Our principal risks

Our principal risks are not an exhaustive list of all risks facing the Group but are a snapshot of the Company's main risk profile as at 27 February 2024.

The Schedule of Principal Risks

The Board classifies the Group's most material risks as its 'principal risks'. Materiality is assessed based on the potential impact and its probability of occurring within the next 12 months. The key controls we have identified on pages 94 to 101 were in operation during the year under review and up to the date the 2023 Report & Accounts was approved.

Strategic

The Group's business model and/or strategy does not create the anticipated shareholder value or fails to meet investors' and other stakeholders' expectations.

Risk	Our actions	Key controls
1. Failure to implement the Group's strategy		
The Group's success depends on implementing its strategy and responding appropriately to internal and external factors including changing work practices, occupational demand, economic and property cycles. The London office market has generally been cyclical in recent decades, with strong growth followed by economic downturns, precipitated by rising interest rates. The impact of these cycles is dependent on the quality and location of the Group's portfolio. **Risk tolerance:** Low **Executive responsibility:** Paul Williams **Impact:** Should the Group fail to respond and adapt to such cycles or execute the projects that underpin its strategy, it may have a negative impact on the Group's expected growth and financial performance. **Strategic objectives:** 1 2 4 5 **Stakeholders:** Could potentially impact on all our stakeholders **Trend:** ^ Given the political and economic uncertainties, there has been a slowdown in the investment market although the letting market remains resilient. Occupier demand in London remains good for the right product in the right location, and the flight to quality continues.	**2023** • Annual Board Strategy meeting was held on 15 and 16 June 2023 which included an external presentation and discussion on the future of London. • Reviewed our portfolio for further asset management opportunities and reduced the vacancy rate. • Monitored letting progress and occupier demand for our buildings. • Progressed opportunities to self-generate renewable energy from our land holdings in Scotland. • Received political and economic updates from external advisers throughout the year. • Regularly liaised with occupiers to ensure our buildings are meeting their needs. **2024** • Examine opportunities for acquisitions and, in order to recycle capital, identify assets for disposal. • Continue with our current controls and mitigating actions, including operating the business on a basis that balances risk and income generation. **Key performance indicators:** • Total property return • Interest Cover Ratio (ICR) • Gearing & available resources In addition, we also consider inflation, interest rates and yield changes.	1. The Board maintains a formal schedule of matters which are reserved solely for its approval. These matters include decisions relating to the Group's strategy, capital structure, financing, any major property acquisition or disposal, the risk appetite of the Group and the authorisation of capital expenditure above the delegated authority limits. 2. Frequent strategic and financial reviews. An annual strategic review and budget is prepared for Board approval alongside two-year rolling forecasts which are prepared three times a year. 3. Assess and monitor the financial strength of potential and existing occupiers. The Group's diverse and high quality occupier base provides resilience against occupier default. 4. Maintain income from properties until development commences and have an ongoing strategy to extend income through lease renewals and regears. Developments are derisked through pre-lets. 5. Maintain sufficient headroom for all the key ratios and financial covenants, with a particular focus on interest cover. 6. Develop properties in central locations where there is good potential for future demand, such as near the Elizabeth Line. We do not have any properties in the City core or Docklands.

Strategic objectives

1 To optimise returns and create value from a balanced portfolio
2 To grow recurring earnings and cash flow
3 To attract, retain and develop talented employees
4 To design, deliver and operate our buildings responsibly
5 To maintain strong and flexible financing

Trend

Increased
Decreased
Unchanged

Financial

The main financial risk is that the Group becomes unable to meet its financial obligations. The probability of this occurring is low due to our significant covenant headroom (see page 88). Financial risks can arise from movements in the financial markets in which we operate and inefficient management of capital resources.

Risk	Our actions	Key controls
2. Refinancing risks (new)		
Inability to raise finance in a cost-effective manner that optimises the capital structure of the Group. **Risk tolerance:** Medium **Executive responsibility:** Damian Wisniewski **Impact:** Gradual rise in interest costs incurred as debt refinanced over the next few years, with a consequent impact on earnings and interest cover. **Strategic objectives:** 2 5 **Stakeholders:** Shareholders and debt providers **Trend:** Increased The availability and cost of financing has changed significantly in the past year and is a wider industry issue. Lenders are being more selective in terms of who they support and how much they lend with an impact upon liquidity.	**2023** • Recycling of capital is a key assumption in our annual budget and is updated in each five-year cash flow and rolling forecast. • Regular updates with our advisers to understand debt market trends. • Monitoring the impact upon financial covenants of valuation, interest cost and/or income movements. **2024** • Refinance the £83m secured loan expiring in October 2024. • Early and frequent engagement with existing and potential lenders. • Consideration of more asset disposals. **Key performance indicators:** • Gearing & available resources • Interest Cover Ratio (ICR) • EPRA Earnings Per Share (EPS)	1. Preparation of five-year cash flow, annual budgets and three rolling forecasts enable the Group to raise finance in advance of requirements. 2. Excellent long-standing relationships with funders. 3. Regular review of financial covenants to monitor the impact of changes in valuation, interest rates and rental income. 4. Going concern and viability reviews considered at least half yearly. 5. The Group's financial position is reviewed at each Executive Committee and Board meeting with update on leverage metrics and capital markets from the CFO. 6. Annual review with credit rating agency and low leverage tolerance.
3. Risk of occupiers defaulting or occupier failure		
The majority of the Group's revenues comprise rent received from our occupiers and any deterioration in their businesses and/or profitability could in turn adversely affect the Group's rental income or increase the Group's bad debts and/or number of lease terminations. **Risk tolerance:** Medium **Executive responsibility:** Paul Williams **Impact:** In the event that some of our occupiers went into default, we could incur impairments and write-offs of IFRS 16 lease incentive receivable balances which arise from the accounting requirement to spread any rent-free incentives given to an occupier over the respective lease term, in addition to a loss of rental income. **Strategic objectives:** 1 2 5 **Stakeholders:** Occupiers, shareholders and debt providers **Trend:** Increased Due to the current economic conditions, our occupiers could be facing increased financial difficulty. Inflation remained elevated through 2023. Significant cost increases pose a greater risk of occupier default and late payment. Although it should be noted that office rent typically remains a small proportion of a company's total overheads.	**2023** • We have maintained proactive engagement with our occupiers, dealing with their concerns on a case-by-case basis and supporting them as appropriate. • The Credit Committee continued to meet on a frequent basis, at least weekly. • We continued to support certain restaurants, retail and leisure occupiers in our buildings, as these businesses add value to our buildings and are seen as amenities for our other occupiers and local residents. **2024** • Continue with our current controls and mitigating actions. **Key performance indicators:** • Tenant retention • Void management In addition, we consider our Lease Incentive Debtor (LID) balance and level of rent deposits.	1. Assess and monitor the financial strength of potential and existing occupiers. The Group's diverse and high quality occupier base provides resilience against occupier default. 2. Focus on letting our buildings to large and established businesses where the risk of default is lower. 3. Active in-house rent collection, with regular reports to the Executive Directors on day 1, 7, 14 and 21 of each rent collection cycle. 4. Ongoing dialogue is maintained with occupiers to understand their concerns and requirements. 5. Rent deposits are held where considered appropriate.

MANAGING RISKS continued

Financial continued

Risk	Our actions	Key controls
4. Income decline		
Changes in macroeconomic factors may adversely affect London's overall office market. The Group is exposed to external factors which are outside the Group's control, such as future demand for office space, the 'grey' market in office space (i.e. occupier controlled vacant space), weaknesses in retail and hospitality businesses, increase in hybrid working, a recession, and subsequent rise in unemployment and/or interest rates. **Risk tolerance:** Medium **Executive responsibility:** Damian Wisniewski **Impact:** Such macroeconomic conditions lead to a general property market contraction, a decline in rental values and Group income, which could impact on property valuation yields. **Strategic objectives:** 1 2 5 **Stakeholders:** Shareholders and debt providers **Trend:** ^ Although not likely to impact on the Group in the short-term, the current economic situation could lead to some of our occupiers facing a more challenging financial situation. Footfall at restaurants, retail and leisure properties is likely to reduce, as consumer spending slows, which could impact on the revenues and operations of such occupiers. Retail, restaurants and hospitality occupiers account for approximately 7% of the Group's portfolio income. During a recession, leasing transactions can take longer to finalise as occupiers tend to adopt a 'wait-and-see' approach leading to a greater risk of aborted transactions.	**2023** • The Group produced a budget, five-year strategic review and three rolling forecasts during the year which contain detailed sensitivity analyses, including the effect of changes to valuation yields. • Quarterly management accounts were provided to the Board. • We worked to reduce our lease expiry exposure in 2023 through asset management activities and good relationships with our occupiers. • The 'tenants on watch' register was regularly reviewed to carefully monitor the financial performance of existing occupiers. • We maintained proactive engagement with our occupiers, dealing with their concerns on a case-by-case basis and supporting them as appropriate. **2024** • Continue with our current controls and mitigating actions, including operating the business on a basis that balances risk and income generation. **Key performance indicators:** • Tenant retention • Void management In addition, we consider the amount of 'grey space' and lease expiries/breaks.	1. The Credit Committee receives detailed reviews of all prospective occupiers. The focus is on large and established businesses where the risk of default is lower, and they also ensure the Group has a diverse range of occupiers. 2. A 'tenants on watch' register is maintained and regularly reviewed by the Executive Directors and the Board. 3. Ongoing dialogue is maintained with occupiers to understand their concerns, requirements and future plans. 4. The Group's low loan-to-value ratio and high interest cover ratio reduces the likelihood that falls in property values have a significant impact on our business continuity. 5. Regular review of the lease expiry profile. 6. Regular forecasts provide visibility of potential significant vacancies.
5. Fall in property values		
The potential adverse impact of the economic and political environment on property yields has heightened the risk of a fall in property values. **Risk tolerance:** Medium **Executive responsibility:** Nigel George **Impact:** A fall in property values will have an impact on the Group's net tangible assets (NTA) and gearing levels. **Strategic objectives:** 1 2 5 **Stakeholders:** Occupiers, shareholders and debt providers **Trend:** ^ A fall in property values was classified as a principal risk by the Risk Committee in August 2022. Since the publication of our 2022 Report & Accounts, the MSCI Central London Office Quarterly Index has shown negative capital growth movements. Despite the economic uncertainty, London remains resilient and occupier demand remains good for the right property in the right area and the flight to quality continues.	**2023** • The Group produced a budget, five-year strategic review and two rolling forecasts during the year which contain detailed sensitivity analysis, including the effect of changes in valuation yields. • Quarterly management accounts were provided to the Board and included the Group's performance against the financial covenants. **2024** • Continue to examine opportunities for further disposals to recycle capital. • Continue with our current controls and mitigating actions. **Key performance indicators:** • Gearing & available resources • Total property return • Void management • Reversionary percentage In addition, we consider the impact of changes in property yields.	1. The impact of valuation yield changes is considered when potential projects are appraised. 2. The impact of valuation yield changes on the Group's financial covenants and performance is monitored regularly and subject to sensitivity analysis to ensure that adequate headroom is preserved. 3. The Group's mainly unsecured financing makes management of our financial covenants more straightforward. 4. The Group's low loan-to-value ratio and high interest cover ratio reduces the likelihood that falls in property values have a significant impact on our business continuity.

Strategic objectives

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Trend

Increased
Decreased
Unchanged

Operational

The Group suffers either a financial loss or adverse consequences due to processes being inadequate or not operating correctly, human factors or other external events.

Risk	Our actions	Key controls
6a. Reduced development returns		
Returns from the Group's developments may be adversely impacted due to: increased construction costs and interest rates; material and labour shortages; movement in yields and adverse letting conditions. **Risk tolerance:** Medium **Executive responsibility:** Paul Williams **Impact:** Any significant delay in completing the development projects may result in financial penalties or a reduction in the Group's targeted financial returns. **Strategic objectives:** 1 2 **Stakeholders:** Suppliers and occupiers **Trend:** Increased Planning authorities have an increasing preference for refurbishment ahead of redevelopment. The Board is monitoring the potential impact of a tighter planning environment on our strategy and future development returns. We have secured a fixed price for 99.8% of the costs for our Network development and 99.0% of the costs for our 25 Baker Street development. However, our ability to secure fixed price construction will be more challenging, and it is likely that only part of future contracts will be fixed.	**2023** • Secured a fixed price for 99.8% of the costs for our Network development. • Monitored construction cost inflation in relation to future projects. • The Board and Executive Directors received regular updates on our principal developments including construction costs. • Specific risk assessments on budget allowances for inflation are kept under review on a quarterly basis to test adequacy of budgets. • Progressed on-site activities at 25 Baker Street and Network. **2024** • Progress planning applications for 50 Baker Street and Old Street Quarter. • Progress the design of Holden House W1. • Continue to monitor construction cost inflation. **Key performance indicators:** • Total return • Total property return • Development potential In addition, we consider construction cost inflation and project profitability status.	1. Our procurement process includes the use of highly regarded firms of quantity surveyors and is designed to minimise cost uncertainty. 2. Development costs are benchmarked to ensure that the Group obtains competitive pricing and, where appropriate, fixed price contracts are negotiated. 3. Post-completion reviews are carried out for all major developments to ensure that improvements to the Group's procedures are identified, implemented and lessons learned. 4. Investment appraisals are prepared and sensitivity analysis is undertaken to judge whether an adequate return is made in all likely circumstances. 5. The Group's pre-letting strategy reduces or removes the letting risk of the development as soon as possible.
6b. 'On-site' risk		
Risks that can materialise whilst on site include: • unexpected ground conditions; • deleterious material (including asbestos); • activity in adjacent sites/buildings; and • unidentified issues with the existing building. 'On-site' risks can cause development projects to be significantly delayed and could lead to penalties and a deferral of rental income. 'On-site' risks typically arise if inadequate site investigations have been conducted prior to starting work on site. **Risk tolerance:** Medium **Executive responsibility:** Paul Williams **Impact:** Risk of project delays and/or cost overruns caused by unidentified issues. **Strategic objectives:** 1 2 3 4 **Stakeholders:** Suppliers and occupiers **Trend:** Unchanged There has been no change in the risk profile during the period of this review. Ongoing vigilance is always required.	**2023** • Continued to engage with our contractors, subcontractors and supply chain to understand the impact of rising inflation on their operations. • The Board and Executive Directors received regular updates on our principal developments. • Quarterly cost reports provided an update on development progress from a cost, profitability and programme perspective. **2024** • We will continue with our current controls and mitigating actions. **Key performance indicators:** • Accident Frequency Rate (AFR) • Total property return	1. Prior to construction beginning on site, we conduct thorough site investigations and surveys to reduce the risk of unidentified issues, including investigating the building's history and adjacent buildings/sites. 2. Adequately appraise investments prior to starting work on site, including through: (a) the benchmarking of development costs; and (b) following a procurement process that is properly designed (to minimise uncertainty around costs) and that includes the use of highly regarded quantity surveyors. 3. Regular monitoring of our contractors' cash flows. 4. Frequent meetings with key contractors and subcontractors to review their work programme and maintain strong relationships. 5. Off-site inspection of key components to ensure they have been completed to the requisite quality. 6. Monthly reviews of supply chain issues for each of our major projects, including in respect to potential labour shortages.

MANAGING RISKS continued

Operational continued

6c. Contractor/subcontractor default

Risk

There have been ongoing issues within the construction industry in respect of the level of risk and narrow profit margins being accepted by contractors.

Risk tolerance: Medium

Executive responsibility: Paul Williams

Impact: Returns from the Group's developments are reduced due to delays and cost increases caused by either a main contractor or major subcontractor defaulting during the project.

Strategic objectives: 1 2 4

Stakeholders: Suppliers and occupiers

Trend:

There is an increased risk of insolvencies in the construction industry as a result of rising inflation and construction costs, which under fixed price contracts are a risk for the contractor and subcontractors. We have engaged with our principal contractors to ensure they have sufficient headroom under the fixed contracts to cope with rising costs. On a quarterly basis, we meet with key subcontractors to understand their businesses and pressures. We will continue to actively monitor the financial health of our main contractors and subcontractors.

Our actions

2023

- Engaged continuously with our contractors, subcontractors and supply chain to understand the impact of rising inflation on their operations.
- Accepted early ordering of materials ahead of their need on site to accelerate cash flow to our supply chain.
- The Board and Executive Directors received regular updates on our principal developments.
- Quarterly cost reports provided an update on development progress from a cost, profitability and programme perspective.

2024

- We will continue with our current controls and mitigating actions.

Key performance indicators:

- Total return
- Total property return

In addition, we consider average payment days to our suppliers, project delays and construction cost inflation.

Key controls

1. We use known 'Tier 1' contractors with whom we have established working relationships and regularly work with tried and tested sub-contractors.
2. Regular monitoring of our contractors, including their project cash flows, is carried out.
3. Key construction packages are acquired early in the project's life to reduce the risks associated with later default.
4. The financial standing of our main contractors is reviewed prior to awarding the project contract.
5. Our main contractors are responsible, and assume the immediate risk, for subcontractor default.
6. Payments to contractors are in place to incentivise the achievement of project timescales, with damages agreed in the event of delay/cost overruns.
7. Regular on-site supervision by a dedicated Project Manager who monitors contractor performance and identifies problems at an early stage, thereby enabling remedial action to be taken.
8. Contractors are paid promptly and are encouraged to pay subcontractors promptly. In addition, we externally publish our payment terms.

7a. Cyber attack on our IT systems

Risk

The Group may be subject to a cyber attack that results in it being unable to use its information systems and/or losing data.

Risk tolerance: Low

Executive responsibility: All Executive Directors

Impact: Such an attack could severely restrict the ability of the Group to operate, lead to an increase in costs and/or require a significant diversion of management time.

Strategic objectives: 1 2 3 4 5

Stakeholders: Could potentially impact on all our stakeholders

Trend:

There has been a heightened risk of cyber attacks amid escalating geopolitical tensions. To date, Derwent London has not experienced a significant increase in cyber attacks. Staff vigilance is critical to the prevention of cyber attacks. The Digital Innovation & Technology (DIT) team are proactive in providing regular guidance and refresher training to all employees on cyber security matters.

Our actions

2023

- Conducted an internal phishing test to help gauge the effectiveness of previous cyber security awareness campaigns with additional mandatory training being sent to anyone who did not pass the test.
- Enhanced the speed at which we can detect and respond to fraudulent and malicious emails with the introduction of new AI-driven technology.
- Sent out mandatory compliance training in Q3 on cyber security and cyber fraud.
- Introduced new AI-driven security awareness coaching with the ability to detect patterns of risky behaviour, identify high-risk users and tailor awareness programmes based on roles.
- Continued to develop and implement our Information Security Management Framework.

2024

- Continue to develop and implement our IT governance framework.

Key performance indicators:

Could indirectly impact on a number of our KPIs. In addition, we consider any security issues raised and the results of independent assurance reviews.

Key controls

1. The Group's Business Continuity Plan and cyber security incident response procedures are regularly reviewed and tested.
2. Independent internal and external penetration/vulnerability tests are regularly conducted to assess the effectiveness of the Group's security.
3. Multi-Factor Authentication is in place for access to our systems.
4. The Group's data is regularly backed up and replicated off-site.
5. Our IT systems are protected by anti-virus software, 24/7/365 threat hunting, security incident detection and response, security anomaly detection and firewalls that are frequently updated.
6. Frequent staff awareness and training programmes.
7. Security measures are regularly reviewed by the DIT team.

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Trend

Increased

Decreased

Unchanged

Risk	Our actions	Key controls
7b. Cyber attack on our buildings		
The Group is exposed to cyber attacks on its properties which may result in data breaches or significant disruption to IT-enabled occupier services. **Risk tolerance:** Low **Executive responsibility:** All Executive Directors **Impact:** A major cyber attack against the Group or its properties could negatively impact the Group's business, reputation and operating results. **Strategic objectives:** 1 2 3 4 5 **Stakeholders:** Could potentially impact on all our stakeholders **Trend:** Increased There has been a heightened risk of cyber attacks amid escalating geopolitical tensions. To date, Derwent London has not experienced a significant increase in cyber attacks. As part of the Intelligent Building Programme, the Digital Innovation & Technology (DIT) team have worked alongside our portfolio IT partner to conduct network and IT asset inventories and cyber security assessments.	**2023** • Conducted an internal phishing test to help gauge the effectiveness of previous cyber security awareness campaigns with additional mandatory training being sent to anyone who did not pass the test. • Created a risks, actions, issues and decisions (RAID) log for each building to identify any IT risks and track remediation. • Continued to collaborate with our IT partner on security hardening networks and infrastructure and standardising security controls across the portfolio. • Identified any information and communication technology (ICT) hardware that is reaching the manufacturer's end of supported life and collaborated with our IT partner on refreshing hardware if required. • Completed an audit with our internal auditors on the cyber security controls in place in relation to intelligent buildings. **2024** • Further develop our IT governance framework, security monitoring and security incident response procedures. **Key performance indicators:** Could indirectly impact on a number of our KPIs. In addition, we consider any security issues raised and the results of independent assurance reviews.	1. The Group's Business Continuity Plan and cyber security incident response procedures are regularly reviewed and tested. 2. Physical segregation between the building's core IT infrastructure and occupiers' corporate IT networks. 3. Physical segregation of IT infrastructure between buildings across the portfolio. 4. Frequent staff awareness and training programmes. Building Managers are included in any cyber security awareness training and phishing simulations. 5. Sophos Rapid Response team provides unlimited support to our Cyber Incident Response Team in the event of a cyber attack.
7c. Significant business interruption		
Major incidents may significantly interrupt the Group's business, its occupiers and/or supply chain. Such incidents could be caused by a wide range of events such as fire, natural catastrophes, cyber events, terrorism, pandemic outbreak, material supply chain failures and geopolitical factors. **Risk tolerance:** Medium **Executive responsibility:** All Executive Directors **Impact:** This could result in issues such as being unable to access or operate the Group's properties, occupier failures or reduced rental income, share price volatility or loss of key suppliers. **Strategic objectives:** 1 2 3 4 5 **Stakeholders:** Could potentially impact on all our stakeholders **Trend:** Unchanged Although not classified as a significant business interruption for Derwent London, rising geopolitical tensions have elevated global supply chain and market volatility.	**2023** • Review of flood risk to our portfolio with the assistance of external advisers. • Engaged with a portfolio IT partner to provide additional support for ICT infrastructure and cyber security assessments. • Remediated key findings from the last security penetration test and commissioned another independent internal/external test. • Completed a business continuity technical test and full disaster recovery test. • Conducted monthly vulnerability scans. • Continued to configure secure VPN connections and deploy fully encrypted laptops to enable secure hybrid working capabilities. **2024** • Continue with our current controls and mitigating actions. **Key performance indicators:** Could indirectly impact on a number of our KPIs. In addition, we consider any downtime incidences and the outcome of disaster recovery testing.	1. Fire protection and access/security procedures are in place at all of our managed properties. At least annually, a fire risk assessment and health and safety inspection are performed for each property in our managed portfolio. 2. The Group has comprehensive business continuity and incident management procedures both at Group level and for each of our managed buildings which are regularly reviewed and tested. 3. Continuous review of property health and safety statutory compliance. 4. Comprehensive property damage and business interruption insurance which includes terrorism. 5. Robust security at our buildings, including CCTV and access controls. 6. Most of our employees are capable of working remotely and have the necessary IT resources.

MANAGING RISKS continued

Operational continued

Risk	Our actions	Key controls
8. Reputational damage		
The Group's reputation could be damaged, for example, through unauthorised or inaccurate media coverage, unethical practices or behaviours by the Group's executives, or failure to comply with relevant legislation. **Risk tolerance:** Low **Executive responsibility:** All Executive Directors **Impact:** This could lead to a material adverse effect on the Group's operating performance and overall financial position. Our strong culture, low overall risk tolerance and established procedures and policies mitigate against the risk of internal wrongdoing. **Strategic objectives:** 1 2 3 4 5 **Stakeholders:** Could potentially impact on all our stakeholders **Trend:** > The Derwent London brand is well-regarded and respected within our industry. We demonstrate our brand and values through our actions, external memberships and associations. We value integrity and transparency.	**2023** • Rebranded our Whistleblowing Policy and procedures to 'Speak up' to encourage reporting and remove the stigma attached to 'whistleblowing'. • Published our updated Employee Handbook and Code of Conduct & Business Ethics to all employees. • Conducted a review of our key governance policies to ensure they remain up to date. • Continued to implement a mandatory compliance training programme for all employees (including Directors). **2024** • Continue to communicate and listen to our stakeholders. • Support our staff's training requirements. • Continue with our current controls and mitigating actions. **Key performance indicators:** • Total shareholder return • Accident Frequency Rate (AFR) • Staff satisfaction Could indirectly impact on a number of our KPIs. In addition, we consider compliance training completion rates and feedback received from employee and occupier 'pulse surveys'.	1. Social media channels are monitored, and the Group retains the services of an external PR agency to monitor external media sources. 2. The Executive Directors and Board receive ad hoc social media reports. Our social media strategy is approved by the Executive Directors. 3. Close involvement of senior management in day-to-day operations and established procedures for approving all external announcements. 4. All new members of staff attend an induction programme and are issued with our Group staff handbook. 5. A Group whistleblowing system is in place for staff to report wrongdoing anonymously. 6. Ongoing engagement with local communities in areas where the Group operates. 7. Staff training and awareness programmes.
9. Our resilience to climate change		
If the Group fails to respond appropriately, and sufficiently, to climate-related risks or fails to benefit from the potential opportunities. **Risk tolerance:** Low **Executive responsibility:** Nigel George **Impact:** This could lead to reputational damage, loss of income and/or property values. In addition, there is a risk that the cost of construction materials and providing energy, water and other services to occupiers will rise. **Strategic objectives:** 1 2 3 4 5 **Stakeholders:** Could potentially impact on all our stakeholders **Trend:** > Sustainability-related disclosure requirements are increasing. During the past 12 months, numerous publications have been released which could require additional disclosures on our net zero carbon plans, for example the ISSB (IFRS) Sustainability Disclosure Standards.	**2023** • Launched our new Responsible Asset Framework and a revised Responsible Development Framework. • We aligned our SBTi targets to a more challenging 1.5°C climate scenario in line with our net zero carbon ambition. • Received full planning consent for an 18.4 MW solar park at Lochfaulds and we have installed a solar array at Easter Cadder. • Published our latest Responsibility Report in April 2023. • Reviewed our climate change strategy at the June Board strategy meeting. **2024** • Review the results of latest climate risk scenario assessment and agree mitigation plans. • Progress the construction of our solar park, with delivery anticipated in 2025. • Roll out a new ESG data platform to collate and analyse key data points. **Key performance indicators:** • Total shareholder return • BREEAM ratings • Energy Performance Certificates (EPCs) • Energy intensity • Embodied carbon intensity	1. The Board and Executive Directors receive regular updates and presentations on environmental and sustainability performance and management matters, as well as progress against our pathway to becoming net zero carbon by 2030. 2. The Sustainability Committee monitors our performance and management controls. 3. Strong team led by an experienced Head of Sustainability. 4. Production of an annual Responsibility Report with key data and performance points which are internally reviewed and externally assured. 5. Undertake periodic multi-scenario climate risk assessments (physical and transition risks).

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Risk	Our actions	Key controls
10. Health and safety (H&S)		
A major incident occurs at a managed property or development scheme which leads to significant injuries, harm, or fatal consequences. **Risk tolerance:** Zero **Executive responsibility:** Paul Williams **Impact:** A major health and safety incident could cause loss of life, life-changing injuries, significant business interruption, Company or Director fines or imprisonment, reputational damage, and/or loss of our licences to operate. **Strategic objectives:** 1 2 3 4 5 **Stakeholders:** Could potentially impact on all our stakeholders **Trend:** Unchanged Construction activities can have a high inherent risk for injury, harm, or loss, particularly in demolition and early construction phases. In addition, serious accidents involving falls from height, pedestrian-vehicle collision, and slips and trips are still frequent within the Property Management and Maintenance sectors. Derwent London continues to work closely to ensure high levels of H&S compliance across all of our activities.	**2023** • Reviewed the internal H&S management system in line with updated legislation, guidance and best practice (Building Safety Act 2022, Fire Safety Act 2021, Fire Safety (England) Regulations 2022). • Registered our High Risk Buildings (HRBs) with the new Building Safety Regulator and developed building safety cases for those in scope of the Building Safety Act 2022. • Rolled out our Health & Safety Training Matrix and revised water hygiene protocols. **2024** • Ensure our internal policies and processes are effective and consistently applied across the portfolio. • Continue to develop the Director H&S Leadership Tours which were launched in 2023. • Continue to work with contractors on construction health, safety, and wellbeing. **Key performance indicators:** • Accident Frequency Rate (AFR) • Staff satisfaction In addition, we consider feedback received from employee and occupier surveys, and H&S training data.	1. Relevant and effective health, safety, and fire management policies and procedures. 2. The Group has a competent H&S team, whose performance is monitored and reviewed by the H&S and Risk Committees. 3. The H&S competence of our main contractors and service partners is verified by the H&S team prior to their appointment. 4. Our main contractors must submit suitable Construction Phase Plans, Management and Logistics Plans, and Fire Management Plans, before works commence. 5. The H&S team, with the support of internal and external stakeholders, support both our Development Project teams and our Managed Portfolio teams to ensure statutory compliance, effective reporting, and feedback. 6. The H&S team, with the support of external appointments and audits, ensure our Construction (Design and Management) (CDM) client duties are executed and monitored on a monthly basis. 7. The Board, Risk Committee and Executive Directors receive frequent updates and presentations on key H&S matters, including 'Significant Incidents', legislation updates, and trends across the development and managed portfolio.
11. Non-compliance with law and regulations		
The Group breaches any of the legislation that forms the regulatory framework within which the Group operates. **Risk tolerance:** Zero **Executive responsibility:** All Executive Directors **Impact:** The Group's cost base could increase and management time could be diverted. This could lead to damage to our reputation and/or loss of our licence to operate. **Strategic objectives:** 3 4 5 **Stakeholders:** Could potentially impact on all our stakeholders **Trend:** Increased The Group has been actively monitoring the proposed regulatory changes which could impact on our business, including the reform of the UK Prospectus and Listing regime, and the UK Economic Crime and Corporate Transparency Act 2023. Following the publication of the UK Corporate Governance Code 2024, the Board will ensure the Group is fully compliant with the revised provisions by the applicable dates, particularly in respect of internal controls.	**2023** • Following the development of our Fraud Risk Management Framework in 2022, we have been working towards the agreed focus areas. • Reviewed the internal H&S management system in line with updated legislation, guidance and best practice. • Arranged 'roundtable' training sessions with a data protection lawyer and specialist to discuss our current procedures. **2024** • Review the UK Corporate Governance Code 2024 to ensure our continued compliance. • Continue with our current controls and mitigating actions. **Key performance indicators:** • Total shareholder return • Accident Frequency Rate (AFR) • A significant diversion of time could affect a wider range of KPIs In addition, we consider compliance training completion rates and feedback received from employee and occupier surveys.	1. The Board and Risk Committee receive regular reports prepared by the Group's legal advisers identifying upcoming legislative/regulatory changes. External advice is taken on any new legislation, if required. 2. Managing our properties to ensure they are compliant with the Minimum Energy Efficiency Standards (MEES) for Energy Performance Certificates (EPCs). 3. A Group whistleblowing system ('Speak-up') for staff is maintained to report wrongdoing anonymously. 4. Ongoing staff training and awareness programmes. 5. Group policies and procedures dealing with all key legislation are available on the Group's intranet. 6. Quarterly review of our anti-bribery and corruption procedures by the Risk Committee.