Our risk profile

With our strong balance sheet, we are well-positioned with the right product and pipeline to capture London's diverse demand, despite the uncertain economic outlook.

The Featherstone Building EC1

As a predominantly London-based Group, we are particularly sensitive to factors which impact central London's growth and demand for office space. We are also impacted by the wider macroeconomic environment. Some of the external and property-related risks which have impacted on the Group during 2024 are shown below. These risks are factored into the Board's strategy discussions and help to inform the scenarios chosen by the Board to stress test the viability of our business (see page 87).

External

Economic growth	Inflation	Interest rates	Geopolitical instability	Climate change	Regulatory and legal
See page 15	See page 74	See page 16	See page 89	See page 102	See page 99

Property-related

Planning requirements	Property values	Health and safety	Contractor insolvency	Vacancy rates	Energy consumption
See page 91	See page 61	See page 52	See page 157	See page 16	See page 44

An overview of the risks and uncertainties which have impacted on the Group's risk profile

Sentiment at the start of 2024 was positive. Inflation was falling, UK GDP forecasts were being revised upwards and long-term interest rates were reducing. However, concerns around inflation and growth re-emerged towards the end of the year and the longer term interest rate curve moved upwards. It is not clear how long the current higher interest rate environment will persist and therefore what impact it may have on property yields. However, the favourable demand/supply imbalance supports a more positive ERV performance. Like many businesses, we are monitoring the potential impact heightened geopolitical tensions could have on global supply chains, commodity price inflation, market uncertainty and deglobalisation.

Property portfolio

During 2024, property values fell slightly in H1 before recovering in H2. If property values start to recover and yields remain flat, this risk may no longer be considered 'principal' during 2025 and may be removed. Investment activity was subdued in 2024 with investor sentiment impacted by limited liquidity and availability. Smaller lot sizes, especially in the West End, proved more resilient, recording more transactions in comparison to the City.

Planning requirements

Planning policies in London continue to be challenging as some local authorities promote a 'refurbishment-first' approach instead of new build. As a result, there is a risk that fewer new developments will be constructed in the future. Managing planning risk is achieved by a sound understanding of policy, coupled with a collaborative approach with the local authority and community. We benefit from a strong track record of delivering quality and economic/social value.

Health and safety (H&S)

Whilst we operate and develop within environments that contain higher risk activities, Derwent London strives to continuously improve our H&S mitigations and controls. In recognition of our high safety standards, for the second year in a row, we achieved the Royal Society for Prevention of Accidents (RoSPA) Gold Award. Further information on H&S at Derwent London is available on pages 52 and 53.

Supply chain insolvency

The trend of rising insolvencies has continued over the past year with the most notable insolvency being ISG in September 2024. Although Derwent London was not materially impacted, we are vigilant in monitoring our contractors and supply chain. In addition to main contractors and subcontractors, we also monitor key consultants who perform statutory duties on our projects. Further information is on page 157.

Refinancing

The availability of financing for good quality covenants has generally improved through 2024 but the cost of long-term debt has continued to be volatile. Lenders continue to favour existing relationship borrowers. During 2024, new facilities have been established with NatWest and Barclays. A further facility was put in place with HSBC in February 2025. We continue to review market conditions for long-term fixed rate debt and engage with new possible debt providers. Further information is on pages 81 and 82.

Principal risks

During 2024, the Board and Risk Committee identified opportunities to consolidate and simplify the Group's principal risks and uncertainties. As a result, the number of standalone principal risks identified by the Group has reduced from 15 to 11.

The principal risks and uncertainties facing the Group in 2025 (as at 26 February 2025) are:

- Failure to implement the Group's strategy
- Refinancing risk
- Income decline
- Fall in property values
- Reduced development returns
- Cyber attack on our IT systems
- Cyber attack on our buildings
- Our resilience to climate change
- Health and safety
- Non-compliance with law and regulations
- Change management systems

Our principal risks/ **See pages 94 to 99**

Emerging risks

The emerging risks identified by the Board are:

- Nature of office occupation
- Technological change
- Climate-related risks
- Geopolitical instability
- Shortage of electrical power

Our emerging risks/ **See pages 100 and 101**

Climate change

We identify and monitor climate change risks and opportunities as part of our wider risk management procedures. Our climate risk assessments have identified the transition and physical risks and opportunities applicable to our business:

- Enhanced emissions reporting requirements
- Change in customer demand
- Emissions offsets
- Planning approval changes
- Cost of raw materials
- Employee attitude to climate change and sustainability
- Cost of low carbon emission technologies
- Heat stress
- Flooding
- Drought
- Fire
- Windstorm
- Subsidence

Task Force on Climate-related Financial Disclosures/ **See pages 102 to 115**

Managing risks

At Derwent London, the management of risk is treated as a critical and core aspect of our business activities.

Risk management

The Board has ultimate responsibility for the Group's approach to risk management. On a regular basis, the Board reviews the Group's risk registers and conducts robust assessments of the Group's principal and emerging risks (see page 161).

During the year, with help from external advisers, we reassessed the sustainability issues that are material to both our business and our stakeholders via a double materiality assessment. Our materiality assessment has been aligned with our process for identifying and assessing our principal risks. Further information on our material ESG issues is on pages 42 and 43.

Changes to our principal and emerging risks

Change management systems (new principal risk)

The Group is implementing a number of applications/systems that need to be carefully managed to ensure they deliver the anticipated benefits and mitigate any risks arising from the implementation/transition process. As a result, change management systems has been identified as a principal risk by the Board for 2025.

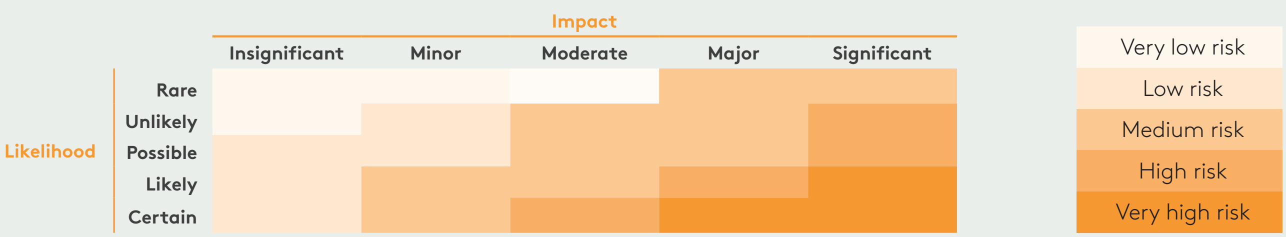
Risk consolidation

During 2024, the Board and Risk Committee identified opportunities to consolidate and simplify the Group's principal risks and uncertainties. As a result, the number of standalone principal risks identified by the Group has reduced from 15 to 11:

- The risk of occupiers defaulting (or occupier failure) has been combined with the risk of income decline.
- Reduced development returns captures all components of development risk including 'on-site' issues, contractor default, adherence to programme etc.
- Significant business interruption and reputational damage have been removed as standalone principal risks as they are adequately covered by other principal risks.

Risk rating

As part of the Directors' assessment process, we estimate the likelihood of the risk occurring and the potential quantitative and qualitative impacts. Risks are rated in accordance with the Board's Risk Appetite Statement. A simplified version of our risk rating criteria is provided below.



The risk ratings for our principal risks are detailed below:

Principal risks	Inherent risk (without controls)	Residual risk (with controls)	Our risk tolerance
Failure to implement the Group's strategy	Medium	Low	Low
Refinancing risk	Medium	Medium	Medium
Income decline	Medium	Low	Medium
Fall in property values	High	Medium	Medium
Reduced development returns	Medium	Low	Medium
Cyber attack on our IT systems	Very high	Medium	Low
Cyber attack on our buildings	Very high	Medium	Low
Our resilience to climate change	Medium	Low	Low
Health and safety	Very high	Medium	Zero
Non-compliance with law and regulations	Medium	Low	Zero
Change management systems	High	Low	Medium

Effectiveness review

To ensure focused oversight, the Board operates a separate Risk Committee (see pages 156 to 165). The Risk Committee reviews the effectiveness of the Group's risk management policies and practices. This effectiveness review is conducted through speaking with senior management directly, third party assurance reviews, reports from internal and external audits, and independent testing of our key controls.

The Audit Committee reviews the adequacy and effectiveness of the Group's system of internal financial controls which are described briefly in the table on page 151. The Audit Committee remains satisfied that the review of internal financial controls did not reveal any significant weaknesses or failures, and they continue to operate effectively.

Following the Audit Committee's and Risk Committee's reviews, the Chairs of each Committee confirmed to the Board that they were satisfied that the Group's internal control framework (financial and non-financial) and risk management procedures:

- operated effectively throughout the period; and
- are in accordance with the guidance contained within the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

Risk appetite

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.

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.

The use of inherent and residual 'risk ratings' within our Schedule of Principal Risks makes it easier for the Board to identify which risks are 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 52 and 53.
- 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 Innovation & 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 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

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

Our principal risks

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 26 February 2025.

Time horizons

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

		Imminent < 1 year	Short-term < 5 years	Medium-term 5 to 15 years	Long-term 15+ years
Principal risks	See pages 94 to 99				
Emerging risks	See pages 100 and 101				
Climate-related risks	See pages 102 to 115				

The Schedule of Principal Risks

The Board classifies the Group's most material risks as its principal risks. Materiality is assessed based on the potential impact and its probability of occurring within the next 12 months. The key controls we have identified on pages 94 to 99 were in operation during the year under review and up to the date the 2024 Report & Accounts were approved.

The Derwent London brand is well-regarded and respected within our industry and we are recognised for innovation and developing design-led buildings. The protection of our brand and reputation is important to the future success of the Group. Our strong culture, low overall risk tolerance and established procedures and policies mitigate against the risk of internal wrongdoing.

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	Status	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 changing work practices, occupational demand, economic and property cycles. **Executive responsibility:** Paul Williams **Risk tolerance:** Low **Strategic objectives:** 1 2 4 5 **Stakeholders:** Could potentially impact on all our stakeholders **Trend:** ⊖ The London office market has generally been cyclical in recent decades, with strong growth followed by economic downturns, sometimes precipitated by rising interest rates. The impact of these cycles is dependent on the quality and location of the Group's portfolio. 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.	Given the political and economic uncertainties, there has been a slowdown in the investment market although the letting market remains relatively strong. Occupier demand in London is good for the right product in the right location, and the flight to quality continues. **Key performance indicators:** • Total property return • Interest cover ratio (ICR) • Gearing & available resources In addition, we also consider inflation, interest rates and yield changes.	• The Board maintains a formal schedule of matters which are reserved solely for its approval. These matters include decisions relating to the Group's strategy, capital structure, financing, any major property acquisition or disposal, the risk appetite of the Group and the authorisation of capital expenditure above the delegated authority limits. • Frequent strategic and financial reviews. An annual strategic review and budget is prepared for Board approval alongside two-year rolling forecasts which are prepared during the year. • The Credit Committee assesses and monitors the financial strength of potential and existing occupiers. The Group's diverse and high quality occupier base provides reasonable resilience against occupier default. • Maintain income from properties until development commences and have an ongoing strategy to extend income through lease renewals and regears. Developments are de-risked through pre-lets. • Maintain sufficient headroom for all the key financial ratios and covenants, with a particular focus on interest cover. • Develop properties in central locations where there is good potential for future demand, such as near the Elizabeth Line.

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
- Decreased
- Unchanged

Financial

The main financial risk is that the Group becomes unable to meet its financial obligations. The probability of this occurring is low due to our significant covenant headroom, modest leverage and strong credit metrics. Financial risks can arise from movements in the financial markets in which we operate and inefficient management of capital resources.

2 Refinancing risks

Risk	Status	Our actions
The risk that the Group is unable to raise finance in a cost-effective manner that optimises the capital structure of the Group. **Executive responsibility:** Damian Wisniewski **Risk tolerance:** Medium **Strategic objectives:** 5 **Stakeholders:** Shareholders and debt providers **Trend:** Unchanged Gradual rise in overall interest costs incurred as debt refinanced over the next few years, with a consequent impact on earnings and interest cover.	The availability of financing for good quality covenants has generally improved through 2024 but the cost of long-term debt has continued to be volatile. We have remained close to our existing lenders and put in place £215m of new bank facilities in 2024. We continue to review market conditions for long-term fixed rate debt and engage with new possible debt providers. **Key performance indicators:** • Gearing & available resources • Interest cover ratio (ICR) • EPRA earnings per share • Net debt/EBITDA	• Early and frequent engagement with existing and potential lenders to maintain long-term relationships. • Preparation of five-year cash flow and annual budgets enable the Group to raise finance in advance of requirements. • The Group's financial position is reviewed at Executive Committee and Board meetings with an update on leverage metrics and capital markets from the CFO. • Annual review with credit rating agency with whom we maintain a dialogue. • Regular updates with our advisers to understand debt market trends. This includes looking at new forms of debt, considering whether security should be offered and the appropriate term. • Recycling of capital is a key assumption in our annual budget and is updated in each rolling forecast.

3 Income decline

Risk	Status	Our actions
The risk that the Group's income declines due to external factors which are outside of its control, such as: • macroeconomic factors; • recession; • demand for office space; • the 'grey' market in office space (i.e. occupier controlled vacant space); and • occupier default or failure. **Executive responsibility:** Paul Williams **Risk tolerance:** Medium **Strategic objectives:** 1 2 5 **Stakeholders:** Occupiers, shareholders and debt providers **Trend:** Unchanged Adverse macroeconomic conditions lead to a general property market contraction, a decline in rental values and Group income, which could impact on property valuation yields. In the event of occupier default, we could incur impairments and write-offs of trade receivables and/or 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.	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 environment. Occupiers may also be impacted by the rise in business rates, National Insurance Contributions and the National Minimum (and Living) Wage. It should be noted that rent for offices typically represents a relatively small percentage of business overheads. Leasing transactions can take longer to finalise as occupiers tend to adopt a 'wait-and-see' approach leading to a greater risk of aborted transactions. **Key performance indicators:** • Tenant retention • Void management In addition, we consider the following: • The amount of 'grey space' • Lease expiries/breaks • Our Lease Incentive Debtor (LID) balance • Level of rent deposits	• The Credit Committee, chaired by the CEO or CFO, conducts detailed reviews of all prospective occupiers and monitors the financial strength of our existing occupiers. • The Group maintains a diverse range of occupiers. We focus on letting our buildings to large and established businesses (headquarter spaces) where the risk of default is lower, rather than SMEs. • A 'tenants on watch' register is maintained and regularly reviewed by the Executive Directors and the Board. • Ongoing dialogue is maintained with occupiers to understand their concerns, requirements and future plans. • Active in-house rent collection, with regular reports to the Executive Directors on day 1, 7, 14 and 21 of each rent collection cycle. • The Group's loan-to-value ratio and high interest cover ratio reduces the likelihood that a fall in rental income has a significant impact on our business continuity. • Regular review of the lease expiry profile. • Rent deposits are held where considered appropriate.

MANAGING RISKS continued

Financial continued

Risk	Status	Our actions
4 Fall in property values		
The potential adverse impact of the economic and political environment on property yields has heightened the risk of a fall in property values. **Executive responsibility:** Nigel George **Risk tolerance:** Medium **Strategic objectives:** 1 2 5 **Stakeholders:** Occupiers, shareholders and debt providers **Trend:** – A fall in property values will have an impact on the Group's net asset value and gearing levels.	During 2024, property values fell slightly in H1 before recovering in H2. There remains a risk that property values could fall again in 2025. The Board is monitoring the risk that the latest rise in gilt yields could have a secondary impact on asset pricing. **Key performance indicators:** • Total property return • Void management • Reversionary percentage	• The Group's mainly unsecured financing makes management of our financial covenants more straightforward. • The Group's loan-to-value ratio and high interest cover ratio reduces the likelihood that falls in property values have a significant impact on our business continuity. • The impact of valuation yield changes on the Group's financial covenants and performance is monitored regularly and subjected to sensitivity analysis to ensure that adequate headroom is preserved. • The impact of valuation yield changes is considered when potential projects are appraised. • 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.

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	Status	Our actions
5 Reduced development returns		
Returns from the Group's developments may be adversely impacted due to: • increased construction costs and interest rates; • labour and material shortages; • movement in valuation yields; • contractor or subcontractor default; • delays on delivery due to poor contractor performance; • unexpected 'on-site' issues; and • adverse letting conditions. **Executive responsibility:** Paul Williams **Risk tolerance:** Medium **Strategic objectives:** 1 2 **Stakeholders:** Suppliers and occupiers **Trend:** – Any significant delay in completing development projects may result in financial penalties or a reduction in the Group's targeted financial returns and a deferral of rental income.	'Tier 1' contractors in central London are becoming increasingly risk adverse to engaging on complex projects on fixed price contracts. There is also 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 particular risk for the contractor and subcontractors. Other consultants and advisers are at some risk of insolvency. Planning authorities have an increasing preference for refurbishment ahead of redevelopment. The Board is monitoring the potential impact of a tighter planning environment on our strategy and future development returns. Mixed-use projects with residential over 18 metres now fall into a category of High-Risk Buildings as defined under the Building Safety Act 2022 which may impact construction programmes by four to six months. **Key performance indicators:** • Total return • Total property return • Development potential In addition, we consider the following: • Construction cost inflation • Project profitability status • Average payment days to our supplier • Project delays • Accident Frequency Rate (AFR) • Contingency tracker	• We use known 'Tier 1' contractors with whom we have established working relationships and regularly work with tried and tested subcontractors. • Prior to construction beginning on site, we conduct thorough site investigations and surveys to reduce the risk of unidentified issues, including investigating the building's history and adjacent buildings/sites. • Engagement with the Building Safety Regulator to mitigate time required for Building Control approval. • Adequately appraise investments, including through: (a) the benchmarking of development costs; and (b) following a procurement process that is properly designed (to minimise uncertainty around costs) and that includes the use of highly regarded quantity surveyors. • Contractors are paid promptly and are encouraged to pay subcontractors promptly. 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. • 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.

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
Decreased
Unchanged

Risk	Status	Our actions
6 Cyber attack on our IT systems		
The Group may be subject to a cyber attack that results in it being unable to use its information systems and/or losing data. **Executive responsibility:** All Executive Directors **Risk tolerance:** Low **Strategic objectives:** 1 2 3 4 5 **Stakeholders:** Could potentially impact on all our stakeholders **Trend:** Increased 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, in addition to potential reputational damage.	There has been a heightened risk of cyber attacks amid escalating geopolitical tensions. To date, Derwent London has not experienced a significant increase in attempted cyber attacks. Ongoing staff vigilance is critical to the prevention of cyber attacks. The Digital Innovation & Technology (DIT) team is proactive in providing regular guidance and refresher training to all employees on cyber security matters. **Key performance indicators:** • Could indirectly impact on a number of our KPIs. In addition, we consider any security issues raised and the results of independent assurance reviews	• 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. • The Group's Business Continuity Plan and cyber security incident response procedures are regularly reviewed and tested. • Security measures are regularly reviewed by the DIT team. • Independent internal and external penetration/ vulnerability tests and audits are regularly conducted to assess the effectiveness of the Group's security. • Multi-Factor Authentication is in place for access to our systems. • The Group's data is regularly backed up and securely replicated off site. • Frequent staff awareness and training programmes.

Risk	Status	Our actions
7 Cyber attack on our buildings		
The Group is exposed to cyber attacks on its properties which may result in data breaches or significant disruption to IT-enabled occupier services. **Executive responsibility:** All Executive Directors **Risk tolerance:** Low **Strategic objectives:** 1 2 3 4 5 **Stakeholders:** Could potentially impact on all our stakeholders **Trend:** Increased A major cyber attack against the Group or its properties could negatively impact the Group's business, reputation and operating results.	There has been a heightened risk of cyber attacks amid escalating geopolitical tensions. To date, Derwent London has not experienced a significant increase in attempted cyber attacks. As part of the Intelligent Building Programme, the DIT team has worked alongside our portfolio IT Partner to conduct network and IT asset inventories and cyber security assessments. **Key performance indicators:** • Could indirectly impact on a number of our KPIs. In addition, we consider any security issues raised and the results of independent assurance reviews	• Our IT systems are protected by anti-virus software, 24/7/365 threat hunting, security incident detection and response, security anomaly detection, a vulnerability management, security penetration testing and firewalls that are frequently updated. • Frequent staff awareness and training programmes. Building Managers are included in any cyber security awareness training and phishing simulations. • The Group's cyber security incident response 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. • Sophos Rapid Response team provides unlimited support to our Cyber Incident Response team in the event of a cyber attack.

MANAGING RISKS continued

Operational continued

Risk	Status	Our actions
8 Our resilience to climate change		
The Group fails to respond appropriately, and sufficiently, to climate-related risks or fails to benefit from the potential opportunities. **Executive responsibility:** Nigel George **Risk tolerance:** Low **Strategic objectives:** 1 2 3 4 5 **Stakeholders:** Could potentially impact on all our stakeholders **Trend:** – 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.	Sustainability-related disclosure requirements are increasing. During the past 12 months, numerous publications have been released which could require additional disclosures on our net zero carbon plans, for example the ISSB (IFRS) Sustainability Disclosure Standards. We are sponsoring the UK Net Zero Carbon (UKNZC) Building Standard which launched in September 2024 for pilot testing. **Key performance indicators:** • Total shareholder return • BREEAM ratings • Energy Performance Certificates (EPCs) • Energy intensity • Embodied carbon intensity	• Our SBTi targets are aligned to a challenging 1.5°C climate scenario in line with our net zero carbon ambition. • We are progressing the construction of a 18.4 MW solar park at Lochfaulds (Scotland), with delivery anticipated in 2026. • The Board and Executive Directors 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. • Undertake periodic multi-scenario climate risk assessments (physical and transition risks) to identify risks and agree mitigation plans. • Production of an annual Responsibility Report with key data and performance points which are internally reviewed and subject to external assurance.

Risk	Status	Our actions
9 Health and safety (H&S)		
A major incident occurs at a managed property or development scheme which leads to significant injuries, harm or fatal consequences. **Executive responsibility:** Paul Williams **Risk tolerance:** Zero **Strategic objectives:** 1 2 3 4 5 **Stakeholders:** Could potentially impact on all our stakeholders **Trend:** – A major health and safety incident could cause loss of life, life-changing injuries, significant business interruption, Company or Director fines or imprisonment, reputational damage, and/or loss of our licences to operate.	Construction activities can have a high inherent risk for injury, harm, or loss, particularly in respect of our managed portfolio with occupiers in situ, demolition and early construction phases. In addition, serious accidents involving falls from height, pedestrian-vehicle collision, and slips and trips are still frequent within the Property Management and Maintenance sectors. Derwent London continues to ensure high levels of H&S compliance across all of our activities, including our agriculture operations in Scotland. **Key performance indicators:** • RIDDOR Accident Frequency Rate (AFR) In addition, we monitor: • the completion of Safe Start meetings before construction commences on site; • feedback gathered from employee and occupier surveys; and • monthly Construction (Design and Management) (CDM) site inspections, and H&S training data.	• Relevant and effective health, safety and fire management policies and procedures. • The Group has a competent and qualified (CMIOSH) H&S team, whose performance is monitored and reviewed by the CEO, and the H&S and Risk Committees. • The H&S competence of our main contractors and service partners is verified by the H&S team prior to their appointment. • Our main contractors must submit suitable Construction Phase Plans, Site Management and Logistics Plans and Fire Management Plans, before works commence. • The H&S team, with the support of external appointments and audits, ensures our CDM client duties are executed and monitored on a monthly basis. • The Board, Risk Committee and Executive Directors receive frequent updates and presentations on key H&S matters, including 'Significant Incidents', legislation updates, and H&S performance trends across the development and managed portfolio.

Strategic objectives

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5 To maintain strong and flexible financing

Trend

Increased
Decreased
Unchanged

Risk	Status	Our actions
10 Non-compliance with law and regulations		
The Group breaches any of the legislation that forms the regulatory framework within which the Group operates. **Executive responsibility:** All Executive Directors **Risk tolerance:** Zero **Strategic objectives:** 3 4 5 **Stakeholders:** Could potentially impact on all our stakeholders **Trend:** Unchanged 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.	The Group has been actively monitoring the proposed regulatory changes which could impact on our business, including the reform of the UK Prospectus and Listing regime, and the UK Economic Crime and Corporate Transparency Act 2023. Following the publication of the UK Corporate Governance Code 2024, the Board will ensure the Group is fully compliant with the revised provisions by the applicable dates, particularly in respect of internal controls. **Key performance indicators:** • Total shareholder return • Accident Frequency Rate (AFR) • A significant diversion of time could affect a wider range of KPIs In addition, we consider compliance training completion rates, compliance with legislation through software systems and feedback received from employee and occupier surveys.	• 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 ('Speak-up') for staff is maintained to report wrongdoing anonymously. • Ongoing staff training and awareness programmes. • 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.

Risk	Status	Our actions
11 Change management systems		
Projects fail to be implemented or do not deliver the anticipated benefits due to: • lack of clear scope and strategy; • underestimation of investment; • lack of project management and governance; • inadequate support from management; • inadequate communication to stakeholders; and • neglecting the impact on stakeholders and importance of change management. **Executive responsibility:** Damian Wisniewski **Risk tolerance:** Medium **Strategic objectives:** 1 2 3 5 **Stakeholders:** Employees and occupiers **Trend:** NEW Project failure could lead to increased costs, diversion of management time or errors in financial accounting and reporting. Depending on the project, it could adversely impact upon our wider stakeholders (such as delayed payments or inaccurate financial reporting etc.) and reputation.	The Group is implementing a number of applications/systems that need to be carefully managed to ensure they deliver the anticipated benefits and mitigate any risks arising from the implementation/transition process. **Key performance indicators:** • A significant diversion of time could affect a wider range of KPIs In addition, we monitor key project milestones and budget contingency trackers.	• Project scope and objectives are clearly defined, documented, approved and communicated to all stakeholders. • Before project approval, the costs of implementation is budgeted, alongside the preparation of a detailed resource plan, to ensure adequate contingency in case of unforeseen delays. • Budget contingency is monitored throughout the project and reported to the Executive Committee and Board/Committees, as required. • For each project there is project management resource assigned, who are required to follow good governance and internal project management processes. • We provide clear and consistent communication about key projects to the whole business, throughout the project, with support and leadership from the executive team.

Our emerging risks

Emerging risks are conditions, situations or trends that could significantly impact the Group's financial strength, competitive position or reputation within the next five years. Emerging risks are therefore factored into the Board's viability assessment and strategic planning process. Emerging risks could involve a high degree of uncertainty. The methodology used to identify, assess and monitor emerging risks is described in the risk management framework on page 164.

Risk	Time horizon[1] 0-5 years	5-10 years	15+ years	Impact	Our actions
A: Nature of office occupation Strategic objectives: 1 2 4	●	●		The Group needs to ensure it is thinking ahead, so that our product remains attractive to businesses, thereby retaining its competitive edge. Buildings that are unable to meet these objectives may suffer in value unless they can be redeveloped or repurposed.	Close engagement with our occupiers and the wider market ensures we are aware of changing trends and respond appropriately. We believe our approach of delivering space with creative design, enhanced amenity, Intelligent Building infrastructure, and employee wellbeing at its core will exceed these evolving requirements.
B: Technological change Strategic objectives: 1 2 3	●	●		A failure to adopt technology could lead to the Group becoming less efficient than its competitors, leading to a loss of competitive advantage. Buildings are becoming increasingly 'intelligent' and occupiers may begin to choose such buildings over those without the same technological amenities. If the Group fails to respond to occupier demands for technology, the Group's office spaces could become less desirable, leading to potential vacancies and loss of rental income.	We have a digital strategy which is being implemented by our dedicated, cross-functional and highly collaborative Digital Innovation & Technology team. We critically analyse new technology to ensure that maximum value can be derived from any new system or service that we choose to add into our overall digital and technological framework. In particular, analysing the capability of the new system or service to support our Net Zero Carbon Pathway.
C: Climate-related risks Strategic objectives: 1 2 3 4	●	●	●	The six climate-related emerging risks which are considered to have the greatest impact on Derwent London are: enhanced emissions reporting requirements, emissions offsets, planning approval changes, windstorm, flooding and subsidence. To avoid duplication, our climate-related emerging risks are contained on page 104.	Through our ongoing refurbishment programme, we continually improve the energy efficiency of our buildings. In addition to purchasing renewable energy and green tariff supplies, wherever possible, we are researching opportunities to increase our own supply base of renewable energy. Embodied carbon reduction and energy intensity reduction are included within the Executive Directors' long-term incentive plan awards (PSP).
D: Geopolitical instability Strategic objectives: 2 4 5	●			Continued geopolitical tensions could cause prolonged global supply chain disruption, commodity price inflation, market uncertainty and deglobalisation. There is also a risk of increased cyber attacks and social unrest.	Despite the uncertainty, our supply chain has been relatively unaffected due to our approach of early pre-ordering and storage. Early supply chain engagement in project designs helps with the identification of potential risks and alternative solutions.
E: Shortage of electrical power Strategic objectives: 2 4 5	●			Shortage of electrical power is a risk for London, particularly in West London. Shortage of electrical power could lead to power cuts and cost pressures. UKPN consider power cuts as being possible but unlikely and will be driven by a combined impact of very cold weather and a reduction in power generated from wind farms due to lack of wind.	UKPN are the provider in central London, covering all Derwent London properties, and have put in place robust plans to meet future load requirements. Early engagement for schemes with UKPN is the key to risk mitigation for the provision of power. Derwent London engage with UKPN on a regular basis at a monthly meeting and we have a dedicated UKPN Account Manager.

1 Due to the uncertain nature of emerging risks and trends, the time horizon indicates the time period over which the Board currently perceive these risks could begin to have a material impact on the Group.

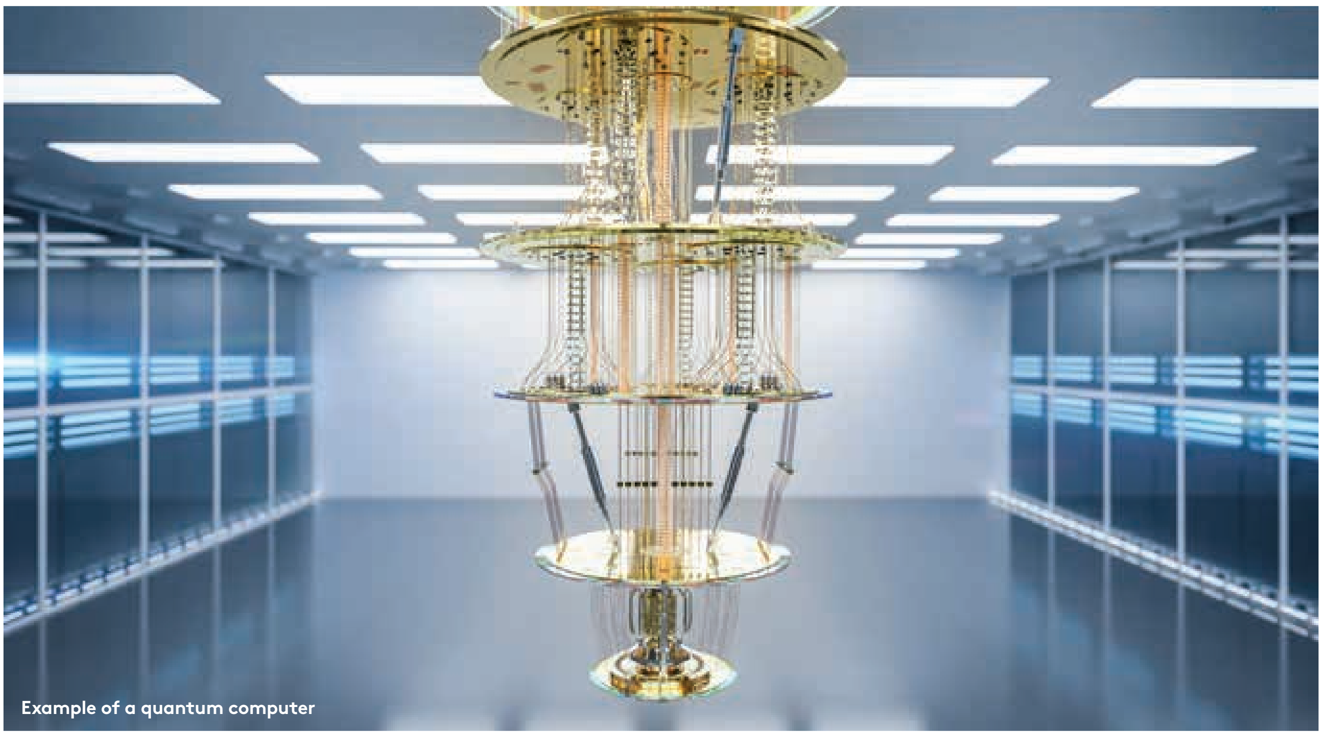
Technological change

Emerging risk

In the table below, we have explored two of the technology trends which could impact on our business in the future and the risks and opportunities that we have identified. Further information on Artificial Intelligence (AI) is on page 163.

In November 2024, the Risk Committee received training on emerging technological trends, in addition to the current cyber landscape.

Although these trends are emerging, we are preparing through frequent reviews of our security protocols and systems to incorporate the latest advancements in quantum-resistant technologies, staff training on the proper use of systems and AI, regular audits/monitoring, and our 'zero trust' architecture. Further information on our digital security and strategy is on pages 162 and 163.



Example of a quantum computer

Artificial Intelligence (AI)	Quantum computing
The theory and development of computer systems able to perform tasks normally requiring human intelligence, such as visual perception, speech recognition, decision making and translation between languages. AI is already prevalent for automation and data analysis. It is anticipated that it will be more widely adopted in the short to medium-term. **Potential risks:** • Advanced phishing and deepfakes • Data loss through misuse **Potential opportunities:** • Enhanced threat detection and automated response • Human-AI collaboration • Predictive insights	Quantum computing is an advanced field of computer science that leverages the principles of quantum mechanics to process information in fundamentally different ways than classical computers. Quantum computing is estimated to become more relevant in the next five to 20 years. **Potential risks:** • Existing cryptography methods will become obsolete almost instantly • Increased sophistication of cyber attacks • Need for post-quantum cryptography which is resistant to attack **Potential opportunities:** • Enhanced cryptography will be available • Enhanced threat detection