All resolutions at the 2019 AGM were passed with at least 80 per cent of votes in favour. If 20 per cent or more of votes are cast against a resolution at the 2020 AGM, we will explain what actions we intend to take to understand the reasons behind the result.

All Directors will attend the 2020 AGM and welcome the opportunity to meet shareholders.

## Annual Report and Accounts

The Board has considered the Group's Annual Report and Accounts for the year ended 30 September 2019 and, taking account of the recommendations of the Audit Committee, is satisfied that taken as a whole it is fair, balanced and understandable and provides the necessary information for shareholders to assess the Group's performance, business model and strategy.

*Heather Williams*

**Heather Williams**  
Company Secretary  
27 November 2019





#### Committee members

##### Alan Dickinson (Chair)

June Barnes

Ian Barlow

Jon Di-Stefano

#### Key activities in 2018/19

- Change in the remit of the Committee
- Appointment of two new independent Non-Executive Directors
- Ongoing review of succession plans for the Board and Senior Management
- Review of Board committee membership
- Approval of updated diversity policy and equal opportunities policy

#### Key focus areas for 2019/20

- Review and action the results of the 2019 Board evaluation
- Continued review of succession plan for the Board and identification of clear succession plan for the Chair
- Focus on succession plans for senior management
- Monitor compliance with the diversity and equal opportunities policies

→ The terms of reference of the Nomination and Governance Committee are on the Company's website:  
[www.urbanandcivic.com/about-us/corporate-governance/nomination-governance-committee/](http://www.urbanandcivic.com/about-us/corporate-governance/nomination-governance-committee/)



We seek to ensure effective succession planning and the development of a diverse Board. We encourage diversity throughout the Group.

**Alan Dickinson**

Chair of the Nomination and Governance Committee

## Nomination and Governance Committee report

#### Dear Shareholder,

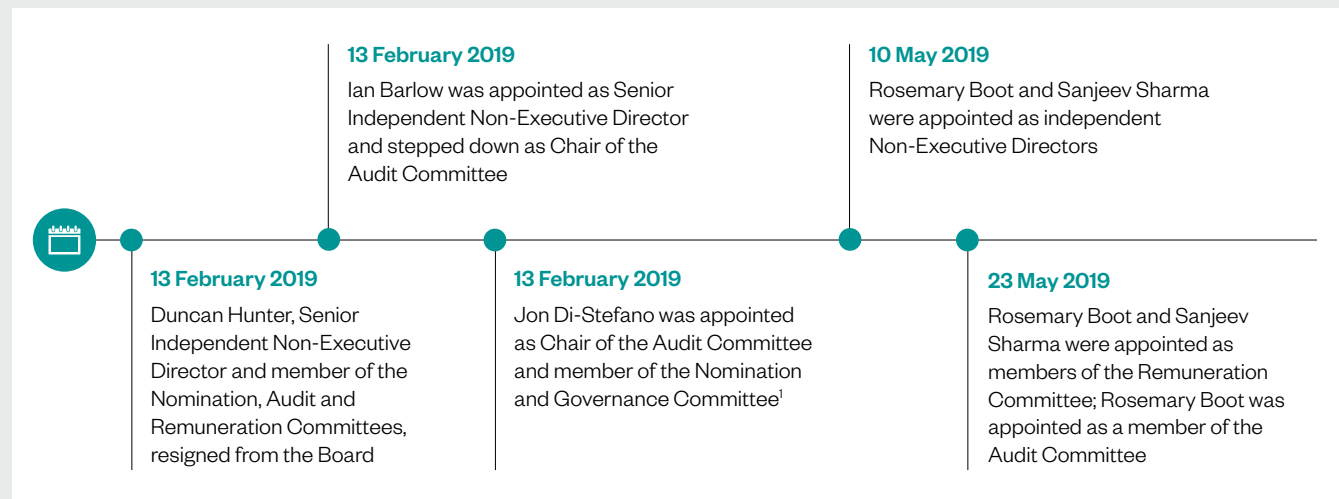
I am pleased to present the report of the Nomination and Governance Committee describing our work in the year ended 30 September 2019.

#### Introduction

During the year, the Nomination Committee was renamed the Nomination and Governance Committee. This committee retains all the duties and responsibilities of the Nomination Committee, including regular review of the size, structure and composition of the Board and its committees, review of the adequacy of succession planning of the Board and senior management, leading the process for new appointments to the Board, overseeing a diverse pipeline for succession, and leading the Board evaluation process. In addition, the Committee will be responsible for reviewing and monitoring compliance with relevant corporate governance rules and guidelines, such as the UK Corporate Governance Code, and guidelines issued by institutional investor bodies. The Committee is responsible for the ongoing development and review of the Group's governance framework and policies, designed to promote proper governance within the Group. Such compliance will be reviewed at least annually. Ultimate approval of Group policies and governance matters remains with the Board but this Committee will oversee and, where appropriate, make recommendations relating to governance arrangements across the Group. The Committee is also responsible for review of the diversity and equal opportunities policies in place and for ensuring that these policies are conveyed throughout the Group in relation to recruitment, retention, development and succession planning.

### During the year

During the year, the Committee undertook a review of Board and Committee membership following the retirement of Duncan Hunter from the Board and in light of ongoing succession planning, taking into account the requirements of UK Corporate Governance guidelines. A summary of Board changes that took place during the year is below:



1. Subsequent to the year end, on 18 November 2019, Jon Di-Stefano stepped down as member and chair of the Audit Committee and Ian Barlow resumed the role of chair, as explained further on page 67.

The Committee also agreed the approach for the 2019 Board evaluation, as described later in this report. The terms of reference of the Committee were reviewed during the year and amended to reflect the revised remit of the Committee and to ensure compliance with best practice guidelines.

### Membership and meetings

On 13 February 2019, Jon Di-Stefano was appointed as a member of the Committee. Duncan Hunter resigned as a Non-Executive Director and member of the Committee on the same date. There were no other changes to the Committee membership during the year.

Attendance by the members of the Committee at the five scheduled meetings held during the year ended 30 September 2019 is shown below:

		Independent	Date of appointment to the Committee	Committee tenure as at 30 September 2019	Meetings attended/ eligible to attend
<b>Alan Dickinson</b>	Chair	Yes <sup>1</sup>	22/05/14	5 years 4 months	<b>5/5</b>
<b>Ian Barlow</b>	Member	Yes	01/09/16	3 years 1 month	<b>5/5</b>
<b>June Barnes</b>	Member	Yes	22/05/14	5 years 4 months	<b>5/5</b>
<b>Jon Di-Stefano</b>	Member	Yes	13/02/19	7 months	<b>3/3</b>

1. On appointment.

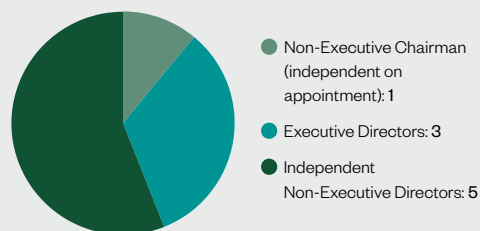
Committee meetings are attended by all members of the Committee and the Company Secretary. Other Directors and advisers attend by invitation. As Chair of this Committee and the Board, I will not chair meetings when dealing with the appointment of my successor or with any matters pertaining to the role of Chair.

Agenda items are linked to an annual calendar of discussion items to ensure that the Committee carries out a thorough and effective review of key regulatory and governance areas. The calendar is updated on a regular basis to ensure that it is current and reflects up-to-date guidance and requirements and it was updated during the year to reflect the requirements of the 2018 Code.

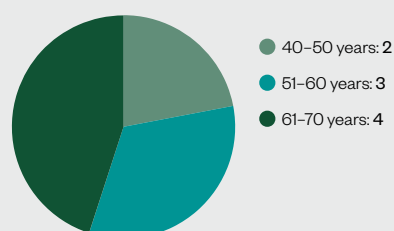
The composition of the Committee, which is reviewed by the Board annually, complies with Provision 17 of the 2018 Code with all members being independent Non-Executive Directors.

## Board and senior management at a glance

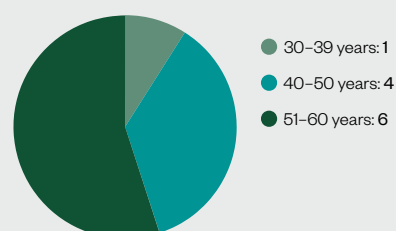
### Board composition



### Age of Directors

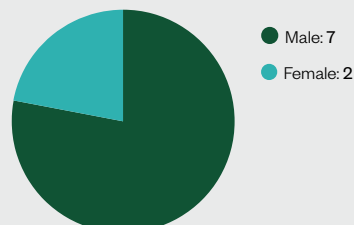


### Age of senior management<sup>1</sup>

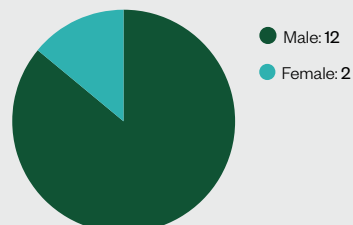


### Gender diversity

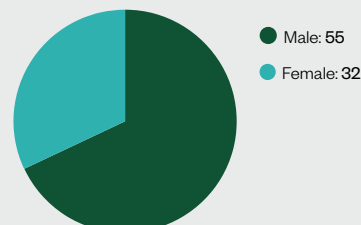
#### Board



#### Senior management



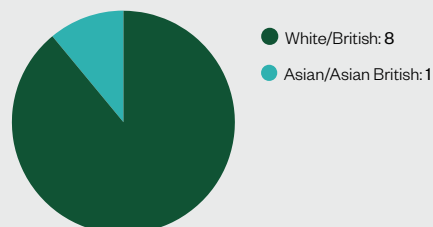
#### Employees<sup>1</sup>



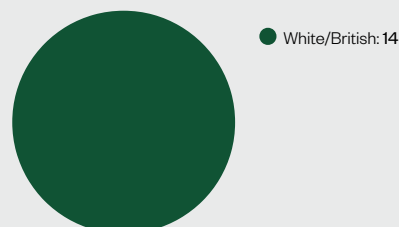
1. Excluding Executive Directors.

### Ethnic diversity

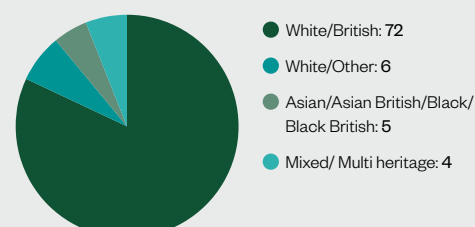
#### Board



#### Senior management

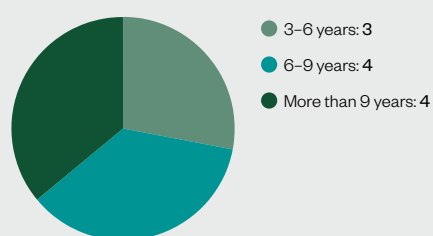


#### Employees<sup>1</sup>



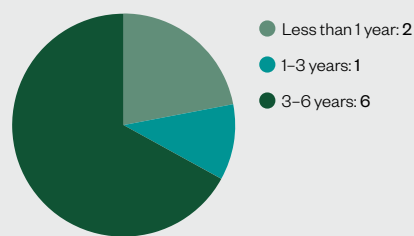
1. Employees other than Executive Directors.

### Senior management length of service<sup>1</sup>



1. Excluding Executive Directors.

### Length of tenure of Directors



1. Employees other than Executive Directors.

As at 30 September	2014	2015	2016	2017	2018	2019
Alan Dickinson						
Ian Barlow						
June Barnes						
Rosemary Boot						
Robin Butler						
Jon Di-Stefano						
Nigel Hugill						
Sanjeev Sharma						
David Wood						

### Composition of the Board

When considering the composition of the Board and committee membership, which we do annually, we take into account the balance of Executive Directors to Non-Executive Directors and the background, skills and experience, independence and diversity of Directors. We recognise the need to balance continuity with refreshment of the Board and seek to ensure effective succession planning and the development of a diverse Board.

Details of the composition of the Board, its committee structure and responsibilities, and the division of responsibilities between the Chairman, Senior Independent Director and Executive Directors are contained in the corporate governance report. The Board has three standing committees (Nomination and Governance, Audit and Remuneration) and reports from the chairs of all these committees setting out their composition, duties and activities, are contained in the governance section of the Annual Report.

The Board consists of a Non-Executive Chairman (independent on appointment), three Executive Directors and five independent Non-Executive Directors.

During the year, we carried out an analysis of the Directors' skillsets and experience (summarised below) and have concluded that the Board demonstrates a good spread of background, skills, effectiveness and experience and provides strong and effective leadership. We endeavour to retain and enhance this balance when appointing any new Directors and will use the analysis as a useful tool to identify areas of focus to consider when appointing new members of the Board and when considering the succession planning and talent

management of senior management. The range of skills and background enables each Director to bring the benefit of their experience to boardroom debate. The analysis also included a review of the number of appointments held by Directors outside of this Group and the time commitment of these roles. We are mindful of the need to ensure that Directors do not overcommit to roles in addition to their position on the Board of this Company and are satisfied that external appointments held by Directors do not impact their ability to allocate sufficient time to discharge their responsibilities to the Company. Any changes to outside commitments are reported to the Board, following approval by the Chairman. Outside directorships of the Executive Directors are permitted (subject to Board approval) but they are required to devote substantially all their working time to their role at Urban&Civic.

The ability of the Board as a whole and of individual Non-Executive Directors to maintain an effective and constructive relationship with the Executive Directors is important, ensuring shared values across the Group. We believe that the current composition of the Board and its committees is appropriate and will continue to hold this under regular review.

### Appointment process

The Nomination and Governance Committee is responsible for overseeing the appointment process for new Directors, from the identification of the need for appointment through to the selection of candidates and the eventual recommendation to the Board for their appointment.

### Skills and experience of Directors

Experience	Non-Executive Directors						Executive Directors		
	Alan Dickinson	Ian Barlow	June Barnes	Rosemary Boot	Jon Di-Stefano	Sanjeev Sharma	Nigel Hugill	Robin Butler	David Wood
Property industry experience	●	●	●	●	●	●	●	●	●
Knowledge of sector	●	●	●	●	●	●	●	●	●
Strategy – planning, development and implementation	●	●	●	●	●	●	●	●	●
Accounting	●	●	●	●	●	●	●	●	●
Finance and banking	●	●	●	●	●	●	●	●	●
Risk management experience	●	●	●	●	●	●	●	●	●
Project management experience	●	●	●	●	●	●	●	●	●
Health and safety knowledge	●	●	●	●	●	●	●	●	●
Environment knowledge	●	●	●	●	●	●	●	●	●
Leadership and people management	●	●	●	●	●	●	●	●	●
Executive performance management	●	●	●	●	●	●	●	●	●
Mentoring abilities	●	●	●	●	●	●	●	●	●
Investor relations	●	●	●	●	●	●	●	●	●
Corporate governance	●	●	●	●	●	●	●	●	●

● Highly experienced

### Appointment process continued

The appointment process involves the selection of an external recruitment consultant and discussion with them of the candidate specification. The Board believes that the overriding criteria for selection should be suitability for the role based on independence, skills, knowledge, experience and ability to promote the success of the Company.

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.

Following a review of potential candidates identified by the consultant, the Committee will select a shortlist for initial interviews with members of this Committee, followed by interviews with other Board members. The Committee will then make a recommendation to the Board for appointment to the Board and any Committees.

Following this process, an induction programme will be organised by the Company Secretary, as described below.

All Directors will be proposed for election by shareholders at the first AGM following their appointment.

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 a standing item on all Board agendas. All Directors sign a compliance declaration as at the financial year end.

In 2019, we engaged the services of an external search consultancy, Russell Reynolds, for the identification of suitable candidates for Non-Executive Director roles. They were instructed to identify candidates with a range of backgrounds and experience. This process culminated in the appointment of Rosemary Boot and Sanjeev Sharma as Non-Executive Directors. Russell Reynolds did not have any prior connection with the Company or its Directors other than in relation to the previous appointment of Directors.

We ensure that any executive search consultant we engage has adopted an industry standard Voluntary Code of Conduct addressing gender and ethnic diversity.

### Board induction

Following the appointment of a new Director, the Company Secretary organises an induction process tailored to their individual needs. This process will be agreed with the Chair and the Director involved and ensures that meetings and activities meet the individual requirements of each new Director and their role.

Rosemary Boot and Sanjeev Sharma both joined the Board in May 2019 and were provided with a comprehensive pack of documents including Board and committee minutes and related papers, Group policies and procedures, and information on annual Board timetables and governance matters.

During their first few months in office a detailed itinerary of meetings and site visits took place. One-to-one meetings were arranged with key members of the senior management team and with external advisers such as the Group's auditor, BDO, and valuers, CBRE. Detailed briefings with the Chief Executive, Managing Director and Finance Director were also arranged. Visits to key sites led by senior management, including Alconbury Weald, Waterbeach, Priors Hall, Wintringham, RadioStation Rugby and Manchester took place, to enable a good understanding of the Group's operations.

Ongoing training for Directors takes place with regular presentations at Board meetings by management and advisers and attendance at external seminars, workshops and lectures. Non-Executive Directors visit our Group offices and operational sites throughout the year and receive updates on all operations at each Board meeting. In between Board meetings, bespoke guidance on technical, regulatory or governance matters is issued to Directors on topics as required. Directors are encouraged to identify any additional areas in which they require information, briefings or training.

The induction programme is designed to ensure that new Directors have a sound understanding of the Group's long-term strategy, business operations and performance.

The induction covers:



#### Strategy, culture and values

- Visits to our key strategic sites
- Meetings with the Chief Executive and Managing Director



#### Operations

- One-to-one meetings with all Executive Directors
- Meetings with senior management
- Meetings with key advisers



#### Governance

- Guidance on the Group's policies and procedures and on the legal, regulatory and governance framework of the Board



#### Finance

- Meetings with the Group Finance Director
- Meetings with the Group Auditor



## Board induction

# Q&A

with our new Independent Non-Executive Directors, Rosemary Boot and Sanjeev Sharma

### Q What attracted you to the role of NED at U&C?

**RB:** It brings together a number of areas of interest to me. I am interested in contributing to fulfilling the UK's need for housing and had previously spent some time working for a large social housing business. The Master Developer business model was something that I hadn't seen before and looked very compelling. I knew of and was impressed by Nigel and Robin and their track record. The other Board members were people that I respected and wanted to work with. I felt that I would be able to make a complementary contribution to the Board based on my experiences as an investment banker, in climate change mitigation, housing, care homes, utilities and future cities. I have also spent time as the Group FD of a growing business.

**SS:** Following my own research and the in-depth selection and interview process for the role, a number of factors make U&C very appealing.

Time and time again from my real estate contacts, including within my business (M&G Real Estate), there is very high regard for what Nigel Hugill, and Robin Butler, have achieved within the industry over 30+ years. This respect carries into what U&C stands for and what is regarded as its unique competitive position as a "Master Developer".

Not only are the Executive Directors and senior management team at U&C of some of the highest calibre, the significant experience and knowledge of the current Board was a huge appeal. I felt I would gain a great deal from the current Board and also be able to bring a different perspective as someone who is still in a full-time executive role within the industry.

### Q What are your initial impressions of the Group?

**RB:** The strategic sites are very impressive and the business model is working well. I think we have high quality, committed people who are ambitious for the success of the Group. The culture seems to be very open and supportive.

**SS:** Better than I expected, and my expectations were high to begin with. From the recruitment, selection process and induction, and through to ongoing Board responsibilities, the high standards and professional approach shown has been very impressive. I also feel that everyone's contributions are welcomed. The Group is extremely well managed, with staff clear about the business and its objectives and with a real enthusiasm to deliver to all stakeholders whilst providing a very much needed social purpose to the UK economy – housing. The general environment and culture is one of everyone "pulling together".

**Q How valuable has the induction process been?**

**A RB:** It has been invaluable to meet people and see the sites. Meeting people and seeing sites during the induction is vital to really “get under the skin” of the Group to enable me to contribute from an understanding of how things actually work on the ground.

**SS:** Extremely. The induction has been a very extensive, thorough and well organised process. This has enabled me to get to know and understand the business and therefore contribute far more quickly than would otherwise be the case. Everyone I have met has been welcoming, open and wanting to engage.

**Q How do you feel that your background and experience equips you for your role at U&C?**

**A RB:** See my response to the first question above. I am also a NED at a couple of other companies and there are benefits from sharing experiences of issues being considered at other boards, and audit and remuneration committees, not least with the recent changes to the UK Corporate Governance Code.

**SS:** I have worked within the real estate sector for over 30 years, across a number of organisations and in various roles. I believe this gives me a very good insight into the sector, as well as a broader perspective across a number of functions that would be of benefit to U&C. I have held senior roles in HR and operations, in large established organisations – NatWest Corporate Property and M&G Real Estate Limited, my current employer, which is one of the largest real estate investors globally with £33 billion assets under management). I am able to bring this to bear within U&C be that at meetings of the Board, or the Remuneration Committee, of which I am a member. I have been a member of the M&G RE board since 2001, during which the company has expanded considerably both in terms of product base and geographical spread, not to mention its focus on sustainability. I believe I have picked up invaluable insights into what is required of businesses and their people during such periods to sustain not only growth of new clients and opportunities but also to ensure existing clients and business continue to be managed to the highest standards.

**Q What have you enjoyed the most about your role so far?**

**A RB:** Meeting the people and visiting the sites. The quality of Board discussion and experiencing the Board dynamics.

**SS:** The diversity of the organisation, be that the nuances of each of U&C’s strategic sites, or meeting and getting to understand various stakeholders’ contributions and expectations of the business. Most of all, I am excited by the considerable opportunities that the business has for the future.

**Q What skills and competencies make an ideal Non-Executive Director?**

**A RB:** It obviously depends on the company, but the role of the NED is to provide an appropriate balance of challenge and support to the executive team, focusing on oversight and governance, and looking forward – considering strategy and possible bumps in the road, and having the right people and culture.

So the board as a whole needs to have competence in the areas of importance to the company, bringing diversity of opinion as well as a good mix of relevant experience from the directors’ previous and other current roles. A good NED needs to be a good listener and know how to contribute effectively in a non-executive capacity, as well as to know when to stick to an unpopular line!

**SS:** Having a broad set of experiences and skills to bring to bear rather than a narrow specialised background. Clearly any NED needs to understand the expectations of shareholders, other stakeholders and the Corporate Governance Code but it is very much about having an open mind, listening and being able to distil complex issues to support the strategy and objectives of the business.

**Q What do you foresee the next 12 months will entail?**

**A RB:** Personally I’m looking forward to getting fully up to speed and meeting more of the people. For the Group, probably balancing the progression of the existing strategic sites and continuing to prove the business model by identifying and bringing forward the next strategic sites. Also we may see the impact of Brexit on the housing market and whether it affects the resilience of our business model.

**SS:** With Brexit, anyone’s guess! However, for our sector, recognising the Government’s commitment to building 300,000 new homes a year means that a company like U&C clearly has significant demand-led opportunities and its unique position and reputation make it an ideal partner for both the Government, Government agencies like Homes England and others such as housing associations, house builders, etc. This will help to ensure that our focus is very much on making the most of the opportunities and growing the business whilst ensuring we deliver on our already substantial pipeline of sites that are at varying stages. The Board and senior management will clearly have a lot to focus on to ensure the business continues to deliver to all stakeholders.

**Q What do you think makes U&C unique?**

**A RB:** The listed Master Developer is extremely unusual – there’s a tension about the use of cash flows to grow the business vs paying dividends.

The degree of high level political support and also funding from Homes England.

The quality of the relationships with landowners and local authorities as well as housebuilders, which all depends on the quality of the team.

**SS:** Having some of the best strategic sites in the country and a reputation for high quality delivery.

The culture of the business and its entrepreneurialism that runs throughout the Company.

The quality of its partnerships, be that Government agencies, suppliers, housebuilders, etc.

The lack of real competition as an established, proven “Master Developer”.



## Main activities of the Committee during the year ended 30 September 2019

### ▶ Board balance and skills

- Reviewed the structure, size and composition of the Board.
- Oversaw the process for the appointment of two new Non-Executive Directors during the year.
- Carried out a review of committee membership.
- Assessed the skills, knowledge and experience of the Board members.
- Carried out a review of the contribution to the Board by the Directors proposed for reappointment at the AGM.
- Reviewed the training and development needs of Directors.

### ▶ Leadership

- Continued monitoring of the Group's talent management structure by the review of the measures in place for the development, progression and retention of senior management.
- Received updates on the employee performance review system and the induction process, both of which are important tools in the wider remit of development and retention of employees.

### ▶ Evaluation

- Agreed the approach to the 2019 Board evaluation.
- Carried out a review of the Committee's performance and compliance with its terms of reference.

### ▶ Diversity

- Updated the Group diversity policy and equality policy and recommended their approval to the Board.
- Reviewed the management structure and gender diversity throughout the Group.

### ▶ Governance

- Approved the Nomination Committee report for inclusion in the 2018 Annual Report.
- Carried out a review of Non-Executive Directors' fees prior to review by the Board, in relation to changes to the Board structure and committee membership.
- Approved revised terms of reference for the Committee reflecting governance regulations and best practice and updated to reflect the Committee's expanded remit to include governance responsibilities.

## Succession planning

Throughout the year, the Nomination and Governance Committee has continued to focus on succession planning, paying due regard to diversity within the Group. The Committee has reviewed the succession plans in place for the Board, including both Executive and Non-Executive Directors. The year under review saw a refreshment of the Board by the appointment of two new independent Non-Executive Directors. We continue to be mindful of the tenure of the current Directors and regularly review the succession plans for the Board to ensure that the refreshing of the Board is properly planned and managed in an orderly way.

The Committee reviews regular reports on the ways in which we seek to retain and develop the senior management pipeline and considers the succession planning of management. We assess areas such as:

- financial incentives;
- non-financial incentives;
- potential for career progression;
- learning and development;
- internal communication and access to Executive Directors and Non-Executive Directors;
- involvement across projects; and
- team environment.

The input of the Chief Executive and Managing Director is crucial in these discussions and the Committee values their opinion, guidance and recommendations. During the year, we carried out a review of the organisational structure across the Group allowing us to gain a useful overall view of the team structure in place and succession plans for management and Executive Directors. We are satisfied that suitable progression, talent management and succession plans are in place for both Executive Directors and for the management layer below Board level.

The importance of employee engagement is a key factor in encouraging staff retention and the activities in this area of the Board, its committees and management are set out in the corporate governance report. All Non-Executive Directors hold meetings with employees in the absence of Executive Directors throughout the year and these meetings provide invaluable insight into the issues affecting the workforce and employee retention.

Structured employee performance reviews take place on an annual basis, with six-monthly follow-up meetings. This is part of an ongoing feedback process and provides a useful forum to identify objectives and progression throughout the Group.

During the year, an internal learning and development function was established and, together with the input from the HR Manager, this workstream ensures that employees are developed to their full potential and that training addresses any issues that may have been identified as part of the performance review process.



## NOMINATION AND GOVERNANCE COMMITTEE REPORT CONTINUED

### Succession planning continued

This forms an important part of the development and enhancement of our talent pool, facilitating an orderly succession plan, and also encourages retention of employees. This is reflected in the Group's low turnover rate, indicating loyalty and satisfaction with both the working environment and remuneration arrangements. During the year, 15 new employees were appointed and only seven resigned.

The learning and development role oversees and co-ordinates the training and personal development of employees, implementing the Group's policy of investing time and resources in its workforce. Employees are encouraged to seek development by the broadening of their skills and experience.

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. All appointments are subject to annual re-election. Charts found earlier in this report set out the length of service of the Directors and senior management as at 30 September 2019.

### Diversity and equal opportunities

The Group is committed to the principle of equal opportunity in employment and recognises the importance and value of diversity across the Board and the Group. We reviewed and updated the Group's diversity policy to ensure that it reflects current governance guidelines and to strengthen the personal responsibility of employees to comply with the policy and to strive towards our diversity objectives. Our policy promotes diversity and inclusion and ensures that there is no discrimination on the basis of age, gender, race, disability or

social background. Through this policy, the Board and senior management undertake to be an inclusive employer and to eliminate discrimination. We commit to creating a culture where difference is valued and all forms of diversity are considered beneficial to the Company. We provide equality and fairness in all aspects of recruitment and employment, and ensure that equal training, development and progression opportunities are available to all employees. We will not tolerate any form of harassment, victimisation or bullying in our working environment.

In conjunction with our diversity policy, we also adopted an equal opportunities policy with the stated commitment of equality of opportunity in all areas of employment, thus ensuring that all employees and those applying to work for the Company are treated fairly and equally and offered the same opportunities. Both policies can be found on our website:

[www.urbanandcivic.com/aboutus/corporategovernance](http://www.urbanandcivic.com/aboutus/corporategovernance).

We believe that by creating an open, diverse and inclusive working environment we encourage the optimum performance of all our employees which drives the successful attainment of our strategic goals. To a large extent, our performance is determined by the quality of our recruitment and development of employees, and by the enthusiasm and commitment to our goals by employees across the Group.

The Company ensures compliance with these policies by monitoring the composition of job applicants and resulting recruitment decisions, maintaining records to analyse the composition of our workforce (age and gender profiling), ensuring equal access to benefits, training, promotion and other opportunities and monitoring the criteria considered in the case of any dismissals and other terminations. We continuously assess the impact of our employment policies by open discussions with employees and by taking into account the views of management.



Board visit to  
Middlebeck, Newark.

During the year, we carried out a review of succession plans in place for management and their reports and a more general review of the diversity of the Group. In reviewing the management and reporting structure throughout the Group, we reviewed the gender diversity of senior management and their direct reports, grouped by business unit and job family.

The overriding principle for the appointment and succession plans of employees is merit and ability to perform in the role but the Group's policy is to promote gender, social and ethnic diversity and diversity for all minority groups. The Company is committed to achieving a working environment providing equal opportunities to all and we seek to encourage the recruitment, development and retention of a diverse workforce and to eliminate discrimination. We recognise the challenges faced by the property industry in addressing gender diversity and acknowledge that diversity of recruitment will be subject to the availability of suitable candidates. We actively engage with recruiters to ensure a diverse candidate selection and monitor compliance with our equal opportunities policy.

We do not tolerate any form of discrimination and all our employees are expected to act in accordance with the Group's diversity and equal opportunities policies.

Gender and ethnic diversity of the Board, senior management and employees as at 30 September 2019 is shown in the charts earlier in this report.

### Board performance and evaluation

The Board undertakes performance evaluations to ensure its continued effectiveness and, as explained last year, undertook to carry out an externally facilitated evaluation at least every three years.

In 2018, the review of the effectiveness of the Board and its committees took the form of the completion by Directors of online questionnaires, with the Company Secretary collating responses and providing reports for consideration by the Chairman and the chairs of each committee. The questionnaires had been devised by Independent Audit in conjunction with the Company Secretary and covered the operations of the Board, Nomination Committee, Remuneration Committee, Audit Committee and our management and reporting of risk. The findings were discussed by the Committee and reported to the Board, which tracked progress on the outcomes identified. The 2018 process followed an external evaluation carried out by Independent Audit in 2017.

The progress against actions for the Board identified in the 2018 internal evaluation and as reported last year is as follows:

Action	Progress made
Board to review past decisions for lessons learnt.	Board meeting discussions facilitate such review.
Joint venture relationships to be further reviewed.	Grant Thornton was engaged to carry out an internal audit of joint venture relationships.
Ensure that there is scope for the Directors to further enhance and refresh their knowledge.	Directors are encouraged to seek additional training on any relevant area.
Review the role of the Remuneration Committee in light of the 2018 UK Corporate Governance Code.	The role of the Remuneration Committee has been expanded to reflect the 2018 Code requirements. Further details are found in the report of the Remuneration Committee.
Devote more time to risk discussions.	Agendas of the Audit Committee and Board devote time to risk discussions.
Nomination Committee to put in place adequate succession plans for Non-Executive Directors and senior management.	Succession plans for the Board and senior management are regularly discussed at Committee meetings.

Overall, the conclusion of the review was that the Board continues to work effectively and efficiently and operates well.

Our intention, as set out in last year's report, was to carry out an internal evaluation in 2019, being Year 3 of our evaluation cycle, and for Year 4 (2020) to see a second external evaluation process. However, in light of the changes to the Board composition and committee membership this year, it was decided to engage Belinda Hudson Limited, an independent consulting firm, to carry out an externally facilitated assessment in 2019.

**Board performance and evaluation** continued

This Board evaluation will cover an in-depth review of the Board and its committees, including the governance framework and the alignment between the Board and committees in terms of accountability, information and communication. The feedback will also cover a review of the Chair's performance and of individual Directors. The agreed approach is:

Phase 1	October 2019	Research and fact finding	Analysis of Board and committee papers and governance documents in addition to other published material about the Company and its operations.
	October/ November 2019	Interviews	One-to-one interviews with all Directors and the Company Secretary.
	November 2019	Board observation	Attendance and observation at a Board meeting.
Phase 2	January/ February 2020	Reporting	Written report for discussion with the Chairman. Presentation of this report at a Board meeting.
	2020	Follow-up	Discussion and implementation of suggested areas for development.
Phase 3			

The evaluation process not only reviews the effectiveness of the Board and its committees but also seeks to identify areas for enhancement in processes, performance and future development, enabling continuous improvement. The Committee will ensure that individual Directors and the Board as a whole address any areas where weaknesses have been identified and also enhance areas where strengths have been recognised. I will report further in next year's report.

**The year ahead**

We will continue our focus on succession plans for the Board and senior management, paying particular attention to succession plans for the Chair and for management below Board level, and will continue to seek to encourage diversity in the Group and to monitor compliance with the Group's diversity and equal opportunities policies. The Committee will review the results of the 2019 Board evaluation process and will monitor and oversee the adoption of any recommendations.

**Annual General Meeting**

All Directors are subject to annual election by shareholders. On the recommendation of the Committee, the Board considers it appropriate to propose the reappointment of those Directors seeking election or re-election at the Annual General Meeting to be held on 6 February 2020.

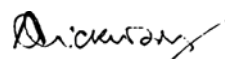
Accordingly, the following resolutions relating to the appointment of Directors will be proposed:

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

The Chairman was independent on appointment and the Board considers all other Non-Executive Directors seeking election or re-election to be independent.

Further biographical information on all Directors can be found on pages 68 and 69.

The Nomination and Governance 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. The Board considers that each individual Director provides valuable input to the operation of the Board and that their contribution is important to the Company's long-term sustainable success, bringing a diverse range of skills from different sectors and experience. Further details are set out in the table on page 91 and in the notice of AGM. I hope that shareholders will support the Committee and vote in favour of these resolutions.



**Alan Dickinson**  
 Chair of the Nomination and Governance Committee  
 27 November 2019



### Committee members

#### Ian Barlow (Chair)

June Barnes

Rosemary Boot

### Key activities in 2018/19

- Changes to membership
- Overview of the process and fees related to the premium listing of the Company's shares
- Financial reporting including the adoption of IFRS 9 and IFRS 15
- Focus on the assessment and monitoring of risks. Ensured this is occurring at all levels of the business
- Agreed the internal audit plan and reviewed the work undertaken
- Compliance with the 2018 UK Corporate Governance Code requirements

### Key focus areas for 2019/20

- Financial reporting
- Adoption of IFRS 16 'Lease Accounting'
- Monitor the impact of other planned or expected changes in financial reporting requirements
- Risk identification, management and mitigation
- Maintain and manage the ongoing internal audit programme

→ The terms of reference of the Audit Committee are on the Company's website: [www.urbanandcivic.com/about-us/corporate-governance/audit-committee](http://www.urbanandcivic.com/about-us/corporate-governance/audit-committee)



We monitor the integrity, accuracy and consistency of financial reporting to ensure that it enables an accurate assessment of the Company's position, performance, business model and strategy.

**Ian Barlow**

Chair of the Audit Committee

## Audit Committee report

### Dear Shareholder,

I am pleased to introduce the report of the Audit Committee for the financial year ended 30 September 2019. I have been a member of the Committee since September 2016 and was appointed as chair on that date. In February 2019, Jon Di-Stefano was appointed as chair of the Committee succeeding me, although I have continued to act as a member of the Committee. Subsequent to the year end, with effect from 18 November 2019 and as explained further on page 67, Jon stepped down as member and chair of the Committee and I have resumed the role of chair. Further details on the membership of the Committee are contained in this report, which also covers the key activities of the Committee during the year.

### Introduction

The Committee's key responsibilities are to oversee and report to the Board on the accounting, financial reporting, risk management and internal control processes of the Group and to supervise the relationship with the external auditor.

### Company position and prospects

We ensure that all financial reporting by the Board is a fair, balanced and understandable assessment of the Company's position and prospects and we specifically review the long-term viability and going concern statements and recommend their adoption to the Board. We receive reports from management and the auditor sufficient to satisfy the Committee of the integrity of financial and narrative statements and any related disclosures.

**Introduction** continued

**Risk and internal controls**

We assess the risks and risk appetite of the Group and review the procedures to manage risk and the mitigation measures in place. We report to the Board on these matters. The Board and committee structure ensures that a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity, has been undertaken. The SDC and CDC assess risk at their meetings and report to the EMC, which reviews the risk register at every meeting which is then updated as required to reflect discussions and reported upwards to the Audit Committee and ultimately to the Board. We oversee the internal control systems of the Group and agree and monitor the workstream of the internal auditor, Grant Thornton, with regular reporting by them to the Committee. We are satisfied that the internal controls in place across the Group are fit for purpose and that the Executive Directors and senior management take any appropriate action as may be identified by internal audit reports and/or Board discussions.

The Audit committee is responsible for the review of the adequacy and effectiveness of the Group's internal control and risk management systems but the Board retains ultimate responsibility. Further details are in the risk review on pages 34 to 43.

**Audit function**

We oversee the process of ensuring the independence, performance, quality and efficiency of the external audit performed by BDO LLP. This enabled us to assess their effectiveness.

The Committee maintains a degree of independence from, and oversight of, management to ensure appropriate protection of

stakeholders' interests in respect of financial reporting, risk and internal controls. We ensure that the reporting to shareholders is clear, concise and understandable.

The Board has adopted the 2018 UK Corporate Governance Code (the '2018 Code') and the Committee abides by the principles and provisions applying to audit committees and complies with the relevant provisions set out in the FRC Guidance on Audit Committees. We ensure that the Group complies with all regulatory and governance requirements and guidelines in relation to financial reporting and accounting matters, including accounting policies and practices.

**During the year**

During the year, the Committee has overseen all financial reporting, with its workstreams being consistent with prior years. The Committee has spent time discussing the emergence and adoption of new accounting standards, particularly IFRS 15 on revenue recognition, the impact of which is explained in note 1 to the financial statements. We have continued to review risk management processes at all levels of the business, including the mitigation of risk. This is set out in more detail in the risk review on pages 34 to 43. We oversee the internal controls in place throughout the Group and internal audit programme. We review outputs from the reports of the internal auditor and the associated action points. This process is further explained later in this report.

Under the 2018 Code, the responsibility for whistleblowing has moved from the Audit Committee to the Board and, as a result, it is the Board that now reviews the whistleblowing process and receives regular whistleblowing reports, rather than this Committee. We updated our terms of reference to reflect this and other provisions of the 2018 Code.

**Membership and meetings**

During the year, the membership of the Audit Committee was reviewed by the Nomination and Governance Committee and the Board. Following the resignation of Duncan Hunter as a Non-Executive Director and member of the Committee on 13 February 2019, I was appointed as Senior Non-Executive Director and stepped down as Chair of this Committee, but remained a member. Jon Di-Stefano replaced me as Chair on the same date. On 23 May 2019, Rosemary Boot was appointed as a member of the Committee. All members are independent Non-Executive Directors. There were no other changes to the Committee membership during the year.

On 18 November 2019 and as explained further on page 67, Jon Di-Stefano stepped down as member and chair of the committee and I resumed the role of chair.

The Board is satisfied that the Committee has appropriate skills, experience and competence relevant to the Company's sector in order to fulfil its responsibilities.

This experience includes financial reporting, risk management, internal controls and strategic management.

I bring significant financial experience to the Committee as a chartered accountant with a long career in finance and accounting. I was senior partner (London) at KPMG until 2008 and am chair of the audit committees of two other listed companies. June Barnes has experience of running a large business and of risk management and Rosemary Boot has experience of working as a group finance director, as an investment banker and is currently a member of two other audit committees.

Attendance by the members of the Committee at the seven scheduled meetings held during the year ended 30 September 2019 is shown below:

		Independent	Date of appointment to the Committee	Committee tenure as at 30 September 2019	Meetings attended/eligible to attend
<b>Ian Barlow</b>	Chair	Yes	01/09/16	3 years 1 month	<b>7/7</b>
<b>June Barnes</b>	Member	Yes	22/05/14	5 years 4 months	<b>7/7</b>
<b>Rosemary Boot</b>	Member	Yes	23/05/19	4 months	<b>2/2</b>

## Membership and meetings continued

Committee meetings are attended by all members of the Committee, the Chief Executive, Finance Director and Company Secretary. The Chair of the Company is invited to attend all meetings. Other Directors, senior members of the finance team, the external auditor and the internal auditor attend by invitation only, if required. This enables a full contribution to the matters considered at meetings.

Agenda items are co-ordinated to an annual calendar of discussion items which is closely linked to the financial year and related reporting requirements. This ensures that the Committee carries out a timely review of all financial, audit (both internal and external), risk, regulatory and governance items to enable it to discharge its duties effectively and in accordance with its terms of reference. The Committee is satisfied that it receives sufficiently detailed and relevant information from the Company's management, external auditor and internal auditor. As Chair of the Committee I report to the Board following each Committee meeting, providing a summary of the items discussed and conclusions reached, highlighting any issues requiring Board discussion. The minutes of each Committee meeting are circulated to all Directors and reviewed at a subsequent Board meeting. The Company Secretary circulates an action list setting out the points arising from each Committee meeting together with attributed responsibility for completion and this action list is updated for monitoring and review at the next Audit Committee meeting.

Members of the Committee spend time with executive management outside of the scheduled Committee meetings, seeking guidance and clarity on any issues as required. These meetings are crucial to the process of gaining a strong understanding of key and emerging areas, thus facilitating informed and constructive discussions at committee meetings.

The Committee meets privately with the external auditor at least twice a year.

## Internal audit

The Group's internal audit function is outsourced to Grant Thornton. Their role is to review the governance, risk management and internal controls framework in place across the Group.

We consider annually the need for this function and whether the Company would benefit from the establishment of an internal (rather than outsourced) function. As part of this review, we monitor the effectiveness of Grant Thornton. Having reviewed this during the year, we have confirmed to the Board that the current outsourced arrangement works efficiently, is productive, beneficial to management and the Board in our oversight role and cost effective to the Group. We have therefore recommended that this arrangement should remain in place. It is designed to cover all key areas of financial and enterprise controls over a three year cycle.

At each meeting, the Audit Committee reviews updated reports from Grant Thornton on the audits in progress and the review of findings from completed audits, including a schedule of actions identified and management's response to, and implementation of, any recommendations. We monitor the progress made against these recommendations with Grant Thornton reporting to the Committee on any areas where action has been identified but not completed. Grant Thornton discuss first with management and then report to

the Committee on the explanation if any specific recommendation was not actioned and also assess and evaluate any other mitigations that may have been put in place. We also received a report on the alignment of key risks to the internal audit plans. Grant Thornton regularly attend Audit Committee meetings, presenting an opportunity for an in-depth discussion of their reports.

The Committee is satisfied that Executive Management has provided adequate assurance that the Group's internal controls are working effectively and is also satisfied that Grant Thornton's review of internal controls has not highlighted any significant weaknesses or failures in the operations and processes of the Group.

The Committee approves the internal audit programme of work and holds this under review in light of progress made on audits and issues arising from the reports.

The internal controls review during the year ended 30 September 2019 covered:

### Investments and divestments

- Assessment of the procedures in place when making investment and divestment decisions.

### Outsourced contract management

- Review of the effectiveness of the governance in place when outsourcing contracts.

### Health and safety

- Review of the processes for identifying and mitigating key risks that could affect the Company's ability to operate.

### Previous audits

- A detailed follow-up on actions from previous audits.

The audit cycle is now in its third year and we have assessed the scope and value of the audits that have been done to date and have assessed which areas require follow-up or should be repeated. The proposed 2019/20 audits will cover:

### Property and estate management

- To review the processes and controls in place and the mitigation of key property risks.

### Risk management

- To assess the adequacy of the risk management framework for identifying and managing key risks.

### The Catesby Estates business unit

- To review financial controls and the reporting and maintenance of accurate financial records.

### HR and succession planning

- To cover various areas within the HR function including the compliance with key Group policies and regulations.

In 2019/20 we will plan the next three-year cycle so that we continue to gain assurance over all areas on which we make assumptions on the controls in place within the Group.

### External audit

The Committee is responsible for overseeing the relationship with the external auditor and for reviewing the terms of their engagement and remuneration, their independence, their effectiveness and the quality of their output.

BDO was previously auditor to the Terrace Hill Group and has been the auditor to the Urban&Civic Group since its Listing in May 2014. The Committee has previously reviewed the requirements relating to the tender of auditors and concluded that the date of appointment of BDO is deemed to be May 2014. As reported last year, a competitive tender will therefore be required by 2024 and the Committee will ensure that a competitive tender process takes place within this timescale. Audit engagement partners are required to rotate every five years and a rotation will not be required for the Group's audit partner, Ed Goodworth, until the year ending 30 September 2021.

The Audit Committee reviews annually the effectiveness and quality of the external auditor taking into account their independence, objectivity, expertise and resources and has concluded that both the audit and audit process were effective. The key elements of this judgement are informed by:

- the manner in which the audit plan was fulfilled;
- the observed quality of BDO's assessment of, and challenge to, the key accounting and audit judgements;
- the content of the audit clearance report issued by them; and
- the completion of an effectiveness questionnaire by Committee members and key members of the finance team.

The questionnaire assessed the execution of the audit plan, the understanding and performance of the auditor during the year-end audit, the relationship with and, as appropriate, the challenge to management and the quality of the reporting to the Committee. BDO also provides an annual report on their independence and objectivity and their compliance with statutory, regulatory and ethical standards. The Company supports BDO's policy that senior management of the audit team should rotate after seven years.

During the year the Committee approved the audit and non-audit fees paid to BDO. The non-audit fees related to the interim review and to work undertaken in connection with the transfer of the listing category of the Company's ordinary shares from the Standard Listing segment to the Premium Listing segment of the Official List of the Financial Conduct Authority.

Details of the total Group auditor fees paid to the external auditor for the year ended 30 September 2019 are set out below and in note 3 to the accounts.

Year to 30 September	2019 £'000	2018 £'000	2017 £'000
Audit fees	311	262	252
Review of interim results	43	37	36
Non-audit fees	79 <sup>1</sup>	42 <sup>1</sup>	—
Total	433	341	288
Non-audit fees (including interim review) as a percentage of total fees	28%	23%	13%

1. Fees incurred for reporting accountant services in relation to the Company's premium listing application.

We do not consider that the non-audit work impacted the independence and objectivity of the external auditor and confirm that the fees were incurred in accordance with our policy for the provision of non-audit services. This policy ensures that the independence and objectivity of the auditor are maintained.

After reviewing the external auditor's performance during the year, the Committee has concluded that BDO remain effective in their role as external auditor and recommends to the Board that they be reappointed for a further year. A resolution to this effect and a resolution to authorise the Directors to set the remuneration of the auditor will be proposed at the 2020 AGM. I hope that shareholders will support the Committee and vote in favour of these resolutions.





## Main activities of the Committee during the year ended 30 September 2019

### ► Financial reporting

- Ensured that the information contained in the 2018 Annual Report was accurate and that the information contained in the strategic report was consistent with the financial statements and notes to the accounts. We reviewed the appropriateness of the Group's policies, assumptions, judgements and estimates as applied by management to the financial statements.
- In respect of the financial year ended 30 September 2018, reviewed and approved the letter of representation and external auditor's letters of engagement.
- Discussion of the audit findings report in relation to the financial year ended 30 September 2018.
- Discussion and assessment with the external auditor on the following significant areas of judgement in relation to the year ended 30 September 2018:
  - Valuation of investment properties and carrying value of trading properties – the Committee discussed the valuation of each property with the external valuers and/or management if held at Directors' valuation. The Committee assessed the integrity of the valuation process. Key judgements and assumptions applied to each valuation were considered as well as the valuation movement in the year. The Committee considered the key inputs to the discounted cash flow model (used for the largest assets valued, Alconbury Weald, RadioStation Rugby, Priors Hall, Newark and Waterbeach) or other valuation models and concluded that the assumptions applied were appropriate.
  - Revenue and profit recognition – consideration of revenue and profit recognition in respect of sales of residential land parcels and individual units constructed on strategic sites, assessing the conditions of the licence arrangements, with the conclusion that they were appropriate.
- Approval of the going concern and long-term viability statements and supporting documents including the business plan and five-year forecast.
- Review and recommendation to the Board the approval of the audited financial statements and preliminary announcement of results of the Group for the year ended 30 September 2018 and the Group's interim financial statements and announcement of results for the six months to 31 March 2019 together with the respective investor presentations of results, concluding that the presentations were consistent with the audited financial statements.
- Review of the audit planning report prepared by the external auditor in relation to the year ended 30 September 2019, confirming materiality thresholds and agreeing the key audit matters for consideration by the auditor as part of the audit.
- Review and approval of audit and non-audit fees incurred by the external auditor.
- Approval of the audit timetables for the 2019 half year and year end.
- Assessment of the impact of new accounting standards and the adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers'.
- Review and approval of the Group policy for the accounting treatment of promotion agreements, having received assurance from the external auditors that they agreed with our approach.
- Discussion of dividend recommendations for the final dividend for the year ended 30 September 2018 and the interim dividend for the year ended 30 September 2019, in line with the Company's dividend policy.

### ► Governance

- Approval of the procedures in place in relation to the delegation of authorities for incurring expenditure, prior to approval by the Board.
- Review and assessment of the credit checks process in place in relation to the appointment of third party contractors.
- Review, on a six-monthly basis, declarations made by Directors and employees under the Group's gifts and hospitality policy above an agreed threshold.
- Review at each meeting of reports on the Group's actions to ensure compliance with General Data Protection Regulation.
- Review of charitable donations made by the Group during the year under review and confirmation that these donations were in compliance with the Group's charitable donations policy.
- Assessment of its own performance against the role and responsibilities set out in its terms of reference. Further assessment of the effectiveness of the performance of the Committee will be considered as part of the 2019/20 Board evaluation process.
- Review of terms of reference in light of the 2018 Code and best practice recommendations and approval of changes for recommendation to the Board for adoption.





## Main activities of the Committee during the year ended 30 September 2019 continued

### ► Risk and internal controls

- Assessment of the Group's risk management framework and risk appetite.
- At each meeting the Committee receives a report on key risks and a summary of movement during the financial year to date and reviews the mitigation measures in place and the impact of this mitigation on the risk profile. This enables a review of the effectiveness of risk management processes.
- Approval of the risk review for inclusion in the 2018 Annual Report and Accounts.
- Further details on the Group's key risks and our approach to risk management are found in the risk review on pages 34 to 43.

### ► Internal and external audit functions

- The Group's internal and external audit arrangements and activities during the year are explained elsewhere in this report.

### ► Other activities

- The Committee oversaw the process of the transfer of the listing category of the Company's ordinary shares from the Standard Listing segment to the Premium Listing segment of the Official List of the Financial Conduct Authority and approved the fees of external advisers, including the external auditor, in relation to this work.
- The Committee provided assistance to the Remuneration Committee by providing verification of the assessment of the achievement of the cash generation targets for the year ended 30 September 2018, in relation to the Directors' bonus objectives.

### ► Training and development

The Committee received briefing updates on financial reporting, covering the following areas:

- Accounting standards relating to revenue and financial instruments
- Accounting treatment of leases
- Brexit disclosures
- Critical judgements and estimates disclosures
- Developments in narrative reporting



The Committee's focus for the year ending 30 September 2020 will be the ongoing assessment of risk identification, management and mitigation within the Group and continued overview of the internal controls programme.

### Financial year ended 30 September 2019

Since the year end, the Committee has reviewed and recommended Board approval of the Annual Report and Accounts and preliminary announcement for the year ended 30 September 2019 and the investor presentation of results. We are satisfied with the integrity of the financial statements and have reviewed the significant financial reporting judgements as set out below. The Committee is satisfied with the accuracy and consistency of information included in the Annual Report and Accounts for the year ended 30 September 2019 and that, taken as a whole, they are fair, balanced and understandable and that the financial statements represent a true and fair view of the financial state of the Group and enable an accurate assessment of the Company's position, performance, business model and strategy.

### Going concern and long-term viability statements

The Committee has reviewed the assumptions upon which the going concern principle has been adopted for the preparation of the financial statements, has assessed the prospects and financial viability of the Group and has approved the long-term viability statement set out on page 33.

### Financial reporting and significant judgements

The significant areas of judgement considered by the Committee and discussed and assessed with the external auditor in relation to the year ended 30 September 2019 were as follows:

#### 1) Valuation of investment properties and carrying value of trading properties

The Group's property interests are valued in order to ascertain the fair value of investment properties and the carrying value of trading properties, which are held at the lower of cost and net realisable value. These valuations also inform the calculation of EPRA NAV and EPRA NNNAV and at 30 September 2019 the total EPRA value of the Group's property interest was £702.5 million, comprising investment properties, trading properties, properties within property, plant and equipment, property related trade and other receivables and the Group's share of properties and related receivables held under both joint ventures and joint operations. CBRE, independent valuers valued 96 per cent of the Group's property interests and the Directors valued the remainder.

Significant judgement is required due to the subjective nature of property valuations. Members of the Committee met with the external valuers, without management present, as part of both the half-year and full-year valuations. Each property valuation was discussed individually with consideration given to the key judgements and assumptions applied to each valuation as well as the valuation movement generated in each period. A discounted cash flow model is used by CBRE to value the strategic land assets, reflecting the scale of the assets and length of time over which the assets will be realised. The Committee considered the key inputs to the models, namely the timing and quantum of significant cash outflows, land prices, forecast house prices, inflation, housebuilder profit assumptions and discount rates, and concluded that the assumptions applied were appropriate.

Members of the Committee also discussed and reviewed Directors' valuations and considered that the key assumptions applied were appropriate.

## 2) Revenue and profit recognition

The Committee considered revenue and profit recognition under IFRS 15 for the first time during the year in respect of sales of residential land parcels on its strategic sites.

Licence sales contain both a fixed minimum price as well as a variable overage element with revenue recognised when the risks and rewards of ownership transfer on completion. The sales receipts are ultimately dependent upon the onward sales prices achieved by the housebuilder. Variable consideration including overages are estimated, taking into consideration the time to recover overage amounts as well as factors which may give rise to variability and are recognised to the extent that it is highly probable that there will not be a significant reversal in the future. Members of the Committee assessed the conditions attaching to these arrangements when deciding how much and at what point revenue should be recognised and the requirements of IFRS 15, taking into account contractual terms, forecast timescales over which amounts were payable and the ability to reliably measure variable consideration. The Committee also considered the methodology and allocation of directly attributable servicing costs of each land parcel prior to sale which includes an allocation of site-wide infrastructure costs.

The Committee reviewed these methods of revenue and profit recognition and concluded that they were appropriate.

## Future accounting changes

The Audit Committee has been briefed by management and the external auditor on the effect of the following new accounting standard from the financial year 2020 onward.

### IFRS 16 'Lease Accounting'

Leases will now be required to be brought on balance sheet as both a right to use asset and an associated liability. This new standard will result in the Group bringing on balance sheet operating leases for the first time. The impact of the incoming standard on this year's results, which is not expected to be significant, is set out in note 1 of the financial statements.

## 2019/20 priorities

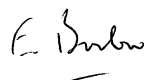
The Committee's focus for the year ending 30 September 2020 will be the ongoing assessment of risk identification, management and mitigation within the Group and continued overview of the internal controls programme.

The next phase of the internal controls review will cover property and estate management, risk management, the Catesby Estates business unit and HR and succession planning.

The Committee will also continue to focus on financial reporting related to the half year and year-end processes. During the year ending 30 September 2020, the Committee will work with management and the auditor to ensure appropriate adoption of the new accounting standard as discussed above.

I will report further on the activities of the Committee in next year's Audit Committee report.

I look forward to meeting shareholders at the 2020 AGM to answer any questions on the Audit Committee's activities and responsibilities.



**Ian Barlow**

Chair of the Audit Committee

27 November 2019



### Committee members

#### June Barnes (Chair)

Ian Barlow

Rosemary Boot

Sanjeev Sharma

### Key activities in 2018/19

- New members appointed to the Committee
- Review of the impact of the 2018 UK Corporate Governance Code
- Approval of the remuneration for Executive Directors and senior management
- Review of workforce remuneration policies
- Amendment to Group policies
- Review of terms of reference

### Key focus areas for 2019/20

- Review the remuneration policy prior to seeking approval at the 2021 AGM
- Review workforce remuneration arrangements and alignment with the Directors' remuneration policy
- Set the remuneration for Executive Directors and senior management
- Review of continuing evolution of governance standards and best practice
- Continue the workstreams already in process in relation to the 2018 UK Corporate Governance Code
- Consider additional ways to engage with employees on the remuneration policies in place for Executive Directors and senior management

→ The terms of reference of the Remuneration Committee are on the Company's website: [www.urbandandcivic.com/about-us/corporate-governance/remuneration-committee](http://www.urbandandcivic.com/about-us/corporate-governance/remuneration-committee)



The Remuneration Committee continues to lead discussions on remuneration of Executive Directors and senior management and on the wider Group policies. We aim to apply best practice across our remuneration structure.

**June Barnes**

Chair of the Remuneration Committee

## Directors' remuneration report

**This Directors' remuneration report is divided into the following sections:**

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#### Remuneration at a glance

→ page 107

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#### Introduction by the Chair of the Remuneration Committee

→ page 108

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#### Directors' remuneration policy, as approved by shareholders at the 2018 AGM

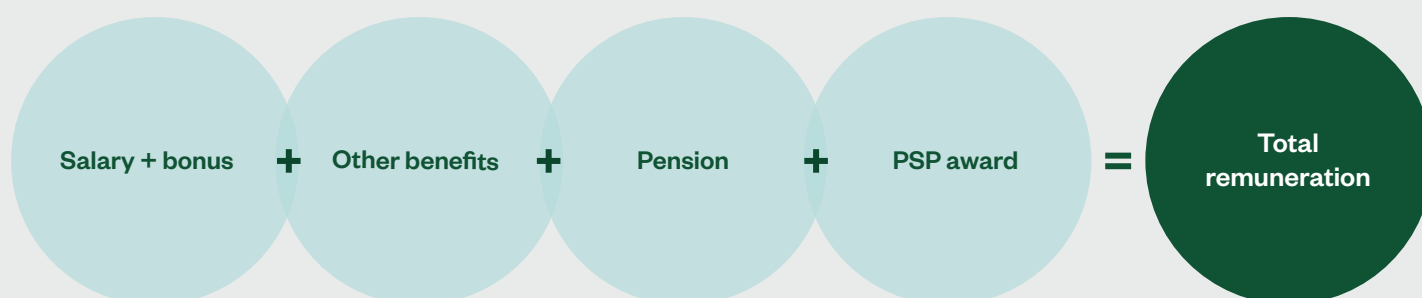
→ page 114

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#### Annual report on remuneration setting out the operation of the policy during the year under review and how the policy will be implemented in 2019/20

→ page 118

## Remuneration at a glance



Cash settled remuneration	Benefits	Benefits	Share awards
Short term	Short term	Long term	Long term

### Group performance in 2019

EPRA NAV

**£527.5m**

EPRA NAV per share

**360.3p**

Cash flow generation  
from plot completions

**£34.3m**

TSR

**7.8%**

Dividends per share<sup>1</sup>

**3.6p**

1. Paid during the year.

### Remuneration across the Group

Total spend on pay

**£14.9m**

Average increase to Executive  
Directors' base salaries<sup>1</sup>

**2.5%**

Average increase to  
employees' base salaries<sup>1,2</sup>

**2.5%**

**97%**

of the workforce<sup>2</sup> received a  
bonus in respect of the year  
ended 30 September 2019

**79%**

of the workforce<sup>2</sup> were granted  
PSP awards during the year  
ended 30 September 2019

1. 1 October 2018 to 1 October 2019.

2. Employees other than Executive Directors.

## INTRODUCTION

### Dear Shareholder,

I am pleased to introduce the Directors' remuneration report for the financial year ended 30 September 2019.

I have chaired the Remuneration Committee since 2017. I led the evolution of the current Directors' remuneration policy, as approved by shareholders at the 2018 AGM, and have overseen its implementation since that date.

This introduction covers the key activities of the Committee over the year, work undertaken in relation to the 2018 UK Corporate Governance Code (the '2018 Code') and an overview of expected activities for the year ahead. This is followed by the Directors' remuneration policy and a report on the operation of the policy during the year under review. The annual report on remuneration contains details of payments during the financial year and how we intend to implement the remuneration policy for the next financial year. This part of the report is subject to an advisory vote at the 2020 AGM.

### Introduction

The Remuneration Committee's key role is to ensure that the remuneration policy for Executive Directors is appropriately designed to promote the long-term success of the Company and is a fair reward structure to incentivise Executive Directors to deliver the Group's strategic objectives and to align their pay and incentives with the delivery of these objectives and with financial returns for shareholders. The Committee ensures that the remuneration policy and practices for senior management and the wider workforce are aligned with the policy for Executive Directors.

The remuneration structure takes into account the performance of the Group and of individuals. The Committee also considers market comparisons and the attraction, retention and motivation of high calibre individuals throughout the Group. The Committee is responsible for the remuneration structure for senior management, which has been defined as members of the Executive Management Committee, and has oversight of Group workforce reward policies and remuneration and benefits for all employees. The Committee works with the Group's HR Manager (who was appointed during the year) and, where appropriate, with external consultants, to ensure that remuneration levels for employees are in line with market expectations for their level and contribution to the Company. Executive management, in conjunction with the HR Manager, assesses the structure and groupings of job families which ensures analysis and comparison of comparable roles to ensure a consistency of approach across the Group. The Committee reviews all elements of remuneration, including salaries, pension, bonus and PSP awards, which provides a comparison of total remuneration rather than focusing on individual elements.

The Committee reviews the performance of Executive Directors against agreed objectives when considering remuneration. Objectives for all other employees, including senior management, are identified as part of the annual performance review process and are assessed in relation to remuneration awards.



The Committee ensures that the remuneration policy and practices for senior management and the wider workforce are aligned with the policy for Executive Directors.

The Executive Directors review the performance objectives of senior management and it has been agreed that they will report back to the Remuneration Committee with an assessment of performance against these objectives. This will enable the Committee to have a clear oversight of the performance objectives of senior management. The Board also reviews the business plans and budgets of projects, which reflect team objectives.

All employees have defined maximum bonus opportunities upon which the payment of any bonus depends.

### During the year

We have spent considerable time reviewing the new governance requirements. We have looked at the ways in which we already comply with the 2018 Code and the actions required to ensure full compliance. Included in this report is a summary which sets out the work we have undertaken to date and the areas on which we remain focused. The Committee's terms of reference have been updated to reflect the recommendations of the 2018 Code and are available on the Company's website.

The Committee also reviewed the current Directors' remuneration policy during the year to ensure that it is working effectively, is aligned to the interests of shareholders and stakeholders and is operating in line with the Company's long-term business strategy, culture and values. No changes are proposed at the 2020 AGM and it is anticipated that any revisions to the policy will be proposed at the 2021 AGM. The structure of our remuneration arrangements for 2019/20 will therefore remain unchanged from that applied in 2018/19.

The Group has adopted a policy of paying more than the living wage benchmark published by the Living Wage Foundation and is committed to providing a fair wage for all employees. The Group operates generous benefits policies in which all employees are eligible to participate.

## Membership and meetings

During the year, the membership of the Remuneration Committee was reviewed by the Nomination and Governance Committee and the Board. On 23 May 2019, Rosemary Boot and Sanjeev Sharma were appointed as members of the Committee. Duncan Hunter resigned as a Non-Executive Director and member of the Committee on 13 February 2019. There were no other changes to the Committee membership during the year. Jon Di-Stefano will be appointed as a member of the Committee with effect from 1 January 2020.

Attendance by the members of the Committee at the five scheduled meetings held during the year ended 30 September 2019 is shown below:

		Independent	Date of appointment to the Committee	Committee tenure as at 30 September 2019	Meetings attended/eligible to attend
<b>June Barnes</b>	Chair	Yes	01/07/17	2 years 3 months	<b>5/5</b>
<b>Ian Barlow</b>	Member	Yes	01/09/16	3 years 1 month	<b>5/5</b>
<b>Rosemary Boot</b>	Member	Yes	23/05/19	4 months	<b>1/1</b>
<b>Sanjeev Sharma</b>	Member	Yes	23/05/19	4 months	<b>1/1</b>

Committee meetings are attended by all members of the Committee and the Company Secretary. Other Directors and advisers attend by invitation. Throughout the year the Committee was advised by Aon Hewitt as independent remuneration consultants. No Director or employee is involved in discussions on their own pay.

Agenda items are linked to a structured calendar of items for discussion and/or decision to ensure that the Committee carries out a thorough and effective review of key regulatory and governance areas. This process is managed by the Company Secretary who updates the calendar on a regular basis to ensure that it is current and reflects up-to-date guidance and requirements. We receive regular updates on governance, market and best practice developments and review our role and the operation of our policies taking this into account. We aim to apply best practice in our remuneration policies.

A summary of the key agenda items discussed during the year is set out later in this report.

## Employee engagement

We have three Executive Directors and c.90 permanent employees with 14 members of senior management, all of whom are members of the Executive Management Committee.

Average length of service is:

Executive Directors	9.76
Senior management	8.98
All other employees	5.22

The Group has established a learning and development function enabling employees the opportunity to enhance their skills and to develop in their roles. This helps employees to meet their career aspirations and provides an ideal opportunity to identify and cultivate succession plans throughout the Group, encouraging stability.

We continue to be committed to the retention and development of our workforce and to ensure that Urban&Civic continues to be a company that seeks to attract, retain and reward top talent, while not overpaying.

A description of our engagement with the workforce is found in the corporate governance report.

## Corporate governance during the year

The Company is not required to report on its compliance with the 2018 Code until the financial year ending 30 September 2020 but, as reported last year, has sought early adoption. The Company Secretary carried out a detailed analysis of the provisions of the 2018 Code and presented the results and recommendations to the Committee, which reviewed proposed actions in conjunction with guidance from the Company's advisers. As a result, we have made some changes to our operation.

The following is a summary of the key provisions of the 2018 Code relating to remuneration committees and the actions taken to address them during the year. The Committee will continue to monitor and consider best practice and market trends in relation to these requirements.

Corporate governance during the year continued

Area	2018 Code provision	Action taken
<p><b>Performance objectives</b></p>	<p>Non-Executive Directors should scrutinise and hold to account the performance of senior management and individual Executive Directors against agreed performance objectives.</p>	<p>The Remuneration Committee has in place an established process for the review of the performance of Executive Directors. During the year, the Committee reviewed the process by which it reviews the performance objectives of senior management, as described elsewhere in this report.</p>
<p><b>Remuneration committee chair</b></p>	<p>Before appointment as chair of the remuneration committee, the appointee should have served on a remuneration committee for at least 12 months.</p>	<p>The current Chair of the Remuneration Committee had not served as a member of the Committee for 12 months at the time of appointment as Chair, which took place prior to the introduction of the 2018 Code. She had, however, attended several meetings as an observer in advance of the appointment, providing knowledge and experience of how the Committee operates.</p> <p>When forward planning for the appointment of the next Remuneration Committee Chair, the Nomination and Governance Committee will ensure that any candidate has previously served as a member of a the Remuneration Committee for 12 months.</p> <p>The terms of reference have been amended to reflect these requirements.</p>
<p><b>Senior management and workforce</b></p>	<p>The remuneration committee should determine the policy and set remuneration for the chair, executive directors and senior management. It should review workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting the policy for executive director remuneration.</p>	<p>The remit of the Remuneration Committee has been expanded to include the setting of the level and structure of remuneration (rather than just overview) for senior management and the review of workforce remuneration and related policies.</p> <p>The terms of reference have been amended to reflect the above requirements.</p>
<p><b>Post-employment shareholding requirements</b></p>	<p>The remuneration committee should develop a formal policy for post-employment shareholding requirements.</p>	<p>The current remuneration policy includes share ownership requirements for Executive Directors. The Committee has held some initial discussions on the introduction of post-employment shareholding requirements and will review further in 2019/20.</p>

Area	2018 Code provision	Action taken
<b>Share awards</b>	Share awards should be released for sale on a phased basis and be subject to a total vesting and holding period of five years or more.	PSP awards for Directors are already subject to a three-year vesting period and two-year holding period.
<b>Discretion and judgement</b>	Remuneration schemes and policies should enable the use of discretion to override formulaic outcomes and should include provisions to enable the company to recover and/or withhold payments.	The Remuneration Committee reviewed proposed amendments to the rules of the Group's Annual Bonus Plan and Performance Share Plan to update them in line with the 2018 Code recommendations. The amendments introduced discretion to override formulaic vesting outcomes and reviewed malus and clawback provisions. These amendments have been approved by the Board.
<b>Pension alignment</b>	Pension contribution rates for executive directors, or payments in lieu, should be aligned with those available to the workforce.	The Committee reviewed the pension provisions for Executive Directors and the workforce. The Group currently operates a non-contributory scheme offering a 10 per cent contribution to an employee's pension scheme (or salary equivalent). The rate for incumbent Executive Directors is 15 per cent salary but new Executive Directors will receive 10 per cent salary, in line with the workforce. The Committee will keep the rates for incumbent Directors under review in 2019/20.
<b>Workforce engagement</b>	The remuneration committee should report on what engagement has taken place with the workforce.	Our engagement with the workforce is described in more detail in the corporate governance report.  Options are being considered to discuss remuneration policies and resultant pay with employees, through our employee engagement mechanism.
<b>Policy and practices</b>	Remuneration policy and practices should support clarity, simplicity, risk, predictability, proportionality and alignment to culture.	The Committee will address this as part of its review of the remuneration policy during 2019/20 and in its setting of objectives for the Executive Directors.





## Main activities of the Committee during the year ended 30 September 2019

### ► Salary and bonus

Approval of salary increases to take effect from 1 October 2018 for Executive Directors and senior management, and review of awards for the wider workforce.

Assessment of the achievement of the Executive Directors' bonus objectives for the financial year ended 30 September 2018 and determination of the bonus for Executive Directors based on the achievement of these objectives.

Approval of bonus awards to senior management and review of awards to all other employees, based on recommendations by management and noting the performance metrics applied by management in proposing these awards.

Approval of the vesting of the deferred share bonus awards granted in respect of the financial year ended 30 September 2016, in accordance with the rules of the Annual Bonus Plan and the Deferred Share Bonus Scheme adopted by the Company in 2016.

Review and approval of the Executive Directors' bonus objectives for the year ending 30 September 2019 and interim review of the progress by the Executive Directors on the achievement of these objectives.

Review of shifts in salary and bonus trends across the Group.

### ► PSP awards

Assessment of the achievement of the performance conditions of the PSP awards granted in June 2016, in respect of the performance period 1 October 2015 to 30 September 2018.

PSP awards were granted in December 2018 which are expected to vest in December 2021 subject to performance conditions. The Committee reviewed and approved the PSP awards to Executive Directors, senior management and all other employees, and agreed the performance conditions in respect of the performance period 1 October 2018 to 30 September 2021.

Review of a schedule of headroom of shares held by the Employee Benefit Trust to ensure that there is sufficient capacity to issue shares on the exercise of PSP awards.

### ► Governance

Review and action relating to the introduction of the 2018 Code and agreement of 2019/20 workstream.

Review of schedule of compliance with share ownership guidelines for both Executive Directors and selected members of senior management.

Annual review of appointments of employees with third parties, outside of their Urban&Civic role.

Review of the performance and effectiveness of the Committee, taking into account the duties and responsibilities set out in its terms of reference.

Review and approval of 2018 Directors' Remuneration Report for inclusion in the 2018 Annual Report.

The Committee reviewed and updated its terms of reference to reflect its expanded remit and responsibilities under the 2018 Code and best practice guidelines.

Received training (in the form of briefings and presentations at Committee meetings) on reporting requirements, the implications of the 2018 Code and other remuneration related matters.

### ► Workforce

Review of management responses to a third party compensation review, which covered the methodology and benchmarking applied to workforce remuneration and included an analysis of market trends.

Approval of the structure and criteria for the assessment of employees' bonuses with objectives defined as 50 per cent corporate goals, 30 per cent personal goals and 20 per cent business unit goals, in line with the structure for Executive Directors.

Annual review of joiners and leavers.

## Performance and reward in the year to 30 September 2019

Our remuneration framework is aligned with the Company's strategic direction and performance and there is a clear link between results and rewards. The Group's results for the year ended 30 September 2019 are discussed in the strategic report on pages 4 to 63. The Group has reported a total comprehensive income for the year of £12.6 million, IFRS net assets of £403.0 million and EPRA net assets of £527.5 million at 30 September 2019, 3.6 per cent and 9.6 per cent higher compared against the same respective net asset valuations at 30 September 2018. Reflecting performance against EPRA net asset growth targets, individual performance of the Executive Directors against their personal objectives and performance against cash generation targets, annual bonus awards for the Executive Directors for the year ended 30 September 2019 were between 61.4 and 64.4 per cent of salary (out of a possible 100 per cent). Further details are set out in the annual report on remuneration.

The Committee has reviewed achievement against objectives and believes that the remuneration of the Executive Directors reflects the performance of the Group.

Details of the changes to the salaries of the Executive Directors are set out in the annual report on remuneration.

## Performance Share Plan awards

PSP awards granted in December 2016 are due to vest in December 2019, based on performance from 1 October 2016 to 30 September 2019. Following an assessment of performance, 72.2 per cent of the shares are expected to vest. Half of these awards were subject to an EPRA NAV performance condition and half were based on a relative TSR performance condition. Further details are set out in the annual report on remuneration.

The Committee intends to grant awards under the PSP rules for the performance period from 1 October 2019 to 30 September 2022 within six weeks of the announcement of the results for the year ended 30 September 2019. While award levels and performance targets have yet to be determined, award levels will be within the normal maximum annual grant limits and performance metrics will be based on EPRA NAV and absolute TSR conditions. We believe that the TSR measure directly aligns our executive team with the value created for shareholders over the long term.

## The year ahead

The main focus of the Committee in the coming year will be to further develop its role in line with the provisions of the 2018 Code and to continue the development of the employees' reward framework, including the setting of senior management remuneration and the oversight of remuneration policies for all Group employees. We will ensure the alignment of workforce remuneration arrangements with the remuneration policy. We will also continue to review the ways we communicate senior pay issues.

We will continue to assess the role of the Committee to reflect corporate governance requirements, institutional shareholder guidelines and best practice.

We will be reviewing our current remuneration policy and remuneration arrangements during the year ahead and any changes will be proposed to shareholders at the 2021 AGM. Performance will be rewarded with transparent and competitive remuneration and will support the strategic aims and values of the Group.

We will continue to monitor gender pay.

## Engagement with shareholders

We consulted our major shareholders when reviewing our remuneration policy in 2017 (prior to approval at the 2018 AGM), engaging with them on all of the proposed policy changes. During the year ended 30 September 2019, there were no changes to the remuneration policy or issues of concern raised on remuneration by shareholders and therefore there was no specific consultation with shareholders on remuneration. We intend to carry out a review of the remuneration policy next year, prior to seeking approval at the 2021 AGM. We will seek consultation with our major shareholders on any proposed changes and we will welcome and encourage engagement with shareholders during this process.

All Committee members attend the AGM and are available to answer any queries the shareholders may have.

If you would like to discuss any aspect of the remuneration policy, please contact me through the Company Secretary, Heather Williams on [heather.williams@urbanandcivic.com](mailto:heather.williams@urbanandcivic.com).

## 2019 AGM

I hope you find this remuneration report clear and informative and I look forward to receiving your support for the resolution to approve the annual report on remuneration at the 2020 AGM.



**June Barnes**

Chair of the Remuneration Committee  
27 November 2019

DIRECTORS' REMUNERATION POLICY REPORT

The following is the Directors' Remuneration Policy report, as approved by shareholders at the 2018 AGM. There have been no changes since that date. In the interest of clarity, some minor updates are made when necessary to reflect changes to base salaries which occur during the policy's effective period.

**Introduction and overview**

The Group's remuneration policy is designed to provide competitive rewards for its Directors, taking into account the performance of the Group and individual executives, together with comparisons of pay conditions throughout the markets in which the Group operates. It is the aim of the Committee to attract, retain and motivate high calibre individuals with a competitive remuneration package. It is common practice in the industry for total remuneration for Executive Directors to be significantly influenced by bonuses and long-term incentives.

The remuneration packages are constructed to provide a balance between fixed and variable rewards. Therefore, remuneration packages for Executive Directors normally include basic salary and benefits in kind with variable pay based on performance related annual bonus and long-term incentive plans.

**Summary of remuneration policy**

The Directors' remuneration policy set out below was approved by shareholders at the 2018 AGM.

Element	How component supports corporate strategy	Operation	Maximum	Performance targets and recovery provisions
<b>Executive Directors</b>				
<b>Base salary</b>	To provide a competitive salary level to attract and retain high calibre executives.	Basic salaries are reviewed on an annual basis.  The Committee seeks to establish a basic salary for each position determined by individual responsibilities and performance taking into account comparable salaries for similar positions in companies of a similar size in the same market.	There is no prescribed maximum base salary or annual salary increase.  The Committee is guided by the general increase for the broader employee population but may decide to award a lower increase for Executive Directors or indeed exceed this to recognise, for example, an increase in the scale, scope or responsibility of the role and/or to take into account relevant market movements.  Current salary levels are set out in the annual report on remuneration.	Not applicable.
<b>Pension</b>	To provide a competitive level of contribution to pension arrangements.	Company contribution normally paid monthly into the Company's pension scheme, into a personal pension arrangement and/or as a cash supplement.	Up to 15 per cent of salary for existing Executive Directors. Up to 10 per cent for any new Executive Directors (in line with the rest of the workforce).	Not applicable.
<b>Benefits</b>	To provide a competitive level of benefits.	Car allowance (or company car), private medical insurance, permanent health insurance and life assurance provided. Other benefits may be provided where relevant.	Provided at approved cost.	Not applicable.
<b>Annual bonus</b>	To drive and reward annual performance of individuals, teams and the Group.	Based on performance during the relevant financial year.  Bonus will be paid in cash.	Up to 100 per cent of base salary.	Performance period: normally one year.  The majority (if not all) of the performance targets will be based on financial targets with any remainder based on personal/strategic targets.  Clawback provision operates.

**Consideration of shareholder views**

The Company encourages two-way communication with both its institutional and private shareholders and the Committee is committed to considering shareholder feedback received. This feedback, plus any additional feedback received during any meetings from time to time, is considered as part of the Group's annual review of remuneration policy. In addition, the Remuneration Committee will seek to engage directly with major shareholders and their representative bodies should any material changes be made to the remuneration policy.

**Consideration of employment conditions elsewhere in the Group**

The Group employs around 90 people and the Committee considers the general base salary increase for all employees when determining the annual salary increases for the Executive Directors and considers quantum and the structure of pay across the Group more generally when reviewing the Executive Directors' remuneration policy.

Employees have not been consulted in respect of the design of the Group's senior executive remuneration policy, although the Committee will keep this under review.

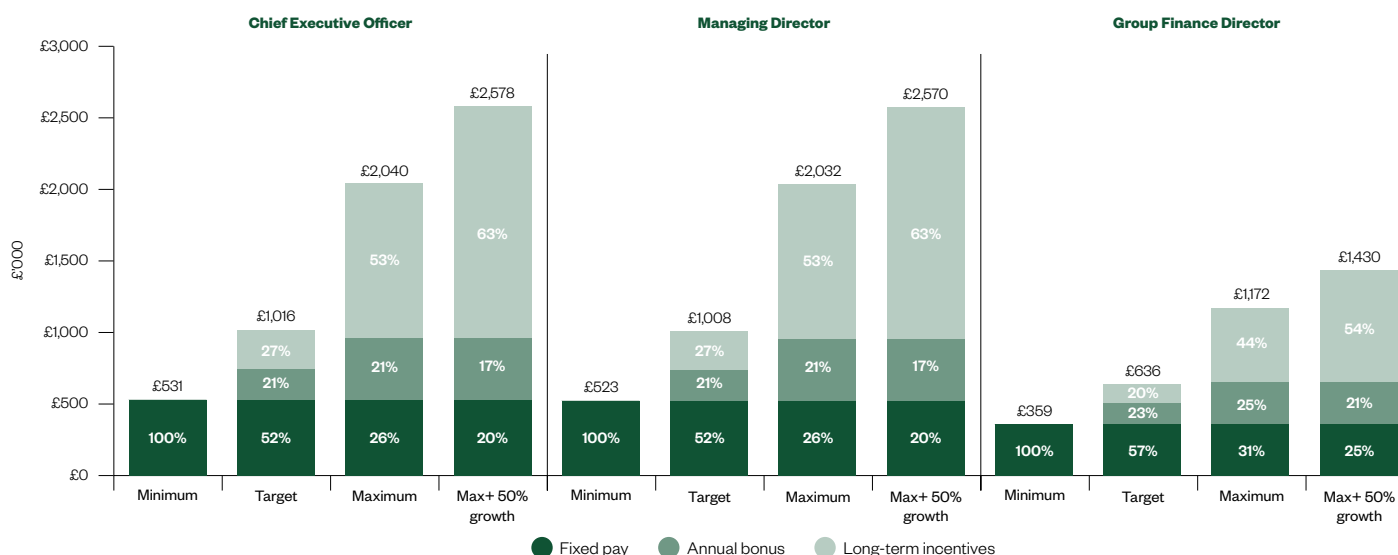
Element	How component supports corporate strategy	Operation	Maximum	Performance targets and recovery provisions
<b>Executive Directors continued</b>				
<b>Long-term incentives – Performance Share Plan (PSP)</b>	To drive and reward the long-term performance of the Group and to align the interests of management.	<p>Awards granted under the PSP have the following features:</p> <ul style="list-style-type: none"> <li>conditional awards or nil/nominal cost options;</li> <li>vesting is dependent on the satisfaction of performance targets and continued service; and</li> <li>awards are subject to a two-year holding period.</li> </ul>	<p>300 per cent of salary for CEO and MD.</p> <p>275 per cent of salary for other Executive Directors.</p>	<p>Performance period: normally three years.</p> <p>25 per cent of an award vests at threshold performance (0 per cent vests below threshold), increasing to 100 per cent pro-rata for maximum performance.</p> <p>Performance will be measured against TSR and/or relevant financial measures.</p> <p>Clawback provision operates.</p>
<b>Share ownership guidelines</b>	To further align executives with shareholders.	The Committee requires that Executive Directors satisfy a minimum shareholding requirement.	Minimum of 500 per cent of salary for the current CEO and MD and 250 per cent for any other Executive Director (including the current FD).	Not applicable.
<b>Non-Executive Directors</b>				
<b>Fees</b>	To provide fees reflecting time commitments and responsibilities of each role, in line with those provided by similarly sized companies.	<p>Cash fee normally paid on a monthly basis.</p> <p>Non-Executive Directors' fees are determined by the Executive Directors having regard to the need to attract high calibre individuals with the right experience, the time and responsibilities entailed and comparative fees paid in the market in which the Group operates.</p> <p>Taxable benefits may be provided where appropriate including the reimbursement of expenses.</p>	<p>There is no prescribed maximum individual fee or fee increase.</p> <p>The Board (excluding Non-Executive Directors) is guided by the general increase for the broader employee population, time commitment, scope and responsibility of the role and/or relevant market movements.</p> <p>Current fee levels are set out in the annual report on remuneration.</p>	Not applicable.

## Notes:

- A description of how the Company intends to implement the policy set out in this table is found in the annual report on remuneration.
- Below Board level, a lower or no annual bonus may apply. In general, these differences arise from the development of remuneration arrangements that are market competitive for the various categories of individuals, together with the fact that remuneration of the Executive Directors and senior executives typically has a greater emphasis on performance related pay.
- The choice of the performance metrics applicable to the annual bonus scheme reflects the Committee's belief that any incentive compensation should be appropriately challenging and tied to both the delivery of financial targets and specific individual objectives. Further details of the choice of performance measures and performance targets are set out in the annual report on remuneration.
- The performance conditions applicable to the PSP (see the annual report on remuneration) are selected by the Remuneration Committee on the basis that they reward the delivery of long-term returns to shareholders and are consistent with the Company's objective of delivering superior levels of long-term value to shareholders.
- The Committee operates the PSP in accordance with the plan rules and the Listing Rules and the Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of the plan. Dividend equivalents may be paid on PSP awards.
- Executive Directors may participate in any all-employee share plan to the extent operated.
- For the avoidance of doubt, in approving this Directors' remuneration policy, authority is given to the Company to honour any commitments entered into with current or former Directors (such as the payment of a pension, the payment of last year's annual bonus and the vesting/exercise of share awards granted in the past). Details of any payments to former Directors will be set out in the annual report on remuneration as they arise.

### Reward scenarios

The charts below show how the composition of each of the Executive Directors' remuneration packages varies at different levels of performance under the policy, as a percentage of total remuneration opportunity and as a total value.



Notes:

- The minimum performance scenario comprises the fixed elements of remuneration only, including:
  - salary, as set out in the annual report on remuneration;
  - pension (15 per cent of salary); and
  - benefits are approximated.
- The on-target level of bonus is taken to be 50 per cent of the maximum bonus opportunity, and the on-target level of PSP vesting is assumed to be 25 per cent of the face value of the PSP award. These values are included in addition to the components/values of minimum remuneration.
- Maximum remuneration assumes full bonus pay-out (100 per cent of salary only) and the full face value of the PSP (i.e. 250 per cent of salary for the CEO and MD, and 175 per cent for the FD), in addition to fixed components of minimum remuneration.
- "Maximum plus 50 per cent growth" uses the same assumptions as the "Maximum" performance scenario, but also assumes that Urban&Civic's share price increases by 50 per cent over the three-year performance period.
- PSP award sizes are shown as 250 per cent of base salary for the CEO and MD, and 175 per cent of base salary for the FD. These levels are in line with the intended award sizes for the 2019 PSP grants. They are within the policy maximums of 300 per cent for the CEO and MD, and 275 per cent of base salary for the FD.

### Approach to recruitment and promotions

The remuneration package for a new Director would be set in accordance with the terms of the Company's prevailing approved remuneration policy at the time of appointment and would take into account the skills and experience of the individual, the market rate for a candidate of that experience and the importance of securing the relevant individual.

Salary would be provided at such a level as required to attract the most appropriate candidate and may be set initially at a below mid-market level on the basis that it may progress towards the mid-market level once expertise and performance have been proven and sustained. The annual bonus potential would be limited to 100 per cent of salary and, depending on the timing of the appointment, the Committee may deem it appropriate to set different annual bonus performance conditions to the current Executive Directors for the first performance year of appointment. Grants under the PSP would be limited normally to 300 per cent of salary and can be made shortly following an appointment (assuming the Company is not in a close period). The Committee may provide an allowance or reimbursement of any reasonable expenses

(including tax thereon) in relation to the relocation of an Executive Director. Any ongoing costs will be met by the Company for a period of no more than 12 months.

In addition, the Committee may offer additional cash and/or share-based elements to replace deferred or incentive pay forfeited by an Executive leaving a previous employer if required in order to facilitate, in exceptional circumstances, the recruitment of the relevant individual. The Committee would seek to ensure, where possible, that these awards would be consistent with awards forfeited in terms of vesting periods, expected value and performance conditions.

For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms. In addition, any other ongoing remuneration obligations existing prior to appointment may continue.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation and/or incidental expenses as appropriate.

### Service contracts for Executive Directors

The policy on termination is that the Group does not make payments beyond its contractual obligations. The Committee will seek to ensure that no unjustified payments for failure are made.

All Executive Directors are employed on rolling contracts subject to no more than 12 months' notice from either the Executive Director or the Company, given at any time. Service contracts do not provide explicitly for termination payments or damages but the Company may make payments in lieu of notice. For this purpose, pay in lieu of notice would consist of basic salary and other relevant emoluments for the relevant notice period excluding any bonus. In addition, the Company has discretion in certain circumstances to pay certain fees relating to the termination, for example, fees for legal advice received by the Executive Director. The Committee may pay any statutory entitlements or settle or compromise claims in connection with a termination of employment, where considered in the best interests of the Company.

There are no special provisions contained in any of the Executive Directors' contracts which provide for longer periods of notice or additional payments on a change of control of the Company. Further, there are no special provisions providing for additional compensation on an Executive Director's cessation of employment with the Group.

An annual bonus may be payable with respect to the proportion of a financial year served, although it will be pro-rated for time and paid at the normal payment date. Any share-based entitlements granted to an Executive Director under the Company's share plans will be

determined based on the relevant plan rules. In certain prescribed circumstances set out in the plan rules of the relevant share plan (for example, death, injury or disability, retirement or other circumstances at the discretion of the Committee), "good leaver" status may be applied. For good leavers, awards will usually vest at the normal vesting date, subject to the satisfaction of the relevant performance conditions at that time and will be reduced pro-rata to reflect the proportion of the vesting period actually served, although the Remuneration Committee has discretion to allow these awards to vest at an earlier date (although not earlier than the date of cessation) and/or disapply time pro-rata.

The Board allows Executive Directors to accept appropriate outside non-executive director appointments provided the aggregate commitment is compatible with their duties as Executive Directors. The Executive Directors concerned may retain fees paid for these services, which will be subject to approval by the Board.

### Non-Executive Directors

All Non-Executive Directors have a remuneration agreement for an initial period of 12 months and thereafter on a rolling basis subject to three months' notice by either the Non-Executive Director or the Company, given at any time. In addition, temporary additional day rates can be provided to certain Non-Executive Directors. Full details on any additional day rates are set out in the annual report on remuneration.

In the event of termination of their appointment Non-Executive Directors are not entitled to any compensation.

ANNUAL REPORT ON REMUNERATION

How the remuneration policy was implemented in the year ended 30 September 2019

Directors' remuneration

The details set out on pages 118 to 125 of this report are subject to audit.

	Basic salary/fees <sup>1</sup>		Benefits <sup>2</sup>		Bonus <sup>3</sup>		Long-term incentives <sup>4</sup>		Pension <sup>5</sup>		Total fixed		Total variable		Total	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Executive Directors</b>																
Nigel Hugill <sup>6</sup>	421	408	35	34	271	354	884	310	63	61	519	503	1,155	664	1,674	1,167
Robin Butler <sup>7</sup>	421	408	27	26	271	354	884	310	63	61	511	495	1,155	664	1,666	1,159
David Wood	288	280	19	17	177	234	513	278	43	42	350	339	690	512	1,040	851
<b>Non-Executive Directors</b>																
Ian Barlow	60	60	—	—	—	—	—	—	—	—	60	60	—	—	60	60
June Barnes <sup>8</sup>	60	55	—	—	—	—	—	—	—	—	60	55	—	—	60	55
Rosemary Boot <sup>9</sup>	18	—	—	—	—	—	—	—	—	—	18	—	—	—	18	—
Alan Dickinson <sup>10</sup>	148	125	—	—	—	—	—	—	—	—	148	125	—	—	148	125
Jon Di-Stefano <sup>11</sup>	55	45	—	—	—	—	—	—	—	—	55	45	—	—	55	45
Sanjeev Sharma <sup>9</sup>	18	—	—	—	—	—	—	—	—	—	18	—	—	—	18	—
Duncan Hunter <sup>12</sup>	22	60	—	—	—	—	—	—	—	—	22	60	—	—	22	60

- Basic salary/fees includes salary and fees received during the period that each Director was a Director of Urban&Civic plc.
- Includes a fully expensed company car or cash alternative and private medical insurance.
- Further information on the determination of annual bonus payments is set out in the information following this table.
- The 2019 long-term incentive disclosure refers to the awards granted in December 2016 which had a performance period which ran from 1 October 2016 to 30 September 2019. Following an assessment of performance, 72.2 per cent of the shares are expected to vest in December 2019. As the awards have not yet vested, the figures shown in the table are based on the average share price in the three months to 30 September 2019, which is 316.0p. The 2018 long-term incentive disclosure refers to the awards granted in June 2016 which had a performance period which ran from 1 October 2015 to 30 September 2018. Following an assessment of performance, 59.7 per cent of the shares vested on 21 June 2019. These figures have been restated from last year's report using the actual share price on the vesting date (322.0p). The figures shown in the table in last year's report were based on the average share price in the three months to 30 September 2018 (303.98p). Further details relating to performance targets, weightings and outcomes can be found on page 120.
- Pension payments equivalent to 15 per cent of salary are made as a cash supplement to the Directors or directly to a pension scheme.
- Benefits for Nigel Hugill for 2018 have been restated to include a company car expense claim relating to 2018 which was paid in the 2019 financial year.
- As permitted by the UK Corporate Governance Code, Executive Directors may be permitted to act as a director of a non-Group company and to retain any earnings they receive for that role. During the year ended 30 September 2019, Robin Butler was a director of New Heritage Regeneration Limited and retained earnings of £20,000 for that role (2018: £20,000).
- Director's fee increased from £55,000 p.a to £60,000 p.a on 1 November 2018.
- Rosemary Boot and Sanjeev Sharma were appointed as Directors on 10 May 2019.
- Chairman's fee increased from £125,000 p.a to £150,000 p.a. on 1 November 2018.
- Appointed as Chair of the Audit Committee on 13 February 2019. Director's fee increased from £45,000 p.a. to £60,000 p.a. on that date. Resigned as Chair and member of the Audit Committee on 18 November 2019. Fee reduced to £50,000 on that date.
- Duncan Hunter resigned on 13 February 2019.

Determination of the annual bonus for the year ended 30 September 2019

The annual bonus for the year ended 30 September 2019 was capped at 100 per cent of salary, with 50 per cent of the annual bonus opportunity based on growth in EPRA NAV, 30 per cent based on personal/strategic objectives and 20 per cent based on cash generation objectives. The total bonus payable was 64.4 per cent of base salary for Nigel Hugill, 64.4 per cent of base salary for Robin Butler and 61.4 per cent of base salary for David Wood. Further details are set out below.

EPRA NAV growth

EPRA NAV at 30 September 2019 was £527.5 million. This resulted in 27.9 per cent of base salary (out of a possible 50 per cent) being payable to the Executive Directors. The targets for the year ended 30 September 2019, and the associated potential bonus payments, were as follows:

Annual bonus target	EPRA NAV	Bonus payable
Threshold	£501.8m	10 per cent of base salary
Target	£519.2m	25 per cent of base salary
Maximum	£548.2m	50 per cent of base salary

## Determination of the annual bonus for the year ended 30 September 2019 continued

### Personal/strategic objectives

Personal objectives for the year ended 30 September 2019 were set to measure the individual performance of Executive Directors and included:

Executive Director	Personal objective	Assessment of achievement
Nigel Hugill	<ul style="list-style-type: none"> <li>Maintenance and enhancement of relationships with institutional investors.</li> <li>Development of long-term funding sources.</li> <li>Drive progress in achieving planning consents on strategic sites.</li> <li>Maintenance of high quality corporate governance.</li> </ul>	<ul style="list-style-type: none"> <li>Continued positive relationship with key shareholders. Recovery and stability in the share price. Achievement of Premium Listing.</li> <li>Funding relationships are supportive and stable. Particularly strong relationship with Homes England.</li> <li>Key achievement during the year was the grant of outline consent at Waterbeach.</li> <li>Corporate Governance continues to develop as the organisation grows.</li> </ul>
Robin Butler	<ul style="list-style-type: none"> <li>The sourcing of additional strategic sites.</li> <li>Delivery of projects in line with budget and agreed timescales.</li> <li>Maintain strong leadership across the Group and management and motivation of staff. Development of appropriate management and succession planning structures.</li> <li>Drive overall performance of Catesby business.</li> </ul>	<ul style="list-style-type: none"> <li>Continued presentation of development opportunities.</li> <li>Overall strong, consistent progress across the delivery of all sites.</li> <li>Excellent progress on strengthening management structures and processes as the organisation continues to grow.</li> <li>Performance is strong with significant achievement during a challenging period.</li> </ul>
David Wood	<ul style="list-style-type: none"> <li>Development of banking and funding relationships to ensure adequate funding of Group borrowing needs.</li> <li>Maintenance and enhancement of relationships with institutional investors.</li> <li>Achieve Premium Listing on time and on budget.</li> <li>Management and development of all external and Board reporting.</li> </ul>	<ul style="list-style-type: none"> <li>Continued positive relationship with Homes England. Bank facilities with HSBC now in place.</li> <li>Good progress on building a relationship with institutional investors, working closely with the Chief Executive.</li> <li>Achievement of Premium Listing.</li> <li>Considerable progress in improving financial reporting at all levels.</li> </ul>

The Committee scored the Executive Directors' individual performance based on an unweighted objective assessment of the level of attainment of each of the Executive Directors having regard to specific areas of responsibility. The Committee approved payments related to personal objectives in the range of 20.4 per cent to 23.4 per cent being paid to current Executive Directors as set out in the table below:

Executive Director	Maximum amount payable	Actual amount payable
<b>Current Directors</b>		
Nigel Hugill	30 per cent of base salary	23.4 per cent payable
Robin Butler	30 per cent of base salary	23.4 per cent payable
David Wood	30 per cent of base salary	20.4 per cent payable

### Cash generation

Cash generated from completions on strategic sites during the year ended 30 September 2019 was £34.3 million. This resulted in 13.1 per cent of base salary (out of a possible 20 per cent) being payable to the Executive Directors. The targets for the year ended 30 September 2019, and the associated potential bonus payments, were as follows:

Annual bonus target	Revenue	Bonus payable
Threshold	£26.0m	4 per cent of base salary
Target	£33.3m	10 per cent of base salary
Maximum	£36.5m	20 per cent of base salary

### Board changes/payments for loss of office

During the year, Rosemary Boot and Sanjeev Sharma were appointed to the Board as Non-Executive Directors on 10 May 2019. Duncan Hunter resigned as Non-Executive Director on 13 February 2019. On the same date, Ian Barlow was appointed as Senior Independent Director and Jon Di-Stefano was appointed as Chair of the Audit Committee (succeeding Ian Barlow) and a member of the Nomination and Governance Committee. On 23 May 2019, Rosemary Boot and Sanjeev Sharma were appointed as members of the Remuneration Committee and Rosemary Boot was appointed as a member of the Audit Committee. There were no other changes to the Board during the year ended 30 September 2019. Subsequent to the year end, on 18 November 2019, Jon Di-Stefano resigned as Chair of the Audit Committee and Ian Barlow resumed this role.

There were no payments for loss of office.



**Payments to past Directors**

There were no payments to past Directors.

**Performance Share Plan (PSP) awards in respect of the performance period ended 30 September 2019**

The awards granted on 7 December 2016 (in accordance with the Performance Share Plan 2016 rules) are expected to vest in December 2019. Half of these awards were subject to an EPRA NAV performance condition and half were based on a relative TSR performance condition. Following an assessment of performance, as shown in the table below, it is expected that 72.2 per cent of these awards will vest.

Measure	Threshold vesting (% of award)	Maximum vesting (% of award)	Threshold target	Maximum target	Achievement	Outcome
EPRA NAV growth	12.5%	50%	RPI + 3% p.a.	RPI + 12.5% p.a.	Actual EPRA NAV 9.2% equivalent to RPI +6.0%	24.4%
Urban&Civic TSR rank vs FTSE 350 Real Estate	12.5%	50%	Median rank	Upper quartile rank	95.6%	47.8%
<b>Total</b>						<b>72.2%</b>

As a result of this performance outcome, the following number of shares are expected to vest to the Executive Directors: Nigel Hugill 279,632 shares, Robin Butler 279,632 shares, and David Wood 162,207 shares.

**Performance Share Plan (PSP) awards granted in the year ended 30 September 2019 which could vest in future years**

On 7 December 2018, PSP awards were granted to Executive Directors (in accordance with the Performance Share Plan 2016 rules as amended and approved by shareholders on 8 February 2018) as set out below. Executives not on the Board of the Company are typically eligible for PSP awards.

The number of shares granted to each current Executive Director on 7 December 2018 under the PSP is set out below:

	Number of awards	Face value	Amount of base salary	End of performance period	Threshold vesting <sup>1</sup>	Weighting (of award) <sup>2</sup>	Performance condition and performance range
Nigel Hugill	443,359	£1,261,800	300%	30 September 2021	25%	50%	EPRA NAV growth <sup>3</sup> TSR growth <sup>4</sup>
Robin Butler	443,359	£1,261,800	300%	30 September 2021	25%	50%	EPRA NAV growth <sup>3</sup> TSR growth <sup>4</sup>
David Wood	177,336	£504,700	175%	30 September 2021	25%	50%	EPRA NAV growth <sup>3</sup> TSR growth <sup>4</sup>

1. Expressed as a percentage of shares subject to the performance condition.

2. Expressed as a percentage of the shares awarded under the PSP.

3. EPRA net asset value performance (50 per cent weighting) must increase by more than 5.0 per cent per annum for 25 per cent vesting and must increase by more than 12.0 per cent per annum for 100 per cent vesting.

4. Total shareholder return (50 per cent weighting) must increase by more than 5.0 per cent per annum for 25 per cent vesting and must increase by more than 12.0 per cent per annum for 100 per cent vesting.

**Implementation of the remuneration policy for the year ending 30 September 2020**

The following section sets out how the Remuneration Committee intends to implement the remuneration policy for the year ending 30 September 2020.

**Base salary**

Base salary levels for the Chief Executive, Managing Director and Finance Director have been increased by 2.5 per cent. These increases are in line with the increase in base salaries of the general workforce. Base salary levels for the Executive Directors as at 1 October 2019 and 1 October 2018 are shown below:

Director	Title	2019	2018	% increase
Nigel Hugill	Chief Executive	<b>£431,100</b>	£420,600	2.5
Robin Butler	Managing Director	<b>£431,100</b>	£420,600	2.5
David Wood	Group Finance Director	<b>£295,600</b>	£288,400	2.5

The next salary review date is expected to be 1 October 2020.

## Pension

The Group will contribute 15 per cent of base salary for all Executive Directors (payable into a pension arrangement or as a salary supplement). New Executive Directors will have contribution to pension set at 10 per cent of base salary, in line with the rest of the workforce.

## Benefits

Benefits provided will continue to include a fully expensed company car or cash alternative, private medical insurance, permanent health insurance and life assurance. Other benefits may be payable where appropriate.

## Annual bonus

For the year ending 30 September 2020, the annual bonus structure will be unchanged from that operated in the prior year, as set out in the policy report on pages 114 to 117. The maximum bonus opportunity will be 100 per cent of base salary with 50 per cent of the annual bonus opportunity based on growth in EPRA NAV, 30 per cent based on personal/strategic objectives and 20 per cent based on cash generation. Annual bonus targets for the year ending 30 September 2020 are currently considered to be commercially sensitive although, as in previous years, retrospective disclosure will be provided in the 2020 annual report on remuneration. The Remuneration Committee retains discretion to reduce (but not increase) annual bonuses, for example, in the event that the share price diverges markedly from reported growth in EPRA NAV.

## Long-term incentives

Award levels and performance targets are yet to be determined. Award levels will be within the normal maximum annual grant limits and performance metrics will be based on EPRA NAV and TSR conditions and measured over the performance period from 1 October 2019 to 30 September 2022. Full details of the award levels for Executive Directors and the performance targets will be provided in the relevant Stock Exchange announcement which will be published immediately following grant.

The Remuneration Committee intends to grant awards under the PSP within six weeks of the announcement of the results for the year ended 30 September 2019.

## Clawback provisions

Consistent with best practice, the Company will operate clawback provisions in respect of annual bonus and PSP awards in the year ending 30 September 2020. The Committee may withhold ('malus') or recover ('clawback') awards/payments within a period of three years from award in the event that the Company materially misstates its financial results, there is an error in assessing the performance targets and/or participants cease employment as a result of misconduct on the part of the individual.

## Non-Executive Directors

Non-Executive Directors' fees are reviewed annually and an increase was approved by the Board to take effect from 1 November 2019. The base fee for Non-Executive Directors is £50,000 p.a. (increased from £45,000 p.a.) with an additional £15,000 p.a. payable to the Senior Independent Director and to the chairs of the Audit, Remuneration and Nomination and Governance Committees.

Non-Executive Directors' fees as at 1 October 2018, 1 October 2019 and 1 November 2019 are shown below:

	1 November 2019	1 October 2019	1 October 2018
Alan Dickinson	£155,000	150,000 <sup>1</sup>	£125,000
Ian Barlow	£65,000	60,000	£60,000
June Barnes	£65,000	60,000 <sup>2</sup>	£55,000
Rosemary Boot	£50,000	45,000	n/a <sup>3</sup>
Jon Di-Stefano <sup>4</sup>	£65,000	60,000	£45,000
Sanjeev Sharma	£50,000	45,000	n/a <sup>3</sup>

1. Annual fee increased to £150,000 with effect from 1 November 2018.

2. Annual fee increased to £60,000 with effect from 1 November 2018.

3. Appointed to the Board on 10 May 2019.

4. Annual fee increased to £60,000 with effect from 13 February 2019 on appointment as Chair of the Audit Committee. Resigned as Chair and member of the Audit Committee on 18 November 2019. Fee reduced to £50,000 on that date.

It is expected that the Non-Executive Directors' fees will next be reviewed with effect from 1 October 2020.

### Statement of Directors' shareholdings and share interests

Full details of unvested performance share awards in the Company held by Executive Directors in office at 30 September 2019, together with details of awards granted to all Directors who held office during the year, are shown below. Vested shares are included in the table on page 118.

	Number of awards	Date of grant	Share price at date of grant	Exercise price	Exercise period
Nigel Hugill	387,302	7 December 2016	204.75p	Nil	7 December 2019 <sup>1</sup> to 6 December 2026
	405,153	8 February 2018	302.4p	Nil	8 February 2021 to 7 February 2028
	443,359	7 December 2018	284.6p	Nil	7 December 2021 to 6 December 2028
Robin Butler	387,302	7 December 2016	204.75p	Nil	7 December 2019 <sup>1</sup> to 6 December 2026
	405,153	8 February 2018	302.4p	Nil	8 February 2021 to 7 February 2028
	443,359	7 December 2018	284.6p	Nil	7 December 2021 to 6 December 2028
David Wood	224,664	7 December 2016	204.75p	Nil	7 December 2019 <sup>1</sup> to 6 December 2026
	254,629	8 February 2018	302.4p	Nil	8 February 2021 to 7 February 2028
	177,336	7 December 2018	284.6p	Nil	7 December 2021 to 6 December 2028

1. 72.2 per cent of the shares are expected to vest in December 2019; see table on page 120.

### Directors' shareholdings

The table below sets out Directors' shareholdings, which are beneficially owned or subject to a performance or service condition.

	Interests in ordinary shares		Deferred shares under the bonus scheme		Share awards subject to performance conditions <sup>1</sup>		Share awards no longer subject to performance conditions		Interests in ordinary shares as a % of salary <sup>2</sup>
	30 September 2019	30 September 2018	30 September 2019	30 September 2018	30 September 2019 <sup>1</sup>	30 September 2018	30 September 2019	30 September 2018	
<b>Current Directors</b>									
Nigel Hugill	<b>1,361,589</b>	1,270,091	<b>130,174</b>	164,001	<b>1,235,814</b>	953,678	<b>154,473</b>	98,217	1,042%
Robin Butler	<b>1,413,318</b>	1,273,843	<b>79,135</b>	164,001	<b>1,235,814</b>	953,678	<b>96,250</b>	98,217	1,082%
David Wood	<b>94,775</b>	93,627	<b>76,078</b>	75,566	<b>656,629</b>	623,765	<b>109,209</b>	22,960	106%
Ian Barlow	<b>112,272</b>	112,272	—	—	—	—	—	—	n/a
June Barnes	<b>20,037</b>	20,037	—	—	—	—	—	—	n/a
Rosemary Boot <sup>3</sup>	<b>9,100</b>	n/a	—	—	—	—	—	—	n/a
Alan Dickinson	<b>88,889</b>	88,889	—	—	—	—	—	—	n/a
Jon Di-Stefano	<b>4,000</b>	4,000	—	—	—	—	—	—	n/a
Sanjeev Sharma <sup>3</sup>	—	n/a	—	—	—	—	—	—	n/a
<b>Past Directors</b>									
Duncan Hunter	<b>864,642<sup>4</sup></b>	864,642	—	—	—	—	—	—	n/a

1. Details of the unvested PSP awards of Executive Directors as at 30 September 2019 are shown in the table at the top of this page.

2. Based on the number of shares beneficially held, the average share price for the month ended 30 September 2019 (322.0p) and the relevant base salary at 30 September 2019. Share ownership guidelines as set out in the Directors' remuneration policy are that Executive Directors should satisfy a minimum shareholding requirement: minimum of 500 per cent for the current Chief Executive and Managing Director and 250 per cent for any other Executive Director, including the current Finance Director.

If holdings of unvested shares under the Deferred Share Bonus Scheme and of share awards no longer subject to performance conditions (both net of tax) are included in this calculation, the percentage of salary increases to: Nigel Hugill 1,158 per cent, Robin Butler 1,153 per cent and David Wood 215 per cent.

3. Appointed as a Director on 10 May 2019.

4. Holding as at 13 February 2019, the date on which Duncan Hunter resigned as a Director.

## Directors' service contracts

Details of the service contracts of current Directors are set out below:

### Executive Directors

Current Directors	Company notice period	Contract date	Unexpired term of contract <sup>1</sup>	Potential termination payment	Potential payment on change of control/liquidation
Nigel Hugill	12 months	28 April 2014	Rolling contract	12 months' salary and other relevant emoluments excluding bonus	Nil
Robin Butler	12 months	28 April 2014	Rolling contract	12 months' salary and other relevant emoluments excluding bonus	Nil
David Wood	12 months	1 July 2016	Rolling contract	12 months' salary and other relevant emoluments excluding bonus	Nil

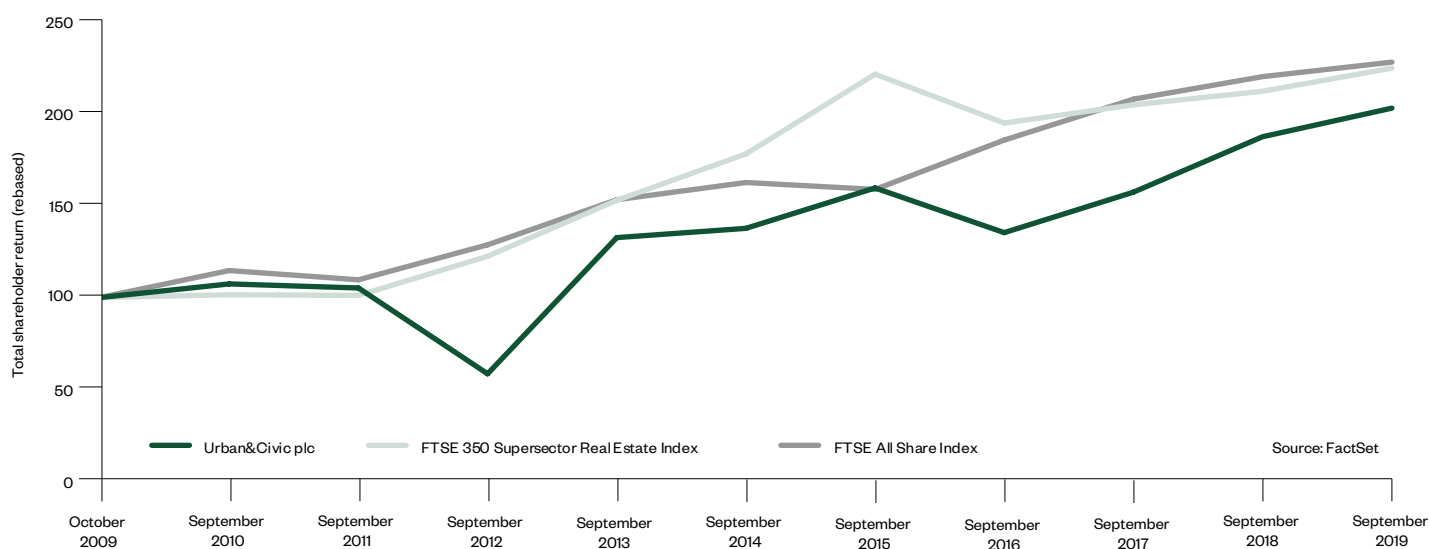
1. Contracts will continue until terminated by notice either by the Company or the Director.

### Non-Executive Directors

	Notice period	Contract date
Ian Barlow	3 months	2 August 2016
June Barnes	3 months	23 September 2015
Rosemary Boot	3 months	9 May 2019
Alan Dickinson	3 months	23 September 2015
Jon Di-Stefano	3 months	29 August 2017
Sanjeev Sharma	3 months	9 May 2019

## TSR performance graph and table

The graph shows the Company's performance, measured by TSR, compared with the FTSE All Share Index and the FTSE 350 Supersector Real Estate Index over the past ten years. The Committee considers these to be relevant indices for TSR comparison. Note that TSR prior to admission is based solely on the TSR of Terrace Hill (Urban&Civic was not listed at that time).



### Chief Executive ten-year history

The table below sets out the single figure of total remuneration for the Chief Executive for the last ten years. Prior to the date of Listing (22 May 2014) we have shown the single figure for the Chief Executive of Terrace Hill.

Year	Incumbent	Single figure of total remuneration £'000	Annual bonus pay-out against maximum <sup>1</sup>	PSP vesting against maximum opportunity
2018/19	Nigel Hugill <sup>2</sup>	£1,674	64.4%	72.2% <sup>3</sup>
2017/18	Nigel Hugill	£1,167	86.6%	59.7%
2016/17	Nigel Hugill	£1,190	62%	28.7%
2015/16	Nigel Hugill	£675	31%	—
2014/15	Nigel Hugill	£661	29%	—
2013/14	Nigel Hugill	£515	n/a	n/a <sup>4</sup>
2013/14	Philip Leech <sup>5</sup>	£536	n/a	—
2012/13	Philip Leech	£652	n/a	—
2011/12	Philip Leech	£345	n/a	—
2010/11	Philip Leech	£400	n/a	n/a <sup>6</sup>
2009/10	Philip Leech	£295	n/a	—

1. A discretionary annual bonus scheme without a maximum was operated historically (under Terrace Hill). As a result it is not possible to show the annual bonus payment as a percentage of the maximum opportunity.
2. Appointed Executive Chairman of Urban&Civic on 22 May 2014. Resigned as Chairman and was appointed as Chief Executive on 24 March 2016.
3. Expected vesting figure. See table on page 120.
4. No awards were granted with a performance period ended in 2013/14.
5. Chief Executive of Terrace Hill until 22 May 2014.
6. No awards were granted with a performance period ended in 2010/11.

### Percentage change in remuneration of Chief Executive and employees

	Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000	% change
<b>Chief Executive</b>			
Salary	421	408	3.2
Benefits	35	34	2.9
Bonus	271	354	(23.4)
<b>Total</b>	<b>727</b>	796	(8.7)
<b>Average employee<sup>1,2</sup></b>			
Salary	92	100	(8.0)
Benefits	11	7	57.1
Bonus	35	36	(2.8)
<b>Total</b>	<b>138</b>	143	(3.5)

1. Including all Executive Directors.
2. 2018: excluding costs relating to staff employed at the Hampton Hotel at Stansted Airport, which was sold on 16 October 2017.

### Relative importance of the spend on pay

	Year ended 30 September 2019	Year ended 30 September 2018	% change
Staff costs (£m) <sup>1,2</sup>	12.4	11.4	8.8
Dividends paid during the year (£m)	5.2	4.5	16
EPRA net asset value (£m)	527.5	481.2	9.6
Total shareholder return (per cent)	7.9	19.1	(58.6)

1. Including all Executive Directors.
2. 2018: excluding costs relating to staff employed at the Hampton Hotel at Stansted Airport, which was sold on 16 October 2017.

### Details of the Remuneration Committee, advisers to the Committee and their fees

The Committee determines the specific remuneration packages for each of the Executive Directors and no Director is involved in any decisions as to his own remuneration. The Committee has access to information and advice provided by the Chief Executive and the Group Finance Director and has access to independent advice where it considers appropriate. Aon Hewitt acts as independent adviser to the Committee and the Committee is satisfied that there are no connections with the Group that may impact their objectivity and independence. Aon Hewitt does not provide any other services to the Company and was paid £24,420 in respect of the year ended 30 September 2019.

### Statement of voting

The table below shows the voting outcomes of the resolutions put to shareholders regarding the Directors' remuneration report (at the AGM in February 2019) and the Directors' remuneration policy (at the AGM in February 2018).

Resolution	For the resolution <sup>1</sup>	%	Against the resolution	%	Votes withheld <sup>2</sup>
Directors' remuneration report (2019)	118,406,557	99.10	1,069,992	0.90	4,618
Directors' remuneration policy (2018)	123,681,708	99.99	9,360	0.01	15,051

1. Includes discretionary votes.

2. A vote withheld is not a vote in law and is not counted in the calculation of votes for or against a resolution.

As at the date of the meeting there were 145,044,582 ordinary shares of 20p each in issue.



**June Barnes**

Chair of the Remuneration Committee

27 November 2019



### Additional disclosure

Additional information which is incorporated into this Directors' report by cross reference, including information required in accordance with the Companies Act 2006 and Listing Rule 9.8.4 of the Financial Conduct Authority's Listing Rules, can be located in the following sections of the Annual Report:

	Note to the consolidated financial statements		Pages
<b>Strategic report</b>			
Business model and strategy			8 to 11
Long-term viability statement			33
Principal risks			34 to 43
Future business developments			44 to 47
Environmental matters			58 to 59
Greenhouse gas emissions			62
Engagement with employees			83 to 85
<b>Governance review</b>			
Corporate governance			66 to 129
<b>Financial statements</b>			
Capitalised interest	5		153
Financial instruments	19		162
Contracts of significance	23		167
Details of long-term incentive schemes	24		168
Related party transactions	26		170

### Introduction

The Directors present their report together with the audited accounts for the year ended 30 September 2019. The principal activities of the Group during the year continue to be property development and investment, both directly and through joint venture arrangements.

### Company status and branches

Urban&Civic plc is incorporated in the UK and registered in Scotland. Its registered office is in Scotland and its head office is in London. It has no branches. Urban&Civic plc is listed on the London Stock Exchange Main Market.

### Results and dividends

The Group reported a profit for the year of £12.7 million (2018: £18.7 million) as shown in the consolidated statement of comprehensive income on page 138. An interim dividend of 1.4p per share was paid on 12 July 2019 to shareholders on the register on 7 June 2019. A final dividend of 2.5p per share is recommended for approval at the 2020 AGM and, subject to shareholder approval, will be paid on 21 February 2020 to shareholders on the register on 10 January 2020. The total dividend paid during the year amounts to £5.2 million (2018: £4.5 million), of which 2.2p per share represents the 2018 final dividend and 1.4p per share represents the 2019 interim dividend.

### Directors

The Directors who held office during the year and up to the date of this report are listed below:

#### Chairman<sup>1</sup>

Alan Dickinson Chairman

#### Executive Directors

Nigel Hugill Chief Executive  
Robin Butler Managing Director  
David Wood Group Finance Director

#### Independent Non-Executive Directors

Ian Barlow Senior Independent Non-Executive Director  
June Barnes  
Rosemary Boot<sup>2</sup>  
Jon Di-Stefano  
Sanjeev Sharma<sup>2</sup>

#### Former Directors

Duncan Hunter<sup>3</sup> Senior Independent Non-Executive Director

1. Independent on appointment.
2. Appointed 10 May 2019.
3. Resigned 13 February 2019.

Biographical details of the Directors are contained on pages 68 and 69.

The Directors' remuneration report, which includes details of Directors' service agreements and their interests in the shares of the Company, is set out on pages 106 to 125.

Copies of the service agreements of the Executive Directors and letters of appointment for the Non-Executive Directors are available for inspection at the Company's registered office during normal business hours and will be available for inspection at the Company's AGM.

In accordance with the UK Corporate Governance Code, all of the Directors will offer themselves for election or re-election at the 2020 AGM.

### Directors' liability insurance and indemnity

The Company maintains Directors' and Officers' liability insurance. To the extent permitted by UK law, the Company indemnifies its Directors against claims brought against them as a consequence of the execution of their duties as Directors of the Company.

### Charitable and political donations

Charitable donations during the year were £46,000 (2018: £35,000). In addition, together with its joint venture partners, the Group made further charitable donations of £22,000 (2018: £9,000). The Group supported a number of charities including national and local charitable organisations. These covered a range of causes, including local youth, sports and social clubs, charities that help train the unemployed back into work and community environment charities.

Authority was granted at the 2019 Annual General Meeting (the '2019 AGM') to enable the Group to make political donations up to an aggregate amount not exceeding £150,000. That authority will expire at the 2020 AGM and a resolution will be proposed for its renewal. The Group made no political donations during the year (2018: £Nil).

### Change of control

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company following a takeover bid. Given the commercial sensitivity of these agreements, the Directors do not intend to disclose specific details.

The Group's Performance Share Plan contains provisions relating to the vesting of awards in the event of a change in control of the Company.

There are no agreements between the Company and its Directors or employees providing for compensation for a loss of office or employment that occurs specifically because of a takeover bid.

### Group structure

Details of the Group's subsidiary undertakings and joint ventures and associates are set out in note 10 to the Company financial statements on pages 177 and 178.

### Share capital

Details of the Company's issued share capital are shown in note 20 to the consolidated financial statements on page 166. As at 30 September 2019, there were 145,148,088 ordinary shares of 20p each in issue, each carrying one vote and all fully paid. There is only one class of share in issue and there are no restrictions on the transfer of shares in the Company other than those specified by law or regulation (for example, insider trading laws) and pursuant to the Listing Rules of the Financial Conduct Authority whereby certain employees of the Group require the approval of the Company to deal in the ordinary shares.

On a show of hands at a general meeting of the Company, every holder of ordinary shares present in person and entitled to vote shall have one vote and on a poll every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. The notice of the 2020 AGM specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the meeting. There are no restrictions on voting rights other than as specified by the Company's Articles of Association.

The Directors were granted authority at the 2019 AGM to allot shares up to a nominal amount of one-third of the Company's issued nominal share capital, as well as additional authority to allot a further one-third on a rights issue. This authority expires at the conclusion of the 2020 AGM and a resolution will be proposed for its renewal.

The issued share capital was increased during the year by fully paid issues as follows:

Date	Description	Number of ordinary shares of 20p each
27 February 2019	Scrip allotment	72,024
12 July 2019	Scrip allotment	31,482

### Purchase of the Company's shares

Under the Company's Articles of Association, the Company may purchase any of its own shares. The Company was granted authority at the 2019 AGM to make market purchases of its own ordinary shares, subject to market-standard maximum and minimum price constraints. That authority will expire at the 2020 AGM and a resolution will be proposed to renew this authority. During the year the Company, via the Employee Benefit Trust, purchased 252,097 ordinary shares of 20p each at a cost of £755,000 million. The Company does not currently hold any shares in treasury.



### Employee Benefit Trust

The trustees of the Urban&Civic Employee Benefit Trust (EBT) hold shares in Urban&Civic in trust in order to satisfy any awards made under the Company's employee share plans. As at 30 September 2019, the EBT held 1,491,248 shares (2018: 1,769,935 shares) representing 1.22 per cent (2018: 1.22 per cent) of the Company's issued share capital. The trustees have waived their right to receive dividends on shares held in the Company.

### Substantial shareholdings

As at 27 November 2019, the Company had been notified under the Disclosure and Transparency Rules (DTR 5) of the following interests in the ordinary share capital of the Company:

	Number of ordinary shares at 27 November 2019	%
Aberforth Partners LLP	17,450,375	12.02
Investec Wealth and Investment Limited	15,146,516	10.44
JO Hambro Capital Management Limited	8,387,301	5.78
APG Asset Management NV	7,500,000	5.17

### Amendment of Articles of Association

The Company's Articles of Association can only be amended by a special resolution of the members, requiring a majority of not less than 75 per cent of such members voting in person or by proxy.

### Annual General Meeting

The 2020 AGM of the Company will be held at The Savile Club, 69 Brook Street, London W1K 4ER at 10.00 a.m. on 6 February 2020. The special business at the 2020 AGM will include resolutions dealing with the authority to issue shares, the disapplication of pre-emption rights, the authority for the Company to purchase its own shares, the authority to make political donations and the authority to call general meetings on not less than 14 clear days' notice. A separate circular containing the notice of meeting and explanatory notes of all the resolutions to be proposed at that meeting is circulated with this Annual Report and Accounts. All votes will be taken on a poll at the meeting rather than on a show of hands.

### Auditor

BDO LLP is willing to be reappointed as the external auditor to the Company and Group, and their reappointment has been considered by the Audit Committee and recommended to the Board. A resolution will be proposed at the 2020 AGM for their reappointment and to authorise the Directors to determine their remuneration.

### Going concern

In assessing going concern, the Directors have reviewed the Group's rolling five-year cash flow forecasts, loan maturities and undrawn facilities and have run sensitivities reflecting the Group's risk profile to ensure covenant compliance over the next 12 months. The Directors have considered any facilities that are due to expire in the next 12 months against progress made on their extension or renewal to date and/or the Group's ability to repay the maturing facilities from Group resources. The Group's key risks are set out in the risk review on pages 34 to 43 and the Board's assessment of long-term viability is set out on page 33.

Having undertaken the assessment detailed above, the Directors have a reasonable expectation that the Company and the Group have sufficient resources to continue to operate for the next 12 months and the Board considers it appropriate to prepare the financial statements on a going concern basis.

### Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' report confirm that:

- as far as they are aware, there is no relevant audit information of which the auditor is unaware; and
- each Director has taken all steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant information and to establish that the auditor is aware of that information.

### Post balance sheet events

There were no post balance sheet events.

The Directors' report was approved by the Board on 27 November 2019 and signed on its behalf by:



**Heather Williams**  
Company Secretary  
Urban&Civic plc

Company number: SC149799

### Statement of Directors' responsibilities in respect of the accounts

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that year.

In preparing these financial statements, the Directors are required:

- to select suitable accounting policies and then apply them consistently;
- to make judgements and accounting estimates that are reasonable and prudent;
- for the Group financial statements, to state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the Group financial statements;
- for the Company financial statements, to state whether they have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, subject to any material departures disclosed and explained in the Company financial statements;
- to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business; and
- to prepare a Directors' report, a strategic report and a Directors' remuneration report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Annual Report and financial statements are made available on the Group's website and for the maintenance and integrity of the corporate and financial information included on that website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Responsibility statement

Each of the Directors confirms that, to the best of their knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the adoption of a going concern basis for the preparation of the financial statements continues to be appropriate based on a review of the current and projected financial position of the Group, making reasonable assumptions about future trading performance;
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face; and
- the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

The Directors' responsibility statement was approved by the Board.

On behalf of the Board



**David Wood**  
Group Finance Director  
27 November 2019