

Audit Committee report



Lucinda Bell Chair of the Audit Committee

2026 focus areas

- Ensure that the Board is well-positioned to make a declaration on the effectiveness of material controls as at 31 December 2026
- Monitor the implementation of the new finance system during 2026
- Review the appointment of Knight Frank as external valuers of the Group's portfolio in accordance with the Valuer Appointment Policy

Committee membership during 2025

	Independent	Number of meetings	Attendance ¹
Lucinda Bell	Yes	3	100%
Sanjeev Sharma	Yes	3	100%
Cilla Snowball ²	Yes	1	100%
Robert Wilkinson	Yes	3	100%

1 Percentages are based on the meetings entitled to attend for the 12 months ended 31 December 2025.

2 Cilla Snowball stepped down from the Board at the AGM on 16 May 2025.

Dear Shareholder,

I am pleased to provide you with an overview of the Committee's main activities and areas of focus during the year.

External Audit

As Sandra Dowling reached the end of her tenure as the Group's Audit Partner, a smooth transition has been made during the year to Allan McGrath. The Committee continues to be pleased with the performance and level of challenge provided by the PwC external audit team.

External audit / See page 150

Non-financial assurance tender

During 2025, the Committee conducted a competitive tender in respect to non-financial assurance. The tender was comprehensive and saw the appointment of PwC. Following completion of the 2025 non-financial assurance, the Committee was pleased with the synergy achieved by PwC in providing the combined assurance to the Group. We recognise that ESG disclosures continue to be a key feature of reporting and therefore during the tender, the opportunity was taken to further align the key performance indicators that are assured with the needs of our stakeholders.

Non-financial assurance tender / See page 145

Material controls

We remain on schedule for achieving compliance with the UK Corporate Governance Code 2024 in respect to the new declaration on the effectiveness of material controls to be included in the 2026 Report & Accounts. During the year, updates on the material controls project were provided to members of both the Audit and Risk Committees, which included a 'dry run' of the material controls assurance pack.

Our material controls / See page 147

Finance system project

Significant progress has been made during 2025 on the finance system project, which remains on target to 'go live' in 2026. The Committee has received regular updates on the project and discussed, in depth, the benefits and efficiencies to the wider business that will come from a new cloud-based and better integrated system solution.

Finance system project / See page 143

Further engagement

If you wish to discuss any aspect of the Committee's activities, I will be attending the forthcoming AGM on 15 May 2026 and would welcome your questions. I am also available via our Company Secretary, David Lawler.

Telephone: **+44 (0)20 7659 3000** or
Email: company.secretary@derwentlondon.com

Lucinda Bell
Chair of the Audit Committee

25 February 2026

Committee composition and performance

During the year under review, the Committee was composed of independent Non-Executive Directors with a wide range of experience, including real estate and finance (biographies are available on pages 118 and 119). The Board considers that the Committee (including its Chair, Lucinda Bell) is composed of a sufficient number of financial experts to discharge its duties, with an appropriate level of recent and relevant financial experience.

At the request of the Committee Chair, meetings are attended by the Board Chairman, the Head of Internal Audit, the external Auditors, and members of the Group's senior management team. To further facilitate open dialogue, the Committee holds private sessions with the internal and external Auditors without members of management being present.

During 2025, the Committee held three scheduled meetings (2024: four meetings), two of which included an update from the Group's external property valuers.

The 2025 evaluation of the Board, its committees and individual Directors was externally facilitated by the third party, Independent Audit Limited, in accordance with our three-year cycle of evaluations (see page 137). The review raised no significant matters or areas of concern in respect to the operation of the Committee.

The Committee's role and responsibilities are set out in the terms of reference, which were last updated in November 2024. The Audit Committee terms of reference are available on the Company's website at: www.derwentlondon.com/investors/governance/board-committees

Financial reporting

One of the Committee's principal responsibilities is to review and report to the Board on the clarity and accuracy of the Group's financial statements, including the annual Report & Accounts and interim statement. When conducting its reviews, the Committee considers:

- the appropriateness of accounting policies and practices applied (see note 40 on pages 271 to 275) including in respect to any significant transactions during the year;
- material accounting assumptions and estimates made by management (see note 3 on page 232);
- significant judgements and key audit matters identified by the external Auditor (see page 144 and pages 219 to 220);
- the effectiveness and application of internal financial controls (see page 149); and
- compliance with relevant accounting standards and other regulatory financial reporting requirements including the UK Corporate Governance Code and European Single Electronic Format (ESEF) requirements.

The Committee was pleased to be awarded 'Audit Disclosure of the Year' by the Chartered Governance Institute UK & Ireland on 4 November 2025. The award recognised the high standard of reporting and the Group's ongoing commitment to informative and transparent disclosures.

Finance system project

The Committee approved the commencement of the new finance system project in April 2024 with the primary objective of upgrading the core financial system to a cloud-based solution with enhanced functionality, improved integration and streamlined reporting.

Project leadership

To ensure the effective delivery and implementation of the finance project, a dedicated project team was established. The project team was tasked with evaluating the requirements, ensuring an appropriate timeline, engaging with key stakeholders and managing key risks throughout the project.

Vendor selection and peer engagement

During the preliminary stages, the project team evaluated various software solutions and made recommendations to the Committee. Additionally, engagement was sought with peers to obtain valuable insights on their experiences with differing software solutions and transformation projects. After deliberation, the Committee agreed with the project team's recommendation.

Risk management

The Committee continues to recognise the strategic importance of the finance system transformation project and therefore, alongside the Risk Committee, deemed it appropriate to update the Group's Schedule of Principal Risks in 2024 to include a new risk: 'Digital transformation risk' (see page 109).

Key milestones achieved

To date, the Committee is pleased with the progress made on the implementation of the project but recognises that the next six months are critical to achieve the target 'go live' in 2026.

Q2 2024	▪ Approval to commence project
Q3 2024	▪ Software demonstrations and peer engagement
Q4 2024	▪ Business case and key vendors approved
H1 2025	▪ Process scoping, detailed walkthroughs and design workshops ▪ Formal vendor assessments of supplementary software suppliers ▪ System design build
H1 2026	▪ Development of detailed project plan ▪ System build ▪ Data cleansing and change management ▪ Data migration and training
H2 2026	▪ 'Go live' date ▪ Post-implementation review

Audit Committee report continued

Significant financial judgements, key assumptions and estimates

Any key accounting issues or judgements made by management are monitored and discussed with the Committee throughout the year. The table below provides information on the key issues discussed with the Committee in 2025 and the judgements adopted.

Issue	Judgements or estimates	Outcome
Compliance with the Real Estate Investment Trust (REIT) taxation regime		
Should the Group not comply with UK REIT regulations, it could incur tax penalties or ultimately be expelled from the REIT regime, which would have a significant impact on the financial statements.	As a REIT, the Group benefits from tax advantages. Income and chargeable gains on the qualifying property rental business are exempt from corporation tax. Income that does not qualify as property income within the REIT rules is subject to corporation tax in the normal way. There are a number of tests that are applied, and in relation to forecasts, to ensure the Group remains well within the limits allowed of those tests.	The Group has a qualified and experienced Head of Tax who the Committee meets at least annually. The Committee noted the frequency with which compliance with the tests and regulations was reported to the Board and considered the substantial margin by which the Group complied. Based on this, and the level of headroom shown in the latest Group forecasts, the Committee agreed that sound application of judgement has been made.
Valuation on the Group's property portfolio		
Due to its size, nature and the direct impact upon the Group's net asset value, the Committee reviews the assumptions and estimates used in the valuation carried out by the external valuers.	The valuation considers a range of assumptions including future rental income, investment yields, anticipated outgoings and maintenance costs, future development expenditure and appropriate discount rates. The external valuers also make reference to market evidence of transaction prices for similar properties and take into account the impact of climate change and related environmental, social and governance (ESG) considerations. These are reflected in the financial statements and valuations (see note 15 on pages 243 to 247).	The valuation is performed twice yearly by the external valuers. Due to its significance, the valuation is also reviewed by the external Auditor. The Committee reviewed the underlying assumptions used in the valuation of the Group's development property portfolio in addition to the external valuer's objectivity and methodology. These procedures enabled the Committee to be satisfied with the assumptions and estimates used in the valuation of the Group's property portfolio. (see note 15 on pages 243 to 247).



Portfolio valuation

An important area of reporting risk relates to the valuation of our portfolio. Knight Frank have been our principal valuers since December 2022 and are responsible for valuing the property portfolio for both our interim and year end results. Additionally, Knight Frank succeeded Savills as valuers of our Scottish portfolio, which confirmed the Group's full compliance with the Royal Institution of Chartered Surveyors (RICS). In accordance with the Group's Valuer Appointment Policy, the Group's external valuer will be tendered at least every five years, subject to annual assessment of their effectiveness and objectivity.

As at 31 December 2025, our portfolio was valued at £5.1bn (2024: £5.0bn) and principally consists of 61 properties. Further information on our valuation is on pages 36 to 40. The valuation of our portfolio is a major component of EPRA net tangible assets (NTA) and is a key determinant for our investors when assessing our performance. Movements in the valuation are a significant part of how we measure our progress and a material determinant of the Group's total accounting return.

Due to its significance, the biannual valuation is overseen by the Audit Committee and is also subject to a detailed internal review by our Investment team, which consists of experienced and qualified professionals.

Key matters discussed during the meetings in 2025 included:

- the impact of the macroeconomy and valuation outlook for our London portfolio;
- the cost of EPC improvements included in the valuation;
- the progress of our major on-site developments and the impact on the valuation, including 25 Baker Street W1 and Network W1; and
- rental growth and occupational demand within the portfolio.

Effectiveness of the Group's valuers

A review into the effectiveness of the external valuer is performed after the year end and interim valuations, with assistance from Nigel George, Executive Director.

The effectiveness reviews for 2025 were conducted in February and August and considered:

- experience, qualification and objectivity of the Valuation team;
- quality of presentation and data; and
- robustness of the valuation.

At both meetings it was concluded that the external valuer performed to a high standard and the timetable for delivery was achieved.

 **Property review / See pages 35 to 51**

 **Regeneration projects / See pages 19 to 21**

 **Central London Office Market / See page 41**

Impact of climate change and ESG on the valuation

Following an independent third party assessment in 2021, approximately £97m of capital expenditure was identified to achieve 2030 EPC compliance across our London commercial portfolio. This figure is reviewed annually and has been revised to £73.7m to reflect the latest scope (change in building regulations), inflation, disposals, and the work carried out to date. Of this, Knight Frank made a specific deduction of £31m in their December 2025 external valuation. In addition, further amounts have been allowed for general upgrades between assumed tenant vacancies.

RICS valuation – Global Standards

Valuations are undertaken in accordance with the 'RICS Valuation – Global Standards' (the Standards). Knight Frank are responsible for monitoring any forthcoming regulation changes. The most recent changes came into effect on 31 January 2025 and were comprised of new Standards on automation, artificial intelligence and ESG, detailing the ESG considerations that a valuer should consider and report upon.

Old Street Quarter EC1

The Committee considered the work carried out by the Finance team to determine the appropriate pre and post-acquisition accounting for the Old Street Quarter EC1 site, anticipated to complete no earlier than late 2027. The Committee considered the anticipated cash inflows and outflows, the key assumptions made including the mix of end use type and value, planning regulations, inflation and likely project timeline.

Non-financial assurance

The Group is committed to its sustainability initiatives and continues to make good progress towards its target of net zero carbon by 2030. The Committee ensures that the effects and consequences of climate change are being adequately reflected in our financial statements and valuations.

Technical briefing

To further support the Committee's oversight of non-financial assurance, a technical briefing was held in November 2025. The Committee remains committed to monitoring developments in best practice and will continue to seek training/professional guidance where required.

Non-financial assurance tender

In alignment with governance standards, the Committee conducted a formal tender process for the role of non-financial assurance provider during the year to cover both sustainability and health and safety. Following the 2025 non-financial assurance audit, the Committee is pleased with the synergy created by PwC in delivering the combined assurance to the Group. PwC was selected as the Group's non-financial assurance provider following a comprehensive process, including an in-depth evaluation of candidate presentations and capabilities.

Audit Committee report continued

Review of the 2025 Report & Accounts

At the request of the Board, the Committee was asked to review the Group's Report & Accounts and to consider whether, taken as a whole, it was fair, balanced and understandable. In carrying out its review, the Committee had regard to the following:

Fairness and balance

- Is the report open and honest?
- Are we reporting on our weaknesses, difficulties and challenges alongside our successes and opportunities?
- Do we provide clear explanations of our KPIs and is there strong linkage between our KPIs and our strategy?
- Do we show our progress over time and is there consistency in our metrics and measurements?

Understandable

- Do we explain our business model, strategy and accounting policies simply, using precise and clear language?
- Do we break up lengthy narrative with quotes, tables, case studies and graphics?
- Do we have a consistent tone across the Report & Accounts?
- Are we clearly 'signposting' to where additional information can be found?

Specific considerations for the 2025 Report & Accounts

- Inclusion of an EPRA earnings and total accounting return outlook in relation to the Group's future prospects.
- The macroeconomic factors influencing the property market and the Group's main focus areas.
- Publication of updated Net Zero Carbon Pathway.
- Consultation with top 20 shareholders and proposed 2026 Remuneration Policy.
- The tender and appointment of PwC as the Group's non-financial assurance provider.
- Disclosures in respect to Old Street Quarter EC1.
- Enhanced disclosures on Fraud Risk Management in response to the new corporate offence, 'failure to prevent fraud' under the Economic Crime and Corporate Transparency Act 2023.
- The preparations undertaken to achieve compliance with the UK Corporate Governance Code 2024 in respect to the effectiveness of our material controls from 1 January 2026 onwards.
- Confirmation of our compliance with the Audit Committees and the External Audit: Minimum Standard.

The Committee paid particular attention to these changes to ensure they did not adversely impact the balance and clarity of the Report & Accounts.

Following its review, the Committee confirmed to the Board that the 2025 Report & Accounts is fair, balanced and provides sufficient clarity for shareholders to understand our business model, strategy, financial position and performance.

Audit Committees and the External Audit: Minimum Standard

The Committee confirms that for the year ended 31 December 2025, it has complied with the Audit Committees and the External Audit: Minimum Standard (the Standard).

The Committee has outlined in the table below the activities it has undertaken to meet the requirements of the Standard during the year.

Reporting area	Our activities
Significant issues that the Committee considered relating to the financial statements	See pages 143 and 144
Application of the entity's accounting policies	See page 271
Shareholders' request for certain matters to be covered in an audit ¹	See note 1 below
Assessment of the independence and effectiveness of the external audit process	See page 150
External audit tender and appointment ²	See page 150
An explanation of how auditor independence and objectivity has been safeguarded if non-audit services are provided	See pages 150 and 151
Details of the findings of a regulatory inspection of the quality of the company's audit ³	See note 3 below

1 As at 31 December 2025, we have not received any requests from shareholders that certain matters be covered in an audit.

2 A competitive external audit tender was last conducted in 2023 and saw the reappointment of PwC.

3 No regulatory inspection of the quality of the Company's audit took place in 2025.

Monitoring future regulatory developments UK Corporate Governance Code 2024

The revised UK Corporate Governance Code was published in 2024 and became applicable to financial years beginning on or after 1 January 2025. As at 31 December 2025 the Group is compliant with the Code, with the exception of provision 29, regarding internal controls, which is applicable to financial years beginning 1 January 2026.

During the year, significant work has been undertaken on the Group's material controls in preparation for the Board to make an effectiveness declaration in the 2026 Report & Accounts. The declaration on the effectiveness of material controls will include:

- a description of how the Board has monitored and reviewed the effectiveness of the risk management and internal control framework;
- a declaration of effectiveness of the material controls as at the balance sheet date; and
- a description of any material controls which have not operated effectively as at the balance sheet date, actions taken and/or proposed to improve them, and any action taken to address previously reported issues.

Further information on the work undertaken to date is on page 147.

Internal Audit

The Head of Internal Audit reports directly to the Committee and administratively to the Chief Financial Officer, with a remit to provide independent assurance over the Group's key risks. Internal Audit's purpose, authority and responsibilities are defined in the Internal Audit charter, which is periodically reviewed and approved by the Committee.

Internal Audit's activity is primarily driven by the annual internal audit plan which is discussed with management and jointly approved by the Audit and Risk Committees. The plan is a mixture of assurance and advisory reviews and is aligned to the Group's principal risks. It is reviewed throughout the year to ensure it remains appropriate, and any changes to the plan are approved by the Committee.

Both the Audit and Risk Committees receive regular updates on internal audit activity and monitor the implementation status of recommendations.

Reviews performed by Internal Audit and external assurance providers during 2025 include:

- Procurement: Property Management
- HR & Payroll Processes & Controls
- Critical Incident Management Procedures
- External & Internal Penetration Tests – Corporate & Portfolio
- Procurement: Development Projects
- Accounts Payable Processes & Controls
- Failure to Prevent Fraud Compliance
- Cyber Security Foundations

Annual review of the internal audit function

The Audit Committee reviewed the effectiveness of the internal audit function in February 2026 and is satisfied that it operates independently, objectively, and in accordance with relevant professional standards and codes of practice. The Committee considers internal audit to have provided robust assurance and valuable insight during the reporting period, supporting the Committee in fulfilling its oversight responsibilities.

2026 Internal Audit Plan

The 2026 Internal Audit Plan will be weighted towards the provision of advisory reviews across various elements of the finance system project, given the importance of successful delivery of the project.

Our material controls



Preparations have continued throughout the year to ensure readiness for compliance with the requirements of provision 29 of the UK Corporate Governance Code 2024, for the year ending 31 December 2026.

We have defined our material controls as those that are most important in mitigating key risks that threaten the long-term sustainability of the business, and where a failure of their effective operation, or a resulting omission and/or misstatement of information caused by the control failure is likely to influence decisions made by users of the information. They have been grouped into six categories as set out in the diagram above.

Having undertaken a proactive and comprehensive programme over the past two years to ensure readiness, Derwent London is well-prepared to comply with the new requirements.

Key milestones achieved to date have included the review and agreement of Derwent London's material controls and an assurance framework by the Board, supported by the Audit and Risk Committees. A range of stakeholder engagement has taken place, along with a 'dry run' of the draft assurance pack to provide an example of the evidence that will be collated to inform the declaration.

[▶ Our progress to compliance with provision 29 / See page 117](#)

Audit Committee report continued

Fraud Risk Management

During the year, both the Audit and Risk Committees received a comprehensive update on the Group's Fraud Risk Management Framework, which helps Derwent London assess its fraud maturity and ensures key elements of an effective control environment are in place. Its existence, supported by a detailed Fraud Risk Assessment, evidences the wide range of governance and monitoring practices in place, demonstrating a commitment to continuously review and enhance fraud controls. Together, the Framework and Assessment enable Directors to report on the adequacy of measures in place.

Fraud Risk Management Framework

The Group's Fraud Risk Management Framework is comprised of the following components:

- **Fraud Governance:** Well-protected organisations have a strong governance and reporting structure with clearly defined roles and responsibilities around fraud risk.
- **Fraud Risk Assessment:** A comprehensive assessment is fundamental to capture key fraud risks, assess the impact and identify key controls to prevent instances of fraud.
- **Fraud Prevention:** Operationally efficient controls that protect the organisation from internal and external fraud.
- **Fraud Detection:** Processes and systems that actively look for fraud in key risk areas.
- **Fraud Response:** The ability to rapidly and effectively investigate fraud, learn from incidents, identify root causes and prevent recurrences.

An internal assessment of Derwent London's Fraud Risk Management Framework was undertaken and it was determined it remains strong, with no material deficiencies identified.

Fraud Risk Assessment

A Fraud Risk Assessment was conducted to assess inherent risk (before controls) and residual risk (after controls) levels for key fraud-related areas facing Derwent London's operations. All mitigated risk levels were within tolerances, and management confirmed there were no known instances of fraud during the year. Management remain committed to continuously improving the control environment and opportunities to further strengthen existing fraud controls will be leveraged as part of the new finance system implementation.

Both the Fraud Risk Management Framework and Fraud Risk Assessment provide a comprehensive overview of fraud risks and controls in place. While fraud remains an inescapable threat, with a suite of robust controls in place, supported by a culture that has a zero-tolerance to fraudulent behaviour, Derwent London is well-positioned to both prevent and detect fraud.

Throughout the year, the Committee has remained informed on the new corporate offence, 'failure to prevent fraud' under the Economic Crime and Corporate Transparency Act 2023 (the Act), which became applicable from 1 September 2025.

The only defence available for an organisation is to have 'reasonable procedures' in place. An in-depth gap analysis against the Home Office's published guidance was undertaken to review the Group's procedures against the Home Office's six principles for establishing adequate procedures.

The Group's compliance with the relevant part of the Act and the strength of our 'reasonable procedures' were subject to independent review and assessment by Internal Audit. The review found a sound level of fraud prevention and detection controls to be in place, with only minor opportunities for continued improvement noted, reinforcing the Group's commitment to maintaining robust fraud governance procedures and the importance of safeguarding both the Company and wider stakeholder interests.

The following key prevention procedures are in place to mitigate the risk of fraud occurring within the organisation.



During the year, a series of activities have been undertaken in response to the legislative developments, including:

- mandatory compliance training for all employees during Q2 2025. The training focused on fraud and market abuse, with a dedicated module addressing the new 'failure to prevent fraud' offence;
- bespoke training from Burges Salmon for senior managers on the new 'failure to prevent fraud' offence; and
- publication of a third party whistleblowing reporting line to existing suppliers.

Further information on the work undertaken to ensure compliance with the Act is detailed on page 137.

Internal controls

Our internal control environment allows the Company to safeguard its assets, prevent and detect material fraud and errors, and ensure accuracy and completeness of its accounting records which are used to produce reliable financial information.

Our internal controls continue to mature. During 2025, we have undertaken the following key actions to further strengthen our internal controls:

- Implemented a new payroll system with controls that better help prevent and detect potential fraud and errors.
- Expanded the whistleblowing hotline to enable suppliers to also report concerns of suspected wrongdoing (previously limited to staff).
- Implemented a data analytics tool to help streamline the data collection and review process for VAT returns to ensure a digital end-to-end process.
- Enhanced the supplier portal to further streamline the set-up process and strengthen due diligence checks performed prior to onboarding.
- Enabled an employee risk score feature in our cyber security training platform to drive a more risk-based approach to training that tailors content based on employee engagement, knowledge and risk profile.
- Implemented several system-based policies that provide enhanced email security and better protect against email spoofing of our domain.
- Obtained our Cyber Essentials Plus recertification.
- Implemented a range of recommendations raised by Internal Audit and other external assurance providers to address deficiencies in control design and effectiveness to further strengthen the financial control environment for areas subject to review.

Effectiveness review

The Committee receives detailed reports on the operational effectiveness of internal financial controls from members of the senior management team and Internal Audit throughout the year. In addition, the outcome of the external audit at half year and year end is considered in respect of ongoing enhancements to internal controls.

On an annual basis, the Committee reviews the Group's Fraud Risk Management Framework (the Framework), and detailed Fraud Risk Assessment. The Framework helps management assess and improve upon its fraud resilience measures across a range of key components, while the Fraud Risk Assessment sets out the detailed controls which safeguard the Company and help prevent and detect fraud and errors. These documents were reviewed in light of the new 'failure to prevent fraud' offence and updated accordingly. See page 148 for more details.

As training and staff awareness forms part of the Group's internal control framework, the Risk Committee receives updates on key policies and procedures in place and how these are being communicated and complied with by our staff. Further information is on pages 124 and 163.

Following the Audit and Risk Committees' reviews (see page 103), the Chairs of each Committee confirmed to the Board that they are satisfied that the Group's internal control framework (financial and non-financial) and risk management procedures:

- operated effectively throughout the period; and
- are in accordance with the guidance contained within the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

Our internal financial controls operate within the following control environment and context:

Culture	Our values and strategic objectives are underpinned by our Code of Conduct and Business Ethics, which sets clear expectations for ethical behaviour. Senior management and the Board set a strong ethical tone and promote a culture that encourages employees to ask questions and challenge requests that do not follow standard procedures.
Governance and oversight	An independent and engaged Board, Audit Committee and Risk Committee oversee internal controls and risk management, with governance structures in place that support accountability, transparency and collaboration. A relatively flat structure allows close supervision and monitoring of key controls and business activity by members of the Executive Committee.
Group and organisational structure	We operate within a simple and transparent Group legal structure. Roles, responsibilities and authority levels are clearly defined, along with segregation of duties across all core business processes.
Income/costs	Rent, service charge, administrative costs (mainly salaries), interest and other finance costs are largely predictable. Quarterly management accounts analyse income and expenditure and are compared against the prior year and budget, with unexpected variances investigated and explained to management, who closely monitor financial performance.
Capital costs	Capital expenditure represents the Group's largest costs, with all projects subject to prior approval and ongoing budget monitoring. The majority of our significant payments are to development contractors, whose invoices are signed off by external monitoring agencies before additional layers of internal review, authorisation and payment.

Audit Committee report continued

External audit

The Committee has primary responsibility for managing the relationship with the external Auditor, including assessing its performance, effectiveness and independence annually and recommending to the Board its reappointment or removal.

The Company has complied with the provisions of the Competition and Markets Authority's order for the financial year under review in respect to audit tendering and the provision of non-audit services. The Committee last conducted a competitive external audit tender in 2023 and will conduct the next tender no later than 2033.

The Committee conducts an effectiveness review of the external Auditor on an annual basis which aims to ensure a robust audit is performed, auditor performance is optimised and encourages candid feedback and communication between the Auditor and the Committee. The aspects considered by the Committee during its review are detailed in the diagram below.

Audit quality can be challenging to define and measure. The Committee utilises Audit Quality Indicators (AQIs) to assess PwC's audit quality. The Committee finds the use of AQIs an effective addition to its review processes. The AQIs for the 2025 year end were:

- experience and continuity of the audit team;
- management and engagement team feedback;
- success in achieving the agreed timetable;
- number of audit misstatements, both adjusted and unadjusted; and
- number of control findings.

After taking all of these matters into account, the Committee concluded that PwC had performed their audit effectively, efficiently and to a high quality.

An important aspect of managing the external Auditor relationship is ensuring there are adequate safeguards to protect auditor objectivity and independence. In assessing this matter, the Committee considered:

- the Auditor's independence letter which annually confirms its independence and compliance with the Financial Reporting Council's (FRC) Ethical Standard;
- how the Auditor demonstrated professional scepticism and challenged management's assumptions, where necessary;
- the tenure of the external Auditor and the Lead Audit Partner;
- the outcome of the FRC's latest inspection of PwC's audit quality; and
- how the Auditor identified risks to audit quality and how these were addressed.

In assessing how the Auditor demonstrated professional scepticism and challenged management's assumptions, the Committee considered the depth of discussions held with the Auditor, particularly in respect to challenging the Group's approach to its significant judgements and estimates (see page 144).

Annual effectiveness review of the external Auditor



Audit and non-audit services in 2025

The audit fees incurred by PwC during the year totalled £644,160. In addition, PwC was remunerated £76,986 for the review of the interim results and £204,550 for other assurance and non-audit related services, of which £93,200 related to sustainability assurance and £70,000 related to the issuance of a corporate bond. The Committee confirmed that it does not believe that the level or nature of the non-audit services provided during 2025 have impacted on PwC's actual or perceived independence as Auditor.

Audit and non-audit fees	2025		2024		2023	
	£'000	%	£'000	%	£'000	%
Audit of Derwent London plc and subsidiaries	644	70	704 ¹	79	620	90
Review of interim results	77	8	74	8	71	10
Other assurance services	203 ²	22	111	13	-	-
Other non-audit services	2	0	-	-	-	-
Total fees	926	100	889	100	691	100
Non-Audit Services Policy						
Non-audit fees as a % of the average audit fee in the last three consecutive financial years		32		28		12
Headroom relative to 70% limit		38		42		58

1 Includes a net cost overrun of £30k;

2 Including bond offering (£70k), green bond (£40k) and sustainability (£93k) assurance.

Audit exemption

For the year ended 31 December 2025, a number of the Group's wholly owned subsidiaries are entitled to exemption from audit, under section 479A of the Companies Act 2006. We have identified which subsidiaries intend to utilise the audit exemption in the table on pages 282 to 283.

Derwent London plc is the ultimate parent company of these subsidiaries and has unanimously agreed to the adoption of the exemptions and to the granting of a guarantee in accordance with section 479C of the Companies Act 2006.

Non-audit services

The objective of maintaining the Non-Audit Services Policy (the Policy) is to ensure the independence of the external Auditor is not compromised and that the provision of such services does not impair the external Auditor's objectivity. The Policy was last approved by the Audit Committee in February 2026.

The Committee has provided pre-approval limits which allow management to appoint the external Auditor to conduct permissible non-audit services if they fall below an amount it deems as immaterial. The approval limits for non-audit services are provided below and are subject to review:

Value	Approval required prior to engagement
Up to £25,000	Chief Financial Officer
£25,001 to £100,000	At least two members of the Audit Committee (including the Committee Chair)
£100,001 and above	Board of Directors

Summary of the Non-Audit Services Policy

Under the Policy, all services provided by the external Auditor (other than the audit itself) are regarded as non-audit services. Our Policy draws a distinction between permissible services (which could be provided subject to conditions set by the Committee) and prohibited services (which may not be provided by the external Auditor except in exceptional circumstances when the Auditor has been provided with approval by the Financial Conduct Authority).

The type of non-audit services deemed to be permissible includes a review of the half year results and assurance work on non-financial data. In accordance with audit legislation, the total fees for non-audit services provided by the external Auditor to the Group shall be limited to no more than 70% of the average of the statutory audit fee for the Company paid to the Auditor in the last three consecutive financial years.

When reviewing requests for permitted non-audit services, the Committee will assess:

- whether the provision of such services impairs the Auditor's independence or objectivity and any safeguards in place to eliminate or reduce such threats;
- the nature of the non-audit services;
- whether the skills and experience make the Auditor the most suitable supplier of the non-audit service;
- the fee to be incurred for non-audit services, both for individual non-audit services and in aggregate, relative to the Group audit fee; and
- the criteria which govern the compensation of the individuals performing the audit.

In accordance with the FRC Ethical Standard, the Committee would also assess whether it is probable that an objective, reasonable and informed third party would conclude independence is not compromised.

Audit Committee report **continued**

Assurance over external reporting

Our approach to assurance is influenced by our risk appetite, our management approach and our culture.

Our approach

It is crucial that the information we disclose is relevant, informative and sufficiently transparent, so that our stakeholders can assess our performance and have trust in the integrity of our reporting. To keep our shareholders and the wider market informed, we release results on a half yearly basis, with a business update at the end of the first and third quarters. Our financial calendar for 2026 can be found on page 294.

Full year results announcement and annual Report & Accounts

Our financial year is the 12 months to 31 December, and we publish our full year results in late February. The disclosures contained in this announcement form the foundation for our annual Report & Accounts (principally the front end of the Strategic report as well as the financial statements).

Our financial statements are subject to audit by our external Auditor, PricewaterhouseCoopers LLP (PwC) and the entire annual Report & Accounts is subject to a fair, balanced and understandable review by both the Audit Committee and the Derwent London Board (see page 146). In addition, any key accounting issues or judgements made by management are reviewed and agreed with the Audit Committee (page 144). The main area of estimation uncertainty relates to the valuation of our portfolio. Our property portfolio is valued by external valuers for both our interim and year end results (see page 145).

Risks and uncertainties

Our principal and emerging risk registers are regularly reviewed by the Executive Committee and Risk Committee, prior to approval by the Board. As part of our review of principal risks, the Risk Committee utilises a Board Assurance Framework which identifies the key controls for each risk and the level of assurance available.

Going concern and viability

In order to assure our stakeholders that the Company remains viable for the next 12 months and into the medium-term (the next five years), we have provided detailed disclosures on pages 62 to 65. The process and assumptions underlying the short, medium and long-term assessments and scenarios, which form the going concern and viability statements, are subject to a detailed review by the Audit Committee and Board. As part of their audit, PwC tested the integrity of the underlying calculations within the going concern modelling, assessed the appropriateness of the key assumptions and agreed the underlying cash flow projections (see page 222).

Remuneration

Key disclosures in our Remuneration Committee report are subject to independent audit by PwC. Our remuneration disclosures are also reviewed by Deloitte LLP to ensure they are aligned with best practice. In addition, Deloitte LLP independently reviews the executive incentive outcomes under the Performance Share Plan and annual bonus to provide assurance to the Remuneration Committee that the outcomes have been accurately calculated.

Environmental, social and governance (ESG)

We understand the importance of clear and accurate reporting of key ESG data to our stakeholders. During the year, we have obtained independent limited assurance from PwC in accordance with ISAE 3000 (Revised) and ISAE 3410 Standards, in respect of:

- selected energy and carbon reporting metrics (energy data, Scope 1, 2 and 3 greenhouse gas emissions data, and intensity ratios); and
- selected health and safety metrics (all RIDDORs, fatalities, minor injuries, significant near misses and any enforcement notices data).

In addition, PwC have provided reasonable assurance over selected green finance KPI disclosures. The assurance statements are published in our Responsibility Report which is available on our website.

Historically, the Group has voluntarily disclosed under the Task Force on Climate-related Financial Disclosures (TCFD) since the 2018 Report & Accounts. These disclosures are now mandatory, and our TCFD disclosures are reviewed annually by PwC as part of their review of the annual Report & Accounts.

Other annual Report & Accounts disclosures

The rest of our Strategic report and governance disclosures are subject to detailed internal review and verification. Other key audit matters which, in the external Auditor's professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement were:

- valuation of investment properties; and
- valuation of investments in, and loans to, subsidiaries.

Information on PwC's audit of these disclosures is provided on pages 219 to 221.

Half year results announcement

In respect to the valuation, a similar process to year end is adopted with our investment properties being externally valued. The valuation is then reviewed by the Audit Committee and approved by the Board.

Although not legally required, our external Auditor performs a review on our half year results announcement. Whilst this is not to the same level of assurance as a year end audit, it does allow an independent review of our half year results announcement and any issues are raised and discussed with the Audit Committee.

Investor presentations

We prepare detailed investor presentations for year end and half year results. A significant amount of information contained in our investor presentations is extracted from results announcements released via the London Stock Exchange's regulatory news service (RNS). Any additional information is subject to a detailed internal review.

Quarterly business updates

We provide a market update with portfolio information in April/May and October/November. No financial numbers are provided, nor do we revalue or provide any forecasts in respect to the valuation of our portfolio. Due to the limited information provided, no external assurance is provided or deemed necessary. However, the announcements are subject to significant internal review and verification.

Annual Responsibility Report and our progress to net zero carbon

We publish an annual Responsibility Report which is structured around our seven key ESG priorities (see page 66) and is available to view on our website: www.derwentlondon.com/responsibility/publications. Certain environmental and health and safety metrics are subject to independent limited assurance under the ISAE 3000 (Revised) and ISAE 3410 Standards. This assurance captures the data we disclose on utility usage, energy consumption, embodied carbon, waste generation and health and safety.

In addition to TCFD (see pages 86 to 99), we report in accordance with the EPRA Sustainability Best Practices Recommendations and the International Sustainability Standards Board (ISSB). Disclosures are prepared by the Sustainability and Investor Relations teams. As well as being subject to detailed internal reviews, key environmental and health and safety metrics are reviewed by PwC as part of their external assurance work.

Other reports

There are a limited number of other financial reports provided to external stakeholders. These relate mainly to RNS and press release announcements of transactions. The announcements are subject to internal verification checks to ensure values, rental levels, areas and yields are fairly stated and, where material, are signed off by the CEO and CFO. In relation to acquisitions and disposals, figures are reconciled to cash movements and completion statements.

Key reporting risk area	Current level of assurance	Current provider	Further information
Financial statements	International Standards on Auditing (UK) and applicable law	PwC	Pages 226 to 283
Key EPRA financial metrics ¹	International Standards on Auditing (UK) and applicable law	PwC	Page 285
Portfolio valuation	External valuation in accordance with RICS Valuation Global Standards and the Red Book	Knight Frank	Pages 36 to 39
Environmental, energy and carbon	Selected metrics subject to limited assurance under ISAE 3000 (Revised) and ISAE 3410 standards	PwC	Pages 74 and 75
Health and safety statistics	Selected metrics subject to limited assurance under ISAE 3000 (Revised)	PwC	Page 81
Green Finance Framework and disclosures	Our Green Finance Framework received a Second Party Opinion (SPO) from DNV that it is aligned with the Loan Market Association's Extended Green Loan Principles 2021 and the International Capital Market Association's Green Bond Principles 2021. PwC have also provided 'reasonable assurance' over selected green finance KPI disclosures	PwC	Pages 60 and 61

¹ EPRA earnings and EPRA NAV metrics (EPRA NRV, EPRA NTA and EPRA NDV).