

# CREATING VALUE THROUGH OUR BUSINESS MODEL AND STRATEGY

Our business model employs five strategic objectives in order to deliver the Group's principal objective.

## OUR PRINCIPAL OBJECTIVE

TO DELIVER ABOVE AVERAGE LONG-TERM RETURNS FOR OUR SHAREHOLDERS AND LONG-TERM VALUE FOR OTHER STAKEHOLDERS

## OUR STRATEGIC OBJECTIVES

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## OUR DISTINCTIVE APPROACH

### PEOPLE AND CULTURE

#### Experienced management

The management team sets the culture of the business and, by using its experience of the property cycle, identifies the strategic priorities that will best deliver long-term value to stakeholders.

#### Dedicated teams

We have teams that specialise in our core activities of acquisitions/disposals, leasing, development, asset management and finance that work flexibly and collaboratively.

#### Culture

We have an open and collegiate culture that engenders creativity and innovation.

### FOCUS

#### On central London

We concentrate on the markets we know best, and our knowledge helps us to find relative value and to identify up-and-coming areas. We have created a number of property clusters and substantial parts of our portfolio will benefit from the opening of Crossrail in 2018, or are located in the Tech Belt. We have avoided the core City office market which is dominated by financial services as we consider it to be more cyclical.

#### On good design

We look at each building individually and in the context of its location. We believe that good architecture helps create demand, and that it is important to be innovative and continually improve quality. These attributes have helped develop the Derwent brand.

#### On sustainability

We expect to have a positive impact on the areas surrounding our buildings and ensure that schemes are efficient, sustainable and not over specified.

### RELATIONSHIPS

#### With third party professionals

Over many years we have built up good relationships with third party professionals, who share our passion and help us achieve our objectives.

#### With occupiers

An active relationship with our occupiers helps inform our views and can create new letting opportunities. We offer a wide range of office accommodation, rental levels and lease structures.

#### With communities

We work closely with local communities to ensure that our actions respond to their needs and expectations, and benefit the local environment.

#### With investors

We work hard to maintain good communications with our shareholders and funders.

## MEASURING OUR PRINCIPAL OBJECTIVE

Our success in achieving this is measured by total shareholder return (TSR) and total return (TR).

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	Derwent London	Benchmark	Outperformance
TSR	24.5%	11.4%	13.1%
TR	23.0%	18.7%	4.3%

[Q Page 20 for more on delivery of our strategy](#)

### OUR DISTINCTIVE APPROACH



### THE OUTCOMES

**We create long-term value for our stakeholders:**

#### SHAREHOLDERS

Above average long-term returns for shareholders

#### EMPLOYEES

Benefit from a rewarding environment in which they are valued and developed to fulfil their potential

#### LOCAL COMMUNITIES

Benefit from the regenerative effects of redevelopment and investment

#### OCCUPIERS

Benefit from high quality and sustainable space that meets their needs

### MEASUREMENT

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**PERFORMANCE MEASURED BY OUR KPIs**

## CAREFUL GOVERNANCE AND RISK MANAGEMENT

### Property cycle

For REITs, market conditions naturally change as a result of the property cycle. We aim to increase our development risk and activity while reducing financial leverage into a rising property market. Ideally, our lowest leverage is near the peak and our maximum leverage near the floor. History shows that this is hard to get absolutely right and so we continually monitor the market, particularly after a long period of growth, to ensure that our strategy is consistent with our view of the cycle.

### Group perspective

Although all properties are treated individually, decisions are taken in the context of the Group as a whole. This is to ensure that there is the relevant balance between income and development, that the scale and pace of development activity is appropriate to the larger Group, that the longer-term growth potential remains intact and that the Group has the financial resources to adapt to different market conditions.

### Long-term perspective

From its very origins Derwent London has had a vision to become a significant and active London landlord. This reinforces our commitment to quality, allows us to look beyond initial returns for long-term gains, and to build good relationships with occupiers, communities and local authorities.

### Governance

The Group's attitude to good governance reflects its culture which is shaped by the Board. Its approach to risk management revolves around its risk register, which reflects the Group's risk appetite statement.