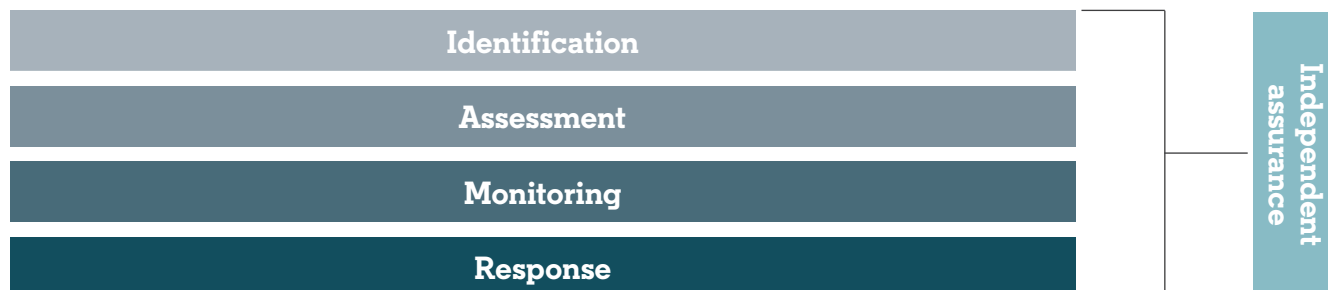


Risk management framework

Our risk management procedures are regularly reviewed and strengthened to ensure that all foreseeable and emerging risks are identified, understood and managed.

Our risk management framework is summarised below.



Identification

- **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.

Assessment

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 tolerance) 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.

Reinforced Autoclaved Aerated Concrete

Reinforced Autoclaved Aerated Concrete (RAAC) was commonly used in construction between the 1950s and 1990s. As a cost-effective material, it was predominantly used in government/institutional buildings, but this does not preclude its use in the wider industry. RAAC is now recognised as a deleterious material, with first instances of failure occurring in the 1990s.

Following the media reporting on failure of RAAC installations in several buildings, we undertook an independent review of our portfolio. An external consultancy was commissioned to review and survey the managed portfolio to confirm if RAAC was present in any of our buildings.

The portfolio was reviewed to identify sites which were constructed within the timeframe that RAAC was in use or had structural works undertaken within the specified period, with 19 properties identified for further investigation. Our investigations included:

- A site walk
- 'Back of house' inspection and identification of construction type
- Review of visible concrete and removal of suspended ceilings to access concrete behind
- Photographic survey
- Identification of further investigation required

The results of the surveys were presented to the Risk Committee in November 2023 and confirmed that RAAC was not present in our managed portfolio.

Monitoring

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.

Response

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 tolerance. The successful management of risk cannot be done in isolation without understanding how risks relate and impact upon each other. The mitigation plans in place for our principal risks are described on pages 94 to 101. We use insurance to transfer risks which we cannot fully mitigate.

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 long-standing 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.

Independent assurance

The Group's internal audit function performs periodic reviews of key activities and controls which provides independent assurance to the Board and Committee that risks are being identified and effectively managed. In addition, these reviews highlight any recommendations for further action.

➔ Assurance over external reporting / See page 154 and 155



Network W1

'Designing out' risk in our developments

We endeavour to ensure that our development schemes are designed to address and respond to the following strategic risks:

- Creating the right 'product' for the specific target market and its location
- Achieving adaptability for varying uses over the long-term to avoid obsolescence
- Designing for efficient buildability and modern methods of construction delivery
- Designing for cost effectiveness, material and carbon efficiency
- Enhancing our reputation for sustainable design excellence in the marketplace

As a minimum, our development schemes are designed to avoid or minimise the following risks:

- Health and safety, and fire safety risks
- Town planning and conservation risk
- Inclusive design risk (including ability discrimination)
- Operation and maintenance risk (including access, repair and replacement strategies)
- Adverse impacts on the local community

We carry out our own research and innovation initiatives across a broad spectrum of relevant subjects, that influence our design thinking. This includes our work on the Intelligent Building Programme. In February 2023, we updated the British Council for Offices (BCO) 'Guidance to Specification' criteria to include a recalibration of occupancy densities and building performance to reflect more accurately how buildings are occupied and used, enabling them to meet net zero carbon targets.