

# Corporate Governance Report

The Board is responsible to shareholders for the management and control of the Company's activities and is committed to high 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 2006 (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

The Board presently comprises a Non-Executive Chairman, four Independent Non-Executive Directors and six Executive Directors. The biographies of the current Board members appear on pages 66 to 67.

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 Chief Executive is responsible for leading and managing the business within the authorities delegated by the Board.

Martin Angle (who was appointed to the Board on 2 January 2007 and subsequently appointed to the Audit, Nomination and Remuneration Committees on 30 January 2007), Timothy Ingram, Fields Wicker-Miurin and Charles McVeigh 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.

Mark Dearsley joined the Board as Group Finance Director on 3 September 2007.

On 18 October 2007, it was announced that Aubrey Adams would retire from the Board at the Annual General Meeting on 7 May 2008 and he would be succeeded as Group Chief Executive by Jeremy Helsby.

The Board is not currently compliant with the provision of the Code which requires that at least half the Board, excluding the Chairman, be independent Non-Executive Directors. Following the retirement of Aubrey Adams, the Board will revert to having a Non-Executive Chairman, four independent Non-Executive Directors and five Executive Directors. The Board considers that under Savills current operational structure it is appropriate for the key members of the executive management team to be members of the Savills plc Board and that there is an appropriate balance between Executive and Non-Executive Directors and that no individual or small group of individuals dominates the Board's decision making. The Non-Executive Directors have a wide range of business experience and expertise and provide a strong independent element to the Board. The Board will keep under review the need for any changes to the composition of the Board.

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, Group Chief Executive or Group Finance Director.

## Functioning of the Board

The Directors receive management information, including financial, operating and strategic reports, in advance of Board meetings. During the year the Board held seven scheduled meetings and also spent a day and a half reviewing and agreeing the future Group strategy. Attendance by Directors at scheduled meetings is outlined in the attendance of meeting table on page 72. During the year five other ad hoc Board meetings were also held to deal with specific matters. 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 relevant Chairman. The Board has adopted a formal schedule of matters specifically referred to it for decision. These matters reserved for the Board include:

- approval and management of Group strategy;
- review of Group policies and codes of conduct;
- 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 into new/other geographic areas;
- approval of any significant acquisitions or investments;
- any decision to divest any Group business;
- delegation of the appropriate authorities and agreeing terms of reference for its various committees;
- delegation of the appropriate authorities to the Executive Sub Committee; and
- the appointment of new Directors.

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 at the Group's expense. In addition, all the Directors have access to the advice and services of the Company Secretary.

**Board committees**

The Board has delegated certain authorities to committees each with formal terms of reference. The terms of reference for the Audit, Nomination and Remuneration Committees were reviewed and updated during the year and are available on request or on the Company's website ([www.savills.com](http://www.savills.com)). The members of each committee are indicated on pages 66 to 67. The principal committees of the Board are as follows:

***Nomination Committee***

The Committee consists of the four independent Non-Executive Directors and the Chairman. The Committee is chaired by Peter Smith. The Committee meets at least once a year and otherwise as required to nominate candidates for the approval of the Board to fill vacancies or new positions on the Board of Directors and to make recommendations to the Board on certain matters including its composition and balance. The Committee met twice in 2007.

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 Annual General Meeting 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 principal activities undertaken by the Committee were the identification of a successor to Aubrey Adams as Group Chief Executive following the indication of his wish to retire in 2008 and the recommendation of the appointment of Mark Dearsley as Group Finance Director. External consultants assisted in both matters: Hanson Green assisted in the development of a job specification for the new Group Chief Executive, consideration of potential external candidates and the assessment of internal candidates and Spencer Stuart carried out the search for the Group Finance Director.

***Audit Committee***

The Committee consists of the four independent Non-Executive Directors. The Committee is chaired by Fields Wicker-Miurin and met four times during the year. The Non-Executive Chairman, Group Chief Executive, Group Finance Director, other Executive Directors, Group Financial Controller, the internal auditors, the external auditors, Group Risk Director and other senior executives of the Group may be invited to attend meetings of the Committee, but are not members. 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;
- reviewing the management representations made to the external auditors and the Company's procedures to ensure all relevant information has been disclosed;
- discussing any issues arising out of the interim review or the full year audit with the external auditors (in the absence of management where appropriate);
- monitoring and reviewing the effectiveness of the internal audit function and reviewing all reports prepared by the internal auditors and assessing the management's responsiveness to such reports;
- making recommendations to the Board with regard to continuing the appointment and remuneration of the external auditor; overseeing the Company's relations with the external auditor and the effectiveness of the audit process; and
- reviewing, and assessing the effectiveness of, the Group's internal financial controls together with its internal control and risk management systems.

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 69 the external auditors are PricewaterhouseCoopers LLP, who have provided certain non-audit services to the Company, principally advice on treasury, taxation and market analyses in particular in connection with the US market. The Audit Committee is satisfied that such work was best undertaken by PricewaterhouseCoopers LLP and their objectivity has not been impaired by reason of this further work.

The internal auditors are KPMG who serve the Group on a global basis. The UK and most non-UK businesses have established whistleblowing procedures to enable employees to raise concerns about possible improprieties in financial reporting and other matters on a confidential basis. The consistency of arrangements outside the UK continue to be developed with the issue of a Group-wide whistleblowing policy which sets out clear standards and procedures for all Group companies to follow.

### Remuneration Committee

The Committee consists of the four independent Non-Executive Directors. The Committee is chaired by Charles McVeigh and meets at least twice a year to determine Company policy on senior executive remuneration and to agree the detailed remuneration packages of the Executive Directors. The Remuneration Committee takes the advice of external consultants from time to time and did so during the year from Towers Perrin. The Group Chief Executive is consulted on the remuneration packages of the other Directors and senior executives and attends remuneration discussions by invitation, except when his own position is being discussed. Given the central part that remuneration plays in the success of the Group, the Chairman is also invited to attend meetings of the Committee. The Committee does not deal with the fees paid to the Non-Executive Directors which are decided by the Executive Directors. The Report of the Remuneration Committee is set out on pages 75 to 83.

### Executive Sub Committee

Until January 2008, Savills plc operated an Executive Sub Committee (ESC), which comprised the Group Chief Executive and the Executive Directors. Any senior executive of the Group could be invited by the Committee from time to time to attend all or part of the Committee's proceedings. Under the leadership of the Group Chief Executive, the ESC reviewed the day-to-day operations of the Group including risk management, authorised certain investments, monitored Group performance and dealt with other specific matters delegated to it by the Board. The Committee usually met at least once between Board meetings and the minutes of the ESC were circulated to all Board members in advance of full Board meetings.

With effect from February 2008, the ESC was superseded by a Group Executive Board (GEB) with revised and broader terms of reference to clarify its role as the key executive committee in the Group. The GEB comprises the Group Chief Executive, the Group Finance Director, the managing directors of the main operating subsidiaries and the Company Secretary.

### Board performance and evaluation

A formal review of Board performance was undertaken by an external consultant who carried out an evaluation process which reported in March 2006. At its meeting on 6 March 2007 members of the Board reviewed progress and concluded that the Board and its main committees were working satisfactorily. A further internal exercise was carried out at the end of 2007 to identify areas where Board procedures might be further improved and the findings were reported at a meeting on 29 January 2008. The Board will continue to keep its performance under review and currently anticipates another review will be carried out in 2008 following the change in Group Chief Executive.

### Attendance at meetings

Directors' attendance at scheduled Board and Committee meetings convened in the year ended 31 December 2007 was as follows:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings in year	7	4	6	2
	Attended	Attended	Attended	Attended
<b>Non-Executive Directors</b>				
Peter Smith	7			2
Martin Angle (appointed 2 January 2007)	7	4	5	1***
Timothy Ingram	7	3	6	2
Fields Wicker-Miurin	7	4	4	2
Charles McVeigh	6	4	5	1
<b>Executive Directors</b>				
Aubrey Adams*	7			
Mark Dearsley* (appointed 3 September 2007)	3**			
Jeremy Helsby*	7			
Simon Hope*	7			
Robert McKellar*	7			
Rupert Sebag-Montefiore*	7			

\* Members of the ESC. The ESC met 11 times during the year. Mark Dearsley was appointed to the Committee on 27 November 2007.

\*\* Three Board meetings were held between 3 September 2007 and 31 December 2007.

\*\*\* Martin Angle was appointed to the Nomination Committee on 30 January 2007, one Nomination Committee was held between his appointment and 31 December 2007.

**Insurance cover**

The Company purchases insurance to cover its Directors and officers against their costs in defending themselves in civil legal proceedings taken against them in that capacity and in respect of damages resulting from the unsuccessful defence of any proceedings. The insurance does not provide cover where the Director has acted fraudulently or dishonestly.

As permitted by company law at the date of this report it is proposed that indemnities will shortly be granted to each of the Directors in 2008. No such indemnities had been granted at 11 March 2008.

**Directors' remuneration**

The Remuneration Report is set out on pages 75 to 83. The Remuneration Report will be put to shareholders at the Annual General Meeting in 2008.

**Relations with shareholders**

The Board seeks to maintain an open relationship and the Group Chief Executive and Group Finance Director have a regular programme of meetings with analysts and maintains a dialogue with shareholders which ensures that the Board is aware of shareholder sentiment. Meetings are held with major institutional shareholders regularly and include presentations at the time of the Company's preliminary announcement of annual and interim results. The Senior Independent Director makes himself available for the investor meetings held by the Group Chief Executive or Group Finance Director upon request. The Board also reviews a report at least once each year from its corporate broker on feedback from investors and the market's view of the Company.

The Annual Report and Accounts and Interim Statement are sent to all shareholders. The participation of private shareholders at the AGM is welcomed and all shareholders are invited to attend the Company's AGM, which is attended by the Board. In accordance with the Code, the Chairman declared the level and manner of voting of proxies lodged on each resolution at the AGM held during the year. The Chairmen of the Board's principal committees were present at the 2007 AGM to answer shareholders' questions as required. The Directors aim to give as much notice of the AGM as possible which will be at least 21 days, as required by the Company's Articles of Association. In practice, this Report and Notice of AGM are being sent to shareholders more than 20 working days before the AGM as required under the Code. The Notice of Annual General Meeting of shareholders and explanatory notes are sent to shareholders with this report.

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 recognises that it has overall responsibility for establishing and maintaining the Group's system of risk management and internal control to safeguard the shareholders' investment and the Group's assets, and for reviewing its effectiveness. The system of risk management and internal control is designed to manage but not to eliminate the risk of failure of the Group to meet its business objectives and as such only provides reasonable but not absolute assurance against material loss.

The Board confirms that it has conducted a review of the effectiveness of the system of risk management and internal control and that the system has been in place throughout the year and up to the date of approval of the accounts and complies with the 2005 Turnbull guidance.

Reflecting a commitment to the continued development of our system for risk management and internal control, a Group Risk Management Function was established during 2007 to support the activities of the Board, Group Risk Committee and operating subsidiaries.

Key elements of the Group's system of risk management and internal control during 2007 were:

- A comprehensive system for planning and reporting the performance of each operating subsidiary. The Board met regularly and reviewed the Group's overall results against plan and the previous year. The Group regularly updated its forecast of results. Clear responsibilities were 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 Executive Sub Committee;
- 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 were also closely involved in the day-to-day business of their respective operations identifying key risks and appropriate action to be taken;
- A Group Risk Management Policy which sets out our process for identifying, evaluating, assessing, and managing the key risks to our business objectives, supported by an appropriate organisational structure and clearly defined management responsibilities;

- A Group Risk Committee which reported to the Executive Sub Committee and was 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 Executive, Group Finance Director, senior subsidiary business management and Group function heads including the Group Risk Director;
- A framework of delegated authorities and control procedures, as defined by Group and subsidiary business policies, processes and standards, which are subject to regular review by the Group Risk Committee in light of key risk reporting and our changing risk environment; and
- 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;
  - An annual self assessment and certification by management of the existence and effectiveness of the controls within each of our operating subsidiaries. The results were collated for review and challenge by the Group Risk Committee and onward reporting to the Executive Sub Committee and Audit Committee; and
  - There were also 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.

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 2007;
- Reports from the Group Risk Committee including reporting on Group-wide key risk assessment activity and annual control self assessment findings; and
- Reports from the External Auditor on any issues identified during the course of their work.

The Audit Committee confirms that necessary actions have been or are being taken to remedy any matters identified from their review.

#### Going concern

After making enquiries, the Directors have reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Accounts.

By order of the Board

**Peter Smith**  
Chairman

11 March 2008