



**RAVEN PROPERTY GROUP LIMITED**

**Raven Property Group Limited  
Corporate Governance Report**

Extracted from the 2019 Annual Report

# CORPORATE GOVERNANCE

## Chairman's introduction

I am pleased to present our corporate governance report for this year end. This is our first report under the new 2018 revision of the UK Corporate Governance Code (the "Code"). The Board and its Committees together with management have been working on implementing the principles and provisions of the Code over the past 18 months. The Strategic and Governance sections of the Annual Report set out how we have applied the principles and complied with the provisions of the Code. There are a number of areas of the Code provisions where we have not complied for various reasons which are set out in this report. Some of these divergences from the Code may be temporary while we continue to embed the new Code in the operations of the Board, its Committee's and wider Group. Others may not be in compliance as we believe that our approach, whilst not following the letter of the provisions as set out in the Code, still adheres to the spirit in which the Board considers they are intended and are more appropriate for the Company and wider Group at the current time. Each of these is set out more fully below.

As explained in our 2018 report, Stephen Coe retired at the conclusion of the 2019 AGM. Michael Hough, who joined the Board in October 2018 became Chair of the Audit Committee from this point. Christopher Sherwell will be retiring at the 2020 AGM. Christopher was appointed on 1 April 2008 and was the Senior Independent Director and Chair of the Remuneration Committee since 2009. Michael will become our Senior Independent Director, Chair of the Remuneration Committee and will also join the Nominations Committee from the 2020 AGM. Christopher has been an invaluable member of the non executive team acting objectively, independently and providing challenge to the executive team in pursuit of the Group's strategy. I, along with the Board, wish Christopher all the best and thank him for his contribution.

**Sir Richard Jewson**

15 March 2020

## Statement of Compliance with the Code

Responsibility for governance matters lies with the Board. It is accountable to shareholders for the activities of the Group. The Board consider that the Company complies fully with the principles of the Code, and all provisions save for 5, 10, 11, and 19. Each of these is discussed in more detail below setting out our reasons for divergence from the Code and why, in certain cases, we believe our approach upholds the spirit of the provisions within the Code.

### 5 – Workforce engagement

Given the size of the Group and closeness of the Executive Directors to senior management and operational areas of the Group, we do not consider that any one of the three methods of engagement with the workforce proposed in the Code will generate a more effective means to consider the workforce's views as stakeholders of the Group. There is always a member of senior management in attendance at the formal Board meetings. The senior management team meet on a weekly basis with the executive Directors. Our operational committee structure and the role of the board of our Cypriot subsidiary group means that employees from all facets of the Group have weekly meetings with at least one member of the Executive Directors or senior management. This, along with the team leadership structures in place across the Group, allows a conduit for engagement and multiple touch points for our workforce to engage with Executive Board members and senior management and provides an open and informal approach, which in our opinion, is more appropriate for the Group at the current time than one of the three methods set out in the Code.

### 10 – Director independence

Provision 10 sets out the Code requirements for Non Executive Directors to be considered independent from the Company. David Moore and Christopher Sherwell have each served as Non Executive Directors for more than nine years. The Board and the Nominations Committee have specifically considered their independence as in past years. The Board is still of the opinion that length of service is not necessarily a complete or accurate measure of a Director's independence. In the Board's opinion, David and Christopher continue to fulfil the requirements acting as independent directors and are part of the essential team with experience of the Group's operations and history over their term which is fundamental in assisting the executives in delivering the Group's strategy. As noted above, Christopher Sherwell will retire from the Board following this year's AGM and the Nominations Committee continues to review the structure and constituents of the Board and its Committee's. Further information on the Group's succession planning is set out in the Nominations Committee report.

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## 11 – Non Executive Directors

During 2019, the Board consisted of four Executive Directors, three Non Executive Directors, following Stephen Coe's retirement, and one Chairman. The requirements of the Code set out that at least half of the Board, excluding the Chair, should be made up of Non Executive Directors. This is a change from the prior iteration of the code that allowed for smaller companies, to be exempt from this provision. Whilst we understand the importance of Non Executive Directors' skills, experience, knowledge, diversity and the challenge that they may bring to the Board, we believe that the current composition is appropriate for a business of our size. Your Board will continue to review this requirement.

## 19 – Tenure of the Chair

As discussed in last year's annual report and explained further below in the Nominations Committee report, the Board is undertaking a phased approach to succession planning to ensure that any new Non Executive Director can be properly integrated. The Nominations Committee is now focusing on the replacement for Christopher Sherwell and that will be followed by the continuation of the succession plan.

## Board leadership and company purpose

The Board is responsible for achieving the Group's strategic objectives and creating value for shareholders through sustainable and continued performance. The strategic goals of the Group are set out in more detail in the business model and strategic report which includes information on the Company's purpose, values and culture. The Board had seven scheduled meetings throughout the year as well as conference calls for specific matters as required. A committee of the Board comprising any two or more Directors meet on an ad hoc basis to consider transactional and related matters concerning the Company's business. During 2019, there were 17 such committee meetings. The Board's scheduled meetings are generally held in Guernsey at the Group's head office, however meetings may also be held in Russia or Cyprus to review the Group's operations, culture and meet local management.

Matters reserved specifically for the Board's consideration form the basis of the scheduled meeting agendas. The main elements of this policy include Group strategy, material transactions, financial reporting, capital structure and dividend policy, corporate governance and internal controls and risk management. The table below sets out the activities of the Board during the year.

	Key activities of the Board during 2019	Activities specific for the year
Q1	<ul style="list-style-type: none"> <li>• Review of investment portfolio performance</li> <li>• Review of medium term forecasts and strategy</li> <li>• Approval of 2018 annual report</li> <li>• Approval of distribution to shareholders</li> <li>• Approval of principal risks and risk appetite</li> </ul>	<ul style="list-style-type: none"> <li>• Consideration of the internal audit program with the Cypriot subsidiary board</li> </ul>
Q2	<ul style="list-style-type: none"> <li>• Review of investment portfolio performance</li> <li>• Review of Q1 2019 reforecast</li> <li>• Review of investor feedback from investor/broker meetings following results</li> <li>• Review and consideration of strategy</li> <li>• Approval of notice of meeting for 2019's AGM</li> </ul>	<ul style="list-style-type: none"> <li>• Consideration of environmental impacts and strategies to reduce/mitigate carbon footprint</li> <li>• Consideration of the share buy back program and exit of cornerstone investor</li> </ul>
Q3	<ul style="list-style-type: none"> <li>• Review of investment portfolio performance</li> <li>• Review of medium term forecasts and strategy</li> <li>• Approval of 2019 interim results</li> <li>• Approval of distribution to shareholders</li> <li>• Approval of principal risks</li> <li>• Review of Q2 2019 reforecast</li> <li>• Review of corporate and regulatory changes and reporting requirements</li> <li>• Review of AGM results</li> </ul>	<ul style="list-style-type: none"> <li>• Consideration of further share buy back</li> </ul>

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	Key activities of the Board during 2019	Activities specific for the year
Q4	<ul style="list-style-type: none"> <li>Review of investment portfolio performance</li> <li>Review of Q3 2019 reforecast</li> <li>Approval of 2020 Budget</li> <li>Review of medium to longer term forecasts</li> <li>Consideration of Board constitution, balance of skills and experience</li> <li>Review of internal controls and risk environment</li> <li>Review of investor feedback from investor/broker meetings following results</li> <li>Review and consideration of strategy</li> </ul>	<ul style="list-style-type: none"> <li>Consideration of potential new Non Executive appointment and Christopher Sherwell's retirement</li> <li>Consideration and approval of updated policies and terms of reference in regards to the Code</li> <li>Consideration of the share buy back program and exit of cornerstone investor</li> </ul>

The Chairman is responsible for the continued smooth operations of the Board and ensures appropriate discussion, challenge and robust practices are integral in the Board's deliberations and activities. The Chief Executive is responsible for the implementation of the Group's strategy as agreed by the Board. Terms of reference for the Chairman, Chief Executive and Senior Independent Director are set out in writing and reviewed as necessary. The Chief Executive, together with the Executive Directors, the Board of the Cypriot holding company and wider management team, is charged to deliver the strategic goals of the Group. The Non Executive Directors assist the executive team in developing this strategy whilst providing a sounding board, challenge and rigour to the decisions of the Board.

## Board composition

The Board contains eight directors, four Executive, three Non Executive and the Chair, who was considered independent on appointment. Biographies for each of the Directors are included elsewhere in this Annual Report.

## The Board and its Committees

The Board has established Audit, Remuneration and Nominations Committees and delegated certain activities through their terms of reference. Terms of reference for each committee can be found on the Company's website ([www.theravenpropertygroup.com](http://www.theravenpropertygroup.com)). Together, the committees and the schedule of reserved matters assist the Board in discharging its duties effectively. The Board and its Committees have regular scheduled meetings. An overview of the activities of the Board and its Committees is contained within this report and that of the Audit and Remuneration Committees.

As well as the members of the Board and its Committees, other Board members, the Company's advisors and operational directors are invited to attend where appropriate to present on a particular matter at hand. Material and briefing papers are supplied in advance of any meeting to all attendees along with regular management information which is circulated to the Board throughout the year. Minutes of all Board and committee meetings are circulated to the Board. Should, in the rare occasion, a director be unable to attend a scheduled meeting, they have the opportunity to discuss matters with the chairman of the Board/committee or the Chief Executive. There is an open dialogue between the Chairman, Non Executive Directors, Executive Directors and senior management with regular informal meetings held outside of the scheduled Board meetings to discuss business matters. All Directors also have access to the Group's professional advisors should they be required.

## Attendance at Board or Committee meetings during the year to 31 December 2019

(where 'N/A' is shown, the Director listed is not a member of the committee)

	Board	Audit Committee	Nominations Committee	Remuneration Committee
R Jewson	7	N/A	2	3
A Bilton	7	N/A	2	N/A
G Hirsch	6	N/A	N/A	N/A
M Sinclair	6	N/A	N/A	N/A
C Smith	7	N/A	N/A	N/A
C Sherwell	7	3	2	3
S Coe*	2	1	N/A	2
M Hough**	7	3	N/A	2
D Moore	6	2	N/A	2
<b>No. of meetings during the year</b>	<b>7</b>	<b>3</b>	<b>2</b>	<b>3</b>

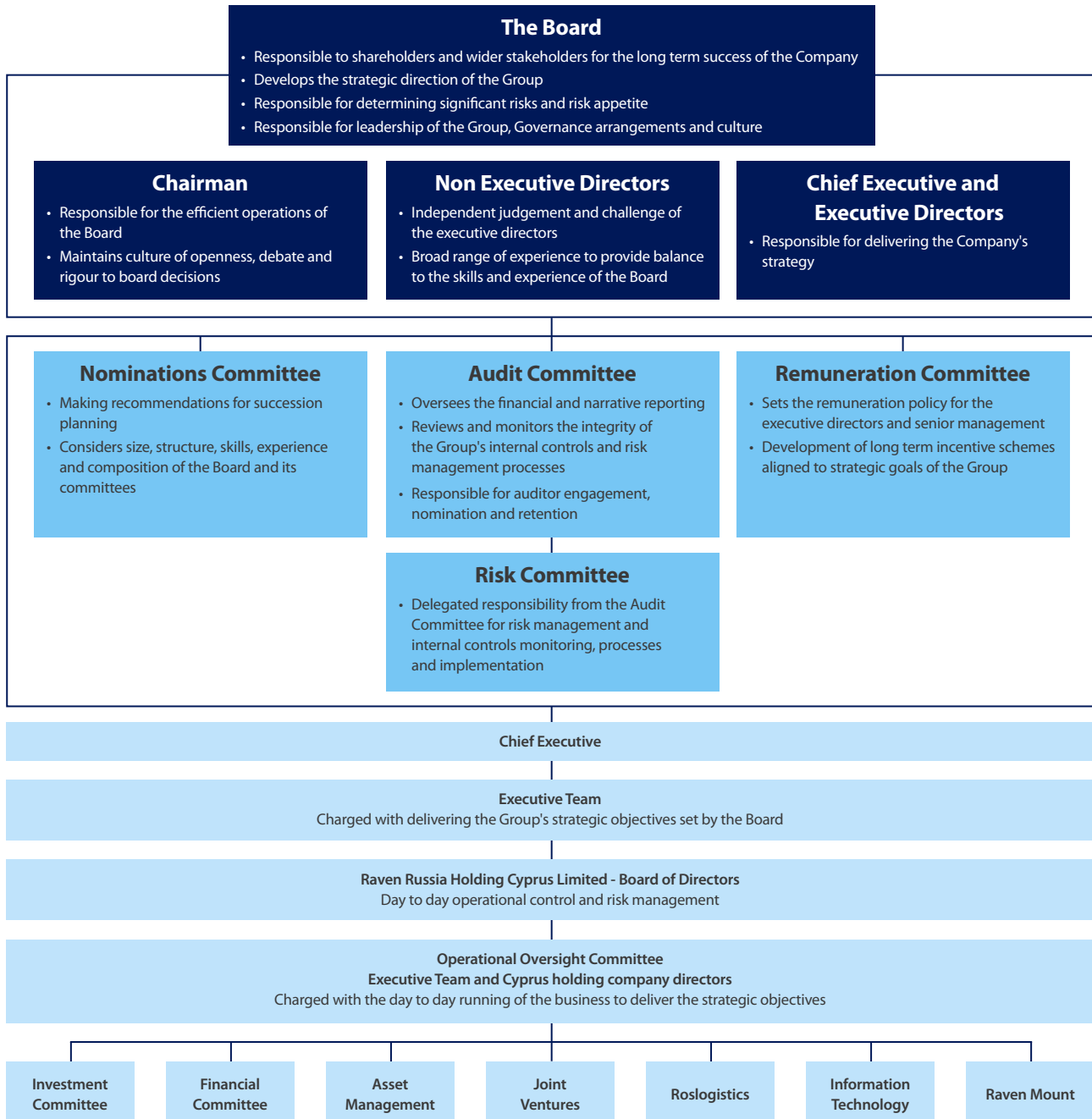
\* Stephen Coe retired at the AGM held on 31 May 2019. There were 2 Board, 1 Audit and 2 Remuneration Committee meetings held prior to his retirement

\*\* Michael Hough joined the Remuneration Committee 14 March 2019. There were 2 Remuneration Committee meetings held during 2019 since his appointment date

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The structure of the Board, its Committees and group operational committees is set out below.

Each operational committee includes a member of the Executive Board, Cypriot board and senior management. Weekly meetings are held by each committee which then reports into an operational oversight committee. Members of the oversight committee include Executive Board members, senior managers who sit on the operational committees and Cyprus holding company directors.



# CORPORATE GOVERNANCE

## The Nominations Committee

The Committee comprises Anton Bilton, Christopher Sherwell and Richard Jewson, who is Chairman. Key tasks of the Committee include reviewing the size, structure and composition of the Board and its committees to ensure appropriate skill, experience, diversity and independence, lead processes for new Board and senior management appointments, and finally to review the effectiveness of the Board and its committee structure in light of the requirements of the Group, Code and regulations.

As set out earlier in the corporate governance report, Stephen Coe retired following the 2019 AGM, he was replaced by Michael Hough as Chair of the Audit Committee at that point. Michael also joined the Remuneration Committee during the year. Christopher Sherwell will retire at the conclusion of the 2020 AGM and will be succeeded by Michael as the Company's Senior Independent Director and Chair of the Remuneration Committee. Christopher has been with the Board since 2008 and during his term, an invaluable member of the non executive team.

As explained in last year's report, the Committee considered the changes to the provisions of the Code following its publication in 2018, and in particular the additional requirements being implemented that impact the work of the Committee and make up of the Board. The Board's overriding aim is that its composition and that of its Committees are fit for purpose, with the appropriate constituents, balance of skills, knowledge, experience and diversity. The Committee is charged with ensuring this requirement is observed with and where necessary will recommend changes.

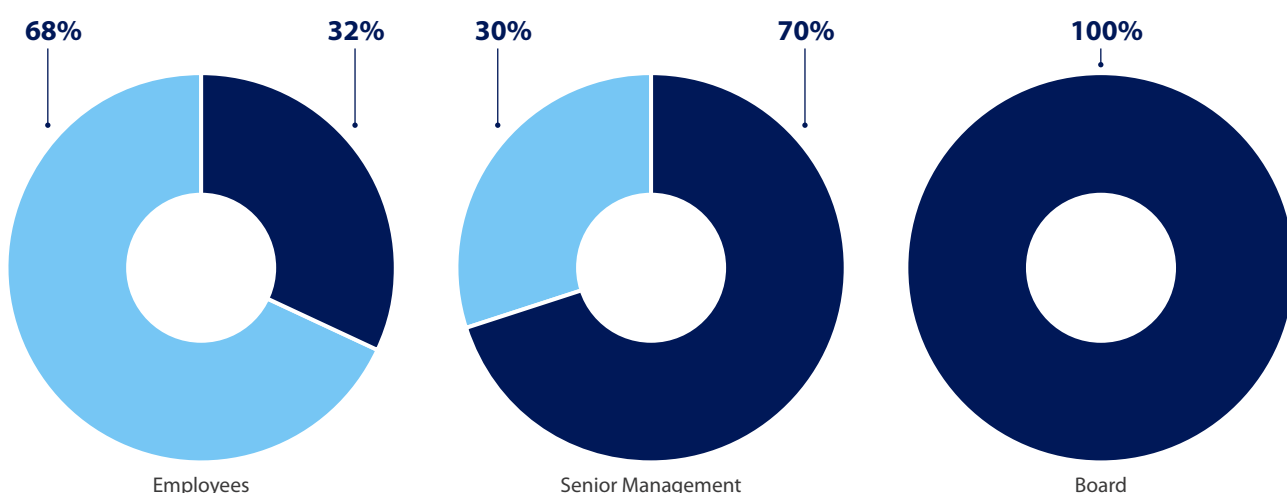
The introduction of new Code provisions around tenure of the Chair and balance of executive to non executive directors for all companies, not just limited to larger companies as it used to be under the previous iteration of the code, should be considered against the requirements of the Board, it's Committees, the Company's current position and wider Group needs. The Committee will continue to consider the requirements of the Code and where appropriate make recommendations to the Board about future appointments.

## Diversity

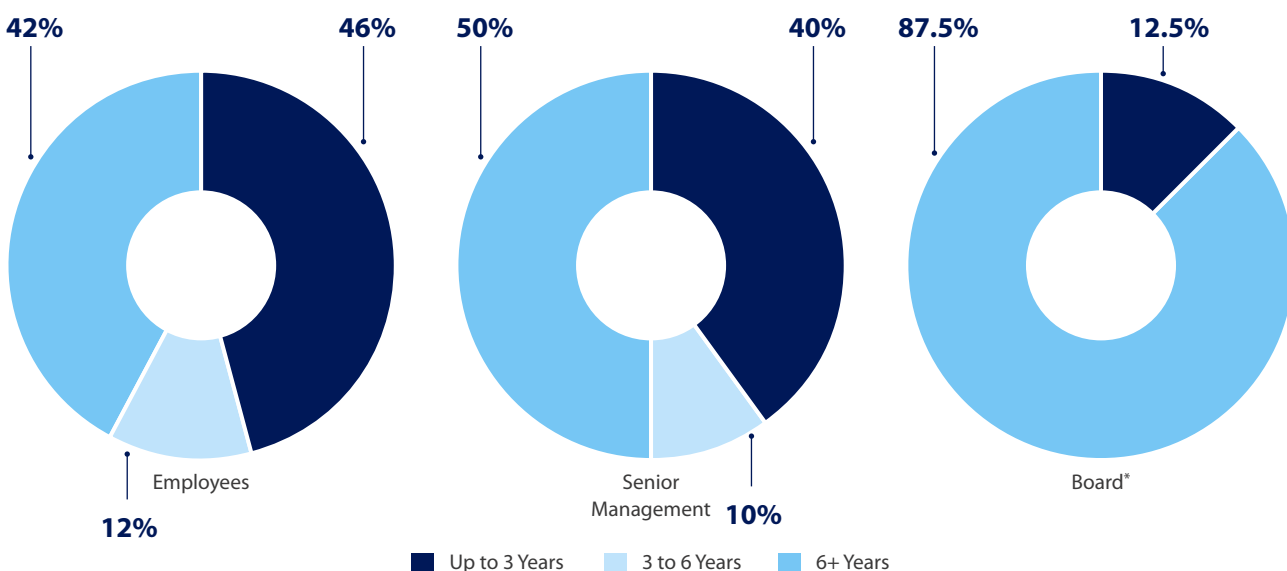
The Committee consider the experience, background, age and tenure of each individual to contribute to the diversity of the Board, its Committees and the wider Group. The Committee has intentionally not adopted a policy on recruitment which may impose certain restrictions when considering applicants for roles within the Group.

Information about the diversity of the Group's workforce at 31 December 2019 is set out below.

### Gender



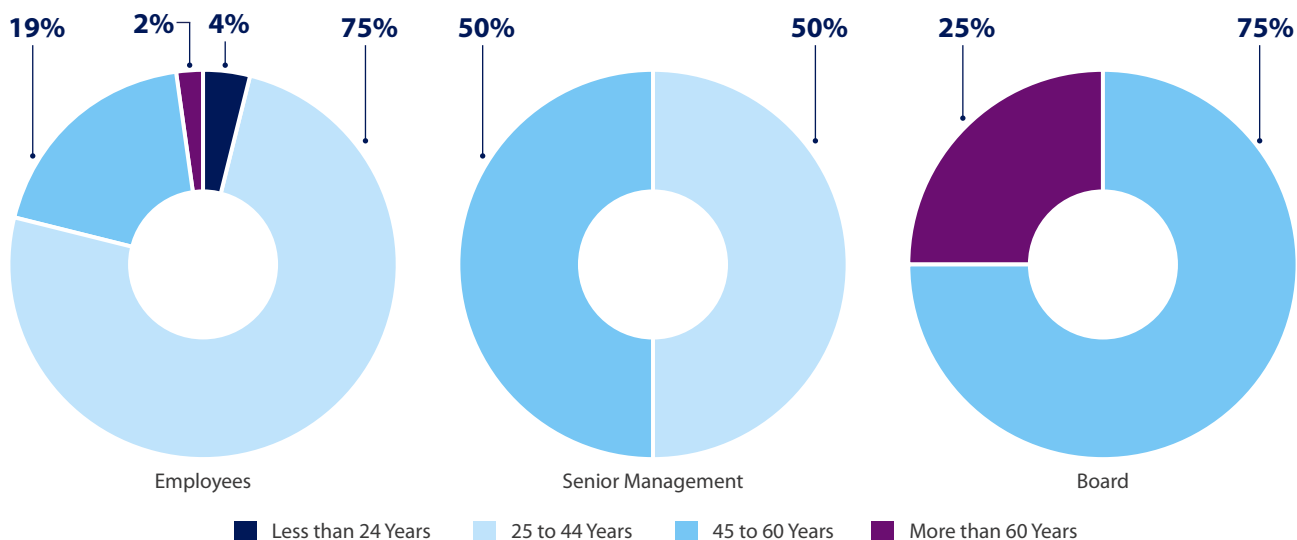
### Tenure



\*Length of service for Board members is from date of appointment.

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## Age profile



## Board performance evaluation

The Board undertakes annual performance evaluations of its own and of its Committees' activities. These are led by the Chairman and where dealing with his own performance, by the Senior Independent Director.

The performance evaluations for the year ended 2019 were undertaken internally, which included group discussions and individual reviews of performance throughout the year. It was concluded that the performance of the Board, its Committees and individual Directors was effective and that the Board has the necessary balance of skills, expertise, independence and knowledge required to direct the business.

The Board and Committee consider the composition of the Board and its Committees with reference to the Group's needs and also the requirements of the Code and any regulations. In accordance with the Code, all Directors will be put forward for re-election at the AGM save for Christopher Sherwell who will be retiring this year as mentioned earlier. Having considered the balance of skills, expertise and performance of the Board, its committees and individual Directors, the Board recommends the reappointment of each Director standing for re-election at the forthcoming AGM.

## Engagement with Shareholders

The Board considers regular contact with shareholders to be an important aspect of our corporate governance program. The Chief Executive, Executive Deputy Chairman and Chief Financial Officer perform regular road shows, investor and analysts briefings and shareholder meetings throughout the year. These generally occur after the annual and interim results are published but also when corporate actions, such as fund raisings, take place.

The views of our major institutional shareholders are a key consideration in the development and support of the Group's strategy. We regularly canvass this group of investors on matters such as distributions, fund raising and remuneration policy. Their views are always taken into consideration prior to the implementation of any such policies.

In addition to face to face shareholder meetings the Group communicates with investors and wider stakeholders through its website. Results presentations, report and accounts, shareholder circulars as well as the Group's governance material is all published on the site. The AGM of the Company provides shareholders with the opportunity to meet the Board and discuss any matters of interest or concern. We continue to encourage shareholders to engage with the Company directly where they have any concerns rather than relying on proxy voting agencies which, in our experience, do little to understand the intricacies of the Group's operations and governance practices. The notice of the Company's AGM is included separately along with a form of proxy to lodge your votes.



**RAVEN PROPERTY GROUP LIMITED**  
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