Our approach to risk

The successful management of risk is critical for the Group to deliver its strategic priorities. Whilst the ultimate responsibility for risk management rests with the Board, the effective day-to-day management of risk is integral to the way we do business and the culture of our team.

Our attitude to risk is one of collective responsibility, with the identification and management of risks and opportunities being part of the mindset of the GPE team. Our organisational structure, including close involvement of senior management in all significant decisions and in-house management of our development, portfolio and occupational service activities, together with our prudent and analytical approach, is designed to align the Group's interests with those of shareholders.

Setting and monitoring our 'risk appetite'

The Group's overarching risk appetite is set in the context that we focus on a single market, that of central London, operating out of a single head office within close proximity to all of our activities. Central London's real estate markets have historically been highly cyclical and, as a result, we apply a disciplined approach to our capital allocation and managing our operational risk, in particular our development exposure, in tune with prevailing market conditions. Furthermore, we aim to operate with low financial risk by maintaining conservative financial leverage.

We use a suite of key operational parameters as an important tool to set and then measure the Group's risk profile. These parameters consider, amongst other matters, the Group's size, financial gearing, interest and fixed charge cover, level of speculative and total development exposure, level of Flex exposure and single asset concentration risk. These parameters are revisited annually as part of the Board's strategy review and reviewed at each Board meeting. We monitor the Group's actual and forecast position over a five-year period against these parameters.

We set a target risk position for each of our principal risks to determine whether the net risk position of each principal risk is within the Board's risk appetite level, and to determine any appropriate risk response.

Our risk culture and how we manage our risks

Our overarching risk management process comprises four main stages, as summarised in the diagram below. We believe that effective management of risk is based on a 'top-down' and 'bottom-up' approach with appropriate controls and oversight, as outlined on page 65, which include:

- our strategy setting process;
- the quality of our people and culture;
- established procedures and internal controls;
- policies for highlighting and controlling risks;
- oversight by the Board, Committees and management; and
- ongoing review of market conditions and the property cycle.

Moreover, risk management is an integral part of all our activities. We consider risks and, more positively, where these might also provide opportunities, as part of every business decision we make, including how they would affect the achievement of our strategic priorities and the long-term performance of our business.

Six-monthly assessment of principal and emerging risks, opportunities and effectiveness of controls

As part of a robust assessment of the principal and emerging risks facing the Group, at the half-year and year end, the Executive Committee, Audit Committee and Board formally review the Group's principal and emerging risks, including those that would threaten its business model, future performance, solvency or liquidity and reputation. Importantly, part of this review is the consideration of:

- the internal operational controls in place to mitigate the principal risks, how key controls have operated in the preceding six months and additional activities and controls to further reduce risks where desirable, including any instances where net risk assessments may exceed the target risk position;
- consideration of any emerging risks and opportunities; and
- the Board's ongoing monitoring of these risks.

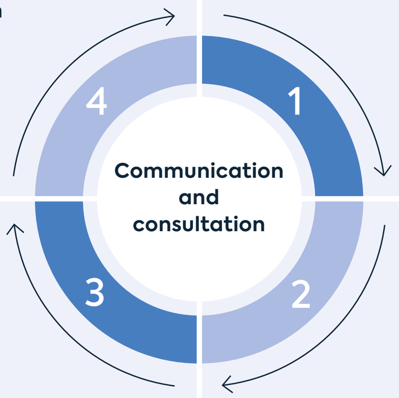
Whilst emerging risks and opportunities are considered as part of this formal six-monthly assessment, the Board spends additional time at scheduled Board meetings on 'blue sky' thinking and consideration of possible emerging risks. Executive Committee members are tasked to provide a summary in their regular Board updates of the three 'things' concerning and exciting them the most. We also ask our Heads of Department the same question to continually challenge ourselves as to how we should evolve. Emerging risks are also considered by the Board as part of its annual strategy review. While risks relating to structural market changes and short- and medium-term climate change are considered within our principal risks, we have also spent time this year discussing emerging risks across a number of themes such as long-term climate change, evolving building and fire safety requirements, advances in technology, de-globalisation, geopolitical tensions, evolving working patterns and behaviours, economic policies, energy security and the impacts of increasing regulatory burden.

Risk monitoring, reporting and escalation

- Risks documented, reported and monitored on a regular basis by management, Executive Committee, Audit Committee and Board
- New risks and significant changes to risk profiles escalated as appropriate

Risk identification

- Identification and description of significant and emerging risks that could affect GPE's key objectives
- Risks categorised with assignment of accountabilities and executive ownership of principal risks



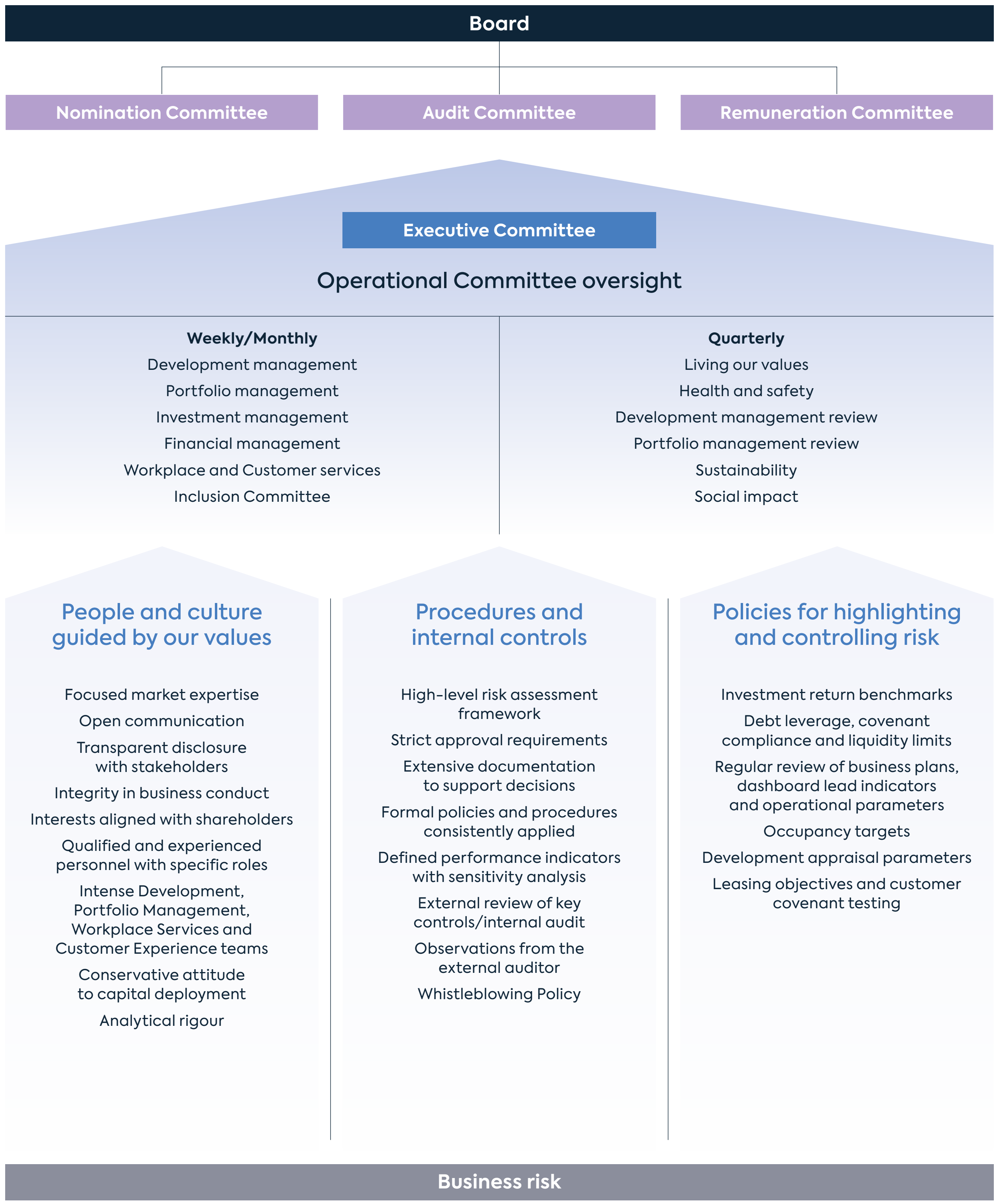
Risk response

- Appropriate response determined with reference to risk appetite
- Risk response may include Treat, Transfer, Terminate or Tolerate

Risk assessment

- Potential impact and likelihood of risk assessed using defined criteria
- Principal risks assessed on a gross, net and target risk basis

Board oversight of risk



Our approach to risk continued

As macro uncertainty has prevailed across the global landscape, including heightened UK political and economic instability in the latter part of 2022, the Board and the Audit Committee have overseen the Company's response to the challenging macro environment, including rising inflation, interest rates and property yields, and supply chain pressures. This has included actions taken to mitigate risks but also to position GPE to take advantage of the opportunities arising from uncertain markets.

The Board and Audit Committee continue to monitor macro-economic and political risks, including those risks arising from Russia's invasion of Ukraine and geopolitical tensions, as well as the UK's evolving international trade arrangements and their potential impacts on the UK economy, our operations and London's attractiveness. Further details on market impacts can be found in 'Our markets' on pages 21 and 22 and our viability assessment on page 78.

As the impacts of COVID-19 have abated and the emphasis of our risks landscape has transitioned from pandemic to macro-economic uncertainty, we have taken the opportunity to reframe, consolidate and simplify the descriptions of certain principal risks where considered appropriate, while amending some risk descriptions to reflect how they have evolved over the past 12 months. Save for introducing a standalone 'Adverse macro-economic environment' risk, as explained below, and the consolidation of certain risks, the risks to the business, at a high level, remain broadly unchanged from the previous year.

Key changes include the following:

– given the heightened instability of the macro and geopolitical environment, 'Adverse macro-economic environment', which previously formed part of the 'London attractiveness' risk, has been introduced as a standalone principal risk, also incorporating the previous year's related risk of 'Property market dislocation and its impact on financial leverage'. The increased risk of customer and supplier failure in a challenging economic environment has also been more explicitly referenced in the risk description;

– global investor appetite for commercial real estate and offices can impact our markets, activities and returns, and is an important consideration in our investment decisions. The risk of reduced investor appetite adversely impacting returns has therefore been incorporated within our 'Poor capital allocation decisions and/or misreading market conditions' risk;

– given the extent to which structural retail changes have already occurred, and are already reflected in property valuations, our principal retail risk is now thought to primarily relate to the macro-economic environment impacting consumer spending and the demand for, profitability and value of retail space. Our previous standalone retail risk has therefore been incorporated within the new 'Adverse macro-economic environment' risk;

Net risk heatmap

Principal risk

1 Failure to meet customer needs
2 Climate change and decarbonisation
3 London attractiveness
4 Adverse macro-economic environment
5 Poor capital allocation decisions and/or misreading market conditions
6 Failure to profitably deliver the development programme
7 People
8 Health and safety
9 Cyber security & infrastructure failure
10 Failure to profitably deliver the Flex Strategy

Risk severity

Low Medium High 1 **Net risk rating** as assessed after existing controls and mitigation

– as the impacts of COVID-19 have subsided, pandemic is no longer considered to be a standalone principal risk for the Company at the current time. However, we recognise that a future pandemic could reduce people's appetite to travel to, work and shop in London and therefore impact the demand for, and value of, our buildings. The risk of pandemic has therefore been incorporated into our 'London attractiveness' risk. That risk has additionally been expanded to include the risks to London's attractiveness arising from political uncertainty, government policies and the potential disruption of energy supplies;

– as well as ensuring that our buildings have the necessary sustainability and energy performance credentials to minimise our carbon impacts, we must ensure they are resilient to the impacts of climate change, and this has now been expressly referenced in our 'Climate change and decarbonisation' risk;

– to simplify the risk register, our 'Planning' risk has now been incorporated into the wider 'Failure to profitably deliver the development programme' risk, of which it is a sub-risk;

– as we scale-up our operational activities, having the right organisational structure is an important factor in GPE being able to deliver its strategy and this has now been reflected in our 'People' risk. The recruitment of additional skills and capabilities, together with our team reorganisation, has helped to mitigate our 'People' risk during the year; and

– we continue to assess and manage the potential impacts of new building and fire safety regulations, including under the Building Safety Act 2022, which has now been referenced in our 'Health and safety' risk.

A description of the Group's principal risks, and a summary of the key controls and steps taken to mitigate those risks, is shown on pages 68 to 77. The risks are not set out in priority order. Given the above changes to our principal risks, along with the recalibration of our risk rating criteria in the year, the risk movements do not show the year-on-year assessment changes of each risk but instead reflect the Board's view of the directional change of the re-framed risks over the period.

The likelihood and impact of each principal risk is assessed on a gross, net (taking account of the Group's existing controls and mitigations) and target risk basis (to determine whether the net risk position is within the Board's appetite level). The net risk assessment for each principal risk is shown on the heatmap on page 66.

The Board's ongoing monitoring of the Group's principal risks and controls

Ongoing monitoring of our principal risks and controls by the Board is undertaken through:

– relatively low levels of authority for transactions requiring Board approval, with investment transactions and development approvals requiring, amongst other matters, consideration of the impact on financial leverage, interest cover and portfolio risk/composition;

– the Executive Committee's oversight of all day-to-day significant decisions;

– the Chief Executive reporting on the market conditions dashboard, operational parameters and sustainability, as appropriate, at each scheduled Board meeting;

– members of the Executive Committee regularly providing a review of the development programme, occupational markets and key property matters to the Board;

– the Chief Financial & Operating Officer reporting on Group forecasts, including actual and prospective leverage metrics, HR, Flex, customer experience and marketing matters, cyber and IT initiatives and social impact matters at scheduled Board meetings;

– the Executive Director reporting on the customer watch list and delinquencies, voids and vacancy rates, health and safety matters and new business opportunities at scheduled Board meetings;

– the Executive Directors communicating with the Board on any significant market and operational matters between Board meetings;

– senior managers attending the Board and Committee meetings as appropriate to discuss specific risks either across the business, such as sustainability, health and safety, people and cyber, or relating to transactions;

– the Audit Committee meeting with the valuers at least twice a year to better understand market conditions and challenge the assumptions underlying the valuation; and

– the Audit Committee receiving internal audit reports on key risk and control areas and observations from the external auditor.

Our approach to risk continued

How we manage principal risks and uncertainties

Principal risk	Strategic priorities	How we monitor and manage risk	Directional travel of net risk movement over the last 12 months	Commentary
Failure to meet customer needs				
We fail to identify and react effectively to shifting patterns of workspace use and/or understand and provide spaces that meet quickly evolving customer needs, including potential longer-term structural changes in working and/or retail practices that change the level and nature of demand for space in central London. This could lead to GPE failing to deliver space and lease terms that customers want and/or an inappropriate mix of Flex versus traditional space, resulting in poor investment returns, potentially stranded assets and losing customers to competitors.	1 Progress sustainability and innovation agenda 2 Enhance portfolio through sales and acquisitions 3 Deliver on our Flex ambition 4 Embed our Customer First approach 5 Deliver and lease the committed schemes 6 Prepare the pipeline	– HQ repositioning and Flex office strategy to meet evolving customer demand. – Quarterly review of individual property business plans and the market more generally. – Portfolio Management, Leasing, Flex and Customer Experience quarterly updates to the Executive Committee with reporting at scheduled Board meetings. – Board and management review of GPE's flexible space offer across the portfolio, including broadening our product offer. – The Group's in-house Customer Experience and Workspace Services teams have proactive engagement with customers to understand their occupational needs and requirements with a focus on retaining income, including through meetings and regular customer surveys which help us track our Net Promoter Score. – Programme of engagement for members of the Executive Committee to meet with a selection of customers across the portfolio at least once a year. – Working with potential customers to address their needs and aspirations during design stages of projects. – Board and management oversight of the development and implementation of our Innovation Strategy and related initiatives. – Design (supported by a specialist fit-out team) and innovation activities in the areas of sustainability, technology, wellbeing and experience. – Customer First programme and strategy in place, with dedicated leadership and newly adopted customer relationship management system, to further strengthen GPE's customer insight and Customer First approach across the business. Customer service proposition and Standards in place to ensure consistency when delivering the strategy. – Board annual strategy review, including market updates received from third parties.	Decreased	With hybrid working here to stay, and customers having more choices about where they work, our spaces need to provide compelling reasons to come into the office. With average office rents only c.5% – 10% of a typical London business' salary cost, and the office environment a key tool in attracting and retaining talent, we anticipate that competition for the very best spaces will remain healthy. We continue to witness a growing divergence between the prospects of the best spaces versus the rest, and we believe this is set to widen further as customers seek out sustainable and well designed, prime spaces, of which there is a marked shortage, particularly in the West End. Our strategy of focusing on the best spaces, both through our development of large, best-in-class HQ buildings and smaller fitted units, often with higher service levels, is underpinned by the need to meet the evolving demands of our customers. To ensure we are delivering the spaces our customers want, we have continued to develop our Customer First approach and embed this into our culture and across our business operations. This has included, amongst other things, a refresh of our Fully Managed branding, the reorganisation and strengthening of our teams with new hires and promotions, and the launch of our new customer service proposition and associated service standards. Testament to our approach, we had a record leasing year, completing 105 new leases and renewals, and securing £55.5 million of rent at a 3.3% premium to March 2022 ERVs, whilst continuing the successful roll-out of our flexible space offering. We continue to design and innovate in the areas of sustainability, technology, wellbeing and service provision. During the year, we expanded our flexible offerings in line with quickly evolving customer demand, including the further roll-out of our Fully Managed offer, and our ambition has now grown. Together with planned acquisitions, we are aiming to expand our Flex office offering to more than one million sq ft over the next five years. A close relationship with our customers is vital to our success. We were very pleased by this year's independent customer satisfaction survey, which updated our understanding of how our customers view their buildings and the services we provide. Encouragingly, our Net Promoter Score remained high at +44.0, significantly above the industry average.
Climate change and decarbonisation				
The need to decarbonise our business increases the cost of our activities through the need to retro-fit buildings to improve their sustainability credentials (e.g. minimum energy efficiency standards and building ratings) and make them resilient to the impact of climate change. This also reduces our ability to redevelop due to planning restrictions, increased regulation and stakeholder expectations, the increased cost of low carbon technology/materials (including utilisation of the circular economy) and potentially the pricing of carbon. Failure to meet the climate challenge could impact our ability to raise capital, deliver buildings, reduce the demand for the buildings we own, cause significant reputational damage and result in exposure to environmental activism and potentially stranded assets.	1 Progress sustainability and innovation agenda 2 Enhance portfolio through sales and acquisitions 4 Embed our Customer First approach 6 Prepare the pipeline	– Regular Board and Executive Committee review of Sustainability Policy and response to climate risk. – Sustainability Committee meets quarterly to consider strategy in respect of climate change-related risks. Its Portfolio and Development sub-committees meet regularly and report to the Sustainability Committee on progress. – Social Impact Committee meets quarterly to oversee the delivery of our Social Impact Strategy. – Dedicated Sustainability and Social Impact Director on the Executive Committee supported by Sustainability Leads. – Design Review Panel reviews design brief for all buildings to ensure that forthcoming sustainability risks are considered. – Sustainable Spaces Brief and Sustainability Strategy in place with climate resilience strategy. – Net Zero Carbon Roadmap with embodied carbon targets established and approved by the Board. Decarbonisation Fund established to support energy efficiency retro-fitting in existing buildings. – ESG-linked RCF and annual bonus measures for Executive Committee members to support delivery of decarbonisation within the business. – Programme of ESG investor engagement in place, with regular review of reporting requirements and participation in investor indices. – Steering group to assess, manage and monitor EPC risks across the portfolio both to estimate compliance costs and to inform our buy, hold and sell strategy and decisions. – Participation in industry bodies to influence policy and drive innovation.	No change	With the built environment contributing approximately 40% of the UK's carbon footprint and the climate change debate being both a moral and economic imperative, particularly for our customers and other stakeholders, we have been further expanding our sustainability commitments and activities. Our original Statement of Intent was launched in 2020 and set out our approach to sustainability. Since then, our approach and thinking has developed considerably. In our recently released version 2.0, we set out progress we have made to date and updated and repositioned our Climate Resilience pillar, whilst continuing to prioritise reducing our carbon emissions in line with our stated goal, under our Roadmap to Net Zero, to reach net zero carbon by 2030. Together with our Statement of Intent, we also published Our Brief for Creating Sustainable Spaces, which sets out how we will meet our commitments as we design, construct, fit out and operate our spaces. The brief is designed to support us as we respond to climate risk and the opportunities connected with the transition to a low carbon economy. Our Sustainable Finance Framework governs our potential future debt issuance, with the aim of financing projects that have a positive environmental and/or social impact. This builds on our ESG-linked revolving credit facility, which includes targets to reduce embodied carbon from our new developments and major refurbishments by 40% and to improve biodiversity net gain across our portfolio by 25%, in each case by 2030. The rate of interest we pay on this facility depends on our performance against these targets. Furthermore, sustainability targets have been included within the objectives of many of our senior executives and are being used to assess levels of remuneration. Good progress has been made against the 2022/23 annual targets, as set out on pages 17, 40 and 41. We continue to work to improve the number of our buildings rated for their sustainability credentials. The UK government has previously announced its intention that all buildings will require an Energy Performance Certificate (EPC) rating of B or above by 2030. We estimate that 80%–90% of London's buildings do not currently meet this standard. As a result, we have created individual asset plans to proactively improve our EPC ratings to meet government and broader stakeholder expectations, to assess potential exposures and inform our hold/sell strategies. Furthermore, we expect the sustainability challenge to provide us with potential opportunities to acquire orphaned assets needing a sustainability solution. For further details of how we are innovating to develop sustainable spaces, see pages 10, 38 and 39.

Our approach to risk continued

How we manage principal risks and uncertainties continued

Principal risk	Strategic priorities	How we monitor and manage risk	Directional travel of net risk movement over the last 12 months	Commentary
London attractiveness				
London's appeal may be impacted by reduced appetite to travel to, work and shop in London due to changes in working patterns, changes in government policies or political instability, the rise of alternative destinations for international trade, the impact of civil unrest, terrorism, a pandemic, the impact of long-term climate change (including risk of flooding), disruption to energy supplies and/or the relative expense of operating in London. This results in reduced international capital flows into London, leading to a lack of investment and/or capital flight, lower leasing demand and elevated vacancy, decreasing income, asset values and development viability.	2 Enhance portfolio through sales and acquisitions 3 Deliver on our Flex ambition 4 Embed our Customer First approach 5 Deliver and lease the committed schemes 6 Prepare the pipeline	– Board annual strategy review with regular economic and market updates received from third parties. – Strategic financial forecasts are updated prior to each Board meeting with scenario planning for different economic cycles and eventualities. – Regular review of strategic priorities and transactions in light of the Group's dashboard of lead indicators and operational parameters. – Key London indicators are monitored to help inform GPE's view of London's recovery following COVID-19. – The impacts of international trading relationships, supply chain disruption and geopolitical issues continue to be monitored and reported to the Executive Committee and Board. – Active participation in industry groups to promote London. – Business Continuity Plan in place to manage our response to a major incident or disruption.	No change	London generates around a quarter of UK GDP and is one of the world's leading commercial, creative and financial centres, with a deep pool of talent. It has one of the world's largest commercial real estate markets, with around 440 million sq ft of office and retail property attracting a deep and diverse mix of customers and property investors, many from overseas. London's markets are also highly liquid and London remains one of the leading global destinations for real estate investment due to its combination of relative value, strong legal system, time zone advantages, international connectivity and a welcoming attitude to global businesses. Whilst London has quickly recovered from the pandemic with West End footfall and tourism nearing pre-pandemic levels, and whilst the risk of an imminent recession is fading, the outlook for macro-economic conditions remains unclear. Factors such as the UK's global trading relationships, the impact of geopolitical tensions, supply chain disruption, lower GDP forecasts, inflationary pressures, increasing interest rates and rising costs of living still weigh on sentiment. However, London is resilient, our leasing activity remains robust, and with business activity and optimism recovering in recent months, we believe that its attraction as a global cultural and business centre is undiminished.
Adverse macro-economic environment				
Adverse macro-economic conditions driven by events such as geopolitical tensions, UK political instability or government policy, challenging international trading relationships and supply chain disruption results in weakened UK GDP growth and risk of recession. Increased inflation (including energy prices), materially higher interest rates and reduced consumer spending impair investor and occupier demand, increase customer and supplier failure, curtail income and reduce asset values and returns. As a result, GPE's financial leverage increases and potentially results in limited availability of capital and/or a breach of our banking covenants.	2 Enhance portfolio through sales and acquisitions 3 Deliver on our Flex ambition 4 Embed our Customer First approach 5 Deliver and lease the committed schemes 6 Prepare the pipeline	– Regular review of financing and capital structure, including gearing levels, by the Chief Financial & Operating Officer and Executive Committee. – Board annual strategy review including regular economic and market updates received from third parties. – Strategic financial forecasts are updated prior to each scheduled Board meeting with scenario planning for different economic cycles and eventualities. – Regular review of strategic priorities and transactions in light of the Group's dashboard of lead indicators and operational parameters. – Regular review of current and forecast debt, hedging levels and financing ratios under various market scenarios. – The Group aims to maintain a consistent policy of conservative financial leverage. – Proactive balance sheet management. – Investor relations programme, with regular broker consultation, to build a supportive base in the event of future fundraisings. – The Group's funding measures are diversified across a range of bank and bond markets. Sustainable Finance Framework in place for future debt issuances. – Selection of customers, contractors and suppliers based on creditworthiness and close monitoring of rent and service charge collection rates.	Increased	The challenging macro-economic environment persisted over the course of the financial year as the economic bounceback from the pandemic faded, and the geopolitical tensions put pressure on international supply chains and energy prices. This was compounded by heightened UK political and economic instability during autumn 2022. The resultant impact on inflation and interest rates continues to be felt, however, consensus forecasts suggest that the UK will narrowly miss recession in 2023, and recent confidence metrics demonstrate growing optimism. Despite this backdrop, our property values were resilient, reducing by 6.6% over the year driven by the impact of rising interest rates on property yields. Whilst values were down, GPE delivered another record leasing year and our portfolio performance was well ahead of our central London benchmarks. Encouragingly, our office ERVs continued to grow, up 3.3% in the year, reflecting the continued shortage of high quality space across our markets. Our retail portfolio saw values and ERVs decline by 4.5% and 1.5% respectively. However, despite this decline, our retail leasing velocity was strong as footfall levels and consumer spending approached pre-pandemic levels and the outlook is improving. Over the long term, real estate markets have historically been cyclical, and London has been no exception to this. As a result, we have consistently adopted a conservative approach to financial leverage. As at 31 March 2023, our property LTV was 19.8%, net gearing was 24.0% and interest cover was 10.2 times. As a result, we have substantial headroom above our Group debt covenants. We estimate property values could fall around 58% before Group debt covenants could be endangered, even before factoring in mitigating management actions. The Group also has significant financial capacity with liquidity of £457 million (including joint ventures), comprising unrestricted cash of £21 million and undrawn committed credit facilities of £436 million.

Our approach to risk continued

How we manage principal risks and uncertainties continued

Principal risk	Strategic priorities	How we monitor and manage risk	Directional travel of net risk movement over the last 12 months	Commentary
Poor capital allocation decisions and/or misreading market conditions				
We make poor decisions regarding the allocation of capital and/or fail to adequately read market conditions (including global investor appetite for commercial real estate and offices) such that our leasing, buying, selling or development activities deliver inadequate investment returns, restrict our ability to finance our operations or result in inappropriate asset concentration, building mix and/or level of development undertaken as a percentage of the portfolio.	1 Progress sustainability and innovation agenda 2 Enhance portfolio through sales and acquisitions 3 Deliver on our Flex ambition 4 Embed our Customer First approach 5 Deliver and lease the committed schemes 6 Prepare the pipeline	– Board annual strategy review including regular economic and market updates received from third parties. – Strategy review forecast on an asset-by-asset basis to provide a business plan for each individual property which is subsequently reviewed against the performance of the business as a whole. – Strategic financial forecasts are updated prior to each scheduled Board meeting with scenario planning for different economic cycles. – Regular reviews conducted of individual property IRRs, including quarterly review of individual property dashboards, and market generally. Quarterly review of asset-by-asset business plans to assess future performance and to inform hold/sell decision making. – Weekly investment meetings held and regular dialogue maintained with key intermediaries. – Portfolio Management, Flex, Customer Experience, Development and Leasing quarterly updates to the Executive Committee with reporting at scheduled Board meetings. – Regular review of property cycle by reference to a dashboard of lead indicators. – Dedicated in-house team with remit to research submarkets in central London, seeking the right balance between investment and development opportunities for both current and prospective market conditions. – Detailed due diligence processes for all prospective acquisitions/capital expenditure to help ensure appropriate returns.	No change	We continue to assess potential acquisition opportunities across central London and regularly review the forward-look performance of our portfolio to maximise returns. During the year, we crystallised our development profit on the sale of 50 Finsbury Square, EC2 and sold 6/10 Market Place, W1. We also purchased 2 Cathedral Street, SE1 to augment our HQ repositioning of Minerva House, SE1 and 6/10 St Andrew Street, EC4, to expand our growing Flex offer, further supplemented by our recent acquisitions of Bramah House, SE1 and 141 Wardour Street, W1 in May 2023. We expect further acquisition opportunities to emerge over the coming year. During the year, following the pre-let of all of the offices to Clifford Chance LLP, we committed to the development of 2 Aldermanbury Square, EC2. The cost to complete the scheme is £265.2 million, and we anticipate completion in December 2025. We have a further three development schemes in our near-term pipeline which, together with our expected Flex conversions and wider refurbishment plans, form our significant £0.8 billion capex programme which is designed to deliver significant new space into a market with limited supply of high quality space.
Failure to profitably deliver the development programme				
We fail to translate the development pipeline and current committed schemes into profitable developments. This may result from poor development management (including of supply chain disruption, the impacts of inflation or adverse yield movements), an increasingly challenging planning and regulatory environment, failure to agree acceptable terms with freeholders/adjoining owners/other stakeholders, poor timing of activity and/or inappropriate products for an evolving market and customer needs (including sustainability expectations). This results in reduced development activity, weak leasing performance, reputational damage and reducing property returns.	1 Progress sustainability and innovation agenda 2 Enhance portfolio through sales and acquisitions 4 Embed our Customer First approach 5 Deliver and lease the committed schemes 6 Prepare the pipeline	– Strategic financial forecasts are updated prior to each scheduled Board meeting with scenario planning for different economic cycles. – Development management quarterly updates to the Executive Committee with reporting to each scheduled Board meeting. – Regular review of portfolio mix and asset concentration. Adjustment of the portfolio as appropriate through undertaking acquisitions and/or development projects in joint venture or forward funding. – Regular meetings with key cost advisers, main contractors and subcontractors to monitor market conditions. Procurement routes and when to fix prices kept under close review. – Prior to committing to a development, the Group conducts a detailed financial and operational appraisal process which evaluates the expected returns from a development in light of likely risks. During the course of a development, the actual costs and estimated returns are regularly monitored to signpost prompt decisions on project management, leasing and ownership. – Regular pipeline review meetings between the Development and Portfolio Management teams and quarterly asset review sessions. – Selection of contractors and suppliers based on their track record of delivery and creditworthiness, corporate responsibility and sustainability credentials. – Post-completion reviews undertaken through Final Appraisal process on all developments to identify best practice and areas for improvement. – Regular, proactive engagement with key stakeholders: working closely with agents, potential customers, and purchasers to identify and address their needs and aspirations, including in respect of safety, sustainability, wellbeing and technology during the planning application and design stages; regular meetings with local authorities, planning officers and experienced planning advisers; early engagement with local residents and community groups, adjoining owners and freeholders. – The Group's Design Review Panel reviews design briefs for all buildings for sustainability considerations. All our major developments are subject to an appropriate sustainability rating requirement. – Regular review of the prospective performance of individual assets and their business plans with joint venture partners.	Increased	We currently have one committed development scheme on-site, 2 Aldermanbury Square, EC2, set to deliver 322,600 sq ft of high quality space, and targeting net zero carbon and BREEAM 'Excellent'. The office element of the building is 100% pre-let, and due for completion in late 2025. We have recently committed to the refurbishment 6/10 St Andrew Street, EC4 to supplement our growing Fully Managed offer, with completion expected in August 2024. Beyond this, the Group is preparing a further six schemes set to deliver more than 1.1 million sq ft across the coming decade, which are being designed to meet the highest standards of sustainable design, embrace technology and provide a variety of adaptable and flexible working environments. During the year, we completed the development of 50 Finsbury Square, EC2, which was verified as our first net zero carbon development eight years ahead of our sustainability target. Despite a challenging macro-economic backdrop, we sold the building in October 2022 for a market-beating yield, achieving a headline sale price of £190.0 million. Given the inflationary backdrop and the impact of rising interest rates on property yields, we continue to monitor development viabilities, including construction pricing and the resilience of supply chains, and we are working closely with our suppliers to mitigate this risk as we plan to embark on the remainder of our near-term programme. To successfully deliver our developments, we work closely with both local authorities and communities to secure planning consents to create great new sustainable spaces, helping London to thrive. We aim to engage with local authorities in an open, transparent and non-adversarial manner. Having obtained planning permission at French Railways House & 50 Jermyn Street, SW1, we are currently awaiting the outcomes of our planning applications at Minerva House and New City Court, both SE1, which are expected over the summer. In line with our Social Impact Strategy, as a matter of course, we liaise with community stakeholders to understand their needs and, where possible, we will adjust our proposals to take account of comments received. We use planning performance agreements with the local planning authority to ensure that our planning applications are determined in a timely manner. Moreover, sustainability is becoming ever more important in the planning process, with key local authorities declaring climate emergencies. We will look to work with them to support their principles of 'good growth' and continue to evolve our strategies for reducing the carbon footprint of our development activities.

How we manage principal risks and uncertainties continued

Principal risk	Strategic priorities	How we monitor and manage risk	Directional travel of net risk movement over the last 12 months	Commentary
People				
Failure to attract, incentivise and retain high quality, suitably diverse and experienced individuals negatively impacts our ability to deliver our strategic objectives and has a detrimental impact on our values and inclusive culture. Additionally, failure to design and implement the right organisational structure (structure, skills, resourcing levels) will impede our ability to achieve our strategic objectives.	3 Deliver on our Flex ambition 4 Embed our Customer First approach 5 Deliver and lease the committed schemes 6 Prepare the pipeline	– Regular review is undertaken of the Group's resourcing requirements, performance management, talent review and succession planning. – The Group has a competitive and attractive employee value proposition that is strongly linked to performance and values and a formal six-monthly appraisal system to provide regular assessment of individual performance. – Regular benchmarking of remuneration and non-financial packages to ensure they remain competitive in the market. – Personal development planning and ongoing training support for employees, together with focused initiatives to nurture potential successors, including mentoring and coaching programmes. – Clear articulation of GPE values and behaviours which are embedded in key people practices. We place strong emphasis on creating an inclusive culture, supported by the work of our Inclusion Committee and four employee-led impact groups. – Board, Nomination and Executive Committee oversight of our People Plan and diversity and inclusion strategy. – Hybrid Working Policy to give employees appropriate flexibility to perform their roles. – Focus on people engagement with regular two-way communication and responsive employee-focused activities.	Decreased	The motivation of our people and maintaining our strong inclusive culture remains fundamental to the delivery of our strategic priorities. The strength of our values and appeal of our culture was highlighted with our most recent employee pulse survey showing 85% of our people would 'recommend GPE as a great place to work'. While slightly down from the prior year, our most recent engagement scores remain very favourable. We continue to develop our talent from within, including making several internal promotions to our senior management team. We have also reorganised our teams and enhanced our skills and capabilities to support the delivery of our Customer First approach. We continue to progress our diversity and inclusion strategy, which forms an integral part of our People Plan. During the year, the Board and Nomination Committee have continued to oversee the implementation of key initiatives and the setting of clear representation targets across the Group. See pages 57 and 103 for further details. The physical and mental wellbeing of our people remains a key priority, and we have offered financial support to team members on lower salaries during the cost of living crisis, along with wider support across the organisation. We seek to be a caring and supportive employer with a comprehensive Wellbeing Programme to support physical and mental health with a focus on de-stigmatising the reality of mental health challenges. We have trained mental health first aiders and have introduced innovative tools to support the mental health of our employees and family members. We have continued our Board Engagement Programme to enable the Board to listen and respond to feedback from employees and to discuss important matters impacting the business. During the year, we launched four new Employee Impact Groups to strengthen our engagement and feedback from under-represented groups, overseen by our Inclusion Committee. We continue to focus on growing the breadth, depth and diversity of our talent, providing focused development support where needed in an inclusive environment. While our employee retention rate for the year was high at 83.5%, retention and incentivisation remain important areas of focus under our People Plan.
Health and safety				
A health and safety incident (including by our contractors) results in loss of life, significant injury or widespread infection, and financial and/or reputational damage to GPE. Furthermore, significant changes in health and safety and fire safety regulations (including pursuant to the Building Safety Act 2022) and practice, driven by government intervention following events such as Grenfell, increase compliance and development costs and/or risks of non-compliance.	1 Progress sustainability and innovation agenda 4 Embed our Customer First approach 5 Deliver and lease the committed schemes 6 Prepare the pipeline	– Quarterly Health and Safety Committee meetings are held, with formal quarterly reporting on health and safety to the Executive Committee and regular reporting to the Board, including on progress against our Health and Safety Strategy. – Regular health and safety site checks are undertaken by Executive Committee members, the senior leadership team, the Development and Project Management teams and third parties, along with regular senior leadership tours of buildings. – Pre-qualification and competency checks are undertaken for contractors and consultants with contractor management processes in place. – Formal reporting on near misses/significant incidents and accidents. – Proactive health and safety KPIs to monitor and track performance and drive behaviours. – Annual external cycle of health and safety, fire safety and water safety audits. – Online health and safety risk management system in place for the business. – Comprehensive golden thread of fire safety management procedures in place. – Activities are undertaken to monitor and raise employee awareness and understanding of health and safety matters, including through employee engagement surveys. – Comprehensive health and wellbeing programme in place for employees with mental health first aiders and an employee assistance programme.	No change	We continue to focus on ensuring that we have a best-in-class and proactive health and safety culture. With the introduction of the Fire Safety Act and Building Safety Act, we have proactively strengthened our practices and procedures in response to new and anticipated requirements. We continue to monitor evolving regulation and assess its potential impact on our portfolio. The Group had one reportable accident during the year. Where accidents do occur, we work with our supply chain on accident investigation to understand lessons learned and opportunities for improvement, to consider how the work could have been set up differently and to understand how, as a client, we can better support our suppliers. We continue to undertake activities to raise employee awareness and understanding of health and safety requirements and have improved the monitoring of health and safety across the portfolio through the introduction of a set of proactive key performance indicators. In our most recent employee pulse survey, 91% of respondents agreed or strongly agreed that the organisation takes health and safety seriously.
Cyber security and infrastructure failure				
A cyber attack or infrastructure failure leads to business or network disruption within our portfolio or loss of information or personal and/or customer data. There is the potential for greater impact on Fully Managed customers, to which we provide increased infrastructure support, and high-risk customers. This results in litigation, reputational damage and/or financial or regulatory penalties.	1 Progress sustainability and innovation agenda 3 Deliver on our Flex ambition 4 Embed our Customer First approach 5 Deliver and lease the committed schemes	– IT and cyber security updates are regularly reported to the Executive Committee and the Board, which oversee the implementation of our three-year IT strategy adopted in March 2021. – Cyber security systems and controls are in place and regularly reviewed, with external support, against best practice. – A head office and portfolio IT risk register is maintained. – The Group's IT Disaster Recovery Plan is regularly reviewed and tested and recovery of data at an off-site recovery centre is tested during the year. – Regular testing of IT security is undertaken, including penetration testing of key systems. – The Group's data is regularly backed up and replicated. – The Group's Cyber Third Party Management and Security Policy and processes are designed to identify and control cyber-related risks arising from our third-party relationships. – Employee awareness training on cyber risk is undertaken regularly. – Cyber risk insurance is in place. – Each building has a bespoke Emergency Action Plan, maintaining appropriate systems to mitigate any infrastructure failure.	No change	Cyber security risk has remained elevated due to the rise in attempted cyber crime arising from geopolitical tensions, combined with greater reliance on technology and increased vulnerabilities created by remote and hybrid working. We have continued to invest time and resource into our cyber security measures, both in our head office and across our portfolio. The implementation of recommendations from a simulated cyber-attack exercise during the year, together with an internal audit cyber security review, has served to strengthen the design and operation of our controls. Our three-year IT Strategy is designed in part to further enhance our IT and cyber controls as we continue to innovate and digitise our business.

Our approach to risk continued

How we manage principal risks and uncertainties continued

Principal risk	Strategic priorities	How we monitor and manage risk	Directional travel of net risk movement over the last 12 months	Commentary
Failure to profitably deliver the Flex Strategy				
The failure to appropriately structure our activities, achieve appropriate pricing, maximise operational efficiencies or adequately control costs impacts the delivery of our Flex office strategy and our ability to generate appropriate risk-adjusted returns. Further, as we scale up our Flex office delivery and increase our focus on service provision, the failure by GPE and/or its service partners to deliver high quality service impacts customer satisfaction, demand and retention and asset values.	1 Progress sustainability and innovation agenda 2 Enhance portfolio through sales and acquisitions 3 Deliver on our Flex ambition 4 Embed our Customer First approach 5 Deliver and lease the committed schemes 6 Prepare the pipeline	– Board and management oversight of the development and implementation of the Flex business plan with regular review of Flex KPIs to monitor performance. – Board annual strategy review with regular market updates. – Quarterly Flex updates to the Executive Committee with reporting at scheduled Board meetings. – Dedicated Flex leadership and team in place under a new organisational structure with regular review of team skills and capabilities to support delivery. – Customer First Programme and Strategy in place to strengthen GPE's customer insight and Customer First approach. – Proactive customer engagement led by our dedicated Customer Experience and Workplace Services teams to ensure our customers' occupational needs are met. – Quarterly review of individual assets plans and the market generally. – Close management oversight of costs and services, including design and delivery. – Design (supported by a specialist fit-out team) and innovation activities in the areas of sustainability, technology, wellbeing and experience. New Flex Design Guidelines & Principles adopted to provide consistency and increase efficiencies across the portfolio. – Board and management oversight of our Innovation Strategy and related initiatives to support customer needs.	– No change	To profitably deliver our Flex Strategy and scale up our Flex operations, we have improved our ability to deliver this operationally intensive side of our business, control the associated cost base and generate appropriate risk-adjusted returns. We have also recruited additional expertise to focus on improving management information, budgeting, customer experience and delivery. During the year, including our Flex partnerships, we increased our committed Flex offerings across the portfolio, and they now total 414,000 sq ft (or approximately 21% of our office portfolio). This included rolling out our offering to three new buildings in the year, including at Wells & More, W1, as well as committing to the 42,700 sq ft refurbishment of 6/10 St Andrews Street, EC4 and the extensive refurbishment of Alfred Pace, WC1. In total, we signed £11.8 million of new leases in our Flex space, which included 17 Fitted and 14 Fully Managed leases at a combined 10.8% ahead of March 2022 ERV. We continue to evolve our operating model and closely monitor costs and prospective risk-adjusted returns as we refine our offer. A Flex management pack with operational KPIs has been further developed to monitor performance and maximise returns. To date, we remain encouraged by the leasing performance and feedback we have had for our products, which was reflected in this year's independent customer satisfaction survey, where our Net Promoter Score remained high, particularly for our Flex offers. The ongoing development of our Customer First programme is designed to ensure continuous feedback and provide valuable insight to help us deliver the type and quality of services our customers demand.