

## Risk management

The Board has conducted a robust assessment of the Group's emerging and principal risks (see pages 113 and 171) and has ultimate responsibility for the Group's overall approach to risk management. To ensure focused oversight, the Board operates a separate Risk Committee (its report is on pages 170 to 181). In addition, all of the Board's principal committees are responsible for mitigating risk related to its activities, for example, the assumptions made in the preparation of the Group's financial statements (Audit Committee), the need for robust succession planning (Nominations Committee) and the possibility of risk-taking beyond the Board's risk appetite in our remuneration structures (Remuneration Committee).

Responsibility for implementing our risk management strategy rests with the Executive Directors, with assistance from the Executive Committee. Our risk management structure is on page 176. Effective risk management requires all staff to adopt an open communication attitude to identifying threats early enough to enable risks to be properly assessed and mitigating strategies and controls to be implemented as necessary. We operate a mandatory compliance training programme for all staff, including Directors, which aims to raise awareness of key risk areas and our obligations (see page 171).

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 on page 174.

## Risk tolerance

The Group's risk tolerance is set by the Board and is the level of risk we are willing to accept to achieve our strategic objectives. Our overall risk tolerance is low and is contained in our Risk Appetite Statement (see the table below for an overview of this statement). This tolerance, 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.

Category	Risk tolerance	
<b>Operational</b>		
Operational risks include, for example, health and safety risks, continuity of the IT system and retention of the senior management team.	Health and safety	Zero
	IT continuity	Low
	Staff retention	Medium
	Climate change resilience	Low
	Other operational risks	Medium
<b>Financial*</b>		
Other than market driven movements that are beyond the Group's immediate control, the Group will not generally accept risks where it is probable that: <ul style="list-style-type: none"> <li>Asset values decline by more than £100m from the Group's annual budget.</li> <li>EPRA profit before tax deviates by more than £5m from the Group's annual budget.</li> <li>Cost overruns occur on capital projects of more than 5% of the approved capex budget.</li> <li>The Group's interest cover ratio will fall to within 20% of the level set in the Group's borrowing covenants.</li> </ul>	REIT status	Low
	Credit rating	Low
	Decrease in asset value (>£100m)	Medium
	Profits (>£5m)	Medium
	Cost overruns (>5%)	Medium
	Interest cover (<20%)	Medium
It is recognised that inherent market risk may result in these financial tolerances, in particular the assets limit, being exceeded. The Board accepts this market risk but seeks to manage and mitigate its impact where possible.		
<b>Reputational</b>		
The Group has a low tolerance for risk in connection with reputational risk. In particular, this level of risk tolerance relates to any action that could adversely affect the Derwent brand.	Brand value	Low
<b>Regulatory</b>		
The Group's tolerance for regulatory risk arising from statute or the UK Corporate Governance Code and from adherence to 'best practice' guides.	Statutory	Zero
	Governance	Low

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

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