

BRINGING CORPORATE GOVERNANCE TO LIFE

This section of the Corporate Governance Report highlights some of the key activities of the Board during 2014. It should be read in conjunction with the section on compliance with the UK Corporate Governance Code on pages 94 to 97.



JANUARY
TO
SEPTEMBER



For further information on financing see page 49.

RAISING CAPITAL TO FUND ACQUISITIONS AND DEVELOPMENTS

During the year, the Board explored various financing and re-financing options proposed by management to enable the Company to advance its acquisition and development strategy whilst retaining a robust capital structure. Financing options considered by the Board included a bond buy-back, the issue of shares to be listed on the London Stock Exchange, a bond issue and hedging strategies. Market conditions were kept under review during this time and management and the Board received feedback on likely shareholder responses to various debt and equity raising options. Proposals came forward for a share placing as part of funding plans for an investment in Highcross and the VIA Outlet venture. The Board reviewed and approved a proposal to fund the acquisitions through a placing of up to 10% of the Company's existing issued share capital. On 25 September 2014 the Company announced that the placing had been successfully completed and would fund the acquisition of the remaining interest in Highcross, provide investment in the European outlet sector and partly fund the Company's significant development pipeline.

Key steps in the Board's process in reaching its decision to proceed with the placing are set out below. During the process the Board worked closely with management, the Company's legal team and its advisers.



PLACING OF SHARES – KEY STEPS

Review of the implications of a cashbox structure, how the placing would be received by shareholders and the process, timing and costs of a placing.

Consideration of the pre-market process, due diligence and other comfort which the banks would require.

Discussions between the Executive Directors and the Company's major shareholders to gauge expressions of shareholder interest.

Review of market conditions which were favourable; approval of the legal documents required for a placing and approval of the placing as an appropriate means of raising funds.

The Company announced its intention to the Stock Exchange to place up to 71.3 million new ordinary shares.

Announcement of successful completion of the placing which raised approximately £399m (before expenses).



SHAREHOLDER ENGAGEMENT

The Board recognises the importance of communicating regularly with its shareholders and during 2014 the Company undertook a variety of investor relations activities which were organised both for institutional and private shareholders. As well as the formal programme of events, ad hoc meetings took place throughout the year.

The majority of shareholder contact is between the Company's institutional shareholders and the Chief Executive and the Chief Financial Officer. During 2014 a number of events were either attended or hosted by the Company. The programme of events is set out opposite.

January 2014	<ul style="list-style-type: none"> Analysts' visit to O'Parinor, France. One-to-one investor meetings hosted by David Atkins and Timon Drakesmith at the JP Morgan Property Conference, London.
February 2014	<ul style="list-style-type: none"> 31 investor road show meetings held in London, Paris and Amsterdam.
March 2014	<ul style="list-style-type: none"> 20 one-to-one meetings arranged at the Citi Global Conference, Miami. Invitations to major shareholders from the Chairman to attend a meeting. Subsequent meetings were arranged.
April 2014	<ul style="list-style-type: none"> Annual General Meeting.
June 2014	<ul style="list-style-type: none"> 20 one-to-one investor meetings arranged at the Kempen Conference in Amsterdam. Investor and analyst visit to Les Terrasses du Port, Marseille. David Atkins and Jean-Philippe Mouton gave a presentation and the French project team were available to answer questions. The visit included a tour of the Centre.
July 2014	<ul style="list-style-type: none"> Half-year investor road shows. 32 meetings held in London, Amsterdam and Paris.
August – September 2014	<ul style="list-style-type: none"> Meetings held with the Head of Sustainability and shareholders to discuss sustainability performance. 14 one-to-one investor meetings arranged at the Bank of America Merrill Lynch Conference in New York.
November 2014	<ul style="list-style-type: none"> Telephone meetings held with the Company Secretary and shareholders to discuss corporate governance and corporate reporting for 2015.
December 2014	<ul style="list-style-type: none"> Seven one-to-one investor meetings arranged at the UBS Conference in London. Investor meeting with Value Retail representatives presenting on the outlet sector.



DEVELOPMENT PROGRAMME FOR NEW CHAIRMAN OF AUDIT COMMITTEE

Jacques Espinasse succeeded John Hirst as Chairman of the Audit Committee following the Annual General Meeting in 2014. Shortly after his appointment, the Company Secretary organised a full briefing focusing on the role of Audit Committee Chairman, accompanied by a comprehensive pack of briefing papers. The briefing covered amongst other matters:

- A detailed update session on financial and tax-related matters from senior managers in the finance team;
- A meeting with the Group's external valuer, DTZ, to discuss the valuation process and opportunities to refine the reporting process;
- A discussion with the external auditor, Deloitte, covering corporate governance developments and an update on the role and responsibilities of the Audit Committee and Audit Committee Chairman;
- A session with the Company Secretary and Group Financial Controller to review the Audit Committee's work plan for the year and consider any improvements; and
- A private meeting with Deloitte, with whom the Audit Committee Chairman engages separately outside the Committee timetable.



BOARD VISIT TO MARSEILLE

In October 2014, the Board held its scheduled Board meeting at Les Terrasses du Port, Marseille. Having seen the Centre in the final stages of construction last year this provided an opportunity for the Board to see the Centre open for shoppers. The Board toured the Centre and received presentations from the local project and management teams including progress on store openings and occupancy rate, feedback on the opening of the Centre in May 2014 and an update on Centre performance. The Board also received a presentation on how the multi-channel digital programme at Les Terrasses du Port is positively driving customer engagement and is also providing new insights into customer behaviour.

BOARD STRATEGY DAY

The Board's annual Strategy Day was held at Les Terrasses du Port, Marseille the day after the Board meeting. As in previous years, the Board prepared for the day by reviewing background commentary on the UK and French economies and real estate markets and current Hammerson data including the Group's corporate profile, operational data and financial forecasts.

Members of senior management joined the Board for discussions which included branding, strategy, capital allocation and operational efficiency. The agenda for the Strategy Day also covered:

- Review of progress against 2014 Business Plan objectives;
- Overview of the UK and European property and retail markets and future trends;
- Evaluation of risks in relation to economic forecasts, their impact on the Company and mitigation;
- Presentation from external advisers on linking the Company's strategy to its brand proposition;
- Improving financial performance through optimal capital allocation;
- Growth opportunities in other territories and sectors;
- Review sustainability performance and opportunities to create sustainability leadership;
- Improving the performance of the Group's winning retail venues; and
- Increasing retail spend through operational strategies.

A number of initiatives identified as a result of the Strategy Day have been incorporated into the Business Plan for 2015. The Business Plan influences objectives set for the Executive Directors and throughout the business for 2015.



DAVID ATKINS' PERSPECTIVE



Holding this year's Strategy Day in Les Terrasses du Port, Marseille had a huge impact. Being in our newest centre brought our strategy to life and gave the Directors real insight into current themes and trading through direct contact with our staff and our shoppers. We experienced and saw first hand, the latest technology, design innovation and industry-leading sustainability in the Centre. This really helped to inspire us to challenge our ideas about the future strategy of the business.

For me, the importance of the Strategy Day lies not in the discussion of day-to-day issues – that's the job of the Executive Directors and management – but rather in the opportunity to be ambitious in setting our strategic goals as a Board, to propose the unconventional and evaluate our reactions to new themes and ideas. We do not confine ourselves to our sector but look at other sectors too – for example, other consumer-facing businesses – and we evaluate the best of what they are doing.

The key to a successful Strategy Day is that broad-ranging discussions are stimulated through posing ourselves challenging questions and scenarios. This is especially important for the Non-Executive Directors who are not involved in the running of the business. The insights and ideas generated through discussion will not all find their way into our strategy but we take away the best initiatives to be refined and included in the Business Plan.





BOARD EFFECTIVENESS REVIEW

The Board recognises that Board evaluation is a continuous process. A thorough and extensive external Board evaluation was carried out in 2013, progress against which was reviewed as part of the 2014 evaluation and is reported on in the table below.

The 2014 Board effectiveness review was facilitated by the Company Secretary and focused on questions grouped around governance themes taken from the UK Corporate Governance Code. Each Director gave feedback to the Company Secretary who discussed her interviews with the Chairman and a report with recommendations was tabled to the Board and actions agreed. The evaluation was conducted in this way to allow the Directors to make more informative responses and to establish any specific areas where the Board could improve its performance.

In general the 2014 evaluation highlighted that satisfactory progress had been made against 2013 actions and in the way the Board continued to operate. The Board continues to strive for excellence and identified further opportunities for consideration. These included:

- The continued focus on succession planning, particularly for Executive Directors, and talent development;
- Refining the structure of the Strategy Day and how strategic discussions may be facilitated and made more effective;
- Keeping abreast of the opportunities and risks of Value Retail and how they are managed; and
- Further engagement with senior management below Board level.

Where appropriate these actions have been incorporated into the 2015 Board work plan.

A summary of the Board's progress against actions arising from the 2013 externally facilitated Board effectiveness review is set out below:

Recommendations from 2013 Board Effectiveness Review	Progress on actions
Clearly identify optimum mix of skills that the Board needs.	During the year the Nomination Committee commenced a phased plan for recruiting two new Non-Executive Directors. Pierre Bouchut was appointed on 13 February 2015. The appointment of a second Non-Executive Director is underway and will be a particular focus for the Nomination Committee following the 2015 AGM.
Identify the internal talent pool of new executives with high potential and create development plans for them.	The Nomination Committee reviewed succession plans in June and continues to focus on this area.
Reduced use of printed Board papers should be considered.	An electronic Board portal has been introduced as described in the Chairman's introduction on page 61.
Board agendas should be revised to ensure adequate focus on development projects and marketing. The layout of Board papers should also be reviewed.	The Board agendas have been revised, as described in the Chairman's introduction on page 61. The layout of Board papers has been reviewed in light of the introduction of an electronic Board portal.
Effectiveness of reduced number of formal Board meetings should be reviewed once a full calendar cycle has been completed.	The Board will continue to keep this under review.
Additional engagement between Non-Executive Directors and management should be arranged.	Senior managers are invited to attend Board meetings for papers with which they have been involved. During the year various Non-Executive Directors have met senior managers formally and informally for business specific purposes and general networking. Two UK centre visits are in the 2015 Board work plan where further opportunities will be scheduled to meet employees.