

Risk appetite

The Group’s risk appetite is set by the Board and is the level of risk we are willing to accept to achieve our strategic objectives. Our overall risk appetite is low with varying levels of risk tolerance. This, alongside our culture, informs how our staff respond to risk. Due to our open and collaborative working style, any potential problem, risk or issue is identified quickly so appropriate action can be taken.

During 2023, the addition of inherent and residual ‘risk ratings’ within our Schedule of Principal Risks made it easier for the Board to identify which risks were not aligned with its tolerance on a residual (after controls) basis:

- When assessing our health and safety risks, we consider all of our core activities, including the work of our contractors on site at our developments. Due to the nature of these activities, health and safety is classified as a ‘medium risk’ at residual level, which requires further contractor-led controls to be implemented and the adoption of best practice standards. As the Board is committed to promoting the highest health and safety standards, its tolerance for health and safety risks is set at zero. Further information on health and safety is on pages 54 to 55.
- Similarly, the Board’s tolerance for cyber threats is low. The Board recognises that due to the evolving nature of the threat, it is difficult to reduce the residual risk from medium to low. To provide the Board with comfort that our Digital Information and Technology (DIT) team are adopting a continuous improvement strategy towards our cyber security posture, we commission regular independent reviews and assessments (see pages 162 and 163).

Risk is inherent in running any business. At Derwent London we aim to deliver on our strategic objectives for the benefit of our shareholders and other stakeholders, whilst operating within the risk tolerance levels set by our Board.

Risk Appetite Statement

Summary of risk tolerance

Operational

Health and safety	Zero
IT continuity (including cyber attacks)	Low
Staff retention	Medium
Climate change resilience	Low
Other operational risks	Medium

Financial*

REIT status	Low
Credit rating	Low
Decrease in asset value (>£100m)	Medium
Profits (>£5m)	Medium
Cost overruns (>5%)	Medium
Interest cover (<20%)	Medium

Reputational

Brand value	Low
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Regulatory

Statutory	Zero
Governance	Low

* Financial amounts are measures of deviation from Group annual budget.

Key

Zero	The Board has a zero-tolerance approach and is committed to promoting full health & safety and statutory compliance
Low	The Board is risk averse and is reluctant to take 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

Time horizons

The Board seeks to assess and identify the risks facing the Group in the short-, medium- and long-term.

