

## RISK COMMITTEE REPORT CONTINUED

### Risk tolerance

Like any business, we face a number of risks and uncertainties. An overview of the Group's risk profile, including commentary on Brexit, is available on page 46 to 47. The Group's risk tolerance is set by the Board and is the level of risk we are willing to accept to achieve our strategic objectives.

Our overall risk tolerance is low and is contained in our Risk Appetite Statement (see the table below for an overview of this statement). This tolerance, alongside our culture, informs how our staff respond to risk. Due to our open and collaborative work style, any potential problem, risk or issue is identified quickly so appropriate action can be taken.

Category	Risk tolerance		
Operational	Operational risks include health and safety risks, continuity of the IT system and retention of the senior management team.	Health and safety	Zero
		IT continuity	Low
		Staff retention	Medium
Financial	<p>Other than market-driven movements that are beyond the Group's immediate control, the Group will not generally accept risks where it is probable that:</p> <ul style="list-style-type: none"> <li>Asset values decline by more than £100m from the Group's annual budget.</li> <li>EPRA profit before tax deviates by more than £5m from the Group's annual budget.</li> <li>Cost overruns occur on capital projects of more than 5% of the approved capex budget.</li> <li>The Group's interest cover ratio will fall to within 20% of the level set in the Group's borrowing covenants.</li> </ul> <p>It is recognised that inherent market risk may result in these financial tolerances, in particular the assets limit, being exceeded. The Board accepts this market risk but seeks to manage and mitigate its impact where possible.</p>	REIT status	Low
		Credit rating	Low
		Decrease in asset value (>£100m)	Medium
		Profits (£5m)	Medium
		Cost overruns (>5%)	Medium
		Interest cover (<20%)	Medium
Reputational	The Group has a low tolerance for risk in connection with reputational risk. In particular, this level of risk tolerance relates to any action that could adversely affect the Derwent London brand.	Brand value	Low
Regulatory	The Group's tolerance for regulatory risk arising from statute or the UK Corporate Governance Code and from adherence to 'best practice' guides.	Statutory	Zero
		Governance	Low

Zero:	The Board has a zero tolerance to risk-taking
Low:	The Board is not willing to take any significant risks
Medium:	The Board is willing to take measured risks if they are identified, assessed and controlled
High:	The Board is willing to take significant risks

### Health and safety

The Group is committed to providing a safe environment at all our properties for the benefit of tenants, employees, contractors and visitors.

At each Committee meeting, a detailed update is provided on health and safety matters on both the managed portfolio and the development pipeline. The Committee also meet with ORSA, who were appointed as our corporate health and safety advisers for all construction projects from January 2017. ORSA outlined to the Committee the key health and safety risks at the major construction sites, including 80 Charlotte Street, the Brunel Building and Soho Place, and how these are being effectively managed.

The Committee's meeting in August included a site tour of the 80 Charlotte Street development hosted by Executive Directors and the site Project Manager. The tour enabled the Committee to see first-hand the health and safety procedures in place to protect workers, visitors and the local community.

Further information on health and safety matters can be found on page 80 of the Responsibility report. Although the majority of activities covered under the Responsibility report are under the remit of the new Responsible Business Committee, health and safety remains under the oversight of the Risk Committee.