DERWENT LONDON

Derwent London plc
Report & Accounts 2021

DERWENT LONDON

The largest London-focused REIT with a distinctive 5.6 million sq ft office-based portfolio across 13 London 'villages'.

Our purpose

Our purpose is to improve and upgrade the stock of office space in central London, turning poorer quality 'brown' buildings into well-designed, adaptable and 'green' workplaces. This enables our customers to attract and retain talent while bringing social, environmental and economic benefits to all our stakeholders, revitalising neighbourhoods and benefitting local communities.

Our pathway to becoming net zero carbon by 2030 is supported by an open and progressive corporate culture and the promotion of values that include building long-lasting relationships. We aim to provide our shareholders with above average long-term returns while contributing to workforce wellbeing and helping maintain London's position as a leading global business location.

Our culture

- Dedicated and adaptable
- A passion to improve London's office spaces
- Strong customer focus
- Progressive and pragmatic
- 'Open door' and inclusive
- Collaborative and supportive

Our values

- Reputation, integrity and good governance
- Building long-term relationships and trust
- Focus on creative design and embracing change
- Openness and transparency
- Sustainability and responsibility

Front cover image: Soho Place W1
Centre image: 80 Charlotte Street W1

Contents

"It was great being part of the forward thinking discussions on carbon and digitalisation. Derwent's attitude to collaboration & valuing the entire supply chain will allow us to tackle the carbon challenges the industry faces. A truly forward thinking, inclusive and sustainable developer."

Steve Holbrook, Skanska
Stakeholder Day 2021

DL/78 78 Charlotte Street W1

STRATEGIC REPORT

2021 SUMMARY

It was an active year for the Group, with a number of new strategic initiatives launched. There was also significant reshaping of the portfolio which increased the depth of the development pipeline. In addition, we continued to support our many stakeholders, progressed our net zero carbon plans and commenced our next major project.

Operating highlights

- Completed £13.7m of new lettings, +3.6% above ERV
- Collected 98% of the Group's 2021 rental income
- Further progressed schemes at Soho Place W1 and The Featherstone Building EC1
- Commenced our newest net zero carbon project at 19-35 Baker Street W1, taking on-site projects to 746,000 sq ft
- Obtained dual planning consent for the redevelopment of Network Building W1 (office or lab-enabled scheme)
- Submitted planning application for an 18.4 MegaWatt solar park in Scotland
- Completed £417.5m of acquisitions and £405.1m of disposals, reshaping the portfolio and adding to the future development pipeline
- Issued new 1.875% £350m 10-year green bond
- Selected as the preferred bidder to acquire The Moorfields Estate EC1
- Approved our Intelligent Building initiative roll-out

Stakeholders and responsibility

- Conducted our first net zero carbon occupier survey to identity collaboration opportunities
- Received third party EPC upgrade report
- Attained National Equality Standard accreditation – results in top 5% of companies
- Conducted fourth employee survey which indicated high levels of staff satisfaction
- Launched new shared amenity space, DL/78, and DL/App for our customers
- Continued to support the supply chain by maintaining supplier payments at 20 days
- Committed £725k of community and sponsorship donations for 2021
- Held our first Stakeholder Day in September 2021 as well as an Investor Day at DL/78

NON-FINANCIAL HIGHLIGHTS

TOTAL PROPERTY RETURN

Total property return of 6.3%, above benchmark MSCI Central London Offices Index of 5.9%

6.3%

VACANCY RATE

Our EPRA vacancy rate decreased during the year

1.6%

NET ZERO CARBON PATHWAY

Submitted planning application for an 18.4MW solar park in Scotland

107acres

EPC COMPLIANCE

Percentage of portfolio by ERV EPC 2023 compliant

99%

EMPLOYEE SATISFACTION

The recent employee survey reported that overall employee satisfaction remains very high

90.5%

FINANCIAL HIGHLIGHTS

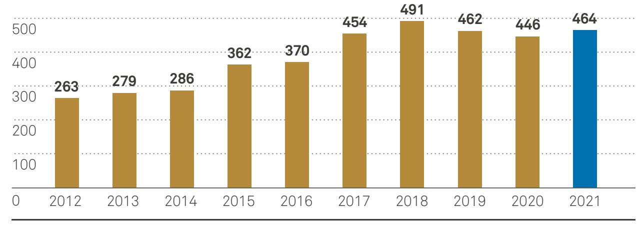
TOTAL RETURN

2020: -1.8%

+7.6%

+5.8%

Net interest cover ratio (%)



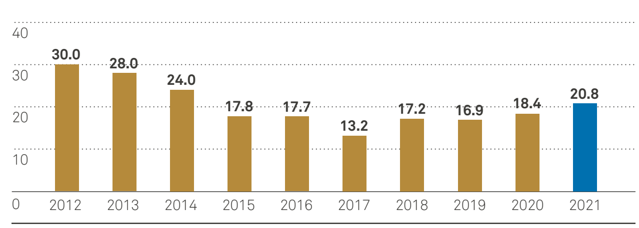
EPRA NET TANGIBLE ASSETS (NTA)

2020: 3,812p

+3.9%

3,959p

Loan-to-value ratio (%)



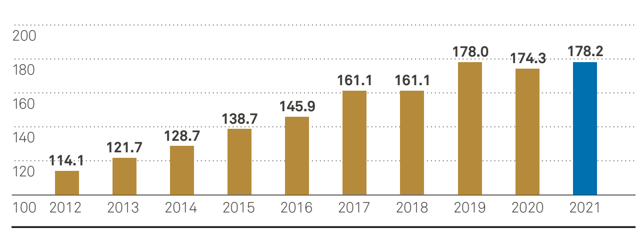
NET RENTAL INCOME

2020: £174.3m

+2.2%

£178.2m

Net rental income (£m)



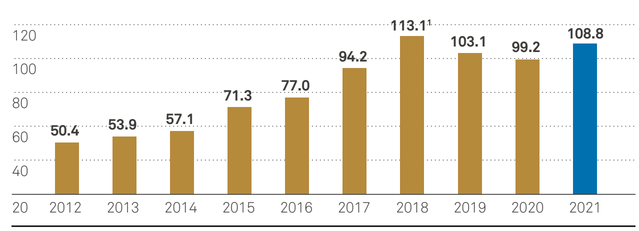
EPRA EARNINGS PER SHARE (EPS)

2020: 99.2p

+9.7%

108.8p

EPRA EPS (p)



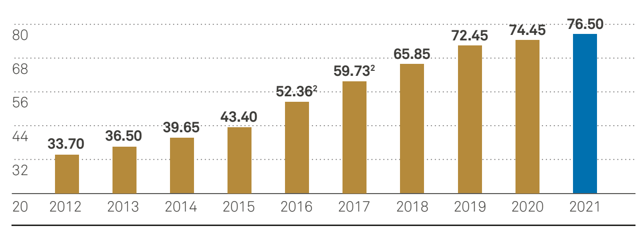
DIVIDEND PER SHARE

2020: 74.5p

+2.8%

76.5p

Ordinary dividend (p)



[1] Includes 14p per share of access rights income in 2018

[2] Excludes special dividends of 52p and 75p per share relating to 2016 and 2017, respectively

REASONS TO INVEST

FOCUS ON LONDON'S DYNAMIC OFFICE MARKET

Improving market conditions and occupier sentiment

- Flight to quality with market polarisation
- Supply levelling off with reduction in tenant-controlled availability
- Occupational take-up recovering
- Rental growth expected in 2022
- Investment yields attractive in absolute terms and relative to other global cities
- A highly liquid and transparent market
- Strong investment demand for long income or value-add opportunities

DEVELOPING QUALITY, CREATING VALUE

Design-led, amenity-rich 'long-life, loose-fit, low carbon' space

- Supports occupiers in their return to the office and 'war for talent'
- Forward thinking, adaptable space that exceeds occupier expectations
- Development pipeline restocked through 2021 with future 'super-sites'
- Typically two or three major schemes on site with annual capex of £150m-£250m and attractive returns
- Confident commencing schemes on a speculative basis, with a long track record of pre-letting success
- Future projects net zero carbon with 'whole-life' carbon approach

RELATIONSHIPS AT OUR HEART

Long-term, collaborative relationships with a broad range of stakeholders

- Village-based approach to provide enhanced amenity
- Utilising occupier relationships to mitigate vacancies and maintain or grow rental income
- Offering value for money to our customers through affordable rents
- Rent collection close to pre-Covid levels
- Use of tier one contractors and sub-contractors, paying a fair price to ensure high quality results and delivery on time
- Supplier payments at 20 days in 2021
- Dividends increased every year since 2007

STRONG FINANCIALS

Moderately leveraged balance sheet, with substantial available funds

- Uncomplicated, predominantly unsecured debt structure
- Debut green bond – £350m 10-year bond with 1.875% coupon – issued in November 2021
- Fitch: 'A-' issuer rating with 'A' Senior Unsecured rating
- Financial discipline through capital recycling
- Business resilient through many economic cycles
- Long drawn debt maturity of 7.2 years
- Relationship-driven and long-term borrowing approach

NET ZERO CARBON IN FOCUS

Sustainability embedded throughout business

- Set out clear pathway to net zero carbon by 2030
- Green Finance Framework and Green debt
- Robust and transparent Green Finance Framework reporting through third party 'reasonable' assurance
- Well placed to deliver the partnership approach needed to reach net zero carbon including Scope 3
- Scottish land opportunity delivering carbon credits and with renewable energy potential
- Future-proofing portfolio with EPC legislation compliance

Progressive, innovative, design-led & relationship-driven

Delivering above average long-term total returns

Extracting value through asset management & development with conservative leverage

0% to +3%
2022 ERV[1] guidance

48%
Portfolio under development or with regeneration potential

£115.5M
Cash reversion from current rent to ERV[1]

20.8%
LTV ratio at 31 Dec 2021

2030
Net Zero Carbon Pathway

ROBUST ASSET-BACKED RETURNS

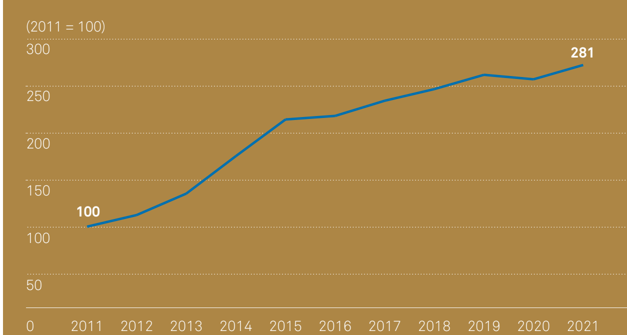
Delivering above average long-term total returns overseen by experienced management team with strong track record

Total return: 10.9% pa 10-year average

Building blocks of total return

- **EPRA earnings yield** (on NTA) supported by asset repositioning and efficient cost base
- **Development returns** as pre-lets secured and construction de-risked
- Underlying market polarisation with agents forecasting prime **rental growth** and a 'green premium'

Total return (indexed to 100)



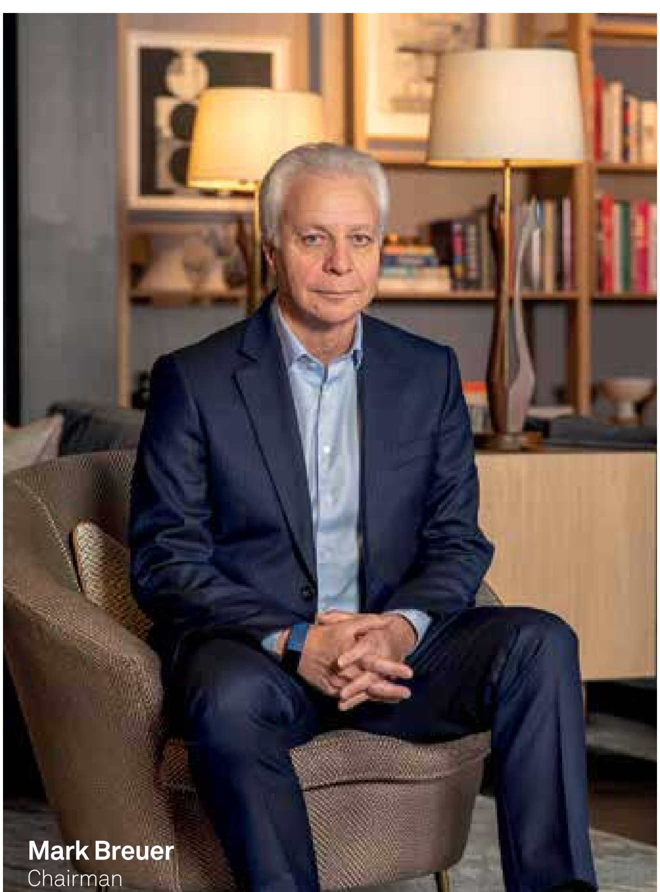
HIGH QUALITY TEAM

- A strong brand supported by a well-established and experienced team with customer focus at its heart
- Reputation for thinking ahead to anticipate future trends and being agile enough to adapt quickly to change

[1] ERV: Estimated Rental Value

CHAIRMAN'S STATEMENT

Derwent London is an entrepreneurial business, with an open, collaborative and inclusive approach. With confidence in the medium-term outlook, despite some near-term uncertainty, the Group proceeded with portfolio reshaping and restocking the pipeline. We also progressed on-site and future schemes while maintaining a focus on income. Our financial results demonstrate the progress we have made.



Mark Breuer
Chairman

Net property and other income increased to £187.5m for the year ended 31 December 2021 from £183.0m in 2020. This was helped by impairment charges and write-offs against tenant receivables of only £0.8m against £14.2m in 2020. Gross rental income fell 4.3% to £194.2m as we took lease surrenders for new schemes and disposed of several higher yielding low growth properties. EPRA earnings per share increased 9.7% to 108.8p from 99.2p in 2020 and the IFRS profit before tax was £252.5m, more than reversing the £83.0m loss reported in 2020.

Capital values across our £5.7bn portfolio rose by an underlying 3.5% with the main drivers being development surpluses and downward valuation yield shift. This has taken total net assets to £4.4bn with an increase in EPRA net tangible assets (NTA) of 3.9% to 3,959p per share from 3,812p in December 2020.

Recognising its importance to our shareholders, we propose raising the final dividend by 1.05p to 53.5p, in line with our progressive and well covered dividend policy. It will be paid on 1 June 2022 to shareholders on the register of members at 29 April 2022. This takes the full year's dividend to 76.5p, an increase of 2.8% over the prior year.

We have a strong team and a portfolio including many high quality buildings which we believe meet the ever more demanding requirements of occupiers. We have a pipeline of schemes that will deliver modern, adaptable and sustainable space. All of this is supported by a lowly geared balance sheet with substantial capacity to finance growth.

The Group has a long and consistent track record of value creation and effective capital allocation through property cycles. We also have considerable experience in acquiring the right assets in locations with supportive fundamentals. The Group is known for targeting emerging sub-markets gaining early mover advantage, delivering prime space in a supply-constrained market.

The schemes created by the Group over the long term show a clear determination to ensure each is an improvement on the last and to future-proof buildings as far as possible. This may come through the design, the technology or the green credentials. Our investment approach is supported by our in-house property management and asset management teams who focus on creating and strengthening close occupier relationships. Sustainability has been a core element of our activity for many years, incorporated across all elements of the business from our buildings to our finances.

We have close relationships with asset owners, occupiers and local communities. Our track record and long-term collaborative approach has helped us uncover new off-market opportunities such as the recent transactions with Lazari Investments and 230 Blackfriars Road SE1. We have also been selected as preferred bidder for The Moorfields Estate EC1.

80 Charlotte Street W1 is our first net zero carbon building, launched in September 2021

The 2021 employee survey again demonstrated a high level of engagement and widespread job satisfaction and, as we come back together after the lockdowns of the last two years, our common focus and culture have been preserved and strengthened.

I wish to thank all the staff at Derwent London for their continuing hard work through 2021. I would also like to congratulate Emily Prideaux on her appointment as an Executive Director in March 2021, and Sanjeev Sharma who joined the Board as Non-Executive Director in October. Simon Fraser retired as Non-Executive Director in October and the Board thanks him for his substantial contribution over nine years. He was replaced as Senior Independent Director by Helen Gordon. In addition, I would like to say thank you on behalf of the Board to David Silverman who has played an integral role in our investment acquisitions and disposals and will be stepping down as an Executive Director and leaving the Group in April 2022.

The Board is confident that Derwent London has the right strategy and business model to meet evolving occupier and wider stakeholder requirements and to continue to deliver above average long-term returns for shareholders.

Mark Breuer
Chairman

CHIEF EXECUTIVE'S STATEMENT

The past year was an important one for Derwent London and was our busiest period for portfolio activity for many years.

Paul Williams
Chief Executive

There was a significant recovery in net asset values, valuations and profitability in 2021. The improvement in occupational and investment markets, backed by rental collection returning to close to pre-pandemic levels, has given us the confidence to progress acquisitions and development plans. Projects include commencement of 19-35 Baker Street W1 and design finalisation following resolution to grant planning consent at Network Building W1. In addition, we are progressing plans for Bush House WC2 plus other smaller projects including Environmental Performance Certificate (EPC) upgrades.

Investment activity has been focused on restocking our development pipeline with future 'super-sites'. These are substantial regeneration schemes where we see potential to at least double the floor area. We have favoured locations benefitting from the twin drivers of strong forecast demand and low availability of high quality space. Based on early appraisals, these have potential for attractive development returns. Several should also appeal to the Life Sciences sector, a market where we have undertaken considerable research. We have sold £405.1m of buildings, for £9.7m above book value, where we expected to see lower returns.

We secured £13.7m of new lettings in 2021 at an average +3.6% above December 2020 estimated rental value (ERV), with a further £31.9m of asset management activity in line with ERV. There was a distinct shift of emphasis among our occupiers to taking a more strategic and longer-term approach to their occupational needs.

Return to the office and changing working patterns

Our buildings are getting busier. Hybrid working is here to stay, but our occupiers are planning for peak occupancy as daily utilisation varies through the week. Tenants are increasingly demanding of their space, requiring it to fulfil multiple functions. Offices need to be design-led and amenity-rich, and able to adapt to a more agile workforce. We believe our approach of delivering 'long-life, loose-fit, low carbon' space with enhanced amenity, 'Intelligent Building' infrastructure, and employee wellbeing at its core will exceed these evolving requirements, as we are seeing in DL/78 in W1.

London is a vibrant global city, with world class restaurants, theatres and culture, whose resilience has been underscored by the speed with which activity has returned. We look forward to the opening of the Elizabeth line and capacity returning to the wider transport network.

Sustainability and net zero carbon

In 2021 the Group made good progress towards its net zero carbon ambitions following publication of our pathway in 2020. In the short term, our portfolio emissions will likely increase as office occupation levels continue to rise, but we remain well within our science-based targets.

Our portfolio is 99% compliant with 2023 EPC legislation (EPC 'E' or better). Including projects, 61% of the portfolio is compliant with potential 2030 legislation ('A' or 'B') by ERV. This compares with JLL's estimates for the wider London office market that only 23% is 2030 compliant by floor area. For those buildings with EPC 'C' or below, external consultants have now completed their initial report into capex requirements to uplift EPC ratings to 'B' or above. In line with our previous indications, we expect to invest c.£97m to 2030, prior to any service charge recovery. A proportion is already reflected in our valuations and existing capex plans.

As part of our sustainability agenda, we progressed Company-led initiatives this year as well as participation at COP26 to bring greater focus on the actions required across the industry. Our inaugural Stakeholder Day and net zero carbon occupier survey identified a number of potential collaboration opportunities to reduce our combined impact on the environment, ambitions shared by many of our occupiers. We also successfully issued a Green Bond, raising £350m for 10 years at a 1.875% coupon. This increased our total green debt potential to £650m.

Development projects

We have two large developments and one smaller refurbishment due to complete in H1 2022. At Soho Place W1, the offices are either pre-let or pre-sold with a rent of £17.0m, leaving the retail element still available. We are confident of leasing the retail space given its excellent location and prospects with the opening this year of the Elizabeth line and a recovery in international tourism.

At The Featherstone Building EC1, which has an ERV of £8.6m, there has been a marked increase in enquiries as the latest work from home (WFH) guidance was lifted. Interest has come for a range of size requirements and business sectors and we are in no doubt as to the building's prospects supported by a positive outlook for the Tech Belt.

We have pre-let the entirety of Francis House SW1 to Edelman at a substantial premium to ERV. This follows our letting earlier in the year to Fora at our adjoining recently refurbished 6-8 Greencoat Place SW1, also comfortably above ERV. The combined rent roll of these two buildings is £5.1m.

In Q4 we commenced our latest major development at 19-35 Baker Street W1 which extends to 298,000 sq ft. Completion is expected in 2025. We also progressed plans for our next two projects. At Network Building W1, resolution to grant planning consent was secured for both offices and a Life Sciences scheme. Depending on the outcome of early occupier discussions for each option, a decision will be made shortly on which we take forward. At Bush House WC2, we await the outcome of our planning application for a refurbishment and extension. Together, these two projects have the potential to deliver up to 267,000 sq ft of high quality space.

While the economy is recovering, short- and medium-term inflationary pressures are becoming embedded in market expectations. Build cost inflation picked up in the year and we expect this to rise further. At 19-35 Baker Street, the demolition and build contracts have been signed and 97% of capex on the office element is now fixed, within budget.

Derwent London's high quality team

The events of the last two years have provided clear demonstration of the quality of the Derwent London team. Employees across the business responded with energy and commitment to minimise disruption and provide pragmatic and practical solutions to the challenges that arose. Derwent London is an inclusive and respectful employer that welcomes diversity and promotes equality. We were particularly pleased that the Group was awarded National Equality Standard accreditation in 2021, coming in the top 5% of accredited companies.

I am delighted that Mark Breuer, Emily Prideaux and Sanjeev Sharma all joined the Board in the year. Helen Gordon was appointed as Senior Independent Director replacing Simon Fraser who retired. I was also pleased to announce three internal promotions to the Executive Committee: Vasiliki Arvaniti, Head of Asset Management; Victoria Steventon, Head of Property Management; and, John Davies, Head of Sustainability.

Finally, I want to thank David Silverman who will step down from the Board and, after almost 20 years of service, will leave the Group in April 2022. David has made a considerable contribution to the Group's success and we wish him well for the future.

Outlook

Our forward ERV guidance has improved through the last 12 months. We estimate our ERVs will grow in the range 0% to +3% in 2022 as an average across our portfolio. As the economic recovery gathers pace, we expect this will translate into sustained future growth. With continuing strong investment demand, we expect investment yields to remain firm.

London is firmly coming back to life. It continues to attract global talent as a leading city where people want to live and work. Our 'long-life, loose-fit, low carbon' approach, combined with the delivery of distinctive next generation developments, puts us in an excellent position to benefit from the emergence of rental growth for the best properties.

Paul Williams
Chief Executive

Soho Place W1

OUR PATHWAY TO NET ZERO CARBON

Site of proposed solar park on Scottish land

To achieve net zero carbon by 2030, we have embedded sustainability throughout our business and are engaging actively with our occupiers.

For many years we have been working on reducing our carbon footprint and in July 2020 we published our roadmap to achieving net zero carbon by 2030. This is a major commitment reflecting the Group's view that the built environment has an important role to play in mitigating the risk from rising temperatures.

To achieve our ambitions, we will need the support and collaboration of our occupiers as over 60% of the portfolio's carbon emissions fall under Scope 3 (activities where we have no direct control). In September 2021 we issued a net zero carbon survey to our occupiers. This has given us valuable insight into their carbon ambitions and potential collaboration opportunities.

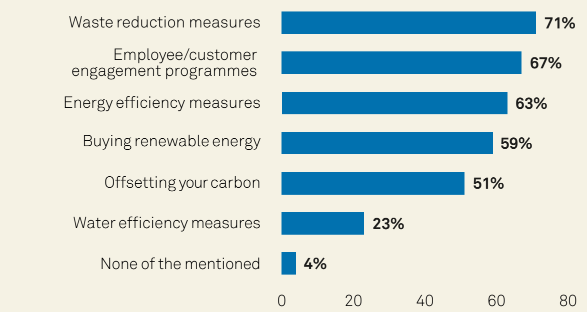
Our actions focus on reducing operational carbon through numerous portfolio initiatives. An important element is the use of renewable sources of power in our buildings. We are looking at ways of creating renewable energy on our Scottish land through development of a solar park. Our business activities necessitate the creation of some embodied carbon but we aim to proactively reduce it using alternative materials and lower carbon construction methods where appropriate. For those carbon emissions we cannot eliminate, we will offset using reputable projects, such as the woodland we have planted in Scotland or other registered high quality schemes.

These activities tie into our green financing, including our debut green bond issue in 2021, which in turn complies with our Green Finance Framework. Both our green financing and environmental data is independently assured by Deloitte.

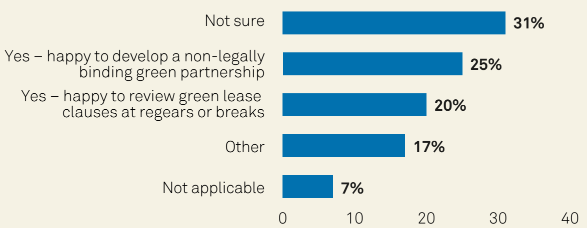
Engaging with our occupiers

In H2 2021 we conducted an occupier survey to better understand their carbon aspirations and to identify collaboration opportunities. Of the 49% (by ERV) that responded, many are already taking steps to reduce carbon emissions and there is a willingness to work together.

What actions are you taking to reduce your carbon footprint?



Occupier views on green lease clauses



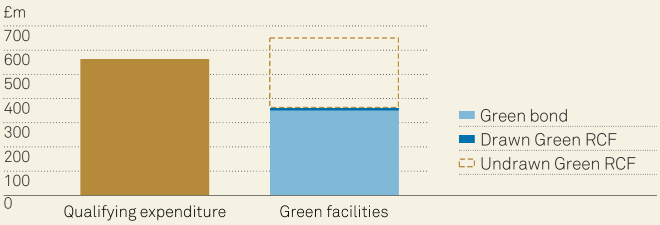
Green Finance Framework and Green Bond

Our Green Finance Framework (GFF) was originally launched in October 2019. It provides a clear series of certifiable eligibility benchmarks that projects are required to meet to qualify as 'green'. Annual reporting is subject to third party 'reasonable' assurance.

In October 2019, we were the first UK REIT to arrange a new revolving credit facility (RCF) with a 'green' tranche. Of the £450m RCF, £300m was classified as 'green'. In November 2021, we issued a £350m 1.875% 10-year green bond. The 'A' rated bond attracted strong investor demand.

Cumulative Eligible Green Project (EGP) capex at 31 December 2021 was £563m across four eligible projects – see pages 96 and 97 for details. This compares to green finance capacity of £650m. Capex to come on committed eligible projects is estimated at £355m.

EGP capex vs green debt



Sustainability initiatives in Scotland

Carbon Code accredited woodland

In 2015 we planted 107 acres of woodland, which to date has delivered carbon credits equivalent to 127 tCO_2e. As the woodland matures, the level of carbon credits will rise. These credits will be prioritised for offsetting residual embodied carbon on future projects as part of our commitment to using verified offset schemes. We are exploring opportunities to plant more woodland.

Proposed solar park

In 2021 we submitted a planning application for development of an 18.4 MegaWatt solar park on our Scottish land. The site is well located for connection into the electricity grid, which has appropriate capacity. Appraisal studies show the scheme could generate 40%+ of the electricity used across our managed portfolio. We are excited by the prospect of providing self-generated renewable electricity of certified origin for our occupiers.

> "We are looking forward to collaborating on a more strategic approach. It is good to know that this is important to Derwent London too."

Hobie Walker, AML (Derwent London occupier)

EPC compliance

As at December 2021, 40% of the portfolio (by ERV) had an EPC rating of 'B' or above and 39% was EPC 'C' to 'E'. On-site developments accounted for a further 18%, with the remaining 3% either under review or exempt. In 2023, Minimum Energy Efficiency Standard (MEES) legislation is changing, following which it will not be possible to lease space in a building where the EPC rating is below 'E'; our portfolio is substantially 2023 compliant. From 2030, the legislation is expected to be tightened further, with the minimum EPC rating rising to 'B'; including projects, our portfolio is 61% 2030 compliant. For context, JLL estimates that 23% (by floor area) of the London office market is currently 2030 compliant.

In 2021 we commissioned a third party report to determine the costs of achieving 2030 compliance. The report estimates it will cost c.£97m by 2030 to upgrade the affected area and bring all our assets to EPC 'B' or above. Part of this cost is expected to be recoverable through the service charge. Excluding the assets acquired from Lazari Investments, 10 buildings account for just under 90% of anticipated expenditure. 38% of expenditure to achieve compliance is considered 'minimal', for example upgrading to LED lights. A further 34% is considered 'significant', an example of which is installation of new heat pump systems. The remaining 28% is classified as 'major works'. See page 55 for further details.

CENTRAL LONDON OFFICE MARKET

With a strong finish in Q4, both leasing transactions and investment volumes in 2021 more closely resembled long-term averages than in 2020 when Covid-19 pandemic disruption was at its greatest.

Whilst the UK started 2021 in lockdown this was gradually eased as the year progressed. With the success of the UK Government's vaccination programme, restrictions were lifted in July and only temporary and less severe restrictions re-imposed in response to emergence of the Omicron variant in December. Confidence has subsequently rebounded.

According to CBRE, office take-up across central London in 2021 was 9.1m sq ft, up 63% on 2020, 26% below the long-term average (12.3m sq ft). This was well spread across a number of different business sectors: Creative industries (TMT) accounted for 22% with Banking & Finance at 21% and Professional at 20%. As 2021 progressed, the level of active requirements rose and demand began to crystallise. The amount of space under offer at year end nearly doubled from 2.1m sq ft at December 2020 to 3.8m sq ft, which is +28% above the long-term average of 3.0m sq ft.

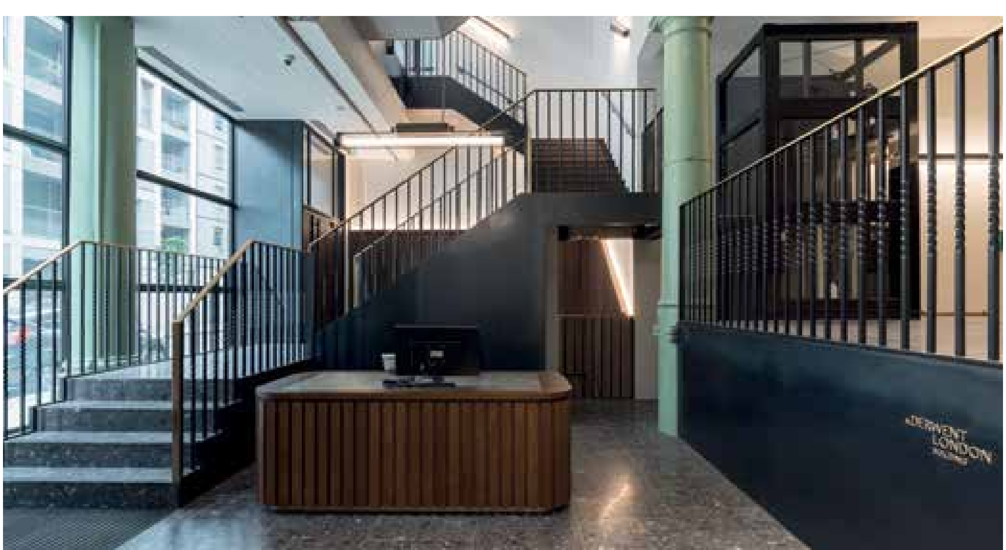
Vacancy rates remain high at 9.3% (December 2020: 7.9%) against the longer-term average of 5.2% but empty space was concentrated in the City core and Docklands which represent 56% of the total. The West End vacancy rate was lower at 5.2% (December 2020: 5.5%; long-term average: 4.2%). In line with recent trends, lower quality tier two space makes up the majority of the vacancy at 74% of the total. Tenant-controlled space accounted for over one-third of the vacancy at the start of 2021, but since May there has been a steady removal of this space from the market, finishing the year at 29%. This suggests that occupiers view their space as increasingly important. Availability of tier one space remains restricted and below trend emphasising a polarisation of the market.

Commitment to speculative developments thinned through the year with several schemes deferred. At December 2020, CBRE estimated that 23.8m sq ft of space would complete between 2022 and 2024 but by December 2021 this had fallen by 11% to 21.3m sq ft. Of this, 11.6m sq ft was under construction of which 4.0m sq ft (34%) was pre-let and a further 9.7m sq ft was proposed. This leaves 7.6m sq ft of speculative space which is below the longer-term trend and less than the level of active demand estimated by JLL at 8.3m sq ft.

Headline prime rental growth for central London was 7.4% in 2021 and typical rent-free incentives reduced from c.27 months on a 10-year term to c.24 months. This market average masks differences by location as well as a divergence between tier one and tier two space. Rents for the former performed more strongly and we anticipate this trend will continue in the future.

There has been much debate about the 'green premium' versus the 'brown discount'. Recent analysis by both Knight Frank and JLL, corroborated by our own experience, suggest a building's leasing potential is increasingly influenced by environmental credentials, such as BREEAM and EPC ratings and importantly wellness and amenity provision. As changes to EPC legislation draw closer, the focus on sustainability is widely expected to increase.

We have outlined our expectations for rental growth in 2022 in the Chief Executive's statement.



6-8 Greencoat Place SW1
refurbished in 2021

London a diverse city with broad appeal to business

London is a truly global city which appeals to a broad range of businesses. Over the last five years, Business Services has accounted for 24% of take-up, Creative Industries 22% and Banking & Finance 20%.

The last few years have seen a number of occupiers eschew traditional sub-markets in the flight to quality and focus on emerging areas such as King's Cross and Paddington, which have responded with substantial amounts of new development. These new areas are approaching their natural capacity and the volume of development is consequently reducing. Established areas such as the Tech Belt and emerging areas such as Southbank, which benefit from strong transport links and connectivity but which have not seen the same levels of overall regeneration, are firmly on occupiers' radars.

The pattern of 'foot loose' occupiers being location agnostic has been well documented. Occupiers are predominantly focused on the quality of space and its environmental credentials along with amenity and transport links rather than just location.

Since the EU referendum in June 2016, despite cautious expectations from a range of economic forecasters, London has experienced growth in both its population (+233,000 between 2016 and 2020) and jobs (+177,000 between June 2016 and September 2021). The outlook for employment and economic growth is positive. Oxford Economics and Experian both forecast a strong recovery in economic output and employment for the UK and for London.

A strong London economy with high and growing employment is supportive of the office sector over the longer-term. With constrained availability of high quality space, rental growth forecasts across the major firms of agents rebounded through 2021. Most now expect positive rental growth in 2022 and 2023. With our strategy of providing best in class differentiated buildings we are well placed to capture this.

Agile working & the war for talent

From engagement with our occupiers, it is clear that the office fulfils multiple functions. It is a place to work, collaborate, innovate, interact, produce and mentor. Some of these tasks can be fulfilled remotely but often with less positive outcomes. We have also heard consistently how the office needs to be representative of a business' culture and brand and our occupiers have stated that returning to the office is positive for business.

Global lockdowns have shone the spotlight on agile working but this is not an entirely new trend. Employers have responded by offering employees greater flexibility, in part to aid staff retention and recruitment in the war for talent, as technology has emerged that supports hybrid working.

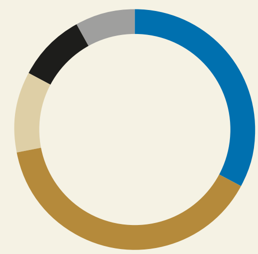
Prior to the reimposition of WFH guidance at the end of 2021, there were clear signs of a return to the office for an increasing proportion of the workforce. Few businesses had formally mandated employees to return given the associated risks, but office utilisation was on a clear upward trend with the West End busier than the City core, in line with trends seen across our villages. Mid-week office utilisation was noticeably higher than on Mondays or Fridays, demonstrating more agility amongst the workforce. Our experience, in common with findings of market research by the agents, is that occupational decisions are being based on peak occupancy requirements and mid-week utilisation levels.

Central London office stock

There is 234m sq ft of office space across central London. 72% is concentrated in the City and the West End (see below). Our portfolio is principally in the West End and the Tech Belt. We have no buildings in the City core and Docklands, and only one building in Mayfair, the traditional heart of the West End.

Central London office stock

Percentage of floor area



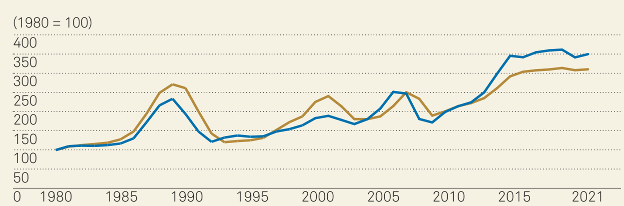
City	33
West End	39
Midtown	11
Docklands	9
Southbank	8

Source: CBRE

London's office cycle

London's office market had three major cycles between 1980 and 2009 (see below), when strong growth was followed by a sudden decline. These events were typically associated with recessions and rising interest rates, and sometimes exacerbated by office oversupply and distressed property disposals. The latest cycle has been different with growth rates peaking in 2015 and then stabilising until 2021.

London office cycle – index

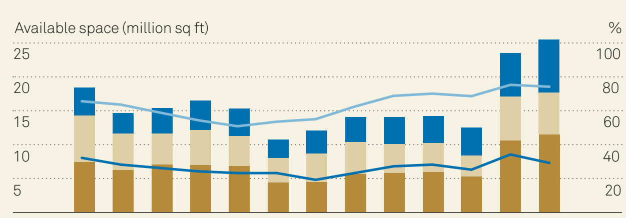


Source: MSCI

London's vacant office space

In 2021 London's vacancy remained high, rising from 8.1% to 9.3%. There are three key trends, as discussed above. First, availability is not evenly spread with the City comprising 45% vs the West End at 24%. Second, supply is dominated by secondhand space at 74% of the total. Third, tenant-controlled 'grey' space represents 29% of available space, a reduction from its peak of 34% in Q1 2021.

Breakdown of available space



Source: CBRE

CENTRAL LONDON OFFICE MARKET CONTINUED

Within our portfolio we have seen a reconfiguration of spaces with a shift in the ratio away from fixed desks towards more collaboration space and meeting rooms with video-conference facilities. At the same time, occupational densities are being reduced in a reversal of the 'max-packing' trend from recent years. Our own experiences show that, as businesses return to looking to the future, there is a clear recognition of the importance of the role the office plays in bringing people and teams together to enhance communication, mentoring, creativity and importantly productivity.

London Underground usage gathered momentum following the lifting of WFH guidance in July 2021, reaching in excess of 60% of pre-Covid levels in October and November. Since the latest WFH guidance was rescinded in mid-January 2022, travel has begun to recover.

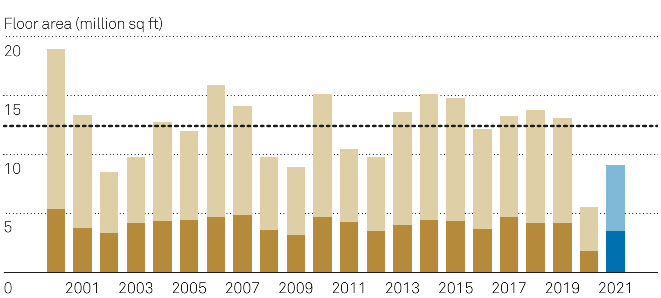
A return to normal service levels on the broader transport network will be crucial in facilitating the return to the office. The additional capacity that will be created with the opening of the Elizabeth line will also help. Provision of 'end of trip' amenity, such as bike facilities and showers, has come more into focus as increasing numbers have switched away from public transport to bicycle commuting.

London an attractive investment market

Investment volumes were weighted towards H2 2021 and in particular Q4 with the completion of several large deals. CBRE estimates £10.0bn of transactions completed in the year, +33% above 2020 although 16% below the long-term average. Investor demand is concentrated on either high quality buildings with long leases let to good covenants or 'value-add' opportunities, including 'build to prime' schemes, with strong competition for these buildings. According to CBRE prime yields compressed 25bp over the year in the City and West End to 3.75% and 3.25% respectively.

London's positive yield gap compared to other global cities, combined with its other attributes, namely a high level of market transparency, strong historic liquidity, long lease lengths and robust legal system, have helped it retain its relative attractiveness to global investors. CBRE estimates there is c.£40bn of potential investment demand targeting London offices which compares to current supply of £3.7bn. Asian investors account for 46% of overall demand, followed by Europeans at 32%, North Americans at 17% and Middle Eastern investors at 5%. UK investors were most active in 2021 accounting for 35% of activity followed by North Americans at 26%, Europeans at 22% and Asians at 14%. As air travel restrictions continue to ease, we expect the level of international investment to rise.

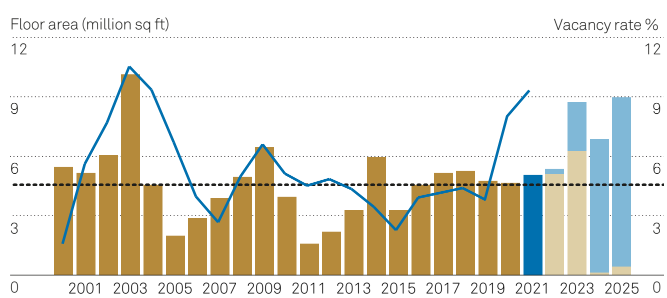
Central London office take-up



West End | Rest of central London | Central London average

Source: CBRE

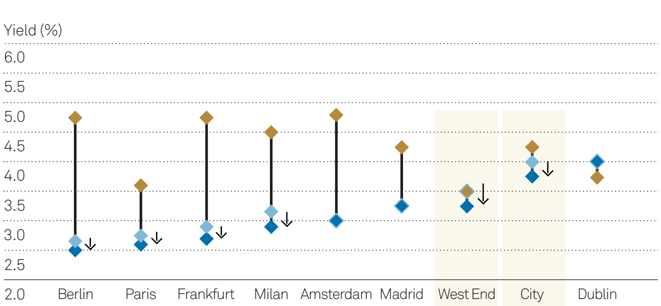
Central London development pipeline



Completed | Proposed | Vacancy rate | Under construction | Completed average

Source: CBRE

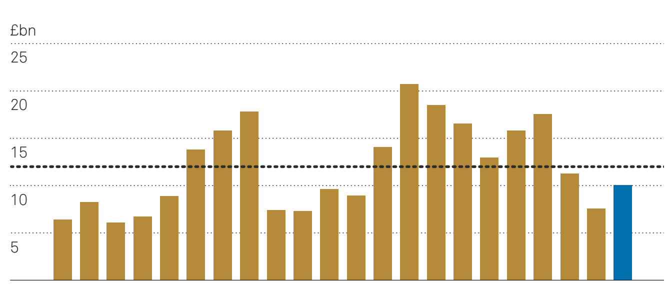
European yields



Cyclical Low | Dec 21 yield | Dec 20 yield

Source: CBRE

Central London office investment transactions



Average

Source: CBRE

City skyline from Old Street

PORTFOLIO STATISTICS

£178.4M
Contracted net rental income
2020: £189.2m

3.3%
EPRA net initial yield
2020: 3.7%

6.3 YEARS
Weighted average unexpired lease term (WAULT)
2020: 6.2 years

7.8 YEARS
WAULT including rent-free and pre-lets
2020: 7.9 years

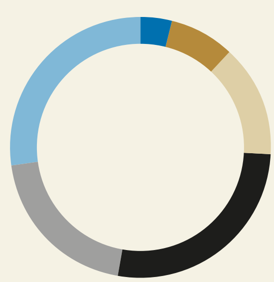
£293.9M
Estimated rental value[1]
2020: £291.2m

4.50%
True equivalent yield
2020: 4.74%

[1] After additional capex of £365m

Central London office rent

'Topped-up' income



£0-£30 per sq ft	4%
£30-£40 per sq ft	8%
£40-£50 per sq ft	14%
£50-£60 per sq ft	27%
£60-£70 per sq ft	20%
£70+ per sq ft	27%

Ten largest tenants
% of rental income[2]

Expedia	8.6%
Government & public admin	6.4%
Burberry	5.3%
Boston Consulting Group	3.8%
Arup	2.8%
The Office Group	2.8%
Publicis Groupe	2.4%
Accenture	2.1%
Ticketmaster	1.6%
Adobe	1.6%

[2] Based upon contracted net rental income of £178.4m

Tenant diversity
% of rental income[2]

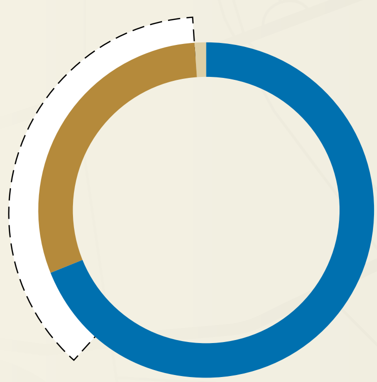
Media	21
Business services	19
Online leisure	10
Retail head office	8
Government & public admin	8
Retail & hospitality	8
Technology	8
Financial	6
Flexible office providers	4
Fintech	3
Other	5

A WELL PLACED PORTFOLIO

99% of our portfolio is located in 13 London 'villages', each with its own individual identity.

West End Central	
Fitzrovia/North of Oxford Street	33%
Victoria	9%
Paddington	7%
Soho/Covent Garden	7%
Baker Street/Marylebone	3%
Mayfair	2%
West End Borders & Other	
Islington and Camden	7%
Brixton	1%
City Borders	
Old Street	12%
Clerkenwell	10%
Shoreditch/Whitechapel	8%
Provincial	
Provincial	1%

Tech Belt



Portfolio weighting

West End and other London	69%
City Borders	30%
Provincial	1%

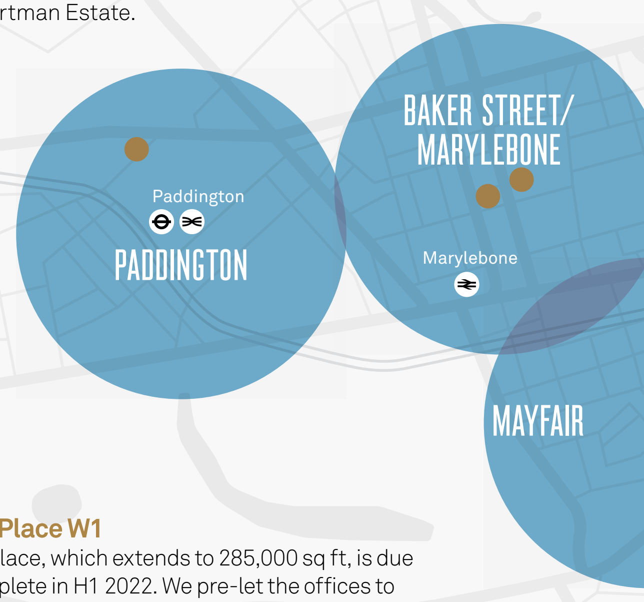
Principal properties page 272

19-35 Baker Street W1

On-site works commenced at our latest net zero carbon development in Q4 2021. Prior to commencement, we regeared the headlease with The Portman Estate and converted our interest in a 55:45 investment into a wholly-owned long headlease. The scheme extends to 298,000 sq ft and represents an uplift in area of 108%. Completion is scheduled for H1 2025. We expect good leasing prospects for this vibrant area of London.

Baker Street W1 JV

Located diagonally opposite our 19-35 Baker Street development, we acquired a 50% joint venture (JV) interest in this 122,200 sq ft block in Q4 2021 from Lazari Investments. The site has potential for a c.240,000 sq ft office-led redevelopment from late 2024, subject to agreeing a headlease regear with freeholder The Portman Estate.



Soho Place W1

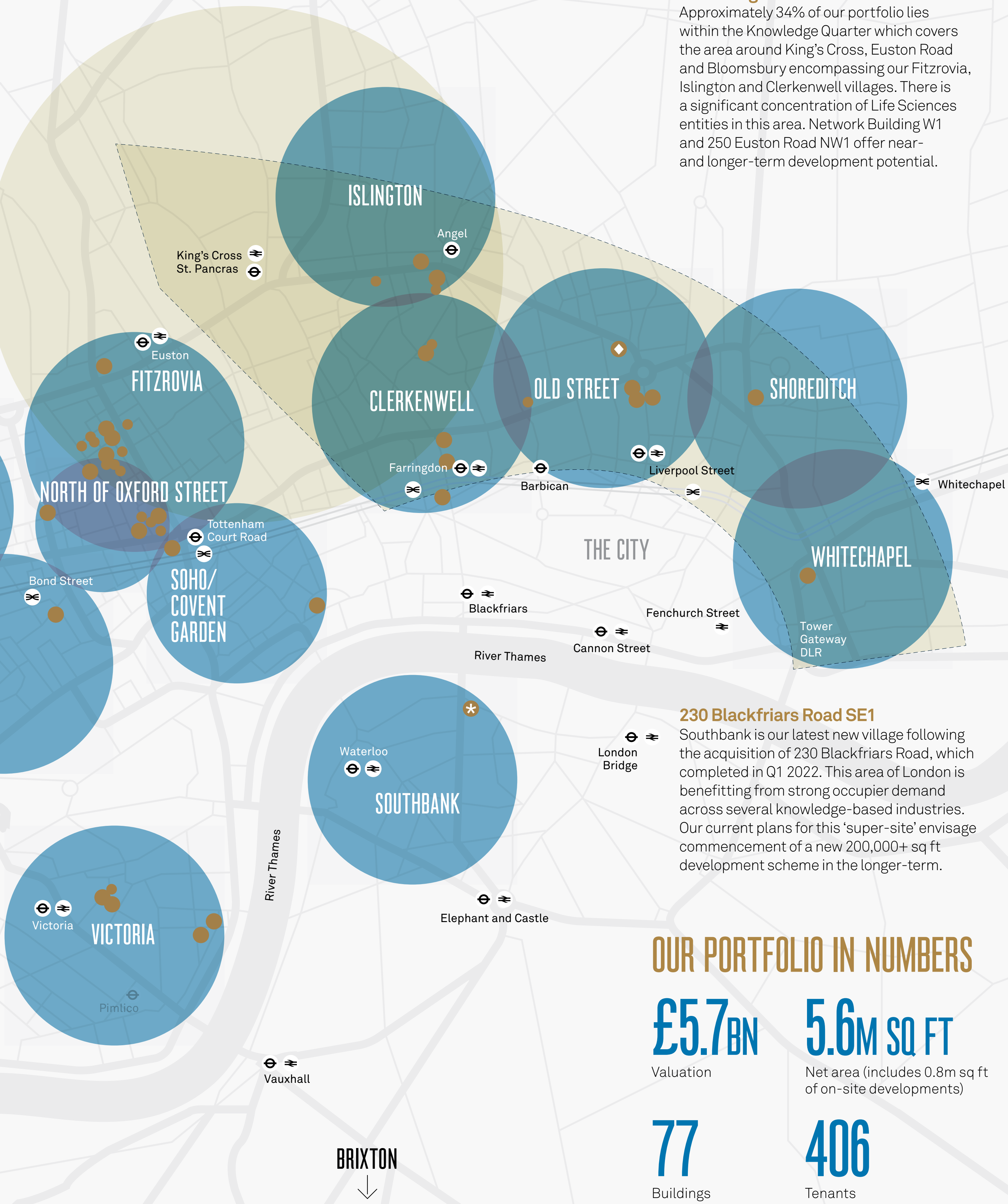
Soho Place, which extends to 285,000 sq ft, is due to complete in H1 2022. We pre-let the offices to G-Research and The Apollo Group early on in the development. The retail space remains available but we believe the location has enduring appeal and retailer interest will recover, aided by opening of the Elizabeth line.

Key

- Our villages
- Knowledge Quarter
- Tech Belt
- Properties
- Acquisition completed in 2022
- Selected as preferred bidder

Knowledge Quarter

Approximately 34% of our portfolio lies within the Knowledge Quarter which covers the area around King's Cross, Euston Road and Bloomsbury encompassing our Fitzrovia, Islington and Clerkenwell villages. There is a significant concentration of Life Sciences entities in this area. Network Building W1 and 250 Euston Road NW1 offer near- and longer-term development potential.



230 Blackfriars Road SE1

Southbank is our latest new village following the acquisition of 230 Blackfriars Road, which completed in Q1 2022. This area of London is benefitting from strong occupier demand across several knowledge-based industries. Our current plans for this 'super-site' envisage commencement of a new 200,000+ sq ft development scheme in the longer-term.

OUR PORTFOLIO IN NUMBERS

£5.7BN
Valuation

5.6M SQ FT
Net area (includes 0.8m sq ft of on-site developments)

77
Buildings

406
Tenants

RESHAPING THE PORTFOLIO, RESTOCKING THE PIPELINE

The Featherstone Building and White Collar Factory EC1

2021 was our most active year for the portfolio since 2007 with the acquisition of new 'super-sites' and disposal of non-core assets.

The acquisition of London Merchant Securities in 2007 was transformative for Derwent London in providing a large stock of older buildings to regenerate. Since then, we have continued to look for new acquisitions to meet the Group's long-term ambition that 50% or more of the portfolio has future repositioning potential.

In 2021 we made the decision to retain more of our larger recent developments where we see good growth over the next few years. We will also dispose of those few buildings where we believe returns are more limited, freeing up capacity to finance developments and other activities while maintaining modest gearing. We expect this strategy to improve total returns.

2021 restocking activity

In 2021 we agreed to acquire, mainly off-market, several longer-term development opportunities and agreed the sale of three assets where future upside was limited. This restocking of the pipeline with 'super-sites' has the potential to deliver a significant uplift in space from the existing c.600,000 sq ft (including the JV at 100%). Plans for each asset are at an early stage and subject to planning, but we are excited by the longer-term return potential.

Transactions with Lazari Investments


Baker Street W1 JV

The assets acquired from Lazari Investments in H2 2021 have longer-term repositioning potential.

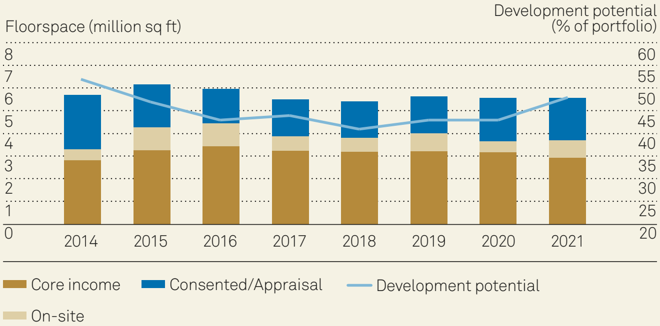
Baker Street W1 joint venture
At Baker Street, the 2024 block date broadly coincides with completion of our adjoining scheme at 19-35 Baker Street.

The existing ownership extends to 122,200 sq ft (at 100%). This island site has potential for a new office-led scheme of around 240,000 sq ft (+97%) subject to reaching agreement with the freeholder, The Portman Estate, who also owns a building within the site.

250 Euston Road NW1
Early appraisal studies suggest the site has potential to increase scale from the existing 165,900 sq ft building to c.225,000 sq ft (+35%). The current lease runs to 2039 with tenant-only breaks every five years, the next of which is in April 2024.

171-174 Tottenham Court Road W1
This building forms part of an island site with long-term development potential.

Reshaping the portfolio



230 Blackfriars Road SE1

Initial appraisal studies suggest the 60,300 sq ft office building and 30 surface car parking spaces has potential for a scheme in excess of 200,000 sq ft, or more than 3x existing floor area, excluding Quadrant House to the rear.


230 Blackfriars Road SE1

The Moorfields Estate EC1

Derwent London was chosen as the preferred bidder in December 2021 for the acquisition of the 2.5 acre Moorfields Estate site, with contracts expected to be exchanged in H1 2022. The purchase is expected to complete in 2026 subject to vacant possession when the new hospital in St Pancras becomes operational.

Following early discussions with local stakeholders, we intend to deliver a substantial office-led mixed-use commercial scheme. Plans include some Life Sciences space plus affordable workspace.


The Moorfields Estate EC1

DELIVERING NET ZERO CARBON BUILDINGS

On site

SOHO PLACE W1

Target completion: H1 2022

285,000 sq ft Development

Green Finance – Elected
BREEAM rating – Target: Outstanding (Site A)/Excellent (Site B)

Work is approaching completion ahead of handover to the tenants. One Soho Place comprises 191,000 sq ft of offices, fully pre-let to Apollo Group and G-Research, plus 36,000 sq ft of retail still to let. 2-4 Soho Place, where we exchanged on the sale of the long leasehold in 2020, consists of 18,000 sq ft of offices plus a 40,000 sq ft theatre.

Total capex: **£254m**

Plus site acquisition and estimated overage: £80m

THE FEATHERSTONE BUILDING EC1

Target completion: H1 2022

125,000 sq ft Development

Green Finance – Elected
BREEAM rating – Target: Outstanding

The scheme sits next to White Collar Factory by the Old Street roundabout in the heart of the Tech Belt. It incorporates many of White Collar Factory's innovative features: 3.3m floor to ceiling height and concrete core cooling. The building is predominantly offices with 2,000 sq ft of ancillary retail. The offices and retail are still to let.

Total capex: **£83m**

FRANCIS HOUSE SW1

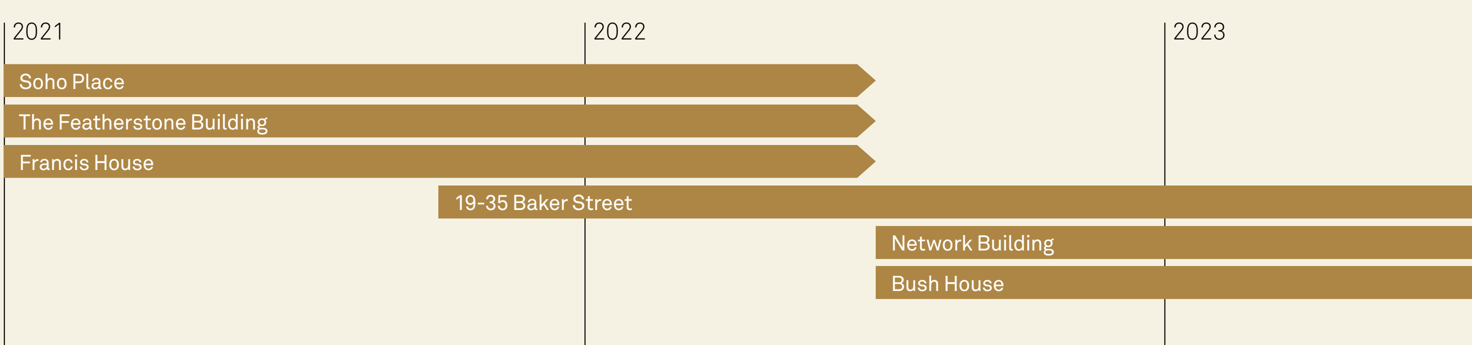
Target completion: H1 2022

38,000 sq ft Refurbishment

EPC rating – Target: B (from C)

This building forms a key part of the Group's larger holdings in Victoria. The refurbishment project involves retrofitting the heating system to all electric boilers. The space was pre-let in Q4 2021 to Edelman at a rent ahead of the June 2021 ERV.

Total capex: **£15m**



Our aim is to have two or three major redevelopments on site at any one time. Including our pipeline of smaller refurbishment projects, we incur capex of £150m to £250m per annum. On completion, these assets move into our core income portfolio where they continue to generate attractive returns for shareholders.

19-35 BAKER STREET W1

Target completion: H1 2025

298,000 sq ft Development

Green Finance – Elected
BREEAM rating – Target: Excellent

On-site works commenced in Q4 2021. It will provide a mix of 218,000 sq ft offices, 28,000 sq ft retail and 52,000 sq ft residential. Prior to commencement, our interests with the freeholder were restructured with the site now wholly owned on a 129-year leasehold interest.

Total capex: **£283m**

Plus estimated overage: £18m

Potential 2022 schemes

NETWORK BUILDING W1

Target completion: 2025

Development

Dual planning consent secured in 2021

- Office-led (137,000 sq ft)
- Lab-enabled (112,000 sq ft)

Up to 96% uplift on existing floor area

Planned commencement: **H2 2022**

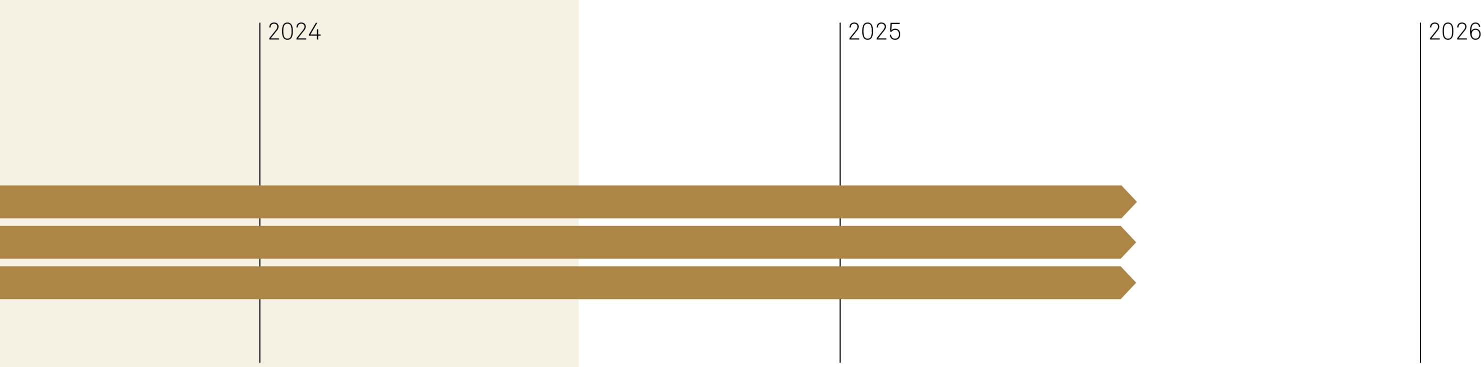
Total capex: £109m (Office scheme)

BUSH HOUSE WC2

Potential commencement: H2 2022

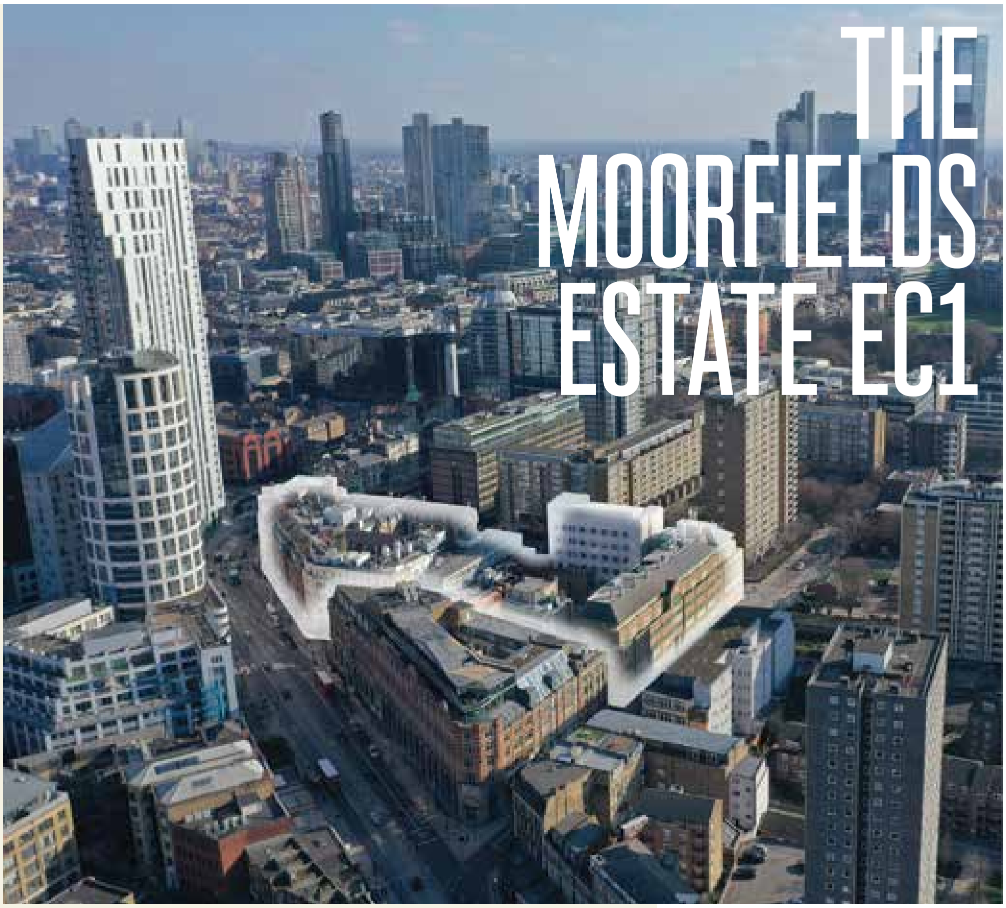
Refurbishment and extension

Scheme size c.130,000 sq ft (subject to planning). Up to 25% uplift on existing floor area.



PIPELINE PROJECTS & 'SUPER-SITES'

48% of our portfolio has repositioning potential. We also acquired 230 Blackfriars Road SE1 in Q1 2022 and are the preferred bidder for The Moorfields Estate EC1.



Development

Existing space: **c.400,000 sq ft**
Proposed: **750,000 sq ft+**
Status: **Appraisal studies**
Timing: **Long-term**

Derwent London was selected as the preferred bidder in 2021. Acquisition of the site in 2026 is conditional on exchange of contracts and receipt of vacant possession.

Development

Existing space: **54,000 sq ft**
Proposed: **c.110,000 sq ft**
Status: **Appraisal studies**
Timing: **Medium-term**

Development

Existing space: **90,000 sq ft**
Proposed: **150,000 sq ft**
Status: **Consented**
Timing: **Long-term**

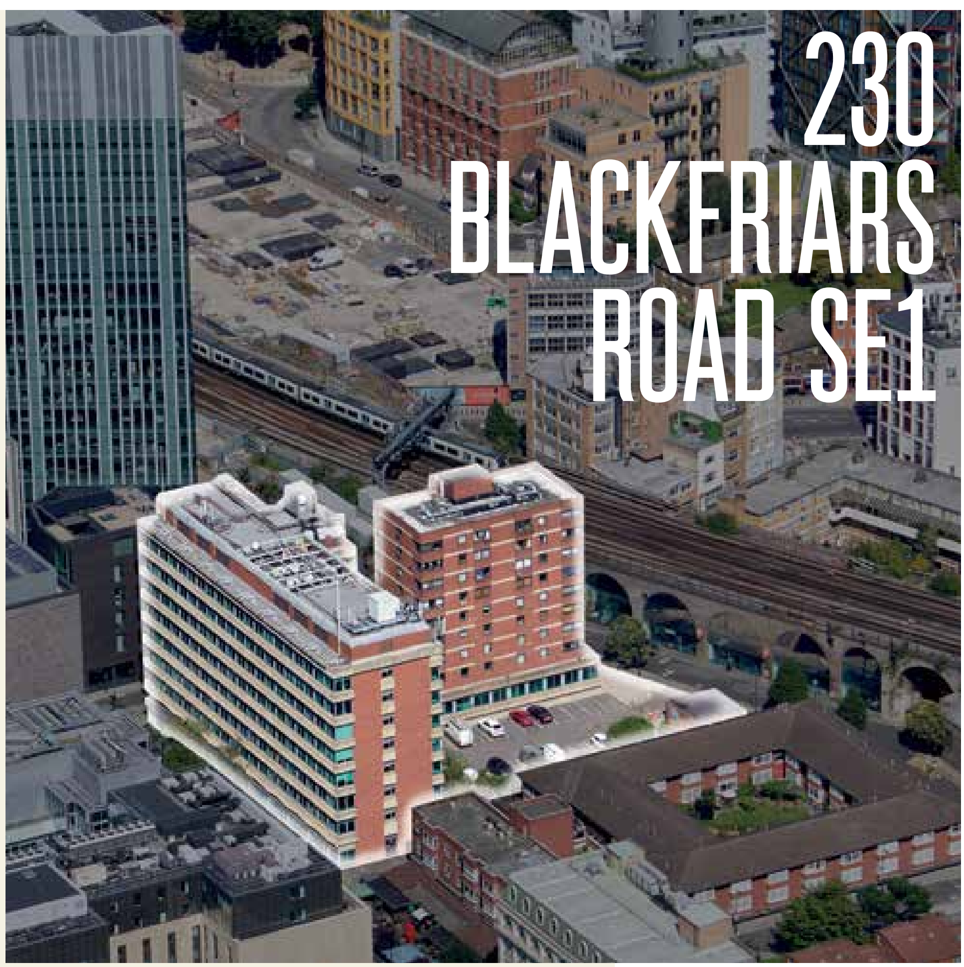
Extension

Existing space: **273,000 sq ft**
Proposed: **c.420,000 sq ft**
Status: **Appraisal studies**
Timing: **Long-term**

Development

Existing space: **122,200 sq ft**
Proposed: **c.240,000 sq ft**
Status: **Appraisal studies**
Timing: **Medium-term**

Acquired from Lazari Investments in Q4 2021 in a 50:50 JV, there is potential to double the floor area. The late 2024 block date broadly coincides with our target completion of 19-35 Baker Street.



Development

Existing space: **60,300 sq ft**
Proposed: **200,000 sq ft+**
Status: **Appraisal studies**
Timing: **Long-term**

These are income-producing buildings with 30 car parking spaces. It has potential for a significant uplift in space.

OUR STAKEHOLDERS

Proactive and positive stakeholder engagement helps to secure our long-term success.

Each stakeholder group requires a distinct approach to foster effective and mutually beneficial relationships. By understanding our stakeholders and factoring them into our decisions, we can secure our long-term success. Our section 172(1) statement for the year ended 31 December 2021 is on pages 124 and 125 and demonstrates how our stakeholders influenced some of the decisions taken by the Board in 2021. Acting in a fair and responsible manner is a core element of our business practice as seen in the Responsibility section on pages 50 to 75.

We recognise that we have a responsibility to all our stakeholders. Through our engagement strategy, existing relationships with our stakeholders and, with an understanding of their concerns and issues, we were able to work closely alongside them during the pandemic and, wherever possible, offer proactive support.

We held our first Stakeholder Day on 29 September 2021 to engage with and inform our stakeholders on our intentions and future projects. This included our Net Zero Carbon Pathway, how we plan to generate green energy from our Scottish land and our Intelligent Building strategy. With over 100 attendees, representing the majority of our stakeholder groups, our Stakeholder Day recognised that 'relationships are at the core of what we do' (see page 134).

We held our first Stakeholder Day at DL/78 in 2021, further details are on page 134

Our key stakeholders	Their material issues
OCCUPIERS	
Our success is dependent on our ability to understand and respond to our occupiers' needs and aspirations	— The health and wellbeing of employees and visitors — Continuity of businesses during the pandemic — Suitable lease terms — Well-designed and sustainable (green) buildings — Talent attraction/retention — Amenities for employees and visitors
EMPLOYEES	
We have an experienced, diverse and dedicated workforce which we recognise as a key asset of our business	— Overall health and wellbeing — Agile and flexible working practices — Opportunities for training, development and progression — Opportunities to share ideas and make a difference — A diverse and inclusive work environment
LOCAL COMMUNITIES & OTHERS	
We are committed to supporting the communities in which we operate, including the NHS, local businesses, residents and the wider public	— Minimising local disruption — Impact on the local economy — Derwent London being a responsible neighbour — Effective communication and engagement
SUPPLIERS	
We outsource many of our activities to third party suppliers and providers. As a result, it is crucial that we develop strong working relationships	— Long-term partnerships — Collaborative approach — Open terms of business — Fair payment terms
CENTRAL & LOCAL GOVERNMENT	
As a responsible employer and business, we are committed to engaging constructively with the central and local government to ensure we support the wider community	— Openness and transparency — Proactive engagement with local authorities — Support for local economic plans and strategies — Compliant with legislation — Timing of the economic recovery as people return to city centres for work and to support businesses
DEBT PROVIDERS	
We maintain close and supportive relationships with this group of long-term stakeholders, characterised by openness, transparency and mutual understanding	— Financial performance — Openness and transparency — Proactive approach to communication — Credit rating — Low gearing — Increase in green finance lending
SHAREHOLDERS	
We adopt an open and transparent approach with our investors with frequent contact. They play an important role in helping shape our strategy and monitoring our governance	— Financial performance — Strategy and business model — Environmental, social and governance (ESG) performance — Dividend

How we engage	2021 outcomes and highlights	Further links
We communicate regularly with our existing occupier base via our dedicated Leasing, Asset and Property Management teams, together with close Director involvement. We do this through calls, meetings, engagement events and forums. During 2021, we provided proactive support to our occupiers. Occupier surveys were commissioned to gather feedback and to measure our response to the pandemic. In October 2021, we launched DL/78, a new amenity available to all Derwent London office occupiers which reflects our design-led approach to creating inspiring space for occupiers, which is both useful and engaging.	— Launch of DL/78 and the DL/ App (see page 30) — Rent deferrals and concessions given to occupiers that were most impacted by the pandemic — £13.7m of lettings — 1.6% EPRA vacancy rate — 77% tenant retention/re-lets	**Providing enhanced amenity** page 30 → **Asset management** page 82 → **Executive annual bonus void management target** page 184 →
We have an open and collaborative management structure and engage regularly with our employees. Engagement methods include, but are not limited to, employee surveys, CEO town hall meetings, Company presentations, our intranet site, newsletters, awaydays and our wellbeing programme. Employee engagement is frequently measured and we have employee representatives on our Responsible Business Committee, which is chaired by the designated Non-Executive Director (Dame Cilla Snowball) for gathering the views of our workforce.	— Feedback from employee surveys (see page 60) — Attained National Equality Standard accreditation — 13% of our employees are trained as mental health champions — 13 town hall meetings were hosted to share news and provide support	**Staff satisfaction KPI** page 49 → **Diversity and inclusion** page 57 → **Employee engagement** page 135 →
We engage with the local community through the planning process, our Community Fund, volunteering, charitable donations and providing employment and work experience opportunities. We also liaise with Non-Governmental Organisations (NGOs), Business Improvement Districts and industry bodies to enhance the positive impact we have on the communities in which we operate.	— Use of 16 flats donated to University College Hospital — Committed £725,000 of community and sponsorship donations for 2021 — 19 community projects supported in 2021	**Community Fund** page 61 → **Charities and sponsorships** page 61 → **Our pathway to net zero carbon** page 12 →
Through effective collaboration, we aim to build long-term relationships with our suppliers so that we can develop and operate great spaces for our occupiers. We are signatories to the CICM Prompt Payment Code and are clear about our payment practices. We expect our suppliers to adopt similar practices throughout their supply chains to ensure fair and prompt treatment of all creditors. Our Supply Chain Sustainability Standard sets out our principles and expectations in terms of the environmental, social, ethical and governance issues which relate to our supply chains.	— Our average payment term was 20 days — £173.7m capital expenditure — Revised our Supply Chain Sustainability Standard — Published our 2021 Modern Slavery Statement	**Supply chain governance** page 65 → **Supply Chain Sustainability Standard** page 169 → **Responsible payment practices** page 169 →
During 2021, we have supported initiatives to reopen central London after lockdown. We take a constructive and positive approach to working with local authorities to ensure high-quality planning applications are submitted. Similarly, we maintain proactive relationships with government departments such as HMRC, via regular dialogue and correspondence. Paul Williams (CEO) is Chairman of the Westminster Property Association (WPA), a not-for-profit advocacy group, which focuses on policy, research and maintaining excellent relationships with central London's local authorities. Derwent London became a part of London Borough of Islington's London Living Wage Action Group to support Islington to become a London Living Wage Borough.	— Maintained our 'low-risk' tax rating with HMRC — Providing a theatre and public realm as part of the Soho Place development — Achieved dual planning for the Network Building W1	**Our journey to COP26** page 54 → **Working with local authorities** page 62 → **Tax governance** page 65 →
We arrange debt facilities from a diverse group of providers ranging from banks to institutional pension funds. We engage with these providers and our credit rating agency through regular meetings and presentations to ensure that they remain fully informed on all relevant areas of our business. This high level of engagement helps to support our credit relationships.	— Raised £350m via a green bond — Extended our Revolving Credit Facilities with our UK banking partners for a further year to 2026 — 20.8% loan-to-value ratio — Interest cover 464% — Fitch corporate credit rating of A-	**KPI – interest cover ratio** page 46 → **Debt and financing** pages 94 and 95 → **Green Finance Framework** pages 13, 96 and 97 →
Through our investor relations programme, which includes RNS announcements, meetings, property tours and our Annual General Meeting, we ensure shareholders' views are brought into our boardroom and considered in our decision making.	— Held an Investor Day on 28 September at DL/78 — 2.8% increase in dividend — We received votes from 84.7% of shareholders for the 2021 AGM	**KPI – Total Shareholder Return (TSR)** page 46 → **Shareholder engagement** page 137 → **Annual General Meeting** page 197 →

OUR BUSINESS MODEL

We apply our asset management and regeneration skills to the Group's 5.6m sq ft property portfolio using our people, relationships and financial resources to add value and grow income while benefiting the communities in which we operate and the wider environment beyond.

DRIVEN BY

Our purpose
To help improve and upgrade the stock of office space in central London, providing above average long-term returns to our shareholders while bringing social and economic benefits to all our stakeholders.

By promoting **values** that include building long-term relationships and setting an open and progressive corporate **culture**, our design-led ethos has created a brand of well-designed, flexible and efficient buildings at affordable rents.

IMPACTED BY

Our environment
The London office market and its wider context

page 14

Our assets and resources
Properties

page 18

Financial resources

page 88

People and relationships

page 56

The views of our stakeholders
Understanding their key issues through effective engagement

page 26

HOW WE ADD VALUE

Our core activities

ASSET MANAGEMENT

Understanding our occupiers helps us tailor buildings and leases to their needs thereby growing our income streams and adding value

page 82

DEVELOPMENT & REFURBISHMENT

Our focus on design, innovation and value for money creates sustainable and adaptable buildings characterised by generous volumes, good natural light and high quality amenities and wellness facilities

page 85

INVESTMENT ACTIVITY

We recycle capital, acquiring properties with future regeneration opportunities to build a pipeline of projects and disposing of those which no longer meet our investment criteria

page 80

Strong governance and risk management
page 100 and page 121

VALUE CREATED FOR OUR STAKEHOLDERS

Driven by our five strategic objectives

1. TO OPTIMISE RETURNS AND CREATE VALUE FROM A BALANCED PORTFOLIO

page 38

2. TO GROW RECURRING EARNINGS AND CASH FLOW

page 40

3. TO ATTRACT, RETAIN AND DEVELOP TALENTED EMPLOYEES

page 41

4. TO DESIGN, DELIVER AND OPERATE OUR BUILDINGS RESPONSIBLY

page 42

5. TO MAINTAIN STRONG AND FLEXIBLE FINANCING

page 43

PRIORITIES

Annual priorities are set for each strategic objective

page 34

RISKS

Risk management is integral to the delivery of our strategy

page 100

KPIs & REMUNERATION

Success against our objectives is measured using our KPIs and rewarded through our incentive schemes

page 44 and page 174

652,700 SQ FT
Rent reviews, lease renewals and lease regears agreed in 2021 at a rent of £31.9m pa

746,000 SQ FT
On-site projects, 38% pre-let

+9.3%
Average annual ordinary dividend growth over 10 years

+10.9%
Average annual total return over 10 years

£725K
Community Fund plus sponsorship and donations

Measured via our KPIs
page 44

PROVIDING ENHANCED AMENITY

As the flight to quality in London offices gathers pace, the focus on amenity provision has been increasing, encompassing services both within the building and outside.

Derwent London has a long track record of providing high quality amenities. Roof terraces, cafés, third party co-working spaces among other services have been available for many years, as well as generous reception areas and adaptability within the customer space.

The Covid-19 pandemic has brought the quality of space to the forefront of occupiers' minds as they seek to bring employees back to the office and as part of the 'war for talent'. Occupiers increasingly demand amenity that goes beyond their own space.

Our village-led approach, combined with a long-term investment horizon, allows us to support communities in and around our buildings, working in partnership with local businesses to deliver services to occupiers while creating value for local stakeholders.

In 2021 we launched several new initiatives aimed at enhancing customer experience and driving engagement.

DL/78, in Fitzrovia, is a shared community amenity space that provides a club lounge and workspace available for use by our occupiers, and includes bookable meeting rooms, a wellness area and catering services. Occupier engagement and feedback to date is very encouraging.

The White Chapel Building E1

End of trip amenities like bike facilities and showers, which we have long provided, is increasingly in demand as employees return to the office.

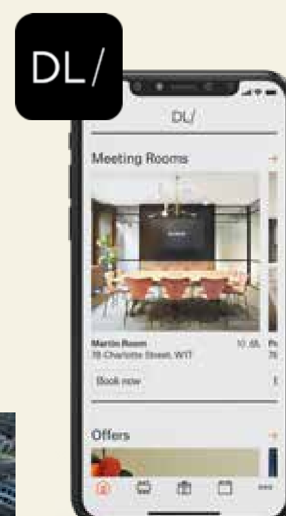
19 Fitzroy Street W1

Pocket Parks serve a dual function. In addition to their beneficial impact on wellbeing and the wider community, green space also adds to a building's sustainability credentials.


The Poets' Park - 80 Charlotte Street W1

Furnished + Flexible is one of our responses to the flexible office market. Totalling 61,400 sq ft, mainly in buildings with small floor plates, this allows for quick, easy and efficient occupation on an all-inclusive rent including furniture and fittings and with flexible lease terms.

Customer DL/ App brings the portfolio together to provide occupiers with a seamless experience showing available 'Furnished + Flexible' space and meeting rooms, plus offers and events across the portfolio.



INTELLIGENT BUILDING

Intelligent Building system architecture will allow us to better integrate different building software and systems. The data captured will help us identify ways to improve building efficiency and reduce operational carbon emissions. We are targeting 55% of the portfolio to be Intelligent Building enabled by the end of 2023.


The Featherstone Building EC1 – Intelligent Building

OUR STRATEGY

Our strategy is well established and explains how we aim to fulfil our purpose for the benefit of all our stakeholders. During 2021, our priorities were adapted to suit investment, occupier and sustainability requirements.

This strategy is defined through our five 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

Our strategic journey starts with the acquisition of central London properties at low capital values where we see potential to add value through regeneration. Having a pipeline of current and future projects is a key part of our strategy and we aim for this to represent approximately 50% of our portfolio by area. Value-enhancing projects may take several years with profits derived from a combination of planning uplift, the regearing of leases and refurbishment or redevelopment. Good design and the needs of our customers are at the heart of our plans. The returns generated by our schemes have helped us outperform our benchmarks (principally the MSCI Central London Offices Index).

Balancing the inherent risk of our development projects are the 'core income' properties, which represented 52% of our portfolio as at 31 December 2021. Here the focus is on customer relationships and maintaining or growing recurring earnings and cash flow through active asset management. Our asset managers work closely with our customers to meet their needs, for example by offering a wide range of lease terms, providing adaptable space and excellent amenities while helping to create a work environment that supports innovation, productivity and wellbeing.

Whether planning, designing or delivering schemes, we take a long-term view, looking to identify risks to income or values early on. An annual five-year plan is prepared to assess risks and opportunities, and ensure our product is forward-looking and appeals to a wide range of tenants.

Successful implementation of our strategy requires our teams to work together with a shared vision and common values. These include focusing on creative design and ensuring sustainability and responsibility are embedded in everything we do. We have fostered an inclusive culture that is progressive and hard-working, building a team passionate about improving London's office space.

Delivering our 2021 priorities

Our primary goal for 2021 was to seek out new acquisitions to help reshape our portfolio towards a greater proportion of properties offering future 'value-add' opportunities. Against a competitive market backdrop we had to work hard to find primarily off-market opportunities using our skills and long-term relationships, and were prepared to sacrifice some short-term income.

During 2021, we agreed more such acquisitions than in any year since the transformational merger with London Merchant Securities PLC in 2007. The 2021 acquisitions are set out in more detail on pages 80 and 81. Acquisitions totalled £417.5m, excluding The Moorfields Estate EC1 which we expect to acquire in 2026.

We also announced a nuanced shift in our strategy to hold onto some of our recent high quality developments for longer than previously following completion. These properties are in relatively short supply and offer state of the art accommodation, good environmental performance and amenities. As a result, we believe they will outperform the central London office market over the next few years. Conversely, in an increasingly polarised office market, we identified a small number of our older buildings requiring capital investment as potential underperformers which we will gradually look to divest of. Johnson Building and Angel Square completed in the year and contracts were exchanged in January 2022 for the sale of New River Yard EC1.

Though significantly less impacted than 2020, Covid-19 continued to cast a shadow through 2021. Despite this, work continued successfully at all our on-site projects. Following the restructuring of our 55% interest with The Portman Estate, we commenced a substantial new scheme at 19-35 Baker Street W1.

Actions under our Net Zero Carbon Pathway have continued through 2021 and we were involved in a number of climate change initiatives including COP26. See pages 12, 13 and 54 for more details.

Maximising occupancy remains very important and, in 2021, our asset managers continued to focus on supporting our occupiers while also extending leases and removing break options. At the same time, our property and facilities managers have worked with occupiers to deal with the ongoing challenges and restrictions resulting from the pandemic. Our year end EPRA vacancy rate remains low at 1.6%, considerably below the wider London office market.

OUR 2022 PRIORITIES

— To progress future projects and consolidate existing plans including EPC upgrades , plus delivery and execution across the business. This includes working up planning applications on several projects and clearing impediments to development as well as managing lease breaks and expiries
— To complete Soho Place W1
— To complete and let The Featherstone Building EC1
— To further deliver on our net zero carbon programme and develop our social and community engagement activities
— Retain and grow income and cash flow from the portfolio
— Seek new acquisition opportunities with upgrade potential
— Continue to work with occupiers and employees to address their needs and maintain high satisfaction ratings

It was an active year of refinancing with our two revolving bank facilities extended for another year to new five-year terms and a successful debut green bond of £350m with a 10-year term. The latter was unsecured and resulted in progressive improvements to our Green Finance Framework, first published in 2019. These activities have further strengthened our balance sheet and financial position. More details are on page 94.

In terms of other priorities, we were very pleased to obtain certification against the National Equality Standard which reflects the hard work undertaken across the business in this important area, with input from our Responsible Business Committee and our Diversity & Inclusion Working Group. Our management training programme also carried on in 2021 with a further 26 staff members benefitting.

Risk management

Risk management is an integral part of our business and is monitored regularly. This is split into categories considering the likely impact on strategy, operations, financial position and stakeholders. Our projects generally take many years to complete, requiring long-term planning, risk mitigation and financial discipline.

Performance measurement and remuneration

Key Performance Indicators (KPIs) help us measure our performance and assess the effectiveness of our strategy. These are listed on page 44 for each objective, but the principal measures that we apply to ascertain overall business performance are total return (TR), total property return (TPR) and total shareholder return (TSR).

- TR combines our dividends with the growth in net asset value per share (measured using the EPRA NTA metric) to provide an overall return for the year and is measured against a peer group.
- TPR measures the income and growth in value from our properties and is measured against an index of other relevant properties.
- TSR compares our dividends and share price performance measures with the relevant index.

TR, TPR and TSR are the main performance measures we use to determine the majority of the variable elements of executive remuneration to ensure there is strong alignment between the interests of shareholders and our decision makers. There are also non-financial targets representing 25% of the potential bonus which measure our success in meeting ESG and climate change responsibilities and the needs of other stakeholders.

Further polarisation in the London office market

We made a nuanced change to our strategy and will now hold recently completed developments for longer, recognising the gap between properties which offer high quality, adaptable, modern space appealing to the most discerning occupiers and other office properties opened further in 2021.

These top tier properties are increasingly sought after by occupiers and investors alike and offer strong flexibility in use, high levels of wellbeing and excellent energy/ESG credentials as well as good design. They are in relatively short supply and we are seeing strengthening demand from occupiers who wish to attract and retain the most talented employees, and we expect to see rental growth for such properties in 2022. In addition to recently completed developments, we also include high quality older refurbishments or developments in this category.

The second category either require significant capital investment to reach the highest standards or may not be capable of reaching that level . Vacancy rates are rising for these properties as occupiers choose more modern space or more flexible solutions and we expect to see rents and values underperform. The properties that we acquire tend to be of secondary quality where we see opportunity to add value through creating typically high quality Derwent London product.

Brunel Building W2

OUR STRATEGY CONTINUED

1. TO OPTIMISE RETURNS AND CREATE VALUE FROM A BALANCED PORTFOLIO

2021 priorities		2021 progress
Seek new acquisitions in emerging areas of London with potential to add value either by increasing floor area or upgrading to higher quality stock	●	Completed £417.5m of acquisitions (including costs) with inherent value-add opportunities and agreed to acquire 230 Blackfriars Road SE1 and The Moorfields Estate EC1 (see page 21)
Dispose of properties that no longer meet our investment criteria	●	Completed £405.1m of disposals, including Johnson Building EC1 and Angel Square EC1 which were deemed to have limited upside potential
Progress Soho Place W1 and The Featherstone Building EC1	◐	Both projects are on track to complete in H1 2022. Soho Place 87% is pre-let or pre-sold
Secure pre-lets at The Featherstone Building	○	In discussions with a number of interested parties for a range of requirements
Commence on-site works at 19-35 Baker Street W1	●	Demolition works commenced October and preferred main build contractor was identified
Progress regeneration opportunities within the portfolio	●	Successfully obtained dual planning permission for redevelopment of Network Building W1, bought in leasehold interest at Bush House WC2 and advanced extensive refurbishment works at Francis House SW1 which is 100% pre-let

2. TO GROW RECURRING EARNINGS AND CASH FLOW

2021 priorities		2021 progress
Increase our amenity and customer experience offering to tenants	●	Opened DL/78 in October, our first hybrid amenity space available to our community of customers, and launched new DL/ App for their use
Continue to work with tenants to ensure the safe re-occupation of their work places	●	Maintained continuous dialogue with tenants around Covid-19 safety measures and introduced air quality monitoring in common areas of all buildings
Manage voids and expiries with a focus on extending income through renewals and regears	●	Carried out asset management activities over 652,700 sq ft, increasing rent by 9.2% from £29.2m to £31.9m. Our retention and re-let rate for 2021 was 77% and the average lease length increased from 6.2 years to 6.3 years
Consider opportunities to upgrade existing stock to optimise income as vacancies occur	●	Spent £17m of capex on smaller projects across the portfolio during 2021 to improve space and amenity offering

Key to risks
Principal risks (pages 108 to 119)

1	Failure to implement the Group's strategy
2	Risk of tenants defaulting or tenant failure
3	Income decline
4A	Reduced development returns
4B	'On-site' risk
4C	Contractor/subcontractor default
5A	Cyber attack on our IT systems
5B	Cyber attack on our buildings
5C	Significant business interruption
6	Reputational damage
7	Our resilience to climate change
8A	Non-compliance with health and safety legislation
8B	Other regulatory non-compliance

Key to progress

Achieved	On target	Not achieved

Priorities for 2022	Key performance measures	Risks

page 38

Priorities for 2022	Key performance measures	Risks
— Complete development of Soho Place and The Featherstone Building and let remaining space — Appoint main contractor and progress the scheme at 19-35 Baker Street — Commence on-site works at Network Building — Progress plans for Bush House, Baker Street joint venture and The Moorfields Estate — Seek further opportunities within the portfolio to upgrade or reposition assets to maximise returns — Dispose of properties that no longer meet our investment criteria	— Total return — Total property return — Total shareholder return — EPRA earnings per share — Reversionary percentage — Development potential — Void management	— Principal risks: 1, 2, 3, 4A, 4B, 4C, 5A, 5B, 5C, 6, 7, 8A — Emerging risks: A, D, E, F, G

page 40

Priorities for 2022	Key performance measures	Risks
— Continue to enhance amenity and customer experience across the portfolio — Retain and grow income by proactively managing voids and expiries while both extending and increasing income where viable — Look to upgrade existing stock where opportunities arise to maximise income	— Total return — Total property return — Total shareholder return — EPRA earnings per share — Reversionary percentage — Tenant retention — Void management	— Principal risks: 1, 2, 3, 4A, 4B, 4C, 5A, 5B, 5C, 6, 7, 8A — Emerging risks: A, B, C, D, E, F, G, H, I

Key to risks

Emerging risks (pages 104 and 105)

A	The future of offices
B	Long-term implications of Covid-19 on our portfolio
C	Political risk arising from government response to issues
D	The rising cost of obtaining planning permission
E	Diminished development pipeline
F	Increasing importance of amenities
G	Adoption of technology
H	The importance of ESG-related concerns to our key stakeholders
I	Impact on businesses arising from the UK's commitment to be net zero carbon by 2050

OUR STRATEGY CONTINUED

3. TO ATTRACT, RETAIN AND DEVELOP TALENTED EMPLOYEES

2021 priorities		2021 progress
Continue 'Fit for the Future' programme	●	A further 26 employees participated in the Fit for the Future programme
Continue core skills sessions and technical workshops and resume unconscious bias training	●	Conducted nine core skills sessions and five technical workshops during the year. 53 people received unconscious bias training in collaboration with Chickenshed
Continue health and wellbeing initiatives	●	Various health and wellbeing education sessions conducted, further Workplace Mental Health First Aid Champions appointed, care packages sent to those living alone during lockdown
Ensure safe re-occupation of our offices and review hybrid working arrangements to ensure collaboration is maintained	●	All staff provided with updated office protocols and attended 30-minute online induction on Covid-19 safety measures before returning to the office
Work towards achieving National Equality Standards accreditation	●	Gained National Equality Standard certification in December and ranked in top 5% of all companies surveyed – see pages 58 and 59
Conduct our fourth full employee survey in October 2021	●	Completed survey in Q4 2021. 94% of respondents agreed that they are 'proud to work for Derwent London' – see page 60

4. TO DESIGN, DELIVER AND OPERATE OUR BUILDINGS RESPONSIBLY

2021 priorities		2021 progress
Continue to embed our Net Zero Carbon Pathway requirements across the business	●	Published our revised Responsible Development Framework outlining new minimum net zero requirements for our development projects. Launched net zero carbon occupier survey (see page 13) to gain greater understanding of how we can work together to achieve goals. Submitted planning application for a solar farm on our Scottish land. Launched Intelligent Building initiative to capture operational energy consumption of managed properties
Continue to progress realigning our Science-Based Targets in accordance with guidance	◐	Established building specific operational energy targets, aligned with a 1.5°C science-based scenario
Develop, refine and embed our approach to carbon accounting	◐	Conducted various internal workshops
Deliver the next rounds of our Community Fund and continue to extend our criteria to consider charities facing financial hardship	●	Supported 19 different projects during 2021 with a focus on wellbeing

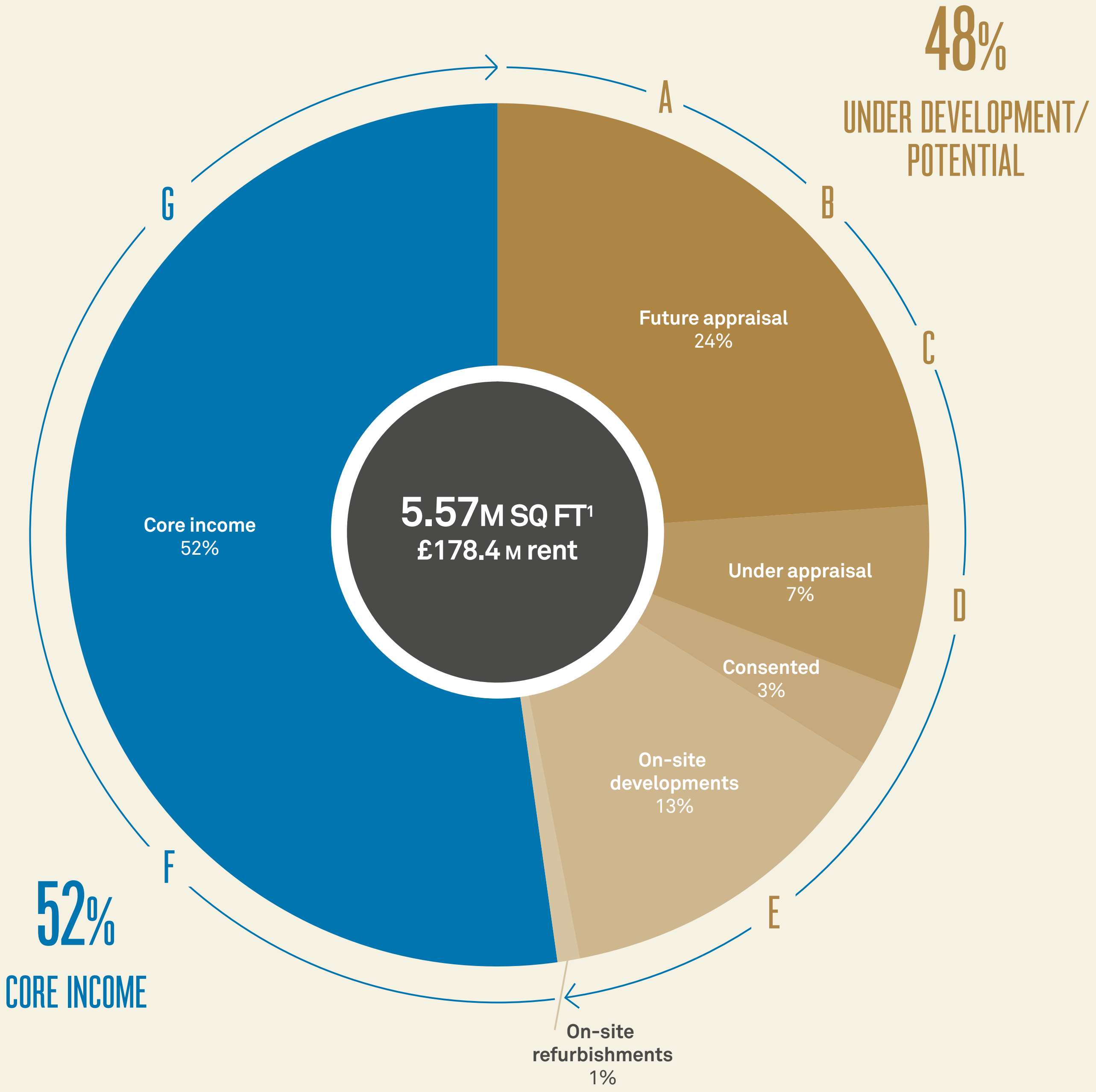
5. TO MAINTAIN STRONG AND FLEXIBLE FINANCING

2021 priorities		2021 progress
Maintain or strengthen available facilities	●	Issued our first sterling-denominated green bond for £350m for a term of 10 years. Both the £450m and £100m Revolving Credit Facilities were extended by one year to 2026
Maintain sufficient headroom on financial covenants	●	Interest cover remains strong at 464%; property income could fall by 69% before breaching the interest cover covenant
Transition all relevant loans and swaps from LIBOR to SONIA based	●	All LIBOR linked loans and swaps were transitioned to a SONIA basis during the year

Priorities for 2022	Key performance measures	Risks
page 41		
— Further embed diversity and inclusion into the business — Establish focus group to review staff survey results and put forward recommendations to the Executive Committee — Continue with health and wellbeing initiatives with a strong focus on mental health and work-life balance — Continue regular town hall meetings to retain high levels of communication and collaboration — Hold our third all employee company away day	— Total return — Total shareholder return — Staff satisfaction	— Principal risks: 5A, 5B, 5C, 6, 7, 8A, 8B — Emerging risks: B, H, I
page 42		
— Progress asset specific net zero carbon action plans, including future EPC requirements — Review and commence implementation of findings from net zero carbon occupier survey — Progress our renewable energy and carbon offset projects on our Scottish land — Continue to progress realigning our Science-Based Targets in accordance with emerging sector guidance — Continue to develop, refine and embed our approach to carbon accounting — Implement recommendations from Chickenshed's review of our Community Fund — Develop an approach to measuring our social value	— Total return — Total shareholder return — BREEAM ratings — Energy performance certificates — Energy intensity — Carbon intensity — Accident frequency rate	— Principal risks: 1, 4B, 4C, 5A, 5B, 5C, 6, 7, 8A, 8B — Emerging risks: A, B, D, F, H, I
page 43		
— Maintain or strengthen available facilities — Maintain sufficient headroom on financial covenants — Ensure, where reasonable, green finance is used to fund eligible green projects, and that the Green Finance Framework is consistently applied	— Total return — Total shareholder return — Gearing and available resources — Interest cover ratio	— Principal risks: 1, 2, 3, 4A, 4B, 5A, 5B, 5C, 6, 7, 8A, 8B — Emerging risks: B, C

OUR STRATEGY CONTINUED

1. TO OPTIMISE RETURNS AND CREATE VALUE FROM A BALANCED PORTFOLIO



[1] Comprises 4.82m sq ft of existing buildings plus 0.75m sq ft of on-site developments and on-site refurbishments

Our portfolio is constantly changing but properties fall into one of several main categories. The chart shown, which we refer to as the 'Derwent doughnut', shows how our 5.6m sq ft portfolio is balanced between properties with potential to add further value through regeneration and those which have already been improved but where our asset management skills can continue to grow value and income. This section sets out the typical life cycle (A to G) of our properties, explaining how maintaining portfolio balance is a key factor in our strategy. Stakeholder, climate change and wider ESG impacts are also key considerations in the strategy we pursue for each individual property.

48% UNDER DEVELOPMENT/POTENTIAL

A
Acquiring opportunities
Our property life cycle starts with the acquisition of buildings or sites with modest capital values. These are usually income producing but are often characterised by low rents per sq ft. We particularly look for potential to add area to the building and/or to improve the quality, amenity and environmental performance of the space. They may also be in locations that have underperformed or are due to benefit from infrastructure upgrades. If these features are not apparent or we do not see good value, we are disciplined in our capital allocation and are not 'forced buyers'. As previously noted, 2021 was a particularly active year for us in securing new opportunities for future schemes, including new 'super-sites' offering considerable scale for the future.

B
The importance of cash flow
By acquiring predominantly occupied properties that provide cash flow, we have time to work up our plans while enjoying an income yield. This gives us the necessary flexibility to assess what to do and when to do it. Our plans for a building regularly go through several iterations before settling on an optimal solution.

C
Dialogue with tenants and landlords
When exploring the best plan for the building, we speak with existing tenants and, where appropriate, any ultimate landlord or other relevant stakeholder. This helps us extend income but we generally also agree landlord breaks at future dates to provide us with flexibility over the timing of vacant possession. This may involve accepting income below market levels but helps us retain cash flow until we are ready to commence a scheme. During this period, we will negotiate with landlords if we do not hold the property freehold, and will work with our many design team relationships, including experts in minimising any adverse social and environmental impacts, to arrive at a firm design. This also requires liaising with the relevant planning authorities to seek planning consent and consulting with local communities and other key stakeholders.

D
Risk mitigation
We try to achieve the appropriate balance of risk and return for the business. This enables us to start schemes speculatively, i.e. without any pre-letting in place. By ensuring the end-product will appeal to as many occupiers as possible, we often receive early interest from potential tenants once we are on site. Design and construction of these large and complex projects requires considerable skill, experience and teamwork so we have developed long-standing relationships with a chosen group of consultants, contractors and subcontractors to minimise risks of delivery. Those risks principally relate to time delays and/or cost overruns, but there are many technical and physical constraints too. Preparation of an annual 'five-year plan' helps us anticipate and maintain a balance between income/dividend growth and value adding through our higher risk projects, both now and into the future, influenced by our responsibilities to our various stakeholders.

E
Pre-letting during construction
Supported by our reputation for delivering well-designed and affordable buildings, we frequently de-risk projects by agreeing pre-letting terms with one or more tenants during the construction phase. The momentum that this provides encourages us to consider the next phase of our project pipeline too, adding further value where we see opportunities and planning many years into the future.

52% CORE INCOME

F
Income and reversion
Once a building is completed and let, it moves to the 'core income' part of our 'doughnut' chart. Here, we focus our portfolio management skills on satisfying our tenants' needs, growing or maintaining income and minimising voids, and adding further value where we see opportunities. In the Covid-impacted world, we have focused on extending leases or removing lease breaks, sometimes for relatively short terms, to help our occupiers better understand their evolving needs while keeping our vacancy rate low.

G
Recycling assets
We will often look to dispose of a property when we believe that we have extracted most of the upside in value, or where it no longer satisfies our investment criteria. This frees up time and finance for the next generation of acquisitions and projects. In today's marketplace where top quality buildings offering adaptability, environmental benefits and excellent amenities are in short supply, we anticipate outperformance against benchmarks over the short- to medium-term so are electing to hold certain tier one properties for longer than previously.

OUR STRATEGY CONTINUED

2. TO GROW RECURRING EARNINGS AND CASH FLOW

Property valuations are essentially determined by contracted and expected future cash flows in combination with a market yield which takes account of risk, growth expectations, quality, environmental considerations and other factors.

Creating and then capturing reversion

By establishing the right conditions for a property, we can both add value over the longer-term and increase cash flow, but they can occur at different times of the property cycle. The value creation normally comes first as expectations of rental growth emerge thereby giving rise to what we call 'reversion', i.e. the expectation that income will grow from its current passing level.

Asset management actions

Our asset managers seek to capture income reversion through rent reviews, lease regears or other forms of lease restructuring. This is underpinned by strong relationships with occupiers and always with a focus on the needs of our local communities and other stakeholders. In recent years, we have been successful at capturing reversion. Rental growth, however, has been slow since the EU referendum in 2016 and rents have fallen in inflation-adjusted terms (see London market review on pages 14 to 17).

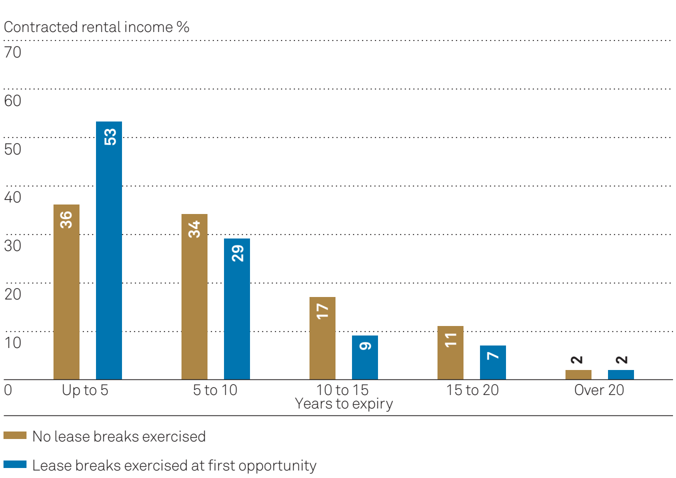
What we do to capture reversion

- we work with tenants and consultants to arrive at appropriate rent review outcomes;
- we negotiate to extend leases or remove break clauses;
- we arrange 'block dates' to gain possession of buildings when a scheme is planned;
- we review levels of 'grey' space, i.e. floor area that is let but which is not currently occupied or is being marketed by a tenant;
- we try to anticipate our tenants' needs, thereby optimising income. Examples are fixed or minimum rental uplifts and a flexible approach to dilapidations and alienation clauses in leases; and
- occupiers are increasingly looking for flexibility and adaptability. We have long taken a flexible approach at many of our assets, for example at Tea Building E1. We also lease space to flexible office providers and have an established 'Furnished and Flexible' offer which we are adding to. At other buildings, we aim for longer leases, particularly on larger lettings.

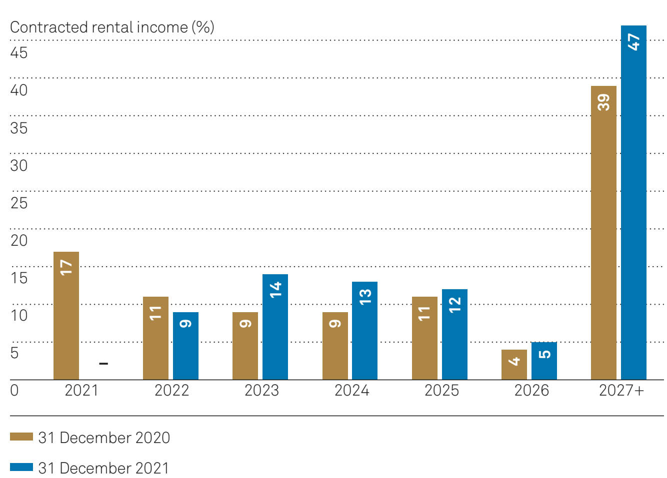
PERFORMANCE MEASURES

We use like-for-like rent analysis (see EPRA definitions on page 274) to measure how gross and net rental income has grown within the non-development segment of the portfolio. We monitor irrecoverable costs through the EPRA cost ratio and void percentages. We also place considerable emphasis on growing EPRA earnings and returns to shareholders over the long-term.

Profile of rental income expiry



Change in lease expiry profile at December 2021
(vs December 2020)



3. TO ATTRACT, RETAIN AND DEVELOP TALENTED EMPLOYEES

Our employees are hugely valuable in the successful delivery of Derwent London's strategy and our long-term business performance.

We are an inclusive and respectful employer that welcomes diversity and promotes equality. We have a high performing, progressive and collaborative culture, coupled with a consultative and professional leadership style – one that focuses on teamwork and acting with integrity to build long-term relationships with our colleagues and other stakeholders. Our employees are our brand ambassadors and we therefore invest considerable time and resources in development and growth opportunities. When we recruit externally, we look for outstanding individuals who bring new ideas, skills and competencies to the business.

The Group's reputation stems from behaviours and values promoted by the Board and these are reinforced through our induction programme, performance management process, core skills workshops and our management and leadership development programmes. Our structure enables complex transactions to be managed effectively and decisions made quickly with the overall aim of creating value and driving income growth across our portfolio. Although we are organised by discipline, we assemble teams for specific projects that draw on expertise from across the business to increase creativity and innovation. Collaboration is also facilitated through a number of supporting committees (for example the Cost, Credit, Sustainability and Health and Safety Committees) which, together with the project teams, report into our Executive Committee.

Derwent London conducted another staff satisfaction survey in Q4 2021 which achieved very high scores and a response rate of 97%. These surveys are a forum for staff to provide honest, open feedback, helping us identify areas where we have made a positive impact and opportunities for improvement going forward. The Group enjoys a high rate of staff retention with 29% having been with the business for more than ten years but we are pleased to have also welcomed 30 new employees in 2021.

We want all our employees to be able to bring their true selves to work, feel valued and be part of a happy and supportive team. As a result, diversity and wellbeing remain high on the agenda and we were delighted to be awarded the National Equality Standard accreditation for equality, diversity and inclusion at the end of 2021, a significant milestone in our journey. We remain focused on building on this strong foundation and embedding our diversity and inclusion ambitions throughout the business with mechanisms in place for continuous review and measurement of progress.

90.5%
Overall employee satisfaction

94%
Proud to work at Derwent London

89%
Staff retention

25 Savile Row W1

OUR STRATEGY CONTINUED

4. TO DESIGN, DELIVER AND OPERATE OUR BUILDINGS RESPONSIBLY

Delivering well-designed, adaptable, occupier-focused buildings is an integral part of our business model. We believe these buildings offer better long-term value for occupiers, reduce letting risk and void levels and command better rents, yields and values.

Setting high standards in terms of design and environmental responsibility builds flexibility, longevity and climate resilience into our portfolio, not just in our new developments but also in the properties we manage.

To meet our target of becoming a net zero carbon business by 2030 (see page 52 for more details), we must develop buildings that are even more energy efficient, powered by renewable energy and have very low embodied carbon footprints. Likewise, we must reduce our managed properties' reliance on natural gas and further improve their energy consumption.

We want to ensure our portfolio is fit for purpose over the long-term and continues to generate the returns we expect.

Our approach to becoming net zero carbon is set out in further detail in our Responsibility section on pages 52 to 55, together with our full TCFD (Task Force on Climate-related Financial Disclosures) disclosure on pages 68 to 73.

We work with our stakeholder groups to ensure we are meeting their expectations and standards, as well as acting responsibly. This can range from engaging with the local communities in and around our buildings, through using the best designers and contractors, to ensure our buildings meet the standards we set (see pages 26 and 27 for more information on stakeholder engagement).

An expanding body of evidence shows that a building's leasing credentials are increasingly influenced by its environmental credentials. EPC ratings are a visible and commonly used sustainability metric. Forthcoming changes to MEES legislation are seen as an important moment for the sector. Our portfolio is compliant with 2023 legislation (EPC 'E' or above) and 40% 2030 compliant (EPC 'B' or above) excluding projects which account for a further 18%.

In 2021 we commissioned a third party report to determine the upgrade costs to ensure 2030 compliance across our portfolio. We estimate it will cost c.£97m by 2030 of which part may be recoverable through the service charge. An exercise is now underway to prioritise the order of works. See page 55 for further details.

Members of the Sustainability and 80 Charlotte Street Building Management teams

5. TO MAINTAIN STRONG AND FLEXIBLE FINANCING

We finance our business using equity and a moderate level of debt from a wide variety of sources. We are relationship driven and value consistency and reliability with our lenders but we also look to be progressive and innovative.

Our overriding principle is one of modest financial leverage and generous interest cover, to balance the relatively higher risk attached to our regeneration schemes. Using a combination of unsecured flexible revolving bank facilities and longer-term fixed rate debt (both secured and unsecured), we can adjust the level of drawn debt to our day-to-day requirements.

We aim to maintain considerable headroom under our facilities to enable us to move quickly when acquisition opportunities arise. This has a cost in terms of non-utilisation fees but also demonstrates that cash flows can be funded without delay and reassures our management team and our stakeholders that the development pipeline is capable of being financed and delivered without overstretching the balance sheet.

In 2021, we extended our long-term unsecured fixed rate debt portfolio with a debut green bond issue of £350 million. This was supported by some updates to our Green Finance Framework, originally adopted in 2019. The bond issue was very well received and priced at just under 2% pa for a 10-year term. It lowers our weighted average cost of borrowing while extending our financing headroom and opening up a new form of fixed rate debt to supplement the convertible bond and private placement markets where we are already well known. We also extended our two revolving bank facilities, repaid a small bank loan secured on the Baker Street properties previously held in joint ownership with The Portman Estate and converted our bank facilities from LIBOR to SONIA.

Derwent London's financing model is based on the following principles:

— conservative financial leverage to balance the business' relatively high operational leverage;
— a strong focus on interest cover to support our credit rating (Fitch issuer default rating of 'A-' with a negative outlook);
— borrowing from a diverse group of relationship lenders, both banks and institutions, who understand and support our business model;
— managing the cost of debt but also looking to have significant protection against possible interest rate rises and long average debt maturities;
— keeping structures and covenants simple and understandable and thinking ahead; and
— ensuring the Group's financing strategy supports and is consistent with our overall business goals.

This approach provides financial stability and helps us when considering issues such as going concern and viability statements.

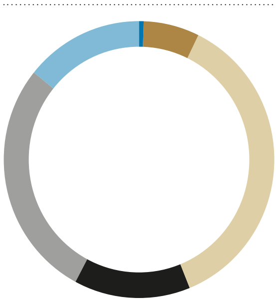
Our unsecured debt facilities have similar financial covenants and we value long-term relationships with our lenders, valuing the stability and mutual understanding that this creates over an approach that seeks the very lowest funding cost.

OUR REIT STATUS

Derwent London plc has been a Real Estate Investment Trust (REIT) since July 2007. The REIT regime (see page 276) was launched to provide a structure which closely mirrors the tax position of an investor holding property directly and removes tax inequalities between different real estate investors. REITs are principally property investors with tax-exempt property rental businesses, but remain subject to corporation tax on non-exempt income and gains. In addition, we are required to deduct withholding tax from certain shareholders on property income distributions and in 2021, £8.6m was paid to HMRC.

Sources of drawn debt[1]

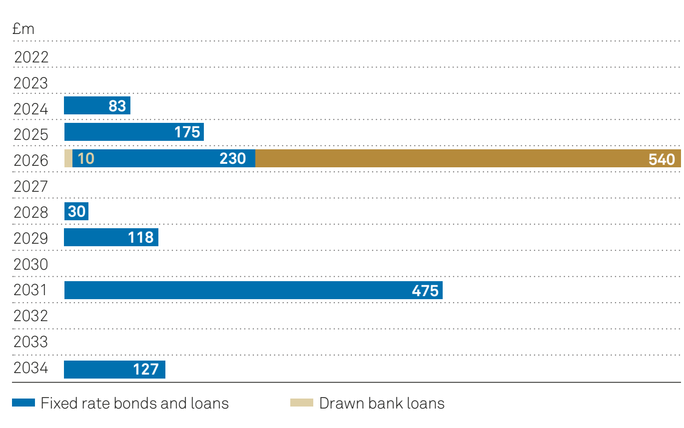
£m



	£m
Revolving credit facilities	10.0
Secured loan	83.0
US private placement notes	455.0
Secured bonds	175.0
Unsecured green bonds	350.0
Unsecured convertible bonds	175.0
	1,248.0

[1] Excludes other loans of £12.3m

Debt maturity profile[1]



[1] Excludes other loans of £12.3m

MEASURING OUR PERFORMANCE

We use a balance of financial and non-financial key performance indicators (KPIs) to measure our performance and assess the effectiveness of our strategy. They are also used to monitor the impact of the principal risks that have been identified and a number are used to determine remuneration.

KPIs

Financial

Operational measures
Total return
Total property return
Total shareholder return
EPRA earnings per share

Gearing measures
Gearing and available resources
Interest cover ratio

Non-financial

Operational measures
Reversionary percentage
Development potential
Tenant retention
Void management

Responsibility measures
BREEAM ratings
EPC
Energy intensity*
Carbon intensity
Accident Frequency Rate*
Staff satisfaction

* KPI introduced in 2021

Soho Place W1

Key

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

R Remuneration

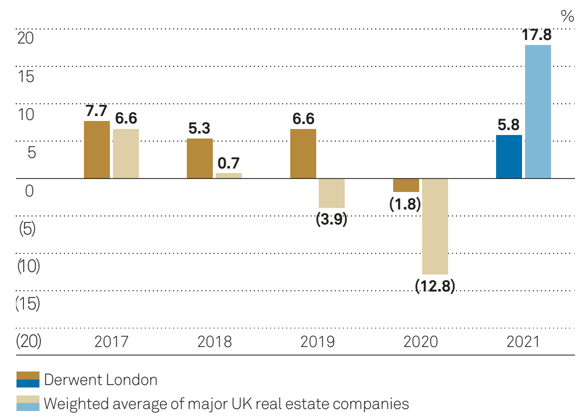
Financial KPIs	Our performance	Strategic objectives	Other

TOTAL RETURN

1. 2. 3. 4. 5. R

Total return equates to the combination of NAV growth plus dividends paid during the year. We aim to exceed our benchmark, which is the average of other major real estate companies.

Our total return in 2021 was 5.8%, against a benchmark of 17.8%, as the performance of several of our peers was positively impacted by their investment in other property sectors including the industrial sector. Despite this, Derwent London's average annual return of 4.7% over the past five years against a benchmark of 1.2% demonstrates the ability of our business model to generate above average long-term returns.



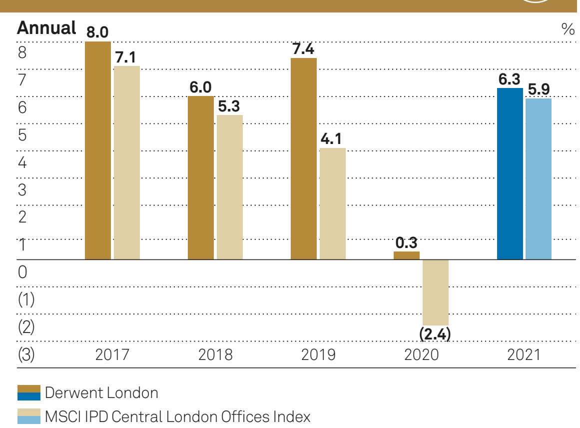
TOTAL PROPERTY RETURN

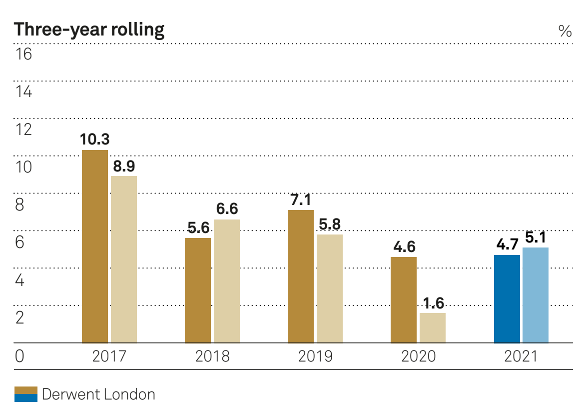
1. 2. R

Total property return is used to assess progress against our property-focused strategic objectives. We aim to exceed the MSCI Central London Offices Index on an annual basis and the MSCI UK All Property Index on a three-year rolling basis.

There was a 9.2% valuation uplift across our three major schemes in the year – Soho Place W1, The Featherstone Building EC1 and 19-35 Baker Street W1 – due to good progress on delivery and derisking of the projects. These developments contributed significantly to the portfolio's revaluation performance and were the main reason for the 0.4% outperformance of the MSCI Central London Offices Index during 2021.

The three-year rolling average of 4.7% pa demonstrates our ability to generate returns against a background of relatively stable rents and yields. This was a 0.4% underperformance against the MSCI UK All Property Index and was mainly due to the strength of the industrial sector in 2020 and 2021.





MEASURING OUR PERFORMANCE CONTINUED

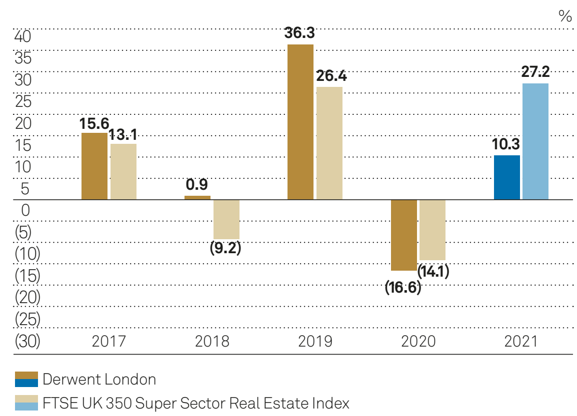
Financial KPIs | **Our performance** | **Strategic objectives** | **Other**

TOTAL SHAREHOLDER RETURN (TSR)

1. 2. 3. 4. 5. R

To measure the Group's success in providing above average long-term returns to its shareholders, we compare our performance against the FTSE UK 350 Super Sector Real Estate Index, using a 30-day average of the returns in accordance with industry best practice.

The fall in the share price during the year, in comparison to those of our peers mainly invested in other property sectors, has meant that the Group underperformed its benchmark index in 2021. Despite this, the Group has delivered long-term returns slightly above the benchmark index, which is demonstrated by the fact that £100 invested in Derwent London at the start of 2012 was worth £271 at the end of 2021, compared with £266 for the benchmark index.

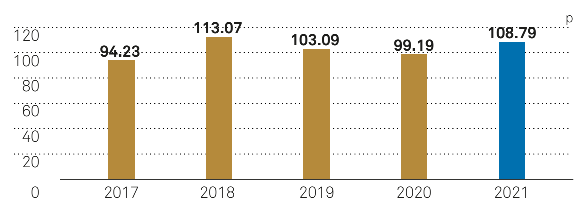


EPRA EARNINGS PER SHARE (EPS)

1. 2.

EPRA EPS is the principal measure used to assess the Group's operating performance and a key determinant of the annual dividend. A reconciliation of this figure back to the IFRS profit can be found in note 40.

EPS on an EPRA basis increased 9.7% to 108.79p per share in 2021. This is mainly due to the 2020 EPS being impacted by 9p per share of write-offs/ impairment of receivable balances, to reflect the weakened financial position of some of our tenants. In 2021, write-off/impairment was only 1p per share. This was due to the improved financial position of many of our tenants. Note that the 2018 EPS included a one-off receipt of 14p per share.



GEARING AND AVAILABLE RESOURCES

5.

The Group monitors capital on the basis of NAV gearing and the LTV ratio. We also monitor our undrawn facilities and cash, and the level of uncharged properties, to ensure that we have sufficient flexibility to take advantage of acquisition and development opportunities.

Cash and undrawn facilities increased in the year following the £350m green bond issue. This was partially offset by net investment in our portfolio.

The acquisitions in the year led to an increase in the NAV gearing and LTV ratios, but both remain at low levels.

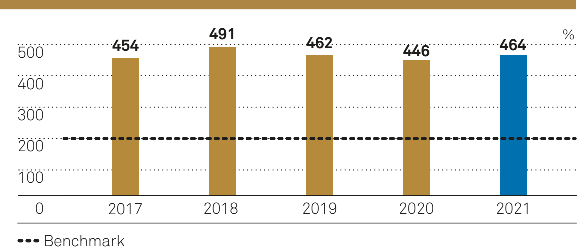
	2020	2021
LTV ratio	18.4%	**20.8%**
NAV gearing	24.3%	**28.2%**
Cash and undrawn facilities	£476m	**£608m**
Uncharged properties	£4,329m	**£4,769m**

INTEREST COVER RATIO (ICR)

5.

We aim for interest payable to be covered at least two times by net rents. The basis of calculation is similar to the covenant included in the loan documentation for our unsecured bank facilities. See note 42 for the calculation of this measure.

The net interest cover ratio (ICR) increased again in 2021, mainly due to write-off/impairment of the receivable balances in 2020, which was included in net property income. As a result of the improved financial position of many of our tenants in 2021, there have been less write-offs/impairments required in the year. Rental income would need to fall by 69% before the main ICR covenant of 145% was breached.



80 Charlotte Street W1

Non-financial KPIs	Our performance	Strategic objectives	Other

REVERSIONARY PERCENTAGE

1. 2.

This is the percentage by which the cash flow from rental income would grow were the passing rent to be increased to the estimated rental value (ERV) and assuming the on-site schemes are completed and let. It is used to monitor the potential future income growth of the Group.

The Group's ERV increased by £2.7m during 2021 to £293.9m. This was helped by the uplift and full inclusion of 19-35 Baker Street, partly offset by disposals in the year. The 2021 ERV included potential reversion of £115.5m, 65% of the net passing rent of £178.4m, of which 47% is contracted.

	2017	2018	2019	2020	**2021**
%	69	72	79	54	**65**

DEVELOPMENT POTENTIAL

1. R

We monitor the proportion of our portfolio with the potential for refurbishment or redevelopment to ensure there are sufficient opportunities for future value creation in the portfolio.

With on-site developments representing 14% of the portfolio at the end of 2021, and a further 34% identified as potential schemes, there are considerable opportunities to add value through regeneration. Following the reshaping of the portfolio in the year, which included selling some non-core assets and acquiring future development opportunities, our balance between core income and development potential is close to 50/50.

	2017	2018	2019	2020	**2021**
%	44	41	43	43	**48**

TENANT RETENTION

2. R

Maximising tenant retention following tenant lease breaks or expiries when we do not have redevelopment plans minimises void periods and contributes towards net rental income.

Our retention and re-let rate was 77% in 2021, which is below our average of 87% over the past 5 years. This is mainly due to minor refurbishment works being carried out on a number of units in which leases expired during the year.

	2017	2018	2019	2020	**2021**
Exposure (£m pa)[1]	6.4	14.6	10.4	12.5	**19.7**
Retention (%)	57	76	83	65	**47**
Re-let (%)	35	14	7	22	**30**
Total (%)	92	90	90	87	**77**

[1] Excl. properties sold during the year and space taken back for projects.

MEASURING OUR PERFORMANCE CONTINUED

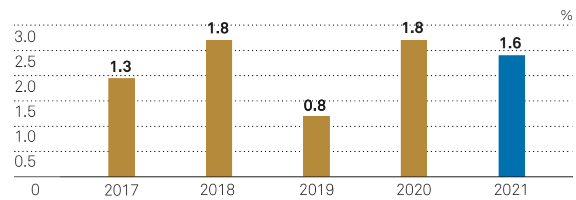
Non-financial KPIs | **Our performance** | **Strategic objectives** | **Other**

VOID MANAGEMENT

1. 2. R

To optimise our rental income we plan to minimise the space immediately available for letting. We aim for this to be below 10% of the portfolio's estimated rental value.

Our ability to retain tenants and let space, particularly at our on-site developments and major refurbishments, has kept the vacancy rate low. At the end of 2021, our EPRA vacancy rate was under 2%, this was helped by the successful letting of all of 6-8 Greencoat Place SW1 prior to completion. Additionally, our asset managers have focused on tenant retention and the re-gearing of leases where possible across the portfolio.



BREEAM RATINGS

4.

BREEAM is an environmental impact assessment method for commercial buildings. Performance is measured across a series of ratings: 'Pass', 'Good', 'Very good', 'Excellent' and 'Outstanding'. We target minimum BREEAM ratings of 'Excellent' for major developments and 'Very good' for major refurbishments.

Our three developments currently on site were rated or expected to be rated BREEAM 'Outstanding' or 'Excellent' at Design Stage.

Following the completion of 80 Charlotte Street in 2020, it received a final BREEAM rating of 'Excellent' in 2021.

	Completion	Rating
Soho Place W1	H1 2022[1]	Outstanding[2]
The Featherstone Building EC1	H1 2022[1]	Outstanding[2]
19-35 Baker Street W1	H1 2025[1]	Excellent[1]

1 Targeted
2 Certified at Design Stage

ENERGY PERFORMANCE CERTIFICATES (EPC)

4.

EPCs indicate the energy efficiency of a building by assigning a rating from 'A' (very efficient) to 'G' (inefficient). We target a minimum certification of 'A' for major new-build schemes and 'B' for major refurbishments.

Our three on-site developments, Soho Place, The Featherstone Building and 19-35 Baker Street are all targeting a certification of A or B.

	Completion	Rating
Soho Place W1	H1 2022[1]	B[1]
The Featherstone Building EC1	H1 2022[1]	A[1]
19-35 Baker Street W1	H1 2025[1]	A[1]

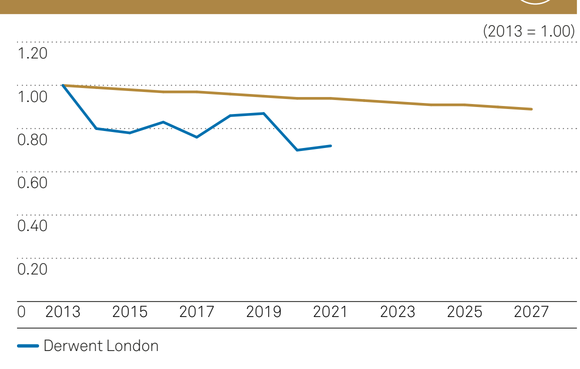
1 Targeted

ENERGY INTENSITY

4. R

This is a new KPI for 2021, and is measured by energy consumption (kWh) per square metre of landlord-controlled floor area across our managed like-for-like portfolio. Our target is an annual decrease of between 2% and 4% pa.

In 2021 landlord energy intensity in the like-for-like portfolio increased by 3%. This was outside our target range mainly due to increased occupation levels across the portfolio. The 28% reduction achieved since our base year of 2013 means we are on course to meet our 2027 energy intensity target. In 2022, we will continue to review our targets to ensure they are in line with our Net Zero Carbon Pathway.

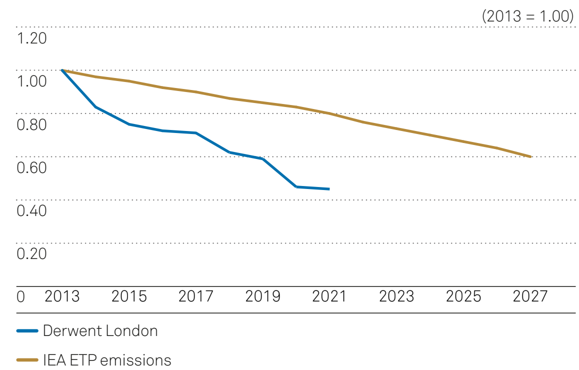


Non-financial KPIs	Our performance	Strategic objectives	Other

CARBON INTENSITY 4. R

This is measured by emissions intensity per square metre of landlord-controlled floor area across our managed like-for-like portfolio. Our target is an annual decrease of between 5% and 10% pa.

In 2021 landlord (Scope 1 & 2) emissions intensity in the like-for-like portfolio decreased by 2%. Despite an increase in energy intensity as a result of the reoccupation levels across the portfolio, we are benefitting from the decarbonisation of the grid and the start of our transition to all electric heating and cooling systems. The 55% reduction achieved since our base year of 2013 means we are on course to meet our 2027 emissions target. In 2022, we will continue to review our targets to ensure they are in line with our Net Zero Carbon Pathway.



ACCIDENT FREQUENCY RATE (AFR) 4. R

This is a new KPI for 2021, and is calculated based on the number of RIDDOR injuries during the year multiplied by 1,000,000 and divided by the number of hours worked.

In 2021, the AFR was 1.26 with only two RIDDORs reported. This is down from 2.72 in 2020, in which six RIDDORs were reported. The reduction has come mainly as a result of making health & safety a priority on all projects and ensuring the expectations and standards are communicated early on and included in all tenders.

	2020	2021
%	2.72	**1.26**

STAFF SATISFACTION 3. R

The satisfaction of our employees is assessed through a number of questions in the staff survey. We aim to keep the satisfaction rate above 80%.

Despite another year of significant challenges for individuals and the business, staff satisfaction in 2021 remained high at 91%. We believe these figures reflect our collaborative and supportive workplace culture and the pride our staff feel in working for Derwent.

	2017	2018	2019	2020	2021
%	96.0	90.4	92.5	96.3	**90.5**

RESPONSIBILITY

Understanding and balancing the environmental, social and governance issues specific to our business is fundamental to operating responsibly. We believe this approach enables us to continue to deliver long-term value for all our stakeholders.

ESG REPORTING STRUCTURE AND 2021 HIGHLIGHTS

ENVIRONMENTAL

Pages 52 to 75

— Climate change
— Net zero carbon
— Our journey to COP26
— Office buildings' energy performance

In 2021 we introduced processes to monitor and track our progress to be net zero carbon by 2030, we surveyed our occupiers on their own ESG plans, attended COP26 highlighting our plans for renewable energy on our Scottish land and commissioned a detailed survey of the costs involved in upgrading the portfolio to EPC B by 2030.

7%
Reduction in like-for-like water consumption

3%
Reduction in landlord emissions

SOCIAL

Pages 56 to 75

— Our people
— Community, occupiers and other stakeholders
— Health & safety

Health, wellbeing and safety of our staff and people in and around our buildings remained a core focus. In addition, we achieved a strong National Equality Standard result, conducted our fourth independent biennial employee survey and supported our communities through our Community Fund, sponsorships and donations.

"The delight and enthusiasm from pupils is palpable! This is an exciting new initiative for us at Mousetrap and we are so grateful to Derwent for making it possible"

Mousetrap Theatre Projects

GOVERNANCE

Pages 64 to 75

— Climate change
— Green finance
— Supply chain
— Human rights
— Tax

During 2021 we hosted in-person stakeholder and investor days, received independent assurance of our green finance reporting and continued mandatory compliance training across the Group.

42%
Women on the Board

4
Employee representatives on the Responsible Business Committee

ESG in our business

Derwent London takes a responsible approach to business by seeking to maximise our positive impact on stakeholders, while minimising the negative ones. Our long-term approach to investing in London 'villages' and fostering relationships with our occupiers, supported by innovative design, combine to provide us with a platform to make a meaningful impact.

We recognise the importance of transparent and independently assured reporting and the need to be bold, such as being the first UK REIT to publish its Net Zero Carbon Pathway. We continue to learn, and recognise the importance of working with our stakeholders and others across our industry to achieve the best results.

We also know that this discipline is fast evolving which means our frameworks need to follow suit. Within our industry we are in a relatively good position to adapt as we are well resourced and have the relevant experience and expertise.

ESG is embedded throughout our business to ensure its effectiveness. Although ESG aspects are often discussed individually, they need to work together to maximise our impact on society and the environment. This broader view improves our ability to manage risk and creates value for all our stakeholders.

Our latest Responsibility Report is available to download at **https://rr.derwentlondon.com**

2021 RATINGS

GRESB (Global Real Estate Sustainability Benchmark) 2021 – score of 81, Greenstar status, 'A' rated public disclosure

CDP 2021 – 'C' rating

ISS Oekom – Prime status

MSCI – 'AA' rating

EPRA Sustainability Reporting Awards 2021 – Gold award

OUR 7 ESG PRIORITIES

Our Responsibility Policy and Strategy (available on our website) sets out what operating responsibly means to us. There are seven long-term priorities intrinsic to our business and the needs of our stakeholders:

1. DESIGNING AND DELIVERING BUILDINGS RESPONSIBLY
2. MANAGING OUR ASSETS RESPONSIBLY
3. CREATING VALUE IN THE COMMUNITY AND FOR OUR WIDER STAKEHOLDERS
4. SETTING THE HIGHEST STANDARDS OF HEALTH AND SAFETY
5. ENGAGING AND DEVELOPING OUR EMPLOYEES
6. PROTECTING HUMAN RIGHTS
7. SETTING THE HIGHEST STANDARDS OF CORPORATE GOVERNANCE

Clear and robust measurement and reporting underpins our work. We adopt a variety of reporting frameworks enabling our performance to be measured across different ESG platforms (see page 66).

Our environmental, health and safety and green finance data is assured at the reasonable level by Deloitte LLP. Our auditor's opinions can be found with their assurance statements in the latest Responsibility Report (**https://rr.derwentlondon.com**).

RESPONSIBILITY CONTINUED ENVIRONMENTAL

Incorporating the right environmental and climate change measures across our business enables us to operate responsibly and mitigates potential negative impacts.

2021 HIGHLIGHTS

- Published revised Responsible Development Framework
- Conducted net zero carbon occupier survey
- Established building specific operational energy targets in line with 1.5ºC science-based scenario

Climate change

Global warming is a material issue for our business and society. In 2020 we published our Net Zero Carbon Pathway which sets out how we intend to lessen our impact on climate warming. We use the Task Force for Climate-related Financial Disclosures (TCFD) recommendations and reporting framework to demonstrate our approach to managing climate-related risks (see pages 68 to 73).

Net Zero Carbon Pathway

2021 marked the first full year following the release of our Net Zero Carbon Pathway, which is aligned to the Better Buildings Partnership (BBP)'s Net Zero Carbon Pathway Framework.

As part of our commitment, we analyse our activities to ensure we are reducing our carbon footprint across all our spheres of influence. Our strategy focuses on three principal areas: investment portfolio, development pipeline and corporate activities.

The Group reports annually on its progress towards net zero by 2030. A brief outline of our 2021 progress is set out below and a more detailed review can be found in our Responsibility Report. In addition, since 2018, we have disclosed our energy performance at portfolio and individual asset levels, as well as the embodied carbon of our latest developments (see Responsibility Report).

2021 Progress

The focus for the year was to put robust processes in place to enable us to monitor and track our progress towards being net zero carbon by 2030.

Investment portfolio

Commitment

Our investment portfolio, including both managed and unmanaged properties (see glossary), will be operated on a net zero carbon basis by 2030. This involves driving down our energy consumption significantly, upgrading and retrofitting some of our properties to remove gas use and improve efficiency, as well as collaborating with our occupiers.

Progress

Scope 3 (see glossary) emissions are a significant part of our carbon footprint. Steps taken to address these in 2021 included:

- Setting building specific operational energy targets aligned with a 1.5ºC scenario. This provides an annual roadmap for each building to reach its 2030 targets
- Undertaking an EPC report to identify energy savings and to ensure we are meeting the Minimum Energy Efficiency Regulations for 2023 and 2030
- Recognising that collaboration is the way to achieve the best net zero outcome, in September 2021 we launched a net zero carbon occupier survey (see page 12) which focused on getting a better understanding of how we can support our occupiers to achieve their net zero goals

A key message from the survey is that our occupiers are keen to work with us. This was evident in the engaging questions they raised such as: 'where do we start', 'where do the landlord's emissions end and occupiers' begin', and 'how do we integrate carbon reduction into day-to-day activities'.

The benefit of getting this level of detail from a wide spectrum of occupiers is that it helps us identify where to concentrate our efforts. Some easy wins include informing our occupiers of what we're already doing, such as providing renewable electricity. We can also share with them details of our key facilities management collaborators who support sustainable operations.

6-8 Greencoat Place SW1
EPC rating raised from E to B in 2021

19-35 Baker Street W1 is the Group's first NABERS-UK project

Our occupiers are at different stages of their journeys, and this survey was for many the first step in working together with us. In 2022 we will use the survey results, as well as follow up conversations, to guide our actions so that together we can help lower operational carbon.

Development pipeline

Commitment

New developments and major refurbishments will be net zero carbon on completion. Embodied carbon produced in the development process will be offset and the buildings will be operated using renewable energy and have appropriate energy reduction targets in place.

Progress

In April 2021, we published our updated Responsible Development Framework, which sets new net zero minimum requirements for our developments. This includes, but is not limited, to:

- Designing and constructing our buildings for operational efficiency. We have set a minimum NABERS UK 4-star rating for future schemes
- Consideration of embodied carbon assessments and lower carbon design options, including refurbishment
- Lower operational water consumption targets
- Assess feasibility of suitable renewable technology
- Carrying out post completion evaluations 12 months after full occupation

We understand the whole industry needs to make significant changes in the next decade if we are to collectively meet our net zero carbon commitments. Therefore, when setting standards for our new projects, we emphasise engaging with other stakeholders so that together we can have a stronger impact. Throughout 2021 we spoke to many contractors to understand what was possible, as well as the challenges presented by the use of innovative materials such as low carbon or cement-free concrete or cross-laminated timber. This work continues as we seek to better understand the impacts of using non-traditional materials.

In H2 2021 we set embodied carbon targets based on our own experience since 2013, as well as industry guidance. A development's embodied carbon, particularly the building's structure, makes up a significant part of the carbon footprint. We work closely with our design and construction team to assess and reduce this. However, we recognise that the supply chain will also need to adapt to fully achieve our aims. Therefore, our targets are phased as follows:

- Commercial Office New Build developments completing from 2025: $\leq$600kgCO_2/m^2
- Commercial Office New Build developments completing from 2030: $\leq$500kgCO_2/m^2

We are also introducing targets for our major refurbishments, which will be based on our latest projects, as well as industry standards.

RESPONSIBILITY CONTINUED
ENVIRONMENTAL

Corporate activities

Commitment to renewable energy

Our commitment is to ensure that all the energy we procure is from renewable sources (both electricity and gas).

Progress

We continue to procure 100% renewable, REGO backed electricity. To date 23% of our gas supplies are from green gas sources and we are reviewing how we can increase this. Other activities during the year included:

- Our renewable energy feasibility study continued
- Submitted planning application for an 18.4MW solar park at Lochfaulds Farm. Subject to planning permission, this could provide the equivalent of 43% of the electricity needs of our managed portfolio based on 2019 consumption

Commitment to offsetting

Where we are unable to manage out or eliminate carbon from our business activities these emissions will be offset using robust, verified carbon offset schemes.

Progress

In 2021 we completed the following schemes and offset the residual carbon through our provider Natural Capital Partners:

- 19-23 Fitzroy Street – 180 tCO_2e
- 3-5 Rathbone Place – 161 tCO_2e
- 6-8 Greencoat Place – 763 tCO_2e
- DL/78 – 93 tCO_2e

The adopted scheme related to reforestation projects in East Africa and is validated under VCS and CCB.

We are also looking at offsetting in the UK. We planted 30ha of trees in Scotland in 2015 and have now received our first carbon offset credits. We are investigating planting a further 425ha across our Scottish land (equivalent to 794 football fields). Assuming only half our plans prove to be feasible, 25 years after planting the sequestered carbon from this woodland would be sufficient to offset over four years of our current anticipated annual residual emissions across the whole portfolio.

For a more detailed breakdown of our pathway see our Responsibility Report.

Paul Williams being interviewed on COP TV

Our journey to COP26

Over its 26-year history the Conference of the Parties (COP) has been the central forum driving nations' progress in dealing with climate change. COP26 was the first time the conference was held in the UK and businesses and policy makers were brought together to galvanise efforts to limit global warming to 1.5°C.

The run up to the conference enabled the Group to learn from and broaden its contacts with leading experts and other businesses tackling climate change, as well as highlighting the work going on across our industry. As part of this, we shared our own experiences of our net zero carbon journey to date. This work continued throughout the year with some Directors and members of the Sustainability team sitting as panellists in virtual conferences or contributing articles to various journals. In these, we gave insights into our recent work in the portfolio and green finance, often supported by occupiers or funders. The overriding theme was the importance of collaboration to optimise environmental outcomes. This was also the theme of our Stakeholder Day where we explored mutual opportunities to best effect change.

At COP26 itself we highlighted the work we are undertaking locally on our Scottish land as part of our net zero carbon journey. Two examples are our plans for a solar park which, if successful, could power up to 6,300 homes, and the potential expansion of our tree planting programme. In addition, during the dedicated 'Cities, Regions and the Built Environment' day, our Chief Executive Paul Williams, presented in the conference's main discussion arena.

Whilst the conference failed to achieve a commitment by all nations to limit global warming to the 1.5°C scenario, more progress was made in climate change reporting with the decision to set up a system of universal sustainability disclosures which will be governed by International Financial Reporting Standards (IFRS). This will lead to improved transparency and consistency across the global economy.

For further details of our carbon data and climate-related disclosures see pages 67 to 75 and our Responsibility Report.

OFFICE BUILDINGS' ENERGY PERFORMANCE – LOOKING TO THE FUTURE

To address the significant part the built environment plays in the UK's carbon footprint, the UK Government consulted on the desired levels of buildings' minimum energy efficiency. It concluded that from 2030 the minimum energy performance certificate (EPC) rating should be increased to B (from E in 2023). This represents a major transformation, as the average EPC rating across London's office properties is currently D. The outcome was not unexpected and tighter legislation is included in our risk analysis. During 2021 we commissioned a comprehensive report of the feasibility and costs of achieving a minimum grade of B across our portfolio by 2030, as well as identifying those properties that could become stranded as a result of not being able to be upgraded.

The report concluded that the estimated costs of improvement were c.£97m, in line with our previous guidance, and with no building expected to be stranded. The majority of these additional costs relate to upgrading lighting to LED, new on-floor equipment, such as fan coil units, and replacing heating and cooling plant.

We envisage a proportion of these costs will be recoverable from service charges and some elements have already been included in our valuations. We believe that the initial costs will be offset by the benefit of higher future income returns.

In addition to raising the minimum EPC rating, the government is also consulting on the proposed introduction of a building performance standard which would enable public disclosure of a building's actual energy performance, similar in approach to the Display Energy Certificate (DEC). Like the EPC changes, we believe this will become a feature of the property market. Within the BBP we helped bring an established Australian scheme, NABERS, to the UK. NABERS works on a rating system of 1-6 stars, with the score independently verified in operation. Our 19-35 Baker Street scheme is one of the first UK projects to adopt this system. Also, as a corporate target, we have set a minimum 4-star rating on all our new schemes.

Francis House SW1
Targeting EPC B in 2022

Environmental performance in 2021

Carbon

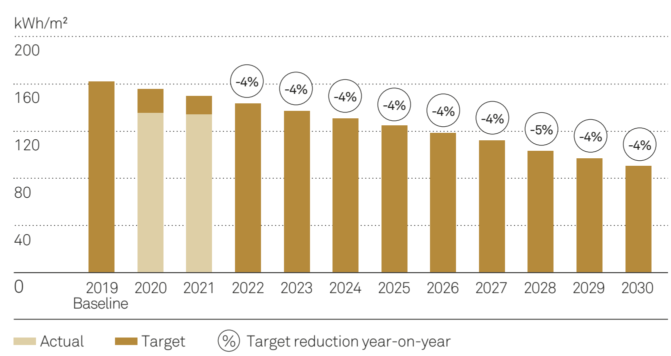
Overall, 2021 saw a double digit rise in re-occupation numbers. This led to a slight increase in energy intensity, however, we are benefitting from the decarbonisation of the grid and the start of our transition to all electric heating and cooling systems, and therefore saw a 3% reduction in our Scope 1-3 emissions (based on Scope 1 and 2 market-based emissions). For more information see the Responsibility Report.

Energy

Our total energy consumption (including tenant and landlord) increased by 1%. In 2021, our Asset and Property Management teams continued to work closely with our tenants to understand their work from home plans, reviewing our chiller strategies to divert services to only active or occupied zones where possible and enhanced optimisation of plant schedules. The impact of increased occupation was offset by the disposal of Angel Square and demolition of the existing buildings on the 19-35 Baker Street development. As a result, we remain within our 2021 and longer-term energy reduction targets (see below).

A positive step is that our landlord-only electricity consumption decreased in 2021, benefitting from the management of our partly occupied buildings, whilst tenant electricity consumption (lighting and small power) increased significantly, emphasising the importance of our occupier engagement strategy which we will continue to develop over 2022.

Total building energy intensity



Source: Derwent London

Water

In 2021 our water consumption intensity increased by 3% compared to 2020. This closely follows occupancy levels, in so far as from April to December last year our water consumption was up from 2020, however, January-March levels in 2021 were significantly below the pre-covid levels of early 2020.

Waste

Our recycling rate was 65% compared to 66% last year. The majority of recyclable waste comes from occupier waste streams, i.e. food waste, coffee cups, paper, packaging and glass. As a result, our recycling rate remains below our 75% target. This is expected to improve with higher re-occupation levels, and will be a focus for our occupier engagement strategy for 2022.

RESPONSIBILITY CONTINUED
SOCIAL

OUR PEOPLE

We aim to attract, inspire and engage a talented and diverse workforce, one that flourishes and is proud to work for Derwent London.

2021 HIGHLIGHTS

- Received National Equality Standard accreditation, our results placed us in the top 5% of all companies surveyed
- Voted top in the sector and 38th overall in Management Today Britain's Most Admired Companies
- Conducted our fourth biennial independent employee survey
- Completed 'Fit for The Future' programme for third group of employees
- Maintained health and wellbeing initiatives and increased our mental health champions' network

11
Internal promotions during 2021

89%
Employee retention rate

Staff survey

88%
Agreed

"I feel that I can make a valid contribution to the success of Derwent London"

81%
Agreed

"I feel that the Company is committed to ensuring the health and wellbeing of employees"

Health and wellbeing

2021 was another unusually challenging year and we have all been affected by the pandemic in different ways. Our teams worked extremely hard in difficult circumstances and we remained focused on safeguarding and supporting the health and wellbeing of our employees.

We provide our employees with a range of benefits, services and support whilst encouraging them to take a proactive role in their own wellbeing. We continue to ensure individual physical and psychological safety and to embed 'agile' ways of working to ensure our employees have a good work-life balance.

Prior to returning to the office, we updated our office protocols and implemented a compulsory 30-minute online induction course to present our Covid-19 safety measures. These protocols continue to be regularly reviewed with updates clearly communicated. Our recent employee survey found 81% of respondents believed that 'the Company is committed to ensuring the health and wellbeing of employees'.

Other activities focused on resilience and all aspects of positive wellbeing (physical, psychological and financial) including:

- Our Occupational Health provider presented on various topics including long Covid, vaccines, variants, responsible behaviour and supporting others
- The Group's intranet provided newsletters, podcasts and webinars, as well as links to websites, mental health charities and other services
- Care packages were sent to employees living alone, single parents or those in caring roles
- Over 10% of employees are now trained as Workplace Mental Health First Aid Champions
- Separate 'Men's Health' and 'Women's Health' workshops were conducted and well attended
- A financial wellbeing seminar was run by our pension providers
- Social Committee events restarted in person, enabling relationships to be built in a relaxed environment (especially important for new joiners)
- Several 'lunch and learn' sessions were run including topics such as mental health (run by a TED talk speaker), resilience and boosting happiness
- Continuing involvement with community projects and volunteering (see page 61)

Going forward, we continue to review workloads, encouraging a good balance between work and personal commitments, whilst fostering wellbeing and mental health.

DL/ 78 Customer team. DL/78 hosted a number of staff and customer events during the year

Diversity and inclusion (D&I)

Derwent London is a respectful employer that welcomes diversity and promotes equality, acceptance and teamwork. It is important that we create an inclusive workplace in which our people can bring their whole selves to work, feel valued and be able to make a genuine impact.

The Group's belief in 'diversity of thought' extends beyond the traditional facets of gender, ethnicity, age and sexual orientation to include personality, communication and work styles. We recognise that diversity enriches our creativity and adds value for our stakeholders.

Our gender diversity data can be found on page 171.

D&I strategy topped our agenda in 2021 as we worked towards achieving the National Equality Standard (NES). Seven areas were assessed by EY: core components, talent, business, people, leadership, relationships and review and measurement. In December, we were delighted to be recognised for our commitment (see page 58).

Our strong result reflected the passion and hard work of our people who are committed to strengthening our D&I culture. We continue to embed these ambitions throughout the business, whilst regularly reviewing and measuring our progress and impact on all our stakeholders.

"It was an absolute pleasure working with Derwent London on their National Equality Standard assessment. Derwent London has made enormous strides, embracing leading D&I practice across the NES framework. Derwent London's certification, and the amount of work that has gone in to achieving it, pays testament to the importance it places on having a diverse and inclusive workplace culture."

Simon Manterfield,
Senior Manager, EY

2021 D&I FOCUS

- Developed a comprehensive D&I strategy
- Internal promotions, effective from 1 January 2022, improved the gender diversity of the Executive Committee and achieved the Hampton-Alexander Review target (see page 147)
- We are compliant with the Parker Review in respect of Board ethnic diversity in advance of the 1 January 2024 deadline (see page 147)
- Enhanced existing generous family-friendly policies, including 26 weeks full pay for maternity, adoption and shared parental leave
- Continued unconscious bias awareness training for all staff in collaboration with Chickenshed
- Nurtured a culture of transparency and openness to encourage people to raise concerns and speak out about bias or discrimination
- Continued to offer Parental Transition Coaching for employees before, during and when returning from an extended period of leave
- Encouraged women into our industry through work experience and mentoring opportunities
- Maintained a diversity dashboard to better understand our own business and whether key talent processes are delivering equitable outcomes for different demographics within Derwent London
- The Executive Committee attended Inclusive Leadership Training to give them the tools and techniques to manage diverse teams and personalities
- Our 'Fit for the Future' programme was enhanced to include an Inclusive Management module
- Actively promoted D&I via the website and social media
- Incorporated D&I into our supply chain questionnaire to ensure best practice

Given these initiatives, it was encouraging to see the results from our recent employee survey regarding D&I and the positive impact that this has had throughout the company (see the case study on page 59).

The Social Committee arranged a football tournament with Derwent London's stakeholders

RESPONSIBILITY CONTINUED

IMPACT OF OUR DIVERSITY & INCLUSION WORK DURING 2021

"Derwent London should be immensely proud of their National Equality Standard certification, not only because of their achievement itself but also because they responded to EY's feedback with absolute rigour and determination and as a consequence their results are some of the best we have ever witnessed."

Arun Batra,
CEO and founder of the UK National Equality Standard.

D&I Working Group receiving our certificate from Arun Batra

Our initial National Equality Standard assessment by EY took place between October 2020 and February 2021. This provided us with an independent review of our Diversity and Inclusion (D&I) policies and practices, with recommended areas for improvement.

Over the next 10 months a new D&I Working Group established clear priorities promoting D&I within Derwent London through detailed measures setting out responsibilities and KPIs with timelines. We have now been accredited with a result which places us in the top 5% of the c.400 companies surveyed.

The latest employee survey carried out in October 2021 included questions on D&I to establish what impact our work has had over the past 12 months. For the first time the survey asked participants for their gender, ethnicity, disability and sexual orientation as well as open D&I comment boxes. The results are anonymous and included a 'rather not say' option.

Given our recent work it was pleasing that 87% of respondents believed that the 'Directors visibly support the Company's commitment to D&I'. Progress was also reflected in that nearly half of respondents agreed that 'the work on D&I over the past 12 months has made them think differently and/or had an impact on them personally.'

Other positive results found:

- 82% agreed 'Derwent London was an inclusive place to work'
- 84% agreed 'I feel I can be myself at work'
- 84% felt 'able to speak up in my team if I witnessed or experienced behaviour which was not inclusive or respectful'

We also asked our employees to describe the culture of Derwent London. The most mentioned words were 'passionate', 'reputable', 'hard working' and 'professional.' Other attributes where the profile increased substantially from previous years were 'inclusive' and 'diverse' which is encouraging in light of our recent initiatives.

RESPONSIBILITY CONTINUED
SOCIAL

Staff survey

94% Agreed — "I am proud to work for Derwent London"

87% Agreed — "I would recommend Derwent London as a great place to work"

90% Very satisfied or satisfied — Overall satisfaction with working for Derwent London

Employee engagement
Our culture stems from our values and is a key strength of the business. We stress the importance of inclusivity, collaboration, and professionalism to help build long-term relationships with our colleagues and other stakeholders. Employee engagement and communication is very important. We have an 'open-door' policy and are fortunate 80% of our employees are based at our head office, 25 Savile Row W1, which enables effective, face-to-face interaction. These factors, together with a range of formal and informal communication channels (see page 135), have created a highly engaged workforce.

One of the Staff Survey working groups

During 2021, we continued to ensure open lines of communication to enable our employees to stay positive, connected and productive, whilst feeling valued and supported.

A valuable method to gather feedback and assess engagement, is our independent biennial employee survey. The latest survey was in Q4 2021 and we were delighted to achieve a 97% response rate which, we believe, demonstrates an open culture. The results were equally positive with 94% agreeing that they are 'proud to work for Derwent London', 87% 'would recommend Derwent London as a great place to work' and 88% 'enjoy their day-to-day role'.

Our CEO leads monthly virtual town halls, supported by Directors and our Head of HR. These meetings provided updates on strategy, performance and initiatives, as well as Q&A sessions, team presentations and several excellent guest speakers. We intend to continue with these following the survey feedback as 96% of respondents 'find the town hall gatherings useful' and 80% feel 'adequately informed about our strategic direction'.

Attracting and optimising talent
We recognise that our employees are essential to the success of the Group, therefore aim to create a culture which enables our talented and diverse workforce to thrive. Derwent London stresses the importance of staff feedback and encourages regular performance conversations with line managers throughout the year, in addition to formal biannual reviews.

The Group supports our employees to develop and grow their careers. There were 11 internal promotions in 2021 including a new Executive Director. In addition, a further eight promotions were made from 1 January 2022, including three new Executive Committee members. Comprehensive learning and development programmes cater to all levels. These include a suite of core skills training, our induction programme, internal technical workshops, 1-1 coaching, mandatory compliance training (see page 161), bespoke building manager training and 360° feedback.

Our 'Fit for the Future' programme has been running for three years and is an important aid to succession planning. To date, 51 employees have benefitted. Each group is mentored by a dedicated coach and sponsored by two members of the Executive Committee. The latter are heavily involved in the design and content of each module which includes personal development, negotiation skills and collaboration. The modules are supplemented with one-to-one and group coaching sessions. The programme will be reviewed during 2022, with the aim of relaunching in 2023.

Although we have a good record in recruiting from a diverse range of candidates, the Group released new recruitment guidelines in 2021 to formalise our approach. These safeguard against bias, and our diversity dashboard monitors outcomes to ensure these are proportionate for different groups.

Our retention rate is high at 89%. 29% of our employees have more than 10 years' service, and 42% joined us over the past three years (see page 171). We believe this provides the right level of continuity and business knowledge, balanced with fresh ideas, skills and experience.

OUR COMMUNITIES, OCCUPIERS AND OTHER STAKEHOLDERS

We recognise our role in ensuring our buildings are an integral part of the communities they sit within and strive to create value where possible for all our stakeholders.

2021 HIGHLIGHTS

- Maintained our support for local communities
- Reviewed our Community Fund in collaboration with Chickenshed, an inclusive theatre company
- Initiated 3-year Reading Real Estate Foundation bursary
- Founder Member of the Academy of Real Assets

Charities and sponsorships

£105K

2021 Community Fund committed

£850K

Given to c.130 projects since inception

19

Projects supported in 2021

£620K

Additional community and sponsorship donations for 2021

Staff volunteering at The Great British Spring Clean at Paddington

Community Fund

Our Community Fund supports projects which benefit the areas in which we operate. In 2021 we considered applications for core funding as well as grass roots projects in recognition of the impact of the pandemic, with many community groups fighting for survival. The fund supported 19 projects across the portfolio with a mix of existing and new recipients. All selected projects aim to support wellbeing, to improve people's futures and to equip people with skills for life.

Since inception in 2013 our Community Fund has introduced us to many local groups in Fitzrovia and the Tech Belt. This has broadened our perspectives and helped us better understand the issues affecting local people. We are proud of what the fund has achieved to date but need to ensure it remains fit for purpose. To help achieve this we asked Chickenshed's Youth Taskforce to review our processes and to refresh our thinking around 'Community'. We will implement some of the conclusions of this review in 2022.

Focus on the homeless, mental health and D&I

During 2021 our Sponsorships and Donations Committee supported the work of numerous charitable organisations. We continued with the focus on supporting the homeless and mental health by committing over £70,000 to charities working in these two areas. Our support for increased D&I within the property sector, as well as further afield, has resulted in a commitment of over £130,000 in 2021 to organisations seeking to redress the balance, including a 3-year bursary supporting an undergraduate student at the Reading Real Estate Foundation and supporting the establishment of The Academy of Real Assets (see page 62).

Derwent London employees volunteer their time in numerous ways, supporting local education and community work (see page 62). They also support events organised by other partners such as The Paddington Partnership where they collected plastic waste and rubbish polluting the local canal as part of The Great British Spring Clean. In Recycle Week a Derwent London team, together with our waste contractor Paper Round, removed discarded plastic and glass from a stretch of beach along the River Thames.

Working with our occupiers

During the pandemic we have been supporting our occupiers with their evolving space requirements and providing financial support for those most in need. We also work together to support our local communities such as the Writing Partners initiative at The White Chapel Building E1, a literacy programme facilitated by Tower Hamlets Education Business Partnerships now known as The Switch.

Our inaugural online charity auction in aid of Teenage Cancer Trust and Mind was a truly collaborative event involving suppliers and occupiers from across the portfolio. Many of our suppliers and other stakeholders generously donated items for the auction which was open to our occupiers and staff. We were delighted to raise over £13,500 for these two charities.

Our Glasgow office has also been engaging with a number of charities and groups that support the local communities in and around our Scottish portfolio, donating £15,000 to 11 charities in 2021.

RESPONSIBILITY CONTINUED
SOCIAL

Working with local authorities
The Group also supports local authority initiatives. We joined the London Living Wage Foundation in 2017. In 2021, alongside other local stakeholders, we supported Islington in becoming a London Living Wage Borough. As part of Living Wage Week 2021, we hosted an event at White Collar Factory, bringing together some of the Islington businesses that became Living Wage accredited employers during the year.

We recognise the value of working with likeminded businesses and being able to share knowledge and ideas. Being a member of Westminster's Responsible Business Network enables us to meet other local businesses to learn which local groups need support. For instance, along with individual staff donations, we supported Westminster's appeal for funds to provide daily items for refugee families from Afghanistan.

Event at White Collar Factory during Islington Living Wage Week 2021

Supply chain
The Group also encourages its contractors to support local communities around our developments by providing local employment. We are pleased that both The Featherstone Building and Soho Place exceeded their targets in this regard.

Members of Chickenshed and Derwent London staff

LIVING LETTERS, A COLLABORATION WITH CHICKENSHED

Some Derwent London staff were anonymously matched with 16-19 year olds on Chickenshed's BTEC education programme, taking the role of virtual mentors sharing correspondence.

The first letter raised the issues of different perceptions. The second letter focused more on hopes, concerns and aspirations. This programme continues with the hope for face-to-face meetings in 2022.

FOUNDER MEMBER OF THE ACADEMY OF REAL ASSETS

The Academy of Real Assets was established in 2021 to encourage students from less advantaged backgrounds to consider real estate as a workplace and to introduce more diversity and inclusion into the sector; something which Derwent London believes is key for the industry. We hosted the first membership event at DL/78.

Derwent London actively participates in the Academy's activities, such as school talks and career insights which complements our staff volunteering programme engaging with schools and colleges.

We hosted the Academy's first Coffee Broadcast in December, one in a series aimed at informing young students aged 15-19 years old about the property sector. They are being delivered in partnership with Speakers for Schools and cover the whole UK. This was an opportunity for students to see some of the broader opportunities within the industry and to ask the team questions about careers in real estate and sustainability.

HEALTH & SAFETY

Ensuring the health and safety (H&S) of our employees and buildings is fundamental to our business. We strive to deliver great working places and reduce risks.

2021 HIGHLIGHTS

- Introduced a new compliance system
- Created a Benchmarking Group to share H&S data with our property peers
- Enhanced Fire Risk Assessments in line with the future Fire Safety Act
- Focus on working safely at height across our portfolio
- Introduced monthly 'Safety Surgeries'

The 'Derwent Way'

The 'Derwent Way' communicates our inclusive H&S culture and objectives to all our stakeholders.

Our Aim is to provide healthy, safe and secure environments for our people, customers and contractors to work, live, visit and relax.

Our People are fundamental to the success of our business, which is why we invest to ensure healthy and safe work environments.

Enhanced compliance platform

In 2021 the Group migrated the whole portfolio to an enhanced H&S compliance platform in collaboration with internal and external stakeholders. Our current combined commercial and residential property H&S compliance score is 98%. We continue to reinforce our staff and contractors' health and safety culture, assisted by a transparent approach with our supply chain.

The H&S team works with Property Management to ensure that our buildings and projects are operated safely without health risks, including meeting the additional challenges created by the global pandemic.

We consider health, safety and wellbeing at every stage of a building's life cycle: from acquisition, through development, management, leasing and disposal. This requires designing, building, maintaining and operating our buildings using best practices. It also includes specifying the appropriate materials and design to ensure future safe and healthy maintenance and management activities.

Our approach is centred on people, assets and developments.

People

Our staff are updated on H&S matters through regular training. During 2021 new training continued to be rolled out to the Property Management and Development teams. Training included Statutory Compliance, Construction Design and Fire Marshals. The Covid-19 pandemic has mental as well as physical health impacts. In response, a further 14 employees were trained to become Mental Health First Aiders, taking the total to 20.

Employees also attended external H&S courses, such as NEBOSH, IOSH, mental health first aid, water hygiene and tall building fire management. Collectively, 88 training workdays were completed in 2021.

Assets

Ensuring our occupiers, visitors and those who live and work in and around our buildings are safe and healthy is critical. We introduced a new reporting system, RiskWise, in June 2021 which has enhanced our H&S data.

Our Fire Safety Management System continues to evolve in line with BS 9997, meeting the requirements of the new Fire Safety and Building Safety Acts expected to be introduced by the end of 2022.

Every property in our portfolio had a property health check and roof survey. In addition, we reviewed our buildings' physical wellbeing, focusing on lighting, air and water qualities. Where necessary we instigated improvements. This ensures a more holistic approach to enhanced wellbeing as well as risk.

Developments

Our sites continued to follow the Construction Leadership Council's Covid-19 Site Operating Procedures and levels of infections on our sites remained relatively low. This would not have been possible without collaboration with our contractors and supply chain. Together, we have ensured a strong response to mitigate the risks generated by the pandemic.

We continue to raise the significance of health issues on our construction projects, attributing to them the same importance as safety. To help tackle some of these issues, during 2021 we supported the Health and Safety Executive's (HSE) campaigns in mental health, musculoskeletal disorders and respiratory health.

Our H&S data is on page 66 and in the Responsibility Report.

1.26
Accident Frequency Rate

314
H&S inspections

5,842
Inductions

RESPONSIBILITY CONTINUED
GOVERNANCE

At Derwent London, acting in a fair and responsible manner is a core element of our business practice.

2021 HIGHLIGHTS

- Deloitte performed an independent assurance assessment of our green financing arrangements
- Continued mandatory compliance training programme for all employees (including Directors) which covered topics such as social media awareness, data privacy and unconscious bias/respect in the workforce (see page 161)
- HMRC confirmed our 'low-risk' tax rating status until 2022
- Hosted Stakeholder and Investor Days

A responsible business

The oversight of ESG matters is critical. It not only allows the Board to understand more holistically the impact of its decisions on key stakeholders and the environment, but also ensures it is kept aware of any significant changes in the market. This includes the identification of emerging trends and risks, which in turn can be factored into its strategy discussions.

ESG is overseen principally by the Board, Responsible Business Committee and Sustainability Committee (see our ESG governance framework). Our Chief Executive, Paul Williams, has overall accountability for ESG matters however, the responsibility for overseeing its day-to-day management is delegated to Nigel George (Executive Director). Paul Williams oversees the review and performance of our responsibility work as chair of the Sustainability Committee and as a member of the Responsible Business Committee.

ADDITIONAL GOVERNANCE DISCLOSURES

The section 172(1) statement page 124
Whistleblowing page 136
Anti-bribery and corruption page 165
Tax risk page 106
Compliance training page 161

OUR ESG GOVERNANCE FRAMEWORK

The Board
Overall responsibility for ESG matters

Risk Committee
Identifies and evaluates key ESG risks (principal and emerging) ensuring they are appropriately managed
Report page 158

Responsible Business Committee
Monitors the Group's corporate responsibility, sustainability and stakeholder engagement activities
Report page 166

Audit Committee
Monitors assurance and internal financial control arrangements
Report page 148

Remuneration Committee
Ensures ESG factors are included in the executive remuneration framework
Report page 172

Executive Directors with assistance from the Executive Committee
Responsible for overseeing the Group's ESG initiatives

Sustainability Committee
Responsible for implementing the Board's ESG strategy

Health and Safety Committee
Responsible for monitoring health and safety management and performance

Sponsorship and Donations Committee
Responsible for the Group's charitable activities and donations

Social Committee
Aims to encourage teamworking and collaboration between departments through social activities

Climate change governance

The governance of climate change risk and opportunities is ultimately the responsibility of the Board. However, day-to-day management is delegated to the Executive Committee and senior management.

The Board monitors the Group's progress through our science-based targets, which were independently validated and approved by the Science-Based Target initiative (SBTi) in 2019. In addition, performance is externally assured by Deloitte LLP and our 2021 Scope 1, 2 and 3 GHG emissions data, intensity ratio and energy data received 'Public Reasonable Assurance'.

Our strategy and targets for energy consumption and carbon emissions are set and monitored by the Board. The Board, Responsible Business Committee and Executive Committee receive regular updates and presentations on environmental and sustainability performance from the Head of Sustainability.

Climate change governance

Sustainability Committee

Informs the Executive Committee and Responsible Business Committee on climate risk and appropriate management measures taken

Sustainability team

Develops and implements appropriate management measures across the business and identifies climate risk to inform the risk management process

We report under several frameworks to provide a complete picture of our progress and activities and to allow comparison with our peers and other companies (see pages 67 to 75). Our sustainability work has drawn external recognition. We maintain Greenstar status in the Global Real Estate Sustainability Benchmark (GRESB) index with a score of 81, we are listed in the FTSE4Good index and have a CDP rating of C.

SECR disclosure page 74 →
Climate change risk and opportunities page 103 →

Green finance governance

Our Green Finance Framework allows us to clearly link our financing to the environmental benefits our activities generate. The Audit Committee receives annual updates on our green finance initiatives, including in respect to our reporting disclosures.

Our Green Finance Framework received independent assurance from Deloitte LLP that it is aligned with the Loan Market Association's Extended Green Loan Principles and the complete assurance statement is available on our website. Further information on our Green Finance Framework is on pages 13, 96 and 97.

Supply chain governance

It is important to us that our suppliers and construction partners operate ethically and share our ESG business principles.

Our supply chain governance procedures ensure our suppliers are aware of the standards we expect from them and the business practices which we will not tolerate. All suppliers with whom we spend more than £20,000 per annum are required to provide evidence of how they are complying with our Supply Chain Sustainability Standard (the Standard), which sets out our principles and expectations in terms of the environmental, social, ethical and governance issues which relate to our supply chains.

Supply Chain Sustainability Standard page 169 →

During 2021:

- We reviewed best practice in terms of sustainable supply chain management (e.g. BS 8903 and the Ethical Trading Initiative (ETI) Base Code), to understand how we can improve our performance and that of our supply chains.
- We requested evidence that our major suppliers were compliant with the Standard. This involved completion of a questionnaire and providing copies of key policies and procedures (see page 169).
- We published a revised Standard which now includes our expectations in respect of diversity and inclusion, environmental issues, and preventing modern slavery.

Ensuring our payment practices are ethical is a key requirement in governing our supply chain. This was of particular importance due to the Covid-19 pandemic and its impact on businesses.

Responsible payment practices page 169 →

Protecting human rights

The protection of human rights and fundamental freedoms is one of our key ESG priorities which we manage from an internal (within our business) and external perspective (within our supply chain and our relationships with contractors) (see pages 67 and 167).

Based on our ongoing risk assessment, we continue to believe the risk of any slavery or human trafficking in respect of our employees is low. The risk assessment of our supply chain indicated the greatest potential risk existed in the use of building contractors for our development schemes, as their work involves the use of subcontractors. This risk also exists in some of the companies that provide Derwent London with services such as cleaning and security. We ensure all of these suppliers are aware of the Modern Slavery Act 2015 and we require them to formally confirm they are in compliance with the legislation. We monitor and cross-check our supply chain, from procurement to delivery.

Tax governance

We take our obligations as a taxpayer seriously and focus on ensuring that, across the wide range of taxes that we deal with, we have the governance and risk management processes in place to allow us to meet all our continuing tax obligations. The Board has overall responsibility for our tax strategy, risk assessment and tax compliance. Our statement of tax principles, which is approved by the Board, is available on our website.

We have an open and transparent relationship with HMRC and seek to anticipate any tax risks at an early stage, including clarifying areas of uncertainty with HMRC as they become evident. We keep HMRC informed of how our business is structured and respond to all questions or requests promptly. Our Head of Tax also regularly engages with HMRC via his roles with the Chartered Institute of Tax and the British Property Federation to support consultations or to seek legislative clarification in areas that could potentially impact our business.

RESPONSIBILITY CONTINUED
GOVERNANCE

Reporting frameworks and ESG data

Non-financial reporting

As we have fewer than 500 employees, the non-financial reporting requirements contained in the Companies Act 2006 do not apply to us. However, due to our commitment to promoting transparency in our reporting and business practices, we have elected to provide further information in the table below.

	Our key policies and standards	Additional information
Environmental matters	— Responsibility Policy — Net Zero Carbon Pathway — Science-based carbon targets — Task Force on Climate-related Financial Disclosures (TCFD) — Streamlined Energy and Carbon Reporting (SECR) disclosure	— Responsibility Report (**https://rr.derwentlondon.com**) — Our pathway to net zero carbon (see page 12) — Climate change governance (see pages 65, 68 and 69) and risk management (see pages 72 and 102) — Executive Directors' annual bonus (see page 184) — TCFD (see pages 68 to 73) — SECR (see pages 74 and 75)
Social and employee aspects	— Volunteer Policy — Equal Opportunities and Diversity Policy — Professional Development and Training — Shared Parental Leave — Flexible Working Policy	— Community Fund (see page 61) — Our people (see pages 56 to 60) — Diversity and inclusion (see pages 57 to 59 and 169 to 171)
Respect for human rights	— Individual Rights Policy — Health and Safety Policy Statement — Supply Chain Sustainability Standard — Modern Slavery Statement	— Health and safety (see page 63) — Human rights and modern slavery (see pages 65 and 167) — Supply Chain Sustainability Standard (see page 169)
Anti-corruption and bribery issues	— Anti-bribery Policy — Whistleblowing Policy — Expenses Policy — Money Laundering and Terrorist Financing Policy — Preventing Facilitation of Tax Evasion Policy	— Audit Committee report (see pages 148 to 157) — Risk Committee report (see pages 158 to 165) — Our principal risks (see pages 100 to 119) — Compliance training (see page 161)

Health and safety data

The table below details our key health and safety statistics. Our accident frequency rate (AFR) is given for 2021 and for developments only in 2020. This data allows us to identify trends and highlights where we should focus.

	Employees		Managed portfolio		Developments	
	2021	2020	**2021**	2020	**2021**	2020
Person hours worked[1]	**266,960**	n/a	**31,960**	n/a	**1,591,416**	2,204,499
Minor accidents[2]	**0**	1	**9**	10	**42**	46
RIDDORs[2]	**0**	0	**0**	5	**2**	6
Dangerous occurrences[1]	**0**	0	**0**	0	**0**	0
Fatalities[2]	**0**	0	**0**	0	**0**	0
Improvement notices[2]	**0**	0	**0**	0	**0**	0
Prohibition notices[1]	**0**	0	**0**	0	**0**	0
Injury rate[1,3]	**0**	n/a	**0**	n/a	**26.39**	n/a
Lost day rate[1,4]	**n/a**	n/a	**n/a**	n/a	**5.66**	n/a
Severity rate[1,5]	**n/a**	n/a	**n/a**	n/a	**0.13**	n/a
RIDDOR AFR[1,6]	**0**	n/a	**0**	n/a	**1.26**	2.72

Notes:
1 Data has been audited to the reasonable level by Deloitte LLP only in 2021.
2 Data has been audited to the reasonable level by Deloitte LLP in 2021 and 2020.
3 Injury rate - (injuries excluding RIDDOR and lost time injuries)/ (total hours worked)*1,000,000.
4 Lost day rate – (lost time injuries excluding RIDDOR)/ (total hours worked) *1,000,000.
5 Severity rate – total number of lost work days (excluding RIDDORs)/ total number of incidents.
6 RIDDOR accident frequency rate (AFR) – the number of RIDDORs/(total hours worked) *1,000,000.

UN SDG disclosures

The United Nations Sustainable Development Goals (SDG) are an international standard developed to support global change and sustainable growth. We believe that we have a role in supporting the UK in responding to this standard and helping affect change.

We have reviewed the suite of 17 goals and have selected those goals which align most closely to our ESG priorities, which are set out in the table below with a summary of our progress against the goals which are particularly significant to our business.

Our ESG priority	UN Goal	Applicable target	Applicable indicator	Our efforts
Creating value in the community and for our wider stakeholders	4 QUALITY EDUCATION	4.4	4.4.1	Through our Community Fund we invest in and support youth and adult ICT education and skills training – both technical and vocational. A recent example of this is the Shadow Heroes project we have supported. This project uses creative translation workshops as a way to encourage children who have English as an additional language to embrace their linguistic and cultural identities with the aim of bringing about inclusive classrooms, fostering a sense of belonging amongst marginalised language users and to ultimately improve young people's sense of confidence in school and beyond.
		4.a	4.a.1	Through our Community Fund we invest in and support projects which look to upgrade and improve youth education facilities. A recent example of this is the Doorstep Library project which aims to improve literacy skills by providing trained volunteers for families whose children need extra help with their reading. In place of face-to-face sessions, socially distanced book swaps on families' doorsteps have taken place, books have been posted to children as well as one-on-one online reading sessions between families and volunteers. The service gives children the confidence to thrive at home and at school and helps them have a better future through improved literacy skills.
Protecting human rights, Engaging and developing our employees	5 GENDER EQUALITY	5.1	5.1.1	Beyond any legislative requirement we are active in ensuring meaningful gender equality in our business. Whether that is making sure our business structure is representative or making sure our suppliers have the same policies and approaches in their businesses. To help guide us, our Diversity & Inclusion Working Group is tasked with reviewing best practice and to challenge our business to ensure we address equality robustly. In 2021 we achieved the National Equality Standard with our results ranked in the top 5% of accredited companies.
		5.5	5.5.2	32% (33% in 2020) of the women within our business are in managerial roles/positions.
Designing and delivering buildings responsibly, Managing our assets responsibly	7 AFFORDABLE AND CLEAN ENERGY	7.2	7.2.1	Our aim is to ensure we purchase renewable energy for our portfolio. All our electricity contracts which supply our buildings are now REGO backed. As part of our net zero carbon programme we are looking to how we procure renewable gas supplies and incorporate higher levels of on-site renewable energy generation.
		7.3	7.3.1	As part of our science-based targets we have a specific energy intensity target designed to help us reduce our energy intensity. See Responsibility Report for the latest progress on these targets.
Creating value in the community and for our wider stakeholders	11 SUSTAINABLE CITIES AND COMMUNITIES	11.7	11.7.1	We actively promote the inclusion of public spaces in and around our buildings and ensure they are fully accessible to those with disabilities. In addition, we are part of the London Mayor's Business Climate Leaders Group which was set up to help London become a zero carbon city by 2030.
Managing our assets responsibly	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	12.5	12.5.1	We have established a portfolio-wide minimum recycling target of 75% and a no waste to landfill policy.
		12.6	12.6.1	We integrate comprehensive sustainability reporting information into our public reporting.
Designing and delivering buildings responsibly, Managing our assets responsibly	13 CLIMATE ACTION	13.2	13.2.2	We have independently verified science-based carbon targets which are set to a 2°C reduction scenario. This means we are committed to reducing our carbon emissions and making sure our portfolio is climate resilient. We are reviewing these targets to align them with a 1.5°C scenario.

RESPONSIBILITY CONTINUED
GOVERNANCE

The Task Force on Climate-related Financial Disclosures (TCFD)
The Group has used TCFD guidelines as part of its environmental reporting since 2018. Our latest disclosures, on pages 68 to 73, are consistent with the TCFD recommendations and the recommended disclosures. Further information on the TCFD can be found on the Financial Stability Board's website at: **www.fsb-tcfd.org.**

Governance

page 121

Describe the Board's oversight of climate-related risks and opportunities

The Board has overall responsibility for climate-related risks and opportunities.

The Responsible Business Committee (RBC), a principal committee of the Board (see report on pages 166 to 171), monitors the management of our climate-related risks and opportunities and meets at least twice a year. One of its roles is to ensure that the Board adequately reflects climate-related issues in its decision making. In turn, the RBC is kept informed by the Executive and Sustainability Committees which are separately responsible for overseeing and implementing climate-related actions and meet monthly and quarterly respectively. Chief Executive, Paul Williams, and Head of Sustainability, John Davies, are members of the Executive and Sustainability Committees and provide regular updates to the RBC and the Board on our climate-related work and the associated risks and opportunities.

During the year, the Board and various committees considered the following climate-related issues:

Responsible Business Committee – the current progress of our net zero carbon programme and targets, most notably the setting of energy reduction targets for our managed properties and our net zero carbon occupier survey.

Risk Committee – the latest position of the Group with regards to the forthcoming Energy Performance Certificate (EPC) changes from 1 April 2023 i.e. the minimum EPC rating of E applying to all operable leases less than 99 years and greater than six months. Likewise, our preparations and financial impacts for the proposed 2030 changes and requirements for the minimum EPC rating to change from E to B – a key transition risk identified in our scenario analysis (see page 161).

Audit Committee – the current progress of our green finance initiatives, including our new £350m green bond, which are funding our latest net zero carbon buildings. In addition, the Committee received training on the assurance we currently undertake on our environmental data which includes energy and carbon and our science-based targets, and where we could expand this assurance in the future to cover other climate-related areas e.g. TCFD.

During the year the Board agreed on the appointment of John Davies to the Executive Committee, strengthening its climate risk expertise and experience at this level.

An overview of the Board's climate-related skills, experience and knowledge is detailed in the chart on page 140.

Day-to-day oversight of climate-related aspects is undertaken by the Sustainability Committee which comprises key department leaders:

- Paul Williams (Chief Executive)
- John Davies (Head of Sustainability)
- Nigel George (Executive Director)
- David Lawler (Company Secretary)
- Richard Baldwin (Director of Development)
- Katy Levine (Head of HR)
- Victoria Steventon (Head of Property Management)
- Vasiliki Arvaniti (Head of Asset Management)

The Sustainability Committee reviews the progress and performance on climate-related issues e.g. energy efficiency, embodied carbon and legislation such as the minimum energy efficiency standards. A target performance and data dashboard (inclusive of climate-related targets/metrics) is produced for discussion and analysis during the Sustainability Committee and related sustainability performance meetings.

To embed a further level of oversight over climate-related issues, we have linked performance measures to the Executive Directors' annual bonus calculations which focus on the improvement of carbon and energy intensity, accounting for 5% and 2.5% respectively of the bonus weighting. See page 184 for further details.

Governance continued

Describe management's role in assessing and managing climate-related risks and opportunities	Our Chief Executive, Paul Williams, has overall accountability for ESG matters which includes climate-related issues. However, the responsibility for overseeing its day-to-day ESG management is delegated to Nigel George (Executive Director). Paul Williams oversees the review and performance as Chair of the Sustainability Committee and as a member of the main Board and Responsible Business Committee. In addition, Nigel George sits on the main Board, Executive and Sustainable Committees. Therefore, he is accountable for climate-related issues which, if significant, are brought directly to the attention of the main Board. John Davies, Head of Sustainability, has responsibility for developing, leading and, together with his team, implementing the business-wide sustainability programme (inclusive of all climate-related aspects) and reports to Nigel George. As a result, Nigel has a comprehensive oversight of all our climate-related work. As mentioned above, the Sustainability Committee comprises key department representatives who each have a responsibility for oversight and implementation of climate related issues within their department: — David Lawler (Company Secretary) – is responsible for ensuring climate-related issues are adequately reflected within our corporate governance structure e.g. our risk management processes — Richard Baldwin (Director of Development) – is responsible for ensuring our development schemes embed the required climate resilience and net zero carbon aspects within their design and delivery programmes e.g. high EPC and BREEAM ratings — Victoria Steventon (Head of Property Management) – is responsible for ensuring our properties are operated efficiently e.g. they are reducing their energy consumption in line with our energy targets — Vasiliki Arvaniti (Head of Asset Management) – is responsible (together with John Davies) for ensuring EPCs are tracked and monitored across the investment portfolio. Likewise, that our asset management plans incorporate the necessary improvement measures and budgets to allow our compliance with the forthcoming EPC legislation changes for 2030 and our net zero carbon commitment As set out above, there is a clear top down – bottom up 'line of sight' for climate-related aspects from the Board to the Sustainability Committee (see page 64 and our ESG Governance Framework). Target performance and data dashboards (inclusive of climate-related targets/metrics) are discussed and analysed during the Sustainability Committee and related sustainability performance meetings. See the Risk Management section on page 103 for an outline of how we approach the assessment and management of climate-related risk.

Strategy

page 32

Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long-term	We consider short-, medium- and long-term time horizons to be 0-5, 5-15 and 15+ years respectively, recognising that climate-related issues are often (but not exclusively) linked to the medium- to long-term, and our properties have a life of many decades. Short-term – we have seen a greater shift in terms of legislation, first with the introduction in the UK of the Minimum Energy Efficiency Standards (MEES) for commercial and domestic property and more recently, the proposed 2030 minimum EPC rating changes linked to the acceleration of the government's ambition to achieve net zero carbon by 2050. In addition, customer demand continues to drive the requirement for buildings with robust sustainability credentials, which are cost effective to occupy and promote higher levels of wellbeing and productivity. Our climate scenario analysis showed us that these transition risks are focused primarily on the short-term, with EPC regulation, emissions offsets and cost of raw materials presenting themselves as key risks after applying various mitigation measures from our Net Zero Carbon Pathway. By managing these risks adequately, we believe the following opportunities could include: — Energy efficient 'green' buildings with better EPCs could be let more quickly, command higher rents and enjoy lower tenant turnover. — Investing in the overall energy efficiency of our buildings also improves asset value by reducing our maintenance costs and extends a building's life. — Working closely with tenants to manage building efficiency should lead to closer landlord/tenant relationships. Medium-term – we have identified the same issues as those that occur in the short-term. We must continually invest in and develop our new and existing properties to ever higher regulatory standards and levels of efficiency to ensure we are able to operate effectively and attract occupiers. This period covers our pathway to becoming a net zero business and it is important that we minimise the amount of residual carbon needed to be offset. Long-term – we need to invest in our existing portfolio and our development pipeline to ensure they are climate resilient such that our central London buildings remain occupiable. It is possible, depending on what changes actually occur, that climate changes may impact some of our properties which in turn could have a financial impact on our business e.g. increased insurance premiums or loss of rental income. Our scenario analysis showed us that the physical risks are most material in the long-term and present themselves most evidently in the 4°C scenario (aligned with the IPCC's RCP 8.5), with heat stress, flooding and subsidence being the most significant. By following our Net Zero Carbon Pathway and continuing to undertake regular climate risk assessments, we believe we will be in a better position to manage these potential risks. The opportunities that might present themselves include: — The availability of buildings which become stranded because of physical risk impact could provide us with acquisition opportunities at lower prices. — Investing in the overall climate resilience of our buildings also improves asset value by reducing our maintenance costs and extends a building's life. The processes used to determine the climate risks which are material to our business are set out in the Risk Management section on page 103. In addition, see the Principal Risks section on pages 108 to 119 which details our overall risk profile and approach to risk management. We believe that property portfolios that are able to meet these challenges will remain attractive to occupiers and investors and in good demand. This trend presents opportunities for the Group (see page 10).

RESPONSIBILITY CONTINUED
GOVERNANCE

Strategy continued	
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	As a central London focused real estate investment trust (REIT), we invest in, develop, and manage property in central London and, as such, climate-related issues affect the way we develop new buildings, refurbish and manage our existing portfolio and engage with our occupiers. This in turn affects the kinds of suppliers and consultants we use in these activities to ensure we have the requisite level of expertise. As described on page 6, this is driven by an ever-increasing demand from our occupiers and other stakeholders wanting buildings with higher levels of sustainability credentials, as well as the regulatory landscape becoming tougher and more demanding. The recognition that climate change has a material impact on our business and our stakeholders led us to develop our Net Zero Carbon Pathway to become a net zero carbon business by 2030 (aligned to a 1.5°C climate scenario). Our pathway covers the breadth of our business activities to ensure we are reducing our carbon footprint and exposure to risk, examples include: Financial planning (operating costs, capital expenditure and allocation) – to ensure we are capturing the cost of carbon appropriately we are developing our approach to carbon accounting such that we are including the cost of carbon in our financial appraisals and forecasting, so we understand and capture the cost of carbon in our new schemes and business activities. In addition, we are undertaking specific reviews to help us understand the cost of certain transition risks. During 2021 we commissioned a report to understand the actions and costs required to ensure our portfolio would remain compliant with the proposed changes to the minimum EPC ratings required from 2030 – see page 55 for further details. Access to capital – we believe in the future it will be harder to access good quality, affordable finance without being able to demonstrate how we are addressing and effectively managing climate risk. In response, our Green Finance Framework has been specifically developed to allow us to link our finances to our net zero ambitions by setting out performance criteria and a governance framework which enable us to clearly show the link between the use of our debt facilities to our development and refurbishment activities. To date we have two specific facilities which are linked to our framework – the £300m 'green' element of our main corporate £450m revolving credit facility and a £350m green bond issued in 2021. These are helping to fund our latest eligible projects – see pages 22 to 25 for further details. Acquisitions and divestments – our business model is based on acquiring older buildings and improving them to add value. Prior to a new purchase we now undertake carbon appraisals to establish the incumbent carbon liability allowing a more holistic understanding of cost. In addition, we also establish the EPC related risk and, if the rating is low, what actions and cost will be required to improve it. We have disposed some assets where the estimated additional costs associated with the transition to better energy performance influenced our decision. Developments – our Responsible Development Framework and Net Zero Carbon Pathway ensure we set the right design brief for our development pipeline. These ensure that the properties are more climate resilient such as building them for a longer life, to be more flexible to occupy and operate, less reliant on mechanical cooling and free from fossil fuel use i.e. all electric heating and cooling. Managing assets – our Responsible Framework for Assets and Net Zero Carbon Pathway ensure we have plans and targets in place for each managed asset which set out how we will reduce energy consumption/carbon emissions effectively to meet our overarching targets.

Strategy continued

Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

Our properties are subject to climate-related risks, such as increasing temperatures, which could lead to greater physical stresses and, in turn, increase our costs e.g. management and utility costs.

Our business model involves both investing in new developments and acquiring older properties which hold future regeneration potential. We ensure a high degree of resilience in our new developments and regeneration of older properties by setting high standards for sustainability, which includes climate-related aspects. When managing our core income portfolio, we have a significant focus on energy and carbon reduction, ensuring our buildings operate as efficiently as possible. As a result, our strategy centres around the concept of continual improvement which ensures a high degree of both climate and financial resilience. Ultimately, we do not envisage having to make changes to our approach when considering climate-related scenarios.

We recognise that climate change does have an impact on our business and part of our strategic response has been the commitment to becoming a net zero carbon business by 2030 such that we can transparently address the transitional and physical risks and opportunities which apply to our business. This is in addition to our existing science-based target, which is already aligned to a 2°C scenario.

In 2020 Willis Towers Watson provided a detailed analysis of the Group's climate-related risks, set across different climate scenarios – a 2°C scenario for transition risk (aligned with IPCC's RCP 2.6) and a 2°C and 4°C scenario for physical risk (aligned with the IPCC's RCP 8.5). Set out below is a summary of their findings:

Transition risk
Policy & legal
- Pricing of GHG emissions
- Energy Performance Certificate rating requirements
- Emissions offsets
- Planning approval changes
- Climate change litigation
- Enhanced emissions reporting obligations

Market
- Change in customer demands
- Cost of debt
- Increased cost of raw materials

Reputation
- Investment risk

Physical risk
The physical risk assessment was undertaken through two plausible climate scenarios – IPCC RCP 2.6 and 8.5, within which the analysis focused on three time horizons:

1. Current climate (2020 to 2030)

2. Medium-term climate change impact (2050)

3. Longer-term impact (2080 to end of century) where models were available for key perils and where a clear climate change signal warranted modelling of the time horizon or scenario

The assessment also included a review of current climate exposures, climate change implications for those exposures, indicative loss modelling and analysis and forecasts of the likely electricity and gas usage for selected properties. The physical risks were identified across two types:

Chronic
- Heat stress
- Subsidence
- Coastal flooding and sea level rise

Acute
- Flooding
- Storms
- Infrastructure

As part of our approach to managing both transition and physical risks, we are committed to becoming a net zero carbon business by 2030. Our Net Zero Carbon Pathway sets out a clear plan on how we will transition towards this by:

- Reducing the energy consumption and improving the efficiency of our assets
- Increasing renewable energy procurement e.g. green gas procurement, self-generated energy managing the future risk of higher energy costs
- Adopting carbon accounting to enable us to anticipate the future cost of carbon so we can inform our decision-making
- Reducing the embodied carbon associated with our development schemes
- Carbon offsetting via verified removal schemes for those emissions we cannot eliminate

These commitments, coupled with our Responsible Development Framework and Sustainable Framework for Assets and net zero action plans for individual assets, support the business in addressing and managing the above risks and enabling it to move towards net zero carbon.

RESPONSIBILITY CONTINUED
GOVERNANCE

Risk management

page 100

Describe the organisation's processes for identifying and assessing climate-related risks. Describe the organisation's processes for managing climate-related risks. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management. (As all recommended disclosures are heavily interrelated we have opted to combine our disclosure)

The responsibility for managing our corporate risk lies with the Executive Committee, Board and Risk Committee. Each year the Executive Committee collate and assess the key risks, which include sustainability/climate change related risks. This assessment seeks to understand risk severity and likelihood as well as the optimal controls and/or mitigation actions required. This approach allows the effects of any mitigating procedures to be considered properly, recognising that risk cannot be eliminated in every circumstance. The risk register is then put forward to the Board and Risk Committee for consideration, review and ultimately adoption. Climate-related risks and opportunities are also highlighted and discussed by the Responsible Business and Sustainability Committees where appropriate. These risks can include transition risk (e.g. regulatory risk and reputational risk) and physical environmental risk.

To assess the materiality of climate-related risk we worked with Willis Towers Watson in 2020 to specifically explore climate risk and opportunity. This followed a structured identification and assessment of the transition and physical risks applicable to our business across two climate scenarios, namely 2°C and 4°C scenarios aligned with the IPCC's RCP 2.6 and 8.5 pathways respectively.

As part of the scenario analysis, the transition risks identified within the 2°C scenario estimated the financial materiality for each risk using a structured template to capture any impacts to the profit and loss (revenue and expenditures) and impacts to the balance sheet (assets and liabilities and capital/financing). High and low impact estimates were given to applicable cost components depending on the success of planned mitigating actions, and risks given a 1 to 5 impact rating according to a defined rating criterion. Working through the assessment process and applying mitigation measures already captured within the scope of our Net Zero Carbon Pathway and those within our existing business processes, demonstrated that few of these risks had a residual impact. Those which remained were:

Energy Performance Certificate rating requirements
When we undertook the assessment, tougher minimum energy performance certificate standards were indicated by the Government. These have now been confirmed and will be phased in during the period up to 2030. It was assessed that complying with the new measures would result in significant additional investment across our portfolio. To address this, in 2021 we commissioned a report to review the actions and costs required to meet these new standards – see pages 52 to 55 for further details.

Cost of raw materials
Climate change could affect the input costs of traditional development related materials or building services e.g. energy and water. Utilising more innovative low carbon materials could allow us to mitigate some of the potential impacts this risk might pose. To monitor the effects of this on our business, we track the construction costs (of which material costs are a part) and inflationary impacts on those costs to understand the impact on our business. See the Chief Executive statement for further detail (see page 10).

Emissions offsets
The cost of high-quality carbon offsetting is likely to continue to rise due to supply constraints. However, the energy/carbon reduction initiatives and investment in our portfolio should enable us to reduce our reliance on offsetting and exposure to significant cost movements. We publish details of our annual offsetting practices, (see page 54). Where we purchase any new offsets, we will state the costs together with any applicable inflationary commentary.

The physical risks assessed within the 2°C scenario highlighted:

Storms
Many of our buildings could be exposed to windstorm damage especially during the winter season. This was the most significant risk in this scenario and means we need to ensure we have the right features in place to protect our building façades.

Heat stress
Whilst within this climate scenario, and coupled with our management approach, this is not a high risk to our business, we remain vigilant to any increase in temperature and the effect it could have e.g. increased cooling demands and subsequent increases in energy consumption.

Subsidence
Although not a significant risk to our business in this scenario, temperature increases in different climate scenarios, coupled with increased rainfall or flooding, could affect some of our older properties.

Within the 4°C scenario the risks assessed highlighted:

Heat stress
Hotter summers (10-20 days of heatwave pa in London) will impact our business, by increasing cooling demands and thereby increasing energy consumption and maintenance costs for our buildings.

Flooding
In this climate scenario, flood defences such as the Thames Barrier could be placed under increased stress which could lead to failures, albeit this would possibly only affect four of our properties. In addition, flash flood risk could increase.

Subsidence/critical infrastructure
In this climate scenario, instances of subsidence and critical infrastructure disruption are more probable.

Metrics and targets

page 44

Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	To enable our stakeholders to understand our climate-related impact and subsequent performance, the data section of our Responsibility Report (**https://rr.derwentlondon.com**) includes an extensive range of consumption and intensity metrics for energy, carbon, waste and water, and reflect those highlighted in the buildings and materials groups, namely: — Total energy consumed, broken down by source (e.g. purchased electricity and renewable sources) — Total fuel consumed percentage from coal, natural gas, oil, and renewable sources — Building energy intensity (by square area) — Building water intensity (by square area) — GHG emissions intensity from buildings (square area) and from new construction and redevelopment — For each property type, the percentage certified as sustainable All the above metrics are presented in the data section of our latest Responsibility Report with at least the previous year's data to allow for comparison. In addition, our previous reports are available on our website which contain several years' worth of data, allowing for historical trend analysis. As identified in our materiality review, resource efficiency (which includes energy efficiency, greenhouse gases, climate change and water) is a material issue for our business and, as such, is classified as a principal risk (see page 116). Further to this, performance against our science-based carbon targets form a part of our Executive Directors' remuneration – details of which can be found on page 184. In addition to the above metrics, we also use our science-based carbon targets and a specific scenario analysis tool to support us in the strategic planning of our portfolio and undertake future projections of carbon intensity reduction set against recognised 2°C transition scenarios, namely the IEA ETP 2DS and the nationally determined UK climate change commitments modelling trajectory.
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	We publish a detailed data report which sets out our environmental data performance. This includes extensive carbon reporting across all scopes: Scopes 1, 2 and 3 using the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard. Likewise, we provide trend analysis across several years to show progress and historical performance. Refer to the data section of our latest Responsibility Report for our carbon reporting which also includes full details of the aggregation and calculation methodology. Moreover, we publish a summary of our corporate carbon footprint on page 74.
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Following our review of the Paris International Climate Change Agreement in 2016, we developed a set of science-based carbon targets to ensure we align our carbon reduction programme to its objectives, as well as minimising our risk exposure to climate change on our managed portfolio. These were verified by the Science-Based Target initiative (SBTi) in 2019 and are: "We commit to reduce Scope 1 and 2 GHG emissions 55% per square metre by 2027 from a 2013 base year. Derwent London also commits to reduce Scope 3 GHG emissions 20% per square metre by 2027 from a 2017 base year." As part of our revised net zero ambition, we will be reviewing these targets to align them with a 1.5°C climate warming scenario and we will provide further updates when this is complete. To see the latest progress against these targets refer to the science-based carbon target performance section of our latest Responsibility Report.

RESPONSIBILITY CONTINUED
GOVERNANCE

Streamlined Energy and Carbon Reporting (SECR) disclosure

In line with the SECR regulations, we present below our disclosure which is comprised of our carbon emissions across Scopes 1 and 2 together with an appropriate intensity ratio – tCO_2e/m^2. We also set out our Scope 3 emissions and global energy use (kWh) used to calculate our emissions.

New for this year, we have expanded our reporting to provide a more detailed perspective on our carbon emissions, likewise the emissions and energy which we are not directly responsible for but derive from our buildings i.e. the energy consumption of our occupiers and the associated emissions.

GHG and energy data

Scope 1 and 2 emissions[1]

		tCO₂e 2021	tCO₂e 2020	Difference
Scope 1 (combustion of fuel) Managed portfolio gas use and fuel use in Derwent London owned vehicles	Location-based	**3,173**	3,326	-5%
Emissions associated with certified green gas use	Market-based	**2,428**	3,291	-26%
Scope 1 (operation of facilities) Managed portfolio refrigerant loss from air conditioning systems		**–**	–	
Scope 2 (purchased electricity, heat, steam and cooling for our own use) Managed portfolio electricity use for common parts and shared services (landlord-controlled areas) - no heat, steam or cooling was/is purchased	Location-based	**1,678**	1,947	-14%
Emissions associated with renewable REGO backed electricity use	Market-based	**63**	0	
Total Scope 1 and 2 emissions	Location-based	**4,852**	5,273	-8%
	Market-based	**2,491**	3,291	-24%
Carbon intensity ratio (tCO_2e/m^2) Derived from total Scope 1 and 2 emissions	Location-based	**0.013**	0.015	
Proportion of Scope 1 and 2 emissions assured by an independent third party (see data notes table below)		**100%**	100%	

[1] Numbers may not sum due to rounding

Scope 3 emissions[1]

Category	Notes	tCO₂e 2021	tCO₂e 2020	Difference
Purchased goods and services	N/A			
Capital goods	See note below on emissions outside of current scope			
Fuel and energy related activities		**3,063**	2,118	45%
Upstream transportation & distribution	N/A			
Waste management		**25**	25	-1%
Business travel		**6**	14	
Employee commuting	Measured but deemed to be de minimus	**<5%**	<5%	–
Upstream leased assets	N/A			
Downstream transportation & distribution	N/A			
Processing of sold products	N/A			
Use of sold products	N/A			
End-of-life treatment of sold products	N/A			
Downstream leased assets	Emissions from tenant electricity consumption	**5,099**	5,555	-8%
Franchises	N/A			
Investments	N/A			
Water		**16**	37	
Total Scope 3 emissions		**8,208**	7,749	6%
Proportion of Scope 3 emissions assured by an independent third party (see data notes table)		**100%**	100%	

Outside of current Scope 3 emissions

Category	Notes	tCO₂e 2021	tCO₂e 2020	Difference
Capital goods	Embodied carbon from major developments and refurbishments	**1,036**	19,790	-95%

Energy efficiency actions

During 2021 we saw an increase in the re-occupation of our buildings as the Covid-19 lockdown measures were eased and our occupiers returned to their workplaces. Throughout this time, we were and still are operating a range of Covid-19 based safety measures to maintain a safe working environment for our occupiers. As a result, we saw energy consumption levels start to return to levels more consistent with fully occupied buildings and not the significant reductions seen in 2020 at the start of the pandemic. However, this has not stopped us implementing a range of energy efficiency measures like installing energy efficient air handling unit filters and optimising plant and building management schedules and, where possible, aligning them with the re-occupation plans of our occupiers.

By doing this, we were able to rationalise the increased energy demand from our occupiers and balance the required Covid-19 ventilation safety measures.

We measure the embodied carbon footprint of all our development schemes which would be relevant for inclusion in the capital goods category. However, there are as yet no agreed property-specific accounting principles in place to capture the footprint of these emissions appropriately, which avoid the under or over inflation of the Scope 3 figures on an annual basis.

	kWh		
	2021	2020	Difference
Gas (combusted on a whole building basis)	**17,288,719**	18,069,846	-4%
Electricity (consumption from landlord-controlled areas)	**7,953,114**	8,398,662	-5%
Electricity (consumption from tenant-controlled areas)	**24,016,115**	22,315,697	8%
Total energy (consumption from landlord-controlled areas for electricity and gas)	**25,241,833**	26,468,508	-5%
Total building energy (consumption from landlord and tenant-controlled areas for electricity and gas)	**49,257,948**	48,784,205	1%

Data notes	
Reporting period	1 January to 31 December 2021.
Boundary (consolidation approach)	We use an operational control boundary approach based on our corporate activities and managed central London (UK) property portfolio.
Alignment with financial reporting	The only variation is that our GHG emissions/energy data presented does not account for single-let properties or properties for which we do not have management control. This is because we have no control or influence over the utility consumption in these buildings. However, the rental income of these properties is included in our consolidated financial statements.
Reporting method	We arrange our GHG emissions reporting in line with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard. For further details on our data calculation methodology visit the data section of our latest Responsibility Report.
Emissions factor source	DEFRA, 2021 - **https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting** for all emissions factors apart from the Scope 2 market based factors which are based on the provenance of our electricity and some gas supplies which are from renewable/green sources.
Independent assurance	Public reasonable assurance (using ISAE 3000) is provided by Deloitte LLP over all Scope 1, 2 and 3 GHG emissions data, intensity ratio and energy data. Our assurance statement can be found in our latest Responsibility Report.

For more analysis of our GHG emissions, energy consumption and renewable energy generation, use and procurement visit the data section of our latest Responsibility Report.

ESG FOCUS AREAS FOR 2022

ENVIRONMENTAL

- Progress asset specific net zero carbon (NZC) action plans
- Start to implement findings from NZC occupier survey
- Continue to progress realigning science-based targets in accordance with emerging guidance
- Continue to develop our approach to carbon accounting
- Increase our waste recycling rate

SOCIAL

People

- Further embed D&I into the business
- Continue health and wellbeing initiatives with a focus on mental health and work-life balance
- Deliver our third all-employee awayday

Community

- Continue our Community Fund in its 10th year
- Participate in #10000BlackInterns programme
- Develop an approach to measuring our social impact

Health and Safety

- Additional focus on both physical and mental health across our activities
- Broaden the use of RiskWise to assist construction and design, as well as contractor, water and environmental management
- Maintain our overall H&S compliance platform score at a minimum of 95%

GOVERNANCE

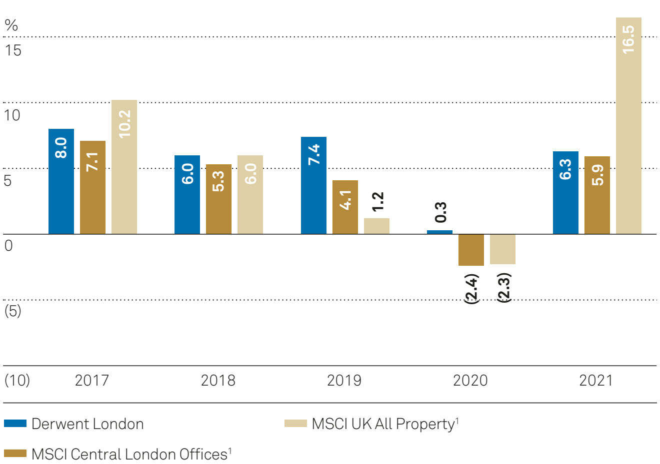
- Publish our 2022 Modern Slavery Statement and agree focus areas to further strengthen our processes
- Engage with our major shareholders in respect to our 2023 Remuneration Policy
- Review the final recommendations arising from the BEIS consultation on audit reform and agree a timetable for implementation
- Continue our mandatory compliance programme

PROPERTY REVIEW

The Featherstone Building EC1

VALUATION

Total property return



[1] Quarterly Index

The Group's investment portfolio was valued at £5.7bn on 31 December 2021. There was a valuation surplus of £142.9m for the year, which after accounting adjustments of £9.8m (see note 11), gives a reported surplus of £133.1m. This performance represents an underlying valuation increase of 3.5%, and a reversal of the 3.0% decline seen in 2020. By location, our central London properties, which represent 99% of the portfolio, increased in value by 3.4% with the West End +3.9% and City Borders +2.5%. The balance of the portfolio, our Scottish holdings, was up 9.9%.

Our portfolio's underlying capital growth outperformed the MSCI Quarterly Index for Central London Offices, at 2.5%, but underperformed the wider UK All Property Index which increased by an exceptional 11.5%.

Looking at EPRA metrics, our estimated rental values (ERV) in 2021 fell marginally by 0.2% against a decline of 2.8% in 2020. Our office ERVs were up slightly at 0.2%. Our retail rental values, where our exposure is limited, fell by 5.8% focused in H1.

The investment market remained buoyant, especially for quality buildings and secure income streams, which helped drive the portfolio's valuation yields lower. Accordingly, the true equivalent yield tightened 24 basis points from 4.74% to 4.50% over the year. It is worth noting that the 250 Euston Road NW1 acquisition accounted for 7 basis points of the yield movement. The EPRA initial yield is 3.3% which, after allowing for the expiry of rent-frees and contractual uplifts, rises to 4.4% on a 'topped-up' basis.

The total property return for the year was 6.3%, which compares to the MSCI Index of 5.9% for Central London Offices and 16.5% for UK All Property, the latter driven mainly by very strong yield compression and rental growth for industrials and logistics.

We are on site with three major developments, each at different stages of delivery. Soho Place W1 and The Featherstone Building EC1 are nearing completion with delivery scheduled for H1 2022. Following demerger of our properties held with The Portman Estate, we obtained vacant possession of 19-35 Baker Street W1 in September 2021, commenced demolition and have recently signed the main building contract. Completion is scheduled for 2025. Further details on all these projects are set out under 'Development & Refurbishment' below. Combined, they were valued at £577.1m in December 2021 and delivered a 9.2% valuation uplift over the year, after adjusting for capital expenditure. An additional £355m is required to complete these projects. Their combined ERV is £47.1m, of which 36% is pre-let. Excluding these developments, the portfolio valuation increased by 2.9% on an underlying basis.

Portfolio reversion

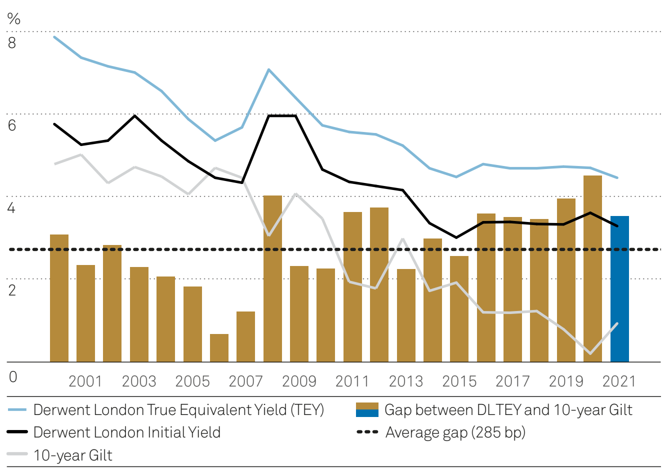
Our contracted annualised cash rent on 31 December 2021 was £178.4m. This 5.7% decrease in the year was principally due to the loss of income from the disposal of the Johnson Building EC1 and Angel Square EC1 and obtaining vacant possession of 19-35 Baker Street, ahead of redevelopment.

VALUATION CONTINUED

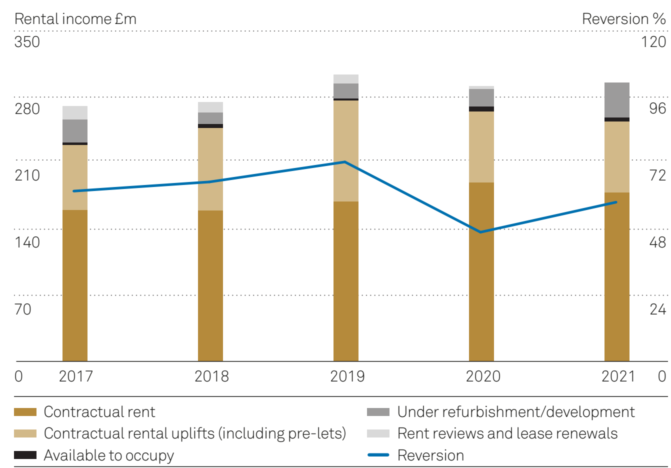
With a portfolio ERV of £293.9m there is £115.5m of potential cash reversion. Within this, £54.6m is contracted through rent-frees, fixed uplifts and indexation. Under IFRS, a large proportion of this contracted income is already recognised within the accounting gross rental income. Our on-site developments and major refurbishments could add £50.0m, of which £17.0m is pre-lettings at Soho Place W1 and £2.9m at Francis House SW1. There is then £7.2m of potential income from several ongoing smaller projects across the portfolio. ERV on space available to occupy is relatively small at £3.8m, reflecting our EPRA vacancy rate of 1.6%, which is down slightly from the 1.8% at the start of the year.

With Soho Place and The Featherstone Building being delivered in the next few months, if no further pre-lets are secured the vacancy rate would rise to 5.9% upon their completion. There is then £5.8m of reversion from anticipated rent reviews and expiries. However, this is offset by £5.9m already included within contracted uplifts where there is rental indexation and minimum uplifts on rent reviews to levels above their current ERV.

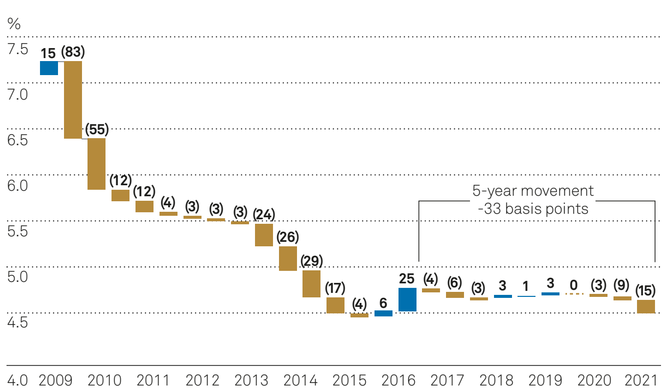
Valuation yields



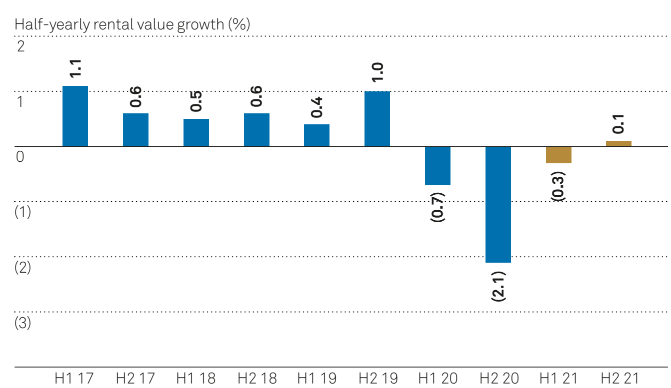
Portfolio income potential



True equivalent yield



Rental value growth



Portfolio statistics – valuation

		Valuation £m	Weighting %	Valuation[1] performance %	Let floor area[2] '000 sq ft	Vacant available floor area '000 sq ft	Vacant refurbishment floor area '000 sq ft	Vacant project floor area '000 sq ft	Total floor area '000 sq ft
West End									
Central		3,483.6	61	4.2	2,573	38	157	334	3,102
Borders		431.4	8	1.5	419	10	0	0	429
		3,915.0	69	3.9	2,992	48	157	334	3,531
City									
Borders		1,698.7	30	2.5	1,415	96	79	125	1,715
Central London		5,613.7	99	3.4	4,407	144	236	459	5,246
Provincial		83.0	1	9.9	326	2	0	0	328
Total portfolio	**2021**	**5,696.7**	**100**	**3.5**	**4,733**	**146**	**236**	**459**	**5,574**
	2020	5,355.5	100	(3.0)	5,110	169	54	231	5,564

1 Underlying – properties held throughout the year
2 Includes pre-lets

Rental income profile

	Rental uplift £m	Rental per annum £m
Annualised contracted rental income, net of ground rents		178.4
Contractual rental increases across the portfolio	54.6	
Contractual rental from 287,000 sq ft pre-lets on developments	19.9	
Letting 146,000 sq ft available floor area	3.8	
Completion and letting 236,000 sq ft of refurbishments	7.2	
Completion and letting 459,000 sq ft of developments	30.1	
Anticipated rent review and lease renewal reversions	5.8	
Future contracted growth above ERV	(5.9)	
Portfolio reversion		115.5
Potential portfolio rental value		**293.9**

Portfolio statistics – rental income

		Net contracted rental income per annum £m	Average rental income £ per sq ft	Vacant space rental value per annum £m	Lease reversion per annum[1] £m	Portfolio estimated rental value per annum £m	Average unexpired lease length[2] Years
West End							
Central		90.1	35.29	26.3	62.2	178.6	7.0
Borders		21.3	51.11	0.4	0.4	22.1	7.3
		111.4	37.51	26.7	62.6	200.7	7.0
City							
Borders		62.5	44.92	14.4	11.5	88.4	5.4
Central London		173.9	39.89	41.1	74.1	289.1	6.4
Provincial		4.5	13.94	0.0	0.3	4.8	2.8
Total portfolio	**2021**	**178.4**	**38.10**	**41.1**	**74.4**	**293.9**	**6.3**[3]
	2020	189.2	37.40	23.9	78.1	291.2	6.2

1 Contracted uplifts, rent reviews/lease renewal reversion and pre-lets
2 Lease length weighted by rental income at year end and assuming tenants break at first opportunity
3 7.8 years after adjusting for 'topped-up' rents and pre-lets

ACQUISITIONS & DISPOSALS

Through 2021, a nuanced change was made to the Group's strategy. For the time being we expect to retain more of our larger recent developments where we see good growth. At the same time, we may look to sell some of those buildings where we believe returns will be more limited. Disposal proceeds will be reinvested into new acquisitions and the development programme. Our investment activity through 2021 has been closely aligned to this.

The Group's investment team had a very busy year. We invested £417.5m in the acquisition of eight buildings. The Lazari Baker Street JV and 230 Blackfriars Road are potential future 'super-sites' where we see substantial uplifts in floor area when compared to the existing buildings.

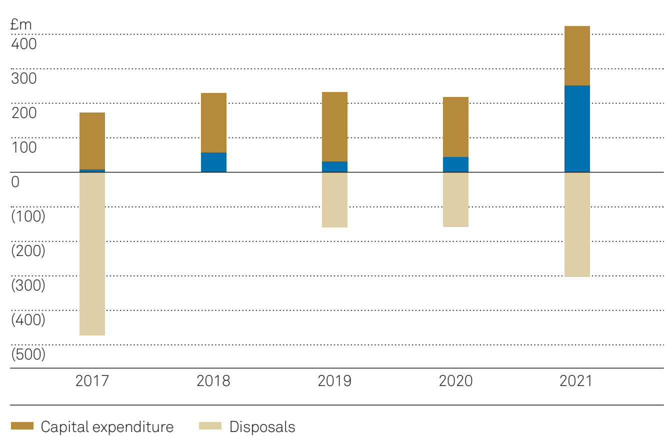
In addition, the Group was selected as preferred bidder for The Moorfields Estate EC1 in December 2021. The c.400,000 sq ft of buildings, on a 2.5 acre site, has potential for a substantial redevelopment and is considered another future 'super-site'.

Major disposals completed in 2021 realised net proceeds of £396.4m, rising to £405.1m including smaller sales. After year end, contracts were exchanged for the sale of New River Yard EC1 for net proceeds (after rental top ups) of £66.0m.

Restructuring of The Portman Estate Baker Street holdings

At the end of Q3 2021, our Baker Street holdings with The Portman Estate (TPE) was restructured. This was a longstanding 55:45 jointly owned company with TPE which owned properties in Baker Street W1 and the surrounding area. The restructuring involved Derwent London buying in the 45% of shares previously owned by TPE, resulting in the Group taking full ownership of the development site at 19-35 Baker Street and TPE granting a new 129-year headlease over the site. Other properties owned within the company were transferred to TPE and the Group made a balancing payment of £6.2m. Refer to the Finance section for further details.

Net property investment



250 Euston Road NW1

Major acquisitions

Property	Date	Area sq ft	Total cost £m	Net yield %	Net rental income £m pa	Net rental income £psf
H1 2021						
Holford Works WC1[1]	Q2	41,600	23.7	6.9	1.6	40.00
H2 2021						
Bush House WC2[2]	Q3	103,700	14.5	–	–	–
250 Euston Road NW1	Q3	165,900	190.3	2.5	4.7	28.30
171-174 Tottenham Court Road W1	Q3	16,200	24.3	2.6	0.6	57.50
Baker Street W1 JV (50% share)	Q4	61,100	64.0[3]	4.0	2.6	42.50
		388,500	**316.8**	**–**	**9.5**	**–**
19-35 Baker Street W1 (headlease regear)	Q4	–	100.7	–	–	–
		388,500	**417.5**	**–**	**9.5**	**–**
2022 to date						
230 Blackfriars Road SE1	Q1	60,300	58.3	3.5	2.1	41.00

1 Long leasehold
2 Leasehold
3 Subject to receiving planning and regear of the headlease an additional £7.25m is payable

Major disposals

Property	Date	Area sq ft	Net proceeds £m	Net yield to purchaser %	Rent £m
2021					
Johnson Building EC1	Q1	192,700	165.6	4.1	7.3
Angel Square EC1[1]	Q3	126,200	85.0	–	–
The Portman Estate properties[2]	Q4	50,600	45.1	–	–
		369,500	**295.7**	**–**	**7.3**
19-35 Baker Street W1 (headlease surrender)	Q4	–	100.7	–	–
		369,500	**396.4**	**–**	**7.3**
2022 exchanged					
New River Yard EC1	Q1	70,700	66.0[3]	4.5	3.3

1 Sold with vacant possession
2 Includes 16-20 Baker Street, 27-33 Robert Adam Street, 17-39 George Street and 26-27 Castlereagh Street W1
3 After rental top ups

LEASING, ASSET MANAGEMENT & PROPERTY MANAGEMENT

Emily Prideaux
Executive Director

Rent collection

Prior to Covid-19, the Group typically collected over 99% of its rent from tenants within two weeks of the quarter date, with negligible bad debts. This pattern changed in early 2020 with the pandemic and subsequent lockdown as we supported those of our occupiers most in need. Staying close to our customers, combined with the subsequent recovery in 2021, helped us deliver a high level of recovery of deferrals agreed in 2020. Through 2021, office collection rates improved and have now returned to pre-Covid levels while retail (only 8% of income) continued to lag.

Lettings

Leasing activity in 2021 totalled £13.7m across 50 transactions despite having little space available. Activity, however, picked up following publication by the Government of the 'Roadmap out of lockdown' at the end of Q1. Three deals – to Depop at 20 Farringdon Road EC1, Fora at 6-8 Greencoat Place SW1 and Edelman at Francis House SW1 – accounted for half of new rent secured. On average, new leases were signed at +3.6% above December 2020 ERV. Pre-lettings accounted for £5.8m or 43% by value in six transactions.

Since the start of 2022, a further four leases across 28,300 sq ft have been signed with a rent roll of £1.9m pa at +8.7% above December 2021 ERV.

Letting activity 2021

	Let		Performance against Dec 20 ERV (%)	
	Area sq ft	Income £m pa	Open market	Overall[1]
H1	79,200	3.9	(1.0)	(1.6)
H2	159,000	9.8	5.9	5.9
2021	**238,200**	**13.7**	**3.9**	**3.6**

[1] Includes short-term lettings at properties earmarked for redevelopment

Asset management

At the start of 2021, 17% of passing rent was subject to break or expiry in the year. In aggregate, 77% of breaks and expiries were retained or re-let in the year. Looking forward, breaks and expiries in 2022 account for 9% of passing rent, already considerably below the 13% at June 2021.

In Q1, renewals and regears were mainly short-term roll overs as occupiers continued to adopt a 'wait and see' approach to their office space. As the year progressed, there was a notable shift towards longer-term solutions. 27 lease renewals and 43 lease regears completed in 2021. The table below provides further details.

Asset management 2021

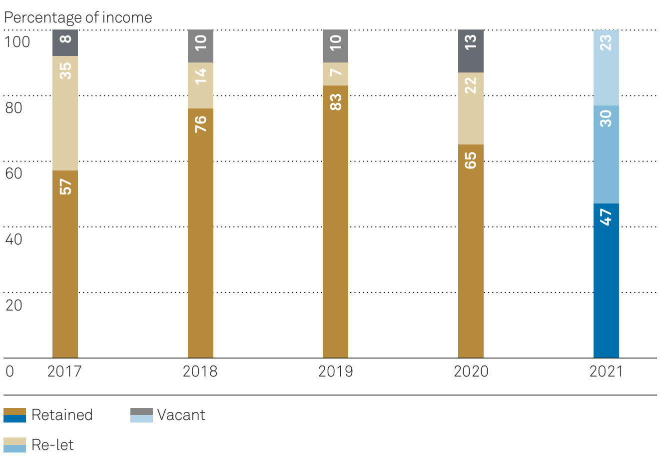
	Area '000 sq ft	Previous rent £m pa	New rent £m pa	Uplift %	New rent vs Dec 20 ERV %
Rent reviews	251,500	9.9	11.9	20.2	1.1
Lease renewals	114,000	5.2	5.5	7.3	(0.9)
Lease regears	287,200	14.1	14.5	2.3	(0.5)
Total	**652,700**	**29.2**	**31.9**	**9.2**	**0.0**

Excludes transactions on assets subsequently sold or taken back for major redevelopment

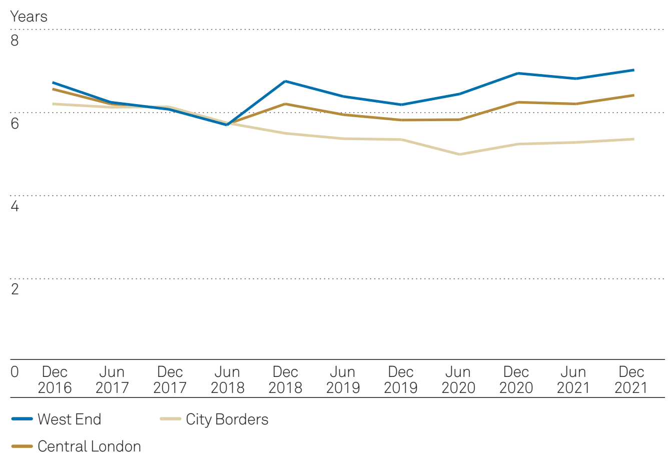
Principal lettings in 2021

Property	Tenant	Area sq ft	Rent £ psf	Total annual rent £m	Lease term years	Lease break year	Rent-free equivalent months
H1							
20 Farringdon Road EC1	Depop	33,500	52.50	1.8	5	3	9, plus 4 if no break
Tea Building E1	Soho House	7,600	50.00	0.4	10	-	24
H2							
Francis House SW1	Edelman	38,200	76.00	2.9	15	10	25, plus 9 if no break
6-8 Greencoat Place SW1	Fora	32,400	68.50	2.2	15	-	34
Charlotte Building W1	The & Partnership	14,900	67.50	1.0	5	-	10
80 Charlotte Street W1 (resi)	Q Apartments	13,400	52.10	0.7	10	-	3
The White Chapel Building E1	Emperor Design	12,700	49.50	0.6	10	5	12, plus 6 if no break
Total		152,700	62.90	9.6			

Retaining occupiers – Lease expiry and break analysis



Average unexpired lease length



Members of the Leasing, Asset and Property Management teams

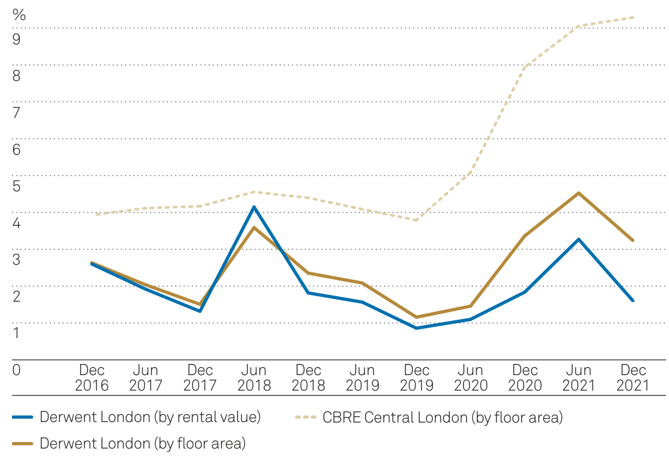
LEASING, ASSET MANAGEMENT & PROPERTY MANAGEMENT CONTINUED

Property management

Property management is the main point of contact with our occupiers. 2020 and 2021 were busy years for the team who responded proactively to provide pragmatic and practical solutions for occupiers while also rolling out and maintaining Covid-19 secure protocols across our estate. We have also embraced new technologies to enhance cleaning and air safety. The team has introduced new initiatives to drive customer engagement. As well as encouraging a return to the office, some of these events have helped raise money to support local charities.

We re-tendered major contracts to ensure high and consistent quality and value for our occupiers and to ensure that high standards of customer experience are delivered consistently. Our property managers work closely with our Sustainability team to deliver on our net zero carbon ambitions, for example through co-ordination of plant maintenance.

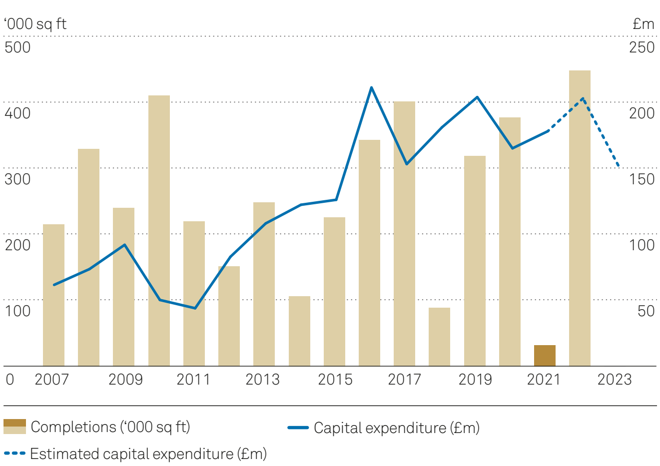
Five-year vacancy trend



The Featherstone Building EC1

DEVELOPMENT & REFURBISHMENT

Completions and capital expenditure



At the end of 2021 we were on site at three major projects: Soho Place W1, The Featherstone Building EC1 and 19-35 Baker Street W1.

Soho Place is due to complete in H1 2022. The office space at 1 Soho Place was pre-let to Apollo Group and G-Research in 2019. When combined with the forward-sale of 2 & 4 Soho Place, which comprises 18,400 sq ft of offices and a 40,000 sq ft theatre pre-let to Nimax, all of the office space is either pre-let or forward-sold. Scheme profitability has benefitted from the strong performance of the office element. The marketing campaign for the 36,000 sq ft of retail space is due to be launched in April. We are confident in the long-term attractions of this retail location above the Elizabeth line station at the junction of Oxford Street and Charing Cross Road. The ERV of this space stabilised through H2 2021 with CBRE's rental expectation now £3.1m. The development will be net zero carbon and we are targeting a BREEAM 'Outstanding' rating on the commercial element.

The Featherstone Building is due to reach practical completion in H1 2022 with an ERV of £8.6m. The space incorporates many of the features of White Collar Factory EC1, such as concrete core cooling, openable windows and generous floor to ceiling heights as well as high quality amenities. Combined with the location in the heart of the Tech Belt, we remain confident in the prospects for this building. Current enquiries are for a range of different size requirements and we have seen an increase over recent weeks in enquiry levels. The development will also be net zero carbon, while also incorporating our 'Intelligent Building' infrastructure and with WELL 'Enabled' credentials. We are targeting a BREEAM 'Outstanding' rating.

On-site works at 19-35 Baker Street W1 commenced in Q4 2021. This scheme extends to 298,000 sq ft, a 108% uplift on the pre-existing space, the majority of which is offices (218,000 sq ft). Most of the retail is subject to a forward sale agreement with The Portman Estate. The Group has entered an agreement for Native Land to act as our development partner for the private residential, providing funding as well as development and marketing advice in exchange for which they will receive a share of the profits.

The 19-35 Baker Street demolition contract was secured below budget and the main building contract, which was finalised in Q1 2022, was in line with budget. 97% of capex on the office element is now fixed effectively mitigating our exposure to further build cost inflation. Capital expenditure is estimated at £266m and we will use capacity under our green finance facilities to fund eligible expenditure. The development has been designed to be 'long-life, loose-fit' with 3.2m floor to ceiling heights, integrated 'Intelligent Building' infrastructure, double height lobby, roof terraces and generous public realm. The building will be net zero carbon with a target of BREEAM 'Outstanding', NABERS 4 Star (our first NABERS UK certified scheme) and WELL 'Enabled' credentials on the office element. Completion is due in 2025.

DEVELOPMENT & REFURBISHMENT CONTINUED

We completed our 32,400 sq ft refurbishment at 6-8 Greencoat Place SW1 in June 2021 which was effectively pre-let to Fora. In Q4 2021, we pre-let the whole of our on-site refurbishment at Francis House SW1 (38,200 sq ft) to Edelman. Both these transactions were at premiums to ERV.

In 2021, the Group secured a dual planning consent for Network Building W1: offices (137,000 sq ft) and lab-enabled Life Sciences (112,000 sq ft). Both benefit from ground floor retail. On a speculative basis, we would expect to deliver the office scheme but we have had an early approach from a life sciences operator. On-site works are expected to commence in H2 2022 with capex for either option of c.£100m.

At Bush House WC2, a planning application was submitted in 2021 for a c.26,000 sq ft extension to the current building which would increase the overall floor area from 103,700 sq ft to c.130,000 sq ft. On-site works are expected to commence later this year on either the larger scheme, subject to planning, or refurbishment of the existing building.

Beyond the near-term pipeline, a further 1.7m sq ft, or 31% of the portfolio, has development potential.

Major developments pipeline

Property	Proposed area	Capex to complete £m[1]	Comment
H1 2022 completions			
Soho Place W1	285,000	79[2]	209,000 sq ft offices, 36,000 sq ft retail and 40,000 sq ft theatre - 87% pre-let / pre-sold
The Featherstone Building EC1	125,000	10	110,000 sq ft offices, 13,000 sq ft workspaces, 2,000 sq ft retail
	410,000	**89**	
In demolition			
19-35 Baker Street W1	298,000	266[3]	218,000 sq ft offices, 28,000 sq ft retail, 45,000 sq ft private residential and 7,000 sq ft affordable residential. Demolition commenced October 2021
	298,000	**355**	
2022 schemes			
Network Building W1	137,000	c.100	Dual planning consent: Offices and ground floor retail (137,000 sq ft) or lab-enabled Life Sciences and ground floor retail (112,000 sq ft). Up to 96% uplift on existing floor area
Bush House WC2	130,000	c.100	Refurbishment and extension project, totalling c.130,000 sq ft (subject to planning) Potential 25% uplift to existing floor area
	267,000		
Total	**975,000**		

1 As at 31 December 2021
2 Includes remaining site acquisition cost and profit share to Crossrail
2 Includes profit share payments

6-8 Greencoat Place SW1

Members of The Featherstone Building Project team

Project summary – current projects

Property	Current net income £m pa	Pre scheme area '000 sq ft	Proposed area '000 sq ft	2022 capex £m	2023 capex £m	2024+ capex £m	Total capex to complete £m	Delivery date	Current office c.ERV psf
On-site projects									
Soho Place W1[1]	–	107	285	79	–	–	79	H1 2022	£92.50
The Featherstone Building EC1	–	69	125	10	–	–	10	H1 2022	£72.50
Francis House SW1	–	40	38	8	2	–	10	H1 2022	£76.00
19-35 Baker Street W1[2]	–	143	298	50	103	113	266	H1 2025	£90.00
	–	**359**	**746**	**147**	**105**	**113**	**365**		
2022 projects									
Network Building W1	2.1	70	137	12	22	70	104	2025	
	2.1	**429**	**883**	**159**	**127**	**183**	**469**		
Strathkelvin Retail Park	–	–	–	10	1	–	11		
Planning and design	–	–	–	12	2	–	14		
Other[3]	–	–	–	16	16	14	46		
Total	**2.1**	**429**	**883**	**197**	**146**	**197**	**540**		
Capitalised interest	–	–	–	6	6	11	23		
Total including interest	**2.1**	**429**	**883**	**203**	**152**	**208**	**563**		

[1] Includes remaining site acquisition cost and profit share to Crossrail
[2] Includes profit share payments
[3] Includes EPC upgrades

Project summary – future projects

Property	Current net income £m pa	Pre-scheme area '000 sq ft	Proposed area '000 sq ft	Earliest possession year	Comment
Consented					
Holden House W1	3.9	90	150	2025	
	3.9	**90**	**150**		
Under appraisal[1]					
Bush House WC2	–	104	130	2021	Refurbishment and potential extension
Baker Street W1 JV	2.5	61	120	2024	Joint venture, 50% share
Blue Star House SW9	0.8	54	110	2025	Redevelopment
Other	4.0	171	171		Includes Oliver's Yard EC1 and 45 Whitfield Street W1
	7.3	**390**	**531**		
Consented and under appraisal	**11.2**	**480**	**681**		
On site and 2022 projects	2.1	429	883		Previous table
Pipeline	**13.3**	**909**	**1,564**		

[1] Areas proposed are estimated from initial studies

FINANCE REVIEW

The past year has seen a return towards more normal business conditions punctuated by periods of elevated uncertainty when levels of Covid-19 infection increased.

PRESENTATION OF FINANCIAL RESULTS

The financial statements have been prepared in accordance with UK-adopted International Accounting Standards. In common with usual and best practice in our sector, alternative performance measures have also been provided to supplement IFRS based on the recommendations of the European Public Real Estate Association ('EPRA'). EPRA Best Practice Recommendations (BPR) have been adopted widely throughout this report and are used within the business when considering our operational performance as well as matters such as dividend policy and elements of our Directors' remuneration. Full reconciliations between IFRS and EPRA figures are provided in note 40 and all the EPRA definitions are included on pages 274 and 275.

Introduction

With lockdowns having eased and the UK's very successful vaccination programme providing some protection from the worst impacts of 2021's Covid-19 variants, activity across most of our stakeholder groups has gradually recovered. This is evidenced by many economic indicators including GDP growth, employment and investment. Our own experiences have borne this out with office rental collections now almost at pre-Covid levels and most of our occupiers planning further ahead once more. We have responded with a substantial investment programme in new future projects and have reshaped the business more than in any year since the LMS merger in 2007.

Challenges remain with businesses facing increased compliance requirements and staff shortages while also tackling the climate change and biodiversity emergencies. We take these issues very seriously but also see them as opportunities to differentiate our product and business while becoming ever more customer focused. Cost inflation is now also being widely felt, though views differ on how long it will last. However, the economy is expected to grow and many of London's businesses are actively recruiting and expressing greater confidence in the future than for some time.

Financial overview

As noted in last year's report and with a subtle change in emphasis announced during 2021, we have continued to rebalance the portfolio. We have made disposals where we see more challenging future returns and replaced them with some new acquisitions to provide future projects and 'super-sites' for the next decade or so. This reshaping is not finished and we hope to secure further value-add opportunities in the future which may see balance sheet gearing rise a little higher. I have previously noted our shift in focus, with future value creation a higher current priority than income growth; this may provide some short-term impact on earnings until we are able to replace all the income lost from recent disposals. However, we now anticipate income reversion increasing as meaningful rental growth comes through for the strongest office product.

Financial highlights

	2021	2020
Total net assets	**£4,441.8m**	£4,315.1m
EPRA NTA per share	**3,959p**	3,812p
Property portfolio at fair value	**£5,646.3m**	£5,355.5m
Gross property and other income	**£240.2m**	£268.6m
Net rental income	**£178.2m**	£174.3m
IFRS profit/(loss) before tax	**£252.5m**	(£83.0m)
EPRA earnings per share (EPS)	**108.79p**	99.19p
Interim and final dividend per share	**76.50p**	74.45p
LTV ratio	**20.8%**	18.4%
NAV gearing	**28.2%**	24.3%
Net interest cover ratio	**464%**	446%

Our asset and property managers continue to engage with our occupiers to extend leases, remove breaks and minimise voids. With relatively strong property revaluations and much lower impairment provisions booked in 2021 than in 2020, this has helped 2021 earnings rise significantly with IFRS earnings up 294.33p to 224.99p per share and EPRA earnings per share up 9.7% to 108.8p. I cannot recall a more active year for our development team either and all this activity helped the Group produce a total return of 5.8%.

Turning to liquidity, as expected the Group's rental collections bounced back well in 2021 but we also executed some very successful treasury transactions, notably our new £350m 1.875% 10-year unsecured green bond issue in November. This is further evidence of our commitment across the business to a net zero carbon future.

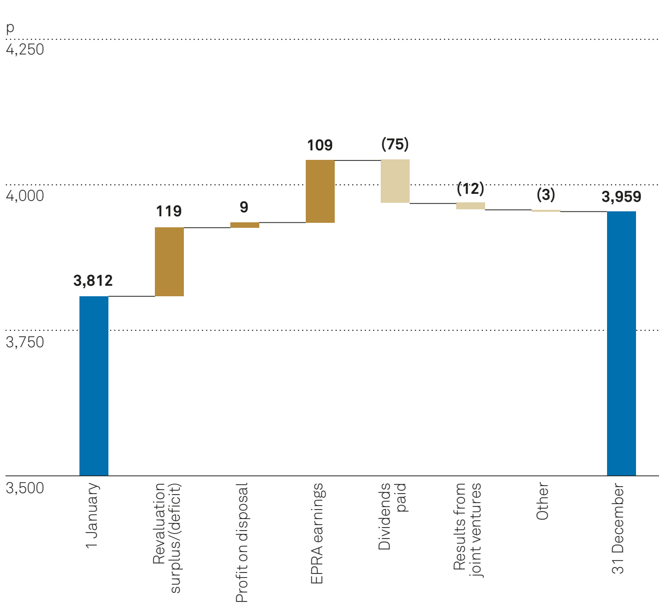
Return to growth

The portfolio showed a return to revaluation growth in 2021. This came from downward yield shift for well let offices together with development profits from recent schemes and modest ERV growth for the best properties. With IFRS earnings comfortably exceeding dividends paid, the closing EPRA Net Tangible Assets (NTA) per share was 3,959p, up 3.9% from December 2020. Similarly, IFRS equity shareholders' funds increased over the year by 4.2% to £4.44bn.

	2021 p	2020 p
Opening EPRA NTA	3,812	3,957
Revaluation movement	119	(176)
Profit on disposals	9	5
EPRA earnings	109	99
Ordinary dividends paid	(75)	(73)
Interest rate swap termination costs	(2)	(2)
Share of joint venture results	(12)	–
Other	(1)	2
Closing EPRA NTA	**3,959**	**3,812**

Derwent London continues to focus on property returns, recurring earnings, sustained dividend growth and modest leverage as well as our Net Zero Carbon Pathway and a number of other ESG and stakeholder-focused metrics. However, we believe that total return (i.e. dividends paid plus EPRA Net Tangible Assets growth per share) is the best single measure of our financial performance. After adding back the dividends paid, the Group's total return (see note 41) recovered to 5.8% in 2021 after the 1.8% decline seen in 2020.

EPRA net tangible assets per share



2020	3,957	(176)	5	99	(73)	–	–	3,812

Property portfolio

Our property portfolio was externally valued at £5.6bn (excluding the new joint venture) as at 31 December 2021, allocated across the balance sheet as follows:

	Dec 2021 £m	Dec 2020 £m
Investment property	5,359.9	5,029.1
Non-current assets held for sale	102.8	165.0
Owner-occupied property	49.3	45.6
Trading property	32.2	12.9
Property carrying value	5,544.2	5,252.6
Accrued income (non-current)	159.3	146.4
Accrued income (current)	24.1	19.6
Grossing up of headlease liabilities	(70.4)	(66.5)
Profit share due to TfL	(14.8)	–
Revaluation of trading property/other	3.9	3.4
Fair value of property portfolio	**5,646.3**	**5,355.5**
Fair value of properties held in joint venture (50%)	50.0	–

The year was marked by transactions with The Portman Estate (TPE) and Lazari Investments Ltd (Lazari) which have helped unlock two different and large-scale development opportunities in Baker Street W1. Further opportunities for future growth have also come from acquisitions announced subsequently in 2021 but their impact will be felt more in the medium term.

Firstly, we acquired TPE's 45% £53.4m non-controlling interest in Portman Investments Baker Street Ltd (PIBS) on 30 September 2021. PIBS was a longstanding 55%/45% joint company holding properties in two main blocks adjoining Baker Street and George Street. Because it was majority owned and controlled by the Derwent London plc group, it was consolidated within our accounts for many years subject to a non-controlling interest. As part of this overall transaction, properties in George Street, Baker Street, Robert Adam Street and Castlereagh Street W1 totalling £45.2m were disposed of to TPE. The last part of the transaction was to surrender the existing headleases to TPE with a new 129 year headlease being granted by TPE across the 19-35 Baker Street site. This surrender and regrant of the headleases has been treated as a £100.7m disposal and subsequent acquisition though no cash passed between the parties on this element as the transactions netted off; the net cash that passed from Derwent to TPE on completion of the various steps outlined here was £6.2m. The result is that the Group now has a long leasehold interest in the newly geared development site at 19-35 Baker Street where work is underway to demolish the old buildings.

The other major transaction was the acquisition of two buildings from Lazari Investments in October 2021 and the formation of a 50/50 joint venture. The buildings acquired were 250 Euston Road NW1 for £190.3m and 171-174 Tottenham Court Road W1 for £24.3m, both inclusive of costs. The joint venture was formed in October as a Limited Partnership; each partner has an effective 50% share in a deadlocked structure and our 50% interest is therefore held within Investments (note 18) rather than being included within the Property portfolio (note 16).

FINANCE REVIEW CONTINUED

The joint venture holds three leasehold properties in Baker Street W1 which are currently income producing but where the intention is to work up a major new scheme subject to planning, site assembly and regearing of the headlease. The Group's share of the properties acquired cost £64.0m but was subsequently revalued at £50.0m as at 31 December 2021 giving a JV revaluation deficit for the year of £14.0m. It is expected that the valuation should rise in due course upon a successful planning and headlease gearing outcome.

In addition to the transactions above, other property acquisitions during the year included £23.8m for the long leasehold interest at Holford Works WC1 and £14.5m for the short leasehold interest at Bush House WC2. Altogether, acquisitions totalled £353.6m. Capital expenditure in 2021 increased to £166.1m plus £12.0m of capitalised interest bringing total additions to £531.7m in the year. Disposals included the Johnson Building EC1, which was disclosed as an 'asset held for sale' at the start of 2021, and Angel Square EC1, which completed in August 2021. The properties within 'non-current assets held for sale' at 31 December 2021 were New River Yard and 2 & 4 Soho Place W1, with carrying values of £63.7m and £37.5m, respectively. New River Yard exchanged in January 2022 with completion expected in Q2 2022 and contracts for the sale of 2 & 4 Soho Place have been exchanged with completion expected later in 2022.

The trading property held at 31 December 2021 included the last remaining residential apartment at Asta House W1. This was subsequently sold post the year end and brings to an end our development of these units connected with the 80 Charlotte Street scheme. The other item in trading stock was Welby House SW1 which was written down by £1.4m in 2021.

The overall wholly-owned property portfolio valuation performed much better than in 2020 and gave rise to a total revaluation surplus for the year of £130.8m after accounting adjustments, of which £3.7m related to our owner-occupied head office at Savile Row. The latter figure is shown in the Group Statement of Comprehensive Income rather than the Income Statement.

The balance of unamortised letting and legal fees plus the accrued income from the 'straight-lining' of rental income under IFRS 16 to spread the effect of incentives and fixed uplifts over the lease terms has increased to £183.4m (2020: £166.0m). This balance rises as income is recognised through incentive periods and falls gradually once the cash flows stabilise.

The grossing up of headlease liabilities increased the carrying values of the leasehold properties by £70.4m (2020: £66.5m) but there is an equal and opposite liability within 'net debt' (note 24) and the profit share payable to TfL on the Soho Place scheme of £14.8m makes up the remaining balance.

Rent collection and impairment of receivables

One of the clearest barometers of the Covid-19 period for the real estate sector has been the impact on rent collection rates. This was very noticeable in the early lockdown days of H1 2020, particularly for retail and hospitality tenants or for those in the travel and entertainment businesses, but had already started to recover significantly in H2 2020. It is good to report that rent collection rates have continued to move back towards pre-Covid levels for our office portfolio through 2021 and into 2022. For the December 2021 quarter day rents, we have now collected 98% of office rents and 97% of overall rents, including our share of the new joint venture. The retail and hospitality sectors continue to lag but are showing much stronger payment performances than in 2020 and occupiers are now generally not asking for concessions beyond some requests for monthly rental payments.

	Dec 21 quarter		
	Office	Retail/ Hospitality	Total
Rent received to date	98%	83%	97%
Due later in the quarter[1]	1%	4%	1%
Outstanding	1%	13%	2%
Rent-free granted	0%	0%	0%
Total	**100%**	**100%**	**100%**
	£40.3m	**£2.3m**	**£42.6m**

[1] Principally monthly receipts

Impairment reviews using the expected credit-loss model in accordance with IFRS 9 have continued in 2021 against trade receivables as well as amounts due under the spreading of lease incentives. These have been carried out for each of our 50 largest tenants and for others where we believe the risk is elevated, with the remaining balances considered according to their sector. Substantial impairment charges and write-offs totalling £14.2m were incurred against receivable balances in 2020. In 2021, these amounts have reduced considerably to £0.8m, this total amount including £2.4m of charges reversed from 2020. This pattern is due to an improved assessment of the risks as the financial health of tenants has improved as well as lower outstanding balances. For example, net trade receivables were back to normal year end levels at £6.9m as at 31 December 2021, 75% lower than the £27.5m a year earlier.

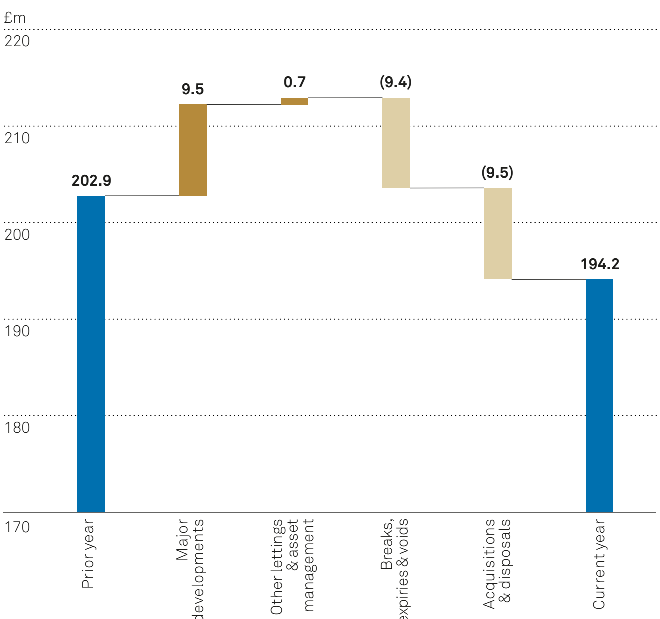
2021 Rent collection

	Dec 20 quarter		Mar 21 quarter		Jun 21 quarter		Sep 21 quarter	
	Office	Retail/ Hospitality	Office	Retail/ Hospitality	Office	Retail/ Hospitality	Office	Retail/ Hospitality
Rent received to date	99%	73%	98%	68%	99%	81%	100%	88%
Outstanding	1%	9%	1%	13%	1%	12%	0%	11%
Rent-free granted	0%	18%	1%	19%	0%	7%	0%	1%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
	£41.4m	**£2.9m**	**£40.0m**	**£3.0m**	**£38.8m**	**£2.6m**	**£38.5m**	**£2.5m**

Property income and earnings

Net property and other income increased to £187.5m for the year ended 31 December 2021 from £183.0m in 2020. However, there are several different themes underlying this overall increase, set out in note 5 and explained briefly below.

Gross rental income



Gross property and other income fell to £240.2m for the year to 31 December 2021 from £268.6m in the prior year, the main reason for this being significantly lower sales of trading properties at Asta House. Most of the apartments were disposed of in 2020, hence the reduction in disposal proceeds from £32.3m in 2020 to £6.7m in 2021. The next apartments that we will undertake are those at our 19-35 Baker Street scheme where the main building contract will commence shortly. These are due to complete in 2025 so trading property disposal proceeds are expected to be very low for the next few years. In addition, gross rental income fell back a little in 2021 to £194.2m from £202.9m in 2020. This was mainly the result of property disposals where the income yields were relatively higher and acquisitions where they were lower. Gross rents have also been impacted by the 'softer' letting and lease extension transactions undertaken through 2020 and early 2021 when the pandemic was affecting occupier sentiment. In particular, we undertook a number of transactions to extend leases at passing rental levels while offering incentives that took the net effective rents a little lower than previously. Combined with a small increase in the average vacancy rate, this also explains why EPRA like-for-like gross rental income has declined over the year. Surrender premiums and other property income increased to £5.6m in 2021 from £1.8m in 2020, helping offset some of the lower gross rents. Other factors were service charge income rising to £30.2m in 2021 against £28.1m in 2020 and other income of £3.5m, the same as in 2020. Together, these movements account for the reduction in gross property and other income referred to above.

However, as in 2020, it is net property income that shows the full impact of the Covid-19 pandemic on our business. As noted above, with much stronger rent collection and occupation levels among most of our occupiers, impairment charges and bad debts fell to £0.8m in 2021, a significant improvement from the £10.1m booked in 2020. Irrecoverable service charges also fell from £6.9m in 2020 to £3.4m in 2021 as we did not repeat the £4.1m service charge 'holiday' that we allowed tenants in 2020. Other property costs were broadly unchanged at £11.8m against £11.6m in 2020. As a result, net rental income increased to £178.2m in 2021, a 2.2% increase over the year.

Lower profits from the Asta House apartment 'trading' sales of £0.7m in 2021 against £5.2m in 2020 were largely offset by higher surrender premiums recognised. As a result, net property and other income also saw a rise of 2.5% to £187.5m from £183.0m in 2020.

Administrative expenses were 1.9% lower than in 2020 at £37.1m, with increased headcount and staff salaries/bonus offset by lower Directors' remuneration. Cost pressure is being seen across the business and professional salaries are rising at a rate above general inflation. This is impacting our own staff cost but also those of the many professional advisers, consultants and contractors that work with us. As before, we do not capitalise any of our overhead.

Lower impairment and administrative expenses have seen our EPRA cost ratio move back down to a more normal level compared to the 'spike' in 2020. Including direct vacancy costs, it fell to 24.3% from 30.5% in 2020.

Cost ratios

	2021 %	2020 %
EPRA cost ratio, incl. direct vacancy costs	24.3	30.5
EPRA cost ratio, excl. direct vacancy costs	21.1	26.0
Portfolio cost ratio, incl. direct vacancy costs	0.8	1.1

The investment portfolio revaluation surplus after accounting adjustments for the straight-lining of incentives, deferred legal/letting fees and the grossing up of headlease rentals was £130.8m for the year compared with a deficit of £196.1m in 2020. The profit on disposal, relating mainly to Angel Square which completed in August 2021, was £10.4m (2020: £1.7m).

Net finance costs were £28.1m in 2021 after capitalised interest of £12.0m, a decrease of £2.0m over the net charge of £30.1m in 2020. With slightly higher interest rates across the swap curve, the fair value of forward-start swaps moved in our favour by £4.8m, or £2.9m after netting off derivative termination costs.

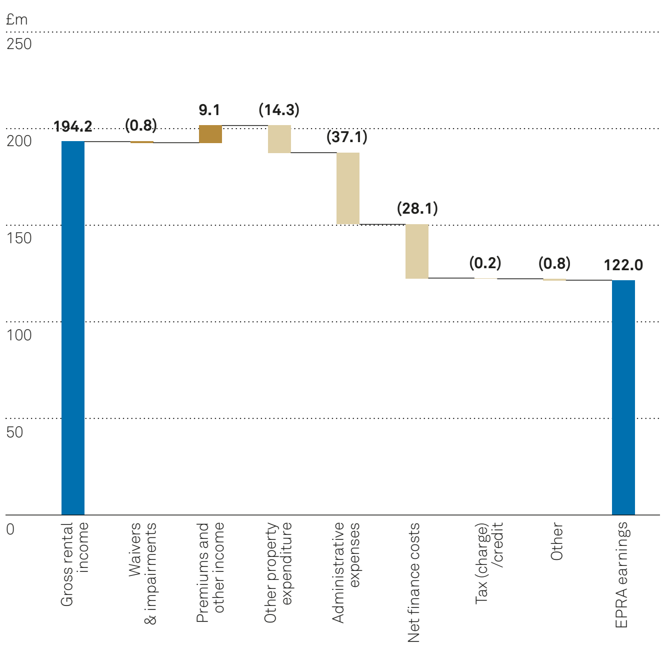
When the new joint venture transaction with Lazari Investments in relation to the Baker Street properties was announced, we anticipated a revaluation deficit for the first accounting period. The Group's share of that was £10.2m and, after profit from operations of £0.3m, the net result for the period attributable to the Group was a loss of £9.9m. After allowing for acquisition costs of £4.0m, the total IFRS loss attributable to our share of the joint venture was £13.9m.

FINANCE REVIEW CONTINUED

The Group's resulting IFRS profit before tax for the year was £252.5m after the loss before tax of £83.0m in 2020 and IFRS earnings per share were 224.99p against a loss of 69.34p in the prior year.

A table providing a reconciliation of the IFRS results to EPRA earnings per share is included in note 40.

EPRA earnings



2020	202.9	(14.2)	5.3	(14.4)	(37.8)	(30.1)	0.6	(1.3)	111.0

EPRA like-for-like rental income

EPRA like-for-like gross rental income was down by 3.9% over the year, due mainly to our decision to extend leases through the pandemic in 2020 and early 2021 with incentives higher than usual and slightly increased average vacancy levels. However, EPRA like-for-like net rental income was up by 2.7% over the year, benefitting from the lower impairment charges. Likewise, EPRA net property income, which includes surrender premiums, was up by 5.9% on a like-for-like basis.

EPRA like-for-like rental income

	2021 %	2020 %
Decrease based on gross rental income	(3.9)	(0.9)
Increase/(decrease) based on net rental income	2.7	(9.8)
Increase/(decrease) based on net property income	5.9	(8.9)

Internal controls, assurance and the regulatory environment

We have recently seen a widespread increase in stakeholder focus on assurance and internal controls, linked partly to the BEIS review. Internal audits over the past two years have already had a beneficial impact on our control environment and, while no financial loss or reputational damage has been noted from this work, we recognise that the evidencing and documentation of robust controls are of increasing interest to our stakeholders and to regulators more widely.

We provided feedback in relation to the BEIS review and await the final conclusions and recommendations of their report with interest. In parallel, we have also been working on a draft audit and assurance policy which tackles our assurance approach for those limited parts of the business which are not yet subject to external assurance. Our principal third party checks include the annual statutory audit, internal audit procedures carried out throughout the year, service charge audits, a twice-yearly external valuation plus the assurance work carried out on our ESG data and procedures, health and safety reports and green finance. We recognise the importance of high quality reporting that stands up to scrutiny, both from within the business through robust internal control mechanisms and also from third-party verification. This work is ongoing and is expected to escalate.

Taxation

The corporation tax charge for the year ended 31 December 2021 was £0.5m. Most of our portfolio is within the REIT regime but this charge relates to the Portman Estate non-controlling interest held outside the REIT up until it was acquired by us at the end of Q3 as well as income from property trading operations.

The movement in deferred tax for the year was a credit of £0.8m (2020: £0.7m credit).

A £1.8m credit was taken through the income statement mainly due to the reversal of the deferred tax liability once the Portman Estate's 45% interest in the jointly-owned company was acquired, bringing the asset fully within the REIT regime. In addition, £0.7m was credited through equity in relation to future tax deductions for equity-settled share-based payments, £0.4m was charged in respect of future defined benefit pension liabilities, and £1.3m was charged in relation to the owner-occupied property at Savile Row.

As well as other taxation paid during the year, in accordance with our status as a REIT, £8.6m of tax was paid to HMRC relating to tax withheld from shareholders on property income distributions (PIDs).

Derwent London's principles of good governance extend to a responsible approach to tax. Our statement of tax principles is available on our website **www.derwentlondon.com/investors/governance/tax-principles** and is approved by the Board in line with the Group's long-term values, culture and strategy. We have also provided more information on our tax governance and risk management on pages 65 and 164, respectively.

Borrowings, net debt and cash flow

In last year's report, I noted that our low leverage meant that we would be comfortable adding further debt to our capital structure if the right acquisition opportunities were identified. In 2021, those opportunities crystallised in the form of acquisitions totalling £251.8m plus £53.4m arising on the acquisition of The Portman Estate's 45% interest in PIBS. Because the latter was already consolidated within the Group accounts and did not result in a change of control, it is required by IAS 7 to be shown in 'financing' activities rather than 'investing' activities. In addition, we spent £172.1m on capital expenditure including capitalised interest and incurred a further £1.6m on trading stock additions. The latter arises when we invest in properties where the intention upon completion is to sell rather than hold. Altogether, this meant that £478.9m was spent on property acquisitions and development expenditure, compared with £219.6m in 2020.

This cash outflow was offset by £297.3m of property disposal proceeds. As a result, Group borrowings increased by £216.2m to £1.25bn at 31 December 2021. This is the highest level the Group has seen but it remains relatively modest, equivalent to a loan-to-value (LTV) ratio of 20.8% against 18.4% a year earlier. Moreover, the level of headroom under debt facilities has increased after the financing activities noted below; as at 31 December 2021, available cash and undrawn facilities totalled £608m compared with £476m at 31 December 2020.

Following correspondence during Q4 2021 with the Corporate Reporting Review Team of the Financial Reporting Council, we have agreed to reclassify the cash flows relating to the investment in, and disposal of, trading properties within the Group Cash Flow Statement. Accordingly we have re-presented the Statement for the year ended 31 December 2020 to reclassify £31.7m of cash receipts and £1.2m of expenditure on trading properties from 'investing activities' to 'operating activities'. This has the effect of increasing the net cash inflow from operations in 2020 from £85.4m to £115.9m with a corresponding increase in the net cash outflow in investing activities from £62.0m to £92.5m. There is no net impact upon the cash flow statement overall and there is no impact on any balance sheet or income statement figures.

As reported last year, net cash from operations was adversely impacted in 2020 from the immediate effects of the pandemic. Our response at the time was to agree cash deferrals and other forms of tenant support that reduced cash rental receipts in 2020. Almost all of that deferred rent has subsequently been collected in 2021 such that the rents received in 2021 were £25.1m higher than 2020 at £187.0m. Net cash from operating activities further increased in 2021 to £125.7m from the restated £115.9m in 2020. Note that the cash flow from operations may be affected in the next few years by the build-up of trading stock at our 19-35 Baker Street development with both residential and some retail components of the scheme earmarked for onward sale.

The lower levels of impairment in 2021 have helped interest cover recover to 464% for the year compared to 446% in 2020 and 462% in the pre-Covid 2019. Our debt covenant remains at 145%.

Members of the Finance team

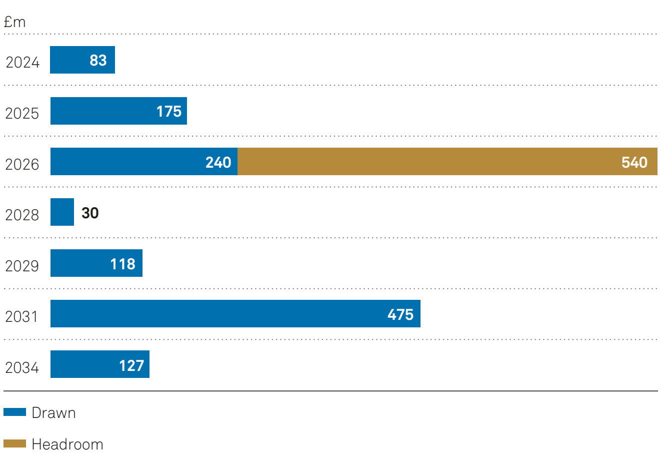
FINANCE REVIEW CONTINUED

Debt and financing

The Group had another year of active and successful refinancing in 2021. Both of the unsecured revolving credit facilities (RCFs) totalling £550m were extended for a year to fresh five year terms, evidence of the continuing excellent relationships we have with our four longstanding and valued lending banks. They have provided further support and advice through the year and remain key stakeholders in our business.

We documented the second and final one-year extension to the £450m RCF provided by HSBC, NatWest and Barclays, taking the maturity out to October 2026. This facility incorporates a £300m 'green' tranche and details of the qualifying projects, expenditure incurred and amounts drawn are shown below. As before, these disclosures have been subject to a 'reasonable' level of assurance by Deloitte.

Maturity profile of debt facilities as at 31 December 2021



We also documented our first one-year extension for the £100m RCF provided by Wells Fargo taking its term out to November 2026.

In Q4, both the RCFs and their associated interest rate swaps were transitioned from a LIBOR to a SONIA basis. These two forward-start swaps totalling £115m have commencement dates in January 2022 and £1.9m was paid in 2021 to defer their effective starting dates. Rates have moved in our favour during the year such that the mark-to-market fair value on these swaps improved by £4.8m.

In advance of the unwinding of the 55%/45% joint investment with the Portman Estate, the £28m secured loan provided by HSBC was repaid and cancelled. As noted earlier, the main Baker Street island site under development is now wholly-owned and subject to a new headlease. Development expenditure is being funded from existing Group revolving debt facilities, including the green tranche of our £450m RCF.

The main financing activity in 2021 was a debut green bond. This was very well received and raised just under £350m at 1.875% for 10 years to November 2031. The bonds were rated 'A' by Fitch and will be utilised in accordance with our Green Finance Framework, updated as required to deal with the green bonds as well as the existing green RCF tranche.

As a result of this financing activity, the Group's weighted average interest rate fell by 20bp over the year to 3.14% on a cash basis and 3.27% on an IFRS basis which adjusts for the convertible bonds. In addition, the weighted average maturity of our borrowings increased to 7.2 years at 31 December 2021 compared to 6.8 years at 31 December 2020.

Dividend

We continue to operate a progressive and sustainable dividend policy. After considering our pension funding obligations and other stakeholder requirements, the Board is recommending a 1.05p per share or 2.0% increase in the final dividend to 53.5p. This will be paid in June 2022 with 35.5p as a PID and the balance of 18.0p as a conventional dividend. We will not be offering a scrip dividend alternative.

This takes the total dividend for 2021 to 76.5p, 2.8% higher than 2020. Dividends declared in relation to 2021 earnings were 1.42 times covered by EPRA earnings and 2.94 times covered by IFRS earnings.

Debt facilities and reconciliation to borrowings and net debt at 31 December 2021

	Drawn £m	Undrawn £m	Total £m	Maturity
1.5% unsecured convertible bonds	175.0	–	175.0	June 2025
6.5% secured bonds	175.0	–	175.0	March 2026
1.875% unsecured green bonds	350.0	–	350.0	November 2031
2.68% unsecured private placement notes	55.0	–	55.0	January 2026
3.46% unsecured private placement notes	30.0	–	30.0	May 2028
4.41% unsecured private placement notes	25.0	–	25.0	January 2029
2.87% unsecured private placement notes	93.0	–	93.0	January 2029
2.97% unsecured private placement notes	50.0	–	50.0	January 2031
3.57% unsecured private placement notes	75.0	–	75.0	May 2031
4.68% unsecured private placement notes	75.0	–	75.0	January 2034
3.09% unsecured private placement notes	52.0	–	52.0	January 2034
3.99% secured loan	83.0	–	83.0	October 2024
Other loans	12.3	–	12.3	n/a
Non-bank debt	1,250.3	–	1,250.3	
Bilateral revolving credit – unsecured	–	100.0	100.0	November 2026
Club revolving credit – unsecured	10.0	440.0	450.0	October 2026
Committed bank facilities	10.0	540.0	550.0	
Debt facilities	1,260.3	540.0	1,800.3	
Acquired fair value of secured bonds less amortisation	8.0			
Unamortised discount on unsecured green bonds	(1.8)			
Equity adjustment to convertible bonds less amortisation	(4.5)			
Unamortised issue and arrangement costs	(12.6)			
Borrowings	1,249.4			
Leasehold liabilities	70.6			
Cash and cash equivalents	(68.5)			
Net debt	**1,251.5**			

Debt: key stats

	2021	2020
Hedging profile (%)		
Fixed	99	85
Swaps	0	0
	99	85
Percentage of debt that is unsecured (%)	79	73
Percentage of non-bank debt (%)	99	85
Weighted average interest rate – cash basis (%)	3.14	3.34
Weighted average interest rate – IFRS basis (%)	3.27	3.48
Weighted average maturity of facilities (years)	6.5	6.2
Weighted average maturity of borrowings (years)	7.2	6.8
Undrawn facilities and cash	608	476
Uncharged properties	4,769	4,329

Impact of joint ventures

	2021		2020	
	Group	Group and share of JVs	Group	Group and share of JVs
Fair value of portfolio (£m)	5,646.3	5,696.3	5,355.5	5,355.5
Net property and other income (£m)	187.5	187.9	183.0	183.0
LTV ratio (%)	21.0	20.8	18.4	18.4
Net interest cover ratio (%)	463	464	446	446

FINANCE REVIEW CONTINUED

REPORTING UNDER THE GREEN FINANCE FRAMEWORK

Derwent London's Green Finance Framework (the Framework) has been updated again this year as a result of the green bond issuance in November 2021.

The Framework has been prepared in line with the LMA Green Loan Principles and ICMA Green Bond Principles guidance document, has been externally reviewed and a second party opinion has been obtained. The latest Framework is available on our website at **www.derwentlondon.com**.

In accordance with the reporting requirements set out in the Framework, we are disclosing the Eligible Green Projects (EGPs) that have benefited from the green funding element of our £450m RCF and £350m green bonds 2031 (together the Green Financing Transactions (GFTs)) and the allocation of drawn funds to each project.

The projects benefiting from the GFTs are as follows:

Green project	80 Charlotte Street W1	Soho Place W1	The Featherstone Building EC1	19-35 Baker Street W1
Expected completion date	Completed in 2020	2022	2022	2025
Category for eligibility	Green building, criterion 1 of section 3.1 of the Framework (excludes Asta House and Charlotte Apartments)	Green building, criterion 1 of section 3.1 of the Framework (excludes Site B - Theatre)	Green building, criterion 1 of section 3.1 of the Framework	Green building, criterion 1 of section 3.1 of the Framework (excludes retail and refurbished residential)
Impact reporting indicator	Building certification achieved (system & rating)	Building certification achieved (system & rating)	Building certification achieved (system & rating)	Building certification achieved (system & rating)
Green credentials	**Achieved:** BREEAM – Excellent EPC – B **Expected:** LEED – Gold, on target	**Site A** **Achieved:** BREEAM – Outstanding (design stage) **Expected:** BREEAM – Outstanding (post construction), on target LEED – Gold, on target EPC – B, on target **Site B – Offices** **Achieved:** BREEAM – Excellent (design stage) **Expected:** BREEAM – Excellent (post construction), on target EPC – B, on target	**Achieved:** BREEAM – Outstanding (design stage) **Expected:** BREEAM – Outstanding (post construction), on target LEED – Platinum, on target EPC – A, on target	**Offices Expected:** BREEAM – Excellent (design stage), on target LEED – Gold, on target EPC – A, on target **Private residential Expected:** Home Quality Mark – 4 Stars (design stage), on target

The 19-35 Baker Street project includes part new development and part refurbishment. The project will be assessed under the BREEAM, LEED and Home Quality Mark standards where applicable. Sections of this project do not qualify as eligible expenditure under the Framework, relating mainly to the retail and refurbished residential elements, and these have been excluded from the qualifying green expenditure.

Qualifying 'green' expenditure

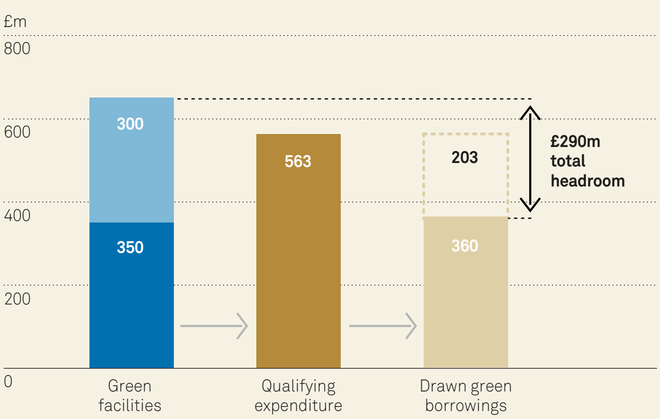
The qualifying expenditure as at 31 December 2021 for each project is set out in the table below. This includes an element of 'look back' capital expenditure on live projects which had already been incurred as at the original refinancing date in October 2019. Soho Place and The Featherstone Building both commenced on site in 2019 and are due to reach practical completion in H1 2022.

The 19-35 Baker Street scheme commenced on site in October 2021. Costs incurred on the eligible sections of this development prior to October 2021 have been included in the 'look-back' spend for this project as they occurred prior to the project being formally elected.

Cumulative spend on each EGP as at the reporting date

		Subsequent spend		
EGP	Look back spend £m	Q4 19 – FY 2020 £m	2021 spend £m	Cumulative spend £m
80 Charlotte Street W1	185.6	33.8	17.8	237.2
Soho Place W1	66.3	74.9	62.7	203.9
The Featherstone Building EC1	29.1	30.0	30.3	89.4
19-35 Baker Street W1	26.5	–	5.8	32.3
	307.5	138.7	116.6	562.8

Green borrowings and qualifying expenditure



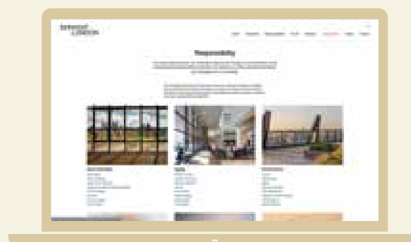
The cumulative qualifying expenditure on EGPs was £562.8m, with £116.6m of this being incurred in 2021 (excluding expenditure incurred on 19-35 Baker Street prior to October).

The net proceeds of the Bonds were initially used to repay amounts drawn under the Group's revolving credit facilities, including the £300m green tranche, thereby refinancing the EGPs in line with our Green Finance Framework.

The drawn borrowings from GFTs as at 31 December 2021 were £360m, which included £10m from the green tranche of the RCF and the £350m Green Bonds. Therefore, there was £290m of headroom within the £300m green tranche of the Group's £450m revolving credit facility as at 31 December 2021, of which £203m is available green headroom.

A requirement under the Framework and the facility agreement is for there to be an excess of qualifying spend on EGPs over the amount of drawn borrowings from all GFTs which, as shown opposite, has been met.

More information can be found in the Responsibility Report 2021.



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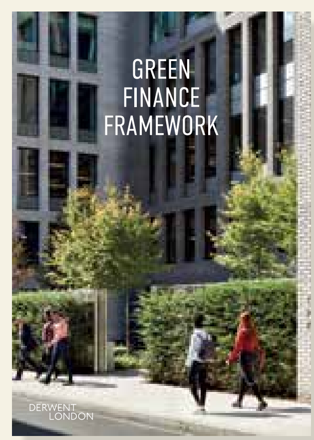


www.derwentlondon.com/greenfinance

GOING CONCERN & VIABILITY

In accordance with the 2018 UK Corporate Governance Code (the Code), the Directors and the senior management team have assessed the prospects of the Company:

- in the short-term (over the next 12 months) as required by the 'Going concern' provision; and
- in the medium-term (a five-year period to 31 December 2026) as required by the 'Viability statement' provision.

This statement also contains references to the longer-term threats to the Company's resilience.

Short-term

Under provision 30 of the Code, the Board is required to report whether the business is a going concern. In considering this requirement, the Directors have taken into account the following:

- the Group's latest rolling forecast (including sensitivity analysis) for the next two years, in particular the cash flows, borrowings and undrawn facilities;
- the headroom under the Group's financial covenants; and
- the risks included on the Group's risk register that could impact on the Group's liquidity and solvency over the next 12 months.

Our principal risks

The Schedule of Principal Risks contains the risks which are currently impacting on the Group or could impact the Group over the next 12 months. These risks are routinely subject to a comprehensive review by the Executive Committee, Risk Committee and the Board. Consideration is given to the risk likelihood, impact and velocity (speed at which the risk could impact on the Group). It was noted that tenant lease expiries or breaks represented 8% of 2022 income. However, given the level of headroom, the Board agreed that none of the changes in risk likelihood or probability during the year (see page 101) had a significant impact on the Group's short-term viability.

Significant financial judgements, key assumptions and estimates

Any key accounting issues or judgements are monitored and discussed with the Audit Committee throughout the year. The table on page 151 provides information on the key issues discussed in 2021 and the judgements adopted. The key sources of estimation uncertainty in the next 12 months are considered to be:

- **Impairment of receivables:** a review of the receivable balances as at 31 December 2021 has been undertaken (see note 3 on page 215). It has revealed a charge of £0.8m in 2021 for impairment and write-offs compared with £10.1m in 2020. Areas of focus were tenants at higher risk (particularly in the retail or hospitality sectors), tenants in administration or CVA, the top 69 tenants by size and the remaining balances classified by sector. The methodology and assumptions used have been subject to review by the external Auditors and Audit Committee (see page 151).
- **Property portfolio valuation:** when determining the value of our portfolio, the valuers consider a range of assumptions. More information is provided in note 3 on page 215 and note 16 on page 227.

GOING CONCERN STATEMENT

Having due regard to these matters, and after making appropriate enquiries, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence until at least February 2023. Therefore, the Board continues to adopt the going concern basis in preparing the financial statements.

Medium-term

The Directors challenge the time period over which to assess the Company's medium-term viability on an annual basis. The Directors determined that the five-year period to 31 December 2026 remains an appropriate period based on the following:

- for a major scheme, five years is a reasonable approximation of the time taken from obtaining planning permission for a typical development to letting the property;
- most leases contain a five-year rent review pattern or break options. Therefore, five-years allows for the forecasts to include the reversion arising from those reviews while also assessing the potential impact of income lost from breaks exercised; and
- the weighted average unexpired term of borrowings was 7.2 years as at 31 December 2021.

Assessment of viability

The Board's medium-term assessment included careful consideration of the Group's business model, strategy and internal controls. The assessment highlighted that the Group has:

- a proven business model which has allowed us to remain flexible and resilient during previous property cycles, periods of significant uncertainty and the recent Covid-19 pandemic;
- a high quality customer base of tenants, with none of our occupiers being responsible for more than 9.0% of total rental income and relatively low exposure to the higher risk retail and restaurant sectors;
- a known level of tenant lease expiries and breaks which is being actively managed by our Asset Management team;
- reasonable income visibility for the life of our leases which on average are 7.8 years (including rent-frees and pre-lets) with upward only or contracted rent reviews;
- a higher than usual amount of new space being delivered from 2022 to 2026 as developments and refurbishments complete which could cause void levels to increase;
- a strengthened financial position. In 2021, we raised £350m via a senior unsecured green bond for a term of 10 years. As at 31 December 2021, the Group had £608m of undrawn facilities and cash (2020: £476m);
- strong relationships with our debt providers. During 2021, we extended our two Revolving Credit Facilities for a further year to 2026; and
- a low loan-to-value ratio of 20.8%.

In addition, the business model and strategy were stress tested against various scenarios and other sensitivities.

Sensitivity analysis of our strategy
A detailed five-year strategic review was conducted which considers the Group's cash flows, dividend cover, REIT compliance and other key financial ratios over the period. These metrics were subjected to sensitivity analysis to assess the Group's ability to deliver its strategic objectives.

Qualifications and assumptions
The key assumptions which underpin our strategic plan are:

- the Group's business model remains broadly unchanged and continues to focus on the central London office market;
- we continue to operate a progressive dividend policy whilst targeting dividend cover in or above the range of 125% to 150%;
- our portfolio remains approximately the same size, at 5.57m sq ft (2020: 5.56m sq ft); and
- we will recycle capital by selling buildings when we have maximised their potential, or they no longer meet our investment criteria, and purchasing buildings where there is a development opportunity to replenish our pipeline.

We have the ability to flex our business model to react to unforeseen circumstances or changes in the property cycle by either selling a property to generate additional cash flow, or commencing or stopping development projects to manage our capital expenditure. Regular financial forecasting enables us to identify and plan for additional funding requirements in advance.

Stress testing our risk resilience
The Directors stress tested our strategy against various scenarios to determine whether they were likely to have a significant impact on the Group's solvency and liquidity over the five-year review period. The six scenarios assessed were:

- a 'base case' scenario which was management's best estimate of market and business changes;
- a 'downside' scenario which showed a more negative outlook on property values, longer void and rent-free periods and poorer rent collection rates; and
- a further four scenarios based on different business cases in respect to the sale and purchase of potential properties, higher inflation, future dividend payments and refinancing activities.

The Directors' assessment considered the uncertainty surrounding the duration of the Covid-19 pandemic and its medium- and longer-term impacts on the global economy, our business and stakeholders. As part of our scenarios and forecasting, the Directors considered the cost of rent-free concessions offered to occupiers, its accounting implications and potential default and impairment provisions, as well as additional potential vacancies.

The modelling indicated that under all scenarios the Group would still be able to execute its strategic plan over the next five years without breaching any covenants or experiencing any liquidity concerns. As at 31 December 2021, the value of the portfolio could fall by 63% without breaching the gearing covenants and our property income could fall by 69% before breaching the interest cover covenant.

For further information see the following disclosures:

Debt and financing pages 94 and 95 →
Supply chain risks page 107 →
Business continuity and cyber security pages 162 and 163 →

Principal risks
The Directors identified that, of the principal risks detailed on pages 108 to 119, the following are the most important to the assessment of the Group's ability to continue to operate and meet its financial liabilities as they fall due in the medium-term:

- **Income decline:** Based on our forecasts, our income would need to decline by 69% before we were at risk of breaching our financial covenants. When subjected to a 15% fall in both rental income and property values our interest cover remained above 300% and our loan-to-value ratio below 40%, both of which are comfortably within our financial covenants.
- **Our resilience to climate change:** rising global temperatures are a major risk factor for our business and the planet, increasing the likelihood of heatwaves, flooding and property damage. Although climate change will lead to an increase in costs as we take action to combat its impact on our business (both in monetary terms and management time), it would be unlikely to affect the viability of the Group within the five-year review period. The Group is committed to being net zero carbon by 2030.

The Directors considered that none of the individual principal risks would in isolation compromise the Group's viability over the five-year period to 31 December 2026.

Emerging risks
The Group's emerging risks are disclosed on pages 104 to 105. Emerging risks involve a high degree of uncertainty and are therefore factored into the Board's medium-term viability assessment and the long-term sustainability of the Group. The methodology used to review and identify emerging risks is on page 164.

The Directors considered that none of the individual emerging risks would in isolation compromise the Group's viability over the five-year period to 31 December 2026.

VIABILITY STATEMENT

Based on the Board's assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five-year period to 31 December 2026.

Long-term
The Board considered a number of longer-term factors (which could impact on the Company and its business model in the next five to 10 years) and how these were being addressed (see page 150):

- agile working, the role of the office and the war for talent (see page 15);
- the nature of London's office cycle (see page 15);
- climate change risk and opportunities as we carry out our plans to reach net zero carbon by 2030 (see pages 68 to 73);
- changes in technology and tenant expectations; and
- increased availability of long-term funding: after the refinancing completed in recent years, the weighted average unexpired term of our borrowings was 7.2 years as at 31 December 2021.

Further information on how the Board promotes the long-term sustainable success of Derwent London is on page 130.

OUR PRINCIPAL RISKS

We responded to the Covid-19 pandemic with proactive risk mitigation, as well as early and continual engagement with our stakeholders.

The risk profile of the Group

As a predominantly London-based Group, we are particularly sensitive to factors that impact upon central London's growth and demand for office space. We provide information on the central London office market on pages 14 to 17.

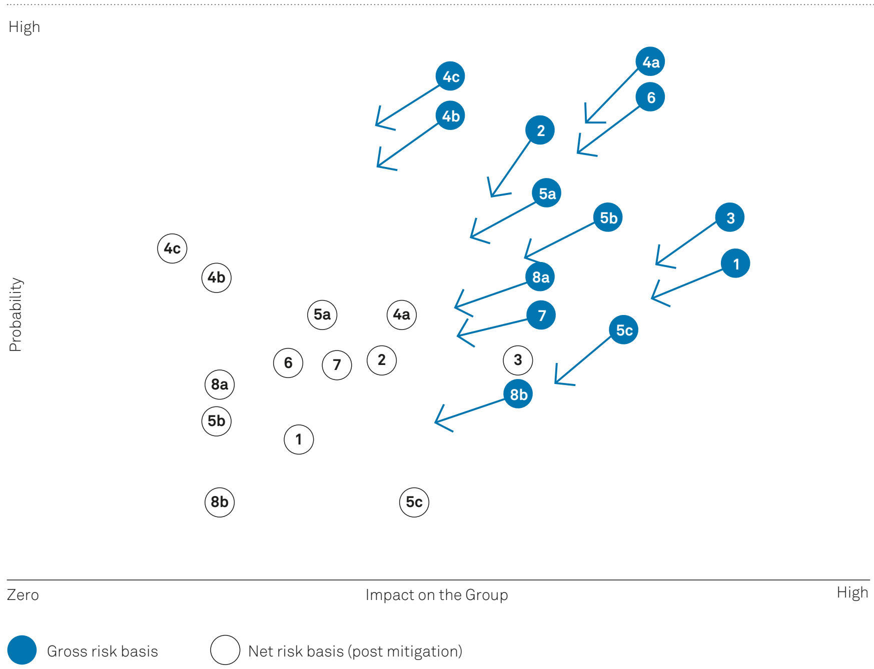
Any decline in the demand for London office space, or a significant increase in supply, could negatively impact upon:

- the value of our property portfolio;
- occupancy rates and, subsequently, our income; and
- availability of properties for acquisition and the ease of disposal and refinancing.

During the second half of 2021, as the Government completed its roadmap to ease lockdown restrictions, London's business confidence and the wider economy started to rebound. Individuals and businesses are starting to adapt to 'living with Covid-19' with assistance from the vaccination and booster programmes.

The emergence of the new Omicron variant of Covid-19 in early December, led to the implementation of 'Plan B' restrictions which were later lifted from 26 January 2022. With the lessening of restrictions and the successful vaccination programme, the outlook for the UK economy is looking more positive.

Effect of mitigation actions on our principal risks



1 Failure to implement the Group's strategy
2 Risk of tenants defaulting or tenant failure
3 Income decline
4a Reduced development returns
4b 'On-site' risk
4c Contractor/subcontractor default
5a Cyber attack on our IT systems
5b Cyber attack on our buildings
5c Significant business interruption
6 Reputational damage
7 Our resilience to climate change
8a Non-compliance with health and safety legislation
8b Other regulatory non-compliance

Arising from the upturn in the economy, the new challenges facing the Group and the wider economy are, material and labour shortages and inflation. Overall, our risk profile remains elevated but is expected to slowly stabilise to pre-Covid levels during 2022.

During 2021, we further strengthened our financial position through the raising of additional funds (see information on our new 'Green Bond' on pages 13, 96 and 97) and the renewal of our Revolving Credit Facilities (RCFs) for an additional year. Our strong financial position and proactive stakeholder-focused approach will help us to weather the current uncertainty.

Demand for office buildings remains polarised. Well-designed, energy efficient, amenity rich, modern buildings with adaptable floor plans and good floor-to-ceiling heights are proving more desirable and easier to lease than older, less attractive buildings which may require refurbishment. Without additional capital expenditure to improve energy efficiency, our ability to lease certain properties in our portfolio could be impacted.

Delivering net zero carbon buildings page 22 →
Qualifying 'green' expenditure page 96 →

Changes to our principal risks

The principal risks and uncertainties facing the Group in 2022 are set out on pages 108 to 119 together with the potential impact and the mitigating actions and controls in place. We define a principal risk as one that is currently impacting on the Group or could impact the Group over the next 12 months.

During the year under review, there has been the following changes to our principal risks:

- **Implications of Brexit:** We are now classifying Brexit as a general business risk rather than a standalone principal risk and it has been incorporated into 'Failure to implement the Group's strategy' as a factor which could impact on London.
- **Introduction of a new tax to replace or complement business rates:** The likelihood of a new tax being introduced to replace or complement business rates, which would negatively impact on landlords, is now deemed less likely and has been declassified from 'principal'. This risk is now being managed on the Group Risk Register.

Risk tolerance

Like any business, we face a number of risks and uncertainties. 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		
Operational	Operational risks include 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
Financial	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: — Asset values decline by more than £100m from the Group's annual budget. — EPRA profit before tax deviates by more than £5m from the Group's annual budget. — Cost overruns occur on capital projects of more than 5% of the approved capex budget. — The Group's interest cover ratio will fall to within 20% of the level set in the Group's borrowing covenants. 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.	REIT status	Low
		Corporate credit rating	Low
		Decrease in asset value (>£100m)	Medium
		Profits (£5m)	Medium
		Cost overruns (>5%)	Medium
		Interest cover (<20%)	Medium
Reputational	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 London brand.	Brand value	Low
Regulatory	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

Zero:	Zero tolerance to risk-taking
Low:	Not willing to take any significant risks
Medium:	Willing to take measured risks if they are identified, assessed and controlled
High:	Willing to take significant risks

OUR PRINCIPAL RISKS CONTINUED

Risk management

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 164 and further information on emerging risks is on pages 104 and 105.

In addition to our usual review process, during 2021, a detailed review of our Schedule of Principal Risks, Schedule of Emerging Risks and Group Risk Register was performed with input from Slaughter and May LLP as we prepared our prospectus for the launch of our new green bond (see pages 13, 96 and 97). This review resulted in only minor amendments to our risk registers, which provided further assurance that our risk documentation is thorough and transparent. In addition, the Board implemented an assurance framework for each principal risk to determine how each control is managed, overseen and independently verified.

Additional risk management disclosures:

Fraud risk assessment page 155 →
Fire risk management page 161 →
Water hygiene management page 161 →
Cyber and information security page 162 →
Business continuity and disaster recovery page 163 →
Anti-bribery and corruption page 165 →
Human rights and modern slavery page 167 →

Derwent London brand

The Derwent London brand is well-regarded and respected within our industry and we are recognised for innovation and developing design-led buildings. We demonstrate our brand and values through our external memberships and associations. For example, we are founding supporters of Real Estate Balance, members of the UK Green Building Council, Mayor of London's Business Climate Leaders and the Better Buildings Partnership. We are also signed up to RE100 to demonstrate our commitment to 100% renewable energy in our buildings. Further in 2021, we became founding members of the Academy of Real Assets (see page 62).

In 2021, we were listed in Management Today's 'Britain's Most Admired Companies', a peer-review study of corporate reputation, and achieved the National Equality Standard accreditation. The protection of our brand and reputation is important to the future success of the Group and is considered a principal risk. We detail on page 116 the actions we are taking to protect our reputation.

Cyber security and ransomware

The National Cyber Security Centre identified ransomware as the most immediate threat to UK businesses. A focus area for 2022 will be a detailed review of our 'incident response playbooks' and the updating of our Business Continuity Plan to incorporate ransomware as a legitimate scenario for disaster recovery. During Q1 2022, an independent review of our controls in respect to ransomware will be conducted and we will aim to implement any arising recommendations during 2022.

Our cyber security processes are regularly independently reviewed, with any recommendations for further strengthening of our processes implemented. During 2021, IT Governance performed an independent cyber security health check and vulnerability scan (penetration test) and RSM performed an IT Controls audit. Our Cyber Essentials accreditation was renewed in 2021, having passed an external security scan of all internet-facing services and an assessment of technical and operational controls.

We also offer all our employees regular cyber security training. During 2021, we promoted Cybersecurity Awareness Month and stimulated phishing attacks (see page 162).

Risk documentation and monitoring

Schedule of Principal Risks	Contains the risks which are classified as the Group's main risks which are currently impacting on the Group or could impact the Group over the next 12 months (see pages 108 to 119). The Schedule of Principal Risks includes an assurance framework to evidence how each control is managed, overseen and independently verified. As at 31 December 2021, the Schedule of Principal Risks contains 13 risks.
Schedule of Emerging Risks	Contains the internal and external emerging risks that could significantly impact the Group's financial strength, competitive position or reputation within the next five-years. Emerging risks involve a high degree of uncertainty. As at 31 December 2021, the Schedule of Emerging Risks contains nine risks (see pages 104 and 105).
Group Risk Register	Provides a high level overview of the key risks which could impact on the Group (excluding those classified as 'principal risks'). As at 31 December 2021, the Group Risk Register contains 34 risks.
Key risk indicators	The Risk Committee has identified risk areas which could indicate an increase in the Group's risk profile. These indicators are reviewed at each Risk Committee meeting and are compared against the Board's risk tolerance framework (see page 101). Any deviance or significant increase are subject to challenge by the Risk Committee. The risk indicator contains 16 risk areas including cyber security, cost inflation, project status, data protection, and health and safety incidents etc.
Functional/departmental risk registers	Risk registers are maintained at a departmental/functional level to ensure detailed monitoring of risks, where necessary. These registers are the responsibility of each department and are periodically reviewed by the Risk Committee during risk-specific presentations. Examples of these register are the development risk registers for each building project, the 'tenant on watch' register and the 'Home working and Covid-19 related IT risks' register.

Climate change

Climate change is a major global challenge and will impact how business operates in the future. Given that the built environment contributes significantly to the UK's overall carbon footprint, we must find the solutions to further reduce emissions and develop renewable energy sources.

Since our science-based targets were first verified in 2019, by the Science-Based Target initiative (SBTi), we have been working towards achieving net zero carbon.

In 2020, we became the first UK property company to release a detailed pathway to net zero carbon, aligned to the Better Buildings Partnership (BBP) Net Zero Carbon Pathway Framework (see page 12). Working towards achieving net zero carbon is aligned to our reward programme, through the addition of climate-related targets in the Directors' annual bonus targets (see page 184).

Our pathway to net zero carbon page 12 →
Climate change governance page 65 →
Our SECR disclosure page 74 →

Climate change risks

We identify and monitor climate change risks as part of our wider risk management procedures which are overseen by the Board and its principal committees (see pages 160 and 164).

The risks posed by climate change are assessed in respect to their impact in the short-term (within the next five years), medium-term (five to 10 years) and long-term (15+ years). Climate change risks are also factored into the Board's viability assessment and strategic planning process which both span a five-year period (see page 98).

Physical risks	Transition risks
— Heat stress — Subsidence — Coastal flooding & sea level rise — Flooding — Storms — Infrastructure **For more on climate-related risk** page 72 →	— Pricing of GHG emissions — Energy Performance Certificate rating requirements — Emissions offsets — Planning approval changes — Climate change litigation — Enhanced emissions reporting obligations — Change in customer demands — Cost of debt — Increased cost of raw materials — Investment risk

To better understand and plan for the risks posed by climate change we have commissioned various studies and reviews. In 2020, we undertook a multi-scenario climate risk assessment (the results of which are in our TCFD disclosures on page 71).

This assessment highlighted that the most significant/financially costly transition risk to the Group was the proposed changes to energy performance certificates (EPCs) from 2030. In response, during 2021, we commissioned a feasibility and cost report on our portfolio to determine the potential impact on the Group and to assist us in developing our strategy for achieving an EPC grade B by 2030. Further information on the outcome of this report is on page 55.

Climate change opportunities

The main opportunity from climate change will arise from our ability to adapt and respond to the risks appropriately, so that we do not have to deviate from our business model and can continue to deliver sustainable long-term value to our stakeholders. We believe that property portfolios that are able to meet climate-related challenges will remain attractive to occupiers and investors, and in good demand.

Other opportunities include:

- Short-term:
  - Energy efficient 'green' buildings with better EPCs could be let more quickly, command higher rents and enjoy lower tenant turnover.
  - Working closely with tenants to manage building efficiency should lead to closer landlord/tenant relationships. During 2021, we conducted an occupier net zero carbon survey so that we can assist our occupiers with their own climate change ambitions.
- Medium-term:
  - Regenerating buildings is at the heart of our business and provides the Group with significant opportunities to lead the sector in taking action to mitigate and adapt to climate change.
  - 80 Charlotte Street W1 was our first all electric building and net zero carbon development. To reduce our exposure to the impacts of climate change, all of our current and future developments are being built to be net zero carbon, including the Featherstone Building EC1 and 19-35 Baker Street W1.
- Long-term:
  - The availability of buildings which become stranded because of physical risk impacts, could provide us with acquisition opportunities at lower costs.
  - Investing in the overall energy efficiency of our buildings also improves asset value by reducing our maintenance costs and extends a building's life.

Further information on the climate-related opportunities we have identified over the short-, medium- and long-term is on page 69.

We continue to research and assess the opportunities for renewable energy generation on our Scottish land. In 2015, we planted 107 acres under the Woodland Carbon Code which, to date, has delivered carbon credits equivalent to 127 TCO_2e (see page 13). In 2021, we submitted a planning application for development of an 18.4 MegaWatt solar park on our Scottish land which could generate c.43% of the electricity used across our managed portfolio (see page 13).

Our key actions during 2021:

Occupier survey on their carbon aspirations page 13 →
Sustainability initiatives in Scotland page 13 →
Net zero: 2021 progress page 52 →
Our journey to COP26 page 54 →
Energy performance - looking to the future page 55 →
Green Finance Framework pages 13, 96 and 97 →
Audit Committee training on ESG assurance page 148 →

OUR PRINCIPAL RISKS CONTINUED

Emerging risks

We define an 'emerging risk' as a condition, situation or trend that could significantly impact the Group's financial strength, competitive position or reputation within the next five-years. Emerging risks involve a high degree of uncertainty and are therefore factored into the Board's viability assessment and strategic planning process. During the year under review, the Directors identified an additional emerging risk ('The rising cost of obtaining planning permission') and widened 'The importance of ESG-related concerns to our key stakeholders' to include both environmental and societal concerns. The methodology used to review and identify emerging risks is on page 164.

Strategic:

Risk	Potential impact	Our actions
A. The future of offices		
The Covid-19 pandemic, and the associated lockdown restrictions, has led to widespread agile and homeworking for some of the UK's office-based workforce. As a result, the future role of offices has been subject to considerable discussion among both landlords and occupiers, and more widely in the media.	In the event agile and/or homeworking continues at high levels, and is sustained in the long-term, it could lead to occupiers requiring less space, increased vacant space and downward pressure on rental levels. In addition, office space which has fewer desks, more collaboration space, meeting rooms, video conference facilities and other amenities is likely to be more desirable to occupiers. Buildings that are unable to meet these objectives may suffer in value unless they can be redeveloped or repurposed. **Strategic objectives** 1. 2. 4.	We will continue to design and deliver space that businesses want to occupy. Companies still need to bring their staff together, for the collaboration that social interaction brings, to build culture, to attract and retain talent and to have a physical embodiment of their brand.
B. Long-term implications of Covid-19 on our portfolio		
The extent of the long-term impact of the Covid-19 pandemic on the Group will depend on external factors which are outside the Group's control, including, for example, if preventative measures become less effective against any new variants of Covid-19 which may be identified.	There is a risk of new variants leading to the re-introduction of societal restrictions in the UK, which could have a significant impact on the Group's business, its occupiers and the economic outlook for London. **Strategic objectives** 2. 3. 4. 5.	As part of our planning and design of new developments, we are focused on 'long-life loose-fit' adaptable spaces and wellness factors that can enable people to meet together in larger common areas, with higher ceilings and better air quality and natural ventilation.
C. Political risk arising from government response to issues		
In the past couple of years, the Government has introduced various restrictions to protect the NHS and reduce Covid-19 transmission. On 21 February 2022, the Government outlined its 'living with Covid' plan which could end all of the remaining legal restrictions.	The actions taken by the Government has involved a significant amount of public funds. Government borrowing has increased and the impact of higher taxes could have an adverse effect on the economy for many years. **Strategic objectives** 2. 5.	We will continue to monitor the situation to assess the likely impact on jobs in London and therefore the risk of a cyclical adjustment to rents. We are supporting those tenants most in need while extending leases where this can be agreed with a focus on minimising voids and protecting value.
D. The rising cost of obtaining planning permission (new emerging risk)		
The length of time from application to approval, the need for more affordable housing or offices as a condition of planning, and the associated costs, are all factors. In addition, tighter regulation is being introduced which is orientated towards sustainable development and is instigating changes to the planning process and approval criteria which will have a material impact on our development pipeline and standing investment portfolio.	The rising cost and challenge of obtaining planning permission could have an impact on the Group's ability to realise its development ambitions and could result in increased capital expenditure during the early stages of development planning, resulting in lower development returns. **Strategic objectives** 1. 2. 4.	We liaise with each London authority to understand their needs with the aim of building a partnership and providing value to local communities – for example via our Community Fund, community initiatives and local employment opportunities etc.
E. Diminished development pipeline		
As we complete our development pipeline, and in the absence of any further acquisitions or disposals, the Group's portfolio balance could become more heavily weighted towards 'core income' and away from development opportunities.	Through our development projects we generate value and higher rates of return than from our 'core income' properties. If our development pipeline started to diminish, our returns are likely to fall which could impact on our ability to maintain a progressive dividend policy for our shareholders. **Strategic objectives** 1. 2.	We continue to focus on recycling capital, selling properties with limited future potential and acquiring properties with future regeneration opportunities in order to maintain a balanced portfolio. During the year under review, we have invested in replenishing our pipeline through strategic acquisitions (see pages 20 and 21).

Key
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

Operational:

Risk	Potential impact	Our actions
F. Increasing importance of amenities		
The provision of amenities and hospitality in buildings is becoming increasingly important to tenants.	The Group needs to ensure it is adequately responding to these demands, so our product remains attractive to tenants, thereby retaining its competitive edge. This risk is directly related to another emerging risk – 'The future of offices'. **Strategic objectives** 1. 2. 4.	We continue to review opportunities within the portfolio to enhance our amenity offering. In October 2021, we launched DL/78 at 80 Charlotte Street W1. Located at the heart of our Fitzrovia village it is a purpose built occupier facility providing drop-in space and refreshments, as well as the opportunity to hire meeting rooms and event space ranging in capacity from 8 to 100+ persons. We have been encouraged by the positive response to this initiative from our occupiers.
G. Adoption of technology		
With technology in the sector advancing at a rapid pace the Group needs to ensure it is embracing these changes sufficiently whilst making sure that the Group's strategy is driving which technology is adopted and not being driven by the technology itself.	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 increasingly becoming 'intelligent' and tenants may begin to choose such buildings over those without the same technological amenities. If the Group fails to respond to tenant demands for technology, the Group's office spaces could become less desirable, leading to potential vacancies and loss of rental income. **Strategic objectives** 1. 2.	We have a Digital Strategy which is being implemented by our dedicated, cross-function 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. During 2021, we launched the DL/ App which offers a curated collection of features and benefits for our office occupiers including easy bookings and access to information about rooms, events and other benefits at DL/78.
H. The importance of ESG-related concerns to our key stakeholders (previously, 'Environmental issues moving up the social agenda')		
Environmental, social and governance concerns (including, climate change and diversity and inclusion) is important to Derwent London, our stakeholders and the general public.	If we do not give sufficient priority to these issues, and fail to act as a responsible corporate entity, we will be unprepared for the risks and opportunities arising and it will, in turn, adversely impact on our business and reputation. **Strategic objectives** 2. 3. 4.	We recognise the importance of clear communication and proactive engagement with all of our stakeholders. During 2021: — We hosted our first Stakeholder Day (see page 134). — Achieved accreditation from the National Equality Standard (see page 58). — Attended COP26 and submitted a planning application to self-generate renewable energy at our land holdings in Scotland (see page 13). — Received external recognition through FTSE4Good, EPRA and GRESB sustainability benchmarking.
I. Impact on businesses arising from the UK's commitment to be net zero carbon by 2050		
As more of the Group's tenants commit to becoming net zero carbon, it is likely that tenants will demand evermore environmentally-friendly buildings. **There is a risk that greater carbon taxation on greenhouse gas emissions will lead to increased costs for the Group. In addition, while current environmental regulation in the UK only prohibits the leasing of space with an Energy Performance Certificate ('EPC') rating of E or below, the government has proposed increasing the minimum EPC rating to B by 2030.**	Buildings that fail to reach the standards expected by occupiers could lose tenants, suffer a discount and fall in value. In order to improve its older buildings, the Group may need to commit to additional capital expenditure, which may not be recoverable through higher rents. The Group may also be unable to lease the space during the improvement phase, leading to reduced rental income and longer void periods. An increase in the minimum EPC rating will lead to increased capital expenditure requirements for the Group. **Strategic objectives** 2. 3. 4.	We are committed to being net zero carbon by 2030 and have published our Net Zero Carbon Pathway. We publish our progress and achievements in our annual Responsibility Report. In preparation for the proposed changes to EPC legislation from 2030, in Q4 2021, we commissioned an assessment of our portfolio to identify the potential capital expenditure requirements to ensure our compliance by 2030 (see page 55). **TCFD** page 68 →

OUR PRINCIPAL RISKS CONTINUED

Financial risks

Derwent London has a low financial risk profile. Fitch reaffirmed our credit rating of A-, with a negative outlook, in May 2021. This was mainly due to the continued uncertainty of Covid-19, rent collections and concerns for health of our occupiers, at the time of rating.

Our financial position remains strong. During 2021, Derwent London was pleased to announce its first unsecured green bond for £350m at a term of 10 years. We also extended our Revolving Credit Facilities with our UK banking partners for a further year to 2026. Our loan-to-value ratio has risen to 20.8% at 31 December 2021 based on year end property valuations, and our net asset value gearing being 28.2%. Interest cover is 464%, alongside cash and undrawn facilities of £608m.

Fraud risk assessment page 155

Credit Committee

The Credit Committee is a supporting committee within the Group's governance framework which typically meets on a weekly basis to assess and monitor the financial strength of potential and existing tenants. The Credit Committee is chaired by the CEO and its members include Damian Wisniewski (CFO) and senior members of the Finance, Leasing, Property and Asset Management teams.

Since 2020, due to the difficulties being faced by our current and prospective tenants, the Credit Committee has met on a more frequent basis. The 'tenants on watch' register was regularly reviewed to carefully monitor the financial performance of existing tenants. As at 31 December 2021, the 29 tenants included on the 'tenants on watch' register represented 4% of the Group's contracted net rental income, and mainly consists of businesses operating in retail and hospitality sectors.

The Risk Committee and Audit Committee were updated on the work of the Credit Committee during the year under review, to ensure it was in agreement with the accounting principles being applied and the management of risk. The Risk Committee confirms that it is satisfied with the extensive due diligence process being undertaken by the Credit Committee.

Tax risk

Our attitude towards tax risk is primarily governed by the Board's objectives to retain our REIT status and maintain our 'low-risk' rating from HMRC. The Board was pleased to have received a 'low-risk' rating from HMRC which is valid until 2022.

The Group takes its responsibilities under the 'corporate offences of failure to prevent the facilitation of fraudulent tax evasion' legislation seriously and will not tolerate any facilitation of tax evasion. The Group has established procedures which are designed to prevent its associated persons from deliberately and fraudulently facilitating tax evasion. Ongoing training is provided to staff and a policy document is kept updated on the Company intranet.

Tax governance page 65

Lease expiries and vacancies

To provide flexibility within our portfolio for project work, a percentage of our leases expire per annum. Unusually in 2021, we had a higher-than-normal lease expiry exposure, with £33.3m of income subject to breaks/expiries (17% of our income). In addition, at the beginning of 2021 there were concerns that Covid-19 and Brexit could lead to rising unemployment, which would impact upon demand for office space resulting in higher vacancy rates.

Lease expiries and vacancies were subsequently identified as a potential risk area. The Risk Committee received updates on the work of the Asset Management team to reduce the Group's exposure. Through active asset management activities, good relationships with our occupiers, and partly assisted by the economy rebounding following the easing of lockdown restrictions, our 2021 lease expiry exposure reduced significantly, with 77% being retained or re-let.

77%

Tenant retention/re-lets

Protecting our occupiers

Protecting our occupiers and stopping the spread of the Covid-19 virus in our buildings was a priority as our tenants returned to their office spaces during 2021. To ensure their health and safety we implemented the following measures:

- Social distancing, one-way traffic flow systems and clear signage
- Readily available hand sanitiser units
- Restrictions on numbers using lifts and WC accommodation
- Fresh air ventilation
- Enhanced cleaning regimes and upon notification of a confirmed case, an electrostatic clean was undertaken automatically
- Temperature checks on entry on agreement with occupiers
- Lateral flow testing programme for Derwent London Building Management team and our contractors
- Random Covid-19 testing of our air-conditioning filters

We will continue to offer these measures until our occupiers deem them no longer necessary.

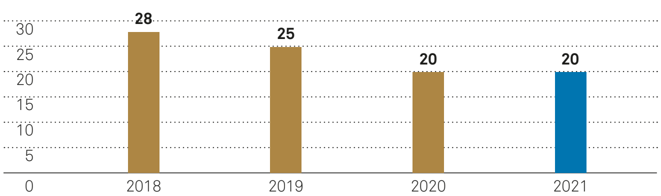
During the year, we also tracked the confirmed cases of Covid-19 throughout our managed portfolio. The data of confirmed cases clearly showed that, where there were several incidents, these were concentrated to a tenant's area and not more widely spread throughout the building. This provided our occupiers, and the Board, with comfort that our measures were proving effective in minimising the spread of the virus.

Supply chain risks

Our supply chain is important to our business; the contractors and professional teams working on our sites, and the 200+ suppliers that ensure we provide agreed service levels across the portfolio.

To support our supply chain, we have worked to reduce our average days from 25 days in 2019 to 20 days in 2021. In addition, due to the Covid-19 pandemic, we assisted supplier cash flow by early partial release of retention and contributing to additional costs generated by the delays.

Average payment term
Days



Responsible payment practices page 169

Partly as a preparation for any Brexit-related delays, we have facilitated payment for materials and components properly vested and safely stored off site, a strategy which has also served us well through the challenges of the pandemic. These measures helped mitigate supply chain risks, by reducing uncertainty in relation to time and cost, enabling them to concentrate on delivery and quality.

We are pleased to be one of the first developers in the UK who require our supply chain partners to follow the Common Assessment Standard which was developed by Build UK, with the support of CECA. The Common Assessment Standard covers 12 key areas of risk management (including, health and safety, environmental, equality and corporate social responsibility). The aim of the Common Assessment Standard is to improve supply chain efficiency and reduce supply chain risks.

We set out our principles and expectations in terms of the environmental, social, ethical and governance issues which relate to our supply chains in our Supply Chain Sustainability Standard (the Standard). The Standard renews our commitment to ensuring our supply chain remains as engaged as we are in setting the highest standards and reducing the risk that a supplier acts in a manner which is contrary to our values.

Human rights and modern slavery page 167
Supply Chain Sustainability Standard page 169

Development risks

Our developments are large, high-value projects that can take over five years from concept to completion. The success of our development activities is reliant on taking managed and carefully considered risk, which aims to deliver the office space our occupiers desire when it is needed.

The Risk Committee receives reports from the Director of Development on the Group's major developments, which includes a detailed assessment of the risks and risk mitigation plans in place.

Risk area	Comment
Material shortages	In 2021, our on-site development projects were safeguarded from material shortages due to early ordering and strong supply chain relationships. Material shortages could become a more material issue in the short-term, if demand continues to rise and supply issues continue.
Labour shortages	Underlying skill shortages across the construction industry were exacerbated by Brexit and Covid-19. Derwent London's strategy of securing Tier 1 contractors and subcontractors for project delivery, provides us with the best prospect of securing labour and repeat business. During 2021, none of our on-site projects experienced any insurmountable issues in respect to labour.
Inflation	Inflation is putting pressure on construction costs. Where possible, designs are diverted away from materials attracting higher price increases. Our Soho Place and Featherstone Building developments had fixed price contracts, resulting in Derwent London not being exposed to inflation. In respect to the Baker Street development, which is commencing in Q3 2022, 83% of the costs have been fixed. Derwent London's strong reputation for being fair, reasonable and for paying our supply chain promptly, makes us well placed as preferred clients in the construction industry.
Covid-19	Our development projects continue to progress as we adapt to Covid-19 restrictions and protocols. We comply with strict Covid-19 protocols at all of our on-site developments, in accordance with Site Operating Procedures.
Planning	De-risking planning is achieved by a sound understanding of policy coupled with a collaborative approach with the borough and local community. We are required to meet the sustainability agenda in respect of net zero carbon and operational energy consumption. There are concerns that planning in London may become more challenging against the backdrop of the UK Government's 'levelling up agenda'. We will be monitoring the outcome of the 'Planning for the Future White Paper' and 'Changes to the current planning system' consultations and the upcoming Planning Bill.

We provide further commentary on the status of our three development-related principal risks on pages 112 and 115.

OUR PRINCIPAL RISKS CONTINUED

Schedule of Principal Risks

The principal risks and uncertainties facing the Group in 2022 are set out on pages 108 to 119. 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 23 February 2022. The key controls identified were in operation during the year under review and up to the date the 2021 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.

1. FAILURE TO IMPLEMENT THE GROUP'S STRATEGY

Risk

The Group's success depends on implementing its strategy and responding appropriately to internal or external factors including responding to changing work practices, occupational demand and London's global appeal.

While it is not yet possible to fully evaluate the impact that Brexit will have on the Group's operations, the main risk to the Group posed by Brexit is that economic growth in the UK may be negatively impacted which may in turn affect London's growth and demand for office space.

In addition, the Group must respond and/or adapt appropriately to economic cycles as the London office market has generally been cyclical in recent decades, with strong growth followed by sharp economic downturns precipitated by rising interest rates coinciding with significant oversupply. Should the Group fail to respond and adapt to such cycles or execute the projects that underpin its strategy, this may have a negative impact on the Group's expected growth and financial performance.

Movement during 2021: Unchanged

→

Although the Covid-19 pandemic has not stopped the Group implementing its strategy, the lockdown restrictions have marginally extended the project length for Soho Place and The Featherstone Building, and has caused significant disruption to the economy. Covid-19 has only amplified weaknesses within the retail market, and we are reviewing on an ongoing basis the retail elements in our buildings. Our occupiers perceive the restaurant, retail and leisure aspects within our portfolio as amenities; hence we feel it is important that they are retained within our building offerings. The impact of a potential recession on our strategy, and other longer-term consequences of the Covid-19 pandemic, is being monitored by the Executive Committee and the Board. In respect to Brexit, the Group continued to monitor international trade negotiations. During 2021, labour shortages occurred due to the relocation of European labour back to the EU which had an impact on supply chains and the construction industry.

Executive responsibility: Paul Williams

Our key controls

- The Group's development pipeline has a degree of flexibility that enables plans for individual properties to be changed to reflect prevailing economic circumstances.
- The Group seeks generally to maintain income from properties until development commences and has an ongoing strategy to extend income through lease renewals and regears.
- The Group aims to de-risk the development programme through pre-lets, typically during the construction period.
- The Group conducts an annual strategic review, prepares a budget and provides two-year rolling forecasts 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 considered necessary, modifications are made.
- The Group maintains sufficient headroom in all the Group's key ratios and financial covenants with a particular focus on interest cover.
- The Group focuses on good value properties that are less susceptible to reductions in tenant demand. The Group's average 'topped-up' office rent is only £59.69 per sq ft.
- International trade negotiations are being monitored and potential outcomes discussed with external advisers.
- The Group's diverse and high quality tenant base provides resilience against tenant default.
- The Group develops properties in locations where there is good potential for future demand, such as near Crossrail stations. We do not have any properties in the City or Docklands.

Key
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

Potential impact

Strategic objectives

1. 2. 4. 5.

Business model
Could potentially impact on all aspects of our business model

KPIs
- Total return
- Total property return
- Total shareholder return

What we did in 2021

- The Board held its annual strategy awayday on 18 June 2021 to discuss the Group's five-year strategy.
- Examined opportunities for acquisitions and disposals to recycle capital.
- Completed a number of important acquisitions which has helped to restock the Group's development pipeline (see pages 20 to 21 and 24 to 25).
- Monitored our portfolio for further asset management activities and managed the vacancy rate.
- Prepared rolling forecasts three times a year and a budget for 2022.
- Our credit rating of A- was renewed by Fitch in May 2021.
- The Board considered the sensitivity of our KPIs to changes in underlying assumptions including interest rates, timing of projects, level of capital expenditure and the extent of capital recycling.
- Began to pursue opportunities to self-generate renewable energy from our land holdings in Scotland and liaised with our occupiers to align our net zero carbon journeys (see page 13).
- In respect to our de-risking strategy, we have pre-let 87% of Soho Place.
- The Group's loan-to-value ratio remained low, its net interest cover ratio was 464% and the REIT ratios were comfortably met.
- Tenant surveys were performed to provide further insights to the Board.
- We understand the importance of amenities to our occupiers. During 2021, we opened DL/78, launched the new DL/ app, and further improved the facilities available in our buildings (see pages 30 and 31).
- Monitored international trade negotiations and discussed potential outcomes, including the potential impact on our contractors/ subcontractors and supply chain.
- Received political and economic updates from external advisers throughout the year.
- Monitored letting progress and demand for our buildings.
- As at 31 December 2021, the Group has cash and undrawn facilities of £608m.

What we will be doing in 2022

- Examine opportunities for acquisitions and disposals to recycle capital.
- Continue to extend income through renewals and regears for properties not earmarked for regeneration.
- We will continue with our current controls and mitigating actions, including operating the business on a basis that balances risk and income generation.

OUR PRINCIPAL RISKS CONTINUED

FINANCIAL

Significant steps have been taken in recent years to reduce or mitigate the Group's financial risks.
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

2. RISK OF TENANTS DEFAULTING OR TENANT FAILURE

The majority of the Group's revenues are comprised of rent received from its tenants 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. In the event that some of our tenants 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 a tenant over the respective lease term.

Movement during 2021: Reduced

Due to the economic impact of Covid-19, and its potential long-term implications, occupiers could be facing increased financial difficulty. Restaurants and hospitality tenants account for approximately 6% of the Group's portfolio income. Despite re-opening restaurants, retail and leisure properties, footfall is lower than pre Covid-19 levels, disproportionately impacting on the revenues and operations of such tenants.

Executive responsibility: Paul Williams

Our key controls

- Detailed reviews of all prospective tenants are performed.
- A 'tenants on watch' register is maintained and regularly reviewed by the Executive Committee and the Board.
- Rent deposits are held where considered appropriate; the balance at 31 December 2021 was £17.6m.
- Active rent collection with regular reports to the Executive Committee.
- We maintain close and frequent contact with our tenants.

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 'grey' market in office space (i.e. tenant controlled vacant space), weaknesses in retail and hospitality businesses, increase in homeworking and the depth of any future recession and subsequent rise in unemployment and/or interest rates. Such macroeconomic conditions may lead to a general property market contraction, a decline in rental values, decline in Group income and potentially property values. Any reduction in property income could also have an adverse impact on the value of the Group's properties and may hinder any future dividend payments.

Movement during 2021: Unchanged

In light of Covid-19, we have been monitoring the economic outlook, vacancy rates, financial health of our tenants and the condition of the wider property market.

Executive responsibility: Paul Williams

Our key controls

- The Credit Committee receives detailed reviews of all prospective tenants.
- A 'tenants on watch' register is maintained and regularly reviewed by the Executive Committee and the Board.
- Ongoing dialogue and proactive internal management is maintained with tenants 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

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

Potential impact	What we did in 2021	What we will be doing in 2022
Strategic objectives 1. 2. 5. **Business model** — Asset management **KPIs** — Total property return — EPRA earnings per share — Interest cover ratio — Tenant retention — Void management	— We have maintained proactive engagement with our tenants, dealing with their concerns on a case-by-case basis and supporting them as appropriate. — Ensured consistency in our approach to similar tenants and prioritised assistance to those most affected by Covid-19. — Due to the difficulties being faced by our current and prospective tenants, the Credit Committee continued to meet on a frequent basis (see page 106). — We have continued to support restaurants, retail and leisure amenities in our buildings.	— We will continue with our current controls and mitigating actions.
Strategic objectives 1. 2. 5. **Business model** Could potentially impact on all aspects of our business model **KPIs** — Interest cover ratio — Total return — Total property return — Gearing and available resources	— We maintained proactive engagement with our tenants, dealing with their concerns on a case-by-case basis and supporting them as appropriate. — 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 yields. — Through active asset management activities, good relationships with our occupiers, and partly assisted by the economy rebounding following the easing of lockdown restrictions, our lease expiry exposure reduced significantly during 2021 (see page 106). — The 'tenants on watch' register was regularly reviewed to carefully monitor the financial performance of existing tenants. — Quarterly management accounts were provided to the Board.	— We will continue with our current controls and mitigating actions, including operating the business on a basis that balances risk and income generation.

OUR PRINCIPAL RISKS CONTINUED

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	Our key controls

4A. REDUCED DEVELOPMENT RETURNS

Risk

Returns from the Group's developments may be adversely impacted due to:

- delays on site;
- increased construction costs;
- labour shortages;
- materials and material shortages; and
- adverse letting conditions.

Despite strict Covid-19 protocols on site, there is a risk of labour and resource shortages both on site and in the supply chain, which could lead to productivity disruption and project delay. Any significant delay in completing the development projects may result in financial penalties or a reduction in the Group's targeted financial returns.

Movement during 2021: Increased

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During 2021, our Development team liaised and agreed processes to mitigate against delays or cost increases with our principal contractors due to potential material and labour shortages.

Executive responsibility: Paul Williams

Our key controls

- Detailed reviews are performed on construction projects to ensure that programme forecasts predicted by our contractors are aligned with our views.
- The procurement process used by the Group includes the use of highly regarded firms of quantity surveyors and is designed to minimise uncertainty regarding costs.
- 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.
- Procedures carried out before starting work on site, such as site investigations, historical research of the property and surveys conducted as part of the planning application, reduce the risk of unidentified issues causing delays once on site.
- Investment appraisals, which include contingencies and inflationary cost increases, 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.

4B. 'ON SITE' RISK

Risk

Risk of project delays and/or cost overruns caused by unidentified issues. For example, 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 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.

Movement during 2021: Unchanged

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Due to the restrictions introduced to prevent the spread of Covid-19, our on site developments have been subject to minor delays. The Featherstone Building and Soho Place are aiming to achieve practical completion in H1 2022 and are still expected to be completed within their original budgets. Sites are now fully operational in accordance with Site Operating Procedures Version 9. Despite strict Covid-19 protocols on site, there is a risk of labour and resource shortages both on site and in the supply chain, which could lead to productivity disruption and project delay.

Executive responsibility: Paul Williams

Our key controls

- Strict Covid-19 protocols at all of our on site developments, in accordance with Site Operating Procedures (published by the Construction Leadership Council).
- 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, professional project managers conduct site investigations including the building's history and various surveys to identify any potential issues.
- Monthly reviews of Brexit-related supply chain issues for each of our major projects, including in respect to potential labour shortages.

Key

Strategic objectives

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

Potential impact	What we did in 2021	What we will be doing in 2022
Strategic objectives 1. 2. 5. **Business model** Could potentially impact on all aspects of our business model **KPIs** — Total return — Total property return — Total shareholder return	— 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. — Both major on site developments are progressing well. 100% of the costs for The Featherstone Building and Soho Place, have been agreed and fixed. — Demand for construction activity in Central London is increasing and input costs of both materials and labour are increasing. — Specific risk assessments on budget allowances for inflation are kept under review on a quarterly basis to test adequacy of budgets. — In respect to our de-risking strategy, we have pre-let 87% of Soho Place.	— Continue with our current controls and mitigating actions with a major focus on project monitoring.
Strategic objectives 1. 2. 4. 5. **Business model** — Our core activities — Adding value for stakeholders **KPIs** — Total return — Total property return — Total shareholder return	— The Board and Executive Committee received regular updates on our principal developments. — 100% of the costs for The Featherstone Building and Soho Place, have been agreed and fixed. — Quarterly cost reports provided an update on development progress from a cost, profitability and programme perspective. — Monitored the number of on site workers being required to isolate due to being notified by the NHS app and the potential impact on our projects.	— Continue with our current controls and mitigating actions.

OUR PRINCIPAL RISKS CONTINUED

OPERATIONAL CONTINUED

Risk | **Our key controls**

4C. CONTRACTOR/SUBCONTRACTOR DEFAULT

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. There have been ongoing issues within the construction industry in respect of the level of risk and narrow profit margins being accepted by contractors.

Movement during 2021: Unchanged

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There is an ongoing risk of insolvencies in the construction industry. Due to this risk, we have been actively monitoring the financial health of our main contractors and subcontractors.

Executive responsibility: Paul Williams

— 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.
— We use known contractors with whom we have established long-term working relationships.
— Contractors are paid promptly and are encouraged to pay subcontractors promptly.

5A. 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. 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.

Movement during 2021: Increased

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This risk has been heightened during the Covid-19 pandemic, as cyber-criminals seek to exploit the disruption caused by employees working from home. In response, we identified the key IT risks arising from homeworking and implemented additional controls.

Executive responsibility: Damian Wisniewski

— The Group's Business Continuity Plan is 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, security anomaly detection and firewalls that are frequently updated.
— Frequent staff awareness and training programmes.
— Security measures are regularly reviewed by the DIT department.
— The Group has been awarded the 'Cyber Essentials' accreditation which demonstrates our commitment to cyber security.

5B. 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 tenant services. A major cyber attack against the Group or its properties could negatively impact the Group's business, reputation and operating results.

Movement during 2021: Unchanged but likely to increase as our buildings become more 'intelligent'

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Executive responsibility: David Silverman

— Each building has incident management procedures which are regularly reviewed and tested.
— Physical segregation between the building's core IT infrastructure and tenants' corporate IT networks.
— Physical segregation of IT infrastructure between buildings across the portfolio.
— Inclusion of Building Managers in all cyber security awareness training and phishing simulations.

Key

Strategic objectives

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Potential impact	What we did in 2021	What we will be doing in 2022
Strategic objectives 1. 2. 4. **Business model** — Our core activities — Adding value for stakeholders **KPIs** — Total return — Total property return — Total shareholder return	— Engaged continuously with our contractors, subcontractors and supply chain during the Covid-19 pandemic. — Our suppliers were paid on average within 20 days. — Accepted early ordering of materials ahead of their need on site to accelerate cash flow to our supply chain. — Worked alongside local authorities to extend permissible working hours on site. — 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.	— Continue with our current controls and mitigating actions.
Strategic objectives 1. 2. 3. 4. 5. **Business model** Could potentially impact on all aspects of our business model **KPIs** — Total shareholder return	— Monitored our secure internet gateway and cloud managed malware protection for malicious activity during home/office working. — Provided additional employee awareness training on social media and remote working security best practice. — Monitored our Data Leak Prevention system for any indications of personal data breaches. — Remediated any key findings from the last security penetration test and commissioned another independent internal/external test. — Conducted a simulated 'phishing' exercise as part of the ongoing security awareness programme. — Completed a business continuity test and full disaster recovery test. — On 30 July 2021, our Cyber Essentials accreditation was renewed, having passed an external security scan of all internet-facing services and an assessment of technical and operational controls. — IT Governance conducted a cyber security health check which consisted of a review of our information security governance framework, an internal/external vulnerability scan and employee questionnaire (see page 162).	— Implement the recommendations arising from RSM's internal audit of our IT controls and the cyber security health check performed by IT Governance. — Perform a detailed review of our 'ransomware security incident response playbook' (see page 162). — Implement further security controls to enhance our layered defence model. — Enhancing cloud security and anomaly detection for remote workers. — Enhancing our security patching and mobile device management capabilities to support a hybrid working model.
Strategic objectives 1. 2. 3. 4. 5. **Business model** Could potentially impact on all aspects of our business model **KPIs** — Could impact on any Group KPIs	— Engaged with a portfolio IT partner to provide additional support for 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. — 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.	— Further develop our IT governance framework, security monitoring and security incident response procedures. — Implement further security controls to enhance our layered defence model. — Collaborate with our portfolio IT partner on mitigating any cyber risks identified following cyber security assessments.

OUR PRINCIPAL RISKS CONTINUED

OPERATIONAL CONTINUED

Risk | **Our key controls**

5C. 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 a pandemic, terrorism-related events, natural catastrophes or fires. This could result in issues such as being unable to access or operate the Group's properties, tenant failures or reduced rental income, share price volatility or loss of key suppliers.

Movement during 2021: Unchanged

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The ramifications of the Covid-19 outbreak have been far-reaching across all sectors and the pandemic has created extreme economic volatility. The Group has suffered minimal disruption due to Covid-19 and has been capable of operating successfully remotely during lockdown restrictions. However, the lockdowns have caused a delay to our development activities and reduction in cash flow due to deferment or non-payment of rent.

Executive responsibility: All Executive Directors

Our key controls:

- 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.
- Government health guidelines are maintained at all of our construction sites.
- Most of our employees are capable of working remotely and have the necessary IT resources.
- Fire protection and access/security procedures are in place at all of our managed properties.
- Comprehensive property damage and business interruption insurance which includes terrorism.
- At least annually, a fire risk assessment and health and safety inspection are performed for each property in our managed portfolio, in addition to annual Planned Preventive Maintenance surveys.
- Robust security at our buildings, including CCTV and access controls.

6. REPUTATIONAL DAMAGE

The Group has invested significantly in developing a well-regarded and respected brand. 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. This could lead to a material adverse effect on the Group's operating performance and the overall financial position of the Group. Our strong culture, low overall risk tolerance and established procedures and policies mitigate against the risk of internal wrongdoing.

Movement during 2021: Reduced

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Feedback on how we have responded to the Covid-19 pandemic, particularly in respect to our occupiers, suppliers, employees and Community Fund, has generally been positive.

Executive responsibility: All Executive Directors

Our key controls:

- 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 and Corporate Communications 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.

7. OUR RESILIENCE TO CLIMATE CHANGE

If the Group fails to respond appropriately, and sufficiently, to climate change risks or fails to benefit from the potential opportunities. This could lead to damage to our reputation, loss of income and/or property values and loss of our licence to operate. In addition, there is a risk that the cost of construction materials and providing energy, water and other services to occupiers will rise as a consequence of climate change.

Movement during 2021: Unchanged

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Overall, climate change risk continues to increase in prominence and importance. The UK Government continues to introduce more legislative aspects linked to climate risk e.g. from 2022 certain listed entities will have to disclose in line with the TCFD and the latest energy white paper is setting out higher standards for energy efficiency in commercial and residential properties.

Executive responsibility: Nigel George

Our key controls:

- The Board and Executive Committee receive regular updates and presentations on ESG (environmental, social and governance) 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 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 science-based carbon targets which have been independently verified by the Science-Based Targets initiative (SBTi).

Key
Strategic objectives

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5. To maintain strong and flexible financing

Potential impact	What we did in 2021	What we will be doing in 2022
Strategic objectives 1. 2. 3. 4. 5. **Business model** Could potentially impact on all aspects of our business model **KPIs** — Could impact on any Group KPIs	— Engaged with a portfolio IT partner to provide additional support for ICT infrastructure and cyber security assessments. — 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. — 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. — Worked 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.
Strategic objectives 1. 2. 3. 4. 5. **Business model** Could potentially impact on all aspects of our business model **KPIs** — Total return — Total property return — Total shareholder return Could indirectly impact on a number of our other KPIs	In order to support our community during Covid-19: — Ensured the market and our key stakeholders were kept updated on our response to Covid-19. — Followed a proactive and personalised response to our tenants facing difficulties due to Covid-19. — Committed £725,000 of community and sponsorship donations for 2021. — Worked with relevant agencies to provide accommodation and car parking free of charge to NHS staff in central London. — Continued to implement a mandatory compliance training programme for all employees (including Directors). — Monitored investor views and press comments while maintaining contact with other stakeholders.	— Continue communication with, and listening to, our stakeholders. — Continue to support those in need. — Continue to support our staff's training requirements. — Continue with our current controls and mitigating actions.
Strategic objectives 1. 2. 3. 4. 5. **Business model** Could potentially impact on all aspects of our business model **KPIs** — Total return — BREEAM rating — Science-based carbon target performance — Total shareholder return A significant diversion of time could affect a wider range of KPIs	— Published our annual Responsibility Report in April 2021. — Continued investigations into off-site renewable energy generation opportunities available to us to reduce our market-based dependency, which included submitting a planning application for an 18.4MW solar park on Lochfaulds Farm (see page 13). — Refreshed our Development Framework for Developments, which sets new minimum requirements for the development pipeline. — We set building specific operational energy targets, aligned with a 1.5°C science-based scenario. — Launched our first net zero carbon occupier survey focused specifically on better understanding how we can support our occupiers achieve their goals (see page 13). — Ensured our 2021 Report & Accounts contains disclosures which are consistent with Task Force on Climate-Related Financial Disclosures (TCFD) recommendations (see pages 68 to 73). — Commissioned a comprehensive report into the feasibility and costs of achieving an EPC B grade across our portfolio by 2030 (see page 55). — Attended, and presented, at the Conference of the Parties 26 (COP26) (see page 54).	— Review the findings arising from the occupier net zero carbon survey and how we can support our occupiers achieving their goals. — Investigate planting a further 425ha of trees across our Scottish land (equivalent to 794 football fields). — Agree a strategy for the portfolio to achieve an EPC B grade by 2030 following the results of the feasibility and cost report. — Continue with our current controls and mitigating actions.

OUR PRINCIPAL RISKS CONTINUED

OPERATIONAL CONTINUED

Risk | **Our key controls**

8A. NON-COMPLIANCE WITH HEALTH AND SAFETY LEGISLATION

Risk

The Group's cost base is increased, and management time is diverted through an incident or breach of health, safety and fire legislation leading to reputational damage and/or loss of our licence to operate. For example, a major health and safety incident could cause significant business interruption for the Group

Movement during 2021: Reduced

During 2021, the health and wellbeing of our employees, occupiers and other stakeholders has been a top priority. We have invested additional resources into health and safety. Our accident frequency rate (AFR) for development projects in 2021 was 1.26 (2020: 2.72) a reduction of 53.7% (see page 66).

Executive responsibility: Paul Williams

Our key controls

— All our 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 the Health and Safety Committee.
— Health and safety statutory compliance within our managed portfolio is managed and monitored using RiskWise, a software compliance platform. This is supported by annual property health checks.
— The Managed Portfolio Health and Safety Manager with the support of internal and external stakeholders supports our Portfolio and Building Managers to ensure statutory compliance.
— The Construction Health and Safety Manager, with the support of internal and external stakeholders, 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 key health and safety matters, including both physical and mental health.

8B. OTHER REGULATORY NON-COMPLIANCE

Risk

Should the Group breach any of the legislation that forms the regulatory framework within which the Group operates, 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.

Movement during 2021: Reduced

During 2020 and 2021, we have followed the UK Government's regulations in respect of social distancing and safe working practices. In accordance with disclosure requirements, we ensured our stakeholders and the wider investment market were kept appraised of Derwent London's response to Covid-19 and its impact on our business.

During 2021, the Competition and Markets Authority (the 'CMA') has been investigating uncompetitive behaviour in the construction industry, including price fixing, marketing sharing and bid rigging. Although the Group seeks assurances from prospective contractors on the status of any CMA investigations in which they are involved, the use of contractors which are found to be engaging in uncompetitive behaviour could lead to reputational damage for the Group.

Executive responsibility: Damian Wisniewski

Our key controls

— 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.
— Staff training and awareness programmes.
— Group policies and procedures dealing with all key legislation are available on the Group's intranet.
— A Group whistleblowing system for staff is maintained to report wrongdoing anonymously.
— Managing our properties to ensure they are compliant with the Minimum Energy Efficiency Standards (MEES) for Energy Performance Certificates (EPCs).

Key

Strategic objectives

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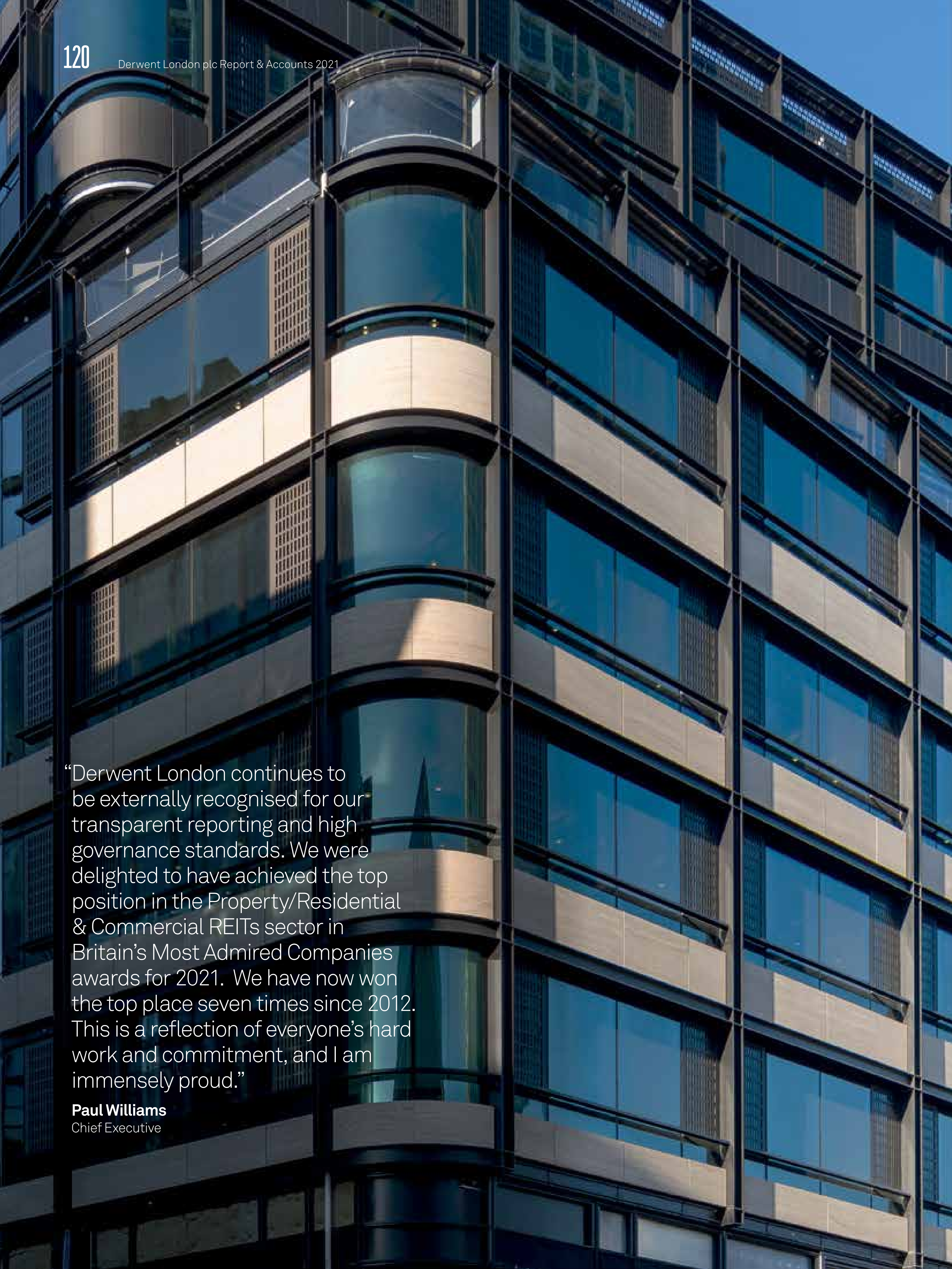
Potential impact	What we did in 2021	What we will be doing in 2022
Strategic objectives 1. 2. 3. 4. 5. **Business model** Could potentially impact on all aspects of our business model **KPIs** — Total shareholder return A significant diversion of time could affect a wider range of KPIs	— Our Head of Health and Safety was part of the Construction Leadership Council (CLC) Covid-19 Task Force, which published guidance for contractors on-site operating procedures. He also sits on the Construction Industry Councils (CIC) Building Safety Committee Chairs the Health and Safety Executives (HSE) Managing Risk Well Group and sits on the new Building Safety Alliance Group and output of the post-Grenfell Hackett report, which is setting the competencies for the new duties of the Accountable Person and Building Safety Manager. — Published a health and wellbeing guide for employees working from home. — Became a supporter of the Mates in Mind Mental Health programme designed specifically for the construction industry, developed a working from home guide and arranged webinars on topics such as resilience, mental health and nutrition. — Performed detailed health and safety risk assessments of 25 Savile Row and common areas within the managed portfolio and implemented initiatives aimed at preserving social distancing and protecting our employees and occupiers. — Launched our new bespoke compliance system, RiskWise, which is embedded into our business operations. — Performed a detailed health and safety audit of all residential properties and a property health check of all commercial properties in our managed portfolio, in conjunction with six monthly risk assessment checks by external specialist water consultants. — Developed a health and safety knowledge library where all our procedures and standards are made available to both internal and external stakeholders. — Worked with our external fire consultants to be amongst the first UK property companies to implement a Fire Safety Management System in line with BS9997. — Set up a property benchmarking group to share best practice accident data and agree KPIs.	— Prepare the business for the implementation of our new Fire Safety Management System aligned with the requirements of the Fire Safety and Building Safety Acts. — Continue with our current controls and mitigating actions. — Introduce an e-permit system, CDM and water hygiene module within our RiskWise platform. — Monitoring Contractor performance in line with their KPIs. — Continuing the focus on health giving it the same billing as safety. — Continue to raise Derwent London's profile across the property and development sectors.
Strategic objectives 3. 4. 5. **Business model** Could potentially impact on all aspects of our business model **KPIs** — Total return — Total property return — Total shareholder return A significant diversion of time could affect a wider range of KPIs	— Despite homeworking, our employees continued to follow the Group's normal compliance procedures, including in respect of the signing of documentation and delegated authorities. — Our 2020 Report & Accounts and Responsibility Report was successfully published despite lockdown restrictions. — Our AGM arrangements were amended to be in accordance with UK Government guidelines and was held on 14 May 2021. — Quarterly review of our anti-bribery and corruption procedures by the Risk Committee. — Continued to implement a compliance training programme, mandatory for all employees including the Board. — As part of our 2021 staff performance appraisals, all employees confirmed they have reviewed and understood Group policies.	— Continue with our current controls and mitigating actions.



"Derwent London continues to be externally recognised for our transparent reporting and high governance standards. We were delighted to have achieved the top position in the Property/Residential & Commercial REITs sector in Britain's Most Admired Companies awards for 2021. We have now won the top place seven times since 2012. This is a reflection of everyone's hard work and commitment, and I am immensely proud."

Paul Williams
Chief Executive

GOVERNANCE

INTRODUCTION FROM THE CHAIRMAN

Mark Breuer
Chairman

2022 FOCUS AREAS

- Review the Group's strategy and five-year plan
- Monitor the progress of our key development projects: Soho Place W1, The Featherstone Building EC1 and 19-35 Baker Street W1
- Ensure a smooth handover of responsibility to a new Risk Committee Chair when Richard Dakin steps down from the Board
- Remuneration Policy review and consultation with major shareholders and proxy voting agencies
- Engage in an externally facilitated Board performance evaluation

REVIEWING OUR PURPOSE

Our purpose communicates the Group's strategic direction and intentions to our employees, occupiers and wider stakeholders. Due to its importance, it is regularly reviewed by the Board.

At the Board's strategy review meeting in June 2021, it was agreed that our purpose could be simplified to ensure greater clarity and reference to the importance of our net zero carbon journey. The overall sentiment of our purpose remains unchanged and continues to highlight our emphasis on deep and ongoing relationships, our focus on corporate responsibility and wellbeing.

Our purpose pages 1 and 131 →

Dear Shareholder,
On behalf of the Board, I am pleased to introduce the Group's Corporate governance statement on pages 130 to 143.

The Board's activities
2021 has been an active and progressive year for the Group. As well as overseeing the management of risks which have arisen from the Covid-19 pandemic, the Board and its principal committees have:

- approved a number of key acquisitions and disposals (see page 20);
- approved the issue of a green bond (see page 13);
- held an Investor Day and the Group's first Stakeholder Day (see page 134) which I attended alongside the Executive Directors and Cilla Snowball (Chair of the Responsible Business Committee);
- held a strategy review meeting in June 2021;
- achieved the National Equality Standard (see page 58); and
- reviewed the support being provided to our local communities, occupiers and employees.

Further information on our key activities is provided on pages 142 to 143 and in the individual committee reports on pages 144 to 193.

Board changes
During 2021, we were pleased to welcome Emily Prideaux and Sanjeev Sharma to the Board on 1 March and 1 October, respectively. Emily was an internal appointment and demonstrated the strength of Derwent London's talent pipeline. Sanjeev brings a wealth of people management experience to the Board (Sanjeev's full biography is on page 127). Following Simon Fraser stepping down from the Board upon reaching his ninth anniversary, we appointed Helen Gordon to the role of Senior Independent Director. Richard Dakin will reach his ninth anniversary of appointment during 2022. The Board will focus on appointing a successor for the role of Risk Committee Chair and managing the transition process.

Compliance with the UK Corporate Governance Code (the Code)
Our compliance with the Code during the year is disclosed on page 123 in our compliance statement. I am pleased to report that from 1 January 2022, we are complying in full with the principles and provisions of good governance contained in the Code.

The Annual General Meeting (AGM) and re-election of Directors
To ensure the safety of employees and our shareholders, we were required to hold the 2021 AGM as a closed meeting. Despite the restrictions, the 2021 AGM did include a short business update and virtual Q&A session. This year, we are aiming to host our 2022 AGM at DL/78, which will allow our shareholders to see first-hand this exciting new occupier space (see pages 30 and 197). Alongside my fellow Directors, I hope that you will be able to join us.

In accordance with the Code, all Directors will be putting themselves forward for election at the AGM. Following an internal performance evaluation, I can confirm that each Director's performance continues to be highly effective and demonstrates a high level of commitment to their roles (see page 141).

If you wish to discuss any aspect of our governance arrangements, please contact me via our Company Secretary, David Lawler (telephone: +44 (0)20 7659 3000 or email: company.secretary@derwentlondon.com).

Mark Breuer
Chairman
23 February 2022

GOVERNANCE AT A GLANCE

Transparency and strong corporate governance helps us to generate value for our stakeholders and underpins our success.

EMPLOYEE ENGAGEMENT

Employee engagement continuously remains a priority, to inspire and engage, our talented and diverse workforce. In 2021, we achieved the National Equality Standard accreditation and received feedback from our 4th biennial employee survey:

90.5%
employee satisfaction

81%
of employees recognised Derwent London's commitment to health and wellbeing

Our people page 56 →
The section 172(1) statement page 124 →

NON-EXECUTIVE DIRECTOR CHANGES

In October 2021, we announced the appointment of Helen Gordon as the new Senior Independent Director and Sanjeev Sharma as a Non-Executive Director. We are fully compliant with the Hampton-Alexander Review and Parker Review recommendations on Board diversity (see page 147).


Helen Gordon
Senior Independent Director


Sanjeev Sharma
Non-Executive Director

Non-Executive Director appointment page 146 →

MAJOR BOARD ACTIVITIES

The Board's major decisions and activities during 2021 included:

Key decisions:
- Disposal of Angel Square EC1
- Acquisition of Bush House WC2, Headlease
- Acquisition of 250 Euston Road NW1
- Acquisition of 171-174 Tottenham Court Road W1
- Agreed three off-market transactions with Lazari Investments
- Acquisition of 230 Blackfriars Road SE1
- Raised £350m via a 10-year 1.875% green bond
- Terms agreed to acquire The Moorfields Estate EC1
- Disposal of New River Yard EC1

Key activities:
- Reviewed the Group's talent pipeline and succession plans
- Monitored the Group's performance towards net zero carbon
- Investor Day held on 28 September at DL/78
- Achieved the National Equality Standard accreditation

Key activities of the Board page 142 →

UK CORPORATE GOVERNANCE CODE – 2021 COMPLIANCE STATEMENT

The Board confirms that for the year ended 31 December 2021, the principles of good corporate governance contained in the 2018 UK Corporate Governance Code (the Code) have been consistently applied. However, we were unable to comply in full with provisions 9, 19 and 38 (our explanation for non-compliance is provided below). From 1 January 2022, we have been compliant with all provisions of the Code. Further information on the Code can be found on the Financial Reporting Council's website at: **www.frc.org.uk**

Provision	Explanation	Current status
9: The chair should be independent on appointment. A chief executive should not become chair of the same company. If, exceptionally, this is proposed by the board, major shareholders should be consulted ahead of appointment **19:** The chair should not remain in post beyond nine years from the date of their first appointment to the board	For the period 1 January 2021 to 14 May 2021, we were non-compliant with provisions 9 and 19 of the Code as our Chairman during this period (John Burns) was not independent upon appointment, was previously our CEO and had served for more than nine years. John Burns was Chairman for two years to facilitate an orderly succession and protect our culture. The Nominations Committee's decision was made after careful deliberation and consultation with major shareholders. To ensure the separation of leadership between the Chairman and CEO we implemented numerous safeguards (see page 116 of the 2019 Report & Accounts) which operated effectively	We appointed an independent Non-Executive Chairman, Mark Breuer, on 14 May 2021. We are now fully compliant with provisions 9 and 19
38: The pension contribution rates for executive directors, or payments in lieu, should be aligned with those available to the workforce	Pension contribution rates for newly appointed Executive Directors is aligned with the workforce at 15% of base salary. Since 1 January 2020, the Remuneration Committee has been implementing its transition plan which reduced pension contribution rates for the current Executive Directors (being, Paul Williams, Damian Wisniewski, David Silverman and Nigel George) from 20% to 15% by 1 January 2022. During 2021, the pension contribution rates for the current Executive Directors was 17.5% of salary	From 1 January 2022, we are fully compliant with provision 38 as the pension contribution rates for all Executive Directors is 15% (aligned with the wider workforce)

THE SECTION 172(1) STATEMENT

The Board of Directors confirm that during the year under review, it has acted to promote the long-term success of the Company for the benefit of shareholders, whilst having due regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006.

Issues, factors and stakeholders

The Board has direct engagement principally with our employees and shareholders but is also kept fully apprised of the material issues of other stakeholders through the Responsible Business Committee and Executive Directors, reports from senior management and external advisers. On pages 26 and 27 we outline the ways in which we have engaged with key stakeholders and the material issues that they have raised with us.

s172 factor	Relevant disclosures
(a) the likely consequences of any decision in the long-term	Company purpose (pages 1 and 131) Central London office market (page 14) Reshaping the portfolio, restocking the pipeline (page 20) Pipeline projects & super-sites (page 24) Our business model (page 28) Our strategy (page 32)
(b) the interests of the Company's employees	Our people (page 56) Diversity and inclusion (page 57) National Equality Standard (page 58) Non-financial reporting (page 66) Employee engagement (page 135)
(c) the need to foster the Company's business relationships with suppliers, customers and others	Providing enhanced amenities (page 30) Human rights and modern slavery (pages 65 and 167) Stakeholder Day (page 134) Responsible payment practices (page 169) Supply Chain Sustainability Standard (page 169)
(d) the impact of the Company's operations on the community and the environment	Environmental (page 52) Our pathway to net zero carbon (page 12) TCFD disclosures, GHG and energy data (pages 68 to 75) Community Fund (page 61)
(e) the desirability of the Company maintaining a reputation for high standards of business conduct	Derwent London brand (page 102) Purpose, values and culture (pages 1 and 131) Whistleblowing (page 136) Internal financial controls (page 154) Anti-bribery and corruption (page 165) Awards and recognition (see inside back cover)
(f) the need to act fairly between members of the Company	Shareholder engagement (page 137) Annual General Meeting (AGM) (page 197) Rights attached to shares (page 196) Voting rights (page 196)

PUBLIC INTEREST STATEMENT – 2021

As a business that designs and manages office space, we are aware of our wider obligations to be a responsible business partner to our occupiers and to the communities in which we operate. As our activities impact on multiple stakeholder groups (see page 26), our Board ensures that stakeholder matters are central to its decision making alongside the long-term financial success of our business.

We extend our obligations beyond the statutory requirements to add value and build long-term mutually beneficial relationships. Our obligations are incorporated into our purpose, which strongly influences our values (see page 131). We have detailed on pages 12, 13, 26, 27, 30, 31 and 50 to 75 how we have acted in the public interest during 2021.

Methods used by the Board

The main methods used by the Directors to perform their duties include:

— the Board sets the Group's purpose, values and strategy and ensures they are aligned with our culture (see page 131);
— the Responsible Business Committee monitors the Group's corporate responsibility, sustainability and stakeholder engagement activities and reports to the Board on its activities (see pages 166 to 171);
— the Board assess the potential impact of significant capital expenditure decisions on our stakeholders (see page 136);
— the Board's risk management procedures identify the potential consequences of decisions in the short-, medium- and long-term so that mitigation plans can be put in place (see pages 160 and 164);
— strategy reviews which assess the long-term sustainable success of the Group and our impact on key stakeholders;
— direct and indirect stakeholder engagement (see pages 26 to 27 and 134 to 137);
— external assurance is received from stakeholder surveys, brokers and advisers; and
— specific training for our Directors and senior managers.

In response to the continuing uncertainty and difficulties facing our stakeholders due to the Covid-19 pandemic, and in addition to the main methods listed above, the Board also:

— held two strategy meetings in 2021 to ensure our strategy remains fit for purpose (see page 130);
— organised the Group's first Stakeholder Day and an Investor Day which were attended by the Chairman, Executive Directors and senior management (see page 134);
— continued to oversee management's decisions and policies in respect to:
  – our ability to safely operate our buildings;
  – supporting the local community; and
  – providing clear communications and support to our employees.
— in addition to the feedback received at the Stakeholder Day and Investor Day, the Board received more regular feedback from our stakeholders through:
  – the occupier carbon aspiration questionnaire (see page 13);
  – the 2021 biennial employee survey and employee pulse surveys (see page 60); and
  – updates on engagement with occupiers and suppliers.

Principal decisions in 2021 and how we have met our public interest obligations

The key activities and principal decisions undertaken by the Board in 2021 are detailed on pages 142 and 143. We detail below how the Board factored stakeholders, and the information we received through engagement, into its decisions in 2021.

Engagement we received	Our response
Occupiers During 2021, the Asset Management team contacted most of our occupiers and maintained this contact throughout. Two occupier surveys were conducted during 2021 to gather feedback to better understand the impact of the pandemic on our occupiers and their key concerns. The results of these engagement activities were shared with the Board and Responsible Business Committee. In addition, the Sustainability team conducted an occupier survey which focused on their carbon aspirations. Further information on this survey, and our response to the engagement received, is on page 13.	— To monitor good air quality, we ensured all building ventilation systems were compliant with Covid-19 regulations and introduced CO_2 monitoring to assess ventilation levels and provide comfort to our occupiers. — Requests for financial support was tailored to businesses individual needs rather than a blanket approach. Particular attention was given to occupiers perceived to be most at risk, including retail and hospitality occupiers. The Board's support for these occupiers not only assisted the businesses themselves but also helped to preserve the amenity for the buildings' other occupiers and the local community. — Due to the pandemic, more occupiers were utilising the bike racks at our buildings. It was identified that additional bike racks were required for some of our buildings, and these were installed. This was a relatively small capital expenditure however, it reflected the changing needs of our occupiers and helped to support their wellbeing (see page 30). — In response to feedback from our occupiers, we installed farm towers at Oliver's Yard and the White Chapel building to add more biophilia in our buildings and to support wellbeing.
Employees The Board and Responsible Business Committee were made aware via our employee survey and feedback received from the D&I Working Group that: — there was a proportion of employees that found homeworking was leading to longer working days. — there was some anxiety and uncertainty surrounding the measures in place for when employees started to return to the office environment.	— Guidance was provided to employees on how to support their wellbeing and safeguard their health whilst at home. At a number of town hall meetings, the CEO reiterated the importance of balancing work and personal commitments. In recognition of their hard work, the Board gave all employees extra days off on 1 June and 24 December. — In advance of returning to the office, an updated protocol guide and a compulsory 30-minute online induction were distributed on the Covid-19 safety measures in place. — Our Occupational Health provider was invited to present at town hall meetings on topics including 'long covid', vaccines, variants, responsible behaviour and supporting others. — Increased our mental health champions' network: 13% of the business are now trained as mental health champions (see page 56).
Local communities and others The feedback we received in 2021, highlighted that homelessness and mental health remained a concern within communities. We were aware that certain University College Hospital staff were being housed in hotels as they were unable to stay with their families during the height of the pandemic (see pages 13 and 105 of the 2020 Report & Accounts). We sought engagement from the Chickenshed Youth Taskforce on our Community Fund guidelines, to ensure it remains accessible and true to its original intention of supporting local communities.	— We donated £40,000 to groups supporting the homeless and £30,000 to mental health charities. We donated over £130,000 to organisations seeking to address diversity and inclusion within the property sector, including a three-year bursary supporting an undergraduate student at the Reading Real Estate Foundation and supporting the establishment of the Academy of Real Assets (see page 62). — The total for charitable donations, sponsorship and community funding during 2021 was £704,000. — The business extended use of 16 furnished flats at Charlotte Apartments to NHS staff at University College Hospital free of charge. This was initially agreed in 2020 for seven months, before being extended for a further six months in 2021, and has a total equivalent rental value of c.£598,000. — The feedback received from the Chickenshed Youth Taskforce will be used to refresh our guidelines, application and evaluation process during 2022.
Suppliers Through close collaboration with our principal contractors and main subcontractors we were kept apprised of their response to the pandemic and how it was impacting on their business, finances and staff.	— The Finance team worked hard to reduce our average payment days to 20 days, which assisted our contractors with their cash flow and liquidity. — To support furloughed third party service staff, Derwent London continued to 'top-up' wages by 20% so that there was no drop in income during the furlough period between March 2020 to 30 September 2021. The Board were mindful that a significant number of these workers were on relatively low wages and a 20% reduction under the Coronavirus Job Retention Scheme would be significant. After the furlough period ended, we reinstated all service staff back to our buildings. This helped to ensure jobs and salaries remained protected.
Central and local government Paul Williams (CEO) is Chairman of the Westminster Property Association (WPA), a not-for-profit advocacy group, which focuses on policy, research and maintaining excellent relationships with Central London's local authorities. In 2021, WPA launched two research papers on net zero carbon and sustainability which included contribution from Derwent London. Tackling climate change is a serious challenge and requires coordinated action. Islington Council was working towards becoming a London Living Wage Borough and was seeking support from businesses.	— Through his WPA role, Paul receives invaluable feedback from local authorities and other stakeholders which can be brought to our Board and inform our decision making. — Paul Williams and John Davies (Head of Sustainability) attended and presented at COP26. We also hosted a tour of our Scottish land where planning permission is being sought for renewable energy initiatives (see page 13). Damian Wisniewski (CFO) spoke at the London Climate Action Week summit in June 2021 on how we can work together to make progress on climate change. Derwent London's Net Zero Carbon Pathway is aligned with the target for London to be carbon neutral by 2030. — Derwent London became a part of Islington's London Living Wage Action Group. In celebration of Living Wage Week 2021, White Collar Factory hosted an event for Islington Council, which brought together some of the Islington businesses that have become Living Wage accredited employers over the past 12 months. We also signed-up to participate in the 'Making Living Wage Places' initiative, run by the Living Wage Foundation. Derwent London has been London Living Wage Foundation accredited since 2017 (see page 62).
Shareholders The Covid-19 pandemic continued to have an impact on the stock market. There was considerable uncertainty surrounding whether dividend payments would be made to shareholders and the ability of businesses to weather the continuing uncertainty.	— The Board considered the financial strength of the business and agreed to continue to pay the 2020 final dividend in June 2021 and to pay an interim 2021 dividend in October. This decision provided security to our shareholders who value the regular income received from our dividend payments. — We hosted an Investor Day on 28 September, which provided an opportunity for our investors to meet with members of the Board and raise any questions (see page 134). — Despite being unable to host an in person AGM in 2021, the Directors ensured there were audio facilities so that our shareholders could follow proceedings and ask questions.

BOARD OF DIRECTORS

1. David Silverman, 52
Executive Director

Appointed to the Board: 2008

David joined the Group in 2002 and is responsible for leading Derwent's investment acquisitions and disposals. In addition, his responsibilities include overseeing the Group's property management team. David is a past Chairman of Westminster Property Association.

Other public appointments: Member of the Board of Directors of New West End Company and Chairman of the Chickenshed Property Company.

2. Emily Prideaux, 42
Executive Director

Appointed to the Board: 2021

Emily has overall responsibility for overseeing Leasing and Asset Management transactions, building on our excellent customer service and relations, leading our marketing and digital strategy, whilst continuing to ensure that our future developments provide best in class workspace for the next generation of businesses. Emily is a chartered surveyor and was previously Director of Investment Management at CB Richard Ellis North America.

Other public appointments: Director of The Paddington Partnership.

3. Helen Gordon, 62
Senior Independent Director

Appointed to the Board: 2018

Helen is a chartered surveyor and is CEO of Grainger plc. Previously, she was Global Head of Real Estate Asset Management of Royal Bank of Scotland plc and has held senior property positions at Legal & General Investment Management, Railtrack and John Laing Developments.

Other public commitments: CEO of Grainger plc, Board member and Immediate Past President of the British Property Federation and Vice Chair and Board Member of EPRA.

Committees: Remuneration, Nominations.

4. Damian Wisniewski, 60
Chief Financial Officer

Appointed to the Board: 2010

A chartered accountant who held senior finance roles at Chelsfield plc, Wood Wharf Limited Partnership and Treveria Asset Management. Damian has overall responsibility for financial strategy, treasury, taxation and financial reporting as well as strategic and operational responsibilities.

Other public appointments: Trustee and member of the governing body at the Royal Academy of Music and Non-Executive Director at the ABRSM.

5. Mark Breuer, 59
Non-Executive Chairman

Appointed to the Board: 2021

Mark worked in investment banking for 30 years and, in 2017, retired from a 20-year career at JP Morgan in London, where he held the position of Vice Chairman Global M&A and was a member of the Global Strategic Advisory Council. Mark is a Fellow of the Institute of Chartered Accountants of England and Wales, having qualified in 1987, and has a BA from Vassar College in the US.

Other public appointment: Chairman of DCC plc.

Committees: Nominations (Chair).

6. Dame Cilla Snowball, 63
Non-Executive Director

Appointed to the Board: 2015

Cilla is the former Group Chairman and Group CEO at AMV BBDO, one of the top advertising agencies in the UK.

Other public appointments: Governor of the Wellcome Trust and Director of Genome Research Limited.

Committees: Responsible Business (Chair), Nominations, Risk.

7. Richard Dakin, 58
Non-Executive Director

Appointed to the Board: 2013

Richard is the Managing Director of Capital Advisors, part of CBRE, since 2014. Previously, he had been employed at Lloyds Bank since 1982 where he gained an extensive knowledge of property finance and the real estate sector. He is a Fellow of the Royal Institution of Chartered Surveyors.

Committees:
Risk (Chair), Audit, Nominations.

8. Paul Williams, 61
Chief Executive

Appointed to the Board: 1998

Paul is a chartered surveyor who joined the Group in 1987. He was appointed Chief Executive in 2019. He has overall responsibility for Group strategy, business development, sustainability, health and safety and day-to-day operations.

Other public appointments: Director of Sadler's Wells Foundation and Chairman of the Westminster Property Association.

Committee:
Responsible Business.

9. Claudia Arney, 51
Non-Executive Director

Appointed to the Board: 2015

Claudia was Group Managing Director of Emap until 2010. Prior to that she held senior roles at HM Treasury, Goldman Sachs and the Financial Times.

Other public appointments: Chair of Deliveroo plc and Non-Executive Director of Kingfisher plc. Member of the Takeover Panel (Hearings Committee) and Lead Non-Executive Board Member for the Department for Digital, Culture, Media & Sport.

Committees:
Remuneration (Chair), Audit, Responsible Business, Nominations.

10. Sanjeev Sharma, 58
Non-Executive Director

Appointed to the Board: 2021

Sanjeev is a member of the Real Estate Balance board, and is an independent member of the Estates Strategy Committee of King's College University London.

Other public appointments: Chief Property Portfolio Officer at M&G Real Estate – a leading financial solutions provider for global real estate investors, which is part of M&G plc's £67.2 billion Private & Alternative Assets division.

Committees:
Audit, Risk, Nominations.

11. Nigel George, 58
Executive Director

Appointed to the Board: 1998

Nigel is a chartered surveyor who joined the Group in 1988. His responsibilities include overseeing the development department, as well as acquisitions, disposals and investment analysis.

Other public appointment: Director of the Chancery Lane Association Limited.

12. Lucinda Bell, 57
Non-Executive Director

Appointed to the Board: 2019

Lucinda is a chartered accountant and from 2011 to 2018 was CFO of The British Land Company plc ('British Land'). Prior to that, she held a range of finance and tax roles at British Land.

Other public appointments:
Non-Executive Director of Crest Nicholson Holdings plc, and Non-Executive Director at Man Group Plc.

Committees:
Audit (Chair), Risk, Remuneration, Nominations.

SENIOR MANAGEMENT

EXECUTIVE COMMITTEE

1. **Jennifer Whybrow**
   Head of Financial Planning & Analysis
2. **John Davies***
   Head of Sustainability
3. **David Lawler**
   Company Secretary
4. **Vasiliki Arvaniti***
   Head of Asset Management
5. **Richard Baldwin**
   Director of Development
6. **Jay Joshi**
   Treasurer
7. **Victoria Steventon***
   Head of Property Management

SENIOR MANAGEMENT

8. **Tim Hyman**
   Group Architect
9. **Katy Levine**
   Head of Human Resources
10. **Robert Duncan**
   Head of Investor Relations & Strategic Planning
11. **Heethen Patel**
   Financial Controller
12. **Matt Cook**
   Head of Digital Innovation & Technology
13. **Lesley Bufton**
   Head of Property Marketing
14. **Giles Sheehan**
   Head of Investment
15. **Clive Johnson**
   Head of Health & Safety
16. **Philippa Davies**
   Head of Leasing
17. **David Westgate**
   Group Head of Tax
18. **Jonathan Theobald**
   Head of Investment Analytics
19. **Umar Loane**
   Head of Property Accounts

* effective from 1 January 2022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CORPORATE GOVERNANCE STATEMENT

Structure of the Governance section

The Governance section has been organised to follow the structure and principles (A to R) of the 2018 UK Corporate Governance Code (the Code) and illustrates how we have applied the Code principles and complied with the provisions. Further information on the Code and our compliance is on page 123.

BOARD LEADERSHIP AND COMPANY PURPOSE

Effective Board

Our Board is composed of highly skilled professionals who bring a range of skills, perspectives and corporate experience to our boardroom (see pages 126, 127 and 140). To ensure sufficient time for discussion, the Board utilises its five principal committees to effectively manage its time (see page 133). At each Board meeting, the agenda ensures sufficient time for the committee chairs to report on the contents of discussions, any recommendations to the Board which require approval and the actions taken.

The Board conducts a detailed annual review of our strategy (including our purpose and strategic objectives). Some of the key aspects discussed by the Board during its strategy discussions included:

— our aspirations, culture and purpose (see page 131);
— the role and future of the office (see page 15), tenant sectors to watch and, changes in occupier demand;
— changes to the London office market and investment market;
— succession planning (see page 146);
— feedback received from our employees and other key stakeholders;
— our development pipeline in respect to its replenishment and future potential (see pages 20 and 21); and
— climate change risk and opportunities.

Promoting the long-term success of Derwent London

In accordance with the Code, the role of the Board is to promote the long-term sustainable success of the Company, generate value for shareholders and contribute to wider society. The appropriateness of our business model is regularly reviewed by the Board at its strategy review meetings to ensure it remains capable of generating long-term sustainable value for our shareholders and other key stakeholders. In order for the business to continue to generate long-term sustainable value, the Board's actions during 2021, included:

— We completed a number of important acquisitions which has helped to restock the Group's development pipeline (see page 20). A well-stocked pipeline of potential development opportunities is a source of future returns for the Group and a key factor in our ability to continue to deliver above average returns to our stakeholders.
— During the year, we began to pursue opportunities to self-generate renewable energy from our land holdings in Scotland and liaised with our occupiers to align our net zero carbon journeys (see page 13).
— We understand the importance of amenities to our occupiers. During 2021, we opened DL/78, launched the new DL/ App, and further improved the facilities available in our buildings (see page 30).
— We increased the availability of long-term funding. An additional £350m of finance was raised via a green bond and we extended our Revolving Credit Facilities. As at 31 December 2021, our weighted average term of borrowings increased to 7.2 years.

Further information on how we create long-term value is available on the following pages:

Reasons to invest page 6 →
Our strategy page 32 →
The section 172(1) statement page 124 →

Our purpose, values and culture are disclosed on pages 1 and 122.

Purpose and values

Our purpose communicates the Group's strategic direction and intentions to our employees, occupiers and wider stakeholders.

Due to its importance, it is regularly reviewed by the Board. At the Board's strategy review meeting in June 2021, it was agreed that our purpose could be simplified to ensure greater clarity and reference to the importance of our net zero carbon journey (see page 1). Our progress towards achieving our purpose during 2021 can be reviewed on the following pages:

- How we have helped to improve and upgrade the stock of office space in central London (pages 20 to 25).
- The above average long-term returns to our shareholders (pages 46 and 187).
- The social, environmental and economic benefits brought to all our stakeholders (pages 50 to 75).

Our values articulate the qualities we embody and our underlying approach to doing business. Our values are embedded in our operational practices through the policies approved by the Board and the direct oversight and involvement of the Executive Directors.

The Executive Directors have been delegated responsibility for ensuring that policies and behaviours set at Board level are effectively communicated and implemented across the business. If the Board is concerned or dissatisfied with any behaviours or actions, it will seek assurance that corrective action is being taken. No such action was required during 2021.

Culture

Our culture has developed from our values and is a key strength of our business. The benefits of a strong culture is seen in our employees' engagement scores, retention rate year-on-year and levels of productivity. As the cultural tone of a business comes from the boardroom, safeguarding our culture is a key factor in the development of the Board's succession plans.

Assessment and monitoring

The Board monitors and assesses the culture of the Group via:

- Regularly meeting with management and inviting employees to present at Board and committee meetings.
- Gleaning feedback via the employee representatives that sit on our Responsible Business Committee.
- Assessing cultural indicators such as:
  - management's attitude to risk;
  - health and safety data;
  - compliance with the Group's policies and procedures; and
  - key performance indicators, including staff retention.
- Feedback from our wider stakeholders, including at our Stakeholder Day and from occupier pulse surveys.
- Messages received via the Group's whistleblowing system.
- Promptness of payments to suppliers.
- Independent assurance is sought via the outsourced internal audit function and other advisers.

The biennial employee surveys provide valuable insights into what is valued and seen as corporate norms. The Board was pleased to note that when our employees described the core characteristics of our culture in the 2021 employee survey, the top responses were 'passionate', 'professional', 'hardworking' and 'reputable'. In addition, 'diverse' and 'inclusive' were attributes of our culture which were used substantially more than in our last employee survey in 2019, highlighting the effectiveness of our initiatives and progress in these areas (see page 59).

With assistance from advisers, the Board will seek independent assurance that the Group's culture is clearly understood by our employees and key stakeholders during 2022 (see page 141).

Embedding our culture

The Board reinforces our culture and values through its decisions, strategy and conduct.

Culture and value 'fit' is a key consideration during our recruitment process, which is reinforced during our induction programme, monthly town halls run by the CEO, and is monitored through performance appraisals. As part of the six-monthly performance review cycle, our employees reflect on whether they demonstrate the core 'competencies' outlined in the review. These competencies include the ability to build strong internal and external relationships, communicate clearly, build trust, and demonstrate creativity, initiative and teamwork. These discussions reinforce the behaviours we wish to foster within our workforce and link our culture to our reward mechanisms.

Our senior management team undertake training to ensure they are supporting their teams and encouraging the behaviours which align with our culture. During 2021, management training covered recognising and supporting mental health concerns, diversity and inclusion, and unconscious bias.

Maintaining our culture during uncertainty and periods of change

The Covid-19 pandemic caused disruption and required adjustment to the way we work, lead our teams, collaborate and communicate. Early emphasis was placed on supporting our key stakeholder groups, including our employees, occupiers and local communities.

For our employees, we provided clear communication, reassurance and implemented further initiatives to support their mental health and wellbeing (see page 56).

It was critical that any new joiners during this period, who were unable to physically meet their teams or experience the office environment, gained a clear sense of our cultural identity. This was principally facilitated through frequent team video/conference calls, our employee newsletters, vast information on our intranet site and monthly town halls. As part of National Inclusion Week, 'coffee catchups' were organised for randomly selected staff to get to know someone they perhaps had not had a chance to meet yet. This initiative was particularly helpful for new starters who had joined throughout the year and had limited interaction with other departments.

In addition, we hosted two in-person induction sessions in July and September which included a discussion with Davina Stewart (an employee member of the Responsible Business Committee) on the topic of diversity and inclusion and our culture. At our Property & Building Management Awayday, the HR team hosted an interactive session on Derwent London's culture and values.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Governance arrangements and Board resources

Corporate governance is essential to ensuring our business is run in the right way for the benefit of all of our stakeholders. Our governance arrangements support the development and delivery of strategy by:

- ensuring accountability and responsibility;
- facilitating the sharing of information to inform decisions;
- establishing engagement programmes with key stakeholders (see pages 26 and 27);
- maintaining a sound system of risk oversight, management and an effective suite of internal controls (see pages 154, 159, 160 and 164);
- providing independent insight and knowledge from the Non-Executive Directors; and
- facilitating the development and monitoring of key performance indicators (see pages 44 to 49).

If any Director has concerns about the running of the Group or a proposed course of action, they are encouraged to express those concerns which are then minuted. No such concerns were raised during 2021.

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.

On 6 August 2021, a detailed review of the Board's delegated authority limits was conducted, and amendments were made in respect to the limits for major property acquisitions/disposals and major capital expenditure projects. The revised authority limits are detailed below:

Board approval is required for:	Level of approval:
Major property acquisition or disposal	Valued above £40m (previously £20m)
Major capital expenditure project	Projected costs above £20m (previously £10m)
Material occupier lease or contract	Rental income greater than 7.5% of the Group's total rental income

Although the Board is formally required to authorise capital expenditure above this limit, the open nature of our organisation means that the Board is aware of all active projects within our portfolio.

The Directors utilise an electronic Board paper system which provides immediate and secure access to papers. The Chairman of the Board and the chairs of the committees set the agendas for upcoming meetings with support from the Company Secretary.

We aim to ensure that the information shared with our Board is of sufficient depth to facilitate debate and to fully understand the content without becoming unwieldy and unproductive. Papers are required to be clear and concise with any background material included as an appendix. We often invite the preparer of the report to attend meetings so the Board can gain a better understanding and question management directly.

All Directors have access to the services of the Company Secretary and any Director may instigate an agreed procedure whereby independent professional advice may be sought at the Company's expense. No such advice was sought by any Director during the year.

Board members and attendance in 2021

	Attendance at Board meetings[i]
Chairman	
Mark Breuer (from 1 February 2021)	100%
John Burns (until 14 May 2021)	100%
Executive Directors	
Paul Williams, CEO	100%
Damian Wisniewski, CFO	100%
Nigel George	100%
Emily Prideaux (from 1 March 2021)	100%
Simon Silver (until 26 February 2021)	100%
David Silverman (until 14 April 2022)	100%
Independent Non-Executive Directors	
Claudia Arney	100%
Lucinda Bell	100%
Richard Dakin	100%
Simon Fraser (until 31 October 2021)	100%
Helen Gordon	100%
Cilla Snowball	100%
Sanjeev Sharma (from 1 October 2021)	100%

Notes:

(i) Percentages based on the meetings entitled to attend for the 12 months ended 31 December 2021

GOVERNANCE FRAMEWORK

We pride ourselves on conducting our business in an open and transparent manner. Our well-established culture ensures that our governance framework remains flexible, allowing for fast decision making and effective oversight (further information on page 132).

The Board

The Board is primarily responsible for setting the Group's strategy for delivering long-term value to our shareholders and other stakeholders, providing effective challenge to management concerning the execution of the strategy and ensuring the Group maintains an effective risk management and internal control system.

Our strategy page 32
Our principal risks page 100
The section 172(1) statement page 124
Key activities of the Board during 2021 page 142

The Board delegates certain matters to its five principal committees

Risk Committee
Reviews and monitors the Group's principal and emerging risks and the effectiveness of the Group's risk management systems.
Report page 158

Audit Committee
Oversees the Group's financial reporting, maintains an appropriate relationship with the external Auditor and monitors the Group's internal financial controls.
Report page 148

Remuneration Committee
Establishes the Group's Remuneration Policy and ensures there is a clear link between performance and remuneration.
Report page 172

Responsible Business Committee
Monitors the Group's corporate responsibility, sustainability and stakeholder engagement activities.
Report page 166

Nominations Committee
Ensures the Board (and its committees) have the correct balance of skills, knowledge and experience and that adequate succession plans are in place.
Report page 144

The terms of reference of each Board committee are available on the Group's website at: www.derwentlondon.com

Executive Directors

The Board delegates the execution of the Company's strategy and the day-to-day management of the business to the Executive Directors, assisted by other members of the Executive Committee.

Chief Executive's statement page 10
Measuring our performance page 44
Property review page 76
Members page 128

Supporting committees

The executives operate a number of supporting committees that provide oversight on key business activities and risks.

Credit Committee page 106
Health and Safety Committee page 64
Sustainability Committee page 65
Sponsorship and Donations Committee page 64

Shareholders and other stakeholders

Our shareholders and other key stakeholders play an important role in monitoring and safeguarding the governance of our Group. Further information on how we engage with our shareholders (see page 137), employees (see page 135) and other key stakeholders are on pages 26 to 27.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Stakeholder engagement

We recognise the importance of clear communication and proactive engagement with all of our stakeholders. Our stakeholder engagement programmes are kept under routine review by the Board.

Stakeholder engagement has been particularly important in the past two years, due to the uncertainty and economic difficulties caused by Covid-19. Some of our engagement methods required adjustment in response to the restriction imposed by the government to slow the spread of the virus, including the use of conference call facilities to hold our 2020 and 2021 Annual General Meeting (see page 197) and the postponement of our 2020 Stakeholder Day which took place in 2021.

During the year under review, we utilised various engagement channels to receive invaluable feedback from our key stakeholders (see pages 26 to 27) which was factored into our principal decisions and activities (see pages 124 and 125).

For further information see the following disclosures:

Our strategy page 32 →
Our people page 56 →
National Equality Standard page 58 →
The section 172(1) statement page 124 →

Stakeholder Day 2021

"It was tremendous to see how much Derwent value the opinion and engagement of their stakeholders".

Andrew Ridley-Barker,
Multiplex Construction Europe Ltd.
Stakeholder Day attendee

STAKEHOLDER DAY

To enhance our understanding of our stakeholders' views and concerns, we held our first Stakeholder Day on 29 September 2021 at DL/78. Attendees included the Executive Directors, Mark Breuer (Chairman) and Cilla Snowball (Non-Executive Director) as well as occupiers, local charities, contractors, suppliers, advisers and members of the local authorities.

At the event our stakeholders were informed of our purpose, values, our 2030 Net Zero Carbon Pathway, and future projects including our 'Intelligent Building' initiatives.

The event was well received by attendees and further emphasised that strong stakeholder relationships are central to our collaborative approach.

STAKEHOLDER CHARITY AUCTION

Following consultation with our employees, Derwent London nominated two charities to support during 2021. In order to raise funds for the chosen charities we held a virtual auction from 15 to 19 November.

The online auction site was open to all of our occupiers via the DL/ App and saw a high level of interaction from suppliers and friends of Derwent London through generous donations and bids. Gifts donated by our stakeholders included a signed Cristiano Ronaldo football boot and a 'Spa for two' at Mandarin Oriental. We were delighted with the level of engagement and support we received.

£13,857

was raised and divided equally between our chosen charities, MIND and The Teenage Cancer Trust

INVESTOR DAY

On 28 September 2021, we held an Investor Day which included presentations from the Executive Directors on the London office market, the sustainability of our portfolio (our Net Zero Carbon Pathway), our future developments and investment activity.

The day included a property tour of six properties in our portfolio (including the recent acquisitions from Lazari investments) and a drinks reception with the Chairman, Executive Directors and members of senior management.

How do we engage with our employees?

We have an experienced, diverse and dedicated workforce which is recognised as a key asset of our business. The Board and its committees routinely invite members of the management team to join meetings to present on the matters being discussed. In order to reach all employees, the Board utilises a combination of formal and informal engagement methods which are detailed below.

How the Board factored employee engagement into its decisions in 2021 page 125

HOW DO WE ENGAGE WITH OUR EMPLOYEES?

Dedicated Non-Executive Director

Dame Cilla Snowball is the dedicated Non-Executive Director for gathering the views of the workforce. As Chair of the Responsible Business Committee, Cilla oversaw and received updates on our employee engagement methods. During 2021, Cilla attended the Stakeholder Day and various employee events. Further information on Cilla's role is on page 138.

Responsible Business Committee

The Responsible Business Committee has appointed four employees as members. Having employee members on a Board-level committee, enables the diverse voice of our employees to be brought directly into our Boardroom, providing invaluable insight. The Committee also strengthens the Board's oversight of environmental and social issues and, monitors the Group's corporate responsibility, sustainability and stakeholder engagement activities (see pages 166 to 171).

Whistleblowing

Our whistleblowing system offers an anonymous reporting line for employees to raise any concerns directly with the Board. The whistleblowing system allows concerns to be raised either via telephone or online web-reporting. Further information on page 136. Due to the 'open door' nature of our business, concerns are often raised directly with management, the CEO or HR team, and appropriately investigated.

Town hall meetings

The CEO hosts monthly virtual town hall meetings to ensure all employees are kept informed of business activity, reassured and engaged. Employees were encouraged to put questions forward in advance (anonymously if they wished), which were then answered during the sessions. In 2021, our Occupational Health provider was invited to present at town hall meetings on topics including 'long covid', vaccines, variants, responsible behaviour and supporting others.

Social Media channels

A variety of Social Media channels are utilised to enhance engagement and the exchange of information on the Company's activities to all stakeholders. These channels include, Facebook, Twitter, Instagram, the DL/ App and our Intranet. In particular our intranet is used as a popular platform for employees to access our policies and to receive information on wellbeing, health and safety, and training.

Awaydays

Awaydays provide an opportunity for our CEO to share the vision and strategy for the future, encourage collaboration across the business and, most importantly, have fun. Our next employee awayday is provisionally scheduled for September 2022.
During 2021, we organised an awayday for our property and building managers which focused on risk management, contractor management and excellence in customer care.

Employee surveys

We gather feedback regularly from our employees to assess their levels of engagement. We conduct a formal biennial employee survey, designed and developed in conjunction with an independent provider (see page 60). A working group is established after each formal employee survey with the aim of making recommendations to the Executive Committee.

Working Groups

The Group currently operates a number of working groups covering areas such as diversity and inclusion, innovation, and social events. Feedback received from these workings groups are given to the Responsible Business Committee or the Executive Directors, and ultimately the Board.

The Diversity and Inclusion Working Group page 169

CORPORATE GOVERNANCE STATEMENT CONTINUED

Workforce policies and practices
The Executive Directors, with assistance from members of the Executive Committee, review and approve all key policies and practices which could impact on our workforce or influence their behaviours to ensure they support the Group's purpose and reflect our values (see page 131).

Policies are published on the intranet and where relevant included in the employee handbook. Our employees are required to confirm their understanding of these policies upon recruitment and on an annual basis.

To ensure policies are embedded in our business practices, we hold presentations to staff which highlight the key messages and notify them of any changes. We operate a mandatory training programme which aims to reinforce key compliance messages in areas such as anti-bribery, modern slavery, conflicts of interest, etc.

Compliance training page 161 →

All employees (including the Board) are required to notify the Company as soon as they become aware of a situation that could give rise to a conflict or potential conflict of interest. The register of potential conflicts of interest is regularly reviewed to ensure it remains up to date. The Board is satisfied that potential conflicts have been effectively managed throughout the year (see page 139).

The Board approve the Remuneration Policy for the Executive Directors and, via the Remuneration Committee, has oversight of the wider workforce remuneration practices (further information on page 176). Our remuneration policies and practices are aligned with our pay principles, described on page 175.

As a business, we seek to conduct ourselves with honesty and integrity and believe that it is our duty to take appropriate measures to identify and remedy any malpractice within or affecting the Company. Our employees embrace our high standards of conduct and are encouraged to speak out if they witness any wrongdoing which falls short of those standards.

Our whistleblowing procedures are included within our employee handbook, on our Group intranet and staff noticeboards. In addition to an independent telephone line and online portal for anonymous reporting of concerns, the Senior Independent Director acts as an independent point of contact for whistleblowing concerns. Following receipt of a whistleblowing message we have procedures in place to ensure an independent and proportionate investigation. Any significant issue relating to potential fraud is escalated to the Chair of the Audit Committee immediately. In addition, Dame Cilla Snowball (Chair of the Responsible Business Committee and designated Director for gathering the views of the workforce) will be advised of any significant concerns raised by our employees.

During 2021, the Group migrated to a new whistleblowing system provider. The new arrangements were rolled out to all employees, including the building management teams. In the 2021 employee survey, 84% of employees confirmed they would feel able to speak up if they witnessed or experienced behaviour which was not consistent with our culture/policies.

Although this is an encouraging figure, we aspire for this to be 100%. We have therefore set 'wrongdoing and the reporting of concerns' as the topic for Q1 2022 under our compulsory compliance training programme.

The Board receives updates from the Company Secretary on the operation of the whistleblowing system. During the year under review, we did not receive any messages via our whistleblowing system (2020: no messages). Due to the 'open door' nature of our business, concerns are often raised directly with management, the CEO or HR team, and appropriately investigated.

Stakeholder impact analysis
The Board's procedures require a stakeholder impact analysis to be completed for all material decisions requiring its approval that could impact on one or more of our stakeholder groups. The stakeholder impact analysis assists the Directors in performing their duties under s172 of the Companies Act 2006 and provides the Board with assurance that the potential impacts on our stakeholders are being carefully considered by management when developing plans for Board approval.

The stakeholder impact analysis identifies:

- potential benefits and areas of concern for each stakeholder group;
- the procedures and plans being implemented to mitigate against any areas of concern; and
- who is responsible for ensuring the mitigation plans are being effectively implemented.

Board decisions which are likely to have the greatest impact on our stakeholders are those relating to our development projects particularly in respect to demolitions and rebuilds. These projects can cause:

- traffic disruption;
- noise and dust;
- vibrations; and
- impact on the surrounding area, communities and businesses.

To mitigate these issues, we enrol our development projects in the Considerate Constructors Scheme, conduct detailed traffic management risk assessments, noise and dust monitoring, and work in accordance with the relevant local authorities' Construction Management Plan. The construction methods to be used are modelled in software in order to calculate noise levels and if the model exceeds trigger levels, adjustments are made until the required noise levels are met.

At all times, work on our development sites is carried out in a safe and considerate manner with due regard to the public, adjoining properties, businesses, and road users. We maintain regular contact with local communities via various channels including, community engagement forums, newsletters, letters, public exhibitions and consultations. We disclosed on pages 117 and 107 of the 2020 and 2019 Report & Accounts, the outcome of stakeholder impact analyses performed for the 19-35 Baker Street W1 and Soho Place W1 projects, respectively.

How do we engage with our shareholders?

Shareholders play a valuable role in safeguarding the Group's governance through, for example, the annual re-election of Directors, monitoring and rewarding their performance and engagement and constructive dialogue with the Board.

The Group aims to be as transparent as possible with the information it provides to investors and welcomes face-to-face interaction. Our Chairman aims to routinely meet with institutional investors and report their views to the Board. Upon his appointment to Chairman, Mark Breuer wrote to all major shareholders inviting them to meet with him to discuss any areas of concerns or provide feedback. For our private investors, there is an opportunity to meet the entire Board (including the Non-Executive Directors) at our Annual General Meeting (AGM). Our Senior Independent Director, Helen Gordon, is also available to discuss any shareholder concerns.

We describe our main engagement methods in the table below.

Shareholder consultation	We will always seek to engage with shareholders when considering material changes to either our Board, strategy or remuneration policies. During 2022, the Remuneration Committee will consult with shareholders on proposed changes to our Remuneration Policy (see page 173).
Investor meetings	During 2021, the Group held 267 investor meetings with 214 existing and potential investors. Of these, 69 were shareholders at the year end and their ownership represented c.60% of the shares in issue. Due to the pandemic the majority of these were virtual meetings. These meetings are predominantly attended by our CEO, CFO and at least one other senior executive. The meetings focused on the Group's portfolio, strategy, the future of offices, the impact of Covid-19 and working from home. Where significant views were expressed, either during or following the meetings, these were recorded and circulated to all Directors.
Investor presentations and property tours	During 2021, we hosted virtual year end and interim results presentations and three property tours. Property tours and roadshow activity were severely restricted by the pandemic. On 28 September 2021, we held an Investor Day which included a property tour of six properties in our portfolio (including the recent acquisitions from Lazari investments).
Property conferences	Due to the Covid-19 pandemic, the majority of conferences moved to a virtual format. During 2021, we attended 11 virtual property conferences.
AGM	The AGM provides an opportunity for private shareholders, in particular, to question the Directors and the chairs of each of the Board Committees. It was necessary to hold the 2020 and 2021 AGMs virtually due to the UK Government's lockdown restrictions. However, proceedings included a Q&A session for any shareholder or interested stakeholder to ask questions of the Board. Information on the 2022 AGM is on page 197, including how we would engage with shareholders in the event of a significant vote against an AGM resolution. We ensure that the Notice of AGM is issued at least 20 working days in advance of the AGM date.
Articles of Association	At the 2021 AGM we sought, and received, shareholder approval for a number of amendments to our Articles of Association (the Articles) which primarily reflected updates to legislation, the UK Corporate Governance Code 2018 and to provide for procedural mechanics governing how the Company may hold general meetings, including annual general meetings, through a combination of a physical meeting and the use by shareholders of an electronic facility. An explanation for the changes was contained in the 2021 Notice of AGM (on pages 15 and 16) which is available on our website. At the 2022 AGM, we will be seeking shareholder approval to raise the aggregate maximum fees payable to our Non-Executive Directors under the Articles by £100,000 to £800,000 a year (see page 197).
Annual Report & Accounts	Our annual Report & Accounts is available to all shareholders. Through our electronic communication initiatives, we aim to make our annual Report & Accounts as accessible as possible. Shareholders can opt to receive a hard copy in the post, or PDF copies via email or from our website. Additionally, if a shareholder holds their Derwent London shares via a nominee account and encounters difficulty receiving our annual Report & Accounts via their nominee provider, they are welcome to contact the Company Secretary to request a copy.
Corporate website	Our website, **www.derwentlondon.com**, has a dedicated investor section which includes our annual Report & Accounts, results presentations (which are made to analysts and investors at the time of the interim and full year results) and our financial calendar for the upcoming year.
Development websites	We also create websites for specific developments which are used to explain the Group's current projects in greater detail. For example, you can find further information on Soho Place W1 and The Featherstone Building EC1 here: **www.1oxfordstreet.london** **www.thefeatherstonebuilding.london**
Senior Independent Director	If shareholders have any concerns, which the normal channels of communication to the CEO, CFO or Chairman have failed to resolve, or for which contact is inappropriate, then our Senior Independent Director, Helen Gordon, is available to address them. Helen Gordon can be contacted via the Company Secretary whose contact details are on page 278.
Other contacts	Contact details for our Investor relations team, Company Secretary and Registrars are available on page 278.

How the Board factored shareholder engagement into its decisions in 2021 page 125 →
Investor Day page 134 →
Annual General Meeting page 197 →

CORPORATE GOVERNANCE STATEMENT CONTINUED

DIVISION OF RESPONSIBILITIES

Board roles

There is clear division between executive and non-executive responsibilities which ensure accountability and oversight. The roles of Chairman and Chief Executive are separately held and their responsibilities are well defined, set out in writing and regularly reviewed by the Board.

Chairman, Mark Breuer

— Responsible for the effective running of the Board and ensuring it is appropriately balanced to deliver the Group's strategic objectives
— Promote a boardroom culture that is rooted in the principles of good governance and enables transparency, debate and challenge
— Ensure that the Board as a whole plays a full and constructive part in the development of strategy and that there is sufficient time for boardroom discussion
— Effective engagement between the Board, its shareholders and other key stakeholders

Senior Independent Director, Helen Gordon

— Provide a 'sounding board' for the Chairman in matters of governance or the performance of the Board
— Available to shareholders if they have concerns which have not been resolved through the normal channels of communication
— To at least annually lead a meeting of the Non-Executive Directors without the Chairman present to appraise the performance of the Chairman
— To act as an intermediary for Non-Executive Directors when necessary and act as Chairman, if the Chairman is conflicted
— To act as an independent point of contact in the Group's whistleblowing procedures

Designated NED for gathering the views of our workforce[i], Dame Cilla Snowball

Cilla Snowball has been designated the NED responsible for gathering the views of our workforce. This is achieved by:

— Attendance at key employee and business events, including property launches and the Summer Party
— Review messages received through the whistleblowing system from the Group's employees
— Monitor the effectiveness of engagement programmes established for employees
— Provide regular updates to the Board
— Monitor the outcome of employee surveys and provide input on their design

Non-Executive Directors (NEDs)

— Provide constructive challenge to our executives, help to develop proposals on strategy and monitor performance against our KPIs
— Ensure that no individual or group dominates the Board's decision making
— Promote the highest standards of integrity and governance throughout the Company, particularly at Board level
— Determine appropriate levels of remuneration for the senior executives
— Review the integrity of financial reporting and that financial controls and systems of risk management are robust

Chief Executive, Paul Williams

— To provide clear and visible leadership
— Execute the Group's strategy and commercial objectives together with implementing the decisions of the Board and its committees
— To keep the Chairman and Board appraised of important and strategic issues facing the Group
— To ensure that the Group's business is conducted with the highest standards of integrity, in keeping with our culture
— Manage the Group's risk profile and ensure actions are compliant with the Board's risk appetite
— Investor relation activities, including effective and ongoing communication with shareholders

Chief Financial Officer, Damian Wisniewski

— Support the CEO in developing and implementing strategy
— Provide financial leadership to the Group and align the Group's business and financial strategy
— Responsible for financial planning and analysis, treasury and tax functions
— Responsible for presenting and reporting accurate and timely historical financial information
— Manage the capital structure of the Group
— Investor relation activities, including communications with investors, alongside the CEO

Other Executive Directors

— Support the CEO in developing and implementing strategy
— Oversee the day-to-day activities of the Group
— Manage, motivate and develop staff
— Develop business plans in collaboration with the Board
— Ensure that the policies and practices set by the Board are adopted at all levels of the Group
— Investor relation activities, including communications with investors, alongside the CEO

Company Secretary, David Lawler

— Secretary to the Board and its committees
— Develop Board and committee agendas and collate and distribute papers
— Ensure compliance with Board procedures
— Advise on regulatory compliance and corporate governance
— Facilitate induction programmes for Directors and assist with their training and development, as required
— Responsible for communications with retail shareholders and the organisation of the Annual General Meeting
— Available to support all Directors

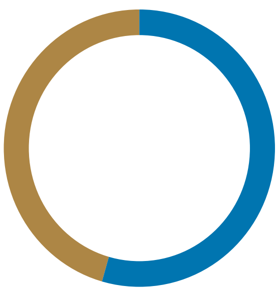
[i] Although Cilla Snowball is the designated Director for gathering the views of our workforce, the Chairman ensures that all Directors continue to remain engaged with our employees and challenge and contribute to discussions on workforce engagement.

Independence

The Board has identified on page 132 which Directors are considered to be independent. The Board has reconfirmed that our Non-Executive Directors remain independent from executive management and free from any business or other relationships which could materially interfere with the exercise of their judgement.

Independence of the Board (excluding the Chairman)

Status



Independent	6
Executive	5

54.5%

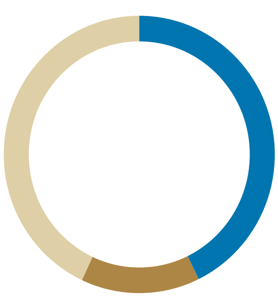
of our Board (excluding the Chairman) are independent Non-Executive Directors

The Non-Executive Directors play an important role in ensuring that no individual or group dominates the Board's decision making. It is therefore of paramount importance that their independence is maintained.

To safeguard their independence, Non-Executive Directors are not permitted to serve more than three three-year terms unless in exceptional circumstances (see page 145).

Tenure of the Non-Executive Directors (including the Chairman)

Years



Under 3	3
3-6	1
6-9	3
9+	0

4.2 YEARS

The average tenure of our Non-Executive Directors (including the Chairman)

The Chairman held a number of meetings with the Non-Executive Directors without executive management being present. These meetings are useful to safeguard the independence of our Non-Executive Directors by providing them with time to discuss their views in a more private environment.

John Burns, co-founder of Derwent London plc and the CEO for over 30 years, was appointed Non-Executive Chairman for a two-year term until the conclusion of the 2021 AGM. As our Chairman was not independent upon appointment, we were unable to comply with provisions 9 and 19 of the Code until Mark Breuer succeeded John as independent Non-Executive Chairman on 14 May 2021 (see page 123).

Other external appointments

The Board takes into account a Director's other external commitments when considering them for appointment to satisfy itself that the individual can discharge sufficient time to the Derwent London Board and assess any potential conflicts of interest.

Our Directors are required to notify the Chairman of any alterations to their external commitments that arise during the year with an indication of the time commitment involved. During the year under review, Simon Fraser became a Non-Executive Director of Segro plc with effect from 1 May 2021. Simon notified the Chairman in advance of his appointment, and the Board confirmed that it does not believe that this additional directorship affected Simon's commitment to, or involvement with, the Derwent London Board, nor did it give rise to a potential conflict of interest.

Executive Directors may accept a non-executive role at another company with the approval of the Board. Currently, none of our Executive Directors are directors of other listed companies. However, several of our Executive Directors are Trustees of charitable organisations or members of industry-related bodies.

When assessing additional directorships, the Board considers the number of public directorships held by the individual already and their expected time commitment for those roles (see biographies on pages 126 and 127). The Board takes into account guidance published by institutional investors and proxy advisers as to the maximum number of public appointments which can be managed efficiently.

All Directors have confirmed (as they are required to do annually) that they have been able to allocate sufficient time to discharge their responsibilities effectively (see table on page 132 for Board meeting attendance).

Conflicts of interest

As a Non-Executive Director's independence could be impacted where a Director has a conflict of interest, the Board operates a policy that restricts a Director from voting on any matter in which they might have a personal interest, unless the Board unanimously decides otherwise.

Prior to all major Board decisions, the Chairman requires the Directors to confirm that they do not have a potential personal conflict with the matter being discussed. If a conflict does arise, the Director is excluded from discussions.

An example of this policy in effect is in relation to Richard Dakin, who is the Managing Director of Capital Advisors Limited (a wholly-owned subsidiary of CBRE), who are the Group's external valuers. To mitigate against a potential conflict of interest, Richard does not take part in any discussions on the valuation of the Group's property portfolio at either Board or committee level. In addition, he has no involvement in any decisions regarding the appointment of CBRE or the fees paid to them.

During the annual performance evaluation of the Board, its committees and individual Directors, the impact of this role on Richard's independence has been considered. The Board continue to conclude that Richard remains independent both in character and judgement.

CORPORATE GOVERNANCE STATEMENT CONTINUED

COMPOSITION, SUCCESSION AND EVALUATION

Appointments to the Board

At Derwent London, we ensure that appointments to our Board are made solely on merit with the overriding objective of ensuring that the Board maintains the correct balance of skills, length of service and knowledge of the Group to successfully determine the Group's strategy.

Appointments are made based on the recommendation of the Nominations Committee with due consideration given to the benefits of diversity in its widest sense, including gender, social and ethnic backgrounds and personal strengths. The Nominations Committee report on pages 144 to 147 provides further information on:

— Board composition and Non-Executive Director tenure;
— Board appointments and induction;
— succession planning; and
— Board diversity.

Board skills, experience and knowledge

An effective Board requires the right mix of skills and experience. Our Board is a diverse and effective team focused on promoting the long-term success of the Group for the benefit of all stakeholders. The Directors' biographies are available on pages 126 and 127. The chart below provides an overview of the skills and experience of our Directors as at 31 December 2021.

Training

With the ever-changing environment in which Derwent London operates, it is important for our Executive and Non-Executive Directors to remain aware of recent, and upcoming, developments. We require all Directors to keep their knowledge and skills up to date and include training discussions with the Chairman in their annual performance reviews.

As required, we invite professional advisers to provide in-depth updates. Updates and training are not solely reserved for legislative developments but aim to cover a range of issues including, but not limited to, market trends, the economic and political environment, environmental, technological and social considerations.

Our Company Secretary provides regular updates to the Board and its committees on regulatory and corporate governance matters. In addition, we invite our Directors to attend courses hosted by the Deloitte Academy and PwC.

Our Directors receive training on their duties under section 172(1) of the Companies Act 2006 as part of their induction process from the Group's corporate lawyers, Slaughter & May LLP. The training is uploaded to the Board's paper portal for easy reference. In addition, at each meeting, the Board's pack of documents includes the codification of its duties alongside the meeting agenda, to ensure it is at the forefront of discussions.

During 2021:

— All Directors participated in online compliance training courses on a range of topics including social media awareness, data privacy and unconscious bias (see page 161).
— The Board received regular market and leasing updates.
— External independent advisers frequently presented to the Board on the political and economic environment.
— The Responsible Business Committee received a presentation from EY on the National Equality Standard.
— The Audit Committee received training from Deloitte on ESG/ sustainability assurance.
— The Risk Committee received a legal update from Slaughter & May LLP in November.
— All Directors attended regular external briefing sessions from the major accountancy firms.

Skills and experience

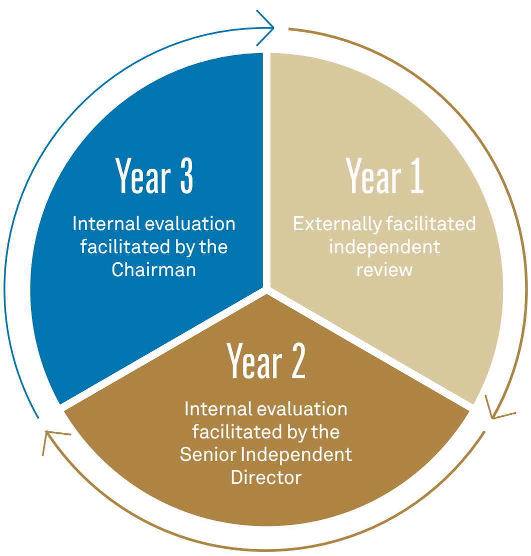
Skill	Description	Non-Executive Directors	Executive Directors
Executive and strategic leadership	Senior executive and directorship experience	7	5
Financial acumen	Senior executive experience in financial accounting, reporting or corporate finance	4	2
Climate change	Relevant skills, experience or knowledge of climate change and its associated risks and opportunities	2	3
Property and real estate	Experience in property development, construction or real estate management	4	5
Governance and compliance	Prior experience as a Board member, industry or membership of governance bodies	7	3
Corporate responsibility and community relations	Experience in corporate or social responsibility, charitable bodies or human resources	4	4
Health and safety, risk management	Experience in health and safety, risk management or internal controls	4	2
Investor relations and engagement	Experience in investor relations (private or institutional) and engagement	7	5
Capital projects	Experience working in an industry with projects involving large-scale capital outlays and long-term investment horizons	6	5
Remuneration	Prior Remuneration Committee membership and/or experience in relation to remuneration including incentive programmes	3	0

Number of Non-Executive Directors (including the Chairman)
Number of Executive Directors

Annual Board evaluation

On an annual basis, an evaluation process is undertaken which considers the effectiveness of the Board, its principal committees and individual Directors. This review identifies areas for improvement, informs training plans for our Directors and identifies areas of knowledge, expertise or diversity which should be considered in our succession plans.

The Board follows a formal three-year cycle that was developed to enable reviews to be led from a fresh perspective, each year. The next externally facilitated evaluation is due to be conducted for the year ending 31 December 2022.



The evaluation for the year ended 31 December 2020

Last year's evaluation was described in the 2020 Report & Accounts on page 121 and was internally facilitated by Simon Fraser (our previous Senior Independent Director). The evaluation identified a number of focus areas which the Board and its committees addressed during 2021:

Focus area	Actions during 2021
The induction of Mark Breuer as Chairman Designate, and handover of responsibility from John Burns	— Mark joined Derwent London as a Director on 1 February 2021 to begin his induction process which was completed well in advance of the 2021 AGM
Ensuring the Group's strategy remains appropriate in the current economic environment	— Two strategy meetings were held in May and June 2021, the implementation of the actions arising were monitored by the Board
Board diversity which will be factored into the Board's recruitment processes	— Sanjeev Sharma was appointed a Non-Executive Director on 1 October 2021 and is from a non-white ethnic minority background

The evaluation for the year ended 31 December 2021

The 2021 performance evaluation was internally facilitated by Mark Breuer (Chairman) and was informed by the recommendations arising from the 2020 evaluation.

The process covered the following areas:

- the Group's strategy and its effectiveness;
- the management of the business, and stakeholder engagement, during the Covid-19 pandemic;
- the significant challenges that Derwent London is likely to face over the next 12 months;
- the composition of the Board and its principal committees;
- each Director's contribution to the Board's discussions; and
- whether there are any issues concerning the Board's procedures and processes, including information provided to the members, and the resources made available to the Board.

The responses were collated and provided on an anonymous basis to the chairs of each committee.

As a result of this evaluation, the Board is satisfied that its structure, balance of skills and operation continues to be satisfactory and appropriate for the Group. Although the feedback received was extremely positive from all Board members, the Board identified a number of areas which it wishes to focus upon during 2022:

Focus area	Actions for 2022
Company culture	— With assistance of advisers, ensure the Group's culture is clearly understood by our employees and key stakeholders
Employee development and career management	— Nominations Committee to continue its focus on employee development and career management during 2022
Board papers	— Continue to streamline Board papers, with supporting papers included as appendices — Endeavour to distribute committee papers to committee members a week prior to each meeting

In respect to the evaluation of the Chairman, Helen Gordon (Senior Independent Director) met with the Non-Executive Directors in private sessions to consider Mark Breuer's individual performance as Non-Executive Chairman. The Non-Executive Directors were unanimous in agreeing that Mark has shown commitment to the role, objective judgement and has created a culture in the Boardroom which facilitates openness and debate.

The evaluation for the year ending 31 December 2022

In accordance with our three-year cycle, the performance evaluation for the year ending 31 December 2022 will be externally facilitated by an independent provider. The Chairman and Senior Independent Director met with potential reviewers and made a recommendation to the Board on 22 February 2022. The evaluation process will commence in Q4 2022, and the outcome of the evaluation will be reported in the 2022 Report & Accounts.

CORPORATE GOVERNANCE STATEMENT CONTINUED

KEY ACTIVITIES OF THE BOARD DURING 2021

Overview

The Board met nine times during the year (including the Annual General Meeting). Additional meetings are arranged, if necessary, for the Board to properly discharge its duties.

Property portfolio

- Approved the acquisitions of:
  - Bush House WC2 Headlease for £13.5m before costs
  - 250 Euston Road NW1, £189.9m inclusive of costs
  - 171-174 Tottenham Court Road W1, £24.7m inclusive of costs
  - Agreed joint venture with Lazari Investments to develop three leasehold properties in Baker Street, initial consideration of £64.0m inclusive of costs
  - 230 Blackfriars Road SE1 for £55.0m before costs
  - Terms agreed to acquire The Moorfields Estate EC1
- Approved the disposal of:
  - Angel Square EC1 for £86.5m before costs
  - New River Yard EC1 for £67.5m before costs
- Received regular updates on key construction projects from asset and property management, and investment activities from the senior management team

Link to strategic objectives:

1. 2. 4.

Strategy and financing

- Reviewed the short- and long-term implications of Covid-19 on the Group, our developments and occupiers
- Ongoing updates from the Executive Directors on the implementation of strategy throughout the year
- Received regular updates on lease expiries and potential vacancies
- Regularly reviewed the Group's financial structure and position:
  - Raised £350m via a 10-year 1.875% green bond
  - Extended the Group's two Rolling Credit Forecasts
  - Received an update on our Green finance initiatives
- Reviewed the Group's five-year forecast including a review of the pipeline for next five years
- Reviewed the quarterly project cost report

Link to strategic objectives:

1. 2. 4. 5.

Risk management and internal control

- Reviewed the Group's principal risks and considered emerging risks which could impact on the five-year plan
- Received regular reports on health and safety matters, including those related to the Covid-19 pandemic
- Reviewed Covid Risk Management including managing the portfolio, development, tenants and property management
- Ongoing review of the development risks at Soho Place and the Featherstone Building
- Received an update on Cyber & IT Security
- Verbal updates from the Risk and Audit Committee chairs on the key areas discussed
- Updates on the assurance audits performed by RSM and the actions arising
- Reviewed the compliance training completion rates and approved the 2021/2022 training programme

Link to strategic objectives:

2. 3. 4.

	January	February	March	April	May
Board and committee meetings	— Main Board — Nominations Committee	— Executive Committee — Main Board	— Audit Committee — Main Board — Nominations Committee — Remuneration Committee — Valuers Committee	— Executive Committee — Nominations Committee — Risk Committee	— Audit Committee — Executive Committee — Main Board — Nominations Committee — Responsible Business Committee — AGM
Key announcements	— December 2020 rent collection — Appointment of Mark Breuer as Chairman Designate — Full year results announcement date		— Results for year ended 31 December 2021	— March 2021 rent collection — Annual Report 2020 & Notice of AGM	— Q1 Business update — LMS Bondholders meeting — Published results of the 2021 AGM

Key

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

2021 has been an active and progressive year for the Group. As well as managing the risks which have arisen from the Covid-19 pandemic, the Group has made a number of key acquisitions, issued a green bond, and has held its first Stakeholder Day. An overview of our Board's key activities is provided below.

Corporate reporting and performance monitoring

- Reviewed the rolling forecasts and approved the 2022 budget
- Received regular updates on the Group's Net Zero Carbon Pathway to 2030
- Approved the year end and interim results
- Approved the Q1 and Q3 business updates
- Received assurance reports from Deloitte in respect to our Green finance framework and disclosures under the Task Force on Climate-Related Financial Disclosures (TCFD)
- Published rent collection statistics as at March, June, September and December 2021
- Reviewed the 2021 Report & Accounts to ensure it is fair, balanced and understandable
- Published our annual Responsibility Report
- Reviewed and approved the half-yearly valuations of the Group's property portfolio

Link to strategic objectives:

1. 2. 5.

Stakeholder engagement

- Virtually hosted the Annual General Meeting (AGM) on 14 May 2021
- Hosted our Investor Day on 28 September (see page 134)
- Hosted our first Stakeholder Day on 29 September 2021 (see page 134)
- Received updates from the Responsible Business Committee on the Group's sustainability and stakeholder initiatives including:
  - Our diversity targets and focus areas from the Diversity & Inclusion Working Group (see pages 169 to 171)
  - The results of employee and occupier pulse surveys
- Received updates on our investor engagement programmes and regular investor relations reports

Link to strategic objectives:

3. 4.

Governance

- Appointed Mark Breuer as Independent Chairman
- Appointed Helen Gordon as Senior Independent Director
- Appointed Sanjeev Sharma as a Non-Executive Director
- Routinely considered the Board's conflict of interests
- Performed a review of the Board, its Committees and all Directors led by the Chairman, including the review of the Committees' membership (see page 141 and 145)
- Received updates from the chairs of the Remuneration and Audit Committees on the key areas discussed
- Reviewed the outcome of the assessment performed by EY for the National Equality Standard accreditation (see page 58)
- Received regular governance updates from the Company Secretary

Link to strategic objectives:

1. 3.

June	July	August	September	October	November	December
— Main Board strategy awayday	— Executive Committee — Nominations Committee	— Audit Committee — Main Board — Nominations Committee — Risk Committee — Valuers Committee	— Executive Committee	— Executive Committee	— Audit Committee — Executive Committee — Main Board — Nominations Committee — Remuneration Committee — Risk Committee	— Main Board — Responsible Business Committee
	— June 2021 rent collection — Disposal of Angel Square EC1 — Fora lets 6-8 Greencoat Place SW1	— Acquisition of Bush House WC2 Headlease for £13.5m before costs — Appointment of Sanjeev Sharma and the retirement of Simon Fraser — Interim results — Acquisition of 250 Euston Road NW1, 171-174 Tottenham Court Road and Baker Street W1 joint venture with Lazari Investments	— Investor and Analyst Presentation held on 28 September 2021	— Resignation of David Silverman	— Raised £350m 10-year 1.875% green bond — Acquisition of 230 Blackfriars Road SE1 for £55.0m before costs	— Terms agreed to acquire The Moorfields Estate EC1

NOMINATIONS COMMITTEE REPORT

Mark Breuer
Chair of the Nominations Committee

2022 FOCUS AREAS

- Continue to monitor the Group's talent and development pipeline (see pages 60 and 146)
- Review the wider recommendations arising from the FCA's consultation on diversity and inclusion (page 147 and 171) and continue to monitor diversity initiatives
- Ensure a smooth handover of responsibility to a new Risk Committee Chair when Richard Dakin steps down from the Board

Dear Shareholder,

This is my first report to you as Chair of the Nominations Committee and I am pleased to present an overview of the Committee's work during 2021. It has been a particularly busy year for the Committee which included recruiting a new Non-Executive Director, monitoring the Group's diversity initiatives, talent development and succession plans.

Non-Executive Director changes

In October 2021, we welcomed Sanjeev Sharma as an independent Non-Executive Director, Simon Fraser stepped down after serving nine years on the Board, and Helen Gordon was appointed Senior Independent Director. All of these changes were managed efficiently and the induction programme was thorough (an overview is provided on page 146).

As Richard Dakin (Non-Executive Director) approaches his ninth anniversary on the Board, it is anticipated that he will step down as a Director by the end of 2022. The Committee have considered the composition of the Board, its effectiveness and diversity, and has concluded that no further appointments to the Board will be made during 2022.

Executive Director changes

David Silverman (Executive Director) will be leaving the Group on 14 April 2022 after 13 years as a Board Director. David Silverman's current responsibilities will be allocated amongst the other Executive Directors and the Board will not seek to appoint a replacement Executive Director.

Since 2018, and through natural succession changes, the number of Executive Directors on the Board has reduced from six to four, which is more aligned with other FTSE 250 companies.

Diversity and inclusion

Over the past few years, the business has introduced various initiatives to address gender diversity and we are pleased with the great strides that have been made. In total, 52% of employees are female and we are seeing progressive improvement in the number of women at executive level and as direct reports to the Executive Committee (see pages 147, 169 and 171).

The Board is fully compliant with the gender diversity recommendations of the Hampton-Alexander Review and the proposed Board diversity targets contained in the FCA's consultation on 'Diversity and inclusion on company boards and executive committees' (see page 147).

In respect to ethnic diversity, the Board's composition is in accordance with the Parker Review recommendation that at least one Director is from an ethnic minority background by 31 December 2024. Although there has been improvement in the ethnic diversity of the Board, and within the Group's senior management teams, we are mindful that this remains a focus area so that we can further harness the benefits of diversity. We intend to continue to support the diversity and development of the Group's talent pipeline.

Further engagement

If you wish to discuss any aspect of the Committee's activities, I will be attending the forthcoming AGM on 13 May 2022 and would welcome your questions. I am also available via our Company Secretary, David Lawler (telephone: +44 (0)20 7659 3000 or email: company.secretary@derwentlondon.com).

Mark Breuer
Chair of the Nominations Committee
23 February 2022

Committee composition and performance

Our Committee consists of seven independent Non-Executive Directors (biographies are available on pages 126 and 127). At the request of the Committee, Executive Directors, members of the senior management team and external advisers may be invited to attend all or part of any meeting, as and when appropriate.

During the year under review, the Committee was particularly busy and held eight formal meetings (2020: seven meetings), to oversee the search for a new Non-Executive Director (Sanjeev Sharma).

	Independent	Number of meetings	Attendance(i)
Mark Breuer, Chair(ii)	Yes	6	100%
Claudia Arney	Yes	8	100%
Lucinda Bell	Yes	8	100%
Richard Dakin	Yes	8	100%
Helen Gordon	Yes	8	100%
Sanjeev Sharma(ii)	Yes	1	100%
Cilla Snowball	Yes	8	100%
Simon Fraser(iii)	Yes	7	100%

Notes:
(i) Percentages are based on the meetings entitled to attend for the 12 months ended 31 December 2021.
(ii) Mark Breuer and Sanjeev Sharma joined the Committee following their appointment to the Board on 1 February 2021 and 1 October 2021, respectively.
(iii) Simon Fraser joined all meetings of the Committee until his retirement from the Board on 31 October 2021. Simon Fraser stepped down as Committee Chair, and was succeeded by Mark Breuer, following the conclusion of the 2021 AGM.

The Committee's role and responsibilities are set out in the terms of reference, which were last updated in May 2021 and are on the Company's website at: **www.derwentlondon.com/investors/governance/board-committees**

The 2021 evaluation of the Board, its committees and individual Directors, was internally facilitated by Mark Breuer, the Chairman of the Board, in accordance with our three-year cycle of evaluations (see page 141). The review confirmed that the Committee continues to operate effectively, with no significant matters raised.

Board and committee composition

On an annual basis, the Nominations Committee considers the composition of the Board and its committees in terms of its balance of skills, experience, length of service, knowledge of the Group and wider diversity considerations. The Committee did not identify any material skill gaps on the Board or its committees. An overview of the Board's skills, experience and knowledge is on page 140.

The Committee's review also aims to ensure each committee is appropriately composed to be effective and is conducted alongside discussions on Board succession and Non-Executive Director (NED) tenure.

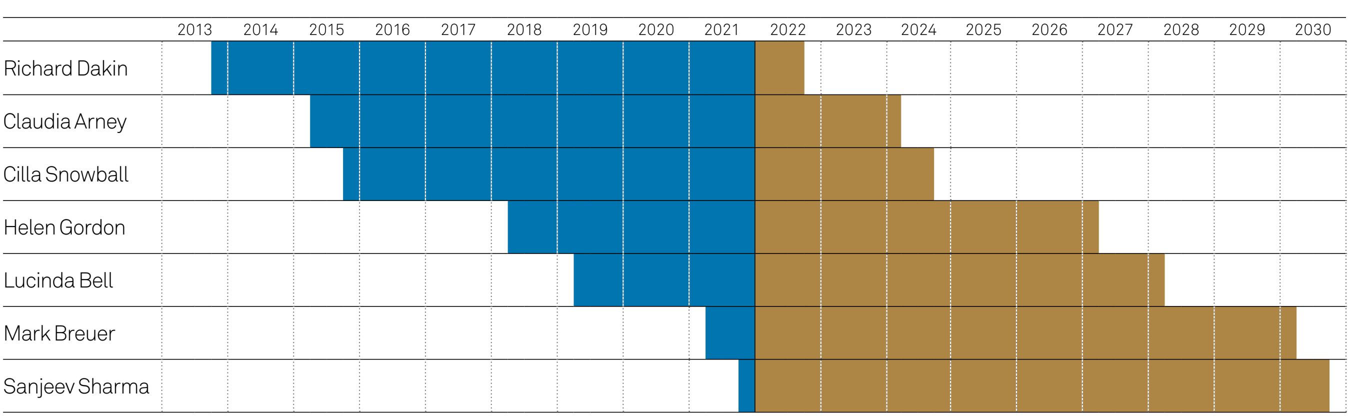
The table below provides an overview of the composition of the Board's five principal committees as at 1 January 2022. Further information on the Board's diversity is on pages 147 and 171.

	Audit Committee	Risk Committee	Remuneration Committee	Nominations Committee	Responsible Business Committee
Mark Breuer				Chair	
Richard Dakin	✓	Chair		✓	
Claudia Arney	✓		Chair	✓	✓
Cilla Snowball		✓		✓	Chair
Helen Gordon			✓	✓	
Lucinda Bell	Chair	✓	✓	✓	
Sanjeev Sharma	✓	✓		✓	
Number of independent NEDs	4	4	3	7	2
Number of Executive Directors	–	–	–	–	1
Number of employee representatives	–	–	–	–	4
Total membership	4	4	3	7	7

Following the Committee's review, it was confirmed that the membership of the five principal committees continues to be appropriate, effective and in accordance with the 2018 UK Corporate Governance Code.

Non-Executive Directors' tenure

The Committee monitors a schedule of the Non-Executive Directors' tenure and reviews potential departure dates assuming the relevant Directors are not permitted to serve more than three three-year terms (nine years) from their appointment date, unless in exceptional circumstances (see the chart below).



Based on Richard Dakin's tenure, it is anticipated that he will step down as a Director by the end of 2022. Further information on succession planning is on page 146.

NOMINATIONS COMMITTEE REPORT CONTINUED

Non-Executive Director appointment

During the year under review, the Nominations Committee led the selection and appointment process for a new Non-Executive Director, as Simon Fraser approached his ninth year on the Board. Spencer Stuart, an executive search consultancy, provided assistance to the Committee and was made aware of the Board's diversity policy (see page 147). Spencer Stuart has no other connection to the Company or individual Directors.

It was a key component of our specification that a new member of the Board has an understanding of the property sector, an entrepreneurial mindset, a passion for culture and diversity, and extensive people management experience. Spencer Stuart provided a long list of potential candidates, and first stage interviews were conducted by the Chair of the Committee and Cilla Snowball, Non-Executive Director. A shortlist of two candidates was selected for final stage interviews with the Committee members, CEO and CFO.

Following satisfactory conclusion of a thorough due diligence and referencing process, the Committee unanimously recommended Sanjeev Sharma's appointment to the Board. We were delighted that Sanjeev joined our Board on 1 October 2021. Sanjeev's biography is available on page 127.

Induction

The Company provides new Directors with a comprehensive and tailored induction process which includes visiting a number of the Group's properties, meetings with the Group's audit partner and corporate lawyer, together with meetings with the Executive Directors, Executive Committee and senior management.

Induction programmes are developed by the Group's Company Secretarial team and approved by the Chair of the Committee. If considered appropriate, new Directors are also provided with external training that addresses their role and duties as a Director of a quoted public company.

We aim to limit the amount of information provided as reading material during an induction process. All new Directors are provided with access to our electronic Board paper system and the Group intranet which provides easy and immediate access to the following key documents:

- Our latest budget and five-year plan.
- Recent broker reports and feedback from our stakeholder engagement programmes.
- Information on our sustainability initiatives, including our Net Zero Carbon Pathway.
- The Group's Risk Register, Schedule of Principal Risks and Schedule of Emerging Risks.
- Recent Board evaluation reports, including the report from the latest externally facilitated review.
- Recent reports from the external Auditor, PwC.
- Organisation and legal charts, overview of the committees' membership and Non-Executive Director tenure.
- Matters reserved for the Board and the committees' terms of reference.

During the year under review, the Company conducted two induction processes for Mark Breuer and more recently Sanjeev Sharma.

Appointment review

As Claudia Arney, Cilla Snowball and Lucinda Bell approached the end of their current term of office, the Committee performed a rigorous review of their appointments during 2021. None of the Non-Executive Directors were present when their term of appointment was considered by the Committee.

As part of this review, the Committee considered the following factors: contribution to boardroom discussion, independence, industry knowledge, length of tenure on the Board, outcome of their latest individual annual effectiveness review, Board composition (including diversity considerations), and time commitment to the appointment (including other external appointments).

The Committee is pleased to report that it is satisfied with the ongoing performance and commitment of Claudia, Cilla and Lucinda and recommended that their appointments be extended for another three-year term.

Succession planning

As Directors we have a duty to ensure the long-term success of the Company, which includes ensuring that we have a steady supply of talent for executive positions and established succession plans for Board changes. The Committee considers the Group's succession planning on a regular basis to ensure that changes to the Board are proactively planned and co-ordinated.

Over the past couple of years, the Committee has led the succession plans for the recent Board changes including the appointment of Paul Williams as CEO, Mark Breuer as Non-Executive Chairman and Helen Gordon as Senior Independent Director. David Silverman will be leaving the Group on 14 April 2022 and the Board has agreed that David's responsibilities will be allocated amongst the other Executive Directors and therefore a replacement Executive Director will not be appointed.

In November 2021, the Committee reviewed the Group's long-term talent pipeline and succession plans, with particular attention being given to individuals showing potential to be 'leaders of the future', current and future skill gaps (including training needs) and areas of risk within the business (including impending retirements). As part of its review, the Committee requested an update on specific development plans for key talent and suggested that the Remuneration Committee review the Group's long-term incentive schemes for employees, as part of its Remuneration Policy review in 2022, to ensure they remain appropriate and effective for talent retention.

The Committee's succession planning activities during 2022 will therefore primarily focus on Non-Executive Directors, the Executive Committee and the wider talent pipeline.

The Executive Directors are responsible for the Group's succession plans below the Board. The Committee receives periodic updates on these succession plans, and monitors the development of the executive team below the Board, to ensure that there is a diverse supply of senior executives and potential future Board members with appropriate skills and experience.

As at 1 January 2022, the Executive Committee consists of five Executive Directors, the Company Secretary and six senior managers. Victoria Steventon (Head of Property Management), Vasiliki Arvaniti (Head of Asset Management) and John Davies (Head of Sustainability) were appointed members of the Executive Committee from 1 January 2022. The diversity balance of the Executive Committee is now 33% female and 8% from an ethnic minority background. Further information on the gender diversity of the Executive Committee, and its direct reports, is provided in the chart below. The membership of the Executive Committee will be considered further during 2022.

The Group's talent pipeline has been strengthened through a number of external appointments and internal promotions (see page 60).

Non-Executive Director succession

Richard Dakin is nearing the ninth anniversary of his appointment (see page 145) and it is anticipated that he will step down as a Director by the end of 2022. The Committee does not intend to recruit a Non-Executive Director following Richard's retirement from the Board.

In preparation for Claudia Arney reaching her ninth anniversary on the Board in the first half of 2024, Sanjeev Sharma will join the Remuneration Committee during 2022 to ensure he has the knowledge to succeed Claudia Arney as Chair, in accordance with the UK Corporate Governance Code (provision 32).

Board diversity

A diversified Board brings constructive challenge and fresh perspectives to discussions. We consider diversity, in its widest sense (and not limited to gender), during our Board composition reviews and the development of recruitment specifications.

The Board's diversity policy requires that, where possible, each time a Director is recruited at least one of the shortlist candidates is female, and wherever possible, at least one of the candidates is non-white. Whilst we have identified areas where we could further improve our diversity balance, principally our ethnic diversity, we do not positively discriminate during the recruitment process and are conscious that altering the diversity of the Board can only be done in conjunction with the underlying Board refreshment programme.

The Committee is aware of the FCA's consultation on 'Diversity and inclusion on company boards and executive committees' and welcomes all recommendations which seek to improve transparency. The Committee can confirm that as at 1 January 2022, the Board complies with the proposed changes to the Listing Rules in respect to Board diversity targets:

— **At least 40% of the board are women (including individuals self-identifying as women):** 42% of our Board are women (improving further to 46% after David Silverman steps down from the Board on 14 April 2022).
— **At least one of the senior board positions (Chair, CEO, SID or CFO) is held by a woman (including individuals self-identifying as women):** Helen Gordon is our Senior Independent Director.
— **At least one member of the board is from a non-white ethnic minority background:** Sanjeev Sharma (Non-Executive Director) is from a non-white ethnic minority background.

During 2022, the Committee will review the wider proposals contained in the FCA consultation and will monitor the release of the final recommendations.

The diversity of our Board is in accordance with the Hampton-Alexander Review and Parker Review recommendations. An overview of our recent progress against the Hampton-Alexander recommendations is provided below.

HAMPTON-ALEXANDER REVIEW: OUR PROGRESS

Women on the Board
(including the Chairman)
1 January 2021: 33%

42% ↑

Number: 5 (+1 from 2020)

Female Non-Executive Directors
(excluding the Chairman)
1 January 2021: 66%

66%

Number: 4 (no change)

Women in senior Board positions(i)
(including the Chairman)
1 January 2021: 0%

25% ↑

Number: 1 (+1 from 2020)

Women on the Executive Committee(ii)
1 January 2021: 22%

33% ↑

Number: 4 (+2 from 2020)

Female direct reports to the Executive Committee(iii)
1 January 2021: 36%

49% ↑

Number: 25 (+13 from 2020)

Women in senior management(iv)
1 January 2021: 33%

32%

Number: 6 (+1 from 2020)

Notes:
(i) Senior positions on the Board include the CEO, CFO, Chairman and Senior Independent Director.
(ii) The combined diversity balance of the Executive Committee and its direct reports (excluding administrative and support staff) is 53.4% women.
(iii) Direct reports to the Executive Committee, excluding administrative and support staff, is 49.0% women. Direct reports to the Executive Committee, including administrative and support staff, is 57.4% women.
(iv) Senior management are on pages 128 and 129. During 2021, there was a net change in the composition of the senior management team of two new members, of which one was female and one was male. The number of women in senior management increased from five to six.

AUDIT COMMITTEE REPORT

Lucinda Bell
Chair of the Audit Committee

2022 FOCUS AREAS

- Implement our new Valuer Appointment Policy which sets out our procedures in respect to valuer rotation and tenure (see page 152)
- Continue to focus on climate change matters in financial statements, including assurance from Deloitte on ESG disclosures (see page 153)
- Review the final recommendations arising from the BEIS consultation on 'Restoring trust in audit and corporate governance' and agree a timetable for their implementation (see page 153)
- Progress preparation of an Audit & Assurance Policy
- Review the effectiveness of our outsourced internal audit function

Dear Shareholder,

I am pleased to provide you with an overview of the Committee's main activities and areas of focus during the year. The Covid-19 pandemic continued to require adjustment to the way we work and provide oversight. However, our procedures operated efficiently and provided sufficient flexibility, such that disruption during the year was minimal.

Portfolio valuation

The Committee considers the valuation of the Group's property portfolio to be the principal area of judgement in determining the accuracy of the financial statements (see page 151). In order to obtain assurance that the portfolio valuation is fairly valued in accordance with the RICS Valuation Global Standards and the UK national supplement (the Red Book), a benchmarking exercise was conducted (see page 152). The Committee was satisfied with the outcome of the exercise and received further assurance that the methodology used by CBRE is robust. Following the benchmarking exercise, and the release of the 'Independent Review of Real Estate Investment Valuations' commissioned by RICS, the Committee revised its Valuer Appointment Policy (see page 152).

Climate change

As the Group is committed to being net zero carbon by 2030, it is important that our financial reporting reflects and supports this goal. The Committee received training on the assurance received from Deloitte, including in respect to its depth and breadth in comparison to our industry peers. The Committee also sought information from the external valuers on how climate change was being factored in the portfolio valuation and considered how climate change impacted other items in the financial statements. During the year, the Committee received updates on the Group's 'green finance' initiatives, including the new £350m green bond, the green funding element of our £450m RCF and the revisions made to the Group's Green Finance Framework (see pages 13, 96 and 97).

BEIS consultation on 'Audit and financial reporting governance' reform

The Company responded to the BEIS consultation on 1 July 2021, in respect to the recommendations of most significance to Derwent London. In response to the consultation, the Committee:

- reviewed the assurance received on the Group's financial disclosures, to identify areas where further assurance could be gained (see page 153);
- expanded its viability/resilience disclosures (see page 150);
- commenced preparation of an Audit and Assurance Policy; and
- discussed with management its plans to further enhance the internal control framework. During 2022, we will commission a review of our internal controls in order to identify focus areas.

During 2022, the Committee will monitor the outcome of the consultation and the implementation of any required changes to the Group's practices or reporting.

Financial Reporting Council (FRC) engagement

Following correspondence in late 2021 and early 2022 with the Corporate Reporting Review Team of the FRC, we have agreed to classify the cash flows relating to the additions to, and disposal of, trading properties within the Group Cash Flow Statement within 'net operating activities' rather than 'investing activities'. We have re-presented the statement for the year ended 31 December 2020 to reclassify £31.7m of cash receipts and £1.2m of expenditure on trading properties from 'investing activities' to 'operating activities'. This presentation has also been adopted for the year ended 31 December 2021 and will be applied consistently in future (see page 150).

External Auditor
The Committee is pleased with the performance and level of challenge received from the PwC audit team led by Sandra Dowling. In 2021, the Committee piloted the use of audit quality indicators (AQIs) to assist with its assessments of PwC's quality and performance (see page 156).

Further engagement
I welcome questions from shareholders on the Committee's activities. If you wish to discuss any aspect of this report, please contact me via our Company Secretary, David Lawler (telephone: +44 (0)20 7659 3000 or email: company.secretary@derwentlondon.com).

Lucinda Bell
Chair of the Audit Committee
23 February 2022

Committee composition and performance

During the year under review, the Committee was composed of independent Non-Executive Directors with a wide range of experience, including real estate and finance (biographies are available on pages 126 and 127). The Chair, Lucinda Bell, is a Chartered Accountant and has an appropriate level of recent and relevant financial experience to discharge her duties as Chair of the Committee.

In addition to the Committee members, meetings are attended by the Board Chairman, internal and external Auditors, and members of the Group's senior management team, at the request of the Committee Chair. To further facilitate open dialogue and assurance, the Committee holds private sessions with the Auditors without members of management being present.

During the year under review, the Committee met four times, in March, May, August and November (2020: three meetings). Two additional sub-committee meetings are held each year with the Group's external property valuers to consider the valuation of our property portfolio.

	Independent	Number of meetings	Attendance(i)
Lucinda Bell, Chair	Yes	4	100%
Claudia Arney	Yes	4	100%
Richard Dakin	Yes	4	100%
Simon Fraser(ii)	Yes	3	100%
Sanjeev Sharma(iii)	Yes	1	100%

Notes:
(i) Percentages are based on the meetings entitled to attend for the 12 months ended 31 December 2021.
(ii) Simon Fraser joined all meetings of the Committee until his retirement from the Board on 31 October 2021.
(iii) Sanjeev Sharma joined the Committee following his appointment to the Board on 1 October 2021.

The Committee's role and responsibilities are set out in the terms of reference, which were last updated in February 2022 and are available on the Company's website at: **www.derwentlondon.com/investors/governance/board-committees**

The 2021 evaluation of the Board, its committees and individual Directors, was internally facilitated by Mark Breuer, the Chairman of the Board, in accordance with our three-year cycle of evaluations (see page 141). The review confirmed that the Committee continues to operate effectively, with no significant matters raised.

Financial reporting

One of the Committee's principal responsibilities is to review and report to the Board on the clarity and accuracy of the Group's financial statements, including the annual Report & Accounts and interim statement.

When conducting its reviews, the Committee considers the overall requirement that the financial statements present a 'true and fair view' and the following:

- the accounting policies and practices applied (see note 43 on pages 263 to 267) including in respect to any significant transactions during the year, for example the unwinding of the previous investment and, surrender and regear of leases with The Portman Estate and the three off-market West End transactions with Lazari Investments (see pages 89, 90, 92, 93, 250 and 254);
- the effectiveness and application of internal financial controls (see page 154);
- material accounting assumptions and estimates made by management (see note 3 on pages 215 and 216);
- significant judgements or key audit matters identified by the external Auditor (see pages 202 to 204); and
- compliance with relevant accounting standards and other regulatory financial reporting requirements including the UK Corporate Governance Code and European Single Electronic Format (ESEF) requirements.

In order to assess the financial statements, the Committee regularly reviews reports from the CFO, members of the Finance team and the external Auditor who are invited to attend the Committee's meetings. Through face-to-face discussions and detailed written reports, the Committee members are able to understand the business rationale for transactions and how they are being recorded and disclosed in the financial statements.

In accordance with DTR4.1.14R, Derwent London is required to publish its annual Report & Accounts in eXtensible HyperText Markup Language (XHTML) and key elements of its financial statements need to be 'tagged' using eXtensible Business Reporting Language (XBRL) in accordance with single electronic format taxonomy. The 2021 Report & Accounts will be formatted and 'tagged' in accordance with these requirements.

The Committee received updates on how management were preparing for the new requirements, which included:

- the appointment of an external specialist (Toppan Merrill) to assist with tagging;
- a trial run was completed to test our processes using the 2020 Report & Accounts;
- a detailed review process for the checking of all tags was established; and
- a timetable was prepared to ensure both the PDF and XHTML formats of the 2021 Report & Accounts would be available at the same time and published on the Company's website.

AUDIT COMMITTEE REPORT CONTINUED

Review of the 2021 Report & Accounts

At the request of the Board, the Committee was asked to review the Group's Report & Accounts and to consider whether, taken as a whole, it was fair, balanced and understandable. In carrying out its review, the Committee had regard to the following:

Fairness and balance

- Is the report open and honest, are we reporting on our weaknesses, difficulties and challenges alongside our successes and opportunities?
- Do we provide clear explanations of our KPIs and is there strong linkage between our KPIs and our strategy?
- Do we show our progress over time and is there consistency in our metrics and measurements?

Understandable

- Do we explain our business model, strategy and accounting policies simply, using precise and clear language?
- Do we break up lengthy narrative with quotes, tables, case studies and graphics?
- Do we have a consistent tone across the Report & Accounts?
- Are we clearly 'signposting' to where additional information can be found?

Specific considerations for the 2021 Report & Accounts:

- Whether we clearly explain the climate change-related risks and opportunities facing the Group and our progress against our Net Zero Carbon Pathway (see pages 12, 13 and 68 to 73).
- Whether we provide sufficient disclosures on the assurance of information reported within the annual Report & Accounts (see page 153).
- Whether our 2021 Report & Accounts contains disclosures which are consistent with Task Force on Climate-Related Financial Disclosures recommendations in accordance with Listing Rule 9.8.6(8)(b) (see pages 68 to 73).
- Enhanced disclosures in respect of:
  - Reasons to invest in Derwent London (pages 6 and 7).
  - Reshaping the portfolio, restocking the pipeline (pages 20 and 21).
  - Our project pipeline & 'super-sites' (pages 24 and 25).
  - Providing enhanced amenity (pages 30 and 31).
  - How the Board monitors and assesses the Group's culture (page 131).
  - Diversity and inclusion (pages 57 to 59).
  - Risk documentation, monitoring and management structure (pages 102 and 160).
  - Our emerging risks (pages 104 and 105).

The Committee paid particular attention to these changes to ensure they did not impact on the balance and clarity of the Report & Accounts. Following its review, the Committee confirmed to the Board that the 2021 Report & Accounts is fair, balanced and provides sufficient clarity for shareholders to understand our business model, strategy, position and performance.

Financial Reporting Council: Presentation of cash flow statement

Following correspondence in late 2021 and early 2022 with the Corporate Reporting Review Team of the Financial Reporting Council (FRC), we have agreed to classify the cash flows relating to the additions to, and disposal of, trading properties within the Group Cash Flow Statement within 'net operating activities' rather than 'investing activities'.

We have re-presented the statement for the year ended 31 December 2020 to reclassify £31.7m of cash receipts and £1.2m of expenditure on trading properties from 'investing activities' to 'operating activities'. This has the effect of increasing the net cash from operations in 2020 from £85.4m to £115.9m with a corresponding increase in the net cash used in investing activities from £62.0m to £92.5m. This presentation has also been adopted for the year ended 31 December 2021 and will be applied consistently in future. There is no net impact upon the cash flow statement overall and there is no impact on any balance sheet or income statement figures.

The review conducted by the FRC was based solely on the Group's published 2020 Report & Accounts and does not provide any assurance that the Report & Accounts are correct in all material respects.

Going Concern and Viability

In order to improve and expand our disclosures, we have combined our Going Concern and Viability Statements. Our disclosures now include the following assessments:

Short-term assessment: considers the prospects of the Company over the next 12 months and whether the business is a 'going concern', which includes a detailed review of the following:

- the Group's latest rolling forecast (including sensitivity analysis) for the next two years, in particular the cash flows, borrowings and undrawn facilities;
- the headroom under the Group's financial covenants; and
- the risks included on the Group's risk register that could impact on the Group's liquidity and solvency over the next 12 months.

Medium-term assessment: considers whether the Company would remain able to continue in operation and meet its liabilities as they fall due over a five-year period. This assessment involves detailed scenarios, stress testing, sensitivity analysis and review of assumptions and estimates.

Long-term assessment: considers the factors which could impact on the Company and its business model in the next five to 10 years, including the Group's principal and emerging risks, alongside factors such as technological, social and environmental changes.

The Committee reviewed the process and assumptions behind the short-, medium- and long-term assessments conducted by management before recommending these disclosures to the Board for final approval.

Going Concern & Viability page 98 →

Significant financial judgements, key assumptions and estimates

Any key accounting issues or judgements made by management are monitored and discussed with the Committee throughout the year. The table below provides information on the key issues discussed with the Committee in 2021 and the judgements adopted.

Issue	Assumptions or estimates	Judgement
Valuation of the Group's property portfolio		
Due to its size, nature and the direct impact upon the Group's net asset value, the Committee considers this to be the primary area of judgement in determining the accuracy of the financial statements.	The valuation considers a range of assumptions including future rental income, investment yields, anticipated outgoings and maintenance costs, future expenditure and appropriate returns. The external valuers also make reference to market evidence of transaction prices for similar properties (see note 16 on pages 226 to 229).	The valuation is performed twice yearly by a combination of CBRE Limited and Savills (UK) Limited (the 'external valuers') and, due to its significance, is also reviewed by the external Auditor. The Committee reviewed the underlying assumptions used in the valuation and the external valuers' objectivity and methodology. In addition, during the year under review, a benchmarking exercise was conducted to provide further assurance to the Committee (see page 152). These procedures enabled the Committee to be satisfied with the assumptions and estimates used in the valuation of the Group's property portfolio.
Impairment review		
Covid-19, the resulting lockdowns and other restrictions have impacted the businesses of many of our occupiers, particularly those in the retail and hospitality sectors. The impact was more significant in 2020, but certain sectors have continued to face lower than normal volumes and margins in 2021. Though it has recovered significantly in recent quarters, rent collection continued to be impacted in 2021 and we have provided some financial support, where needed. Trade receivable balances have been reduced significantly since 31 December 2020.	Impairment testing of trade receivables and accrued income recognised in advance of receipt has been carried out in accordance with IFRS 9, using the expected credit loss model. This has required judgements to be made in relation to recoverability and estimated probability of default across our whole portfolio. In some cases, the probability of default has been estimated as significantly lower compared with 31 December 2020 and rent arrears were also considerably lower at 31 December 2021 than a year earlier.	The probability of default was considered using a risk-based approach. In particular, our top 50 tenants, those in administration or CVA or in high risk sectors, such as retail and hospitality, were looked at in detail with the remaining balances classified by sector. The review was carried out by the Finance team in conjunction with the Credit Committee and a detailed paper was reviewed by the Audit Committee on 16 February 2022 and was subject to significant discussion.
Climate change		
The subject of climate change, the responsibility of office owners and the needs of our occupiers in this area, have all grown significantly in importance through 2021. We have a programme to upgrade the energy efficiency of our older buildings and have considered how the costs of such retro-fitting should be reflected in our financial statements, including our property valuations.	During 2021, a feasibility and cost report was commissioned to estimate the costs of upgrading our older buildings to achieve an EPC rating of B or above by 2030. This information has been shared with our valuers and is being factored into our capital expenditure programmes for 2022 onwards.	Where any immediate action or expenditure is needed, the relevant amounts would be provided for but, these costs are expected to arise over several years as future refurbishment plans are prepared, which should add value to the buildings and are not current capital commitments.
Taxation and REIT compliance		
Should the Group not comply with UK REIT regulations, it could incur tax penalties or ultimately be expelled from the REIT regime, which would have a significant effect on the financial statements.	As a REIT, the Group benefits from tax advantages. Income and chargeable gains on the qualifying property rental business are exempt from corporation tax. Income that does not qualify as property income within the REIT rules is subject to corporation tax in the normal way. There are a number of tests that are applied annually, and in relation to forecasts, to ensure the Group remains well within the limits allowed within those tests.	The Group employs a qualified and experienced Head of Tax whom the Committee meets at least annually. The Committee noted the frequency with which compliance with the tests and regulations was reported to the Board and considered the substantial margin by which the Group complied. Based on this and the level of headroom shown in the latest Group forecasts, the Committee agreed that, once again, no further action was required.
Borrowings and derivatives		
The calculation of fair values for the Group's financial instruments, such as the USPP notes, 2025 convertible bonds and interest rate swaps, is a technical and complex area and the amounts involved are significant.	The fair values of the Group's borrowings and interest rate swaps are provided by an independent third party based on information provided to them by the Group. This includes the terms of each of the financial instruments and data available in the financial markets (see note 24 on pages 235 to 244).	The Committee noted that the valuations were carried out by an independent third party which had valued the instruments in previous years and that the external Auditor used its own treasury specialists to re-perform the valuation and to assess the reasonableness thereof. The external Auditor subsequently confirmed that no issues had arisen relating to the valuations. The Committee was satisfied with the level of assurance gained from these procedures.

AUDIT COMMITTEE REPORT CONTINUED

Portfolio valuation

Our property portfolio is valued by the external valuers for our interim and year end results. As at 31 December 2021, it was valued at £5.697bn (2020: £5.356bn) and principally consists of 77 properties.

The valuation of the portfolio is a major component of net asset value. Movements in that valuation are a significant part of how we measure our progress and a key determinant of the Group's total return (a KPI and a performance measure for our Executive Directors' variable remuneration – see pages 45 and 183). Due to its significance, the Committee monitors the objectivity and independence of the external valuers' work and hosts the valuation meetings. The valuation meetings typically occur in February and July, prior to Audit Committee meetings.

Due to his position as Managing Director of Capital Advisors Limited (a wholly-owned subsidiary of CBRE Limited), Richard Dakin does not take part in discussions regarding the valuation of the Group's property portfolio (see page 139).

Key matters discussed during the meetings include:

- London office demand, investment volumes and vacancy rates;
- the assumptions underlying the valuation and the quality of data;
- valuation methodology and whether it was adversely impacted by Covid-19;
- any valuation which required a greater level of judgement than normal, for example development properties;
- how climate change was factored into the valuation; and
- any valuation movements that were not broadly in line with that of the MSCI benchmark.

The assumptions underlying the valuation are discussed with the external Auditor and an update on the matters discussed at the meetings is provided to the Board.

A well placed portfolio pages 18 to 19 →

Valuation benchmarking

The Committee commissioned a benchmarking exercise in relation to the property valuation, which was performed during Q2 2021. The purpose of the exercise was to assure the Committee that the valuation of our portfolio was fair and aligned with the RICS Valuation Global Standards and the Red Book.

The benchmarking exercise entailed:

- Three valuers, including CBRE, valued a sample of our portfolio (comprised of five assets) which represent a cross-section of properties from on-site development to long-dated income.
- The sample totalled approximately £700m of assets (c.13% of our portfolio value).
- The valuation date was 31 March 2021.
- Each valuer used a similar methodology and the resulting valuations were broadly aligned.

The Committee was satisfied with the benchmarking results which provided further assurance that the methodology used by CBRE was robust.

Effectiveness of the Group's valuers

A review into the effectiveness of the external valuers is performed after the year end and interim valuations, with assistance from Nigel George, Executive Director.

The effectiveness review for 2021 was conducted in February and August and considered the following:

- experience, qualification and objectivity of the valuation team;
- quality of presentation and data; and
- robustness of the valuation.

At both meetings it was concluded that the external valuers performed to a high standard and, whilst it was not ideal having the process performed remotely, it was conducted well and the timetable for delivery was achieved.

Overview of our Valuer Appointment Policy

When reviewing its Valuer Appointment Policy, the Committee took into consideration the outcome of the RICS 'Independent Review of Real Estate Investment Valuations' performed by Peter Pereira Gray (the RICS review) and published in January 2022.

The Committee's revised Valuer Appointment Policy states that the Group's external valuer should be rotated at least every five years, subject to annual assessment of their effectiveness and objectivity. The RICS review recommends that the maximum term of appointment for a valuation firm is nine years.

There are no contractual obligations which could restrict the Group's choice of valuer or a minimum appointment period.

As our current valuer (CBRE) has exceeded the maximum tenure under the revised policy, Knight Frank have been appointed to value at least 50% of the London-based portfolio for the June 2022 valuation. CBRE will value the balance of the London-based portfolio with Knight Frank 'shadowing'. Subject to Knight Frank's overall performance, Knight Frank will be appointed on 100% of the London-based portfolio for the December 2022 valuation.

Savills will be engaged to value our Scottish land which accounts for c.1% of the Group's portfolio. The Committee will consider its policy in respect to the valuation of the Scottish land in 2023.

Restoring trust in audit and corporate governance

The Committee welcomes all developments which aim to improve transparency in governance and trust in our disclosures. The Company responded to the BEIS consultation on 1 July 2021, in respect to the recommendations of most significance to Derwent London.

The results of the consultation, and the final agreed reforms, are anticipated to be published during 2022. The Committee will monitor the outcome of the consultation and the implementation of any required changes to the Group's practices or reporting.

The table below provides an overview of some of the proposed reforms included in the consultation, and how we anticipate responding, if these become applicable to Derwent London:

Proposed reforms

Directors' accountability for internal controls, dividends and capital maintenance	
Internal controls and detecting fraud	An independent review will be commissioned during 2022 to provide clear focus areas on how we can further strengthen our internal control framework, including in respect to fraud detection/prevention.
Legality and affordability of dividends	In our 2022 Report & Accounts, we intend to widen our disclosures in respect to distributable reserves.
New corporate reporting	
Resilience statement	On pages 98 and 99, we have started to transition to a 'Resilience statement' by expanding our disclosures on the short-, medium- and long-term threats to the Company's resilience. If required, we will prepare a 'Resilience statement' for the 2022 Report & Accounts.
Audit & Assurance Policy	During 2022, we will continue to progress the development of an Audit & Assurance Policy.
Company directors	
Executive pay and strengthening clawback and malus provisions	As part of the Remuneration Policy review being conducted during 2022, the Remuneration Committee will consider the inclusion of additional conditions to its malus and clawback provisions. The conditions which currently apply to our malus and clawback provisions are disclosed in note 1 on page 178.

The BEIS consultation proposed various reforms in respect of the purpose and scope of audits, auditor reporting and audit market supervision and competition. If applicable, we intend to implement any reforms as part of our next competitive external audit tender. The Committee's current intention is to conduct this tender for the 2024 year end audit (see page 156).

If the final recommended reforms require the Audit Committee to undertake additional responsibilities, these will be added to the Committee's terms of reference.

Assurance

Derwent London's approach to assurance is influenced by our low tolerance to risk taking (see page 101) and our conservative management style. If sufficient assurance cannot be gained, we seek independent assurance from our outsourced internal auditors, external auditors, independent advisers and specialist consultants.

The main area of reporting risk relates to the valuation of our portfolio. The valuation of our portfolio is a major component of net asset value and is a key determinant for our investors when assessing our performance. In addition, movements in the valuation are a significant part of how we measure our progress and a key determinant of the Group's total return. Due to its significance, the biannual valuation is subject to a detailed internal review by our investment and valuation team, which consists of experienced and qualified professionals, and is overseen by the Valuers Committee and Audit Committee. The external valuers are subject to annual evaluations which focuses on their objectivity (see page 152).

Key aspects of the ESG data that we disclose in our annual Report & Accounts is subject to 'reasonable assurance' verification by Deloitte LLP, including in respect of:

— Environmental, energy and carbon reporting (all Scope 1, 2 and 3 GHG emissions data, intensity ratio and energy data);
— Health and safety statistics (all minor accidents, RIDDORs, fatalities and improvement notices data); and
— Our Green Finance Framework, which received independent assurance from Deloitte that it is aligned with the Loan Market Association's Extended Green Loan Principles.

The assurance statements are published in our annual Responsibility Reports which are available on our website.

During 2021, we started to review the assurance we receive in respect to corporate reporting, the handling of risks and internal controls. To date, the exercise has highlighted the following key actions:

— As detailed above, our key ESG data is subject to annual assurance by Deloitte, however, historically the Committee was not presented with the outcome of these reviews. In November 2021, the Committee received training on the assurance provided by Deloitte and, in February 2022, the Committee reviewed the outcome of the latest assurance reviews. Going forward, Deloitte will provide regular updates to the Committee on their assurance work.
— We identified that our EPRA disclosures published in the annual Report & Accounts are not currently subject to external verification. A peer analysis confirmed that this was normal practice within our industry. We will consider how we could gain independent assurance on these disclosures during 2022.
— The Group has been voluntarily disclosing under the Task Force on Climate-Related Financial Disclosures (TCFD) for the past three years. As these disclosures are now mandatory for the 2021 Report & Accounts and all future reports, the Committee agreed that Deloitte would perform a review of our disclosures and share their comments with the Committee. The Committee will consider whether further assurance is required over our TCFD disclosures during 2022.

AUDIT COMMITTEE REPORT CONTINUED

Internal financial controls

On an ongoing basis, the Audit Committee reviews the adequacy and effectiveness of the Group's system of internal financial controls which are described briefly in the table below.

While Derwent London is a large business in terms of the size of its balance sheet and market capitalisation, we are relatively small when considering the number of people working directly in the business. Our Group structure is organised to be simple and transparent (i.e. relatively few subsidiaries) and our internal control procedures and policies are well established, reviewed annually and subject to external verification by our internal auditors, RSM (see page 155).

The Committee receives detailed reports on the operation and effectiveness of the internal financial controls from members of the senior management team and the internal auditors. In addition, the outcome of the external audit at year end and the half-year review are considered in respect to internal controls.

As training and staff awareness forms part of the Group's internal control framework, the Audit and Risk Committee receives updates on the policies and procedures in place and how these are being communicated to, and complied with, by our staff.

We utilise IT systems and automated workflows to manage our financial processes, including the processing and authorisation of payments and data input (see the table below). All BACS payment files are encrypted on generation and access is monitored by our security systems.

In 2021, the Digital Innovation & Technology (DIT) team implemented an ITIL-aligned service desk platform and new processes/controls were designed for our financial systems in respect to user management. These workflows promote automation, ensure the correct approvals have been gained, and provide full auditability of any work carried out. The DIT team regularly ensures that all business-critical IT systems, such as financial packages, are securely accessible remotely.

The Committee have agreed that a review will be commissioned during 2022, to provide clear focus areas on how we can further strengthen our internal control framework, including in respect to fraud detection/prevention. In addition, during 2022, we will roll out software to automate the creation and approval of expenses.

The Committee remains satisfied that the review of internal financial controls did not reveal any significant weaknesses or failures and they continue to operate effectively.

Further information on risk management and non-financial internal controls is available in the Risk Committee report.

Risk management page 159 →

Overview of internal financial controls

Governance framework	Our governance framework (see page 133) supports effective internal control through an approved schedule of matters reserved for decision by the Board and the Executive Directors, supported by defined responsibilities, levels of authority and supporting committees.
Financial reviews and internal procedures	Comprehensive systems of financial reporting and forecasting which are conducted frequently and include both sensitivity and variance analysis. An annual budgeting exercise is carried out with three rolling forecasts prepared. A five-year strategic review is prepared annually. Breakeven and sensitivity analyses are included in both the five-year strategic review and the rolling forecasts.
Treasury and tax procedures	Treasury is controlled by the Chief Financial Officer and Treasurer. All transactions are checked and monitored. All complex or large transactions are discussed in advance with the Board and Executive Directors and are externally reviewed by our advisers. Taxation is a complex area and is subject to frequent external review. Corporate tax returns are prepared by the Tax Assistant and reviewed by the Group Head of Tax and, on a sample basis, by RSM. Other higher risk areas like PAYE and CIS (the Construction Industry Scheme which requires us to deduct tax at source from the labour element of a subcontractor's invoice unless they are properly authorised by HMRC) is subject to thorough examination and testing. We maintain an open relationship with HMRC and have a 'low risk' tax status. Further information on tax risk and tax governance is on pages 65 and 106.
Risk identification and monitoring	The Risk Committee regularly reviews the Group's risk registers, the schedule of key controls and key risk indicators. The schedule of key controls provides evidence of how the controls are being operated and their effectiveness. Our risk management procedures are robust and include initiatives such as a 'tenants on watch' register and a back-up IT facility. The Risk Committee's report is on pages 158 to 165.
IT controls	All financial transactions are recorded and, where required, approved utilising finance systems or automated workflows. Role based access is in place for all financial solutions, managed by the DIT service desk. Data transfers between programs are either automated or imported with minimal manual intervention to maintain the integrity of the data.
Training and staff awareness	Staff are aware of the delegated authority limits set by the Board and confirm their understanding of our internal policies which are contained on our Group intranet and in our employee handbook. Staff have six-monthly performance reviews with any training requirements identified and agreed within six months. The Group operates a whistleblowing policy which includes access to an independent helpline for anonymous reporting of concerns (see page 136).
External verification	During the year, no significant deficiencies had been raised by PwC as a result of their control testing undertaken as part of the annual audit. The outsourced internal auditors, RSM, perform various assurance reviews as part of the annual Internal Audit Plan. The implementation of recommendations arising from the RSM reviews are monitored by the Audit Committee. The Group's VAT procedures are subject to ongoing periodic review by external advisers. Comprehensive reviews of the Group's financial controls have also been undertaken with assistance from external advisers. Regular annual credit ratings, including risk assessments, are conducted. Each year, at renewal, a comprehensive review of the Group's insurance cover is prepared by its independent insurance adviser.

Fraud risk assessment

On an annual basis, the Committee reviews the Group's fraud risk assessment prepared by management which details the policies and processes which safeguard the Company's assets, prevent and detect fraud and errors.

The largest costs incurred by the Company relate to capital expenditure or property transactions which are subject to approval in accordance with the Board's delegated authority limits, before costs are incurred (by the Cost Committee for costs up to £5m, the CEO and the Executive Directors for costs up to £20m and by the Board for any capital expenditure over £20m). Approval is documented in minutes which are required to be seen before the budgets are assigned. The approved budgets are then subject to internal monitoring to ensure they remain within the approved limits.

The Board's delegated authority limits page 132 →

The risks identified by the fraud risk assessment, in respect to financial fraud and error, are mitigated through the following key controls:

- A two-stage approval process is required for invoices and transactions, either through the use of software or forms. There is a further two-stage approval process for the release of final payments.
- Sufficient support/evidence is required by the Finance team which is subject to validation before payments are made.
- Payroll is prepared by an experienced team and reviewed by the Head of HR and the Treasurer. Payment variance reports are prepared to explain movements.
- Training is provided to staff to ensure they are aware of the latest methods used by those attempting to defraud the Company.
- Use of third parties to produce or review information, including in respect to project monitoring agencies, internal and external Auditors etc.
- Preparation of a detailed budget and three rolling forecasts against which actuals are compared.
- The process of producing the quarterly management accounts involves detailed variance analysis to prior periods and forecasts, as well as a number of reconciliations of both balance sheet and income statement items.

Further information on cyber security page 162 →

Internal audit

RSM were appointed as the Group's outsourced internal audit function in December 2018 following a competitive tender process and are considered by the Committee to be independent. In addition to performing an internal audit function, another team from RSM also review our year end tax returns.

The Internal Audit Plan for 2021 was approved jointly by the Risk and Audit Committees and included a combination of risk-based audits and projects (see the table below). The outcome of the audits were presented to the Risk and Audit Committees and reported to the Board. The Committees were pleased with the level of assurance received from the audits.

The Committee receives a report on internal audit activity at each meeting and monitors the status of internal audit recommendations and management's responsiveness to their implementation. The other Board committees are kept updated on the outcome of any reviews which fall within their areas of responsibility.

Audits performed during 2021	Audits to be performed under the Internal Audit Plan 2022
— Procurement and contract management	— Health and safety
— Lease management	— Cyber security
— Management of HR data	— Strategic planning
— Tax governance and reporting	— Joint venture governance
— Core financial controls	— Financial controls
— IT general controls	

A formal review of the effectiveness of the internal auditor and the internal audit process was conducted in February 2022 and considered the following:

- the qualification and expertise of RSM's internal audit team;
- the relationship established and the extent to which RSM have built an understanding of our business and systems;
- depth and breadth of internal audits;
- quality of reporting, including in respect to the regular Internal Audit Progress Reports provided to the Audit and Risk Committees; and
- quality of planning and ability to meet deadlines.

The Committee concluded that the internal audit process had been conducted effectively.

Members of the Company Secretarial team

AUDIT COMMITTEE REPORT CONTINUED

External Auditor

The Committee has primary responsibility for managing the relationship with the external Auditor, including assessing their performance, effectiveness and independence annually and recommending to the Board their reappointment or removal.

Following a comprehensive tender in 2014, PricewaterhouseCoopers LLP (PwC) were appointed as the Group's Auditor. The Committee's current intention is to conduct its next competitive tender for the 2024 year end audit, in accordance with current regulation that requires a tender every 10 years. The Company has chosen this timetable due to the recent change in audit partner in 2020, who will serve for four years prior to the tender in order to provide continuity over the next two year end audits. This timetable is subject to annual assessment of the Auditor's effectiveness and independence.

There are no contractual obligations which restrict the Committee's choice of Auditor or a minimum appointment period.

The Company has complied with the provisions of the Competition and Markets Authority's Order for the financial year under review in respect to audit tendering and the provision of non-audit services.

Annual review of the external Auditor

Following the year end audit, the Committee assessed the effectiveness of the external Auditor. This effectiveness review is performed on an annual basis and aims to ensure a robust audit is performed, auditor performance is optimised and encourages candid feedback and communication between the Auditor and the Committee. The assessment considered:

- the qualification and expertise of the Lead Audit Partner and the wider audit team;
- the availability of resources to perform a comprehensive and timely audit;
- adherence to the Non-Audit Services Policy;
- length of tenure and ability to perform an independent audit;
- quality of the audit plan, overall audit and outcome report;
- quality of planning and ability to meet deadlines; and
- quality of audit in respect of key judgements and estimates.

Independence

An important aspect of managing the external Auditor relationship is ensuring there are adequate safeguards to protect Auditor objectivity and independence. In assessing this matter, the Committee considered the following:

- the Auditor's independence letter which annually confirms their independence and compliance with the Financial Reporting Council's (FRC) Ethical Standard;
- how the Auditor demonstrated professional scepticism and challenged management's assumptions where necessary;
- the tenure of the external Auditor and the lead audit partner;
- the outcome of the FRC's inspection of PwC's audit quality;
- the operation, and compliance with, the Group's policy on non-audit work being performed by the Auditor; and
- how the Auditor identified risks to audit quality and how these were addressed, including the network level controls the Auditor relied upon.

In assessing how the Auditor demonstrated professional scepticism and challenged management's assumptions, the Committee considered the depth of discussions held with the Auditor, particularly in respect to challenging the Group's approach to its significant judgements and estimates (see pages 151 and 202 to 204). Sandra Dowling has been lead audit partner since the 2020 half-year review. The Committee has been pleased with the challenge raised by Sandra and her team during the year.

Audit quality

Audit quality can be challenging to define and measure. In response to the FRC thematic review on Audit Quality Indicators (AQIs) released in May 2020, the Committee agreed the six AQIs which would be used to assess PwC in the financial year ended 31 December 2021.

The Committee found that the use of AQIs was an effective addition to its review processes and they will continue to be used for the year ending 31 December 2022.

Outcome

After taking all of these matters into account, the Committee concluded that PwC had performed their audit effectively, efficiently, and to a high quality. Accordingly, the Committee has recommended to the Board that PwC be reappointed as Auditor to the Group for the year ending 31 December 2022, subject to reappointment at the 2022 AGM.

Any feedback arising from the annual assessment will be discussed with the external Auditor for implementation into the audit plan for the next year end audit.

The 'Independent Auditor's report to the members of Derwent London plc' is available on pages 201 to 208, and its audit opinion is consistent with the report received by the Audit Committee.

Independent auditor's report page 201 →

Non-audit services in 2021

During 2021, in addition to the interim results review, PwC were asked to assist with the preparation and issue of comfort letters as part of the new green bond issuance (see page 13). The total fee for this project was £90,000.

This service was approved in accordance with the Group's Non-Audit Service Policy and received Committee approval prior to commencement.

The Committee noted that this type of service is permissible under the UK FRC Ethical Standard 2019. The Committee was in agreement with the rationale that PwC were best placed to perform this service due to their knowledge and understanding of the Group.

The non-audit services provided by PwC during the year under review totalled £150,000 (see table on page 157). The Committee confirmed that it does not believe that the level or nature of the non-audit services provided during 2021 have impacted on PwC's actual or perceived independence as Auditors.

Overview of our Non-Audit Services Policy

The objective of maintaining the Non-Audit Services Policy is to ensure the independence of the external Auditor is not compromised and that the provision of such services do not impair the external Auditor's objectivity.

Under the policy, all services provided by the external Auditor (other than the audit itself) are regarded as non-audit services. Our policy draws a distinction between permissible services (which could be provided subject to conditions set by the Committee) and prohibited services (which may not be provided by the external Auditor except in exceptional circumstances when the Auditor has been provided with approval by the Financial Conduct Authority). The type of non-audit services deemed to be permissible includes review of the half-year results and assurance work on non-financial data.

In accordance with audit legislation, the total fees for non-audit services provided by the external Auditor to the Group shall be limited to no more than 70% of the average of the statutory audit fee for the Company paid to the Auditor in the last three consecutive financial years.

The Committee has provided pre-approval limits which allow management to appoint the external Auditor to conduct permissible non-audit services if they fall below an amount it deems as trivial.

The approval limits for non-audit services are provided below and are subject to annual review:

Value	Approval required prior to engagement
Up to £25,000	Chief Financial Officer
£25,000 to £100,000	At least two members of the Audit Committee (including the Committee Chair)
£100,001 and above	Board of Directors

When reviewing requests for permitted non-audit services, the Audit Committee will assess:

— whether the provision of such services impairs the Auditor's independence or objectivity and any safeguards in place to eliminate or reduce such threats;
— the nature of the non-audit services;
— whether the skills and experience make the Auditor the most suitable supplier of the non-audit service;
— the fee to be incurred for non-audit services, both for individual non-audit services and in aggregate, relative to the Group audit fee; and
— the criteria which govern the compensation of the individuals performing the audit.

In accordance with the FRC Ethical Standard, the Audit Committee would also assess whether it is probable that an objective, reasonable and informed third party would conclude independence is not compromised.

Non-audit services in the past three consecutive financial years

Our Non-Audit Services Policy requires that the total fees for non-audit services are limited to no more than 70% of the average statutory audit fee in the last three consecutive financial years. Given the low value of non-audit services historically provided, the level of non-audit services remains well below the 70% fee cap.

	2021		2020		2019	
	£'000	%	£'000	%	£'000	%
Audit of Derwent London plc and subsidiaries[(i)(ii)]	471	76	494	92	404	91
Review of interim results	60	10	44	8	42	9
Other non-audit services	90	14	–	–	–	–
Total fees	621	100	538	100	446	100

Notes:

(i) The audit fee in relation to the year ended 31 December 2020 includes a cost overrun of £79,000. This was largely due to the inefficiencies of remote working and the extended timetable that resulted from the lockdown in place throughout the audit period.

(ii) The audit fee in relation to the year ended 31 December 2019 includes a cost overrun of £17,275.

RISK COMMITTEE REPORT

Richard Dakin
Chair of the Risk Committee

2022 FOCUS AREAS

- Ongoing monitoring of the Group's principal and emerging risks
- Monitor the risks arising from material shortages, labour shortages and inflation (see page 107)
- Ensure health and safety risks are being effectively managed across the Group (see page 161)
- Review results of the energy performance certificate (EPC) feasibility and costs report (see page 55)
- Review the outcome, and potential impact, of the Planning Bill reforms

Dear Shareholder,
I am pleased to present our Risk Committee report for 2021 which describes our activities and areas of focus during the year.

Risk profile of the Group
2021 continued to be a challenging year for the Group, our occupiers and the wider economy. The risks arising from Covid-19 and the implications of the lockdown restrictions, continued to have an impact through the first half of 2021 and required careful management. Following the completion of the UK Government's roadmap to ease restrictions, we saw a stronger second half with the economy showing signs of recovery. Despite the easing of restrictions, uncertainty and risk remained.

The emergence of the new Omicron variant of Covid-19 in early December, led to the implementation of 'Plan B' restrictions which were later lifted from 26 January 2022. With the lessening of restrictions, the successful vaccination programme, and as guidance is shifting towards 'living with coronavirus', the outlook for the UK economy is looking more positive.

Arising from the upturn in the economy, the new challenges facing the Group and the wider economy are, material and labour shortages and inflation (see pages 101 and 107).

Independent assurance
An important part of our overall risk governance is to review the results of independent external reviews on a variety of risks. During 2021, we received the following independent assurance:

- annual independent façade/fire risk assessments;
- annual Planned Preventive Maintenance surveys, which are conducted across the managed portfolio;
- six monthly risk assessment checks by external specialist water consultants;
- an independent risk analysis of the Group's key climate change-related risks;
- IT Governance performed an independent cyber security health check and vulnerability scan (penetration test); and
- RSM performed function specific audits during 2021, which included audits on our IT controls, lease management and procurement/contract management (see page 155).

Key activities of the Committee during 2021
A significant proportion of the Committee's time this year was spent on overseeing the management of risks arising from the Covid-19 pandemic and the identification of emerging risks within the context of the Group's changing risk profile. We have again focused our attention on a variety of risks within four key categories: our business and clients, economic and political, environmental and technology.

I am grateful to the executive team and management for their proactive approach to the changing environment throughout the year. Particular focus was given to:

- Health and safety matters, including protecting our occupiers and employees, and statutory compliance
- Our occupiers, including their financial wellbeing, covenant strength and ability to use their office spaces (see page 106)
- Environmental risks and opportunities, including EPC regulatory compliance (see page 161)
- Cyber risk management (see page 162)
- Asset management risks, including lease expiries and vacancy rate exposure (see page 106)
- Development and supply chain risks (see page 107)

The Risk Committee remains satisfied that the Group's non-financial internal controls and risk management processes continue to operate effectively, and that its reviews did not reveal any significant weaknesses or failures.

Further engagement
The forthcoming AGM is on 13 May 2022 and I will be available to answer any questions on the Committee's activities that you may have. If you wish to contact me, I am available via our Company Secretary, David Lawler (telephone: +44 (0)20 7659 3000 or email: company.secretary@derwentlondon.com).

Richard Dakin
Chair of the Risk Committee
23 February 2022

Committee composition and performance

The Committee's membership for the year under review is detailed in the table below. Helen Gordon will join the Committee as a member from 1 March 2022.

In addition to the Committee members, the Board Chairman, other Directors, senior management and the internal or external Auditors, may be invited to attend all or part of any meeting as and when appropriate or necessary.

During the year under review, the Risk Committee met three times (2020: four meetings). The meeting in August included a joint session with the Audit Committee to review the outcome of the internal auditor's reviews (see page 155).

	Independent	Number of meetings	Attendance[i]
Richard Dakin, Chair	Yes	3	100%
Lucinda Bell	Yes	3	100%
Sanjeev Sharma[i]	Yes	1	100%
Cilla Snowball	Yes	3	100%

Note:
[i] Percentages are based on the meetings entitled to attend for the 12 months ended 31 December 2021. Sanjeev Sharma joined the Committee following his appointment to the Board on 1 October 2021.

The Committee's role and responsibilities are set out in the terms of reference, which were last updated in November 2020, and are available on the Company's website at: **www.derwentlondon.com/investors/governance/board-committees**

The 2021 evaluation of the Board, its committees and individual Directors, was internally facilitated by Mark Breuer, the Non-Executive Chairman, in accordance with our three-year cycle of evaluations (see page 141). The review confirmed that the Committee continues to operate effectively, with no significant matters raised.

Risk management

At Derwent London, the management of risk is treated as a critical and core aspect of our business activities. Although the Board has ultimate responsibility for the Group's robust risk identification and management procedures, certain risk management activities are delegated to the level that is most capable of overseeing and managing the risks.

Our risk management structure page 160 →

In order to gain a comprehensive understanding of the risks facing the business and the management thereof, the Risk Committee periodically receives presentations from senior managers and external advisers.

A robust assessment of the principal risks facing the Group is regularly performed by the Directors, taking into account the risks that could threaten our business model, future performance, solvency or liquidity, as well as the Group's strategic objectives over the coming 12 months.

Our principal risks are documented in a schedule which includes a comprehensive overview of the key controls in place to mitigate the risk and the potential impact on our strategic objectives, KPIs and business model. The Schedule of Principal Risks also includes an assurance framework to evidence how each control is managed, overseen and independently verified.

Due to its importance, changes to the Schedule of Principal Risks can only be made with approval from the Risk Committee or Board (changes made to our principal risks during 2021 are on page 101).

Risks not deemed to be principal to the Group are documented within the Group's Risk Register which is maintained by the Executive Directors, with assistance from the Executive Committee. The Board reviews and approves the Group's Risk Register on an annual basis and it is reviewed by the Risk Committee at each of its meetings. In addition, risks deemed to be key indicators of changes in the Group's risk profile, or deviation from the Board's risk tolerance, are singled out and reported upon at each Risk Committee meeting.

Risk documentation and monitoring page 102 →

During the annual strategic review and approval of the five-year plan, the Board conducts a robust assessment of the Group's emerging risks, being those that could impact on the business in the medium- to long-term. Emerging risks are identified through roundtable discussions and horizon scanning. Emerging risks are discussed by the Committee at each meeting.

Emerging risks page 104 →

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 154. 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.

Internal financial controls page 154 →

During 2021, we commenced a review into the assurance which can be evidenced in respect to corporate reporting and, the handling of risks and internal controls (both, financial and non-financial). Further information on the initial outcomes of this review is detailed in the Audit Committee report.

Assurance page 153 →

Following the Audit Committee's and Risk Committee's reviews, the chairs of each committee confirmed to the Board that it is 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 COMMITTEE REPORT CONTINUED

Our risk management structure

The Board

- Overall responsibility for risk management and internal controls, and for the review of their effectiveness
- Sets strategic objectives and risk appetite
- Sets delegation of authority limits for senior management
- Ensures that a healthy purposeful culture has been embedded throughout the organisation (with input from the Executive Directors)
- Agrees the Group's strategy to managing climate change resilience, approving and monitoring progress against the pathway to net zero carbon (with input from the Responsible Business Committee)

Risk Committee

- Monitors and reviews the Board's risk registers
- Works alongside the Board to set the risk tolerance levels for the Group
- Receives updates on key risks and monitors the Group's risk indicators
- Determines the nature and extent of the principal and emerging risks facing the Group
- Agrees how the principal risks should be managed or mitigated to reduce the likelihood of their incidence or their impact
- Monitors and reviews the risk management and non-financial internal control systems, and management's processes, and satisfies itself that they are functioning effectively and that corrective action is being taken where necessary

In addition to the Risk Committee, the Board's other principal committees manage risks relevant to their areas of responsibility

Audit Committee

- Reviews the assurance received for the information published in our financial statements and key announcements
- Manages the external and internal audit process and reviews the Auditor's reports
- Monitors the internal financial control arrangements, and satisfies itself that they are functioning effectively and that corrective action is being taken where necessary

Remuneration Committee

- Ensures that remuneration and reward arrangements promote long-term sustainable performance and retention of key talent
- Monitors the incentive framework to ensure it does not encourage Executive Directors to operate outside the Board's risk tolerance

Responsible Business Committee

- Oversees the Group's policies in respect of: modern slavery, the protection of human rights, achieving our Net Zero Carbon Pathway and employee satisfaction and wellbeing, etc.
- Monitors the Group's corporate responsibility, sustainability and stakeholder engagement activities
- Monitors the Group's diversity and inclusion initiatives

Nominations Committee

- Ensures the Board (and its committees) have the correct balance of skills, knowledge and experience
- Ensures that adequate succession plans are in place for the Board, Executive Directors and the wider talent pipeline

Executive Directors, with assistance from the Executive Committee

- Ensures the design and implementation of appropriate risk management and internal control systems that identify the risks facing the company and enable the Board to make a robust assessment of the principal risks
- Ensures sound internal and external information and communication processes, and takes responsibility for external communication on risk management and internal controls
- Maintains the Group's Risk Registers and reviews the operation and effectiveness of key controls
- Provides guidance and advice to staff on risk identification and mitigation plans

Heads of Departments

- Engages with the Executive Directors and senior management to identify risks
- Allocates 'risk managers' and oversees their response
- Risk management is devolved to the appropriate level most capable of identifying and managing the risk

Health and safety

At each Committee meeting, a detailed update is provided on health and safety matters on both the managed portfolio and the development pipeline.

Health and safety page 63 →

Fire risk management

Our buildings are subject to annual fire risk assessments, regular fire alarm testing, six-monthly fire door surveys, smoke extract and ventilation testing, and sprinkler testing (where applicable). Fire strategy documents are routinely reviewed, and where necessary updated by our Fire Engineers, OFR Consulting.

Our façade fire risk assessments have confirmed that our managed portfolio does not contain any ACMs (aluminium composite material) or HPLs (high pressure laminates). To manage our fire risks, upon acquisition of a new building, a full façade fire survey is undertaken to maintain compliance and identify any issues promptly.

We continue to monitor fire safety best practice and regulation and have determined the actions required to ensure our compliance with the new Fire Safety and Building Safety Acts.

Water hygiene management

Legionella bacteria is commonly found in water. Although it is impossible to completely eradicate the risk of legionella, Derwent London have robust risk management procedures in place to ensure that the legionella risk is appropriately managed to ensure that incidences are low, and if an incident does occur, it can be quickly identified and rectified.

The primary methods used to manage and mitigate the risk from legionella are:

- weekly water temperature control checks;
- monthly water samples;
- legionella awareness training; and
- assurance from six monthly risk assessment checks by external specialist water consultants.

Our independent water consultants also review our procedures and processes to ensure they remain sufficient to effectively manage legionella risk. Whilst we have proactively dealt with a number of instances in our portfolio, to date, there have been no notifications of legionella illness.

Energy performance certificates (EPCs)

An independent risk analysis of the Group's key climate change-related risks was conducted (see page 49 of the 2020 Report & Accounts), which identified compliance with EPC legislation as an emerging transition risk which could have a material impact on the Group.

From 1 April 2023, a minimum EPC rating of E will apply to all operable leases but excluding leases over 99 years or less than six months (the 2023 regulations).

The Committee reviewed regular updates on the work performed by the Sustainability, Development and Asset Management teams and was pleased to note that our portfolio was fully compliant with the 2023 regulations (excluding the properties acquired during the year).

In preparation for the proposed 2030 regulations, we commissioned an independent review during 2021 to assess the suitability of our buildings to achieve EPC B ratings and the required capital expenditure. In Q1 2022, the Committee will review the results of these surveys and, alongside senior management, agree next steps (see page 55).

Compliance training

The Group operates a compliance training programme which is mandatory for all employees and members of the Board. The Risk Committee oversee the programme, agree the topics to be covered and receive an update on completion rates. The programme covers a range of risk and compliance topics (including anti-bribery and corruption, unconscious bias, data protection and modern slavery).

At the launch of each training topic, an introductory email is sent to participants advising them of why the training is important and links to further information (including Company policies and guidance notes).

The topics covered during 2021 included:

- social media awareness;
- data privacy; and
- unconscious bias/respect in the workplace.

The Committee was pleased with the level of engagement from employees with, on average, 97% of all participants (inclusive of the Board) completing each training module.

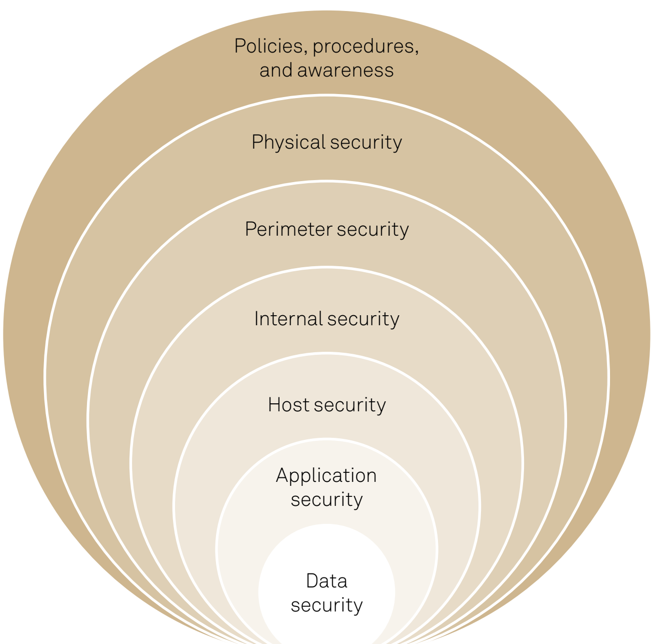
Members of the Health and Safety and Soho Place Building Management teams

RISK COMMITTEE REPORT CONTINUED

Cyber security

Our cyber security controls have been strengthened considerably in recent years in response to the increasing threat this poses to businesses, and it remains an area that we keep under continuous review. We adopt a layered approach to cyber security which provides multiple opportunities for threats to be identified before they can cause harm.

Our layered security approach consists of the following:



We recognise that ransomware has been identified by the National Cyber Security Centre as the most immediate threat to UK businesses. In addition to our layered security approach, we maintain a 'ransomware security incident response playbook'. During 2022, we will perform a detailed review of our ransomware playbook and will update our Business Continuity Plan to incorporate ransomware as a potential scenario for disaster recovery. Additionally, during Q1 2022, an independent review of our controls in respect to ransomware will be conducted.

Our Digital Innovation & Technology (DIT) team tested the effectiveness of our ongoing security awareness programme in 2021 by sending fake phishing emails to staff in November and monitored their response. Any staff member who clicked on the links contained in the test emails, or entered their credentials, was provided with further training on the dangers and tips on how to identify phishing emails. Each year, all staff participate in mandatory information security training and, throughout the month of October, the DIT team promoted Cybersecurity Awareness Month by sharing cyber security themed tips and guidance.

Our cyber security procedures are subject to regular independent reviews and tests. In December 2021, IT Governance conducted a cyber security health check consisting of a review of our information security governance framework, an internal/external vulnerability scan and an employee questionnaire to gauge cyber awareness levels. The Committee receives updates on the outcome of these tests/assessments and monitors the implementation of any arising recommendations.

The Committee reviews a dashboard of key risk indicators at each meeting which includes information security and cyber risk-related KPIs. During 2021, there were 131,319 (2020: 109,735) attempted attacks on our systems, none of which were successful and 99.97% (2020: 99.96%) of the attempts were stopped before they reached the intended targets, with the remaining attempts immediately being reported to our DIT team – this highlights the robustness of our cyber security posture and awareness campaigns.

Cyber Essentials accreditation

As part of our ongoing commitment to cyber security, on 30 July 2021 our Cyber Essentials accreditation was renewed, having passed an external security scan of all internet-facing services and an assessment of technical and operational controls.

Cyber Essentials is a government-backed, industry-supported scheme which helps guard against the most common cyber threats and demonstrates to stakeholders our commitment to cyber security.

CYBER ESSENTIALS

Information security

We have robust procedures in place to safeguard the security and privacy of information entrusted to us. This ensures that we:

- maintain the confidentiality, integrity and availability of data and safeguard the privacy of our customers and employees, to ensure that the business retains their trust and confidence;
- protect the Group's intellectual property rights, financial interests and competitive edge;
- maintain our reputation and brand value; and
- comply with applicable legal and regulatory requirements.

We operate a data protection steering committee, which is comprised of Data Protection Champions from each department and meets on a monthly basis. In August 2021, the Committee was provided with an update on the work performed by the data protection steering committee, which included mandatory refresher training to all employees on protecting personal data.

Compliance training page 161 →

Business continuity and disaster recovery

Derwent London has formal procedures for use in the event of an emergency that disrupts our normal business operations which consist of:

Business Continuity Plan (BCP)

The BCP serves as the centralised repository for the information, tasks and procedures that would be necessary to facilitate Derwent London's decision making process and its timely response to any disruption or prolonged interruption to our normal activities. The aim of the BCP is to enable the recovery of prioritised business operations as soon as practicable.

Crisis Management Team (CMT)

The CMT is composed of key personnel deemed necessary to assist with the recovery of the business. The BCP empowers the CMT to make strategic and effective decisions to support the recovery of the business until we are able to return to normal working.

Off-site disaster recovery suite

An off-site disaster recovery suite is available in the event of an emergency, to provide IT and data facilities to our staff who either work on site at the suite or via our 'agile' working capabilities.

Testing and review

The strength of our business continuity and disaster recovery plans are regularly tested to ensure they are continually refined and to reduce the potential for failure. An overview of the disaster recovery tests due to take place during 2022 are provided in the table below.

The pandemic has provided an opportunity to stress test our infrastructure and demonstrate our ability to provide reliable, remote connectivity to the entire workforce over a prolonged period.

On 23 April 2021, the DIT team completed a technical test to ensure the resilience of our IT infrastructure in the event of a complete outage at 25 Savile Row. The test was successful; and we were able to confirm that all failover mechanisms for critical IT services functioned as expected and all services continued to operate from backup infrastructure at our disaster recovery site.

On Friday 25 June to Saturday 26 June, a full disaster recovery test was successfully completed. This included a failover of all critical IT infrastructure/services to our disaster recovery suite and all business applications were tested by a group of stakeholders from across the business. The entire process, from the failover to our disaster recovery suite, to restoring services at 25 Savile Row, took six hours and 25 minutes (a 20 minute improvement on our previous full test completed in October 2018).

During 2022, we will be changing the location of our off-site disaster recovery suite. Once the change has been finalised, a full IT disaster recovery test will be performed to ensure that all IT functions and business-related activities can be adequately performed.

Test	Purpose	Date
Business Continuity Plan review	The CMT team meet regularly to review and update the business continuity plan and cascade list, review current threat levels and agree on any action points.	Ongoing during 2022
IT Component test	A technical test of the individual components required to carry out a failover of IT services to our disaster recovery suite.	Q1 2022
Full IT disaster recovery test	A full IT systems failover from our offices to our disaster recovery suite and testing that all IT functions and business-related activities can be adequately performed.	Q2 2022
Desktop review	A desktop exercise focusing on ransomware to rehearse scenarios to ensure we are adequately prepared.	Q2/3 2022

RISK COMMITTEE REPORT CONTINUED

RISK MANAGEMENT FRAMEWORK

Identify	Assess	Monitor	Respond
Top down Board considers future scenarios and identifies principal and emerging risks **Bottom up** Risks identified through workshop debates	Detailed assessment by the Executive Committee Emerging risks are kept under review and reassessed annually	Risk owner assigned and Executive Committee and Risk Committee conduct monitoring exercises	Introduce controls and procedures to reduce risk exposure and understand how risks relate and impact upon each other

How do we identify risks?

— **Top down approach to identify the principal risks that could threaten the delivery of our strategy:** at the Board's strategy reviews, scenarios for the future are considered which assist with the identification of principal and emerging risks and how they could impact on our strategy. The continuous review of strategy and our environment ensures that we do not become complacent and that we respond in a timely manner to any changes.

— **Bottom up approach at a departmental and functional level:** risks are identified through workshop debates between the Executive Committee and members of senior management, analysis, independent reviews and use of historical data and experience. Risk registers are maintained at a departmental/functional level to ensure detailed monitoring of risks. Since 2020, the DIT department has maintained an additional risk register with respect to homeworking and Covid-19 related IT risks. Risks contained on the departmental registers are fed into the main Group Risk Register depending on the individual risk probability and potential impact.

— **Independent assurance:** the Group's outsourced internal audit function perform reviews of the Group's departments and key activities which provide assurance to the Board and Committee that risks are being identified and effectively managed. In addition, these reviews highlight any recommendations for further action.

How do we assess risk?

Following the identification of a potential risk, the Executive Committee undertakes a detailed assessment process to:

— gain sufficient understanding of the risk to allow an effective and efficient mitigation strategy to be determined;

— allow the root cause of the risk to be identified;

— estimate the probability of the risk occurring and the potential quantitative and qualitative impacts; and

— understand the Group's current exposure to the risk and the 'target risk profile' (in accordance with the Board's risk appetite) which will be achieved following the completion of mitigation plans.

Where necessary, external assistance is sought to assess potential risks and advise on mitigation strategies. Emerging risks are kept under review at each Risk Committee meeting and are reassessed during the annual strategy reviews.

How do we monitor risks?

Once a risk has been identified and assessed, a risk owner is assigned who is considered to be in the best position to influence and monitor the outcome of the risk. As part of our risk management procedures, the Executive Committee and Risk Committee routinely conduct monitoring exercises to ensure that risk management activities are being consistently applied across the Group, that they remain sufficiently robust and identify any weaknesses or enhancements which could be made to the procedures.

Monitoring activities include:

— the regular review and updating of the Schedule of Principal Risks, Schedule of Emerging Risks and the Group's Risk Register;

— independent third party reviews of the risk management process to provide further assurance of its effectiveness;

— alerting the Board to new emerging risks and changes to existing risks;

— monitoring how the risk profile is changing for the Group; and

— providing assurance that risks are being managed effectively and where any assurance gaps exist, identifiable action plans are being implemented.

How do we respond to risk?

We implement controls and procedures in response to identified risks with the aim of reducing our risk exposure, so that it is aligned or below our risk appetite. The successful management of risk cannot be done in isolation without understanding how risks relate and impact upon each other. At Derwent London, we consider the interconnectivity between risks which allows us to prioritise areas that require increased oversight and remedial action. The mitigation plans in place for our principal risks are described in greater detail on pages 108 to 119.

Anti-bribery and corruption

We are committed to the highest standards of ethical conduct and integrity in our business practices and adopt a zero-tolerance approach to bribery and corruption. An overview of our policies and procedures in this area is contained in the table below. All employees will receive refresher training on anti-bribery and corruption during 2022 as part of the mandatory compliance training programme.

Corporate hospitality	Hospitality must be reasonable in value, appropriate to the occasion and provided openly and transparently. It must not compromise, nor appear to compromise, the Group nor the business judgement of our staff.
Business gifts	Generally, gifts should not be accepted unless valued less than £50, are not cash or a cash equivalent (e.g. gift certificate), are appropriate to the circumstances and are not given with the intention of compromising or influencing the party to whom it is being given.
Hospitality and Gift Returns	All staff are required to complete quarterly Hospitality and Gift Returns which document all instances of third party hospitality or gifts (given or received) over that three-month period if the value is in excess of £50 for hospitality and £10 for gifts. The Hospitality and Gift Returns are subject to review by the Risk Committee. During the past two years, due to the Covid-19 pandemic, there has been a significant reduction in hospitality.
Political donations	The Company strictly prohibits any political donations being made on its behalf.
Charitable donations	Charitable donations are handled by the Sponsorships and Donations Committee. 'Know your client' procedures are applied to charitable organisations to ensure we are dealing with a valid body acting in good faith and with charitable objectives.
Contractors and suppliers	Our zero-tolerance approach is communicated to all suppliers, contractors and business partners. Due diligence procedures determine if a third party has previous convictions under the Bribery Act. All contracts with suppliers or contractors prohibit the payment of bribes or engaging in any corrupt practice. The Company has the right to terminate agreements in the event a bribe is paid or other corrupt practice undertaken.
Supply Chain Sustainability Standard	Contains the minimum standards we expect from our major suppliers (further information on page 169).
Payments	All payments made must be warranted, transparent and proper. All payments must be accurately recorded through the normal accounting and financial procedures without any deception or disguise as to the recipient's identity or the purpose of the payment in question. No one approves their own expense claim. All expense claims must be approved by a Director or senior manager.
Facilitation payments	Facilitation payments are bribes and are strictly prohibited.
Conflicts of interest	All conflicts of interest or potential conflicts of interest must be notified to the Company Secretary and a register of such notifications is maintained. The Corporate governance statement on page 139 explains our process for managing potential conflicts.
Training	We provide our employees with guidance notes and regular training on anti-bribery, corruption, ethical standards and the prevention of the facilitation of tax evasion.
Whistleblowing procedures	A confidential reporting helpline is available for staff to raise concerns anonymously (see page 136).

Compliance training page 161 →

Insurance

We use insurance to transfer risks which we cannot fully mitigate. Our comprehensive insurance programme covers all of our assets and insurable risks. We are advised by our insurance brokers, Marsh, who report to the Risk Committee on an annual basis. We have a long-standing relationship with our property insurers, who perform regular reviews of our properties that aim to identify risk improvement areas. Due to our proactive risk management processes, Derwent London has a low claims record which makes us attractive to insurers.

During 2021, as we were operating within a Long Term Agreement for our key property-related insurances, our occupiers were not impacted by the hardening insurance market. Following the transaction with Lazari investments, which led to the creation of the 'Baker Street joint venture' (see page 21), we acquired professional indemnity insurance to offset any risks arising from the operation of the joint venture.

Over the past two years, the insurance market has hardened with insurers reducing the amount of capacity they are willing to allocate to any one risk. This resulted in an overall capacity contraction, conservative underwriting and a significant rise in premiums. It is predicted that premiums will continue to rise above inflation in 2022.

RESPONSIBLE BUSINESS COMMITTEE REPORT

Dame Cilla Snowball
Chair of the Responsible Business Committee

2022 FOCUS AREAS

- Review the recommendations arising from the Employee Survey Working Group and occupier pulse surveys
- Oversee the work of the Diversity and Inclusion Working Group and provide support for its initiatives
- Ensure adherence to the Group's Net Zero Carbon Pathway and receive regular updates on progress
- Continue to monitor the Group's community, charitable and sponsorship initiatives

BRITAIN'S MOST ADMIRED COMPANIES 2021
Management Today
WINNER

Britain's Most Admired Companies – sector winner and 38th overall

Dear Shareholder,
As the Chair of the Responsible Business Committee, I am pleased to present our report of the work of the Committee for 2021. I would suggest that this report is read alongside the Responsibility section on pages 50 to 75.

Supporting our stakeholders

We continue to prioritise stakeholder engagement as a key driver of the business. This has been especially critical during the pandemic when the Committee has received detailed updates on the input from, and support to, our employees, occupiers, communities and the supply chain. We were particularly pleased to see the many proactive efforts that Derwent London has made to support communities over such a difficult year.

We were pleased to review the results of the 2021 Employee Survey showing continuing high levels of pride and job satisfaction at Derwent London, in spite of the challenges of Covid. Pulse surveys among our occupiers were also conducted through the various stages of lockdown, hybrid working and return to the office. The Committee was pleased to participate in the Stakeholder Day at DL/78 in September (see page 134).

Diversity and inclusion

The Committee received regular updates from the Diversity and Inclusion Working Group on its activities and discussions (see page 169). The Committee also reviewed the Group's progress towards achieving the National Equality Standard accreditation and was delighted to see Derwent London achieve full compliance across all 35 of the competencies at the end of 2021. A remarkable achievement and testament to the hard work of Katy Levine (Head of HR) and the Diversity and Inclusion Working Group.

Net zero carbon

The Committee received updates on the Group's progress towards being net zero carbon by 2030. Of particular interest was stakeholder engagement with our occupiers on our net zero plans and how Derwent London can partner with their own sustainability efforts (see page 13). This was an important discussion at the Stakeholder Day, held at DL/78 in the 80 Charlotte Street building, Derwent London's first all-electric building, demonstrating the Group's sustainability principles in action. We were also pleased to see Derwent London actively participate at COP26.

Employee members

The benefits of having employees on the Committee have been evident in 2021, particularly when, during periods of remote working due to the pandemic, the Board were able to be closely informed of staff welfare and engagement.

I would like to thank Ally Clements, Jonathan Theobald and Davina Stewart for their insights and contributions to the Committee and their tireless efforts over the past year. Ally and Jonathan both retired from the Committee at the end of their term in December 2021 and we are grateful to them for setting such a high bar as the first employee representatives on the Committee. We welcome Matt Massey, Lucy Taylor and Kirsty Williams, who join Davina as employee representatives in 2022 (see page 168).

If you wish to discuss any aspect of the Committee's activities, I will be available at the 2022 AGM and would welcome your questions. I am also available via our Company Secretary, David Lawler (telephone: +44 (0)20 7659 3000 or email: company.secretary@derwentlondon.com).

Dame Cilla Snowball
Chair of the Responsible Business Committee
23 February 2022

Committee composition and performance

During 2021, our Committee consisted of two independent Non-Executive Directors, the Chief Executive and three employee members. At the request of the Committee, Executive Directors, members of senior management, other Board members and external advisers may be invited to attend all or part of any meeting, as and when appropriate.

During the year under review, the Committee held two formal meetings (in May and December) (2020: two meetings). In addition to the formal meetings, the Committee holds ad hoc informal meetings. The Chair of the Committee is also the Group's designated NED for gathering the views of our workforce (see page 138).

	Independent	Number of meetings	Attendance
Cilla Snowball, Chair	Yes	2	100%
Claudia Arney	Yes	2	100%
Ally Clements[i]	Employee	2	100%
Davina Stewart	Employee	2	100%
Jonathan Theobald[i]	Employee	2	100%
Paul Williams	No	2	100%

Note:
[i] Jonathan Theobald and Ally Clements tenure on the Committee ended on 3 December 2021 and they have now stepped down as members. Matt Massey, Lucy Taylor and Kirsty Williams were appointed as employee members of the Committee from 1 January 2022 and were invited to attend the 3 December 2021 meeting as observers.

The Committee's role and responsibilities are set out in the terms of reference, which were last updated in May 2021 and are available on the Company's website at: **www.derwentlondon.com/investors/governance/board-committees**

The 2021 evaluation of the Board, its committees and individual Directors, was internally facilitated by Mark Breuer, the Chairman of the Board, in accordance with our three-year cycle of evaluations (see page 141). The review confirmed that the Committee continues to operate effectively, with no significant matters raised.

Reporting frameworks

The Group reports under several frameworks to provide a complete picture of our responsibility progress and activities and to allow comparison with our peers and other companies.

Our reporting aims to show not only a property sector specific perspective (EPRA Best Practice Reporting measures) but also a broader international perspective (the Global Reporting Index and the United Nations Sustainable Development Goals). For further details on our EPRA measures, please see pages 269 to 271, and for our Global Reporting Index disclosures and United Nations Sustainable Development Goals alignment, see our annual Responsibility Report.

Human rights and modern slavery

The protection of human rights and fundamental freedoms is one of our key ESG priorities which we manage from an internal (within our business) and external perspective (within our supply chain and our relationships with contractors).

Internally, the Board monitors our culture to ensure we maintain our values and high standards of transparency and integrity. Our Human Resources team ensures that we have the right systems and processes in place to strengthen and sustain our culture. The Board's role in managing the Group's culture can be found on page 131.

Externally, we are active in ensuring our ESG standards are clearly communicated to our supply chains, principally via our Supply Chain Sustainability Standard. In addition, we are clear on our zero-tolerance position with regards to slavery and human trafficking as set out in our Modern Slavery Statement, which can be found at: **www.derwentlondon.com/investors/governance/modern-slavery-act**

During 2021, we continued to identify and implement ways to strengthen our policies and procedures in respect of the protection of human rights and prevention of modern slavery. The Committee receive annual updates on progress from our designated 'champion', who is a senior manager responsible for ensuring the Board's policies on modern slavery are implemented. In addition, the Committee reviewed in detail the answers provided by suppliers in respect to modern slavery following the supplier audit performed in 2019 on the Supply Chain Sustainability Standard (see page 169).

Key activities of the Committee during 2021

The Committee continued to focus on how the Group has been supporting its key stakeholders during the Covid-19 pandemic and the continuing uncertainty. Climate change is a major global challenge and at each of its meetings, the Committee reviewed the Group's progress against our Net Zero Carbon Pathway (see pages 12 and 13). During 2021, the Committee's keys activities were:

- Stakeholder engagement:
  - Received an update on our community initiatives and engagement (see pages 26 to 27 and 62 to 63)
  - Reviewed the results of the Covid-19 employee and occupier pulse surveys
  - Agreed the content of the 2021 employee survey and reviewed its results (see page 60)
  - Received a presentation on occupier engagement and an update on the work of the Asset Management team
  - Received regular updates on how we are engaging with, and developing, our employees (see page 60)
- Diversity and inclusion:
  - Received a presentation from EY on the National Equality Standard and received updates on the Group's progress to being accredited (see page 58)
  - Received regular updates on the Diversity and Inclusion Working Group and its activities and discussions (see page 169)
- Net zero carbon:
  - Monitored our progress to net zero carbon by 2030 (see page 52)
  - Received an update on stakeholder engagement in respect to communicating our Net Zero Carbon Pathway and assisting our stakeholders in achieving their own goals (see page 13)
- Responsible business:
  - Reviewed the revised Supply Chain Sustainability Standard and received an update on engagement with key suppliers during 2021 (see page 169)
  - Received an update on the Group's modern slavery initiatives and recommendations

RESPONSIBLE BUSINESS COMMITTEE REPORT CONTINUED

COMMITTEE EMPLOYEE MEMBERS

Lucy Taylor
Investment Manager
Joined Derwent London in March 2019
Appointed to the Committee: January 2022
Expected term expiry: December 2024

Kirsty Williams
Business Liaison Manager
Joined Derwent London in February 2007
Appointed to the Committee: January 2022
Expected term expiry: December 2024

Matt Massey
Senior Project Manager
Joined Derwent London in March 2014
Appointed to the Committee: January 2022
Expected term expiry: December 2024

Davina Stewart
Property Accounts Manager
Joined Derwent London in June 2015
Appointed to the Committee: October 2020
Expected term expiry: December 2023

Employees on the Responsible Business Committee
The employee members of the Committee are fully involved in all aspects of the Committee's activities, including attendance at meetings and contribution to discussions and decisions. The employee members also extend the Committee's influence within the business, by being actively involved in employee engagement diversity and inclusion initiatives.

Ally Clements and Jonathan Theobald completed their tenure on the Committee in December 2021. The Committee is thankful for the level of commitment both have shown in the role and their involvement in the Committee's activities. Having employee members on a Board-level committee, enables the diverse voice of our employees to be brought directly into our Boardroom, providing invaluable insight.

Due to the number and high quality of applicants, in December, three new employees were appointed to the Committee. The Committee agreed that the three new members would serve on the Committee for three years.

"Being part of the Responsible Business Committee was such a fantastic experience. Representing the voice of employees at Board level whilst also contributing towards important ESG topics that affect how we operate and are regarded as a business, was a real privilege."

Ally Clements
Senior Property Marketing Co-ordinator
Member of the Committee from January 2019 to December 2021

Supply Chain Sustainability Standard

All suppliers with whom we spend more than £20,000 per annum are required to comply with, and provide evidence of how, they are implementing our Supply Chain Sustainability Standard (the Standard). The Standard sets out our principles and expectations in terms of the environmental, social, ethical and governance issues which relate to our supply chains and renews our commitment to ensuring our supply chain remains as engaged as we are in setting the highest standards.

In August 2021, we published a revised Standard which is available to download on our website. The Standard now includes our expectations in respect of diversity and inclusion, environmental issues and preventing modern slavery. In respect to diversity and inclusion, our Standard extends beyond basic compliance and requires our suppliers to advise how diversity and inclusion is embedded in their working practices.

During 2021, we requested evidence that our major suppliers were compliant with the Standard. This involved completion of a questionnaire and providing copies of key policies and procedures. Overall, we received an excellent response rate, with all 49 suppliers responding.

- All suppliers confirmed they have an equality, diversity and inclusion policy that aligns with the Equality Act 2010, and 48 suppliers confirmed this is communicated to their staff.
- All suppliers confirmed they have a policy/procedure in place to ensure that bullying, harassment, and discrimination (based on all protected characteristics) is not tolerated.
- All suppliers confirmed they have a modern slavery policy that addresses items raised in the Modern Slavery Act 2015, and 44 suppliers confirmed they provide staff training on the subject.
- Three suppliers advised that they use limited zero hour contracts. After engagement, these suppliers clarified that zero hour contracts are not used at any Derwent London sites. As the use of zero hour contracts is not aligned with our principles, we will seek to engage with these suppliers further during 2022.

All suppliers who have not confirmed compliance with our Standard will be contacted to understand the reason and to agree a time plan for compliance.

Responsible payment practices

Derwent London is a signatory to the Chartered Institute of Credit Management (CICM) Prompt Payment Code, which confirms our commitment to best practice payment practices and the fair and equal treatment of suppliers. We are clear about our payment practices. Unless otherwise stated, we aim to pay our suppliers within 30 days or otherwise will do so in accordance with specified contract conditions. We expect our suppliers to adopt similar practices throughout their supply chains to ensure fair and prompt treatment of all creditors. In 2021, our average payment days was 20 days (see page 107).

On 19 January 2021, the Prompt Payment Reforms were announced which require 95% of invoices from small businesses (defined as those with fewer than 50 employees) to be paid within 30 days. The reforms become applicable from 1 July 2021. During 2021, we liaised with our suppliers to identify those which fall within the new requirements. Although we currently pay all invoices on average within 30 days of receipt, determining our small business suppliers and recording their specific payment days will remain a priority for 2022.

Diversity and inclusion

Having a diverse, highly talented and skilled group of people at all levels at Derwent London is fundamental to our business success. Diversity and inclusion bring new ideas and fresh perspectives which fuel innovation and creativity. Further information on how diversity and inclusion factors into our strategy is on page 41.

We are founding supporters of Real Estate Balance and we are members of the City Women Network (CWN) which provides membership to all our senior female employees.

During 2021, in order to assess the Group's strengths and key areas for improvement in respect to equality, diversity and inclusion, Derwent London was independently assessed under the National Equality Standard. The Committee reviewed the results of the assessment and was delighted that the Group was awarded the accreditation (further information on page 58).

The Diversity and Inclusion Working Group

The Diversity and Inclusion Working Group (the D&I Working Group) consists of 13 members and meets monthly to further advance the Group's diversity and inclusion vision and strategy.

Each month, an Executive Director and Head of Department are invited to join the D&I Working Group's meetings. This provides the Directors and senior management with insights into the diversity and inclusion initiatives being developed, understand what the working group is trying to achieve, and how they can support and promote the initiatives. The Committee received updates on the work of the D&I Working Group at each meeting, which during 2021 included:

- Employee induction programme: Diversity and inclusion is now incorporated into our induction programme and presents an opportunity for new employees to understand our vision and strategy and share ideas or initiatives.
- Redesign of the corporate website: The D&I Working Group shared with the Board that there was a lack of perceived diversity on our website. The website was subsequently redesigned to better represent the people and culture of Derwent London.
- 2021 Employee Survey: At the request of the D&I Working Group, the 2021 employee survey asked for respondents' gender, ethnicity, sexual orientation and disability. This addition to the survey will allow the Directors to establish if there are variances/inconsistency in experiences.
- Promoting the work of the D&I Working Group: At a town hall meeting, the D&I Working Group introduced its members, role and the Company's diversity and inclusion strategy. In addition, a diversity and inclusion 'mailbox' has been created for sharing ideas, and a dedicated page has been created on the intranet.
- National Inclusion Week coffee 'catch up'.

In 2022, the D&I Working Group will continue to raise awareness of all aspects of diversity, inclusion and equality, further embed our 2021 initiatives, promote the relevant training and welcome inspiring guest speakers to town hall meetings.

For further information, see the following disclosures:

More on diversity and inclusion page 57 →
National Equality Standard page 58 →
Board's diversity policy page 147 →

RESPONSIBLE BUSINESS COMMITTEE REPORT CONTINUED

Diversity focus areas

The Board has established clear focus areas which aim to promote the importance of diversity at all stages from attracting diverse and talented employees through to retention and promotion. The key focus areas have been widened to ensure sufficient attention is being given to ethnic diversity in addition to other diversity considerations.

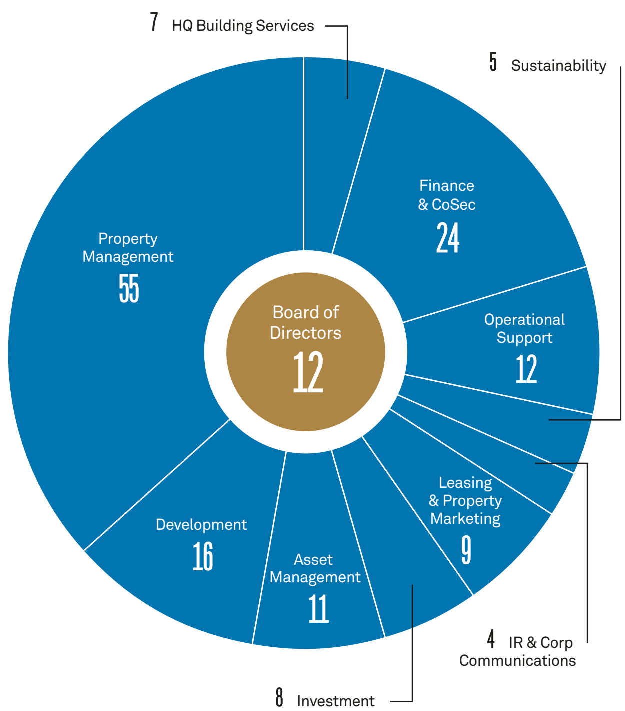
Focus	Actions taken during 2021	Further actions required in 2022
Attracting diverse, highly skilled and talented employees — Tackle any unconscious bias — All candidate shortlists to have gender balance — Recruit from a wide pool of talent (including women returning to work)	— Working closely with all recruitment consultants to ensure diversity shortlists are received for every vacancy — Launched new recruitment guidelines to ensure consistency of approach — Launched a recruitment log to ensure that the data and demographics are analysed within a recruitment process including candidate pool, interview pool and hires — Updated and relaunched our Diversity & Inclusion page on the internet to publicise our employee value proposition — Increased focus on actively promoting ourselves as an employer that embraces Diversity & Inclusivity — Relaunched our unconscious bias training alongside Chickenshed for all employees — Two guest speakers from an ethnic background, within the property industry, presented to the Executive Committee and employees via a town hall meeting to share their experiences, challenges and journeys — During the year under review: – 60% of new recruits have been female – 37% of new recruits were non-white – 72% of new female recruits were for 'professional' roles (i.e. excludes administrative, trainee and support roles) – 91% of new ethnic minority recruits were for 'professional' roles	— Continue with current initiatives including our social responsibility messaging, communicating our culture and inclusive values to the market — Continue with our unconscious bias training programme — Continue to work closely with all recruitment consultants
Retaining the best talent — Focus on women returning to work — Promote the importance of work/life balance — Equal opportunities for all	— Created and set up a new Diversity & Inclusion Working Group Worked towards achieving the National Equality Standard accreditation — Rolled out Inclusive Leadership & Behaviour training to the Executive Committee and other Senior Managers — Continued with parental transition coaching for those returning from a period of extended leave — Strong focus on supporting work/life balance and health and wellbeing — Launched our new agile working policy — Enhanced and relaunched our Family Friendly policies — A further 26 employees participated in the 'Fit for the Future' programme — Core Skills sessions and technical workshops continued virtually — Rolled out our fourth full employee survey run by an independent provider	— Focus on mental health and wellbeing — Analyse and digest the feedback from the employee survey and explore recommendations and actions through focus groups — Host an employee awayday — Continue to offer Core Skills sessions and training opportunities
Promoting diversity — Gender balance within our internships and work experience placements — Aim to encourage more females to be interested in the construction and property industry and challenge harmful gender stereotyping — Heads of Department demonstrate that we are an inclusive employer	— Internship programmes and work experience placements format was tweaked in line with Covid-19 restrictions — Our monthly town hall meetings, hosted by our CEO focused on diversity and inclusion on a regular basis — We increased the number of employee representatives on our Responsible Business Committee to four — Our intranet and screensavers focused on diversity and inclusion e.g. recognising and celebrating Black History Month, Eid, Jewish Holidays etc. — Working with Pathways to Property	— Participate in careers and volunteering events during 2022 — Continue to have gender and ethnic balance within our internships and work placements — Host three interns under the #10000BlackInterns programme — Continue with training on diversity and inclusivity e.g. allyship — Continue to use the town halls to communicate diversity and inclusivity initiatives and guest speakers

The Group's composition and diversity

We have an experienced, diverse and dedicated workforce. The information below provides a breakdown of our diversity as at 1 January 2022. Further information on the Board's composition as at 1 January 2022 is shown on pages 139 and 147. We will monitor the outcome of the FCA's consultation on 'diversity and inclusion on company boards and executive committees' and will address the recommendations once they are finalised. The variance between genders in responses to employee surveys is taken into account by the Remuneration Committee when determining the annual bonus payout for Executive Directors in relation to the staff satisfaction metric (see page 184).

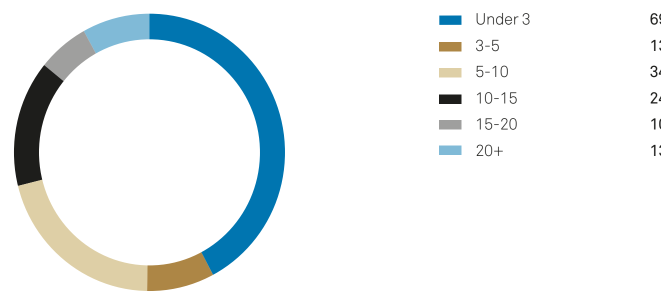
Headcount by department

Number



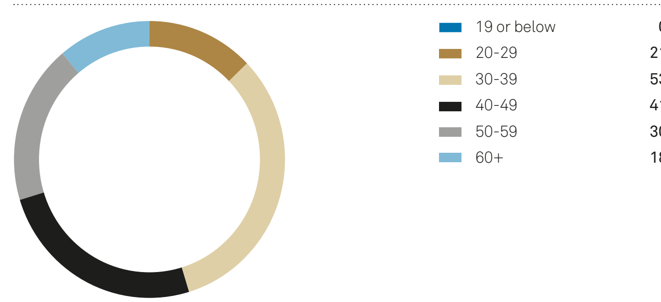
Length of service

Years



Employees by age

Years



	Number of total employees[i]	% of total employees	Number in the executive committee and its direct reports[ii]	% of executive committee and its direct reports[ii]	Number of Board members[iii]	% of Board[iii]	Number of senior positions on the Board[iv]
Gender							
Men	79	48.5%	34	54.0%	7	58.3%	3
Women	84	51.5%	29	46.0%	5	41.7%	1
Not specified/prefer not to say	–	–	–	–	–	–	–
Ethnicity							
White British or White Other	123	75.5%	54	85.6%	11	91.7%	4
Mixed/Multiple Ethnic Groups	6	3.7%	2	3.2%	–	–	–
Asian/Asian British	16	9.8%	2	3.2%	1	8.3%	–
Black/African/Caribbean/Black British	13	7.9%	2	3.2%	–	–	–
Other Ethnic Group	5	3.1%	3	4.8%	–	–	–
Not specified/prefer not to say	–	–	–	–	–	–	–
Total	163	–	63	–	12	–	4

Notes:
(i) Total employees include the Board of Directors.
(ii) Includes the Executive Committee and its direct reports (excluding administrative and support staff).
(iii) The Board includes the Chairman, Executive Directors and Non-Executive Directors.
(iv) Senior positions on the Board include the CEO, CFO, Chairman and Senior Independent Director.

REMUNERATION COMMITTEE REPORT

Claudia Arney
Chair of the Remuneration Committee

2022 FOCUS AREAS

- Remuneration Policy review and consultation with major shareholders and proxy voting agencies
- Review the Group's share-based incentive schemes for the wider workforce to ensure they remain appropriate and effective for talent retention
- Operation of the 2022 annual bonus and grant of 2022 Performance Share Plan (PSP) awards
- Continue to keep under review the effectiveness and relevance of performance conditions and comparator groups for variable remuneration

ANNUAL STATEMENT

Dear Shareholder,

As chair of the Remuneration Committee and on behalf of the Board, I am pleased to present our report on Directors' remuneration for 2021. The Annual report on remuneration, describing how the Remuneration Policy has been applied for the year ended 31 December 2021 and how we intend to implement policy for 2022, is provided on pages 175 to 193.

Our Remuneration Policy was approved by shareholders at the 2020 AGM and received 95.5% of votes cast in favour. Rather than reproduce the policy in full, we have provided a summary on pages 177 to 180. A copy of the complete Remuneration Policy can be found on our website at: **www.derwentlondon.com/investors/governance/board-committees**

Linking Executive Directors' remuneration with our purpose and strategy

Our Remuneration Policy is designed to be simple and transparent and to promote effective stewardship that is vital to the delivery of the Group's purpose (see page 1).

Success against our strategic objectives is measured using our KPIs, which are largely embedded within the executive remuneration framework as illustrated by the chart on page 174.

Derwent London values openness and transparency. To this end the Committee strives to provide clarity on how pay and performance is reported at Derwent London and how decisions made by the Committee support our purpose and the strategic direction of the Group.

Performance outcomes in 2021

Based on performance against the financial and strategic targets, the incentive outcomes for 2021 were as follows:

- An annual bonus vesting of 30.9% of the maximum opportunity (equivalent to 46.4% of base salary) (see page 183).
- A PSP award vesting of 18.1% of maximum opportunity (see page 185).

The Committee considered the formulaic vesting outcomes against broader perspectives including: underlying business performance and affordability; the experience of shareholders; and the experience of employees and other stakeholders.

The Group's 2021 TPR performance was 6.3% compared to the MSCI IPD Quarterly Central London Offices Total Return Index of 5.9%. The Group's TSR performance for the years 2019 to 2021 was 24.1% compared to the median of the FTSE 350 Supersector Real Estate Index of 12%.

The Group has completed a number of key acquisitions during 2021. The acquisitions add to our extensive pipeline and offer considerable opportunities for asset management and medium- to longer-term development; and are therefore a measure of the executive leadership team's strong lead indicator performance.

As disclosed via RNS on 10 August 2021, whilst the Lazari Investments transaction provides a key long-term development opportunity, the Group's portfolio valuation was adversely affected by the transaction and this has impacted the Group's Total Return and TPR performance for 2021.

The Committee also noted the following:

- The Group raised the 2021 interim dividend by 4.6% to 23.00 pence per share and the proposed 2021 final dividend has been increased by 2.0% to 53.5 pence per share.
- No employees were furloughed or made redundant during 2020 or 2021.
- The Company has not received government support or loans.
- The average salary increase for eligible employees was 5.5% in 2021 and at least 3.2% from 1 January 2022.
- All eligible employees received a bonus for 2021.
- We continued to support our tenants, providing relief on rent where required.

The Group has continued to perform strongly in difficult circumstances and has made strategic decisions during the year which will provide longer-term growth opportunities, which is testament to the quality and commitment of our executive leadership team. Nevertheless, circa 90% of the Executive Directors' incentive opportunity is based on relative performance against Real Estate peers and the Committee determined that it was not appropriate to apply discretion to adjust the formulaic outcome.

David Silverman's departure from the Board and treatment of outstanding incentives
As announced on 14 October 2021, David Silverman will step down as an Executive Director and leave the Group on 14 April 2022. There will be no payment for loss of office in respect of David's departure. David will continue to receive his salary, benefits and pension until his leaving date. David was eligible for a bonus in respect of the year ended 31 December 2021 and will be treated as a good leaver in respect of his outstanding PSP awards (which will be capable of vesting at the normal time subject to performance and pro-rating for time served, and any amounts that vest will be subject to a two-year holding period). David will also be required to hold shares following his departure in accordance with the Group's post-employment shareholding guidelines. Further information is set out on page 178.

Implementation in 2022
The Committee reviewed the performance and development of our Executive Directors during the year and, with the exception of David Silverman and Emily Prideaux, decided to increase Executive Directors' salaries by 3% from 1 January 2022. All eligible employees received at least a 3.2% salary increase from 1 January 2022. David Silverman's salary will remain unchanged for the period 1 January 2022 to his leaving date.

Emily Prideaux was appointed an Executive Director on 1 March 2021. Emily's salary was positioned below the other Executive Directors on appointment to reflect that she was stepping up into the role of an Executive Director. As detailed on page 151 of the 2020 Report & Accounts, Emily's salary has been increased by 9.8% to £450,000 with effect from 1 January 2022. The Committee intends to further align Emily's salary with the other Executive Directors by 1 January 2023, subject to good Group and personal performance.

Pension contribution for Paul Williams, Damian Wisniewski, Nigel George and David Silverman were reduced to 15% of salary from 1 January 2022, to be aligned with the wider workforce. Pension contribution for Emily Prideaux was set at 15% of salary on her appointment as Executive Director.

The annual bonus and PSP opportunities and financial performance measures remain largely unchanged for 2022. Minor changes have been made to strategic targets which make up 25% of the bonus. We will use the Group's accident frequency rate in respect to development projects as our accident rate metric, our carbon intensity and energy intensity targets will be assessed on a rolling three-year reduction, and our target range for void management has been expanded to 10% to 2% (previously, 8% to 2%) (see page 179).

The Committee reviewed the Group's share price performance prior to determining award levels for the 2022 PSP grant. As the share price on 22 February 2022 was broadly similar to the share price at the time the 2021 PSP awards were granted (£33.16), the Committee considered it appropriate to award a maximum opportunity of 200% of salary to Executive Directors (in line with the maximum opportunity under the Remuneration Policy). The Committee will take into account any potential windfall gains when determining the vesting outcome.

The Board reviewed the Non-Executive Director fees during the year (without the Non-Executive Directors being present) and decided to increase the base fee by £5,000 to £52,500, the committee chair fee by £2,500 to £10,000, and the committee membership fee by £1,000 to £5,000. The Board considers this level of fees appropriate for a company of our size and complexity. The last increase to Non-Executive Director base fees was with effect from 1 January 2019 and the last increase to the committee chair and membership fees were with effect from 1 January 2015.

Remuneration Policy review
The current Remuneration Policy was approved by shareholders at the 2020 AGM and is now approaching the end of its three-year term. During the coming year, the Committee will conduct a comprehensive review of its remuneration arrangements to ensure it remains closely aligned with the Company's strategic aims, purpose, attitude to risk and culture, and will seek consultation with our major shareholders on any proposed changes.

On promotion to Chief Executive in May 2019, Paul Williams' salary was positioned towards the lower end of market for a company of our size and below that of his predecessor's salary. This reflected that Paul was stepping up into the role of Chief Executive. As detailed on page 121 of the 2019 Report & Accounts, the Committee committed to keep Paul's salary level under review as he develops and gains experience in the role; and may award an increase above the wider workforce average to move his salary level closer to the market rate. Therefore, as part of the Remuneration Policy review, the Committee will also review Paul's salary to ensure that it is appropriately positioned against the market, taking into account his experience and performance in the role since appointment.

Ongoing and transparent dialogue with our shareholders is important to us and informs the Committee's thinking on remuneration matters. I therefore encourage all of our shareholders to engage with us during the review process.

Further engagement
I look forward to receiving your support at our 2022 AGM, where I will be available to respond to any questions shareholders may have on this report or in relation to any of the Committee activities. In the meantime, if you would like to discuss any aspect of our Remuneration Policy, please feel free to contact me through the Company Secretary, David Lawler (telephone: +44 (0)20 7659 3000 or email: company.secretary@derwentlondon.com).

The Directors' remuneration report has been approved by the Board of Directors and signed on its behalf by:

Claudia Arney
Chair of the Remuneration Committee
23 February 2022

REMUNERATION AT A GLANCE

We are transparent about our pay practices which aim to incentivise our employees to achieve our strategy and generate sustainable value for our stakeholders. Our Remuneration Policy was supported by 95.5% of our shareholders.

REWARD LINKED TO PERFORMANCE

Annual bonus earned by Executive Directors

Measure		Threshold	Maximum	Actual	Bonus earned (% max)
Relative TR	37.5%	7.7%	22.9%	5.8%	0.0
Relative TPR	37.5%	5.9%	7.9%	6.3%	14.5
Strategic	25.0%				16.4
Total					**30.9**

PSP earned by Executive Directors

Measure		Threshold	Maximum	Actual	PSP earned (% max)
Relative TSR	50%	12.0%	71.2%	24.1%	18.1
Relative TPR	50%	4.9%	7.9%	4.6%	0.0
Total					**18.1**

The Committee considers that these outcomes are fair in the context of our underlying performance and the experience of our shareholders and stakeholders.

WIDER STAKEHOLDER CONSIDERATIONS

The Committee considers pay policies and practices for employees, as well as feedback from key stakeholders, when making remuneration decisions for Executive Directors.

- 100% of employees below the Board received full salaries and benefits during 2021. None were furloughed
- All eligible employees received at least a 3.2% salary increase from 1 January 2022
- 2.8% increase to the dividend in 2021
- Total charitable donations and funds of £704,000
- Held our first Stakeholder Day on 29 September (see page 134)

SUMMARY OF OUR REMUNERATION POLICY AND REMUNERATION STRUCTURE

Component	Key features
Base salary and benefits	Attract and retain high calibre executives
Pension	From 1 January 2022, 15% of salary (in line with the wider workforce)
Annual bonus — 37.5% Relative TR — 37.5% Relative TPR — 25% Strategic	Maximum opportunity of 150% of salary Linked to key financial and strategic KPIs Any bonus earned in excess of 100% of salary is deferred into shares over three years
LTIP — 50% Relative TSR — 50% Relative TPR	Maximum opportunity of 200% of salary Linked to key financial KPIs Three-year performance period plus two-year holding period
Shareholding guidelines	200% of salary for all executives Guideline is met by all executives[i] Post-employment guidelines apply

During the coming year, the Committee will conduct a comprehensive review of its remuneration arrangements to ensure it remains closely aligned with the Company's strategic aims, purpose, attitude to risk and culture, and will seek consultation with our major shareholders on any proposed changes.

Notes:
[i] Excluding Emily Prideaux who was appointed an Executive Director on 1 March 2021. Emily is working towards achieving the shareholding guideline (see page 191)

HOW OUR KPIs ARE EMBEDDED WITHIN THE EXECUTIVE REMUNERATION FRAMEWORK

Financial KPIs

Operational measures	
Total return	TR
Total property return	TPR
Total shareholder return	TSR
EPRA earnings per share	

Gearing measures
Gearing and available resources
Interest cover ratio

Performance measures

Annual bonus	
Relative total return (37.5%)	TR
Relative total property return (37.5%)	TPR
Strategic (25%)	S

PSP	
Relative total property return (50%)	TPR
Relative TSR (50%)	TSR

Performance against all KPIs is taken into account when assessing underlying business performance

Non-financial KPIs

Operational measures	
Reversionary percentage	
Development potential	S
Tenant retention	S
Void management	S

Responsibility measures	
BREEAM	
EPC	
Carbon & Energy intensity	S
Staff satisfaction	S
Accident frequency rate	S

ANNUAL REPORT ON REMUNERATION

(unaudited unless otherwise indicated)

This part of the Directors' remuneration report explains how we have implemented our Remuneration Policy during 2021. The Remuneration Policy in place for the year was approved by shareholders at the 2020 AGM on 15 May. We have provided a summary of our Remuneration Policy on pages 177 to 180. Our full Remuneration Policy can be found on our website at: **www.derwentlondon.com/investors/governance/board-committees**

This Annual report on remuneration will be subject to an advisory vote at our 2022 AGM on 13 May 2022.

Role of the Remuneration Committee

The role of the Committee is to determine and recommend to the Board the Remuneration Policy for Executive Directors, and set the remuneration for the Chairman, Executive Directors and senior management (including the Company Secretary). In doing so, the Committee ensures that the Remuneration Policy is aligned with the Company's key remuneration principles, as well as taking into account the principles of clarity, simplicity, risk, predictability, proportionality and alignment to culture set out in the 2018 UK Corporate Governance Code.

Attract, retain and motivate	Support an effective pay for performance culture which enables the Company to attract, retain and motivate Executive Directors who have the skills and experience necessary to deliver the Group's purpose (see page 1). External market practice is considered when determining the Directors' Remuneration Policy.
Clarity and simplicity	Ensure that remuneration arrangements are simple and transparent to key stakeholders and take account of pay policies for the wider workforce. Details of the maximum potential values that may be earned through the remuneration arrangements are set out in the summary of our Remuneration Policy on pages 177 to 180.
Alignment to strategy and culture	Align remuneration with the Group's objectives and long-term strategy and reflect our culture through a balanced mix of short- and long-term performance-related pay and ensure that performance metrics remain effectively aligned with strategy.
Risk management	Promote long-term sustainable performance through sufficiently stretching performance targets, whilst ensuring that the incentive framework does not encourage Executive Directors to operate outside the Group's risk appetite (see page 101). Malus and clawback provisions apply to annual bonus and PSP awards, and the Committee has the means to apply discretion and judgement to vesting outcomes.
Stewardship	Promote long-term shareholdings by Executive Directors that support alignment with long-term shareholder interests. Executive Directors are subject to within-employment and post-employment shareholding guidelines. Once PSP awards have vested there is a two-year holding period during which Executive Directors are not able to sell their shares to support sustainable decision making.
Proportionality and fairness	Total remuneration should fairly reflect the performance delivered by the Executive Directors and the Group. The Committee takes into account underlying business performance and the experience of shareholders and other stakeholders when determining vesting outcomes, ensuring that poor performance is not rewarded. The Committee considers the approach to wider workforce pay and policies when determining the Remuneration Policy to ensure that it is appropriate in this context.

Committee composition and performance

None of the members who have served on the Committee during the year had any personal interest in the matters decided by the Committee and are all considered to be independent. The Company Secretary acted as Secretary to the Committee.

Claudia Arney will reach her ninth anniversary on the Board in 2024. Sanjeev Sharma will join the Committee from 1 March 2022 to ensure he has the knowledge to succeed Claudia Arney as Chair, in accordance with the UK Corporate Governance Code.

	Independent	Number of meetings	Attendance[i]
Claudia Arney, Chair	Yes	2	100%
Simon Fraser[ii]	Yes	1	100%
Helen Gordon	Yes	2	100%
Lucinda Bell	Yes	2	100%

Notes:

[i] Percentages are based on the meetings entitled to attend for the 12 months ended 31 December 2021.

[ii] Simon Fraser stepped down from the Board on 31 October 2021. Simon attended 100% of the Committee meetings he was entitled to attend prior to his retirement date.

The Committee's role and responsibilities are set out in the terms of reference, which were last updated in February 2022 and are available on the Company's website at: **www.derwentlondon.com/investors/governance/board-committees**

The 2021 evaluation of the Board, its committees and individual Directors, was internally facilitated by Mark Breuer, the Chairman of the Board, in accordance with our three-year cycle of evaluations (see page 141). The review confirmed that the Committee continues to operate effectively, with no significant matters raised.

Advisers to the Committee

The Committee has authority to obtain the advice of external independent remuneration consultants. Deloitte LLP have been retained as the Committee's principal consultants since July 2018, following a competitive tender process. Deloitte is one of the founding members of the Remuneration Consulting Group. The Committee has been fully briefed on Deloitte's compliance with the voluntary code of conduct in respect of the provision of remuneration consulting services.

During the year under review, Deloitte provided independent assistance to the Committee in respect of, among other things, the following matters:

- Performance assessment against annual bonus and PSP targets.
- Market practice and corporate governance updates.
- Benchmarking of Non-Executive Director fees.
- Remuneration arrangements for a departing Executive Director.

The fees paid to Deloitte for their services to the Committee during the year, based on time and expenses, amounted to £41,700.

REMUNERATION COMMITTEE REPORT CONTINUED

A separate team at Deloitte LLP also provided sustainability and health and safety audit assurance consultancy, corporate tax consultancy and employment tax consultancy services to the Group. The Committee took this work into account and, due to the nature and extent of the work performed, concluded that it did not impair Deloitte's ability to advise the Committee objectively and free from influence. It is the view of the Committee that the Deloitte engagement team that provide remuneration advice to the Committee do not have connections with Derwent London or its Directors that may impair their independence. The Committee therefore deem Deloitte capable of providing appropriate, objective and independent advice.

Shareholder voting and engagement

The Committee's resolutions at the Company's recent AGMs in respect of the Remuneration Policy and the Annual report on remuneration, received the following votes from shareholders:

	Annual report on remuneration (2021 AGM)		Remuneration Policy (2020 AGM)	
Votes cast in favour	88.9m	95.0%	85.6m	95.5%
Votes cast against	4.7m	5.0%	4.0m	4.5%
Votes withheld	0.0m	0.0%	0.0m	0.0%
Total votes cast	93.6m	–	89.6m	–

The Committee was extremely pleased with the level of shareholder support at the 2021 AGM (c.84.7% of our issued share capital voted). The Committee encourages ongoing, open and constructive dialogue with shareholders and their representative bodies. The Committee consulted with major shareholders prior to the 2020 AGM on changes to the Remuneration Policy and feedback was taken into account (see page 154 of the 2020 Report & Accounts for details).

The current Remuneration Policy was approved by shareholders at the 2020 AGM and is now approaching the end of its three-year term. During 2022, the Committee will conduct a comprehensive review of its remuneration arrangements to ensure it remains closely aligned with the Company's strategic aims, purpose, attitude to risk and culture, and will seek consultation with our major shareholders on any proposed changes.

Wider workforce considerations

When making remuneration decisions for Executive Directors, the Committee considers pay policies and practices across the wider workforce.

We value and appreciate our employees and aim to provide market competitive remuneration and benefit packages in order to continue to be seen as an employer of choice. The remuneration structure for our wider workforce is similar to that of our Executive Directors and contains both fixed and performance-based elements. Base salaries are reviewed annually and any increases become effective from 1 January. The Committee is kept informed of salary increases for the wider workforce, as well as any significant changes in practice or policy.

As part of the Remuneration Policy review being conducted during 2022, the Committee will consider the Group's share-based incentive schemes for the wider workforce to ensure they remain appropriate and effective for talent retention.

Despite the Covid-19 pandemic, all of our employees below the Board continued to receive their full salaries and benefits and none were furloughed. Further information on how we supported the health and wellbeing of our employees is on page 56.

We enrol all of our employees into an annual discretionary bonus scheme. Our approach is to reward our employees, based on their individual performance and their contribution to the performance of the Group. In 2021, 100% of our workforce below Board level (not subject to probation) received an annual bonus (2020: 100%).

All employees are eligible to participate in our non-contributory occupational pension scheme operated as a Master Trust with Fidelity. Fidelity offer all employees who are members of the pension scheme ongoing support and training opportunities in respect of their pension and investments. All employees are eligible to receive an employer pension contribution equal to 15% of salary per annum.

In addition, all employees receive private medical insurance, dental care and are invited into a non-contractual healthcare cash plan which offers an affordable way to help with everyday healthcare costs.

In order to align the interests of our employees and those of our shareholders, we operate an Employee Share Option Plan (ESOP). Employees, excluding the Directors, are eligible to join the ESOP subject to performance. The ESOP grants options which are exercisable after three years at a pre-agreed option price. In 2021, we granted 198,800 options to 78% of our employees below the Board and Executive Committee (2020: 174,300 options to 79% of our employees). Further information is on page 221.

In addition, to encourage Group-wide share ownership, the Company operates a HMRC tax efficient Sharesave Plan which was approved by shareholders at the 2018 AGM. The third grant under the Sharesave Plan was made on 15 April 2021, with employees saving on average £177 per month. The Committee has been pleased with the level of take-up, especially within the context of ongoing uncertainty caused by Brexit and the Covid-19 pandemic. As at 1 January 2022, 118 employees are saving into our Sharesave Plan (72.4% of our employees). Further information on the Sharesave Plan is on page 191.

We have an open, collaborative and inclusive management structure and engage regularly with our employees on a range of issues including the Group's approach to remuneration. We do this through an appraisal process, structured career conversations, employee surveys, our intranet site, Company presentations, awaydays and our wellbeing programme (see pages 28, 29, 125 and 135). Employee engagement is frequently measured and we have a designated Non-Executive Director, Dame Cilla Snowball, who chairs the Responsible Business Committee.

The Committee considers that there are sufficient channels for employees to discuss a range of matters, including executive remuneration, with the Board. The Committee considers pay and conditions across the Group, as well as any employee feedback when making decisions on executive remuneration.

Summary of Remuneration Policy

We have provided a summary of the key elements of the Remuneration Policy for Executive Directors and Non-Executive Directors approved by shareholders at the 2020 AGM on pages 177 to 180. There has been no deviation in the implementation of the Remuneration Policy during 2021. In addition, we have set out how the Remuneration Policy will be implemented in 2022. Our full Remuneration Policy can be found on our website at: **www.derwentlondon.com/investors/governance/board-committees**

<table>
<tr><th>Element</th><th>How operated</th><th>Maximum opportunity</th><th>Implementation for 2022</th></tr>
<tr><td>Base salary</td><td>Normally reviewed annually.
Factors taken into account include:
— the role, experience and performance of the individual and the Company;
— economic conditions;
— pay and conditions throughout the business; and
— practice in companies with similar business characteristics.</td><td>No maximum, but increases will normally be consistent with the policy applied to the workforce generally (in percentage of salary terms).</td><td>With effect from 1 January 2022, Executive Directors salaries (excluding Emily Prideaux and David Silverman) were increased by 3%. All eligible employees received at least a 3.2% salary increase from 1 January 2022.
<table>
<tr><th>Executive Director</th><th>2022 salary £'000</th><th>2021 salary £'000</th></tr>
<tr><td>Paul Williams, CEO</td><td>630.4</td><td>612.0</td></tr>
<tr><td>Damian Wisniewski, CFO</td><td>504.3</td><td>489.6</td></tr>
<tr><td>Emily Prideaux[i]</td><td>450.0</td><td>410.0</td></tr>
<tr><td>Nigel George</td><td>504.3</td><td>489.6</td></tr>
<tr><td>David Silverman[ii]</td><td>489.6</td><td>489.6</td></tr>
</table>
Notes:
(i) Emily Prideaux was appointed an Executive Director on 1 March 2021. Emily's salary was positioned below the other Executive Directors on appointment. As detailed on page 151 of the 2020 Report & Accounts, Emily's salary has been increased by 9.8% to £450,000 with effect from 1 January 2022. The Committee intends to further align Emily's salary with the other Executive Directors by 1 January 2023, subject to good Group and personal performance.
(ii) David Silverman did not receive a salary increase effective from 1 January 2022. He will continue to receive a base salary of £489,600 until he steps down from the Board on 14 April 2022 (further information on page 179).</td></tr>
<tr><td>Benefits</td><td>Include, but are not limited to, private medical insurance, car and fuel allowance and life assurance.
Executive Directors may participate in the Sharesave Plan and any other all-employee plans on the same basis as other employees, up to HMRC approved limits.</td><td>Set at a level which the Committee considers to be appropriate taking into account the overall cost to the Company in securing the benefits, individual circumstances, benefits provided to the wider workforce and market practice.</td><td>Benefits will continue to include a fully expensed car or car allowance, private medical insurance and life assurance.</td></tr>
<tr><td>Pension</td><td>Executive Directors participate in the Company's defined contribution pension scheme or may receive cash payments in lieu of contributions (e.g. where contributions would exceed either the lifetime or annual contribution limits).</td><td>Maximum Company contribution or cash supplement (or a mix of both) for Executive Directors from 1 January 2022 is aligned with the contribution available to the wider workforce (currently 15% of salary).</td><td>Company contribution and/or cash supplement equal to 15% of salary for all Executive Directors.</td></tr>
<tr><td>Annual bonus</td><td>Bonuses up to 100% of salary are paid as cash. Amounts in excess of 100% are deferred into shares for three years subject to continued employment.
Dividend equivalents may accrue on deferred shares. Such amounts will normally be paid in shares.
Malus and clawback provisions apply (see note 1 on page 178).
The Committee has discretion to adjust the payment outcome if it is not deemed to reflect the underlying financial or non-financial performance of the business, the performance of the individual or the experience of shareholders or other stakeholders over the performance period.</td><td>Maximum opportunity of up to 150% of salary may be awarded in respect of a financial year.</td><td>Maximum opportunity: 150% of salary for all Executive Directors.
Performance metrics and weightings (as a percentage of maximum opportunity):
— Total return versus a comparator group of real estate companies (37.5%)
— Total property return versus the MSCI IPD Central London Offices (CLO) Index (37.5%)
— Strategic objectives (25%)
The total return and total property return targets are set out below.
<table>
<tr><th>Total return vs real estate comparator group</th><th>Vesting (% of total return award)</th></tr>
<tr><td>Below median</td><td>0%</td></tr>
<tr><td>Median</td><td>22.5%</td></tr>
<tr><td>Upper quartile</td><td>100%</td></tr>
<tr><td>Straight-line vesting occurs between these points</td><td></td></tr>
</table>
The comparator group comprises of Big Yellow Group plc, The British Land Company plc, Capital & Counties Properties plc, CLS Holdings plc, Great Portland Estates plc, Hammerson plc, Helical plc, Landsec plc, LondonMetric Property plc, Segro plc, Shaftesbury plc, UK Commercial Property, Unite Group plc and Workspace Group plc. The Committee reviewed the comparator group during the year and confirmed that it remained appropriate.
<table>
<tr><th>TPR vs the MSCI IPD CLO Index</th><th>Vesting (% of total return award)</th></tr>
<tr><td>Below Index</td><td>0%</td></tr>
<tr><td>Index</td><td>22.5%</td></tr>
<tr><td>Index + 2%</td><td>100%</td></tr>
<tr><td>Straight-line vesting occurs between these points</td><td></td></tr>
</table>
The strategic targets, ranges and weightings for the 2022 annual bonus are disclosed in note 2 on page 179.</td></tr>
</table>

REMUNERATION COMMITTEE REPORT CONTINUED

<table>
<tr><th>Element</th><th>How operated</th><th>Maximum opportunity</th><th>Implementation for 2022</th></tr>
<tr><td>Long-term incentives</td><td>Award of performance shares which vest after three years, subject to performance measures set by the Committee and continued employment.

Awards will be subject to a two-year post-vesting holding period.

Dividend equivalents may accrue on performance shares. Such amounts will normally be paid in shares.

Malus and clawback provisions apply (see note 1 below).

The Committee has discretion to adjust the vesting outcome if it is not deemed to reflect appropriately the underlying financial or non-financial performance of the business, the performance of the individual, or the experience of shareholders or other stakeholders over the performance period.</td><td>Maximum opportunity of up to 200% of salary may be awarded in respect of a financial year.</td><td>Maximum opportunity: 200% of salary for all Executive Directors.

Performance metrics and weightings (as a percentage of maximum opportunity):
— Total shareholder return versus the constituents of the FTSE 350 Super Sector Real Estate Index (50%)
— Total property return versus the MSCI IPD UK All Property Index (50%)

The total shareholder return and total property return targets are set out below.

<table>
<tr><th>TSR vs FTSE 350 Super Sector Real Estate Index</th><th>Vesting (% of TSR award)</th></tr>
<tr><td>Below median</td><td>0%</td></tr>
<tr><td>Median</td><td>22.5%</td></tr>
<tr><td>Upper quartile</td><td>100%</td></tr>
<tr><td>Straight-line vesting occurs between these points</td><td></td></tr>
</table>

<table>
<tr><th>Annualised TPR vs the MSCI IPD UK All Property Index</th><th>Vesting (% of total return award)</th></tr>
<tr><td>Below Index</td><td>0%</td></tr>
<tr><td>Index</td><td>22.5%</td></tr>
<tr><td>Index + 2%</td><td>100%</td></tr>
<tr><td>Straight-line vesting occurs between these points</td><td></td></tr>
</table>
</td></tr>
<tr><td>Share ownership guidelines</td><td>Within-employment: Executive Directors are expected to build up and retain a shareholding equal to 200% of salary. Until the shareholding guideline is met, 50% of any deferred bonus awards or PSP awards vesting (net of tax) normally must be retained.

Post-employment: Executive Directors who step down from the Board are required to retain a holding in ‘guideline shares’ equal to:
— 200% of salary (or their actual shareholding at the point of departure if lower) for the first 12 months following stepping down as an Executive Director.
— 100% of salary (or their actual shareholding at the point of departure if lower) for the subsequent 12 months.

‘Guideline shares’ do not include shares that the Executive Director has purchased or which have been acquired pursuant to deferred share awards or PSP awards which vested before 1 January 2020.</td><td>n/a</td><td>As at 23 February 2022, all of our Executive Directors have achieved the within-employment guideline (see page 191) except Emily Prideaux, who was appointed an Executive Director on 1 March 2021. Emily will work towards achieving the shareholding guideline.

On 14 April 2022, David Silverman will cease to be a Director and employee of the Group. It is anticipated that David Silverman will be deemed to hold in excess of 200% of salary in ‘guideline shares’ on leaving Derwent London and will therefore be required to retain a shareholding in accordance with the post-employment share ownership guidelines.

The Committee will monitor David’s compliance with the post-employment share ownership guidelines.</td></tr>
</table>

Note 1: Malus and clawback

Malus and clawback provisions apply to annual bonus, deferred bonus and performance shares over the following time periods:

	Malus	Clawback
Annual bonus	To such time as payment is made.	Up to two years following payment.
Deferred bonus	To such time as the award vests.	No clawback provisions apply (as malus provisions apply for three years from the date of award).
Performance shares	To such time as the award vests.	Up to two years following vesting.

Malus and clawback may apply in the following circumstances:

1. Material misstatement of financial results.
2. An error in assessing performance conditions which has led to an overpayment.
3. Dismissal due to gross misconduct.
4. Serious reputational damage.
5. Corporate failure.

Note 2: Strategic targets for the 2022 annual bonus

The strategic targets for the 2022 annual bonus will be broadly the same as those used for the 2021 annual bonus (see page 184). For the 2022 annual bonus, we will use the Group's accident frequency rate as our accident rate metric, our carbon intensity and energy intensity targets will be assessed on a rolling three-year reduction, and our target range for void management has been expanded to 10% to 2% (previously, 8% to 2%).

Performance measure[i]	Target range[ii]	Maximum award
Void management This is measured by the Group's average EPRA vacancy rate over the year.	10% to 2%	5.0%
Tenant retention This is measured by the percentage of tenants that remain in their space when their lease expires.	50% to 75%	5.0%
Staff satisfaction Staff surveys are used to assess this measure. In assessing this target the Committee will consider any variance in staff satisfaction scores between genders.	80% to >95% of staff to be satisfied or better	2.5%
Accident rate[iii] For 2022, this will be our Accident Frequency Rate, which is calculated based on the number of development RIDDOR injuries during the year multiplied by 1,000,000 and divided by 'work hours'.	65% to 75% of the latest industry benchmark	2.5%
Portfolio development potential This is measured by the percentage of the Group's portfolio by area, where a potential development scheme has been identified.	35% to 50%	2.5%
Net Zero Carbon Pathway targets: These measures have been set to be consistent with our ambition to be net zero carbon by 2030.		
Carbon intensity[iv] This is measured by emissions intensity per m² of landlord-controlled floor area across our managed like-for-like portfolio, against the rolling three-year average.	-5% to -10%	5.0%
Energy intensity[iv] This is measured by energy consumption (kWh) per m² of landlord-controlled floor area across our managed like-for-like portfolio, against the rolling three-year average.	-2% to -4%	2.5%
		25%

Notes:

[i] The link between the performance measures and our strategic objectives is shown in the table on page 184.

[ii] Payout accrues on a straight-line basis, between threshold and maximum performance.

[iii] In 2021, we used Accident Incident Rate (see page 184). Our Accident Frequency Rate (AFR) for 2021 was 1.26 (2020: 2.72) a reduction of 53.7%. AFR is subject to independent assurance from Deloitte.

[iv] For the 2022 bonus, the three-year average to 31 December 2022 will be compared against the three-year average to 31 December 2021.

Outside appointments for Executive Directors

Executive Directors may accept a non-executive role at another company with the approval of the Board. The Executive Director is entitled to retain any fees paid for these services. During 2021, our Executive Directors did not receive fees for their external appointments. Further information on our Executive Directors' external appointments is provided on pages 126 and 127.

Payments to past Directors and for loss of office (audited)

Simon Silver retired as an Executive Director on 26 February 2021. The impact of Simon Silver's retirement on his remuneration was disclosed on page 151 of the 2020 Report & Accounts. Simon Silver remained eligible to earn a pro rata bonus for the 2021 financial year. His PSP awards granted on 12 March 2019 and 13 March 2020 remain capable of vesting in accordance with their normal vesting timetable, subject to the achievement of the relevant performance conditions and a pro rata reduction for the period 26 February 2021 to the end of the performance period. Details of Simon Silver's 2021 bonus earned and 2019 PSP award expected vesting outcome are disclosed on pages 184 and 185 respectively.

David Silverman will step down from the Board on 14 April 2022 and the table below discloses how this will impact on his remuneration. There will be no payment for loss of office in respect of David's departure. David will continue to receive his salary, benefits and pension until his leaving date. The table below provides information on the treatment of his annual bonus and PSP arrangements.

Element	Agreed treatment
Annual bonus	— Annual bonus for the year ended 31 December 2021 will be paid in March 2022 based on performance against targets and is detailed on page 184. — David Silverman will not be eligible to receive a bonus in respect of the period 1 January to 14 April 2022.
PSP awards	David Silverman will not be eligible to receive a PSP grant in 2022. In respect of his outstanding PSP awards, they will: — Vest in accordance to their normal vesting timetable, subject to the achievement of the relevant performance conditions; — Be subject to the normal two-year holding period; and — Will be subject to a pro rata reduction for the period 14 April 2022 to the end of the performance period
Sharesave options	All outstanding Sharesave options will lapse on his leaving date (see page 191).
Post-employment shareholding guidelines	It is anticipated that David Silverman will be deemed to hold in excess of 200% of salary in 'guideline shares' on leaving Derwent London and will therefore be required to retain a shareholding in accordance with the post-employment shareholding guidelines (see pages 178 and 191).

REMUNERATION COMMITTEE REPORT CONTINUED

Service contracts and letters of appointment

Executive Directors

Executive Directors' service contracts do not have a fixed expiry date, however, they are terminable either by the Company providing 12 months' notice or by the executive providing six months' notice.

	Date of service contract	Notice period	Service contract expiry date
Paul Williams, CEO	22 November 2018	12 months' notice to the Executive Director and six months' notice from the Executive Director.	Rolling service contract with no fixed contract end date.
Damian Wisniewski, CFO	10 July 2019		
Nigel George	10 July 2019		
Emily Prideaux	26 February 2021		
David Silverman(i)	14 August 2019		

Note:
(i) David Silverman will step down from the Board on 14 April 2022 (further information on page 179).

Non-Executive Directors

Non-Executive Directors are appointed for initial three-year terms which thereafter may be extended, subject to re-election at each AGM.

	Appointment date to the Board	Current tenure as at 1 January 2022	Date of latest appointment letter	Appointment letter expiry date
Mark Breuer	1 February 2021	11 months	25 January 2021	1 February 2024
Richard Dakin(i)	6 August 2013	8 years, 5 months	5 August 2019	6 August 2022
Claudia Arney	18 May 2015	6 years, 7 months	5 May 2021	18 May 2024
Dame Cilla Snowball	1 September 2015	6 years, 4 months	9 August 2021	31 August 2024
Helen Gordon	1 January 2018	4 years	4 November 2020	31 December 2023
Lucinda Bell	1 January 2019	3 years	11 November 2021	1 January 2025
Sanjeev Sharma	1 October 2021	3 months	6 August 2021	1 October 2024

Note:
(i) Richard Dakin will reach his ninth anniversary on the Derwent London Board during 2022. It is anticipated that he will step down as a Director by the end of 2022. Further information on Non-Executive Director succession is on page 146.

Summary table for the Chairman and Non-Executive Directors

	Operation	Implementation for 2022
Chairman	The remuneration of the Chairman is set by the Board (excluding the Chairman). The Chairman receives an annual fee. The Chairman may be eligible to receive benefits including, but not limited to, the use of a driver, secretarial provision, office costs and travel costs. The Chairman does not receive pension contributions or participate in incentive arrangements.	Mark Breuer's inclusive Chairman fee is £250,000 per annum and remains unchanged from 2021. Mark does not receive the benefits of a driver or contributions to his office costs.
Non-Executive Directors	The remuneration for Non-Executive Directors is set by the Executive Directors. Non-Executive Directors receive a base fee, plus additional fees for committee chairmanship, committee membership and for the Senior Independent Director. Non-Executive Directors may be eligible to receive benefits including, but not limited to, secretarial provision and travel costs. Non-Executive Directors do not receive pension contributions or participate in incentive arrangements.	With effect from 1 January 2022, the Board have approved the following increases to Non-Executive Director fees (see page 173):

Non-Executive Director fees	2022 fee £'000	2021 fee £'000
Base fee	52.5	47.5
Committee chair	10.0	7.5
Senior Independent Director	10.0	10.0
Committee membership fee	5.0	4.0

In addition to their chairmanship fee, a Committee Chair also receives the committee membership fee.

The Non-Executive Director base fee and Senior Independent Director fee were last increased with effect from 1 January 2019. The committee chair and membership fees were last increased with effect from 1 January 2015.

Total remuneration in 2021 (audited)

The table below sets out the remuneration paid to each Director for the financial years ended 31 December 2021 and 31 December 2020 as a single figure. A full breakdown of fixed pay and pay for performance in 2021 can be found on pages 182 to 185.

Executive Directors

£'000	Fixed pay: Salary[i]	Fixed pay: Taxable benefits	Fixed pay: Pension and life assurance[ii]	Fixed pay: Subtotal	Pay for performance (variable pay): Bonus: Cash	Bonus: Deferred	Performance LTIPs[iii][iv][v]	Subtotal	Other items in the nature of remuneration[vi]	Total remuneration
2021										
Paul Williams, CEO	612	23	121	756	284	–	222	506	–	1,262
Damian Wisniewski, CFO	490	23	95	608	227	–	178	405	1	1,014
Emily Prideaux[vii]	342	15	57	414	159	–	48	207	3	624
Nigel George	490	22	97	609	227	–	178	405	–	1,014
David Silverman	490	21	96	607	227	–	178	405	–	1,012
Former Executive Director										
Simon Silver[viii]	97	11	22	130	43	–	153	196	–	326
2020										
Paul Williams, CEO	600	23	135	758	597	–	856	1,453	3	2,214
Damian Wisniewski, CFO	480	23	107	610	478	–	856	1,334	1	1,945
Simon Silver	581	51	146	778	578	–	1,125	1,703	–	2,481
Nigel George	480	22	107	609	478	–	856	1,334	3	1,946
David Silverman	480	21	106	607	478	–	856	1,334	3	1,944
Former Executive Director										
John Burns	–	–	–	–	–	–	523	523	–	523

Non-Executive Directors

£'000	2021 Fees	2021 Taxable benefits	2021 Total	2020 Fees	2020 Taxable benefits	2020 Total
Mark Breuer[ix]	173	–	173	–	–	–
Richard Dakin	67	–	67	67	–	67
Claudia Arney	71	–	71	71	–	71
Cilla Snowball	67	–	67	67	–	67
Helen Gordon	57	–	57	56	–	56
Lucinda Bell	71	–	71	71	–	71
Sanjeev Sharma[x]	15	–	15	–	–	–
Former Non-Executive Directors						
John Burns[xi]	93	–	93	250	–	250
Simon Fraser[xii]	61	–	61	77	–	77

Notes:

(i) In response to the Covid-19 pandemic, Directors' base salaries and fees were subject to a voluntary 20% waiver for the three-month period between 1 April 2020 and 30 June 2020. The waived remuneration was used for charitable donations and sponsorships. The salaries and fees disclosed for 2020 are before the voluntary 20% waiver.

(ii) 2020 pension contributions were calculated based on salaries before the voluntary 20% waiver.

(iii) Performance LTIPs for 2021 relate to the 2019 PSP awards which will vest on 14 March 2022 and 15 August 2022 and for which the performance conditions related to the year ended 31 December 2021. The value is based on an estimate of expected vesting of 18.1% and the average share price over the last three-months of the financial year ended 31 December 2021 of £33.90. This amount includes the value of additional shares awarded in respect of dividend equivalents. For details of the amount attributable to share price appreciation see page 185.

(iv) In the 2020 Report & Accounts, the potential value of 2018 PSP awards vesting for which the performance conditions related to the year ended 31 December 2020 was calculated using the average share price for the three-months ended 31 December 2020, being £29.80. The 2020 Performance LTIP figures in the table above have been restated to reflect the actual number of 2018 PSP awards which vested on 16 March 2021 using the share price on the day of vesting (being, £33.03). The restated value provides a difference of £3.23 per vested share in comparison to the estimates contained in the 2020 Report & Accounts on page 159. Further details of vesting is provided on page 193.

(v) The 2018 PSP awards which vested on 16 March 2021 were granted on 6 March 2018 when the share price was £29.48. Between grant and the vesting date, the share price had increased to £33.03 which equated to an increase in value of each vesting share equivalent to £3.55. The proportion of the value disclosed in the single figure attributable to share price growth is therefore 10.7%. The Remuneration Committee did not exercise discretion in respect of the share price appreciation.

(vi) Included in the column for 'other items in the nature of remuneration' is the grant under the Derwent London Sharesave Plan made on 15 April 2021. These have been calculated based on the middle market share price on the date of grant being £33.57 minus the value of the awards at the option price which was £25.93. Further information on the Derwent London Sharesave Plan is on page 186.

(vii) Emily Prideaux was appointed an Executive Director on 1 March 2021. The remuneration for 2021, is the actual remuneration paid to Emily Prideaux since her appointment.

(viii) Simon Silver retired as an Executive Director on 26 February 2021. There was no payment for loss of office on Simon ceasing to be a Director. Simon continued to receive his salary, benefits and pension until his retirement date. Simon was eligible to earn a bonus for the period to 26 February 2021 on a pro rata daily basis (see page 184). Simon's 2019 PSP awards will vest in accordance with the normal timetable on 14 March 2022, subject to performance, and a pro rata reduction for the period 26 February 2021 to the end of the performance period (see page 185).

(ix) For the period 1 February 2021 to 14 May 2021, Mark Breuer as Chairman Designate received a base fee of £47,500 per annum and a committee membership fee of £4,000 per annum. From 14 May 2021, Mark Breuer took over the role of Non-Executive Chairman. His inclusive Chairman fee from this date was £250,000 per annum.

(x) Sanjeev Sharma was appointed a Non-Executive Director on 1 October 2021. The fees for 2021, are the actual fees paid to Sanjeev Sharma since his appointment.

(xi) For the period 1 January 2021 to 14 May 2021, John Burns' fees as Non-Executive Chairman was £250,000 per annum subject to a pro rata reduction. In order to undertake his duties, John Burns was also provided with a driver and secretary, together with a contribution to his office running costs.

(xii) Simon Fraser stepped down from the Board on 31 October 2021. The fees for 2021 shown in the table above are the actual fees paid to Simon Fraser until his retirement date.

REMUNERATION COMMITTEE REPORT CONTINUED

Executive Directors' remuneration in 2021

Remuneration for Executive Directors comprises the following elements:

Total remuneration

Fixed pay

Base salary | Benefits | Pension

Variable pay

Annual bonus | Long-term incentive

Performance-based

Fixed pay in 2021 (audited)

Base salaries and fees

Salaries for the Executive Directors were increased by 2.0% with effect from 1 January 2021, which was in line with the cost of living increase awarded to the wider workforce (see page 189). Emily Prideaux was appointed an Executive Director on 1 March 2021; from her appointment, Emily's base salary was £410,000 per annum.

During 2020, in response to the Covid-19 pandemic, Directors' base salaries and fees were subject to a voluntary 20% waiver for the three-month period between 1 April and 30 June 2020. The comparison base salary for 2020 detailed in the table below is the Directors' base salaries before the 20% waiver. The actual base salaries paid to Directors during 2020 is detailed on page 160 of the 2020 Report & Accounts.

	2021 base salary/fee	2020 base salary/fee
Executive Directors		
Paul Williams, CEO	£612,000	£600,000
Damian Wisniewski, CFO	£489,600	£480,000
Emily Prideaux[i]	£341,667	–
Nigel George	£489,600	£480,000
David Silverman	£489,600	£480,000
Former Executive Directors		
Simon Silver[ii]	£96,833	£581,000
Non-Executive Directors		
Mark Breuer[i]	£172,605	–
Richard Dakin	£67,000	£67,000
Claudia Arney	£71,000	£71,000
Cilla Snowball	£67,000	£67,000
Helen Gordon	£57,167	£55,500
Lucinda Bell	£71,000	£71,000
Sanjeev Sharma[i]	£14,875	–
Former Non-Executive Directors		
John Burns[iii]	£92,742	£250,000
Simon Fraser[iv]	£60,679	£77,000

Notes:

[i] Mark Breuer, Emily Prideaux and Sanjeev Sharma were appointed to the Board on 1 February, 1 March and 1 October 2021, respectively. The base salaries shown in the table above are the actual fees/salary paid to them for the periods they were Directors.

[ii] Simon Silver's salary remained unchanged at £581,000 per annum for the period 1 January 2021 until his retirement date on 26 February 2021.

[iii] John Burns' fee remained unchanged at £250,000 per annum for the period 1 January 2021 until his retirement date on 14 May 2021.

[iv] From May 2021, Simon Fraser's fee reduced from £77,000 to £69,500 per annum as Mark Breuer succeeded him as Chair of the Nominations Committee. Simon Fraser stepped down from the Board on 31 October 2021.

Benefits
Executive Directors are entitled to a car and fuel allowance, private medical insurance and life assurance. Further details of the taxable benefits paid in 2021 can be found in the table below.

	Car and fuel allowance	Private medical insurance	Total 2021 taxable benefits
Executive Directors			
Paul Williams, CEO	£16,000	£7,487	**£23,487**
Damian Wisniewski, CFO	£16,000	£6,791	**£22,791**
Emily Prideaux[i]	£13,334	£2,267	**£15,601**
Nigel George	£16,000	£6,161	**£22,161**
David Silverman	£16,000	£4,943	**£20,943**
Former Executive Directors			
Simon Silver[ii]	£9,081	£1,983	**£11,064**

Notes:
(i) Emily Prideaux was appointed an Executive Director on 1 March 2021, therefore her benefits shown in the table above are for the period 1 March to 31 December 2021.
(ii) The benefits which Simon Silver received remained unchanged for the period 1 January 2021 until his retirement date on 26 February 2021.

Pension and life assurance
Paul Williams, Damian Wisniewski, Nigel George and Simon Silver each received a cash supplement of 17.5% of salary. David Silverman and Emily Prideaux received £4,000 and £3,333, respectively, into the Group's Fidelity Master Trust pension scheme with the remainder of their entitlement paid as a cash supplement. No other Directors are accruing benefits under a money purchase pension scheme.

From 1 January 2022, the Executive Director pension provision has been aligned with the contribution available to the wider workforce at 15% of salary.

There was no change in the life assurance benefits received by the Executive Directors in 2021. The change in the annual cost is due to increases in life assurance premiums.

Pay for performance (audited)

Determination of 2021 annual bonus outcome
The performance measures set for the year under review were a combination of financial-based metrics (worth 75% of the bonus potential) and strategic targets (worth 25% of the bonus potential). The maximum bonus potential for Executive Directors is 150% of salary. Based on actual 2021 performance, the annual bonus payout for Executive Directors is 30.9% of the maximum potential (2020: 96.3%; 2019: 97%; 2018: 68.5%). The Committee exercised its discretion to reduce the 2020 annual bonus payout by 30.0% (from 96.3% to 66.3%).

The Committee considered the formulaic performance outcome alongside broader perspectives including: underlying business performance and affordability; the experience of shareholders; and the experience of employees and other stakeholders. Points specifically considered are set out in the Chair's Annual statement on pages 172 and 173. The Committee determined that it was not appropriate to apply discretion to adjust the formulaic outcome.

2021 annual bonus outcome	
Bonus payable for financial-based performance	14.5%
Bonus payable for strategic target performance	16.4%
Total bonus payable for 2021 (% of the maximum)	**30.9%**

Financial-based metrics

Performance measure	Weighting % of bonus	Basis of calculation	Threshold[ii] %	Maximum[iii] %	Actual %	Payable %
Total return	37.5	Total return versus other major real estate companies[i]	7.7	22.9	5.8	0.0
Total property return (TPR)	37.5	Versus the MSCI IPD Quarterly Central London Offices Total Return Index	5.9	7.9	6.3	14.5
Total bonus payable for financial-based metrics						14.5

Notes:
(i) The major real estate companies contained in the comparator group for the 2021 annual bonus are: Big Yellow Group plc, The British Land Company plc, Capital & Counties Properties plc, CLS Holdings plc, Great Portland Estates plc, Hammerson plc, Helical plc, Landsec plc, LondonMetric Property plc, Segro plc, Shaftesbury plc, UK Commercial Property, Unite Group plc and Workspace Group plc.
(ii) For achieving the threshold performance target, i.e. at the MSCI IPD Index or median total return against our sector peers, 22.5% of the maximum bonus opportunity will become payable.
(iii) Total return payout accrues on a straight-line basis between the threshold level for median performance and maximum payment for upper quartile performance or better. For TPR, the payout accrues on a straight-line basis between the threshold level for Index performance and maximum payment for Index +2%.

REMUNERATION COMMITTEE REPORT CONTINUED

Strategic targets

Performance measure	Link to strategic objectives[i]	Target range[ii]	Maximum award	2021 achievement	Proportion awarded for 2021
Void management: This is measured by the Group's average EPRA vacancy rate over the year.	1. 2.	8% to 2%	5.0%	1.6%	5.0%
Tenant retention: This is measured by the percentage of tenants that remain in their space when their lease expires.	1. 2.	50% to 75%	5.0%	77%	5.0%
Staff satisfaction[iii]**:** Staff surveys are used to assess this measure. In assessing this target, the Committee will consider any variance in staff satisfaction scores between genders.	3.	80% to >95% of staff to be satisfied or better	2.5%	90.5%	1.8%
Accident incident rate[iv]: This is calculated based on the number of development RIDDOR injuries during the year, multiplied by 100,000 and divided by the number of site workers (inductions).	4.	>0% to 5% reduction	2.5%	72.2% reduction	2.5%
Portfolio development potential: This is measured by the percentage of the Group's portfolio by area, where a potential development scheme has been identified.	1.	35% to 50%	2.5%	47.6%	2.1%
Net Zero Carbon Pathway targets: These measures have been set to be consistent with our ambition to be net zero carbon by 2030.					
Carbon intensity[v]**:** This is measured by emissions intensity per m² of landlord-controlled floor area across our managed like-for-like portfolio.	4.	-5% to -10%	5.0%	-1%	0.0%
Energy intensity[v]**:** This is measured by energy consumption (kWh) per m² of landlord-controlled floor area across our managed like-for-like portfolio.	4.	-2% to -4%	2.5%	+2%	0.0%
			25%		**16.4%**

Notes:

(i) Success against our strategic objectives is measured using our KPIs (see pages 44 to 49) and rewarded through our incentive schemes and annual bonus. The references above show the link between our strategic objectives and our annual bonus targets (further information on our five strategic objectives can be found on pages 32 to 43).

(ii) Payout accrues on a straight-line basis, between threshold and maximum performance.

(iii) The variance between genders in responses to the employee survey was taken into account by the Committee when determining the payout for staff satisfaction. The results of the employee survey showed a 0.7% variance between genders, with female satisfaction being at 95.6% and male satisfaction at 94.9%.

(iv) Our accident incident rate in 2021 was 34.23 (2020: 123.3) a reduction of 72.2%. For the 2022 annual bonus, the target will change to accident frequency rate (see note 2 on page 179). Our accident frequency rate for 2021 was 1.26 (2020: 2.72) a reduction of 53.7% (see page 66).

(v) Achievement of the carbon and energy intensity targets have been affected primarily by the Covid-19 pandemic. As building occupation rose throughout 2021 following the release of lockdown restrictions, there was a subsequent increase in energy consumption compared to the significant reduction in 2020 (see page 74).

(vi) The strategic targets for the 2022 annual bonus are available in note 2 on page 179.

The total bonus for each executive is therefore:

	Bonus payable		Cash bonus payable	Deferred bonus	
	% of maximum	% of salary	£'000	£'000	% of salary
Executive Directors					
Paul Williams, CEO	30.9	46.4	284	–	–
Damian Wisniewski, CFO	30.9	46.4	227	–	–
Emily Prideaux[i]	30.9	46.4	159	–	–
Nigel George	30.9	46.4	227	–	–
David Silverman	30.9	46.4	227	–	–
Former Executive Directors					
Simon Silver[ii]	30.9	46.4	44	–	–

Notes:

(i) Emily Prideaux earned a bonus equal to £159,400 in respect of her role as an Executive Director (1 March to 31 December 2021) and this amount is disclosed in the table above. Emily Prideaux also earned a bonus equal to £40,600 in respect of her role prior to being appointed as an Executive Director (1 January to 28 February 2021). Her total bonus earned in respect of 2021 was therefore £200,000.

(ii) Simon Silver retired as an Executive Director on 26 February 2021 and his bonus payout was calculated on a pro rata daily basis for the period 26 February 2021 to the end of the performance period.

In accordance with our Remuneration Policy, bonuses of up to 100% of base salary are paid as cash. Amounts in excess of 100% are deferred into shares and released after three years, subject to continued employment.

Performance Share Plan (PSP) vesting of awards

The Group granted share-based awards under the PSP on 12 March 2019 and 14 August 2019. The grant made in August 2019 was only to Paul Williams to reflect his increase in salary (from £442,000 to £600,000), following his promotion to Chief Executive on 17 May 2019. The March and August 2019 grants were subject to the same performance conditions over a three-year performance period which ended on 31 December 2021.

As shown in the table below, the PSP awards granted in 2019 will vest on 14 March 2022 and 15 August 2022 at 18.1% of maximum opportunity.

Performance measure	Weighting % of award	Basis of calculation	Threshold[ii] %	Maximum[iii] %	Actual %	% vesting/ estimated vesting
Total property return (TPR)	50	MSCI IPD Quarterly UK All Property Total Return Index	4.9	7.9	4.6	0.0
Total shareholder return (TSR)	50	FTSE 350 Super Sector Real Estate Index[i]	12.0	71.2	24.1	18.1

Notes:

(i) The constituents of the FTSE 350 Super Sector Real Estate Index as at the start of the Performance Period (i.e. 1 January 2019).

(ii) For achieving the threshold performance target, i.e. at the MSCI IPD Index or median TSR against our sector peers, 22.5% of the maximum award will vest.

(iii) For TSR (which is calculated based on a three-month weekday average Return Index excluding UK public holidays ended on: (1) the day before the performance period start date; and (2) the performance period end date) vesting accrues on a straight-line basis between the threshold level for median performance and maximum level for upper quartile performance or better. For TPR, vesting accrues on a straight-line basis between the threshold level for Index performance and maximum level for Index +3%.

The Committee determined that it was not appropriate to apply discretion to adjust the formulaic outcome. Therefore, the vesting for each executive will be:

		Number of awards granted	Number of shares vesting based on performance (18.1%)	Dividend equivalents[i] (number of shares)	Total number of shares vesting	Total estimated value of award on vesting	Value on vesting attributable to share price growth
Executive Directors							
Paul Williams, CEO	(March)	27,174	4,918	335	5,253	£178,077	£7,197
	(August)	6,713	1,214	84	1,298	£44,003	£5,815
	(Total)	33,887	6,132	419	**6,551**	**£222,080**	£13,012
Damian Wisniewski, CFO		27,174	4,918	335	**5,253**	**£178,077**	£7,197
Emily Prideaux[ii]		7,377	1,334	91	**1,425**	**£48,308**	£1,952
Nigel George		27,174	4,918	335	**5,253**	**£178,077**	£7,197
David Silverman		27,174	4,918	335	**5,253**	**£178,077**	£7,197
Former Executive Director							
Simon Silver[iii]		35,720	4,229	288	**4,517**	**£153,127**	£6,188

Notes:

(i) In accordance with the PSP rules, the Remuneration Committee has discretion to allow PSP participants to receive the benefit of any dividends paid on vesting shares between the grant date and the vesting date in the form of additional vesting shares. The dividend equivalents for Paul Williams' August award is an estimate and the actual number of shares will not be known until the 2021 Final Dividend is paid on 1 June 2022.

(iii) Emily Prideaux's PSP award was granted in respect of her role prior to being appointed an Executive Director.

(iii) Simon Silver's award was subject to a pro rata reduction for the period 26 February 2021 to the end of the performance period and is subject to the normal holding period of two years.

The value of the vesting awards is based on the average share price over the last three months of the financial year ended 31 December 2021, being £33.90. The estimated value of the vesting awards has been included within the 'single figure' total remuneration table on page 181.

The Company's share price was £32.53 and £29.42 at the point of grant, respectively, (March and August 2019). Based on the average share price over the last three months of the financial year ended 31 December 2021, being £33.90, the Company's share price has risen by £1.37 and £4.48, since the March and August grant dates, respectively. The proportion of the value disclosed in the single figure attributable to share price growth is therefore 5.9% for Paul Williams and 4.0% for the other Executive Directors (the actual value attributable to share price growth is contained in the table above). The Remuneration Committee did not consider that it was necessary to exercise discretion in respect of share price fluctuations since grant.

Overall, the Committee considers that the Remuneration Policy has operated as it intended during 2021 and that the pay outcomes are aligned with the experience of shareholders and other stakeholders.

Holding period

In accordance with the PSP rules, vested awards are subject to a two-year holding period whereby at least the after-tax number of vested shares must be retained by the executive for a minimum of two years from the point of vesting.

Grant	Grant date	Performance period	Vesting date	Holding period	Holding period ceases
2017 Grant	20 March 2017	1 January 2017 to 31 December 2019	20 March 2020	Two years	20 March 2022
2018 Grant	6 March 2018	1 January 2018 to 31 December 2020	8 March 2021	Two years	8 March 2023
2019 Grants	12 March 2019 14 August 2019	1 January 2019 to 31 December 2021	12 March 2022 14 August 2022	Two years	12 March 2024 14 August 2024
2020 Grant	13 March 2020	1 January 2020 to 31 December 2022	13 March 2023	Two years	13 March 2025
2021 Grant	12 March 2021	1 January 2021 to 31 December 2023	12 March 2024	Two years	12 March 2026

REMUNERATION COMMITTEE REPORT CONTINUED

Grant of PSP awards

On 12 March 2021, the Committee made an award under the Group's 2014 PSP to Executive Directors on the following basis:

	Number of shares awarded	Face value of award
Paul Williams, CEO	36,911	£1,223,969
Damian Wisniewski, CFO	29,529	£979,182
Emily Prideaux	24,728	£819,980
Nigel George	29,529	£979,182
David Silverman	29,529	£979,182

Awards were granted as nil-cost options and equivalent to 200% of base salary, with 22.5% of the award vesting at threshold performance. The share price used to determine the level of the awards was the closing share price on the day immediately preceding the grant date of £33.16 (note: a share price of £33.14 was used to determine the level of PSP awards granted in March 2020). The performance period will run over three financial years and, dependent upon the achievement of the performance conditions, the awards will vest on 12 March 2024 and will be subject to a two-year holding period as outlined in the table on page 185.

50% of the award vests according to the Group's relative TSR performance versus the constituents of the FTSE 350 Super Sector Real Estate Index with the following vesting profile:

TSR performance of the Company relative to the TSR of the constituents of the FTSE 350 Super Sector Real Estate Index tested over three-year performance period ending 31 December 2023	Vesting (% of TSR part of award)
Below Median	0%
Median	22.5%
Upper quartile and above	100%
Straight-line vesting occurs between these points	

50% of the award vests according to the Group's TPR versus the MSCI IPD Quarterly UK All Property Total Return Index with the following vesting profile:

Annualised TPR versus the MSCI IPD Quarterly UK All Property Index tested over three years	Vesting (% of TSR part of award)
Below Index	0%
At Index	22.5%
Index + 2%	100%
Straight-line vesting occurs between these points	

The Committee has discretion to reduce the extent of vesting in the event that it considers that performance against either measure is inconsistent with underlying financial performance and/or the experience of key stakeholders. At least the after-tax number of vested shares must be retained for a minimum holding period of two years. To the extent that awards vest, the Committee has discretion to allow the Executive Directors to receive the benefit of any dividends paid over the vesting period in the form of additional vesting shares.

Grant of Sharesave Plan options

On 15 April 2021, the Company granted options under the Derwent London Sharesave Plan. The three-year contract for the Options started on 1 June 2021. These Options are exercisable at a price of £25.93 per share from 1 June 2024 and are not subject to any performance conditions.

Executive Directors	Monthly saving amount	Number of shares under option	Option price	Market price at grant	Face value of award[i]	Value of award[ii]
Damian Wisniewski, CFO	£125	173	£25.93	£33.57	£5,808	**£1,322**
Emily Prideaux	£250	347	£25.93	£33.57	£11,649	**£2,651**

Notes:

(i) The face value of the award is based on the middle market share price on the grant date multiplied by the number of shares under option.

(ii) The value of the award is based on the middle market share price on the grant date minus the option price. Further information on the Derwent London Sharesave Plan is on page 191.

Managing shareholder dilution

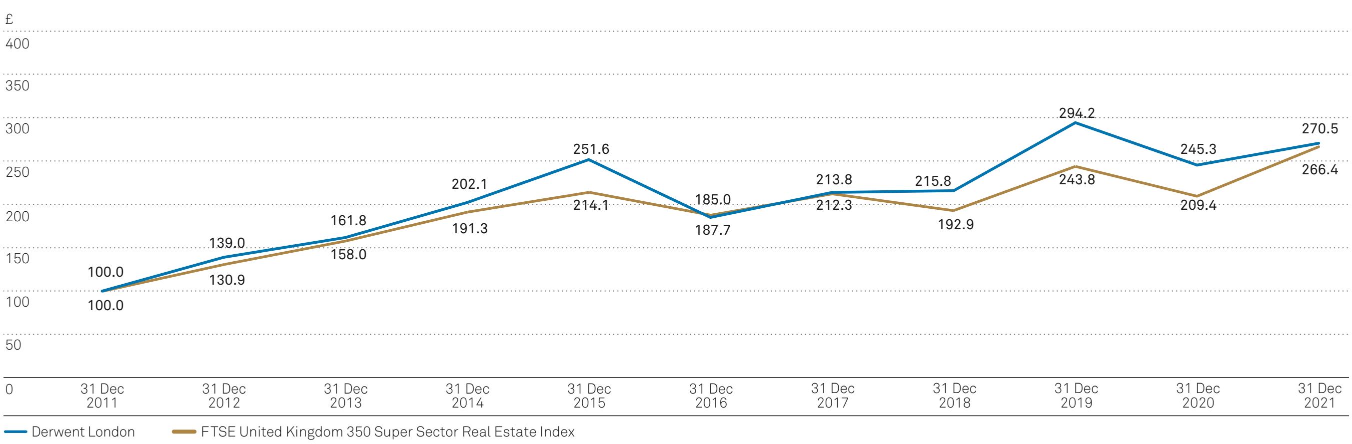
The table below sets out the available dilution capacity for the Company's employee share plans based on the limits set out in the rules of those plans that relate to issuing new shares.

	2021
Total issued share capital as at 31 December 2021	112.2 m
Investment Association share limits (in any consecutive ten-year period):	
Current dilution for all share plans	2.3%
Headroom relative to 10% limit	7.7%
5% for executive plans – current dilution for discretionary (executive) plans	1.2%
Headroom relative to 5% limit	3.8%

Pay for performance comparison

The graph below shows the value on 31 December 2021 of £100 invested in Derwent London on 31 December 2011, compared to that of £100 invested in the FTSE 350 Super Sector Real Estate Index. The other points plotted are the values at intervening financial year ends. This index has been chosen by the Committee as it is considered the most appropriate benchmark against which to assess the relative performance of the Company for this purpose.

Total shareholder return (TSR)



Source: Datastream (Thomson Reuters)

Note: The TSR chart data is based on the 30-day average over the period 2 December to 31 December for each year.

Remuneration of the Chief Executive

Financial year ending	31/12/2012	31/12/2013	31/12/2014	31/12/2015	31/12/2016	31/12/2017	31/12/2018	31/12/2019[i][ii]		31/12/2020[iii]	**31/12/2021**
Chief Executive	John Burns	John Burns	John Burns	John Burns	John Burns	John Burns	John Burns	John Burns	Paul Williams	Paul Williams	**Paul Williams**
Total remuneration (single figure) (£'000)	2,721	2,478	2,648	2,529	1,403	1,681	2,219	1,399	2,100	2,214	**1,262**
Annual bonus (% of maximum)	85.4	95.0	92.6	74.2	23.3	53.6	68.5	97.0	97.0	66.3	**30.9**
Long-term variable pay (% of maximum)	83.8	55.2	50.0	65.7	24.9	26.5	46.0	65.75	65.75	81.6	**18.1**

Notes:

(i) Paul Williams' 2019 total remuneration is in respect of his tenure as Chief Executive from 17 May 2019. His salary, bonus and PSP has been subject to a pro rata time reduction.

(ii) The annual bonus (% of maximum) and long-term variable pay (% of maximum) for John Burns in 2019 is based on remuneration in the role of Chief Executive.

(iii) Total remuneration for 2020 has been restated to reflect the actual number of 2018 PSP awards which vested on 16 March 2021 using the share price on the day of vesting (being, £33.03). The restated value provides a difference of £3.23 per vested share in comparison to the estimates contained in the 2020 Report & Accounts which were based on the average three-month share price for the year ended 31 December 2020, which was £29.80. Further details of total remuneration is provided on page 181.

REMUNERATION COMMITTEE REPORT CONTINUED

Chief Executive pay ratio

As Derwent London has less than 250 employees, we are not required to disclose the CEO pay ratio. However, given our commitment to high standards of transparency and corporate governance, the Committee considers it appropriate to disclose the CEO pay ratio voluntarily. For the years ended 31 December 2018 to 31 December 2021, the Chief Executive's total remuneration as a ratio against the full-time equivalent remuneration of UK employees is detailed in the table below:

	Base salary	Total remuneration	CEO pay ratio
Year ended 31 December 2021			
25th percentile	£48,500	£67,908	**19:1**
50th percentile	£63,750	£90,289	**14:1**
75th percentile	£91,750	£143,168	**9:1**
Year ended 31 December 2020			
25th percentile	£47,000	£62,499	35:1
50th percentile	£64,000	£86,463	26:1
75th percentile	£95,266	£137,452	16:1
Year ended 31 December 2019			
25th percentile	£40,993	£63,211	40:1
50th percentile	£68,462	£89,274	28:1
75th percentile	£67,500	£153,828	17:1
Year ended 31 December 2018			
25th percentile	£45,057	£58,237	38:1
50th percentile	£59,250	£76,842	29:1
75th percentile	£75,000	£148,867	15:1

Notes:

(i) Total remuneration includes one-off employee gains received through the exercise of options granted under the Employee Share Option Plan (see pages 176 and 221).

(ii) Chief Executive remuneration for the year ended 31 December 2021 is Paul Williams' 2021 'single figure' (see page 181).

(iii) Chief Executive remuneration for the year ended 31 December 2020 is Paul Williams' 2020 'single figure' (see page 181), before the voluntary 20% salary waiver. Paul's total remuneration has been restated to reflect the actual number of 2018 PSP awards which vested on 16 March 2021, using the share price on the day of vesting (see page 193). The impact of the restatement on the CEO pay ratio for the year ended 31 December 2020 was that it increased from 34:1 for the 25th percentile, from 25:1 for the 50th percentile, and from 15:1 for the 75th percentile. The restated CEO pay ratio, based on the actual total remuneration received by Paul Williams in 2020, is included within the above table.

(iv) Chief Executive remuneration for the year ended 31 December 2019 is based on the aggregated total remuneration earned by John Burns and Paul Williams in respect of their tenures as Chief Executive during 2019.

(v) The workforce comparison is based on the payroll data for the period 1 January to 31 December for all employees (including the Chief Executive but excluding the Non-Executive Directors) and includes employer pension contributions, life assurance and the healthcare cash plan.

(vi) The CEO pay ratio has been rounded to the nearest whole number.

For each year, the Company has calculated the ratio in line with the reporting regulations using 'Method A' (determine total full-time equivalent remuneration for all UK employees for the relevant financial year; rank the data and identify employees whose remuneration places them at the 25th, 50th and 75th percentile). This method was used due it being the most accurate way of calculating the ratio.

The Board have confirmed that the ratio is consistent with the Company's wider policies on employee pay, reward and progression.

Relative importance of the spend on pay

In order to give shareholders an understanding of how total expenditure on remuneration (for all employees) compares to certain core financial dispersals of the Company, the table below demonstrates the relative importance of the Company's spend on employee pay for the period 2020 to 2021.

£m	2021	2020	% change
Staff costs(i)	**27.7**	29.2	(5.4)
Distributions to shareholders	**84.6**	82.2	2.8
Net asset value attributable to equity shareholders(ii)	**4,442**	4,263	4.0

Notes:

(i) Staff costs includes salaries, employer pension contributions, social security costs and share-based payment expenses relating to equity-settled schemes.

(ii) Net asset value attributable to equity shareholders was chosen as it is a key determinate of the Group's total return and is used by management to measure our progress. We base our total return calculation on EPRA net tangible assets (NTA). Further information, including how this figure is calculated, is on page 89.

Percentage increase in remuneration

The table below shows the percentage change in the salary or fees, benefits and annual bonus, for each of the Directors compared to that for an average employee, for the periods 2019 to 2020 and 2020 to 2021.

	2020 to 2021			2019 to 2020		
% change	Salary/Fees	Benefits	Bonus	Salary/Fees	Benefits	Bonus
Average employee(i)	+0.3	(3.7)	+22.5	+4.7	(6.2)	(21.0)
Executive Directors(ii)(iii)						
Paul Williams, CEO(iv)	+2.0	(0.2)	(52.5)	+10.5	+0.1	(24.4)
Damian Wisniewski, CFO	+2.0	(0.2)	(52.5)	+3.7	(1.4)	(29.0)
Simon Silver (until 26 February 2021)(v)	n/a	n/a	n/a	–	(1.7)	(31.6)
Nigel George	+2.0	0.0	(52.5)	+3.7	(3.9)	(29.0)
David Silverman	+2.0	(0.2)	(52.5)	+3.7	(1.7)	(29.0)
Emily Prideaux (from 1 March 2021)(vi)	n/a	n/a	n/a	n/a	n/a	n/a
Non-Executive Directors						
John Burns (until 14 May 2021)(vii)	n/a	–	–	(40)	(100)	(100)
Mark Breuer (from 1 February 2021)(viii)	n/a	–	–	–	–	–
Simon Fraser (until 31 October 2021)(ix)	n/a	–	–	0.0	–	–
Richard Dakin	0.0	–	–	0.0	–	–
Claudia Arney	0.0	–	–	0.0	–	–
Cilla Snowball	0.0	–	–	0.0	–	–
Helen Gordon	+3.0	–	–	0.0	–	–
Lucinda Bell(x)	0.0	–	–	+6.0	–	–
Sanjeev Sharma (from 1 October 2021)(xi)	n/a	–	–	–	–	–

Notes:
(i) The annual percentage change is calculated based on the mean employee pay for employees of Derwent London plc, the parent company of the Group, and not those employed by other subsidiary companies, on a full-time equivalent basis.
(ii) The Directors' remuneration used to calculate the percentage change is taken from the 'single figure' table on page 181.
(iii) Benefits include all taxable benefits (including car allowance, private medical and dental etc.).
(iv) From 2019 to 2020, the average employee salary increased by 4.7% in comparison to 3.7% for most of the Executive Directors, except Paul Williams. Paul Williams' salary was increased from £442,000 to £600,000 effective from his appointment as CEO on 17 May 2019.
(v) Simon Silver retired as an Executive Director on 26 February 2021 and therefore the percentage change in remuneration for 2020 to 2021 is not applicable.
(vi) Emily Prideaux was appointed an Executive Director on 1 March 2021 and therefore the percentage change in remuneration is not applicable.
(vii) John Burns stepped down as Chief Executive on 17 May 2019, following which he served as Non-Executive Chairman until his retirement on 14 May 2021. The percentage change in fees in 2019 therefore incorporates both his salary received as Chief Executive and fees received as Non-Executive Chairman. The percentage change in remuneration for 2020 to 2021 is not applicable.
(viii) Mark Breuer was appointed to the Board as Chairman Designate on 1 February 2021 and then took over the role of Chairman from 14 May 2021. Therefore the percentage change in remuneration is not applicable.
(ix) Simon Fraser stepped down as a Non-Executive Director on 31 October 2021 and therefore the percentage change in remuneration for 2020 to 2021 is not applicable.
(x) Lucinda Bell became Audit Committee Chair from 17 May 2019.
(xi) Sanjeev Sharma was appointed a Non-Executive Director on 1 October 2021 and therefore the percentage change in remuneration is not applicable.

Salary/fees

- The average employee salary increase includes employees who were not eligible for a salary increase (i.e. new joiners and leavers, depending on the date of joining or leaving the Group). The average 2021 salary increase for eligible employees (excluding promotions) was 5.5%.
- There was no change in the underlying fees payable to Non-Executive Directors during 2021. The change for Helen Gordon relates to her appointment as Senior Independent Director effective from 31 October 2021. The last increase to Non-Executive Director base fees was with effect from 1 January 2019 and the last increase to the committee chair and membership fees were with effect from 1 January 2015. The Board has approved an increase to Non-Executive Director fees effective from 1 January 2022 (see page 180).

Benefits

There was no change in the benefits received by the average employee or the Executive Directors in 2021 or 2020. The change in the annual cost is due to the cost of purchasing private medical and life insurance.

Bonus

- The 2021 bonus for the Executive Directors reduced further from 2020, by 52.5%. In comparison, the average employee bonus increased by 22.5%.
- The 2020 bonus for the average employee and Executive Directors was lower than 2019 due to the impact of the Covid-19 pandemic on the business and the wider economy. Despite achieving the pre-set performance measures at 96.3%, the Committee exercised its discretion to reduce the 2020 annual bonus for Executive Directors to 66.3%, a 30.0% reduction. The average employee bonus from 2019 to 2020, reduced by 21.0%.

REMUNERATION COMMITTEE REPORT CONTINUED

Directors' interests (audited)

Directors' interests in shares

Details of the Directors' interests in shares are provided in the table below.

	Number at 31 December 2021					Number at 31 December 2020				
	Beneficially held	Deferred shares	Conditional shares(vii)	Share options(viii)	Total	Beneficially held	Deferred shares	Conditional shares	Share options	Total
Executive Directors										
Paul Williams, CEO(i)	86,383	3,737	107,008	674	197,802	72,576	7,655	99,201	674	180,106
Damian Wisniewski, CFO(ii)	65,661	3,182	85,671	684	155,198	51,952	6,545	85,246	511	144,254
Nigel George(iii)	90,948	3,182	85,671	674	180,475	75,416	6,545	85,246	674	167,881
David Silverman(iii)	64,196	3,182	85,671	674	153,723	48,664	6,545	85,246	674	141,129
Emily Prideaux(iv)	5,322	–	41,157	3,267	49,746	–	–	–	–	–
Total	312,510	13,283	405,178	5,973	736,944	248,608	27,290	354,939	2,533	633,370
Non-Executive Directors										
Mark Breuer(v)	7,000	–	–	–	7,000	–	–	–	–	–
Richard Dakin	–	–	–	–	–	–	–	–	–	–
Claudia Arney	2,500	–	–	–	2,500	2,500	–	–	–	2,500
Cilla Snowball	–	–	–	–	–	–	–	–	–	–
Helen Gordon(vi)	938	–	–	–	938	918	–	–	–	918
Lucinda Bell	1,000	–	–	–	1,000	1,000	–	–	–	1,000
Sanjeev Sharma	–	–	–	–	–	–	–	–	–	–
Total	11,438	–	–	–	11,438	4,418	–	–	–	4,418

There have been no other changes to the above interests between 31 December 2021 and 23 February 2022.

Notes:

(i) Paul Williams acquired 25,913 shares from the PSP 2018 grant which vested on 16 March 2021. The vesting shares included dividend equivalents in the form of 2,164 additional shares. To satisfy the tax liability arising, Paul Williams sold 12,204 shares immediately upon vesting at an average share price of £33.03 per share. Paul Williams acquired and immediately sold 3,830 shares under the Company's deferred bonus scheme when they were released from the 2020 deferral on 16 March 2021. These shares were sold at an average price of £33.03 per share. On 23 March 2021, Paul Williams acquired 188 shares under the Company's deferred bonus scheme when they were released from the 2019 deferral. To satisfy the tax liability arising, Paul Williams sold 90 shares immediately upon their release at an average share price of £32.02 per share.

(ii) Damian Wisniewski acquired 25,913 shares from the PSP 2018 grant which vested on 16 March 2021. The vesting shares included dividend equivalents in the form of 2,164 additional shares. To satisfy the tax liability arising, Damian Wisniewski sold 12,204 shares immediately upon vesting at an average share price of £33.03 per share. Damian Wisniewski acquired and immediately sold 3,261 shares under the Company's deferred bonus scheme when they were released from the 2020 deferral on 16 March 2021. These shares were sold at an average price of £33.03 per share. Damian Wisniewski acquired and immediately sold 188 shares under the Company's deferred bonus scheme when they were released from the 2019 deferral on 23 March 2021. These shares were sold at an average price of £32.02 per share. On 15 April 2021, Damian Wisniewski was granted 173 share options under the Derwent London Sharesave Plan, further information on page 186.

(iii) Nigel George and David Silverman each acquired 25,918 shares from the PSP 2018 grant which vested on 16 March 2021. The vesting shares included dividend equivalents in the form of 2,164 additional shares. To satisfy the tax liability arising, they each sold 12,204 shares immediately upon vesting at an average share price of £33.03 per share. On 16 March 2021, Nigel George and David Silverman each acquired 3,261 shares under the Company's deferred bonus scheme when they were released from the 2020 deferral. To satisfy the tax liability arising, they each sold 1,536 shares immediately upon their release at an average share price of £33.03 per share. On 23 March 2021, Nigel George and David Silverman each acquired 188 shares under the Company's deferred bonus scheme when they were released from the 2019 deferral. To satisfy the tax liability arising, they each sold 90 shares immediately upon their release at an average share price of £32.02 per share.

(iv) Emily Prideaux was appointed an Executive Director on 1 March 2021, Emily's awards include those that were granted prior to her appointment. Emily Prideaux acquired 6,037 shares from the PSP 2018 grant which vested on 16 March 2021. The vesting shares included dividend equivalents in the form of 501 additional shares. To satisfy the tax liability arising, Emily Prideaux sold 2,844 shares immediately upon vesting at an average share price of £33.03 per share. On 15 April 2021, Emily Prideaux was granted 347 share options under the Derwent London Sharesave Plan, further information on page 186.

(v) On 11 March 2021, Mark Breuer purchased 4,000 shares at an average share price of £33.12. Mark Breuer purchased a further 3,000 shares on 18 May 2021 at an average share price of £33.78.

(vi) During 2021, Helen Gordon reinvested her dividend to purchase an additional 20 shares.

(vii) Conditional shares are those which are subject to performance conditions. For further information on the Performance Share Plan see pages 185, 186 and 193.

(viii) Share options principally relate to the Sharesave Plan (see pages 186 and 191) and are unvested. For Emily Prideaux only, she has outstanding Employee Share Option Plan (ESOP) awards which were granted in respect of her role prior to being appointed an Executive Director

Directors' shareholding guideline

Executive Directors are subject to within-employment and post-employment shareholding guidelines (see page 178). The within-employment shareholding guideline for the year ended 31 December 2021 expects all Executive Directors to work towards holding shares in Derwent London plc equivalent to 200% of base salary. As at 31 December 2021, all Executive Directors have exceeded the within-employment shareholding guideline, except Emily Prideaux who was appointed an Executive Director from 1 March 2021. Emily Prideaux is working towards achieving the within-employment shareholding guideline.

Executive Directors	Beneficially held shares	2021 salary[i]	Within-employment shareholding guideline: Target (% of base salary)	Achieved (% of base salary)	Value of beneficially held shares[ii]
Paul Williams, CEO	86,383	£612,000	200%	**482%**	£2,949,980
Damian Wisniewski, CFO	65,661	£489,600	200%	**458%**	£2,242,323
Nigel George	90,948	£489,600	200%	**634%**	£3,105,874
David Silverman	64,196	£489,600	200%	**448%**	£2,192,293
Emily Prideaux	5,322	£410,000	200%	**44%**	£181,746

Notes:
[i] The base salaries shown in the table above are as at 31 December 2021. Further information on fixed pay during 2021 is provided on page 182.
[ii] The value of the Executive Directors' beneficially held shares has been calculated using the average closing share price during the year ended 31 December 2021 of £34.15.

All other employees granted PSP awards are expected to work towards holding shares in Derwent London plc equivalent to 50% of base salary. There is no shareholding guideline for Non-Executive Directors. The share ownership guidelines for all PSP recipients (including Executive Directors) requires them to retain at least half of any deferred bonus shares or performance shares which vest (net of tax) until the guideline is met. Only wholly-owned shares will count towards the guideline.

Due to the relatively large shareholdings of our Executive Directors, a small change in our share price would have a material impact on their wealth. For example, a 5% drop in our share price would result in a loss of value for our Chief Executive, Paul Williams, equivalent to approximately 24% of his base salary.

Sharesave Plan (audited)

To encourage Group-wide share ownership, the Company operates a HMRC tax efficient Sharesave Plan which was approved by shareholders at the 2018 AGM (further information on page 191). The outstanding Sharesave options held by Directors are set out in the table below:

	At Grant: Date of Grant	At Grant: Option price £	1 January 2021 (number)	During the year: Granted (number)	During the year: Exercised (number)	During the year: Lapsed (number)	31 December 2021 (number)	Market price at date of exercise £	Value at exercise £'000	Maturity date
Executive Directors										
Paul Williams, CEO	30/04/2019	25.80	348	–	–	–	348			01/06/2022
	09/04/2020	27.53	326	–	–	–	326			01/06/2023
			674	**–**	**–**	**–**	**674**			
Damian Wisniewski, CFO	30/04/2019	25.80	348	–	–	–	348			01/06/2022
	09/04/2020	27.53	163	–	–	–	163			01/06/2023
	15/04/2021	25.93	–	173	–	–	173			01/06/2024
			511	**173**	**–**	**–**	**684**			
Nigel George	30/04/2019	25.80	348	–	–	–	348			01/06/2022
	09/04/2020	27.53	326	–	–	–	326			01/06/2023
			674	**–**	**–**	**–**	**674**			
David Silverman	30/04/2019	25.80	348	–	–	–	348			01/06/2022
	09/04/2020	27.53	326	–	–	–	326			01/06/2023
			674	**–**	**–**	**–**	**674**			
Emily Prideaux	15/04/2021	25.93	–	347	–	–	347			01/06/2024
			–	**347**	**–**	**–**	**347**			
Other employees										
Other employees	30/04/2019	25.80	18,070	–	–	(1,080)	16,990			01/06/2022
	09/04/2020	27.53	21,263	–	–	(978)	20,285			01/06/2023
	15/04/2021	25.93	–	13,394	–	(104)	13,290			01/06/2024
			39,333	**13,394**	**–**	**(2,162)**	**50,565**			
Total			**41,866**	**13,914**	**–**	**(2,162)**	**53,618**			

Note:
[i] On 15 April 2021, the Company granted options over 13,914 shares under the Derwent London Sharesave Plan. The three-year contract for the Options started on 1 June 2021. These Options are exercisable at a price of £25.93 per share from 1 June 2024 and are not subject to any performance conditions.

REMUNERATION COMMITTEE REPORT CONTINUED

Long-term incentive plans (audited)

Deferred Bonus Plan

Details of the deferred bonus shares held by the Directors are set out in the table below:

	At Grant		During the year							
	Date of award	Market price at date of grant £	Original Grant (number)	1 January 2021 (number)	Deferred (number)	Released (number)	31 December 2021 (number)	Market price at date of release £	Value at release £'000	Earliest release dates
Executive Directors										
Paul Williams, CEO	20/03/2019	32.50	363	182	–	(182)	–	32.02	6	20/03/2020 & 22/03/2021
	13/03/2020	33.03	7,474	7,474	–	(3,737)	3,737	33.03	123	15/03/2021 & 14/03/2022
			7,837	**7,656**	**–**	**(3,919)**	**3,737**			
Damian Wisniewski, CFO	20/03/2019	32.50	363	182	–	(182)	–	32.02	6	20/03/2020 & 22/03/2021
	13/03/2020	33.03	6,364	6,364	–	(3,182)	3,182	33.03	105	15/03/2021 & 14/03/2022
			6,727	**6,546**	**–**	**(3,364)**	**3,182**			
Nigel George	20/03/2019	32.50	363	182	–	(182)	–	32.02	6	20/03/2020 & 22/03/2021
	13/03/2020	33.03	6,364	6,364	–	(3,182)	3,182	33.03	105	15/03/2021 & 14/03/2022
			6,727	**6,546**	**–**	**(3,364)**	**3,182**			
David Silverman	20/03/2019	32.50	363	182	–	(182)	–	32.02	6	20/03/2020 & 22/03/2021
	13/03/2020	33.03	6,364	6,364	–	(3,182)	3,182	33.03	105	15/03/2021 & 14/03/2022
			6,727	**6,546**	**–**	**(3,364)**	**3,182**			
Former Executive Directors										
John Burns	20/03/2019	32.50	556	278	–	(278)	–	32.02	9	20/03/2020 & 22/03/2021
	13/03/2020	33.03	3,572	3,572	–	(1,786)	1,786	33.03	59	15/03/2021 & 14/03/2022
			4,128	**3,850**	**–**	**(2,064)**	**1,786**			
Simon Silver	20/03/2019	32.50	476	238	–	(238)	–	32.02	8	20/03/2020 & 22/03/2021
	13/03/2020	33.03	7,996	7,996	–	(3,998)	3,998	33.03	132	15/03/2021 & 14/03/2022
			8,472	**8,234**	**–**	**(4,236)**	**3,998**			
Other employees										
Other employees	13/03/2020	33.03	1,834	1,834	–	(917)	917	33.03	30	15/03/2021 & 14/03/2022
			1,834	**1,834**	**–**	**(917)**	**917**			
Total			**42,452**	**41,212**	**–**	**(21,228)**	**19,984**		**700**	

Notes:

(i) The 2019 annual bonus in excess of 100% of salary was deferred into shares on 13 March 2020 and will be released in two tranches, 50% on or after 15 March 2021 and the remaining 50% on or after 14 March 2022. On 16 March 2021, the Directors chose to sell all, or a proportion, of their released shares (which included a number to discharge the relevant tax obligations), in all cases at an average price of £33.03 per share. Further information is in the notes to the Directors' interests in shares table on page 190.

(ii) The 2018 annual bonus in excess of 100% of salary was deferred into shares on 20 March 2019 and was released in two tranches, 50% on 20 March 2020 and the remaining 50% on 23 March 2021. On 23 March 2021, the Directors chose to sell all, or a proportion, of their released shares (which included a number to discharge the relevant tax obligations), in all cases at an average price of £32.02 per share. Further information is in the notes to the Directors' interests in shares table on page 190.

(iii) In accordance with the Annual Bonus Plan rules, the Remuneration Committee has discretion to allow participants to receive dividend equivalents upon the release of their deferred bonus shares, which is equivalent to the value of any dividends paid on those shares between the deferral date and the release date. The dividend equivalents are in the form of additional shares. The dividend equivalent shares added to the released shares on 16 March 2021 and 23 March 2021 are excluded from the above table. For the shares released on 16 March 2021, the additional dividend equivalent shares equated to 11 shares for John Burns, 8 shares for Simon Silver and 6 shares each for the other Executive Directors. For the shares released on 16 March 2021, the additional dividend equivalent shares equated to 45 shares for John Burns, 93 for Paul Williams, 100 shares for Simon Silver and 79 shares each for the other Executive Directors.

Performance Share Plan (PSP)

The outstanding PSP awards held by Directors are set out in the table below:

	At Grant		During the year							
	Date of award	Market price at date of grant £	1 January 2021 (number)	Granted (number)	Vested (number)	Lapsed (number)	31 December 2021 (number)	Market price at date of vesting £	Value vested (inclusive of dividend equivalents) £'000	Earliest vesting date
Executive Directors										
Paul Williams, CEO	06/03/2018	29.48	29,104	–	(25,913)	(3,191)	–	33.03	856	06/03/2021
	12/03/2019	32.53	27,174	–	–	–	27,174			12/03/2022
	14/08/2019	29.42	6,713	–	–	–	6,713			14/08/2022
	13/03/2020	33.14	36,210	–	–	–	36,210			13/03/2023
	12/03/2021	33.16	–	36,911	–	–	36,911			12/03/2024
			99,201	**36,911**	**(25,913)**	**(3,191)**	**107,008**			
Damian Wisniewski, CFO	06/03/2018	29.48	29,104	–	(25,913)	(3,191)	–	33.03	856	06/03/2021
	12/03/2019	32.53	27,174	–	–	–	27,174			12/03/2022
	13/03/2020	33.14	28,968	–	–	–	28,968			13/03/2023
	12/03/2021	33.16	–	29,529	–	–	29,529			12/03/2024
			85,246	**29,529**	**(25,913)**	**(3,191)**	**85,671**			
Nigel George	06/03/2018	29.48	29,104	–	(25,913)	(3,191)	–	33.03	856	06/03/2021
	12/03/2019	32.53	27,174	–	–	–	27,174			12/03/2022
	13/03/2020	33.14	28,968	–	–	–	28,968			13/03/2023
	12/03/2021	33.16	–	29,529	–	–	29,529			12/03/2024
			85,246	**29,529**	**(25,913)**	**(3,191)**	**85,671**			
David Silverman	06/03/2018	29.48	29,104	–	(25,913)	(3,191)	–	33.03	856	06/03/2021
	12/03/2019	32.53	27,174	–	–	–	27,174			12/03/2022
	13/03/2020	33.14	28,968	–	–	–	28,968			13/03/2023
	12/03/2021	33.16	–	29,529	–	–	29,529			12/03/2024
			85,246	**29,529**	**(25,913)**	**(3,191)**	**85,671**			
Emily Prideaux	06/03/2018	29.48	6,784	–	(6,037)	(747)	–	33.03	199	06/03/2021
	12/03/2019	32.53	7,377	–	–	–	7,377			12/03/2022
	13/03/2020	33.14	9,052	–	–	–	9,052			13/03/2023
	12/03/2021	33.16	–	24,728	–	–	24,728			12/03/2024
			23,213	**24,728**	**(6,037)**	**(747)**	**41,157**			
Former Executive Directors										
John Burns	06/03/2018	29.48	44,586	–	(15,828)	(28,758)	–	33.03	523	06/03/2021
			44,586	**–**	**(15,828)**	**(28,758)**	**–**			
Simon Silver	06/03/2018	29.48	38,263	–	(34,068)	(4,195)	–	33.03	1,125	06/03/2021
	12/03/2019	32.53	35,720	–	–	–	35,720			12/03/2022
	13/03/2020	33.14	35,063	–	–	–	35,063			13/03/2023
			109,046	**–**	**(34,068)**	**(4,195)**	**70,783**			
Other employees										
Other employees	06/03/2018	29.48	35,700	–	(28,053)	(7,647)	–	33.03	927	06/03/2021
	12/03/2019	32.53	33,030	–	–	–	33,030			12/03/2022
	13/03/2020	33.14	34,843	–	–	–	34,843			13/03/2023
	12/03/2021	33.16	–	31,654	–	–	31,654			12/03/2024
			103,573	**31,654**	**(28,053)**	**(7,647)**	**99,527**			
Total			635,357	181,880	(187,638)	(54,111)	575,488		6,198	

Notes:

(i) The PSP award granted on 6 March 2018 vested on 16 March 2021 at a vesting level of 81.6%. The value of the vesting awards was based on the share price on the vesting date and is inclusive of dividend equivalents in the form of additional vesting shares (see note ii for further details).

(ii) In accordance with the PSP rules, the Remuneration Committee has discretion to allow PSP participants to receive dividend equivalents upon the vesting of their awards, which is equivalent to the value of any dividends paid on those shares between the grant date and the vesting date. For the 2018 PSP grant, dividend equivalents were in the form of additional vesting shares and equated to dividends paid between March 2018 and March 2021. The dividend equivalent shares have been included in the table above, within the number of vesting awards, and equate to 1,322 shares for John Burns, 2,845 shares for Simon Silver and 2,164 shares each for the other Executive Directors.

(iii) The PSP awards granted on 12 March 2021 will vest on 12 March 2024. The performance targets attached to these awards are detailed on page 186.

	31/12/2021	31/12/2020	31/12/2019
Weighted average exercise price of PSP awards	–	–	–
Weighted average remaining contracted life of PSP awards	1.20 years	1.19 years	1.20 years

At each year end, none of the outstanding awards were exercisable. The weighted average exercise price of awards that either vested or lapsed in 2021 was £'nil (2020: £'nil). The weighted average market price of awards vesting in 2021 was £33.03 (2020: £27.65).

DIRECTORS' REPORT

The Directors' report for the financial year ended 31 December 2021 is set out on pages 194 to 197. Additional information, which is incorporated into this Directors' report by reference, including information required in accordance with the Companies Act 2006 and Listing Rule 9.8.4R of the Financial Conduct Authority's Listing Rules, can be located by page reference in the body of this Directors' report and on the following pages:

The Directors present their annual report and audited financial statements for the year ended 31 December 2021.

This Annual Report contains certain forward-looking statements. By their nature, any statements about the future outlook involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. Actual results, performance or outcomes may differ materially from any results, performance or outcomes expressed or implied by such forward-looking statements. Each forward-looking statement speaks only as of the date of that particular statement.

No representation or warranty is given in relation to any forward-looking statements made by Derwent London, including as to their completeness or accuracy. Nothing in this report and accounts should be construed as a profit forecast.

Both the Strategic report and the Directors' report have been drawn up and presented in accordance with and in reliance upon applicable English company law, and the liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

Corporate governance arrangements

During the year ended 31 December 2021, we have applied the principles of good governance contained in the UK Corporate Governance Code 2018 (the 'Code'). We were unable to comply with provisions 9 and 19 of the Code until the conclusion of the 2021 AGM and we were only partially compliant with provision 38 until 1 January 2022, when we became fully compliant. Our explanation for the departures from the Code is contained within our Compliance Statement for 2021 on page 123. Further details on how we have applied the Code can be found in the Governance section on pages 120 to 197. The Code can be found in the Corporate Governance section of the Financial Reporting Council's website: **www.frc.org.uk**

Company status and branches

Derwent London plc is a Real Estate Investment Trust (REIT) and the holding company of the Derwent London group of companies which includes no branches. Derwent London is a public listed company on the London Stock Exchange main market with a premium listing, and is registered and domiciled in England and Wales (company number 01819699).

Results and dividends

The financial statements set out the results of the Group for the financial year ended 31 December 2021 and are shown on pages 209 to 267. The Directors recommend a final dividend of 53.5 pence per ordinary share for the year ended 31 December 2021. When taken together with the interim dividend of 23.00 pence per ordinary share paid in October 2021, this results in a total dividend for the year of 76.50 pence (2020: 74.45 pence) per ordinary share. Subject to approval by shareholders of the recommended final dividend, the dividend to shareholders for 2021 will total £60.0m. If approved, the Company will pay the final dividend on 1 June 2022 to shareholders on the register of members at 29 April 2022.

PID and non-PID dividends

As a REIT, Derwent London must distribute at least 90% of the Group's income profits from its tax-exempt property rental business by way of a dividend, which is known as a Property Income Distribution (PID). These distributions can be subject to withholding tax at 20%. Dividends from profits of the Group's taxable residual business are non-PID and will be taxed as an ordinary dividend.

Key stakeholders

The long-term success of the Group is dependent on its relationships with its key stakeholders. On pages 28 and 29 we outline the ways in which we have engaged with key stakeholders, the material issues that they have raised with us, and how these issues have been taken into account in the Board's decision making processes.

Substantial shareholders

The table below shows the holdings in the Company's issued share capital which had been notified to the Company pursuant to the Financial Conduct Authority's Disclosure Guidance and Transparency Rules. The information below was correct at the date of notification. It should be noted that these holdings may have changed since the Company was notified. However, notification of any change is not required until the next notifiable threshold is crossed.

	31 December 2021			23 February 2022		
	Direct/indirect	Number of shares (m)	%	Direct/indirect	Number of shares (m)	%
T. Rowe Price Associates, Inc	Indirect	14.6	13.0	Indirect	14.6	13.0
Norges Bank	Direct	10.1	9.0	Direct	10.1	9.0
BlackRock Investment Management (UK) Ltd	Indirect	6.0	5.4	Indirect	6.0	5.4
Ameriprise Financial Inc (Columbia Threadneedle)	Indirect	4.9	4.8	Indirect	4.9	4.8
Lady Jane Rayne	Direct	3.6	3.6	Direct	3.6	3.6

Employees

The Board recognises the importance of attracting, developing and retaining the right people. In accordance with best practice, we have employment policies in place which provide equal opportunities for all employees, irrespective of sex, race, colour, disability, sexual orientation, religious beliefs or marital status. Dame Cilla Snowball is the designated Director responsible for gathering the views of the workforce. Further information on the Board's methods for engaging with the workforce is on pages 26, 27 and 124.

Directors

The Directors of the Company are set out on pages 126 and 127; all of which were in office during the year under review except for the following Board changes:

- Mark Breuer, Emily Prideaux and Sanjeev Sharma were appointed Directors of the Company on 1 February, 1 March and 1 October 2021, respectively.
- Simon Silver and Simon Fraser retired from the Board on 26 February and 31 October 2021, respectively.

David Silverman will step down as a Director on 14 April 2022. David's current responsibilities will be allocated amongst the other Executive Directors and therefore it is not the Board's current intention to appoint a replacement.

The Board is required to consist of no fewer than two Directors and not more than 15. Shareholders may vary the minimum and/or maximum number of Directors by passing an ordinary resolution. Copies of the Executive Directors' service contracts are available to shareholders for inspection at the Company's registered office and at the Annual General Meeting (AGM). Details of the Directors' remuneration and service contracts and their interests in the shares of the Company are set out on pages 172 to 193.

Appointment and replacement of Directors

Directors may be appointed by ordinary resolution of the shareholders, or by the Board. Appointment of a Director from outside the Group is on the recommendation of the Nominations Committee, whilst internal promotion is a matter decided by the Board unless it is considered appropriate for a recommendation to be requested from the Nominations Committee.

At every AGM of the Company, any of the Directors who have been appointed by the Board since the last AGM shall seek election by the members. Sanjeev Sharma will therefore be seeking election as a Director following his appointment to the Board on 1 October 2021. Notwithstanding provisions in the Company's Articles of Association, the Board has agreed, in accordance with the Code and in line with previous years, that all of the Directors wishing to continue will retire and, being eligible, offer themselves for re-election by the shareholders at the 2021 AGM. All Directors who held office during the financial year under review, will be putting themselves forward for election at the AGM on 13 May 2022, except Simon Silver and Simon Fraser who retired on 26 February and 31 October 2021, respectively, and David Silverman who will step down as a Director on 14 April 2022.

Directors' indemnity

The Company maintains appropriate Directors' and Officers' liability insurance cover in respect of any potential legal action brought against its Directors. The Company has also indemnified each Director to the extent permitted by law against any liability incurred in relation to acts or omissions arising in the ordinary course of their duties. The indemnity arrangements were in force throughout the year (and at the date of approval of the financial statements) and are qualifying indemnity provisions under the Companies Act 2006. Our indemnity arrangements were subject to a best practice review with our lawyers during 2021.

Powers of the Directors

Subject to the Company's Articles of Association, the Companies Act and any directions given by special resolution, the business of the Company is managed by the Board, who may exercise all the powers of the Company, whether relating to the management of the business of the Company or not. In particular, the Board may exercise all the powers of the Company to borrow money, to guarantee, to indemnify, to mortgage or charge any of its undertakings, property, assets (present and future) and uncalled capital and to issue debentures and other securities and to give security for any debt, liability or obligation of the Company or of any third party.

Directors' training and development

Details of the training that has been provided to the Executive and Non-Executive Directors during the year can be found on page 140.

DIRECTORS' REPORT CONTINUED

Capital structure

As at 23 February 2022, the Company's issued share capital comprised a single class of 5p ordinary shares and equalled an amount of £5,610,425 divided into 112,208,510 ordinary shares.

The market price of the 5p ordinary shares at 31 December 2021 was £34.15 (2020: £30.96). During the year, they traded in a range between £30.16 and £38.50 (2020: £23.34 and £43.62).

Details of the ordinary share capital and shares issued during the year can be found in note 28 to the financial statements.

Rights and restrictions attaching to shares

Subject to the Articles of Association, the Companies Act and other shareholders' rights, shares in the Company may be issued with such rights and restrictions as the shareholders may by ordinary resolution decide, or if there is no such resolution, as the Board may decide provided it does not conflict with any resolution passed by the shareholders.

These rights and restrictions will apply to the relevant shares as if they were set out in the Articles of Association. Subject to the Articles of Association, the Companies Act and other shareholders' rights, unissued shares are at the disposal of the Board.

Variation of rights

The rights attached to any class of shares can be amended if approved, either by 75% of shareholders holding the issued shares in that class by amount, or by special resolution passed at a separate meeting of the holders of the relevant class of shares.

Every member and every duly appointed proxy present at a general meeting or class meeting has, upon a show of hands, one vote and every member present in person or by proxy has, upon a poll, one vote for every share held by him or her. No person holds securities in the Company carrying special rights with regard to control of the Company.

Derwent London shares held by the Group

As at 31 December 2021, the Group holds 19,984 Derwent London shares in order to deliver the deferred bonus shares to the Directors and other senior executives when the deferral periods expire (see page 185). Movements on the holding of these shares are detailed at the bottom of the page.

Restrictions on transfer of securities in the Company

There are no specific restrictions on the transfer of securities in the Company, which is governed by its Articles of Association and prevailing legislation. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities.

Powers in relation to the Company issuing or buying back its own shares

At the 2021 AGM, shareholders authorised the Company to allot relevant securities:

— up to a nominal amount of £1,865,837; and
— up to a nominal amount of £3,732,234, after deducting from such limit any relevant securities allotted under (i), in connection with an offer by way of a rights issue.

This authority is renewable annually. An ordinary resolution will be proposed at the 2022 AGM to grant a similar authority to allot:

— up to a nominal amount of £1,869,955 (being one-third of the issued share capital of the Company); and
— up to a nominal amount of £3,740,471, after deducting from such limit any relevant securities allotted under (i), in connection with an offer by way of a rights issue (being two-thirds of the issued share capital).

At the 2022 AGM, similar to previous years, authority will be sought via a special resolution to enable the Directors to allot securities and/ or sell any treasury shares for cash on a non-pre-emptive basis up to a nominal amount of £280,521 (representing 5% of the issued share capital). In addition, authority will be sought via a special resolution to enable the Directors to allot securities and/or sell treasury shares for cash on a non-pre-emptive basis for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) an acquisition or other capital investment. The allotment of equity securities or sale of treasury shares under such authority will also be limited to a nominal amount of £280,521 (representing a further 5% of the issued share capital).

A further special resolution will be proposed to renew the Directors' authority to repurchase the Company's ordinary shares in the market. The authority will be limited to a maximum of 11,220,851 ordinary shares and the resolution sets the minimum and maximum prices which may be paid. The Directors will only purchase the Company's shares in the market if they believe it is in the best interests of shareholders generally.

Voting

Shareholders will be entitled to vote at a general meeting whether on a show of hands or a poll, as provided in the Companies Act.

Where a proxy is given discretion as to how to vote on a show of hands this will be treated as an instruction by the relevant shareholder to vote in the way in which the proxy decides to exercise that discretion. This is subject to any special rights or restrictions as to voting which are given to any shares or upon which any shares may be held at the relevant time and to the Articles of Association.

If more than one joint holder votes (including voting by proxy), the only vote which will count is the vote of the person whose name is listed first on the register for the share.

	Year ended 31 December 2021				Year ended 31 December 2020			
	As at 1 January 2021	Acquired	Disposal	As at 31 December 2021	As at 1 January 2020	Acquired	Disposal	As at 31 December 2020
Number of 5p ordinary shares	41,185	568	21,769	19,984	2,484	39,968	1,267	41,185
Price		33.04				33.03		
Percentage of issued share capital				0%				0%

Restrictions on voting
Unless the Directors decide otherwise, a shareholder cannot attend or vote shares at any general meeting of the Company or upon a poll or exercise any other right conferred by membership in relation to general meetings or polls if they have not paid all amounts relating to those shares which are due at the time of the meeting, or if they have been served with a restriction notice (as defined in the Articles of Association) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Act. The Company is not aware of any agreements between shareholders that may result in restrictions on voting rights.

Significant agreements
There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid, except that, under the rules of the Group's share-based remuneration schemes some awards may vest following a change of control.

Some of the Group's banking and financial arrangements are terminable upon a change of control of the Company.

As a REIT, a tax charge may be levied on the Company if it makes a distribution to another Company which is beneficially entitled to 10% or more of the shares or dividends in the Company or controls 10% or more of the voting rights in the Company (a substantial shareholder), unless the Company has taken reasonable steps to avoid such a distribution being made. The Company's Articles of Association give the Directors power to take such steps, including the power to:

— identify a substantial shareholder;
— withhold the payment of dividends to a substantial shareholder; and
— require the disposal of shares forming part of a substantial shareholding.

There is no person with whom the Group has a contractual or other arrangement that is essential to the business of the Company.

Amendment of Articles of Association
Unless expressly specified to the contrary in the Company's Articles of Association (the Articles), the Articles may be amended by a special resolution of the Company's shareholders.

In accordance with the Company's Articles, the maximum aggregate fees payable to Non-Executive Directors are £700,000 a year. The amount of headroom available under this fee limit is presently low. Accordingly, although there are currently no plans to make any material changes to Directors' fees other than the changes disclosed on page 173, the Board believes it is desirable to increase the fee limit to provide flexibility for any future increase in Directors' fees or any further increase in the number of Directors, and will therefore seek shareholder approval at the 2022 AGM to raise the aggregate maximum fees payable to its Non-Executive Directors by £100,000 to £800,000 a year.

Fixed assets
The Group's portfolio was professionally revalued at 31 December 2021, resulting in a surplus of £142.9m, before accounting adjustments of £23.7m and share of joint venture of £13.9m. The portfolio is included in the Group balance sheet at a carrying value of £5,544m. Further details are given in note 16 of the financial statements.

Post-balance sheet events
Details of post-balance sheet events are given in note 37 of the financial statements.

Political donations
There were no political donations during 2021 (2020: nil).

Auditors
PricewaterhouseCoopers LLP, which was appointed in 2014 following a competitive tender process, has expressed its willingness to continue in office as the Group's Auditor and, accordingly, resolutions to reappoint it and to authorise the Audit Committee, for and on behalf of the Directors, to determine its remuneration will be proposed at the AGM. These are resolutions 15 and 16 set out in the Notice of Meeting.

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware and that each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and ensure that the Auditor is aware of such information.

Greenhouse gas emissions
In line with our commitment to transparent and best practice reporting, we have included our streamlined energy and carbon reporting (SECR) disclosures on page 74 of the Responsibility section, which includes our annual GHG (greenhouse gas) emissions footprint, global energy use figure and an intensity ratio appropriate for our business, which fulfil the requirements of the Companies Act 2006 (Strategic and Directors' Report) Regulations 2013. For further analysis and detail on our GHG emissions, please see our annual Responsibility Report, which can be found at: **www.derwentlondon.com/responsibility**

Annual General Meeting (AGM)
In response to Covid-19, and in line with the related public health guidance and legislation issued by the UK Government, the 2021 AGM was held as a closed meeting. Shareholders were able to participate in the AGM, and ask questions of the Board remotely, via call facilities. We were delighted to receive in excess of 87% votes in favour of all resolutions. In total, 84.7% of our shareholders (voting capital) voted at the 2021 AGM (which compares favourably to the FTSE 250 average of 69.65%).

The 38th AGM of Derwent London plc will be held in DL/78 at 80 Charlotte Street, London W1A 1AQ on 13 May 2022 at 10.30am. The Notice of Meeting together with explanatory notes is contained in the circular to shareholders that accompanies the annual Report & Accounts.

In the event we receive 20% or more votes against a recommended resolution at a general meeting, we would announce the actions we intend to take to engage with our shareholders to understand the result in accordance with the Code. We would follow this announcement with a further update within six months of the meeting, with an overview of our shareholders' views on the resolutions and the remedial actions we have taken. To date, the Board has not been required to follow these procedures due to the high level of support received from shareholders.

The Strategic report and Directors' report have been approved by the Board of Directors and signed by order of the Board by:

David Lawler
Company Secretary
23 February 2022

"We finance our business using equity and a moderate level of debt from a wide variety of sources. We are relationship driven and value consistency and reliability with our lenders, but we also look to be progressive and innovative. 2021 was an active year of refinancing which has further strengthened our balance sheet and financial position."

Damian Wisniewski
Chief Financial Officer

FINANCIAL STATEMENTS

Other information

STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and the Company financial statements in accordance with UK-adopted international accounting standards.

Under Company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed on pages 126 and 127 confirm that, to the best of their knowledge:

- the Group and Company financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities and financial position of the Group and Company, and of the profit of the Group; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board

Paul M. Williams
Chief Executive

Damian M.A. Wisniewski
Chief Financial Officer

23 February 2022

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DERWENT LONDON PLC

Report on the audit of the financial statements

Opinion

In our opinion, Derwent London plc's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2021 and of the Group's profit and the Group's and Company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report & Accounts 2021 (the "Annual Report"), which comprise: the Balance sheets as at 31 December 2021; the Group income statement and Group statement of comprehensive income,the Cash flow statements, and the Statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 10 to the financial statements, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.
- The Group's properties are spread across 63 statutory entities with the Group financial statements being a consolidation of these entities, the Company and the Group's joint ventures. All work was carried out by the Group audit team with additional procedures performed on the consolidation to ensure sufficient coverage for our opinion on the Group financial statements as a whole.
- In planning our audit, we made enquiries with management to understand the extent of the potential impact of climate change risk on the financial statements. Management concluded that there was no material impact on the financial statements. Our evaluation of this conclusion included challenging key judgements and estimates in areas where we considered that there was greatest potential for climate change impact. We particularly considered how climate change risks would impact the assumptions made in the valuation of investment properties as explained in our key audit matter below. We also considered the consistency of the disclosures in relation to climate change made within the Annual Report, the financial statements and the knowledge obtained from our audit. We assessed the consideration of the cost of delivering the Group's climate change and sustainability strategy within the going concern and viability forecasts.

Key audit matters

- Valuation of investment properties (Group)
- Revenue recognition (Group)
- Valuation of borrowings and derivatives (Group)
- Accounting for the expected credit loss provision (Group)
- Compliance with REIT guidelines (Group)
- Valuation of investments in and loans to subsidiaries (Company)

Materiality

- Overall Group materiality: £58.9 million (2020: £55.3 million) based on 1% of Total Assets.
- Specific materiality of £5.8 million (2020: £7.1 million) for certain income statement line items which is calculated based on 5% of Profit Before Tax after removing revaluation of investment properties (whether held directly or through joint ventures), profit on disposal and fair value movements on derivatives.
- Overall Company materiality: £37.4 million (2020: £33.7 million) based on 1% of Total Assets.
- Performance materiality: £44.1 million (2020: £41.4 million) (Group) and £28.0 million (2020: £25.3 million) (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

INDEPENDENT AUDITOR'S REPORT CONTINUED

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Valuation of borrowings and derivatives (Group) and valuation of investments in and loans to subsidiaries (Company) are new key audit matters this year. Covid-19, which was a key audit matter last year, is no longer included because of the lower level of uncertainty from Covid-19 in comparison to the prior year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties **Group** Refer to the Audit Committee report (Significant financial judgements, key assumptions and estimates), note 3 (Significant judgements, key assumptions and estimates) and note 16 (Property portfolio) to the financial statements. The Group has investment properties totalling £5,359.9 million (2020: £5,029.1 million). The Group's property portfolio principally consists of offices and commercial space within central London. The remainder of the portfolio represents a retail park, cottages and strategic land in Scotland. Valuations are carried out by third party valuers (the 'Valuers') in accordance with the Royal Institute of Chartered Surveyors Valuation – Professional Standards, International Accounting Standard 40 (Investment Property) and International Financial Reporting Standard 13 (Fair Value Measurement). There are significant judgements and estimates to be made in relation to the valuation of the Group's investment properties. Where available, the valuations take into account evidence of market transactions for properties and locations comparable to those of the Group. The central London investment property portfolio mainly features office accommodation and includes: Standing investments: These are existing properties that are currently let. They are valued using the income capitalisation method. Development projects: These are properties currently under development or identified for future development. They have a different risk and investment profile to the standing investments. These are valued using the residual appraisal method (i.e. by estimating the fair value of the completed project using the income capitalisation method less estimated costs to completion and a risk premium). The most significant estimates affecting the valuation included yields and estimated rental value ("ERV") growth (as described in note 16 of the financial statements). For development projects, other assumptions including costs to completion and risk premium assumptions are also factored into the valuation. The existence of significant estimation uncertainty, coupled with the fact that only a small percentage difference in individual property valuations when aggregated could result in material misstatement, is why we have given specific audit focus and attention to this area.	The valuers used by the Group are CBRE for the central London portfolio and Savills for the majority of the remaining investment property portfolio in Scotland. They are well-known firms, with sufficient experience of the Group's market. We assessed the competence and capabilities of the Valuers and verified their qualifications by discussing the scope of their work and reviewing the terms of their engagements for unusual terms or fee arrangements. Based on this work, we are satisfied that the Valuers remain objective and competent and that the scope of their work was appropriate. We tested the data inputs underpinning the investment property valuation for a sample of properties, including rental income, acquisitions and capital expenditure, by agreeing them to the underlying property records held by the Group to assess the reliability, completeness and accuracy of the underlying data used by the Valuers. The underlying property records were assessed for reliability by obtaining signed and approved lease contracts or sale/purchase contracts and by inspecting approved third party invoices and tracing back to bank statements. For the properties currently under development, we agreed the costs to date included within development appraisals to quantity surveyor reports. We met with the Valuers independently of management and obtained the valuation reports to discuss and challenge the valuation methodology and assumptions. We also challenged the external valuers as to the extent to which recent market transactions and expected rental values which they made use of in deriving their valuations took into account the impact of climate change. Given the inherent subjectivity involved in the valuation of the property portfolio, and therefore the need for deep market knowledge when determining the most appropriate assumptions and the technicalities of valuation methodology, we engaged our internal valuation experts (qualified chartered surveyors) to assist us in our audit of this area. We involved our internal valuation experts to compare the valuations of each property with our independently formed market expectations and challenged any differences outside of our expected range. In doing this we used evidence of comparable market transactions and focused in particular on properties where the growth in capital values was higher or lower than our expectations based on independent publicly available market indices. We identified the following categories of assets for further testing: standing investments where the valuation fell outside the expected range; ongoing and planned development projects; high value assets over overall materiality; and acquisitions.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties continued	In relation to these assets, we found that yield rates and ERVs were predominantly consistent with comparable information for central London offices and assumptions appropriately reflected comparable market information. Where assumptions did not fall within our expected range, we assessed whether additional evidence presented in arriving at the final valuations was appropriate. Variances were largely due to property specific factors such as movements in ERV or yield to reflect market transactions in close proximity, exposure to retail or the de-risking of development projects nearing completion. We verified the movements to supporting documentation including evidence of comparable market transactions where appropriate. We challenged the directors on the movements in the valuations and found that they were able to provide explanations and refer to appropriate supporting evidence. We have no matters to report in respect of this work.
Revenue recognition **Group** Refer to the Strategic report – "Our principal risks" and note 5 (Property and other income) to the financial statements. Revenue for the Group consists primarily of rental income. Rental income is based on tenancy agreements where there is a standard process in place for recording revenue. There are certain transactions within revenue that warrant additional audit focus because of an increased inherent risk of error due to their non-standard nature. These include spreading of tenant incentives, guaranteed rent increases and rental concessions given to tenants. These balances require adjustments made to rental income to ensure revenue is recorded on a straight-line basis over the course of the lease.	We performed sample testing over the lease data recorded in the two tenancy management systems to supporting lease agreements, to gain comfort over the accuracy of the data. We also performed a recalculation of a sample of rental income based on the information in the tenancy management system (that generates rental demands) to gain comfort over the completeness of revenue recognised. We tested on a sample basis the automatic calculation of rental demands. For rental income balances, we tested a sample of balances to invoices and traced receipts to bank statements and ensured that rental income had been appropriately recorded. We tested a sample of lease incentive debtor balances back to supporting documentation agreeing the inputs to the lease incentive calculations and assessed the appropriateness of the calculations in line with International Financial Reporting Standard 16 (Leases) ("IFRS 16"). We recalculated a sample of lease incentive adjustments posted to revenue in the year to ensure that lease incentive debtors are being recognised properly as accrued income and subsequently amortised in line with IFRS 16. We used substantive testing procedures to ensure that a sample of rental concessions offered to tenants as a result of Covid-19 had been correctly accounted for within the requirements of IFRS 16. We have no matters to report in respect of this work.
Valuation of borrowings and derivatives **Group** Refer to the Audit Committee report (Significant financial judgements, key assumptions and estimates), note 3 (Significant judgements, key assumptions and estimates) and note 24 (Net debt and derivative financial instruments) to the financial statements. The Group has secured and unsecured debt totalling £1,249.4 million (2020: £1,033.2 million). There were two extensions for the existing £450.0 million revolving credit facility and £100.0 million revolving credit facility during the year. In addition, as a direct consequence of the Inter-Bank Offered Rate reform, amendments to these facilities had been made on the floating interest rates of the London Inter-Bank Offered Rate with the replacement of the Sterling Overnight Indexed Average plus a Credit Adjustment Spread. These extensions and amendments were determined by management to be modifications of the existing facilities rather than an extinguishment. A £350.0 million 1.875% green bond was issued during the year which is redeemable in 2031. There have been a number of financing activities during the year. These warranted additional audit focus due to the magnitude of the activities and the potential for complex contractual terms that introduce judgement into how they were accounted for.	We obtained and reviewed each loan contract to understand the terms and conditions. Where debt covenants were identified, we re-performed management's calculations to verify compliance with the contracts. The carrying value of all debt was agreed to third party confirmations. We obtained and reviewed the loan amendment contracts to understand the terms and conditions of the term extensions. We considered if the amendments constituted a modification or extinguishment and confirmed that the amendments were a modification in accordance with International Financial Reporting Standard 9 - Financial Instruments ("IFRS 9"). We reviewed the agreement pertaining to the green bond issued during the year and assessed the accounting treatment applied against IFRS 9. For derivatives, we agreed the carrying value to valuations obtained directly from the third party valuers, Chatham Financial. We assessed the competence and capabilities of the external valuers by considering their qualifications and market experience. We involved our internal experts who performed independent valuations to recalculate the value using independent market data. From our work on the terms of the debt arrangements in place as at 31 December 2021, we consider the borrowings and derivatives to be accounted for appropriately, valued correctly in the context of materiality, and disclosed appropriately. We have no matters to report in respect of this work.

INDEPENDENT AUDITOR'S REPORT CONTINUED

Key audit matter	How our audit addressed the key audit matter
Accounting for the expected credit loss provision **Group** Refer to the Audit Committee report (Significant financial judgements, key assumptions and estimates), note 3 (Significant judgements, key assumptions and estimates) and note 20 (Trade and other receivables) to the financial statements. IFRS 9 requires that credit losses on financial assets are measured and recognised using the "expected credit loss" (ECL) approach. The Group has applied the simplified approach to trade receivables and lease incentive debtors. Covid-19 and the resulting economic and social disruption brought unforeseen challenges to London and the wider global economy; impacting the Group and in general the overall risk profile. Whilst conditions improved in 2021 as a result of the vaccine programme, there remains a risk of tenants defaulting or tenant failure, particularly in respect to the leisure, retail and hospitality sectors. The continued impact of Covid-19 has therefore given rise to higher estimated probabilities of default for specific tenants than pre the pandemic. During the year an ECL provision of £9.5 million (2020: £9.3 million) has been recorded as a provision for bad debts. In arriving at the Group's estimate, management has considered the probability of default for tenants at higher risk, particularly in the retail or hospitality sectors, those in administration or Company voluntary arrangements (CVA) and the top 50 tenants by size. Management has also considered the remaining balances classified by sector risk. Due to the subjectivity of the assumptions used therein, we have considered this an area of audit focus.	We verified the mathematical accuracy of the model and provision calculation of the ECL. We evaluated the basis for determining the categorisation of tenants by risk and the associated probability of default percentages applied to each category. We tested a sample of tenant rent concessions granted in response to Covid-19 to underlying agreements or communication with the tenants. We tested the treatment of concessions to ensure that they have been correctly accounted for as lease modifications in line with International Financial Reporting Standard 16 (Leases). We also ensured these have been appropriately included within the ECL calculation. We reviewed the risk committee meeting minutes and compared these against the ECL model to ensure that the tenant specific discussions were reflected in the provision calculation. We obtained an ageing report of trade receivables and tested the accuracy by checking the ageing of selected invoices on a sample basis. We performed independent research over a sample of tenants in order to assess any contradictory evidence and how this had been incorporated into the forward- looking probability of default assigned to the tenant. We reviewed the disclosures made in relation to the ECL provision and the sensitivity of the provision to the underlying probability of default applied. We have no matters to report in respect of this work.
Compliance with REIT guidelines **Group** Refer to the Audit Committee report (Significant financial judgements, key assumptions and estimates) and note 3 (Significant judgements, key assumptions and estimates). The UK REIT regime grants companies tax exempt status provided they meet the rules within the regime. The rules are complex and the tax exempt status has a significant impact on the financial statements. The complexity of the rules creates a risk of an inadvertent breach and the Group's profit becoming subject to tax. The obligations of the REIT regime include requirements to comply with balance of business, dividend and income cover tests. The Group's status as a REIT underpins its business model and shareholder returns. For this reason, it warrants special audit focus.	We confirmed our understanding of management's approach to ensuring compliance with the REIT regime rules. We obtained management's calculations and supporting documentation, checking their accuracy by verifying the inputs and calculations. We involved our internal taxation specialists to verify the accuracy of the application of the rules and to re-perform the REIT compliance tests. We found that the assessment prepared was free from material error and consistent with the UK REIT guidelines.
Valuation of investments in and loans to subsidiaries **Company** Refer to notes 18 (Investments) and 20 (Trade and other receivables) to the financial statements. The Company has investments in subsidiaries of £1,749.8 million (2020: £1,615.9 million) and loans to subsidiaries of £1,860.7 million (2020: £1,659.4 million) as at 31 December 2021. This is following the recognition of a £19.9 million (2020: £47.3 million) provision for impairment on investments in subsidiaries and an expected credit loss impairment of £nil (2020: £nil) recognised on loans to subsidiaries in the year. The Company's accounting policy for investments and loans is to hold them at cost less any impairment. Impairment of the loans is calculated in accordance with International Financial Reporting Standard 9 (Financial Instruments), where expected credit losses are considered to be the excess of the Company's interest in a subsidiary over the subsidiary's fair value. Investments in subsidiaries are assessed for impairment in line with International Accounting Standard 36 (Impairment of Assets). Given the inherent judgement and complexity in assessing both the carrying value of a subsidiary company and the expected credit loss of intercompany receivables, this was identified as a key audit matter.	We obtained the directors' impairment assessment for the recoverability of investments in and loans to subsidiaries as at 31 December 2021. We assessed the accounting policy for investments and loans to subsidiaries to ensure they were compliant with UK-adopted International Accounting Standards. We verified that the methodology used by the directors in arriving at the carrying value of each subsidiary, and the expected credit loss 'simplified approach' provision for intercompany receivables, was compliant with UK-adopted International Accounting Standards. We identified the key judgement within the requirement for impairment of both the investments and loans to subsidiaries to be the underlying valuation of investment property held by the subsidiaries. For details of our procedures over investment property valuations please refer to the Group key audit matter above. We have no matters to report in respect of this work.

How we tailored the audit scope
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group's properties are spread across 63 statutory entities with the Group financial statements being a consolidation of these entities, the Company and the Group's joint ventures. All work was carried out by the Group audit team with additional procedures performed on the consolidation to ensure sufficient coverage and appropriate audit evidence for our opinion on the Group financial statements as a whole.

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Company
Overall materiality	£58.9 million (2020: £55.3 million).	£37.4 million (2020: £33.7 million).
How we determined it	1% of Total Assets	1% of Total Assets
Rationale for benchmark applied	The key driver of the business and determinant of the Group's value is direct property investments. Due to this, the key area of focus in the audit is the valuation of investment properties. On this basis, we set an overall Group materiality level based on total assets.	The key driver of the business and determinant of the Company's value is investments in and loans to subsidiaries. Due to this, the key area of focus in the audit is the valuation of investments in and loans to in subsidiaries. On this basis, we set an overall Company materiality level based on total assets.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £57.0 to £47.5 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2020: 75%) of overall materiality, amounting to £44.1 million (2020: £41.4 million) for the Group financial statements and £28.0 million (2020: £25.3 million) for the Company financial statements.

In addition, we set a specific materiality level of £5.8 million (2020: £7.1 million) for certain income statement line items which is calculated based on 5% of Profit Before Tax after removing revaluation of investment properties (whether held directly or through joint ventures), profit on disposal and fair value movements on derivatives.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £2.9 million (for items audited using overall materiality) and £0.5 million (for items audited using specific materiality) (2020: £2.7 million and £0.7 million) (Group audit) and £1.8 million (2020: £1.7 million) (Company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

INDEPENDENT AUDITOR'S REPORT CONTINUED

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Agreed the underlying cash flow projections to Board approved forecast and assess how this forecast is compiled;
- Considered management's forecasting accuracy by comparing how the forecast made at the half year compare to the actuals performance in the second half of the year;
- Tested the integrity of the underlying formulas and calculations within the going concern and cash flow models;
- Understood and assessed the appropriateness of the key assumptions under both in the base case and in the severe but plausible downside scenarios, including assessing whether we considered the downside sensitivities to be appropriately severe;
- Performed sample testing over the data and information of the properties used in the forecast made by the Cougar forecasting system to the supporting documents to gain comfort over the accuracy of the data and information in the Cougar forecasting system;
- Assessed the consideration of the cost of delivering the Group's climate change and sustainability strategy within the underlying going concern and viability forecasts;
- Evaluated whether the directors' conclusion, that sufficient liquidity and covenant headroom existed to continue trading operationally throughout the period to 31 December 2023 under the base and severe but plausible scenarios, is appropriate; and
- Reviewed the disclosures provided relating to the going concern basis of preparation and found that these provided an explanation of the directors' assessment that was consistent with the evidence we obtained.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Directors' Remuneration

In our opinion, the part of the Remuneration Committee report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of the Real Estate Investment Trust (REIT) status section 1158 of the Corporation Tax Act 2010 and non-compliance with the UK regulatory principles, such as those governed by the Listings Rules, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, and management bias in accounting estimates and judgemental areas of the financial statements such as the valuation of investment properties. Audit procedures performed by the engagement team included:

- Discussions with management, including the Company Secretary, as well as those charged with governance, over their consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Understanding and evaluating management's controls designed to prevent and detect irregularities;
- Reviewing the reports made by internal audit;

INDEPENDENT AUDITOR'S REPORT CONTINUED

- Assessment of matters reported on the Group's whistleblowing helpline and the results of management's investigation of such matters where relevant;
- Review of tax compliance with the involvement of our tax specialists in the audit;
- Procedures relating to the valuation of investment properties described in the related key audit matter above;
- Reviewing relevant meeting minutes, including those of the Board of Directors, Risk Committee and the Audit Committee; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Remuneration Committee report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the directors on 14 May 2014 to audit the financial statements for the year ended 31 December 2014 and subsequent financial periods. The period of total uninterrupted engagement is eight years, covering the years ended 31 December 2014 to 31 December 2021.

Other matter

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ("ESEF RTS"). This auditors' report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Sandra Dowling (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

23 February 2022

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £m	2020 £m
Gross property and other income	5	240.2	268.6
Net property and other income[1]	5	187.5	183.0
Administrative expenses		(37.1)	(37.8)
Revaluation surplus/(deficit)	16	130.8	(196.1)
Profit on disposal	6	10.4	1.7
Profit/(loss) from operations		291.6	(49.2)
Finance income	7	–	0.2
Finance costs	7	(28.1)	(30.3)
Loan arrangement costs written off	7	–	(0.1)
Movement in fair value of derivative financial instruments		4.8	(1.9)
Financial derivative termination costs	8	(1.9)	(1.7)
Share of results of joint ventures	9	(13.9)	–
Profit/(loss) before tax	10	252.5	(83.0)
Tax credit	15	1.3	1.6
Profit/(loss) for the year		253.8	(81.4)
Attributable to:			
Equity shareholders	31	252.3	(77.6)
Non-controlling interest		1.5	(3.8)
		253.8	(81.4)
Basic earnings/(loss) per share	40	224.99p	(69.34p)
Diluted earnings/(loss) per share	40	224.44p	(69.34p)

[1] Net property and other income in 2021 includes write-off/impairment of receivables of £0.8m (2020: £10.1m plus a service charge waiver of £4.1m). See note 3 for additional information.

The notes on pages 214 to 267 form part of these financial statements.

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £m	2020 £m
Profit/(loss) for the year		**253.8**	(81.4)
Actuarial gains/(losses) on defined benefit pension scheme	14	**2.7**	(4.1)
Deferred tax (charge)/credit on pension	27	**(0.4)**	0.4
Revaluation surplus of owner-occupied property	16	**3.7**	0.4
Deferred tax charge on revaluation	27	**(1.3)**	(0.2)
Other comprehensive income/(expense) that will not be reclassified to profit or loss		**4.7**	(3.5)
Total comprehensive income/(expense) relating to the year		**258.5**	**(84.9)**
Attributable to:			
Equity shareholders		**257.0**	(81.1)
Non-controlling interest		**1.5**	(3.8)
		258.5	(84.9)

The notes on pages 214 to 267 form part of these financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2021

REGISTERED NO. 1819699

	Note	Group 2021 £m	2020 £m	Company 2021 £m	2020 £m
Non-current assets					
Investment property	16	**5,359.9**	5,029.1	**–**	–
Property, plant and equipment	17	**54.0**	50.2	**22.6**	23.7
Investments	18	**51.1**	0.9	**1,749.8**	1,615.9
Deferred tax	27	**0.3**	–	**3.6**	3.1
Pension scheme surplus	14	**1.8**	–	**1.8**	–
Other receivables	19	**159.3**	146.4	**–**	–
		5,626.4	5,226.6	**1,777.8**	1,642.7
Current assets					
Trading property	16	**32.2**	12.9	**–**	–
Trading stock	30	**0.4**	–	**–**	–
Trade and other receivables	20	**61.7**	76.2	**1,898.9**	1,682.3
Corporation tax asset		**–**	–	**–**	0.4
Cash and cash equivalents	33	**68.5**	50.7	**68.2**	50.1
		162.8	139.8	**1,967.1**	1,732.8
Non-current assets held for sale	21	**102.8**	165.0	**–**	–
Total assets		**5,892.0**	5,531.4	**3,744.9**	3,375.5
Current liabilities					
Borrowings	24	**12.3**	–	**–**	–
Leasehold liabilities	24	**51.2**	–	**1.2**	1.2
Trade and other payables	22	**128.3**	106.7	**1,281.7**	1,072.9
Corporation tax liability		**0.5**	0.5	**0.7**	–
Derivative financial instruments	24	**0.4**	–	**0.4**	–
Provisions	23	**0.3**	0.6	**0.3**	0.6
		193.0	107.8	**1,284.3**	1,074.7
Non-current liabilities					
Borrowings	24	**1,237.1**	1,033.2	**1,054.7**	821.7
Derivative financial instruments	24	**0.4**	5.6	**0.4**	5.6
Leasehold liabilities	24	**19.4**	66.6	**22.9**	24.1
Provisions	23	**0.3**	0.4	**0.3**	0.4
Pension scheme deficit	14	**–**	2.2	**–**	2.2
Deferred tax	27	**–**	0.5	**–**	–
		1,257.2	1,108.5	**1,078.3**	854.0
Total liabilities		**1,450.2**	1,216.3	**2,362.6**	1,928.7
Total net assets		**4,441.8**	4,315.1	**1,382.3**	1,446.8
Equity					
Share capital	28	**5.6**	5.6	**5.6**	5.6
Share premium	29	**195.4**	193.7	**195.4**	193.7
Other reserves	29	**941.1**	939.4	**925.6**	926.3
Retained earnings[1]	29	**3,299.7**	3,124.5	**255.7**	321.2
Equity shareholders' funds		**4,441.8**	4,263.2	**1,382.3**	1,446.8
Non-controlling interest	30	**–**	51.9	**–**	–
Total equity		**4,441.8**	4,315.1	**1,382.3**	1,446.8

1 Retained earnings for the Company include profit for the year of £11.6m (2020: £1.8m).

The financial statements were approved by the Board of Directors and authorised for issue on 23 February 2022.

Paul Williams
Chief Executive

Damian Wisniewski
Chief Financial Officer

The notes on pages 214 to 267 form part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital £m	Share premium £m	Other reserves[1] £m	Retained earnings £m	Equity shareholders' funds £m	Non-controlling interest £m	Total equity £m
Group							
At 1 January 2021	5.6	193.7	939.4	3,124.5	4,263.2	51.9	4,315.1
Profit for the year	–	–	–	252.3	252.3	1.5	253.8
Other comprehensive income	–	–	2.4	2.3	4.7	–	4.7
Share-based payments	–	1.7	(0.7)	5.2	6.2	–	6.2
Dividends paid	–	–	–	(84.6)	(84.6)	–	(84.6)
Acquisition of non-controlling interest	–	–	–	–	–	(53.4)	(53.4)
At 31 December 2021	**5.6**	**195.4**	**941.1**	**3,299.7**	**4,441.8**	**–**	**4,441.8**
At 1 January 2020	5.6	193.0	936.2	3,286.4	4,421.2	55.7	4,476.9
Loss for the year	–	–	–	(77.6)	(77.6)	(3.8)	(81.4)
Other comprehensive income/(expense)	–	–	0.2	(3.7)	(3.5)	–	(3.5)
Share-based payments	–	0.7	3.0	1.6	5.3	–	5.3
Dividends paid	–	–	–	(82.2)	(82.2)	–	(82.2)
At 31 December 2020	5.6	193.7	939.4	3,124.5	4,263.2	51.9	4,315.1
Company							
At 1 January 2021	5.6	193.7	926.3	321.2	1,446.8	–	1,446.8
Profit for the year	–	–	–	11.6	11.6	–	11.6
Other comprehensive income	–	–	–	2.3	2.3	–	2.3
Share-based payments	–	1.7	(0.7)	5.2	6.2	–	6.2
Dividends paid	–	–	–	(84.6)	(84.6)	–	(84.6)
At 31 December 2021	**5.6**	**195.4**	**925.6**	**255.7**	**1,382.3**	**–**	**1,382.3**
At 1 January 2020	5.6	193.0	923.3	403.7	1,525.6	–	1,525.6
Profit for the year	–	–	–	1.8	1.8	–	1.8
Other comprehensive expense	–	–	–	(3.7)	(3.7)	–	(3.7)
Share-based payments	–	0.7	3.0	1.6	5.3	–	5.3
Dividends paid	–	–	–	(82.2)	(82.2)	–	(82.2)
At 31 December 2020	5.6	193.7	926.3	321.2	1,446.8	–	1,446.8

[1] See note 29.

The notes on pages 214 to 267 form part of these financial statements.

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Group 2021 £m	2020 Restated £m	Company 2021 £m	2020 £m
Operating activities					
Rents received		187.0	161.9	–	–
Surrender premiums and other property income		5.7	2.7	–	–
Property expenses		(14.3)	(19.1)	–	–
Cash paid to and on behalf of employees		(26.9)	(27.5)	(26.6)	(27.3)
Other administrative expenses		(7.8)	(8.0)	(8.5)	(7.6)
Interest received	7	–	0.2	–	0.2
Interest paid	7	(21.9)	(25.4)	(19.4)	(20.5)
Other finance costs	7	(3.1)	(2.9)	(2.2)	(2.0)
Other income		4.1	3.5	3.8	3.1
Disposal of trading properties	1	5.0	31.7	–	–
Expenditure on trading properties	1	(1.6)	(1.2)	–	–
Tax paid in respect of operating activities		(0.5)	–	–	–
Net cash from/(used in) operating activities	1	125.7	115.9	(52.9)	(54.1)
Investing activities					
Acquisition of properties		(251.8)	(43.8)	–	–
Capital expenditure on the property portfolio	7	(172.1)	(173.4)	–	–
Disposal of investment properties		297.3	125.6	–	–
Investment in joint ventures		(64.1)	–	–	–
Settlement of shareholder loan		2.0	–	–	–
Receipts from joint ventures		–	0.4	–	–
Proceeds from sale of investments		–	–	82.0	–
Purchase of property, plant and equipment		(1.6)	(0.4)	(1.2)	(0.4)
Disposal of property, plant and equipment		0.2	–	0.1	–
VAT received/(paid)		7.5	(0.9)	–	–
Net cash (used in)/from investing activities		(182.6)	(92.5)	80.9	(0.4)
Financing activities					
Net proceeds of green bond issue		346.0	–	346.0	–
Net movement in intercompany loans		–	–	(153.7)	77.7
Repayment of revolving bank loan	26	–	(6.5)	–	(6.5)
Drawdown of new revolving bank loan	26	–	24.2	–	24.2
Net movement in revolving bank loans	26	(117.8)	38.0	(117.8)	38.0
Proceeds from other loan		12.3	–	–	–
Repayment of secured bank loan		(28.0)	–	–	–
Financial derivative termination costs	8	(1.9)	(1.7)	(1.9)	(1.6)
Acquisition of non-controlling interest	30	(53.4)	–	–	–
Net proceeds of share issues	28	1.8	0.6	1.8	0.6
Dividends paid	32	(84.3)	(81.8)	(84.3)	(81.8)
Net cash from/(used in) financing activities		74.7	(27.2)	(9.9)	50.6
Increase/(decrease) in cash and cash equivalents in the year		17.8	(3.8)	18.1	(3.9)
Cash and cash equivalents at the beginning of the year		50.7	54.5	50.1	54.0
Cash and cash equivalents at the end of the year	33	68.5	50.7	68.2	50.1

The notes on pages 214 to 267 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1 Basis of preparation
On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 1 January 2021. This change constitutes a change in accounting framework however, there is no impact on recognition, measurement or disclosure.

The financial statements have been prepared in accordance with UK-adopted International Accounting Standards, (the 'applicable framework'), and have been prepared in accordance with the provisions of the Companies Act 2006 (the 'applicable legal requirements'). The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties, the revaluation of property, plant and equipment, assets held for sale, pension scheme, and financial assets and liabilities held at fair value.

Going concern
The Board continues to adopt the going concern basis in preparing these consolidated financial statements. In considering this requirement, the Directors have taken into account the following:

- The Group's latest rolling forecast for the next two years, in particular the cash flows, borrowings and undrawn facilities.
- The headroom under the Group's financial covenants.
- The risks included on the Group's risk register that could impact on the Group's liquidity and solvency over the next 12 months.
- The risks on the Group's risk register that could be a threat to the Group's business model and capital adequacy.

The Directors have considered the relatively long-term and predictable nature of the income receivable under the tenant leases, the Group's year-end loan-to-value ratio for 2021 of 21.0%, the interest cover ratio of 463%, the £608m total of undrawn facilities and cash and the fact that the average maturity of borrowings was 7.2 years at 31 December 2021. The impact of the Covid-19 pandemic on the business and its occupiers has been considered. The impact in 2021 was considerably less than in 2020 as evidenced by lower impairment charges and stronger rent collection rates. Rent collection has improved quarter by quarter and, for our office occupiers, is now close to that seen pre-pandemic. Office occupation rates are also gradually recovering. The likely impact of climate change has been incorporated in our forecasts and an exercise has been carried out to better understand the cost of upgrading those properties in our portfolio with lower EPC ratings. There is a risk that, without capital investment, some of the buildings with lower EPC ratings could in future suffer from higher vacancy rates and income/valuation decline. Based on our forecasts, rental income would need to decline by 69% and property values would need to fall by 63% before breaching our financial covenants. When subjected to a 15% fall in both rental income and property values our interest cover remained above 300% and our loan-to-value ratio below 40%, both of which are comfortably within our financial covenants.

Further information is provided in the Group's viability statement on page 98.

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the financial review. In addition, the Group's risks and risk management processes can be found within the risk management and internal controls.

Having due regard to these matters and after making appropriate enquiries, the Directors have reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least 12 months from the date of signing of these consolidated financial statements and, therefore, the Board continues to adopt the going concern basis in their preparation.

Presentation of cash flow statement
Following correspondence in late 2021 and early 2022 with the Corporate Reporting Review Team of the Financial Reporting Council ('FRC'), we have agreed to classify the cash flows relating to the additions to, and disposal of, trading properties within the Group Cash Flow Statement within 'net operating activities' rather than 'investing activities'. We have re-presented the statement for the year ended 31 December 2020 to reclassify £31.7m of cash receipts and £1.2m of expenditure on trading properties from 'investing activities' to 'operating activities'. This has the effect of increasing the net cash from operations in 2020 from £85.4m to £115.9m with a corresponding increase in the net cash used in investing activities from £62.0m to £92.5m. This presentation has also been adopted for the year ended 31 December 2021 and will be applied consistently in future. There is no net impact upon the cash flow statement overall and there is no impact on any balance sheet or income statement figures. The review conducted by the FRC was based solely on the Group's published 2020 annual report and accounts and does not provide any assurance that the report and accounts are correct in all material respects.

2 Changes in accounting policies
The principal accounting policies are described in note 43 and are consistent with those applied in the Group's financial statements for the year to 31 December 2020, as amended to reflect the adoption of new standards, amendments and interpretations which became effective in the year as shown below.

New standards adopted during the year
The following standards, amendments and interpretations were effective for the first time for the Group's current accounting period and had no material impact on the financial statements.

IFRS 16 (amended) – Covid-19-related Rent Concessions;
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amended) – Interest Rate Benchmark Reform – Phase 2.

Standards in issue but not yet effective
The following standards, amendments and interpretations were in issue at the date of approval of these financial statements but were not yet effective for the current accounting period and have not been adopted early. Based on the Group's current circumstances, the Directors do not anticipate that their adoption in future periods will have a material impact on the financial statements of the Group.

IFRS 17 – Insurance Contracts;
IAS 1 (amended) – Classification of liabilities as current or non-current;
IAS 1 and IFRS Practice Statement 2 (amended) – Disclosure of Accounting Policy;
IAS 8 (amended) – Definition of Accounting Estimate;
IFRS 10 and IAS 28 (amended) – Sale or Contribution of Assets between an investor and its Associate or Joint Venture;
IFRS 3 (amended) – Business Combinations;
IAS 16 (amended) – Property, plant and equipment;
IAS 37 (amended) – Provision, contingent liabilities and contingent assets;
IFRS 1, IFRS 9, IAS 41 and IFRS 16 annual improvements;
IAS 12 (amended) – deferred tax related to assets and liabilities arising from a single transaction;
Annual improvements to IFRS Standards 2018-2020.

3 Significant judgements, key assumptions and estimates

The preparation of financial statements in accordance with the applicable framework requires the use of certain significant accounting estimates and judgements. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The Group's significant accounting policies are stated in note 43. Not all of these accounting policies require management to make difficult, subjective or complex judgements or estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates. The following is intended to provide an understanding of the policies that management consider critical because of the level of complexity, judgement or estimation involved in their application and their impact on the consolidated financial statements.

Key sources of estimation uncertainty

Property portfolio valuation

The Group uses the valuation carried out by external valuers as the fair value of its property portfolio. The valuation considers a range of assumptions including future rental income, investment yields, anticipated outgoings and maintenance costs, future development expenditure and appropriate discount rates. The external valuers also make reference to market evidence of transaction prices for similar properties and take into account the impact of climate change and related Environmental, Social and Governance considerations. More information is provided in note 16.

Impairment testing of trade receivables and other financial assets

Trade receivables and accrued rental income recognised in advance of receipt are subject to impairment testing. This accrued rental income arises due to the spreading of rent free and reduced rent periods, capital contributions and contracted rent uplifts in accordance with IFRS 16 Leases.

Impairment calculations have been carried out using the forward-looking, simplified approach to the expected credit loss model within IFRS 9. The impact of the Covid-19 pandemic on the Group's business and its occupiers has been considered and in 2021 the severity of the impact has reduced and the charge to the income statement was lower than in 2020. Rent collection rates have improved and are close to pre-Covid levels. However, there remains an elevated risk of certain tenants defaulting or failing, particularly in respect to the retail and hospitality sectors. This has resulted in an additional provision totalling £0.2m for 2021. After adding receivable balances written off of £0.6m, the total charge for provisions and write-offs in 2021 was £0.8m, lower than the £10.1m recognised in 2020. In arriving at the estimates, the Group considered the tenants at higher risk, particularly in the retail or hospitality sectors, those in administration or CVA, the top 69 tenants by size and has also considered the remaining balances classified by sector. The impairment provisions are included within 'Other receivables (non-current)' (see note 19) and 'Trade and other receivables' (see note 20) as shown below:

	Other receivables (non-current) £m	Trade and other receivables £m	Total £m
Lease incentive receivables before impairment	151.9	22.0	**173.9**
Impairment of lease incentive receivables	(4.7)	(0.7)	**(5.4)**
Write-off	(0.2)	(0.1)	**(0.3)**
Net lease incentive included within accrued income	147.0	21.2	**168.2**
Trade receivables before impairment	–	11.3	**11.3**
Impairment of trade receivables	–	(3.8)	**(3.8)**
Service charge provision	–	(0.3)	**(0.3)**
Write-off	–	(0.3)	**(0.3)**
Net trade receivables	–	6.9	**6.9**
Impairment	(4.7)	(4.5)	**(9.2)**
Service charge provision	–	(0.3)	**(0.3)**
	(4.7)	(4.8)	**(9.5)**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3 Significant judgements, key assumptions and estimates (continued)

The assessment considered the risk of tenant failures or defaults using information on tenants' payment history, deposits held, the latest known financial position together with forecast information where available, ongoing dialogue with tenants as well as other information such as the sector in which they operate. Following this, tenants were classified as either low, medium or high risk and the table below provides further information. The cumulative impairment against lease incentive receivable balances was £5.4m and against trade receivable balances was £4.1m.

	Lease incentive receivables (non-current) £m	Lease incentive receivables (current) £m	Trade receivables (current) £m
Balance before impairment			
Low risk	138.0	17.4	3.7
Medium risk	6.3	3.2	2.3
High risk	7.4	1.3	5.0
	151.7	21.9	11.0
Impairment			
Low risk	(0.2)	–	–
Medium risk	(0.4)	(0.1)	(0.1)
High risk	(4.1)	(0.6)	(4.0)
	(4.7)	(0.7)	(4.1)
Net lease incentive included within accrued income	147.0	21.2	6.9

All amounts included within trade receivables are current.

Borrowings and derivatives

The fair values of the Group's borrowings and interest rate swaps are provided by an independent third party based on information provided to them by the Group. This includes the terms of each of the financial instruments and data available in the financial markets. More information is provided in note 24.

Significant judgements

Compliance with the real estate investment trust (REIT) taxation regime

As a REIT, the Group benefits from tax advantages. Income and chargeable gains on the qualifying property rental business are exempt from corporation tax. Income that does not qualify as property income within the REIT rules is subject to corporation tax in the normal way. There are a number of tests that are applied annually, and in relation to forecasts, to ensure the Group remains well within the limits allowed within those tests.

The Group met all the criteria in 2021 with a substantial margin in each case, thereby ensuring its REIT status is maintained. The Directors intend that the Group should continue as a REIT for the foreseeable future.

The Group has maintained its low risk rating with HMRC following continued regular dialogue and a focus on transparency and full disclosure.

4 Segmental information

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal financial reports about components of the Group that are regularly reviewed by the chief operating decision makers (which in the Group's case are the five executive Directors assisted by the other seven members of the Executive Committee) in order to allocate resources to the segments and to assess their performance.

The internal financial reports received by the Group's Executive Committee contain financial information at a Group level as a whole and there are no reconciling items between the results contained in these reports and the amounts reported in the financial statements. These internal financial reports include IFRS figures but also report non-IFRS figures for the EPRA earnings and net asset value. Reconciliations of each of these figures to their statutory equivalents are detailed in note 40. Additionally, information is provided to the Executive Committee showing gross property income and property valuation by individual property. Therefore, for the purposes of IFRS 8, each individual property is considered to be a separate reportable segment in that its performance is monitored individually.

The Group's property portfolio includes investment property, owner-occupied property and trading property and comprised 97% office buildings[1] by value at 31 December 2021 (2020: 98%). The Directors consider that these individual properties have similar economic characteristics and therefore have been aggregated into a single reportable segment. The remaining 3% (2020: 2%) represented a mixture of retail, residential and light industrial properties, as well as land, each of which is de minimis in its own right and below the quantitative threshold in aggregate. Therefore, in the view of the Directors, there is one reportable segment under the provisions of IFRS 8.

All of the Group's properties are based in the UK. No geographical grouping is contained in any of the internal financial reports provided to the Group's Executive Committee and, therefore, no geographical segmental analysis is required by IFRS 8. However, geographical analysis is included in the tables below to provide users with additional information regarding the areas contained in the Strategic Report. The majority of the Group's properties are located in London (West End central, West End borders/other and City borders), with the remainder in Scotland (Provincial).

[1] Some office buildings have an ancillary element such as retail or residential.

Gross property income

	2021			2020		
	Office buildings £m	Other £m	Total £m	Office buildings £m	Other £m	Total £m
West End central	108.4	0.3	108.7	104.3	0.1	104.4
West End borders/other	18.5	–	18.5	20.4	–	20.4
City borders	67.6	0.5	68.1	74.9	0.5	75.4
Provincial	–	4.5	4.5	–	4.5	4.5
	194.5	5.3	199.8	199.6	5.1	204.7

A reconciliation of gross property income to gross property and other income is given in note 5.

Excluded from the table above is £0.4m of the Group's share of gross property income in relation to joint ventures located within West End central. See note 9.

Property portfolio

	2021			2020		
	Office buildings £m	Other £m	Total £m	Office buildings £m	Other £m	Total £m
Carrying value						
West End central	3,313.6	82.2	3,395.8	2,936.7	45.9	2,982.6
West End borders/other	408.1	–	408.1	447.9	–	447.9
City borders	1,649.7	8.4	1,658.1	1,738.2	8.0	1,746.2
Provincial	–	82.2	82.2	–	75.9	75.9
	5,371.4	172.8	5,544.2	5,122.8	129.8	5,252.6
Fair value						
West End central	3,348.9	84.2	3,433.1	2,966.2	47.4	3,013.6
West End borders/other	431.4	–	431.4	475.4	–	475.4
City borders	1,690.4	8.4	1,698.8	1,781.7	8.1	1,789.8
Provincial	–	83.0	83.0	–	76.7	76.7
	5,470.7	175.6	5,646.3	5,223.3	132.2	5,355.5

A reconciliation between the fair value and carrying value of the portfolio is set out in note 16.

Excluded from the table above is property in relation to the Group's share of joint ventures located within West End central, with a carrying value of £50.2m and a fair value of £50.0m. See notes 16 and 18.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

5 Property and other income

	2021 £m	2020 £m
Gross rental income	194.2	202.9
Surrender premiums received	3.6	0.9
Other property income	2.0	0.9
Gross property income	199.8	204.7
Trading property sales proceeds[1]	6.7	32.3
Service charge income[1]	30.2	28.1
Other income[1]	3.5	3.5
Gross property and other income	240.2	268.6

Gross rental income	194.2	202.9
Write–off/impairment of receivables	(0.8)	(10.1)
Service charge waiver	–	(4.1)
Service charge income[1]	30.2	28.1
Service charge expenses	(33.6)	(30.9)
	(3.4)	(2.8)
Property costs	(11.8)	(11.6)
Net rental income	178.2	174.3
Trading property sales proceeds[1]	6.7	32.3
Trading property cost of sales	(6.0)	(27.1)
Profit on trading property disposals	0.7	5.2
Other property income	2.0	0.9
Other income[1]	3.5	3.5
Surrender premiums received	3.6	0.9
Dilapidation receipts	0.9	–
Write–down of trading property	(1.4)	(1.8)
Net property and other income	187.5	183.0

[1] In line with IFRS 15 Revenue from Contracts with Customers, the Group recognised a total of £40.4m (2020: £63.9m) of other income, trading property sales proceeds and service charge income, which relates to expenditure that is directly recoverable from tenants, within gross property and other income.

Gross rental income includes £20.2m (2020: £24.0m) relating to rents recognised in advance of cash receipts.

Other income relates to fees and commissions earned from tenants in relation to the management of the Group's properties and was recognised in the Group income statement in accordance with the delivery of services.

The impairment review has been carried out using the expected credit loss model within IFRS 9 Financial Instruments (see notes 3 and 15 for additional information). Included in this provision is a charge of £0.6m against trade receivables relating to rental income for the 25 December 2021 quarter day. Most of this income is deferred and has not yet been recognised in the income statement. A 10% increase/decrease to the absolute probability rates of tenant default in the year would result in a £1.8m increase and £1.9m decrease respectively, in the Group's profit for the period. This sensitivity has been performed on the medium to high risk tenants as the significant estimation uncertainty is wholly related to these.

In the year to 31 December 2020, a 25% waiver of two quarters' service charge was given to support occupiers across the whole portfolio in response to Covid-19 at a cost of £4.1m to the Group.

6 Profit on disposal

	2021 £m	2020 £m
Investment property		
Gross disposal proceeds	402.4	120.9
Costs of disposal	(3.7)	(0.6)
Net disposal proceeds	398.7	120.3
Carrying value	(387.5)	(118.6)
Adjustment for lease costs and rents recognised in advance	(0.7)	–
Profit on disposal of investment property	10.5	1.7
Artwork		
Carrying value	(0.1)	–
Loss on disposal of artwork	(0.1)	–
Profit on disposal	10.4	1.7

Included within gross disposal proceeds for 2021 is £167.6m relating to the disposal of the Group's freehold interest in Johnson Building EC1 in January 2021, which was classified as a non-current asset held for sale at 31 December 2020 and £86.5m relating to the disposal of the Group's freehold interest in Angel Square EC1 in August 2021.

Also included within gross disposal proceeds for 2021 is £100.7m relating to the surrender of headleases at 19-35 Baker Street W1. A new headlease was subsequently regranted and is included in 'additions' in Note 16. In addition, the Group disposed of its leasehold interests in 17-39 George Street, 16-20 Baker Street, 27-33 Robert Adam Street and 26-27 Castlereagh Street W1 for gross proceeds of £45.2m (see note 30).

7 Finance income and total finance costs

	2021 £m	2020 £m
Finance income		
Bank interest receivable	–	0.2
Finance income	–	0.2
Finance costs		
Bank loans	0.9	2.3
Non-utilisation fees	2.1	1.7
Unsecured convertible bonds	3.9	3.9
Unsecured green bonds	0.8	–
Secured bonds	11.4	11.4
Unsecured private placement notes	15.6	15.6
Secured loan	3.3	3.3
Amortisation of issue and arrangement costs	2.5	2.2
Amortisation of the fair value of the secured bonds	(1.3)	(1.3)
Obligations under headleases	0.7	0.9
Other	0.2	0.2
Gross interest costs	40.1	40.2
Less: interest capitalised	(12.0)	(9.9)
Finance costs	28.1	30.3
Loan arrangement costs written off	–	0.1
Total finance costs	28.1	30.4

Finance costs of £12.0m (2020: £9.9m) have been capitalised on development projects, in accordance with IAS 23 Borrowing Costs, using the Group's average cost of borrowings during each quarter. Total finance costs paid to 31 December 2021 were £37.0m (2020: £38.2m) of which £12.0m (2020: £9.9m) was included in capital expenditure on the property portfolio in the Group cash flow statement under investing activities.

8 Financial derivative termination costs

The Group incurred costs of £1.9m in the year to 31 December 2021 (2020: £1.7m) deferring interest rate swaps.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

9 Share of results of joint ventures

	2021 £m	2020 £m
Income	0.4	–
Administrative expenses	(0.1)	–
Revaluation deficit	(10.2)	–
	(9.9)	–
Joint venture acquisition costs incurred	(4.0)	–
	(13.9)	–

The share of results of joint ventures for the year ended 31 December 2021 includes the Group's 50% share in the Derwent Lazari Baker Street Limited Partnership since its formation in October 2021. See note 18 for further details of the Group's joint ventures.

10 Profit/(loss) before tax

	2021 £m	2020 £m
This is arrived at after charging:		
Depreciation	0.9	0.7
Contingent rent payable under headleases	1.4	1.1
Auditor's remuneration		
Audit – Group	0.4	0.4
Audit – subsidiaries	0.1	0.1

In 2021, audit fees for the Group were £376,718 (2020: £395,252) and for the subsidiaries £94,180 (2020: £98,588). The prior year comparatives include additional fees billed for scope changes and cost overruns. Fees for non-audit services, relating to the half year review, were £60,000 (2020: £43,705) and other non-audit services were £90,000 (2020: £nil).

Details of the Auditor's independence are included on page 156.

11 Directors' emoluments

	2021 £m	2020 £m
Remuneration for management services	4.0	5.2
Share-based payments	3.6	3.3
Post-employment benefits	0.5	0.6
	8.1	9.1
National insurance contributions	1.1	1.3
	9.2	10.4

An amount of £1.7m (2020: £4.2m) relating to the Directors is included within Share-based payments expense of £4.3m (2020: £5.8m) relating to equity-settled schemes in note 12. This is in accordance with IFRS 2 Share-based Payment.

Details of the Directors' remuneration awards under the long-term incentive plan and options held by the Directors under the Group share option schemes are given in the report of the Remuneration Committee on pages 172 to 193. The only key management personnel are the Directors.

12 Employees

	Group 2021 £m	2020 £m	Company 2021 £m	2020 £m
Staff costs, including those of Directors:				
Wages and salaries	18.5	18.5	18.5	18.5
Social security costs	2.5	2.7	2.3	2.6
Other pension costs	2.4	2.2	2.2	2.1
Share-based payments expense relating to equity-settled schemes	4.3	5.8	4.4	5.7
	27.7	29.2	27.4	28.9

The monthly average number of employees in the Group during the year, excluding Directors, was 140 (2020: 132). The monthly average number of employees in the Company during the year, excluding Directors, was 120 (2020: 114). All were employed in administrative or support roles. Of the Group's employees, there were 39 (2020: 34) whose costs were recharged or partially recharged to tenants via service charges.

13 Share-based payments

Details of the options held by Directors under the Performance Share Plan (PSP) are given in the report of the Remuneration Committee on page 185.

Group and Company – equity-settled option scheme

The Employee Share Option Plan (ESOP) is designed to incentivise and retain eligible employees. The ESOP is separate to the PSP disclosed in the report of the Remuneration Committee. The Directors are not entitled to any awards under the ESOP.

Year of grant	Exercise price £	Adjusted exercise price[1] £	Outstanding at 1 January	Movement in options Granted	Exercised	Lapsed	Outstanding at 31 December
For the year to 31 December 2021							
2013	21.99	21.09	4,158	–	–	–	4,158
2014	27.39	26.27	18,650	–	(1,600)	–	17,050
2015	34.65	33.23	43,474	–	(5,807)	(2,605)	35,062
2016	31.20	29.93	38,397	–	(762)	–	37,635
2017	28.93	27.75	99,446	–	(28,893)	–	70,553
2018	30.29	29.57	114,234	–	(22,399)	–	91,835
2019	32.43	32.43	129,575	–	–	(5,550)	124,025
2020	30.02	30.02	172,475	–	–	(6,500)	165,975
2021	33.28	33.28	–	204,079	–	(3,250)	200,829
			620,409	**204,079**	**(59,461)**	**(17,905)**	**747,122**
For the year to 31 December 2020							
2013	21.99	21.09	4,158	–	–	–	4,158
2014	27.39	26.27	20,234	–	(1,584)	–	18,650
2015	34.65	33.23	44,214	–	(740)	–	43,474
2016	31.20	29.93	47,154	–	(8,757)	–	38,397
2017	28.93	27.75	113,986	–	(11,680)	(2,860)	99,446
2018	30.29	29.57	118,176	–	–	(3,942)	114,234
2019	32.43	32.43	135,850	–	–	(6,275)	129,575
2020	30.02	30.02	–	174,300	–	(1,825)	172,475
			483,772	174,300	(22,761)	(14,902)	620,409

	31 December 2021	31 December 2020	1 January 2020
Number of shares:			
Exercisable	**256,293**	204,125	115,760
Non-exercisable	**490,829**	416,284	368,012
Weighted average exercise price of share options:			
Exercisable	**£29.37**	£29.23	£30.39
Non-exercisable	**£31.96**	£30.66	£30.14
Weighted average remaining contracted life of share options:			
Exercisable	**4.92 years**	5.29 years	5.41 years
Non-exercisable	**7.30 years**	8.36 years	8.30 years
Weighted average exercise price of share options that lapsed:			
Exercisable	**£33.23**	£27.81	£32.54
Non-exercisable	**£31.56**	£31.14	£29.74

[1] In 2018, following the payment of the special dividend of 75 pence per share, the Remuneration Committee exercised their discretion and adjusted the number of outstanding unapproved 'B' options and their option price, to ensure participants were not disadvantaged by the payment to shareholders of the special dividend.

The weighted average share price at which options were exercised during 2021 was £35.82 (2020: £34.82).

The weighted average fair value of options granted during 2021 was £8.23 (2020: £6.27).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

13 Share-based payments (continued)

The following information is relevant in the determination of the fair value of the options granted during 2021 and 2020 under the equity-settled employee share plan operated by the Group.

	2021	2020
Option pricing model used	Binomial lattice	Binomial lattice
Risk free interest rate	0.3%	0.2%
Volatility	30.0%	26.0%
Dividend yield	2.2%	2.4%

For both the 2021 and 2020 grants, additional assumptions have been made that there is no employee turnover and 50% of employees exercise early when the share options are 20% in the money and 50% of employees exercise early when the share options are 100% in the money.

The volatility assumption, measured as the standard deviation of expected share price returns, is based on a statistical analysis of daily prices over the last four years.

Group and Company – Save As You Earn scheme

The Save As You Earn (SAYE) is designed to allow employees (including Directors) to purchase shares in the Company in a tax efficient manner. The SAYE plan is an HMRC approved scheme. Employees can participate on an annual basis and save up to £250 per month per grant. Further details are given in the report of the Remuneration Committee on page 186.

14 Pension costs

The Group and Company operate both a defined contribution scheme and a defined benefit scheme. The latter was acquired as part of the acquisition of London Merchant Securities plc in 2007 and is closed to new members. All new employees are entitled to join the defined contribution scheme. The assets of the pension schemes are held separately from those of Group companies.

Defined contribution plan

The total expense relating to this plan in the current year was £2.0m (2020: £2.0m).

Defined benefit plan

The Company sponsors the Scheme which is a funded defined benefit arrangement. This is a separate trustee-administered fund holding the pension scheme assets to meet long-term pension liabilities for past employees. The Scheme closed to future benefit accrual on 31 July 2019. The level of retirement benefit is principally based on basic salary at the last scheme anniversary of employment prior to leaving active service and increases at 5% pa in deferment.

The trustees of the Scheme are required to act in the best interest of the Scheme's beneficiaries. The appointment of the trustees is determined by the Scheme's trust documentation. It is policy that one third of all trustees should be nominated by the members.

A full actuarial valuation was carried out as at 31 October 2019 in accordance with the Scheme funding requirements of the Pensions Act 2004 and the funding of the Scheme is agreed between the Company and the trustees in line with those requirements. These in particular require the surplus/deficit to be calculated using prudent, as opposed to best estimate, actuarial assumptions.

This actuarial valuation showed a deficit of £7.3m. The Company agreed with the trustees that it will aim to eliminate the deficit over a period of 5 years and 2 months from 31 October 2019 by the payment of a contribution of £0.9m by 31 December 2019, followed by annual contributions of £1.4m payable by each 31 December from 31 December 2020 to 31 December 2024 inclusive. In addition, the Company has agreed with the trustees that the Company will meet expenses of running the Scheme and levies to the Pension Protection Fund separately. The estimated amount of total employer contributions expected to be paid to the Scheme during the year to 31 December 2022 is £1.4m (31 December 2021 actual: £1.4m).

For the purposes of IAS 19 the actuarial valuation as at 31 October 2019, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 31 December 2021.

Amounts included in the balance sheet

	2021 £m	2020 £m	2019 £m
Fair value of plan assets	62.7	66.6	53.9
Present value of defined benefit obligation	(60.9)	(68.8)	(53.4)
Net asset/(liability)	1.8	(2.2)	0.5

The present value of the Scheme liabilities is measured by discounting the best estimate of future cash flows to be paid out by the Scheme. The value calculated in this way is reflected in the net asset/(liability) in the balance sheet as shown above.

All actuarial gains and losses are recognised in the year in which they occur in the Group Statement of Comprehensive income.

Reconciliation of the impact of the asset ceiling

We have considered the application of IFRIC 14 and deemed it to have no material effect on the IAS 19 figures.

Reconciliation of the opening and closing present value of the defined benefit obligation

	2021 £m	2020 £m
At 1 January	68.8	53.4
Current service cost	–	–
Interest cost	0.8	1.1
Actuarial losses due to scheme experience	0.7	6.4
Actuarial (gains)/losses due to changes in demographic assumptions	(0.1)	1.6
Actuarial (gains)/losses due to changes in financial assumptions	(6.9)	8.9
Benefits paid, death in service premiums and expenses	(2.4)	(2.6)
At 31 December	60.9	68.8

There have been no scheme amendments, curtailments or settlements in the year.

Reconciliation of opening and closing values of the fair value of plan assets

	2021 £m	2020 £m
At 1 January	66.6	53.9
Interest income	0.8	1.1
Return on plan assets (excluding amounts included in interest income)	(3.6)	12.8
Contributions by the Group	1.4	1.4
Benefits paid, death in service premiums and expenses	(2.4)	(2.6)
Other	(0.1)	–
At 31 December	62.7	66.6

The actual return on the plan assets including interest income over the year was a loss of £2.8m (2020: gain of £13.9m).

Amounts recognised in other comprehensive income

	2021 £m	2020 £m
(Loss)/gain on plan assets (excluding amounts recognised in net interest cost)	(3.6)	12.8
Experience losses arising on the defined benefit obligation	(0.7)	(6.4)
Gain/(loss) from changes in the demographic assumptions underlying the present value of the defined benefit obligation	0.1	(1.6)
Gain/(loss) from changes in the financial assumptions underlying the present value of the defined benefit obligation	6.9	(8.9)
Total gain/(loss) recognised in other comprehensive income	2.7	(4.1)

Fair value of plan assets

	2021 £m	2020 £m	2019 £m
UK equities	0.6	0.5	0.5
Overseas equities	0.6	0.5	0.5
LDI	6.2	–	–
Buy and maintain credit	4.1	–	–
Government bonds	–	4.8	3.0
Cash	1.4	0.2	0.5
Other	9.3	15.1	14.0
Insured assets	40.5	45.5	35.4
Total assets	62.7	66.6	53.9

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

14 Pension costs (continued)

The £9.3m (2020: £15.1m) in the 'other' asset class is made up of holdings of £5.5m (2020: £9.6m) in equity-linked bonds, £2.4m (2020: £5.5m) in global funds and £1.4m (2020: £nil) in sterling liquidity funds.

The Scheme's assets are held exclusively within instruments with quoted market prices in an active market with the exception of the holdings in insurance policies and the trustee's bank account. The insured assets have been set equal to the value of the insured liabilities but before allowance has been made for the impact of equalising benefits for the different effects of GMP for males and females.

The Scheme does not invest directly in property occupied by the Group or in financial securities issued by the Group.

It is the policy of the trustees and the Group to review the investment strategy at the time of each funding valuation. The trustees' investment objectives and the processes undertaken to measure and manage the risks inherent in the plan investment strategy are illustrated by the asset allocation at 31 December 2021.

There are no asset-liability matching strategies currently being used by the plan.

Significant actuarial assumptions

	2021 %	2020 %	2019 %
Discount rate	1.9	1.2	2.1
Inflation (RPI)	n/a	n/a	n/a
Salary increases	n/a	n/a	n/a
Allowance for commutation of pension for cash at retirement	75% of Post A Day Pension	75% of Post A Day Pension	75% of Post A Day Pension

The mortality assumptions adopted at 31 December 2021 are 85% of the standard tables S3NXA_L, year of birth, no age rating for males and females, projected using CMI 2020 converging to 1.25% p.a. These imply the following life expectancies:

Life expectancy at age 65

	Years
Male retiring in 2021	24.8
Female retiring in 2021	26.5
Male retiring in 2041	26.1
Female retiring in 2041	27.8

Analysis of the sensitivity to the principal assumptions of the present value of the defined benefit obligation

	Change in assumption	Change in liabilities
Discount rate	Decrease of 0.25% p.a.	Increase by 4.0%
Rate of mortality	Increase in life expectancy of one year	Increase by 6.0%

The sensitivities shown above are approximate. Each sensitivity considers one change in isolation. The average duration of the defined benefit obligation at the year ended 31 December 2021 is 15 years for the Scheme as a whole or 26 years when only considering non-insured members.

The Scheme typically exposes the Group to actuarial risks such as investment risk, interest rate risk, salary growth risk, mortality risk and longevity risk. A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase to the Scheme's liabilities. This would detrimentally impact the balance sheet position and may give rise to increased charges in the income statement. This effect would be partially offset by an increase in the value of the Scheme's bond holdings.

The best estimate of contributions to be paid by the Group to the plan for the year commencing 1 January 2022 is £1.4m.

15 Tax credit

	2021 £m	2020 £m
Corporation tax		
UK corporation tax and income tax in respect of results for the year	0.9	0.8
Other adjustments in respect of prior years' tax	(0.4)	(0.6)
Corporation tax charge	0.5	0.2
Deferred tax		
Origination and reversal of temporary differences	(1.1)	(2.0)
Adjustment for changes in estimates	(0.7)	0.2
Deferred tax credit	(1.8)	(1.8)
Tax credit	(1.3)	(1.6)

In addition to the tax credit of £1.3m (2020: £1.6m) that passed through the Group income statement, a deferred tax charge of £1.3m (2020: £0.2m) relating to the revaluation of the owner-occupied property at 25 Savile Row W1 and a charge of £0.4m (2020: credit of £0.4m) relating to the future defined benefit pension liabilities were recognised in the Group statement of comprehensive income.

The effective rate of tax for 2021 is lower (2020: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2021 £m	2020 £m
Profit/(loss) before tax	252.5	(83.0)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)[1]	48.0	(15.8)
Difference between tax and accounting profit on disposals	(0.7)	1.2
REIT exempt income	(14.9)	(14.7)
Revaluation (surplus)/deficit attributable to REIT properties	(32.2)	36.6
Expenses and fair value adjustments not allowable for tax purposes	4.6	(1.3)
Capital allowances	(4.3)	(5.3)
Other differences	(1.4)	(1.7)
Tax credit in respect of profit/(loss) for the year	(0.9)	(1.0)
Adjustments in respect of prior years' tax	(0.4)	(0.6)
Tax credit in respect of profit/(loss) for the year	(1.3)	(1.6)

1 Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2021 (on 24 May 2021) and include increasing the main rate to 25% effective on or after 1 April 2023. Deferred taxes at the balance sheet date have been measured using the expected enacted tax rate and this is reflected in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

16 Property portfolio

	Freehold £m	Leasehold £m	Total investment property £m	Owner-occupied property £m	Assets held for sale £m	Trading property £m	Total property portfolio £m
Group							
Carrying value							
At 1 January 2021	3,893.5	1,135.6	5,029.1	45.6	165.0	12.9	5,252.6
Acquisitions	214.6	139.0	353.6	–	–	–	353.6
Capital expenditure	76.6	88.4	165.0	–	–	1.1	166.1
Interest capitalisation	2.4	9.6	12.0	–	–	–	12.0
Additions	293.6	237.0	530.6	–	–	1.1	531.7
Disposals	(75.8)	(146.7)	(222.5)	–	(165.0)	(5.9)	(393.4)
Transfers	(63.7)	(63.0)	(126.7)	–	101.2	25.5	–
Revaluation	91.5	39.3	130.8	3.7	–	–	134.5
Write-down of trading property	–	–	–	–	–	(1.4)	(1.4)
Transfer from prepayments and accrued income	–	–	–	–	1.6	–	1.6
Movement in grossing up of headlease liabilities	–	3.8	3.8	–	–	–	3.8
Movement in grossing up of other liabilities	–	14.8	14.8	–	–	–	14.8
At 31 December 2021	**4,139.1**	**1,220.8**	**5,359.9**	**49.3**	**102.8**	**32.2**	**5,544.2**
At 1 January 2020	4,121.2	1,053.1	5,174.3	45.3	118.6	40.7	5,378.9
Acquisitions	43.5	–	43.5	–	–	–	43.5
Capital expenditure	64.1	87.8	151.9	(0.1)	–	0.1	151.9
Interest capitalisation	4.6	5.1	9.7	–	–	0.2	9.9
Additions	112.2	92.9	205.1	(0.1)	–	0.3	205.3
Disposals	–	–	–	–	(118.6)	(26.3)	(144.9)
Transfers	(161.2)	–	(161.2)	–	161.2	–	–
Revaluation	(178.7)	(17.4)	(196.1)	0.4	–	–	(195.7)
Write-down of trading property	–	–	–	–	–	(1.8)	(1.8)
Transfer from prepayments and accrued income	–	–	–	–	3.8	–	3.8
Movement in grossing up of headlease liabilities	–	7.0	7.0	–	–	–	7.0
At 31 December 2020	3,893.5	1,135.6	5,029.1	45.6	165.0	12.9	5,252.6
Adjustments from fair value to carrying value							
At 31 December 2021							
Fair value	**4,296.2**	**1,161.9**	**5,458.1**	**49.3**	**104.8**	**34.1**	**5,646.3**
Selling costs relating to assets held for sale	–	–	–	–	(2.0)	–	(2.0)
Revaluation of trading property	–	–	–	–	–	(1.9)	(1.9)
Lease incentives and costs included in receivables	(157.1)	(26.3)	(183.4)	–	–	–	(183.4)
Grossing up of headlease liabilities	–	70.4	70.4	–	–	–	70.4
Grossing up of other liabilities	–	14.8	14.8	–	–	–	14.8
Carrying value	**4,139.1**	**1,220.8**	**5,359.9**	**49.3**	**102.8**	**32.2**	**5,544.2**
At 31 December 2020							
Fair value	4,037.0	1,091.6	5,128.6	45.6	167.0	14.3	5,355.5
Selling costs relating to assets held for sale	–	–	–	–	(2.0)	–	(2.0)
Revaluation of trading property	–	–	–	–	–	(1.4)	(1.4)
Lease incentives and costs included in receivables	(143.5)	(22.5)	(166.0)	–	–	–	(166.0)
Grossing up of headlease liabilities	–	66.5	66.5	–	–	–	66.5
Carrying value	3,893.5	1,135.6	5,029.1	45.6	165.0	12.9	5,252.6

Reconciliation of fair value

	2021 £m	2020 £m
Portfolio including the Group's share of joint ventures and trading stock	5,696.7	5,355.5
Less: trading stock	(0.4)	–
Portfolio including the Group's share of joint ventures	5,696.3	5,355.5
Less: joint ventures	(50.0)	–
IFRS property portfolio	5,646.3	5,355.5

The property portfolio is subject to semi-annual external valuations and was revalued at 31 December 2021 by external valuers on the basis of fair value in accordance with The RICS Valuation – Professional Standards, which takes account of the properties' highest and best use. When considering the highest and best use of a property, the external valuers will consider its existing and potential uses which are physically, legally and financially viable. Where the highest and best use differs from the existing use, the external valuers will consider the costs and the likelihood of achieving and implementing this change in arriving at the property valuation. There were no such instances in the year. CBRE Limited valued properties at £5,610.8m (2020: £5,324.5m) and other valuers at £35.5m (2020: £31.0m), giving a combined value of £5,646.3m (2020: £5,355.5m). Of the properties revalued by CBRE, £49.3m (2020: £45.6m) relating to owner-occupied property was included within property, plant and equipment and £34.1m (2020: £14.3m) was in relation to trading property. The total fees, including the fee for this assignment, earned by CBRE (or other companies forming part of the same group of companies within the UK) from the Group is less than 5.0% of their total UK revenues.

At 31 December 2021, the grossing up of other liabilities of £14.8m related to the discounted profit share to TfL for the development at Soho Place W1.

Following exchange of contracts in December 2021 for the sale of its freehold interest in New River Yard EC1, the Group transferred £63.7m from investment property to assets held for sale. This subsequently completed in January 2022. A revaluation deficit of £1.2m relating to the asset held for sale is included within the revaluation surplus of £130.8m.

Contracts exchanged in July 2020 for the sale of its leasehold interest in 2 & 4 Soho Place W1, with completion expected in 2022. As a result the Group transferred £37.5m from investment property to assets held for sale. A revaluation deficit of £0.8m relating to the asset held for sale is included within the revaluation surplus of £130.8m.

Net zero carbon and EPC compliance

The Group published its pathway to net zero carbon in July 2020 and has set 2030 as its target date to achieve this. £116.6m (year to 31 December 2020: £103.2m) of eligible 'green' expenditure was incurred in the year to 31 December 2021 on major developments at 80 Charlotte Street W1, Soho Place W1, The Featherstone Building EC1 and 19-35 Baker Street W1. As these have met the criteria to be eligible qualifying projects under the Green Finance Framework, the Group has utilised the green tranche of the £450m revolving credit facility and the £350m green bonds (more information can be found on pages 96 to 97).

In 2021, the Group commissioned a third party report to determine the costs of achieving EPC compliance across the portfolio by 2030. Results of the study indicate an estimated cost of c.£97m to upgrade the Group's properties to EPC 'B' or above. An exercise is underway to estimate the amount of capital expenditure that is recoverable through service charges or not already included within future planned refurbishment projects. Any committed capital expenditure has been included in note 34.

Reconciliation of revaluation surplus/(deficit)

	2021 £m	2020 £m
Total revaluation surplus/(deficit)	142.9	(178.5)
Less:		
Share of joint ventures	13.9	–
Lease incentives and costs	(19.7)	(16.7)
Assets held for sale selling costs	(2.0)	(2.0)
Trading property revaluation surplus	(2.0)	(0.3)
IFRS revaluation surplus/(deficit)	133.1	(197.5)
Reported in the:		
Revaluation surplus/(deficit)	130.8	(196.1)
Write-down of trading property	(1.4)	(1.8)
Group income statement	129.4	(197.9)
Group statement of comprehensive income	3.7	0.4
	133.1	(197.5)

Valuation process

The valuation reports produced by the external valuers are based on information provided by the Group such as current rents, terms and conditions of lease agreements, service charges and capital expenditure. This information is derived from the Group's financial and property management systems and is subject to the Group's overall control environment.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

16 Property portfolio (continued)

In addition, the valuation reports are based on assumptions and valuation models used by the external valuers. The assumptions are typically market-related, such as yields and discount rates, and are based on their professional judgement and market observation and take into account the impact of climate change and related Environmental, Social and Governance considerations. Each property is considered a separate asset class based on the unique nature, characteristics and risks of the property.

Members of the Group's investment team, who report to the executive Director responsible for the valuation process, verify all major inputs to the external valuation reports, assess the individual property valuation changes from the prior year valuation report and hold discussions with the external valuers. When this process is complete, the valuation report is recommended to the Audit Committee, which considers it as part of its overall responsibilities.

Valuation techniques

The fair value of the property portfolio has been determined using an income capitalisation technique, whereby contracted and market rental values are capitalised with a market capitalisation rate. The resulting valuations are cross-checked against the equivalent yields and the fair market values per square foot derived from comparable recent market transactions on arm's length terms. For properties under construction, the fair value is calculated by estimating the fair value of the completed property using the income capitalisation technique less estimated costs to completion and a risk premium. These techniques are consistent with the principles in IFRS 13 Fair Value Measurement and use significant unobservable inputs such that the fair value measurement of each property within the portfolio has been classified as Level 3 in the fair value hierarchy. There were no transfers between Levels 1 and 2 or between Levels 2 and 3 in the fair value hierarchy during either 2021 or 2020.

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy amount to a gain of £130.8m (2020: deficit of £196.1m) and are presented in the Group income statement in the line item 'revaluation surplus/(deficit)'. The revaluation surplus for the owner-occupied property of £3.7m (2020: deficit of £0.4m) was included within the Group statement of comprehensive income.

All gains and losses recorded in profit or loss in 2021 and 2020 for recurring fair value measurements categorised within Level 3 of the fair value hierarchy are attributable to changes in unrealised gains or losses relating to investment property held at 31 December 2021 and 31 December 2020, respectively.

Quantitative information about fair value measurement using unobservable inputs (Level 3)

	West End central	West End borders/other	City borders	Provincial commercial	Provincial land	Total
Valuation technique	Income capitalisation	Income capitalisation	Income capitalisation	Income capitalisation	Income capitalisation	
Fair value (£m)[1]	3,483.6	431.4	1,698.7	46.9	36.1	5,696.7
Area ('000 sq ft)	3,102	429	1,715	328	–	5,574
Range of unobservable inputs[2]:						
Gross ERV (per sq ft pa)						
Minimum	£28	£24	£39	–	n/a[3]	
Maximum	£101	£58	£63	£13	n/a[3]	
Weighted average	£60	£52	£51	£13	n/a[3]	
Net initial yield						
Minimum	2.5%	2.5%	2.6%	7.8%	0.0%	
Maximum	6.7%	5.0%	5.3%	8.1%	10.0%	
Weighted average	2.4%	4.6%	3.5%	8.1%	1.3%	
Reversionary yield						
Minimum	2.5%	3.8%	3.8%	7.8%	0.0%	
Maximum	6.5%	5.0%	5.6%	8.5%	9.4%	
Weighted average	4.4%	4.8%	4.8%	8.5%	1.3%	
True equivalent yield (EPRA basis)						
Minimum	2.4%	3.5%	2.7%	8.1%	9.7%	
Maximum	5.9%	5.3%	5.0%	9.0%	10.4%	
Weighted average	4.3%	4.9%	4.7%	8.1%	10.4%	

1 Includes the Group's share of joint ventures.

2 Costs to complete are not deemed a significant unobservable input by virtue of the high percentage that is already fixed.

3 There is no calculation of gross ERV per sq ft pa. The land totals 5,500 acres.

Sensitivity of measurement to variations in the significant unobservable inputs
The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy of the Group's property portfolio, together with the impact of significant movements in these inputs on the fair value measurement, are shown below:

Unobservable input	Impact on fair value measurement of significant increase in input	Impact on fair value measurement of significant decrease in input
Gross ERV	Increase	Decrease
Net initial yield	Decrease	Increase
Reversionary yield	Decrease	Increase
True equivalent yield	Decrease	Increase

There are inter-relationships between these inputs as they are partially determined by market conditions. An increase in the reversionary yield may accompany an increase in gross ERV and would mitigate its impact on the fair value measurement.

A sensitivity analysis has been performed to ascertain the impact of a 25 basis point shift in true equivalent yield and a £2.50 per sq ft shift in ERV on the property valuations. The Group believes this captures the range of variations in these key valuation assumptions. The results are shown in the tables below:

	West End central	West End borders/other	City borders	Provincial commercial	Provincial land	Total
True equivalent yield						
+25bp	(5.5%)	(4.9%)	(5.1%)	(3.0%)	(2.3%)	(5.3%)
-25bp	6.2%	5.4%	5.6%	3.2%	2.5%	5.9%
ERV						
+£2.50 psf	4.2%	4.8%	4.9%	19.3%	–	4.7%
-£2.50 psf	(4.2%)	(4.8%)	(4.9%)	(19.3%)	–	(4.7%)

Historical cost

	2021 £m	2020 £m
Investment property	3,292.6	3,149.2
Owner-occupied property	19.6	19.6
Assets held for sale	38.5	65.7
Trading property	44.0	22.6
Total property portfolio	3,394.7	3,257.1

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

17 Property, plant and equipment

	Owner-occupied property £m	Right-of-use asset £m	Artwork £m	Other £m	Total £m
Group					
At 1 January 2021	45.6	–	1.0	3.6	50.2
Additions	–	–	–	1.3	1.3
Disposals	–	–	(0.1)	(0.1)	(0.2)
Depreciation	–	–	–	(0.9)	(0.9)
Revaluation	3.7	–	(0.1)	–	3.6
At 31 December 2021	**49.3**	**–**	**0.8**	**3.9**	**54.0**
At 1 January 2020	45.3	–	1.0	3.9	50.2
Additions	(0.1)	–	–	0.4	0.3
Depreciation	–	–	–	(0.7)	(0.7)
Revaluation	0.4	–	–	–	0.4
At 31 December 2020	45.6	–	1.0	3.6	50.2
Net book value					
Cost or valuation	49.3	–	0.8	8.0	58.1
Accumulated depreciation	–	–	–	(4.1)	(4.1)
At 31 December 2021	**49.3**	**–**	**0.8**	**3.9**	**54.0**
Net book value					
Cost or valuation	45.6	–	1.0	7.3	53.9
Accumulated depreciation	–	–	–	(3.7)	(3.7)
At 31 December 2020	45.6	–	1.0	3.6	50.2
Company					
At 1 January 2021	–	19.2	1.0	3.5	23.7
Additions	–	–	–	1.3	1.3
Disposals	–	–	(0.1)	(0.1)	(0.2)
Depreciation	–	(1.2)	–	(0.9)	(2.1)
Revaluation	–	–	(0.1)	–	(0.1)
At 31 December 2021	**–**	**18.0**	**0.8**	**3.8**	**22.6**
At 1 January 2020	–	20.4	1.0	3.8	25.2
Additions	–	–	–	0.4	0.4
Depreciation	–	(1.2)	–	(0.7)	(1.9)
At 31 December 2020	–	19.2	1.0	3.5	23.7
Net book value					
Cost or valuation	–	21.6	0.8	8.0	30.4
Accumulated depreciation	–	(3.6)	–	(4.2)	(7.8)
At 31 December 2021	**–**	**18.0**	**0.8**	**3.8**	**22.6**
Net book value					
Cost or valuation	–	21.6	1.0	7.3	29.9
Accumulated depreciation	–	(2.4)	–	(3.8)	(6.2)
At 31 December 2020	–	19.2	1.0	3.5	23.7

The artwork is periodically valued by Bonhams on the basis of fair value using their extensive market knowledge. The latest valuation was carried out in December 2021. In accordance with IFRS 13 Fair Value Measurement, the artwork is deemed to be classified as Level 3. The historical cost of the artwork in the Group at 31 December 2021 was £0.9m (2020: £1.0m) and £0.9m (2020: £1.0m) in the Company. See note 16 for the historical cost of owner-occupied property and IFRS 13 Fair Value Measurement disclosures.

18 Investments

Group

The Group has a 50% interest in four joint venture vehicles, Derwent Lazari Baker Street Limited Partnership, Dorrington Derwent Holdings Limited, Primister Limited and Prescot Street Limited Partnership.

	2021 £m	2020 £m
At 1 January	0.9	1.3
Additions	64.1	–
Joint venture acquisition costs	(4.0)	–
Revaluation deficit	(10.2)	–
Other profit from operations	0.3	–
Distributions received	–	(0.4)
At 31 December	51.1	0.9

In October 2021, the Group entered into a 50:50 joint venture with Lazari Investments Limited to establish the Derwent Lazari Baker Street Limited Partnership. The Group's 50% share was acquired for £64.1m, including £4.0m of acquisition costs and fees and £0.1m of working capital contributions. The joint venture holds three properties, 38-52 Baker Street W1, 54-60 Baker Street W1 and 66-70 Baker Street W1, is funded by loans from its partners and has no third party borrowings.

The Group's share of its investments in joint ventures is represented by the following amounts in the underlying joint venture entities.

	2021		2020	
	Joint ventures £m	Group share £m	Joint ventures £m	Group share £m
Non-current assets	100.5	50.2	–	–
Current assets	3.7	1.9	1.2	0.6
Current liabilities	(2.7)	(1.3)	(0.7)	(0.3)
Non-current liabilities	(120.8)	(60.4)	–	–
Net assets	(19.3)	(9.6)	0.5	0.3
Loans provided to joint ventures		60.7		0.6
Total investment in joint ventures		51.1		0.9
Income	0.7	0.4	–	–
Administrative expenses	(0.1)	(0.1)	–	–
Revaluation deficit	(20.4)	(10.2)	–	–
Loss for the year	(19.8)	(9.9)	–	–

Company

	Subsidiaries £m
At 1 January 2020	1,550.2
Additions	113.0
Impairment	(47.3)
At 31 December 2020	1,615.9
Additions	268.0
Disposals	(80.7)
Repayment of capital	(33.5)
Impairment	(19.9)
At 31 December 2021	**1,749.8**

At 31 December 2021, the carrying values of the investment in wholly-owned subsidiaries were reviewed in accordance with IAS 36 Impairment of Assets on both a 'value in use' and 'fair value less costs to sell' basis. The Company's accounting policy is to carry investments in subsidiary undertakings at the lower of cost and recoverable amount and recognise any impairment, or reversal thereof, in the income statement. As a result, the Company recognised an impairment charge of £19.9m (2020: £47.3m). This was due to property revaluation deficits charged to the income statement in a number of the property investment subsidiaries held directly or indirectly by the Company. Investment properties are held by the property investment subsidiaries with any surpluses or deficits resulting from a change in their fair values being reported in the income statement of those subsidiaries, thereby affecting their fair values.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

19 Other receivables (non-current)

	Group 2021 £m	2020 £m	Company 2021 £m	2020 £m
Prepayments and accrued income	159.3	146.4	–	–

Prepayments and accrued income include £147.0m (2020: £132.3m) after impairments (see note 3) relating to rents recognised in advance as a result of spreading tenant lease incentives over the expected terms of their respective leases. This includes rent free and reduced rent periods, capital contributions in lieu of rent free periods and contracted rent uplifts. In addition, £12.3m (2020: £14.1m) relates to the spreading effect of the initial direct costs of letting over the same term. Together with £24.1m (2020: £19.6m), which was included as accrued income within trade and other receivables (see note 20), these amounts totalled £183.4m at 31 December 2021 (2020: £166.0m).

The total movement in tenant lease incentives is shown below:

	2021 £m	2020 £m
At 1 January	149.7	135.9
Amounts taken to income statement	19.9	23.0
Capital incentives granted	0.7	0.5
Lease incentive impairment	0.3	(5.7)
Adjustment for non-current asset held for sale	(1.6)	(3.2)
Disposal of investment properties	(0.5)	–
Write off to bad debt	(0.3)	(0.8)
	168.2	149.7
Amounts included in trade and other receivables (see note 20)	(21.2)	(17.4)
At 31 December	147.0	132.3

20 Trade and other receivables

	Group 2021 £m	2020 £m	Company 2021 £m	2020 £m
Trade receivables	6.9	27.5	–	–
Amounts owed by subsidiaries	–	–	1,860.7	1,659.4
Other receivables	3.7	4.1	15.2	0.8
Prepayments	24.7	22.6	23.0	22.0
Accrued income	26.4	22.0	–	0.1
	61.7	76.2	1,898.9	1,682.3

	2021 £m	2020 £m
Group trade receivables are split as follows:		
less than three months due	6.8	17.4
between three and six months due	0.1	3.5
between six and twelve months due	–	6.6
	6.9	27.5

Group trade receivables as at 31 December 2021 are stated net of impairment. The balances have reduced over the year as amounts deferred or uncollected in 2020 were received. As a result, the expected credit loss assessment under IFRS 9 (see note 3) was lower than in 2020.

Amounts owed by subsidiaries are unsecured, have no fixed date of repayment and are repayable on demand. These balances have been considered as part of the full expected credit loss assessment under IFRS 9 and no impairments were determined to be required (2020: £nil).

Other receivables in the Company as at 31 December 2020 includes a £12.3m (2020: £nil) interest-free loan with no fixed repayment date provided to a subsidiary for the development of the residential element at 19-35 Baker Street W1. The loan will be repaid from the sale proceeds of these residential apartments after the completion of the scheme.

The Group has £9.5m of provision for bad debts as shown below. £4.1m is included in trade receivables, £0.7m in accrued income and £4.7m in prepayments and accrued income within other receivables (non-current) (note 19).

	2021 £m	2020 £m
Provision for bad debts		
At 1 January	9.3	0.4
Lease incentive provision	(0.2)	5.7
Trade receivables provision	0.8	3.2
Service charge provision	0.1	0.3
Released	(0.5)	(0.3)
At 31 December	9.5	9.3
The provision for bad debts are split as follows:		
less than three months due	4.3	3.2
between three and six months due	0.2	0.5
between six and twelve months due	0.3	1.0
greater than twelve months due	4.7	4.6
	9.5	9.3

21 Non-current assets held for sale

	2021 £m	2020 £m
Transferred from investment properties (see note 16)	101.2	161.2
Transferred from prepayments and accrued income	1.6	3.8
	102.8	165.0

In December 2021, the Group exchanged contracts for the sale of its freehold interest in New River Yard EC1. The property was valued at £66.5m as at 31 December 2021. In accordance with IFRS 5 Non-current Assets Held for Sale, this property was recognised as a non-current asset held for sale and, after deducting selling costs of £1.2m, the carrying value was £65.3m (see note 16).

In July 2020, the Group exchanged contracts on the sale of its leasehold interest in 2 & 4 Soho Place W1. The property was valued at £38.3m as at 31 December 2021. The disposal is expected to complete in 2022 and therefore, in accordance with IFRS 5 Non-current Assets Held for Sale, this property was recognised as a non-current asset held for sale. After deducting selling costs of £0.8m, the carrying value at 31 December 2021 was £37.5m (see note 16).

22 Trade and other payables

	Group 2021 £m	2020 £m	Company 2021 £m	2020 £m
Trade payables	3.2	2.5	0.1	0.2
Amounts owed to subsidiaries	–	–	1,262.9	1,055.3
Other payables	38.0	21.2	1.2	0.3
Other taxes	8.0	4.0	1.7	0.8
Accruals	37.2	32.0	15.1	16.2
Deferred income	41.9	47.0	0.7	0.1
	128.3	106.7	1,281.7	1,072.9

Deferred income primarily relates to rents received in advance.

At 31 December 2021, other payables included £14.8m discounted profit share for the development at Soho Place W1 (see note 16).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

23 Provisions

	Group £m	Company £m
At 1 January 2021	1.0	1.0
Provided in the income statement	0.6	0.6
Utilised in year	(1.0)	(1.0)
At 31 December 2021	**0.6**	**0.6**
Due within one year	0.3	0.3
Due after one year	0.3	0.3
	0.6	**0.6**
At 1 January 2020	2.4	2.4
Provided in the income statement	0.2	0.2
Utilised in year	(1.6)	(1.6)
At 31 December 2020	1.0	1.0
Due within one year	0.6	0.6
Due after one year	0.4	0.4
	1.0	1.0

The provisions in both the Group and the Company relate to national insurance that is payable on gains made by employees on the exercise of share options granted to them. The eventual liability to national insurance is dependent on:

- the market price of the Company's shares at the date of exercise;
- the number of equity share options that are exercised; and
- the prevailing rate of national insurance at the date of exercise.

24 Net debt and derivative financial instruments

	Group 2021 £m	2020 £m	Company 2021 £m	2020 £m
Current liabilities				
Other loans	**12.3**	–	**–**	–
	12.3	–	**–**	–
Non-current liabilities				
1.5% unsecured convertible bonds 2025	**168.3**	166.4	**–**	–
6.5% secured bonds 2026	**182.4**	183.6	**–**	–
1.875% unsecured green bonds 2031	**346.0**	–	**346.0**	–
2.68% unsecured private placement notes 2026	**54.8**	54.8	**54.8**	54.8
3.46% unsecured private placement notes 2028	**29.9**	29.9	**29.9**	29.9
4.41% unsecured private placement notes 2029	**24.9**	24.9	**24.9**	24.9
2.87% unsecured private placement notes 2029	**92.6**	92.6	**92.6**	92.6
2.97% unsecured private placement notes 2031	**49.8**	49.8	**49.8**	49.8
3.57% unsecured private placement notes 2031	**74.7**	74.6	**74.7**	74.6
3.09% unsecured private placement notes 2034	**51.8**	51.8	**51.8**	51.8
4.68% unsecured private placement notes 2034	**74.5**	74.5	**74.5**	74.5
3.99% secured loan 2024	**82.5**	82.3	**82.5**	82.3
Unsecured bank loans	**4.9**	120.1	**4.9**	120.1
Secured bank loan	**–**	27.9	**–**	–
Intercompany loan	**–**	–	**168.3**	166.4
	1,237.1	1,033.2	**1,054.7**	821.7
Borrowings	**1,249.4**	1,033.2	**1,054.7**	821.7
Leasehold liabilities – current	**51.2**	–	**1.2**	1.2
Leasehold liabilities – non-current	**19.4**	66.6	**22.9**	24.1
Derivative financial instruments – current	**0.4**	–	**0.4**	–
Derivative financial instruments – non-current	**0.4**	5.6	**0.4**	5.6
Gross debt	**1,320.8**	1,105.4	**1,079.6**	852.6
Reconciliation to net debt:				
Gross debt	**1,320.8**	1,105.4	**1,079.6**	852.6
Derivative financial instruments	**(0.8)**	(5.6)	**(0.8)**	(5.6)
Cash and cash equivalents	**(68.5)**	(50.7)	**(68.2)**	(50.1)
Net debt	**1,251.5**	1,049.1	**1,010.6**	796.9

1.5% unsecured convertible bonds 2025

In June 2019 the Group issued £175m of convertible bonds. The unsecured instruments pay a coupon of 1.5% until June 2025 or the conversion date, if earlier. The initial conversion price was set at £44.96 per share. In accordance with IAS 32, the equity and debt components of the bonds are accounted for separately and the fair value of the debt component has been determined using the market interest rate for an equivalent non-convertible bond, deemed to be 2.3%. As a result, £167.3m was recognised as a liability in the balance sheet on issue and the remainder of the proceeds, £7.7m, which represents the equity component, was credited to reserves. The difference between the fair value of the liability and the principal value is being amortised through the income statement from the date of issue. Issue costs of £4.0m were allocated between equity and debt and the element relating to the debt component is being amortised over the life of the bonds. The issue costs apportioned to equity of £0.2m have not been amortised. The fair value was determined by the ask-price of £102.00 per £100 as at 31 December 2021 (2020: £102.90 per £100). The carrying value at 31 December 2021 was £168.3m (2020: £166.4m).

Reconciliation of nominal value to carrying value:

	£m
Nominal value	175.0
Fair value adjustment on issue allocated to equity	(7.7)
Debt component on issue	167.3
Unamortised issue costs	(2.2)
Amortisation of fair value adjustment	3.2
Carrying amount included in borrowings	**168.3**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

24 Net debt and derivative financial instruments (continued)

6.5% secured bonds 2026

As a result of the acquisition of London Merchant Securities plc in 2007, the secured bonds 2026 were included at fair value less unamortised issue costs. This difference between fair value at acquisition and principal value is being amortised through the income statement. The fair value at 31 December 2021 was determined by the ask-price of £117.60 per £100 (2020: £125.90 per £100). The carrying value at 31 December 2021 was £182.4m (2020: £183.6m).

1.875% unsecured green bonds 2031

In November 2021, the Group issued £350m of green bonds on a 10-year term maturing in 2031. The unsecured instrument pays a coupon of 1.875% and the effective interest rate is 1.934%. This represents an issue discount of £1.8m. The unsecured green bonds 2031 are accounted for at amortised cost. The fair value at 31 December 2021 was determined by the ask-price of £98.45 per £100. The carrying value at 31 December 2021 was £346.0m. The £350m green bonds will be used to fund qualifying 'green' expenditure in accordance with the Group's Green Finance Framework.

2.68% unsecured private placement notes 2026, 2.87% unsecured private placement notes 2029, 2.97% unsecured private placement notes 2031 and 3.09% unsecured private placement notes 2034

In October 2018, the Group arranged unsecured private placement notes, comprising £55m for 7 years, £93m for 10 years, £50m for 12 years and £52m for 15 years. The funds were drawn on 31 January 2019. The fair values were determined by comparing the discounted future cash flows using the contracted yields with those of reference gilts plus implied margins. The references were a 2% 2025 gilt, 1.625% 2028 gilt, 4.75% 2030 gilt and a 4.25% 2032 gilt all with an implied margin which is unchanged since the date of fixing. The carrying values at 31 December 2021 were £54.8m (2020: £54.8m), £92.6m (2020: £92.6m), £49.8m (2020: £49.8m) and £51.8m (2020: £51.8m), respectively.

3.46% unsecured private placement notes 2028 and 3.57% unsecured private placement notes 2031

In February 2016, the Group arranged unsecured private placement notes, comprising £30m for 12 years and £75m for 15 years. The funds were drawn on 4 May 2016. The fair values were determined by comparing the discounted future cash flows using the contracted yields with those of reference gilts plus implied margins. The references were a 6% 2028 gilt and a 4.75% 2030 gilt both with an implied margin which is unchanged since the date of fixing. The carrying values at 31 December 2021 were £29.9m (2020: £29.9m) and £74.7m (2020: £74.6m), respectively.

4.41% unsecured private placement notes 2029 and 4.68% unsecured private placement notes 2034

In November 2013, the Group arranged unsecured private placement notes, comprising £25m for 15 years and £75m for 20 years. The funds were drawn on 8 January 2014. The fair values were determined by comparing the discounted future cash flows using the contracted yields with those of reference gilts plus implied margins. The references were a 6% 2028 gilt and a 4.25% 2032 gilt both with an implied margin which is unchanged since the date of fixing. The carrying values at 31 December 2021 were £24.9m (2020: £24.9m) and £74.5m (2020: £74.5m), respectively.

3.99% secured loan 2024

In July 2012, the Group arranged a 12¼-year secured fixed rate loan. The loan was drawn on 1 August 2012. The fair value was determined by comparing the discounted future cash flows using the contracted yield with those of the reference gilt plus an implied margin. The reference was a 5% 2025 gilt with an implied margin which is unchanged since the date of fixing. The carrying value at 31 December 2021 was £82.5m (2020: £82.3m).

Bank borrowings
In 2021, the Group exercised the one-year extension option on both the £100m revolving credit facility ("RCF") and the £450m RCF, thereby extending the maturities of both facilities out to 2026.

The main corporate £450m RCF includes a £300m 'green tranche' to fund qualifying 'green' expenditure in accordance with the Group's Green Finance Framework.

As all main corporate facilities were refinanced or amended recently, the fair values of the Group's bank loans are deemed to be approximately the same as their carrying amount, after adjusting for the unamortised arrangement fees.

During the year, in preparation for the cessation of LIBOR, the benchmark rate of the existing bank loans were transitioned onto a SONIA basis.

Undrawn committed bank facilities – maturity profile

	< 1 year £m	1 to 2 years £m	2 to 3 years £m	3 to 4 years £m	4 to 5 years £m	> 5 years £m	Total £m
Group							
At 31 December 2021	**–**	**–**	**–**	**–**	**540.0**	**–**	**540.0**
At 31 December 2020	–	–	–	–	425.0	–	425.0
Company							
At 31 December 2021	**–**	**–**	**–**	**–**	**540.0**	**–**	**540.0**
At 31 December 2020	–	–	–	–	425.0	–	425.0

Other loans
Other loans consist of a £12.3m interest-free loan with no fixed repayment date from a third party providing development consultancy services on the residential element of the 19-35 Baker Street W1 development. The loan will be repaid from the sale proceeds of these residential apartments after completion of the scheme. The agreement provides for a profit share on completion of the sales which, under IFRS 9 Financial Instruments, has been deemed to have a carrying value of £nil at 31 December 2021 (2020: £nil). The carrying value of the loan at 31 December 2021 was £12.3m (2020: £nil).

Intercompany loans
The terms of the intercompany loan in the Company mirror those of the unsecured convertible bonds 2025. As with the convertible bonds, debt and equity components of the intercompany loan have been accounted for separately, and the fair value of the debt components is identical to that of the bonds. The carrying value of this loan at 31 December 2021 was £168.3m (2020: £166.4m).

Derivative financial instruments
The derivative financial instruments consist of interest rate swaps, the fair values of which represent the net present value of the difference between the contracted fixed rates and the fixed rates payable if the swaps were to be replaced on 31 December 2021 for the period to the contracted expiry dates.

During the year, all interest rate swaps were transitioned from LIBOR basis swaps to SONIA.

The Group has a £40m forward starting interest rate swap effective from 17 January 2022, and a £75m forward starting interest rate swap effective from 4 January 2022. These swaps are not included in the 31 December 2021 figures in the table below.

The fair values of the Group's outstanding interest rate swaps have been estimated using the mid-point of the yield curves prevailing on the reporting date and represent the net present value of the differences between the contracted rate and the valuation rate when applied to the projected balances for the period from the reporting date to the contracted expiry dates.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

24 Net debt and derivative financial instruments (continued)

Secured and unsecured debt

	Group 2021 £m	2020 £m	Company 2021 £m	2020 £m
Secured				
6.5% secured bonds 2026	182.4	183.6	–	–
3.99% secured loan 2024	82.5	82.3	82.5	82.3
Secured bank loan	–	27.9	–	–
	264.9	293.8	82.5	82.3
Unsecured				
1.5% unsecured convertible bonds 2025	168.3	166.4	–	–
1.875% unsecured green bonds 2031	346.0	–	346.0	–
Unsecured private placement notes 2026 – 2034	453.0	452.9	453.0	452.9
Unsecured bank loans	4.9	120.1	4.9	120.1
Other loans	12.3	–	–	–
Intercompany loan	–	–	168.3	166.4
	984.5	739.4	972.2	739.4
Borrowings	1,249.4	1,033.2	1,054.7	821.7

As at 31 December 2021, the Group's secured bonds 2026 were secured by a floating charge over a number of the Group's subsidiary companies which contained £571.8m (2020: £616.5m) of the Group's properties. The Group's secured bank loan was settled during the year in advance of the acquisition of the non-controlling interest from The Portman Estate, see note 30. The loan was previously secured by a fixed charge over £105.2m of property as at 31 December 2020.

At 31 December 2021, the Company's 3.99% secured loan 2024 was secured by a fixed charge over £305.2m (2020: £304.5m) of the Group's properties.

Fixed interest rate and hedged debt

At 31 December 2021, the Group's fixed rate and hedged debt included the unsecured convertible bonds, the unsecured green bonds, the secured bonds, a secured loan, the unsecured private placement notes and other loans. At 31 December 2020, the Group's fixed rate and hedged debt included the unsecured convertible bonds, the secured bonds, secured loan and the unsecured private placement notes.

At 31 December 2021, the Company's fixed rate and hedged debt included the unsecured green bonds, a secured loan, the unsecured private placement notes and the intercompany loans. At 31 December 2020, the Company's fixed rate and hedged debt included a secured loan, the unsecured private placement notes and the intercompany loans.

Interest rate exposure

After taking into account the various interest rate hedging instruments entered into by the Group and the Company, the interest rate exposure of the Group's and Company's borrowings were:

	Floating rate £m	Hedged £m	Fixed rate £m	Borrowings £m	Weighted average interest rate[1] %	Weighted average life Years
Group						
At 31 December 2021						
1.5% unsecured convertible bonds 2025	–	–	168.3	168.3	2.30	3.4
6.5% secured bonds 2026	–	–	182.4	182.4	6.50	4.2
1.875% unsecured green bonds 2031	–	–	346.0	346.0	1.93	9.9
Unsecured private placement notes 2026 – 2034	–	–	453.0	453.0	3.42	8.7
3.99% secured loan 2024	–	–	82.5	82.5	3.99	2.8
Unsecured bank loans	4.9	–	–	4.9	1.25	4.8
Other loans[2]	–	–	12.3	12.3	–	–
	4.9	**–**	**1,244.5**	**1,249.4**	**3.27**	**7.2**
At 31 December 2020						
1.5% unsecured convertible bonds 2025	–	–	166.4	166.4	2.30	4.5
6.5% secured bonds 2026	–	–	183.6	183.6	6.50	5.2
Unsecured private placement notes 2026 – 2034	–	–	452.9	452.9	3.42	9.7
3.99% secured loan 2024	–	–	82.3	82.3	3.99	3.8
Unsecured bank loans	120.1	–	–	120.1	1.11	4.8
Secured bank loan	27.9	–	–	27.9	1.84	1.6
	148.0	–	885.2	1,033.2	3.48	6.8
Company						
At 31 December 2021						
1.875% unsecured green bonds 2031	–	–	346.0	346.0	1.93	9.9
Unsecured private placement notes 2026 – 2034	–	–	453.0	453.0	3.42	8.7
3.99% secured loan 2024	–	–	82.5	82.5	3.99	2.8
Unsecured bank loans	4.9	–	–	4.9	1.25	4.8
Intercompany loan	–	–	168.3	168.3	2.30	3.4
	4.9	**–**	**1,049.8**	**1,054.7**	**2.78**	**7.7**
At 31 December 2020						
Unsecured private placement notes 2026 – 2034	–	–	452.9	452.9	3.42	9.7
3.99% secured loan 2024	–	–	82.3	82.3	3.99	3.8
Unsecured bank loans	120.1	–	–	120.1	1.11	4.8
Intercompany loan	–	–	166.4	166.4	2.30	4.4
	120.1	–	701.6	821.7	2.90	7.3

1 The weighted average interest rates are based on the nominal amounts of the debt facilities.

2 Other loans shown above are interest free and have no fixed repayment date. For further detail, see other loans section above.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

24 Net debt and derivative financial instruments (continued)

Contractual undiscounted cash outflows

IFRS 7 Financial Instruments: Disclosure, requires disclosure of the maturity of the Group's and Company's remaining contractual financial liabilities. The tables below show the contractual undiscounted cash outflows arising from the Group's gross debt.

	< 1 year £m	1 to 2 years £m	2 to 3 years £m	3 to 4 years £m	4 to 5 years £m	> 5 years £m	Total £m
Group							
At 31 December 2021							
1.5% unsecured convertible bonds 2025	–	–	–	175.0	–	–	175.0
6.5% secured bonds 2026	–	–	–	–	175.0	–	175.0
1.875% unsecured green bonds 2031	–	–	–	–	–	350.0	350.0
Unsecured private placement notes 2026 – 2034	–	–	–	–	55.0	400.0	455.0
3.99% secured loan 2024	–	–	83.0	–	–	–	83.0
Unsecured bank loans	–	–	–	–	10.0	–	10.0
Other loans	–	–	–	12.3	–	–	12.3
Total on maturity	–	–	83.0	187.3	240.0	750.0	1,260.3
Leasehold liabilities	52.2	0.8	0.8	0.8	0.8	193.7	249.1
Interest on borrowings	39.5	39.6	39.6	34.9	27.2	100.9	281.7
Effect of interest rate swaps	0.8	–	–	–	–	–	0.8
Gross loan commitments	**92.5**	**40.4**	**123.4**	**223.0**	**268.0**	**1,044.6**	**1,791.9**
At 31 December 2020							
1.5% unsecured convertible bonds 2025	–	–	–	–	175.0	–	175.0
6.5% secured bonds 2026	–	–	–	–	–	175.0	175.0
Unsecured private placement notes 2026 – 2034	–	–	–	–	–	455.0	455.0
3.99% secured loan 2024	–	–	–	83.0	–	–	83.0
Unsecured bank loans	–	–	–	–	125.0	–	125.0
Secured bank loan	–	28.0	–	–	–	–	28.0
Total on maturity	–	28.0	–	83.0	300.0	630.0	1,041.0
Leasehold liabilities	0.7	52.2	0.7	0.7	0.7	180.0	235.0
Interest on borrowings	34.6	34.6	34.3	34.5	29.6	88.6	256.2
Effect of interest rate swaps	1.6	1.8	0.9	0.9	0.4	–	5.6
Gross loan commitments	36.9	116.6	35.9	119.1	330.7	898.6	1,537.8

Reconciliation to borrowings:

	Gross loan commitments £m	Adjustments: Interest on gross debt £m	Adjustments: Effect of interest rate swaps £m	Adjustments: Leasehold liabilities £m	Adjustments: Non-cash amortisation £m	Borrowings £m
Group						
At 31 December 2021						
Maturing in:						
< 1 year	92.5	(39.5)	(0.8)	(52.2)	–	–
1 to 2 years	40.4	(39.6)	–	(0.8)	–	–
2 to 3 years	123.4	(39.6)	–	(0.8)	(0.5)	82.5
3 to 4 years	223.0	(34.9)	–	(0.8)	(6.7)	180.6
4 to 5 years	268.0	(27.2)	–	(0.8)	2.1	242.1
> 5 years	1,044.6	(100.9)	–	(193.7)	(5.8)	744.2
	1,791.9	**(281.7)**	**(0.8)**	**(249.1)**	**(10.9)**	**1,249.4**
At 31 December 2020						
Maturing in:						
< 1 year	36.9	(34.6)	(1.6)	(0.7)	–	–
1 to 2 years	116.6	(34.6)	(1.8)	(52.2)	(0.1)	27.9
2 to 3 years	35.9	(34.3)	(0.9)	(0.7)	–	–
3 to 4 years	119.1	(34.5)	(0.9)	(0.7)	(0.7)	82.3
4 to 5 years	330.7	(29.6)	(0.4)	(0.7)	(4.8)	295.2
> 5 years	898.6	(88.6)	–	(180.0)	(2.2)	627.8
	1,537.8	(256.2)	(5.6)	(235.0)	(7.8)	1,033.2

	< 1 year £m	1 to 2 years £m	2 to 3 years £m	3 to 4 years £m	4 to 5 years £m	> 5 years £m	Total £m
Company							
At 31 December 2021							
1.875% unsecured green bonds 2031	–	–	–	–	–	350.0	350.0
Unsecured private placement notes 2026 – 2034	–	–	–	–	55.0	400.0	455.0
3.99% secured loan 2024	–	–	83.0	–	–	–	83.0
Unsecured bank loans	–	–	–	–	10.0	–	10.0
Intercompany loan	–	–	–	175.0	–	–	175.0
Total on maturity	–	–	83.0	175.0	65.0	750.0	1,073.0
Leasehold liability	2.1	2.1	2.1	2.1	2.1	21.0	31.5
Interest on debt	28.2	28.2	28.2	23.6	21.5	100.9	230.6
Effect of interest rate swaps	0.8	–	–	–	–	–	0.8
Gross loan commitments	**31.1**	**30.3**	**113.3**	**200.7**	**88.6**	**871.9**	**1,335.9**
At 31 December 2020							
Unsecured private placement notes 2026 – 2034	–	–	–	–	–	455.0	455.0
3.99% secured loan 2024	–	–	–	83.0	–	–	83.0
Unsecured bank loans	–	–	–	–	125.0	–	125.0
Intercompany loan	–	–	–	–	175.0	–	175.0
Total on maturity	–	–	–	83.0	300.0	455.0	838.0
Leasehold liability	2.1	2.1	2.1	2.1	2.1	23.0	33.5
Interest on debt	22.8	22.9	23.0	23.1	18.3	82.9	193.0
Effect of interest rate swaps	1.6	1.8	0.9	0.9	0.4	–	5.6
Gross loan commitments	26.5	26.8	26.0	109.1	320.8	560.9	1,070.1

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

24 Net debt and derivative financial instruments (continued)

Reconciliation to borrowings:

	Gross loan commitments £m	Adjustments: Interest on gross debt £m	Adjustments: Effect of interest rate swaps £m	Adjustments: Leasehold liabilities £m	Adjustments: Non-cash amortisation £m	Borrowings £m
Company						
At 31 December 2021						
Maturing in:						
< 1 year	31.1	(28.2)	(0.8)	(2.1)	–	–
1 to 2 years	30.3	(28.2)	–	(2.1)	–	–
2 to 3 years	113.3	(28.2)	–	(2.1)	(0.5)	82.5
3 to 4 years	200.7	(23.6)	–	(2.1)	(6.7)	168.3
4 to 5 years	88.6	(21.5)	–	(2.1)	(5.3)	59.7
> 5 years	871.9	(100.9)	–	(21.0)	(5.8)	744.2
	1,335.9	**(230.6)**	**(0.8)**	**(31.5)**	**(18.3)**	**1,054.7**
At 31 December 2020						
Maturing in:						
< 1 year	26.5	(22.8)	(1.6)	(2.1)	–	–
1 to 2 years	26.8	(22.9)	(1.8)	(2.1)	–	–
2 to 3 years	26.0	(23.0)	(0.9)	(2.1)	–	–
3 to 4 years	109.1	(23.1)	(0.9)	(2.1)	(0.7)	82.3
4 to 5 years	320.8	(18.3)	(0.4)	(2.1)	(4.8)	295.2
> 5 years	560.9	(82.9)	–	(23.0)	(10.8)	444.2
	1,070.1	(193.0)	(5.6)	(33.5)	(16.3)	821.7

Derivative financial instruments cash flows

The following table provides an analysis of the anticipated contractual cash flows for the derivative financial instruments using undiscounted cash flows. These amounts represent the gross cash flows of the derivative financial instruments and are settled as either a net payment or receipt.

	2021 Receivable £m	2021 Payable £m	2020 Receivable £m	2020 Payable £m
Group				
Maturing in:				
< 1 year	**0.7**	**(1.5)**	–	(1.6)
1 to 2 years	**1.0**	**(1.0)**	–	(1.8)
2 to 3 years	**1.0**	**(1.0)**	0.1	(1.0)
3 to 4 years	**0.5**	**(0.5)**	0.1	(1.0)
4 to 5 years	**–**	**–**	0.1	(0.5)
> 5 years	**–**	**–**	–	–
Gross contractual cash flows	**3.2**	**(4.0)**	0.3	(5.9)
Company				
Maturing in:				
< 1 year	**0.7**	**(1.5)**	–	(1.6)
1 to 2 years	**1.0**	**(1.0)**	–	(1.8)
2 to 3 years	**1.0**	**(1.0)**	0.1	(1.0)
3 to 4 years	**0.5**	**(0.5)**	0.1	(1.0)
4 to 5 years	**–**	**–**	0.1	(0.5)
> 5 years	**–**	**–**	–	–
Gross contractual cash flows	**3.2**	**(4.0)**	0.3	(5.9)

Financial instruments – risk management
The Group is exposed through its operations to the following financial risks:

- credit risk;
- market risk; and
- liquidity risk.

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. The following describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements. Further information on risk as required by IFRS 7 is given on pages 100 to 119.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years. The Group's loan-to-value ratio has increased to 20.8% as at 31 December 2021 but remains modest.

Principal financial instruments
The principal financial instruments used by the Group, from which financial instrument risk arises, are trade receivables, accrued income arising from the spreading of lease incentives, cash at bank, trade and other payables, floating rate bank loans, fixed rate loans and private placement notes, secured and unsecured bonds and interest rate swaps.

General objectives, policies and processes
The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority to executive management for designing and operating processes that ensure the effective implementation of the objectives and policies.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's flexibility and its ability to maximise returns. Further details regarding these policies are set out below:

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from lease contracts in relation to its property portfolio. It is Group policy to assess the credit risk of new tenants before entering into such contracts. The Board has a Credit Committee which assesses each new tenant before a new lease is signed. The review includes the latest sets of financial statements, external ratings when available and, in some cases, forecast information and bank or trade references. The covenant strength of each tenant is determined based on this review and, if appropriate, a deposit or a guarantee is obtained. The Committee also reviews existing tenant covenants from time to time.

The impact of Covid-19 has given rise to higher estimated probabilities of default for some of the Group's occupiers though the estimated risk is considered lower than in 2020. Impairment calculations have been carried out on trade receivables and accrued income arising as a result of the spreading of lease incentives using the forward-looking, simplified approach to the expected credit loss model within IFRS 9. In addition, the Credit Committee has reviewed its register of tenants at higher risk, particularly in the retail or hospitality sectors, those in administration or CVA and the top 69 tenants by size with the remaining occupiers considered on a sector by sector basis.

As the Group operates predominantly in central London, it is subject to some geographical risk. However, this is mitigated by the wide range of tenants from a broad spectrum of business sectors.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with a minimum rating of investment grade are accepted. This risk is also reduced by the short periods that money is on deposit at any one time.

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk arises for the Group from its use of variable interest bearing instruments (interest rate risk).

The Group monitors its interest rate exposure on at least a quarterly basis. Sensitivity analysis performed to ascertain the impact on profit or loss and net assets of a 50 basis point shift in interest rates would result in an increase of £0.1m (2020: £0.8m) or a decrease of £0.1m (2020: £0.7m).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

24 Net debt and derivative financial instruments (continued)

It is currently Group policy that generally between 60% and 85% of external Group borrowings (excluding finance lease payables) are at fixed rates. Where the Group wishes to vary the amount of external fixed rate debt it holds (subject to it being generally between 60% and 85% of expected Group borrowings, as noted above), the Group makes use of interest rate derivatives to achieve the desired interest rate profile. Although the Board accepts that this policy neither protects the Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully the cash flow risk associated with variability in interest payments, it considers that it achieves an appropriate balance of exposure to these risks. At 31 December 2021, the proportion of fixed debt held by the Group was above this range at 99% (2020: 85%) following the green bond issue in November 2021 which has a fixed interest rate. It was initially used to repay amounts drawn under the Group's revolving credit facilities, which have a floating interest rate. During both 2021 and 2020, the Group's borrowings at variable rate were denominated in sterling.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. When the Group raises long-term borrowings, it is generally at fixed rates.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient headroom in its loan facilities to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain committed facilities to meet the expected requirements. The Group also seeks to reduce liquidity risk by fixing interest rates (and hence cash flows) on a portion of its long-term borrowings. This is further explained in the 'market risk' section above.

Executive management receives rolling three-year projections of cash flow and loan balances on a regular basis as part of the Group's forecasting processes. At the balance sheet date, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The Group's loan facilities and other borrowings are spread across a range of banks and financial institutions so as to minimise any potential concentration of risk. The liquidity risk of the Group is managed centrally by the finance department.

Capital disclosures

The Group's capital comprises all components of equity (share capital, share premium, other reserves, retained earnings and non-controlling interest).

The Group's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern so that it can continue to provide above average long-term returns for shareholders; and
- to provide an above average annualised total return to shareholders.

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may vary the amount of dividends paid to shareholders subject to the rules imposed by its REIT status. It may also seek to redeem bonds, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in its industry, the Group monitors capital on the basis of NAV gearing and loan-to-value ratio. During 2021, the Group's strategy, which was unchanged from 2020, was to maintain the NAV gearing below 80% in normal circumstances. These two gearing ratios, as well as the net interest cover ratio, are defined in the list of definitions on pages 274 and are derived in note 42.

The Group is also required to ensure that it has sufficient property assets which are not subject to fixed or floating charges or other encumbrances. Most of the Group's debt is unsecured and, accordingly, there was £4.8bn (2020: £4.3bn) of uncharged property as at 31 December 2021.

25 Financial assets and liabilities and fair values

Categories of financial assets and liabilities

	Fair value through profit and loss £m	Financial assets held at amortised cost £m	Financial liabilities held at amortised cost £m	Total carrying value £m
Group				
Financial assets				
Cash and cash equivalents	–	68.5	–	68.5
Other assets – current[1]	–	13.1	–	13.1
	–	81.6	–	81.6
Financial liabilities				
1.5% unsecured convertible bonds 2025	–	–	(168.3)	(168.3)
6.5% secured bonds 2026	–	–	(182.4)	(182.4)
1.875% unsecured green bonds 2031	–	–	(346.0)	(346.0)
Unsecured private placement notes 2026 – 2034	–	–	(453.0)	(453.0)
3.99% secured loan 2024	–	–	(82.5)	(82.5)
Bank borrowings due after one year	–	–	(4.9)	(4.9)
Other loans	–	–	(12.3)	(12.3)
Leasehold liabilities	–	–	(70.6)	(70.6)
Derivative financial instruments	(0.8)	–	–	(0.8)
Other liabilities – current[2]	–	–	(78.4)	(78.4)
	(0.8)	–	(1,398.4)	(1,399.2)
At 31 December 2021	**(0.8)**	**81.6**	**(1,398.4)**	**(1,317.6)**
Financial assets				
Cash and cash equivalents	–	50.7	–	50.7
Other assets – current[1]	–	34.0	–	34.0
	–	84.7	–	84.7
Financial liabilities				
1.5% unsecured convertible bonds 2025	–	–	(166.4)	(166.4)
6.5% secured bonds 2026	–	–	(183.6)	(183.6)
Unsecured private placement notes 2026 – 2034	–	–	(452.9)	(452.9)
3.99% secured loan 2024	–	–	(82.3)	(82.3)
Bank borrowings due after one year	–	–	(148.0)	(148.0)
Leasehold liabilities	–	–	(66.6)	(66.6)
Derivative financial instruments	(5.6)	–	–	(5.6)
Other liabilities – current[2]	–	–	(55.7)	(55.7)
	(5.6)	–	(1,155.5)	(1,161.1)
At 31 December 2020	(5.6)	84.7	(1,155.5)	(1,076.4)

1 In 2021, other assets includes all amounts shown as trade and other receivables in note 20 except lease incentives and costs; sales and social security taxes; and prepayments of £48.6m (2020: £42.2m) for the Group. All amounts are non-interest bearing and are receivable within one year.

2 In 2021, other liabilities include all amounts shown as trade and other payables in note 22 except deferred income and sales and social security taxes of £49.9m (2020: £51.0m) for the Group. All amounts are non-interest bearing and are due within one year.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

25 Financial assets and liabilities and fair values (continued)

	Fair value through profit and loss £m	Financial assets held at amortised cost £m	Financial liabilities held at amortised cost £m	Total carrying value £m
Company				
Financial assets				
Cash and cash equivalents	–	68.2	–	68.2
Other assets – current[1]	–	1,875.9	–	1,875.9
	–	1,944.1	–	1,944.1
Financial liabilities				
1.875% unsecured green bonds 2031	–	–	(346.0)	(346.0)
Unsecured private placement notes 2026 – 2034	–	–	(453.0)	(453.0)
3.99% secured loan 2024	–	–	(82.5)	(82.5)
Bank borrowings due after one year	–	–	(4.9)	(4.9)
Intercompany loan	–	–	(168.3)	(168.3)
Leasehold liabilities	–	–	(24.1)	(24.1)
Derivative financial instruments	(0.8)	–	–	(0.8)
Other liabilities – current[2]	–	(1,262.9)	(16.4)	(1,279.3)
	(0.8)	(1,262.9)	(1,095.2)	(2,358.9)
At 31 December 2021	**(0.8)**	**681.2**	**(1,095.2)**	**(414.8)**
Financial assets				
Cash and cash equivalents	–	50.1	–	50.1
Other assets – current[1]	–	1,660.3	–	1,660.3
	–	1,710.4	–	1,710.4
Financial liabilities				
Unsecured private placement notes 2026 – 2034	–	–	(452.9)	(452.9)
3.99% secured loan 2024	–	–	(82.3)	(82.3)
Bank borrowings due after one year	–	–	(120.1)	(120.1)
Intercompany loan	–	–	(166.4)	(166.4)
Leasehold liabilities	–	–	(25.3)	(25.3)
Derivative financial instruments	(5.6)	–	–	(5.6)
Other liabilities – current[2]	–	(1,055.3)	(16.7)	(1,072.0)
	(5.6)	(1,055.3)	(863.7)	(1,924.6)
At 31 December 2020	(5.6)	655.1	(863.7)	(214.2)

[1] In 2021, other assets includes all amounts shown as trade and other receivables in note 20 except lease incentives and costs; sales and social security taxes; and prepayments of £23.0m (2020: £22.0m) for the Company. All amounts are non-interest bearing and are receivable within one year.

[2] In 2021, other liabilities include all amounts shown as trade and other payables in note 22 except deferred income and sales and social security taxes of £2.4m (2020: £0.9m) for the Company. All amounts are non-interest bearing and are due within one year.

Reconciliation of net financial assets and liabilities to gross debt:

	Group 2021 £m	2020 £m	Company 2021 £m	2020 £m
Net financial assets and liabilities	**(1,317.6)**	(1,076.4)	**(414.8)**	(214.2)
Other assets – current	**(13.1)**	(34.0)	**(1,875.9)**	(1,660.3)
Other liabilities – current	**78.4**	55.7	**1,279.3**	1,072.0
Cash and cash equivalents	**(68.5)**	(50.7)	**(68.2)**	(50.1)
Gross debt	**(1,320.8)**	(1,105.4)	**(1,079.6)**	(852.6)

Fair value measurement

The table below shows the fair values, where applicable, of borrowings and derivative financial instruments held by the Group, together with a reconciliation to net financial assets and liabilities. Details of inputs and valuation methods used to derive the fair values are shown in note 24.

	Group		Company		
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m	Fair value hierarchy
At 31 December 2021					
1.5% unsecured convertible bonds 2025	(168.3)	(174.0)	–	–	Level 1
6.5% secured bonds 2026	(182.4)	(205.7)	–	–	Level 1
1.875% unsecured green bonds 2031	(346.0)	(344.6)	(346.0)	(344.6)	Level 1
Unsecured private placement notes 2026 – 2034	(453.0)	(493.1)	(453.0)	(493.1)	Level 2
3.99% secured loan 2024	(82.5)	(85.6)	(82.5)	(85.6)	Level 2
Bank borrowings due after one year	(4.9)	(10.0)	(4.9)	(10.0)	Level 2
Other loans	(12.3)	(12.3)	–	–	Level 2
Intercompany loan	–	–	(168.3)	(174.0)	Level 2
Derivative financial instruments	(0.8)	(0.8)	(0.8)	(0.8)	Level 2
	(1,250.2)	(1,326.1)	(1,055.5)	(1,108.1)	
Amounts not fair valued:					
Cash and cash equivalents	68.5		68.2		
Other assets – current	13.1		1,875.9		
Leasehold liabilities	(70.6)		(24.1)		
Other liabilities – current	(78.4)		(1,279.3)		
Net financial assets and liabilities	**(1,317.6)**		**(414.8)**		
At 31 December 2020					
1.5% unsecured convertible bonds 2025	(166.4)	(174.2)	–	–	Level 1
6.5% secured bonds 2026	(183.6)	(220.3)	–	–	Level 1
Unsecured private placement notes 2026 – 2034	(452.9)	(526.4)	(452.9)	(526.4)	Level 2
3.99% secured loan 2024	(82.3)	(89.1)	(82.3)	(89.1)	Level 2
Bank borrowings due after one year	(148.0)	(153.0)	(120.1)	(125.0)	Level 2
Intercompany loan	–	–	(166.4)	(174.2)	Level 2
Derivative financial instruments	(5.6)	(5.6)	(5.6)	(5.6)	Level 2
	(1,038.8)	(1,168.6)	(827.3)	(920.3)	
Amounts not fair valued:					
Cash and cash equivalents	50.7		50.1		
Other assets – current	34.0		1,660.3		
Leasehold liabilities	(66.6)		(25.3)		
Other liabilities – current	(55.7)		(1,072.0)		
Net financial assets and liabilities	(1,076.4)		(214.2)		

The fair values of the following financial assets and liabilities are the same as their carrying values:

- Cash and cash equivalents.
- Trade receivables, other receivables and accrued income included within trade and other receivables.
- Trade payables, other payables and accruals included within trade and other payables.
- Leasehold liabilities.

There have been no transfers between Level 1 and Level 2 or Level 2 and Level 3 in either 2021 or 2020.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

26 Net debt to cash flow reconciliation

Net debt reconciliation

The table below shows net debt movement during the year as a result of cash flows and other non-cash movements.

			Non-cash changes						
	2020 £m	Cash flows £m	Impact of issue and arrangement costs £m	Fair value adjustments £m	Acquisitions £m	Unwind of discount £m	Disposals £m	Transfer from non-current to current £m	2021 £m
Group									
Current liabilities									
Borrowings	–	12.3	–	–	–	–	–	–	**12.3**
Leasehold liabilities	–	–	–	–	–	–	–	51.2	**51.2**
Non-current liabilities									
Borrowings	1,033.2	200.2	3.8	–	–	(0.1)	–	–	**1,237.1**
Leasehold liabilities	66.6	–	–	–	2.5	1.7	(0.2)	(51.2)	**19.4**
Total liabilities from financing activities	1,099.8	212.5	3.8	–	2.5	1.6	(0.2)	–	**1,320.0**
Cash and cash equivalents	(50.7)	(17.8)	–	–	–	–	–	–	**(68.5)**
Net debt	1,049.1	194.7	3.8	–	2.5	1.6	(0.2)	–	**1,251.5**
Company									
Current liabilities									
Leasehold liabilities	1.2	–	–	–	–	–	–	–	**1.2**
Non-current liabilities									
Borrowings	821.7	228.2	3.5	1.3	–	–	–	–	**1,054.7**
Leasehold liabilities	24.1	–	–	–	–	(1.2)	–	–	**22.9**
Total liabilities from financing activities	847.0	228.2	3.5	1.3	–	(1.2)	–	–	**1,078.8**
Cash and cash equivalents	(50.1)	(18.1)	–	–	–	–	–	–	**(68.2)**
Net debt	796.9	210.1	3.5	1.3	–	(1.2)	–	–	**1,010.6**

27 Deferred tax

	Revaluation surplus/(deficit) £m	Other £m	Total £m
Group			
At 1 January 2021	3.5	(3.0)	0.5
(Credited)/charged to the income statement	(1.6)	0.5	(1.1)
Change in tax rates in the income statement	0.1	(0.8)	(0.7)
Charged to other comprehensive income	0.9	0.5	1.4
Credited to equity	–	(0.7)	(0.7)
Change in tax rates in other comprehensive income	0.4	(0.1)	0.3
At 31 December 2021	**3.3**	**(3.6)**	**(0.3)**
At 1 January 2020	3.3	(2.1)	1.2
Credited to the income statement	(0.3)	(1.7)	(2.0)
Change in tax rates in the income statement	0.3	(0.1)	0.2
Charged/(credited) to other comprehensive income	0.1	(0.4)	(0.3)
Charged to equity	–	1.3	1.3
Change in tax rates in other comprehensive income	0.1	–	0.1
At 31 December 2020	3.5	(3.0)	0.5
Company			
At 1 January 2021	–	(3.1)	(3.1)
Charged to the income statement	–	1.0	1.0
Credited to equity	–	(0.7)	(0.7)
Change in tax rates in the income statement	–	(0.8)	(0.8)
At 31 December 2021	**–**	**(3.6)**	**(3.6)**
At 1 January 2020	–	(3.2)	(3.2)
Credited to the income statement	–	(1.0)	(1.0)
Charged to equity	–	1.3	1.3
Change in tax rates in the income statement	–	(0.2)	(0.2)
At 31 December 2020	–	(3.1)	(3.1)

Deferred tax on the balance sheet revaluation surplus is calculated on the basis of the chargeable gains that would crystallise on the sale of the property portfolio at each balance sheet date. The calculation takes account of any available indexation on the historical cost of the properties. Due to the Group's REIT status, deferred tax is only provided at each balance sheet date on properties outside the REIT ring-fence.

Where applicable, deferred tax assets in the Company have been recognised in respect of all tax losses and other temporary differences where the Directors believe it is probable that these assets will be recovered.

28 Share capital

The movement in the number of 5p ordinary shares in issue is shown in the table below:

Number of shares in issue fully paid

	Number
At 1 January 2020	111,773,286
Issued as a result of awards vesting under the Group's Performance Share Plan	165,364
Issued as a result of the exercise of share options[1]	22,761
At 31 December 2020	111,961,411
Issued as a result of awards vesting under the Group's Performance Share Plan	187,638
Issued as a result of the exercise of share options[1]	59,461
At 31 December 2021	**112,208,510**

[1] Proceeds from these issues were £1.8m (2020: £0.6m).

The number of outstanding share options and other share awards granted are disclosed in the report of the Remuneration Committee and note 13.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

29 Reserves

The following describes the nature and purpose of each reserve within shareholders' equity:

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value less directly attributable issue costs.
Other reserves:	
Merger	Premium on the issue of shares as equity consideration for the acquisition of London Merchant Securities plc (LMS).
Revaluation	Revaluation of the owner-occupied property and the associated deferred tax.
Other	Equity portion of the convertible bonds for the Group and intercompany loans for the Company. Fair value of equity instruments granted but not yet exercised under share-based payments.
Retained earnings	Cumulative net gains and losses recognised in the Group income statement together with other items such as dividends.

Other reserves

	Group 2021 £m	2020 £m	Company 2021 £m	2020 £m
Merger reserve	910.5	910.5	910.5	910.5
Revaluation reserve	15.5	13.1	–	–
Equity portion of the convertible bonds	7.5	7.5	–	–
Equity portion of long-term intercompany loan	–	–	7.5	7.5
Fair value of equity instruments under share-based payments	7.6	8.3	7.6	8.3
	941.1	939.4	925.6	926.3

30 Non-controlling interest

In September 2021, the Group exercised its development option at 19-35 Baker Street W1 with The Portman Estate ("TPE"). As per the agreement, the Group acquired TPE's 45% non-controlling interest for a consideration of £53.4m and disposed of properties in 17-39 George Street, 16-20 Baker Street, 27-33 Robert Adam Street and 26-27 Castlereagh Street W1 for gross proceeds of £45.2m. The Group's original headleases for the development site were surrendered and a new 129-year headlease was subsequently granted providing additional development rights across the 19-35 Baker Street W1 site. This surrender and regrant of the headleases was a non-cash transaction and has been treated as a £100.7m disposal and subsequent acquisition. As part of the scheme, the Group will develop a portion of the site for TPE and the costs associated with this are recognised as trading stock per IAS 2 Inventories.

31 Profit/(loss) for the year attributable to members of Derwent London plc

Profit/(loss) for the year in the Group income statement includes a profit of £11.6m (2020: £1.8m) generated by the Company. The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own income statement in these financial statements.

32 Dividend

	Payment date	Dividend per share PID p	Non-PID p	Total p	2021 £m	2020 £m
Current year						
2021 final dividend[1]	1 June 2022	35.50	18.00	53.50	–	–
2021 interim dividend	15 October 2021	23.00	–	23.00	25.8	–
		58.50	18.00	76.50	25.8	–
Prior year						
2020 final dividend	4 June 2021	35.00	17.45	52.45	58.8	–
2020 interim dividend	16 October 2020	22.00	–	22.00	–	24.6
		57.00	17.45	74.45	58.8	24.6
2019 final dividend	5 June 2020	34.45	17.00	51.45	–	57.6
Dividends as reported in the Group statement of changes in equity					84.6	82.2
2021 interim dividend withholding tax	14 January 2022				(3.5)	–
2020 interim dividend withholding tax	14 January 2021				3.2	(3.2)
2019 interim dividend withholding tax	14 January 2020				–	2.8
Dividends paid as reported in the Group cash flow statement					84.3	81.8

[1] Subject to shareholder approval at the AGM on 13 May 2022.

33 Cash and cash equivalents

	Group 2021 £m	2020 £m	Company 2021 £m	2020 £m
Cash at bank	68.5	50.7	68.2	50.1

34 Capital commitments

Contracts for capital expenditure entered into by the Group at 31 December 2021 and not provided for in the accounts relating to the construction, development or enhancement of the Group's investment properties amounted to £51.2m (2020: £183.5m), whilst that relating to the Group's trading properties amounted to £0.9m (2020: £0.4m). The expenditure on investment properties for 2020 has been re-presented to remove £49.6m of costs already accounted for within grossing up of headlease liabilities. At 31 December 2021 and 31 December 2020, there were no material obligations for the purchase, repair or maintenance of investment or trading properties.

In January 2022, the Group entered into a construction contract for the redevelopment of 19-35 Baker Street W1, amounting to £158.4m.

35 Contingent liabilities

In 2021, the Group entered into a 50:50 joint venture with Lazari Investments Limited, Derwent Lazari Baker Street Limited Partnership (see note 18). Subject to receiving planning on a scheme which includes the three leasehold properties within the joint venture and a fourth property owned by the freeholder, and a regear of the headlease, an additional £7.3m of deferred consideration is payable to Lazari Investments Limited. The deferred consideration is treated as a contingent liability in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as the amount is only confirmed by the occurrence of uncertain future events not wholly within the control of the Group.

The Company and its subsidiaries are party to cross guarantees securing certain bank loans. At 31 December 2021 and 31 December 2020, there was no liability that could arise for the Company from the cross guarantees.

Where the Company enters into financial guarantee contracts and guarantees the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time that it becomes probable that the Company will be required to make a payment under the guarantee.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

36 Leases

	2021 £m	2020 £m
Operating lease receipts		
Minimum lease receipts under non-cancellable operating leases to be received:		
not later than one year	188.5	199.2
later than one year and not later than five years	609.4	607.5
later than five years	833.5	918.7
	1,631.4	1,725.4

	Group 2021 £m	2020 £m	Company 2021 £m	2020 £m
Headlease obligations				
Minimum lease payments under headleases that fall due:				
not later than one year	52.2	0.7	2.1	2.1
later than one year and not later than five years	3.2	54.3	8.3	8.4
later than five years	193.7	180.0	21.0	23.0
	249.1	235.0	31.4	33.5
Future contingent rent payable on headleases	(0.3)	(1.7)	–	–
Future finance charges on headleases	(178.2)	(166.7)	(7.3)	(8.2)
Present value of headlease liabilities	70.6	66.6	24.1	25.3
Present value of minimum headlease obligations:				
not later than one year	51.2	–	1.2	1.2
later than one year and not later than five years	(0.1)	49.6	5.3	5.1
later than five years	19.5	17.0	17.6	19.0
	70.6	66.6	24.1	25.3

The Group has approximately 611 leases granted to its tenants. These vary dependent on the individual tenant and the respective property and demise but typically are let for a term of five to 20 years, at a market rent with provisions to review to market rent every five years. Standard lease provisions include service charge payments and recovery of other direct costs. The weighted average lease length of the leases commencing during 2021 was 8.4 years (2020: 14.7 years). Of these leases, on a weighted average basis, 94% (2020: 97%) included a rent free or half rent period.

37 Post balance sheet events

In January 2022, the Group acquired the leasehold interest in 230 Blackfriars Road SE1 for £55.0m before costs.

In January 2022, the Group exchanged contracts for the disposal of its freehold interest in New River Yard EC1 for £67.5m before costs and rental top-ups.

In January 2022, the Group signed the main construction contract for the 19-35 Baker Street W1 development amounting to £158.4m.

38 List of subsidiaries and joint ventures

A full list of subsidiaries and joint ventures as at 31 December 2021 is set out below:

	Ownership[2]	Principal activity
Subsidiaries		
Asta Commercial Limited	100%	Property investment
Bargate Quarter Limited	65%	Investment Company
BBR (Commercial) Limited	100%	Dormant
BBR Property Limited[1]	100%	Dormant
Caledonian Properties Limited	100%	Property investment
Caledonian Property Estates Limited	100%	Property Investment
Caledonian Property Investments Limited	100%	Property Investment
Carlton Construction & Development Company Limited	100%	Dormant
Central London Commercial Estates Limited	100%	Property investment
Charlotte Apartments Limited	100%	Property investment
80 Charlotte Street Limited[1]	100%	Property investment
Derwent Asset Management Limited[1]	100%	Property management
Derwent Central Cross Limited[1]	100%	Property Investment
Derwent Henry Wood Limited[1]	100%	Property Investment
Derwent London Angel Building Limited	100%	Property Investment
Derwent London AD Limited[1]	100%	Energy Production
Derwent London Asta Limited	100%	Property trading
Derwent London Asta Residential Limited	100%	Dormant
Derwent London Baker Street Limited	100%	Property investment
Derwent London BH Limited[1]	100%	Property investment
Derwent London Brixton Limited[1]	100%	Property investment
Derwent London BSP Limited	100%	Property investment
Derwent London Capital No. 3 (Jersey) Limited[1]	100%	Finance Company
Derwent London Charlotte Street (Commercial) Limited	100%	Dormant
Derwent London Charlotte Street Limited[1]	100%	Dormant
Derwent London Copyright House Limited[1]	100%	Dormant
Derwent London Development Services Limited[1]	100%	Development Services
Derwent London Farringdon Limited[1]	100%	Property Investment
Derwent London Featherstone Limited[1]	100%	Property Investment
Derwent London Gallery Limited[1]	100%	Property Investment
Derwent London Grafton Limited[1]	100%	Dormant
Derwent London George Street Limited[1]	100%	Property Trading
Derwent London Green Energy Limited[1]	100%	Energy Production
Derwent London Holden House Limited[1]	100%	Property Investment
Derwent London Holford Works Limited[1]	100%	Property Investment
Derwent London Horseferry Limited[1]	100%	Property Investment
Derwent London Howland Limited[1]	100%	Dormant
Derwent London KSW Limited[1]	100%	Property Investment
Derwent London No.2 Limited[1]	100%	Property Investment
Derwent London No.4 Limited[1]	100%	Property Investment
Derwent London Oliver's Yard Limited[1]	100%	Property investment
Derwent London Page Street (Nominee) Limited	100%	Dormant
Derwent London Page Street Limited[1]	100%	Property investment
Derwent London Savile Row Limited[1]	100%	Property investment
Derwent London White Chapel Limited[1]	100%	Property investment
Derwent London White Collar Limited[1]	100%	Property investment
Derwent London Whitfield Street Limited[1]	100%	Property investment
Derwent Valley Central Limited[1]	100%	Property investment
Derwent Valley Employee Trust Limited[1]	100%	Employee Trust
Derwent Valley Finance Limited	100%	Investment Holding
Derwent Valley Limited	100%	Holding Company
Derwent Valley London Limited[1]	100%	Property investment
Derwent Valley Property Developments Limited[1]	100%	Property Investment
Derwent Valley Property Investments Limited[1]	100%	Property Investment

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

38 List of subsidiaries and joint ventures (continued)

	Ownership[2]	Principal activity
Derwent Valley Property Trading Limited[1]	100%	Property Trading
Derwent Valley Railway Company[1]	100%	Dormant
Derwent Valley West End Limited[1]	100%	Property Investment
Kensington Commercial Property Investments Limited	100%	Property Investment
LMS (City Road) Limited	100%	Property Investment
LMS Finance Limited	100%	Investment Holding
LMS Offices Limited	100%	Property Investment
London Merchant Securities Limited[1]	100%	Holding Company
Merbrook Bond Property Unit Trust	100%	Property Unit Trust
The New River Company Limited	100%	Property Investment
Urbanfirst Limited	100%	Investment Holding
West London & Suburban Property Investments Limited	100%	Property Investment
Joint ventures		
Derwent Lazari Baker Street GP Limited	50%	Management Company
Dorrington Derwent Holdings Limited	50%	Holding Company
Dorrington Derwent Investments Limited	50%	Investment Company
Prescot Street GP Limited	50%	Management Company
Prescot Street Nominees Limited	50%	Dormant
Primister Limited	50%	Property Investment

1 Indicates subsidiary undertakings held directly.
2 All holdings are of ordinary shares.

The Company controls 50% of the voting rights of its joint ventures, which are accounted for and disclosed in accordance with IFRS 11 Joint Arrangements.

All of the entities above are incorporated and domiciled in England and Wales, with the exception of Derwent London Capital No. 3 (Jersey) Limited and Merbrook Bond Property Unit Trust, which are incorporated and domiciled in Jersey. In addition, all the entities are registered at 25 Savile Row, London, W1S 2ER, with the exception of:

- Derwent London Capital No. 3 (Jersey) Limited, which is registered at 47 Esplanade, St Helier, JE1 0BD, Channel Islands;
- Dorrington Derwent Holdings Limited and Dorrington Derwent Investments Limited, which are registered at 16 Hans Road, London, SW3 1RT;
- Primister Limited, which is registered at Quadrant House, Floor 6, 4 Thomas More Square, London, E1W 1YW;
- Merbrook Bond Property Unit Trust, which is registered at 26 New Street, St Helier, Jersey, JE2 3RA.

39 Related party disclosure

Details of Directors' remuneration are given in the report of the Remuneration Committee on pages 172 to 193 and note 11. Details of transactions with joint ventures are shown in note 18. A full list of subsidiaries and joint ventures is given in note 38. Other related party transactions are as follows:

Group

During the year, the Group ceased its contributions (2020: £0.1m) to the running costs of Buxton Jones Consultants Limited, a company of which John Burns, the previous CEO of the Group, is a director.

In September 2021, £2.0m owed by The Portman Estate, the non-controlling 45% owner of one of the Group's subsidiaries, was settled as part of the acquisition of the non-controlling interest. This amount was previously included within other receivables in note 20 as at 31 December 2020. The Group also disposed of 17-39 George Street, 16-20 Baker Street, 27-33 Robert Adam Street and 26-27 Castlereagh Street W1 for gross proceeds of £45.2m. See note 30 for further details.

Company

The Company received interest from and paid interest to some of its subsidiaries during the year. These transactions are summarised below:

	Interest income/(expense)		Balance receivable/(payable)	
	2021 £m	2020 £m	2021 £m	2020 £m
Related party				
22 Kingsway Limited	–	–	–	(33.5)
80 Charlotte Street Limited	9.1	8.3	224.4	209.6
BBR (Commercial) Limited[2]	–	(0.1)	–	–
BBR Property Limited[2]	–	(0.3)	–	–
Derwent Asset Management Limited	–	–	(1.0)	(0.9)
Derwent Central Cross Limited	7.6	7.5	181.0	185.4
Derwent Henry Wood Limited	(0.2)	(0.1)	(5.3)	(3.1)
Derwent London AD Limited	–	–	(5.0)	–
Derwent London Angel Square Limited	(0.2)	(0.3)	–	(7.2)
Derwent London BH Limited	0.2	–	14.7	–
Derwent London Brixton Limited	1.8	1.5	43.5	41.9
Derwent London BSP Limited	–	–	3.3	–
Derwent London Capital No. 3 (Jersey) Limited[1]	(3.9)	(3.9)	(168.3)	(166.3)
Derwent London Charlotte Street Limited[2]	–	(0.1)	–	–
Derwent London Copyright House Limited[2]	–	(0.1)	–	–
Derwent London Development Services Limited	2.7	1.2	80.3	42.7
Derwent London Farringdon Limited	(0.6)	(0.4)	(16.0)	(10.2)
Derwent London Featherstone Limited	0.9	0.9	20.4	21.9
Derwent London Gallery Limited	–	–	(0.2)	(0.5)
Derwent London George Street Limited	–	–	(4.5)	–
Derwent London Grafton Limited[2]	–	(0.4)	–	–
Derwent London Green Energy Limited	–	–	(4.6)	(4.9)
Derwent London Holden House Limited	4.9	4.6	118.3	115.4
Derwent London Holford Works Limited	0.5	–	15.9	–
Derwent London Horseferry Limited	(0.1)	–	(3.0)	–
Derwent London Howland Limited[2]	–	(0.3)	–	–
Derwent London KSW Limited	(4.4)	(4.0)	(107.0)	(102.7)
Derwent London No.2 Limited	1.1	–	128.0	–
Derwent London No.4 Limited	–	–	(20.0)	–
Derwent London Oliver's Yard Limited	5.2	5.0	124.6	125.9
Derwent London Page Street Limited	(0.2)	–	(5.8)	–
Derwent London Savile Row Limited	(0.1)	–	(4.5)	(0.5)
Derwent London White Chapel Limited	–	–	(1.5)	–
Derwent London Whitfield Street Limited	1.9	1.8	46.1	45.4
Derwent Valley Central Limited	4.2	2.9	116.3	81.4
Derwent Valley London Limited	2.4	8.1	113.8	182.3
Derwent Valley Property Developments Limited	(7.9)	(6.8)	(194.7)	(177.3)
Derwent Valley Property Investments Limited	(5.0)	(4.4)	(122.9)	(112.9)
Derwent Valley Property Trading Limited	0.3	0.2	6.1	5.8
Derwent Valley Railway Company[2]	–	–	(0.2)	(0.2)
Derwent Valley West End Limited	(0.1)	0.1	(3.7)	1.8
London Merchant Securities Limited[3]	(5.6)	(0.3)	(139.0)	(1.6)
	14.5	20.6	429.5	437.7

1 The payable balance at 31 December 2021 includes the intercompany loan of £168.3m (2020: £166.4m) included in note 24.
2 Dormant company.
3 Balance owed includes subsidiaries which form part of the LMS sub-group.

The Company has not made any provision for bad or doubtful debts in respect of related party debtors. Intercompany balances are repayable on demand except the loan from Derwent London Capital No. 3 (Jersey) Limited, the payment and repayment terms of which mirror those of the convertible bonds.

Interest is charged on the on-demand intercompany balances at an arm's length basis.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

40 EPRA performance measures and core recommendations (unaudited)

Summary table of EPRA performance measures

	2021		2020	
		Pence per share p		Pence per share p
EPRA Earnings	£122.0m	108.79	£111.0m	99.19
EPRA Net Tangible Assets	£4,454.2m	3,959	£4,280.9m	3,812
EPRA Net Disposal Value	£4,369.6m	3,884	£4,134.8m	3,682
EPRA Net Reinstatement Value	£4,839.7m	4,301	£4,646.5m	4,138
EPRA Cost Ratio (including direct vacancy costs)	24.3%		30.5%	
EPRA Net Initial Yield	3.3%		3.7%	
EPRA 'topped-up' Net Initial Yield	4.4%		4.8%	
EPRA Vacancy Rate	1.6%		1.8%	

The definition of these measures can be found on pages 274 and 275.

Number of shares

	Earnings per share		Net asset value per share	
	Weighted average		At 31 December	
	2021 '000	2020 '000	2021 '000	2020 '000
For use in basic measures	112,139	111,912	112,209	111,961
Dilutive effect of share-based payments	273	350	308	341
For use in diluted measures	112,412	112,262	112,517	112,302

The £175m unsecured convertible bonds 2025 ('2025 bonds') have an initial conversion price set at £44.96.

The Group recognises the effect of conversion of the bonds if they are both dilutive and, based on the share price, likely to convert. For the years ended 31 December 2020 and 2021, the Group did not recognise the dilutive impact of the conversion of the 2025 bonds on its earnings per share (EPS) or net asset value (NAV) per share metrics as, based on the share price at the end of each year, the bonds were not expected to convert.

The following tables set out reconciliations between the IFRS and EPRA earnings for the year and earnings per share. The adjustments made between the figures are as follows:

A – Disposal of investment and trading property (including the Group's share in joint ventures), and associated tax and non-controlling interest.

B – Revaluation movement on investment property and in joint ventures, write-down of trading property and associated deferred tax and non-controlling interest.

C – Fair value movement and termination costs relating to derivative financial instruments, associated non-controlling interest and loan arrangement costs written off.

Earnings and earnings per share

	IFRS £m	Adjustments A £m	Adjustments B £m	Adjustments C £m	EPRA basis £m
Year ended 31 December 2021					
Net property and other income	187.5	(0.7)	1.4	–	188.2
Total administrative expenses	(37.1)	–	–	–	(37.1)
Revaluation surplus	130.8	–	(130.8)	–	–
Profit on disposal of investments	10.4	(10.4)	–	–	–
Net finance costs	(28.1)	–	–	–	(28.1)
Movement in fair value of derivative financial instruments	4.8	–	–	(4.8)	–
Financial derivative termination costs	(1.9)	–	–	1.9	–
Share of results of joint ventures	(13.9)	–	14.2	–	0.3
Profit before tax	252.5	(11.1)	(115.2)	(2.9)	123.3
Tax credit	1.3	–	(1.5)	–	(0.2)
Profit for the year	253.8	(11.1)	(116.7)	(2.9)	123.1
Non-controlling interest	(1.5)	–	0.4	–	(1.1)
Earnings attributable to equity shareholders	**252.3**	**(11.1)**	**(116.3)**	**(2.9)**	**122.0**
Earnings per share	**224.99p**				**108.79p**
Diluted earnings per share	224.44p				108.53p
Year ended 31 December 2020					
Net property and other income	183.0	(5.2)	1.8	–	179.6
Total administrative expenses	(37.8)	–	–	–	(37.8)
Revaluation deficit	(196.1)	–	196.1	–	–
Profit on disposal of investments	1.7	(1.7)	–	–	–
Net finance costs	(30.2)	–	–	0.1	(30.1)
Movement in fair value of derivative financial instruments	(1.9)	–	–	1.9	–
Financial derivative termination costs	(1.7)	–	–	1.7	–
(Loss)/profit before tax	(83.0)	(6.9)	197.9	3.7	111.7
Tax credit	1.6	(1.0)	–	–	0.6
(Loss)/profit for the year	(81.4)	(7.9)	197.9	3.7	112.3
Non-controlling interest	3.8	–	(5.1)	–	(1.3)
Earnings attributable to equity shareholders	(77.6)	(7.9)	192.8	3.7	111.0
(Loss)/earnings per share	(69.34p)				99.19p
Diluted (loss)/earnings per share	(69.34p)				98.88p

The diluted loss per share for the period to 31 December 2020 was restricted to a loss of 69.34p per share, as the loss per share cannot be reduced by dilution in accordance with IAS 33, Earnings per Share.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

40 EPRA performance measures and core recommendations (unaudited) (continued)

EPRA net asset value metrics

	2021 £m	2020 £m
Net assets attributable to equity shareholders	4,441.8	4,263.2
Adjustment for:		
Revaluation of trading properties	1.9	1.4
Deferred tax on revaluation surplus[1]	1.7	1.8
Fair value of derivative financial instruments	0.8	5.6
Fair value adjustment to secured bonds	8.0	9.3
Non-controlling interest in respect of the above[1]	–	(0.4)
EPRA Net Tangible Assets	4,454.2	4,280.9
Per share measure – diluted	3,959p	3,812p
Net assets attributable to equity shareholders	4,441.8	4,263.2
Adjustment for:		
Revaluation of trading properties	1.9	1.4
Fair value adjustment to secured bonds	8.0	9.3
Mark-to-market of fixed rate debt	(69.5)	(127.8)
Unamortised issue and arrangement costs	(12.6)	(11.3)
EPRA Net Disposal Value	4,369.6	4,134.8
Per share measure – diluted	3,884p	3,682p
Net assets attributable to equity shareholders	4,441.8	4,263.2
Adjustment for:		
Revaluation of trading properties	1.9	1.4
Deferred tax on revaluation surplus	3.3	3.5
Fair value of derivative financial instruments	0.8	5.6
Fair value adjustment to secured bonds	8.0	9.3
Non-controlling interest in respect of the above	–	(0.7)
Purchasers' costs[2]	383.9	364.2
EPRA Net Reinstatement Value	4,839.7	4,646.5
Per share measure – diluted	4,301p	4,138p

[1] Only 50% of the deferred tax on the revaluation surplus is excluded.
[2] Includes Stamp Duty Land Tax. Total costs assumed to be 6.8% of the portfolio's fair value.

Cost ratio

	2021 £m	2020 £m
Administrative expenses	37.1	37.8
Write-off/impairment of receivables	0.8	10.1
Service charge waiver	–	4.1
Other property costs	10.4	10.5
Dilapidation receipts	(0.9)	–
Net service charge costs	3.4	2.8
Service charge costs recovered through rents but not separately invoiced	(0.6)	(0.4)
Management fees received less estimated profit element	(3.5)	(3.5)
Share of joint ventures' expenses	(0.1)	–
EPRA costs (including direct vacancy costs) (A)	46.6	61.4
Direct vacancy costs	(6.1)	(9.0)
EPRA costs (excluding direct vacancy costs) (B)	40.5	52.4
Gross rental income	194.2	202.9
Ground rent	(1.4)	(1.1)
Service charge components of rental income	(0.5)	(0.4)
Share of joint ventures' rental income less ground rent	(0.5)	–
Adjusted gross rental income (C)	191.8	201.4
EPRA cost ratio (including direct vacancy costs) (A/C)	24.3%	30.5%
EPRA cost ratio (excluding direct vacancy costs) (B/C)	21.1%	26.0%
In addition to the two EPRA cost ratios, the Group has calculated an additional cost ratio based on its property portfolio fair value to recognise the 'total return' nature of the Group's activities.		
Property portfolio at fair value (D)	5,646.3	5,355.5
Portfolio cost ratio (A/D)	0.8%	1.1%

The Group has not capitalised any overheads in either 2021 or 2020.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

40 EPRA performance measures and core recommendations (unaudited) (continued)

Net Initial Yield and 'topped-up' Net Initial Yield

	2021 £m	2020 £m
Property portfolio – wholly owned	5,646.3	5,355.5
Share of joint ventures	50.0	–
Less non-EPRA properties[1]	(785.3)	(574.4)
Completed property portfolio	4,911.0	4,781.1
Allowance for:		
Estimated purchasers' costs	334.0	325.1
EPRA property portfolio valuation (A)	5,245.0	5,106.2
Annualised contracted rental income, net of ground rents	175.9	189.2
Share of joint ventures	2.5	–
Less non-EPRA properties[1]	(0.5)	(2.8)
Add outstanding rent reviews	0.1	2.6
Less estimate of non-recoverable expenses	(3.5)	(2.6)
	(3.9)	(2.8)
Current income net of non-recoverable expenses (B)	174.5	186.4
Contractual rental increases across the portfolio	55.5	58.0
Less non-EPRA properties[1]	–	(0.2)
Contractual rental increases across the EPRA portfolio	55.5	57.8
'Topped-up' net annualised rent (C)	230.0	244.2
EPRA net initial yield (B/A)	3.3%	3.7%
EPRA 'topped-up' net initial yield (C/A)	4.4%	4.8%

Vacancy rate

	2021 £m	2020 £m
Annualised estimated rental value of vacant premises	3.8	4.7
Portfolio estimated rental value	293.8	291.2
Less non-EPRA properties[1]	(59.9)	(42.5)
	233.9	248.7
EPRA vacancy rate	1.6%	1.8%

[1] In accordance with EPRA best practice guidelines, deductions are made for development properties, land and long-dated reversions.

Property-related capital expenditure

	2021			2020		
	Group (excl. Joint ventures) £m	Joint ventures (50% share) £m	Total Group £m	Group (excl. Joint ventures) £m	Joint ventres (50% share) £m	Total Group £m
Acquisitions	353.6	60.0	413.6	43.5	–	43.5
Development	146.6	0.2	146.8	134.1	–	134.1
Investment properties						
Incremental lettable space	0.1	–	0.1	–	–	–
No incremental lettable space	16.7	–	16.7	16.3	–	16.3
Tenant incentives	2.5	–	2.5	1.5	–	1.5
Capitalised interest	12.0	–	12.0	9.9	–	9.9
Total capital expenditure	531.5	60.2	591.7	205.3	–	205.3
Conversion from accrual to cash basis[1]	(107.6)	(0.2)	(107.8)	11.9	–	11.9
Total capital expenditure on a cash basis	423.9	60.0	483.9	217.2	–	217.2

[1] The conversion from accrual to cash basis figure includes £100.7m in relation to the regrant of a headlease at 19-35 Baker Street W1, see note 30.

41 Total return (unaudited)

	2021 p	2020 p
EPRA net tangible assets on a diluted basis		
At end of year	3,959	3,812
At start of year	(3,812)	(3,957)
Increase/(decrease)	147	(145)
Dividend per share	75	73
Increase/(decrease) including dividend	222	(72)
Total return	5.8%	(1.8%)

42 Gearing and interest cover

NAV gearing

	2021 £m	2020 £m
Net debt	1,251.5	1,049.1
Net assets	4,441.8	4,315.1
NAV gearing	28.2%	24.3%

Loan-to-value ratio

	2021 £m	2020 £m
Group loan-to-value		
Net debt	1,251.5	1,049.1
Fair value adjustment of secured bonds	(8.0)	(9.3)
Unamortised discount on unsecured green bonds	1.8	–
Unamortised issue and arrangement costs	12.6	11.3
Leasehold liabilities	(70.6)	(66.6)
Drawn debt net of cash	1,187.3	984.5
Fair value of property portfolio	5,646.3	5,355.5
Group loan-to-value ratio	21.0%	18.4%

Proportionally consolidated loan-to-value		
Drawn debt net of cash	1,187.3	984.5
Share of joint ventures cash and cash equivalents	(1.2)	(0.6)
Drawn debt net of cash	1,186.1	983.9
Fair value of property portfolio	5,646.3	5,355.5
Share of fair value of property portfolio of joint ventures	50.0	–
Fair value of property portfolio including Group's share of joint ventures	5,696.3	5,355.5
Proportionally consolidated loan-to-value	20.8%	18.4%

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

42 Gearing and interest cover (continued)

Net interest cover ratio

	2021 £m	2020 £m
Group net interest cover ratio		
Net property and other income	187.5	183.0
Adjustments for:		
Other income	(3.5)	(3.5)
Other property income	(2.0)	(0.9)
Surrender premiums received	(3.6)	(0.9)
Write-down of trading property	1.4	1.8
Profit on disposal of trading properties	(0.7)	(5.2)
Adjusted net property income	179.1	174.3
Finance income	–	(0.2)
Finance costs	28.1	30.3
	28.1	30.1
Adjustments for:		
Finance income	–	0.2
Other finance costs	(0.2)	(0.2)
Amortisation of fair value adjustment to secured bonds	1.3	1.3
Amortisation of issue and arrangement costs	(2.5)	(2.2)
Finance costs capitalised	12.0	9.9
Net interest payable	38.7	39.1
Group net interest cover ratio	463%	446%
Proportionally consolidated net interest cover ratio		
Adjusted net property income	179.1	174.3
Share of joint ventures' net property income	0.4	–
Adjusted net property income including share of joint ventures	179.5	174.3
Net interest payable	38.7	39.1
Proportionally consolidated net interest cover ratio	464%	446%

43 Significant accounting policies

Basis of consolidation

The Group financial statements incorporate the financial statements of Derwent London plc and all of its subsidiaries, together with the Group's share of the results of its joint ventures.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are no longer consolidated from the date that control ceases.

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. Interests in joint ventures are accounted for using the equity method of accounting as permitted by IFRS 11 Joint Arrangements, and following the procedures for this method set out in IAS 28 Investments in Associates and Joint Ventures. The equity method requires the Group's share of the joint venture's post-tax profit or loss for the year to be presented separately in the income statement and the Group's share of the joint venture's net assets to be presented separately in the balance sheet.

Intra-group balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with joint ventures are eliminated to the extent of the Group's interest in the joint venture concerned. Unrealised losses are eliminated in the same way, but only to the extent that there is no evidence of impairment.

Gross property income

Gross property income arises from two main sources:

(i) Rental income – This arises from operating leases granted to tenants. An operating lease is a lease other than a finance lease. A finance lease is one whereby substantially all the risks and rewards of ownership are passed to the lessee.

Rental income is recognised in the Group income statement on a straight-line basis over the term of the lease in accordance with IFRS 16 Leases. This includes the effect of lease incentives given to tenants, which are normally in the form of rent free or half rent periods or capital contributions in lieu of rent free periods, and the effect of contracted rent uplifts and payments received from tenants on the grant of leases. Where the total consideration due under a lease is modified, for example, where a concession is granted to a tenant, the revised total amount due under the lease is recognised on a straight-line basis over the remaining term of the lease.

For income from property leased out under a finance lease, a lease receivable asset is recognised in the balance sheet at an amount equal to the net investment in the lease, as defined in IFRS 16 Leases. Minimum lease payments receivable, again defined in IFRS 16, are apportioned between finance income and the reduction of the outstanding lease receivable so as to produce a constant periodic rate of return on the remaining net investment in the lease. Contingent rents, being the difference between the rent currently receivable and the minimum lease payments when the net investment in the lease was originally calculated, are recognised in property income in the years in which they are receivable.

(ii) Surrender premiums – Payments received from tenants to surrender their lease obligations are recognised immediately in the Group income statement. In circumstances where surrender payments received relate to specific periods, they are deferred and recognised in those periods.

Other income

Other income consists of commissions, fees charged to tenants for the management of certain Group properties and administration services provided to joint ventures. Other income is recognised in the Group income statement in accordance with the delivery of services as required by IFRS 15 Revenue from Contracts with Customers.

Service charges

Service charge income relates to expenditure that is directly recoverable from tenants, excluding management fees which are included in 'other income'. Service charge income is recognised as revenue in the period to which it relates as required by IFRS 15 Revenue from Contracts with Customers.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

43 Significant accounting policies (continued)

Expenses

(i) Lease payments – Where investment properties are held under operating leases, the leasehold interest is classified as if it were held under a finance lease, which is recognised at its fair value on the balance sheet, within the investment property carrying value. Upon initial recognition, a corresponding liability is included as a finance lease liability. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining finance lease liability. Contingent rents payable, being the difference between the rent currently payable and the minimum lease payments when the lease liability was originally calculated, are charged as expenses within property expenditure in the years in which they are payable.

(ii) Dilapidations – Dilapidations monies received from tenants in respect of their lease obligations are recognised immediately in the Group income statement, unless they relate to future capital expenditure. In the latter case, where the costs are considered to be recoverable they are capitalised as part of the carrying value of the property.

(iii) Reverse surrender premiums – Payments made to tenants to surrender their lease obligations are charged directly to the Group income statement unless the payment is to enable the probable redevelopment of a property. In the latter case, where the costs are considered to be recoverable, they are capitalised as part of the carrying value of the property.

(iv) Other property expenditure – Vacant property costs and other property costs are expensed in the year to which they relate, with the exception of the initial direct costs incurred in negotiating and arranging leases which are, in accordance with IFRS 16 Leases, added to the carrying value of the relevant property and recognised as an expense over the lease term on the same basis as the lease income.

Employee benefits

(i) Share-based remuneration

Equity settled – The Company operates a long-term incentive plan and share option scheme. The fair value of the conditional awards of shares granted under the long-term incentive plan and the options granted under the share option scheme are determined at the date of grant. This fair value is then expensed on a straight-line basis over the vesting period, based on an estimate of the number of shares that will eventually vest. At each reporting date, the non-market based performance criteria of the long-term incentive plan are reconsidered and the expense is revised as necessary. In respect of the share option scheme, the fair value of the options granted is calculated using a binomial lattice pricing model.

Under the transitional provisions of IFRS 1, no expense is recognised for options or conditional shares granted on or before 7 November 2002.

(ii) Pensions

(a) Defined contribution plans – Obligations for contributions to defined contribution pension plans are recognised as an expense in the Group income statement in the period to which they relate.

(b) Defined benefit plans – The Group's net obligation in respect of defined benefit post-employment plans, including pension plans, is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on AA credit rated bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. Any actuarial gain or loss in the period is recognised in full in the Group statement of comprehensive income.

Business combinations

Business combinations are accounted for under the acquisition method. Any excess of the purchase price of business combinations over the fair value of the assets, liabilities and contingent liabilities acquired and resulting deferred tax thereon is recognised as goodwill. Any discount is credited to the Group income statement in the period of acquisition. Goodwill is recognised as an asset and reviewed for impairment. Any impairment is recognised immediately in the Group income statement and is not subsequently reversed. Any residual goodwill is reviewed annually for impairment.

Investment property

(i) Valuation – Investment properties are those that are held either to earn rental income or for capital appreciation or both, including those that are undergoing redevelopment. Investment properties are measured initially at cost, including related transaction costs. After initial recognition, they are carried in the Group balance sheet at fair value adjusted for the carrying value of leasehold interests and lease incentive and letting cost receivables. Fair value is the price that would be received to sell an investment property in an orderly transaction between market participants at the measurement date. The valuation is undertaken by independent valuers who hold recognised and relevant professional qualifications and have recent experience in the locations and categories of properties being valued.

Surpluses or deficits resulting from changes in the fair value of investment property are reported in the Group income statement in the year in which they arise.

The Group leases out investment properties under operating leases with rents generally payable monthly or quarterly. The Group is exposed to changes in the residual value of properties at the end of current lease agreements, and mitigates this risk by actively managing its tenant mix in order to maximise the weighted average lease term, minimise vacancies across the portfolio and maximise exposure to tenants with strong financial characteristics. The Group also grants lease incentives to encourage high quality tenants to remain in properties for longer lease terms.

(ii) Capital expenditure – Capital expenditure, being costs directly attributable to the redevelopment or refurbishment of an investment property, up to the point of it being completed for its intended use, are capitalised in the carrying value of that property. In addition, in accordance with IAS 23 Borrowing Costs, finance costs that are directly attributable to such expenditure are capitalised using the Group's average cost of borrowings during each quarter.

(iii) Disposal – Properties are treated as disposed when the Group transfers the significant risks and rewards of ownership to the buyer. Generally this would occur on completion of contract. On disposal, any gain or loss is calculated as the difference between the net disposal proceeds and the carrying value at the last year end plus subsequent capitalised expenditure during the year. Where the net disposal proceeds have yet to be finalised at the balance sheet date, the proceeds recognised reflect the Directors' best estimate of the amounts expected to be received. Any contingent consideration is recognised at fair value at the balance sheet date. The fair value is calculated using future discounted cash flows based on expected outcomes with estimated probabilities taking account of the risk and uncertainty of each input.

(iv) Development – When the Group begins to redevelop an existing investment property for continued use as an investment property or acquires a property with the subsequent intention of developing as an investment property, the property is classified as an investment property and is accounted for as such. When the Group begins to redevelop an existing investment property with a view to sale, the property is transferred to trading properties and held as a current asset. The property is remeasured to fair value as at the date of transfer with any gain or loss being taken to the income statement. The remeasured amount becomes the deemed cost at which the property is then carried in trading properties.

Trading property and trading stock

Trading property relates to property being developed for sale. Trading stock relates to development expenditure which is due to be disposed of to third parties under development agreements. In accordance with IAS 2 Inventories, trading property and trading stock are held at the lower of cost and net realisable value. Proceeds from sale are recognised in the Group's income statement when title has been transferred to the purchaser as required by IFRS 15 Revenue from Contracts with Customers.

Property, plant and equipment

(i) Owner-occupied property – Owner-occupied property is stated at its revalued amount, which is determined in the same manner as investment property. It is depreciated over its remaining useful life (40 years) with the depreciation included in administrative expenses. On revaluation, any accumulated depreciation is eliminated against the gross carrying amount of the property concerned, and the net amount restated to the revalued amount. Subsequent depreciation charges are adjusted based on the revalued amount for each property. Any difference between the depreciation charge on the revalued amount and that which would have been charged under historic cost is transferred, net of any related deferred tax, between the revaluation reserve and retained earnings as the property is utilised. Surpluses or deficits resulting from changes in the fair value are reported in the Group statement of comprehensive income. The land element of the property is not depreciated.

(ii) Artwork – Artwork is stated at revalued amounts on the basis of open market value.

(iii) Other – Plant and equipment is depreciated at a rate of between 10% and 25% per annum which is calculated to write off the cost, less estimated residual value of the individual assets, over their expected useful lives.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

43 Significant accounting policies (continued)

Investments

Investments in joint ventures, being those entities over whose activities the Group has joint control, as established by contractual agreement, are included in the Group's balance sheet at cost together with the Group's share of post-acquisition reserves, on a net equity basis. Investments in subsidiaries and joint ventures are included in the Company's balance sheet at the lower of cost and recoverable amount. Any impairment is recognised immediately in the income statement.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying value will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met if the sale is highly probable, the asset is available for immediate sale in its present condition, being actively marketed and management is committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets, including related liabilities, classified as held for sale are measured at the lower of carrying value and fair value less costs of disposal.

Financial assets

(i) Cash and cash equivalents – Cash comprises cash in hand and on-demand deposits. Cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(ii) Trade receivables – Trade receivables are recognised and carried at the original transaction value. This balance is subject to impairment testing under IFRS 9 using the forward-looking, simplified approach to the expected credit loss model.

(iii) Lease incentive receivables – In accordance with IFRS 16, rental income is recognised in the Group income statement on a straight-line basis over the term of the lease. This includes the effect of lease incentives given to tenants (in the form of rent free periods, half rent periods or capital contributions in lieu of rent free periods) and any contracted rental uplifts granted at lease inception. The result is a receivable balance included within accrued income in the balance sheet. This balance is subject to impairment testing under IFRS 9 using the forward-looking, simplified approach to the expected credit loss model.

Financial liabilities

(i) Bank loans and fixed rate loans – Bank loans and fixed rate loans are included as financial liabilities on the balance sheets at the amounts drawn on the particular facilities. Interest payable is expensed as a finance cost in the year to which it relates.

Where there has been a change to the terms of a debt agreement, such as the applicable interest rate or benchmark rate, this is assessed under IFRS 9 using quantitative and qualitative assessments to determine if the debt modification is considered substantial enough to be deemed an extinguishment. It is common for loan facilities agreements to include extension options which extend the loan maturity out by one year. When these options are exercised as per the agreement, with no changes to other terms, this is deemed to be a modification of the loan and not an extinguishment.

(ii) Non-convertible bonds – These are included as a financial liability on the balance sheet net of the unamortised discount and costs on issue. The difference between this carrying value and the redemption value is recognised in the Group income statement over the life of the bond on an effective interest basis. Interest payable to bond holders is expensed in the year to which it relates.

(iii) Convertible bonds – The fair value of the liability component of a convertible bond is determined using the market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects and is not subsequently re-measured. Issue costs are apportioned between the liability and the equity components of the convertible bonds based on their carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity. The issue costs apportioned to the liability are amortised over the life of the bond. The issue costs apportioned to equity are not amortised.

(iv) **Finance lease liabilities –** Finance lease liabilities arise for those investment properties held under a leasehold interest and accounted for as investment property. The liability is initially calculated as the present value of the minimum lease payments, reducing in subsequent years by the apportionment of payments to the lessor, as described above under the heading for lease payments.

(v) **Interest rate derivatives –** The Group uses derivative financial instruments to manage the interest rate risk associated with the financing of the Group's business. No trading in financial instruments is undertaken.

At each reporting date, these interest rate derivatives are measured at fair value, being the estimated amount that the Group would receive or pay to terminate the agreement at the balance sheet date, taking into account current interest rates and the current credit rating of the counterparties. The gain or loss at each fair value remeasurement is recognised in the Group income statement because the Group does not apply hedge accounting.

(vi) **Trade payables –** Trade payables are recognised and carried at the original transaction value.

Deferred tax
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the tax computations, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. In respect of the deferred tax on the revaluation surplus, this is calculated on the basis of the chargeable gains that would crystallise on the sale of the investment portfolio as at the reporting date. The calculation takes account of available indexation on the historical cost of the properties.

Deferred tax is calculated at the tax rates that are expected to apply in the period, based on Acts substantially enacted at the year end, when the liability is settled or the asset is realised. Deferred tax is included in profit or loss for the period, except when it relates to items recognised in other comprehensive income or directly in equity.

Cash flow
Transactions in the cash flow statement under operating, investing and financing activities have been prepared net of value added tax in order to reflect the true cash inflows and outflows of the Group.

Dividends
Dividends payable on the ordinary share capital are recognised in the year in which they are declared.

TEN-YEAR SUMMARY
(UNAUDITED)

	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Income statement										
Gross property income	**199.8**	204.7	192.7	196.0	172.2	156.0	152.0	138.4	131.6	124.8
Net property income and other income	**187.5**	183.0	182.6	185.9	164.8	149.2	148.6	136.1	124.3	117.0
Profit on disposal of properties and investments	**10.4**	1.7	13.8	5.2	50.3	7.5	40.2	30.2	53.5	10.8
Profit/(loss) before tax	**252.5**	(83.0)	280.6	221.6	314.8	54.5	779.5	753.7	467.9	228.1
Earnings and dividend per share										
EPRA Earnings	**122.0**	111.0	115.1	126.1	105.0	85.7	78.7	58.6	55.1	51.3
EPRA Earnings per share (p)	**108.79**	99.19	103.09	113.07	94.23	76.99	71.34	57.08	53.87	50.36
Dividend paid (p)	**75.45**	73.45	67.75	136.50	107.83	44.66	40.60	37.40	34.50	31.85
Interim/final dividend for the year (p)	**76.50**	74.45	72.45	65.85	59.73	52.36	43.40	39.65	36.50	33.70
Special dividend paid (p)	**–**	–	–	–	75.00	52.00	–	–	–	–
Net asset value										
Net assets	**4,441.8**	4,315.1	4,476.9	4,263.4	4,193.2	3,999.4	3,995.4	3,075.7	2,370.5	1,918.0
Net asset value per share (p) – undiluted	**3,959**	3,808	3,956	3,767	3,703	3,530	3,528	2,931	2,248	1,824
EPRA NTA per share (p) – diluted	**3,959**	3,812	3,957	3,775	3,714	3,550	3,532	2,906	2,262	1,884
EPRA NDV per share (p) – diluted	**3,884**	3,682	3,847	3,696	3,617	3,450	3,463	2,800	2,222	1,764
EPRA NRV per share (p) – diluted	**4,301**	4,138	4,290	4,092	4,011	3,852	3,825	3,163	2,470	2,076
Total return (%)	**5.8**	(1.8)	6.6	5.3	7.7	1.7	23.0	30.1	21.9	12.7
Property portfolio										
Property portfolio at fair value	**5,646.3**	5,355.5	5,475.2	5,190.7	4,850.3	4,942.7	4,954.5	4,168.1	3,353.1	2,859.6
Revaluation surplus/(deficit)	**134.5**	(195.7)	154.6	84.1	149.7	(42.6)	651.4	671.9	337.5	175.3
Cash flow statement										
Cash flow[1]	**(141.2)**	(58.4)	(22.3)	(245.9)	247.8	19.6	(43.6)	(57.3)	(65.9)	1.9
Net cash from/(used in) financing activities	**74.7**	(27.2)	(16.6)	25.2	(298.2)	(57.0)	2.0	23.4	42.9	(31.4)
Gearing and debt										
Net debt	**1,251.5**	1,049.1	981.6	956.9	657.9	904.8	911.7	1,013.3	949.2	874.8
NAV gearing (%)	**28.2**	24.3	21.9	22.4	15.7	22.6	22.8	32.9	40.0	45.6
Loan-to-value ratio (%)	**20.8**	18.4	16.9	17.2	13.2	17.7	17.8	24.0	28.0	30.0
Net interest cover ratio (%)	**464**	446	462	491	454	370	362	286	279	263

[1] Cash flow is the net cash from operating and investing activities less the dividend paid.

A list of definitions is provided from page 274.

EPRA SUMMARY
(UNAUDITED)

EPRA Measure	Definition	2021	2020
EPRA Performance Measures			
EPRA Earnings	Earnings from operational activities	**£122.0m**	£111.0m
EPRA undiluted earnings per share	EPRA earnings divided by the weighted average number of ordinary shares in issue during the financial year	**108.79p**	99.19p
EPRA Net Tangible Assets (NTA)	Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax	**£4,454.2m**	£4,280.9m
EPRA diluted NTA per share	EPRA NTA divided by the number of ordinary shares in issue at the financial year end adjusted to include the effects of potential dilutive shares issuable under the Group's share option schemes and the convertible bonds	**3,959p**	3,812p
EPRA Net Disposal Value (NDV)	Represent the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax	**£4,369.6m**	£4,134.8m
EPRA diluted NDV per share	EPRA NDV divided by the number of ordinary shares in issue at the financial year end adjusted to include the effects of potential dilutive shares issuable under the Group's share option schemes and the convertible bonds	**3,884p**	3,682p
EPRA Net Reinstatement Value (NRV)	NAV adjusted to reflect the value required to rebuild the entity and assuming that entities never sell assets. Assets and liabilities, such as fair value movements on financial derivatives are not expected to crystallise in normal circumstances and deferred taxes on property valuation surpluses are excluded	**£4,839.7m**	£4,646.5m
EPRA diluted NRV per share	EPRA NRV divided by the number of ordinary shares in issue at the financial year end adjusted to include the effects of potential dilutive shares issuable under the Group's share option schemes and the convertible bonds	**4,301p**	4,138p
EPRA cost ratio (including direct vacancy costs)	Administrative and operating costs (including costs of direct vacancy) divided by gross rental income	**24.3%**	30.5%
EPRA net initial yield	Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the EPRA property portfolio, increased by estimated purchasers' costs	**3.3%**	3.7%
EPRA 'topped-up' net initial yield	This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent free periods (or other unexpired lease incentives such as discounted rent periods and stepped rents)	**4.4%**	4.8%
EPRA vacancy rate	Estimated rental value (ERV) of immediately available space divided by the ERV of the EPRA portfolio	**1.6%**	1.8%

EPRA SUMMARY CONTINUED

EPRA Measure	Definition	2021	2020
EPRA Sustainability Performance Measures			
Environmental Sustainability Performance Measures			
Total electricity consumption	Energy use across our total managed portfolio (landlord/common areas) – annual kWh	**7,953,114**	8,398,662
Like-for-like total electricity consumption	Energy use across our like-for-like portfolio (landlord/common areas) – annual kWh	**6,969,749**	6,983,150[1]
Total fuel consumption	Energy use across our total managed portfolio (landlord/common areas); a total of gas, oil and biomass consumption – annual kWh	**17,288,719**	18,069,846
Like-for-like total fuel consumption	Energy use across our like-for-like portfolio (landlord/common areas); a total of gas, oil and biomass consumption – annual kWh	**16,055,685**	15,455,312[1]
Building energy intensity	Energy use across our total managed portfolio (landlord/common areas) – kWh per m^2	**68.65**	72.47
Total direct greenhouse gas (GHG) emissions	Total managed portfolio emissions (landlord influenced portfolio emissions); a total of Scope 1 emissions – annual metric tonnes CO_2e	**3,173**	3,326
Total indirect greenhouse gas (GHG) emissions	Total managed portfolio emissions (landlord influenced portfolio emissions); Scope 2 energy-use - annual metric tonnes CO_2e	**1,678**	1,947
Like-for-like total direct greenhouse gas (GHG) emissions	Like-for-like emissions (landlord influenced portfolio emissions, building related only); Scope 1 energy use – annual metric tonnes CO_2e	**2,941**	2,842[1]
Like-for-like total indirect greenhouse gas (GHG) emissions	Like-for-like emissions (landlord influenced portfolio emissions, building related only); Scope 2 energy use – annual metric tonnes CO_2e	**1,470**	1,617[1]
Greenhouse gas (GHG) intensity from building energy consumption	Intensity (Scopes 1 & 2) per m^2/£m turnover/fair market value (reported in tCO_2e/m^2) – kg CO_2e/m^2/year	**0.013**	0.015
Total water consumption	Water use across our total managed portfolio (excluding retail consumption) – annual m^3	**102,168**	95,719
Like-for-like total water consumption	Water use across our like-for-like portfolio (excluding retail consumption) – annual m^3	**88,954**	88,335[1]
Building water intensity	Water use across our total managed portfolio (excluding retail consumption) – m^3/m^2/year	**0.29**	0.29
Total weight of waste by disposal route	Waste generated across our total managed portfolio – annual metric tonnes and proportion by disposal route	**1,157**	1,162
Like-for-like total weight of waste by disposal route	Waste generated across our like-for-like portfolio – annual metric tonnes and proportion by disposal route	**695**	777[1]

1 Prior year restated to reflect a change in methodology of the like-for-like portfolio. See the EPRA Reporting section in our 2021 Annual Responsibility Report for full explanation.

EPRA Measure	Definition	
Social Performance Measures		
Employee gender diversity	Percentage of male and female employees in the organisation's governance bodies (committee or boards responsible for the strategic guidance of the organisation)	See page 171
Gender pay ratio	Ratio of the basic salary and/or remuneration of men to women. As we have less than 250 employees we are not obliged by the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 to disclose our gender pay gap information	
New hires and turnover	Total number and rate of new employee hires and employee turnover during the reporting period	See page 56
Employee health and safety	Occupational health and safety performance with relation to direct employees	See page 63 and 66
Asset health and safety assessments	Proportion of assets controlled for which health and safety impacts have been reviewed or assessed for compliance or improvement	See page 63 and 66
Asset health and safety compliance	Any incidents of non-compliance with regulations and/or voluntary standards concerning the health and safety impacts of assets assessed during the reporting period	
Employees training and development	Average hours of training that the organisation's employees have undertaken in the reporting period	See the EPRA Reporting section in our 2021 Annual Responsibility Report
Employee performance appraisals	Percentage of total employees who received regular performance and career development reviews during the reporting period	
Community engagement, impact assessments and development programmes	Percentage of assets under operational control that have implemented local community engagement, impact assessments and/or development programmes	

Governance Performance Measures		
Composition of the highest governance body	Number of executive board members, number of independent/non-executive board members, average tenure of the governance body and number of independent/non-executive board members with competencies relating to environmental and social topics	See page 126, 127, 132, 139 and 140
Process for nominating and selecting the highest governance body	Nomination and selection process for the highest governance body and its members, and the criteria used to guide the nomination and selection process	See page 144 to 147
Process for managing conflicts of interest	Process for the highest governance body to ensure conflicts of interest are avoided and managed	See page 139

PRINCIPAL PROPERTIES
(UNAUDITED)

	Value banding £m	Offices (O), Retail/restaurant (R), Residential (Re), Industrial (I), Leisure (L)	Freehold (F), Leasehold (L)	BREEAM Rating	Approximate net area sq ft
West End: Central (61%)					
Fitzrovia[1] (33%)					
80 Charlotte Street W1[2]	200+	O/R/Re	F	Excellent	349,400
1-2 Stephen Street & Tottenham Court Walk W1	200+	O/R/L	F	Very Good	266,200
250 Euston Road NW1	100-200	O	F		165,900
90 Whitfield Street W1	100-200	O/R/Re	F		108,900
Holden House, 54-68 Oxford Street W1	100-200	O/R	F		90,600
Henry Wood House, 3-7 Langham Place W1	50-100	O/R/L	L		79,900
Middlesex House, 34-42 Cleveland Street W1	50-100	O	F	Very Good	65,700
Network Building, 95-100 Tottenham Court Road W1	50-100	O/R	F		64,200
Charlotte Building, 17 Gresse Street W1	50-100	O	L		47,200
88-94 Tottenham Court Road W1	50-100	O/R	F		45,900
80-85 Tottenham Court Road W1	25-50	O/R	F		44,500
Rathbone Studios, 3-10 Rathbone Place W1	25-50	O/R/Re/L	L/F		42,500
60 Whitfield Street W1	50-100	O	F		36,200
43 and 45-51 Whitfield Street W1	25-50	O	F		30,900
1-5 Maple Place and 12-16 Fitzroy Street W1	0-25	O	F		20,300
171-174 Tottenham Court Road W1	0-25	O/R	F		16,200
76-78 Charlotte Street W1	0-25	O	F		11,100
50 Oxford Street W1[3]	0-25	O/R	F		6,100
Victoria (9%)					
Horseferry House, Horseferry Road SW1	100-200	O	F		162,700
Greencoat and Gordon House, Francis Street SW1	100-200	O	F		138,600
1 Page Street SW1	100-200	O	F	Excellent	127,800
Francis House, 11 Francis Street SW1	0-25	O	F		52,600
6-8 Greencoat Place SW1	25-50	O	F		32,400
Paddington (7%)					
Brunel Building, 2 Canalside Walk W2	200+	O/R	L	Excellent	243,400
Soho/Covent Garden (7%)					
Soho Place W1	200+	O/R/L	L	*Outstanding, *Excellent	285,000
Bush House, South West Wing, Strand WC2	25-50	O	F		103,700
Baker Street/Marylebone (3%)					
19-35 Baker Street W1	100-200	O/R/Re	L	*Outstanding, *Very Good	298,000
Baker Street JV with Lazari Investments (50% share) 38-42, 54-60 & 66 Baker Street W1		O/R	L		61,000
Mayfair (2%)					
25 Savile Row W1	50-100	O/R	F	Very Good	43,000

	Value banding £m	Offices (O), Retail/restaurant (R), Residential (Re), Industrial (I), Leisure (L)	Freehold (F), Leasehold (L)	BREEAM Rating	Approximate net area sq ft
West End: Borders/other (8%)					
Islington/Camden (7%)					
Angel Building, 407 St. John Street EC1	200+	O/R	F	Excellent	268,300
4 & 10 Pentonville Road N1	50-100	O	F	Very Good	53,400
Holford Works, Cruikshank Street WC1	25-50	O/I	F		41,600
401 St. John Street EC1	0-25	O	F		12,300
Brixton (1%)					
Blue Star House, 234-244 Stockwell Road SW9	25-50	O/R	F		53,400
City: Borders (30%)					
Old Street (12%)					
White Collar Factory, Old Street Yard EC1	200+	O/R/Re	F	Outstanding, Excellent, Very Good	291,400
1 Oliver's Yard EC1	100-200	O/R	F		186,000
The Featherstone Building, 66 City Road EC1	50-100	O/R	F	*Outstanding	125,000
Clerkenwell (10%)					
20 Farringdon Road EC1	100-200	O/R/L	L		166,300
88 Rosebery Avenue EC1	100-200	O	F		103,700
Morelands, 5-27 Old Street EC1	50-100	O/R	L	Outstanding	88,700
Turnmill, 63 Clerkenwell Road EC1	50-100	O/R	F	Excellent, Very Good	70,300
19 Charterhouse Street EC1	50-100	O	F		63,700
5-8 Hardwick Street and 161 Rosebery Avenue EC1	25-50	O	F		34,000
151 Rosebery Avenue EC1	0-25	O	F		24,900
3-4 Hardwick Street EC1	0-25	O	F		11,800
Shoreditch/Whitechapel (8%)					
Tea Building, 56 Shoreditch High Street E1	200+	O/R/L	F		271,100
The White Chapel Building E1	100-200	O/L	F		273,700
Provincial (1%)					
Scotland (1%)					
Strathkelvin Retail Park, Bishopbriggs, Glasgow	25-50	R/L	F		325,500
Land, Bishopbriggs, Glasgow	25-50	–	F		5,500 acres

[1] Includes North of Oxford Street
[2] Excludes sold residential
[3] Includes 36-38 and 42-44 Hanway Street W1
* On-track for Post-Completion target
( ) Percentages weighted by valuation

Tech Belt (42%)

LIST OF DEFINITIONS (UNAUDITED)

Better Buildings Partnership (BBP)
The BBP is a collaboration of the UK's leading commercial property owners who are working together to improve the sustainability of existing commercial building stock.

Building Research Establishment Environmental Assessment Method (BREEAM)
An environmental impact assessment method for non-domestic buildings. Performance is measured across a series of ratings; Pass, Good, Very Good, Excellent and Outstanding.

Capital return
The annual valuation movement arising on the Group's portfolio expressed as a percentage return on the valuation at the beginning of the year adjusted for acquisitions and capital expenditure.

Carbon emissions Scopes 1, 2 and 3
Scope 1 – direct emissions;
Scope 2 – indirect emissions; and
Scope 3 – other indirect emissions.

CDP
The CDP is an organisation which works with shareholders and listed companies to facilitate the disclosure and reporting of climate change data and information.

Company Voluntary Arrangement (CVA)
An insolvency procedure allowing a company with debt problems or that is insolvent to reach a voluntary agreement with its creditors to repay its debt over a fixed period.

Department for Environment, Food and Rural Affairs (DEFRA)
The government department responsible for environmental protection, food production and standards, agriculture, fisheries and rural communities in the United Kingdom.

Diluted figures
Reported results adjusted to include the effects of potential dilutive shares issuable under the Group's share option schemes and the convertible bonds.

Earnings/earnings per share (EPS)
Earnings represent the profit or loss for the year attributable to equity shareholders and are divided by the weighted average number of ordinary shares in issue during the financial year to arrive at earnings per share.

Energy Performance Certificate (EPC)
An EPC is an asset rating detailing how energy efficient a building is, rated by carbon dioxide emission on a scale of A-G, where an A rating is the most energy efficient. They are legally required for any building that is to be put on the market for sale or rent.

Estimated rental value (ERV)
This is the external valuers' opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.

European Public Real Estate Association (EPRA)
A not-for-profit association with a membership of Europe's leading property companies, investors and consultants which strives to establish best practices in accounting, reporting and corporate governance and to provide high quality information to investors. EPRA's Best Practices Recommendations includes guidelines for the calculation of the following performance measures which the Group has adopted.

- EPRA earnings per share
  Earnings from operational activities.

- EPRA net reinstatement value (NRV) per share
  NAV adjusted to reflect the value required to rebuild the entity and assuming that entities never sell assets. Assets and liabilities, such as fair value movements on financial derivatives are not expected to crystallise in normal circumstances and deferred taxes on property valuation surpluses are excluded.

- EPRA net tangible assets (NTA) per share
  Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.

- EPRA net disposal value (NDV) per share
  Represent the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.

- EPRA cost ratio (including direct vacancy costs)
  EPRA costs as a percentage of gross rental income less ground rent (including share of joint venture gross rental income less ground rent). EPRA costs include administrative expenses, other property costs, net service charge costs and the share of joint ventures' overheads and operating expenses (net of any service charge costs), adjusted for service charge costs recovered through rents and management fees.

- EPRA cost ratio (excluding direct vacancy costs)
  Calculated as above, but with an adjustment to exclude direct vacancy costs.

- EPRA net initial yield (NIY)
  Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the EPRA property portfolio, increased by estimated purchasers' costs.

— EPRA 'topped-up' net initial yield
This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and stepped rents).

— EPRA vacancy rate
Estimated rental value (ERV) of immediately available space divided by the ERV of the EPRA portfolio.

In addition, the Group has adopted the following recommendation for investment property reporting.

— EPRA like-for-like rental income growth
The growth in rental income on properties owned throughout the current and previous year under review. This growth rate includes revenue recognition and lease accounting adjustments but excludes properties held for development in either year and properties acquired or disposed of in either year.

Fair value adjustment
An accounting adjustment to change the book value of an asset or liability to its market value.

Global Real Estate Sustainability Benchmark (GRESB)
The Global Real Estate Sustainability Benchmark is an initiative set up to assess the environmental and social performance of public and private real estate investments and allow investors to understand their performance.

Ground rent
The rent payable by the Group for its leasehold properties. Under IFRS, a liability is recognised using the discounted payments due. Fixed lease payments made are allocated between the interest payable and the reduction in the outstanding liability. Any variable payments are recognised in the income statement in the period to which it relates.

Headroom
This is the amount left to draw under the Group's loan facilities (i.e. the total loan facilities less amounts already drawn).

Interest rate swap
A financial instrument where two parties agree to exchange an interest rate obligation for a predetermined amount of time. These are generally used by the Group to convert floating rate debt to fixed rates.

ISS-Oekom
ISS-Oekom is an ESG rating service that provides corporate and country ESG research and ratings that enables its clients to identify material social and environmental risks and opportunities.

Key Performance Indicators (KPIs)
Activities and behaviours, aligned to both business objectives and individual goals, against which the performance of the Group is annually assessed. Performance measured against them is referenced in the Annual Report.

Leadership in Energy and Environmental Design (LEED)
LEED is a US based environmental impact assessment method for buildings. Performance is measured across a series of ratings – Certified, Silver, Gold and Platinum.

Lease incentives
Any incentive offered to occupiers to enter into a lease. Typically the incentive will be an initial rent-free or half rent period, stepped rents, or a cash contribution to fit-out or similar costs.

Loan-to-value ratio (LTV)
Drawn debt net of cash divided by the fair value of the property portfolio. Drawn debt is equal to drawn facilities less cash and the unamortised equity element of the convertible bonds.

Managed portfolio
This is the reporting portfolio we use to measure and report our environmental data e.g. utility usage, waste generated and carbon emissions. The properties within this portfolio are directly managed by the Group i.e. we have operational control.

Mark-to-market
The difference between the book value of an asset or liability and its market value.

MSCI Inc. (MSCI)
MSCI Inc. is a company that produces independent benchmarks of property returns. The Group measures its performance against both the Central London Offices Index and the UK All Property Index.

National Australian Built Environment Rating System (NABERS)
This is a building performance rating system which provides an energy performance benchmark using a simple star rating system on a 1-6 scale. This helps property owners understand and communicate a building's performance versus other similar buildings to occupiers. Ratings are validated on an annual basis.

NAV gearing
Net debt divided by net assets.

Net assets per share or net asset value (NAV)
Equity shareholders' funds divided by the number of ordinary shares in issue at the balance sheet date.

Net debt
Borrowings plus bank overdraft less cash and cash equivalents.

Net interest cover ratio
Net property income, excluding all non-core items divided by interest payable on borrowings and non-utilisation fees.

Property income distribution (PID)
Dividends from profits of the Group's tax-exempt property rental business under the REIT regulations.

Non-PID
Dividends from profits of the Group's taxable residual business.

LIST OF DEFINITIONS CONTINUED

Real Estate Investment Trust (REIT)
The UK Real Estate Investment Trust ("REIT") regime was launched on 1 January 2007. On 1 July 2007, Derwent London plc elected to convert to REIT status.

The REIT legislation was introduced to provide a structure which closely mirrors the tax outcomes of direct ownership in property and removes tax inequalities between different real estate investors. It provides a liquid and publicly available vehicle which opens the property market to a wide range of investors.

A REIT is exempt from corporation tax on qualifying income and gains of its property rental business providing various conditions are met. It remains subject to corporation tax on non-exempt income and gains e.g. interest income, trading activity and development fees.

REITs must distribute at least 90% of the Group's income profits from its tax exempt property rental business, by way of dividend, known as a property income distribution (PID). These distributions can be subject to withholding tax at 20%.

If the Group distributes profits from the non-tax exempt business, the distribution will be taxed as an ordinary dividend in the hands of the investors (non-PID).

Renewable Energy Guarantees of Origin (REGO)
The REGO scheme administered by Ofgem provides transparency to consumers about the proportion of electricity that supplier's source/provide from renewable generation.

Rent reviews
Rent reviews take place at intervals agreed in the lease (typically every five years) and their purpose is usually to adjust the rent to the current market level at the review date. For upwards only rent reviews, the rent will either remain at the same level or increase (if market rents are higher) at the review date.

Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDORs)
The regulations place a legal duty on employers to report work-related deaths, major injuries or over-three-day injuries, work-related diseases and dangerous occurrences (near miss accidents) to the Health and Safety Executive.

Reversion
The reversion is the amount by which ERV is higher than the rent roll of a property or portfolio. The reversion is derived from contractual rental increases, rent reviews, lease renewals and the letting of space that is vacant and available to occupy or under development or refurbishment.

Science Based Target initiative (SBTi)
The Science Based Targets initiative (SBTi) is a collaboration between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). The SBTi defines and promotes best practice in science-based target setting and independently assesses and approves companies' targets. Science-based targets provide companies with a clearly defined pathway to future-proof growth by specifying how much and how quickly they need to reduce their greenhouse gas emissions.

Scrip dividend
Derwent London plc sometimes offers its shareholders the opportunity to receive dividends in the form of shares instead of cash. This is known as a scrip dividend.

Streamlined energy and carbon reporting (SECR)
The SECR regulations were introduced in April 2019 and require companies incorporated in the UK to undertake enhanced disclosures of their energy and carbon emissions in their financial reporting.

Task Force on Climate-related Financial Disclosures (TCFD)
Set up by the Financial Stability Board (FSB) in response to the G20 Finance Ministers and Central Bank Governors request for greater levels of decision-useful, climate-related information; the TCFD was asked to develop climate-related disclosures that could promote more informed investment, credit (or lending), and insurance underwriting decisions. In turn, this would enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks.

'Topped-up' rent
Annualised rents generated by the portfolio plus rent contracted from expiry of rent-free periods and uplifts agreed at the balance sheet date.

Total property return (TPR)
Total property return is a performance measure calculated by the MSCI and defined in the MSCI Global Methodology Standards for Real Estate Investment as 'the percentage value change plus net income accrual, relative to the capital employed'.

Total return
The movement in EPRA net tangible assets per share on a diluted basis between the beginning and the end of each financial year plus the dividend per share paid during the year expressed as a percentage of the EPRA net tangible assets per share on a diluted basis at the beginning of the year.

Total shareholder return (TSR)
The growth in the ordinary share price as quoted on the London Stock Exchange plus dividends per share received for the year, expressed as a percentage of the share price at the beginning of the year.

Transmission and distribution (T&D)
The emissions associated with the transmission and distribution losses in the grid from the transportation of electricity from its generation source.

Underlying portfolio
Properties that have been held for the whole of the year (i.e. excluding any acquisitions or disposals made during the year).

Underlying valuation increase
The valuation increase on the underlying portfolio.

Unmanaged portfolio
This is the portfolio of single-let properties where we have no operational control. We do not report environmental data from this portfolio.

Yields
- Net initial yield
  Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased by estimated purchasers' costs.

- Reversionary yield
  The anticipated yield to which the net initial yield will rise once the rent reaches the estimated rental values.

- True equivalent yield
  The constant capitalisation rate which, if applied to all cash flows from the portfolio, including current rent, reversions to valuers' estimated rental value and such items as voids and expenditures, equates to the valuation having taken into account notional purchasers' costs. Rent is assumed to be received quarterly in advance.

- Yield shift
  A movement in the yield of a property asset, or like-for-like portfolio, over a given year. Yield compression is a commonly-used term for a reduction in yields.

COMMUNICATION WITH OUR SHAREHOLDERS

Shareholder enquiries
Enquiries relating to shareholders, such as queries concerning notification of change of address, dividend payments and lost share certificates, should be made to the Company's registrars, Equiniti.

The Company has a share account, management and dealing facility for all shareholders via Equiniti Limited. This offers shareholders secure access to their account details held on the share register, to amend address information and payment instructions directly, as well as providing a simple and convenient way of buying and selling the Company's ordinary shares. For internet services visit: **www.shareview.co.uk**

The Shareview Dealing service is also available by telephone on +44 (0) 3456 037 037 between 8.00am and 4.30pm, Monday to Friday (excluding public holidays in England and Wales).

The best way to ensure that dividends are received as quickly as possible is to instruct the Company's registrars to pay them directly into a bank or building society account; tax vouchers are then mailed to shareholders separately. This method also avoids the risk of dividend cheques being delayed or lost in the post. Dividend mandate forms are available from the registrars, either from their website at: **www.shareview.co.uk** or by telephone on the Equiniti general shareholder helpline number.

Advisers

Stockbrokers	JP Morgan Cazenove
	UBS
Solicitors	Slaughter & May LLP
Auditor	PricewaterhouseCoopers LLP
Registrars	Equiniti Limited

Financial and dividend calendar – 2022
Our forthcoming financial and dividend calendar for 2022 is provided below. These dates are provisional and subject to change. For up to date information, refer to the financial calendar on our corporate website at: **www.derwentlondon.com/investors/calendar**

Financial calendar

Final results announced	24 February
Q1 Business update	05 May
Annual General Meeting	13 May
Interim results announced	11 August
Q3 Business update	03 November

Dividend calendar

	Final dividend	Interim dividend
Ex-dividend date	28 April	08 September
Record date	29 April	09 September
Dividend paid	01 June	14 October

Website
Financial information about the Company, including annual reports, public announcements and share price data, is available from the Company's website at: **www.derwentlondon.com**

Our Registrars
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United Kingdom

Equiniti general shareholder helpline:
Calling from the UK: 0371 384 2192
Calling from overseas: +44 (0) 121 415 7047
Lines are open 8.30am to 5.30pm, Monday to Friday (excluding public holidays in England and Wales)

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AWARDS AND RECOGNITION

Derwent London won numerous awards for its achievements and buildings in 2021, a sample of which are shown below.

EPRA Gold for Annual Report

Britain's Most Admired Companies – sector winner and 38th overall

FTSE4Good – Member since 2003

EPRA Sustainability Reporting Awards 2021 – Gold award

GRESB (Global Real Estate Sustainability Benchmark) 2021 – score of 81, Greenstar status, 'A' rated public disclosure

CDP – Management C rating

MSCI

ISS Oekom

NES

PwC's Building Public Trust

CGI annual report of the year

EG company of the year

Designed and produced by
Brunswick Creative
www.brunswickgroup.com

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It is made from FSC® certified and other controlled material.
Printed sustainably in the UK by Pureprint, a Carbon Neutral company with FSC® Chain of custody and ISO 14001-certified environmental management system recycling 100% of all dry waste.

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