

RISK COMMITTEE REPORT



RICHARD DAKIN
Chair of the Risk Committee

2023 FOCUS AREAS

- Ongoing monitoring of the Group's principal and emerging risks
- Monitor the risks arising from inflation and rising energy costs
- Ensure health and safety risks are being effectively managed across the Group
- Review results of a climate change risk analysis being performed by Willis Towers Watson and the portfolio's compliance with EPC regulations
- Review the outcome of the power rationing tests performed on the managed portfolio and the full disaster recovery test scheduled for Q2 2023
- Continue to receive regular updates on the Group's main development projects

COMMITTEE MEMBERSHIP DURING 2022

	Independent	Number of meetings	Attendance ¹
Richard Dakin	Yes	3	100%
Lucinda Bell	Yes	3	100%
Sanjeev Sharma	Yes	3	100%
Cilla Snowball ²	Yes	2	66%
Helen Gordon ²	Yes	2	66%

¹ Percentages are based on the meetings entitled to attend for the 12 months ended 31 December 2022.

² Cilla Snowball was unable to attend the Committee meeting in April due to illness. Helen Gordon was appointed to the Committee from 1 March 2022 and, prior to her appointment, advised the Committee Chair she would be unable to attend the first scheduled meeting in April. Both Cilla and Helen provided the Chair with their comments on the items being discussed at the meeting, which were raised on their behalf.

Dear Shareholder,

I am pleased to present our Risk Committee report for 2022 which describes our activities and areas of focus during the year.

Risk profile of the Group

There has been significant political and economic uncertainty during 2022. The macroeconomic environment has deteriorated with rising inflation, upward pressure on yields and the UK entering a downturn. As a predominantly London-based Group, we are particularly sensitive to factors that impact upon central London's growth and demand for office space.

Although the Group is well-placed to weather the uncertainty due to our strong balance sheet and conservative leveraging, some of our occupiers may face financial difficulty. The occupiers deemed to be most at risk are those which rely heavily on 'footfall' such as retail and hospitality, which make up only 7% of the Group's income. All occupiers, and the wider UK, are being impacted by inflation and rising energy costs. For the Group, this is putting considerable pressure on our service charges (see page 103).

Independent assurance

An important part of our overall risk governance is to review the results of independent reviews on a variety of risks. During 2022, we received the following assurance, in addition to the internal audits performed by RSM:

- **Water hygiene:** Our water hygiene management procedures were independently reviewed and tested.
- **Health and safety:** Outcome of Deloitte's assurance and RSM's internal audit.
- **Climate change:** Interim results of an independent risk assessment of our key climate change-related risks.
- **Cyber incidents:** An independent cyber incident assessment which tested the effectiveness of our procedures (see page 179).
- **Façade and fire safety:** Reviewed the annual Planned Preventive Maintenance surveys and risk assessments.

Further engagement

This will be my last report to you, as I step down as a Director on 28 February 2023. It has been an honour to serve as Risk Committee Chair at Derwent London since August 2014. Helen Gordon, Senior Independent Director, will be your Risk Committee Chair from 1 March 2023. The forthcoming AGM is on 12 May 2023. Helen Gordon will be available to answer any questions on the Committee's activities that you may have. If you wish to contact Helen, she is available via our Company Secretary, David Lawler.

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

RICHARD DAKIN
Chair of the Risk Committee

27 February 2023

Committee composition and performance

The Committee's membership for the year under review is detailed in the table below. Helen Gordon joined the Committee as a member on 1 March 2022 and will succeed Richard Dakin as Chair of the Committee from 1 March 2023.

In addition to the Committee members, the Board Chairman, other Directors, senior management and the internal or external Auditors, may be invited to attend all or part of any meeting as and when appropriate or necessary.

During the year under review, the Risk Committee met three times (2021: three meetings). The meetings in August and November included a joint session with the Audit Committee to review the outcome of the internal auditor's reviews (see page 165).

The Committee's role and responsibilities are set out in the terms of reference, which were last updated in August 2022, and are available on the Company's website at: www.derwentlondon.com/investors/governance/board-committees

The 2022 evaluation of the Board, its committees and individual Directors was externally facilitated by Manchester Square Partners LLP, in accordance with our three-year cycle of evaluations (see page 149). The review confirmed that the Committee continues to operate effectively, with no significant matters raised.

RISK MANAGEMENT

At Derwent London, the management of risk is treated as a critical and core aspect of our business activities. Although the Board has ultimate responsibility for the Group's robust risk identification and management procedures, certain risk management activities are delegated to the level that is most capable of overseeing and managing the risks.

In order to gain a comprehensive understanding of the risks facing the business and the management thereof, the Risk Committee invites senior managers and external advisers to present at its meetings.

A robust assessment of the principal risks facing the Group is regularly performed by the Directors, taking into account the risks that could threaten our business model, future performance, solvency or liquidity, as well as the Group's strategic objectives over the coming 12 months. Our principal risks are documented in the Schedule of Principal Risks (see pages 116 to 123) which includes a comprehensive overview of the key (financial and non-financial) internal controls in place to mitigate each risk and the potential impact. The Directors also review an assurance framework which evidences how each internal control is managed, overseen and (where appropriate) independently assured.

Due to its importance, changes to the Schedule of Principal Risks can only be made with approval from the Risk Committee or Board (changes made to our principal risks during 2022 are on page 113).

Further information on the Group's risk registers subject to review by the Risk Committee are detailed in the table on page 174.

The Audit Committee reviews the adequacy and effectiveness of the Group's system of internal financial controls which are described briefly in the table on page 160. The Audit Committee remains satisfied that the review of internal financial controls did not reveal any significant weaknesses or failures and they continue to operate effectively.

Following the Audit Committee's and Risk Committee's reviews, the Chairs of each Committee confirmed to the Board that it is 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.

Related information is on the following pages:

- OUR RISK MANAGEMENT STRUCTURE / See page 176
- INTERNAL FINANCIAL CONTROLS / See pages 160 and 161
- ASSURANCE OVER EXTERNAL REPORTING / See pages 162 to 164

Compliance training

The Group operates a compliance training programme which is mandatory for all employees and members of the Board. The Risk Committee oversees the programme, agrees the topics to be covered and receives an update on completion rates. The programme covers a range of risk and compliance topics (including anti-bribery and corruption, diversity and inclusion, data protection and modern slavery).

At the launch of each training topic, an introductory email is sent to participants advising them of why the training is important and links to further information (including Company policies and guidance notes).

The topics covered over the past two years are:

- insider trading;
- disability awareness;
- modern slavery;
- social media awareness;
- data privacy; and
- unconscious bias/respect in the workforce.

The Committee was pleased with the level of engagement from employees with, on average, c.98% of all participants (inclusive of the Board) completing each training module.

- MODERN SLAVERY / See page 185
- HUMAN RIGHTS / See page 66

RISK COMMITTEE REPORT continued

KEY ACTIVITIES OF THE COMMITTEE DURING 2022

The Committee has focused its attention on a variety of risks within four key categories: our business and clients, economic and political, environmental, and technology. We have identified below some of the Committee's key focus areas during 2022.

Business and clients

- **Development risks:** The Committee regularly reviewed the risk registers maintained for each of our major on-site developments. In addition, the Committee received updates on the wider factors which could impact on our developments, including construction cost inflation, supply chain disruption and material/labour shortages (see page 113).
- **Health and safety:** At each Committee meeting, a detailed update is provided on health and safety matters and identified key risks, both in the managed portfolio and development pipeline. In addition, all Directors were provided with refresher health and safety training.
- **Protocols for appointing contractors:** The Committee received an update on the Health and Safety team's involvement in the Group's development projects from concept design to post-occupancy health and safety evaluations.
- **Water management:** During 2022, our water management procedures were subject to independent review, which confirmed they were robust.
- **Competition risk:** The Committee received assurance that all Derwent London contracts for demolition and asbestos removal have been processed through a rigorous, competitive procurement process, administered by consultants. The Committee was advised that no Derwent London contracts featured in the list of contracts where the Competition Market Authority (CMA) found evidence of collusion.

Strategic objectives:    

Emerging risks: **A**

 See page 124

Principal risks: **1 2 3 5A 5B 5C 7 9A**

 See pages 116 to 122

Technology

- **Cyber security:** Our cyber security controls have been strengthened considerably in recent years in response to the increasing threat this poses to businesses, and it remains an area that the Committee keeps under continuous review (see pages 180 to 181).
- **Disaster recovery:** The Committee was kept apprised on the successful migration of the Company's disaster recovery suite to a new off-site data centre (see page 179).
- **Power shortage:** The Committee received a presentation from Arup on the shortage of electrical power in London. The Committee received assurance that the power allocation and supply for our existing managed portfolio was secure.
- **Power rationing:** Following the warnings issued by The National Grid in respect of potential power cuts, the Risk Committee requested a power rationing test be performed (see page 179) which would feed into the building's infrastructure risk register.

Strategic objectives:  

Emerging risks: **C H**

 See pages 124 and 125

Principal risks: **6A 6B 6C**

 See pages 120 and 121

Key to strategic objectives



TO OPTIMISE RETURNS AND CREATE VALUE FROM A BALANCED PORTFOLIO



TO ATTRACT, RETAIN AND DEVELOP TALENTED EMPLOYEES



TO MAINTAIN STRONG AND FLEXIBLE FINANCING



TO GROW RECURRING EARNINGS AND CASH FLOW



TO DESIGN, DELIVER AND OPERATE OUR BUILDINGS RESPONSIBLY

Economic and political

- **Planning risk:** Planning risk is an emerging risk for the Group (see page 125). The Committee requested that at each of its meetings, the Development team provide an update on the progress of planning applications for all major projects via the Committee's key risk indicator schedule.
- **Geopolitical risks:** The conflict in Ukraine, and the international response, has contributed to global supply chain disruption and commodity price inflation. The Committee received updates on the potential impact on our developments, supply chain and managed portfolio. In addition, the Committee received an update on management's procedures to ensure our compliance with sanction lists.
- **Recession risk:** Due to the current economic conditions, some of our occupiers could be facing a more challenging financial situation. The Committee was provided with updates on the Group's current default and arrears position, the level of service charge costs (in particular in relation to utility costs) and how we intend to mitigate the risk of non-recovery.
- **Inflation:** The Committee reviewed the projected impact of inflation on service charges. In addition, the Committee was kept apprised of any budget constraints due to construction cost inflation for our development projects.
- **Interest rates:** The Committee was advised of the impact of rising interest rates on Derwent London. In the short-term the impact will be marginal. At 31 December 2022, all of our debt was at fixed rates and we had £577m of cash and undrawn facilities (excluding deposits).

Strategic objectives:

Emerging risks: **B F**

See pages 124 and 125

Principal risks: **1 2 3 4 5A**

See pages 116 to 118

Environmental

- **Climate change:** The Committee was provided with updates on the progress of Willis Towers Watson's climate risk assessment and temperature scenario analysis. The Committee will review the final report in April 2023.
- **Training:** The Committee joined the Audit Committee for training on climate-related disclosures provided by Deloitte in November (see page 125).
- **Renewable energy:** Renewable energy provision (and related risks) is an emerging risk for the Group (see page 125). The Committee received an update on the availability and cost of sourcing renewable energy.
- **Energy Performance Certificates (EPCs):** The Committee received regular updates on the work performed by the Sustainability, Development and Asset Management teams to upgrade the EPC ratings of our buildings. The Group is fully compliant with the 2023 EPC regulations. The Committee will continue to monitor progress towards the proposed 2030 regulations, which may require a minimum EPC rating of B. During 2022, the Audit Committee considered the impact of ESG credentials and EPC capital expenditure on the valuation (see page 158).

Strategic objectives:

Emerging risks: **D E G H**

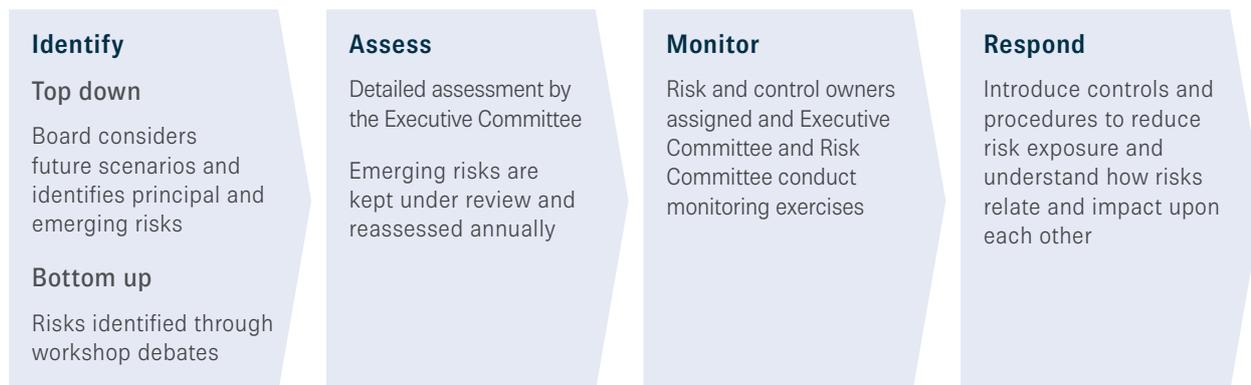
See page 125

Principal risks: **7 8 9B**

See pages 121 to 123

RISK COMMITTEE REPORT continued

RISK MANAGEMENT FRAMEWORK



Risk documentation and monitoring

Schedule of Principal Risks (see pages 116 to 123)	Contains the risks which are classified as the Group's main risks which are currently impacting on the Group or could impact the Group over the next 12 months. The Schedule of Principal Risks includes a comprehensive overview of the key controls in place to mitigate the risk and the potential impact on our strategic objectives, KPIs and business model. The Schedule of Principal Risks also includes an assurance framework to evidence how each control is managed, overseen, and independently verified. As at 31 December 2022, the Schedule of Principal Risks contains 14 risks (2021: 13 risks).
Schedule of Emerging Risks (see pages 124 to 125)	Contains the internal and external emerging risks that could significantly impact the Group's financial strength, competitive position or reputation within the next five years. Emerging risks could involve a high degree of uncertainty. As at 31 December 2022, the Schedule of Emerging Risks contains eight risks (2021: nine risks).
Group Risk Register	Risks not deemed to be principal to the Group are documented within the Group's Risk Register, which is maintained by the Executive Directors, with assistance from the Executive Committee. The Board reviews and approves the Group's Risk Register on an annual basis and it is reviewed by the Risk Committee at each of its meetings. As at 31 December 2022, the Group Risk Register contains 37 risks (2021: 34 risks).
Key risk indicators	The Risk Committee has identified risk areas which could indicate an increase in the Group's risk profile. These indicators are reviewed at each Risk Committee meeting and are compared against the Board's risk tolerance framework (see page 115). Any deviance or significant increase is subject to challenge by the Risk Committee. The risk indicator contains 10 risk areas including cyber security, cost inflation, project status, data protection, and health and safety incidents etc.
Functional/departmental risk registers	Risk registers are maintained at a departmental/functional level to ensure detailed monitoring of risks, where necessary. These registers are the responsibility of each department and are periodically reviewed by the Risk Committee during risk-specific presentations. Examples of these registers are the development risk registers for each building project and the 'tenant on watch' register.

Risk rating

We operate multiple risk registers depending on their potential impact on the business, from function-specific registers to our Schedule of Principal Risks (see table above). As part of the Directors' assessment process, we estimate the likelihood of the risk occurring and the potential quantitative and qualitative impacts. Risks are rated in accordance with the Board's risk appetite statement.

A simplified version of our risk rating criteria is provided below. Risks which are graded 'red' on a net basis (after mitigation) are included in the Group's Schedule of Principal Risks.

	Impact				
	1. Very low	2. Low	3. Medium	4. High	5. Very high
1. Almost certain					
2. Highly probable					
3. Possible					
4. Unlikely					
5. Very unlikely					

How do we identify risks?

- **Top down approach to identify the principal risks that could threaten the delivery of our strategy:** at the Board's annual strategy reviews, scenarios for the future are considered which assist with the identification of principal and emerging risks and how they could impact on our strategy. The continuous review of strategy and our environment ensures that we do not become complacent and that we respond in a timely manner to any changes.
- **Bottom up approach at a departmental and functional level:** risks are identified through workshop debates between the Executive Committee and members of senior management, analysis, independent reviews and use of historical data and experience. Risk registers are maintained at a departmental/functional level to ensure detailed monitoring of risks, where necessary. Risks contained on the departmental registers are fed into the main Group Risk Register depending on the individual risk probability and potential impact.
- **Independent assurance:** the Group's outsourced internal audit function performs reviews of the Group's departments and key activities which provides assurance to the Board and Committee that risks are being identified and effectively managed. In addition, these reviews highlight any recommendations for further action.

How do we assess risk?

Following the identification of a potential risk, the Executive Committee undertakes a detailed assessment process to:

- gain sufficient understanding of the risk to allow an effective and efficient mitigation strategy to be determined;
- allow the root cause of the risk to be identified;
- estimate the probability of the risk occurring and the potential quantitative and qualitative impacts; and
- understand the Group's current exposure to the risk and the 'target risk profile' (in accordance with the Board's risk appetite) which will be achieved following the completion of mitigation plans.

Where necessary, external assistance is sought to assess potential risks and advise on mitigation strategies. Emerging risks are kept under review at each Risk Committee meeting and are reassessed during the Board's annual strategy reviews.

How do we monitor risks?

Once a risk has been identified and assessed, a risk owner is assigned who is considered to be in the best position to influence and implement mitigation plans. In addition, under the Board's assurance framework, a control owner is assigned who can monitor and assess the effectiveness of the controls in place to address each principal risk.

As part of our risk management procedures, the Executive Committee and Risk Committee routinely conduct monitoring exercises to ensure that risk management activities are being consistently applied across the Group, that they remain sufficiently robust and identify any weaknesses or enhancements which could be made to the procedures.

Monitoring activities include:

- the regular review and updating of the Schedule of Principal Risks, Schedule of Emerging Risks and the Group's Risk Register;
- independent third party reviews of the risk management process to provide further assurance of its effectiveness;
- alerting the Board to new emerging risks and changes to existing risks;
- monitoring how the risk profile is changing for the Group; and
- providing assurance that risks are being managed effectively and where any assurance gaps exist, identifiable action plans are being implemented.

How do we respond to risk?

We implement controls and procedures in response to identified risks with the aim of reducing our risk exposure, so that it is aligned or below our risk appetite. The successful management of risk cannot be done in isolation without understanding how risks relate and impact upon each other. At Derwent London, we consider the interconnectivity between risks which allows us to prioritise areas that require increased oversight and remedial action. The mitigation plans in place for our principal risks are described on pages 116 to 123. We use insurance to transfer risks which we cannot fully mitigate.

Related information is on the following pages:

➤ INTERNAL AUDIT / See page 165

➤ EXTERNAL AUDIT / See page 166

➤ ASSURANCE OVER EXTERNAL REPORTING / See page 162

Insurance

Our comprehensive insurance programme covers all of our assets and insurable risks. We are advised by insurance brokers, who provide a report to the Risk Committee on an annual basis. We have a longstanding relationship with our property insurers, who perform regular reviews of our properties that aim to identify risk improvement areas. Due to our proactive risk management processes, Derwent London has a low claims record which makes us attractive to insurers.

RISK COMMITTEE REPORT continued

OUR RISK MANAGEMENT STRUCTURE

On an annual basis the Risk Committee reviews the Group’s risk management structure as certain risk management activities are delegated to the level that is most capable of overseeing and managing the risks.

The Board

- Overall responsibility for risk management and internal control
- Sets strategic objectives and risk appetite
- Sets delegation of authority limits for senior management
- Ensures that a healthy purposeful culture has been embedded throughout the organisation (with input from the Executive Directors)
- Agrees the Group’s strategy to managing climate change resilience, approving, and monitoring progress against our Net Zero Carbon Pathway (with input from the Responsible Business Committee)
- Manages the internal audit process jointly with the Audit Committee

Risk Committee

- Monitors and reviews the Board’s risk registers
- Works alongside the Board to set the risk tolerance levels for the Group
- Receives updates on key risks and monitors the Group’s risk indicators
- Determines the nature and extent of the principal and emerging risks facing the Group

In addition to the Risk Committee, the Board’s other principal committees manage risks relevant to their areas of responsibility.

Audit Committee	Remuneration Committee	Responsible Business Committee	Nominations Committee
<ul style="list-style-type: none"> • Reviews the assurance received for the information published in our financial statements and key announcements • Manages the external audit process and reviews the internal auditor’s reports jointly with the Risk Committee • Monitors the internal financial control arrangements, and satisfies itself that they are functioning effectively, and that corrective action is being taken where necessary 	<ul style="list-style-type: none"> • Ensures that remuneration and reward arrangements promote long-term sustainable performance and retention of key talent • Monitors the incentive framework to ensure it does not encourage Executive Directors to operate outside the Board’s risk tolerance 	<ul style="list-style-type: none"> • Oversees the Group’s policies in respect of modern slavery, the protection of human rights, achieving our Net Zero Carbon Pathway, and employee satisfaction and wellbeing etc. • Monitors the Group’s corporate responsibility, sustainability, and stakeholder engagement activities • Monitors the Group’s diversity and inclusion initiatives 	<ul style="list-style-type: none"> • Ensures the Board (and its committees) have the correct balance of skills, knowledge, and experience • Ensures that adequate succession plans are in place for the Board, Executive Directors and the wider talent pipeline

Executive Directors, with assistance from the Executive Committee

- Ensures the design and implementation of appropriate risk management and internal control systems that identify the risks facing the Company and enable the Board to make a robust assessment of the principal risks
- Responsible for internal and external communication on risk management and internal controls
- Maintains the Group’s risk registers
- Manages the Group’s risk management procedures
- Reviews the operation and effectiveness of key controls

Heads of Department

- Provides guidance and advice to staff on risk identification and mitigation plans
- Engages with the Executive Directors and senior management to identify risks
- Allocates ‘risk managers’ and oversees their response
- Risk management is devolved to the appropriate level most capable of identifying and managing the risk

Anti-bribery and corruption

We are committed to the highest standards of ethical conduct and integrity in our business practices and adopt a zero-tolerance approach to bribery and corruption. The Company has assessed the nature and extent of its exposure to bribery and corrupt practices and, overall, considers our exposure to be low. To address the risk areas identified, and other risks that may arise from time to time, the Company has established procedures which are designed to prevent bribery and corrupt practices from occurring. An overview of our policies and procedures in this area is contained in the table below.

The greatest potential risk area for Derwent London is in respect of our long supply chains. Our zero-tolerance approach is communicated to all of our suppliers, contractors and business partners. Before we enter into a new business relationship, our due diligence procedures determine if a third party has previous convictions under the Bribery Act. All contracts with suppliers or contractors prohibit the payment of bribes, or engaging in any corrupt practice, and we have the right to terminate agreements in the event a bribe is paid or other corrupt practice undertaken.

During 2023, the Group's anti-bribery and corruption procedures will be subject to review and all employees (including the Board) will receive refresher training on anti-bribery and corruption as part of the mandatory compliance training programme (see page 171).

Policy and procedures:

Corporate hospitality	Hospitality must be reasonable in value, appropriate to the occasion and provided openly and transparently. It must not compromise, nor appear to compromise, the Group nor the business judgement of our staff.
Business gifts	Generally, gifts should not be accepted unless valued at less than £50, are not cash or a cash equivalent (e.g. gift certificate), are appropriate to the circumstances and are not given with the intention of compromising or influencing the party to whom it is being given.
Hospitality and Gift Returns	All staff are required to complete quarterly Hospitality and Gift Returns which document all instances of third party hospitality or gifts (given or received) over that three-month period if the value is in excess of £50 for hospitality and £10 for gifts. The Hospitality and Gift Returns are subject to review by the Risk Committee.
Political donations	The Company strictly prohibits any political donations being made on its behalf.
Charitable donations	Charitable donations are handled by the Sponsorships and Donations Committee. 'Know your client' procedures are applied to charitable organisations to ensure we are dealing with a valid body acting in good faith and with charitable objectives.
Contractors and suppliers	As detailed above.
Supply Chain Responsibility Standard	Contains the minimum standards we expect from our major suppliers (further information on page 185).
Payments	All payments made must be warranted, transparent and proper. All payments must be accurately recorded through the normal accounting and financial procedures without any deception or disguise as to the recipient's identity or the purpose of the payment in question. No one approves their own expense claim. All expense claims must be approved by a Director or senior manager.
Facilitation payments	Facilitation payments are bribes and are strictly prohibited.
Conflicts of interest	All conflicts of interest or potential conflicts of interest must be notified to the Company Secretary and a register of such notifications is maintained. The Corporate Governance statement on page 146 explains our process for managing potential conflicts.
Training	We provide our employees with guidance notes and regular training on anti-bribery, corruption, ethical standards and the prevention of the facilitation of tax evasion.
Whistleblowing procedures	A confidential helpline is available for staff to report concerns anonymously (see page 139).

RISK COMMITTEE REPORT continued

BUSINESS CONTINUITY AND DISASTER RECOVERY

Our last full disaster recovery test was successfully completed on 25 June 2021. This included a failover of all critical IT infrastructure to our disaster recovery suite and all business applications were tested. The entire process, from the failover to our disaster recovery suite, to restoring services at 25 Savile Row, took six hours and 25 minutes (a 20-minute improvement on our previous full test completed in October 2018). The next full disaster recovery test is scheduled to take place in Q2 2023.

The strength of our business continuity and disaster recovery plans are regularly tested to ensure they are continually refined and to reduce the potential for failure. An overview of the disaster recovery tests due to take place during 2023 are provided in the table below.

Derwent London has formal procedures for use in the event of an emergency that disrupts our normal business operations which consist of:

Business Continuity Plan (BCP)

The BCP serves as the centralised repository for the information, tasks and procedures that would be necessary to facilitate Derwent London's decision making process and its timely response to any disruption or prolonged interruption to our normal activities. The aim of the BCP is to enable the recovery of prioritised business operations as soon as practicable.

Crisis Management Team (CMT)

The CMT is composed of key personnel deemed necessary to assist with the recovery of the business. The BCP empowers the CMT to make strategic and effective decisions to support the recovery of the business until we are able to return to normal working.

Off-site disaster recovery data centre

An off-site disaster recovery data centre is available in the event of an emergency, to provide continued access to IT services and data to our staff.

Testing and review

The strength of our business continuity and disaster recovery plans are regularly tested to ensure they are continually refined and to reduce the potential for failure.

Disaster recovery tests in 2023

Test	Purpose	Date
IT component test	A technical test of the individual components required to carry out a failover of IT services to our disaster recovery data centre.	Q1 2023
Business Continuity Plan review	The CMT team meets regularly to review and update the business continuity plan and cascade list, review current threat levels and agree on any action points.	Q2 2023
Full IT disaster recovery test	A full IT systems failover from our 25 Savile Row office to our disaster recovery data centre and testing that all IT functions and business-related activities can be adequately performed.	Q3 2023
Tabletop exercise	A tabletop group exercise to review our incident response procedures and rehearse various disaster recovery scenarios to ensure we are adequately prepared.	Q4 2023

POWER RATIONING

During 2022, due to the energy crisis faced by the UK, The National Grid announced the possibility of a power rationing programme being introduced across the UK which could result in rolling three-hour power cuts. Implementation of any such programme would be linked to cold weather events, availability of gas imports and production of renewable energy within the UK. Whilst considered unlikely to occur, the Risk Committee requested that the Property Management team conduct power rationing scenarios based on a total loss of power to test our portfolio business continuity plans.

Controlled electrical shutdowns were undertaken across the entire managed portfolio to test our systems' resilience and the outcomes captured and recorded. The testing covered all operational aspects of the building, with specific attention to life safety systems, loss of communications and security protocols.

Following completion of the shutdowns, disaster recovery plans were prepared specific to each site, and shared with occupiers, setting out the procedures to be followed in the event of power loss. It was agreed that a shortage of electrical power, and the risk of power rationing, was unlikely to have a significant impact on the Group's portfolio.

➤ SHORTAGE OF ELECTRICAL POWER / [See page 125](#)



DISASTER RECOVERY CENTRE

During 2022, our disaster recovery suite was successfully migrated to a new off-site data centre. As a result, our Disaster Recovery Plan was updated and we performed technical tests to ensure the resilience of our IT infrastructure.

The new data centre benefits from:

100%

uptime record

100%

renewable energy

Fully accredited

with ISO 27001, Cyber Essentials Plus and PCI DSS



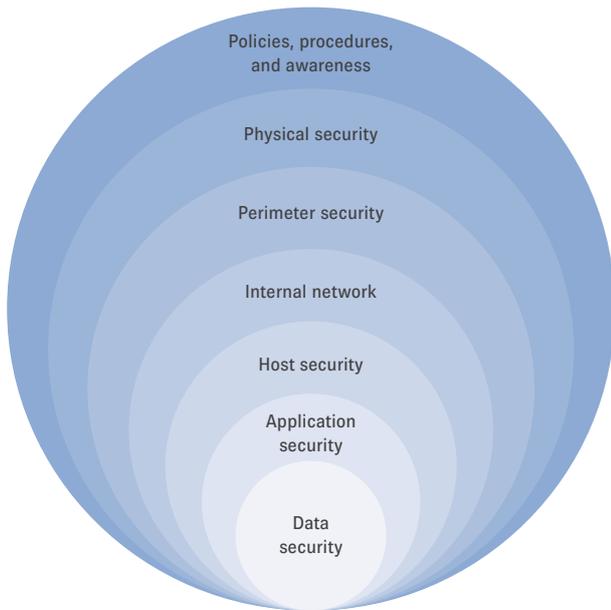
Members of the Digital Innovation & Technology team

RISK COMMITTEE REPORT continued

DIGITAL SECURITY RISKS

Cyber security

We adopt a layered approach to cyber security which provides multiple opportunities for threats to be identified before they can cause harm. Our layered security approach consists of the following:



Our cyber security procedures are subject to regular independent reviews and tests, which are presented to the Risk Committee, which monitors the implementation of any arising actions (see case study on page 181). In addition, PwC conducts annual IT control audits and RSM, our outsourced internal audit function, audited our cyber controls.

In February, our Digital Innovation & Technology (DIT) team provided additional awareness training to all staff in preparation for a potential increase in attacks arising from the conflict in Ukraine. In response to the NCSC's advice for organisations to improve their resilience with the cyber threat heightened, a number of additional controls were implemented to bolster our defences and improve our capability to detect and respond to cyber security incidents. Throughout the month of October, our DIT team also promoted Cybersecurity Awareness Month by sharing weekly cyber security themed emails with tips and guidance, posters and a quiz.

Related information is on the following pages:

- CYBER-RELATED PRINCIPAL RISKS / See page 120
- TECHNOLOGY-RELATED EMERGING RISKS / See page 124

Key performance indicators (KPIs)

The Committee reviews a dashboard of key risk indicators at each meeting which includes information security and cyber risk-related KPIs. During 2022, there was a 36% decrease in the total number of potential attacks when compared to 2021, none of which resulted in a security incident. 99.97% of the attempts were stopped before they reached the intended targets, with the remaining attempts immediately being reported to our DIT team. This highlights the robustness of our cyber security posture and awareness campaigns.

Information security

We have robust procedures in place to safeguard the security and privacy of information entrusted to us. As part of the Committee's key risk indicator schedule, we monitor the number of 'near miss' data breaches due to policy deviations and how these have been addressed. Our procedures ensure that we:

- maintain the confidentiality, integrity and availability of data and safeguard the privacy of our customers and employees, to ensure that the business retains their trust and confidence;
- protect the Group's intellectual property rights, financial interests and competitive edge;
- maintain our reputation and brand value; and
- comply with applicable legal and regulatory requirements.

We operate a Data Protection Steering Committee which meets on a quarterly basis and is comprised of Data Protection Champions from each department. The Committee receives annual updates on the work being performed.

Our DIT team routinely conducts supplier information security due diligence assessments as part of the on-boarding process for all new suppliers of digital services to help provide assurance on the security posture of our suppliers and reduce the risk of supply chain attacks.

Data Protection Impact Assessments (DPIAs) are also completed for any new projects or changes to processes that involve data processing, to help identify and mitigate any data privacy risks.

DIGITAL STRATEGY RISKS

The digital risks relating to our strategy are currently low as our reliance on data to operate our core business is minimal. As we increase the digitalisation of our business model, through our Intelligent Buildings Programme, our potential exposure will increase. A cyber attack on our buildings has been identified as a principal risk for the Group, and our key controls are detailed on page 120.

Intelligent Buildings Programme

In alignment with our strategy and purpose, the Derwent London Intelligent Buildings Programme seeks to enable our buildings to be digitally monitored and operated more efficiently, driving down equipment faults (and consequential maintenance) and delivering energy and operational carbon savings. During 2022, the Executive Committee monitored the phased roll out of the Intelligent Buildings Programme. The Committee will be kept updated on progress and its success. The key indicators of success will be the cost savings to our occupiers (due to early fault detection) and the operational carbon savings for our occupiers and Derwent London.

The main challenges which have been encountered during the initial roll out of the programme are network readiness in buildings, building remedial work and upgrades, and the need for additional building manager training. The DIT team are supporting the programme by:

- working alongside external advisers to compile risk registers for each building in our portfolio, in respect to their cyber security resilience. The review will identify whether there are risks outside of the Board's tolerance which will require rectification; and
- identifying how data can be collected from the Intelligent Buildings Programme and made available on our tenant portal to enable our occupiers to have greater access to information on their spaces.

Related information is on the following pages:

- NET ZERO CARBON / [See page 27](#)
- ENGAGEMENT WITH OUR OCCUPIERS / [See page 142](#)



The Featherstone Building EC1 – our first Intelligent Building

CYBER SECURITY: OUR CAPABILITY TO DETECT AND RESPOND

During 2022, we conducted a cyber incident response tabletop exercise which was independently reviewed to assess our ability to detect and respond to a given cyber security incident.

The review tested various scenarios which enabled the Digital Innovation & Technology (DIT) team to apply their 'playbooks' and identify potential improvements. The external assessor confirmed that we have sufficient technical capability in place to deal with the given scenarios and robust infrastructure that should prevent and/or detect cyber attacks.

“Derwent London have sufficient technical capability in place to deal with these scenarios. Employees are regularly trained in cyber security and know how to raise a cyber security issue to the technical teams. Those that attended the tabletop approached the scenarios in a logical manner.”

Quote from independent external assessor
Extract from CIR Report