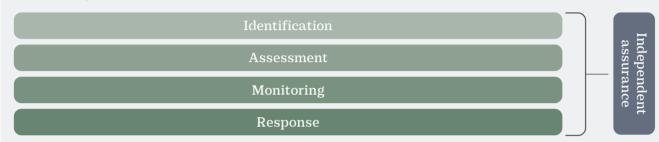
Risk management framework

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

Our risk management framework	is summarised below.
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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 principally identified by the Executive Committee and members of senior management, through 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 seeks 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 residual 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.

Monitoring

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 99. 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.