MANAGING RISKS continued

OUR PRINCIPAL RISKS

The principal risks and uncertainties facing the Group in 2023 are set out on pages 116 to 123. We define a principal risk as one that is currently impacting on the Group or could impact the Group over the next 12 months. Our principal risks are not an exhaustive list of all risks facing the Group but are a snapshot of the Company's main risk profile as at 27 February 2023. The key controls identified were in operation during the year under review and up to the date the 2022 Report & Accounts was approved.

STRATEGIC

The Group's business model and/or strategy does not create the anticipated shareholder value or fails to meet investors' and other stakeholders' expectations.

Risk	Key controls	Our actions
1. FAILURE TO IMPLEMENT THE GROUP'S STRATEGY		
The Group's success depends on implementing its strategy and responding appropriately to internal and external factors including responding to changing work practices, occupational demand, economic and property cycles, and London's global appeal. The London office market has generally been cyclical in recent decades, with strong growth followed by sharp economic downturns, precipitated by rising interest rates and often coinciding with significant oversupply. **RISK TOLERANCE: LOW** The Board is risk averse and is reluctant to take risks. **EXECUTIVE RESPONSIBILITY:** Paul Williams (CEO) **IMPACT:** Should the Group fail to respond and adapt to such cycles or execute the projects that underpin its strategy, it may have a negative impact on the Group's expected growth and financial performance. **STRATEGIC OBJECTIVES** 1 2 3 4 5 **STAKEHOLDERS:** Could potentially impact on all our stakeholders **TREND:** Increased UK inflation rose substantially, peaking at c.11%, during 2022. Interest rates increased from a historically low 0.1% to 3.5% in 2022. Bond Yields and Gilts have also risen sharply (albeit from low bases). Given the political and economic uncertainties, there has been a slowdown in both investment and letting activities however, occupier demand in London remains good for the right product and the flight to quality continues.	• The Board approves the strategic plan and significant projects, which includes the development pipeline. The development pipeline has a degree of flexibility that enables plans for individual properties to be changed to reflect prevailing economic circumstances. • An annual strategic review and budget is prepared for Board approval alongside two-year rolling forecasts which are prepared three times a year. The Board considers the sensitivity of the Group KPIs to changes in the assumptions underlying our forecasts in light of anticipated economic conditions. If necessary, modifications are made. • We develop properties in locations where there is good potential for future demand, such as near the Elizabeth line. We do not have any properties in the City or Docklands. • We maintain income from properties until development commences and have an ongoing strategy to extend income through lease renewals and regears. We regularly de-risk developments through pre-lets. • The Credit Committee, chaired by either the CEO or CFO, assesses and monitors the financial strength of potential and existing occupiers. The Group's diverse and high quality occupier base provides resilience against occupier default. We also maintain close and frequent contact with our occupiers. • We maintain sufficient headroom for all the key ratios and financial covenants, with a particular focus on interest cover. **Key performance indicators:** • Total return • Total property return • Total shareholder return • EPRA earnings per share In addition, we also consider inflation, interest rates and yield changes.	**2022** • The Board held its annual Strategy Awayday on 16 June 2022 to discuss the Group's five-year strategy. The Board's strategy awayday included discussions on: – the sensitivity of our KPIs to changes in underlying assumptions including interest rates, timing of projects, average rents, level of capital expenditure and the extent of capital recycling; and – opportunities for acquisitions and disposals to recycle capital. • Monitored our portfolio for further asset management activities and managed the vacancy rate which has risen to 6.4% from 1.6%. • Monitored letting progress and demand for our buildings. • Progressed opportunities to self-generate renewable energy from our land holdings in Scotland and maintained dialogue with our occupiers to align our net zero carbon journeys. • Received political and economic updates from external advisers throughout the year. • Regularly liaise with occupiers to ensure our buildings are meeting their demands. **2023** • Examine opportunities for acquisitions and, in order to recycle capital, identify assets for disposal. • Seek further opportunities within the portfolio to upgrade or reposition assets to maximise returns, increase our 'Furnished + Flexible' offering and exploring Life Sciences possibilities. • Continue with our current controls and mitigating actions, including operating the business on a basis that balances risk and income generation.

STRATEGIC OBJECTIVES

1 To optimise returns and create value from a balanced portfolio
2 To grow recurring earnings and cash flow
3 To attract, retain and develop talented employees
4 To design, deliver and operate our buildings responsibly
5 To maintain strong and flexible financing

TREND

Increased
Unchanged
Decreased

FINANCIAL

The main financial risk is that the Group becomes unable to meet its financial obligations, which is not currently a principal risk. Financial risks can arise from movements in the financial markets in which we operate and inefficient management of capital resources.

Risk	Key controls	Our actions
2. RISK OF OCCUPIERS DEFAULTING OR OCCUPIER FAILURE		
The majority of the Group's revenues comprise rent received from our occupiers and any deterioration in their businesses and/or profitability could in turn adversely affect the Group's rental income or increase the Group's bad debts and/or number of lease terminations. **RISK TOLERANCE: MEDIUM** The Board is willing to take measured risks if they are identified, assessed and controlled. **EXECUTIVE RESPONSIBILITY:** Paul Williams (CEO) **IMPACT:** In the event that some of our occupiers went into default, we could incur impairments and write-offs of IFRS 16 lease incentive receivable balances which arise from the accounting requirement to spread any rent-free incentives given to an occupier over the respective lease term, in addition to a loss of rental income. **STRATEGIC OBJECTIVES:** 1 2 3 4 5 **STAKEHOLDERS:** Occupiers, shareholders and debt providers **TREND:** ↑ Due to the current economic conditions, our occupiers could be facing increased financial difficulty. The energy pricing crisis, the 10.1% increase in the London Living Wage and inflation have placed considerable pressure on our service charge operating levels. Significant cost increases pose a greater risk of occupier default and late payment.	• The Credit Committee, chaired by either the CEO or CFO, assesses and monitors the financial strength of potential and existing occupiers, with detailed reviews of all prospective occupiers being performed. • A 'tenants on watch' register is maintained and regularly reviewed by the Executive Committee and the Board. • Active rent collection, with regular reports to the Executive Committee on day 1, 7, 14 and 21. • We maintain close and frequent contact with our occupiers. • Rent deposits are held where considered appropriate. **Key performance indicators:** • Tenant retention • Void management In addition, we consider our Lease Incentive Debtor (LID) balance and level of rent deposits.	**2022** • We have maintained proactive engagement with our occupiers, dealing with their concerns on a case-by-case basis and supporting them as appropriate. • The Credit Committee continued to meet on a frequent basis, at least weekly. • We continue to support certain restaurants, retail and leisure occupiers in our buildings, as these businesses add value to our buildings and are seen as amenities for our other occupiers and local residents. **2023** • Continue with our current controls and mitigating actions.
3. INCOME DECLINE		
Changes in macroeconomic factors may adversely affect London's office market. The Group is exposed to external factors which are outside the Group's control, such as future demand for office space, the 'cost of living' crisis, the 'grey' market in office space (i.e. occupier controlled vacant space), weaknesses in retail and hospitality businesses, increase in hybrid working and the depth of a recession, and subsequent rise in unemployment and/or interest rates. **RISK TOLERANCE: MEDIUM** The Board is willing to take measured risks if they are identified, assessed and controlled. **EXECUTIVE RESPONSIBILITY:** Paul Williams (CEO) **IMPACT:** Such macroeconomic conditions lead to a general property market contraction, a decline in rental values and Group income, which could impact on property valuation yields. **STRATEGIC OBJECTIVES:** 1 2 3 4 5 **STAKEHOLDERS:** Shareholders and debt providers **TREND:** ↑ Although not likely to impact on the Group in the short-term, the current economic situation could lead to some of our occupiers facing a more challenging financial situation. Footfall at restaurants, retail and leisure properties is likely to reduce, as consumer spending slows, which could impact on the revenues and operations of such occupiers. Restaurants and hospitality occupiers account for approximately 7% of the Group's portfolio income. During a recession, transactions can take longer to finalise, occupiers tend to adopt a 'wait-and-see' approach leading to a greater risk of aborted transactions.	• The Credit Committee receives detailed reviews of all prospective occupiers. • A 'tenants on watch' register is maintained and regularly reviewed by the Executive Committee and the Board. • Ongoing dialogue is maintained with occupiers to understand their concerns and requirements. • The Group's low loan-to-value ratio reduces the likelihood that falls in property values have a significant impact on our business continuity. **Key performance indicators:** • Reversionary percentage • Tenant retention • Void management In addition, we consider the amount of 'grey space' and lease expiries/breaks.	**2022** • The Group produced a budget, strategic review and three rolling forecasts during the year which contain detailed sensitivity analyses including the effect of changes to valuation yields. • The 'tenants on watch' register was regularly reviewed to carefully monitor the financial performance of existing occupiers. • We maintained proactive engagement with our occupiers, dealing with their concerns on a case-by-case basis and supporting them as appropriate. • We worked to reduce our lease expiry exposure in 2022 through asset management activities and good relationships with our occupiers. • Quarterly management accounts are provided to the Board. **2023** • Continue with our current controls and mitigating actions, including operating the business on a basis that balances risk and income generation.

MANAGING RISKS continued

FINANCIAL continued

Risk	Key controls	Our actions
4. FALL IN PROPERTY VALUES		**NEW**
The potential adverse impact of the economic and political environment on property yields has heightened the risk of a fall in property values. **RISK TOLERANCE: MEDIUM** The Board is willing to take measured risks if they are identified, assessed and controlled. **EXECUTIVE RESPONSIBILITY:** Nigel George (Director) **IMPACT:** A fall in property values will have an impact on the Group's net asset value and gearing levels. **STRATEGIC OBJECTIVES:** 1 2 3 4 5 **STAKEHOLDERS:** Occupiers, shareholders and debt providers **TREND:** A fall in property values was classified as a principal risk by the Risk Committee in August 2022 and was published in our interim statement. Since July, the MSCI Central London Office Monthly Index has shown negative capital growth movements. At 31 December 2022, the valuation of our portfolio had fallen by 6.8%. It is anticipated that property values could fall further in 2023. Despite the economic uncertainty, London remains resilient and occupier demand remains good for the right product and the flight to quality continues.	• The impact of yield changes is considered when potential projects are appraised. • The impact of yield changes on the Group's financial covenants and performance is monitored regularly and subject to sensitivity analysis to ensure that adequate headroom is preserved. • The Group's mainly unsecured financing makes management of our financial covenants more straightforward. • The Group's low loan-to-value ratio reduces the likelihood that falls in property values have a significant operational impact on our business. **Key performance indicators:** • Total property return • Void management • Reversionary percentage In addition, we consider changes in property yields.	**2022** • The Group produced a budget, five-year strategic review and three rolling forecasts during the year which contain detailed sensitivity analyses, including the effect of changes to valuation yields. • Quarterly management accounts were provided to the Board and included the Group's performance against the financial covenants. • Disposed of a combination of assets above book value for £206m (see page 4). **2023** • Continue to examine opportunities for further disposals to recycle capital. • Continue with our current controls and mitigating actions.

OPERATIONAL

The Group suffers either a financial loss or adverse consequences due to processes being inadequate or not operating correctly, human factors or other external events.

Risk	Key controls	Our actions
5A. REDUCED DEVELOPMENT RETURNS		
Returns from the Group's developments may be adversely impacted due to: delays on site; increased construction costs; material and labour shortages; and adverse letting conditions. **RISK TOLERANCE: MEDIUM** The Board is willing to take measured risks if they are identified, assessed and controlled. **EXECUTIVE RESPONSIBILITY:** Paul Williams (CEO) **IMPACT:** Any significant delay in completing the development projects may result in financial penalties or a reduction in the Group's targeted financial returns. **STRATEGIC OBJECTIVES:** 1 2 3 4 5 **STAKEHOLDERS:** Suppliers and occupiers **TREND:** Planning authorities have an increasing preference for refurbishment instead of redevelopment. The Board is monitoring the potential impact of a tighter planning environment on our strategy and future development returns. Energy prices in the UK have been directly impacted by supply constraints to Europe of gas and oil from Russia and the increased cost of energy is driving significant inflation on many products – steel, cement, bricks, blocks and glass. We have secured a fixed price for 97% of the costs for the office element of our 25 Baker Street development. However, our ability to secure fixed price construction will be more challenging, and it is likely that only part of future contracts will be fixed.	• Our procurement process includes the use of highly regarded firms of quantity surveyors and is designed to minimise cost uncertainty. • Development costs are benchmarked to ensure that the Group obtains competitive pricing and, where appropriate, fixed price contracts are negotiated. • Post-completion reviews are carried out for all major developments to ensure that improvements to the Group's procedures are identified, implemented and lessons learned. • Investment appraisals are prepared and sensitivity analysis is undertaken to judge whether an adequate return is made in all likely circumstances. • The Group's pre-letting strategy reduces or removes the letting risk of the development as soon as possible. **Key performance indicators:** • Total return • Total property return • Development potential In addition, we consider construction cost inflation and project budget status.	**2022** • We have a flexible development pipeline and, where appropriate, we deferred expenditure and decisions on future projects while keeping very close to our contractors, professional consultants and the project teams on site. • Monitored construction cost inflation in relation to future projects. • The Board and Executive Committee received regular updates on our principal developments including construction costs. • Specific risk assessments on budget allowances for inflation are kept under review on a quarterly basis to test adequacy of budgets. **2023** • Progress planning applications for 50 Baker Street (joint venture) and Old Street Quarter. • Progress on-site activities at 25 Baker Street and Network. Seek to de-risk these projects by securing pre-lets on some of the space.

STRATEGIC OBJECTIVES

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TREND

Increased
Unchanged
Decreased

Risk	Key controls	Our actions
5B. 'ON-SITE' RISK		
If the Group fails to: (i) adequately appraise investments prior to starting work on site, including through taking into account contingencies and inflationary cost increases; (ii) use a procurement process that is properly designed (to minimise uncertainty around costs) and that includes the use of highly regarded quantity surveyors; (iii) benchmark development costs; (iv) conduct thorough site investigations to reduce the risk of unidentified issues such as asbestos; (v) implement its pre-letting strategy; or (vi) conduct detailed reviews on construction projects to evaluate programme forecasts made by contractors, development projects may be significantly delayed and we could face a loss of rental income and penalties. **RISK TOLERANCE: MEDIUM** The Board is willing to take measured risks if they are identified, assessed and controlled. **EXECUTIVE RESPONSIBILITY:** Paul Williams (CEO) **IMPACT:** Risk of project delays and/or cost overruns caused by unidentified issues. **STRATEGIC OBJECTIVES:** 1 2 3 4 **STAKEHOLDERS:** Suppliers and occupiers **TREND:** Unchanged Inflationary pressures resulting largely from the conflict in Ukraine and associated global supply chain disruption, is putting construction budgets under pressure.	• Regular monitoring of our contractors' cash flows. • Frequent meetings with key contractors and subcontractors to review their work programme and maintain strong relationships. • Off-site inspection of key components to ensure they have been completed to the requisite quality. • Prior to construction beginning on site, we conduct site investigations including the building's history and various surveys to identify any potential issues. • Monthly reviews of supply chain issues for each of our major projects, including in respect to potential labour shortages. • Strict Covid-19 protocols are maintained at all of our on-site developments, in accordance with Site Operating Procedures (published by the Construction Leadership Council). **Key performance indicators:** • Accident Frequency Rate • Total property return • BREEAM ratings In addition, we consider pre-lets in order to mitigate letting risks.	**2022** • Engage continuously with our contractors, subcontractors and supply chain to understand the impact of the Ukraine conflict and rising inflation on their operations. • The Board and Executive Committee received regular updates on our principal developments. • Final accounts have been agreed for The Featherstone Building and Soho Place. • Quarterly cost reports provided an update on development progress from a cost, profitability and programme perspective. **2023** • Continue with our current controls and mitigating actions.
5C. CONTRACTOR/SUBCONTRACTOR DEFAULT		
There have been ongoing issues within the construction industry in respect of the level of risk and narrow profit margins being accepted by contractors. **RISK TOLERANCE: MEDIUM** The Board is willing to take measured risks if they are identified, assessed and controlled. **EXECUTIVE RESPONSIBILITY:** Paul Williams (CEO) **IMPACT:** Returns from the Group's developments are reduced due to delays and cost increases caused by either a main contractor or major subcontractor defaulting during the project. **STRATEGIC OBJECTIVES:** 1 2 4 **STAKEHOLDERS:** Suppliers and occupiers **TREND:** Increased There is an increased risk of insolvencies in the construction industry as a result of rising inflation and construction costs, which under fixed price contracts are a risk for the contractor. We have engaged with our principal contractors to ensure they have sufficient headroom under the fixed contracts to cope with rising costs. In respect to Network Building W1, we have liaised with our contractor, subcontractors and supply chain at an earlier design stage so that the developments programme and costs can be agreed collaboratively. We will continue to actively monitor the financial health of our main contractors and subcontractors.	• We use known 'Tier 1' contractors with whom we have established working relationships. • Regular monitoring of our contractors, including their project cash flows, is carried out. • Key construction packages are acquired early in the project's life to reduce the risks associated with later default. • The financial standing of our main contractors is reviewed prior to awarding the project contract. • Our main contractors are responsible, and assume the immediate risk, for subcontractor default. • Payments to contractors are in place to incentivise the achievement of project timescales, with damages agreed in the event of delay/cost overruns. • Regular on-site supervision by a dedicated Project Manager who monitors contractor performance and identifies problems at an early stage, thereby enabling remedial action to be taken. • Contractors are paid promptly and are encouraged to pay subcontractors promptly. **Key performance indicators:** • Total return • Total property return In addition, we consider average payment days to our suppliers, project delays and construction cost inflation.	**2022** • Engaged continuously with our contractors, subcontractors and supply chain to understand the impact of the Ukraine conflict and rising inflation on their operations. • Final accounts have been agreed for The Featherstone Building and Soho Place. • Our suppliers were paid on average within 22.6 days. • Accepted early ordering of materials ahead of their need on site to accelerate cash flow to our supply chain. • The Board and Executive Committee received regular updates on our principal developments. • Quarterly cost reports provided an update on development progress from a cost, profitability and programme perspective. **2023** • Continue with our current controls and mitigating actions.

MANAGING RISKS continued

OPERATIONAL continued

6A. CYBER ATTACK ON OUR IT SYSTEMS

Risk

The Group may be subject to a cyber attack that results in it being unable to use its information systems and/or losing data.

RISK TOLERANCE: LOW

The Board is risk averse and is reluctant to take risks.

EXECUTIVE RESPONSIBILITY: David Lawler (Company Secretary)

IMPACT: Such an attack could severely restrict the ability of the Group to operate, lead to an increase in costs and/or require a significant diversion of management time.

STRATEGIC OBJECTIVES:

1 2 3 4 5

STAKEHOLDERS: Could potentially impact on all our stakeholders

TREND:

There has been a heightened risk of Russian cyber attacks amid escalating tensions over the conflict in Ukraine. To date, Derwent London has not experienced a significant increase in cyber attacks. The DIT team have been proactive in providing regular guidance and refresher training to all employees on cyber security matters.

Key controls

- The Group's Business Continuity Plan and cyber security incident response procedures are regularly reviewed and tested.
- Independent internal and external penetration/vulnerability tests are regularly conducted to assess the effectiveness of the Group's security.
- Multi-Factor Authentication exists for remote access to our systems.
- Incident response and remediation processes are in place, which are regularly reviewed and tested.
- The Group's data is regularly backed up and replicated off-site.
- Our IT systems are protected by anti-virus software, 24/7/365 threat hunting, security incident detection and response, security anomaly detection and firewalls that are frequently updated.
- Frequent staff awareness and training programmes.
- Security measures are regularly reviewed by the IT team.

Key performance indicators:

Could indirectly impact on a number of our other KPIs.

In addition, we consider any security issues raised and the results of independent assurance reviews.

Our actions

2022

- Remediated any key findings from the last point-in-time vulnerability scan and introduced continuous vulnerability monitoring and remediation.
- Conducted a simulated 'phishing' exercise as part of the ongoing security awareness programme.
- Completed a business continuity technical test.
- IT Governance conducted a cyber response readiness assessment and provided recommendations to enhance our response playbooks and Business Continuity Plan.
- Performed a detailed review of our 'ransomware security incident response playbook' and completed a ransomware tabletop exercise.
- Introduced 24/7/365 threat hunting, detection, and response.
- We have arranged for a Sophos Rapid Response team to be on retainer. The Sophos Rapid Response team would provide unlimited support to our Cyber Incident Response Team in the event of a cyber attack.
- Enhanced our security patching and mobile device management capabilities to support a hybrid working model.

2023

- Continue to develop and implement our IT governance framework.
- Review further training opportunities for our Cyber Incident Response Team.
- Renewal of our Cyber Essentials accreditation.

6B. CYBER ATTACK ON OUR BUILDINGS

Risk

The Group is exposed to cyber attacks on its properties which may result in data breaches or significant disruption to IT-enabled occupier services.

RISK TOLERANCE: LOW

The Board is risk averse and is reluctant to take risks.

EXECUTIVE RESPONSIBILITY: David Lawler (Company Secretary)

IMPACT: A major cyber attack against the Group or its properties could negatively impact the Group's business, reputation and operating results.

STRATEGIC OBJECTIVES:

1 2 3 4 5

STAKEHOLDERS: Could potentially impact on all our stakeholders

TREND:

Our Intelligent Building Programme has completed its 'Proof of Concept' phase and roll out of Phase 1 has commenced. The project involves considerable input from various teams across the business including the DIT team. We have worked alongside our portfolio IT partner to conduct network and IT asset inventories and cyber security assessments.

Key controls

- Our cyber security incident management procedures are regularly reviewed and tested.
- Physical segregation between the building's core IT infrastructure and occupiers' corporate IT networks.
- Physical segregation of IT infrastructure between buildings across the portfolio.
- Inclusion of Building Managers in any cyber security awareness training and phishing simulations.
- Sophos Rapid Response team provide unlimited support to our Cyber Incident Response Team in the event of a cyber attack.
- Frequent staff awareness and training programmes.

Key performance indicators:

Could indirectly impact on a number of our other KPIs.

In addition, we consider any security issues raised and the results of independent assurance reviews.

Our actions

2022

- Engaged with a portfolio IT partner to provide additional support for our information and communications technology (ICT) infrastructure and cyber security assessments.
- Conducted security reviews on network designs for any new buildings or refurbishments.
- Ensured that cyber security remains a key consideration in the delivery of intelligent buildings and digital initiatives.
- We have arranged for a Sophos Rapid Response team to be on retainer. The Sophos Rapid Response team would provide unlimited support to our Cyber Incident Response Team in the event of a cyber attack.
- Continued to collaborate with the IoT Security Foundation and other industry stakeholders on the development of a set of intelligent buildings security guidance documents.
- Sent phishing simulation tests to Building Managers.
- Completed mandatory security awareness training for all staff, including Building Managers.
- Implemented further security controls to enhance our layered defence model.
- Collaborated with our portfolio IT partner on mitigating any cyber risks identified following cyber security assessments.

2023

- Further develop our IT governance framework, security monitoring and security incident response procedures.

STRATEGIC OBJECTIVES

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TREND

Increased
Unchanged
Decreased

Risk	Key controls	Our actions
6C. SIGNIFICANT BUSINESS INTERRUPTION (FOR EXAMPLE, PANDEMIC, TERRORISM-RELATED EVENT OR OTHER BUSINESS INTERRUPTION)		
Major incidents may significantly interrupt the Group's business, its occupiers and/or supply chain. Such incidents could be caused by a wide range of events such as fire, natural catastrophes, cyber events, terrorism, pandemic outbreak, material supply chain failures and geopolitical factors. **RISK TOLERANCE: MEDIUM** The Board is willing to take measured risks if they are identified, assessed and controlled. **EXECUTIVE RESPONSIBILITY:** All Executive Directors **IMPACT:** This could result in issues such as being unable to access or operate the Group's properties, occupier failures or reduced rental income, share price volatility or loss of key suppliers. **STRATEGIC OBJECTIVES:** 1 2 3 4 5 **STAKEHOLDERS:** Could potentially impact on all our stakeholders **TREND:** Unchanged The risks arising from the Covid-19 pandemic have reduced during 2022. Although not classified as a significant business interruption for Derwent London, the conflict in Ukraine has elevated global supply chain and market volatility.	• Fire protection and access/security procedures are in place at all of our managed properties. At least annually, a fire risk assessment and health and safety inspection are performed for each property in our managed portfolio. • The Group has comprehensive business continuity and incident management procedures both at Group level and for each of our managed buildings which are regularly reviewed and tested. • Continuous review of property health and safety statutory compliance. • Government health guidelines are maintained at all of our construction sites. • Comprehensive property damage and business interruption insurance which includes terrorism. • Robust security at our buildings, including CCTV and access controls. • Most of our employees are capable of working remotely and have the necessary IT resources. **Key performance indicators:** Could indirectly impact on a number of our other KPIs. In addition, we consider any downtime incidences and the outcome of disaster recovery testing.	**2022** • Engaged with a portfolio IT partner to provide additional support for ICT infrastructure and cyber security assessments. • Remediated any key findings from the last security penetration test and commissioned another independent internal/external test. • Completed a business continuity technical test and full disaster recovery test. • Conducted monthly vulnerability scans. • Continued to configure secure VPN connections and deploy fully encrypted laptops to enable secure hybrid working capabilities. • Provided additional employee awareness training on social media and remote working security best practice. **2023** • Continue to work with our external fire consultants to be amongst the first UK property companies to implement a Fire Safety Management System in line with BS9997. • Continue with our current controls and mitigating actions.
7. REPUTATIONAL DAMAGE		
The Group's reputation could be damaged, for example, through unauthorised or inaccurate media coverage, unethical practices or behaviours by the Group's executives, or failure to comply with relevant legislation. **RISK TOLERANCE: LOW** The Board is risk averse and is reluctant to take risks. **EXECUTIVE RESPONSIBILITY:** All Executive Directors **IMPACT:** This could lead to a material adverse effect on the Group's operating performance and overall financial position. Our strong culture, low overall risk tolerance and established procedures and policies mitigate against the risk of internal wrongdoing. **STRATEGIC OBJECTIVES:** 1 2 3 4 5 **STAKEHOLDERS:** Could potentially impact on all our stakeholders **TREND:** Unchanged The Derwent London brand is well-regarded and respected within our industry. We demonstrate our brand and values through our external memberships and associations. We value integrity and transparency.	• Close involvement of senior management in day-to-day operations and established procedures for approving all external announcements. • All new members of staff benefit from an induction programme and are issued with our Group staff handbook. • The Group employs a Head of Investor Relations & Strategic Planning and retains services of an external PR agency, both of whom maintain regular contact with external media sources. • A Group whistleblowing system for staff is maintained to report wrongdoing anonymously. • Social media channels are monitored. • Ongoing engagement with local communities in areas where the Group operates. • Staff training and awareness programmes. **Key performance indicators:** • Total shareholder return • Accident frequency rate • Staff satisfaction • Could indirectly impact on a number of our other KPIs. In addition, we consider compliance training completion rates and feedback received from employee and occupier 'pulse surveys'.	**2022** • Continued to implement a mandatory compliance training programme for all employees (including Directors). • Maintaining regular engagement with key stakeholders. • Monitored investor views and press comments. • Worked alongside ELBA (East London Business Alliance) to launch an appeal aimed at offering urgent practical assistance to refugees and displaced people. This appeal is available on the DL/App so that our occupiers can take part. • Launched a direct appeal to help the UK Disasters Emergency Committee with the thousands of people fleeing the conflict in Ukraine. The Derwent London Sponsorships & Donations Committee matched donations. • Published our Code of Conduct & Business Ethics to all employees. • Revised our values to three 'core' values and refined our purpose (see page 140). **2023** • Continue to communicate and listen to our stakeholders. • Support our staff's training requirements. • Continue with our current controls and mitigating actions.

MANAGING RISKS continued

OPERATIONAL continued

Risk	Key controls	Our actions
8. OUR RESILIENCE TO CLIMATE CHANGE		
If the Group fails to respond appropriately, and sufficiently, to climate-related risks or fails to benefit from the potential opportunities. **RISK TOLERANCE: LOW** The Board is risk averse and is reluctant to take risks. **EXECUTIVE RESPONSIBILITY:** Nigel George (Director) **IMPACT:** This could lead to reputational damage, loss of income and/or property values. In addition, there is a risk that the cost of construction materials and providing energy, water and other services to occupiers will rise. **STRATEGIC OBJECTIVES:** 1 2 3 4 5 **STAKEHOLDERS:** Could potentially impact on all our stakeholders **TREND:** The government has proposed increasing the minimum EPC rating to B by 2030. An increase in the minimum EPC rating will lead to increased capital expenditure requirements for the Group (see page 14). In addition, there is a limited supply of renewable energy sources and offset projects which is leading to price escalation.	• The Board and Executive Committee receive regular updates and presentations on environmental and sustainability performance and management matters as well as progress against our pathway to becoming net zero carbon by 2030. • The Sustainability Committee monitors our performance and management controls. • Strong team led by an experienced Head of Sustainability. • The Group monitors its ESG (environmental, social and governance) reporting against various industry benchmarks. • Production of an annual Responsibility Report with key data and performance points which are externally assured. • In 2017 we adopted independently verified science-based carbon targets which have been approved by the Science-Based Targets initiative (SBTi). • Undertake periodic multi-scenario climate risk assessments (physical and transition risks). **Key performance indicators:** • Total shareholder return • BREEAM ratings • Energy Performance Certificates • Energy intensity • Carbon intensity	**2022** • Published our annual Responsibility Report in April 2022. • Received resolution to grant planning consent on a 18.4MW solar park on our Scottish land and investigated planting a further 425Ha of trees. • Set embodied carbon targets for our new-build commercial developments. • Increased climate-related engagement with occupiers to develop strategies on how we could support our occupiers achieving their goals. • Agreed a strategy for the portfolio to achieve an EPC B grade or above by 2030 following the results of the feasibility and cost report. • Updated our 'green' lease agreements further to include more stringent clauses for our occupiers on climate-related matters. • Commissioned a further climate risk scenario assessment performed by Willis Towers Watson (WTW). **2023** • Align our SBTi targets to a more challenging 1.5°C climate scenario in line with our net zero carbon ambition. • Review the results of WTW's climate risk scenario assessment and agree mitigation plans, as required. • Continue with our current controls and mitigating actions.
9A. NON-COMPLIANCE WITH HEALTH AND SAFETY LEGISLATION		
An incident or breach of health and safety legislation, including in respect of fire safety, water hygiene, asbestos exposure, building safety, construction design management etc. **RISK TOLERANCE: ZERO** The Board has a zero-tolerance approach and is committed to promoting full health and safety compliance. **EXECUTIVE RESPONSIBILITY:** Paul Williams (CEO) **IMPACT:** A major health and safety incident could cause significant business interruption for the Group, a risk to life, Company or Director fines or imprisonment, reputational damage, and/or loss of our licences to operate. **STRATEGIC OBJECTIVES:** 1 2 3 4 5 **STAKEHOLDERS:** Could potentially impact on all our stakeholders **TREND:** The health and safety-related risks arising from the Covid-19 pandemic have considerably reduced during 2022. The business has prepared for the implementation of a new Fire Safety Management System aligned with the requirements of the Fire Safety and Building Safety Acts.	• All properties have the relevant health, safety and fire management procedures in place which are reviewed annually. • The Group has a qualified Health and Safety team whose performance is monitored and managed by a Health & Safety Committee, chaired by the CEO. • Health and safety statutory compliance within our managed portfolio is managed and monitored using a software compliance platform. This is supported by annual property health checks. • The Managed Portfolio Health and Safety Manager supports our Portfolio and Building Managers to ensure statutory compliance. • The Construction Health and Safety Manager ensures our Construction (Design and Management) Regulations (CDM) client duties are executed and monitored and reviews health, safety and welfare on each construction site on a monthly basis. • The Board and Executive Committee receive frequent updates and presentations on health and safety. **Key performance indicators:** • Accident frequency rate • Staff satisfaction In addition, we consider feedback received from employee and occupier 'pulse surveys'.	**2022** • The Board and the Executive Committee received refresher health and safety training in September 2022. • Appointed a new Head of Health and Safety and managed the transition period. • Continued to improve our CDM procedures, engaging with our internal and external stakeholders through our new Continuous Improvement Group. • Performed detailed roof and traffic management surveys of our managed portfolio. • Arranged webinars for our employees on topics such as mental health awareness, men's health, menopause and sleep. **2023** • Deliver a Fire Safety Management System in line with updated legislation and guidance (Building Safety Act 2022, BS9997 and the Fire Safety Act 2021). • Develop building safety cases for residential buildings in scope of the Building Safety Act 2022. • Embed health and safety competency in key operational aspects of the business, through a Health & Safety Training Matrix. • Develop, with the Human Resources team, the Wellbeing Strategy for Derwent London. • Continue with our current controls and mitigating actions.

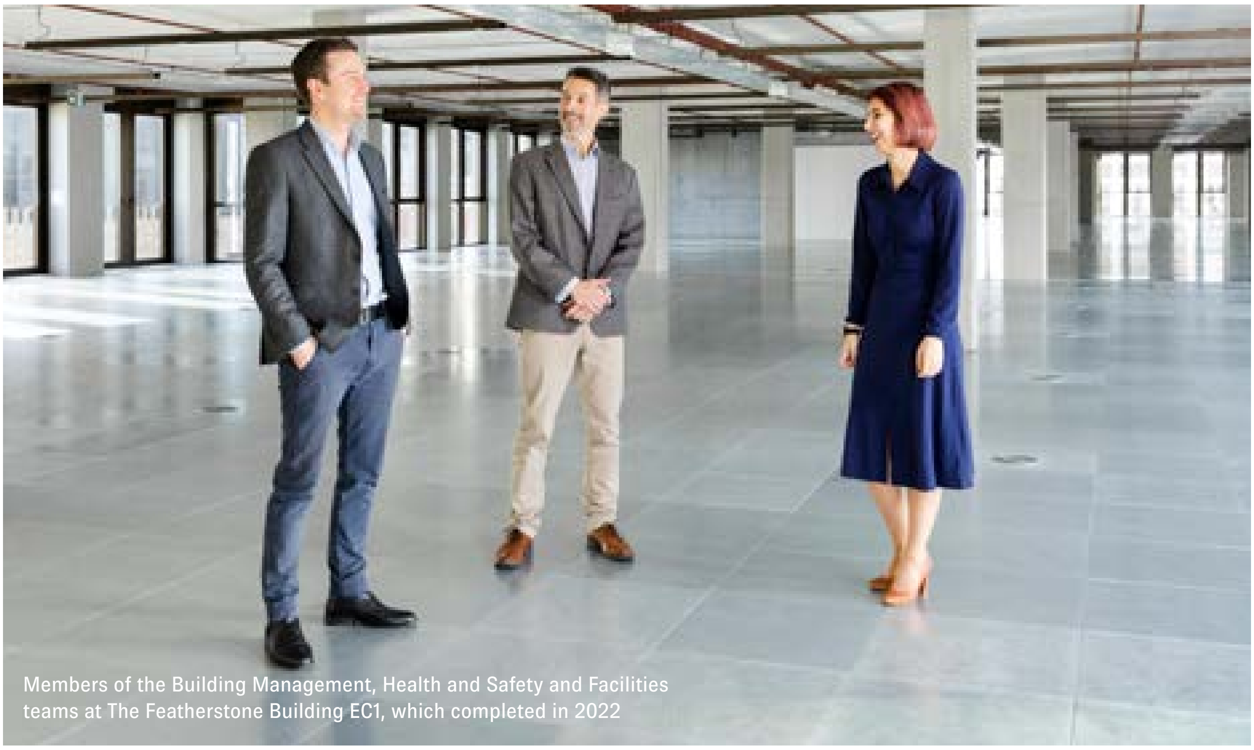
STRATEGIC OBJECTIVES

1 To optimise returns and create value from a balanced portfolio
2 To grow recurring earnings and cash flow
3 To attract, retain and develop talented employees
4 To design, deliver and operate our buildings responsibly
5 To maintain strong and flexible financing

TREND

Increased
Unchanged
Decreased

Risk	Key controls	Our actions
9B. OTHER REGULATORY NON-COMPLIANCE		
The Group breaches any of the legislation that forms the regulatory framework within which the Group operates. **RISK TOLERANCE: ZERO** The Board has a zero-tolerance approach and is committed to promoting full health and safety compliance. **EXECUTIVE RESPONSIBILITY:** All Executive Directors **IMPACT:** The Group's cost base could increase and management time could be diverted. This could lead to damage to our reputation and/or loss of our licence to operate. **STRATEGIC OBJECTIVES:** 1 2 3 4 5 **STAKEHOLDERS:** Could potentially impact on all our stakeholders **TREND:** The international response to the conflict in Ukraine has resulted in significant, and rapidly expanding, sanction lists which have resulted in additional compliance risks. In addition, with increased ESG-related reporting, the risk of reputational and/or litigation has risen if disclosures are misleading, or we are non-compliant. Deloitte provide 'reasonable assurance' on a significant amount of our ESG-related data disclosures.	• We are proactive in adopting new and emerging legislation. • The Board and Risk Committee receive regular reports prepared by the Group's legal advisers identifying upcoming legislative/regulatory changes. External advice is taken on any new legislation, if required. • Managing our properties to ensure they are compliant with the Minimum Energy Efficiency Standards (MEES) for Energy Performance Certificates (EPCs). • A Group whistleblowing system for staff is maintained to report wrongdoing anonymously (see page 139). • Ongoing staff training and awareness programmes. As part of staff performance appraisals, all employees are required to confirm they have reviewed and understood Group policies. • Group policies and procedures dealing with all key legislation are available on the Group's intranet. • Quarterly review of our anti-bribery and corruption procedures by the Risk Committee. **Key performance indicators:** • Total shareholder return • A significant diversion of time could affect a wider range of KPIs In addition, we consider compliance training completion rates and feedback received from employee and occupier 'pulse surveys'.	**2022** • Our registrars monitored our share register and we commissioned an independent analysis of our nominee accounts to ensure we are compliant with sanctions imposed in response to the conflict in Ukraine. • Sought legal guidance regarding our 'know your client' procedures to ensure our full compliance with sanction lists and money laundering regulation. • Reviewed the Government's response to the BEIS consultation on corporate governance and audit reform to ensure we are prepared for the new requirements when they become applicable to Derwent London. • Continued to implement a compliance training programme, mandatory for all employees including the Board (see page 171). **2023** • Review the revised UK Corporate Governance Code, when published, to determine any required actions to ensure our continued compliance. • Rebrand our Whistleblowing Policy and procedures as 'Speak-Up'. • Continue with our current controls and mitigating actions.



Members of the Building Management, Health and Safety and Facilities teams at The Featherstone Building EC1, which completed in 2022