

## Corporate governance report

The Board is responsible to shareholders for the management and control of the Company's activities and is committed to the highest standards of Corporate Governance. The principal governance rules applying to UK companies listed on the London Stock Exchange are contained in the Combined Code on Corporate Governance adopted by the Financial Reporting Council in June 2008 (the Code). This report explains how the Company has complied with the provisions of the Code and explains where the Company has departed from them. The Board considers that, throughout the period under review, with the exception of one area detailed below (see Board composition and balance), the Company has complied with the provisions recommended in Section 1 of the Code which applies to the financial period that is the subject of this Annual Report and Accounts.

### Board composition and balance

During the year the Board comprised a Non-Executive Chairman, four Independent Non-Executive Directors and six Executive Directors.

The posts of Chairman and Group Chief Executive are separated. The Chairman is responsible for the workings and leadership of the Board and for the balance of its membership. The Group Chief Executive is responsible for leading and managing the business within the authorities delegated by the Board.

Martin Angle, Timothy Ingram, Charles McVeigh and Fields Wicker-Miurin are Independent Non-Executive Directors. The Board considers that the Non-Executive Directors are independent of management and have no business or other relationship which could interfere materially with the exercise of their judgement.

On 13 February 2009, Mark Dearsley resigned as Group Finance Director and on 16 March 2009 Simon Shaw joined the Board as Group Chief Financial Officer.

During 2009, and as in previous years, the Board was not compliant with the provision of the Code which requires that at least half the Board, excluding the Chairman, are Independent Non-Executive Directors.

Following the establishment of the Group Executive Board in February 2008, which assumed responsibility for overseeing the development and implementation of strategy and the operational performance of the Group, the Board reconsidered its own structure during 2009 in the light of the role and performance of the Group Executive Board. Following this review, the Company announced the restructuring of its Board effective 18 January 2010 to streamline management of the Group and provide an improved focus on decision making. As a result of this restructuring, Rupert Sebag-Montefiore, Simon Hope and Robert McKellar stood down from the Board with effect from 18 January 2010, although all three continue to be members of the Group Executive Board with unchanged responsibilities. Following this restructuring the Company is in full compliance with the Code. It was also announced that at the conclusion of the forthcoming AGM, Fields Wicker-Miurin, who was appointed to the Board in 2002, would retire from the Board as a Non-Executive Director and that Martin Angle would replace her as Chairman of the Audit Committee.

Since 1 November 2004, Timothy Ingram has been the Senior Independent Director. He is available to shareholders if they have concerns which have not been addressed by contact with the Chairman or Group Chief Executive.

The biographies of the current Board members appear on pages 26 and 27.

### Functioning of the Board

The Directors receive management information, including financial, operating and strategic reports, in advance of Board meetings. From time to time the Board receives presentations from non-Board members on matters of significance.

The Non-Executive Directors periodically visit different Group companies to gain greater insight into the business. The Group Company Secretary provides the Board with ongoing reports that cover legal and regulatory changes and developments.

The Board has adopted a formal schedule of matters specifically reserved to it for decision which is under continuous review. These matters reserved for the Board include:

- approval of Group strategy;
- approval of the annual operating and capital expenditure budgets and any material changes;
- review of performance, assessed against the Group's strategy, objectives, business plans and budgets;
- approval of interim and preliminary announcements and the Annual Report and Accounts;
- approval of the dividend policy;
- approval of any significant changes in accounting policies or practices;
- extension of the Group's activities and into new geographic areas;
- approval of any significant acquisitions or investments;
- any decision to divest or close any Group business;
- delegation of the appropriate authorities, in particular to the Group Executive Board, and agreeing terms of reference for its various committees; and
- the appointment of new Directors.

## Board meetings

During the year the Board held eight scheduled meetings and a separate strategic review to confirm Group strategy. Directors' attendance at scheduled Board and Committee meetings convened in the year ended 31 December 2009 was as follows:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
<b>Number of meetings in year</b>	<b>8</b>	<b>5</b>	<b>5</b>	<b>2</b>
	Attended	Attended	Attended	Attended
<b>Non-Executive Directors</b>				
Peter Smith	8		**3	2
Martin Angle	8	4	5	2
Timothy Ingram	8	5	5	2
Charles McVeigh	8	5	4	2
Fields Wicker-Miurin	8	5	5	2
<b>Executive Directors</b>				
Jeremy Helsby*	8			2
Simon Shaw* (appointed 16 March 2009)	6			
Simon Hope* (resigned 18 January 2010)	8			
Robert McKellar* (resigned 18 January 2010)	8			
Rupert Sebag-Montefiore* (resigned 18 January 2010)	8			
Mark Dearsley* (resigned 13 February 2009)	1			

\* Members of the GEB

\*\* Peter Smith became a member of the Remuneration Committee on 1 April 2009

All Directors receive detailed papers in advance of Board meetings. When unable to be present in person, Directors may attend by audio or video-conference. When Directors are not able to attend Board or Committee meetings, their comments on the papers to be considered at that meeting are relayed in advance to the Chairman of that meeting.

The Non-Executive Directors meet separately at least twice each year without the presence of the Executive Directors and also meet without the Chairman, at which time the Chairman's performance is appraised.

There is an approved procedure for Directors to take independent professional advice in the performance of their duties at the Group's expense. During 2009, no Director obtained any such independent advice.

The Group Company Secretary is responsible for ensuring that Board procedures are followed and for advising the Board on governance matters. In addition, all the Directors have access to the advice and services of the Group Company Secretary.

## Corporate governance report continued

### Board committees

The Board has delegated certain authorities to committees each with formal terms of reference, which are available on request or on the Company's website ([www.savills.com](http://www.savills.com)). The membership of each committee is detailed on page 26. The principal committees of the Board are as follows:

#### Nomination Committee

The Committee consists of the four Independent Non-Executive Directors, the Chairman and Group Chief Executive. The Committee is chaired by the Group Chairman, Peter Smith. The Committee meets at least once a year and met twice during 2009.

The Committee provides a forum to consider Board succession planning, whether to recommend the re-election of a Director and to make recommendations to the Board on certain matters including its composition, structure, size and balance.

The Company's Articles of Association provide that Directors must submit themselves for re-election every three years and that newly appointed Directors must submit themselves for re-election at the first AGM after their appointment. In making recommendations to shareholders for the re-appointment of any Director, the Nomination Committee considers that Director's performance and ongoing contribution to the success of the Company and makes its relevant recommendation to the Board.

During the year the Committee completed the process to identify a successor to Mark Dearsley as Group Finance Director following his decision to resign from the Board with effect from 13 February 2009. Specialist external search consultants were retained to carry out the search for a suitable candidate. Following this search, Simon Shaw joined the Board as Group Chief Financial Officer on 16 March 2009.

### Audit Committee

The Committee consists of the four Independent Non-Executive Directors. The Committee is chaired by Fields Wicker-Miurin and met five times during the year. The meetings are also attended by the Non-Executive Chairman, Group Chief Executive, Group Chief Financial Officer, Group Financial Controller, the internal auditors, the external auditors, Group Risk Director, Group Company Secretary and other senior executives of the Group by invitation. The Board considers that the members of the Audit Committee collectively have sufficient recent and relevant financial experience to carry out the functions of the Committee.

The Committee is authorised to investigate any matter within its terms of reference and, where necessary, to obtain external legal or other independent professional advice. The Committee's activities during the year have included:

- reviewing the half-year and annual financial statements with particular reference to accounting policies, together with significant estimates and financial reporting judgements and the disclosures made therein;
- monitoring the financial reporting process;
- reviewing management representations made to the external auditors;
- reviewing the Group's procedures to ensure that all relevant information is disclosed;
- discussing any issues arising out of the half year review or the full year audit with the external auditors (in the absence of management where appropriate);
- making recommendations to the Board with regard to continuing the appointment and remuneration of the external auditor; overseeing the Group's relations with the external auditor and the effectiveness of the audit process;
- reviewing and assessing the effectiveness of the Group's internal financial controls;

- monitoring and reviewing the effectiveness of the internal audit function and reviewing all reports prepared by the internal auditors and assessing management's responsiveness to such reports; and
- reviewing and assessing the effectiveness of the Group's internal control and risk management systems (see pages 24 and 25).

Over the last 12 months the Committee has considered in particular the impairment of assets (including subsidiaries) in the light of the recessionary environment, the Treating Customers Fairly policies of our mortgage broking subsidiary and the arrangements for the quality assurance of professional work.

The Committee also considers on an ongoing basis the independence of the external auditors and has established policies to consider the appropriateness or otherwise of appointing the external auditors to perform non-audit services. As detailed on page 29 the external auditors are PricewaterhouseCoopers LLP. The external auditors are responsible for the annual audit and have also provided certain non-audit services to the Company, principally advice on taxation matters. The Audit Committee considers that the relationship with the auditors is working well and remains satisfied with their effectiveness. The Audit Committee is satisfied that such work was best undertaken by PricewaterhouseCoopers LLP and the objectivity of the external auditors has not been impaired by reason of this further work. Accordingly, it has not considered it necessary to date to require the firm to tender for the audit work. The audit was last tendered in 2000. The external auditors are required to rotate the audit partners responsible for the Group audit every 5 years. There are no contractual obligations restricting the Company's choice of external auditor.

The provision of internal audit services was reviewed during the year. Following this review, internal audit is now jointly delivered by the Group's newly established internal audit team and KPMG (KPMG having previously provided internal audit services on an outsourced basis).

Globally, all of our businesses have established whistleblowing procedures to enable employees to raise concerns about possible improprieties in financial reporting and other matters on a confidential basis.

#### **Remuneration Committee**

The Committee consists of the four Independent Non-Executive Directors and the Chairman. It is chaired by Charles McVeigh and meets at least three times a year (five times in 2009). With effect from 1 April 2009 the Committee took advantage of the amendment to the Combined Code and the Chairman became a member of the Remuneration Committee. The Group Company Secretary is secretary to the Committee and also provides advice to it.

The Committee's principal responsibilities are to determine Company policy on senior executive remuneration and to agree the remuneration packages of the Executive Directors. The Committee (excluding the Chairman) also determines the level of fees payable to the Chairman.

Given the central part that remuneration plays in the success of the Group, in terms of recruitment, motivation and retention of high quality employees the Group Chief Executive is consulted on the remuneration packages of the other Executive Directors and attends Committee meetings by invitation.

The Committee takes the advice of external consultants from time to time and did so during the year from Towers Watson. Towers Watson provides no other services to the Group.

The Committee does not deal with the fees paid to the Non-Executive Directors, which are decided by the Executive Directors and the Chairman (except when his own fee is being discussed).

The report of the Remuneration Committee is set out on pages 36 to 45. The Remuneration report will be put to shareholders at the AGM in 2010.

#### **Group Executive Board (GEB)**

The GEB comprises the Group Chief Executive, the Group Chief Financial Officer, the managing directors of the main operating subsidiaries and the Group Company Secretary. Under the leadership of the Group Chief Executive, the GEB is responsible for overseeing the development and implementation of strategy, the operational performance of the Group and other specific matters delegated to it by the Board. The GEB meets monthly.

#### **Board performance and evaluation**

In accordance with established practice, a formal self evaluation of its own performance was undertaken during the year to identify areas where Board performance and procedures might be further improved. The same process was used to evaluate the performance of the Board Committees. Based on an approach established in previous years by an independent consultant, the review this year was led by the Group Company Secretary. The findings were reported at a meeting on 15 December 2009. The Board will continue to keep its performance under review and currently anticipates that another review will be carried out in 2010.

#### **Directors' conflicts of interest**

From 1 October 2008, Directors have had a statutory duty to avoid situations in which they have, or could have, an interest that conflicts or possibly may conflict with the interests of the Company. A Director will not be in breach of that duty if the relevant matter has been authorised in accordance with the Articles of Association by the other Directors. The Articles of Association were amended to include the relevant authorisation for Directors to approve such conflicts by a resolution of shareholders at the AGM held on 7 May 2008. The Board has adopted a set of guiding principles on managing conflicts and approved a process for identifying current and future actual and potential conflicts of interest. It was also agreed that the Nominations Committee would review authorised conflicts annually or if and when a new potential conflict situation was identified or a potential conflict situation materialised. During 2009, actual and potential conflicts of interest that were identified by each Director were subsequently authorised by the Board, subject to appropriate conditions in accordance with the guiding principles.

## Corporate governance report continued

### Relations with shareholders

The Group recognises the importance of maintaining regular dialogue with its shareholders. The Group Chief Executive and Group Chief Financial Officer have a regular programme of meetings and presentations with analysts and investors, including presentations at the time of the Company's preliminary announcement of annual and half year results.

This programme facilitates an ongoing two-way dialogue between the Company and shareholders, and helps to ensure that the Board is aware of shareholders' views on a timely basis. The Board also reviews a report at least twice each year from its corporate broker on feedback from investors and the market's view of the Company.

The AGM provides the Board with a valuable opportunity to communicate with private shareholders and is generally attended by all the Directors. Shareholders are given the opportunity to ask questions during the meeting and to meet Directors following the conclusion of the formal part of the meeting. In accordance with the Code the level and manner of voting of proxies lodged on each resolution at the AGM is declared at the meeting and published on the Company website. The Directors aim to give as much notice of the AGM as possible which will be at least 21 clear days, as required by the Company's Articles of Association. In accordance with the Articles of Association, electronic and paper proxy appointments and voting instructions must be received not later than 48 hours before a general meeting.

The Company has taken advantage of the provisions within the Companies Act 2006 which allow communications with shareholders to be made electronically where shareholders have not requested hard copy documentation. Details of the information available for shareholders can be found on page 99. Information about the Company is also available on the website at [www.savills.com](http://www.savills.com)

### Internal control and risk management

The Board has overall responsibility for establishing and maintaining the Group's system of risk management and internal control to safeguard shareholders' investments and the Group's assets, and for reviewing the effectiveness of this system. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

Key elements of the Group's system of risk management and internal control are:

- a comprehensive system for planning and reporting the performance of each operating subsidiary. The GEB and Board meet regularly and review the Group's results against plan and the previous year. The Group regularly reviews performance forecasts. Clear responsibilities are given to operational and financial managers for the maintenance of effective financial controls and the production of accurate and timely financial management information;
- the regular review and assessment of the performance of the business including in relation to risk management and internal control by the Board and its sub committees, including the GEB;
- attendance at operating subsidiary and associate boards by Executive Directors. These boards and their associated committees also meet regularly and have formal reporting structures. Directors of operating subsidiaries are also closely involved in the day-to-day business of their respective operations, and are tasked with identifying key risks and ensuring that appropriate action is taken to manage these;
- a Group Risk Management Policy which sets out the process for identifying, evaluating, assessing and managing the key risks to the Group's business objectives, supported by an appropriate organisational structure and clearly defined management responsibilities;
- a Group Risk Committee which reports to the GEB and is tasked with the review, discussion and challenge of key risks reported, the ongoing Group-wide development of internal control and the monitoring of internal audits and other sources of assurance on the effectiveness of internal controls. The Committee consists of the Group Chief Financial Officer, senior subsidiary business management and Group function heads including the Group Risk Director, Group Company Secretary and Group IT Director;
- procedures available to employees who are concerned about possible impropriety, financial or otherwise, and who may wish to ensure that action is taken without fear of victimisation or reprisal;
- a programme of assurance activities which assess the effectiveness of our internal controls in respect of our key risks which includes:
  - a programme of internal audits undertaken in accordance with an annual risk based plan approved by the Audit Committee. The plan is designed to ensure that internal audit reviews are focused on priority controls across the Group to provide both independent review and challenge on the effectiveness of these controls, and the promotion of good practice and consistency in their development;
  - compliance programmes within our regulated businesses in support of the Group's commitment to conduct its business responsibly and in accordance with all laws and regulations to which its business activities are subject; and
  - an annual self assessment and certification by management of the existence and effectiveness of the controls within each of our operating subsidiaries. The results are collated for review and challenge by the Group Risk Committee and onward reporting to the GEB and Audit Committee.

The Audit Committee, on behalf of the Board, has reviewed the effectiveness of the system of risk management and internal control. In performing its review of effectiveness, the Audit Committee considered the following reports and activities:

- internal audit reports on the review of priority controls across the Group and the monitoring of management actions arising;
- management's own assessment of the performance of the system of risk management and internal control during 2009;
- invitation of key financial and operational managers to present on the operation of the system of risk management and internal control within their businesses;
- reports from the Group Risk Committee including reporting on Group-wide key risk assessment activity and annual self assessment findings; and
- reports from the external auditors on any issues identified during the course of their work.

The Board, in reviewing the effectiveness of the system of internal control, can confirm that necessary actions have been, or are being, taken to remedy any significant failings or weaknesses identified from that review.

### Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review on pages 07 to 25. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial review on pages 16 and 17. In addition, Note 3 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources, including a bank facility that matures in October 2011, together with a broad spread of businesses across different geographic areas and sectors some of which enjoy stable revenue under contract with a number of customers. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

By order of the Board

**Peter Smith**

Chairman

17 March 2010