

# AUDIT COMMITTEE REPORT



**Lucinda Bell** Chair of the Audit Committee

## 2025 focus areas

- Ensure a smooth and effective transition to Allan McGrath, as the new external Lead Audit Partner
- Conduct a competitive tender in respect of our ESG assurance provider
- Continue to make progress on the effectiveness of material controls declaration that the Board will be required to make as at 31 December 2026
- Oversee the implementation of the new finance system which is expected to be completed during 2026

## Committee membership during 2024

	Independent	Number of meetings	Attendance <sup>1</sup>
Lucinda Bell	Yes	4	100%
Claudia Arney <sup>2</sup>	Yes	2	100%
Sanjeev Sharma	Yes	4	100%
Cilla Snowball	Yes	4	100%
Robert Wilkinson <sup>3</sup>	Yes	2	100%

<sup>1</sup> Percentages are based on the number of meetings that each member is entitled to attend for the 12 months ended 31 December 2024.

<sup>2</sup> Claudia Arney stepped down from the Board at the 2024 AGM.

<sup>3</sup> Robert Wilkinson was appointed as a member of the Audit Committee on 1 June 2024.

Dear Shareholder,

I am pleased to provide you with an overview of the Committee's activities.

### External audit

Following the comprehensive audit tender completed during 2023, PwC were reappointed as the Group's external Auditor and Allan McGrath will succeed Sandra Dowling as Lead Audit Partner for the year ending 31 December 2025. To ensure Allan has a full understanding of our business, he attended the Committee meetings in both November 2024 and February 2025, met with members of senior management and visited our portfolio. On behalf of the Committee, I extend our thanks to Sandra for her constructive challenge and commitment as Lead Audit Partner over her five-year tenure.

### Climate change and ESG disclosures

Climate change reporting continues to be an important matter for the Group. As ESG reporting continues to evolve, during the year the Committee reviewed the future legislation expected to come into effect and the implications on the Group. Deloitte has been the Group's ESG assurance provider since 2018. In accordance with best practice the Committee will conduct a tender for an ESG assurance provider during 2025.

### UK Corporate Governance Code

On 22 January 2024, the FRC published the revised UK Corporate Governance Code 2024 (the Code). A detailed review has been conducted to understand the Group's current position and preparation to achieve full compliance (see page 121). Additionally, our risks and controls have been reviewed with the aim of identifying the Group's material controls and the current level of assurance associated with them. The Committee recognises the importance of effective internal controls and has been pleased with the work of Julie Schutz, Head of Internal Audit.

### New finance system project

The Committee continues to be responsible for monitoring the effectiveness of the Group's internal controls, alongside the Risk Committee. As part of the ongoing review of the internal control environment, the Committee is monitoring the selection and implementation of a new finance system. The purpose of the new system is to provide significant improvements in efficiency, functionality and control. The Committee will continue to oversee the project until its completion, which is expected in 2026.

### Further engagement

I look forward to seeing you at the 2025 AGM. If you wish to discuss any aspect of this report, please contact me via our Company Secretary, David Lawler.

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

**Lucinda Bell**  
Chair of the Audit Committee

26 February 2025

## 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 122 and 123). The Board considers that the Committee (including its Chair, Lucinda Bell) is composed of a sufficient number of financial experts, with an appropriate level of recent and relevant financial experience, to discharge its duties. At the request of the Committee Chair, meetings are attended by the Board Chairman, the Head of Internal Audit, external Auditor, and members of the Group's senior management team. In addition, Deloitte regularly attends meetings when ESG assurance is discussed. To further facilitate open dialogue, the Committee holds private sessions with the internal and external Auditors without members of management being present.

During 2024, the Committee held four scheduled meetings (2023: four meetings), two of which included an update from the Group's external property valuers. In addition, the Risk Committee held three meetings during 2024.

The 2024 evaluation of the Board, its committees and individual Directors was internally facilitated by Mark Breuer, Chairman, in accordance with our three-year cycle of evaluations (see page 139). The review confirmed that the Committee continues to operate effectively, with no significant matters raised.

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](http://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 following:

- the accounting policies and practices applied (see note 41 on pages 263 to 267) including in respect to any significant transactions during the year;
- material accounting assumptions and estimates made by management (see note 3 on page 222);
- significant judgements and key audit matters identified by the external Auditor (see page 146 and pages 209 to 211);
- the effectiveness and application of internal financial controls (see pages 150 and 151); 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.

On 5 November 2024 we were pleased to be awarded 'Audit Disclosure of the Year' by the Chartered Governance Institute for our disclosure in the 2023 Report & Accounts.

## Review of the 2024 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 2024 Report & Accounts

- A 40th anniversary section which highlights key events and showcases some of our buildings over the years.
- Confirmation of our compliance with the Audit Committees and the External Audit: Minimum Standard.
- Our double materiality assessment and whether it clearly identifies our key ESG issues.
- The preparation undertaken to prepare the business for the UK Corporate Governance Code 2024 and ensure our compliance, including in respect of the effectiveness of our material controls.
- The outcome of the latest climate risk assessment conducted by Willis Towers Watson.

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

Following its review, the Committee confirmed to the Board that the 2024 Report & Accounts is fair, balanced and provides sufficient clarity for shareholders to understand our business model, strategy, financial position and performance.

## 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 2024 and the judgements adopted.

Issue	Judgements or estimates	Outcome
<b>Taxation and REIT compliance</b>		
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 annually, and in relation to forecasts, to ensure the Group remains well within the limits allowed within 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.
<b>Valuation of the Group's property portfolio</b>		
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 adopts 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. Where reasonable and measurable, the effects and consequences of climate change are reflected in these financial statements and valuations (see note 16 on pages 233 to 237).	The valuation is performed twice yearly by the external valuers and, due to its significance, 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 valuers' 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.



## 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 our property portfolio for both our interim and year end results. As at 31 December 2024, our portfolio was valued at £5.0bn (2023: £4.9bn) and principally consists of 62 properties. Further information on our valuation is on pages 61 to 65.

During the year, the Committee monitored the smooth transition from Savills to Knight Frank as valuers of our Scottish portfolio. The transition confirms the Group's full compliance with the Royal Institution of Chartered Surveyors (RICS) best practice guidance published in 2023.

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 return.

Due to its significance, the biannual valuation is overseen by the Audit Committee and 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 2024 included:

- the impact of the macroeconomy and valuation outlook for our London portfolio;
- the cost of EPC improvements included in the valuation;
- the programme of our major on-site developments; and
- the transition to Knight Frank as valuers of the Scottish portfolio.

### 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, with the most recent changes published in December 2024 with an effective date of 31 January 2025. The Standards now include a section on ESG, detailing the ESG considerations that a valuer should consider and report. Other updates to the Standards included greater clarification on valuation methods, record keeping and financial reporting.

### 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 2024 were conducted in February and August and considered the following:

- 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 60 and 73

→ Central London office market / See pages 15 to 17

→ Regeneration projects / See pages 20 and 23



## Valuation of the Scottish portfolio

Our Scottish assets, representing c.2% of the Derwent London portfolio, are concentrated on the northern edge of Glasgow, consisting of:

- 5,500 acres of rural land including woodland and grassland; and
- a 325,000 sq ft multi-let retail park with rental income of c.£4.0m pa.

Our operations in Scotland are predominantly focused on four main areas: agricultural operations, residential, commercial and projects. Our projects include the c.100 acre Lochfauld Solar Park which is under construction with installation of solar panels expected in H2 2025. Our Scottish assets were valued at £92.9m at 31 December 2024 (11.6% uplift from 2023).

- Strathkelvin Retail Park: 22.6% uplift
- Agricultural land: (0.7%) decline since December 2023

Due to refurbishments and lettings, the Strathkelvin Retail Park has increased in value by 22.6%. The slight decrease in the value of our agricultural land arose from capital expenditure relating to planning and building maintenance.

## AUDIT COMMITTEE REPORT continued

### Climate change and ESG disclosures

The Group is committed to be net zero carbon by 2030 and has set Science Based Targets initiative (SBTi) verified targets aligned to a 1.5°C climate scenario. The Committee's role is to gain assurance that the effects and consequences of climate change are being adequately reflected in our financial statements and valuations.

Climate disclosures and emissions reporting can be complex. During 2024, the Committee reviewed the emerging legislation expected to come into effect over the near to medium-term and the implications for the Group.

Following training received in 2023, the Committee is prepared to be compliant with the IFRS S1 & S2 legislation for accounting periods on or after 1 January 2025. Additionally, the double materiality assessment conducted in 2024 (see pages 42 and 43) will form part of our reporting in accordance with IFRS S2.

The Committee will continue to monitor developing best practice, and seek training/professional guidance when required, to ensure it continues to effectively oversee our reporting in this area.

### ESG assurance

During the year, Stephen Craig, from Deloitte LLP, took over the role of ESG assurance partner and presented the 2024 Audit Plan to the Committee. Assurance from Deloitte LLP is received on selected ESG metrics (see page 152 and 153).

In accordance with our governance policies and procedures the Committee expects to conduct a tender for the role of ESG assurance provider during 2025 due to Deloitte LLP having been the Group's ESG assurance provider since 2018.

### Impact 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 £86m to reflect the latest scope (change in building regulations), inflation, disposals, the acquisition of the remaining 50% interest in 50 Baker Street, and the work carried out to date. Of this, Knight Frank made a specific deduction of £41m in their December 2024 external valuation. In addition, further amounts have been allowed for general upgrades between assumed tenant vacancies.

- Environmental/ See pages 44 to 47
- Net zero carbon/ See pages 44 and 45
- Task Force on Climate-related Financial Disclosures/ See pages 102 to 115
- Double materiality assessment/ See pages 42 and 43

### Audit Committees and the External Audit: Minimum Standard

The Committee confirms that for the year ended 31 December 2024, it has complied with the Audit Committees and the External Audit: Minimum Standard (the Standard).

The Committee last conducted a competitive external audit tender in 2023. The Committee disclosed the criteria used to make its selection and the process followed on pages 150 and 151 of the 2023 Report & Accounts.

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

Reporting area	Our activities
Significant issues that the Committee considered relating to the financial statements	See pages 145 and 146
Application of the entity's accounting policies	See page 263
Shareholders request for certain matters to be covered in an audit <sup>1</sup>	n/a
Assessment of the independence and effectiveness of the external audit process	See page 154
External audit tender and appointment	See page 154
An explanation of how auditor independence and objectivity has been safeguarded if non-audit services are provided	See pages 154 and 155
Details of the findings of a regulatory inspection of the quality of the company's audit	n/a

<sup>1</sup> As at 31 December 2024, we have not received any requests from shareholders that certain matters be covered in an audit.

### Monitoring future regulatory developments UK Corporate Governance Code 2024

The Committee engaged with the FRC's consultation during 2023 and following the publication of the UK Corporate Governance 2024 (the Code) on 22 January 2024, the Committee conducted a detailed review of the changes. Derwent London is already compliant with the vast majority of new requirements, however, the key change is in relation to provision 29 with the new declaration on the effectiveness of material controls, which is effective from 1 January 2026.

The Board will be required to provide:

- 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, the action taken, or proposed, to improve them and any action taken to address previously reported issues.

Further information on the status of our preparations for the UK Corporate Governance Code 2024 is on page 121.

# Effectiveness of material controls

Following the publication of the UK Corporate Governance Code 2024, preparations are well underway to ensure compliance with the requirements of provision 29 for the year ending 31 December 2026. A timeline outlining the key milestones to achieving compliance is outlined below.

## Our approach

An initial proposal on material controls (financial and non-financial) and assurance has been reviewed by the Risk and Audit Committees and is subject to further enhancement in preparation for a 'dry run' in H2 2025.

Existing governance structures mean that the Board and its principal committees already report upon the effectiveness of a range of controls in the annual Report & Accounts. Efforts are therefore being focused on leveraging this strong foundation and strengthening any gaps to ensure the Board has the requisite level of confidence in making their annual declaration on the effectiveness of material controls.

## Identifying our material controls

Materiality for the purposes of complying with provision 29 of the Code has been informed by looking at Derwent London's risk appetite, Schedule of Principal Risks, Board Assurance Framework as well as detailed risk assessments and controls documentation. It takes into consideration the size, nature and complexity of our operations as well as the requirements of various reporting regimes, laws and regulations that we are obliged to comply with.

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 below.



## Assurance

While the Code does not require independent or external assurance to be obtained, for those material controls that have the highest impact of the long-term sustainability of the organisation and are most likely to influence decision makers, independent/external assurance will be sought in line with good practice.

To date, existing assurance activities have been mapped against proposed material controls using the Board Assurance Framework and knowledge of the assurance environment. An assessment of the strength of current assurance activities has been performed, and where gaps have been identified, recommendations for additional assurance have been made for consideration by the Board.

## Key milestones to compliance

January 2024	FRC published the UK Corporate Governance Code 2024 and supporting guidance
August 2024	Schedule of Principal Risks was rationalised
November 2024	Draft material controls and assurance proposal reviewed by the Risk and Audit Committees
H1 2025	Revised material controls to be reviewed and agreed in principle by the Audit and Risk Committees and the Board
H2 2025	A 'dry run' of material controls assurance pack to be reviewed by the Audit Committee and adjustments made as required
H1 & H2 2026	Updates on assurance outcomes performed throughout the year provided to the Audit Committee
H2 2026	Material controls assurance pack to be reviewed by the Audit Committee
December 2026	Annual Report & Accounts for year ending 31 December 2026 to include the Board's declaration on the effectiveness of material controls

■ Completed ■ In progress ■ To be completed

## Internal audit

The Internal Audit Plan for 2024 was jointly approved by the Risk and Audit Committees and was comprised of risk-based reviews across a range of business areas. Both Committees receive reports on internal audit activity and monitor the status of internal audit recommendations.

2024 was the first year in which Derwent London saw delivery of the Internal Audit Plan by the in-house Head of Internal Audit. A range of assurance and advisory reviews were delivered that have provided a meaningful contribution to the effectiveness of the organisation's governance, risk management and internal control frameworks.

Audits performed during 2024 include:

- Sales & acquisitions
- DL/Lounges & DL/App
- Accounts payable
- VAT compliance
- External & internal cyber security tests
- Environmental KPI control design

### Annual review of the internal audit function

A formal review of the effectiveness of the internal audit function and the internal audit process was conducted at the Audit Committee in February 2025, where it was concluded that the process had been conducted effectively and that the assurance received through internal audits had been beneficial to the Committee and management. The depth of business understanding from the in-house function has helped ensure recommendations are commercial and proportionate, solidifying the position of internal audit as both an assurance provider and a trusted adviser within the business.

### New Global Internal Audit Standards and Internal Audit Code of Practice

The International Internal Audit Standards Board (IIASB) released the new Global Internal Audit Standards (the Standards) in early 2024, with an effective date of January 2025. At the heart of the new Standards are five domains and 15 guiding principles that enable effective internal auditing, supported by a number of standards.

Following the update of the Global Internal Audit Standards, a new Internal Audit Code of Practice (the Code) was released by the Institute of Internal Auditors (IIA) in September 2024 to align with the revised Standards. The Code is also effective from January 2025. It is principles-based and is intended to fortify the role of internal audit in helping boards and management identify, manage and mitigate risks in an ever-evolving landscape.

An assessment was conducted in November 2024 and while compliance with the new Code is already at a good level, several areas for ongoing improvement have been agreed with the Audit Committee. These will be implemented during 2025 and beyond to demonstrate a commitment to continuous improvement and compliance with both the Code and the new Standards.

### 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. During 2024, we have undertaken the following key actions to further strengthen our internal controls:

- A new supplier portal has been developed and is live on the internal Derwent Central platform which helps automate the set-up process and strengthens due diligence performed on suppliers prior to onboarding.
- The new payroll system is scheduled to go-live in early 2025 which will allow for automated workflows between HR and Payroll.
- Cyber Essentials Plus certification has been obtained.
- A continuous learning approach to cyber awareness has been maintained, with employees completing a number of 'bite-sized' modules throughout the year. This helps to raise threat awareness in real-time and enables customised training.
- Implementation of recommendations raised in internal audit reports and by other external assurance providers to address control gaps and further strengthen the financial and non-financial control environment.

### Effectiveness review

The Committee receives detailed reports on the operation and effectiveness of internal financial controls from members of the senior management team and Internal Audit. 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), of which a fraud risk assessment is a key component. The Framework helps management assess and improve upon its fraud resilience measures across a range of key components, while the risk assessment sets out the detailed controls which safeguard the Company's assets and help prevent and detect fraud and errors. A heat map summarises residual risk scores based on the fraud risk assessment, and those risks with scores above tolerance levels have action plans in place to help further mitigate residual risk.

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 to, and complied with, by our staff. Further information is on pages 128 and 165.

Following the Audit and Risk Committees' reviews (see page 93), 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.

## Internal financial controls

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

- **Culture:** We have a defined set of values and strategic objectives that are supported by our Code of Conduct and Business Ethics which creates an environment that values integrity, openness, transparency and building long-term relationships. Our culture promotes collaboration and encourages employees to challenge requests that do not follow standard procedures.
- **Workforce:** Our flat structure and modest headcount (relative to asset values) allows for the close supervision and monitoring of activity by members of the Executive Committee.
- **Group structure:** A relatively simple Group legal structure with clear delegated authority limits and authorisation hierarchies.
- **Income/costs:** Rent, service charge, administrative costs (mainly salaries), interest and other finance costs are predictable. Quarterly management accounts are prepared that analyse income and expenditure and compare them with the prior year and budget, with unexpected variances investigated and explained.
- **Capital costs:** The largest costs incurred relate to capital expenditure. All capex on investment properties is approved and, where material, is subject to external confirmation before being paid. These approved budgets are monitored internally.

Overview of internal financial controls:

<b>Governance framework</b>	Our governance framework (see page 129) supports effective internal controls through an approved Schedule of Matters Reserved for the Board and the Executive Directors, supported by defined responsibilities, levels of delegated authority and supporting committees.
<b>Risk identification and monitoring</b>	Management regularly review and assess key risks facing the Group, including scenarios which could result in material financial and/or tax fraud or errors. Key risks are documented in risk registers, along with a schedule of key controls and key risk indicators. The schedule of key controls provides evidence of how the controls are being operated, their effectiveness and areas of potential weakness and further improvement. Risk management activities are overseen by the Risk Committee (see pages 156 to 165).
<b>Financial controls</b>	Comprehensive systems of financial control are in place including an annual budgeting exercise with three rolling forecasts, as well as a five-year strategic review. Breakeven and sensitivity analyses are included in both the five-year review and the rolling forecasts, with quarterly variance analysis performed between budget and actuals. A range of both preventative and detective controls, including segregation of duties, reconciliations, approvals, management reviews and exception reporting helps ensure accuracy and completeness of financial records.
<b>Treasury and tax controls</b>	Treasury activities are controlled by the Chief Financial Officer and Group Financial Controller. All large and/or complex transactions are discussed in advance with the Board and Executive Directors and are executed in line with delegated authority levels and reviewed externally by our advisers. Taxation is a complex area and is subject to frequent external review. Corporate tax returns are prepared internally by the Tax Manager and are reviewed by senior members of the Tax team and externally by tax advisers on a sample basis. Other higher risk areas like VAT, PAYE, SDLT and CIS are subject to thorough examination and testing and external advisers are consulted where necessary. We maintain an open relationship with HMRC which assessed our tax status in 2023 as 'low risk' in all categories. Further information on tax governance is on page 56.
<b>IT controls</b>	IT general controls are a fundamental part of the financial control environment and apply to all applications, databases and operating systems. They ensure appropriate access to, and integrity of our data, which ultimately flows through to the financial statements. A robust system of backup is in place to protect against the potential loss or corruption of data against the backdrop of ever-evolving cyber threats.
<b>Training and staff awareness</b>	Key policies and procedures are available to employees on our Group intranet. Employees are required to confirm their understanding of our key internal policies upon joining, and periodically thereafter as required for compliance purposes. Cyber risk training is delivered throughout the year to help maintain high levels of staff awareness and core system training is delivered when new systems are implemented, or ways of working are changed. The Group operates a 'Speak up' Policy which includes access to an anonymous reporting hotline to raise any concerns of perceived or actual misconduct, wrongdoing, or fraud (see page 128).
<b>External/Independent evaluation</b>	A range of external and independent evaluation is in place to provide an additional layer of assurance over the effective operation of key financial controls. The in-house internal audit function performed various assurance reviews during 2024 which included testing of a range of key financial controls. External advisers with specialist knowledge are periodically engaged to review particular financial controls. The implementation of recommendations arising from these reviews are monitored by the Risk and Audit Committees.



## Assurance over external reporting

Our approach to assurance is influenced by our risk appetite, our management approach and 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 quarters one and three. Our financial calendar for 2025 can be found on page 287.

### 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 145). In addition, any key accounting issues or judgements made by management are reviewed and agreed with the Audit Committee (page 146). 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 147).

### Impairment review

While impairment testing of trade receivables and accrued rental income recognised in advance of receipt is no longer a key area of estimation for the Group, it remains subject to extensive review by our internal team. As at 31 December 2024, our lease incentive and trade debtors, including impairment, amounted to £208.9m (2023: £204.5m) and an ECL provision of £4.6m has been recorded (2023: £4.6m) for bad debts (see pages 240 and 241).

### 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.

### 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.

### 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 86 to 89. 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 212).

### 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 Deloitte LLP 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 annual Responsibility Reports which are available on our website.

We have voluntarily disclosed under the Task Force on Climate-related Financial Disclosures (TCFD) since the 2018 Report & Accounts. As these disclosures are now mandatory, our TCFD disclosures are subject to periodic third party review, including in 2024.

### Other annual report 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;
- compliance with REIT guidelines; and
- valuation of investments in, and loans to, subsidiaries.

Information on PwC's audit of these disclosures is provided on pages 209 and 211.

## Half year results announcement

In respect to the valuation, a similar process to year end is adopted with our investment properties being independently valued, which is then reviewed at valuation meetings 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 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 40). 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, waste generation and energy consumption.

In addition to TCFD (see pages 102 to 115), we report in accordance with the EPRA Sustainability Best Practices Recommendations and the Sustainability Accounting Standards Board (SASB). Disclosures are prepared by the Sustainability and Investor Relations teams. As well as being subject to detailed internal reviews, the environmental and health and safety metrics are reviewed by Deloitte LLP 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. When reported, rent collection figures are generated internally from daily cash sheets and entered into our property management database. Given the daily nature of this information, and the immateriality of individual amounts, it is not considered practical to seek external assurance in relation to this information.

Key reporting risk area	Current level of assurance	Current provider(s)	Further information
<b>Financial statements</b>	International Standards on Auditing (UK) and applicable law	PwC	Pages 216 to 276
<b>Key EPRA financial metrics<sup>1</sup></b>	International Standards on Auditing (UK) and applicable law	PwC	Page 278
<b>Portfolio valuation</b>	External valuation in accordance with RICS Valuation Global Standards and the Red Book	Knight Frank	Pages 61 to 65
<b>Key performance indicators</b>	Detailed internal review and external assurance on specific KPIs from PwC and Deloitte LLP	PwC & Deloitte LLP	Pages 33 to 37
<b>Environmental, energy and carbon</b>	ISAE 3000 (Revised) and ISAE 3410 Standards 'limited assurance'	Deloitte LLP	Pages 58 and 59
<b>Task Force on Climate-related Financial Disclosures (TCFD)</b>	Detailed internal review and external review from PwC	PwC	Pages 102 to 115
<b>Health and safety statistics</b>	ISAE 3000 (Revised) Standard 'limited assurance'	Deloitte LLP	Page 53
<b>Green Finance Framework and disclosures</b>	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 & DNV	Pages 83 to 85

<sup>1</sup> EPRA earnings and EPRA NAV metrics (EPRA NRV, EPRA NTA and EPRA NDV).

## External audit

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

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 proposed AQIs for the 2024 year end were as follows:

- 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 following:

- the Auditor's independence letter which annually confirms their 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, including the network level controls the Auditor relied upon.

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 146).

### Annual effectiveness review of the external Auditor



## Audit and non-audit services in 2024

The audit fees incurred by PwC during the year totalled £673,975. In addition, PwC was remunerated £74,025 for the review of the interim results, £40,000 for green finance assurance, and £71,000 for other non-assurance related services. The Committee confirmed that it does not believe that the level or nature of the non-audit services provided during 2024 have impacted on PwC's actual or perceived independence as Auditor.

Audit and non-audit fees	2024		2023		2022	
	£'000	%	£'000	%	£'000	%
Audit of Derwent London plc and subsidiaries	674	78	620	90	657	90
Review of interim results	74	9	71	10	64	10
Other non-audit services	111	13	—	—	—	—
Total fees	859	100	691	100	721	100
<b>Non-Audit Services Policy</b>						
Non-audit fees as a % of the average audit fee in the last three consecutive financial years		28		12		11
Headroom relative to 70% limit		42		58		59

### Audit exemption

For the year ended 31 December 2024, 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 in the table on pages 274 to 276 which subsidiaries intend to utilise the audit exemption.

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 November 2023.

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 trivial. 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.